

**DATE:** February 28, 2012  
**TO:** Board of Trustees  
**FROM:** Edgar Schmidt, Superintendent of Schools  
**SUBJECT:** Leasing Costs (Response to Trustee Request #159)  
**ORIGINATOR:** Brian Smith, Executive Director  
**RESOURCE STAFF:** Roland Labbe, Lorne Parker, Cindy Skolski  
**REFERENCE:** January 31, 2012 Board Meeting (Trustee Spencer)  
[http://www.epsb.ca/board/sept27\\_2011/item12.pdf](http://www.epsb.ca/board/sept27_2011/item12.pdf)

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#### **ISSUE**

The following information was requested: Provide information regarding the discrepancy between the actual costs of leases and what the District charges.

#### **BACKGROUND**

The revenue generated through district lease agreements during the 2010-2011 school year totaled approximately \$3.37 million or 0.4 per cent of the District's \$831 million total operating budget. The District has an established four-year lease revenue and distribution cycle which guides leasing rates for use of District space. This cycle provides stable, transparent lease rates to both the tenant and the District over the four-year period. The lease rate paid by the tenant depends on the lease category which best matches the type of tenancy (Attachment I).

The leasing rate structure reflects the following:

- lease rates take into consideration some level of subsidy by the District for those tenants providing educational services aligned with the District's goals
- for-profit tenants continue to carry the full cost of operating space
- revenue from for-profit leases is pooled with revenue from not-for-profit leases
- utility costs recovered from tenants is credited to DU 378, Utility Management
- all custodial funds collected from tenants that purchase custodial service from the District are directed to the school providing the service
- organizations that utilize shared space with the school pay a lower rate than those that have dedicated space

#### **CURRENT SITUATION**

While tenants provide excellent service to district schools, students and families, the actual cost to operate the leased space is not fully recovered.

The District has made a concerted effort in the last five years to decrease the costs of surplus space and supplement services to schools, families and the community through lease agreements.

As illustrated in the chart below, while the amount of leased space has increased by 80% in the last five years, the amount of revenue has not increased by the same proportion.

Year	Number of Leases	m <sup>2</sup> Leased	Revenue
2006-2007	146	25,202	\$1,191,050
2007-2008	154	26,709	\$1,264,607
2008-2009	174	39,560	\$1,597,044
2009-2010	200	45,801	\$1,755,876
2010-2011	189	45,296	\$1,986,201
Percent Change	+29%	+80%	+67%

Using an average classroom size of 80m<sup>2</sup>, the potential lease revenue generated by a 12 month tenant is illustrated below.

Classroom Area in m <sup>2</sup>	Example of Tenant	Lease Rate/m <sup>2</sup> /month	Monthly Revenue to the District	PO&M* Funds from Province	Yearly Gross Revenue to the District
80.0	Not-for- Profit Daycare	\$2.75	\$220.00	\$0.00	\$2,640.00
80.0	For Profit Daycare	\$8.25	\$660.00	\$0.00	\$7,920.00

\*Plant Operation and Maintenance

In the case of an average 80.0 m<sup>2</sup> classroom leased to a not-for-profit daycare, the total annual lease revenue for a single classroom is \$2,640. The highest lease category including for-profit child care businesses would generate \$7,920. It is important to note that this calculation represents 12 month leases, while many tenants have 10 month leases matching the school year. Additionally, the provision of cleaning services by district custodial staff of washrooms and common areas, snow removal and the purchase of washroom supplies and cleaning products are not included in lease agreements. With the exception of 18 lease holders, the cost of these services and supplies are borne entirely by the District.

Comparatively, a classroom being used for instruction by students would generate a higher level of provincial funding for the District in PO&M and instructional funding.

Classroom Use	Number of Students	PO&M Funds from Province	Base Instruction Grant	Yearly Gross Funding to the District
Grades 1 – 3	20	\$15,594.20	\$158,328.40	\$173,922.60
Grades 4 – 6	25	\$19,492.75	\$162,417.75	\$181,910.50

It should be noted that the Province informed the District of changes to provincial funding support for leases of jurisdiction-owned facilities to Charter and Francophone jurisdictions. The new funding support structure has been implemented for the lease of a portion of Kensington School by the Francophone district to house their “Ecole de la Decouverte” program.

**KEY POINTS**

- Funds generated through lease agreements do not provide additional funding to support teaching and learning.
- Lease rates do not cover capital depreciation costs.
- Leased areas do not generate capital funding for the District, nor are leased areas eligible for provincial capital project funding.
- The next District lease rate review process is scheduled for the 2012-2013 school year, using 2011-2012 unit costs and market comparisons.

**ATTACHMENTS & APPENDICES**

ATTACHMENT I Lease Rates by Category (2011-2012)

**LEASE RATES BY CATEGORY (2011-2012)****CATEGORY A: Educational Services Partnerships**

Leases with agencies that provide co-curricular programs and educational services under a formal interagency partnership agreement with Edmonton Public Schools.

Examples: Head Start Programs, Literacy Programs

RATE: \$2.75 per square meter per month exclusive of custodial services

**CATEGORY B: Pre-Kindergarten Educational Programs and Child Care Providers**

Leases with operators of licensed pre-kindergarten educational programs, daycare and out of school care centers by a non-profit organization.

Examples: Springhill Community Nursery School Society, Babar's Children's Centre Society, Ottewell Community League Playschool

RATE: \$3.25 per square meter per month exclusive of custodial services

**CATEGORY C1: Part-time Licenses for child care services**

Licenses by a non-profit organization for use that is less than 65 per cent of the school week and in which the school shares access to the same space for the balance of the school week.

Examples: YMCA Out of School Care Centre, Thorncliffe After-School Care Association

RATE: \$3.25 per square meter per month exclusive of custodial services.  
GST is charged

**CATEGORY C2: Full-time leases for daycare, out of school care, kindercare or other child care service centres by a non-profit organization.**

Examples: Glengarry After School Care Society, Waverly Daycare Ltd.

RATE: \$4.90 per square meter per month exclusive of custodial services

**CATEGORY D1: Part-time leases for daycare, out of school care, kindercare or pre-kindergarten programs by a for-profit organization.**

Examples: Sabrina's Kids Cove, Little Professor Childcare Inc.

RATE: \$4.13 per square meter per month part-time use exclusive of custodial services  
GST is charged

**CATEGORY D2: Full-time leases for daycare, out of school care, kindercare or pre-kindergarten programs by a for-profit organization.**

Examples: Alberta Ltd. Company

RATE: \$8.25 per square meter per month exclusive of custodial services

**CATEGORY E: Public Sector Services**

Leases with other levels of government to provide public services for the community at large.

Examples: Public Health Clinics, Government offices, and or Public Libraries

RATE: \$6.90 per square meter per month exclusive of custodial services

**CATEGORY F: General**

Leases with tenants that are not represented in the other categories.

Examples: Society offices, Religious organizations and Churches, Francophone School District

RATE: \$8.25 per square meter per month exclusive of custodial services

**CATEGORY G: Direct Service to Students, Space in Kind (MOU)**

Full or Part-time agreements with tenants that provide direct services to district students and require space within the school setting and where the school has chosen not to collect a lease revenue for the space.

Examples: Big Brothers Big Sisters Mentoring; E4C ArtStart

RATE: \$1.00 per term exclusive of custodial services

**CATEGORY H: Decentralized Administration**

District Decision Units who use office, storage or program space within an operational or closed school.

Examples: IISLE Consultants; Consulting Services; Metro Continuing Education

RATE: \$20.22 per square meter per annum exclusive of custodial services

**CATEGORY I: Adult Day Care Programs**

Leases for adult day programs by not-for-profit organizations

Examples: Victorian Order of Nurses Day Support Program

RATE: \$4.90 per square meter per month exclusive of custodial service

**CATEGORY J: Language School & Church Part-time Licenses**

Hourly use of operational school space by non-for-profit Language Schools and Religious Organizations, usually on weekends

Examples: River Community Church, Edmonton Hispanic Bilingual School

RATE: Blended rate of \$8.25 per square meter per month pro-rated plus custodial overtime costs. 100% revenue to schools  
GST is charged

**CATEGORY K: Leases in closed building**

Examples: Aurora Charter School and Suzuki Charter School Society

RATE: \$75.32 per square meter per year as outlined in the provincial manual

ALL OF THE ABOVE RATES ARE FOR GROSS RENT IN OPERATIONAL SCHOOLS. Gross rent is defined as basic rent for the demised space as outlined in the lease agreement including utilities (except telephone or computer service). The school district provides for the maintenance of the foundation, major mechanical, electrical and plumbing components of the building as well as access to common areas for entry and washrooms.

GST is charged to all part-time leases and part-time licenses.