



COMMITTEE OF THE WHOLE (PUBLIC)

Report No. 19-032

2 April 2019

Base Rate Increase for Not-For-Profit Leases for 2019-2020

Key Contact: Michael Carson, Chief Financial Officer, 613-596-8211 ext. 8881

PURPOSE:

1. To obtain Board approval of increases to the base rate charges for not-for-profit agencies leasing space in District facilities for the 2019-2020 school year.

CONTEXT:

2. Not-for-profit agencies are charged an annual occupancy fee to reimburse the District for their proportionate share of a site's operating and maintenance costs. These payments were originally determined through a cost accounting exercise of the operating and maintenance costs to supply facilities, prorated over all of the space in OCDSB buildings, rented out to a single class of occupant (childcare centres).

A commonly used escalation tool in the real estate industry regarding occupancy charges is the Consumer Price Index (CPI). The CPI is also referred to as the cost of living index or the inflation rate. It had been the practice of the OCDSB to adjust rates annually in line with CPI increases to keep rates current.

In 2017-2018, the previous government had begun examining the rates charged in schools to various not-for-profit entities (primarily child cares) and there was anticipation that some standardized formula would be adopted province-wide, as a result, rates were not increased for the 2018-2019 year and cost recovery rates would remain at the 2017-2018 rate of \$10.29 per square foot.

When clients were informed of the one-year freeze they were also given notice to expect a larger adjustment to the base rate in the 2019-2020 year to account for increases in costs.

As the Ministry has not yet provided any directive regarding any sort of provincially-mandated rate methodology it is recommended that the District proceed with the an adjustment based on CPI changes to avoid a large adjustment at some point in the future.

KEY CONSIDERATIONS:

3. The current CPI increase for Ottawa (September 2017 to August 2018) as reported by Statistics Canada is 3.2%. If applied to the rate approved in 2017, the result is a base rate of \$10.62 for 2019-2020.

RESOURCE IMPLICATIONS:

4. Assuming that the amount of overall rental space does not change, the proposed rate increase would result in a small increase in District revenues to partially offset an increase in costs.

COMMUNICATION/CONSULTATION ISSUES:

5. Leases issued to not-for-profit agencies state that the District is entitled to rental increases on an annual basis to reflect an increase in the rates payable for utilities and/or services provided to the facility based on CPI. These increases are necessary to keep pace with the CPI to avoid a large reconciliation in the future. Commercial rates in the Ottawa area are in excess of \$20 per square foot compared to the OCDSB proposed base rate of \$10.62 per square foot. The District's lease rate is lower than external market value. Preliminary discussions with not-for-profit agencies have occurred.

STRATEGIC LINKS:

6. Keeping lease costs congruent with increases in utilities and/or services provided to a facility is a key component of a focus on sustainably allocating resources, in particular by enhancing operational practices to effectively and responsibly manage human and financial resources in support of students; enhancing operational practices.

RECOMMENDATION:

THAT Board approve an increase to the base rate charges to \$10.62 per square foot for non-profit agencies leasing space in District facilities, effective 1 September 2019.

Michael Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and
Secretary of the Board