

## 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 Province on April 16, 2014. 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 applies both the municipal and education taxes related to the incremental assessed value over the baseline to pay for the debt servicing associated with the catalyst projects, other related infrastructure improvements, and project office costs. The assessment baseline for the CRL is December 31, 2014.

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, unless the Province specifies an earlier date.

### Financial Update:

This attachment includes three sections:

- 1) **Current 20-year Revenue Projections** **Page 2**  
*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** **Page 3**  
*A comparison of current revenue projection scenarios compared 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** **Page 5**  
*Updated year-by-year budget projections for the Downtown CRL, based on the Medium Revenue Scenario.*

**Current 20-year Revenue Projections**

This 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 high, medium, and low 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>\$825</b>	<b>\$753</b>	<b>\$710</b>
December 10, 2019 City Council report CR_7543 Community Revitalization Levy Update - Downtown, The Quarters Downtown, Belvedere	\$902	\$817	\$746
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>	825	753	710	667
<b>Expenses (Note 6)</b>				
<u>Funded and Proposed Project Costs</u>				
2014-2018 and 2019-2022 Capital Budgets (Approved)	555	555	555	555
<u>Other CRL Costs (Note 7)</u>	74	74	74	74
<u>Subtotal - Funded Project Costs and Operating Expenses</u>	629	629	629	629
<b>Excess/(Deficient) CRL Revenue</b>				
<u>Funded and Proposed Projects and Operating Expenses</u>	196	124	81	38
<u>Unfunded Project Costs</u>				
Capital Projects 2023 and beyond	173	173	173	173
EDACC Project Costs and Revenues (Note 5)	0	0	0	0
<u>Subtotal - All CRL Projects</u>	802	802	802	802
<b>Excess/(Deficient) CRL Revenue</b>				
<u>All CRL Projects</u>	23	(49)	(92)	(135)

### Notes:

- High Scenario Assumptions:  
Market Value Change:  
2021-24: -6% cumulative to +6% cumulative depending on property class  
2025-34: 3% per year  
New Development:  
20 year development based on 70% of G.P. Rollo & Associates' development forecast
- Medium Scenario Assumptions:  
Market Value Change:  
2021-24: -11% cumulative to 1% cumulative depending on property class  
2025-34: 3% per year  
New Development:  
20 year development based on 40% of G.P. Rollo & Associates' development forecast
- Low Scenario Assumptions:  
Market Value Change:  
2021-24: -21% cumulative to -3% cumulative depending on property class  
2025-34: 2% per year  
New Development:

20 year development based on 40% of G.P. Rollo & Associates' development forecast

- 4 "Stress Test" Scenario Assumptions:  
Market Value Change:  
2021-24: -31% cumulative to -7% cumulative depending on property class  
2025-34: 2% per year  
New Development:  
Only buildings currently under construction are included.
- 5 Edmonton Downtown Academic Cultural Centre (EDACC):  
EDACC is eligible for funding through the Capital City Downtown CRL, subject to Council approval. EDACC has been excluded from this table, based on an assumption that the CRL uplift generated by any associated mixed-use development would be sufficient to fully pay for the debt servicing costs incurred by the City.
- 6 Principal and Interest:  
Expenses for funded and unfunded project costs include all principal and interest charges currently forecast to retire Capital City Downtown CRL debt used to finance Council-approved capital profiles, as well as any operating costs related directly to specific projects.
- 7 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 funded by parking revenues.

## Capital City Downtown CRL - Detailed Budget Projection

(\$000)	Project Total	Actual 2014 - 2018	Actual 2019	-----Projected-----			2023 to 2034
				2020	2021	2022	
<b>Revenues</b>							
Community Revitalization Levy	\$ 753,394	\$ 40,613	\$ 24,815	\$ 29,831	\$ 26,756	\$ 30,961	\$600,418
<b>Total Revenues</b>	<b>753,394</b>	<b>40,613</b>	<b>24,815</b>	<b>29,831</b>	<b>26,756</b>	<b>30,961</b>	<b>600,418</b>
<b>Expenditures</b>							
Debt Servicing	554,521	57,107	18,314	20,016	21,806	25,786	411,492
Other Costs (Note 4)	74,384	7,092	2,787	4,248	5,434	5,434	49,389
<b>Total Expenditures</b>	<b>628,905</b>	<b>64,199</b>	<b>21,101</b>	<b>24,264</b>	<b>27,240</b>	<b>31,220</b>	<b>460,881</b>
<b>Net Income (Loss) (Note 1)</b>	<b>124,489</b>	<b>(23,586)</b>	<b>3,714</b>	<b>5,567</b>	<b>(484)</b>	<b>(259)</b>	<b>139,537</b>
Cumulative Net Income (Deficit), Beginning Adjustments	-		(23,586)	(19,872)	(14,305)	(14,789)	(15,048)
<b>Cumulative Net Income (Deficit), Reserve Balance</b>	<b>\$ 124,489</b>	<b>\$ (23,586)</b>	<b>\$ (19,872)</b>	<b>\$ (14,305)</b>	<b>\$ (14,789)</b>	<b>\$ (15,048)</b>	<b>\$124,489</b>
Previous Cumulative Net Income (Deficit), Reserve Balance (Note 2)	159,636	(23,586)	(20,755)	(16,693)	(11,546)	(7,155)	159,636
<b>Net Change (Note 3)</b>	<b>\$ (35,147)</b>	<b>\$ -</b>	<b>\$ 883</b>	<b>\$ 2,388</b>	<b>\$ (3,243)</b>		<b>\$ (35,147)</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 \$64 million.

The Revenue Scenario presented in this forecast and in the Previous Projection reflect the Medium Scenarios.

Debt Servicing costs have decreased as a result of lower interest rates.

#### 2 Previous Projection

The previous projection reflects the projection included in the December 10, 2019 Council Report CR\_7543, adjusted for actual results for the year ended December 31, 2019.

#### 3 Net Change

In 2020, the CRL is projected to have an annual surplus of \$5,567. This compares to a previous projected annual surplus of \$4,063. Annual program surpluses and shortfalls are transferred to the reserve to be recovered by future CRL revenues.

The Capital City Downtown Reserve has a projected 2020 year-end deficit balance of \$(14,305) which is a decrease of \$2,388 from the previous projection of \$(16,693). 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.

After recording annual surpluses in 2019 and 2020, the CRL is anticipated to run annual deficits in 2021 through 2026.

In 2031, the CRL reserve is projected to reach a positive position. By the end of 2031 (versus previous projection of 2024) the CRL program will have offset prior year shortfalls accumulated in the reserve if no further capital spending is approved.

In 2033 (versus previous projection of 2032) the CRL reserve is projected to accumulate sufficient funds to cover the remaining debt servicing costs. This means that starting in 2033, the tax lift excluding the education tax is forecasted to be available to the general tax pool if no additional capital projects are funded.

4 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 funded by parking revenues.