GILROY UNIFIED SCHOOL DISTRICT

LEVEL 1 DEVELOPER FEES JUSTIFICATION REPORT

NOVEMBER 2012

PREPARED FOR:

BOARD OF EDUCATION
GILROY UNIFIED SCHOOL DISTRICT

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EXECUTIVE SUMMARY

INTRODUCTION

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

The State Allocation Board ("SAB") statutory limit on "Level 1" developer fees has been increased to $3.20 per square foot of residential construction and $0.51 per square foot of commercial or industrial construction. The District's current Level 1 developer fees are $2.97 per square foot for new residential construction and $0.47 per square foot for new commercial and industrial construction.

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

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

SUMMARY OF GENERAL FINDINGS

1. The District's enrollments, as of October 2012, were 5,949 K-6 students, 1,723 7-8 students, and 3,568 9-12 students for a total enrollment of 11,240 K-12 students.
2. Existing school building capacity pursuant to SB50 is calculated on a teaching station basis whereby all permanent classrooms are counted. Portable classrooms are also counted, but only up to the amount that equals 25 percent of the number of permanent classrooms. Using this measure of school capacity, the District has existing school building capacity for 12,454 K-12 students.
3. Based on a study of historical building activity and recent City projections for new home construction, approximately 745 new housing units are projected to be constructed within the District over the next 5 years.
4. A student generation rate analysis of newly constructed residential units found that each new single-detached family home generates an average of 0.56 K-12 students, while each new multi-family unit generates an average of 0.20 K-12 students.
5. Over the next five years, 417 new K-12 students are expected from the projected 745 new housing units to be constructed within the District by 2016. This breaks down to 224 elementary, 89 middle, and 104 high school grade students.
6. Based on State Facility Program cost estimates, the cost of providing adequate K-12 school facilities for enrollments from new development is at least $6.38 per square foot of new home or $13,256 per new housing unit.
7. Given the maximum Level 1 K-12 residential developer fee of $3.20 per square foot, the fees provide $6,653 per new single family home, which only covers conservatively 50 percent of the need. Therefore, the Level 1 residential developer fees are justified at the maximum rates.
8. The unfunded impact of commercial/industrial development exceeds $0.51 per square foot for every commercial/industrial land use except the “retail self-storage” category. Therefore, the Level 1 commercial/industrial developer fees are justified at the maximum rate for all new commercial/industrial construction except for “retail self-storage” which is justified at the rate of $0.12 per square foot.

SUMMARY OF GENERAL RECOMMENDATIONS

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

New Residential Construction:	$3.20 per sq. ft.
New Commercial Construction:	$0.51 per sq. ft.
New Industrial Construction:	$0.51 per sq. ft.
New Retail Self-Storage Construction:	$0.12 per sq. ft.

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

ENROLLMENTS AND DISTRICT CAPACITY

DISTRICT PROFILE

The Gilroy Unified School District currently serves K-12 students in an area encompassing portions of the City of Gilroy and some unincorporated areas of Santa Clara County. The District operates 8 elementary schools, 3 middle schools, two high schools, a continuation high school and a community day school.

EXISTING SCHOOL BUILDING CAPACITY (STATE STANDARDS)

Pursuant to SB 50, existing school building capacity is determined by a teaching station methodology whereby each permanent teaching station is counted and loaded at the rate of 25 students per classroom for grades K-6 and 27 students per classroom for grades 7-12. Pursuant to Education Code § 17071.30(b), the maximum number of portable classrooms included within the capacity calculation shall not exceed 25 percent of the number of permanent classrooms. Figure 1 below presents the existing school building capacities loaded at SB 50 standards with an adjustment for the additional State capacity created since October 2012. As shown, the District's 2012-13 total State capacity is 12,454 K-12 students.

FIGURE 1 – EXISTING SCHOOL BUILDING CAPACITY, 2012-13

Grade Level	SAB 50-02 [1] Baseline	Capacity [2] Adjustments	2012-13 SB 50 Capacity
Grades K-6	4,750	887	5,637
Grades 7-8	1,971	837	2,808
Grades 9-12	2,187	1,822	4,009
Total District	**8,908**	**3,546**	**12,454**

Source: School Facilities Consultants

Notes:

[1] Pursuant to Education Code Section 17071.10 et. seq. The baseline was established on July 5, 2000.

[2] Capacity adjustments prior to October 2012. Excludes SDC and NPS enrollment.

EXISTING SCHOOL BUILDING CAPACITY AND ENROLLMENT (2012-13)

Figure 2 compares the District's October 2012 enrollment with the District's State existing school building capacity. As shown, the District is considered to have no excess capacity for new elementary students generated by new residential development.

FIGURE 2 – EXISTING SCHOOL BUILDING CAPACITY AND ENROLLMENT (2012-13)

Schools	District Capacity	October 2012 Enrollment	Excess Capacity
Grades K-6	5,637	5,949	**(312)**
Grades 7-8	2,808	1,723	**1,085**
Grades 9-12	4,009	3,568	**441**
Total District	**12,454**	**11,240**	**1,214**

IMPACT OF RESIDENTIAL DEVELOPMENT

PROJECTED RESIDENTIAL DEVELOPMENT

The City of Gilroy ("City") has experienced a steady growth since over the last 15 years except from 2008 thru 2010 as indicated in Figure 3. Between 1998 and 2007, the City issue permits for an annual average of about 350 residential units. However, new residential construction building permits fell dramatically in 2008 to only 12 and only in the last 18 months has started to pick back up.

FIGURE 3 – HISTORICAL RESIDENTIAL BUILDING ACTIVITY, CITY OF GILROY

Year	SFR	MFR	TOTAL
1998	357	31	388
1999	335	13	348
2000	278	15	293
2001	299	59	358
2002	268	85	353
2003	247	0	247
2004	416	14	430
2005	262	400	662
2006	187	51	238
2007	175	41	216
2008	12	0	12
2009	17	0	17
2010	84	0	84
2011	169	0	169
2012 YTD	199	0	199
TOTAL	**3,305**	**709**	**4,014**

Source: U.S. Census Bureau and the City of Gilroy

Notes:

* Building permits totals for 2012 are calander year-to-date through October 2012.

Recent new home construction has been constrained by a softening in the housing market and by a tightening of the credit market. Therefore, levels of residential development in the near future should be somewhat lower than historical levels. Therefore, development projections were formulated under a market absorption methodology whereby the demand for new housing stock was assumed to decrease over the levels for the last five years. This level of development is based on the assumption that economic conditions in the District will become more positive and that the buildout of the approved projects will proceed in line with current projections.

Figure 4 below lists the 5-year projected residential development within the District. Based on historical development and current residential development projects as reported by the City of Gilroy, this Report projects 745 single-family residential units ("SFR") and 0 multi-family residential units ("MFR") will be constructed within the next five years.

FIGURE 3 – PROJECTED HOUSING UNITS THRU 2017

Housing Type	New Housing Units (2013-2017)
Single Family Residential ("SFR")	745
Multi-Family Residential ("MFR")	0
Total New Residential Units	**745**

STUDENT GENERATION RATES

Student generation rates, otherwise known as "yield factors", are the average number of students that are generated by each housing unit. Student generation rates for new housing units were determined by SCI Consulting Group using an address match methodology whereby enrollment data was address-matched with new homes for which building permits were issued within the District. The analysis found that a new single family home will generate an average of 0.56 K-12 students while a multi-family residential unit will generate an average 0.20 K-12 students. The District's student generation rates for new housing are shown in the figure below.

FIGURE 4 – STUDENT GENERATION RATES

Housing Type	K-6	7 - 8	9-12	K - 12
New Single Family Residential	0.30	0.12	0.14	**0.56**
New Multi-Family Residential	0.14	0.02	0.04	**0.20**

ENROLLMENT FROM NEW HOUSING UNITS

Figure 5 below lists the number of students projected thru 2017 from the forecasted new housing units. If 745 housing units are constructed as projected, and each new SFR and MFR is expected to generate 0.56 and 0.20 K-12 students respectively, then District enrollment will add 417 K-12 students.

FIGURE 5 – ENROLLMENT GENERATED BY NEW HOUSING UNITS THRU 2017

	Projected Homes		Students Generated			
Period	SFR	MFR	K - 6	7 - 8	9-12	K - 12
2013-2017	745	0	224	89	104	417

UNHOUSED STUDENTS

Given that enrollment exceed the District's available school building capacity for elementary school students; no existing capacity will be available for elementary enrollments generated by new residential development. Therefore, all elementary students generated by new residential development are considered "unhoused."

Additionally, the construction of Christopher High School officially added 1,737 capacity (based on State standards) for the District. This additional capacity will be able to accommodate future high school students generated by new development for many years. However, actual land acquisition, site development and construction costs for Christopher High School are included in the Level 1 fee determination since the District has outstanding debt obligations for the initial construction of the school. In other words, all high school students generated by new development will be considered "unhoused" as there is a need for development fees to pay their share of the outstanding debt obligation for Christopher High School.

Figure 6 presents the unhoused students from residential development thru 2017.

FIGURE 6 – UNHOUSED STUDENTS FROM RESIDENTIAL DEVELOPMENT

	Students from New Development	Available Excess Capacity	Unhoused Students
Elementary	224	0	224
Middle	89	1,085	0
High *	104	441	104

NEW RESIDENTIAL BUILDING AREA

An analysis conducted by SCI Consulting Group of historical new home construction within the District found the average size of new single family homes is 2,079 square feet. The average dwelling size for multi-family residential units is found to be 1,043 square feet. As a result, figure 7 projects over 1.5 million square feet of new residential area will be constructed from the housing units in the District projected to be constructed thru 2017.

FIGURE 7 – NEW RESIDENTIAL BUILDING AREA (NEW HOUSING UNITS)

	SFR	MFR	Totals
Average Dwelling Size (Sq. Ft.)	2,079	1,043	2,079
Total New Housing Units (2013-2017)	745	0	745
Total Residential Square Footage	1,548,855	0	1,548,855

SCHOOL FACILITY COSTS ATTRIBUTABLE TO RESIDENTIAL DEVELOPMENT

This section determines the impact of new residential development on the school facilities of the District. New residential development will generate additional students in the District. As previously discussed, adequate school facilities do not exist for all these students. New residential development, therefore, financially affects the District by generating a need for additional school facilities. This section outlines the cost impact to the District based on the cost per student, per housing unit and per square foot of new residential projects within the District.

SCHOOL FACILITY COSTS ATTRIBUTABLE TO RESIDENTIAL DEVELOPMENT

Figure 8 on the following page estimates the projected cost allocation of the District's K-12 facilities over the five-year period covered by this Report.

Elementary school construction costs are based on two times the new construction per pupil grant amount in the State School Facilities Program as of January 25, 2012. The costs include the base per student grant pursuant Education Code § 17072.10, the auto alarm/detection grant and the sprinkler grant required by Education Code § 17074.56(a). Although the per pupil grant amounts are intended to reflect half the cost of building a school, this estimate should be viewed as a very conservative estimate because projects funded at 100 percent of the state allowance often experience shortfalls between state funding and the District's actual facilities costs. High school construction costs are based on the actual costs of Christopher High School.

Site development cost estimates for elementary school facilities are estimated to equal 20 percent of construction costs, again a conservative estimate based on similar projects approved by the State Allocation Board. Similar costs for high school facilities are based on actual costs for the construction of Christopher High School.

The District owns two schools sites that are available for future elementary schools. Therefore, land acquisition costs per student for elementary school facilities only include $50,000 for appraisal, survey and escrow costs as allowed by SAB Regulation 1859.74. High school land acquisition costs reflect the actual cost per student for the Christopher High School.

The District will experience interim housing costs while permanent facilities are being construction; however they are not quantified in this Report.

As shown, construction costs are estimated to be $23,171 per elementary student, $0 per middle school student and $45,034 per high school student. Based on the State guidelines for school building area per student, total expansion costs to accommodate the students generated by new development are estimated to be approximately $9.9 million.

Again, it is important to note that Christopher High School was funded by a combination of G.O. Bond proceeds, the District 2008 Certificate of Participation and future developer fees. The high school cost component represents new developments fair share of repayment of the 2008 Certificate of Participation.

FIGURE 8 – SCHOOL FACILITY COSTS ATTRIBUTABLE TO RESIDENTIAL DEVELOPMENT

	Elementary	Middle	High	K-12
Unhoused Enrollment	224	0	104	**328**
Construction Cost per Student [1]	$18,910	$0	$24,208	
Additional Grants per Student [1]	$340	$0	$588	
Site Development Costs per Student [2]	$3,850	$0	$8,256	
Site Acquistion Costs per Student	$71	$0	$11,982	
Total Construction Costs per Student	$23,171	$0	$45,034	
School Facility Costs Attributable	$5,178,815	$0	$4,697,054	**$9,875,869**

Notes:

[1] Elementary school costs based on twice the State share as of January 25, 2012 provided in the School Facilities Program. High school are actual costs for Christopher High School.

[2] Elementary costs are conservatively based on 20 percent of construction costs. High school costs are actual costs for Christopher High School.

SCHOOL FACILITY COSTS PER HOUSING UNIT

Figure 9 calculates the cost of new school facilities per new housing unit. To determine this cost, total school facilities costs attributable to new housing units for the next five years from the previous figure is divided by the projected 745 housing units to be permitted thru 2017. As shown, the cost per housing unit is $13,256.

FIGURE 9 – SCHOOL FACILITY COSTS PER HOUSING UNIT

Total School Facility Costs Attributable to New Housing Units	**$9,875,869**
Total New Housing Units	**745**
Totla Cost per New Housing Unit	**$13,256**

SCHOOL FACILITY COSTS PER SQUARE FOOT OF NEW RESIDENTIAL AREA

This Report calculates the total school facilities cost per square foot of new development attributable to new housing units by dividing the total cost by the total new residential area for new housing units thru 2017. This Report estimates that new residential units will add over 1.5 million square feet of new residential area over the next five years. As shown, the school facilities cost per square foot of new residential area is $6.38 per square foot.

FIGURE 10 – SCHOOL FACILITY COST PER SQUARE FOOT OF NEW RESIDENTIAL AREA

Total School Facility Costs Attributable to New Housing Units	**$9,875,869**
Total New Residentail Area from New Housing Units	**1,548,855**
Total Cost per Square Foot of New Residential Area	**$6.38**

JUSTIFICATION FOR LEVEL 1 DEVELOPER FEES

In order to establish or increase developer fees, the District is required to develop a justification report that demonstrates the nexus between the imposed fee and the need for public facilities created by new development. If the costs of providing new school facilities for new homes are greater than the amount collected by the maximum residential developer fee, then the District may levy such fees. The current maximum State authorized K-12 fees are $3.20 per square foot of residential area and $0.51 per square foot of commercial / industrial area.

LEVEL 1 RESIDENTIAL DEVELOPER FEE

As previously shown in Figure 9, the average cost of new school facilities per new housing unit is $13,256. Given an average home size of 2,079 square feet, the maximum developer fee of $3.20 per square foot would provide $6,653 per new housing unit. This amount mitigates only 50 percent of the impact of development on school facilities. Therefore, the Level 1 residential developer fee is justified at the maximum rate for the District.

LEVEL 1 COMMERCIAL / INDUSTRIAL DEVELOPER FEE

As commercial and industrial properties develop, new jobs are created. Many of the people hired into these new jobs move into the community thereby increasing the need for additional school facilities to serve their children. Consequently, commercial and industrial development impacts the enrollment of the District.

The maximum fee that can be borne by residential growth was originally determined to be $1.50 per square foot, now increased to $3.20. The Legislature determined that if more impact existed than mitigated by residential fees, and it could be shown that it was caused in part by commercial and industrial development, these properties could also be charged fees.

During the last several years, SCI Consulting Group has conducted surveys of commercial and industrial business firms located in Northern California to determine the percent of employees who live and work within the school district boundaries and the average number of employees per 1,000 square feet of commercial or industrial building space. In addition, demographic data from the Census, State Department of Finance and ABAG were researched. The surveys and data found varying percentages of employees living close to where they work; however, the data for similar demographic areas show that approximately 40.8 percent of employees live within the District's boundaries. U.S. Census data for the area from 1990 found that the average employees per household were 1.33.

Additionally, Education Code § 17621(e)(1)(b), allows for use of employee generation figures from a traffic generator study produced by the San Diego Association of Governments ("SANDAG"). The SANDAG study determined the average number of employees per square foot of commercial and industrial business space. The employee generation factors are summarized in the figure below. The SANDAG study shows that on the average there are 2.65 employees for each 1,000 square feet of commercial or industrial building area.

FIGURE 11 – EMPLOYEES PER SQUARE FOOT OF COMMERCIAL/INDUSTRIAL FLOOR AREA

Type of Business	Square Feet Per Employee	Employees per 1000 Square Feet
Banks	344	2.91
Commercial Offices	222	4.51
Community Shopping Centers	565	1.77
Corporate Offices	351	2.85
Industrial Business Parks	271	3.69
Industrial Parks	599	1.67
Lodging	930	1.08
Medical Offices	238	4.21
Retail Self-storage	15,541	0.06
Neighborhood Shopping Cente	363	2.76
Research & Development	414	2.42
Overall Average	**377**	**2.65**

Source: SANDAG Traffic Generator Study

Using the employee generation average of 2.65 employees per 1,000 square feet of commercial or industrial building area from the SANDAG study, assuming that 40.8 percent of these employees reside in the District and an average of 1.33 employees live in each home, an average of 1.7 homes will be needed in the District per 1,000 square feet of commercial/industrial space for new employees from new businesses. Likewise, 1,347 square feet of new commercial/industrial space would, on average, create the need for one additional home in the District for new employees of that business (1,000 square feet ÷ 1.7).

Therefore, the total cost of K-12 school facilities needed per 1.7 square feet of commercial or industrial space is the same as the school facilities cost per home of $13,256 from Figure 9. However, maximum residential developer fees provide an average of $6,653 per new home $3.20 X 2,079 square feet), so the unfunded cost of school facilities is $6,603 per new home. As shown in Figure 12 on the following page, the unfunded impact per square foot exceeds $0.51 per square foot for every commercial / industrial land use category except for the "retail self-storage" category. Therefore, the maximum commercial / industrial fee of $0.51 per square foot is justified for all new commercial / industrial construction except for new "retail self-storage" construction which is justified at the rate of $0.12 per square foot.

In addition to the following justification, a percentage of employees for a new business will move into existing housing in the community. Given that employees typically have more children than the families or people they replace in existing housing, commercial / industrial development also creates enrollment growth in the existing housing stock. Commercial / industrial fees are also justified to offset this impact.

FIGURE 12 – IMPACT OF COMMERCIAL / INDUSTRIAL DEVELOPMENT

Type of Business	Employees per 1000 Square Feet [1]	Square Feet Creating Need for One New Home [2]	Unfunded Impact per Home [3]	Unfunded Impact per Square Foot [4]
Banks	2.91	1,120	$6,603	$5.90
Commercial Offices	4.51	723	$6,603	$9.13
Community Shopping Centers	1.77	1,842	$6,603	$3.58
Corporate Offices	2.85	1,144	$6,603	$5.77
Industrial Business Parks	3.69	884	$6,603	$7.47
Industrial Parks	1.67	1,952	$6,603	$3.38
Lodging	1.08	3,019	$6,603	$2.19
Medical Offices	4.21	774	$6,603	$8.53
Retail Self-storage	0.06	54,343	$6,603	$0.12
Neighborhood Shopping Cente	2.76	1,181	$6,603	$5.59
Research & Development	2.42	1,347	$6,603	$4.90
Overall Average	**2.65**	**1,230**	**$6,603**	**$5.37**

Notes:
1. Employee generation factors from SANDAG Study.
2. This is the square feet of commercial or industrial building area that generates the need for one new home in the District. Calculated: 1,000 SF * 1.33 employees per home / (number of employees per 1,000 SF * 0.41 employees to live in District)
3. Unfunded impact equals total District impact per home of $6,603 less residential Developer Fees of $3.20 per square foot * average home size of 2,079 square feet.
4. Unfunded impact per square foot of commercial/industrial development equals unfunded impact per home divided by square feet of commercial/industrial building area which create the need for one new home in the District.

SUMMARY OF DEVELOPMENT IMPACT

In summary, the cost of providing school facilities for residential development is $6.38 per square foot of new home area which mitigates 50 percent of the impact of residential development. Moreover, the average unfunded impact of commercial or industrial development exceeds the maximum commercial / industrial developer fees at $0.51 per square foot in every case except for the retail self-storage category. Therefore, residential, commercial and industrial development creates more impact than is offset by the maximum Developer Fees, so the fees should be adopted at the maximum rate except for new retail self-storage construction which is should be adopted at the rate of $0.12 per square foot.

NEXUS FINDINGS

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

IDENTIFY THE PURPOSE OF FEES

The purpose of the fee is to provide funding for construction and reconstruction of school facilities for new students generated by residential and commercial/industrial development.

IDENTIFY THE USE OF FEES

As outlined in the Report, the fee will be used to fund the construction of additional school facilities. The District may need to purchase or lease portable classrooms to use for interim housing while permanent facilities are being constructed.

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

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

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

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

Additionally, new commercial/industrial development will generate new workers to move into the District. Because some of these workers will have school-age children, commercial and industrial development will also generate new students in the District. The commercial / industrial fee imposed by the District will be used to help fund the school facilities for these students. Therefore, the fee's use (construction of new facilities) is reasonable related to the type of project (new commercial and industrial development) upon which it is imposed.

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

As discussed in this Report, the District has insufficient permanent capacity to house the additional students projected to enroll in the District. New residential development, therefore, will generate "unhoused students" and consequently, create a need for additional school facilities. Therefore, the fee's use (acquiring school facilities) is reasonably related to the type of project (new residential development) upon which it is imposed.

Additionally, new commercial/industrial development will generate new workers to move into the District. Because some of these workers will have school-age children, commercial and industrial development will also generate new students in the District. As previously mentioned, adequate school facilities do not exist for all of these students. New commercial/industrial development therefore creates a need for additional school facilities.

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

As outlined in this Report, the cost of school facilities attributable to each square foot of new residential housing units is $6.38 per square foot. The new statutory residential developer fee of $3.20 per square foot of new residential space only mitigates a small percentage of the impact from new residential construction. Therefore, the residential fee is justified at the new maximum rate.

The Report also demonstrated that unfunded impact of commercial and industrial development ranges between $0.12 and $9.13 per square foot. For the land use categories expect retail self-storage, the new statutory commercial / industrial developer fee of $0.51 per square foot of new commercial space only mitigates a small percentage of the unfunded impact from new commercial / industrial development. Therefore, the commercial/industrial fee is justified at the new maximum rate except for retail self-storage which is justified at the rate $0.12 per square foot.

APPENDIX A – REQUIREMENTS FOR THE IMPLEMENTATION OF THE FEES

TO ESTABLISH, INCREASE FEE:

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

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

5. Governing board must make determination that the fee can be collected at the time of issuance of building permit instead of time of occupancy.

RESOLUTION ESTABLISHING OR INCREASING FEE:

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

FEE COLLECTION AND COORDINATION WITH CITIES AND COUNTIES:

1. School district must notify city/county with the following before city/county is required to withhold permits:
   a. Copy of resolution
   b. All supporting documentation
   c. Map which clearly indicates the area subject to the fees.
   d. Time when collection or increase of fees commences.
2. It is recommended that an informational letter regarding fees be provided to the building department for building permit applicants.
3. City/county is required to withhold permit or final inspection unless the fee has been collected or the school district has certified that the fee has been paid.
4. To collect fees at time of building permit instead of time of occupancy, an account for the fees must be established and fees appropriated for an adopted proposed construction schedule as outlined in a five year facilities plan for State funding or capital improvement plan. Govt. Code Section 66002 (This Report includes a facilities plan component which satisfies this requirement.) Govt. Code Section 66007(f)
5. Fees for mobile homes or manufactured homes are collected at close of escrow or certificate of occupancy.
6. Cost of collecting fees is limited to 3% of the fees collected. If the cost of collection is higher, the amount over 3% must be paid from other District funds.
7. Fees may be used to pay the cost of preparing developer justification studies.

8. The District should develop and use a form letter to certify that fees have been paid.
9. Imposition or increase of fees is exempt from the requirements of the California Environmental Quality Act. Ed. Code Section 17621(a)

FEE SPLITTING WITH OTHER DISTRICTS:

1. A written agreement must be prepared, and a copy must be sent to the State Allocation Board.
2. If the districts cannot agree on the terms of a fee split, an arbitration panel should be used.

CALCULATING DEVELOPER FEES:

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

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

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

1. Facilities that cannot be charged Developer Fees are:
   a. Structures that are tax exempt and are used exclusively for religious purposes.
   b. Private full-time day schools
   c. Facilities owned and operated by a governmental agency.
2. Fees cannot be charged if the new facilities do not impact the need for school facilities.

3. If a manufactured or mobile home was previously located on the pad where a manufactured or mobile home is to be installed, fees are not charged; fees can only be charged if the pad was constructed after 9-1-86.
4. If the development is to replace an existing structure, only the net increase of assessable space should be charged. No fees can be charged for reconstruction due to a natural disaster as declared by the governor. Govt. Code Sections 66020 & 66011

DEVELOPMENT CHARGED COMMERCIAL/INDUSTRIAL FEES:

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

USE OF FEES:

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

ACCOUNTING PROCEDURES:

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

APPENDIX B – TIMELINE FOR ADOPTION OF THE FEES

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

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