

HAMILTON-WENTWORTH CATHOLIC DISTRICT SCHOOL BOARD

PROPOSED AMENDMENT TO EDUCATION DEVELOPMENT CHARGES (EDC) BY-LAW NO. 2019

EDC By-law Adoption Process - Background

On May 7, 2019 the Hamilton-Wentworth Catholic District School Board (HWCDSB) passed a successor Education Development Charge (EDC) By-law 2019, that is applicable to both residential and non-residential development in the City of Hamilton (with the exception of certain exempted lands).

The Board's 2019 EDC by-law came into force on July 6, 2019 and will expire on July 5, 2024. There were no appeals of the by-law. The 2019 by-law adopted rates are shown below and are consistent with the legislative 'rate cap' enacted by the Province of Ontario (O. Reg 371/19) on October 25, 2019, which is:

- A maximum yearly increase of the greater of 5% or \$300 per residential unit; and
- A maximum yearly increase of the greater of 5% or \$0.10 per square foot of GFA for non-residential rates.

The total of the EDC rates for both the Hamilton-Wentworth Catholic DSB and the Hamilton-Wentworth DSB are paid at building permit issuance.

	Year 1 Proposed Rates July 6, 2019 to July 5, 2020	Year 2 Proposed Rates July 6, 2020 to July 5, 2021	Year 3 Proposed Rates July 6, 2021 to July 5, 2022	Year 4 Proposed Rates July 6, 2022 to July 5, 2023	Year 5 Proposed Rates July 6, 2023 to July 5, 2024
Hamilton-Wentworth District School Board 20 Education Courtt, Hamilton, ON L9A 0B9 https://www.hwdsb.on.ca/					
<i>Residential EDC Rate per Dwelling Unit</i>	\$1,339	\$1,573	\$1,573	\$1,573	\$1,573
<i>Non-residential EDC Rate per Sq. Ft. of GFA</i>	\$0.41	\$0.43	\$0.45	\$0.47	\$0.50
Hamilton-Wentworth Catholic District School Board 90 Mulberry St, Hamilton, ON L8R 2C8 https://www.hwcdsb.ca/					
<i>Residential EDC Rate per Dwelling Unit</i>	\$1,101	\$1,101	\$1,101	\$1,101	\$1,101
<i>Non-residential EDC Rate per Sq. Ft. of GFA</i>	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35
Total Residential EDC Rates	\$2,440	\$2,674	\$2,674	\$2,674	\$2,674
Total Non-Residential EDC Rates	\$0.76	\$0.78	\$0.80	\$0.82	\$0.85



It is the Hamilton-Wentworth Catholic District School Board's intention to consider the proposed amendment at its June 21, 2022 Special Board Meeting with proposed implementation on July 6, 2022. A July 6th implementation date would enable the date of the Board's annual rate increase to align with that of the City of Hamilton's development charges by-law indexing. If on June 21, 2022 the Board proceeds with the adoption of the amendment, the official notice of the proposed amendment will contain all of the required information. Notification of the potential increases will also be provided to the City's Building department prior to the July 6th implementation date.

Legislative Requirements Respecting EDC By-law Amendments

Education Development Charges are a primary source of revenue available to the Board to fund site acquisition/site development needs related to projected enrolment growth generated by new housing development. Under the *Education Act*, a Board may pass a by-law amending a current education development charge by-law (Section 257.70 of the *Education Act*). A Board can only amend a by-law once in a one-year period if the amendment would cause any of the following:

- Increase the amount of an EDC;
- Remove or reduce the scope of an exemption;
- Extend the term of the by-law if less than 5 years, but not beyond a five-year term.

According to the legislation, a Board must give notice of a proposed amendment to its EDC by-law. If the Board passes an amending by-law, notice must also be given of the passage.

Notice of the proposed amendment was published the Hamilton Spectator on Friday May 27th and was also provided via e-mail to the Clerk and Building Department of the City of Hamilton, the co-terminous school boards, the West End Home Builders' Association and the Ministry of Education. Ministerial approval is not required to pass an EDC by-law amendment. A public meeting is also not a requirement of the amendment process; however, school boards are encouraged to hold a public meeting to inform stakeholders. The Board will conduct a public meeting and contemplate passage of the proposed amendment on June 21st, 2022.

Purpose of the Proposed Amendment

The proposed by-law amendment is intended to address changes to by-law exemptions more recently adopted by the province, as well as contemplate a proposed increase in the EDC rates to account for land price increases that have occurred between July 2019 and May 2022.

The changes to the EDC Regulation (O. Reg. 20/98) added several legislative exemptions and clarified others regarding particular land uses. Those exemptions are:

“An owner shall be exempt from education development charges if a development on its lands would construct, erect, or place a building or structure, or make an addition or alteration to a building or structure for one of the following purposes:

1. a private school;
2. a long-term care home, as defined in the *Long-Term Care Homes Act, 2007*;
3. a retirement home, as defined in the *Retirement Homes Act, 2010*;
4. a hospice or other facility that provides palliative care services;
5. a child care centre, as defined in the *Child Care and Early Years Act, 2014*;
6. a memorial home, clubhouse or athletic grounds owned by the Royal Canadian Legion.

If only a portion of a building or structure, or an addition or alteration to a building or structure, will be used for a purpose identified in that subsection, only that portion of the building, structure, addition or alteration is exempt from an education development charge.

An owner shall be exempt from education development charges if the owner is,

1. a college of applied arts and technology established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*;
2. a university that receives regular and ongoing operating funds from the Government of Ontario for the purposes of post-secondary education;
3. an Indigenous Institute prescribed for the purposes of section 6 of the *Indigenous Institutes Act, 2017*;

In addition, the proposed EDC by-law amendment is intended to address increased land values. The land appraisal exercise undertaken as part determining appropriate by-law rates in 2019, concluded land values for new school sites ranging from \$600,000 to \$750,000 per acre. Further the appraisers concluded a land escalation factor of 5% per annum to be applied to the 2019 land values for each year of the by-law, where school sites were expected to be acquired during the 2019 to 2024 by-law period, or beyond.

More recent school site purchases made by the Hamilton-Wentworth DSB, as well as a May 2022 appraisal report prepared on behalf of the Hamilton-Wentworth Catholic DSB, and determining current land values at \$1.875 million per acre for an elementary school site, conclude that a more appropriate land escalation factor would have been 17.678% per annum, to bridge the gap between 2019 appraised land values and more recent land values.

In updating the HWCDSB EDC calculation, the consultants have not assumed that all future EDC sites to be acquired by the Board should be re-valued at \$1.875 million per acre as a 2022 valuation, without the benefit of updated appraisals for each school site. Only the school site that is the subject of purchase negotiations has been revalued from the \$750,000 per acre determined in 2019, to the May 2022 appraised value of \$1.875 million per acre. Instead, we have applied the updated land escalation factor of 17.678% to each school site to

be acquired, with the revised escalation factor applied over the next five years, consistent with historical practice.

HWCDSB Revised Land Values (based on 17.678% annual land escalation)

	Review Area	2019 Proposed Site Acquisition Year	2019 EDC By-law Land Value Assumption	2022 EDC Amendment Land Value Assumption Applying Updated Land Escalation Rate	2019 EDC By-law Site Acquisition Costs	2022 EDC Amendment Site Acquisition Costs
New elementary site in south Ancaster - Mount Hope area	CE01	2029	\$750,000	\$4,231,337	\$5,803,462	\$ 25,654,112
New Binbrook elementary site	CE02	2019	acquired pre-2019 at \$567,183 per acre		\$0	\$ -
Binbrook elementary site #2	CE02	2028	\$600,000	\$2,206,549	\$5,360,383	\$ 15,445,840
Elfrida #1	CE02	2028	\$750,000	\$2,758,186	\$6,700,478	\$ 19,307,299
Elfrida #2	CE02	2031	\$750,000	\$2,758,186	\$6,700,478	\$ 19,307,299
Heritage Green #1	CE02	2022	\$750,000	\$1,222,214	\$6,077,531	\$ 8,555,495
New secondary site in Binbrook/Elfrida area	CS01	2024	\$675,000	\$1,523,281	\$14,645,331	\$ 25,895,785
TOTALS					\$45,287,663	\$ 114,165,831

Despite the increase in escalated land values, the HWCDSB is only entitled to increase the EDC by-law rates consistent with the legislative ‘cap’ described previously. That is, the Board is only entitled to increase the residential rate by \$300 per dwelling unit, and the non-residential rate by \$0.10 per square foot of gross floor, annually. As such, both the increased calculated rates and the proposed amendment rates allowed under the legislative ‘cap’ are shown below.

	Year 4 Amended By-law Rates July 6, 2022 to July 5, 2023	Year 5 Amended By-law Rates July 6, 2023 to July 5, 2024	Revised HWCDSB Calculated Rate based on current land values
Hamilton-Wentworth Catholic District School Board			
<i>Residential EDC Rate per Dwelling Unit</i>	\$1,401	\$1,701	\$2,523
<i>Non-residential EDC Rate per Sq. Ft. of GFA</i>	\$0.45	\$0.55	\$0.81
Total Hamilton Boards Residential EDC Rates	\$2,974	\$3,274	\$4,096
Total Hamilton Boards Non-Residential EDC Rates	\$0.92	\$1.05	\$1.31



Financial Implications

Where the EDC collections at building permit issuance fall short of the cost to acquire and develop growth-related school sites, then there is a funding shortfall, for which there is alternative funding under the current legislation. That is, boards can acquire lands and pay EDC-eligible costs from an EDC account but unless EDC rates and subsequent collections are equal to the expenditures being made, then there will be funding shortfalls and increased account deficits. Further, there is no ability, under the existing legislation, to make up any shortfall in funding once building permits are issued.

EDC funding shortfalls are created when any or all of the following circumstances occur:

1. The statutory exemptions adopted by the province post by-law adoption by the HWCDSB in 2019 are not reflected in the determination of the ‘net’ new units, or ‘net’ non-residential GFA at the time the 2019 EDC Submission was completed and approved by the Minister of Education;
2. The projected forecast of residential and non-residential development (as approved by the municipality prior to the 2019 EDC by-law) is higher than actual building permits that have paid EDCs since July, 2019;
3. The legislative ‘cap’ prohibits the school board from applying 100% of the ‘calculated’ EDC rates, where the calculated rates are higher;
4. Land prices exceed the appraised values underlying the by-law and the school board is unable to account for ongoing price increases before building permits are issued. That is, EDC rates can only be increased once every 12 months, and need to be based on supportable evidence.