

**HALTON CATHOLIC DISTRICT
SCHOOL BOARD**

**CONSIDERATION OF AN
EDUCATION DEVELOPMENT
CHARGE AMENDMENT**

BACKGROUND REPORT

MAY 15, 2015



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 **Planning for growth**

1. EDUCATION DEVELOPMENT CHARGE AMENDMENT

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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 the associated costs. The *Education Act* and associated Ontario Regulations 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 have the ability to 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 their current Education Development Charge by-law. The amendment would serve to increase the quantum of the charge to reflect the increasing costs of purchasing land in the Region of Halton, specifically the Towns of Oakville, Milton and Halton Hills.

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 existing in-force by-law has a residential charge totaling \$1,839 per residential dwelling unit – an increase of \$355 over the previous charge. The existing non-residential EDC is \$0.47 per square foot of GFA, an increase of \$0.09 over the previous charge.

Land prices in the Region have been increasing since the inception of the original by-law and they continue to outpace the appraisals and assumptions contained in the EDC Background Study. To keep pace with rising land costs, board staff, propose another amendment to the EDC by-law be considered.

1.3 THE PROCESS

The EDC amendment is being proposed to revise/adjust the land values used in the 2014 EDC amended by-law to better reflect the actual cost of land in the Region of Halton. Amending the current bylaw would ensure that the EDC rate is more in-line with actual land values in the Region and help ensure that the Board has sufficient revenues to purchase future school sites.

In the amendment process, care is taken not to change or revise any of the assumptions or calculations on which the original study is based and which the Minister of Education has approved. Only the assumptions related to the amendment are revised - in this case the costs to purchase land. The forecasted number of growth related students and number of identified school sites can't be changed in the amendment process and thus remain the same until an existing by-law is renewed. 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. Estimates of the EDC Reserve fund used in the calculation are to be made as of the day before the Amending By-Law comes into force.

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 the 2014 amendment process, the Board used both options as a basis to revise land purchase cost estimates. In the current amendment process, the Board used the services of Cushman & Wakefield Ltd. who performed the original appraisals used in the 2013 EDC Background Study, to re-appraise all the sites contained in the 2013 study. It should also be noted that the Board has purchased school sites since the original EDC bylaw was passed in June 2013 and that purchase prices have exceeded estimates contained in the 2013 Background Study.

The appraisal report prepared by Cushman & Wakefield has an effective date of April 1, 2015 and contains the methodologies, approach and background to the new appraised land values. A table containing the new per acre land values by municipality can be found below. A comparison to values used in the 2013 Background Study and the 2014 EDC Amendment has also been included.

Municipality	2013 EDC By-law	2014 EDC Amendment	2013-14 % Difference	2015 Proposed Amendment	2014-15 % Difference
Oakville	\$ 900,000	\$ 1,250,000	39%	\$ 1,440,000	15%
Milton	\$ 725,000	\$ 950,000	31%	\$ 1,050,000	11%
Halton Hills	\$ 625,000	\$ 625,000	0%	\$ 950,000	52%

The original land values in the 2013 EDC Background Study were \$900,000 per acre in North Oakville, \$725,000 per acre in Milton and \$625,000 in Halton Hills. The land values used in the 2014 EDC Amendment were approximately 39% higher in North Oakville and 31% higher in the Town of Milton compared to the original land values – Halton Hills values were not revised in the 2014 Amendment. The new appraisals continue to reflect increasing land values in the Region. Oakville's appraised land value of **\$1,440,000** per acre is 15% higher than the value used in the 2014 Amendment and the **\$1,050,000** per acre in Milton is approximately 11% higher than the values from the 2014 Amendment. Appraisals for Halton Hills estimate the cost of land at **\$950,000** per acre which represents an increase of 52% over the values used in the 2013 Background Study. In addition to providing updated land values, the appraiser also provided an updated land escalation factor that is used to inflate the price of land. The annual land escalation factor used in the 2013 EDC was 2.5% and the new factor used in the 2015 amendment is 6% per annum.

As part of the EDC Amendment process, The EDC reserve fund balance must also be updated (as per the aforementioned EDC Guidelines) to reflect the actual opening balance as of September 1, 2014 (consistent with the most recent Ministry of Education Appendix D1/D2 for 2013/14) as well as any actual and estimated expenditures and revenues from September 1, 2014 to June 2015.

The Board's EDC reserve fund balance on September 1, 2014 was \$-56,084,941. The Board has actual and estimated expenditures of \$2,243,775 and actual and estimated revenues of

\$4,202,107 from September 2014 to June 2015. The resultant estimated reserve fund balance for June 2015 is **-\$54,126,609**.

1.4 FINDINGS

The EDC is meant to recover funds to pay for, what are referred to, as the **total growth related net education land costs**. These total net education land costs include the costs to acquire land, develop 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 net education land costs increasing.

The total net education land costs in the proposed EDC amendment total \$183,378,160. This represents an increase of \$16,437,396 or 10% from the total net education land costs contained in the 2014 EDC Amendment.

Based on the above findings, the proposed new residential charge is **\$2,176** per dwelling unit compared with the existing charge of \$1,839. The increase in the charge is \$347 for the residential component. For the non-residential component, the new proposed charge is **\$0.56** per square foot of gross floor area. This is an increase of \$0.09 from the existing non-residential charge of \$0.47 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 and the quantum of each charge.

The Halton Catholic District School Board will consider passage of the Education Development Charge Amendment at a Board meeting on June 2, 2015 at 730PM at the Board offices. Official notice of the proposed amendment has been provided by the Board.

Halton Catholic District School Board
 Education Development Charges Submission - 2015 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) *	Acreeage 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						\$ -	\$ -	\$ -		
CE02	-	-	Accommodated in existing facilities	119						\$ -	\$ -	\$ -		
CE05	-	-	Accommodated in existing facilities	11						\$ -	\$ -	\$ -		
CE06	Purchased	2014	New North Oakville Elementary School	612	612	100.00%	7.00	7.00	\$ -	\$ -	\$ 1,198,855	\$ -	\$ 265,392	\$ 1,464,247
CE06	TBD	2017	New North Oakville Elementary School	612	612	100.00%	7.00	7.00	\$ 1,440,000	\$ 10,080,000	\$ 1,312,317	\$ 1,245,888	\$ 2,797,732	\$ 15,435,937
CE06	TBD	2025	New North Oakville Elementary School	318	612	51.96%	7.00	3.64	\$ 1,440,000	\$ 5,237,647	\$ 830,817	\$ 1,000,474	\$ 1,564,858	\$ 8,633,796
CEM1	-	-	Accommodated in existing facilities	194						\$ -	\$ -	\$ -		
CEM2A	TBD	2016	New Milton Elementary School	671	671	100.00%	7.00	7.00	\$ 1,050,000	\$ 7,350,000	\$ 1,280,309	\$ 441,000	\$ 2,008,125	\$ 11,079,434
CEM2A	TBD	2021	New Milton Elementary School	467	671	69.60%	7.00	4.87	\$ 1,050,000	\$ 5,115,425	\$ 1,008,158	\$ 977,128	\$ 1,571,891	\$ 8,672,602
CEM2B	TBD		Accommodated in existing facilities	3						\$ -	\$ -	\$ -		
CEM3A	TBD	2019	New Milton Elementary School	671	671	100.00%	7.00	7.00	\$ 1,050,000	\$ 7,350,000	\$ 1,378,753	\$ 1,403,968	\$ 2,243,090	\$ 12,375,811
CEM3A	TBD	2023	New Milton Elementary School	671	671	100.00%	7.00	7.00	\$ 1,050,000	\$ 7,350,000	\$ 1,521,885	\$ 1,403,968	\$ 2,274,776	\$ 12,550,629
CEM3A	TBD		Accommodated in existing facilities	49						\$ -	\$ -	\$ -		
CEM3B	TBD	2027	New Milton Elementary School	160	671	23.77%	7.00	1.66	\$ 1,050,000	\$ 1,747,131	\$ 399,315	\$ 333,730	\$ 549,039	\$ 3,029,215
CEH1	TBD	2020	New Halton Hills Elementary School	612	612	100.00%	7.00	7.00	\$ 950,000	\$ 6,650,000	\$ 1,408,072	\$ 1,270,256	\$ 2,065,021	\$ 11,393,349
CEH1	TBD	2023	New Halton Hills Elementary School	287	612	46.90%	7.00	3.28	\$ 950,000	\$ 3,118,546	\$ 713,694	\$ 595,692	\$ 980,216	\$ 5,408,148
Total:				5,485	6,415		70.00	55.46		\$ 53,998,749	\$ 11,052,175	\$ 8,672,104	\$ 16,320,139	\$ 90,043,167

Halton Catholic District School Board
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 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	\$ 1,440,000	\$ 7,816,533	\$ 1,180,145	\$ 1,493,083	\$ 2,322,129	\$ 12,811,890
CS04	TBD	2017	New Milton Secondary School	1303	1350	96.55%	16.00	15.45	\$ 1,050,000	\$ 16,220,089	\$ 2,896,040	\$ 2,004,803	\$ 4,675,562	\$ 25,796,494
CS05	-	-	Accommodated in existing facilities	180						\$ -		\$ -		
Total:				1,942	2,700		32.00	20.88		\$ 24,036,622	\$ 4,076,185	\$ 3,497,886	\$ 6,997,690	\$ 38,608,383

**Halton Catholic District School Board
 Education Development Charges Submission - 2015 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)	\$	128,651,550
Add:	EDC Financial Obligations (Form A2)	\$	54,126,609
Subtotal:	Net Education Land Costs	\$	182,778,160
Less:	Operating Budget Savings		
	Positive EDC Reserve Fund Balance		
Subtotal:	Growth-Related Net Education Land Costs	\$	182,778,160
Add:	EDC Study Costs	\$	600,000
Total:	Growth-Related Net Education Land Costs	\$	183,378,160

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%	\$	27,506,724
Total Growth-Related Net Education Land Costs to be Attributed to Residential Development	85%	\$	155,871,436

Calculation of Uniform Residential Charge

Residential Growth-Related Net Education Land Costs	\$	155,871,436
Net New Dwelling Units (Form C)		71,636
Uniform Residential EDC per Dwelling Unit	\$	2,176

Calculation of Non-Residential Charge - Board Determined GFA

Non-Residential Growth-Related Net Education Land Costs	\$	27,506,724
GFA Method:	Non-Exempt Board-Determined GFA (Form D)	49,315,724
	Non-Residential EDC per Square Foot of GFA	\$ 0.56