

### Capital City Downtown Community Revitalization Levy - Financial Projections

#### Program Overview

The Capital City Downtown CRL Plan (Bylaw 16521) was adopted by Council on September 17, 2013, and approved by the Government of Alberta on April 16, 2014. On August 31, 2021, City Council approved Bylaw 19820, which amends the Capital City Downtown CRL Plan. Bylaw 16521 was approved by the Government of Alberta on January 26, 2022. The CRL Plan identifies a set of strategic infrastructure investments in the Downtown area (Catalyst Projects) that will accelerate the redevelopment of the area, attract new businesses, create a more complete and vibrant Downtown neighbourhood, encourage quality urban design and increase the use of Downtown amenities.

The CRL enables the City to apply both the municipal and an amount equivalent to the education tax levy to the incremental increase in assessed value over the baseline to pay for the debt servicing associated with the catalyst projects, other related costs and project office costs. The assessment baseline for the CRL is December 31, 2014.

On November 8, 2023, the provincial government renewed the Regulation that allows the City to implement the Downtown CRL. It will be in effect through 2034.

Annual program shortfalls will be transferred to the Downtown CRL reserve to be recovered through future CRL revenues. The CRL can remain in place for up to a maximum of 20 years from 2015 to 2034, the date that all borrowings are repaid or recovered from the revenues or an earlier date specified by the province.

#### Financial Update:

This attachment includes three sections:

**1) Current 20-year Revenue Projections**

Updated Low, Medium and High Revenue scenarios, and how they compare to projections that were previously shared with Council.

**2) Revenue Projections vs. Approved and Potential Expenditures**

A comparison of current revenue projection scenarios with expenditures related to approved CRL-funded projects and potential future CRL-funded projects.

Includes a description of assumptions used in developing the different revenue scenarios.

**3) Detailed Budget Projections**

Updated year-by-year budget projections for the Downtown CRL, based on the Medium Revenue Scenario.

**Current 20 year Revenue Projections**

The below chart compares the revenue projections for the Capital City Downtown CRL at three points in time. As part of the approval process each of the CRL Plans was required to show low, medium and high revenue scenarios.

Given the size and complexity of the Capital City Downtown CRL, Administration has continued to present low, medium and high scenarios. The medium scenario has been consistently used for budget and reporting purposes.

Projected Revenue (\$ millions)	Scenarios		
	High	Medium	Low
<b>Current Projection</b>	<b>\$689</b>	<b>\$663</b>	<b>\$630</b>
March 20, 2024 Urban Planning and Economy report UPE02234 Community Revitalization Levy Update - Downtown, The Quarters Downtown, Belvedere	\$787	\$679	\$632
Approved Capital City Downtown CRL Plan (September 2013)	\$1,156	\$941	\$597

**Current Revenue Projections vs. Approved and Potential Expenditures**

From 2014 to 2034 (entire life of the Capital City Downtown CRL)  
(\$millions)

	Revenue Scenario 1 HIGH (Note 1)	Revenue Scenario 2 MEDIUM (Note 2)	Revenue Scenario 3 LOW (Note 3)	Revenue Scenario 4 STRESS TEST (Note 4)
<b>Revenue</b>				
<b>CRL Revenue</b>	<b>\$689</b>	<b>\$663</b>	<b>\$630</b>	<b>\$576</b>
<b>Expenses</b>				
<u>Funded Project Costs</u>				
Debt Servicing for Funded Projects (Note 5)	\$661	\$661	\$661	\$661
Other CRL Costs (Note 6)	\$91	\$91	\$91	\$91
Subtotal - Funded Project Costs and Operating Expenses	\$752	\$752	\$752	\$752
<b>Excess/(Deficient) CRL Revenue</b>				
<b>Funded Projects and Operating Expenses</b>	<b>\$(63)</b>	<b>\$(89)</b>	<b>\$(122)</b>	<b>\$(176)</b>
<u>Unfunded Project Costs</u>				
Capital Projects 2027 and beyond (Note 7)	\$121	\$121	\$121	\$121
Subtotal - All CRL Projects	\$873	\$873	\$873	\$873
<b>Excess/(Deficient) CRL Revenue</b>				
<b>All CRL Projects</b>	<b>\$(184)</b>	<b>\$(210)</b>	<b>\$(243)</b>	<b>\$(297)</b>

**Notes:**

1 High Scenario Assumptions:

Market Value Change:

- Retail valuations to return to pre-pandemic levels by 2030
- Hotel valuations return to pre-pandemic levels by 2026
- Residential properties, 2025-27: -20 per cent cumulative to +3 per cent cumulative
- Office properties, 2025-27: -11 per cent cumulative to +2 per cent cumulative
- 2028-34: 3 per cent per year

New Development:

- 20 year development based on 90 per cent of updated development forecast
- Does not include development of Village at Ice District or Event Park

2 Medium Scenario Assumptions:

Market Value Change:

- Retail valuations to return to pre-pandemic levels by 2031
- Hotel valuations return to pre-pandemic levels by 2026
- Residential properties, 2025-27: -23 per cent cumulative to +1 per cent cumulative

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- Office properties, 2024-26: -15 per cent cumulative to -5 per cent cumulative
- 2028-34: 3 per cent per year

### New Development:

- 20 year development based on 70 per cent of updated development forecast
- Does not include development of Village at Ice District or Event Park

### 3 Low Scenario Assumptions:

#### Market Value Change:

- Retail valuations to return to pre-pandemic levels by 2033
- Hotel valuations return to pre-pandemic levels by 2027
- Residential properties, 2024-26: -28 per cent cumulative to 0 per cent cumulative
- Office properties, 2022-25: -19 per cent cumulative to -7 per cent cumulative
- 2028-34: 2 per cent per year

#### New Development:

- 20 year development based on 50 per cent of updated development forecast
- Does not include development Village at Ice District or Event Park

### 4 "Stress Test" Scenario Assumptions:

#### Market Value Change:

- Retail valuations do not return to pre-pandemic levels by the CRL's conclusion in 2034
- Hotel valuations return to pre-pandemic levels by 2028
- Residential properties, 2024-26: -30 per cent cumulative to 0 per cent cumulative
- Office properties, 2023-25: -24 per cent cumulative to -17 per cent cumulative
- 2028-34: 2 per cent per year

#### New Development:

Only buildings currently under construction are included

### 5 Funded Project Costs

Includes all CRL-funded Capital Profiles through the 2023-2026 Capital Budget. Includes estimated principal and interest charges.

### 6 Other Costs

Other costs include project office costs, an allowance for assessment appeal losses and a \$2.53 million annual payment to cover arena borrowing costs originally intended to be funded by incremental parking revenues, as well as any operating costs related directly to specific projects (such as subsidy

payments for private amenity spaces associated with the Station Lands Project).

### 7 Unfunded Project Costs

This includes projects that have not been initiated, or are only partially complete, such as Jasper Avenue New Vision. City Council may approve funding for these projects in future budgets. These projects have not been scoped in detail. The cost estimate is intended to provide an order of magnitude of the potential costs, including principal and interest charges. Timing and implementation of these projects will depend on the amount of funds available from the CRL.

Capital City Downtown CRL - Detailed Budget Projection (Medium Revenue)

\$000	Project Total	Actual 2014 to 2024	2025	Projected 2026	Projected 2027	2028	2029 to 2034
<b>Revenues</b>							
Community Revitalization Levy	\$662,718	\$217,916	34,199	35,819	36,786	39,755	298,243
<b>Total Revenues</b>	<b>\$662,718</b>	<b>217,916</b>	<b>34,199</b>	<b>35,819</b>	<b>36,786</b>	<b>39,755</b>	<b>298,243</b>
<b>Expenditures</b>							
Debt Servicing	661,371	198,536	35,595	41,597	44,408	44,929	296,307
Other Costs	90,596	28,833	15,129	11,682	3,993	3,653	27,306
<b>Total Expenditures</b>	<b>751,967</b>	<b>227,369</b>	<b>50,724</b>	<b>53,279</b>	<b>48,400</b>	<b>48,582</b>	<b>323,613</b>
<b>Net Income (Loss)</b>	<b>(89,249)</b>	<b>(9,453)</b>	<b>(16,524)</b>	<b>(17,460)</b>	<b>(11,615)</b>	<b>(8,827)</b>	<b>(25,370)</b>
Cumulative Net Income (Deficit), Beginning	0	0	(9,453)	(25,977)	(43,437)	(55,052)	(63,879)
<b>Cumulative Net Income (Deficit), Reserve Balance</b>	<b>(89,249)</b>	<b>(9,453)</b>	<b>(25,977)</b>	<b>(43,437)</b>	<b>(55,052)</b>	<b>(63,879)</b>	<b>(89,249)</b>
Previous Cumulative Net Income (Deficit), Reserve Balance	(75,878)	(26,015)	(34,404)	(53,992)	(65,149)	(73,683)	(75,878)
<b>Net Change</b>	<b>(13,371)</b>	<b>16,562</b>	<b>8,427</b>	<b>10,555</b>	<b>10,097</b>	<b>9,804</b>	<b>(13,371)</b>

Explanatory Notes

- 1 Current Projection
  - The current projection for the Capital City Downtown has been revised to reflect current economic conditions. Community Revitalization Levy Revenue over 20 years has been decreased by \$16 million.
  - The Revenue Scenario presented in this forecast and in the Previous Projection reflect the Medium Scenarios.
  
- 2 Reserve Balance
  - The \$(89) million shown in the reserve balance at the end of the CRL in 2034 represents the projected reserve deficit at that time combined with the remaining debt servicing payments that continue beyond 2034.
  
- 3 Previous Projection
  - The previous projection reflects the projection included in the March 20, 2024 Urban Planning and Economy Report UPE02234, adjusted for actual results for the year ended December 31, 2023.
  
- 4 Net Change
  - The CRL had a surplus of \$1.1 million in 2024. This compares to a previous projected net loss of \$(15.5) million. The majority of this difference is explained by a change in timing of payments for Station Lands Amenity Spaces. Annual program surpluses and shortfalls are transferred to the reserve to be recovered by future CRL revenues.
  - The Capital City Downtown Reserve has a 2024 year-end deficit balance of \$(9.5) million which is a decrease of \$16.5 million from the previous projection of \$(26.0) million. The majority of this difference is

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explained by a change in timing of payments for Station Lands Amenity Spaces. The balance in the reserve is an accumulation of debt servicing costs and other operating costs since the inception of the revitalization levy on January 1, 2015, offset by incremental tax levy in the revitalization area.

- The CRL recorded an annual surplus in 2024, but is anticipated to run annual losses through 2030.
- From 2031 onwards (no change from previous projection), this program is projected to have an annual positive net position, which will be transferred to the CRL reserve if no further capital spending is approved.
- However, the projections indicate revenues from the CRL will be insufficient to cover all outstanding principal and interest charges before the 2034 expiry of the Levy. Ongoing municipal tax revenues that continue beyond 2034 would mitigate the remaining reserve deficit by 2036.

### 5 Other Costs

- Other costs include project office costs, an allowance for assessment appeal losses, subsidy payments for the Station Lands Amenity Spaces and a \$2.53 million annual payment to cover arena borrowing costs originally intended to be funded by incremental parking revenues.