

**HALTON CATHOLIC DISTRICT
SCHOOL BOARD**

**CONSIDERATION OF AN
EDUCATION DEVELOPMENT
CHARGE AMENDMENT**

BACKGROUND REPORT

April 11, 2017



Plaza Three
101-2000 Argentia Rd.
Mississauga, Ontario
Canada L5N 1V9

Phone: (905) 272-3600

Fax: (905) 272-3602

e-mail: info@watson-econ.ca

www.watson-econ.ca

 **Planning for growth**

1. EDUCATION DEVELOPMENT CHARGE AMENDMENT

1. EDUCATION DEVELOPMENT CHARGE AMENDMENT

1.1 The Education Development Charge Amendment Process

Education Development Charges (EDC's) are a revenue source, for school boards that qualify, to purchase and develop land for growth related schools. EDC's are based on a formulaic approach which focuses on three main areas – enrolment forecasting to determine need, the number of school sites necessary to accommodate that need and a determination of the estimated costs. The *Education Act* and Ontario Regulation 20/98 provide the direction, methodology and guidelines necessary for a school board to pass an EDC by-law.

The *Education Act* stipulates that an EDC by-law can have a maximum term of 5 years and that school boards can amend their by-laws within that period, should they choose to do so. Under the *Education Act*, a Board can amend a by-law only **once** in a **one year** period if the amendment would;

- A. Increase the quantum of the charge.
- B. Remove or reduce the scope of an exemption.
- C. Extend the term of the by-law.

It is the Halton Catholic District School Board's (HCDSB) intention to amend its current Education Development Charge by-law. The amendment would serve to increase the quantum of the charge to reflect the increasing costs related to the purchasing of land for new school sites in the Region of Halton.

1.2 BACKGROUND

The Halton Catholic District School Board's current and in-force EDC by-law was originally passed in June of 2013 and is applicable to the Region of Halton. The charge at the time of passage was \$1,484 per residential dwelling unit and \$0.38 per square foot of gross floor area (GFA) for non-residential development. The residential and non-residential allocation at the time of passage was 85% of the costs charged to residential development and 15% to non-residential development. The original by-law was amended in June of 2014 and the amending by-law had a residential charge totaling \$1,839 per residential dwelling unit – an increase of \$355 over the previous charge. The amended non-residential EDC was \$0.47 per square foot of GFA, an increase of \$0.09 over the previous charge.

In 2015, the Board passed an additional amendment to its EDC bylaw and the charges increased for both the residential and non-residential component. The residential charge was \$2,176 per unit and the non-residential charge was \$0.56 per square foot of GFA – an 18-19% increase over the 2014 charges. The 2015 amending bylaw was appealed to the Ontario Municipal Board by a developer organization (BILD) and a revised EDC was settled upon through OMB mediation. The new amended EDC which went into effect on March 1, 2016 resulted in a residential charge of \$2,035 per unit and a non-residential charge of \$0.51 per square foot of GFA. These are the existing and in-force EDC rates for the HCDSB that currently apply to the Region of Halton.

The price of land in Halton Region has continued to increase significantly since the last amendment process and current land values continue to outpace the appraisals and escalation assumptions contained in the EDC Background Study. To keep pace with rising land costs, board staff proposed that a further amendment to the EDC by-law be considered. To that end, the Board engaged the appraisal firm of Cushman & Wakefield to re-evaluate the EDC eligible school sites and provide updated appraisals. The updated appraisals confirmed the increase in land values and the HCDSB began the process of amending its EDC by-law.

1.3 THE PROCESS

The EDC amendment is being proposed to revise/adjust the land values used in the 2015 EDC amending by-law to better reflect the actual cost of land in the Region of Halton. Amending the current bylaw would help ensure that the Board has sufficient revenues to purchase future school sites and mitigate future deficits.

In the amendment process, it is important to note that there are no changes or revisions made to the inherent assumptions or calculations on which the original study is based and which the Minister of Education has approved (ie. enrolment projections from new development and the number of required school sites). The Ministry of Education's EDC Guidelines state that, "The EDC Regulation specifies that adjustments to the original calculation are to be made by a board amending the quantum of the EDC. This provision requires boards to make 'necessary modifications' to the application of section 7 of the EDC Regulation when determining an amended EDC."

When revising land costs in the EDC amendment process, school boards typically have two options available to them; they can use historical purchases as a basis or use a qualified appraiser

to provide updated current values. In this case, the Board engaged the same valuation firm that completed the original appraisals as part of the 2013 EDC Study and each subsequent amendment. Cushman & Wakefield re-appraised all the sites contained in the 2013 study (with the exception of sites that had been purchased or in respect of which option agreements setting out a purchase price had been entered into).

The appraisal report prepared by Cushman & Wakefield has an effective date of April 1, 2017 and contains the methodologies, approach and background to the new appraised land values. A table has been provided that outlines the average per acre acquisition costs by municipality from 2013 to the most current appraisals in 2017. Appraisals were completed on a site by site basis and per site values can be found in both the appraisal report as well as in the updated Ministry forms found at the end of this document.

Municipality	2013 EDC Bylaw	2014 EDC Amendment	2013-14 Difference	2015 Amendment	2014-15 Difference	2017 Proposed Amendment	2015-17 Difference
Oakville	\$ 900,000	\$ 1,250,000	39%	\$ 1,440,000	15%	\$ 2,115,000	47%
Milton	\$ 725,000	\$ 950,000	31%	\$ 1,050,000	11%	\$ 1,420,000	35%
Halton Hills	\$ 625,000	\$ 625,000	0%	\$ 950,000	52%	\$ 1,235,000	30%

The average per acre value for the EDC eligible sites that were appraised in the 2013 EDC Background Study was approximately \$750,000 per acre with site values ranging from \$625,000 per acre in Halton Hills to \$900,000 per acre in Oakville. The new appraised land values used for the 2017 EDC Amendment analysis averaged approximately \$1.6 million per acre – an increase in the average per acre price of approximately 112%. In addition, the per acre site values in the 2017 appraisals ranged from \$1.2 million to \$2.1 million. Since the 2015 amendment, land values in Oakville have increased by just below 50% while Milton increased by 35% and Halton Hills by 30%.

In addition to providing updated land values, the appraiser also reviewed the land escalation factor assumptions that are used to index the price of land for appraised sites. The annual land escalation factor in the 2015 amendment analysis was 6% per annum and the valuation firm increased the escalation rate to 10% for the 2017 amendment analysis.

Another component of the EDC Amendment process, is the reconciliation of the EDC reserve fund. The EDC reserve fund balance must be updated to reflect any expenditures or collections that have been made since the last amending by-law came into force. The Board's Finance and

Planning Departments provided an updated reserve fund balance based on actual expenditures and collections that the Board has made since the last amendment in 2015. This estimate is based on both the Ministry of Education Appendix D1/D2 submissions (which track all EDC collections and expenditures) to August 31 2016 and Board records and estimates from September 2016 to May 2017.

The Board's EDC reserve fund balance, for the purposes of calculating an amended EDC rate has been estimated at **\$-43,982,168** (ie. a deficit of \$43,982,168).

The final step in the process is to make adjustments to the residential and non-residential development forecast to account for the actual collections/expenditures that have taken place since the original bylaw and for which the reserve fund balance has been adjusted. The actual number of residential building permits and square footage of non-residential permits for which EDC's have been paid, have been removed from the original EDC forecasts. According to Board and municipal records and estimates, the consultant concluded that a total of approximately 13,251 residential permits and 8,858,957 square feet of non-residential space permits have been issued for which EDC's have been collected since the inception of the bylaw. The original EDC forecast in 2013 had projected a total of 82,659 residential permits and 56,902,759 square feet of non-residential space permits over the 15 year forecast period. Therefore, the new adjusted residential units for the purposes of calculating the amending EDC rate are 69,409 and the new adjusted non-residential square foot forecast is 48,043,802 (both are for the remainder of the forecast period, now 11 years). This information is outlined in Form H1 at the end of this document.

1.4 FINDINGS

The EDC is meant to recover funds to pay for the **total growth-related net education land costs**. These total growth-related education land costs include the costs to acquire land, provide services to the land and all associated study and financing costs. The increase in the price of land and the revisions made to the estimated costs in the EDC has resulted in the total growth-related education land costs increasing.

The total growth-related education land costs in the proposed EDC amendment total \$185,247,744.

Based on the above findings, the proposed new residential charge is **\$2,269** per dwelling unit compared with the existing charge of \$2,035. The increase in the charge is \$234 for the residential component. For the non-residential component, the new proposed charge is **\$0.58** per square foot of gross floor area. This is an increase of \$0.07 from the existing non-residential charge of \$0.51 per square foot.

A revised Form G and Form H1 can be found at the end of this document. Form G identifies the Board's EDC eligible school sites and the revised education land costs. Form H1 summarizes the total costs, allocations between residential and non-residential development, the adjusted residential units and non-residential square footage and the quantum of each charge.

The Halton Catholic District School Board will hold a public meeting to consider the proposed amendments and inform the public on May 2, 2017 at 7PM and will consider passage and adoption of the Education Development Charge Amendment at a separate Board meeting on June 20, 2017 at 7PM at the Board's offices. Official notice of the proposed amendment has been provided by the Board.

Halton Catholic District School Board
 Education Development Charges Submission - 2017 Amendment
 Form G - Growth-Related Net Education Land Costs

ELEMENTARY PANEL

Review Area	Site Status (Optioned, Purchased, Reserved, Etc.)	Proposed Year Of Acquisition	Site Location/ Facility Type	Net Growth- Related Pupil Place Requirements	Proposed School Capacity	Percent of Capacity Attributed to Net Growth- Related Pupil Place Requirements	Total Number of Acres Required (Footnote Oversized Sites) *	Acreage To Be Funded in EDC By-Law Period	Cost Per Acre	Education Land Costs	Eligible Site Preparation Costs	Land Escalation Costs	Financing Costs	Total Education Land Costs
CEB3	-	-	Accommodated in existing facilities	13						\$ -	\$ -	\$ -		
CEB6	-	-	Accommodated in existing facilities	13						\$ -	\$ -	\$ -		
CEB7	-	-	Accommodated in existing facilities	3						\$ -	\$ -	\$ -		
CEO2	-	-	Accommodated in existing facilities	119						\$ -	\$ -	\$ -		
CEO5	-	-	Accommodated in existing facilities	11						\$ -	\$ -	\$ -		
CEO6	PURCHASED	2014	New North Oakville Elementary School	612	612	100.00%	7.00	7.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CEO6	TBD	2017	New North Oakville Elementary School	612	612	100.00%	7.00	7.00	\$ 2,115,000	\$ 14,805,000	\$ 1,312,317	\$ -	\$ 3,123,051	\$ 19,240,368
CEO6	TBD	2025	New North Oakville Elementary School	318	612	51.96%	7.00	3.64	\$ 2,115,000	\$ 7,692,794	\$ 830,817	\$ 769,279	\$ 1,800,682	\$ 11,093,572
CEM1	-	-	Accommodated in existing facilities	194						\$ -	\$ -	\$ -		
CEM2A	PURCHASED	2017	New Milton Elementary School	671	671	100.00%	6.94	6.94	\$ -	\$ -	\$ 1,301,443	\$ -	\$ 252,180	\$ 1,553,623
CEM2A	TBD	2021	New Milton Elementary School	467	671	69.60%	7.00	4.87	\$ 1,420,000	\$ 6,918,003	\$ 1,008,158	\$ 691,800	\$ 1,669,901	\$ 10,287,862
CEM2B	TBD		Accommodated in existing facilities	3						\$ -	\$ -	\$ -		
CEM3A	TBD	2019	New Milton Elementary School	671	671	100.00%	7.00	7.00	\$ 1,420,000	\$ 9,940,000	\$ 1,378,753	\$ 994,000	\$ 2,385,841	\$ 14,698,594
CEM3A	TBD	2023	New Milton Elementary School	671	671	100.00%	7.00	7.00	\$ 1,420,000	\$ 9,940,000	\$ 1,521,885	\$ 994,000	\$ 2,413,575	\$ 14,869,460
CEM3A	TBD		Accommodated in existing facilities	49						\$ -	\$ -	\$ -		
CEM3B	TBD	2027	New Milton Elementary School	160	671	23.77%	7.00	1.66	\$ 1,420,000	\$ 2,362,787	\$ 399,315	\$ 236,279	\$ 580,996	\$ 3,579,377
CEH1	TBD	2020	New Halton Hills Elementary School	612	612	100.00%	7.00	7.00	\$ 1,235,000	\$ 8,645,000	\$ 1,413,221	\$ 864,500	\$ 2,116,494	\$ 13,039,215
CEH1	TBD	2023	New Halton Hills Elementary School	287	612	46.90%	7.00	3.28	\$ 1,235,000	\$ 4,054,109	\$ 713,694	\$ 405,411	\$ 1,002,413	\$ 6,175,627
Total:				5,485	6,415		69.94	55.40		\$ 64,357,693	\$ 9,879,603	\$ 4,955,269	\$ 15,345,134	\$ 94,537,699

Halton Catholic District School Board
 Education Development Charges Submission - 2017 Amendment
 Form G - Growth-Related Net Education Land Costs

SECONDARY PANEL

Review Area	Site Status (Optioned, Purchased, Reserved, Etc.)	Proposed Year Of Acquisition	Facility Type	Net Growth- Related Pupil Place Requirements	Proposed School Capacity	Percent of Capacity Attributed to Net Growth- Related Pupil Place Requirements	Total Number of Acres Required (Footnote Oversized Sites)	Acreage To Be Funded in EDC By-Law Period	Cost Per Acre	Education Land Costs	Eligible Site Preparation Costs	Land Escalation Costs	Financing Costs	Total Education Land Costs
CS02	TBD	2023	New North Oakville Secondary School	458	1350	33.93%	16.00	5.43	\$ 2,115,000	\$ 11,480,533	\$ 1,180,145	\$ 1,148,053	\$ 2,675,716	\$ 16,484,447
CS04	TBD	2017	New Milton Secondary School	1303	1350	96.55%	16.00	15.45	\$ 1,420,000	\$ 21,935,739	\$ 2,896,040	-\$ 0	\$ 4,811,651	\$ 29,643,430
CS05	-	-	Accommodated in existing facilities	180						\$ -		\$ -		
Total:				1,942	2,700		32.00	20.88		\$ 33,416,273	\$ 4,076,185	\$ 1,148,052	\$ 7,487,367	\$ 46,127,877

**Halton Catholic District School Board
 Education Development Charges Submission - 2017 Amendment
 Form H1 - EDC Calculation - Uniform Residential and Non-Residential**

Determination of Total Growth-Related Net Education Land Costs

Total:	Education Land Costs (Form G)	\$	140,665,576
Add:	EDC Financial Obligations (Form A2)	\$	43,982,168
Subtotal:	Net Education Land Costs	\$	184,647,744
Less:	Operating Budget Savings		
	Positive EDC Reserve Fund Balance		
Subtotal:	Growth-Related Net Education Land Costs	\$	184,647,744
Add:	EDC Study Costs	\$	600,000
Total:	Growth-Related Net Education Land Costs	\$	185,247,744

Apportionment of Total Growth-Related Net Education Land Costs

Total Growth-Related Net Education Land Costs to be Attributed to Non-Residential Development (Maximum 40%)	15%	\$	27,787,162
Total Growth-Related Net Education Land Costs to be Attributed to Residential Development	85%	\$	157,460,582

Calculation of Uniform Residential Charge

Residential Growth-Related Net Education Land Costs	\$	157,460,582
Net New Dwelling Units (Form C)		69,409
Uniform Residential EDC per Dwelling Unit	\$	2,269

Calculation of Non-Residential Charge - Board Determined GFA

Non-Residential Growth-Related Net Education Land Costs	\$	27,787,162
---	----	------------

GFA Method:	Non-Exempt Board-Determined GFA (Form D)	48,043,802
	Non-Residential EDC per Square Foot of GFA	\$ 0.58