
**SCHOOL FACILITY FEE JUSTIFICATION REPORT
FOR RESIDENTIAL, COMMERCIAL & INDUSTRIAL
DEVELOPMENT PROJECTS**

for the

MT. DIABLO UNIFIED CITY SCHOOL DISTRICT

August 2022

Prepared by
School Facility Consultants

**SCHOOL FACILITY FEE JUSTIFICATION REPORT
FOR RESIDENTIAL, COMMERCIAL & INDUSTRIAL
DEVELOPMENT PROJECTS**

for the

MT. DIABLO UNIFIED CITY SCHOOL DISTRICT

August 2022

Prepared for
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, CA 94519
(925) 682-8000

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

TABLE OF CONTENTS

Executive Summary	1
Introduction	2
A. Purpose and Scope	2
B. Brief Description of the Mt. Diablo Unified School District.....	2
C. Data Sources.....	3
D. Outline of the Report.....	3
I. District Facility Needs	4
II. Financial Impact on the District of Future Residential Development	5
A. Number of Students per New Housing Unit	5
B. Cost of Providing School Facilities.....	5
C. Cost of Providing School Facilities per New TK-12 Student Generated by Future Development	6
D. Cost of Providing School Facilities per New Residential Housing Unit	6
E. Cost of Providing School Facilities per Square Foot of Future Residential Development	7
III. Revenue from Fees on Residential Development Versus Costs of School Facilities	8
A. Fee Revenue from Residential Development Over the Next Five Years	8
B. Fee Revenue from Additions to Existing Residences	8
C. Fee Revenue from Reconstruction and Redevelopment	9
D. School Facility Costs Generated by Future Residential Development	9
E. School Facility Costs Generated by Additions to Existing Residences	9
F. School Facility Costs Generated by Reconstruction and Redevelopment.....	9
G. Extent of Mitigation of School Facility Costs Provided by Level I Residential Fees.....	9
H. Senior Citizen Restricted Housing.....	10
IV. Financial Effect on the District of New Commercial/Industrial Development.....	11
A. Employees per Square Foot of Development	11
B. Percentage of Employees Residing Within the District	12
C. Number of Households per Employee	12
D. Number of Students per Dwelling Unit	12
E. School Facility Cost per Pupil.....	12
F. School Facility Cost per Square Foot of Commercial/Industrial Development ...	12
G. Calculating School Facility Cost of Commercial/Industrial Development with Residential Fee Offset	13
V. Findings	16
A. Government Code Section 66001(a)(1) - Purpose of the Fee.....	16
B. Government Code Section 66001(a)(2) - Use of the Fee.....	16

C. Government Code Section 66001(a)(3) - Relationship Between the Fee's Use and the Type of Project Upon Which Fee the is Imposed.....	16
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	17
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	17
F. Other Funding Sources	18
1) General Fund	18
2) State Programs	18
3) General Obligation Bonds	19
4) Parcel Taxes.....	19
5) Mello-Roos Community Facilities Districts.....	19
6) Surplus Property	19
7) Alternatives for Reducing Facility Costs.....	19

VI. Recommendations	20
---------------------------	----

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

EXECUTIVE SUMMARY

The Mt. Diablo Unified School District (District) is justified to collect the legal maximum fee of \$4.79 per square foot of residential development as authorized by Government Code Section 65995 (Level I fees), as future residential development creates a school facility cost of \$15.70 per square foot. The District is also justified to collect the legal maximum fee of \$0.78 per square foot of development on all categories of commercial/industrial development, as those categories of development create school facility costs ranging from \$2.96 to \$12.64 per square foot of future development, even when fees from linked residential units are accounted for. Rental self-storage creates a school facility cost of \$0.16 per square foot.

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 school facilities require substantial capital investments in order to provide adequate learning environments for pupils. The District, therefore, does not have sufficient capacity to house students generated by future development.
2. Future residential development is projected to create additional students in the District. These students will require the District to provide ongoing capital facility improvement to provide adequate facilities.
3. If the District continues to collect the current maximum fee on residential development authorized by Government Code Section 65995 of \$4.79 per square foot, fee revenue will offset 30.5 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 \$0.78 per square foot, fee revenue will offset from 6.2 percent to 26.4 percent of the school facility cost attributable to commercial/industrial development (except rental self-storage), even when fees from linked residential units are accounted for. 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 Section

INTRODUCTION

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

A. Purpose and Scope

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

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 authorizes school districts to collect fees on future development of no more than \$4.79 per square foot for residential construction and \$0.78 for commercial/industrial construction (Level I fees). 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 Mt. Diablo Unified School District

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

The District currently serves 29,171 students in grades TK-12 and operates 29 elementary schools, nine junior high schools, five high schools, four continuation schools, one community day school and three charter schools.

Opportunities for new residential development exist in the District, and this report estimates that approximately 1,105 new residential units will be constructed over the next five years.

To accommodate this future residential development, the District plans to implement comprehensive facility modernizations and campus improvements throughout the District.

C. Data Sources

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

Data Sources

Data Type	Data Source
Residential development rates	City of Concord, City of Pittsburg, City of Pleasant Hill, City of Walnut Creek, City of Clayton, County of Contra Costa Planning Departments
Enrollment history	CBEDS
Pupil capacity of District schools	District
Student generation rates for housing units	United States Census Bureau
Facility Plan and Cost	District
Employees per square foot of commercial/industrial development	San Diego Association of Governments
Number of workers per household	United States Census Bureau, American Community Survey

D. Outline of the Report

The Report is divided into six sections. The sections:

1. Identify the District's school facility needs over the next five years,
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 for 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

The District's current and future facility needs are outlined in the 2018 Facilities Master Plan (FMP). The FMP documents that the District's current school facilities require substantial capital investments in order to provide adequate learning environment for pupils.

In order to provide facilities for students from future development, the District plans to implement comprehensive facility modernizations, campus improvements and expansions throughout the District.

The District has identified that adequate facilities do not exist within the district and, therefore, there is insufficient capacity available to house students generated by future development.

This condition exists regardless of the availability of classrooms to house students (including new development students), as substantial capital investment is required in the classroom facilities.

The following types of construction activities are contemplated by the District to be implemented through execution of the FMP:

- EMG Assessment – Facility Needs Assessment
- Reconfigure Existing Classrooms
- New Classroom Construction
- Science, Arts, CTE, and Elective Programs
- Performing Arts
- MUR, Student Union and Food Service
- Physical Education Facility Improvements
- Administration and Staff Support
- Media Center and Student Support Services
- Safety and Security
- Campus Arrival: Parking, Drop-off, and Entry Plaza
- Outdoor Learning Environments and Quads
- Exterior Play Spaces, Playfields and Hardcourts

The District has identified that investment in these areas is necessary in order to meet the needs of students.

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 described 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 TK-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 first to calculate the number of students that will live in a new housing unit and the per-pupil cost of providing school facilities for these 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 Report calculates this student generation rate by dividing the number of TK-12 students enrolled in the District in 2019/20 by the total number of housing units in the District in the year 2019 according to the United States Census Bureau.

Table 1-1 identifies the TK-12 student generation rate for housing units in the District.

**Table 1-1
Student Generation Rates**

Grade Group	Students per Residential Housing Unit
TK-5	0.151
6-8	0.072
9-12	0.081
Total	0.304

B. Cost of Providing School Facilities

As noted in Section I the District's facilities are in need of significant upgrade and renovation to provide adequate learning environment for pupils. The per-pupil cost of providing school facilities for unhoused students is outlined in Table 1-2. The per-

pupil facility cost models for the District’s planned school facilities are based on estimated costs of TK-12 facility projects of \$1.4 billion. This cost takes into account a construction cost index to 2022 costs.

**Table 1-2
Per Pupil Facility Costs for TK-12 Students**

Grade Group	Per Pupil Facility Cost for Students from Future Development
TK-5	\$80,135
6-8	\$56,260
9-12	\$98,567

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

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

The relative size of the three student generation rates for residential housing units tells us that 49.7 percent of students from new units will be elementary students, 23.7 percent will be middle school students and 26.6 percent will be high school students. Table 1-3 multiplies the respective percentages by the appropriate Per-Pupil Facility Cost from Table 1-2 which results in a weighted average facility cost for TK-12 students from future residential development.

**Table 1-3
Weighted Average School Facility Cost for a TK-12 Student from Future Residential Development**

Grade Group	Cost Per Pupil	Weighting Based on Student Generation Rate	Weighted Cost Per Pupil
TK-5	\$80,135	49.7%	\$39,827
6-8	\$56,260	23.7%	\$13,334
9-12	\$98,567	26.6%	\$26,219
TK-12	N/A	N/A	\$79,380

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

Table 1-4 multiplies the total number of students per housing unit by the facility costs of TK-12 students to calculate a \$24,132 facility cost attributable to future residential housing units.

**Table 1-4
School Facility Cost per New Housing Unit**

TK-12 Student Generation Rate	TK-12 Per Pupil Facility Cost	Cost Per New Housing Unit
0.304	\$79,380	\$24,132

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 City of Concord, the City of Pittsburg, the City of Pleasant Hill, the City of Walnut Creek, the City of Clayton and the County of Contra Costa, 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 1,537 square feet.

Table 1-5 shows the school facility cost per square foot of new residential housing units.

**Table 1-5
School Facility Cost Per Square Foot of Residential Development**

Facility Cost Per Unit	Average Square Footage	Facility Cost Per Square Foot of Development
\$24,132	1,537	\$15.70

End of Section

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 \$4.79 per square foot. As demonstrated in the previous section, each square foot of future residential development will generate a school facility cost of \$15.70. Any given amount of future development will, therefore, generate more school facility costs than Level I Fee revenue (i.e., at \$4.79, every \$1.00 in fee revenue generated by future development will generate \$3.28 in school facility costs).

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

Based on information from the City of Concord, the City of Pittsburg, the City of Pleasant Hill, the City of Walnut Creek, the City of Clayton and the County of Contra Costa Planning Departments, the report estimates that a total of 1,105 units are anticipated to be built within the District over the next five years. However, for *any* given amount of residential development, school facility costs will be greater than fee revenue by a ratio of \$3.28 to \$1.00.

Based on the average square footage from the previous section, 1,105 residential units will generate 1,698,385 square feet of residential development over the next five years.

If the District continues to collect the maximum allowable Level I fee (\$4.79) on residential development, the District would collect \$8,135,264 in residential developer fees over a five-year projection period.

**Table 1-5
Revenue from Residential Developer Fees**

New Housing Units	Average Square Footage	Fee Amount	Revenues From Fees on New Housing Units
1,105	1,537	\$4.79	\$8,135,264

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 \$191,600 in fee revenue (40,000 multiplied by \$4.79).

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 \$239,500 in fee revenue (50,000 times \$4.79).

D. School Facility Costs Generated by Future Residential Development

The total school facility cost attributable to future development 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 1-6 shows that the total school facility cost attributable to future development is \$26,665,860.

**Table 1-6
School Facility Cost Generated by Students from Future Development**

New Units	Cost Per New Housing Unit	Total Cost
1,105	\$24,132	\$26,665,860

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 eight students, when applying the student generation rate calculated in this Report, and a school facilities cost to the District of \$635,040 (eight students times a per-pupil facilities cost of \$79,380).

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 ten students when applying the student generation rate calculated in this Report and a school facilities cost to the District of \$793,800 (ten students times a per-pupil facilities cost of \$79,380).

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

Table 1-7 shows that \$8,135,264 in total residential Level I fee revenue will cover only 6.4 percent of the \$26,665,860 in total school facility costs attributable to

residential development. Some of this shortfall may be recovered from fees on commercial development.

**Table 1-7
Facility Cost of Residential Development Versus Fee Revenue**

Total School Facility Costs	Total Revenues From Fees	Net Facility Cost to the District
\$26,665,860	\$8,135,264	\$18,530,596

H. Senior Citizen Restricted Housing

As required by law, a lower fee, currently the commercial/industrial maximum of \$0.78 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 the 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. As shown in Section I, adequate school facilities do not exist for these students. New commercial/industrial development, therefore, creates a fiscal impact to 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:

- (1) Employees per square foot of new commercial/industrial development,
- (2) Percent of employees in the District that also live in the District,
- (3) Houses per employee,
- (4) Students per house, and
- (5) 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.

(continued on the next page)

**Table 1-8
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	15,541	0.00006
Scientific Research & Development	329	0.00304
Lodging	882	0.00113
Standard Commercial Office	209	0.00479
Large High Rise Com. Office	232	0.00431
Corporate Offices	372	0.00269
Medical Offices	234	0.00427

Source: 1990 SanDAG Traffic Generators report.

B. Percentage of Employees Residing Within the District

United States Census Bureau data from the American Community Survey for 2019 (Table B080008 – *Sex of Workers By Place of Work – Place Level.*) indicate that approximately 21 percent of people working in the District also live in the District.

C. Number of Households per Employee

United States Census Bureau data from the American Community Survey for 2019 (Table B25001 – *Housing Units* and Table B080008 – *Sex of Workers by Place of Work – Place Level.*) indicates that there are approximately 1.34 workers per household. Likewise, this data indicates that there are 0.75 housing units for every one worker. The Report, therefore, assumes that each new resident worker in the District will demand 0.75 housing units.

D. Number of Students per Dwelling Unit

As outlined in Section II.A., the Report assumes that 0.304 TK-12 pupils will reside in each housing unit.

E. School Facility Cost per Pupil

As outlined in Section II.C., the Report estimates that the school facility cost per TK-12 pupil is \$79,380.

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

Table 1-9 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 1-8.

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.

**Table 1-9
Facility Cost Per Square Foot of Commercial/Industrial
Development, by Category**

Category	Employees per Square Foot	% Employees Residing in District	Dwelling Units per Employee	TK-12 Students per Dwelling Unit	Cost per TK-12 Student	Cost per Square Foot
Banks	0.00283	0.21	0.75	0.304	\$79,380	\$10.76
Community Shopping Centers	0.00153	0.21	0.75	0.304	\$79,380	\$5.82
Neighborhood Shopping Centers	0.00271	0.21	0.75	0.304	\$79,380	\$10.30
Industrial/business Parks	0.00352	0.21	0.75	0.304	\$79,380	\$13.38
Industrial Parks	0.00135	0.21	0.75	0.304	\$79,380	\$5.13
Rental Self-Storage	0.00006	0.21	0.75	0.304	\$79,380	\$0.23
Scientific R&D	0.00304	0.21	0.75	0.304	\$79,380	\$11.55
Lodging	0.00113	0.21	0.75	0.304	\$79,380	\$4.29
Standard Commercial Offices	0.00480	0.21	0.75	0.304	\$79,380	\$18.24
Large High Rise Com. Offices	0.00432	0.21	0.75	0.304	\$79,380	\$16.42
Corporate Offices	0.00269	0.21	0.75	0.304	\$79,380	\$10.22
Medical Offices	0.00427	0.21	0.75	0.304	\$79,380	\$16.23

The District generates a school facility cost greater than the Government Code maximum of \$0.78 per square foot for all categories of commercial/industrial development, except rental self-storage.

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

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

For purposes of calculating the residential fee offset, this Report estimates that the District will collect \$4.79 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 1-10 calculates the facility cost of new commercial/industrial development while taking into account the revenues from linked residential units.

**Table 1-10
School Facility Cost of New Commercial/Industrial Development
Discounted By Residential Fee Offset**

Category	Dwelling Unit per Square Foot Com/Ind	Average Square Foot per Unit	District's Revenue per Square Foot Res. Dev.	Residential Offset per Com/Ind Square Foot	School Facility Cost per Square Foot Com/Ind Development	Cost per Square Foot Less Offset
Banks	0.00045	1,537	\$4.79	\$3.31	\$10.76	\$7.45
Community Shopping Centers	0.00024	1,537	\$4.79	\$1.77	\$5.82	\$4.05
Neighborhood Shopping Centers	0.00043	1,537	\$4.79	\$3.17	\$10.30	\$7.13
Industrial Business Parks	0.00055	1,537	\$4.79	\$4.05	\$13.38	\$9.33
Industrial Parks	0.00021	1,537	\$4.79	\$1.55	\$5.13	\$3.58
Rental Self-storage	0.00001	1,537	\$4.79	\$0.07	\$0.23	\$0.16
Scientific R&D	0.00048	1,537	\$4.79	\$3.53	\$11.55	\$8.02
Lodging	0.00018	1,537	\$4.79	\$1.33	\$4.29	\$2.96
Standard Com. Offices	0.00076	1,537	\$4.79	\$5.60	\$18.24	\$12.64
Large High Rise Com. Offices	0.00068	1,537	\$4.79	\$5.01	\$16.42	\$11.41
Corporate Offices	0.00042	1,537	\$4.79	\$3.09	\$10.22	\$7.13
Medical Offices	0.00067	1,537	\$4.79	\$4.93	\$16.23	\$11.30

As the table shows, the school facility cost of all categories (except rental self-storage) is greater than the Government Code maximum of \$0.78 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 \$0.78 per square foot for all categories of commercial/industrial development (except rental self-storage).

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

If the District charges \$0.78 per square foot of commercial/industrial development, it will collect \$109,200 from the 140,000 square feet of community shopping center development. The District will also collect \$248,376 in revenue from residential developer fees (140,000 square feet x 0.00153 employees per square foot x 21% employees that live in District x 0.75 housing units per employee x 1,537 square feet per housing unit x \$4.79 revenue from developer fees). The 140,000 square feet of community shopping center development will create a school facilities cost of \$814,800 (140,000 square feet x \$5.82 school facility cost per square foot of community shopping center).

Table 1-11 compares the school facility costs generated by 140,000 square feet of community shopping center development to the fee revenues it provides to the District.

**Table 1-11
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	\$109,200	\$814,800	(\$705,600)
New housing units associated with the development	\$248,376	N/A	\$248,376
Total	\$357,576	\$814,800	(\$457,224)

As the table shows, fee revenue from community shopping center development will cover only 43.89 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 \$0.78 per square foot even when fees from linked residential units are considered. The school facility costs attributable to rental self-storage are calculated to be \$0.16 per square foot, even after accounting for linked residential units.

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 will involve constructing and/or reconstructing school campuses and/or additional permanent facilities on existing school campuses. In addition, the District may need to purchase or lease portable classrooms to use for interim housing while permanent facilities are being constructed.

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

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

C. Government Code Section 66001(a)(3)—Relationship Between the 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 described in Section I of this Report, in order to provide facilities for students from future development, the District plans comprehensive facility modernizations throughout the

District. 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. Because some of these workers will have school-age children, commercial/industrial development will also generate new students in the District. As described in Section I of this Report, in order to provide facilities for students from future development, the District plans comprehensive facility modernizations throughout the District. 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

As described in Section I of this Report, the District's current classroom facilities require substantial capital investments in order to provide adequate educational environment for pupils. 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 costs attributable to future residential development is \$15.70. Level I fees of \$15.70 per square foot on residential development are therefore fully justified.

This Report also demonstrates that the school facility costs attributable to all categories of commercial/industrial development range from \$2.96 per square foot to \$12.64 per square foot, even when fees from linked residential units are accounted for. Level I fees of \$0.78 on these types of development are therefore fully justified. The school facility cost attributable to rental self-storage units is \$0.16 per square foot when fees from linked residential units are accounted for.

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.

**Table 1-12
Projected Five-Year District Revenue**

	Revenues
1. Capital Assets:	
Fund 25	\$16,600,000
Fund 35	\$3,400,000
Measure J	\$150,000,000
Restricted Funds	(\$8,600,000)
Total Capital Assets	\$161,400,000
2. Projected Revenue from Developer Fees:	
Residential Development*	\$8,135,264
Commercial/Industrial Development**	\$746,623
Total Projected Revenue from New Development	\$8,881,887
Total Projected Five-Year District Revenue	\$170,281,887

* Estimate based on 1,105 homes averaging 1,537 square feet times the District's anticipated revenue of \$4.79 per square foot.

** Estimate based on the previous 5-years of developer fee collections totaling 957,209 square feet of commercial and industrial development times the District's anticipated revenue of \$0.78 per square foot.

Information in Table 1-12 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, including funds restricted for other capital outlay purposes, the current amounts from the passage of the District's Measures J General Obligation Bond Measure 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 \$170,281,887 over the next five years.

The District's 2018 Facilities Master Plan identifies projects necessary to provide adequate student facilities, with construction costs totaling an estimated \$1,324,179,000 in 2019 dollars. Comparing the District's projected revenue over the next five years, to the estimated cost of implementing the District's facility needs, indicates that projected facility costs will exceed revenues by at least \$1,153,897,113.

F. Other Funding Sources

The following is a review of potential other 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 for capital outlay uses, as funds are needed solely to meet the District's non-facility needs.

2) State Programs

The District has been approved for eligibility for State funding 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.

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 voters or land owners if fewer than 12 in an election.

6) Surplus Property

The District does not own any declared surplus property that could be used to finance additional school facilities.

7) Alternatives for Reducing Facility Costs

Alternatives to reducing facility costs that 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 \$15.70. This Report recommends that the District levy the maximum statutory fee authorized by Government Code Section 65995, currently \$4.79 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 \$2.96 to \$12.64. The Report also recommends that the District levy the maximum fee as authorized by Government Code Section 65995, currently \$0.78 per square foot on all categories of commercial/industrial development except rental self-storage. The calculated impact of rental self-storage is \$0.16 per square foot, as outlined in Section IV.G of the report.

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

Appendix

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	354	0.00283
Southwest	11	3,128		
Mitsubishi	14	6,032		
Security Pacific	22	14,250		
Total	104	36,810		
Average	26	9,203		
Community Shopping Centers				
Rancho Bernardo Towne Center	273	139,545	652	0.00153
Plaza De Las Cuatro Banderas	227	186,222		
Rancho San Diego Village	N/A	N/A		
Total	500	325,767		
Average	250	162,884		
Neighborhood Shopping Centers				
Town and Country	217	70,390	369	0.00271
Tierrasanta II	87	49,080		
Palm Plaza	143	47,850		
Westwood Center	173	61,285		
Total	620	228,605		
Average	155	57,151		
Industrial Business Parks				
Convoy Ct / St. Parks	955	224,363	284	0.00352
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		

	Employees	Total Sq. ft	Sq Ft / Employee	Employee Per Sq. ft
Industrial Parks				
Sorrento West	725	614,922	742	0.00135
Roselle Street	761	500,346		
Stromesa Street	200	136,124		
Total	1,686	1,251,392		
Average	562	417,131		
Rental Self-Storage				
Poway Storage	2	32,000	17,096	0.00006
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		
Scientific Research and Development				
Johnson & Johnson Biotechnology Center	39	22,031	329	0.00304
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		
Lodging				
San Diego Hilton	139	223,689	882	0.00113
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		

	Employees	Total Sq. ft	Sq Ft / Employee	Employee Per Sq. ft
Standard Commercial Office				
Industrial Indemnity Bldg.	170	34,300	208	0.00480
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		
Large High Rise Com. Office				
Mission Valley Financial Center (Security Pacific)	900	185,600	232	0.00432
Lion Plaza Building	462	109,900		
Crossroads Limited Building (Crocker and Xerox)	512	138,900		
Total	1,874	434,400		
Average	625	144,800		
Corporate Offices				
Equitable Life	200	53,900	372	0.00269
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		
Medical Offices				
Chula Vista Doctors' Park	108	24,000	234	0.00427
Parkway Medical Group	65	17,620		
Campus Medical-Dental Center	115	25,900		
Total	288	67,520		
Average	96	22,507		