

Education Development Charges Policy Review Public Meeting



Hamilton-Wentworth DSB

May 27, 2024

EDC Policy Review

- HWDSB adopted a jurisdiction-wide EDC by-law on June 17, 2019; with an implementation date of July 6, 2019
- The current Hamilton EDC by-laws will expire on July 5, 2024
- The Board's existing EDC by-law reflects the legislative 'capped' rate provisions imposed by the province as of March 29, 2019
- The legislative rate 'cap' limits the annual increase to \$300 per residential unit and \$0.10 per sq ft of non-residential GFA (5%)
- Current EDC Rates:
 - HWCDSB - \$1,701 per residential dwelling unit & \$0.55 per sq ft of non-residential GFA
 - HWDSB - \$1,573 per residential dwelling unit & \$0.50 per sq ft of non-residential GFA
- Successor by-laws must be adopted no later than July 1st to avoid any interruption in collection of EDCs (i.e. there is a 5-day waiting period prescribed in the legislation)

EDC Policy Review – Legislative Basis

- EDCs are charges imposed by school boards on new residential and non-residential development (where applicable) at the building permit issuance
- The funds collected may only be used by the Boards to acquire land needed to address growth-related student accommodation pressures in areas of new residential development. Eligible costs include the acquisition and the preparation of the land to make the site “building ready”. Eligible costs may also include an ‘interest in land’ if approved by the Minister of Education
- Legislation requires that a board conduct a review of the existing EDC policies before passing a new EDC by-law – this meeting
- Board-approved EDC policies respecting surplus operating funds and alternative accommodation arrangements have been removed from the legislation. All other policies requiring decisions prior to by-law adoption are discussed herein
- Discussion of existing policies is set out in Appendix C of the April 1, 2024 EDC Background Study and Policy Review reports, which has been posted to the Board’s website

EDC Policy Review – Key Policies

1. By-law Structure

Considerations:

- Boards may adopt jurisdiction-wide (JW) (i.e. one set of charges through all of the jurisdiction); or one or more area-specific (AS) by-laws (i.e. different rates in portions of the jurisdiction – i.e. a different rates in Stoney Creek, Ancaster, Dundas, Flamborough, Glanbrook, areas within Hamilton, for example)
- There is no financial advantage to the board, or to any particular municipality or community, in adopting area specific by-law structure and no EDC board has done so
- The legislation does provide for ‘regional’ by-law structures (i.e. the City of Hamilton is 1 region)
- The proposed JW by-law structure is based on area-specific land needs (i.e. review areas and portions of review areas) without the complication of AS by-laws
- There are a number of disadvantages to adopting AS by-law structures including:
 - Development community stakeholders have consistently preferred the average costing approach inherent in the JW by-law structure – reduces potential for appeal
 - Risks of reduced recovery of growth-related costs where attendance boundaries and accommodation strategies change over time
 - AS structure would need to identify future new school boundaries over 15 years and ensure that there is no crossover between areas - secondary needs in particular are often attributable to development in multiple areas
 - Need Minister’s permission to spend funds collected in one by-law area, in another

EDC Policy Review – Key Policies

1. By-law Structure – Disadvantages of AS By-law Structures

- Multiple EDC accounts restrict ability to match timing and location of growth-related site needs
- Monies collected in one area-specific by-law cannot be spent outside of that area, without advance permission of the Minister (as part of EDC Submission approval)
- Cannot adopt separate by-laws for elementary and secondary needs in each AS area
- Inconsistent with provincial policies supporting affordable housing
- Could not easily move from AS structure to JW structure at a later date (legislation does not contemplate this)
- Inability to have sufficient funds in AS account when required and no internal funding source to fund shortfall
- Considerable potential to strand funds (if pupils are held in schools outside of the by-law area)
- Exponential increase in administration of by-laws and no legislative guidance if later boards decide to revert to JW by-laws

A jurisdiction-wide by-law has been prepared for adoption based on the findings throughout the EDC Background study

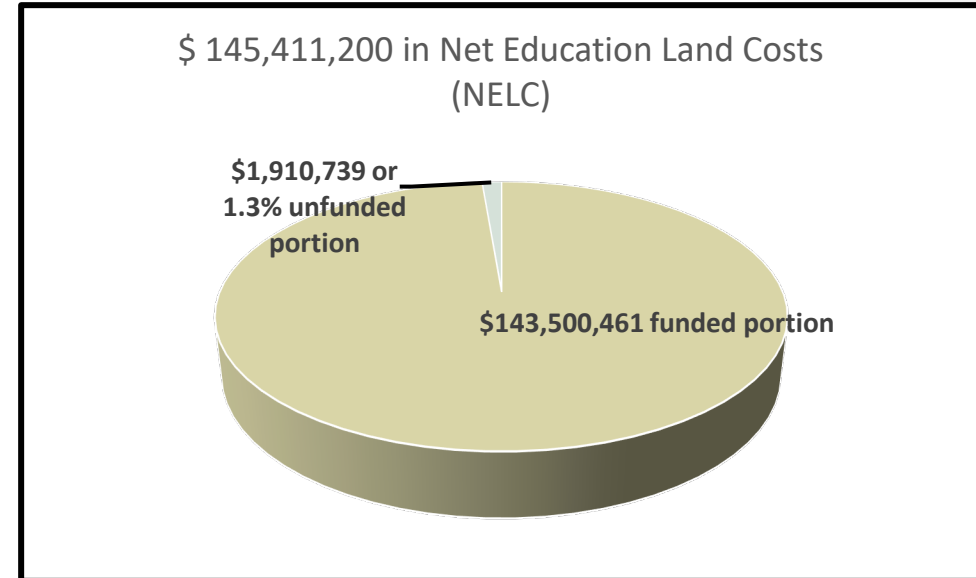
EDC Policy Review – Key Policies

2. Recovery of Net Education Land Costs

Considerations:

- Prior to March 2019, all EDC by-laws in Ontario were structured on the basis of recovery of 100% of net education land costs over the long term (no more-no less than land acquisition and site development costs to address growth-related needs)
- No tax-based funding source to make up for shortfalls
- Capital allocations for land related to enrolment growth are not available from the Province where a school board is EDC eligible
- In most jurisdictions, the legislative rate ‘cap’ restricts the ability to recover 100% of the net education land costs and the funding shortfall will continue to grow unless the cap is removed
- An analysis was undertaken to determine the maximum revenue that could be derived under various iterations of residential and non-residential rates, in order to maximize recovery of net education land costs
- The legislative ‘cap’ itself generates funding shortfalls of at minimum:

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The HWDSB is expected to recover most of the projected net education land costs provided that land values do not exceed 5% per annum over the forecast period.

However, if legislative caps are not removed or increased, the additional land costs that would be derived in Year 6 and Year 11, if any, over the 15-year forecast period, would not derive much more funding than has already been accounted for

3. Non-Statutory Exemptions

Considerations:

- No funding source to absorb the cost of providing non-statutory exemptions (e.g. affordable housing as a use)
- EDC boards generally do not include non-statutory exemptions in their by-laws
- Any post by-law adoption discretionary exemptions would require amendment to the by-law and must be applied consistently across the by-law area
- More recent interpretation of statutory exemptions for secondary dwelling units would only apply to the principal residence

4. Portion of Net Education Land Costs to be Recovered from Residential versus Non-residential Development

Considerations:

- Non-residential share can range from 0% to 40% of total costs
 - For most EDC by-laws 10-15% of costs are recovered from non-residential development, with the remainder from residential development
- The Hamilton Boards currently recover 85% of net education land costs from residential development and 15% from non-residential development

EDC Policy Review – Key Policies

4. Portion of Net Education Land Costs to be Recovered from Residential versus Non-residential Development cont'd

- Considerations re maximizing recovery of net education land costs should the legislative rate ‘cap’ remain in place
- A residential/non-residential share of 90% residential and 10% non-residential would maximize short and longer term recovery of net education land costs
- Total projected net education land costs are \$145,411,200. The residential/non-residential share that comes closest to recovering \$145,411,200 is the 85%res/15% non-res shown on the table to the right.

2024 Maximum
Calculated 15-year Calculated Rates of \$2,040 per res unit and \$1.03 per sq ft of non-res GFA (based on 2019 approved 85% residential/15% non-residential share)

Rates		Current EDC Rates	Year 1 2024/ 2025	Year 2 2025/ 2026	Year 3 2026/ 2027	Year 4 2027/ 2028	Year 5 2028/ 2029	Total	
RES %	85%								
NON-RES %	15%								
	\$ 2,040	Capped By-law Residential Rates	\$ 1,573.00	\$ 1,873	\$ 2,040	\$ 2,040	\$ 2,040	\$ 2,040	
	\$ 1.03	Capped By-law Non-Residential Rate	\$ 0.50	\$ 0.60	\$ 0.70	\$ 0.80	\$ 0.90	\$ 1.00	
		Projected Residential EDC Revenue		\$ 7,754,557	\$ 8,445,967	\$ 8,442,222	\$ 8,638,857	\$ 8,459,076	\$ 122,908,110
		Projected Non-Residential EDC Revenue		\$ 648,306	\$ 756,357	\$ 864,408	\$ 972,459	\$ 1,080,510	\$ 20,592,352
		TOTAL Projected EDC Revenue		\$ 8,402,863	\$ 9,202,325	\$ 9,306,630	\$ 9,611,317	\$ 9,539,587	\$ 143,500,461
RES %	90%								
NON-RES %	10%								
	\$ 2,160	Capped By-law Residential Rates	\$ 1,573.00	\$ 1,873	\$ 2,160	\$ 2,160	\$ 2,160	\$ 2,160	
	\$ 0.68	Capped By-law Non-Residential Rate	\$ 0.50	\$ 0.60	\$ 0.68	\$ 0.68	\$ 0.68	\$ 0.68	
		Projected Residential EDC Revenue		\$ 7,754,557	\$ 8,942,789	\$ 8,938,823	\$ 9,147,025	\$ 8,956,669	\$ 129,681,848
		Projected Non-Residential EDC Revenue		\$ 648,306	\$ 738,849	\$ 738,849	\$ 738,849	\$ 738,849	\$ 14,450,577
		TOTAL Projected EDC Revenue		\$ 8,402,863	\$ 9,681,638	\$ 9,677,672	\$ 9,885,875	\$ 9,695,518	\$ 144,132,425

EDC Policy Review – Key Policies

5. Differentiated EDC

Considerations:

- Board may choose to have a singular EDC rate for all residential unit types, or differentiated by density type
- EDC boards determine differentiated residential rates based on pupil generation per unit type, although alternative methodologies have been proposed, the Province has not implemented any changes as yet
- Using pupil generation as the basis for differentiated charges makes the differential between low density and high density greater than DC differential
- Stakeholders have historically preferred singular rate, consistent with averaging of costs and rates

6. Demolition Credits

Considerations:

- Legislative provisions require Boards to provide demolition credits for a period of up to two (2) years for residential development and five (5) years for non-residential development
- The HWDSB draft EDC by-law is consistent with the legislative provisions with respect to the residential and non-residential grace periods.

EDC Policy Review – Key Policies

7. Conversion Credits

Considerations:

- No legislative provisions specifically dealing with conversion of use
- Some boards offer limited EDC conversion credits
- The existing Hamilton EDC by-laws do provide for limited redevelopment credits; not conversion credits

8. By-law term

Considerations:

- The maximum term of five-years is typically adopted
- The Hamilton EDC by-laws carry a five-year term
- Board can amend the by-law or pass a new one earlier, if necessary (ongoing monitoring to account for land cost increase)
- Consistency with each Board's capital planning process is a consideration

EDC Policy Review – Key Policies

9. Alternative Accommodation Arrangements

Considerations:

- Requirement that the Boards contemplate “arrangements” for both land and buildings, where feasible
- Requirement that EDC boards develop criteria for evaluating potential Alternative Projects and meet with development community stakeholders to seek their input
- While the requirement that a board adopt a policy respecting alternative accommodation arrangements has been removed from the legislation, the legislation still permits a landowner to provide land for a school site in lieu of EDC credits

10. Need to Conduct Further Public Meeting

Board must determine through resolution whether any additional public meetings are required

EDC By-law Adoption Process – Next Steps

Stakeholder Sessions

- EDC reports have been sent to Ministry and coterminous boards
- Sent EDC reports to development community stakeholders with request for meeting and to seek input re potential for future Alternative Projects
- Meeting with municipalities to review by-law definitions and collections administration/reporting

Policy Review Public Meeting – Meeting #1 May 27, 2024

1st Successor By-law Public Meeting – Meeting #2 May 27, 2024

- Presentation of EDC Background study approach and recommendations and EDC by-law.
- Proposed EDC rates for Board consideration.
- Inviting stakeholder input.

By-law Adoption Public Meeting – Meeting #3 June 17, 2024

- Recommendations will be presented re: policy decisions and proposed EDC rates.
- Trustees to consider adoption of by-law, following invitation for stakeholder input.
- Provide municipal Building/Finance staff with updated EDC rates and clarify by-law definitions