

DEVELOPMENT IMPACT FEE JUSTIFICATION

Prepared for:

MENLO PARK CITY SCHOOL DISTRICT



Prepared by:

Schoolhouse Services

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Chapter 1

Introduction & Summary

Background

Section 17620 of the California Education Code authorizes school districts to collect fees for mitigation of the impact of new development on enrollment in the District. The current maximum fee levels under this Section are \$3.20 per square foot of residential development, and \$0.51 per square foot of commercial/industrial development. When two school district share educational responsibility in an area, they are required to negotiate a sharing of the maximum fee amounts. Per the development fee sharing agreement with the Sequoia Union High School District, Menlo Park City School District is entitled to receive 60% of the maximum fees, \$1.920 on residential development and \$0.306 on commercial/industrial development. (The districts carry the allocation between them to one-tenth of a cent.)

To levy fees the District requires documentation showing the nexus between development and the facilities to be funded and the cost of mitigation. (Sections 66000 *et seq.*) This report provides the required information.

Report Organization

This report is structured as follows:

Chapter 2 describes the nexus between new residential and commercial/industrial development and its impact on District enrollment. It is intended to show that the district has considered the relationship between new development and the facilities for which it seeks funding through fees on new development. It provides a theoretical framework for the analysis and findings in the remaining chapters.

Chapter 3 begins with a description of the District, then focuses on the housing market and its enrollment impacts. This chapter then considers the amount of new housing to be expected over the next decade and the enrollment it will generate.

Chapter 4 describes the District's classroom loading standards and estimates classroom availability, with attention called to the recent school facility improvements funded primarily by Measure U. Using this information, it provides an analysis of the capacity of the District's existing facilities.

Chapter 5 compares the capacity of the District's facilities with projected enrollment and describes the District's future capacity needs. Possible long-term plans for the

provision of enrollment capacity are briefly described and the appropriate basis for analyzing the cost impacts of new development are set forth. The cost of enrollment capacity for students from new development is determined, based on the cost of buildings in the District's recent program of improvements.

Chapter 6 provides the justification of fees on residential development. It first calculates the cost of facilities required on a per square foot basis. It then shows that the District is justified in levying the maximum Section 17620 fee on residential development.

Chapter 7 provides the justification of mitigation on commercial and industrial development. It sets forth the factors affecting school facility impacts and demonstrates with an example with a quantitative analysis of a hypothetical medical office building. It then calculates the facilities impact on a cost per square foot basis for major building types, demonstrating that the District is justified in levying the maximum fees on almost all categories of commercial/industrial development.

Chapter 8 considers the legal requirements for the imposition of fees and sets forth findings that these requirements have been met.

Summary of Findings

- Enrollment as of the fall of this school year is 1,963 elementary students and 756 middle school students, a total of 2,719 students.
- The capacity of the District's schools with classes at appropriate educational standards is approximately 1,834 elementary students and 900 middle school students.
- The District currently houses all students from existing homes in its facilities. However, given the District's desire and practice of maintaining a standard of small class sizes, the District's enrollment exceeds available capacity in the elementary grades by a small amount. Of much more concern, there are indications that future enrollment will be significantly higher and exceed the enrollment capacity of both the elementary and middle schools.
- Four hundred and fourteen new housing units are projected to be constructed over the next decade. The majority of the new housing units are expected to be located in the space between El Camino Real and the railroad tracks in central Menlo Park. Approximately 95 students are projected to live in the 414 new homes.

- It is assumed in this report that the capacity to house students from new homes will have, in the near term, been created by the recent improvements at the schools. In the longer run, additional facilities are likely to be need to provide the capacity to house both students from new homes and additional students from existing homes.
- In both cases, the cost of the recent improvements is the appropriate basis for determination of the cost impact. The cost impact of each student from new development is estimated in this report as the state's minimum standard for square feet per student times a square foot cost based on the cost of the recently constructed elementary school facilities. The costs of the elementary improvements ranged from \$505 to \$551 per square foot; the cost used here is \$500 per square foot. The cost impact of the 95 students at \$500 per square foot is about \$3.5 million.
- The cost impact is \$4.23 per square foot of new residential development. The District's current Section 17620 maximum residential fee level is \$1.920 per square foot of new construction, approximately 45% of the cost impact.
- The current maximum fee for commercial/industrial space is \$0.306 per square foot. This fee is justified on all categories of non-residential development except for parking and self-storage structures. Lower amounts have been determined for these categories.

Chapter 2

Nexus Between Development and Enrollment

New development can be required to provide mitigation only to the extent of its impacts. For schools, the impacts are students for whom additional capacity must be provided. The mitigation is funding to offset the costs involved in providing facilities to accommodate the increased enrollment. A school district seeking mitigation from developers has the burden of documenting the nexus between development and the facilities that will be needed. This chapter describes this nexus in general terms. Its purpose is to clarify the causal relationship between developments and its facility impacts, and in so doing, provide a framework for the quantification of the impacts in the remainder of the report.

This brief chapter begins with a description of the nature of growth in a regional economy and the associated growth in population. It then traces the effect of the construction of workplaces and homes, components of regional growth to increases in enrollment in local schools. It concludes by discussing how the estimated cost of facilities to accommodate the increased enrollment can be allocated among the development that generates this additional enrollment.

Economic Growth

Commercial/industrial construction and residential development (and hence additional households and children) are related parts of economic growth. An expanding regional economy results from increased demand for the goods and services produced in the region. As economic expansion progresses, more workers are needed, and increasingly they must be attracted from outside the region. Sometimes the process is reversed; the availability of a productive labor force can be a key factor leading to the expansion of business activity in the region, with a resultant increase in employment.

Both the increase in business activity and the addition of new households require new development. The business activity requires new commercial and industrial space; the addition of families requires additional housing. This is not to imply that the additional employees necessarily work in the new commercial/industrial space or that the new households occupy the new housing; that is obviously not the case. However, when new space is constructed and existing businesses or households move into it, the space they previously occupied is made available. Whatever the number of shifts in the chain, space is eventually available for occupancy by new employees or residents from outside the region. In contrast, in regions where growth is not occurring, new construction is slow to occur because there is little market for the space made available, which keeps property prices and rents below the level necessary to cover the cost of new construction.

Impacts on Schools

The interrelated nature of commercial/industrial development and residential development justified the California legislature's adoption of fee legislation that recognized both as contributing to enrollment growth in schools. The higher per square foot fee on residential development presumably represents the immediacy of the new home's role in generating additional students; when a new home is occupied, most of the children immediately begin attending local schools. Yet it is clear that new homes are developed primarily in response to the need for additional housing to accommodate the growing labor force and their families, making employment growth a major contributor to the need for additional school facilities. The enrollment impacts are therefore the joint effect of local housing development and both local and regional commercial/industrial development.

The most immediate school impact of new homes, as stated above, is additional students enrolling in the local schools. The associated impact is the need for school facilities to accommodate these students. In fact, the school district must usually anticipate this need far in advance in order to plan for the construction of the additional facilities needed. The enrollment projections must include consideration of factors affecting enrollment other than new development; for example, rising birth rates may be resulting in increased enrollment from older homes. However, the enrollment impacts of new development must be separately identified, as mitigation can be sought from new development only for the portion of the facilities that would not have been needed in the absence of that development.

Thus the final step in the demonstration of nexus is the determination of the facilities anticipated to be needed to accommodate the additional enrollment that would not have occurred without the new development. The facilities are often new schools, though they are sometimes wings to be added to existing schools, relocatable classrooms or, occasionally, the reconstruction or replacement of school buildings which would otherwise have reached the end of their useful life. Once the facilities appropriate to provide the needed capacity have been identified, their cost must be estimated. It is the mitigation of this cost, and only this cost, that the district may seek from new development.

Determination of Mitigation

It should be noted that the task of quantifying the impacts of new development on school facility costs involves identifying the relative share of the cost impacts attributable to each individual development project. To begin with, how much of the cost should be allocated to commercial/industrial development and how much to residential? Within these categories, how much, for example, should be allocated to office versus retail space and how much to single family homes as compared to multi-family? The most common approach is to assume that housing development should bear the cost of mitigation up to the level set by State legislation. If fees at that level are inadequate, fees on commercial/industrial development are then appropriate. The amount of the commercial/industrial fee is based on the portion of the cost calculated to be

unfunded after the fees on residential development are paid (up to the limits set by the State). This perspective reflects the immediacy with which residential development impacts school enrollment.

In the majority of cases the total of residential and commercial/industrial fees are inadequate to provide the facilities to accommodate the enrollment from new development. The courts earlier upheld city-imposed mitigation supplemental to the statutory developer fees in situations where the new development is a result of changes in public policy, such as annexation or rezoning. Senate Bill 50 of 1998 subsequently shifted responsibility for school financing to the State, and removed the basis for supplemental mitigation imposed by cities and counties. However, it provided for greater residential mitigation in the form of alternative fees if certain requirements are met.

The school enrollment resulting from commercial/industrial development is proportional to the number of employees. Thus appropriate mitigation amounts per square foot are determined proportional to the employment density of each type of building. The approach taken in this report is conservative, in that it assumes that only the proportion of employees residing in the local school district impact that district and ignores the impact on all the other districts in which the employees reside. If all districts use this approach in their analysis, the majority of the impact from employment is never considered, simply because on a regional basis the majority of the labor force commutes to work in districts other than where the employees reside.

The impacts of residential development tend to be somewhat proportional to size of unit (i.e. larger homes tend to generate more students). This relationship supports the implicit determination in state legislation for square feet as a measure of relative causality of school impacts. If there is evidence that student generation characteristics are different for different types of residential development, it may be necessary to determine the impacts of the different types.

Chapter 3

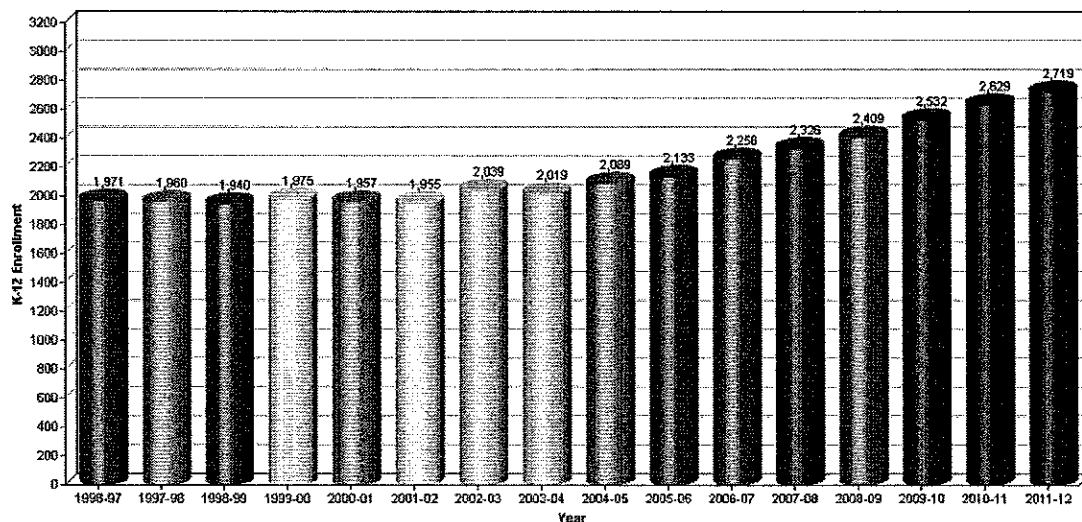
Housing and Enrollment Projections

The Situation

The Menlo Park City School District boundaries encompass major portions of the cities of Menlo Park and Atherton. Menlo Park City School District must house enrollment from new residential development within its boundaries, as well as any increases in enrollment from housing units already existing in the District. A projection of future enrollment from new development is therefore an essential aspect of the District's fee justification. This chapter sets forth enrollment projections and describes the analysis upon which they are based.

Table 3-1 shows the historic enrollment for the District. The picture is clear. Enrollment was quite stable for the first six years shown. The baby boom echo had almost completely left the kindergarten through eighth grade years and there were no demographic factors causing enrollment to vary significantly. Then the fall 2002 student count showed a significant increase, the first year of a decade that has seen enrollment in the District increase by 39%.

Table 3-1
Menlo Park City School District Enrollment
1996-97 to 2011-12



This period of enrollment growth followed the growing infusion of money into the pockets of entrepreneurs and key employees involved in the area's technology economy. While that bubble soon burst, before it did it provided many young households with the income and capital to purchase homes in Menlo Park and Atherton, as well as Palo Alto, Woodside, etc., with the quality of schools being critical. Rather than the purchasers of homes being typically a middle-aged household moving into its third home, it often was a young couple with young children, or even pre-school children.

Of course, the dot-com bubble has been followed by even more growth in the technology industry, again with the Peninsula companies creating much of the wealth. Founders and early employees in start-ups continue to receive capital as their companies are taken public - Google and Facebook are prime examples. And these entrepreneurs and key employees continue to seek homes in the desirable communities with high quality schools.

Developers love to provide elegant new homes for these families, and they do whenever they can find the development opportunities. However, the larger portion of enrollment growth comes from the large number of young families purchasing existing homes when they come on the market (or are rented to new occupants), often replacing older households without children.

Projected New Development

Enrollment from new homes is projected separately from enrollment from existing homes. This is necessary since fee justification must identify and address the impact of students from new development, distinguishing it from the costs of housing students from existing homes. The analysis of enrollment from new homes begins with projections of new residential development. A relatively long time period is used because planning for capital facilities requires a long-term perspective. New housing being completed during the school years 2011-12 through 2020-21 is forecasted here; the students from these homes will be added to the students from the homes generating the 2011 fall CBEDS enrollment count to make up enrollment a decade from now.

In the cities of Menlo Park and Atherton, the majority of new residential development will occur as redevelopment of existing properties, along with some infill development of smaller vacant parcels located in what could be considered the last remaining sites in nearly built out communities. There are no large vacant parcels of land zoned for residential use and available for development within the District's boundaries. The number of new homes will probably be less than the number of homes being expanded with additions, often with a significant amount of demolition. As will be seen, significant additions to existing homes are often associated with an increased number of students in the home.

The number of housing units in the Menlo Park City School District that existed in the 1990, 2000 and 2010 *U.S. Census* statistics are shown in Table 3-1, along with the number of new units thus constructed in the decades in between. The table shows an increase of 543 units, or 5% during the 1990 to 2000 period and an increase of 192 units, less than two percent, between the years 2000 and 2010, despite a very strong housing market. The fewer units built in the latter

decade reflect the declining number of sites available for development. There is one exception, however, which will be discussed below.

Table 3-1
Total Housing Units
Menlo Park City School District

<i>Year</i>	<i>Number of Units</i>	<i>Increase</i>
<i>1990</i>	<i>10,487</i>	
<i>2000</i>	<i>11,030</i>	<i>543</i>
<i>2010</i>	<i>11,222</i>	<i>192</i>

Source: National Center for Education Statistics (N.C.E.S.)

We have based our projection of new development to a large extent on an enrollment forecast report completed in 2009 by *Enrollment Projection Consultants (EPC)*. Its projection of new development was predicated upon a comprehensive analysis of recently completed, and proposed or under plan review, residential development in the communities of Menlo Park and Atherton. EPC projected 164 large new single family homes (2,500 square feet or more), 62 medium-sized new and expanded single family homes, and 274 attached units to be built over a decade. The attached units are all projected to be constructed in downtown Menlo Park in the corridor between El Camino Real and the railroad tracks.

Given that some of the new homes would have been built by now, only 100 new large homes and 40 new medium-sized homes are assumed to be built in the coming decade. The location of the attached housing is an area the majority of which was formerly occupied by auto dealerships, but the old uses are being phased out. EPC projected that it would be at least 2012 before any new units were built in the area, and none have been. The pipeline process to date for development approvals in this area indicates that development will be approved and thus the projection of 274 units is still reasonable, especially since a decade from now will extend three years beyond EPC's time period,

We thus project that there will be a total of approximately 414 new residential units developed district-wide during the school years 2011-12 and 2020-21. This represents an average 41 new residential units developed per year, though the number is likely to be lower in the early years and higher in the later years when the attached housing projects are underway. It is based on a continued decline in the construction of new single family homes, but adding in the units that will be possible due to redevelopment of the land area between El Camino and the railroad tracks in Menlo Park.

When these 414 new units will be completed, however, is not critical when calculating the cost impact of new development. The above projections could take place in five years or 20 years; the same number of students would have to be accommodated. From another perspective, the projected number of units is not critical in the determination of the cost impact. Any shift in the amount of housing constructed in a given time frame will change the projected enrollment from new housing. However, it will also change the assessable square footage projected to be constructed over that same time period by the same proportion, leaving the cost per square foot of new development essentially unchanged. In other words, using a lower growth estimate than assumed here would not affect the per home cost impact.

Table 3-2 below shows the projected new residential development by housing type for the District. Generally, demographers have not made a distinction between the size of single family detached dwellings, but due to the variation in student generation correlated with new home building sizes, EPC determined that it improved accuracy to distinguish between substantially large lot single family dwellings (greater than 2,500 square feet per unit), and smaller ones (less than 2,500 square feet per unit).

Table 3-2
Projected Housing Units 2011-2020

<i>Type</i>	<i>Units</i>
<i>Single family detached (SFD) > 2,500 Sq. Ft.</i>	100
<i>Single family detached (SFD) < 2,500 Sq. Ft.</i>	40
<i>Single family attached/Multi-Family (SFA/MF)</i>	274
<i>Total</i>	414

Sources: Enrollment Projection Consultants and Schoolhouse Services

Student Generation Rates

Student generation rates (SGRs or student yields), the average number of students per home, are the second key aspect of projecting enrollment from new homes. In the year 2010 the U.S. Census counted 11,222 units in the Menlo Park City School District. District enrollment in 2010 totaled 2,629. Thus, the average SGR was approximately 0.234 students per home, an increase from 0.180 students per unit in the year 2000.

As part of the 2009 enrollment projections report *Enrollment Projection Consultants* completed an extensive review of student residing in recently constructed homes in order to determine appropriate SGRs to be applied to projected future residential developments within Menlo Park City School District boundaries.

Student generation varies significantly by housing type, particularly in the relative scarcity of students in most apartments and condominiums compared to single family homes. Single family detached housing is attractive to families with children, with almost all units having three or four (or more as is often the case in Atherton) bedrooms. Their attractiveness is due, to a large

extent, to families wanting to take advantage of the quality of the District's schools. Thus, student generation is becoming quite high for an older suburban area. In contrast, other single family attached units (condominiums) and most apartments are in multi-story buildings and have one and two bedrooms. For young families with children and modest financial resources, they are expensive and less satisfactory than other alternatives, so student generation in these housing types is modest.

The average SGRs of the new units examined in EPC's study are shown in Table 3-3. Their use in this report is conservative, as the data is several years old and the District's student generation has been steadily increasing.

Table 3-3
Average SGRs by Housing Type
Menlo Park City School District

<i>Housing Type</i>	<i>Elem. SGRs</i>	<i>Middle SGRs</i>	<i>Total SGRs</i>
<i>Single family detached (SFD) + 2,500 sq. ft.</i>	0.39	0.09	0.48
<i>Single family detached (SFD) – 2,500 sq. ft.</i>	0.23	0.12	0.35
<i>Single family attached/Multi-Family (SFA/MF)</i>	0.08	0.04	0.12

Source: Enrollment Projection Consultants

Enrollment from New Housing

The student generation rates in Table 3-3 are multiplied by the projected new housing units in each of the three housing categories to arrive at projected enrollment from new housing, which is shown in Table 3-4. As the table indicates, new residential development within the District from the 2011-12 school-year to the 2020-21 school-year is projected to result in approximately 95 additional students.

Table 3-4
Enrollment from New Housing: 2011-2020

<i>Housing Type</i>	<i>New Units</i>	<i>Total SGRs</i>	<i>Elementary SGRs</i>	<i>Elementary Students</i>	<i>Middle SGRs</i>	<i>Middle Students</i>	<i>Total Students</i>
<i>SFD + 2,500 sq. ft.</i>	100	0.48	0.39	39	0.09	9	48
<i>SFD - 2,500 sq. ft.</i>	40	0.35	0.23	9	0.12	5	14
<i>SFA/MF (Condo/Apt)</i>	274	0.12	0.08	22	0.04	11	33
Total	414			70		25	95

Source: Schoolhouse Services and Enrollment Projection Consultants.

Enrollment from Existing Housing

Table 3-1 above showed District enrollment as of the 2011/2012 California Basic Education Data System (CBEDS) enrollment count in October of the past 16 school years. District enrollment is currently 2,719. As pointed out earlier, this is an increase of 764 students over a decade. The addition of approximately 200 new homes over this period accounts for only about 100 students of this growth in enrollment; the remainder has come as additional students from existing housing. Part of the increase comes from an increasing number of young families buying homes in the District, often from old households that no longer had children in the system. Part comes from families constructing additions to their homes in order to accommodate a growing family. (Sometimes these two causes are both present, as a younger family buys a home and undertakes an addition in order to have the size desired for their young family.) The student generation resulting from additions to existing homes is discussed later in Chapter 6. The overall cause of increased enrollment from homes already existing in the District, however, is an increased number of young employees and entrepreneurs with the income and capital to purchase (or rent) District housing. To the extent this keeps increasing, District enrollment is likely to keep increasing.

Chapter 4

Enrollment Capacity Analysis

The intent in this fourth chapter is to determine the enrollment capacity of the existing facilities of the Menlo Park City School District. The chapter begins with an analysis of District standards in matters critical to the calculation of enrollment capacity: classroom loading (i.e. class size), teachers remaining in their rooms during prep periods, and allowances for scheduling flexibility. Information is then provided regarding the number and availability of the different types of classrooms. The chapter concludes with a determination of the capacity of these classrooms consistent with the District's standards.

Classroom Loading

The enrollment capacity of a school is a function of the District's educational standards and its facilities. One key standard is the average number of students per classroom. The District employs several different classroom loading standards, reflecting both state-level requirements and local Menlo Park City School District policies.

The District has long participated in the state Class Size Reduction (CSR) program which provides financial support for students in kindergarten through the third grade classes. The standard for this program is 20 students per classroom (20:1 student/teacher ratio). Average class sizes in the District are slightly above this level, averaging 21.1 students per class in the current school year due to financial constraints. Class sizes may become closer to 24 students per room in kindergarten next year, though kindergarten classes typically have the greatest amount of parent volunteers assisting in the classroom.

Even though class sizes are slightly above the 20 students per class standard of the state program, the District still considers it to be the appropriate academic standard and will continue to make efforts to be at that level or as close as possible. It therefore uses that standard in long-term planning for adequate facilities. A class size standard of 20 students per room for kindergarten through the third grade is therefore used here to determine the district's enrollment capacity.

In grades fourth through eighth the District's current staffing provides for an average class size of 23.7 students. This is just a little below its long-time standard of 24 students per class. This low class size is made possible by support from the community in the form of Measure A, a local parcel tax measure passed in 2003. That passage of that parcel tax enabled the District to implement a class size reduction program for grades 4-8 at an average classroom loading of 24 students per class.

In addition to regular education classrooms, a Special Day Class (SDC) for special education students is provided at each Menlo Park City School District school except for Laurel. The special education program provide highly specialized instruction employing teams of specially credentialed teachers and trained instructional aides. The program requires dedicated classroom space with a limited number of students per room. The SDC capacity provided by the District currently houses 33 SDC students in the three classrooms, an average of 11 students per classroom.

Table 4-1
Classroom Loading

<i>Grade</i>	<i>Students</i>
<i>K-3</i>	<i>20.0</i>
<i>4-8</i>	<i>24.0</i>
<i>SDC</i>	<i>11.0</i>

Source: Schoolhouse Service.

Classroom Count

As noted in the last chapter, District enrollment has increased by 39% over the last decade. Providing facilities to accommodate this enrollment has been a major challenge for the District. The key step was asking the District voters to support a \$91 million bond issue. Placed on the ballot in 2006, Measure U received 70% support. It has funded the removal of old portable classrooms. In their place it has added new classroom buildings, the majority of them with two stories to minimize the impact on the limited land area available. The construction of two-story classroom buildings constituting a mini-complex for the fourth and fifth grade classes at both Encinal and Oak Knoll (and assigning all fourth and fifth grade students to these schools) was a key to making the new facilities well-structured educationally, as well as having increased capacity. And the bond issue has also has funded the construction of a new Teacher Educational Resource Center on the Encinal Campus, not only providing needed facilities but also freeing up space at other campuses where these functions had been located. Also, the District administrative offices have been modernized and expanded, though not with Measure U funds.

The District's three elementary schools now have a total of 103 classrooms. Students will not be able to be assigned to all of these classrooms. Of these 103 rooms, 10 are used as support classrooms including music, art, computer and language labs, and rooms used for the Resource Specialists Program (RSP), leaving 93 rooms available as "home rooms" for student assignment at the three elementary schools. At Hillview School, the new school that is planned to open in fall 2012, will have 47 classrooms, with seven of them designed for support purposes. In addition to the classrooms, there are some other smaller rooms which, due to their size, cannot be used as classrooms.

The District also provides instruction for SDC students at a loading average well below the District regular classroom loading average. The District's SDC average classroom loading for its

two elementary school and one middle school SDC classrooms is currently 11 students per classroom. State standards are nine students per classroom for severe SDC students and 13 students per classrooms for non-severe SDC students, averaging out to approximately the average of the District's three SDC classrooms. Due to the lower classroom loading of SDC classrooms, they are counted separately in the capacity calculations.

District Capacity

The District's total theoretical capacity is found by multiplying the number of classrooms available by the appropriate number of students a single classroom in each category accommodates. The number of students a given classroom accommodates is set by the classroom-loading standards established above. These calculations are shown in Table 4-2.

Table 4-2
Enrollment Capacity and Classroom Count

	<i>Elementary (K-5)</i>	<i>Middle (6-8)</i>	<i>Total</i>
<i>Total Classrooms</i>	103	47	150
<i>Support Classrooms</i>	10	7	17
<i>Total "Home Rooms" Available</i>	93	40	133
<i>Kindergarten through Third Grade At 20 Students per Class</i>	69 1,380		69 1,380
<i>Grade four through eight At 24 Students per Class</i>	22 528	39 936	61 1,464
<i>Special Day Classes (SDC) At 11 Students per Class</i>	2 22	1 11	3 33
<i>Theoretical Capacity</i>	1,930	947	2,877
<i>Practical Capacity (95%)</i>	1,834	900	2,733

Source: Menlo Park City School District and Schoolhouse Services.

It is difficult, if not impossible, for a district to utilize each classroom at full capacity under the loading and usage assumptions described above. One obstacle to maximizing capacity is that the number of students in a grade at a school is not likely to be an exact multiple of the class size standard. For example, if there are 60 fifth grade students at a school, they cannot be apportioned into 24 student classes. The classes either have to have 30 students or 20 students. (Often a mixed class is created, e.g. of fourth and fifth graders, though that does create teaching challenges.) Another major problem in maximizing classroom loading and usage at the elementary schools is that students are not geographically spread among attendance areas in a manner proportional to the enrollment capacity at each campus. Of course, the District cannot control demographic patterns. In the absence of an evenly distributed student population,

operating at theoretical capacity would require either capping enrollment at most schools or continuously changing attendance boundaries. Neither of these options is desirable.

In light of these practical classroom loading and usage assumptions, the classroom-loading figure calculated earlier is reduced by five percent in the capacity calculations in this report. This is the most common adjustment for practical efficiency in facility planning by California school districts. The realistic capacity of the District's existing facilities, consistent with the District's standards, is 1,834 students in the three elementary schools and 900 students in the middle school.

Chapter 5

Facilities Plans and Costs

Comparison of Capacity with Enrollment

The elementary capacity calculated in the prior chapter (1,834 students) is a little less (six plus percent) than the 1,963 student enrollment in the elementary schools. The capacity is adequate for this school year because classes are a bit larger than the District's standard; one extra student per classroom creates capacity for an additional 93 students. The problem is in the coming years. The District is experiencing larger kindergartens than were forecast in 2009. There are already more than 360 students registered for next year's kindergarten. (This number does not include the additional students registered for the legislatively authorized enrollment of students with October through December birthdays in "pre-kindergarten" classes.) Larger kindergarten classes result in larger classes in the other grades in the following years. After six years of kindergarten enrollment at this level, elementary enrollment could reach 2,160 students, more than 300 students above capacity.

At the middle school level, capacity is significantly greater than this year's enrollment of 756 students in Hillview School, and more than adequate for the next few years. The potential problem is again down the road. If the more than 360 students registered for next year's kindergarten continues in following years, middle school enrollment could be 1,080 students, about 100 students above capacity.

Table 5-1
Capacity Compared to Enrollment

	<i>Elementary (K-5)</i>	<i>Middle (6-8)</i>	<i>Total</i>
<i>Enrollment Capacity</i>	1,834	900	2,733
<i>2011-12 Enrollment</i>	1,963	756	2,719
<i>Unused Capacity / (Capacity Deficit)</i>	(130)	144	14
<i>With 360 students per Grade</i>	2,160	1,080	3,240
<i>Unused Capacity / (Capacity Deficit)</i>	(327)	(180)	(507)

Source: Schoolhouse Services

District Facility Plans

The Menlo Park City School District has spent most of the last decade recognizing it had serious enrollment capacity problems and addressing them. It coalesced around a plan to provide adequate capacity (and upgrade its remaining facilities at the same time), communicated with the community with the result that the voters approved for a large bond issue, and then constructed the improvements needed to house projected enrollment. It is now in the last stages of completing the planned improvements. That is all very good news.

The bad news is that now more students than projected are enrolling in the District's schools and it appears that these facilities now being completed will probably not be as adequate as anticipated. It should first be emphasized that, while there are sound reasons for anticipating future enrollment growth, this fee justification study has not included a careful detailed enrollment study and the District will presumably seek a better understanding of future enrollment before beginning to plan for any needed improvements.

Assuming it is determined that at some point in the future a larger elementary capacity is needed, the magnitude of that need will be critical in planning to provide it. If the need is modest, a few additional classrooms on the three existing campuses would fill the need. However, the improvements now being completed pretty much utilize all of the land area available at the three schools; it would be difficult to squeeze many more classrooms onto any of the campuses.

If significantly more capacity is needed, the obvious alternative will be, as it has been over the last decade, to take back the O'Connor School campus from the German-American School, to whom it has long been leased. However, this is not a perfect solution. The site contains only eight classrooms, has no multipurpose room or even a library, and is located on a small site. The buildings are old and the campus is poorly located in relationship to where capacity is needed. It can, however, be configured into a workable school with boundary reconfigurations and substantial improvements. It could perhaps work best as a campus with a particular focus (e.g. a Spanish immersion school).

Another possibility would be to seek to trade the site for a more useable site elsewhere. However, the District has long tried to identify an appropriate site and it is not at all obvious that one exists.

In any case, it is not the purpose of this report to analyze alternatives for additional capacity if it is needed to house a growing enrollment. And it could obviously be several years before the District puts together a more defined picture of its elementary school capacity needs and prepares a plan to meet them. For the purpose of this report, therefore, we simply assume that a long-term solution would likely involve the construction of school buildings at an unidentified site or sites (the renovation of O'Connor would not be any less expensive) and that no land costs would be involved.

The analysis of the addition of middle school capacity is simpler. The need will be further in the future and there is no obvious alternative other than adding capacity at Hillview School (unless a solution to the elementary school provides additional capacity to absorb some middle school students). Again, we simply assume for the purpose of this report that the long-term solution will involve the construction of space somewhere on the Hillview campus.

Regarding the short term, therefore, the focus is on the use of fee revenue until further improvements to add enrollment capacity are undertaken – if they are undertaken. In the short term, capacity to accommodate students from new development has been put in place as part of the recent set of improvements. The large majority of the cost of these improvements have been funded by Measure U. However, there are some costs that were not included in the budgets for the expenditure of bond funds.

The projected amount of fee revenues over the entire next decade is \$1.6 million. The probable use of this relatively modest amount of fee revenues (compared to the \$91 million bond funds) is to contribute to the funding of small projects involved in completing the renovation and new construction program. For example, a large portion of the current fund balance in the fees account is planned to fund projects in the completion of the new Hillview School. In many cases expenditures will be for what would be regarded as fixtures and furnishings. Outside improvements, including landscaping, are also not completely funded. The appropriate cost impact of new development and its students (assuming only the facilities being completed at the present time are available) is simply the cost of capacity per student of the new buildings that are adding capacity.

Costs

The construction costs of the recent buildings funded with Measure U are as follows. Encinal School has 30,100 square feet of new facilities and the cost of these is \$15.2 million; the cost is thus \$505 per square foot. The buildings at Oak Knoll School cost 12.5 million and have a floor area of 23,500 square feet; the cost is 533 per square foot. Laurel School has new buildings totaling 11,200 square feet and a cost of \$6.17 million; the cost is thus \$551 per square foot. (These costs include both hard construction costs and soft costs, such as architectural and engineering, fees, managements, etc.) The cost on all of the campuses is above \$500 per square foot. That figure is therefore used as a cost of buildings that would provide additional capacity in the district.

The California Department of Education uses square feet per student in its School Facility Program funding. The sizes are 73 square feet per student for elementary schools and 80 square feet per student for middle school students. These are considered fairly minimal and are below the national average, even adjusting for design differences due to weather. Multiplying these square feet per student standards by the cost of \$500 per square foot provides a reasonable estimate of the cost of additional capacity. The results are shown in the first three rows of Table

5-2. They are, in essence, a conservative calculation of the cost per student of these recently constructed buildings.

The table then shows in the last two lines the calculation of the cost for the provision of additional school facilities for the 95 students from new development. The total cost of housing students in expansions of existing campuses, i.e., without purchasing land, is \$3.555 million.

Table 5-2
Capacity Expansion Costs for New Housing

	<i>Elementary (K-5)</i>	<i>Middle (6-8)</i>	<i>Total</i>
<i>Square Feet per Student</i>	73	80	
<i>Cost per Square Foot</i>	\$500	\$500	
<i>Cost per Student</i>	\$36,500	\$40,000	
<i>Number of Students in New Housing</i>	70	25	95
<i>Cost of Added Capacity for New Housing</i>	\$2,555,000	\$1,000,000	\$3,555,000

Source: Schoolhouse Services

Chapter 6

Determination of Fee on Residential Development

Cost Impacts per Square Foot of New Development

The legislation authorizing school districts to impose fees implicitly assumes that they will be in the form of a fee amount per square foot of new construction. The EPC report provided student generation rates for new recent single family detached units for (1) larger single family detached homes, above 2,500 square feet, and for (2) smaller single family detached homes of less than that size. It is assumed here that the larger homes will average 3,500 square feet in size and the smaller homes 2,000 square feet. For multi-family condominium and apartment units, the average size is 1,500 square feet. In all cases, the area estimated is as defined in Section 65995(b)(1) of the California Government Code, being the “square footage within the perimeter of a residential structure,” with exclusions for garages, patios, etc.

Multiplying the number of housing units projected of each of the three types by the appropriate average size yields the square feet of new development that share the responsibility for the 95 students projected to be generated from the units. The calculations resulting in a total square footage of 841,000 square feet for the projected new housing units is summarized in Table 6-1.

Table 6-1
Square Feet of Residential Development

	<i>Single-Family Detached+2,500</i>	<i>Single-Family Detached-2,500</i>	<i>Condominiums Apartments</i>	<i>Total</i>
<i>Number of New Units</i>	100	40	274	414
<i>Average Square Footage</i>	3,500	2,000	1,500	
<i>Total Square Footage</i>	350,000	80,000	411,000	841,000

Source: Schoolhouse Services

The total cost impact of new development was determined in the previous chapter to be \$3.555 million. As shown in Table 6-2, the resulting cost impact is \$4.23 per square foot (\$3,555,000 million/841,000 million square feet).

Table 6-2
Per Square Foot Cost of Residential Development

Residential Development	
<i>Total Facilities Cost</i>	\$3,555,000
<i>Total Square Footage</i>	841,000
<i>Facilities Cost per Square Foot</i>	\$4.23
<i>Source: Schoolhouse Services</i>	

The statutory fee the schools can levy on residential development per Educational Code Section 17620 is adjusted biennially by the State Department of Education. As adjusted January 25, 2012, the maximum fee is \$3.20 per square foot. By agreement with the high school district, Menlo Park City School District is entitled to 60% of this fee, if justified by this analysis. The District's share is therefore \$1.920 per square foot. With a cost impact of \$4.23 per square foot, Menlo Park City School District is justified in levying their share of the maximum state legislated amount on residential development, \$1.920 per square foot.

Alternative Types of Development

Government Code Sections 66000 *et seq.* refer to "types of development." The type of development analyzed above is residential construction (without demolition of pre-existing structures) of new housing units. Other types of development have, or potentially have, different cost impacts. We here address several types of residential development other than new residential units on vacant land. The impacts of commercial and industrial development are addressed in the next chapter.

Redevelopment Construction

A lawsuit, *Warmington Old Town Associates v. Tustin Unified School District*, was decided by the Court on the determination that new construction that replaced pre-existing structures, termed "redevelopment construction" by the Court, constituted a different type of development. This was because it potentially had different student generation characteristics than new construction on vacant land. In other words, the removal of existing structures potentially removed some students, which could offset at least some of the impact of the students residing in the new homes. The Court of Appeals held for Warmington on the basis that the school district's justification did not address the impacts of redevelopment construction. Therefore, we address the matter of redevelopment construction.

It should be understood that Menlo Park City School District provides a credit for structures removed in preparation for new residential construction. In most cases, this means that in effect only the incremental new square footage of redevelopment construction is assessed. The

analysis in this report (of new construction on vacant land) would then also apply to that portion of redevelopment construction on which fees are levied. There will be cases in which the per square foot fiscal impact of the property demolished will differ from the impact of the new development, meaning that a simple subtraction of the old square footage is incorrect. The obvious example is when a commercial building is replaced by a residential building. In this case, netting the fee amount the demolished building would have to pay if new against the fee due on the new, all as determined per the analysis in this report, determines the appropriate fee amount. In all cases, the analysis in this report appropriately covers redevelopment construction.

Residential Expansions

Additions to existing homes are another type of development that differs from the model analyzed above. Additions to existing housing represent a permanent increase in the capacity to accommodate population in a community. Any increased population may include school-aged children, which will place a corresponding demand on schools. State law allows school districts to collect fees on room additions to existing housing units over 500 square feet. From a legislative standpoint, additions are considered a type of new development; in so far as they generate facility impacts they are subject to fees. Within the frame of the enrollment projections in this analysis, however, the students from additions are not included in the number of students from new development. In fact, residential additions represent a form of intensification of the existing housing stock and the resulting enrollment growth is a component of enrollment from existing housing.

We only have data on the impacts of additions from one situation. An analysis of residential additions was conducted by *Schoolhouse Services* for the Santa Cruz City High School District. Available data there showed that additions averaged 977 square feet in size, and student generation for these homes increased from 0.48 to 0.69 K-12 students. Of the total 0.21 student increase, an estimated share of students in kindergarten through the eighth grade, based on the enrollment proportions, was 0.15 students. A simple calculation serves to illustrate the school facility cost impacts of additions. In the previous chapters that average facilities cost was determined to be \$3.555 million for 95 students, \$37,421 per student. If each addition resulted in 0.15 students, the impact per addition would be \$5,613. An average addition of 977 square feet thus produces an impact of \$5.75 per square foot. This amount is well above the Level 1 fee amount of \$1.920.

Senior Housing

Certain types of housing dedicated for occupancy by senior citizens may not be subject the full residential fee because it would not house student age residents. Pursuant to state law, it would generally be subject to the maximum fee for commercial development projects, based on its indirect contribution to student generation. Individual projects applying for such special treatment should be evaluated by the District on a case-by-case basis.

Chapter 7

Impact of Commercial/Industrial Development

Commercial or industrial development, along with residential development, has an impact on school enrollment. New jobs require a larger labor force, which in turn causes new housing to be built to increase the housing supply. The families in new houses have their children enrolled in the local school District. This enrollment growth, a joint result of the commercial/industrial and the residential development, in turn impacts the facility capacities of the District.

The District levies fees consistent with California Educational Code Section 17620 (formerly Government Code Section 53080) to be applied to the mitigation of these impacts. The previous chapter established that current Section 17620 fees for residential development do not generate enough revenue to cover the costs of additional capacity to accommodate the students from that development. The revenue gained from the maximum allowable such fees on residential projects covers only a portion of the cost of housing the students from new homes. Therefore, the District looks to commercial/industrial development also to contribute its fair share of the cost of needed school facilities. The current maximum fee for commercial or industrial development projects is set at \$0.51 per square foot (the rate was set by the State Allocation Board January 25, 2012). If justified by this analysis, Menlo Park City School District is entitled to 60% of this fee, or \$0.306. (The districts carry the allocation between them to one-tenth of a cent.) The Menlo Park District seeks to levy this amount, where justified, to help alleviate the unfunded facilities cost per student.

Calculation of Cost Relationship

There are several key components in calculating a justifiable commercial or industrial development fee. The following formula is used to determine the School Facility Cost per Square Foot of Development:

- A. Employees per Square Foot of Development.
- B. Percentage of Employees Residing within the District.
- C. Average Number of Homes per Resident Employee.
- D. Average Number of Students per Home.
- E. Unfunded Cost of School Facilities per Student.

$$A \times B \times C \times D \times E = \text{School Facility Cost per Square Foot of Development}$$

The number of employees per square feet depends on the type of commercial/industrial development. Consequently, the result of the equation will differ for each principal commercial/industrial category. The remaining factors are consistent across development types. The fact that the result is greater than zero reflects the causal relationship between commercial/industrial development and school facility needs. If the calculated impact is greater than the maximum, currently \$0.306, for a given category of development, then the maximum fee is justified for that type of development. Each factor in this formula is discussed below.

Employees per Square Foot of Development

The estimated number of employees per square foot must reflect the wide variation among the different types of commercial/industrial development. As permitted by state law, results from an employment density survey published by the San Diego Association of Governments (SANDAG) are used to determine numbers of employees per square foot anticipated in future commercial or industrial development. (For warehouses, for which SANDAG lacks data, information from the Institute of Transportation Engineers (ITE) is used.) SANDAG evaluated employment densities based on a series of building categories ranging from retail to research and development. The densities are shown in Table 7-1.

Table 7-1
Employees per square foot of Building Area

<i>Building Type</i>	<i>Employees/ Sq. Ft.</i>	<i>Sq. Ft./ Employee</i>	<i>Employees/ 1,000 Sq. Ft.</i>
<i>Parking Structures*</i>	0.00002	50,000	0.02
<i>Self-storage</i>	0.00006	15,541	0.06
<i>Lodging</i>	0.0011	883	1.10
<i>Schools</i>	0.0011	878	1.10
<i>Warehouses**</i>	0.0013	769	1.30
<i>Auto Repair</i>	0.0013	741	1.30
<i>Movie Theater</i>	0.0015	667	1.50
<i>Discount Clubs</i>	0.0017	597	1.70
<i>Regional Shopping Centers***</i>	0.0019	539	1.90
<i>Hospital</i>	0.0021	471	2.10
<i>Community Shopping Centers***</i>	0.0023	442	2.30
<i>Neighborhood Retail***</i>	0.0026	388	2.60
<i>Banks</i>	0.0028	354	2.80
<i>Business Offices</i>	0.0034	293	3.40
<i>Medical Offices</i>	0.0043	234	4.30

* With attendants

** Source: Institute of Traffic Engineering (ITE) *Trip Generation* 5th ed.

*** Regional is greater than about 35,000 sq. ft., community 10,000 to about 35,000 sq. ft., and neighborhood less than 10,000 sq. ft.

Source of other data: SANDAG Traffic Generators report, April 2002 (most recent edition).

For example, suppose an office developer wishes to build a medical office building with an area of 100,000 square feet. To determine the justifiable fee for this category, SANDAG provides a statistic of an average of 0.0043 employees per square foot, or 4.3 employees per 1,000 square feet. With an area of 100,000 square feet, this development would yield approximately 430 employees.

Percent of Employees Residing within the District

Menlo Park City School District serves an area that includes commercial/industrial as well as residential property. A share of those employed within the District's boundary will also reside in the area. This is more likely to occur in communities where there is a substantial supply of residential properties. The Menlo Park City School District has a diversity of housing types, but both the adequacy of supply and affordability are problems for many employed in the District seeking to also live there. Therefore, we estimate that the percentage of employees who work and reside in the District is only approximately 25%, less than the 35% assumed in the 2006 justification report. (This is a conservative approach in that we include no impact from employment outside the District that contributes to enrollment within the District, nor from employment in the District that contributes to enrollment in other districts.)

Continuing with our example, the second step in determining total cost of the medical office building development is to determine the number of new employees likely to also live within the District by using the ratio for current residents. In the previous section, we established that there would be approximately 430 employees for the 100,000 square foot office building. The number of employees living in the District, and therefore likely to have an impact on District facility capacity, would be 25% of 430, or 107 employees.

Average Number of Homes per Resident Employee

This section addresses how many homes are likely to result from new employees living in the District. Census data shows that there are typically about 0.67 homes per employee. This can also be stated as 1.50 employed persons per home. This ratio reflects the fact that many homes have more than one worker.

*In our office building example, the 107 employees living in the District will require $107 * 0.67$, or 72 additional homes.*

Average Number of Students per Home

A total of 414 new homes are forecast over the next 10 years. These homes generate 95 students. The average SGR is therefore 0.229 students per home.

*Continuing with the medical office building example, we can now determine how many students will impact facility capacity as a result of new employees residing in the District. The approximately 72 homes, (occupied by the employees) will in turn yield $72 * 0.229$, or about 16.5 students.*

Unfunded Cost of School Facilities per Student

The cost of facilities for new students assigned to commercial/industrial development must not include the portion funded by residential fee revenue. As calculated in Table 7-2, the unfunded

facility cost per student, after revenue from residential fees, is \$20,420. It is this unfunded remainder per student that drives the need to levy appropriate fees on the new commercial/industrial development.

Table 7-2
Unfunded Facility Cost per Student

<i>Total Residential Square Feet</i>	841,000
<i>Fee per Square Foot</i>	\$1.920
<i>MPCSD's Total Residential Revenue</i>	\$1,615,000
<i>Total Facility Cost</i>	\$3,555,000
<i>Total Unfunded Cost</i>	\$1,940,000
<i>Number of Students</i>	95
<i>Unfunded Facility Cost per Student</i>	\$20,420

Source: Schoolhouse Services

We can now finish calculating the large medical office building example. Multiplying the unfunded facility cost for one student of \$20,420 times 16.5 students results in a total impact of \$337,000. At 100,000 square feet, this commercial development costs the District approximately \$3.37 per square foot. This is well beyond the maximum of \$0.306 per square foot fee, which is the District's share of the maximum fee allowable by state law. This example illustrates the significant impact of commercial/industrial development, and specifically medical office space, on District capacity and facility costs.

Similar calculations for other categories of commercial/industrial development are shown in Table 7-3.

Table 7-3
Cost per Square Foot with Residential Offset

<i>Category of Building</i>	<i>Employees per Sq. ft.</i>	<i>Employees in District</i>	<i>Homes per /Employee</i>	<i>Students per Home</i>	<i>Cost per Student</i>	<i>Cost per Sq. ft.</i>
<i>Parking Structures</i>	0.00002	25%	0.67	0.229	\$20,420	\$0.02
<i>Self-storage</i>	0.00006	25%	0.67	0.229	\$20,420	\$0.05
<i>Lodging</i>	0.0011	25%	0.67	0.229	\$20,420	\$0.86
<i>Schools</i>	0.0011	25%	0.67	0.229	\$20,420	\$0.86
<i>Warehouses</i>	0.0013	25%	0.67	0.229	\$20,420	\$1.02
<i>Auto Repair</i>	0.0013	25%	0.67	0.229	\$20,420	\$1.02
<i>Movie Theater</i>	0.0015	25%	0.67	0.229	\$20,420	\$1.18
<i>Discount Clubs</i>	0.0017	25%	0.67	0.229	\$20,420	\$1.33
<i>Regional Shopping Centers**</i>	0.0019	25%	0.67	0.229	\$20,420	\$1.49
<i>Hospital</i>	0.0021	25%	0.67	0.229	\$20,420	\$1.65
<i>Community Shopping Ctrs**</i>	0.0023	25%	0.67	0.229	\$20,420	\$1.81
<i>Neighborhood Retail**</i>	0.0026	25%	0.67	0.229	\$20,420	\$2.04
<i>Banks</i>	0.0028	25%	0.67	0.229	\$20,420	\$2.20
<i>Business Offices</i>	0.0034	25%	0.67	0.229	\$20,420	\$2.67
<i>Medical Offices</i>	0.0043	25%	0.67	0.229	\$20,420	\$3.37

* With attendants

** Source: Institute of Traffic Engineering (ITE) *Trip Generation* 5th ed.

*** Regional is greater than about 35,000 sq. ft., community 10,000 to about 35,000 sq. ft., and neighborhood less than 10,000 sq. ft.

Source: Schoolhouse Services

Development Not In Prescribed Categories

This report demonstrates that the maximum fee of \$0.306 is justifiable for all commercial industrial categories except the following categories which are not allowed to be charged at the \$0.306 per square foot rate and may only be charged at their actual fiscal impact rate: **parking structures (\$0.01) and self storage facilities (\$0.05).**

However, if when using this table to determine future fees no category directly fits the type of development in question, one can use the following analysis to determine the justifiable fee. First, determine the employment density (employees per square foot) for the project. Next, determine if the employment density is high enough to justify levying the maximum fee (the greater the number of square feet per employee the lower the density and the lower the impact). In this case, it is helpful to know the minimum number of square feet per worker needed to justify such a fee. A "break even point" can be calculated using the formula for the District's Share of the Cost per Square Foot of Development, setting the result equal to \$0.306 and solving for A, number of square feet per worker. Again, the factors are:

- A. Employees per Square Foot of Development.
- B. Percentage of Employees Residing within the District (0.25).
- C. Number of Homes per Resident Employee (0.67).
- D. Number of Students per Home (0.229).
- E. Unfunded cost of School Facilities per Student (\$20,420).

Break Even Point:

$$\text{Workers/Sq. ft.} = 0.306 / (B * C * D * E) = 0.306 / (0.25 * 0.67 * 0.229 * \$20,420)$$

$$\text{Workers/Sq.ft.} = 0.00039$$

$$\text{Sq. ft./Worker} = 2,565 \text{ square feet per worker}$$

Therefore, any commercial or industrial development that does not fit into one of the SANDAG categories but is projected over its lifetime to have less than 2,565 square feet per worker should still be levied the maximum \$0.306/sq. ft. However, if the type of development in question typically has an employment density of more than 2,565 square feet per worker, the maximum fee should not be levied. Instead, a justifiable amount can be calculated using the formula outlined on the first page of this chapter, substituting the relevant number of employees per square feet.

Example:

Suppose a developer wishes to build a 10,000 square foot storage facility that, by its nature, is expected typically to have about one employee. The employment density for this development is 1/10,000 or 0.0001 employees per square foot. This number inverted converts to 10,000 square feet per employee. However, the break-even point for justifying a maximum fee is a per employee density of 2,565 square feet. It is therefore necessary to calculate a lower fee for this development. Using the formula for the District's Share of the School Facility Cost per Square Foot of Development, we yield the following result:

$$0.0001 * 0.25 * 0.67 * 0.229 * \$20,420 = \$0.08 \text{ per square foot.}$$

Chapter 8

Findings

The chapters of this Fee Justification Study present a methodology for evaluating school facility capital costs associated with new commercial, industrial and residential development. In particular, Chapter 6 showed that residential development has an impact on the District and that fees projected to be collected from residential development are less than the cost of meeting these school facility needs. Chapter 7 established that commercial and industrial development in the District will contribute to the need for new or reconstructed school facilities. This chapter frames the results of the analysis in terms of the legislated requirements to demonstrate the legal justification of the Level 1 and C/I fees.

Legal Tests

The relationship between School Facility Fees and new development may be evaluated by applying three tests, each of which must be met for the fee amount to meet the requirements of Government Code Section, 66000, et seq. These three tests are discussed below.

1. Does a reasonable relationship exist between the need for elementary and middle school facilities and new commercial/industrial and residential development projects? (Sometimes known as the relationship test.)

This report establishes that new development projects cause a need for school facilities in the Menlo Park City School District.

2. Does the District need new or reconstructed school facilities? (Sometimes known as the "Need Nexus.")

This report establishes that the District currently has no overall excess capacity and projected increases in enrollment, even without any new homes, would exceed capacity for both elementary and middle schools. The District will need additional school facilities to accommodate students generated from new development projects.

3. Is the fee amount reasonably related to the amount of need caused by the new commercial/industrial or residential development project? (Sometimes known as the "Cost Nexus.")

This report establishes that cost of school facilities needed by the District to accommodate students related to new development projects is greater than the fees which may be levied against the respective types of new development projects.

Evaluation of Legal Requirements

The following sections will evaluate the three tests listed above.

Reasonable Relationship Between Development Projects and the Need for School Facilities
Enrollment will grow due to continuing development of new homes and continuing demand for new and existing housing linked to development of employment opportunities in the District. To meet this need, the District has made and will have to make construction investments to meet the demands from existing housing and the demands of new students entering the school system.

This report established that each new housing unit or residential addition project is on average likely to have a certain number of students, that new school facilities are needed, and that the average cost of serving each new housing unit is greater than anticipated revenues for both a project-by-project and cumulative basis.

This report establishes (a) that new commercial or industrial development within the District causes an increase in the number of workers in the District, (b) that a percentage of these workers reside in the District, (c) that each housing unit in the District has a statistical relationship to the District's enrollment by the probability of having children living in that home who will attend a school operated by the District, and (d) additional students will require the District to incur costs for additional school facilities.

This report further established that new construction needs must be addressed so that these future students will have adequate school facilities in which to receive an education. The share of facility costs unrelated to new development has been and will be financed by other sources of income.

Need for School Facilities

Enrollment projections show that enrollment will continue to grow and exceed available school space. The projected new homes will bring additional students to the District; residential addition projects will bring additional students to the District; and commercial/industrial developments will play a contributing role in the generation of these students. Together, these additional students will cause the District to undertake various new construction projects.

School Facility Fees will be used to create additional space for students, including planning, design and construction of permanent additions to any of the sites owned by the District, match payments for any state funded projects, lease or rental of relocatable/interim school facilities, interim site improvements, and costs related to accomplishing these projects. Other projects are expected to include acquisition of furnishings and equipment needed by the increased number of students, reconstruction or expansion of school and support staff work areas to enable the District to serve the increased number of students, and require services to implement these projects. In addition to the above costs, School Facility Fees may be used to pay the administrative, legal, architectural, engineering or other professional costs associated with implementing the above projects and the School Facilities Fee program.

Relationship Between Fee Amount and Costs from New Development

This report also shows that a fee equal to the maximum statutory fee of \$1.920 per square foot is appropriate for residential development because it is less than the cost impact (calculated at \$4.23). It also shows that a fee equal to the \$0.306 per square foot commercial/industrial fee maximum is appropriate for all commercial and industrial development projects likely to be built in the District except parking structures and self storage because it is less than their cost impact. For development in these categories, the District will levy only the appropriate fee amount equal to the fiscal impact of that particular commercial/industrial development category.