

# Arena District Community Revitalization Levy

## Recommendation:

That Administration apply to the Minister of Municipal Affairs for the designation of a Community Revitalization Levy Area for the Arena District, as outlined in Attachment 1 of the April 6, 2011, Asset Management and Public Works Department report 2011PW1372.

## Report Summary

**This report provides an overview of the Community Revitalization process; it's applicability as a funding mechanism for the development of an Arena Project, and requests authorization to make application to the Province to designate an area as an Arena District.**

## Previous Council/Committee Action

At the January 17, 2011, City Council meeting, the following motion was passed:

That Administration, in regards to the Potential Downtown Arena Development: provide a report to the March 2, 2011, City Council meeting on an Arena District Community Revitalization Levy.

## Report

The *Municipal Government Act*, R.S.A. 2000, c. M-26 (MGA) was amended in 2005 to allow a municipality to apply incremental tax assessment growth towards paying for the construction of a project intended to revitalize an area.

The Community Revitalization Levy legislation further enables municipalities to apply both the municipal and the education portion of incremental tax increases directly towards the costs incurred. The funding is not an additional tax, but rather a redirection of the incremental increase in the amount of taxes that are collected as a result of increasing the tax base in the area. The incremental increase in tax revenue for the Arena District over a 20 year period is projected to be sufficient to repay a \$160 million initial investment (with interest).

To date, one Community Revitalization Levy has been implemented within the Province – that being for the City of Calgary Rivers District. In Edmonton, Community Revitalization Levy Regulations for the Belvedere (Fort Road) and The Quarters Downtown Projects have been approved and the Community Revitalization Levy Plans are in preparation. Discussions with representatives from the Provincial Government have been positive towards the possible application for a Community Revitalization Levy for the Arena District.

A number of administrative processes are required to fulfil the Provincial requirements for this program, including:

- Application to the Minister of Municipal Affairs to establish the boundary, parameters, and framework for the Community Revitalization Levy (the Regulation).
- Adoption by City Council of a Community Revitalization Levy Plan by Bylaw (including public meetings and Hearings). If the Province passes a Community

Revitalization Levy Regulation for the area and City Council supports this initiative, then a bylaw and a Community Revitalization Levy Plan could be brought forward for consideration in late 2011 or early 2012.

- The Lieutenant Governor in Council must approve the Community Revitalization Levy Plan and Bylaw (which then comes into effect as of December 31 of the year the bylaw is approved by City Council).

### Arena District Community Revitalization Levy Boundary:

A Preliminary boundary has been prepared, providing a logical geographical area which is likely to be most impacted by the construction of a new downtown arena (Attachment 1). The establishment of the boundary was based upon the proximity to the arena, the existing land use, relationship to existing statutory plans and the potential for redevelopment. The finalization of the proposed boundary is still open to amendments as deemed appropriate.

### Public Consultation:

Opinions and comments relative to using the Community Revitalization Levy as a funding mechanism for the Arena Project have been obtained through the open houses and surveys.

Over and above the public consultation process established for the Arena Project, the Community Revitalization Levy legislation requires a formal public hearing. This will take place after the Minister has provided an Order in Council approving the Community

Revitalization Levy Regulations. The results of the public consultation for the Community Revitalization Levy is to be provided to the Minister for consideration prior to approval by the Province.

### Other Considerations:

The City's Chief Economist indicates that Edmonton's economy, employment and population will all continue to grow at rates comparable to or better than the national average out to 2020. While it can be expected that this growth will be uneven it none the less will be significant. Hence there will be demand for additional housing, incremental retail space as consumer spending rises and new commercial space to accommodate more workers as employment rises and the economy continues to shift toward the production of services.

While growth of the local economy is positive, the success of a Community Revitalization Levy is contingent upon localized growth within the boundaries of the Community Revitalization Levy that are likely to commence or be accelerated as a result of the arena development going forward.

Preliminary modelling of the growth in tax base in the vicinity of the arena projects an incremental assessment lift over the next 20 years sufficient to enable repayment of an initial capital investment of \$160 million. More precise modelling will be carried out upon Council's concurrence with a boundary and updated projections will be provided prior to Council's consideration of the proposed Community Revitalization Levy Regulation (expected in May 2011).

The risk of using a Community Revitalization Levy to fund a municipal capital project is that future development and growth above the assessment baseline within a particular site cannot be guaranteed. The City can influence private sector growth and development through the use of catalyst projects like a downtown arena and other public infrastructure, but it is not something the City can control.

The boundary proposed for the Arena District Community Revitalization Levy includes sites and projects that have been approved or are in the planning phase but have not commenced for various reasons. The development of an arena is projected to serve as a catalyst for some of these projects to commence and others to be initiated. Previous reports to Council have cited numerous examples of other cities where the development of a sports and entertainment facility served as a catalyst for downtown development.

While climbing vacancy rates for the downtown (9.5 percent) and decreasing rental rates may not be conducive to new office tower construction at this time, vacancy rates are expected to decline in response to Edmonton's ongoing steady growth forecast.

The revenues that can be realized through a Community Revitalization Levy will not materialize until the adjacent development begins to generate increases above the assessment baseline. There would be a requirement for financing from an interim funding source. An increased facility improvement fee may be an option to consider to fund the

construction costs until the new development generates the tax lift.

The preliminary model identified shortages in the revenue required to pay the mortgage payments on \$160 million until year ten. However, the model projects that all of the revenue required would be received within the 20-year period. At the end of the Community Revitalization Levy period, approximately \$30 million in annual municipal tax revenue would be available for other purposes.

### Impact on Other Plans

A concern has been raised relative to the impact that a new Arena District Community Revitalization Levy may have upon the viability of the The Quarters Downtown Community Revitalization Levy. The concern is whether there is sufficient growth projected to enable both Community Revitalization Levy's to be successful. While both of these Community Revitalization Levy's are dependent upon investment in commercial and residential investment to be viable, each area has distinct and unique aspects which focus on different markets. In particular, proximity to the River Valley and associated views will maintain interest in multi-family development in The Quarters Downtown, while the Arena development is expected to be an attraction for commercial development (office, hotel, and retail).

Of note is the inclusion of the warehouse district as identified within the Capital City Downtown Area Redevelopment Plan. By including this within the Arena District Community Revitalization Levy boundary, the

Administration can consider accessing Community Revitalization Levy funding for municipal projects over and above the arena development. Opportunities to access Arena District Community Revitalization Levy funding for municipal capital projects within the Community Revitalization Levy boundary (other than arena construction) would be brought forward for Council's consideration as part of the Community Revitalization Levy Plan prior to submission to the Province.

### **Corporate Outcomes**

- Improve Edmonton's Livability
- Transform Edmonton's Urban Form

### **Budget/Financial Implications**

- The advantage to utilization of a Community Revitalization Levy to fund a portion of the public infrastructure required for the revitalization of the Arena District area is the application of the education property tax to this purpose. The preliminary model estimates that \$36 million of the \$160 million expected would be funded through the education portion of the property tax lift for the area.
- While the application of a Community Revitalization Levy is projected to fund 25 to 35 percent of an arena project, there is a requirement for initial capital outlay for construction in advance of when the Community Revitalization Levy would be sufficient to repay the loan. This would require interim funding to be identified. There is also risk that the project will not generate the assessment lift that has been estimated in time to generate the required amount within the 20-year

time frame. Council would need to determine their risk tolerance for going forward under these circumstances.

### **Justification of Recommendation**

The Provincial Government has enacted legislation to assist municipalities in revitalization proposals such as the Arena District. Review of the legislation and discussions with representatives from the Provincial Government indicate that the Arena Development Project would be appropriate for this program.

### **Attachments**

1. Arena District Community Revitalization Levy Boundary Plan

### **Others Reviewing this Report**

- R. G. Klassen, General Manager, Planning and Development Department