



Level I Developer Fee Study
for
Lancaster School District

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EXECUTIVE SUMMARY

- Education Code Section 17620 authorizes school districts to levy a fee, charge, dedication or other form of requirement against any development project for the construction or reconstruction of school facilities provided the district can show justification for levying of fees.
- In January 2020 the State Allocation Board's biennial inflation adjustment changed the fee to \$4.08 per square foot for residential construction and \$0.66 per square foot for commercial/industrial construction.
- The Lancaster School District currently has a Level 1 Fee Sharing Agreement with the Antelope Valley Union High School District. The Elementary School District collects 74% of the Level 1 Fee and the High School District collects 26% of the Level 1 Fee.
- Based on this study findings, the Lancaster School District is justified to collect \$3.02 (74% of \$4.08) per square foot of residential construction and \$0.49 (74% of \$0.66) per square foot of commercial/industrial construction with the exception of mini-storage. Mini-storage should be collected at a rate of \$0.07 per square foot.
- The justification is based on this study's findings that the District currently exceeds its capacity and will continue to do so through the 2024-25 school year.
- Each new residential unit to be constructed in the District will average an estimated 2,581 square feet and will generate an average of .439 K-8th grade students for the District to house.
- Each square foot of residential construction will create a school facilities cost of at least \$5.40 per square foot of new residential construction.
- Each square foot of commercial/industrial construction will create a school facilities cost ranging from \$0.07 to \$6.05 per square foot of new commercial/industrial construction.

INTRODUCTION

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

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

Senate Bill 1187 (Chapter 1354/Statutes of 1992) effective January 1, 1993, affected the facility mitigation requirements a school district could impose on developers. Senate Bill 1187 allowed school districts to levy an additional \$1.00 per square foot of residential construction (Government Code Section 65995.3). The authority to levy the additional \$1.00 was rescinded by the failure of Proposition 170 on the November 1993 ballot.

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

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

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

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

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

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

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

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

In January 2010, the State Allocation Board maintained the fees at \$2.97 per square foot for residential construction and \$0.47 per square foot for commercial/industrial construction.

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

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

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

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

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

The fee will be adjusted in January 2022 and every two years thereafter in accordance with the statewide cost index for Class B construction as determined by the State Allocation Board.

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

Senate Bill 50: Background

In August 1998, the Governor signed into legislation Senate Bill 50, also known as the Leroy Greene School Facilities Act of 1998. This bill made major changes in the State school facilities program as well as developer fee mitigation for school districts in California. Education Code Section 17620 was amended to include the provisions of Government Code Section 65995.

Prior to the passage of SB 50, school districts had been able to rely on a series of appellate court decisions known as "Mira-Hart-Murrieta". These court decisions had allowed municipalities, when making a legislative decision (such as general plan amendments, development agreements, zoning changes, etc.) concerning land use, to consider the impacts of that decision on school facilities and condition its approval on mitigation measures. These cases allowed cities and counties to assist school districts by using their legislative power to fully mitigate the impacts of land development on school facilities. These measures could be in the form of higher developer fees, land dedication or other measures which the municipal agencies agreed would mitigate the impacts of the proposed development. In addition, the California Environmental Quality Act (CEQA) was interpreted by the "Mira" decisions to include mitigation for the environmental impact of a development, providing the school districts with another opportunity to benefit from mitigation agreements.

SB 50 imposes new limitations on the power of cities and counties to require mitigation of school facilities impacts as a condition of approving new development. This law amends Government Code Section 65995(a) to provide that only those funds authorized by Education Code Section 17620 or Government Code Section 65970 may be levied or imposed in connection with or made conditions of any legislative or adjudicative act by a local agency involving planning, use, or development of real property.

SB 50 provides authority for collection of three levels of developer fees:

Level I Fees:

Level I Fees are the current statutory fees allowed under Education Code Section 17620. This code section provides the basic authority for school districts to levy a fee against residential and commercial and industrial construction for the purpose of funding school construction or reconstruction of facilities. These fees, which are currently \$4.08 for residential construction and \$0.66 for commercial and industrial construction, will be increased in the year 2022 and every two years thereafter in accordance with the statewide cost index for Class B Construction as determined by the State Allocation Board. The district can collect these fees as long as a current justification study justifies those amounts, according to the regulations in Government Code Section 66001.

Level II Fees:

Level II Fees are outlined in Government Code Section 65995.5. This code section allows a school district to impose a higher fee on residential construction if certain conditions are met. This level of developer fees is subject to a Facility Needs Analysis based on Government Code Section 65995.6.

Level III Fees:

Level III Fees are outlined in Government Code Section 65995.7. If State funding becomes unavailable, this code section authorizes a school district that has been approved to collect Level II fees, to collect a higher fee on residential construction. This fee is equal to twice the amount of Level II fees. However, if a district eventually receives State funding, this excess fee must be reimbursed to the developers or be subtracted from the amount of State funding.

In accordance with the recent decision in the *Cresta Bella LP v. Poway Unified School District* (2013 WL 3942961) court Case, school districts are now required to demonstrate that reconstruction projects will generate an increase in the student population thereby creating an impact on the school district's facilities. School districts must establish a reasonable relationship between an increase in student facilities needs and the reconstruction project in order to levy developer fees.

Purpose of Study

This study will demonstrate the relationship between residential, commercial and industrial growth and the need for the construction and/or reconstruction of school facilities in the District based on the requirements for collection of Level I Fees (statutory fees).

SECTION I: DEVELOPER FEE JUSTIFICATION

Developer fee law requires that before fees can be levied a district must find that justification exists for the fee. Justification for the fee can be shown if anticipated residential, commercial and industrial development within a district will impact it with additional students. In addition, the district either will not have the facility capacity to house these students and/or the students would have to be housed in existing facilities that are not educationally adequate (i.e., antiquated facilities). It must also be shown that the amount of developer fees to be collected will not exceed the district's cost for housing students generated by new development. This section of the study will show that justification does exist for levying developer fees in the District.

School Capacity

The District's capacity of 13,283 is based State School Facility Program loading standards of 25 pupils per K-6th grade classrooms, 27 pupils per 7th-8th grade classroom and 13 pupils per non-severe SDC classroom. A District capacity summary is included as Appendix A.

Student Generation

To identify the number of students anticipated to be generated by new residential development, a student generation study was completed by Jack Schreder & Associates.

A K-6th student yield factor of .354 and 7-8th student yield factor of .062 has been identified for single-family units in the District. The results of these surveys are outlined in Table 1.

The number of multi-family and affordable units constructed within District boundaries in the previous five years is minimal; therefore, the student generation rates for a school district located in Los Angeles County and similar to the Lancaster School District were utilized. A student yield factor of .533 for K-6th and .200 for 7-8th has been identified for multi-family units. A student yield factor of .340 for K-6th and .120 for 7-8th has been identified for affordable units. A weighted student yield factor of .364 for K-6th and .075 for 7-8th has been calculated for Lancaster Elementary School District.

Table 1. Student Generation Factors

	Units	SGR	Students
K-6 Single-Family Detached	750	0.354	266
7-8 Single-Family Detached	750	0.062	47
K-6 Multi-Family	50	0.533	27
7-8 Multi-Family	50	0.200	10
K-6 Affordable	56	0.340	19
7-8 Affordable	56	0.120	7
Total	856		376
<i>K-6 Weighted Average</i>	<i>0.364</i>		
<i>7-8 Weighted Average</i>	<i>0.075</i>		
K-8 Weighted Average	0.439		

Source: Jack Schreder & Associates. Lancaster School District.

Enrollment Projection and Development

The enrollment projections used in this study utilize a cohort methodology based on four years of historic California Basic Education Data System (CBEDS) enrollments. The cohort survival method of projecting enrollments identifies the probability that a student will "survive" from one school year to the next in the successive grade level. By using four years of enrollment, the cohort rates are averaged over three years of change.

The City of Lancaster, City of Palmdale, and Los Angeles County Planning Departments were contacted to provide residential development information regarding the construction of new residential units in the District's boundary. According to the City of Lancaster Planning Department, there are 1,335 single-family units and 282 affordable units with final or tentative maps. However, the City Planning Department estimates 750 single-family, 50 multi-family, and 56 affordable units may be constructed within the next five years. There are currently no approved units within the portion of the District located in the City of Palmdale or within the County boundary. Table 2 provides a list of planned development by type. In addition to the approved development included in Table 2, there will be infill projects along with the construction of accessory structures (additional unit on an existing parcel) which will also be subject to Level I fees.

Table 2. Residential Development

Housing Type	Housing Units
Single Family Detached	750
Multi-Family	50
Affordable	56
Total	856

Source: City of Lancaster, City of Palmdale, Los Angeles County.

District Capacity Compared to Enrollment Projection

The District's current enrollment is 15,785 with a capacity of 13,283. The District currently exceeds its capacity by 2,502 pupils and will continue to do so through the 2024-25 school year. The enrollment projection includes students generated from residential development. The District's capacity is included as Appendix A and the enrollment projection is included as Appendix B.

Residential Fee Projection

To show a reasonable relationship exists between the construction of new housing units and the need for additional school facilities, it will be shown that each square foot of new assessable residential space will create a school facility cost impact on the District.

The Lancaster School District's long-term plan is to provide future students with permanent school facilities, constructed as stand-alone permanent school structures or permanent additions to existing structures. In addition to classrooms, the District plans to provide additional adequate core facilities as needed to accommodate students generated from new development. While school construction funds are cumulatively accrued to fund permanent facilities or to be used as matching funds in the State School Funding Program, it may be necessary to house students in portable, relocatable, or temporary facilities. The District's short-term plan is to house projected students in portable facilities. Therefore, the Level I fee calculations include the cost to house students in portable facilities. Appendix C contains the portable cost per student calculations.

To determine the cost impact of residential construction on the District, the cost to house a student in new school facilities must be identified. Table 3 shows the cost impact for portable school facilities for each student generated by new residential development

is \$31,745. The District currently owns sites which are suitable for the construction of elementary and middle schools. Therefore, land costs were not included in the calculation.

Table 3. Cost Per Student

<u>Facility Cost Per Student (modular)</u>	
<u>Grade</u>	<u>Cost</u>
K-6	\$30,725
7-8	\$35,316
Weighted Average $((\$30,725 \times 7) + (\$35,316 \times 2))/9$	
	= \$31,745

Source: State Department of Education, Office of Public School Construction, Lancaster School District, and Jack Schreder & Associates.

Square Footage of Residential Development

To determine the impact per square foot of residential construction, the student generation factors are compared to the average house size anticipated to be constructed in the District. Based on recently constructed housing and research on residential development, the average size of a new single-family detached residential unit will be approximately 2,804 square feet, the average size of a new multi-family detached residential unit will be approximately 1,000 square feet, and the average size of a new affordable residential unit will be approximately 1,000 square feet. Based on these averages, and the number of new housing units planned, JSA calculated the average square footage of residential units anticipated to be constructed in the District (Table 4).

Table 4. Average Square Footage for New Housing Units

Unit Type	Average Square Footage	New Housing Units	Total Square Footage	Average Square Footage
SFD	2,804	750	2,103,000	
MF	1,000	50	50,000	
AFF	1,000	56	56,000	
Total		856	2,209,000	2,581

Source: City of Lancaster and MetroScan Online.

Residential Fee Generation

To determine the impact per square foot of residential construction, the average student generation factor was compared to the average square footage of residential units anticipated to be constructed in the District.

Since each residential unit generates an average of .439 K-8th grade students for the District to house, each residential unit will generate .0001701 students per square foot (.439 students per unit divided by the average residential unit size of 2,581 sq. ft.). The cost to house students is \$5.40 per square foot of new residential construction (\$31,745 per student multiplied by the square foot student generation factor of .0001701 students). This cost impact is based on each new student requiring new facilities.

This calculation satisfies the requirements of *Shapell Industries, Inc. v. Governing Board of Milpitas Unified School District* (1991) 1 Cal.App.4th 218 (“*Shapell*”), as follows. The *Shapell* case requires that a fee justification study must involve the interrelation between three elements: (1) a projection of the total amount of new housing expected to be built within the District, (2) approximately how many students will be generated by the new housing, and (3) an estimate of what it will cost to provide the necessary school facilities for that approximate number of new students. As stated above, the projection of the total amount of new housing expected to be built within the District is 856 units, which will generate approximately 376 new students. The cost to house 376 students is \$11,936,120, calculated by multiplying the per-student construction cost (\$31,745) by the 376 students. Breaking that cost down among the total projected square footage of 2,209,000 yields a fee of \$5.40, as cited above.

Based on the residential fee generation calculations each square foot of residential construction will create a school facilities cost of at least \$5.40 per square foot for the District. However, the District has a Level I Fee Sharing Agreement with the High School District. The High School District collects 26 percent of the Level I Fee and the Elementary District collects 74 percent of the Level I Fee. Therefore, the Lancaster School District is justified to collect \$3.02 (74 percent of the statutory fee of \$4.08) per square foot of residential construction.

Commercial / Industrial Development and Fee Projections

In order to levy developer fees on commercial and industrial development, a district must conduct a study to determine the impact of the increased number of employees anticipated to result from commercial and industrial development upon the cost of providing school facilities within the district. For the purposes of making this determination, the [developer fee justification] study shall utilize employee generation estimates that are calculated on either an individual project or categorical basis. Those employee generation estimates shall be based upon commercial and industrial factors within the district or upon, in whole or part, the applicable employee generation estimates as set forth in the January 1990 edition of "San Diego Traffic Generators," a report of the San Diego Association of Governments. (Education Code Section 17621) The initial study that was completed in January of 1990 identifies the number of employees generated for every 1,000 square feet of floor area for several development categories. These generation factors are shown in Table 5.

Table 5 indicates the number of employees generated for every 1,000 square feet of development and the number of District households generated for every employee in 12 categories of commercial and industrial development. The number of District households is calculated by adjusting the number of employees for the percentage of employees that live in the District and are heads of households.

In addition, an adjustment in the formula is necessary so that students moving into new residential units that have paid residential fees are not counted in the commercial/industrial fee calculation. Forty percent of all employees in the District live in existing housing units. The forty percent adjustment eliminates double counting the impact. This adjustment is shown in the worksheets in Appendix D and in Table 5.

These adjustment factors are based on surveys of commercial and industrial employees in school districts similar to the District. When these figures are compared to the cost to house students, it can be shown that each square foot of commercial and industrial development creates a cost impact greater than the maximum fee, with the exception of mini-storage. The data in Table 5 is based on the per student costs shown in Table 3. These figures are multiplied by the student yield factor to determine the number of students generated per square foot of commercial and industrial development. To determine the school facilities square foot impact of commercial and industrial

development shown in Table 6, the students per square foot are multiplied by the cost of providing school facilities.

Table 5. Commercial/Industrial Generation Factors

Type of Development	*Employees per 1,000 sf	**Dist HH Per Emp.	% Emp in Exist HH	Adj.%Emp Dist HH/Emp
Medical Offices	4.27	.2	.4	.08
Corporate Offices	2.68	.2	.4	.08
Commercial Offices	4.78	.2	.4	.08
Lodging	1.55	.3	.4	.12
R&D	3.04	.2	.4	.08
Industrial Parks	1.68	.2	.4	.08
Industrial/Comm. Parks	2.21	.2	.4	.08
NBHD Comm SC	3.62	.3	.4	.12
Community Shopping Centers	1.09	.3	.4	.12
Banks	2.82	.3	.4	.12
Mini-Storage	.06	.2	.4	.08

* Source: San Diego Association of Governments.

** Source: Jack Schreder and Associates. Original Research.

Table 6. Commercial/Industrial Facilities Cost Impact

Type of Development	Cost Impact Per Sq. Ft.
Medical Offices	\$4.76
Corporate Offices	\$2.99
Commercial Offices	\$5.33
Lodging	\$2.59
R&D	\$3.39
Industrial Parks	\$1.87
Industrial/Commercial Parks	\$2.46
NBHD Comm SC	\$6.05
Community SC	\$1.82
Banks	\$4.72
Mini-Storage	\$0.07

*Source: San Diego Association of Governments and Jack Schreder and Associates, Original Research.

Table 5 shows that all types of commercial and industrial development create a cost justifying the commercial/industrial fee with the exception of mini-storage which

creates a reduced square foot cost justifying a commercial/industrial fee. Thus, a reasonable relationship between commercial and industrial development and the impact on the District is shown. Based on this relationship, the levying of commercial and industrial developer fees is justified in the District.

Summary

The cost impact on the District imposed by new students to be generated from new residential, commercial and industrial development is greater than the maximum allowable fees. Each square foot of residential development creates a school facility cost of \$5.40 per square foot. Each square foot of commercial and industrial development creates a school facility cost ranging from \$0.07 to \$6.05 per square foot. The cost to provide additional school facilities exceeds the amount of residential and commercial/industrial fees to be generated directly and indirectly by residential construction.

However, the District currently has a Level 1 Fee Sharing Agreement with the Antelope Valley Union High School District. The Lancaster School District collects 74 percent of the Level 1 Fee and the High School District collects 26 percent of the Level 1 Fee. Therefore, the Lancaster School District is justified to collect \$3.02 (74 percent of \$4.08) per square foot of residential construction and \$0.49 (74 percent of \$0.66) per square foot for commercial/industrial construction with the exception of mini-storage, which the District is justified to collect at a rate of \$0.07.

SECTION II: BACKGROUND OF DEVELOPER FEE LEGISLATION

Initially, the maximum allowable developer fee was limited by Government Code Section 65995 to \$1.50 per square foot of covered or enclosed space for residential development and \$.25 per square foot of covered or enclosed space of commercial or industrial development. The maximum fee that can be levied is adjusted every two years, according to the inflation rate as listed by the state-wide index for Class B construction set by the State Allocation Board. In January of 2020, the State Allocation Board increased the maximum fee to \$4.08 per square foot for residential construction and \$0.66 per square foot for commercial and industrial construction. In January of 2022, the State Allocation Board will increase the maximum fees for residential, commercial and industrial construction.

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

Assembly Bill 3228 (Chapter 1572/Statutes of 1990) added Government Code Section 66016 requiring districts adopting or increasing any fee to first hold a public hearing as part of a regularly scheduled meeting and publish notice of this meeting twice, with the first notice published at least ten days prior to the meeting.

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

Senate Bill 519 (Chapter 1346/Statutes of 1987) added Section 530.880.4 to the Government Code. Government Code Section 530.880.4 has been changed to Education Code Section 17625. It provides that a school district can charge a fee on manufactured or mobile homes only in compliance with all of the following:

1. The fee may be imposed only as to the initial installation of the manufactured or mobile home in the school district.
2. A manufactured or mobile home must not have been located previously on the pad where the manufactured or mobile home is to be installed.
3. The construction of the pad where the manufactured or mobile home is to be located must have commenced after September 1, 1986.

Senate Bill 1151 (Chapter 1037/Statutes of 1987) concerns agricultural buildings and added Section 530.880.15 to the Government Code. Government Code Section 530.880.15 has been changed to Education Code Section 17622. It provides that no school fee may be imposed and collected on a greenhouse or other space covered or enclosed for agricultural purposes unless the school district has made findings supported by substantial evidence as follows:

1. The amount of the fees bears a reasonable relationship and is limited to the needs for school facilities created by the greenhouse or other space covered or enclosed for agricultural purposes.
2. The amount of the fee does not exceed the estimated reasonable costs of the school facilities necessitated by the structures as to which the fees are to be collected.
3. In determining the amount of the fees, the school district shall consider the relationship between the proposed increase in the number of employees, if any, the size and specific use of the structure, as well as the cost of construction.

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

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

1. Exempts residential remodels of less than 500 square feet from fees.
2. Prohibits the use of developer fee revenue for routine maintenance and repair, most asbestos work, and deferred maintenance.
3. Allows the fees to be used to pay for the cost of performing developer fee justification studies.
4. States that fees are to be collected at the time of occupancy, unless the district can justify earlier collection. The fees can be collected at the time the building permit is issued if the district has established a developer fee account and funds have been appropriated for which the district has adopted a proposed construction schedule or plan prior to the issuance of the certificate of occupancy.
5. Clarifies that the establishment or increase of fees is not subject to the California Environmental Quality Act.
6. Clarifies that the impact of commercial and industrial development may be analyzed by categories of development as well as an individual project-by-project basis. An appeal process for individual projects would be required if an analysis were to be done by categories.
7. Changes the frequency of the annual inflation adjustment on the maximum fee to every two years.
8. Exempts from fees - development used exclusively for religious purposes, private schools, and government-owned development.

9. Expands the definition of senior housing, which is limited to the commercial/industrial fee cap and requires the conversion from senior housing to be approved by the city/county after notification of the school district.
10. Extends the commercial/industrial fee cap to mobile-home parks limited to older persons.

SECTION III: REVENUE SOURCES FOR FUNDING FACILITIES

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

State Sources

State Facility Program

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

Local Sources

Mello-Roos Community Facilities Act

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

1. The voter approved tax levy requires a two-thirds vote by the voters of the proposed Mello-Roos District.
2. If a Mello-Roos District is established in an area in which fewer than twelve registered voters reside, the property owners may elect to establish a Mello-Roos District.

General Obligation Bonds

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

The District passed a bond in November 2012 in the amount of \$63 million to modernize and construct school facilities. The costs to complete all projects included in the bond exceeds available funds. Developer fees will be used to augment local funds to complete construction projects.

Developer Fees

District developer fees are dedicated to the modernization and new construction needs of school facilities due to the impact of students generated from new development.

School District General Funds

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

SECTION IV: REQUIREMENTS OF AB 1600

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

Section 66000 defines various terms used in AB 1600:

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

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

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

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

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

Assembly Bill 1600 as Related to the Justification for Levying Developer Fees

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

1. A cost nexus must be established. A cost nexus means that the amount of the fee cannot exceed the cost of providing adequate school facilities for students generated by development. Essentially, it prohibits a school district from charging a fee greater than their cost to construct or reconstruct facilities for use by students generated by development.
2. A benefit nexus must be established. A benefit nexus is established if the fee is used to construct or reconstruct school facilities benefiting students to be generated from development projects.
3. A burden nexus must be established. A burden nexus is established if a project, by the generation of students, creates a need for additional facilities or a need to reconstruct existing facilities.

SECTION V: ESTABLISHING THE COST, BENEFIT AND BURDEN NEXUS

Establishment of a Cost Nexus

The District chooses to construct and/or reconstruct facilities for the additional students created by development in the District and the cost for providing new and/or reconstructed facilities exceeds the amount of developer fees to be collected. It is clear that when educational facilities are provided for students generated by new residential, commercial and industrial development that the cost of new facilities exceeds developer fee generation, thereby establishing a cost nexus.

Establishment of a Benefit Nexus

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

Establishment of a Burden Nexus

The generation of new students by development will create a need for additional and/or reconstructed school facilities. The District must carry the burden of constructing new facilities required by the students generated by future developments and the need for facilities will be, in part, satisfied by the levying of developer fees, therefore, a burden nexus is established.

SECTION VI: FACILITY FUNDING ALTERNATIVES

The District does not currently have funds to provide for the shortfall in housing costs. We suggest that the District continue to consider State Facility Funding options.

STATEMENT TO IDENTIFY PURPOSE OF FEE

It is a requirement of AB 1600 that the District identify the purpose of the fee. The purpose of fees being levied shall be used for the construction and/or modernization of school facilities. The District will provide for the construction and/or modernization of school facilities, in part, with developer fees.

The District completed a Facility Master Plan in September 2018 which includes a summary of District facility needs for which developer fees will be expended.

ESTABLISHMENT OF A SPECIAL ACCOUNT

Pursuant to Government Code section 66006, the District has established a special account in which fees for capital facilities are deposited. The fees collected in this account will be expended only for the purpose for which they were collected. Any interest income earned on the fees that are deposited in such an account must remain with the principal. The school district must make specific information available to the public within 180 days of the end of each fiscal year pertaining to each developer fee fund. The information required to be made available to the public by Section 66006 (b) (1) was amended by SB 1693 and includes specific information on fees expended and refunds made during the year.

RECOMMENDATION

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

SOURCES

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Collard, Gary. Lead Housing Analyst for Southern California. California State Department of Housing and Community Development.

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

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APPENDIX A

DISTRICT CAPACITY

Lancaster Elementary School District							
Recalculated Facility Capacity							
	K-6	7-8	NS	S	OPSC Application #	DSA Number	Year Built
SAB 50-02 Existing School Building Capacity (attached)	7,050	1,782	195				
Armagosa Creek Middle: Alteration to 2 (24'x40')C.R. Bldgs (Relocation from Stockpile)		37			50/64667-00-001	03-106404	2001
West Wind Elementary: 12 Classrooms	675				50/64667-00-002	03-102936	2003
Northrup Elementary: 28 Classrooms	700				50/64667-00-003	03-103480	2004
Miller Elementary School (#17): 33 Classrooms	800		13		50/64667-00-005	03-107603	2002
Discovery Elementary School (#23): 32 Classrooms	775		13		50/64667-00-006	03-107601	2010
Endeavor Middle School (#18): 43 Classrooms	60	1,022	26		50/64667-00-007	03-107599	2009
Endeavor Middle School: 2 Classrooms	50				50/64667-00-010	03-116476	TBD
Linda Verde Elementary: 6 Classrooms	85				50/64667-00-011	03-118205	TBD
CapacityTotal	10,195	2,841	247	0			

APPENDIX B

ENROLLMENT PROJECTION

Lancaster Elementary School District						
Districtwide Enrollment Projection						
GR.	19-20	20-21	21-22	22-23	23-24	24-25
K	2,039	2,070	2,101	2,132	2,164	2,196
1	1,758	1,735	1,765	1,796	1,828	1,860
2	1,723	1,773	1,750	1,781	1,812	1,843
3	1,696	1,771	1,821	1,798	1,829	1,860
4	1,806	1,735	1,810	1,861	1,837	1,868
5	1,661	1,833	1,762	1,837	1,887	1,864
6	1,736	1,665	1,836	1,766	1,841	1,891
7	1,659	1,698	1,627	1,799	1,728	1,803
8	1,707	1,708	1,748	1,677	1,848	1,778
K-6	12,419	12,582	12,846	12,971	13,198	13,382
7-8	3,366	3,407	3,375	3,476	3,576	3,581
Total	15,785	15,988	16,221	16,447	16,775	16,963

APPENDIX C

COST PER STUDENT

Cost Per Student		Weighted Average	\$31,745
Elementary School Facility Construction Costs - Modular Construction			
I. Allowable Building Area			
	A. Total Student Capacity		
	B. Building Area		
	600 students @ 71sf/student		42,600
	Speech/Resource Specialist		600
	Total		43,200
II. Site Requirements			
	A. Purchase Price of Property (10 Acres)		
	Cost per Acre		\$0
	B. Appraisals		\$0
	C. Costs Incurred in Escrow		\$0
	D. Surveys		\$0
	E. Other Costs, Geo. and Soils Reports		<u>\$0</u>
	Total-Acquisition of Site		\$0
III. Plans			
	A. Architect's Fee for Plans		\$1,215,799
	B. DSA Plans Check Fee		\$106,382
	C. School Planning, Plans Check Fee		\$7,833
	D. Preliminary Tests		\$6,006
	E. Other Costs, Energy Cons. & Advertising		<u>\$52,734</u>
			\$1,388,755
IV. Construction Requirements			
	A. Utility Services		\$504,376
	B. Off-site Development		\$756,563
	C. Site Development, Service		\$1,210,499
	D. Site Development, General		\$806,999
	E. Modular Construction		\$11,232,000
	F. Unconventional Energy Source		<u>\$687,056</u>
	Total Construction		\$15,197,493
	Total Items II, III and IV		\$16,586,248
	Contingency 10%		\$1,658,625
	Construction Tests		\$37,994
	Inspection		\$151,975
	TOTAL ESTIMATED PROJECT COSTS		\$18,434,841
	ESTIMATED COST PER STUDENT		\$30,725
<i>*Source: California Department of Education, Jack Schreder & Associates.</i>			

Middle School Facility Construction Costs - Modular Construction			
I. Allowable Building Area			
	A. Total Student Capacity		
	B. Building Area		
	1000 students @ 85sf/student		85,000
	Speech/Resource Specialist		<u>1,360</u>
	Total		86,360
II. Site Requirements			
	A. Purchase Price of Property (20 Acres)		
	Cost per Acre	\$0	\$0
	B. Appraisals		\$0
	C. Costs Incurred in Escrow		\$0
	D. Surveys		\$0
	E. Other Costs, Geo. and Soils Reports		<u>\$0</u>
	Total-Acquisition of Site		\$0
III. Plans			
	A. Architect's Fee for Plans		\$2,331,414
	B. OSA Plans Check Fee		\$203,999
	C. School Planning, Plans Check Fee		\$8,993
	D. Preliminary Tests		\$9,991
	E. Other Costs, Energy Cons. & Advertising		<u>\$76,936</u>
			\$2,631,332
IV. Construction Requirements			
	A. Utility Services		\$739,991
	B. Off-site Development		\$832,810
	C. Site Development, Service		\$2,300,396
	D. Site Development, General		\$1,640,844
	E. Modular Construction		\$22,453,600
	F. Unconventional Energy Source		<u>\$1,175,028</u>
	Total Construction		\$29,142,669
	Total Items II, III and IV		\$31,774,001
	Contingency		\$3,177,400
	Construction Tests		\$72,857
	Inspection		\$291,427
	TOTAL ESTIMATED PROJECT COSTS		\$35,315,685
	ESTIMATED COST PER STUDENT		\$35,316
<i>*Source: California Department of Education, Jack Schreder & Associates.</i>			

APPENDIX D

**COMMERCIAL/INDUSTRIAL
CALCULATIONS**

Lancaster School District						
Commercial/Industrial Calculations						
	EMP/	DIST.HH/	HH/SF	% EMP IN	ADJUSTED	ADJ %
	1000 SQ.FT	EMP		EXIST HH	HH/SF	DIST HH/EMP
MEDICAL	4.27	0.2	0.000854	0.4	0.0003416	0.08
CORP. OFFICE	2.68	0.2	0.000536	0.4	0.0002144	0.08
COM. OFFICE	4.78	0.2	0.000956	0.4	0.0003824	0.08
LODGING	1.55	0.3	0.000465	0.4	0.0001860	0.12
R&D	3.04	0.2	0.000608	0.4	0.0002432	0.08
IN. PARK	1.68	0.2	0.000336	0.4	0.0001344	0.08
IN/COM PARK	2.21	0.2	0.000442	0.4	0.0001768	0.08
NBHD COMM SC	3.62	0.3	0.001086	0.4	0.0004344	0.12
COMMUNITY SC	1.09	0.3	0.000327	0.4	0.0001308	0.12
BANKS	2.82	0.3	0.000846	0.4	0.0003384	0.12
MINI-STORAGE	0.06	0.2	0.000012	0.4	0.0000048	0.08
STUDENT YIELDS			COST PER STUDENT			
K-8	0.439		K-8	\$31,745		
STUDENTS PER SQUARE FOOT						
(YIELD FACTORS X ADJ HH/SQ. FT IN COLUMN F)						
	K-8					
MEDICAL	0.000150					
CORP. OFFICE	0.000094					
COM. OFFICE	0.000168					
LODGING	0.000082					
R&D	0.000107					
IN. PARK	0.000059					
IN/COM PARK	0.000078					
COM. SC.	0.000191					
COMMUNITY SC	0.000057					
BANKS	0.000149					
MINI STORAGE	0.000002					
COSTS PER SQUARE FOOT						
(STUDENTS/ SQ. FOOT X STUDENT COST/SQ. FOOT IN EACH CATEGORY)						
	K-8					
MEDICAL	\$4.76					
CORP. OFFICE	\$2.99					
COM. OFFICE	\$5.33					
LODGING	\$2.59					
R&D	\$3.39					
IN. PARK	\$1.87					
IN/COM PARK	\$2.46					
COM. SC.	\$6.05					
COMMUNITY SC	\$1.82					
BANKS	\$4.72					
MINI STORAGE	\$0.07					