

THE QUARTERS AND BELVEDERE COMMUNITY REVITALIZATION LEVIES BOUNDARY AND END DATE REVIEW

Recommendation

That the March 5, 2025, Urban Planning and Economy report UPE02446, 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 15800 - The Quarters Downtown Community Revitalization Levy BylawBylaw 15932 - Belvedere Community Revitalization Levy Bylaw		
Related Council Discussions	<ul style="list-style-type: none">March 20, 2024, UPE02234 2024 Community Revitalization Levy Update- Downtown, the Quarters Downtown, BelvedereApril 2, 2025, 2025 Community Revitalization Levy Update- Downtown, the Quarters Downtown, Belvedere		

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 and boundaries for the Quarters and Belvedere Community Revitalization Levy (CRL) areas beyond their current end dates, including a recommendation of new catalyst projects and financial analysis for this extension, and return to Committee.

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Executive Summary

- The Quarters Downtown CRL is a critical lever to implement the original Quarters vision, together with the Quarters Downtown Area Development Plan and Urban Design Plan.
- A portion of the Quarters Downtown area remains chronically underdeveloped, despite significant investments since 2011.
- This area still presents opportunities and Administration continues to work to increase density and to invest strategically to encourage development, consistent with the new City and District Plans; however, currently available financial resources are limited.
- An extension to the Quarters Downtown CRL would provide further financial opportunities to effectively address barriers to redevelopment and potentially accelerate investment in the Quarters Downtown.
- Ideally, an extension discussion should be aligned with an update to the policy framework for the Quarters.
- Amending the CRL plan should be contemplated alongside other strategic policy work in the Quarters and Downtown, such as a district plan amendment.
- Administration does not recommend any changes to the Belvedere CRL.

REPORT

The Quarters Downtown, formerly Downtown East, is located next to Edmonton's central business and arts districts. A century ago, Jasper Avenue and 97 Street was Edmonton's centre and a thriving hub of commerce, trade, entertainment, and residential life.

The Quarters Downtown has a strong local arts community, including Co*Lab, Ociciwan, and Arts Habitat, and it is also adjacent to the Downtown arts district and Edmonton Convention Centre, which together attract over a million visitors every year. Since 2009, there has been significant residential investment in the area, with 1,605 units added to the CRL area overall.

There are also opportunities for further residential investment in the Quarters Downtown due to a number of factors: shovel-ready vacant lots (with significant infrastructure/site servicing improvements); simplified zoning (following area-wide rezoning to standard zones in 2024); streetscape and public transit investments, including the Valley Line LRT; and its location bordering downtown, the river valley, and Jasper Avenue.

Community Revitalization Levy Implementation Mechanism/Background

Community Revitalization Levies (CRLs) are a financing tool created by the *Municipal Government Act* to help municipalities rejuvenate underdeveloped areas 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

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redevelopment efforts have failed. They also provide long-term investment certainty, which industry favours.

Within each CRL area, a baseline property assessment is established in the year the plan is approved. For up to 20 years, increases in property tax revenue above the baseline (both municipal and equivalent provincial school taxes) resulting from new development and property value growth make up the CRL revenue. In essence, new developments in the area repay the infrastructure investments.

The *Municipal Government Act* (MGA) requires that every CRL must have a bylaw and plan. The plan explains the need for a CRL, identifies specific projects and provides estimated costs and a range of revenue projection scenarios. 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 after 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.

Only projects identified within a CRL plan may be funded by the CRL. Including a project in a CRL plan does not mean it will be funded. A CRL plan is a funding tool to implement actions in the statutory plan. Specific projects within CRL plans are known as catalyst projects. The function of the CRL plan is to both implement the catalyst projects and thereby implement the statutory plan, typically an area redevelopment plan.

The Quarters Downtown CRL - Background

The Quarters Downtown CRL is a critical component of a comprehensive policy framework for the Quarters Downtown area. See Attachment 1 - Quarters and Belvedere CRL Area Maps.

The creation of this framework began in 2006 when the area was known as Downtown East. A vision, guiding principles and physical framework were developed which became the foundation of the robust planning and development approach. This included:

- The Quarters Downtown Area Redevelopment Plan (2009)
- The Quarters Downtown Urban Design Plan (2009)
- The Quarters Downtown Community Revitalization Levy (2011)
- Unique zoning regulations (no longer in effect)

The Quarters Downtown saw immediate success, primarily due to this integrated policy approach, and a strong working relationship with the landowners in the area, who were instrumental in the creation of the vision.

The Quarters Downtown CRL commenced in 2012 and is the financial mechanism for strategic investment in the area. If unchanged, it will expire in 2031. To date, it has provided funding for projects such as the Armature streetscaping, Muttart Crossing, upgraded drainage servicing, Kinistinnâw Park and the adaptive reuse of City-owned buildings into new art spaces. There are incomplete projects within the plan that have not yet been initiated.

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Project costs were projected at \$166 million in 2011. The levy has funded \$100 million in public infrastructure improvements. This work has attracted private investment, with more than \$550 million of completed, in-progress and planned large private developments, including Boyle Renaissance developments, The Hat, Double Tree Hotel, and Stadium yards development. However, the 2024 annual projection indicated that revenues from the CRL will not be sufficient to cover all outstanding principal and interest costs of all The Quarters Downtown catalyst projects approved to date. The shortfall is estimated at \$47.9 million when the levy expires in 2031. It is projected that it would take a further five years to retire the remaining debt, with funding from the tax levy after revenue from the CRL ends..

The projected revenue shortfall is due to fewer private developments than anticipated by the original development scenarios.

Significant external factors have affected both private development and the implementation of City-led projects that align with the original vision.

These considerations include:

- Pandemic and subsequent opioid epidemic: The COVID-19 pandemic has negatively impacted development appetites in the Quarters. Many development projects planned in the area were not constructed. This negative impact on Edmonton's core has resulted in ongoing challenges to attract investment and people. Edmonton is not alone; downtowns across Canada are experiencing similar issues.
- Cost: Initial cost projections from 2011 do not reflect today's dramatically increased construction costs.
- Social Disorder: While there has always been a cluster of social services in the area, the situation has not improved as expected, and social disorder worsened during the pandemic.
- Development market and demand: The original plan was ambitious. It envisioned a series of high-quality towers throughout the area, reflecting the continuous growth of underdeveloped long-term land holdings.

There remain items in the CRL plan that are not yet underway. While the approved CRL does not commit Administration to completing any of the originally envisioned improvements, there may be an expectation by private development that the City undertake these significant investments.

Though significant investments were made initially, there remain large parcels of vacant land suitable for redevelopment. In this sense, the area remains the perfect candidate for a CRL. Through engagement, stakeholders have also confirmed that the CRL work has removed many of the original barriers to redevelopment, but that more work needs to be done to incentivize development to remove the long-term land holdings. However, additional measures are needed to incentivize development, eliminate long-term land holdings, and restore the area's reputation for economic redevelopment. Presently, there is minimal interest in development, particularly when compared to other areas.

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It is difficult to consider catalyst projects in the Quarters without looking at the broader vision. While projects seek to encourage development, they also affect numerous other strategic planning issues. These broader issues should be examined further at the planning policy level. An extension would build on the original 2006 vision and the strategic policy at the time.

An extension to the CRL addresses specific project needs and current barriers to development, which is just one component of a revitalization strategy. It is complemented by the supportive policy framework, focused funding of vibrancy initiatives and commitment to operational excellence.

The CRL plan has not been updated since 2011 and is outdated. An extension provides the opportunity to incorporate administrative updates and remove outdated content.

Quarters Downtown CRL - Boundary Changes

There is no process for expanding or changing the boundary of a CRL. The Province has advised that boundary changes are discouraged. Any change would have significant and complex administrative and financial implications since the boundaries are set and assessment values are calculated at the time of the original plan approval.

If this option were pursued further, properties added to the CRL would not provide as much uplift as those included in the original boundary or possibly a reset of base levels to the latest date, putting existing projections and revenues behind.

Administration does not recommend an expansion of the Quarters Downtown boundary, with or without a deadline extension.

The Quarters Downtown CRL Extension

An extension may be needed to implement the Quarters vision, address barriers to redevelopment and accelerate investment. The Quarters Downtown CRL is performing below the original projections from 2011, and there is not enough capacity for larger infrastructure investments. However, this alone can not form the basis for an extension request. In consultation with the Province, any extension request would need to be based on new catalyst projects and approaches.

Attachment 2 - Extension (Quarters Downtown) details how the current CRL could be extended to continue to implement the vision in the existing policy framework. The attachment also includes a full list of proposed catalyst projects, including cost estimates and rationale.

An extension to the Quarters CRL could be considered and brought forward in approximately 24 months. This timeframe for discussion will allow for:

- Prioritize the Capital City Downtown CRL extension process.
- Ensure this work is aligned and prioritized with other strategic planning updates and implementation efforts within the downtown.
- Incorporate lessons learned from the Capital City Downtown CRL extension process.

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- Incorporate an attainable housing incentive, subject to potential upcoming revisions to Provincial CRL guidelines.
- Develop a response to the negative reputation of the area. While this is not solely a CRL challenge, it was the most common feedback heard for the Quarters area.
- A delay in consideration does not pose significant/immediate adverse impacts.

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.
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.

Extension Length

The province will only extend CRLs for up to 20 additional years. While that is the maximum, the length of an extension should be based on the number of years needed to fund the projects. If 10 years is projected to generate sufficient funding for all projects, then a 20 year extension would not be recommended nor would it likely be supported by the provincial government.

Precedent

Calgary's Rivers CRL was amended in 2019 to extend the end date by 20 years, to 2047. The extension focused on providing infrastructure upgrades and cultural amenities in the East Victoria Park neighbourhood, which would include the BMO Centre Expansion, underground utilities, streetscape improvements, parks and open space, Arts Commons, public art, Victoria Park Transit Centre, environmental remediation and historic building rehabilitation.

Approval Timeline

Extending a CRL is a multi-step process involving municipal and provincial approvals. The length of time required for provincial approvals is unknown, but past amendments have taken several months to be processed.

Financial Analysis and Risk

Costs

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

Attachment 3 - Quarters 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 high-level, conceptual design); therefore, the actual costs may vary significantly from what has been included.

The total cost of these projects depends on several variables, including inflation, interest rates, timing of expenditures, borrowing periods and more. With that uncertainty in mind, the estimated total cost of implementing all these projects, including principal, interest and project office costs, would be \$348 million.

Revenue

Should the extension process be initiated, a 20 year extension would be necessary, and is based on the projected costs of catalyst projects, the revenue projection scenarios and discussions with the province.

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 the CRL Levy.

There is uncertainty in all three of these factors, so projecting revenues out to 2051 is highly speculative. High, medium and low revenue scenarios have been developed and are available in Attachment 2 - Financial Model - Quarters Downtown. 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. The CRL allows the municipality to collect the equivalent of the provincial property taxes on the incremental assessment increase within the CRL area. This is estimated to account for 20 per cent of all CRL revenues, with further detail in Attachment 2.

While a CRL extension may project to generate sufficient revenue to cover all or most catalyst projects before its expiry, it does not necessarily mean that 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 2029, resulting in a draw on the CRL reserve, which already has a negative balance. Any new expenses, particularly operating or grant projects, will further worsen the reserve balance.

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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 \$11 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.

Budget/Financial Implications

If new catalyst projects are added to the CRL plan, Administration will bring forward the capital profiles or service packages for Council's consideration as part of future budget adjustment requests.

Belvedere Community Revitalization Levy Background

The Belvedere CRL was approved in 2012 and commenced in 2013. Construction of Station Pointe infrastructure improvements, including streetscapes, plazas and the CN safety wall, were completed in 2015 for \$29.6 million. Land sales and development had progressed more slowly than initially anticipated. Two City-owned parcels were sold in 2023, one of which will be the site of a housing development led by Treaty 8 First Nations of Alberta. The last two City land holdings have signed sales agreements and are scheduled to close in Q4 2025 and Q1 2026 to align with the lease of the current temporary shelter onsite. Sales agreements require that the buyer commence development on the sites in Q2 and Q3 2026, and they must have completed their developments by Q2 and Q3 2028. Approximately \$55 million in new development has occurred within the Belvedere CRL area.

All of the projects from the Belvedere CRL are complete. Engagement with parties interested in Belvedere indicated they were satisfied with the CRL projects and did not want to add additional projects. Two landowners are planning housing projects that will add to the development that has already occurred.

In the last annual update on March 20, 2024, projections indicated that revenues from the CRL combined with land sales would not be sufficient to cover all outstanding principal and interest charges before the 2032 expiry of the Levy. The shortfall was projected to be \$12.9 million. Ongoing municipal tax revenues that continue beyond 2032 would mitigate the remaining reserve deficit by 2037. More detailed financial projections will continue to be provided in the annual CRL report to Council and the Province.

Administration recommends that projects not be added to the Belvedere CRL and that the CRL be allowed to continue until its natural end date.

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

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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 CRL plan will require 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 summary of comments received are included in Attachment 5 - What We Heard. Input from stakeholders has been considered alongside policy direction, ongoing work across City departments, data analysis and development projections.

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 in the Quarters Downtown). Current supply-side barriers to development include:

- A sharp increase in construction costs in recent years
- Operating costs (property taxes, utilities, insurance, etc)
- Difficulty getting financing (the area is seen as a risk)

Current demand-side barriers to redevelopment include:

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

Interested parties also recognise that the City has gone to lengths to improve infrastructure and make the area more attractive. However, these improvements currently do not outweigh the perceived risk and negative perceptions. The area is seen as riskier than many other parts of Edmonton.

Other than development-specific feedback, the stigma and negative reputation of the area were the most frequent comments by stakeholders.

Community insights were gathered through interested-party engagements during interviews, meetings and workshops. The engagement was focused on the barriers to development, how a CRL project might help to overcome those barriers and the discussion of possible new catalyst projects. Attachment 5 is the What We Heard Report.

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,

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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.

An in-depth exploration should be undertaken to understand the potential future tax uplift and economic benefit of developing catalyst projects (and who they benefit) 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 revitalization projects offers an opportunity to enhance the long-term value and resilience of these investments. The proposed urban development can align with the City's climate resilience goals and environmental management programs in the following ways:

- **Reducing GHG emissions** through the promotion of active and public transportation
- **Creating and connecting natural areas** through an enhanced park system to increase connectivity to the river valley
- **Promoting sustainable development** through administering sustainable urban design practices for new commercial, residential and mixed-use development
- **Managing contaminated sites** as per the City's existing processes and standards

A detailed description of the key environment and climate interactions and how they align with The City Plan can be found in Attachment 4 - Environment and Climate Expanded Review.

Attachments

1. Quarters and Belvedere CRL Area Maps
2. Extension and Recommended Catalyst Projects
3. Quarters Downtown CRL Extension - Financial Analysis
4. Environment and Climate Expanded Review
5. What We Heard Report