Chapter 9: Alternative Sources of Revenue for School Development

Introduction

Notwithstanding the method of financing school construction, provincial grants, local debentures or private sector financing, there are a number of alternative sources of revenue available to the province and the school boards that can be utilized to reduce the amount of money that needs to be financed.

Land Dedication

Site acquisition cannot be ignored in the equation. Site costs vary from a small percentage of total project costs in more remote areas to a very significant percentage of project costs in urban areas. Site acquisition costs generally range between 20 to 30 percent of total project costs in the GTA.

In the regions of the province where the majority of new school development is occurring, school boards are being required to pay market value for school sites based on the concept of “highest and best use”. Two hundred and fifty thousand to four hundred thousand dollars per acre is not uncommon.

Land dedication for school purposes would provide substantial savings to school boards and the Province. Both Alberta and British Columbia have land dedication for school purposes. Alberta has a 10% dedication for municipal and school purposes. British Columbia has recently passed its School Site Acquisition Amendment Act which provides a 5% dedication for school purposes.

Whether land dedication for school purposes in Ontario should be included within the current land dedication or be in addition to the current land dedicated is arguable. A study carried out by the Provincial Facilitator as part of the analysis for the provision of schools for the Peel Board of Education and the Dufferin Peel Roman Catholic Separate School Board indicates that land dedication for school purposes can be accommodated within the current land dedication provisions in Peel. It would require all constituents to act in a cooperative manner and bring about greater efficiencies in the use of the land currently being dedicated.

The Study Team strongly recommends land dedication for school purposes in order to reduce total school project costs significantly. For example, one hundred elementary school sites at one million dollars per site (five acres at $200,000 per acre) represents a savings of one hundred million dollars.
Provincial government officials will have to analyze the situation to determine the extent to which land dedication for school purposes can be accommodated within the current land dedication provisions.

If land dedication for school purposes is introduced, land costs could then be excluded in the calculation of Education Development Charges.

**Education Development Charges**

Education Development Charges provide a significant level of financial resources for new school construction and should be maintained as one of the cornerstones of new school construction.

The recent Supreme Court of Canada ruling validates Education Development Charges. The Court decided that EDCs are part of valid regulatory scheme for the provision of educational facilities and that they are distributed in a fair and non-discriminatory way between public and separate boards.

A number of amendments to the legislation and regulations are required, however, to improve the equity and administration of Education Development Charges.

It should be noted that Education Development Charges can be applied to the approved portion of approved school projects. Under the current system it is incumbent on the Ministry to provide both a realistic approval level and to approve all growth projects eligible for EDCs in order to maximize the revenue available to school boards through the Education Development Charges.

**Developer Alternatives**

Developers are ready to work with school boards to help resolve school accommodation issues. Developer participation in addressing the issues with the Peel Board of Education and Dufferin-Peel Roman Catholic Separate School Board is indicative of this attitude.

Developers are prepared to design and construct schools, provide interim financing for schools, and generally facilitate the school development process. The Peel Board of Education partnership with Metrus Development Inc. in Springdale is an example. Developer participation has many advantages, but does not necessarily reduce the cost of the schools to the school boards.
In addition, developers have made, and are prepared to make, arrangements with school boards in lieu of Education Development Charges. Each arrangement is unique to the particular school project and can include any combination of land, building and financing.

Partnerships are also possible between school boards and developers whether or not Educational Development Charges are applicable. Making school sites available at “discounted prices” in order to expedite school construction is one approach that has been utilized by school boards and developers.

**Sale of Assets**

Many school boards have schools and sites that are surplus to their needs which can be used to generate revenue to help offset the cost of new construction.

Sale or exchange of surplus properties with the private sector are options available to school boards after the properties have been offered for sale to public sector users.

In selling or exchanging surplus properties, school boards should consider a request for proposal with the private sector in order to maximize the revenue from such schools and sites. School boards should also consider the implications of rezoning a school site prior to testing the market since a rezoning may add substantial value to a surplus site. Professional advice should be sought regarding the timing and method of marketing surplus schools and sites in that each situation is unique and may provide the opportunity for a non-traditional solution.

It should be noted that the Ministry could facilitate the disposal of surplus schools and sites by providing greater flexibility to school boards in the application of the proceeds from the sales towards other capital projects.

**High Value Sites**

Urban school boards may have unique opportunities with surplus school properties that are located in areas of high demand. The surplus sites and their air rights may have substantial market value and can be an integral part of financing future school development.
In unique circumstances, it may even be financially viable to replace existing schools situated on high value sites. The Metropolitan Toronto Separate School Board partnership with Tridel is such an example. The value to the developer of a portion of the site and the air rights was substantial enough to provide the majority of the revenue required to build Cardinal Carter Secondary School on the remaining portion of the site.

In order to provide greater flexibility in use and potential revenue, school boards should seriously consider locating schools on sites that may have a greater opportunity to appreciate in value and/or have a viable non-school use, where such locations are not detrimental to the school program and do not increase the immediate cost.

**Capitalization**

Reductions in operating costs can be used to finance capital. For example, a $500,000 reduction in operating costs could finance a five million dollar debenture which would provide the capital to build an elementary school.

Pupil transportation and portable accommodation are two areas in which cost reductions are possible. For example, transportation costs could be reduced if an elementary school was built in a location where fewer pupils required transportation. In addition, with this example acquisition, relocation and operating savings could result from discontinuing the use of portables to house the pupils.

The York Region Board of Education Bernard Avenue Public School is an example of an elementary school that was financed entirely from the savings that were achieved by reducing the Board’s transportation and portable expenditures.

The amalgamation of inefficient schools is another example. There are circumstances where closing small schools with higher per pupil operating costs could result in savings which, in conjunction with revenue from the sale of the surplus schools, could finance a new school or a substantial proportion thereof.
Recommendations

It is recommended that:

10.0 Alternative Revenue Sources

10.1 The Province should introduce land dedication for school purposes.

10.2 The Province should analyze the situation to determine the extent to which land dedication for school purposes can be accommodated within the current land dedication provisions.

10.3 Education development charges should be maintained as one of the cornerstones of the financing of new school construction.

10.4 With respect to projects eligible for Education Development Charges, the Ministry of Education and Training should provide a realistic approval level and approve all growth projects eligible for EDCs.

10.5 School boards should be encouraged to continue to develop partnerships in the provision of school accommodation.

10.6 School boards should be encouraged to sell or exchange surplus properties.

10.7 The Province should provide greater flexibility to school boards in the application of the proceeds from the sale of surplus properties for other capital projects.

10.8 Where feasible, school boards should locate their schools on sites that may have a greater opportunity to appreciate in value, and/or have a viable non-school use.

10.9 School boards should analyze their current and projected operating costs to determine if operating cost savings could finance new school construction.