Community Revitalization Levy

A Community Revitalization Levy (CRL) is the Alberta version of Tax Increment Financing (TIF), a concept that is widely used throughout the United States for funding public projects. The basic premise is that the development of the public facility or infrastructure will cause new development to occur within close proximity of the new project, as well as cause an increase in the value of the real estate in the surrounding area. The increase in tax revenue or "lift" that results from the new development being added to the tax base, as well as from the increase in value of the real estate in the immediate vicinity, is then used to finance and repay the debt that was incurred to build the public project. Therefore, while it is called a "levy", it is important to note that it is not an additional tax, but rather the allocation of taxes that are generated from new development that might otherwise not occur.

The Alberta CRL model is unique in one respect from a typical North American TIF in that the legislation provides for the City to be able to apply the Education portion of the incremental tax towards the public project rather than remitting it to the Province for a period of 20 years. This does not suggest that less funding is provided for education purposes, but rather that the funding needed for education is allocated from alternative sources of Provincial funding.

To illustrate how the funding is generated, one could use the example of the planned Aurora project. If the development of a new arena in the downtown would result in the commencement of this project (with an estimated residential assessment of $450 million), the following would occur. The Aurora development would generate new Municipal Tax in the order of $2.1 million and Education Tax in the order of $1.2 million, or a total "lift" of $3.3 million in new tax dollars coming to the City annually. By contrast buildings included in the CRL zone and completed before the CRL start date such as the EPCOR tower would form part of the baseline assessment and would not contribute the to "lift".

A key element of the CRL regulation is the determination of appropriate boundaries for the area. The overriding principle to be applied in establishing a CRL boundary is that it should reflect the area that is generally considered to be in need of revitalization or underutilized and would be positively impacted by the proposed project.

Based upon current economic forecasts for the City and the downtown area, a preliminary delineation of a possible arena district CRL boundary, normal growth projections, and the development components proposed by the Katz Group, it is estimated that the potential tax "lift" generated could provide for the full recovery of the financing costs and debt repayment for a $125 million initial capital investment for the arena and up to $35 million for additional public infrastructure.

As there is an inherent risk associated with a CRL financing model (i.e. reliability of development projections over a 20 year period), the mitigation of risk, and development of alternative funding scenarios are key elements of the CRL Regulation that are required through the enabling legislation. These elements will be addressed in a subsequent CRL report that will also establish: the boundary, the approvals required (including the Province), the timelines, and respond to the issue about the potential competition between the Quarters CRL and an Arena District CRL, as well as how the redevelopment of these two areas are complementary to one another.