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COUNCIL DATE: **October 3, 2016**

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## **REGULAR COUNCIL**

**TO: Mayor and Council**

**DATE: September 26, 2016**

**FROM: General Manager, Planning and Development**

**FILE: 0510-01**

**SUBJECT: Provincial School Funding Opportunities for Surrey**

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## **RECOMMENDATION**

The Planning and Development Department recommends that Council:

1. Receive this report for information; and
2. Authorize the Mayor to forward a letter to the British Columbia Premier and the Minister of Education, along with a copy of this report, for the Province to consider different funding models for Surrey schools in order to deliver new, needed school space in parallel with new housing development.

## **INTENT**

This report will explore different methods that the Province of British Columbia should consider that would help fund and deliver new schools within the high growth areas of the City of Surrey in a timely manner. These schools would coincide with the population growth and would help reduce the use of portable classrooms.

## **BACKGROUND**

Funding for new schools in Surrey has been an issue for many years. The Province of British Columbia, in collaboration with Surrey's School District, has always collaborated in the delivery of new schools. It is important to consider that sometimes both the Province and the School District will agree to use portable or modular classrooms in order to "shave" peak enrollment in some areas of the City.

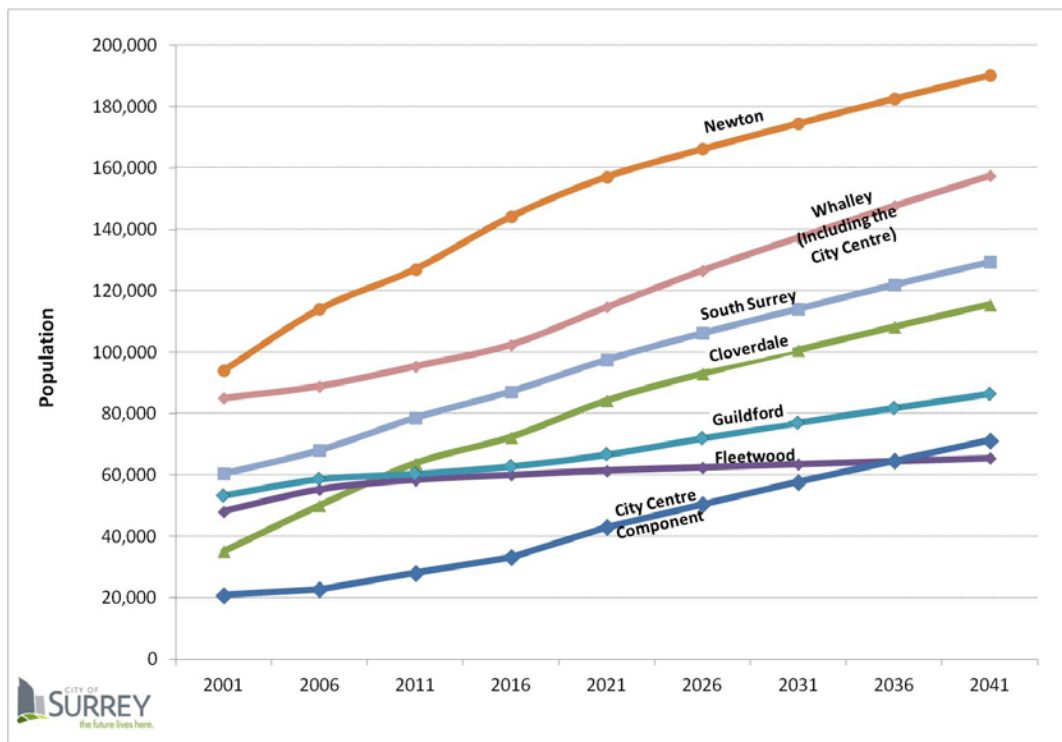
In these past few years, the real estate market in the Lower Mainland region has seen index price increases that have put additional pressure on the municipalities that work collaboratively with the private sector in delivering diverse and affordable housing stock. These pressures have been felt in the City of Surrey, which has seen a steady growth and densification of residential development over the past few years. A majority of the residential growth in Surrey is taking place in planned new neighbourhoods where there are no existing schools or where existing schools may be operating at or over capacity. This creates pressure for new additional, required classroom space.

## DISCUSSION

### Population Growth in Surrey

For the past 15 years, Surrey has grown at a similar, predictable pace every year, representing an average of 10,000 new residents per year. This usually translates to roughly 1,400 new students, which, for the most part, will enroll with the Surrey School District.

City and School District staff are meeting 4 times a year to share information on population growth, building permits for housing units and types that have been approved, as well as development applications that are currently in process with projected number of units and types along with an estimate of project completion.



The new growth in Surrey will take place in the new planned neighbourhoods where there is a need for a new school. Those areas where new growth is anticipated to happen over the next 10 years are: City Centre, Abbey Ridge (Fraser Heights), South Newton, West Clayton, and Grandview Heights.

The economic impact of this new growth that is happening in Surrey is not insignificant. Looking at the last 10 years of new housing built in Surrey, it is estimated that issued building permits resulted in estimated revenues of \$227 million in property purchase tax to the Province of British Columbia, \$285 million in Provincial sales tax, \$244 million in Provincial income tax, and \$23 million in school site acquisition charges.

Metro Vancouver has an approved Regional Growth Strategy which was supported by Surrey. Surrey has also prepared a Regional Context Statement outlining how it will achieve the housing growth as stipulated in the Metro Vancouver Regional Growth Strategy. That Regional Context Statement was approved by Metro Vancouver. As such, a growing region should not be penalized if they are following the Regional Growth Strategy and the delivery of public amenities, such as

schools, should come hand in hand with the development that is taking place in those municipalities.

In the meantime, the Province of British Columbia is also asking municipalities to reduce red tape and streamline the approvals for new housing units in order to add additional housing stock in the market place, with the view that it will help produce more affordable housing choices for people wanting to access property in the region.

In discussion with School District staff, City staff was made aware that the previous funding formula that has been used for many years by the Province to fund new school construction or the expansion of existing schools may no longer be in use. This has created some confusion, as the “predictability” for funding additional new classrooms and new schools in high growth areas is no longer present.

### **Existing Demand for New Schools**

The Surrey School District has a 5 year Capital Plan to alleviate overcrowding in schools, specifically in high growth areas as mentioned above.

Presently the School Board has a goal to have in place a fully funded Capital Plan consistent with the priorities established in the 5 year Capital Plan submitted by the Surrey School District to the Province. Immediate and stable funding in line with existing district plans would help address the serious demand for space in Surrey schools over the next few years.

Given the immediate demands, supporting the initial work done by the City and School District on a “made in Surrey” funding allocation to support the following expansions:

- *605 elementary seats in Clayton*
- *805 elementary seats in Grandview*
- *605 + elementary seats in Newton*
- *500-700 secondary seats in Newton*
- *200 elementary seats in Fleetwood*
- *TOTAL approximately 2,900 more seats in addition to the recent announcement.*

*In addition, on an on-going basis, based on an average of 10 years enrolment growth commit to providing:*

- *375 new elementary seats per year*
- *A secondary investment of 175 per year*
- *Total of approximately 550 seats per year*
- *A new school site or expansion every other year*

### **Potential New Funding Model(s) to Accelerate Funding for New Schools in Surrey**

#### **1. Site Acquisition Funding**

To date, Surrey School District staff has been successful in securing funding from the Province that has allowed the purchase of properties for future school locations. This “land banking” process in new NCP areas is very important to continue being funded as it ensures sites are secured, usually at a lower cost than if done down the road in the new neighbourhood being developed.

## **2. Design and Building Permit Funding**

Surrey School District receives funding for the design of new schools as part of the capital submission approval by the Province. In order for the District to readily know what is available to them, the Province could fund the design and permitting process of new schools earlier. This would allow the District and the City to collaborate and have projects “shovel ready”, which could save many months in the delivery process for new school space.

## **3. Improved Timing of New School Delivery**

### **Potential Models of Capital Funding**

For high growth areas of Surrey where new schools are required, the Province could consider funding models that could also apply to other parts of the Province where growth is similarly concentrated.

- a) Previously, a funding model was in place where the Province would consider an application for funding if a school catchment area reached 95% enrollment. Although funding was not guaranteed, this would signal the starting point that would ultimately deliver new school spaces.

This model could be used in high growth areas where the process could be activated when a catchment is at 60% enrollment and expected to reach 100% or more by the time a new school space is ready for occupancy as it would align the delivery of the new school spaces with the arrival of the students, rather than after their arrival.

- b) The Province could work with School Districts in establishing a maximum percentage of students that would be in portables, after which a trigger would be reached to fund additional classrooms or a new school for a catchment area. That number could be established in collaboration with the City, School District, and the Province, and would be based on population and housing units approved, in process of being approved and projected through development applications.
- c) The Province could consider setting aside yearly capital allocation for School Districts' capital requirements, where a “special independent office” or a board would be responsible for capital allocation according to their ranking of priorities as submitted by the different School Districts.

## **4. Alternate Funding Models for New School Delivery**

- a) Consider delivering new schools with a P3 model. This process, used in other jurisdictions in Canada, would provide an opportunity for the private sector to design, build, finance, and operate new schools within a time specific contract, after which the Province would have the choice of purchasing the asset or not. This funding model would provide an opportunity for the District and the Province (once a school has reached the contractual time limits as set out in the original P3 contract) to review school enrollment within catchment and make investment or divestment decisions,

- where sites could remain school sites or be considered for re-development by the private sector.
- b) As done in the United States, consider allowing School Districts to offer bonds that would cover funding for new capital needs where the Province and the District would both agree on a “shared” equity payment schedule.
  - c) The Province could consider reviewing how it funds School Districts where a new funding model would be based on a “pupil” basis, which would vary according to enrollment. The funding formula would include both operating and capital funding that would have been previously established. School Districts could then decide how they want to allocate those funds according to their needs. As an example, this could allow a growing School District to borrow monies to fund larger capital projects, as they would have future funding that could be used to service a debt.

## CONCLUSION

Surrey is experiencing predictable growth, as it has been for many years. As such, it is with a certain amount of inevitability that student population growth can be projected within the City, which in turn translates to funding needs for classrooms and school provision. City staff is collaborating closely with School District staff to ensure that relevant information is available to them which in turn is being used to prepare their capital plan requirements used for funding submissions with the Province. A timely delivery of new school spaces could be implemented, which would help students progress through the system within properly designed schools. The various policy options described here should be further explored by the Province.

It is therefore recommended that Council authorize the Mayor to forward a letter to the British Columbia Premier and the Minister of Education, along with a copy of this report, for the Province to consider different funding models for Surrey schools in order to deliver new, needed school space in parallel with new housing development in collaboration with Surrey.

*Original signed by*  
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JLL/ss