HAPPY VALLEY Est.1954
UNION SCHOOL DISTRICT

Level I Developer Fee Study for Happy Valley Union Elementary School District

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EXECUTIVE SUMMARY

- Education Code Section 17620 authorizes school districts to levy a fee, charge, dedication, or other form of requirement against any development project for the construction or modernization of school facilities, provided the District can show justification for levying of fees.

- In January 2024, the State Allocation Board's biennial inflation adjustment changed the fee to $5.17 per square foot for residential construction and $0.84 per square foot for commercial/industrial construction.

- The Happy Valley Union Elementary School District shares developer fees with the Anderson Union High School District. The High School District collects 40 percent of the Level I Fee and the Happy Valley Union Elementary School District collects 60 percent of the Level I Fee.

- The Happy Valley Union Elementary School District is justified in collecting $3.10 (60 percent of $5.17) per square foot of residential construction and $0.50 (60 percent of $0.84) per square foot of commercial/industrial construction, with the exception of mini storage and agriculture. The mini storage category of construction should be collected at a rate of $0.02 per square foot and the agriculture category should be collected at a rate of $0.26 per square foot.

- In general, it is fiscally more prudent to extend the useful life of an existing facility than to construct new facilities when possible. The cost to modernize facilities is approximately 41.1 percent of the cost to construct new facilities.

- The residential justification is based on the Happy Valley Union Elementary School District's projected modernization need of $2,243,682 for students generated from residential development over the next 25 years and the projected residential square footage of 175,000.

- Based on the modernization need for students generated from projected residential development and the projected residential square footage, each square foot of residential construction will create a school facilities cost of $12.82 ($2,243,682/175,000).

- Each square foot of commercial/industrial construction will create a school facilities cost ranging from $0.02 to $1.86 per square foot of new commercial/industrial construction.

- For both residential and commercial/industrial development, the fees authorized by Government Code section 65995 are justified.

SCHOOL DISTRICT BACKGROUND

The Happy Valley Union School District is in Anderson, CA, approximately 10 miles south of Redding, CA. The Happy Valley Union School District serves approximately 488 students in transitional kindergarten through eighth grade at 3 different school sites: Happy Valley Community Day, Happy Valley Elementary, and Happy Valley Primary. The majority of students identify as White (approximately 54%), and approximately 21% identify as Hispanic or Latino, with a small portion of other ethnic groups. Approximately 64% of students meet the criteria for socioeconomically disadvantaged.

According to the District's Local Control and Accountability Plan (LCAP), Happy Valley Union provides an opportunity for every student to succeed every day. The school community creates a positive learning culture that is supported by faculty, staff, families, and the community. The school community supports 9 core values which include: respect, fairness, honesty, kindness, equality, trust, active listening, encouragement, and compassion. Family participation is very high at community events, school assemblies, celebrations, learning opportunities, and support groups. The teachers and staff at the District work hard to build relationships and learn to understand the needs of its students in order to provide a welcoming environment. Along with supporting current students and families, the District also provides school readiness programs, parenting classes, small group support systems, and a family liaison to future students and their families. The Happy Valley Union School District focuses on literacy across all content areas, social and emotional learning, and providing a safe space with a sense of belonging for all students: "The Happy Valley School Community proudly supports a positive learning culture for all students".

INTRODUCTION

In September 1986, the Governor signed into law Assembly Bill 2926 (Chapter 887/Statutes 1986) which granted school district governing boards the authority to impose developer fees. This authority is codified in Education Code Section 17620 which states in part "...the governing board of any school district is authorized to levy a fee, charge, dedication or other form of requirement against any development project for the construction or modernization of school facilities."

The Level I fee that can be levied is adjusted every two years according to the inflation rate, as listed by the state-wide index for Class B construction set by the State Allocation Board. In January of 1992, the State Allocation Board increased the Level I fee to $1.65 per square foot for residential construction and $0.27 per square foot for commercial/industrial construction.

Senate Bill 1287 (Chapter 1354/Statutes of 1992) effective January 1, 1993, affected the facility mitigation requirements a school district could impose on developers. Senate Bill 1287 allowed school districts to levy an additional $1.00 per square foot of residential construction (Government Code Section 65995.3). The authority to levy the additional $1.00 was rescinded by the failure of Proposition 170 on the November 1993 ballot.

In January 1994, the State Allocation Board's biennial inflation adjustment changed the fee to $1.72 per square foot for residential construction and $0.28 per square foot for commercial/industrial construction.

In January 1996, the State Allocation Board's biennial inflation adjustment changed the fee to $1.84 per square foot for residential construction and $0.30 per square foot for commercial/industrial construction.

In January 1998, the State Allocation Board's biennial inflation adjustment changed the fee to $1.93 per square foot for residential construction and $0.31 per square foot for commercial/industrial construction.

In January 2000, the State Allocation Board's biennial inflation adjustment changed the fee to $2.05 per square foot for residential construction and $0.33 per square foot for commercial/industrial construction.

In January 2002, the State Allocation Board's biennial inflation adjustment changed the fee to $2.14 per square foot for residential construction and $0.34 per square foot for commercial/industrial construction.

In January 2004, the State Allocation Board's biennial inflation adjustment changed the fee to $2.24 per square foot for residential construction and $0.36 per square foot for commercial/industrial construction.

In January 2006, the State Allocation Board's biennial inflation adjustment changed the fee to $2.63 per square foot for residential construction and $0.42 per square foot for commercial/industrial construction.

In January 2008, the State Allocation Board's biennial inflation adjustment changed the fee to $2.97 per square foot for residential construction and $0.47 per square foot for commercial/industrial construction.

In January 2010, the State Allocation Board's biennial inflation adjustment maintained the fee at $2.97 per square foot for residential construction and $0.47 per square foot for commercial/industrial construction.

In January 2012, the State Allocation Board's biennial inflation adjustment changed the fee to $3.20 per square foot for residential construction and $0.51 per square foot for commercial/industrial construction.

In January 2014, the State Allocation Board's biennial inflation adjustment changed the fee to $3.36 per square foot for residential construction and $0.54 per square foot for commercial/industrial construction.

In February 2016, the State Allocation Board's biennial inflation adjustment changed the fee to $3.48 per square foot for residential construction and $0.56 per square foot for commercial/industrial construction.

In January 2018, the State Allocation Board's biennial inflation adjustment changed the fee to $3.79 per square foot for residential construction and $0.61 per square foot for commercial/industrial construction.

In January 2020, the State Allocation Board's biennial inflation adjustment changed the fee to $4.08 per square foot for residential construction and $0.66 per square foot for commercial/industrial construction.

In February 2022, the State Allocation Board's biennial inflation adjustment changed the fee to $4.79 per square foot for residential construction and $0.78 per square foot for commercial/industrial construction.

In January 2024, the State Allocation Board's biennial inflation adjustment changed the fee to $5.17 per square foot for residential construction and $0.84 per square foot for commercial/industrial construction.

The next adjustment to the fee will occur at the January 2026 State Allocation Board meeting.

In order to levy a fee, a district must make a finding that the fee to be paid bears a reasonable relationship and be limited to the needs of the community for elementary or high school facilities and be reasonably related to the need for schools caused by the development. Fees are different from taxes and do not require a vote from the electorate. Fees may be used only for specific purposes and there must be a reasonable relationship between the levying of fees and the impact created by development.

In accordance with the recent decision in the *Cresta Bella* LP v. *Poway Unified School District*, 218 Cal. App.4th 438(2013) court case, school districts are now required to demonstrate that reconstruction projects will generate an increase in the student population thereby creating an impact on the school district's facilities. School districts must establish a reasonable relationship between an increase in student facilities needs and the reconstruction project in order to levy developer fees.

Purpose of Study

This study will demonstrate the relationship between residential and commercial/industrial growth and the need for the modernization of school facilities in the Happy Valley Union Elementary School District.

SECTION I: DEVELOPER FEE JUSTIFICATION

Developer fee law requires that before fees can be levied a district must find that justification exists for the fee. Government Code Section 66001 (g) states that a fee shall not include the costs attributable to existing deficiencies in public facilities but may include the costs attributable to the increased demand for public facilities reasonably related to the development project in order to refurbish existing facilities to maintain the existing level of service or achieve an adopted level of service that is consistent with a general plan. This section of the study will show that justification does exist for levying developer fees in the Happy Valley Union Elementary School District.

Facilities Capacity

The District's capacity is adequate to house the District's current student population. Facility needs exist regardless of the availability of capacity to house student enrollments, inclusive of student enrollment generated from new development. New students generated from future development will create a burden on existing school facilities. Capital improvements, including upgrades or the replacement of existing facilities with new facilities for their continued long-term use, are necessary to adequately house future enrollment growth at all school levels.

The District's current total student capacity will diminish over time if the District does not modernize its facilities. Without modernization of aging buildings, some facilities will become unavailable, which will decrease the District's total student capacity. New development in the District necessitates that modernization occur in order to continue to have available school housing for newly generated students. As part of these modernization efforts, the District plans to modernize existing schools and to replace some of its existing schools with new buildings on the same site as the existing schools become old, inadequate, and pose health and safety challenges.

Modernization and Reconstruction

Extending the useful life of a school is a cost effective and prudent way to house students generated from future development. The state of California recognizes the need to extend the life of existing schools and provides modernization funding through the State School Facility Program. For the purpose of this report, modernization and reconstruction are used interchangeably since many of the improvements are common to both programs. Developer fees may not be used for regular maintenance, routine repair of school buildings and facilities or deferred maintenance. The District plans use developer fees on projects including, but not limited to, assisting with the construction of transitional kindergarten classrooms, replacing old windows, making roofing repairs, repairing and replacing HVAC systems, and repairing and replacing water heaters. Projects will be funded as developer fee revenue is generated. The authorization to justify modernization and reconstruction of school facilities and extend the useful life of existing schools is contained in Education Code Section 17620 and Government Code Section 66001 (g). School districts are permitted to modernize or replace existing or build new school facilities with developer fees as justified by this Study.

Modernization Need

As new students are generated by new development, the need to increase the useful life of school facilities will be necessary. In order to calculate the District's estimated modernization need generated by students from new development, it is necessary to determine the following factors: the number of units included in proposed developments, the District student yield factor, and the per pupil cost to modernize facilities.

Potential Development

The Happy Valley Union Elementary School District is located within the Anderson County planning jurisdiction. The Planning Department was contacted regarding projected development. According to the Anderson County Planning Department development may continue at about the same rate as in the previous five years. According to developer fee records, an average of five new or expanded residential units were constructed per year for the previous five years. An estimated 125

(5 x 25) new or expanded residential units may be constructed within District boundaries in the next 25 years.

The School Facility Program allows districts to apply for modernization funding for classrooms over 25 (permanent) or 20 (portable) years, meaning that school facilities are presumed to be eligible for, and therefore need, modernization after that time period. It is therefore generally presumed that school facilities have a useful life span of 25 years before modernization is needed in order to maintain the same level of service as previously existed. The same would be true for modernization of buildings 25 years after their initial modernization. In some cases, these older buildings may need to be closed entirely for the health and safety of students, teachers, staff, and other occupants. Aging infrastructure and building problems can profoundly impact a school's ability to safely remain in service and to continue delivering the instructional program to students at existing levels of service. Therefore, the District's modernization needs are considered over a 25 year period, and a 25 year projection has been included in the Study when considering the homes that will generate students for the facilities in question. Future development will generate additional students for the District to house. Developer fees generated from future development may be used to modernize or construct facilities to house students from planned future development.

School facilities have a limited usable lifespan, and school districts must consider the lifespan for each facility when planning and determining student housing needs in the future. Residential units will be built at different times over the coming years, and it is difficult to predict when construction on these projects will be complete. Additionally, the homes in these developments may be immediately occupied with families with school-aged children, or they may not be occupied by school-aged children for another five, ten or fifteen years as young people who move in begin starting to have families. Thus, the District must be prepared to house students from new developments for the next several decades.

Student Generation Rate

In determining the impact of new development, the District is required to show how many students will be generated from the new development. In order to ensure that new development is paying only for the impact of those students that are being generated

by new homes and businesses, the student generation rate is applied to the number of new housing units to determine development-related impacts. The student generation rate identifies the number of students per housing unit and provides a link between new residential construction projects and projected enrollment.

To identify the number of students anticipated to be generated by new residential development, a student generation factor of .5 has been utilized for the Happy Valley Union Elementary School District. The yield factor is based on Statewide student yield averages calculated by the Office of Public School Construction.

Construction Cost

The construction cost per TK-8 pupil is $86,652. Construction costs were provided by The Cumming Group, a project management and cost consulting firm, based on current and past projects in the region. Appendix A includes the cost per student calculations. Table 1 shows the weighted average to construct facilities per TK-8 pupil.

Table 1:
Construction Costs

Grade Level	Construction Costs
TK-6	$82,312
7-8	$104,012

Weighted Average
$82,312 x 8 = $658,496
$104,012 x 2 = $208,024
Total $866,520

Average = $866,520/10 = $86,652

Source: Cumming Group.

Modernization Cost

The cost to modernize facilities is 41.1 percent of new construction costs. The percentage is based on the comparison of the State per pupil modernization grant (including 3% for Americans with Disabilities and Fire, Life Safety improvements) and the State per pupil new construction grant. For example, the State provides $15,770 per TK-6 pupil to construct new facilities and $6,005 to modernize facilities, which is 38.1 percent ($6,005 / $15,770) of the new construction grant amount. In addition, the State provides a minimum of three percent for ADA/FLS improvements which are required by the Department of State Architect's (DSA) office. Based on the per pupil grant amounts and the ADA/FLS costs, the estimated cost to modernize facilities is 41.1 percent of the cost to construct facilities. The School Facility Program per pupil grant amounts are included in Appendix B.

The construction cost per TK-8 pupil is $86,652 and is outlined in Table 1. Therefore, the per pupil cost to modernize facilities per TK-8 pupil is $35,614 ($86,652 x .411).

25 year Modernization Need

Based on the student generation rate and the projected number of residential units, 63 TK-8 students are projected from the proposed new development. The calculation is included in Table 2.

Table 2:
Projected Students from Proposed Development

Projected Units	Student Generation Rate	Projected Students
125	.5	63

Source: Happy Valley Union Elementary School District, Anderson County Planning Department, Jack Schreder & Associates, Office of Public School Construction.

The District's estimated modernization need generated by students from new residential development is $2,243,682. The calculation is included in Table 3.

Table 3:
25 year Modernization Need

Per Pupil Modernization Cost	$35,614
Students Generated	x 63
Modernization Need	**$2,243,682**

Source: Happy Valley Union Elementary School District, Office of Public School Construction, Jack Schreder & Associates, Anderson County Planning Department, Cumming Group.

Residential Development and Fee Projections

To show a reasonable relationship exists between the construction of new housing units and the need for modernized school facilities, it will be shown that residential construction will create a school facility cost impact on the Happy Valley Union Elementary School District by students generated from new development.

The Happy Valley Union Elementary School District is located within the Anderson County Planning Jurisdiction. The Planning Department was contacted regarding projected development. According to the Anderson County Planning Department, development may continue at about the same rate as the previous five years. According to developer fee records, an average of five new or expanded residential units were constructed per year for the previous five years. According to developer fee records, units average an estimated 1,400 square feet. Based on this information, an estimated 125 (5 x 25) residential units, totaling 175,000 (125 x 1,400) square feet, may be constructed within District boundaries in the next 25 years.

Table 4:
Summary of Projected Residential Square Footage

Projected Units	Average Square Footage	Total Square Footage
125	1,400	175,000

Source: Happy Valley Union Elementary School District, Jack Schreder & Associates, Anderson County Planning Department.

Based on the District's modernization need of $2,243,682 generated by students from residential construction and the total projected residential square footage of 175,000, residential construction will create a facilities cost of $12.82 per square foot. The calculation is included in Table 5. However, the Level I statutory fee is $5.17 per square foot and the District has a fee sharing arrangement with the Anderson Union High School District. The High School district collects 40 percent of the fee, and the Happy Valley Union Elementary School District collects 60 percent of the fee. Therefore, the District is justified to collect $3.10 (60 percent of $5.17) per square foot of residential construction.

Table 5:
Facilities Cost per SF from Proposed Residential Construction

Modernization Need	Total Square Footage		Facilities Cost
$2,243,682	/175,000	=	$12.82

Source: Happy Valley Union Elementary School District, Jack Schreder & Associates, Office of Public School Construction, Anderson County Planning Department, Cumming Group.

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

Based on development projections, an estimated 175,000 residential square feet may be constructed in the next 25 years. Based on the statutory Level I fee of $3.10 (60 percent of $5.17) per square foot, the District is projected to collect $542,500 ($3.10 x 175,000) in residential developer fees. The $542,500 in total residential Level I fee revenue will cover only 24 percent of the $2,243,682 in total school facility modernization costs attributable to new residential development over the next 25 years.

Commercial / Industrial Development and Fee Projections

In order to levy developer fees on commercial/industrial development, a district must conduct a study to determine the impact of the increased number of employees anticipated to result from commercial/industrial development upon the cost of providing school facilities within the district. For the purposes of making this determination, the developer fee justification study shall utilize employee generation estimates that are calculated on either an individual project or categorical basis. Those

employee generation estimates shall be based upon commercial/industrial factors within the district or upon, in whole or part, the applicable employee generation estimates as set forth in the January 1990 edition of "San Diego Traffic Generators," a report of the San Diego Association of Governments (Education Code Section 17621). The initial study that was completed in January of 1990 (updated annually) identifies the number of employees generated for every 1,000 square feet of floor area for several development categories. These generation factors are shown in Table 6.

Table 6 indicates the number of employees generated for every 1,000 square feet of new commercial/industrial development and the number of District households generated for every employee in 12 categories of commercial/industrial development. The number of District households is calculated by adjusting the number of employees for the percentage of employees that live in the District and are heads of households. School facility costs for development projects not included on the list may be estimated by using the closest employee per 1,000 square feet ratio available for the proposed development.

In addition, an adjustment in the formula is necessary so that students moving into new residential units that have paid residential fees are not counted in the commercial/industrial fee calculation. Based on 2020 US Census data, 9.6 percent of all employees in the District live in existing housing units. The 9.6 percent adjustment eliminates double counting the impact. This adjustment is shown in the worksheets in Appendix C and in Table 6.

When these figures are compared to the cost to house students, it can be shown that each square foot of commercial/industrial development creates a cost impact ranging from $0.02 to $1.86. The data in Table 7 is based on the per student costs shown in Table 1. These figures are multiplied by the student yield factor to determine the number of students generated per square foot of commercial/industrial development. To determine the school facilities square foot impact of commercial/industrial development shown in Table 7, the students per square foot are multiplied by the cost of providing school facilities.

Table 6:

Commercial and Industrial Generation Factors

Type of Development	*Employees per 1,000 sf	*Dist HH Per Emp.	**%Emp in Exist HH	Adj.%Emp Dist HH/Emp
Medical Offices	4.27	.2	.096	.019
Corporate Offices	2.68	.2	.096	.019
Commercial Offices	4.78	.2	.096	.019
Lodging	1.55	.3	.096	.029
Scientific R&D	3.04	.2	.096	.019
Industrial Parks	1.68	.2	.096	.019
Industrial/Business Parks	2.21	.2	.096	.019
Neighborhood Shopping Centers	3.62	.3	.096	.029
Community Shopping Centers	1.09	.3	.096	.029
Banks	2.82	.3	.096	.029
Mini-Storage	0.06	.2	.096	.019
Agriculture	0.31	.5	.096	.048

* *Source: San Diego Association of Governments.*

** *Source: United States Census, 2020.*

Table 7:

Commercial and Industrial Facilities Cost Impact

Type of Development	Cost Impact Per Sq. Ft.
Medical Offices	$1.46
Corporate Offices	$0.92
Commercial Offices	$1.63
Lodging	$0.79
Scientific R&D	$1.04
Industrial/Business Parks	$0.57
Industrial/Com Park	$0.76
Commercial Shopping Centers	$1.86
Community Shopping Centers	$0.56
Banks	$1.45
Mini-Storage	$0.02
Agriculture	$0.26

**Sources: San Diego Association of Governments, Office of Public School Construction, Cumming Group, United States Census.*

Table 7 shows that all types of commercial/industrial development will create a square foot cost justifying a commercial/industrial fee. Thus, a reasonable relationship between commercial/industrial development and the impact on the District is shown. Based on this relationship, the levying of commercial/industrial developer fees is justified in the District.

Extent of Mitigation of School Facility Costs Provided by Level I Commercial/Industrial Fees

Each square foot of commercial/industrial development creates a school facility cost ranging from $0.02 to $1.86 per square foot. The cost per square foot of commercial/industrial construction exceeds the District's share of the Level I commercial fee of $0.50 (60 percent of $0.84) in all categories of construction, with the exception of mini storage and agriculture. Mini storage should be collected at $0.02 per square foot of construction and agriculture should be collected at $0.26 per square foot of construction. Therefore, the District is justified to collect $0.50 (60 percent of $0.84) per square foot of commercial/industrial construction.

Summary

The cost impact on the District imposed by new students to be generated from new or expanded residential and commercial/industrial development is greater than the maximum allowable fees. Each square foot of residential development creates a school facility cost of $12.82 per square foot. Each square foot of commercial/industrial development creates a school facility cost ranging from $0.02 to $1.86 per square foot. The cost to provide additional school facilities exceeds the amount of residential and commercial/industrial fees to be generated directly and indirectly by residential construction. However, the District currently has a Level I Fee Sharing Agreement with the Anderson Union High School District. The High School District collects 40 percent of the Level I fee and the Elementary School District collects 60 percent of the fee. Therefore, the Happy Valley Union Elementary School District is justified to collect $3.10 (60 percent of $5.17) per square foot of residential construction and $0.50 (60 percent of $0.84) per square foot of commercial/industrial construction, with the exception of mini storage and agriculture. The mini storage category of construction should be collected at the rate of $0.02 per square foot and the agriculture category of construction should be collected at $0.26 per square foot.

SECTION II: BACKGROUND OF DEVELOPER FEE LEGISLATION

Initially, the allowable developer fee was limited by Government Code Section 65995 to $1.50 per square foot of covered or enclosed space for residential development and $0.25 per square foot of covered or enclosed space of commercial or industrial development. The Level I fee that can be levied is adjusted every two years, according to the inflation rate as listed by the state-wide index for Class B construction set by the State Allocation Board. In January 2024, the State Allocation Board changed the Level I fee to $5.17 per square foot of residential construction and $0.84 per square foot of commercial/industrial construction.

The fees collected are to be used by the school district for the construction or modernization of school facilities and may be used by the district to pay bonds, notes, loans, leases, or other installment agreements for temporary as well as permanent facilities.

Assembly Bill 3228 (Chapter 1602/Statutes of 1990) added Government Code Section 66016 requiring districts adopting or increasing any fee to first hold a public hearing as part of a regularly scheduled meeting and publish notice of this meeting twice, with the first notice published at least ten days prior to the meeting.

Assembly Bill 3980 (Chapter 418/Statutes of 1988) added Government Code Section 66006 to require segregation of school facilities fees into a separate capital facilities account or fund and specifies that those fees and the interest earned on those fees can only be expended for the purposes for which they were collected.

Senate Bill 519 (Chapter 1346/Statutes of 1987) added Section 17625 to the Education Code. It provides that a school district can charge a fee on manufactured or mobile homes only in compliance with all of the following:

1. The fee, charge, dedication, or other form of requirement is applied to the initial location, installation, or occupancy of the manufactured home or mobile home within the school district.

2. The manufactured home or mobile home is to be located, installed, or occupied on a space or site on which no other manufactured home or mobile home was previously located, installed, or occupied.

3. The manufactured home or mobile home is to be located, installed, or occupied on a space in a mobile home park, on which the construction of the pad or foundation system commenced after September 1, 1986.

Senate Bill 1151 (Chapter 1037/Statutes of 1987) concerns agricultural buildings and adds Section 17622 to the Education Code. It provides that no school fee may be imposed and collected on a greenhouse or other space covered or enclosed for agricultural purposes unless the school district has made findings supported by substantial evidence as follows:

1. The amount of the fees bears a reasonable relationship and is limited to the needs for school facilities created by the greenhouse or other space covered or enclosed for agricultural purposes.

2. The amount of the fee does not exceed the estimated reasonable costs of the school facilities necessitated by the structures as to which the fees are to be collected.

3. In determining the amount of the fees, the school district shall consider the relationship between the proposed increase in the number of employees, if any, the size and specific use of the structure, as well as the cost of construction.

In order to levy developer fees, a study is required to assess the impact of new growth and the ability of the local school district to accommodate that growth. The need for new school construction and modernization must be determined along with the costs involved. The sources of revenue need to be evaluated to determine if the district can fund the new construction and modernization. Finally, a relationship between needs and funding raised by the fee must be quantified.

Assembly Bill 181 (Chapter 1109/Statutes of 1989) which became effective October 2, 1989, was enacted to clarify several areas of developer fee law. Assembly Bill 181 provisions include the following:

1. Exempts residential remodels of less than 500 square feet from fees.

2. Prohibits the use of developer fee revenue for routine maintenance and repair, most asbestos work, and deferred maintenance.

3. Allows the fees to be used to pay for the cost of performing developer fee justification studies.

4. States that fees are to be collected at the time of occupancy unless the district can justify earlier collection. The fees can be collected at the time the building permit is issued if the district has established a developer fee account and funds have been appropriated for which the district has adopted a proposed construction schedule or plan prior to the issuance of the certificate of occupancy.

5. Clarifies that the establishment or increase of fees is not subject to the California Environmental Quality Act.

6. Clarifies that the impact of commercial/industrial development may be analyzed by categories of development as well as an individual project-by-project basis. An appeal process for individual projects would be required if analysis was done by categories.

7. Changes the frequency of the annual inflation adjustment on the Level I fee to every two years.

8. Exempts from fees - development used exclusively for religious purposes, private schools, and government-owned development.

9. Expands the definition of senior housing, which is limited to the commercial/industrial fee and requires the conversion from senior housing to be approved by the city/county after notification of the school district.

10. Extends the commercial/industrial fee to mobile home parks limited to older persons.

SECTION III: REQUIREMENTS OF AB 1600

Assembly Bill 1600 (Chapter 927/Statutes of 1987) adds Section 66000 through 66003 to the Government Code:

Section 66000 defines various terms used in AB 1600:

"Fee" is defined as monetary exaction (except a tax or a special assessment) which is charged by a local agency to the applicant in connection with the approval of a development project for the purpose of defraying all or a portion of the costs of public facilities related to the development project.

"Development project" is defined broadly to mean any project undertaken for purposes of development. This would include residential and commercial, or industrial projects.

"Public facilities" is defined to include public improvements, public services, and community amenities.

Section 66001 (a) sets forth the requirements for establishing, increasing, or imposing fees. Local agencies are required to do the following:

1. Identify the purpose of the fee.

2. Identify the use to which the fee is to be put.

3. Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.

4. Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

Section 66001 (c) requires that any fee subject to AB 1600 be deposited in an account established pursuant to Government Code Section 66006. Section 66006 requires that development fees be deposited in a capital facilities account or fund. To avoid any commingling of the fees with other revenues and funds of the local agency, the fees can only be expended for the purpose for which they were collected. Any income earned on the fees should be deposited in the account and expended only for the purposes for which the fee was collected.

Section 66001 (d) as amended by Senate Bill 1693 (Monteith/Statutes of 1996, Chapter 569), requires that for the fifth year following the first deposit into a developer fee fund, and for every five years thereafter, a school district must make certain findings as to such funds. These findings are required regardless of whether the funds are committed or uncommitted. Formerly only remaining unexpended or uncommitted fees were subject to the mandatory findings and potential refund process. Under this section as amended, relating to unexpended fee revenue, two specific findings must be made as a part of the public information required to be formulated and made available to the public. These findings are:

1. Identification of all sources and amounts of funding anticipated to provide adequate revenue to complete any incomplete improvements identified pursuant to the requirements of Section 66001 (a)(2).

2. A designation of the approximate date upon which the anticipated funding will be received by the school district to complete the identified but as yet incomplete improvements.

If the two findings are not made, a school district must refund the developer fee revenue on account in the manner provided in Section 66001 (e).

Section 66001 (e) provides that the local agency shall refund to the current record owners of the development project or projects on a prorated basis the unexpended or uncommitted portion of the fees and any accrued interest for which the local agency is unable to make the findings required by Section 66001 (d) that it still needs the fees.

Section 66002 provides that any local agency which levies a development fee subject to Section 66001 may adopt a capital improvement plan which shall be updated annually, and which shall indicate the approximate location, size, time of availability and estimates of cost for all facilities or improvements to be financed by the fees.

Assembly Bill 1600 and the Justification for Levying Developer Fees

Effective January 1, 1989, Assembly Bill 1600 requires that any school district which establishes, increases, or imposes a fee as a condition of approval of development shall make specific findings as follows:

1. A cost nexus must be established. A cost nexus means that the amount of the fee cannot exceed the cost of providing adequate school facilities for students generated by development. Essentially, it prohibits a school district from charging a fee greater than their cost to construct or modernize facilities for use by students generated by development.

2. A benefit nexus must be established. A benefit nexus is established if the fee is used to construct or modernize school facilities benefiting students to be generated from development projects.

3. A burden nexus must be established. A burden nexus is established if a project, by the generation of students, creates a need for additional facilities or a need to modernize existing facilities.

SECTION IV: REVENUE SOURCES FOR FUNDING FACILITIES

Two general sources exist for funding facility construction and modernization - state sources and local sources. The District has considered the following available sources:

State Sources

State School Facility Program

Senate Bill 50 reformed the State School Building Lease-Purchase Program in August of 1998. The new program, entitled the School Facility Program, provides funding under a "grant" program once a school district establishes eligibility. Funding required from districts will be a 50/50 match for construction projects and 60/40 (District/State) match for modernization projects. Districts may levy the current statutory developer fee as long as a district can justify collecting that fee. If a district desires to collect more than the statutory fee (Level 2 or Level 3), that district must meet certain requirements outlined in the law, as well as conduct a needs assessment to enable a higher fee to be calculated.

Local Sources

Mello-Roos Community Facilities Act

The Mello-Roos Community Facilities Act of 1982 allows school districts to establish a community facilities district in order to impose a special tax to raise funds to finance the construction of school facilities.

1. The voter approved tax levy requires a two-thirds vote by the voters of the proposed Mello-Roos district.

2. If a Mello-Roos district is established in an area in which fewer than twelve registered voters reside, the property owners may elect to establish a Mello-Roos district.

General Obligation Bonds

General Obligation (GO) bonds may be issued by any school district for the purposes of purchasing real property or constructing or purchasing buildings or equipment "of a permanent nature." Because GO bonds are secured by an ad valorem tax levied on all taxable property in the district, their issuance is subject to two-thirds voter approval or 55% majority vote under Proposition 39 in an election. School districts are obligated, in the event of delinquent payments on the part of the property owners, to

raise the amount of tax levied against the non-delinquent properties to a level sufficient to pay the principal and interest coming due on the bonds.

The District does not have available bond funds for facility improvements.

Developer Fees

The District's developer fees are dedicated to the current needs related directly to modernization and replacement of school facilities.

School District General Funds

The District's general funds are needed by the District to provide for the operation of its instructional program.

Expenditure of Lottery Funds

Government Code Section 8880.5 states: "It is the intent of this chapter that all funds allocated from the California State Lottery Education Fund shall be used exclusively for the education of pupils and students and no funds shall be spent for acquisition of real property, construction of facilities, financing research, or any other non-instructional purpose."

SECTION V: ESTABLISHING THE COST, BENEFIT AND BURDEN NEXUS

In accordance with Government Code Section 66001, the District has established a cost nexus and identified the purpose of the fee, established a benefit nexus, and a burden nexus:

Establishment of a Cost Nexus & Identify Purpose of the Fee

The Happy Valley Union Elementary School District chooses to replace and/or modernize facilities for the additional students created by development in the district and

the cost to replace and/or modernize facilities exceeds the amount of developer fees to be collected.

Based on development projections, an estimated 175,000 residential square feet may be constructed in the next 25 years. Based on the statutory Level I fee of $3.10 (60 percent of $5.17) per square foot, the District is projected to collect $542,500 ($3.10 x 175,000) in residential developer fees. The $542,500 in total residential Level I fee revenue will cover only 24 percent of the $2,243,682 in total school facility modernization costs attributable to new residential development over the next 25 years. Each square foot of commercial/industrial development creates a school facility cost ranging from $0.02 to $1.86 per square foot. The cost per square foot of commercial/industrial construction exceeds the District's share of the Level I commercial fee of $0.50 (60 percent of $0.84) in all categories of construction, with the exception of mini storage and agriculture. Mini storage should be collected at $0.02 per square foot of construction and agriculture should be collected at $0.26 per square foot of construction. It is clear that when educational facilities are provided for students generated by new residential and commercial/industrial development that the cost of replacing and/or modernizing facilities exceeds developer fee generation, thereby establishing a cost nexus.

Establishment of a Benefit Nexus

Students generated by new residential and commercial/industrial development will be attending District schools. Housing District students in replaced and/or modernized facilities will directly benefit those students from the new development projects upon which the fee is imposed, therefore, a benefit nexus is established.

Establishment of a Burden Nexus

Future residential and commercial/industrial development will cause new families to move into the District and, consequently, will generate additional students in the District. While facilities are currently designed to meet the projected student enrollment, the existing facilities will need to remain in sufficient condition to maintain existing levels of service for the newly generated students. Future residential and commercial/industrial development, therefore, creates a need for the reconstruction and/or modernization of existing school facilities. The fee's use for school facility

reconstruction and/or modernization efforts is, therefore, reasonably related to the future residential and commercial/industrial development upon which it is imposed.

The need for reconstructing and/or modernizing facilities will be, in part, satisfied by the levying of developer fees on new residential and commercial/industrial developments, therefore, a burden nexus is established.

SECTION VI: FACILITY FUNDING ALTERNATIVES

The District does not currently have funds to provide for the shortfall in modernization costs. We suggest the District continue to participate in the State School Facility Program to access State facility funds.

STATEMENT TO IDENTIFY PURPOSE OF FEE

It is a requirement of AB 1600 that the District identify the purpose of the fee. The purpose of fees being levied shall be used for the replacement and/or modernization of school facilities. The District will provide for the replacement and/or modernization of school facilities, in part, with developer fees. The District plans use developer fees on projects including, but not limited to, assisting with the construction of transitional kindergarten classrooms, replacing old windows, making roofing repairs, repairing and replacing HVAC systems, and repairing and replacing water heaters. Projects will be funded as developer fee revenue is generated.

ESTABLISHMENT OF A SPECIAL ACCOUNT

Pursuant to Government Code section 66006, the District has established a special account in which fees for capital facilities are deposited. The fees collected in this account will be expended only for the purpose for which they were collected. Any interest income earned on the fees that are deposited in such an account must remain with the principal. The school district must make specific information available to the public within 180 days of the end of each fiscal year pertaining to each developer fee fund. The information required to be made available to the public by Section 66006 (b) (1) was amended by SB

1693 and includes specific information on fees expended and refunds made during the year.

RECOMMENDATION

Based on the fee justification provided in this report, it is recommended that the Happy Valley Union Elementary School District levy residential development fees and commercial/industrial fees up to the statutory fee for which justification has been determined.

SOURCES

California Basic Educational Data System. California State Department of Education. October Enrollments, 2019-2022.

California Department of Education, Dataquest.

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Office of Public School Construction. Leroy F. Greene School Facilities Act, 1998.

Salazar, Lio, AICP. Planning Division Manager, Anderson County Department of Resource Management Planning Division.

San Diego Association of Governments. Traffic Generators, January 1990.

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United States Census, 2020.

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APPENDIX A

CONSTRUCTION COSTS

Elementary School Facility Construction Costs - Permanent Construction			
I. Allowable Building Area			
	A. Total Student Capacity		
	B. Building Area		
	600 students @ 71sf/student		42,600
	Total		42,600
II. Site Requirements			
	A. Purchase Price of Property (10 Acres)		
	Cost per Acre		$0
	B. Appraisals		$0
	C. Costs Incurred in Escrow		$0
	D. Surveys		$0
	E. Other Costs, Geo. and Soils Reports		$0
	Total-Acquisition of Site		$0
III. Plans			
	A. Architect's Fee for Plans		$3,619,273
	B. DSA Plans Check Fee		$281,499
	C. School Planning, Plans Check Fee		$12,000
	D. Preliminary Tests		$10,000
	E. Other Costs, Energy Cons. & Advertising		$120,642
			$4,043,414
IV. Construction Requirements			
	A. Utility Services		$842,005
	B. Off-site Development		$1,246,167
	C. Site Development, Service		$1,987,131
	D. Site Development, General		$1,313,527
	E. New Construction		$33,680,186
	F. Unconventional Energy Source		$1,145,126
	Total Construction		$40,214,142
	Total Items II, III and IV		$44,257,556
	Contingency 10%		$4,425,756
	Construction Tests		$301,606
	Inspection		$402,141
	TOTAL ESTIMATED PROJECT COSTS		**$49,387,059**
	ESTIMATED COST PER STUDENT		**$82,312**
**Source: Cumming Group, Project Management and Cost Consulting.*			

Middle School Facility Construction Costs - Permanent Construction			
I. Allowable Building Area			
	A. Total Student Capacity		
	B. Building Area		
	1000 students @ 85sf/student		85,000
	Total		85,000
II. Site Requirements			
	A. Purchase Price of Property (20 Acres)		
	Cost per Acre		$0
	B. Appraisals		$0
	C. Costs Incurred in Escrow		$0
	D. Surveys		$0
	E. Other Costs, Geo. and Soils Reports		$0
	Total-Acquisition of Site		$0
III. Plans			
	A. Architect's Fee for Plans		$7,633,468
	B. DSA Plans Check Fee		$593,714
	C. School Planning, Plans Check Fee		$10,611
	D. Preliminary Tests		$11,789
	E. Other Costs, Energy Cons. & Advertising		$141,478
			$8,391,061
IV. Construction Requirements			
	A. Utility Services		$1,556,263
	B. Off-site Development		$1,768,480
	C. Site Development, Service		$4,810,266
	D. Site Development, General		$3,466,221
	E. New Construction		$70,739,209
	F. Unconventional Energy Source		$2,475,872
	Total Construction		$84,816,311
	Total Items II, III and IV		$93,207,372
	Contingency		$9,320,737
	Construction Tests		$636,122
	Inspection		$848,163
	TOTAL ESTIMATED PROJECT COSTS		**$104,012,394**
	ESTIMATED COST PER STUDENT		**$104,012**
**Source: Cumming Group, Project Management and Cost Consulting.*			

APPENDIX B

PER PUPIL GRANT AMOUNTS

ATTACHMENT B

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS

State Allocation Board Meeting, January 24, 2024

Grant Amount Adjustments

New Construction	SFP Regulation Section	Adjusted Grant Per Pupil Effective 1-1-23	Adjusted Grant Per Pupil Effective 1-1-24
Elementary	1859.71	$15,983	$15,770
Middle	1859.71	$16,904	$16,679
High	1859.71	$21,509	$21,223
Special Day Class – Severe	1859.71.1	$44,911	$44,314
Special Day Class – Non-Severe	1859.71.1	$30,036	$29,637
Automatic Fire Detection/Alarm System – Elementary	1859.71.2	$19	$19
Automatic Fire Detection/Alarm System – Middle	1859.71.2	$25	$25
Automatic Fire Detection/Alarm System – High	1859.71.2	$43	$42
Automatic Fire Detection/Alarm System – Special Day Class – Severe	1859.71.2	$80	$79
Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe	1859.71.2	$57	$56
Automatic Sprinkler System – Elementary	1859.71.2	$268	$264
Automatic Sprinkler System – Middle	1859.71.2	$319	$315
Automatic Sprinkler System – High	1859.71.2	$331	$327
Automatic Sprinkler System – Special Day Class – Severe	1859.71.2	$846	$835
Automatic Sprinkler System – Special Day Class – Non-Severe	1859.71.2	$567	$559

ATTACHMENT B

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS

State Allocation Board Meeting, January 24, 2024

Grant Amount Adjustments

Modernization	SFP Regulation Section	Adjusted Grant Per Pupil Effective 1-1-23	Adjusted Grant Per Pupil Effective 1-1-24
Elementary	1859.78	$6,086	$6,005
Middle	1859.78	$6,436	$6,350
High	1859.78	$8,427	$8,315
Special Day Class - Severe	1859.78.3	$19,396	$19,138
Special Day Class – Non-Severe	1859.78.3	$12,977	$12,804
State Special School – Severe	1859.78	$32,330	$31,900
Automatic Fire Detection/Alarm System – Elementary	1859.78.4	$198	$195
Automatic Fire Detection/Alarm System – Middle	1859.78.4	$198	$195
Automatic Fire Detection/Alarm System – High	1859.78.4	$198	$195
Automatic Fire Detection/Alarm System – Special Day Class – Severe	1859.78.4	$544	$537
Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe	1859.78.4	$365	$360
Over 50 Years Old – Elementary	1859.78.6	$8,454	$8,342
Over 50 Years Old – Middle	1859.78.6	$8,942	$8,823
Over 50 Years Old – High	1859.78.6	$11,705	$11,549
Over 50 Years Old – Special Day Class – Severe	1859.78.6	$26,948	$26,590
Over 50 Years Old – Special Day Class – Non-Severe	1859.78.6	$18,019	$17,779
Over 50 Years Old – State Special Day School – Severe	1859.78.6	$44,910	$44,313

APPENDIX C

COMMERCIAL/INDUSTRIAL CALCULATIONS

Happy Valley Union Elementary School District						
Commercial/Industrial Calculations						
	EMP/	DIST.HH/	HH/SF	% EMP IN	ADJUSTED	ADJ %
	1000 SQ.FT	EMP		EXIST HH	HH/SF	DIST HH/EMP
MEDICAL	4.27	0.2	0.000854	0.096	0.000081984	0.019
CORP. OFFICE	2.68	0.2	0.000536	0.096	0.000051456	0.019
COM. OFFICE	4.78	0.2	0.000956	0.096	0.000091776	0.019
LODGING	1.55	0.3	0.000465	0.096	0.0000446	0.029
R&D	3.04	0.2	0.000608	0.096	0.000058368	0.019
IN. PARK	1.68	0.2	0.000336	0.096	0.000032256	0.019
IN/COM PARK	2.21	0.2	0.000442	0.096	0.000042432	0.019
NBHD COMM SC	3.62	0.3	0.001086	0.096	0.000104256	0.029
COMMUNITY SC	1.09	0.3	0.000327	0.096	0.000031392	0.029
BANKS	2.82	0.3	0.000846	0.096	0.000081216	0.029
MINI-STORAGE	0.06	0.2	0.000012	0.096	0.000001152	0.019
AGRICULTURE	0.31	0.5	0.000155	0.096	0.0000149	0.048
STUDENT GENERATION RATE			MODERNIZATION COST PER STUDENT			
K-8	0.5000		K-8	$35,614		
STUDENTS PER SQUARE FOOT						
(YIELD FACTORS X ADJ HH/SQ. FT IN COLUMN F)						
	K-8					
MEDICAL	0.000041					
CORP. OFFICE	0.000026					
COM. OFFICE	0.000046					
LODGING	0.000022					
R&D	0.000029					
IN. PARK	0.000016					
IN/COM PARK	0.000021					
COM. SC.	0.000052					
COMMUNITY SC	0.000016					
BANKS	0.000041					
MINI STORAGE	0.000001					
AGRICULTURE	0.000007					
COSTS PER SQUARE FOOT						
(STUDENTS/ SQ. FOOT X STUDENT COST/SQ. FOOT IN EACH CATEGORY)						
	K-8					
MEDICAL	$1.46					
CORP. OFFICE	$0.92					
COM. OFFICE	$1.63					
LODGING	$0.79					
R&D	$1.04					
IN. PARK	$0.57					
IN/COM PARK	$0.76					
COM. SC.	$1.86					
COMMUNITY SC	$0.56					
BANKS	$1.45					
MINI STORAGE	$0.02					
AGRICULTURE	$0.26					