SCHOOL FACILITY FEE JUSTIFICATION REPORT

FOR RESIDENTIAL, COMMERCIAL & INDUSTRIAL

DEVELOPMENT PROJECTS

for the

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

June 2020

Prepared by
School Facility Consultants

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Prepared for
West Contra Costa Unified School District
1108 Bissell Avenue
Richmond, CA 94801
(510) 231-1195

Prepared by
School Facility Consultants
1303 J Street, Suite 500
Sacramento, CA 95814
(916) 441-5063

DRAFT

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EXECUTIVE SUMMARY

The West Contra Costa Unified School District (District) is justified to collect the legal maximum fee as authorized by Education Code Section 17620 and Government Code Section 65995 (Level I fees) currently $4.08 per square foot of residential development and $0.66 per square foot of senior citizen housing, as future residential development creates a school facility cost of $12.52 per square foot. The District is also justified to collect the legal maximum fee of $0.66 per square foot of development on all categories of commercial/industrial development (except rental self-storage), as those categories of development create school facility costs ranging from $0.77 to $3.27 per square foot of future development, even when fees from linked residential units are accounted for. The school facility cost attributable to rental self-storage units is only $0.03 per square foot when fees from linked residential units are accounted for and therefore fee amounts for self-storage and other low-employee-generating businesses should be examined on a case-by-case basis.

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

1. The District's current enrollment is larger than its pupil capacity. The District, therefore, does not have sufficient capacity to house students generated by future development. These students will require the District to construct new school facilities.
2. Each square foot of future residential development creates an estimated school facilities cost of $12.52. All categories of commercial/industrial development (except rental self-storage) create an estimated school facilities cost ranging from $0.77 to $3.27 per square foot of commercial/industrial development, even when fees from linked residential units are accounted for.
3. If the District collects the current maximum fee on residential development authorized by Government Code Section 65995 of $4.08 per square foot, fee revenue will offset 38.8 percent of the school facility cost attributable to residential development. If the District collects the current maximum fee on commercial/industrial development authorized by Government Code Section 65995 of $0.66 per square foot, fee revenue will offset from 6.1 percent to 26.0 percent of the school facility cost attributable to commercial/industrial development (except rental self-storage). For both residential and commercial/industrial development, the fees authorized by Government Code Section 65995 are fully justified.

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

End of Summary

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INTRODUCTION

This Report analyzes the cost of providing school facilities for students generated by future residential and commercial/industrial development projects in the West Contra Costa Unified School District. *School Facility Consultants* has been retained by the District to conduct the analysis and prepare this Report.

A. Purpose and Scope

The purpose of this Report is to show that the District meets pertinent requirements of State law regarding the collection of developer fees.

State law gives school districts the authority to charge fees on new residential and commercial/industrial developments if those developments generate additional students and cause a need for additional school facilities. Government Code Section 65995 currently authorizes school districts to collect fees on future development of no more than $4.08 per square foot for residential construction and $0.66 for commercial/industrial construction (Level I fees). The maximum Level I fees are adjusted every two years according to the inflation rate for Class B construction as determined by the State Allocation Board. Government Code Section 66001 requires that a reasonable relationship exist between the amount and use of the fees and the development on which the fees are to be charged.

This Report:

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

B. Brief Description of the West Contra Costa Unified School District

The West Contra Costa Unified School District is located in Contra Costa County. The District's boundaries may be seen in greater detail on maps available at the District Office.

The District currently serves over 34,500 students and operates thirty-two elementary schools, five K-8 schools, six middle schools, seven comprehensive high schools and two continuation high schools.

Based on information provided by the City of Hercules, the City of Pinole, the City of Richmond, the City of El Cerrito, the City of San Pablo and the County of Contra Costa planning departments, this Report estimates that 1,939 housing units will be built in the District within the next five years.

To accommodate projected enrollment growth resulting in part from this new residential development, the District plans to reconstruct K-6 and 9-12 campuses on current District sites and convert K-6 campuses to K-8. In addition, the District may purchase or lease portable classrooms to use for interim housing while permanent facilities are being constructed.

C. Data Sources

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

Data Sources

Data Type	Data Source
Residential development rates	The City of Hercules, The City of Pinole, The City of Richmond, The City of El Cerrito, The City of San Pablo and the County of Contra Costa
Enrollment history	CBEDS
Pupil capacity of District schools	West Contra Costa Unified School District (WCCUSD),
Student generation rates for housing units	WCCUSD student address data and developer fee collection records
Employees per square foot of commercial/industrial development	San Diego Association of Governments
Number of workers per household	United State Census

D. Outline of the Report

The Report is divided into six sections. The sections:

1. Identify the District's school facility needs,
2. Calculate the financial impact on the District of future residential and commercial/industrial developments,
3. Compare the projected revenues from developer fees to the costs of providing facilities to students generated by future developments,
4. Show that the District satisfies the requirements of Government Code Section 66001 with respect to the collection of developer fees,
5. Summarize other potential funding sources for school facilities, and
6. Present recommendations regarding the collection of developer fees.

End of Section

I. DISTRICT FACILITY NEEDS

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

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

A. Enrollment History

The Report uses the California Basic Educational Data Systems (CBEDS) to track the District's total enrollment over the last five years (see Table 1-1) and accounts for all K-12 pupils enrolled in public schools (District and Charter) operating within the District's boundaries. Total District enrollment has increased by 2,186 students (6.8%) from 2015/16 to 2019/20.

Table 1-1
District Enrollment History

Grade	2015/16	2016/17	2017/18	2018/19	2019/20
K-6	18,402	18,447	18,668	18,713	18,785
7-8	4,734	4,816	4,990	5,070	5,140
9-12	9,214	9,653	9,789	10,162	10,611
Total	**32,350**	**32,916**	**33,447**	**33,945**	**34,536**

B. Pupil Capacity of District Facilities

The Report calculates the pupil capacity of the District by (1) taking an inventory of the classrooms that are included in the District's long-term facility plans and (2) applying the District's desired classroom loading standards to that inventory.

1) Classroom Loading Standards

For planning purposes, the District uses the state loading standards of 25:1 for K-6, 27:1 for 7-8 and 9-12 and 13:1 for Special Day Class (SDC) as listed in Table 1-2.

Table 1-2
Loading Standards

Grade Group	Number of Students Per Classroom
K-6	25
7-8	27
9-12	27
SDC	13

2) Classroom Capacity

Table 1-3 lists the classroom capacity of the District by grade group. The capacity is determined by multiplying the number of classrooms in the District by the appropriate District loading standard identified in Table 1-2.

The classroom count was established by conducting an inventory of the District's school sites as outlined in the District's Long Range Facilities Master Plan 2016. Any facilities that are not part of the District's long-range facility plan are not included in this count including portable classrooms and capacity deemed inadequate and scheduled for replacement.

Table 1-3
Classroom Count and Pupil Capacity Based on District Loading Standards

Grade Group	Number of Classrooms	Number of Pupils Per Classroom	Pupil Capacity
K-6	471	25	11,775
7-8	157	27	4,239
9-12	260	27	7,020
K-6 SDC	58	13	754
7-8 SDC	20	13	260
9-12 SDC	32	13	416
	998	**N/A**	**24,464**

3) Classroom Utilization

Table 1-4 shows the percentage of classroom capacity the District is utilizing by dividing the District's current enrollment as indicated in the District's 2019/20 enrollment information by the capacity listed above (Table 1-3).

(continued on the next page)

Table 1-4
2019/20 Classroom Utilization

Grade Group	Pupil Capacity	2019/20 Enrollment	Percent Utilization
K-6	12,529	18,785	149.9%
7-8	4,499	5,140	114.2%
9-12	7,436	10,611	142.7%
Total	**24,464**	**34,536**	**141.2%**

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

C. District Facility Requirements

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

Table 1-5
District Facility Needs/Unhoused Students

Grade Group	2019/20 Enrollment	District Capacity (Pupils)	Unhoused Students
K-6	18,785	12,529	6,256
7-8	5,140	4,499	641
9-12	10,611	7,436	3,175
Total	**34,536**	**24,464**	**10,072**

As Table 1-5 shows, the District needs additional facilities for 6,256 K-6 students, 641 7-8 students and 3,175 9-12 students.

D. Plan for Fulfilling School Facility Needs

In order to provide facilities for the unhoused students listed in Table 1-5, the District plans to reconstruct K-6 Schools and 9-12 Schools on current school sites, and convert K-6 schools into K-8 Schools. In addition, the District may lease additional portable classrooms to for use as interim housing while permanent facilities are being constructed.

Table 1-6
District Facility Plan

Projects	Pupil Capacity	Time Frame
Reconstruct K-6 Schools	6,256	5 years
Convert K-6 Sites to K-8	641	5 years
Reconstruct 9-12 Schools	3,175	5 years
Interim Housing	N/A	throughout next 5 years
Total	**10,072**	**N/A**

End of Section

II. FINANCIAL IMPACT ON THE DISTRICT OF FUTURE RESIDENTIAL DEVELOPMENT

This Section quantifies how future residential development financially affects the District.

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

In order to calculate the financial effects described above, the Report needs to first calculate the number of students that will live in new housing units in the District and the per-pupil cost of providing school facilities for K-6, 7-8 and 9-12 students.

A. Number of Students per New Housing Unit

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

The student generation rate is calculated by counting the number of K-12 students attending District schools that live in housing units built within the District's attendance boundaries.

Table 1-7 identifies the K-12 student generation rate for new housing units in the District. The Report uses developer fee collection data from the District to derive the housing counts and a District provided student list to derive the student counts.

Table 1-7
Student Generation Rates

Grade Group	Students per Residential Housing Unit
K-6	0.081
7-8	0.024
9-12	0.026
Total	**0.131**

B. Cost of Providing School Facilities

The per-pupil cost of providing school facilities for unhoused students is outlined in Table 1-8. The costs of providing the facilities outlined in the District's housing plan is based on those costs incurred by the District for similar projects that have been recently

completed or that are currently underway. It should be noted that the District may experience interim housing costs while permanent facilities are being constructed. Interim housing costs, however, are not quantified in this Report.

Table 1-8
Per-Pupil Facility Costs for K-12 Students

Grade Group	Project	Project Cost	Project Capacity	Per-Pupil Facility Cost
K-6	Michelle Obama ES Reconstruction Project	$39,873,133	575	$69,345
7-8	Montalvin K-8 Conversion	$993,932	81	$12,271
9-12	Pinole HS Reconstruction Project	$196,486,351	1,455	$135,042
K-12	Interim Housing	N/A	N/A	N/A

C. Cost of Providing School Facilities per New K-12 Student Generated by Future Development

This Report determines the facility cost of a K-12 student generated by future development by calculating a weighted average of the facility costs for K-6, 7-8 and 9-12 students.

The relative size of the K-6, 7-8 and 9-12 student generation rates tell us that 61.83 percent of students from new units will be K-6 students and 18.32 percent will be 7-8 students and 19.85 percent will be 9-12 students. Table 1-9 weights each per-pupil facility cost by the appropriate percentage and provides a weighted average facility cost for K-12 students from future residential development.

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

Grade Group	Cost Per-Pupil	Weighting Based on Student Generation Rate	Weighted Cost Per-Pupil
K-6	$69,345	61.83%	$42,876
7-8	$12,271	18.32%	$2,248
9-12	$135,042	19.85%	$26,806
K-12	**N/A**	**100%**	**$71,930**

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

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

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

Student Generation Rate	K-12 Per-pupil Facility Cost	Cost Per New Housing Unit
0.131	$71,930	$9,423

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

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

Based on information provided by the local planning departments, this report estimates that new housing units projected to be built in the District over the next five years will have an average square footage of 896 square feet (1,939 units with a total of 1,737,722 square feet).

Table 1-11 shows the K-12 school facility costs per square foot of new residential housing units, but not the amount which would actually be charged (as of January 2020 is limited to $4.08 per square foot of residential development).

Table 1-11
K-12 School Facility Cost per Square Foot of Residential Development

Facility Cost Per New Housing Unit	Average Square Footage	Facility Cost Per Square Foot of Development
$9,423	896	$10.52

As demonstrated above, each square foot of future residential development will generate a school facility cost of $10.52. This is true regardless of the amount of square footage (i.e., units) constructed in the next five years.

The facility cost per square foot of development of $10.52 is likewise fully justified when calculating the impact based on total anticipated units, total anticipated pupils generated from new development, and the total anticipated cost to house those pupils:

- Total new housing units expected to be built in the next five years is 1,939
- Total anticipated pupils from new development is 254
- Total cost to house pupils generated from new development is $17,175,988

Table 1-12
Alternative Calculation of 9-12 School Facility Cost per Square Foot of Residential Development

Future Units	Pupils from New Development	Cost to House Pupils from New Development	Total Anticipated SQFT	Facility Cost Per Square Foot of Development
1,939†	254††	$18,270,220*	1,737,344**	$10.52

†1,939 units expected to be constructed in five years (see page 2), of these: 874 units are reported by the City of El Cerrito, 871 units are reported by the City of Hercules, 190 units are reported by the City of Richmond and four units are reported by the City of Pinole. The City of San Pablo and Contra Cost County Planning Department each indicated that no units were anticipated over the next five years..

††1,939 units with an SGR of 0.131 equals 254 pupils. Table 1-8

* 254 pupils with a per-pupil facility cost of $71,930 equals $18,270,220 total cost. Table 1-9

**1,939 units with an average square footage of 896 per unit equals 1,737,344 total square foot. Table 1-11

End of Section

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III. REVENUE FROM FEES ON RESIDENTIAL DEVELOPMENT VERSUS COSTS OF SCHOOL FACILITIES

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

State law currently caps Level I Fees at $4.08 per square foot. As demonstrated in the previous section, each square foot of future residential development will generate a school facility cost of $10.52. Any given amount of future development will, therefore, generate more school facility costs than Level I Fee revenue (i.e., for every $1.00 in fee revenue generated by future development, $2.58 in school facility costs are generated).

A. Fee Revenue from Residential Development Over the Next Five Years

Based on information provided by the City of Hercules, the City of Pinole, the City of Richmond, the City of El Cerrito, the City of San Pablo and the County of Contra Costa planning departments, this Report estimates that 1,939 housing units will be built in the District within the next five years. For *any* given amount of residential development, however, school facility costs will be greater than fee revenue by a ratio of $2.58 to $1.00 at $4.08 per square foot.

As stated in the previous section, the Report estimates that new residential units will average 896 square feet over the next five years.

As Table 1-13 shows, if the District collects the current Level I Fee of $4.08 per square foot, the District will collect $7,088,364 in residential developer fees over a five year projection period.

Table 1-13
Revenue from Residential Developer Fees

New Housing Units	Average Square Footage	Fee Amount	Revenues From Fees on New Housing Units
1,939	896	$4.08	$7,088,364

B. Fee Revenue from Additions to Existing Residences

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

new units. For example, additions totaling 40,000 square feet would generate $163,200 in fee revenue (40,000 multiplied by $4.08).

C. Fee Revenue from Reconstruction and Redevelopment

Revenue will be collected from fees assessed on projects that reconstruct or redevelop existing housing, but only to the extent that the square footage of the new construction exceeds the square footage of the reconstructed or redeveloped housing. The fee revenue calculation for reconstruction and/or redevelopment is the same as for new units. For example, reconstruction and/or redevelopment totaling 50,000 square feet would generate $204,000 in fee revenue (50,000 times $4.08).

D. School Facility Costs Generated by Residential Development Over the Next Five Years

The total school facility cost attributable to future residential development over the next five years is calculated by multiplying the following two factors: (1) the number of new housing units and (2) the facility cost per new housing unit. Table 1-14 shows that the total school facility cost attributable to future development is $18,271,197.

Table 1-14
School Facility Cost Generated by Students from Future Development

New Units	Cost Per New Housing Unit	Total Cost
1,939	$9,423	$18,271,197

E. School Facility Costs Generated by Additions to Existing Residences

Additions to existing residences will have the same financial effect on the District as new residential units. For example, residential additions of 40,000 square feet will generate an additional six students, when applying the student generation rate calculated in this Report, and a school facilities cost to the District of $431,580 (six students times a per-pupil facilities cost of $71,930).

F. School Facility Costs Generated by Reconstruction and Redevelopment

Reconstruction and redevelopment of existing homes will have the same financial effect on the District as new residential development. For example, reconstruction and/or redevelopment of 50,000 square feet will generate an additional seven students when applying the student generation rate calculated in this Report and a school facilities cost to the District of $503,510 (seven students times a per-pupil facilities cost of $71,930).

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

Table 1-15 shows that $7,088,364 in total residential Level I fee revenue will cover only 38.8 percent of the $18,271,197 in total school facility costs attributable to residential development over the next five years. Some of this shortfall may be recovered from fees on commercial development.

Table 1-15
Facility Cost of Residential Development versus Fee Revenue

Total School Facility Costs	Total Revenues From Fees	Net Facility Cost to the District
$18,271,197	$7,088,364	$11,182,833

H. Senior Citizen Restricted Housing

As required by law, a lower fee, currently the commercial/industrial maximum of $0.66 per square foot, is established for certain types of residences that are restricted in occupancy to senior citizens. Housing of this type generates employees and has an indirect impact on the school district similar to that from commercial/industrial development projects.

End of Section

IV. FINANCIAL EFFECT ON THE DISTRICT OF NEW COMMERCIAL/INDUSTRIAL DEVELOPMENT

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

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

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

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

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

A. Employees per Square Foot of Development

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

Table 1-16
Employees per Square Foot of Commercial/Industrial Development, by Category

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

Source: 1990 SanDAG Traffic Generators Report.

B. Percentage of Employees Residing Within the District

U.S. Census data from the year 2000 (School District Tabulation (STP2) Data, Table P27: *Place of Work for Workers 16 Years and Over - Place Level*), indicates that approximately 14 percent of people working in the District also live in the District.

C. Number of Households per Employee

U.S. Census data from the year 2000 (School District Tabulation (STP2) Data, Table H6: *Occupancy Status* and Table P27: *Place of Work for Workers 16 Years and Over - Place Level*), indicates that there are approximately 1.20 workers per household. Likewise, this data indicates that there are 0.84 housing units for every one worker. The Report, therefore, assumes that each new resident worker in the District will demand 0.84 housing units.

D. Number of Students per Dwelling Unit

As outlined in Section II.A., the Report assumes that 0.131 K-12 pupils will reside in each housing unit in the District.

E. School Facility Cost Per-Pupil

As outlined in Section II.C., the Report estimates that the school facility cost per K-12 pupil is $71,930. It should be noted that these facility costs are conservative and the District's actual facility costs will likely be higher.

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

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

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

(continued on the next page)

Table 1-17
Facility Cost per Square Foot of Commercial/Industrial Development, by Category

Category	Employees per Square Foot	% Employees Residing in District	Dwelling Units per Employee	K-12 Students per Dwelling Unit	Cost per K-12 Student	Cost per Square Foot
Banks	0.00283	0.14	0.84	0.131	$71,930	$3.14
Community Shopping Centers	0.00153	0.14	0.84	0.131	$71,930	$1.70
Neighborhood Shopping Centers	0.00271	0.14	0.84	0.131	$71,930	$3.00
Industrial/business Parks	0.00352	0.14	0.84	0.131	$71,930	$3.90
Industrial Parks	0.00135	0.14	0.84	0.131	$71,930	$1.50
Rental Self-Storage	0.00006	0.14	0.84	0.131	$71,930	$0.07
Scientific R&D	0.00304	0.14	0.84	0.131	$71,930	$3.37
Lodging	0.00113	0.14	0.84	0.131	$71,930	$1.25
Standard Commercial Offices	0.00480	0.14	0.84	0.131	$71,930	$5.32
Large High Rise Com. Offices	0.00432	0.14	0.84	0.131	$71,930	$4.79
Corporate Offices	0.00269	0.14	0.84	0.131	$71,930	$2.98
Medical Offices	0.00427	0.14	0.84	0.131	$71,930	$4.73

The District is justified in collecting the Government Code maximum of $0.66 per square foot for all categories (except rental self-storage) of commercial/industrial development because these categories, on a per square foot basis, generate a school facility cost greater than the Government Code maximum of $0.66.

Fee amounts for self-storage and other low-employee-generating businesses should be examined on a case-by-case basis.

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

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

For purposes of calculating the residential fee offset, this Report estimates that the District will collect $4.08 per square foot of future residential development.

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

Table 1-18 calculates the facility cost of new commercial/industrial development, while taking into account the revenues from linked residential units.

Table 1-18
School Facility Cost of New Commercial/Industrial Development Discounted by Residential Fee Offset

Category	Dwelling Unit per Square Foot Com/Ind	Average Square Foot per Unit	District's Revenue per Square Foot Res. Dev.	Residential Offset per Com/Ind Square Foot	School Facility Cost per Square Foot Comm/Ind Development	Cost per Square Foot Less Offset
Banks	0.00033	896	$4.08	$1.21	$3.14	$1.93
Community Shopping Centers	0.00018	896	$4.08	$0.66	$1.70	$1.04
Neighborhood Shopping Centers	0.00032	896	$4.08	$1.17	$3.00	$1.83
Industrial Business Parks	0.00041	896	$4.08	$1.50	$3.90	$2.40
Industrial Parks	0.00016	896	$4.08	$0.58	$1.50	$0.92
Rental Self-storage	0.00001	896	$4.08	$0.04	$0.07	$0.03
Scientific R&D	0.00036	896	$4.08	$1.32	$3.37	$2.05
Lodging	0.00013	896	$4.08	$0.48	$1.25	$0.77
Standard Com.Offices	0.00056	896	$4.08	$2.05	$5.32	$3.27
Large High Rise Commercial Offices	0.00051	896	$4.08	$1.86	$4.79	$2.93
Corporate Offices	0.00032	896	$4.08	$1.17	$2.98	$1.81
Medical Offices	0.00050	896	$4.08	$1.83	$4.73	$2.90

As the table shows, the school facility cost of all categories of commercial/industrial development (except rental self-storage) are greater than the current Government Code maximum of $0.66 per square foot, even when that cost is discounted by revenues from linked residential units. Therefore, the District is justified in collecting the Government Code maximum of $0.66 per square foot for all categories of commercial/industrial development (except rental self-storage). This discounting most likely understates the true facility cost of commercial/industrial development, because not all new workers will live in new homes.

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

If the District were to charge $0.66 per square foot of commercial/industrial development, it would collect $92,400 from the 140,000 square feet of the community shopping center development. Assuming that all employees of the community shopping center development live in new homes, the District will also collect $92,086 in revenue from developer fees (140,000 square feet x 0.00153 employees per square foot x 14% employees that live in District x 0.84 housing units per employee x 896 square feet per housing unit x $4.08 revenue from Residential developer fees). The 140,000 square feet of the community shopping center development will create a school facilities cost of $238,000 (140,000 square feet x $1.70 school facility cost per square foot of community shopping center).

Table 1-19 compares the school facility costs generated by 140,000 square feet of the community shopping center development in the District's K-12 service area to the fee revenues it provides to the District.

Table 1-19
Comparison of Facility Cost and Fee Revenue Generated by New Community Shopping Center Development

	Fee Revenues	Facility Costs	Total Revenues (Costs)
140,000 square feet of community shopping center development	$92,400	$238,000	($145,600)
New housing units associated with the development	$92,086	N/A	$92,086
Total	**$184,486**	**$238,000**	**($53,514)**

As the table shows, fee revenue from community shopping center development will cover only 77.5 percent of the school facility cost it generates, even when that cost is discounted by the revenues from linked new housing units.

All categories of commercial/industrial development (except self-storage) will generate more facility cost than fee revenue, because they all generate a facility cost greater than $0.66 per square foot even when fees from linked residential units are considered. Fee amounts for self-storage and other low-employee-generating businesses should be examined on a case-by-case basis.

End of Section

V. FINDINGS

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

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

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

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

The District's use of the fee is expected to involve constructing and/or reconstructing elementary, middle and high school campuses and/or providing additional permanent facilities on existing campuses. The District is looking for alternatives to provide adequate housing and program options to all students including reconstruction of K-6 and 9-12 schools on existing District campuses and the conversion of K-6 schools to K-8 schools. In addition, the District may build other school related facilities, or purchase, or lease portable classrooms to use for interim housing while permanent facilities are being constructed.

Revenue from fees collected on residential and commercial/industrial development may be used to pay for any of the following:

(1) Land (purchased or leased) for school facilities,
(2) Design of school facilities,
(3) Permit and plan checking fees,
(4) Construction or reconstruction of school facilities,
(5) Testing and inspection of school sites and school buildings,
(6) Furniture for use in new school facilities,
(7) Interim school facilities (purchased or leased) to house students generated by new development while permanent facilities are being constructed,
(8) Legal and administrative costs associated with providing facilities to students generated by new development,
(9) Administration of the collection of developer fees (including the costs of justifying the fees), and
(10) Miscellaneous purposes resulting from student enrollment growth caused by new residential development.

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

Future residential development will cause new families to move into the District and, consequently, will generate additional students in the District. As shown in Section I.B.

of this Report, adequate school facilities do not exist for these students. Future residential development, therefore, creates a need for additional school facilities. The fee's use (acquiring school facilities) is, therefore, reasonably related to the type of project (future residential development) upon which it is imposed.

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

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

The District's current enrollment is larger than its pupil capacity. The District, therefore, does not have sufficient existing capacity to house students generated by future development. Future residential and commercial/industrial development in the District will generate additional students and, consequently, a need for additional school facilities. A relationship exists, therefore, between the District's need to build additional school facilities and the construction of new residential and commercial/industrial development projects.

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

This Report demonstrates that the school facility cost attributable to future residential development is $10.52 per square foot. The maximum Level I fee of $4.08 per square foot on residential development is, therefore, fully justified.

This Report also demonstrates that the school facility costs attributable to all categories of commercial/industrial development except rental self-storage range from $0.77 per square foot to $3.27 per square foot, even when fees from linked residential units are accounted for. The maximum Level I fee of $0.66 on these types of development is, therefore, fully justified. The school facility cost attributable to rental self-storage units is only $0.03 per square foot when fees from linked residential units are accounted for and therefore fee amounts for self-storage and other low-employee-generating businesses should be examined on a case-by-case basis.

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

(continued on the next page)

Table 1-20
Projected Five-Year District Revenue

	Revenues
1. Capital Assets:	
Projected Available Funds (05/31/2020)	$170,288,407
Approved State Funding	$23,400,090
Measure R	$575,000,000
Total Capital Assets	**$768,688,497**
2. Projected Revenue from Developer Fees:	
Residential Development*	$7,088,364
Commercial/Industrial Development**	$842,118
Total Projected Revenue from New Development	**$7,930,482**
Total Projected Five-Year District Revenue	**$776,618,979**

* Estimate based on 1,939 homes averaging 896 square feet times the District's anticipated revenue of $4.08 per square foot.
** Estimate based on the previous 5-years of developer fee collections totaling 1,275,936 square feet of commercial and industrial development times the District's anticipated revenue of $0.66 per square foot.

Information in Table 1-20 outlines the District's projected revenue for capital outlay for the next five years and includes the current balance of the District's Capital Facility Funds (accounts for current and anticipated proceeds from General Obligation Bonds, including Measure R [March of 2020]) and the projected revenue from new residential and commercial/industrial development. After accounting for these current and estimated amounts, the District has projected capital facility revenue of $776,618,979 over the next five years.

The District has identified a total of $1,290,502,140 in estimated facility costs necessary to provide adequate student facilities. This consists of an estimated $1,119,900,000 of construction identified in the 2016 Long Range Facilities Master Plan (Model One), $103,400,000 in future facilities master plan projects and a remaining ongoing project balance of $67,202,140.

Comparing the District's projected revenue over the next five years, to the estimated cost of implementing the District's facility plan, indicates that projected facility costs will exceed revenues by $513,883,161 ($1,290,502,140 in estimated construction costs minus $776,618,979 in existing and anticipated revenue) and further demonstrates that the District does not have sufficient funds available to offset the impacts of new residential and commercial/industrial development.

F. Other Funding Sources

The following is a review of other potential funding sources for constructing school facilities.

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

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

(3) General Obligation Bonds
School districts can, with the approval of two-thirds or 55 percent of its voters, issue general obligation bonds that are paid for out of property taxes. In March 2020, the District's voters passed Measure R authorizing a total of $575 million in bond sales. These local funds are accounted for in this analysis.

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

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

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

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

End of Section

VI. RECOMMENDATIONS

As described in Section II.E, the District's cost per square foot of residential development is $10.52. This Report recommends that the District levy the maximum statutory fee authorized by Government Code Section 65995, currently $4.08 per square foot of residential development.

As described in Section IV.G, the District's cost per square foot of commercial/industrial development ranges from $0.77 to $3.27. The Report also recommends that the District levy the maximum fee as authorized by Government Code Section 65995, currently $0.66 per square foot on all categories of commercial/industrial development. Developer fees for other types of low-employee-generating developments should be examined on a case-by-case basis.

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

End of Report

Appendix

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

(from Traffic Generators Report January 1990)

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Appendix A

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

(from Traffic Generators Report January 1990)

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

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

	Employees	Total Sq. ft	Sq Ft / Employee	Employee Per Sq. ft
Standard Commercial Office				
Industrial Indemnity Bldg.	170	34,300		
Beta Bldg.	110	29,400		
Park Camino Bldg.	299	55,500		
2181 E.C.R. Bldg.	47	10,000		
Camino Real Financial Center	23	6,300		
Total	649	135,500		
Average	130	27,100	208	0.00480
Large High Rise Com. Office				
Mission Valley Financial Center (Security Pacific)	900	185,600		
Lion Plaza Building	462	109,900		
Crossroads Limited Building (Crocker and Xerox)	512	138,900		
Total	1,874	434,400		
Average	625	144,800	232	0.00432
Corporate Offices				
Equitable Life	200	53,900		
Bank of America Processing Center	300	110,000		
Home Federal Processing Center	1,150	450,000		
Trade Services Publications	270	82,000		
IRT Corporation	210	89,500		
Earl Walls & Assoc.	43	15,000		
Four Winds International Headquarters	220	90,914		
Total	2,393	891,314		
Average	342	127,331	372	0.00269
Medical Offices				
Chula Vista Doctors' Park	108	24,000		
Parkway Medical Group	65	17,620		
Campus Medical-Dental Center	115	25,900		
Total	288	67,520		
Average	96	22,507	234	0.00427