

CAPITAL CITY DOWNTOWN COMMUNITY REVITALIZATION LEVY END DATE EXTENSION

Recommendation

That the March 5, 2025, Urban Planning and Economy report UPE02445, be received for information.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Urban Places		
City Plan Values	THRIVE		
City Plan Big City Move(s)	Catalyze and converge	Relationship to Council's Strategic Priorities	15-minute districts Economic Growth
Corporate Business Plan	Transforming for the future		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> Bylaw 16521 - City of Edmonton Capital City Downtown Community Revitalization Levy Bylaw 		
Related Council Discussions	<ul style="list-style-type: none"> November 21, 2023, Financial and Corporate Services Report FCS02052 Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget March 20, 2024, Urban Planning and Economy Report UPE02234 2024 Community Revitalization Levy Update - Downtown, the Quarters Downtown, Belvedere January 22, 2025, Financial and Corporate Services Report FCS02832, Winspear Expansion Project 		

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Previous Council/Committee Action

At the April 3, 2024, City Council meeting, the following motion was passed:

That Administration provide a report outlining the options, analysis and engagement with the Province to extend the end date for the Capital City Downtown Community Revitalization Levy beyond 2034, including a recommendation of new catalyst projects, including the Winspear Centre, and financial analysis for this extension, and return to Committee.

Executive Summary

- Extending the Capital City Downtown Community Revitalization Levy (CRL) by 10 years will allow the City to address barriers to redevelopment and accelerate investment in Downtown.
- A 10-year extension will generate an estimated \$705 million to \$976 million in revenue. Approximately 17 per cent of this revenue comes from the portion of the tax rate equivalent to the provincial property tax.
- This is sufficient to fund existing CRL projects plus seven new or amended catalyst projects, which have been identified based on feedback from interested parties and engagement with the provincial government.
- These projects may encourage development in the CRL Area, increase activity and vibrancy, advance the Economic Action Plan and The City Plan to achieve the objective of a Downtown residential population of 24,000.
- Extending the CRL is a multi-step process requiring provincial government approval of an amended Regulation and plan.

REPORT

Downtown Edmonton is the heart of the city; it gives Edmonton a sense of identity and is anchored by employment and residential housing, but continued investment is needed to reach our objective of a Downtown residential population of 24,000. An active and thriving downtown is key to supporting economic development, attracting new talent and capital, and helping to characterize and define the rest of the city. Downtown Edmonton is:

- An Employer: Has the highest concentration of jobs in the city
- A Major Tax Base: Approximately 5.2 per cent of Edmonton's total municipal property tax but less than one per cent of its area¹
- A Home: With nearly 13,000 residents living in the neighbourhood (though for a sustainable downtown this needs to more than double)
- A Connector: Edmonton is a transportation hub
- An Educator: Home to over 50,000 students annually (and this is growing)

¹ This tax base has been decreasing largely in recent years due to the implications of COVID-19, hybrid work.

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- A Source of Inspiration: Winspear Centre, Art Gallery of Alberta, Citadel Theatre, Stanley A. Milner Library, Royal Alberta Museum
- A Capital City: The heart of municipal and provincial governments
- A Place of Discovery: A primary destination for visitors

Community Revitalization Levy Background

Community Revitalization Levies (CRLs) are a financing tool created by the *Municipal Government Act* (MGA) to help municipalities by investing in infrastructure that addresses barriers to redevelopment and attracts private investment. They are intended to be used in areas that require unique approaches to catalyze development where all other redevelopment efforts have failed. They also provide long-term investment certainty, which the industry favours.

The *Municipal Government Act* requires that every CRL have a bylaw and a plan. The plan lays out the need for a CRL, identifies specific projects, provides estimated costs and includes a range of revenue projection scenarios. Only projects identified within a CRL plan may be funded by the CRL, and including a project in a CRL plan does not mean it will be funded. Because a CRL involves provincial school taxes, all CRL plans require authorization and approval from the provincial government. A municipality may only adopt a CRL bylaw if the provincial government creates a Regulation authorizing it. A CRL bylaw and plan is approved at a public hearing but does not take effect until approved by the provincial government.

When a plan is approved, a baseline property assessment is established for each property in the CRL area. The CRL revenue is made up of increases in property tax revenue above the baseline (both municipal and equivalent provincial school taxes) that result from new development and property value growth, for a period of up to 20 years. In essence, the infrastructure investments are repaid by the tax uplift of new developments in the CRL area.

The Downtown CRL - History and Current Situation

The Capital City Downtown CRL came into effect in 2015 and can remain in effect until 2034. It includes approximately half of the Downtown neighbourhood, as well as small portions of the Central McDougall and McCauley neighbourhoods (see Attachment 1 for a map). It enables the implementation of the Capital City Downtown Plan, creating a sustainable, vibrant, well-designed and accessible downtown that increases residential, commercial and cultural activities. To date, it has funded several catalyst projects, including most of the City's contribution to Rogers Place, Warehouse Park, Alex Decoteau Park, Stormwater servicing upgrades, the 103A Avenue Pedway, replacement of Harbin Gate, several streetscape improvements, including Jasper Avenue New Vision and upgrades to Centennial Plaza, Beaver Hills House Park and Michael Phair Park. These investments successfully attracted new investment and spurred development in Downtown Edmonton of over \$4.7 billion. This has included three new office towers (representing the largest expansion in office space since the 1980s) and more than 3,500 new residential units completed or under construction. In the five years before the CRL began, the Downtown neighbourhood had permits for an average of 134 units per year. In the first 10 years of the CRL (2015-2024), the average has been 351 units per year.

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However, large areas within the CRL remain undeveloped. The COVID-19 pandemic has significantly shifted how downtown is perceived and functions, particularly in the office sector. On top of this, construction and financing costs have sharply increased, which has resulted in significantly slower development activity since 2022.

Administration has consulted with interested parties in the development industry as well as community representatives to discuss barriers to development and downtown vibrancy. A full list of interested parties and a full summary of comments received is included in Attachment 2 - What We Heard.

Input from interested parties has been considered alongside policy direction, priorities, ongoing work across City departments and development projections to identify barriers to redevelopment and potential catalyst projects.

The current barriers to development can be grouped into supply-side issues (i.e. costs for developers) and demand-side issues (i.e. the number of people seeking to live or do business downtown).

Current supply-side barriers to development include:

- Construction costs have increased sharply in recent years
- Cost of utility upgrades. In some cases, they may make development cost-prohibitive
- Operating costs (Property taxes, utilities, insurance, etc.)

Current demand-side barriers to redevelopment include:

- Safety and security
- Availability of local amenities, including retail and recreation opportunities
- Attractiveness of downtown streets and public spaces

The current CRL Plan does not allow the City to fully address these challenges. First, the list of catalyst projects currently included in the Plan does not allow the City to make investments to overcome these development barriers. Second, the number of years remaining in the CRL is insufficient to generate enough revenue to fund these emerging projects. An extension and amendment of the Downtown CRL may address both these issues.

While the purpose of the CRL is to encourage development, the CRL itself is just one tool to affect change and direct City-led improvements to an area. The City Plan, District plans and statutory plans address land use and the overall development concept more comprehensively.

A CRL extension addresses specific catalyst project needs, which is just one component of a neighbourhood revitalization strategy. It is complemented by a supportive policy framework (e.g. Area Redevelopment Plan), focused funding of vibrancy initiatives and commitment to operational excellence. These broader issues should be examined further at the planning policy level, and through the upcoming Downtown Action Plan.

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Recommended Catalyst Projects

Administration believes the catalyst projects currently included in the CRL Plan should be retained in an amended and extended version. Some projects would receive recommended adjustments to the project scope or description to increase flexibility to meet current and future challenges. The full list of proposed catalyst projects, including cost estimates and rationale, is available in Attachment 3 - Recommended Catalyst Projects.

Five new catalyst projects are recommended and the scopes of two existing projects are recommended to be amended and expanded:

1. Event Park (additional information available in Attachment 4)
2. Village at Ice District Site Servicing (additional information available in Attachment 4)
3. Brownfield Remediation
4. Transit Infrastructure
5. Public Open Space Amenities and Placemaking
6. Attainable Housing program (amendment and expansion of existing Downtown Incentive Program, subject to expected new regulations or guidelines provided by the Government of Alberta)
7. Downtown Infrastructure Fund (amendment and expansion of existing Downtown Stormwater Drainage Servicing project)

A contribution to the Winspear Centre Expansion has not been included in this list, following the motion at the January 22, 2025, Executive Committee meeting to explore lending interim financing rather than making a direct funding contribution from the Downtown CRL. As noted in the January 22, 2025, Financial and Corporate Services report FCS02831, the Downtown CRL is not an ideal funding source for the Winspear Centre Expansion. Administration will continue to work with Winspear on elements of the project that may be eligible for CRL funding under the "Green and Walkable Downtown" project, currently estimated at \$2.7 million.

Financial Analysis and Risk - Costs

Adding new catalyst projects to a CRL plan does not necessarily result in additional spending. Spending only occurs if Council approves a budget for a project. Capital profiles or service packages for unfunded new or amended catalyst CRL projects in the amended Capital City Downtown Plan will only be brought forward for Council consideration as part of future budget adjustments based on approval of the amended regulation and plan by the province.

Attachment 5 - Downtown CRL Extension - Financial Analysis includes high-level cost estimates for all unfunded catalyst projects. Several of these projects have not been designed (or have only a high-level, conceptual design), so actual costs may vary significantly from what is listed.

The total cost of these projects depends on several variables, including inflation, interest rates, timing of expenditures and borrowing periods. With that uncertainty in mind, the estimated total

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cost of implementing all these projects, including principal, interest and project office costs would be approximately \$778 million.

Financial Analysis and Risk - Revenue

Based on the projected costs of catalyst projects, the revenue projection scenarios and discussions with the province, Administration recommends proposing a 10-year extension.

CRL revenue projections are based on several assumptions, including:

- Amount, type and timing of future development
- Changes in the market value of existing properties
- Changes in CRL Levy

There is uncertainty in all three of these factors, so projecting revenues to 2044 is highly speculative. High, medium and low revenue scenarios have been developed and are available in Attachment 5 - Downtown CRL Extension - Financial Analysis. These represent a plausible range of outcomes but should be treated with caution.

The majority of CRL revenues consist of the municipal portion of property taxes that would go to general revenues in the absence of a CRL. Historically, Council sets the CRL at a rate that allows the municipality to collect an amount set to equal what the province would collect in education tax. This is estimated to account for 17 per cent of all CRL revenues, with further detail in Attachment 5.

While a CRL extension may be projected to generate sufficient revenue to cover all or most catalyst projects before its expiry, that does not necessarily mean there is financial room in the CRL to fund new projects in the short term. Even without additional spending, CRL expenses are projected to exceed CRL revenues each year from 2025 to 2030. This would result in a draw on the CRL reserve, which has an estimated negative balance of -\$9.5 million as of December 31, 2024. Any new expenses, particularly operating or grant projects, will further worsen the reserve balance.

Extending a CRL delays the year in which the municipal equivalent of property taxes within the CRL returns to general revenue. If the CRL is not extended and no additional spending is approved, approximately \$54 million in annual revenue will return to general revenues in the mid-2030s.

If funded from the general tax levy instead of from the CRL, the cost to the City would be higher due to the City's historical practice of setting the CRL at an amount equal to the property tax amount including the provincial education component.

Extension/Amendment Process

Extending a CRL is a multi-step process involving both municipal and provincial approvals.

1. The municipality initiates discussions with the provincial government about the terms of an extension, including the rationale, length of the extension, new CRL projects and financial analysis.
2. The provincial government must amend the Regulation which authorizes the municipality to adopt the CRL to extend the expiry date. This review period may take several months.

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3. The municipality may then adopt a new CRL bylaw (and associated plan) at a public hearing. The bylaw and plan must be consistent with the initial application in Step 1.
4. The approved CRL bylaw must then be approved by the provincial government before it comes into effect.

Administration has begun discussions with the provincial government related to “Step 1” above. Some potential projects have been shared, but a finalized list of potential projects will only be officially proposed if directed by Council/Committee.

Next Steps

If Council would like to extend the CRL, Administration will formally ask the province to extend the Regulation of the Capital City Downtown CRL. As part of that request, Administration will share the Council-endorsed list of catalyst projects and timeline. The length of time required for provincial approvals is unknown, but past amendments have taken several months to process. Only once provincial approval is received can Council approve CRL funding for any new catalyst projects.

Legal Implications

The Province determines the duration of a CRL through individual CRL regulations. The Province may amend the term of a CRL by amending the Regulation. Section 381.2 allows the amendment to a CRL bylaw, but only with the approval of the Minister. The CRL Bylaw will include a CRL plan that must meet all the requirements for a plan found within the CRL Regulation. Amendment of the CRL Bylaw or plan requires a public hearing. The province is not required to approve either an amendment to the CRL Regulation or an amended CRL Bylaw.

Community Insight

Administration consulted with interested parties in the development industry and community representatives to discuss barriers to development and downtown vibrancy. Much of the engagement for the Downtown and Quarters Downtown was conducted together. A full list of interested parties and a full summary of comments received are included in Attachment 2 What We Heard. Although not part of formal engagement activities, Administration also reviewed the Downtown Investment Plan, which was co-authored by several industry groups and released in October 2024. Where appropriate, and within the constraints of CRL rules, the recommended approach to extending the CRL is aligned with the Downtown Investment Plan.

GBA+

Ideas identified as Community Revitalization Levy (CRL) catalyst projects will require further exploration to understand who benefits and how to ensure equitable planning and delivery. The City must weigh many variables to allocate its limited resources appropriately and equitably. Trade-offs are important to consider in a constrained financial environment. For example, equity-deserving communities often experience greater impacts due to funding decisions. Equity-deserving groups should be considered when large capital projects are planned and implemented, particularly if the project benefits only a small number of businesses or only main-stream populations.

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An in-depth exploration should be undertaken to understand the potential future tax uplift and economic benefit of developing catalyst projects (and who this benefits) versus funding programs or services that more directly and immediately serve equity-deserving populations. Catalyst projects must be assessed individually to determine their direct benefit or harm to equity-deserving communities.

Environment and Climate Review

The intensifying impacts of climate change, including infrastructure damage and threats to human and environmental health and safety, have been recognized as a key corporate risk. Integrating climate mitigation and adaptation measures into downtown revitalization projects offers an opportunity to enhance the long-term value and resilience of these investments. The proposed urban developments can align with the City's climate resilience and environmental management goals in the following ways:

- **Reducing GHG emissions** through catalyst projects that encourage active or public transportation, increase urban density and incorporate climate-resilient infrastructure design
- **Incorporating natural infrastructure** in the built environment to provide ecosystem services and wildlife habitat
- **Managing contaminated sites** as per the City's existing processes and standards

Attachment 6 - Environmental and Climate Expanded Review describes the key environment and climate interactions and how they align with The City Plan.

Attachments

1. Capital City Downtown Community Revitalization Levy Area Boundary
2. What We Heard Report
3. Recommended Catalyst Projects
4. Village at Ice District Site Servicing and Event Park
5. Downtown CRL Extension - Financial Analysis
6. Environment and Climate Expanded Review Section for UPE02445