

**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: 2015-2024	Projected CRL Remainder: 2025-2034	Projection for 10-year extension: 2035-2044	Total, 2015-2044
<b>Low Revenue Scenario</b>	<b>\$218</b> Muni: \$165 Prov: \$53	<b>\$444</b> Muni: \$355 Prov: \$89	<b>\$705</b> Muni: \$577 Prov: \$128	<b>\$1,367</b> Muni: \$1,097 Prov: \$270
<b>Medium Revenue Scenario</b>	<b>\$218</b> Muni: \$165 Prov: \$53	<b>\$497</b> Muni: \$401 Prov: \$96	<b>\$848</b> Muni: \$699 Prov: \$149	<b>\$1,564</b> Muni: \$1,266 Prov: \$298
<b>High Revenue Scenario</b>	<b>\$218</b> Muni: \$165 Prov: \$53	<b>\$541</b> Muni: \$439 Prov: \$101	<b>\$976</b> Muni: \$806 Prov: \$170	<b>\$1,735</b> Muni: \$1,410 Prov: \$325

**Table 2: CRL Revenue Scenario Assumptions**

	Low	Medium	High
<b>Square feet of residential space added, 2025-2044</b>	2.8 million	3.4 million	4.4 million

## Attachment 5

<b>Square feet of non-residential space added, 2025-2044</b>	280,000	280,000	280,000
<b>Assessment of Event Park</b>	\$0 taxable assessment	\$40 million taxable assessment	\$80 million taxable assessment
<b>Cumulative Market Value Change, 2025-2028</b>	-13% to +4%	-5% to +10%	+6% to +12%
<b>Retail valuations return to pre-pandemic levels by:</b>	2031	2029	2028
<b>Hotel valuations return to pre-pandemic levels by:</b>	2029	2027	2026
<b>Annual Market Value Change, 2029-2044</b>	1.5% - 2.0%	2.0% - 3.0%	2.5% - 3.0%
<b>Village @ Ice District Construction Timeline</b>	Two-year delay from the proposed schedule	One year delay from the proposed schedule	No delay from the proposed schedule

**\*excludes Arena (Rogers Place) and Event Park**

### **CRL Plan Costs**

Cost estimates for each Catalyst Project are provided in Attachment 2. Cost estimates 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 for these projects if the 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, Brownfield Remediation, and Percent for Art obligations. These projects are operating in nature 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 2035 is estimated to be \$81 million.

**Projected Borrowings and Repayment**

The cost of borrowing associated with this plan consists of interest charges. The cost of borrowing is estimated based on actual borrowing costs for borrowing 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 to minimize interest costs.

**Borrowing for Projects with Approved Funding**

At the end of 2023, \$380 million will have been borrowed to implement the catalyst projects. The total borrowing costs associated with these projects will be \$492.6 million.

Projects for which funding has been approved, but borrowing will begin in 2024 or later, have a combined principal amount of \$133.2 million. The total principal and interest costs are estimated to be \$168.8 million.

**Borrowing for Unfunded Projects**

It is assumed that future borrowing will have terms of 15, 10, or 5 years so that the repayment terms do not extend beyond the expiry of the CRL.

The timing for implementation of the remaining unfunded projects 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. As of 2024, it is assumed that the implementation of the remaining Catalyst Projects will be completed in 2041. Therefore borrowings would continue to be issued each year through 2041 as required, although as noted, this is subject to change.

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

**Table 3: Projected Borrowing, Downtown CRL:**

	Projects with approved funding	Future, unfunded CRL projects	Total of all recommended CRL Projects
Principal	\$513M	\$501M*	\$1,014
Interest	\$148M	\$196M	\$344
Total:	\$661M	\$697M	\$1,358

\*\$443 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 the 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 for the proposed catalyst projects is based on assumptions and projections that are subject to change over time. For this reason, there is a risk that 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 2044. Ongoing municipal tax revenues will be applied to fully repay the reserve and then be released for general municipal purposes.

### **Overall Financial Projections**

If all catalyst projects are implemented, over the entire 30-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 a projected deficit in the low scenario. In the low scenario, there is projected to be a deficit of \$164 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 \$33 million. In the high scenario, there is a projected surplus of \$204 million. Note that these surpluses would not 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.

## Attachment 5

Table 4: Summary of projected CRL performance metrics

	Low	Medium	High
Lowest Reserve balance over 30-year CRL term	(\$345M) in 2036	(\$278M) in 2035	(\$232M) in 2034
Surplus/(deficit) over 30-year CRL term	(\$164M)	\$33M	\$204M
Year in which all debt obligations are paid	2047	2044	2043 (CRL ends early)