

EDMONTON PUBLIC SCHOOLS

January 28, 2003

T0: Board of Trustees

FROM: A. McBeath, Superintendent of Schools

SUBJECT: District Lease Rate Review

ORIGINATOR: A. Habinski, Executive Director, School and District Services

RESOURCE

STAFF: Jenise Bidulock, Gloria Chalmers, Meredith Colgan, Robert Craig, Randy Leal, Cindy Skolski

INFORMATION

The purpose of this report is to inform trustees that a review of lease rates charged within the district is underway and share preliminary data collected as part of this process. Board Policy JG.BP requires that use of district space leased by other users be compatible with the board's educational aims and objectives and that the lease rate not be less than a proportionate share of the operating costs of district buildings. The board policy meets the needs of the district and is not under review.

The board set minimum rates in 1982 for specific users. These minimum rates were meant to ensure that schools were not unnecessarily subsidizing leases. These minimum rates (\$0.86 per square meter per month for community based preschools and \$1.94 per square meter per month for non-profit child care providers) no longer allow schools to recover operating costs. Therefore, the rates charged for leases to outside groups leasing in operational schools are under review. Lease rates were last reviewed in 1995 and at that time, with a near 0% inflation rate, minimum rates were not adjusted.

Rates Currently Charged based on 1982 approved minimum rates:

- \$0.86 per square meter, per month for community based pre-school programs and head start programs
- \$1.94 - \$3.95 per square meter, per month for non-profit organizations

Rates Currently Charged based on 1995 market values:

- \$3.96 - \$10.00 per square meter, per month for for-profit organizations

Leases currently are organized in three categories:

1. Community based playschool and pre-kindergarten educational programs. This includes head start programming and early head start.
2. Not-for-profit childcare service providers and not-for-profit societies.
3. For-profit childcare service providers and private preschools.

A comparison of district lease rates with surrounding school districts is attached (Appendix I) and includes the latest commercial real estate rates for comparable space.

The categories of leases in the district are also being reviewed to ensure they meet the district's needs. One model suggested by the review committee would be to categorize leases by the educational and utilization benefit to the district and community using a stepped lease rate.

**Category A – Educational Services Partnerships**

(agencies that provide co-curricular programs)

Head Start Programs

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Literacy Programs

**Category B – Child Care Providers & Early Education Programs**

(tenants that provide pre-kindergarten programs and/or potentially feed enrolment)

Daycares

Out of School Care Centres

Community Playschools or Pre-Kindergarten Programs

Private Nursery or Pre-Kindergarten Schools

**Category C – Services to the Community**

(tenants that serve the wider community)

Health Clinics (e.g. Westlawn Health Clinic)

Government offices

Public Libraries

**Category D – General**

(all other tenants that do not compliment the district's educational mandate)

Francophone School District

Churches and religious organizations

Society offices

**Costs To Operate:**

- Average of \$3.35 per square meter, per month (\$40.21 per square meter annually) for the average operational school building to cover custodial, utilities, grounds, snow removal, general maintenance, security monitoring, insurance, etc. These costs would be considered plant operation and maintenance costs and Facility Services using 2001-2002 data compiled the above.
- Average of \$2.81 per square meter per month (\$33.69 per square meter annually) for capital reinvestment per average operational school amortized over 25 years. Facility Services used 2001-2002 data to compile these figures.
- An average classroom of 83 square meters costs \$278.05 per month for operating costs and \$233.23 per month for capital reinvestment for a total cost of \$511.28 per month.

The capital costs and the newly centralized utility costs are administered by central services for schools. Schools may or may not provide custodial services to their tenants for the rent charged. The breakdown provided by Facility Maintenance Services of operating and capital costs are attached (Appendix II).

The gap between what a school accommodating category one or two leases receives in revenue and the basic operating costs to provide the space is a major factor that has highlighted the need for a lease rate review.

**Summary Of Current Revenue And Costs**

<b>Lease Category</b>	<b>Current Rate/Month</b>	<b>Additional Costs/Month</b>	<b>Current Cost To Operate/Month</b>
Community Based Playschool or Pre-Kindergarten Program	\$0.86 per sq. meter	Custodial provided by school	\$3.35 Op Costs* \$2.81 Capital per sq. meter
Not-for-Profit Childcare Providers and Societies	\$1.94 to \$3.95 per sq. meter	Custodial & Tenant Improvements	\$3.35 Op Costs* \$2.81 Capital per sq. meter
For-Profit Childcare Providers and Private Pre-Schools	\$3.95 to \$10.00 per sq. meter	Custodial & Tenant Improvements	\$3.35 Op Costs* \$2.81 Capital per sq. meter

\* Operational and Maintenance Costs as determined by Facility Services, Appendix II

The district currently has approximately 28,156 sq. meters of surplus space leased in operational schools with annual revenue of \$814,239.00 at an average lease rate of \$2.41 per sq. meter per month. There are 28 Category 1 leases paying \$0.86/sq. meter/month; 64 Category 2 leases paying \$1.94 to \$3.94/sq. meter/month; and 22 Category 3 leases paying \$3.95 to \$10.00/sq. meter/month. Of the 114 leases only 1 is paying a rate equal to or greater than the \$6.16/sq. meter/month required to cover the full cost of providing the space.

**Review Process:**

The review committee consists of Meredith Colgan of Leasing, Robert Craig, Randy Leal and Cindy Skolski of Planning, and Gloria Chalmers of Curriculum and Programs. The lease rate review process will include input from school principals. Every principal will be provided an opportunity to give feedback to the review committee using a short questionnaire (Appendix III).

Current tenants in district schools were contacted in writing inviting them to provide written feedback to the review committee. The letters with a summary of the current rates and the reasons for the review were sent out in early January 2003.

Agencies that have partnerships and interagency relationships with the district will be contacted directly through Gloria Chalmers for feedback.

Lease rates charged by surrounding school districts and the Edmonton commercial real estate market have been gathered during the review process for rate comparisons.

A report recommending changes to district lease rates, if required, is scheduled for late February. Any changes to the lease rates need to be communicated with schools and current leaseholders in the spring in order to affect budget processes.

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- APPENDIX I: Lease Rates Comparison
- APPENDIX II: Average District Facility Costs (2001-2002 Data)
- APPENDIX III: Principal's Survey

**LEASE RATES COMPARISON (Monthly Rate Per Square Meter)**

<b>Edmonton Public Schools Type of Lease</b>	<b>EPS Lease Rates Per Sq. M Per Month</b>	<b>Edmonton Catholic Schools</b>	<b>Calgary Board of Education</b>	<b>St. Albert Protestant Schools</b>	<b>Elk Island Public Schools</b>	<b>Edmonton Real Estate Market</b>
Community Based Playschool & Pre-Kindergarten	\$0.86	\$1.79 to \$2.69	\$3.58	\$4.49	\$2.21	\$7.38
Not-for-Profit Childcare Providers & Societies	\$1.94 to \$3.94	\$10.67	\$3.58	\$4.49	\$2.21	\$7.38
For-Profit Childcare Providers	\$3.95 to \$10.00	\$10.67	\$3.58	\$4.49	\$7.09	\$7.38

**LEASE RATE DETAILS****EDMONTON PUBLIC SCHOOLS:**

<b>Type of Lease</b>	<b>Rate of Lease</b>	<b>Additional Costs</b>
Community Based Playschool or Pre-Kindergarten Program	\$0.86 per sq. meter/month part-time licenses are pro-rated (\$10.32/year)	Custodial Services are included in part-time licenses
Not-for-Profit Childcare Providers and Societies	\$1.94 - \$3.95 per sq. meter/month (\$23.28 - \$47.28/ year)	Custodial Services and tenant improvements are extra
For-Profit Childcare Providers	\$3.95 - \$10.00 per sq. meter/month (\$47.40 - \$120.00/ year)	Custodial Services and tenant improvements are extra

**EDMONTON CATHOLIC SCHOOLS:**

<b>Type of Lease</b>	<b>Rate of Lease</b>	<b>Additional Costs</b>
<b>Associations</b> (organizations and groups completely run by volunteers) and Community Playschools	\$1.79 per sq. meter per month Or \$21.52 per sq. meter annually  (\$2.00 per sq. foot annually)	\$16.00 per sq. meter annually for custodial coverage  Tenant improvements are extra
<b>Before and After School Programs</b> (part-time licenses)	\$2.69 per sq. meter per month Or \$32.28 per sq. meter annually (\$3.00 per sq. foot annually)	\$16.00 per sq. meter annually for custodial coverage  Tenant Improvements are extra

<b>Daycares and Others</b> (includes Private Schools & Edm. Police Services, etc.)	\$10.67 per sq. meter monthly Or \$128.00 per sq. meter annually (\$8.00 per sq. foot annually)	Includes custodial coverage, no option to contract out. Tenant Improvements are extra
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Edmonton Catholic Schools lease revenue projected for 2002-2003 is \$1,722,000. Rates were increased in 2001-2002 for the first time in 3 years by approximately 10%. Review of actual costs is done every 2 years. Edmonton Catholic Schools report that they have not lost any tenants due to the last increase.

**CALGARY BOARD OF EDUCATION:**

TYPE OF LEASE	RATE OF LEASE	ADDITIONAL COSTS
All leases are treated the same.	\$3.58/sq. meter month Or \$43.00/sq. meter annually (\$4.00/sq. foot annually)	Custodial costs, tenant improvements would be extra

**ELK ISLAND PUBLIC SCHOOLS:**

TYPE OF LEASE	RATE OF LEASE	ADDITIONAL COSTS
Non-profit	\$2.21/sq. meter/month Or \$26.51 per sq. meter annually	Custodial costs, tenant improvements would be extra
For-profit	\$7.09/sq. meter/month Or \$85.00 per sq. meter annually	Custodial costs, tenant improvements would be extra

Elk Island Public School district currently has only four or five leases in total. Policy is to recover PO&M costs.

**ST. ALBERT PROTESTANT SCHOOLS:**

TYPE OF LEASE	RATE OF LEASE	ADDITIONAL COSTS
Daycare	\$4.49/sq. meter/month Or \$53.82/ sq. meter annually	All inclusive
Private Schools	\$4.49/sq. meter/month Or \$53.82/ sq. meter annually	Plus PO&M* grants

\* Plant Operating and Maintenance Provincial Grants

**EDMONTON REAL ESTATE MARKET:**

TYPE OF LEASE	RATE OF LEASE	ADDITIONAL COSTS
Government Class C Office Space	\$1.79/sq. meter/month Or \$21.5/sq. meter annually (\$2.00 per sq. foot annually)	\$3.59/sq. meter per month for average operational costs plus utilities \$43.04/sq.meter per year

**AVERAGE DISTRICT FACILITY COSTS**  
(2001-2002 DATA)

**OPERATING COSTS:** costs to cover the daily operation of district buildings

<b>Item</b>	<b>Yearly Cost</b>	<b>Cost per Sq. Meter</b>
Custodial	\$18,000,000	\$15.78
Utilities	\$14,900,000	\$13.07
Hazardous Recycle	\$30,000	\$0.03
Grounds Keeping	\$600,000	\$0.53
Snow Removal	\$300,000	\$0.26
Playground Maintenance	\$30,000	\$0.03
General Maintenance	\$2,300,000	\$2.02
Travel	\$500,000	\$0.44
Roof Repairs	\$300,000	\$0.26
Security	\$580,000	\$0.51
Preventive Maintenance	\$3,000,000	\$2.63
Communication Infrastructure	\$3,700,000	\$3.24
Local Tax Levies	\$13,000	\$0.01
Insurance	\$1,000,000	\$0.88
Educational Equipment Repairs	\$600,000	\$0.53
<b>TOTAL</b>	<b>\$45,853,000</b>	<b>\$40.21</b>

- Average cost for an operational school to operate per square meter, per month would be \$3.35 with all of the above.
- If you remove custodial service costs the rate would be \$2.04 per square meter, per month.
- If you remove custodial service and the portion of utilities paid centrally, the average cost per square meter to a school would be \$0.95. The district would need to recover centrally the \$1.09 per square meter, per month for utilities.

**CAPITAL RENEWAL COSTS:** calculated over the life expectancy of the building components using an average of twenty years with 2% inflation compensation.

Building Component	% of Bldg.	Sq. M Cost	Years	Cost/M per year	Replacement Cost 65% Year One	Replacement Cost after 20 Years
Excavation	4.9%	\$73.50				
Piles/Foundation	5.2%	\$78.00				
Concrete	14.8%	\$222.00				
Masonry	7.5%	\$112.50				
Structural Steel	3.9%	\$58.50				
Metals	4.0%	\$60.00				
Millwork	4.0%	\$60.00	25	\$2.40	\$1.56	\$2.27
Siding	0.3%	\$4.50	20	\$0.23	\$0.15	\$0.21
Roofing	2.6%	\$39.00	20	\$1.95	\$1.27	\$1.85
Doors & Hardware	1.4%	\$21.00	25	\$0.84	\$0.55	\$0.80
Glazing	4.0%	\$60.00	20	\$3.00	\$1.95	\$2.84
Plaster	6.9%	\$103.50	20	\$5.18	\$3.36	44.90
Floors	3.0%	\$45.00	15	\$3.00	\$1.95	\$2.84
Ceilings	0.2%	\$3.00	50	\$0.06	\$0.04	\$0.06
Painting	1.6%	\$24.00	10	\$2.40	\$1.56	\$2.27
Partitions	4.3%	\$64.50	20	\$3.23	\$2.10	\$3.05
Misc.	3.7%	\$55.50	20	\$2.78	\$1.80	\$2.63
Elevators	1.1%	\$16.50	20	\$0.83	\$0.54	\$0.78
Plumbing	7.2%	\$108.00	20	\$5.40	\$3.51	\$5.11
HVAC	11.0%	\$165.00	20	\$8.25	\$5.36	\$7.81
Electrical	8.4%	\$126.00	20	\$6.30	\$4.10	\$5.97
<b>TOTAL</b>	<b>100%</b>	<b>\$1,500.00</b>	<b>20</b>	<b>\$45.83</b>	<b>\$29.79</b>	<b>\$43.39</b>
Parking Lots		\$60.00	15	\$4.00	\$2.60	\$3.79
Concrete Sidewalks		\$30.00	15	\$2.00	\$1.30	\$1.89
<b>TOTAL</b>				<b>\$51.83</b>	<b>\$33.69</b>	<b>\$49.07</b>

The average cost per square meter per month to cover the cost of 65% of capital renewal for the first year is \$2.81. The replacement cost after 20 years rises to \$4.09 per square meter per month using a 2% inflation rate.



**PRINCIPAL'S SURVEY**

*Please complete the following survey and return to Leasing, Centre for Education via district truck prior to February 14, 2003.*

<b>What value does your school place in the following type of leases?</b>	<b>High</b>	<b>Neutral</b>	<b>Low</b>
<b>Category A – Educational Services Partnerships</b> (agencies that provide co-curricular programs) Head Start Programs ESHIP Literacy Programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Category B – Child Care Providers &amp; Early Education Programs</b> (tenants that potentially feed enrolment) Daycares Out of School Care Centres Community Playschools or Pre-Kindergarten Programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Category C – Services to the Community</b> (tenants that serve the wider community) Health Clinics (e.g. Westlawn Health Clinic) Government Offices Public Libraries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Category D – General</b> (all other tenants that do not compliment the district educational mandate) Francophone School District Churches and Religious Organizations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>
<b>The district should subsidize the lease rates to those types of leases valued most highly.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>The lease revenue should follow to the area responsible for the costs.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>The district should charge a set rate per category of lease.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>Every Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>
<b>The district should review and adjust lease rates every....</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>1-2 Years</b>	<b>3-5 Years</b>	<b>At Renewal</b>
<b>The district should phase in any new system of rates over .....</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>