



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

DEVELOPER FEE JUSTIFICATION REPORT

MARCH 2012

PREPARED FOR:

**BOARD OF EDUCATION
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

PREPARED BY:

SCIConsultingGroup
4745 Mangels Boulevard
Fairfield, CA 94534
Phone 707.430.4300
Fax 707.430.4319
www.sci-cg.com

(This page left intentionally blank.)

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Diana Rodriguez, President
Darrel Woo, First Vice President
Jeff Cuneo, Second Vice President
Gustavo Arroyo
Ellyne Bell
Patrick Kennedy
Donald Terry

SUPERINTENDENT

Jonathan P. Raymond

DIRECTOR II PLANNING, CONSTRUCTION & OPERATIONS SERVICES

James C. Dobson

FACILITIES PLANNING CONSULTANT

SCI Consulting Group

(This page left intentionally blank.)

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
SUMMARY OF KEY FINDINGS	2
SUMMARY OF GENERAL RECOMMENDATIONS.....	3
PROJECTED RESIDENTIAL DEVELOPMENT.....	4
DISTRICT PROFILE	4
DISTRICT CAPACITY AND ENROLLMENT (2011-12)	4
PROJECTED RESIDENTIAL DEVELOPMENT	6
STUDENT GENERATION RATES FROM NEW HOUSING.....	6
PROJECTED STUDENTS FROM NEW HOUSING	7
NEW RESIDENTIAL BUILDING AREA	8
COSTS ATTRIBUTABLE TO NEW RESIDENTIAL DEVELOPMENT.....	9
SCHOOL FACILITIES COSTS ATTRIBUTABLE TO RESIDENTIAL DEVELOPMENT	10
SCHOOL FACILITIES COSTS PER NEW HOUSING UNIT	13
SCHOOL FACILITIES COSTS PER SQUARE FOOT OF NEW RESIDENTIAL BUILDING AREA	13
JUSTIFICATION FOR LEVEL 1 DEVELOPER FEES.....	14
RESIDENTIAL DEVELOPER FEE	14
COMMERCIAL / INDUSTRIAL DEVELOPER FEE	14
SUMMARY OF DEVELOPMENT IMPACT	17
NEXUS FINDINGS	18
APPENDICES	21
APPENDIX A – REQUIREMENTS FOR THE IMPLEMENTATION OF THE FEES.....	22
APPENDIX B – TIMELINE FOR ADOPTION OF THE FEES	26

LIST OF FIGURES

FIGURE 1 – DISTRICT CAPACITY AND ENROLLMENT (2011-12)..... 5

FIGURE 2 – STUDENT GENERATION RATES FROM NEW HOUSING 7

FIGURE 3 – PROJECTED STUDENTS FROM NEW DEVELOPMENT 7

FIGURE 4 – PROJECTED NEW RESIDENTIAL BUILDING AREA 8

FIGURE 5 –SCHOOL FACILITY RECONSTRUCTION COSTS BY SCHOOL SITE 10

FIGURE 6 – TOTAL SCHOOL FACILITY COST PER STUDENT SEAT 12

FIGURE 7 – SCHOOL FACILITIES COST PER NEW HOUSING UNIT..... 13

FIGURE 8 – SCHOOL FACILITIES COST PER SQUARE FOOT 13

FIGURE 9 – EMPLOYEES PER SQUARE FOOT OF COMMERCIAL / INDUSTRIAL FLOOR AREA..... 15

FIGURE 10 – IMPACT OF COMMERCIAL / INDUSTRIAL DEVELOPMENT 17

EXECUTIVE SUMMARY

This Developer Fee Justification Report (“Report”) determines the cost of adequate school facilities attributable to new residential, commercial and industrial development within the Sacramento City Unified School District (“District”) and serves to justify the adoption of the Level 1 developer fees pursuant to Section 17620 of the Education Code and Sections 65995 and 66001 of the Government Code. These fees are subject to a biennial inflationary adjustment in an amount equal to the change in the statewide cost index for class b construction.

In January 2012, the State Allocation Board (“SAB”) increased the statutory limit on “Level 1” developer fees to \$3.20 per square foot of residential construction and \$0.51 per square foot of commercial / industrial construction. The District’s current developer fees are \$2.97 per square foot for new residential construction and \$0.47 per square foot for new commercial and industrial construction.

Education Code § 17620 states that “the governing board of any school district is authorized to levy a fee, charge, dedication, or other forms of requirement against any development project for the construction or reconstruction of school facilities.” In order to impose such fees, this Report must demonstrate that a reasonable relationship or “nexus” exists between new development that occurs within the District and the need for new or reconstructed school facilities attributable to new development. More specifically, this Report will present findings in order to meet the procedural requirements of the Mitigation Fee Act, also known as AB 1600, which are as follows:

1. Identify the purpose of the fee.
2. Identify the use to which the fee is to be put.
3. Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.
4. Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.
5. Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

SUMMARY OF KEY FINDINGS

1. The District's total enrollment, as of September 2011, was 44,418 students. Based on State loading standards, the District has an existing school building capacity for 48,981 students.
2. For purposes of this Report, approximately 5,500 new single family homes and 10,500 new multi-family units are projected to be constructed within the District over the next 20 + years.
3. It is estimated that the average square footage for new single family homes ("SFR") will be 1,911 square feet and 1,164 square feet per new multi-family residential unit ("MFR").
4. A student generation rate analysis finds that a new single family home will generate an average of 0.79 K-12 students; while a new multi-family unit ("apartments" and "condos") will generate an average of 0.26 K-12 students.
5. Over the next 20 + years, 7,102 new students are expected from the forecasted 5,500 new single-family residential and 10,500 multi-family units from new residential development in the District. This breaks down to 4,412 elementary school grade students, 979 middle school grade students, and 1,711 high school grade students.
6. Many of the District's school facilities are over 20 years old and are in need of reconstruction / modernization.
7. The total estimated cost of reconstructing and renovating school facilities needed for current and future students is over \$1 billion in current dollars. This cost equates to \$19,583 per existing seat in the District.
8. As noted, each new single family home ("SFR") will generate 0.79 K-12 students and each new multi-family unit ("MFR") will generate 0.26 K-12 students. Consequently, the cost of reconstructed school facilities per new SFR unit and MFR unit \$15,471 and \$5,139 respectively. On a square footage basis, this impact equates to \$8.10 per square foot for a new SFR and \$4.42 per square foot for a new MFR.
9. Given the maximum Level 1 residential developer fee is \$3.20 per square foot, the fee will cover only 40 percent of the need. Therefore, the Level 1 residential developer fee is justified at the maximum statutory rate for the District.
10. The unfunded impact of commercial and industrial development, after residential developer fee revenues, exceeds \$0.51 per square foot for every

commercial / industrial land use category except for the retail self-storage category. Therefore, the Level 1 commercial / industrial developer fees are justified at the maximum rate for every commercial and industrial land use category except for the retail self-storage category which should be levied at \$0.42 per square foot.

SUMMARY OF GENERAL RECOMMENDATIONS

1. Based upon the findings presented in this Report, it is recommended that the District adopt a resolution levying Level 1 developer fees at the maximum level as authorized by Government Code § 65995 et al. The maximum K-12 developer fees are as follows:

New Residential Construction:	\$3.20 per sq. ft.
New Commercial Construction:	\$0.51 per sq. ft.
New Industrial Construction:	\$0.51 per sq. ft.
New Retail Self-Storage Construction:	\$0.42 per sq. ft.

2. The fees should be adopted and implemented in accordance with Government Code § 65995 and Education Code § 17620 as generally described in Appendix A and B to this Report.

PROJECTED RESIDENTIAL DEVELOPMENT

DISTRICT PROFILE

The Sacramento City Unified School District serves K through 12 students in the County and City of Sacramento. The District currently operates 57 elementary schools, 51 of these schools serving grades K through 6 and 6 of these serving grades K through 8; 8 junior high schools serving grades 7 through 8; with grades 9 through 12 being served by 5 high schools. In addition the District has 8 alternative education schools. The District currently serves a total of 44,418 K-12 students (9/11 Enrollments).

DISTRICT CAPACITY AND ENROLLMENT (2011-12)

Figure 1 on the following page compares the District's September 2011 student enrollment with the District's total school building capacity. The District's school capacity calculation is based upon State standards. Under the State standard, permanent teaching stations are counted and loaded at the rate of 20 students per classroom (under the class-size reduction program) for grades K-3 and 27 students per classroom for grades 4-12. State standards also consider classrooms less than 750 square feet non-conforming and were excluded. The District currently does not implement the class-size reduction program due to inadequate funding. The District's independent study school, Capital City High School, has been excluded from this Report.

FIGURE 1 – DISTRICT CAPACITY AND ENROLLMENT (2011-12)

Schools	<i>Capacity</i>	<i>Enrollments 2011-12</i>	<i>Unused Capacity</i>
Elementary Schools	23,306	22,432	874
K - 8 Schools	4,080	3,772	308
Junior High Schools	8,263	5,642	2,621
High Schools	9,506	9,426	80
Other Schools	3,827	3,146	681
Total K - 12	48,981	44,418	4,563

Source: Sacramento City Unified School District

PROJECTED RESIDENTIAL DEVELOPMENT

Residential development is projected to significantly increase over the next ten years. There has been particular interest in revitalizing the Downtown Corridor; the Downtown Railyards project is planning at least 10,000 multi-family units in the next 20 years. In addition several developers have been interested in residential development in the southern area of the District. There are also several smaller residential development projects planned to be complete within the next five years.

Based on previous and current housing development proposals, 5,500 new single family and 10,500 new multi-family residential units are projected to be constructed within next 20 years.

STUDENT GENERATION RATES FROM NEW HOUSING

Student generation rates, otherwise known as “yield factors,” are the average number of students that are generated by each housing unit. The yield factors for Sacramento City Unified School District were determined by SCI Consulting Group, using a current analysis of enrollments and the housing stock. The yield factor study involved address matching enrollments with the District’s housing database for the same year. Housing units were subsequently segmented by type, and enrollments were analyzed by housing type and area.

This study determined the average yields for all housing units in the District by housing type. These yields are for the existing housing stock. In addition, the analysis also evaluated yields for new housing. On average, yield factors from new homes begin at a higher rate than yields from the existing housing stock.

Figure 2 on the following page presents the student generation rate for new single-family homes and new multi-family units on a K-6, 7-8, 9-12 and district-wide basis.

FIGURE 2 – STUDENT GENERATION RATES FROM NEW HOUSING

<i>Grade</i>	<i>SFR</i>	<i>MFR</i>
<i>K thru 6</i>	0.44	0.19
<i>7 thru 8</i>	0.12	0.03
<i>9 thru 12</i>	0.23	0.04
<i>K thru 12</i>	0.79	0.26

PROJECTED STUDENTS FROM NEW HOUSING

Figure 3 below projects the number of elementary, middle and high school students that will be generated by the projected new housing units thru 2030 within the District. If 16,000 new housing units are to be constructed in the District over the next 20 + years as projected, and each new SFR and MFR are expected to generated 0.79 and 0.26 students per unit respectively, then the District enrollment will added 7,102 students from new development.

FIGURE 3 – PROJECTED STUDENTS FROM NEW DEVELOPMENT

Period	Projected Housing Units		Students Generated			
	SFR	MFR	K-6	7 - 8	9 - 12	K-12
2012-2030	5,500	10,500	4,412	979	1,711	7,102

Source: City of Sacramento, Community Development Department

NEW RESIDENTIAL BUILDING AREA

Based on an analysis historical building permits issued within the District and previous residential development project applications projects that the average size of a single family home will be 1,800 square feet and new multi-family housing unit will be 800 square feet. As a result, figure 4 projects 22,732,500 square feet of new residential area will be constructed thru 2030 within the District.

FIGURE 4 – PROJECTED NEW RESIDENTIAL BUILDING AREA

	SFR	MFR	Totals
Average Dwelling Size (Sq. Ft.)	1,911	1,164	
Total New Housing Units	5,500	10,500	16,000
Total Residential Square Footage	10,510,500	12,222,000	22,732,500

COSTS ATTRIBUTABLE TO NEW RESIDENTIAL DEVELOPMENT

The Mitigation Fee Act states that developer fees “shall not include the costs attributable to existing deficiencies in public facilities, but may include the costs attributable to the increased demand for public facilities reasonably related to the development project in order to (1) refurbish existing facilities to maintain the existing level of service or (2) achieve an adopted level of service that is consistent with the general plan. The District’s Master Plan has identified over \$1 billion dollars in reconstruction / modernization needs in order to bring existing facilities up to District standards. The District will need to explore and make use of every viable revenue source, in addition to developer fee proceeds, if it is to be able to complete these reconstruction / modernization needs and provide facilities consistent with the District’s adopted level of service. Potential revenue sources include general obligation (“G.O. bonds”) bonds and modernization grants.

In 2002 voters approved Measure I, which provided \$225 million dollars in G.O. bonds for capital improvements. The District has nearly exhausted Measure I funds and currently has \$17.4 million dollars remaining and available for facility expenditures.

The State School Facility Program (“SFP”) provides funding assistance to school districts for the modernization of school facilities. The assistance is in the form of grants approved by the State Allocation Board (“SAB”) and requires a 40 percent local contribution. A school district is eligible for grants when students are housed in permanent buildings 25 years old or older and relocatable classrooms 20 years old or older and the buildings have not been previously modernized with State funds. The grant amount is increased and funding for specific utility upgrades are allowed if permanent buildings to be modernized are 50 years old or over.

SCHOOL FACILITIES COSTS ATTRIBUTABLE TO RESIDENTIAL DEVELOPMENT

The following tables set forth the analysis of the cost of providing adequate school facilities per square foot of new residential development area for single family and multi-family housing. In this case, the cost of reconstruction of the District's existing facilities is allocated among the existing District "seats". The following figure shows the identified reconstruction costs by school. By determining the cost per existing seat rather than by student, reconstruction costs are fairly and equally allocated between existing and future development.

FIGURE 5 –SCHOOL FACILITY RECONSTRUCTION COSTS BY SCHOOL SITE

Sacramento City USD Schools	Reconstruction Cost ¹	Capacity ²
<u>Elementary Schools</u>		
A. M. Winn Elementary	\$13,378,133	387
Abraham Lincoln Elementary	\$9,787,587	499
Bear Flag Elementary	\$12,497,727	409
Bowling Green Charter	\$12,520,215	642
Bret Harte	\$12,890,903	514
Camellia Basic	\$8,834,786	456
Caroline Wenzel	\$7,827,402	555
Cesar Chavez Intermediate (4-6)	\$2,957,941	369
Clayton B. Wire	\$11,811,772	537
Collis P. Huntington	\$11,317,868	304
Crocker/Riverside	\$7,281,287	456
David Lubin	\$14,174,464	599
Earl Warren	\$14,472,587	474
Edward Kemble	\$15,382,350	638
Elder Creek	\$18,037,052	615
Ethel I. Baker	\$16,095,873	543
Ethel Phillips	\$15,481,423	555
Freeport	\$12,510,986	465
Fruit Ridge	\$16,192,241	553
Golden Empire	\$12,641,023	494
H.W. Harkness	\$11,831,731	333
Hollywood Park	\$12,265,063	331
Hubert H. Bancroft	\$12,474,753	512
Isador Cohen	\$8,488,786	374
James W. Marshall	\$7,662,430	391
Jedediah Smith	\$14,789,194	299
John Bidwell	\$12,569,064	459
John Cabrillo	\$15,539,447	468
John D. Sloat Basic	\$11,965,819	332
Joseph Bonnheim	\$14,646,192	494

Sacramento City USD Schools Continued	Reconstruction Cost¹	Capacity²
Keith B. Kenny	\$6,721,625	490
Maple	\$9,802,241	334
Mark Hopkins	\$11,103,275	360
Mark Twain	\$12,969,877	509
Matsuyama	\$5,700,213	501
Nicholas	\$13,191,045	581
O.W. Erlewine	\$12,886,475	407
Oak Ridge	\$16,337,620	422
Pacific	\$16,736,094	597
Parkway	\$12,888,494	563
Peter Burnett	\$11,930,324	541
Phoebe A. Hearst Basic	\$13,060,578	430
Pony Express	\$12,711,360	389
Sequoia	\$10,600,265	487
Susan B. Anthony	\$12,634,246	369
Sutterville	\$14,486,332	436
Tahoe	\$12,427,102	424
Theodore Judah	\$11,010,740	473
Washington	\$5,382,802	226
William Land	\$8,330,253	355
Woodbine	\$13,797,077	355
Total Elementary	\$613,034,137	23,306
<u>K - 8 Schools</u>		
Alice Birney Waldorf Inspired	\$9,276,003	369
Caleb Greenwood	\$13,294,777	683
Dr. Martin Luther King Jr.	\$17,324,274	590
Genevieve F. Didion	\$12,408,271	568
John H. Still	\$15,816,098	1,201
Leonardo da Vinci	\$16,919,559	669
Total K-8 Schools	\$85,038,982	4,080
<u>Junior High Schools</u>		
Albert Einstein Middle	\$10,730,170	1,134
California Middle	\$11,342,099	891
Fern Bacon Middle	\$17,756,780	1215
Kit Carson Middle	\$20,230,041	891
Rosa Parks Middle (formerly known as Charles Goeth Middle)	\$20,504,420	703
Sam Brannan Middle	\$16,774,311	1,107
Sutter Middle	\$22,917,851	1,134
Will C. Wood	\$19,197,062	1,188
Total Junior High	\$139,452,734	8,263
<u>High Schools</u>		
C. K. McClatchy High	\$53,271,866	1,390
Hiram W. Johnson High	\$51,818,338	1,997
John F. Kennedy High	\$47,947,494	2,065
Luther Burbank High	\$69,801,117	2,056
Rosemont High	\$21,343,113	1,998
Total High	\$244,181,928	9,506

Sacramento City USD Schools Continued	Reconstruction Cost ¹	Capacity ²
<i>Other Schools</i>		
American Legion	\$12,239,187	182
Accelerated Academy / Success Academy (formerly known as Genesis H.S.)	\$2,626,649	648
George Washington Carver (formerly known as America's Choice)	\$4,297,588	540
Health Professions High		540
The Met High School		135
New Technology High	\$6,097,310	351
School of Engineering and Sciences		540
Hiram W. Johnson West Campus High	\$31,403,980	891
Total Other Schools	\$56,664,714	3,827
Total K-12	\$1,138,372,495	48,981

¹ Source: Sacramento City USD Facilities Master Plan 2006-2015

² Source: Sacramento City USD

Figure 6 below shows the amount of modernization funds the District could receive based on the current basic per pupil grant amounts and current enrollments. Including the remaining Measure I funds and potential modernization grant funding sources, the District has over \$959 million dollars of unfunded facility reconstruction needs. The total unfunded reconstruction costs are divided by the existing student capacity within the District to determine the cost per student seat of \$19,583 (current dollars).

FIGURE 6 – TOTAL SCHOOL FACILITY COST PER STUDENT SEAT

Total Reconstruction Cost ¹	\$1,138,372,495
Less: Measure I Remaining Funds	\$17,400,000
Modernization Grants Elementary	\$85,903,686
Modernization Grants Middle	\$20,727,680
Modernization Grants High	\$55,127,800
	<u>\$179,159,166</u>
Total Unfunded Reconstruction Costs	<u>\$959,213,329</u>
Total Existing School Capacity	48,981
Total School Facilities Cost per Existing Seat	<u>\$19,583</u>

¹ Source: Sacramento City USD Facilities Master Plan 2006-2015

SCHOOL FACILITIES COSTS PER NEW HOUSING UNIT

Figure 7 calculates the cost of reconstructed school facilities attributable per new single family home and per new multi-family housing unit. To determine these costs, the total school facilities costs per student from the previous table are multiplied by the K-12 student generation rate for each housing type. As shown, the total cost per new single family home (“SFR”) and new multi-family residential unit (“MFR”) is \$15,471 and \$5,139 respectively.

FIGURE 7 – SCHOOL FACILITIES COST PER NEW HOUSING UNIT

Total School Facilities Cost Per Student	\$19,583
Student Generation Rate per SFR Unit	0.79
Student Generation Rate per MFR Unit	0.26
Cost per New SFR Unit	\$15,471
Cost per New MFR Unit	\$5,139

SCHOOL FACILITIES COSTS PER SQUARE FOOT OF NEW RESIDENTIAL BUILDING AREA

This Report also calculates the school facilities cost per square foot attributable to new residential development by dividing the total school facilities cost per unit by the average square footage for the new housing units. As shown, the school facilities cost per square foot of new residential area from new single-family and multi-family housing is \$8.10 and \$4.42 per square foot respectively.

FIGURE 8 – SCHOOL FACILITIES COST PER SQUARE FOOT

Cost per New SFR Unit	\$15,471
Cost per New MFR Unit	\$5,139
Average Square Footage, New SFR Unit	1,911
Average Square Footage, New MFR Unit	1,164
Total Cost per Square Foot of SFR Residential Area	\$8.10
Total Cost per Square Foot of MFR Residential Area	\$4.42

JUSTIFICATION FOR LEVEL 1 DEVELOPER FEES

In order to establish or increase developer fees, the District is required to develop a justification report that demonstrates the nexus between the imposed fee and the need for public facilities created by new development. If the cost of providing adequate school facilities for new housing units is greater than the amount collected by the maximum Statutory residential developer fee, then the District may levy the fee or a lower justified amount. The current maximum State authorized K-12 fees are \$3.20 per square foot of residential area and \$0.51 per square foot of commercial / industrial area. These statutory maximum amounts or “Level 1” fees were increased by the State Allocation Board in January 2012.

RESIDENTIAL DEVELOPER FEE

As previously discussed, the average cost of adequate school facilities per new housing unit is \$15,471 per SFR and \$5,139 per MFR. Given the projected average square footage of new housing units is 1,911 square feet per SFR and 1,164 square feet per MFR, the maximum developer fee of \$3.20 per square foot will mitigate only 40 percent of the impact of new residential development on school facilities. Therefore, the Level 1 residential developer fee is justified at the maximum rate for the District.

COMMERCIAL / INDUSTRIAL DEVELOPER FEE

As commercial and industrial properties develop, new jobs are created. Many of the people hired into these new jobs move into the community thereby increasing the need for adequate school facilities to serve their children. Consequently, commercial and industrial development impacts the enrollment of the District. The maximum fee that can be borne by residential growth was originally determined to be \$1.50 per square foot, now \$3.20 per square foot. The Legislature determined that if more impact existed than mitigated by residential fees, and it could be shown that it was caused in part by commercial and industrial development, these properties could also be charged fees.

SCI Consulting Group gathered data from the State of California Employment Development Department, the California Department of Finance Census Bureau, and the County of Sacramento. This data indicated that, as of January 1, 2011 there were a total of 469,566 people living in the City of Sacramento, which includes 182,100 residents with employment status. Furthermore, there are a

total of 195,446 housing units within the City of Sacramento, yielding a ratio of 0.93 employees/housing unit.¹ Based on information from the 2000 US Census, it is estimated that 69.4 percent of employees for new businesses will reside within the District.²

Additionally, Education Code § 17621(e)(1)(b) allows for use of employee generation figures from a traffic generator study produced by the San Diego Association of Governments ("SANDAG"). The SANDAG Traffic Generator Study determined the average number of employees per square foot of space for the various types of commercial and industrial businesses. The employee generation factors are summarized in Figure 10 below.

FIGURE 9 – EMPLOYEES PER SQUARE FOOT OF COMMERCIAL / INDUSTRIAL FLOOR AREA

Type of Business	Square Feet Per Employee	Employees per 1000 Square Feet
Banks	344	2.91
Commercial Offices	222	4.51
Community Shopping Centers	565	1.77
Corporate Offices	351	2.85
Industrial Business Parks	271	3.69
Industrial Parks	599	1.67
Lodging	930	1.08
Medical Offices	238	4.21
Retail self-storage	15,541	0.06
Neighborhood Shopping Centers	363	2.76
Research & Development	414	2.42
Overall Average	382	2.62

Source: SANDAG Traffic Generator Study

Using the employee generation average of 2.62 employees per 1,000 square feet of commercial or industrial building area from the SANDAG study, assuming that 69.4 percent of these employees reside in the District and an average of 0.93 employees live in each home and 511 square feet of new commercial / industrial space would, on average, create the need for one additional housing unit in the District for new employees of that business.

¹ Source: California Department of Finance, January 2010 and the California Employment Development Department, December 2010.

Therefore, the total cost of K-12 school facilities needed per 511 square feet of commercial or industrial space is the same as the total school facilities cost per home of \$15,471. However, maximum residential developer fees provide an average of \$6,115 per new SFR unit, so the unfunded cost of school facilities is \$9,356 per SFR unit. Therefore, the average unfunded impact of commercial and industrial development on school facilities is \$18.31 per square foot. In comparison, the District's maximum commercial / industrial fee of \$0.51 per square foot covers only 3 percent of this unfunded impact.

This analysis is provided in figure 10 on the following page for each type of land use. As shown, the commercial / industrial fee is justified at the maximum rate of \$0.51 per square foot in every case except for the retail self-storage category. Therefore, the maximum commercial/industrial fee of \$0.51 per square foot is justified for all new commercial / industrial construction except for the retail self-storage category which should be levied at \$0.42 per square foot.

FIGURE 10 – IMPACT OF COMMERCIAL / INDUSTRIAL DEVELOPMENT

Type of Business	Employees per 1000 Square Feet ¹	Square Feet Creating Need for One New Home ²	Unfunded Impact per Home ³	Unfunded Impact per Square Foot ⁴
Banks	2.91	461	\$9,356	\$20.29
Commercial Offices	4.51	297	\$9,356	\$31.50
Community Shopping Centers	1.77	757	\$9,356	\$12.36
Corporate Offices	2.85	470	\$9,356	\$19.91
Industrial Business Parks	3.69	363	\$9,356	\$25.77
Industrial Parks	1.67	802	\$9,356	\$11.67
Lodging	1.08	1,241	\$9,356	\$7.54
Medical Offices	4.21	318	\$9,356	\$29.42
Retail self-storage	0.06	22,334	\$9,356	\$0.42
Neighborhood Shopping Centers	2.76	486	\$9,356	\$19.25
Research & Development	2.42	554	\$9,356	\$16.89
Overall Average	2.62	511	\$9,356	\$18.31

Notes:

1. Employee generation factors from SANDAG Traffic Generator Study pursuant to Education Code § 17621(e)(1)(b).
2. This is the square feet of commercial or industrial building area that generates the need for one new home in the District. Calculated: 1,000 SF * 0.93 employees per home / (number of employees per 1,000 SF * 0.694 employees to live in District)
3. Unfunded impact equals total District impact per home of \$15,471 less the District's average residential developer fee per unit of \$6,115 (\$3.20 per square foot * average single family home size of 1,911 square feet.)
4. Unfunded impact per square foot of commercial / industrial development equals unfunded impact per home divided by square feet of commercial/industrial building area which create the need for one new home in the District.

SUMMARY OF DEVELOPMENT IMPACT

In summary, the cost of adequate school facilities attributable to new residential development is \$8.10 per square foot for new single-family homes and \$4.42 per square foot for new multi-family units. The maximum residential developer fee is \$3.20 per square foot mitigates only 40 percent of the impact of residential development. Moreover, the average unfunded impact of commercial or industrial development exceeds the maximum commercial / industrial developer fees at \$0.51 per square foot in every case except for the retail self-storage category. Therefore, residential, commercial and industrial development creates more impact than is offset by the maximum developer fee, so the fees should be adopted at the maximum rate except for new retail self-storage construction which is should be adopted at the rate of \$0.42 per square foot.

NEXUS FINDINGS

This section frames the findings of the Report in terms of the nexus requirements pursuant to Government Code § 66000 et seq. In general, this Report must demonstrate that a reasonable relationship or “nexus” exists between new development that occurs within the District and the need for additional and/or adequate school facilities as a result of new development. The specific nexus requirements and Report findings are discussed below.

IDENTIFY THE PURPOSE OF FEES

The purpose of the fee is to allocate the cost of construction and reconstruction of school facilities attributable to new residential, commercial and industrial development.

IDENTIFY THE USE OF FEES

As outlined in the Report, the fee will be used to fund the construction or reconstruction of school facilities. The District may need to purchase or lease portable classrooms to use for interim housing while permanent facilities are being constructed. Revenue from fees collected on residential, commercial and industrial development may be used to pay for any of the following:

1. Construction or reconstruction of school facilities.
2. Acquisition or leasing of land for school facilities.
3. Design of school facilities.
4. Permit and plan checking fees,
5. Testing and inspection of school sites and buildings,
6. Furniture for use in new school facilities,
7. Purchased or leased interim school facilities.
8. Legal and administrative costs associated with providing school facilities to students generated by new development.
9. Administration of the collection of the fees including the costs of justifying the fees.
10. Other miscellaneous costs resulting from student enrollment growth caused by new development.

DETERMINE HOW THERE IS A REASONABLE RELATIONSHIP BETWEEN THE FEE'S USE AND THE TYPE OF DEVELOPMENT PROJECT ON WHICH THE FEE IS IMPOSED

New residential development will cause families to move into the District and will, consequently, generate additional students in the District. As previously discussed, adequate school facilities do not exist for these students. Therefore, the fee's use (construction and/or reconstruction of school facilities) is reasonable related to the type of project (new residential development) upon which it is imposed.

Additionally, new commercial and industrial development will generate new workers to move into the District. Because some of these workers will have school-age children, commercial and industrial development will also generate new students in the District. Again, as previously discussed, adequate school facilities do not exist for these students. Therefore, the fee's use (construction and/or reconstruction of school facilities) is therefore reasonably related to the type of project (new commercial / industrial development) upon which it is imposed.

DETERMINE HOW THERE IS REASONABLE RELATIONSHIP EXISTS BETWEEN THE NEED FOR SCHOOL FACILITIES AND THE TYPE OF DEVELOPMENT ON WHICH THE FEES ARE IMPOSED

As discussed in this Report, the District's school facilities are inadequate in that there is a need for renovation/reconstruction of facilities. Both existing residents and residents from new development should share in these costs. Therefore, the need for adequate school facilities is reasonably related to the new residential, commercial and industrial development projects upon which it is imposed.

DETERMINE HOW THERE IS A REASONABLE RELATIONSHIP BETWEEN THE AMOUNT OF FEES AND THE COST OF THE SCHOOL FACILITY ATTRIBUTABLE TO THE DEVELOPMENT ON WHICH THE FEES ARE IMPOSED

As outlined in this Report, the District's new statutory residential developer fee of \$3.20 per square foot of new residential space will only mitigates 37 percent of the impact from new residential construction. Therefore, the residential fee is justified at the current maximum rate.

The Report also demonstrated that the school facilities costs attributable to commercial and industrial development is \$18.31 per square foot. The District's share of the new statutory commercial / industrial developer fee of \$0.51 per square foot of new commercial space only mitigates 3 percent of the impact from new commercial and industrial development. Therefore, the commercial / industrial fee is justified at the current maximum rate.

APPENDICES

Appendix A – Requirements for Implementation of the Fees

Appendix B – Timeline for Adoption of the Fees

APPENDIX A – REQUIREMENTS FOR THE IMPLEMENTATION OF THE FEES

TO ESTABLISH, INCREASE FEE:

1. To establish or increase developer fees, a study is needed which assesses the impact of new growth on school facilities, evaluates sources of revenue for capital facilities, and determines the relationship between the amount of the fee and the unfunded need for school facilities created by the development project. Additionally, a capital improvement plan or facilities component which includes estimates of the cost of school facilities to be financed by developer fees may be included. (Ed. Code § 17620 and Govt. Code § 65995)
2. Prior to holding a public hearing during part of a regularly scheduled board meeting: Govt. Code § 66018
 - a. Written notice shall be sent at least 14 days prior to the meeting to all those requesting notification.
 - b. Notice shall be published twice prior to the meeting - the first notice shall be published at least 10 days before the meeting. Govt. Code Section 66016
 - c. Documentation shall be open for public review 10 days prior to the meeting.
3. Public comment is taken at meeting. Cost of meeting can be paid from fees.
4. Governing Board is required to: Govt. Code § 66001(a)
 - a. Identify the purpose of the fee.
 - b. Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged.
 - c. Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.
 - d. Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.
5. Governing board must make determination that the fee can be collected at the time of issuance of building permit instead of time of occupancy.

RESOLUTION ESTABLISHING OR INCREASING FEE:

1. Regular resolution takes effect after 60 days. Govt. Code § 53080.1(a)
2. An urgency resolution, which takes effect immediately and maintains for 30 days, can be extended twice. Govt. Code § 53080.1(b)

FEE COLLECTION AND COORDINATION WITH CITIES AND COUNTIES:

1. School district must notify city/county with the following before city/county is required to withhold permits:
 - a. Copy of resolution
 - b. All supporting documentation
 - c. Map which clearly indicates the area subject to the fees.
 - d. Time when collection or increase of fees commences.
2. It is recommended that an informational letter regarding fees be provided to the building department for building permit applicants.
3. City/county is required to withhold permit or final inspection unless the fee has been collected or the school district has certified that the fee has been paid.
4. To collect fees at time of building permit instead of time of occupancy, an account for the fees must be established and fees appropriated for an adopted proposed construction schedule as outlined in a five year facilities plan for State funding or capital improvement plan. Govt. Code § 66002
5. Fees for mobile homes or manufactured homes are collected at close of escrow or certificate of occupancy.
6. Cost of collecting fees is limited to 3% of the fees collected. If the cost of collection is higher, the amount over 3% must be paid from other District funds.
7. Fees may be used to pay the cost of preparing developer justification studies.
8. The District should develop and use a form letter to certify that fees have been paid.
9. Imposition or increase of fees is exempt from the requirements of the California Environmental Quality Act. Ed. Code § 17621(a)

CALCULATING DEVELOPER FEES:

The city/county will calculate the space within the perimeter of the new building, and assessable space charged developer fees is defined as follows:

1. New and remodeled residential space subject to developer fees includes square footage within the perimeter of a residential structure, but not including carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structures, or similar areas. Govt. Code § 65995(b) and Ed. Code § 17620
2. Remodeled residential space with a net increase of less than 500 square feet is totally exempt from Developer Fees. That with a net increase of more than 500 square feet must pay on the entire increase. Ed. Code § 17620(a)(1)(C)
3. New commercial or industrial space subject to Developer Fees is new covered and enclosed space within the perimeter of the structure, but not including storage areas incidental to the development, garages, parking structures, unenclosed walkways, or utility or disposal areas. Govt. Code § 65995(b)(2)

SPACE THAT IS EXEMPT FROM DEVELOPER FEES IS DEFINED AS FOLLOWS:

1. Facilities that cannot be charged developer fees are:
 - a. Structures that are tax exempt and are used exclusively for religious purposes.
 - b. Private full-time day schools
 - c. Facilities owned and operated by a governmental agency.
2. Fees cannot be charged if the new facilities do not impact the need for school facilities.
3. If a manufactured or mobile home was previously located on the pad where a manufactured or mobile home is to be installed, fees are not charged; fees can only be charged if the pad was constructed after 9-1-86.
4. If the development is to replace an existing structure, only the net increase of assessable space should be charged.
5. No fees can be charged for reconstruction due to a natural disaster as declared by the governor. Govt. Code Sections 66020 & 66011

DEVELOPMENT CHARGED COMMERCIAL/INDUSTRIAL FEES:

1. Structures to be used for commercial or industrial purposes.

2. Senior housing as defined. Civil Code § 51.3, Health and Safety Code Sections 1569.2(j) and 15432(d)(9) (Govt. Code § 65995.2(a)
3. Adult only mobile homes. Govt. Code § 65995.2(a)
4. Hotels and motels except residential fees can be charged to residential hotels. Health and Safety Code § 50519 (Govt. Code 65995(d)

USE OF FEES:

Fees can only be used for the construction and reconstruction of school facilities and may be used to pay bonds, notes, leases, loans or other financial obligations for permanent or temporary school facilities. This does not include regular maintenance or routine work; asbestos work except that which is incidental to regular construction and reconstruction; and deferred maintenance

ACCOUNTING PROCEDURES:

1. A separate account must be established for fees. Govt. Code § 66006
2. If any fees remain unexpended or uncommitted five or more years after deposit, annual findings are required which demonstrate that fees are still needed for planned school facilities. Govt. Code § 66001(d)
3. If the district is unable to justify unexpended or uncommitted fees collected five or more years prior, the district shall provide refunds of the unexpended or uncommitted fees plus any accrued interest to the current owners of record on a prorated basis. Govt. Code 66001(e)

APPENDIX B – TIMELINE FOR ADOPTION OF THE FEES

<u>DATE</u>	<u>TASK</u>
14 Days Before Public Hearing	Notice of hearing mailed to all persons requesting such notice
10 Days Before Public Hearing	First notice of hearing published in a local newspaper. Second publication occurs at least five days after the first publication. Government Code Sections 6062(a) and 60618
10 Days Before Public Hearing	Developer Fee Justification Report is made available for public review
3 Days Before Meeting	Notice of public hearing included in Board agenda
Public Hearing	Board holds public hearing at or near appointed hour. After closing public hearing, Board adopts resolution approving fee
2 Days After Meeting	Staff notifies Cities and County of adoption of Resolution implementing fee and provides these agencies with copies of Resolution and Developer Fee Justification Report
60 Days After Public Hearing	Effective date for implementation of fee