

Quarters Downtown CRL Extension - Financial Analysis

Preamble

The financial projections included in this attachment are preliminary and will be updated in a CRL Plan that is ultimately submitted for approval. Factors that will be updated for a final CRL Plan include:

- Interest rate assumptions
- Project cost estimates
- Cost escalation assumptions
- 2025 Assessment information
- 2024 year-end financials and debt projections
- Market value outlook
- Any new development proposals and information about their timing

CRL Plan Revenues

Table 1: Projected CRL Revenues

(millions)	Actuals: 2012-2024*	Projected CRL Remainder: 2025-2031	Projection for 20-year extension: 2032-2051	Total, 2012-2051
Low Revenue Scenario	\$50.5 Muni: \$39.2 Prov: \$9.5 Other*: \$1.8	\$57 Muni: \$46 Prov: \$11	\$288 Muni: \$232 Prov: \$56	\$396 Muni: \$317 Prov: \$77 Other: \$2
Medium Revenue Scenario	\$50.5 Muni: \$39.2 Prov: \$9.5 Other*: \$1.8	\$63 Muni: \$51 Prov: \$12	\$400 Muni: \$320 Prov: \$80	\$514 Muni: \$410 Prov: \$102 Other: \$2
High Revenue Scenario	\$50.5 Muni: \$39.2 Prov: \$9.5 Other*: \$1.8	\$66 Muni: \$53 Prov: \$13	\$478 Muni: \$381 Prov: \$97	\$594 Muni: \$473 Prov: \$120 Other: \$2

*non-CRL revenue including base tax levy and other funding

Table 2: CRL Revenue Scenario Assumptions

	Low	Medium	High
Square feet of residential space added, 2032-2051	1.2 million	2.1 million	2.7 million
Square feet of non-residential space added, 2032-2051	24,000	42,000	53,000

Attachment 3

Cumulative Market Value Change, 2025-2028	-13% to +4%	-5% to +10%	+6% to +12%
Annual Market Value Change, 2029-2051	1.5-2.0%	2.0-3.0%	2.5-3.0%

CRL Plan Costs

Cost estimates for each Catalyst Project are provided in Attachment 1. Cost estimates included represent Administration's best estimate of the project cost as of 2024. However, these figures are estimates only and are not binding or limiting. The projects have undertaken various degrees of design and planning. The estimates do not prevent Council from approving additional funds to these projects if costs to implement the project exceed these estimates.

Capital vs. Operating Expenses

It is anticipated that the majority of CRL projects will be debt-financed. Exceptions include the Attainable Housing Incentive program, Pulse Points, and per cent for art obligations. These projects are operational and would be funded out of CRL revenues in the current year, which may result in a draw upon CRL reserves. The total cost of these operating expenses, plus project office costs beyond 2031 is estimated to be \$36 million.

Projected Borrowings and Repayment

The cost of borrowing associated with this Plan includes interest charges. The costs of borrowing are estimated based on actual borrowing costs initiated between 2014 and 2024, and estimated borrowing costs for projects with approved funding, and potential future projects. Debt drawings will be made to match actual capital expenditures and minimize interest costs.

Borrowing for Projects with Approved Funding

At the end of 2023, \$90 million has been borrowed in order to implement the Catalyst Projects. The total borrowing costs associated with these projects will be \$115 million.

Projects for which funding has been approved, but borrowing will begin in 2024 or later, have a combined principal amount of \$9 million. The total principal and interest costs associated with these projects is estimated to be \$12 million.

Borrowing for Unfunded Projects

It is assumed that future borrowing will be structured so that the repayment terms do not extend beyond the expiry of the CRL.

The timing for implementation of the remaining projects that are unfunded as of 2024 depends on several factors, including, but not limited to, City Council budget approval, CRL revenue realized, and coordination with other construction in the area. The timing of borrowing for the remaining projects is subject to change.

The total estimated cost of borrowing based on 2024 assumptions is shown in Table 3.

Table 3: Projected Borrowing, Quarters Downtown CRL:

	Projects with approved funding	Future, unfunded CRL projects	Total of all recommended CRL Projects
Principal	\$99	\$184*	\$283
Interest	\$28	\$128	\$156
Total:	\$127	\$312	\$439

\$159 in 2024 dollars

CRL Reserve/Funding Shortfall

Debt servicing expenses associated with the Catalyst Projects exceeded annual CRL revenues in the initial years of the CRL, resulting in a temporary shortfall. To handle this temporary shortfall, the City of Edmonton has created a reserve for the CRL which accumulated a negative position each year that expenses exceeded revenues. The reserve will be repaid when annual CRL revenues in a given year exceed annual expenditures. If the CRL progresses as planned and reserves are fully repaid a positive reserve balance will accumulate.

As of 2024, no tax levy increases are planned to cover any temporary shortfalls.

The financial analysis that has been done for the proposed catalyst projects is based on assumptions and projections that are subject to change over time. Some or all of the CRL revenues may not be realized as planned. If the CRL revenues fall significantly short of expectations, the implementation of catalyst projects may be delayed.

If market value assessments do not increase and/or new developments do not occur as planned, lower revenues will be realized from the Community Revitalization Levy. If CRL revenues over 30 years are insufficient to repay borrowings associated with this plan, the CRL Reserve will be in a negative position at the end of the CRL period

in 2051. Ongoing municipal tax revenues generated within the CRL area will be applied to repay the reserve and then be released for general municipal purposes.

Overall Financial Projections

If all catalyst projects are implemented, over the entire 40 year duration of an extended CRL there would be sufficient revenue to cover all costs in the medium and high revenue scenarios, but there is projected to be a deficit in the low scenario. In the low scenario, there is projected to be a deficit of \$107 million. To avoid a deficit, project implementation will be phased so that spending can be curtailed if required.

In the medium scenario, there is a projected surplus of \$11 million. In the high scenario, there is a projected surplus of \$91 million. Note that these surpluses would not actually occur - once the CRL has collected enough revenue to cover remaining debt obligations, the CRL would terminate early.

Table 4 below assumes that all projects are funded. Projects may remain unfunded depending on the CRL’s financial position.

Table 4: Summary of Projected CRL Performance Metrics

	Low	Medium	High
Lowest Reserve balance over 40-year CRL term	(\$154M) in 2046	(\$106M) in 2038	(\$94M) in 2036
Surplus*/(deficit) over 40 year CRL term	(\$107M)	\$11M	\$91M
Year in which all debt obligations are paid	2058	2051	2049 (CRL ends early)

*Surplus calculation assumes CRL is collected through 2051. The CRL would end early once the CRL reserve can cover all remaining debt obligations.