SCHOOL FACILITY FEE JUSTIFICATION REPORT

FOR RESIDENTIAL, COMMERCIAL & INDUSTRIAL

DEVELOPMENT PROJECTS

for the

LODI UNIFIED SCHOOL DISTRICT

September 2016

Prepared by
School Facility Consultants

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Prepared for
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Executive Summary

The Lodi Unified School District (District) is justified to collect the legal maximum of $3.48 per square foot of new residential development as authorized by Government Code Section 65995 (Level I fees), as future residential development creates a school facility cost of $8.00 per square foot. The District is also justified to collect the legal maximum fee of $0.56 per square foot of development on all categories of commercial/industrial development (except rental self-storage), as those categories of development create school facility costs ranging from $4.72 to $19.99 per square foot of future development, even when fees from linked residential units are accounted for. Fee amounts for rental self-storage should be determined on a case-by-case basis.

The District's justification for collecting fees on new residential and commercial/industrial development is based on the following facts and projections:

1. The District's projected enrollment at the K-12 grade grouping is larger than its pupil capacity. The District, therefore, has no available existing capacity to house additional K-12 students generated by new development.

2. New residential development is projected to create additional K-12 students in the District. These students will increase the District's need for new school facilities.

3. Each square foot of new residential development in the District creates an estimated school facilities cost of $8.00. All categories of commercial/industrial development (except rental self-storage) create an estimated school facilities cost ranging from $4.72 to $19.99 per square foot of commercial/industrial development.

4. If the District collects the current maximum fee of $3.48 per square foot on residential development as authorized by Government Code Section 65995, fee revenue will offset 43.5 percent of the school facility cost attributable to new residential development. If the District collects the current maximum fee on commercial/industrial development authorized by Government Code Section 65995 of $0.56 per square foot, fee revenue will offset from 2.8 percent to 11.9 percent of the school facility cost attributable to commercial/industrial development (except rental self-storage). For both residential and commercial/industrial development, the fees authorized by Government Code Section 65995 are fully justified.

The fee outlined above meets the requirements of Government Code Section 66001 (the nexus requirements); that is, a reasonable relationship exists between the amount and use of the fees and the developments on which they are charged.

End of Summary

Introduction

This Report analyzes the cost of providing school facilities for students generated by new residential development projects in the Lodi Unified School District (District). *School Facility Consultants* has been retained by the District to conduct the analysis and prepare this Report.

A. Purpose and Scope

The purpose of this Report is to show that the District meets pertinent requirements of State law regarding the collection of developer fees specifically for new residential development projects.

State law gives school districts the authority to charge fees on new residential developments if those developments generate additional students and cause a need for additional school facilities. Government Code Section 65995 authorizes school districts to collect fees on new development of no more than $3.48 per square foot for residential construction. These fees are adjusted every two years according to the inflation rate for Class B construction, determined by the State Allocation Board (SAB). Government Code Section 66001 requires that a reasonable relationship exist between the amount and use of the fees and the development on which the fees are to be charged.

This Report:

- identifies the cost of providing school facilities for students generated by new residential development in order to justify the collection of fees on those developments and
- explains the relationship between the fees and the developments on which those fees are to be charged.

B. Brief Description of the Lodi Unified School District

The Lodi Unified School District is located in San Joaquin County. The District's boundaries may be seen in greater detail on maps available at the District office.

The District currently serves over 30,000 students and operates 28 schools for students grades K-6, four K-8 schools, six middle schools, five comprehensive high schools, three continuation/alternative high schools and eight specialized schools.

Opportunities for additional residential development exist within the District and approximately 1,984 new residential units are projected to be built in the District over the next five years.

To accommodate new students from future residential development, the District plans to build new K-8 schools. In addition, the District may also need to purchase or lease portable classrooms to use for interim housing while permanent facilities are being constructed.

C. Data Sources

The data sources for this Report are listed below and referenced throughout the Report.

Data Sources

Data Type	Data Source
Enrollment history	Lodi Unified School District (LUSD)
Pupil capacity of District schools	LUSD; State School Facility Program
Housing Plan	LUSD
Student generation rates for housing units	United States Census
Average square footage	LUSD developer fee collection data
Number of new units	City of Lodi; City of Stockton
District available funds	LUSD

D. Outline of the Report

This Report is divided into six sections. These sections:

I. identify the District's school facility needs,
II. calculate the financial impact on the District of new residential developments,
III. compare the projected revenues from developer fees to the costs of providing facilities to students generated by new residential developments,
IV. show that the District satisfies the requirements of Government Code Section 66001 with respect to the collection of developer fees and summarize other potential funding sources for school facilities, and
V. present recommendations regarding the collection of developer fees.

End of Section

I. District Facility Needs

This Section describes the District's requirements for school facilities. Specifically, the following subsections:

A. Identify the District's projected enrollment,
B. Identify the District's current capacity,
C. Subtract the District's enrollment from the District's capacity to calculate the District's facility needs, and
D. Describe the District's plan to fulfill its facility needs.

A. Identify the District's Projected Enrollment

1) Enrollment History

The Report uses the California Basic Educational Data Systems (CBEDS) and District enrollment reports to track the District's total public school enrollment over the last five years (see Table 1-1).

Table 1-1
District Enrollment History

Grade Group	2011/12	2012/13	2013/14	2014/15	2015/16
K-6	16,312	16,386	16,409	16,552	16,632
7-8	4,563	4,524	4,624	4,707	4,645
9-12	9,177	9,006	8,922	8,826	8,811
Total	**30,052**	**29,916**	**29,955**	**30,085**	**30,088**

2) Enrollment Projection

This Report uses the State School Facility Program (SFP) Cohort Survival enrollment projection model to estimate future enrollment. The District's enrollment is estimated to increase over the next five years.

Table 1-2 summarizes the 2020/21 enrollment projections for the District.

Table 1-2
Five-Year Enrollment Projections

Grade Group	Current Year 2015/16	Fifth Year 2020/21	Percent Increase (Decrease)
K-6	16,632	19,172	15.3%
7-8	4,645	4,786	3.0%
9-12	8,811	9,390	6.6%
Total	**30,088**	**33,348**	**10.8%**

B. Pupil Capacity of District Facilities

(1) Classroom Capacity

The District's classroom capacity is calculated based on permanent classrooms identified in the School Facility Program (SFP) baseline classroom count and classrooms added through SFP funded new construction projects.

The District's permanent SFP baseline pupil capacity is 7,955 in grades K-6, 2,509 in grades 7-8 and 5,365 in grades 9-12, these capacities are inclusive of the Special Day Class (SDC) capacity. The District has added classroom capacity through the construction of Ansel Adams Elementary (872 K-6 seats), Richards Ranch Elementary (801 K-6 Seats), Creekside Elementary Addition (250 K-6 seats), Ellerth E. Larson Elementary (801 K-6 seats), Lawrence Elementary Addition (497 K-6 seats), Manilo Silva Elementary (801 K-6 seats), George Lincoln Mosher Elementary (838 K-6 seats), Oakwood Elementary Addition (250 K-6 seats), Parklane Elementary Addition (250 K-6 seats), Podesta Ranch Elementary (826 K-6 seats), Wagner-Holt Elementary Addition (250 K-6 seats), Westwood Elementary Addition (250 K-6 seats), Christa McAuliffe Junior High (877 7-8 seats), Delta Sierra Middle Addition (108 7-8 seats), Millswood Middle (877 7-8 seats), Morada Middle School & Addition (351 7-8 seats), Bear Creek High School Addition (513 9-12 seats), Lincoln Technical Academy (351 9-12 seats), Lodi High School Addition (27 9-12 seats), Plaza Robles Continuation High School Addition (27 9-12 seats), Ronald E. McNair High School & Addition (2,280 9-12 seats) Tokay High (162 9-12 seats), and Lockeford Elementary (243 K-6 seats).

Table 1-3 lists the classroom capacity of the District by grade group.

Table 1-3
2015/16 Pupil Capacity

Grade Group	Pupil Capacity
K-6	14,641
7-8	4,412
9-12	9,278
Total	**28,331**

(2) Percent Utilization

Table 1-4 shows the percentage of classroom capacity the District is currently utilizing by dividing the capacity outlined above (Table 1-3) by the District's current enrollment.

(Continued on the next page)

Table 1-4
2015/16 School Classroom Utilization

Grade Group	2015/16 Enrollment	Pupil Capacity	Percent Utilization
K-6	16,632	14,641	113.6%
7-8	4,645	4,412	105.3%
9-12	8,811	9,278	95.0%
Total	**30,088**	**28,331**	**106.2%**

As Table 1-4 shows, the District is currently operating at over 100 percent of capacity.

C. District Facility Requirements

Table 1-5 calculates the District's requirements for school facilities by subtracting its current capacity from its projected enrollment.

Table 1-5
District Facility Needs/Unhoused Students

Grade Group	2020/21 Enrollment	Pupil Capacity	Total Unhoused Students
K-6	19,172	14,641	4,531
7-8	4,786	4,412	374
9-12	9,390	9,278	112
Total	**33,348**	**28,331**	**5,017**

As Table 1-5 shows, the District has a need for additional facilities for 4,531 K-6, 374 7-8 and 112 9-12 grade students.

D. Plan for Fulfilling School Facility Needs

In order to provide facilities for the 5,017 unhoused students listed in Table 1-5 the District plans to build new K-8 elementary and high school facilities. The District may also need to purchase or lease portable classrooms to use for interim housing while permanent facilities are being constructed.

(Continued on the next page)

Table 1-6
Temporary and Permanent Facility Plans

District Projects	Capacity	Timeframe for Delivery
New K-8 Elementary School #1	840	Five Years
New K-8 Elementary School #2	840	Five Years
New K-8 Elementary School #3	840	Five Years
New K-8 Elementary School #4	840	Five Years
New K-8 Elementary School #5	840	Five Years
New K-8 Elementary School #6	705*	Five Years
High School Classrooms Additions	112**	Five Years
Interim Housing	N/A	Throughout Next Five Years

* Total capacity of New K-8 Elementary School #6 is 840 pupils.
** Total capacity of High School classrooms additions is 135 pupils.

End of Section

II. Financial Impact on the District of Future Residential Development

This section quantifies how new residential development financially affects the District.

New residential development will generate additional students in the District. As shown in the previous section, adequate school facilities do not exist for these students. Therefore, new residential development financially affects the District by generating a need for additional school facilities that the District must acquire at some cost. The section describes this cost in three ways: (1) dollars per K-12 student generated from new residential development, (2) dollars per new housing unit, and (3) dollars per square foot of new residential development.

In order to calculate the financial effects described above, the Report must first calculate the estimated number of students that will live in a new housing unit and the per pupil cost of providing school facilities for K-12 students.

A. Number of Students per New Housing Unit

This Report estimates the number of students that each future residential housing unit will generate by analyzing the rate at which previously constructed housing units have generated current District pupils.

The Report calculates this student generation rate by counting the number of Housing Units located in the District as determined by the 2010 United States Census compared to the District's CBEDS enrollment for the 2010/11 school year.

Table 1-7 identifies the K-12 student generation rate for new housing units in the District.

Table 1-7
Student Generation Rate

Grade Group	SGR
K-6	0.281
7-8	0.080
9-12	0.162
Total	**0.523**

B. Cost of Providing School Facilities

The District's estimated cost to house pupils from new residential development is based on a per square foot allowance that includes the costs of construction, site development, soft costs and site acquisition. The estimated square footages for a new K-8 campus are based on the per-pupil space allowances outlined in the California Department of Education *Complete Schools Report*. The estimated cost of constructing additional facilities at existing high school sites is based on the SAB approved SFP per-pupil grant amount. The District may experience interim housing costs while permanent facilities are being constructed. Interim housing costs, however, are not quantified in this Report.

As outlined in Table 1-5, the District is projected to have zero seats of excess capacity at the K-6, 7-8 and 9-12 grade groups available for students from new residential development in the next five years. As a result the District has zero seats of existing K-6, 7-8 and 9-12 capacity available for students generated by future residential development and, therefore, all students generated by future residential development are considered unhoused.

Table 1-8
Per-Pupil Facility Costs for K-8 Students

Grade Group	Project	Estimated Construction Costs	Capacity of K-8 Cost Model Project	Per-Pupil Facility Cost
K-8	New Elementary School	$32,197,200	840	$38,330
9-12	High School Additions	$3,863,970	135	$28,622
K-12	Interim Housing Costs	N/A	N/A	N/A

C. Cost of Providing School Facilities per New K-8 Student Generated by Future Development

The Report determines the facility cost of a K-12 student generated by future development by calculating a weighted average of the facility costs for K-8 and high school students.

The relative size of the two SGRs for residential housing units tells us that 69.0 percent of students from new units will be K-8 students and 31.0 percent will be high school students.

Table 1-9 weights the two per-pupil facility costs by the appropriate percentage and provides a weighted average facility cost for K-12 students from future residential development.

Table 1-9
Weighted Average School Facility Cost for a K-12 Student
From Future Residential Development

Grade Group	Cost Per Pupil	Weighting Based on Student Generation Rate	Weighted Cost Per Pupil
K-8	$38,330	69.0%	$26,448
9-12	$28,622	31.0%	$8,873
K-12	**N/A**	**100.0%**	**$35,321**

D. Cost of Providing School Facilities per New Residential Housing Units

Table 1-10 multiplies the total number of students per housing unit by the facility cost of a K-12 student to calculate a facility cost attributable to new residential housing units.

Table 1-10
K-12 School Facility Cost per New Housing Unit

Number of K-12 Pupils per New Housing Unit	K-12 Per-Pupil Facility Cost	K-12 Cost Per Housing Unit
0.523	$35,321	$18,473

E. Cost of Providing School Facilities per Square Foot of New Residential Development

This Report calculates the school facility cost per square foot of new development by dividing the cost per housing unit by the average square footage of housing units.

This report estimates that 1,984 residential units will be constructed in the District over the next five years based on currently approved tentative subdivision map information. This report estimates that new residential units built in the District will have an average square footage of 2,309 based on the square footage of residential units that paid developer fees between 2011 and 2015.

Table 1-11 shows the K-8 school facility cost per square foot of new residential housing units.

Table 1-11
K-8 School Facility Cost Per-Square Foot of New Residential Development

Facility Cost Per Unit	Average Square Footage	Facility Cost Per Square Foot of Development
$18,473	2,309	$8.00

End of Section

III. Revenues from Fees on Residential Development Versus Costs of School Facilities

This Section compares the projected revenues from fees levied on future residential development to the school facility costs attributable to that development.

State law currently caps Level I Fees at $3.48 per square foot. As demonstrated in the previous section, each square foot of future residential development will generate a school facility cost of $8.00. If the District continues to collect $3.48 per square foot fee charged on residential development, any given amount of future development will generate more school facility costs than Level I Fee revenue (i.e., for every $1.00 in fee revenue generated by future development, $2.30 in school facility costs are generated).

A. Fee Revenue from Future Residential Development

This report estimates that a total of 1,984 new residential units will be built in the District over the next five years. As stated in the previous section, information derived from developer fee records indicates that new residential units will average 2,309 square feet.

As Table 1-12 shows, if the District were to collect the maximum allowable Level I fee ($3.48) on residential development, the District would collect $15,942,075 in residential developer fees over a five-year period.

Table 1-12
Revenue from Level I Residential Developer Fees

New Housing Units	Average Square Footage	Fee Amount	Revenues From Fees on New Housing Units
1,984	2,309	$3.48	$15,942,075

B. Fee Revenue from Additions to Existing Residences

Revenue will be collected from fees assessed on additions to existing residences, to the extent that these additions exceed the exclusionary threshold outlined in the Education Code. Pursuant to Education Code Section 17620(a)(1)(C)(i), developer fees may be charged on residential additions "only if the resulting increase in assessable space exceeds 500 square feet." The fee revenue calculation for additions is the same as for new units. For example, additions totaling 40,000 square feet would generate $139,200 in fee revenue (40,000 times $3.48).

C. Fee Revenue from Reconstruction and Redevelopment

Revenue will be collected from fees assessed on projects that reconstruct or redevelop existing housing, but only to the extent that the square footage of the new construction exceeds the square footage of the reconstructed or redeveloped housing. The fee revenue calculation for reconstruction and/or redevelopment is the same as for new units. For example, reconstruction and/or redevelopment totaling 50,000 square feet would generate $174,000 in fee revenue (50,000 times $3.48).

D. School Facility Costs Generated by Future Residential Development

The total school facility cost attributable to future residential development quantified in this Report is calculated by multiplying the following two factors: (1) the number of new residential housing units projected to be built in the next five years, and (2) the facility cost per new residential housing unit. Table 1-13 shows that the total school facility cost attributable to future development is $36,650,432.

Table 1-13
School Facility Cost Generated by Students
from Future Residential Development

New Units	Cost Per Unit	Total Cost
1,984	$18,473	$36,650,432

E. School Facility Costs Generated by Additions to Existing Residences

Additions to existing residences will have the same financial effect on the District as new residential units. For example, residential additions of 40,000 square feet will generate an additional nine students, when applying the student generation rate calculated in this Report, and a school facilities cost to the District of $317,889 (nine students times a per-pupil facilities cost of $35,321).

F. School Facility Costs Generated by Reconstruction and Redevelopment

Reconstruction and redevelopment of existing homes will have the same financial effect on the District as new residential development. For example, reconstruction and/or redevelopment of 50,000 square feet will generate an additional eleven students, when applying the student generation rate calculated in this Report, and a school facilities cost to the District of $388,531 (eleven students times a per-pupil facilities cost of $35,321).

G. Extent of Mitigation of School Facility Costs Provided by Level I Residential Fees

Table 1-14 shows that $15,942,075 in total residential Level I fee revenue will cover only 43.5 percent of the $36,650,432 in total school facility costs attributable to residential development.

Table 1-14
Facility Cost of Residential Development Versus Fee Revenue

Total School Facility Costs	Total Revenues From Fees	Net Facility Cost to the District
$36,650,432	$15,942,075	$20,708,357

H. Senior Citizen Restricted Housing

As required by law, a lower fee, currently the commercial/industrial maximum of $0.56 per square foot, is established for certain types of residences that are restricted in occupancy to senior citizens. Housing of this type generates employees and has an indirect impact on the school district similar to that of commercial/industrial development projects.

End of Section

IV. Financial Effect On The District of New Commercial/Industrial Development

This Section analyzes the costs of providing school facilities for students generated by new commercial/industrial development.

Commercial/industrial development will attract additional workers to the District, and, because some of those workers will have school-age children, will generate additional students in the District. Additionally, the District will likely experience additional students from new workers who do not live in the District, but whose school-age children attend the District as transfer students. As shown in Section I, adequate school facilities do not exist for these students. New commercial/ industrial development, therefore, creates a fiscal impact on the District by generating a need for new school facilities.

The Report multiplies the following five factors together to calculate the school facility cost incurred by the District per square foot of new commercial/industrial development:

A. Employees per square foot of new commercial/industrial development,
B. Percent of employees in the District that also live in the District,
C. Houses per employee,
D. Students per house, and
E. School facility cost per student.

The Report calculates each of these factors in the next sections.

A. Employees per Square Foot of Development

As permitted by State law, the Report uses results from a survey published by the San Diego Association of Governments (SanDAG) (see Appendix) to establish the number of employees per square foot of new commercial/industrial development projects.

Table 1-15
Employees Per Square Foot of Commercial/Industrial Development, by Category

Category	Square Feet per Employee	Employees per Average Square Foot
Banks	354	0.00283
Community Shopping Centers	652	0.00153
Neighborhood Shopping Centers	369	0.00271
Industrial Business Parks	284	0.00352
Industrial Parks	742	0.00135
Rental Self Storage	17,096	0.00006
Scientific Research & Development	329	0.00304
Lodging	882	0.00113
Standard Commercial Office	208	0.00480
Large High Rise Com. Office	232	0.00432
Corporate Offices	372	0.00269
Medical Offices	234	0.00427

Source: 1990 SanDAG Traffic Generators Report.

B. Percentage of Employees Residing Within the District

U.S. Census data from the year 2000 (School District Tabulation (STP2) Data, Table P27: *Place of Work for Workers 16 Years and Over - Place Level*) indicates that approximately 47 percent of people working in the District also live in the District.

C. Number of Households per Employee

U.S. Census data from the year 2000 (School District Tabulation (STP2) Data, Table P27: *Place of Work for Workers 16 Years and Over – Place Level* and Table H6 *Occupancy Status*) indicates that there are approximately 1.18 workers per household. Likewise, this data indicates that there are 0.85 housing units for every one worker. The Report, therefore, assumes that each new resident worker in the District will demand 0.85 housing units.

D. Number of Students per Dwelling Unit

As outlined in Section II.A., the Report assumes that 0.523 K-12 pupils will reside in each housing unit.

E. School Facility Cost per Pupil

As outlined in Section II.C., the Report estimates that the school facility cost per K-12 pupil is $35,321. It should be noted that these facility costs are conservative and are based on State School Facility Program formulas; the District's actual facility costs will likely be higher.

F. School Facility Cost per Square Foot of Commercial/Industrial Development

Table 1-16 calculates the school facility cost generated by a square foot of new commercial/ industrial development for each of the categories of commercial/industrial projects listed in Table 1-15.

School facility costs for development projects not included on this list may be estimated by using the closest employee-per-square-foot ratio available for the proposed development or by following the District's administrative procedures for appeals of school facility fee imposition.

(Continued on the next page)

Table 1-16
Facility Cost Per Square Foot of Commercial/Industrial Development, by Category

Category	Employees per Square Foot	% Employees Residing in District	Dwelling Units per Employee	K-12 Students per Dwelling Unit	Cost per K-12 Student	Cost per Square Foot
Banks	0.00283	0.47	0.85	0.523	$35,321	$20.89
Community Shopping Centers	0.00153	0.47	0.85	0.523	$35,321	$11.29
Neighborhood Shopping Centers	0.00271	0.47	0.85	0.523	$35,321	$20.00
Industrial Business Parks	0.00352	0.47	0.85	0.523	$35,321	$25.98
Industrial Parks	0.00135	0.47	0.85	0.523	$35,321	$9.96
Rental Self-storage	0.00006	0.47	0.85	0.523	$35,321	$0.44
Scientific R&D	0.00304	0.47	0.85	0.523	$35,321	$22.43
Lodging	0.00113	0.47	0.85	0.523	$35,321	$8.34
Standard Com. Offices	0.00480	0.47	0.85	0.523	$35,321	$35.42
Large High Rise Com. Offices	0.00432	0.47	0.85	0.523	$35,321	$31.88
Corporate Offices	0.00269	0.47	0.85	0.523	$35,321	$19.85
Medical Offices	0.00427	0.47	0.85	0.523	$35,321	$31.51

The District generates a school facility cost greater than the Government Code maximum of $0.56 per square foot for all categories of commercial/industrial development (except rental self-storage).

G. Calculating School Facility Cost of Commercial/Industrial Development with Residential Fee Offset

A "residential fee offset" is calculated by (1) determining the number of homes that are associated with the employees generated by new commercial/industrial development and (2) calculating the residential fee revenues the District will collect from those homes (*note: the residential fee offset calculation assumes that all the homes associated with new employees are new homes; in reality, some new employees will live in existing homes*).

For purposes of calculating the residential fee offset, this Report estimates that the District will collect $3.48 per square foot of future residential development.

Subtracting the residential fee offset from the total school facility cost generated by commercial/industrial development produces a discounted school facility cost that takes into account revenues from "linked" residential units.

Table 1-17 calculates the facility cost of new commercial/industrial development while taking into account the revenues from linked residential units.

(Continued on the next page)

Table 1-17
School Facility Cost of New Commercial/Industrial Development
Discounted By Residential Fee Offset

Category	Dwelling Unit per Square Foot Com/Ind	Average Square Foot per Unit	District's Revenue per Square Foot Res. Dev.	Residential Offset per Com/Ind Square Foot	School Facility Cost per Square Foot Com/Ind Development	Cost per Square Foot Less Offset
Banks	0.00113	2,309	$3.48	$9.08	$20.89	$11.81
Community Shopping Centers	0.00061	2,309	$3.48	$4.90	$11.29	$6.39
Neighborhood Shopping Centers	0.00108	2,309	$3.48	$8.68	$20.00	$11.32
Industrial Business Parks	0.00141	2,309	$3.48	$11.33	$25.98	$14.65
Industrial Parks	0.00054	2,309	$3.48	$4.34	$9.96	$5.62
Rental Self-storage	0.00002	2,309	$3.48	$0.16	$0.44	$0.28
Scientific R&D	0.00121	2,309	$3.48	$9.72	$22.43	$12.71
Lodging	0.00045	2,309	$3.48	$3.62	$8.34	$4.72
Standard Commercial Offices	0.00192	2,309	$3.48	$15.43	$35.42	$19.99
Large High Rise Commercial Offices	0.00173	2,309	$3.48	$13.90	$31.88	$17.98
Corporate Offices	0.00107	2,309	$3.48	$8.60	$19.85	$11.25
Medical Offices	0.00171	2,309	$3.48	$13.74	$31.51	$17.77

As the table shows, the school facility cost of all categories (except rental self-storage) is greater than the Government Code maximum of $0.56 per-square-foot even when that cost is discounted by revenues from linked residential units. Therefore, the District is justified in collection the Government Code maximum of $0.56 per square foot for all categories of commercial/industrial development (except rental self-storage).

For illustrative purposes, the Report will compare the school facility cost generated by 140,000 square feet of new community shopping center development to the fee revenue it will provide to the District. This analysis is valid, however, for all types of commercial/industrial development except rental self-storage.

If the District charges $0.56 per square foot of commercial/industrial development, it would collect $78,400 from the 140,000 square feet of community shopping center development. Assuming that all of the employees of the community shopping center development live in new homes, the District will also collect $687,606 in revenue from residential developer fees (140,000 square feet x 0.00153 employees per square foot x 47% employees that live in District x 0.85 housing units per employee x 2,309 square feet per housing unit x $3.48 revenue from developer fees). The 140,000 square feet of community shopping center development will create a school facilities cost of $1,580,600 (140,000 square feet x $11.29 school facility cost per square foot of community shopping center).

Table 1-18 compares the school facility costs generated by 140,000 square feet of community shopping center development to the fee revenues it provides to the District.

(Continued on the next page)

Table 1-18
Comparison of Facility Cost and Fee Revenue Generated by New Community Shopping Center Development

	Fee Revenues	Facility Costs	Total Revenues (Costs)
140,000 square feet of community shopping center development	$78,400	$1,580,600	($1,502,200)
New housing units associated with the development	$687,606	N/A	$687,606
Total	**$766,006**	**$1,580,600**	**($814,594)**

As the table shows, fee revenue from community shopping center development will cover only 48.5 percent of the District's portion of the school facility cost it generates, even when that cost is discounted by the revenues from linked new housing units.

All categories of commercial/industrial development (except self-storage) will generate more facility cost than fee revenue, because they all generate a facility cost greater than $0.56 per square foot even when fees from linked residential units are considered.

End of Section

V. Findings

This Section shows that the District meets the requirements of Government Code Section 66001 regarding the collection of developer fees and summarizes other potential funding sources for the District's capital projects.

A. Government Code Section 66001(a)(1)—Purpose of the Fee

The purpose of collecting fees on residential and commercial/industrial development is to acquire funds to construct or reconstruct school facilities for the students generated by new residential developments.

B. Government Code Section 66001(a)(2)—Use of the Fee

The District's use of the fee will involve constructing and/or reconstructing new school campuses and/or additional permanent facilities on existing school campuses. In addition, 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 and commercial/industrial development may be used to pay for any of the following:

(1) land (purchased or leased) for school facilities,
(2) design of school facilities,
(3) permit and plan checking fees,
(4) construction or reconstruction of school facilities,
(5) testing and inspection of school sites and school buildings,
(6) furniture for use in new school facilities,
(7) interim school facilities (purchased or leased) to house students generated by new development while permanent facilities are being constructed,
(8) legal and administrative costs associated with providing facilities to students generated by new development,
(9) administration of the collection of developer fees (including the costs of justifying the fees), and
(10) miscellaneous purposes resulting from student enrollment growth caused by new residential development.

C. Government Code Section 66001(a)(3)—Relationship Between Fee's Use and the Type of Project on Which the Fee is Imposed

New residential development (including but not limited to units in new subdivisions and in "in-fill" lots), residential units in redevelopment projects, residential units that replace demolished units (to the extent that the new units are larger than the demolished units), additions of residential space to existing residential units, manufactured homes, mobile homes, and condominiums, are all projected to cause new families to move into the District and, consequently, generate additional students in the District. As shown earlier in this Report, sufficient school facilities do not exist for these students. All types of new residential development create a need for additional school facilities. Therefore, the fee's use (for acquiring

school facilities) is reasonably related to the type of projects (new residential developments) upon which it is imposed.

New commercial/industrial development will cause new workers to move into the District. Because some of these workers will have school-age children, commercial/industrial will also generate new students in the District. As shown in Section I.B. of this Report, adequate school facilities do not exist for these students. New commercial/industrial development, therefore, creates a need for additional school facilities. The fee's use (acquiring school facilities) is therefore reasonably related to the type of project (new commercial/industrial development) upon which it is imposed.

D. Government Code Section 66001(a)(4)—Relationship Between the Need for the Public Facility and the Type of Project on Which the Fee is Imposed

The District's 5-year projected enrollment is larger than its pupil capacity in grades K-12. Therefore, the District does not have sufficient existing capacity to house students generated by future development. Future residential and commercial/industrial development in the District will generate additional students and, consequently, will generate a need for additional school facilities. Therefore, a relationship exists between the District's need to build additional school facilities and new residential development projects.

E. Government Code Section 66001(b)—Relationship Between the Fee and the Cost of the Public Facility Attributable to the Development on Which the Fee is Imposed

This Report demonstrates that the school facility cost attributable to each square foot of new residential housing units is $8.00. Fees on residential developments of up to $8.00 are, therefore, fully justified.

This Report also demonstrates that the school facility costs attributable to all categories of commercial/industrial development except rental self-storage range from $4.72 per square foot to $19.99 per square foot, even when fees from linked residential units are accounted for. Level I fees of $0.56 on these types of development are therefore fully justified. The school facility cost attributable to rental self-storage units is $0.28 per square foot when fees from linked residential units are accounted for. Fees for this type and other low-employee-generating types of development should be examined on a case-by-case basis.

All school facility costs and fees in this Report are calculated on a per-student basis to ensure that new residential developments only pay for impacts they cause.

The total cost of providing school facilities for existing unhoused students, as documented in Tables 1-4 and 1-8, is $85.2 million. The District's has Capital Facilities Fund balances totaling $3.9 million available for completion of the proposed facilities plan. Comparing the cost of the District's Facility Plan ($85.2 million) to the amount of funds available ($3.9 million) demonstrates that the District does not have sufficient funds available for acquiring new school facilities for pupils generated by future residential development.

F. Other Funding Sources

The following is a review of potential alternate funding sources for constructing school facilities:

(1) General Fund

The District's General Fund budget is typically committed to instructional and day-to-day operating expenses and not used to construct school buildings, as funds are needed solely to meet the District's non-facility needs.

(2) State Programs

The District has applied for and received State funding apportionments for construction of new school facilities under the 1998 Leroy F. Greene School Facility Program. Even projects funded at 100 percent of the State allowance, however, often experience a shortfall between State funding and the District's actual facility needs. State funds for deferred maintenance may not be used to pay for new facilities. State law prohibits use of lottery funds for facilities.

(3) General Obligation Bonds

School districts can, with the approval of either two-thirds or 55 percent of its voters, issue general obligation bonds that are paid for out of property taxes. On November 7, 2006, voters approved the District's Measure L, which provided $114 Million for the construction and modernization of school facilities. As noted above, the District's cost to house pupils from existing development exceeds the total available capital facility fund balances, including available revenue from the District's general obligation bonds.

(4) Parcel Taxes

Approval by two-thirds of the voters is required to impose taxes that are not based on the assessed value of individual parcels. While these taxes have been occasionally used in school districts, the revenues are typically minor and are used to supplement operating budgets.

(5) Mello-Roos Community Facilities Districts

This alternative uses a tax on property owners within a defined area to pay long-term bonds issued for specific public improvements. Mello-Roos taxes require approval from two-thirds of the voters (or land owners if fewer than 12) in an election.

(6) Surplus Property

The District has no surplus properties that could be sold to create a significant source of capital outlay funds.

(7) Alternatives for Reducing Facility Costs

Alternatives to reducing facility costs which have been used and/or explored by the District include additional portable classrooms, joint-use of facilities, Multi-Track Year-Round Education, and other measures. These options remain available to the District in the future.

End of Section

VI. Recommendations

This Report recommends that the District levy the maximum statutory fee authorized by Government Code Section 65995 (currently $3.48 per square foot), up to $8.00 per square foot of residential development. The Report also recommends that the District levy the maximum fee or $0.56 as authorized by Government Code Section 65995 on all categories of commercial/industrial development except rental self-storage, as those categories of development create school facility costs ranging from $4.72 to $19.99 per square foot of future development, even when fees from linked residential units are accounted for. Developer fees for rental self-storage and other types of low-employee generating developments should be examined on a case-by-case basis.

These recommendations are based on the findings that residential and commercial/industrial development creates a school facility cost for the District that is larger than the revenue generated by charging these fees.

End of Report

Appendix A

Employee Statistics From the San Diego Association Of Governments by Various Categories of Commercial/Industrial Development

(from Traffic Generators Report January 1990)

Appendix A

Employee Statistics From the San Diego Association of Governments by Various Categories of Commercial/Industrial Development

(from Traffic Generators Report January 1990)

	Employees	Total Sq. ft	Sq Ft / Employee	Employee Per Sq. ft
Banks				
Calif. First	57	13,400		
Southwest	11	3,128		
Mitsubishi	14	6,032		
Security Pacific	22	14,250		
Total	104	36,810		
Average	26	9,203	354	0.00283
Community Shopping Centers				
Rancho Bernardo Towne Center	273	139,545		
Plaza De Las Cuatro Banderas	227	186,222		
Rancho San Diego Village	N/A	N/A		
Total	500	325,767		
Average	250	162,884	652	0.00153
Neighborhood Shopping Centers				
Town and Country	217	70,390		
Tierrasanta II	87	49,080		
Palm Plaza	143	47,850		
Westwood Center	173	61,285		
Total	620	228,605		
Average	155	57,151	369	0.00271
Industrial Business Parks				
Convoy Ct / St. Parks	955	224,363		
Sorrento Valley Blvd. / Ct. Complexes	2,220	610,994		
Ronson Court	848	206,688		
Pioneer Industrial Project	N/A	N/A		
Sorrento Valley	N/A	N/A		
Torrey Business & Research	739	243,829		
Ridgehaven Court	823	213,449		
Ponderosa Avenue Industrial	245	158,983		
Total	5,830	1,658,306		
Average	972	276,384	284	0.00352

	Employees	Total Sq. ft	Sq Ft / Employee	Employee Per Sq. ft
Industrial Parks				
Sorrento West	725	614,922		
Roselle Street	761	500,346		
Stromesa Street	200	136,124		
Total	1,686	1,251,392		
Average	562	417,131	742	0.00135
Rental Self-Storage				
Poway Storage	2	32,000		
Lively Center	2	20,000		
Brandon Street Mini-Storage	2	31,348		
Melrose Mini-Storage	2	28,280		
Lock-It Lockers Storage	3	59,325		
Total	11	170,953		
Average	2	34,191	17,096	0.00006
Scientific Research and Development				
Johnson & Johnson Biotechnology Center	39	22,031		
IVAC Corporation	1,300	315,906		
TRW/LSI Products	350	145,192		
Nissan Design International	26	40,184		
Salk Institute	500	318,473		
S-Cubed Corporation	160	56,866		
Torrey Pines Science Park	2,333	649,614		
Total	4,708	1,548,266		
Average	673	221,181	329	0.00304
Lodging				
San Diego Hilton	139	223,689		
Hyatt Islandia	320	250,000		
La Jolla Village Inn	180	129,300		
Hanalei Hotel	310	267,000		
Vagabond Inn	12	22,548		
Fabulous Inn & E-Z8 Motel	92	92,731		
Vacation Village	234	151,134		
Total	1,287	1,136,402		
Average	184	162,343	882	0.00113

	Employees	Total Sq. ft	Sq Ft / Employee	Employee Per Sq. ft
Standard Commercial Office				
Industrial Indemnity Bldg.	170	34,300		
Beta Bldg.	110	29,400		
Park Camino Bldg.	299	55,500		
2181 E.C.R. Bldg.	47	10,000		
Camino Real Financial Center	23	6,300		
Total	649	135,500		
Average	130	27,100	208	0.00480
Large High Rise Com. Office				
Mission Valley Financial Center (Security Pacific)	900	185,600		
Lion Plaza Building	462	109,000		
Crossroads Limited Building (Crocker and Xerox)	512	138,900		
Total	1,874	433,500		
Average	625	144,500	232	0.00432
Corporate Offices				
Equitable Life	200	53,900		
Bank of America Processing Center	300	110,000		
Home Federal Processing Center	1,150	450,000		
Trade Services Publications	270	82,000		
IRT Corporation	210	89,500		
Earl Walls & Assoc.	43	15,000		
Four Winds International Headquarters	220	90,914		
Total	2,393	891,314		
Average	342	127,331	372	0.00269
Medical Offices				
Chula Vista Doctors' Park	108	24,000		
Parkway Medical Group	65	17,620		
Campus Medical-Dental Center	115	25,900		
Total	288	67,520		
Average	96	22,507	234	0.00427