



COMMITTEE OF THE WHOLE
Report No. 19-067

18 June 2019

Adoption of Education Development Charges (EDC) Amending By-law

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

PURPOSE:

1. To obtain Board approval for the adoption of an amendment to the Education Development Charges (EDC) By-law, for implementation within the jurisdiction effective 29 June 2019.

CONTEXT:

2. Under the Ministry's education funding formula, the collection of education development charges is the main source of funding for growth-related education land costs. These are costs incurred by a Board to acquire and prepare land as a result of the need to build new schools in areas of new development. The province's capital funding formula does not include a separate per-pupil grant to fund the purchase of new school sites.

The District recently conducted a year-long consultative process with the objective of adopting a successor new EDC By-law. The previous EDC By-law's expiration date was 31 March 2019.

At the 26 March 2019 meeting of the Board, trustees adopted Education Development Charges By-law No. 01-2019 (Attached as Appendix A). The approval of the By-law served to continue the collection of EDCs for the OCDSB as of 1 April 2019.

In accordance with legislative amendments made by the Province in October 2018, the charges which were implemented were the same as those in-force under the previous By-law; \$723.00 per new residential unit and \$0.52 per new square foot of non-residential gross floor area.

The October 2018 amendments served to maintain the status quo with respect to the collection of EDCs until the Ministry had completed a review of the policy framework surrounding the charges. EDC rates would be frozen at levels no

higher than those contained in existing By-laws, geographic areas covered would not be able to be changed, and those school boards without By-laws in place would not be able to adopt new ones.

KEY CONSIDERATIONS:

3. Interim Changes to EDCs

With a provincial review of the larger framework in progress, on 29 March 2019 staff received Ministry Memorandum 2019: B11 Interim Changes to Education Development Charges (EDC).

The memo provided notice of recent amendments made to Ontario Regulation 20/98, Education Development Charges, which governs the implementation of EDCs within the province.

These amendments removed the existing freeze on EDC rates which had been put in place in October 2018. School boards are now restricted to the consideration of rate increases of:

- i) a maximum yearly increase of the greater of 5% or \$300 per residential unit; and
- ii) a maximum yearly increase of 5% for non-residential rates.

Memo No. 19-055, Education Development Charges (EDCs) – Interim Changes was provided to trustees on 2 April 2019.

4. Amending EDC By-law

The OCDSB is now in a position to amend its recently adopted EDC By-law in order to reflect the calculated charges contained in the December 2018 EDC Background Study. Amending the charges would ensure that adequate revenues are collected over the period of the By-law to meet future obligations.

The EDC Background Study formed the basis for the public meeting held by the Board on 15 January 2019, as well as discussions with development community stakeholders in Ottawa.

Staff has reviewed the calculated charges contained in the EDC Background Study to determine if they conform to the requirements of the most recent amendment to Ontario Regulation 20/98.

Assuming the continuation of an 80% residential/20% non-residential percentage sector split, the rates would be \$787.00 per new residential unit and \$0.58 per new square foot of non-residential gross floor area.

The residential charge of \$787.00 meets the restricted rate increase and could be implemented immediately. The non-residential charge of \$0.58 exceeds the restricted rate increase of 5% per year, and would therefore have to be phased in over a three year period (\$0.55 effective 29 June 2019; \$0.57 effective 1 April 2020; and \$0.58 effective 1 April 2021).

5. **Key Policy Decisions**

There are a number of key policy decisions that form the foundation of the calculation of an EDC.

a) Application of EDCs Jurisdiction-wide

In accordance with the legislation governing EDCs, a school board may choose to implement a jurisdiction-wide charge or an area-specific charge.

Staff is recommending that the District continue to levy EDCs jurisdiction-wide as part of the adoption process of the EDC amending By-law. The lower quantum of the charge plus the increased flexibility in using EDC proceeds for needs across the District, support this recommendation.

b) Application of a Differentiated Residential Rate

Although there is some merit to the consideration of a differentiated residential rate from a needs-based perspective, given input received during past consultative processes and the local historical link to a uniform rate, staff is recommending the continuation of a single residential rate.

c) Inclusion of Non-Statutory Exemptions in the New EDC By-law

The regulations governing the implementation of EDCs list a number of statutory exemptions. These are exemptions which are required to be included within the By-law in accordance with the legislation.

Revenue lost through the provision of non-statutory exemptions within a By-law is foregone and not recoverable from any other source such as increasing the levy on other categories of buildings.

The current By-law includes the following four non-statutory exemptions: publicly-funded post-secondary institutions; places of worship and cemeteries (if exempt under Section 3 of the *Assessment Act*); farm buildings; and farm retirement lots.

All four local school boards have chosen to limit the inclusion of additional non-statutory exemptions given the revenue impact and the challenge it would present in determining which organizations to exempt.

d) Percentage of Residential Development to Fund EDCs

The regulations governing the collection of EDCs state that a Board shall choose the percentage of growth-related net education land cost that is to be funded by charges on residential development, and the percentage (if any) that is to be funded by charges on non-residential development.

The non-residential development sector has paid a share of EDCs within the Ottawa-Carleton area for every By-law implemented to date. The current EDC By-law is based upon an 80% residential/20% non-residential sector split. Staff is recommending a continuation of the current percentage split.

It should be noted that a fulsome discussion of the above policy decision areas was included in Report No. 19-021, Adoption of Education

development Charges By-law (2019-2024), that was presented to Committee of the Whole on 19 February 2019, as part of the approval process for the existing in-force EDC By-law No. 01-2019.

6. Summary

Staff is recommending the adoption of EDC amending By-law No. 02-2019 (attached as Appendix B) to ensure that adequate revenues are collected over the period of the By-law to meet future obligations.

The amending By-law was prepared by the District's solicitor in consultation with the EDC consultant, the Quadrant Advisory Group, Planning staff, and our coterminous school boards.

Should the amending By-law be approved by the Board it would come into force on 29 June 2019, five days after its adoption.

The By-law would approve charges of \$787.00 per new residential unit and \$0.58 per new square foot of non-residential gross floor area. The non-residential unit charge would commence at \$0.55 and then increase annually until it reaches a maximum charge of \$0.58 per new square foot of non-residential gross floor area in April 2021. As indicated earlier, this schedule of charges is in line with the most recent amendments made to Ontario Regulation 20/98.

Staff is recommending a status quo with regard to the policy decisions which shaped the rates contained within the previous EDC By-law. The recommended charges of \$787.00 per new residential unit and \$0.58 per new square foot of non-residential gross floor area are based upon this.

In accordance with Section 257.63 (3) of the *Education Act*, a Board may choose to hold additional public meetings to consider any changes to a proposed new by-law arising from discussions at previously held public meetings.

The Board conducted a comprehensive consultative process in advance of the approval of the original By-law, with all necessary legislative requirements completed. In recognition of the fact that no comments were received nor concerns expressed, and that the rates in their original form were part of that process, staff is of the opinion that there is no need for an additional public meeting.

As noted earlier in the report, the Ministry of Education has indicated it will be conducting a comprehensive review of the EDC framework. Staff will provide additional information to trustees as it becomes available.

RESOURCE IMPLICATIONS:

7. Amending the existing EDC By-law No.01-2019 and implementing the recommended rates would serve to reduce any future shortfall in collections.

Staff has been calculating the shortfall which has resulted from having temporarily frozen EDC rates in place since 1 April 2019. We will continue to

monitor the difference in EDC collections as the non-residential rate phases in over the next three years under the capped increases.

At this time there has been no information from the Ministry with regard to how this funding shortfall might be addressed. It is likely that the issue will be examined as part of the provincial EDC framework review.

COMMUNICATION/CONSULTATION ISSUES:

8. In conjunction with the other two local school boards who have chosen to amend their EDC By-laws, a notice of advertisement for tonight's meeting (and for the Board meeting on 24 June 2019) was published in both the Ottawa Citizen and Le Droit on 23 April 2019. The advertisement contained a detailed schedule of the EDC rates under the recommended By-law Amendment.

The Education Act and the regulation which governs the imposition of EDCs do not require that a separate public meeting be held for a By-law amendment process.

In accordance with the legislation, notice of the proposed By-law Amendment and tonight's meeting was provided to the Ministry of Education, the City of Ottawa, and our three coterminous school boards. Notice was also provided to development community stakeholders.

It should be noted that the OCDSB fulfilled all of its mandated public meetings and notice requirements in adopting and implementing the currently in-force EDC By-law No. 01-2019.

STRATEGIC LINKS:

9. The provision of safe and caring learning environments is a priority of the District. Student accommodation and the effective management of enrolment pressures are critical aspects of our ability to provide safe learning spaces and to mitigate unnecessary risk.

Acquisition of new school sites in a timely manner is a key element in order to implement future decisions on school construction to address enrolment growth.

RECOMMENDATIONS:

- A. THAT the Board confirm that an additional public meeting under section 257.63 (3) of the *Education Act* is not required prior to the adoption of the Ottawa-Carleton District School Board's Education Development Charges Amending By-law No. 02-2019;
- B. THAT the Board approve the Ottawa-Carleton District School Board Education Development Charges Amending By-law No. 02-2019 (attached as Appendix B to Report 19-067), and authorize staff to undertake steps regarding its implementation effective 29 June 2019; and

- C. THAT the Board set the rates of \$787.00 per new residential dwelling unit and \$0.58 per new square foot of non-residential gross floor area, to be implemented in accordance with the schedules contained in Appendix B to Report 19-067.

Michael Carson
Chief Financial Officer
(ext. 8881)

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

Appendix A OCDSB Education Development Charges By-law No. 01-2019

Appendix B OCDSB Education Development Charges Amending By-law No. 02-2019