

**Developer Fee
Justification Study
for
Martinez Unified
School District**

January 26, 2018

CJ Cammack, Superintendent

Board of Trustees

Jonathan T. Wright, President
Diedre M. Siguenza, Vice President
Bobbi Horack, Clerk
John Fuller, Member
Kathi McLaughlin, Member

Prepared by:

Jack Schreder & Associates
2230 K Street
Sacramento, CA 95816
916-441-0986

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	3
SECTION I: DEVELOPER FEE JUSTIFICATION.....	8
<u>SCHOOL CAPACITY</u>	8
<u>STUDENT GENERATION</u>	8
<u>ENROLLMENT PROJECTION AND DEVELOPMENT</u>	8
<u>RESIDENTIAL FEE PROJECTION</u>	10
<u>COMMERCIAL / INDUSTRIAL DEVELOPMENT AND FEE PROJECTIONS</u>	11
<u>SUMMARY</u>	14
SECTION II: BACKGROUND OF DEVELOPER FEE LEGISLATION	15
SECTION III: REQUIREMENTS OF AB 1600.....	19
SECTION IV: REVENUE SOURCES FOR FUNDING FACILITIES	22
<u>STATE SOURCES</u>	22
<u>LOCAL SOURCES</u>	22
SECTION V: ESTABLISHING THE COST, BENEFIT AND BURDEN NEXUS.....	24
SECTION VI: FACILITY FUNDING ALTERNATIVES	25
STATEMENT TO IDENTIFY PURPOSE OF FEE	26
ESTABLISHMENT OF A SPECIAL ACCOUNT	26
RECOMMENDATION.....	26
SOURCES.....	27

LIST OF TABLES

TABLE 1. FACILITY COST PER STUDENT	10
TABLE 2. COMMERCIAL AND INDUSTRIAL GENERATION FACTORS	13
TABLE 3. COMMERCIAL AND INDUSTRIAL FACILITIES COST IMPACT.....	13

LIST OF FIGURES

FIGURE 1. DISTRICT CAPACITY COMPARED TO ENROLLMENT PROJECTION.....	9
--	---

APPENDICES

APPENDIX A	DISTRICT CAPACITY
APPENDIX B	ENROLLMENT PROJECTION
APPENDIX C	COST PER STUDENT
APPENDIX D	COMMERCIAL/INDUSTRIAL COST CALCULATIONS

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 2018 the State Allocation Board's biennial inflation adjustment increased the fee to \$3.79 per square foot for residential construction and \$0.61 per square for commercial/industrial construction.
- This study finds that justification exists for levying fees in the Martinez Unified School District of up to \$6.22 for residential construction.
- This study finds that justification exists for levying fees in the Martinez Unified School District of between \$0.16 per square foot of mini storage and \$12.64 per square foot of commercial/industrial construction.
- The capacity for the Martinez Unified School District is based on State School Facility Program loading policies for K-12th grade students. The current capacity of the District is 4,107 K-12th grade students.
- The justification is based on this study's findings that the District exceeds its K-12th grade facility capacity of 4,107 students and will continue to exceed capacity into the 2027-28 school year.
- Each new residential unit to be constructed in the District will average 1,878 square feet and will generate an average of .284 K-12th grade students for the Martinez Unified School District to house.
- Each square foot of residential construction will create a school facilities cost of at least \$6.22 per square foot.

- Each square foot of commercial/industrial construction will create a school facilities cost ranging from \$0.16 to \$12.64 per square foot.
- Based on an estimated facilities cost of \$44,415 per student, each new housing unit will represent a school facilities mitigation need of \$12,614. The cost per student is multiplied by the student generation factor to determine the school facilities mitigation need per housing unit ($\$44,415 \times .284 = \$12,614$).

INTRODUCTION

In September, 1986, the Governor signed into law Assembly Bill 2926 (Chapter 887/Statutes 1986) which granted school district governing boards the authority to impose developer fees. This authority is codified in Education Code Section 17620 which states in part "...the governing board of any school district is authorized to levy a fee, charge, dedication or other form of requirement against any development project for the construction or 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 \$.27 per square foot for commercial and industrial construction.

Senate Bill 1187 (Chapter 1354/Statutes 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 Prop. 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 \$.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 \$.30 per square foot for commercial/industrial construction.

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

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

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

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

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

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

In January, 2010, the State Allocation Board's biennial inflation adjustment maintained the fee of \$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 increased 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 increased 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 increased 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 increased the fee to \$3.79 per square foot for residential construction and \$0.61 per square foot for commercial/industrial construction.

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.

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 facility needs and the reconstruction project in order to levy developer fees.

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 Facilities Program as well as developer fee mitigation for school districts in California. Education Code 17620 was amended to include the provisions of Government Code 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-Murieta". 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 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 17620. This code section provides the basic authority for school districts to levy a fee against residential and commercial construction for the purpose of funding school construction or reconstruction of facilities. These fees, which are currently \$3.79 for residential construction and \$0.61 for commercial construction, will be increased in the year 2018 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 66001.

Level II Fees:

Level II developer 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 developer 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.

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 Martinez Unified School 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 does 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 Martinez Unified School District.

School Capacity

The current student capacity of the District is 4,107 K-12th grade students. This capacity is based on the current documents on file with the State School Facility Program. The District's capacity is included as Appendix A.

Student Generation

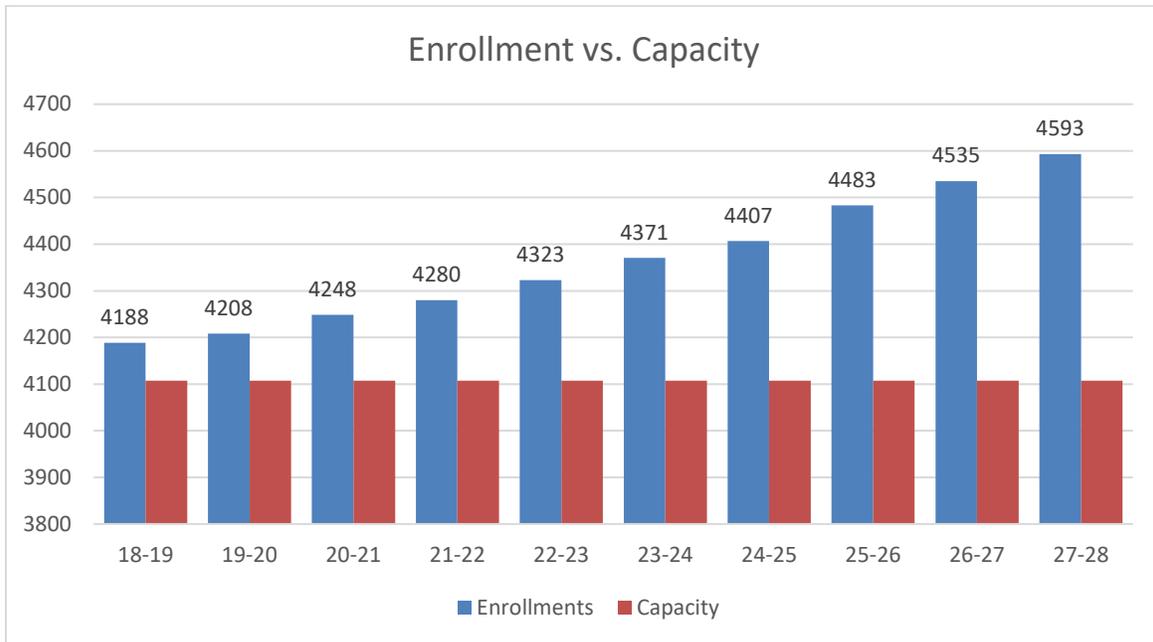
To identify the number of students anticipated to be generated by new residential development, student yield factors were analyzed. Single family detached residential units were surveyed within the Martinez Unified School District based on research from a real estate database and cross-referenced with the district's student address list. A student generation factor of .284 has been identified for single family detached units in the Martinez Unified School District.

Enrollment Projection and Development

The enrollment projections in this study utilize a cohort methodology based on historic CBEDS enrollments and birth to kindergarten ratios. 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 historical enrollments, the cohort rates are averaged and utilized for the projection.

The enrollment projection does not include current or proposed residential development. Figure 1 indicates the District exceeds its facility capacity and will continue to exceed its facility capacity of 4,107 K-12th grade students throughout the next ten years. The enrollment projection is included as Appendix B.

Figure 1. District Capacity Compared to Enrollment Projection



Square Footage of Unmitigated 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 units recently constructed within the District, the average size of a new single-family units will be approximately 1,878 square feet;

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 Martinez Unified School District.

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 new school facilities for each student generated by new residential development. 1 shows it will cost the District an average of \$44,415 to house each additional student in new facilities. Land costs were researched by the consultant and included in the cost per student calculation. Appendix C contains the cost per student calculations.

Table 1. Facility Cost Per Student

Grade Group	Cost Per Student
K-6	\$39,049
7-8	\$45,044
9-12	\$53,492
Weighted Average	\$44,415

Source: State Department of Education, Office of Public School Construction.

Residential Fee Generation

To determine the impact per square foot of residential construction, the average student generation factor was compared to the average residential unit anticipated to be constructed in the District. Since each residential unit generates .284 K-12th grade students per unit for the District to house, each residential unit will generate .00015 students per square foot (.284 students per unit divided by the average residential unit size of 1,878 sq. ft.). The cost to house students is \$6.66 per square foot of new residential construction (\$44,415 per student multiplied by the square foot student generation factor of .00015 students). This cost impact is based on each new student requiring new facilities.

The Martinez Unified School District is justified in the levying of Level I developer fees up to \$6.66 per square foot of residential development.

Commercial / Industrial Development and Fee Projections

In order to levy developer fees on commercial and industrial development, Assembly Bill 181 provides that a district "... must 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 based on commercial and industrial factors within the district, as calculated on either an individual project or categorical basis". The passage of Assembly Bill AB 530 (Chapter 633/Statutes 1990) modified the requirements of AB 181 by allowing the use of a set of statewide employee generation factors. Assembly Bill 530 allows the use of the employee generation factors identified in the San Diego Association of Governments report titled, San Diego Traffic Generators. This study which 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 4.

According to the 2010 United States Census of Population and Housing, there are 18,029 workers over the age of 16 in the Martinez Unified School District. Of these persons, 7,698 or 42% of the workers, have a commute time to work of less than 20 minutes. It is assumed that a commute time of less than 20 minutes indicates the person

is employed and lives within the district. Based on this assumption, 42% of all new jobs in the district will be filled by employees living within the district.

However, since each employee that works and lives within the district boundaries does not represent a household, an additional adjustment is necessary. The 2010 United States Census of Population and Housing shows there were 14,287 households and 18,029 workers over the age of 16 in the Martinez Unified School District. Based on these two numbers, there is a ratio of 1.26 employees to every household.

By multiplying the percentages of employees that will live and work in the district (42%) by the percentage of employees that represent households (126%), a Job to District Household Factor of 53% is identified. These calculations show that for every employee generated by new commercial and industrial development in the Martinez Unified School District, 53% will represent district 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 fee. Forty per-cent of all employees in the district live in existing housing units. The forty per-cent adjustment eliminates double counting the impact. This adjustment is shown in the worksheets in Appendix D and in Table 2.

Table 2 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 11 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.

The data shown in Table 3 is based on the per student costs shown in Table 1. These figures are multiplied by the student yield factor to determine the number of students generated per square foot of commercial and industrial development. To determine the school facilities square foot impact of commercial and industrial development shown in Table 3, the students per square foot are multiplied by the cost of providing school facilities. Appendix D contains the commercial/industrial cost worksheet.

Table 2. Commercial and Industrial Generation Factors

Type of Development	*Employees per 1,000 sf	**Dist HH Per Emp.	% Emp in Exist HH	Adj.%Emp Dist HH/Emp
Medical Offices	4.27	.53	.4	.212
Corporate Offices	2.68	.53	.4	.212
Commercial Offices	4.78	.53	.4	.212
Lodging	1.55	.53	.4	.212
Scientific R&D	3.04	.53	.4	.212
Industrial Parks	1.68	.53	.4	.212
Industrial/Business Parks	2.21	.53	.4	.212
Neighborhood Shopping Centers	3.62	.53	.4	.212
Community Shopping Centers	1.09	.53	.4	.212
Banks	2.82	.53	.4	.212
Mini-Storage	.06	.53	.4	.212
Agriculture	0.31	.53	.4	.212

* Source: San Diego Association of Governments.

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

Table 3. Commercial and Industrial Facilities Cost Impact

Type of Development	Cost Impact Per Sq. Ft.
Medical Offices	\$11.29
Corporate Offices	\$7.08
Commercial Offices	\$12.64
Lodging	\$4.10
Scientific R&D	\$8.04
Industrial Parks	\$4.44
Industrial/Business Parks	\$5.84
Neighborhood Shopping Centers	\$9.57
Community Shopping Centers	\$2.88
Banks	\$7.45
Mini-Storage	\$0.16

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

* See Appendix E for Commercial Industrial Cost Calculations.

Table 3 shows that all types of commercial and industrial development will create a square foot cost justifying a Commercial/Industrial fee up to the statutory maximum of \$0.61, with one exception. The District is justified in imposing a fee of \$0.16 per square foot of chargeable covered and enclosed space for mini-storage uses. Thus a reasonable relationship between commercial and industrial development and the impact on the Martinez Unified School District is shown. Based on this relationship, the levying of commercial and industrial developer fees is justified in the Martinez Unified School District.

Summary

A reasonable relationship exists between new residential, commercial and industrial development in the Martinez Unified School District and the need for new school facilities. This relationship is based on the finding that the district exceeds its facility capacity and will continue to do so through the 2027-28 school year. New students to be generated by new residential development will have to be housed in new school facilities. 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.

The cost impact on the Martinez Unified School 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 single family residential development creates a K-12 school facility cost of \$6.66. Each square foot of commercial and industrial development creates a K-12 school facility cost ranging from \$0.16 to \$12.64 per square foot.

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 2018, the State Allocation Board increased the maximum fee to \$3.79 per square foot for residential construction and \$0.61 per square foot for 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 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 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 1987) added Section 17625 to the Education Code. It provides that a school district can charge a fee on manufactured or mobile homes only in compliance with all of the following:

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

2. The manufactured home or mobile home is to be located, installed, or occupied on a space or site on which no other manufactured home or mobile was previously located, installed or occupied.
3. The manufactured home or mobile home is to be located, installed, or occupied on a space in a mobile home park, on which the construction of the pad or foundation system commenced after September 1, 1986.

Senate Bill 1151 (Chapter 1037/Statutes 1987) concerns agricultural buildings and adds Section 53080.15 to the Government Code. Government Code Section 53080.15 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 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: REQUIREMENTS OF AB 1600

Assembly Bill 1600 (Chapter 927/Statutes 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.

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

Section 66001(d) as amended by Senate Bill 1693 (Monteith 1996 Chapter 569), requires that for the 5th year following the first deposit into a developer fee fund, and for every 5 years thereafter, a school district must make certain findings as to such funds. These findings are required regardless of whether the funds are committed or uncommitted. Formerly only remaining unexpended or uncommitted fees were subject to the mandatory findings and potential refund process. Under this section as amended, relating to unexpended fee revenue, two specific findings must be made as a part of the public information required to be formulated and made available to the public. These findings are:

1. Identification of all sources and amounts of funding anticipated to provide adequate revenue to complete any incomplete improvements identified pursuant to the requirements of Section 66001 (a)(2).
2. A designation of the approximate date upon which the anticipated funding will be received by the school district to complete the identified but as yet, incomplete improvements.

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

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

Section 66002 provides that any local agency which levies a development fee subject to Section 66001 may adopt a capital improvement plan which shall be updated annually and which shall indicate the approximate location, size, time of availability and estimates of cost for all facilities or improvements to be financed by the fees. This may be accomplished by completing a five year facility plan as outlined on Form SFPD 575 available through the California Department of Education.

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 its 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 IV: 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 Facilities Program

The State School Building Lease-Purchase Program was reformed by Senate Bill 50 in August of 1998. The new program, entitled the School Facilities 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.

3. Should a Mello-Roos District be formed subsequent to the levying of developer fees, the Mello-Roos District may be exempt from such fees.

The Board may levy developer fees and provide flexibility for establishment of a Mello-Roos District in the future.

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.

Developer Fees

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

School District General Funds

The district's general funds are needed by the district to provide for the operation of its instructional program. There are no unencumbered funds that could be used to construct new facilities or reconstruct existing facilities.

Expenditure of Lottery Funds

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

SECTION V: ESTABLISHING THE COST, BENEFIT AND BURDEN NEXUS

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

Establishment of a Cost Nexus

The Martinez Unified School 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 currently does not have funds to provide for the shortfall in housing costs. The District has been proactive in negotiating with developers for school facilities. We suggest the following possible funding alternatives.

1. Continue to participate in the State School Facility Program as needed.
2. Utilize temporary housing if the site will accommodate such housing.
3. Explore a possible new site in cooperation with developers for the possibility of establishing a Mello-Roos community facility district.
4. Explore possible local land exchange in combination with the State Building program.
5. Explore voter approved Mello-Roos or General Obligation Bond elections.

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 reconstruction of school facilities. The district will provide for the construction and/or reconstruction of school facilities, in part, with developer fees.

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 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 Martinez Unified School District levy residential development fees and commercial/industrial fees up to the statutory fee for which justification has been determined.

SOURCES

California Basic Educational Data System. California State Department of Education.
October Enrollments, 1997-2017.

California State Allocation Board, Applicant Handbook, Leroy F. Greene State
School Building Lease Purchase Law of 1976, 1986 revised.

Cammack, C.J., Superintendent. Martinez Unified School District.

City of Martinez Planning Department.

Loopnet.com

Metro Scan Database.

Rossi, Helen, Chief Business Official. Martinez Unified School District.

Schreder, Jack and Associates. Original research.

Senate Bill 50. State School Facilities Program Regulations.

U. S. Census Bureau. 2010.

APPENDIX A
FACILITY CAPACITY

Martinez Unified School District		
Capacity Summary		
School	Capacity	
Las Juntas	390	
Morello Park	531	
John Muir	421	
John Swett	530	
Total	1,872	
Martinez Jr High 6-8	915	
Alhambra High	1,245	
Vincente Martinez High	75	
Total Capacity	4,107	

APPENDIX B
ENROLLMENT
PROJECTION

Martinez Unified School District																						
Districtwide "Most Likely" Enrollment Projection																						
Grade	Actual											Projected										
	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	Avg.	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28
K	253	258	295	297	302	311	321	334	331	349	362		404	417	418	422	429	434	437	438	438	440
1	277	270	294	320	297	314	305	304	298	280	294	-17	327	369	382	383	387	394	400	403	403	404
2	242	285	272	288	309	290	317	295	300	289	289	-10	286	320	361	374	376	380	386	392	395	395
3	263	246	279	261	293	312	308	327	303	289	284	10	291	289	322	364	377	378	382	389	394	397
4	275	253	266	282	275	302	322	308	324	307	302	0	284	292	289	322	364	377	378	382	389	395
5	281	281	258	267	289	279	310	338	301	324	306	16	305	287	295	292	325	367	380	381	385	392
6	305	303	299	279	283	301	302	337	358	324	326	27	329	328	311	318	315	349	390	403	405	409
7	348	308	306	307	287	276	305	328	339	362	308	26	337	340	339	321	329	326	359	401	414	415
8	346	332	316	309	301	290	284	317	321	329	343	12	306	335	338	337	320	327	324	358	399	412
9	309	369	368	340	339	322	315	318	343	317	324	34	362	325	354	357	356	338	346	343	376	418
10	374	316	388	365	353	333	328	321	318	337	301	6	324	362	325	354	357	356	338	346	343	376
11	401	359	324	395	364	363	349	344	326	314	322	16	307	330	367	331	359	363	362	344	351	349
12	385	385	369	330	413	378	358	341	333	313	307	-8	311	296	319	357	320	349	352	351	333	341
												112										
K-5	1,591	1,593	1,664	1,715	1,765	1,808	1,883	1,906	1,857	1,838	1,837		1,898	1,973	2,067	2,158	2,258	2,330	2,364	2,385	2,405	2,423
6-8	999	943	921	895	871	867	891	982	1,018	1,015	1,014		972	1,003	988	977	964	1,002	1,074	1,162	1,218	1,236
9-12	1,469	1,429	1,449	1,430	1,469	1,396	1,350	1,324	1,320	1,281	1,307		1,304	1,312	1,365	1,398	1,392	1,406	1,398	1,384	1,404	1,484
Total	4,059	3,965	4,034	4,040	4,105	4,071	4,124	4,212	4,195	4,134	4,158		4,174	4,289	4,420	4,532	4,614	4,738	4,835	4,931	5,027	5,143

APPENDIX C
COST PER STUDENT

COST PER ACRE	\$335,081	WEIGHTED AVERAG	\$44,415
---------------	-----------	-----------------	----------

Elementary School Facility Construction Costs			
I. Allowable Building Area			
	A. Total Student Capacity		
	B. Building Area		
	600 students @ 71sf/student		42,600
	Speech/Resource Specialist		<u>600</u>
	Total		43,200
II. Site Requirements			
	A. Purchase Price of Property (10 Acres)		
	Cost per Acre	\$335,081	\$3,350,810
	B. Appraisals		\$15,343
	C. Costs Incurred in Escrow		\$10,304
	D. Surveys		\$15,343
	E. Other Costs, Geo. and Soils Reports		<u>\$68,173</u>
	Total-Acquisition of Site		\$3,459,973
III. Plans			
	A. Architect's Fee for Plans		\$1,136,613
	B. DSA Plans Check Fee		\$92,418
	C. School Planning, Plans Check Fee		\$7,833
	D. Preliminary Tests		\$6,006
	E. Other Costs, Energy Cons. & Advertising		<u>\$52,734</u>
			\$1,295,604
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. New Construction		\$12,288,700
	F. Unconventional Energy Source		<u>\$687,056</u>
	Total Construction		\$16,254,193
	Total Items II, III and IV		\$21,009,770
	Contingency 10%		\$2,100,977
	Construction Tests		\$187,183
	Inspection		\$131,576
	TOTAL ESTIMATED PROJECT COSTS		\$23,429,506
	ESTIMATED COST PER STUDENT		\$39,049

Middle School Facility Construction Costs			
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	\$335,081	\$6,701,620
	B. Appraisals		\$20,610
	C. Costs Incurred in Escrow		\$11,679
	D. Surveys		\$20,610
	E. Other Costs, Geo. and Soils Reports		<u>\$73,899</u>
	Total-Acquisition of Site		\$6,828,418
III. Plans			
	A. Architect's Fee for Plans		\$2,169,666
	B. OSA Plans Check Fee		\$142,883
	C. School Planning, Plans Check Fee		\$8,993
	D. Preliminary Tests		\$9,991
	E. Other Costs, Energy Cons. & Advertising		<u>\$76,936</u>
			\$2,408,469
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. New Construction		\$24,645,300
	F. Unconventional Energy Source		<u>\$1,175,028</u>
	Total Construction		\$31,334,369
	Total Items II, III and IV		\$40,571,256
	Contingency		\$4,057,126
	Construction Tests		\$263,031
	Inspection		\$153,073
	TOTAL ESTIMATED PROJECT COSTS		\$45,044,486
	ESTIMATED COST PER STUDENT		\$45,044

APPENDIX D
COMMERCIAL/INDUSTRIAL
COST CALCULATIONS

Martinez Unified School District						
Commerical/Industrial						
	EMP/ 1000 SQ.FT	DIST.HH/ EMP	HH/SF	% EMP IN EXIST HH	ADJUSTED HH/SF	ADJ % DIST HH/EMP
MEDICAL	4.27	0.53	0.00226310	0.4	0.00090524	0.21200000
CORPORATE OFFICE	2.68	0.53	0.00142040	0.4	0.00056816	0.21200000
COMMERCIAL OFFICE	4.78	0.53	0.00253340	0.4	0.00101336	0.21200000
LODGING	1.55	0.53	0.00082150	0.4	0.00032860	0.21200000
RESEARCH & DEVELOPMENT	3.04	0.53	0.00161120	0.4	0.00064448	0.21200000
INDUSTRIAL PARK	1.68	0.53	0.00089040	0.4	0.00035616	0.21200000
INDUSTRIAL COMMERCIAL PARK	2.21	0.53	0.00117130	0.4	0.00046852	0.21200000
NEIGHBORHOOD COMMUNITY SERVICE CENTER	3.62	0.53	0.00191860	0.4	0.00076744	0.21200000
COMMUNITY SERVICE CENTER	1.09	0.53	0.00057770	0.4	0.00023108	0.21200000
BANKS	2.82	0.53	0.00149460	0.4	0.00059784	0.21200000
MINI-STORAGE	0.06	0.53	0.00003180	0.4	0.00001272	0.21200000
STUDENT YIELDS			COST PER STUDENT			
K-6	0.161		K-6	\$39,049		
7-8	0.047		7-8	\$45,044		
9-12	0.076		9-12	\$53,492		
	0.284					
STUDENTS PER SQUARE FOOT						
(YIELD FACTORS X ADJ HH/SQ. FT)						
	K-6	7-8	9-12	TOTAL		
MEDICAL	0.000146	0.000043	0.000069	0.000257		
CORPORATE OFFICE	0.000091	0.000027	0.000043	0.000161		
COMMERCIAL OFFICE	0.000163	0.000048	0.000077	0.000288		
LODGING	0.000053	0.000015	0.000025	0.000093		
RESEARCH & DEVELOPMENT	0.000104	0.000030	0.000049	0.000183		
INDUSTRIAL PARK	0.000057	0.000017	0.000027	0.000101		
INDUSTRIAL COMMERCIAL PARK	0.000075	0.000022	0.000036	0.000133		
NEIGHBORHOOD COMMUNITY SERVICE CENTER	0.000124	0.000036	0.000058	0.000218		
COMMUNITY SERVICE CENTER	0.000037	0.000011	0.000018	0.000066		
BANKS	0.000096	0.000028	0.000045	0.000170		
MINI-STORAGE	0.000002	0.000001	0.000001	0.000004		

COSTS PER SQUARE FOOT						
(STUDENTS/ SQ. FOOT X STUDENT COST/SQ. FOOT IN EACH CATEGORY)						
	K-6	7-8	9-12	TOTAL		
MEDICAL	\$5.69	\$1.92	\$3.68	\$11.29		
CORPORATE OFFICE	\$3.57	\$1.20	\$2.31	\$7.08		
COMMERCIAL OFFICE	\$6.37	\$2.15	\$4.12	\$12.64		
LODGING	\$2.07	\$0.70	\$1.34	\$4.10		
RESEARCH & DEVELOPMENT	\$4.05	\$1.36	\$2.62	\$8.04		
INDUSTRIAL PARK	\$2.24	\$0.75	\$1.45	\$4.44		
INDUSTRIAL COMMERCIAL PARK	\$2.95	\$0.99	\$1.90	\$5.84		
NEIGHBORHOOD COMMUNITY SERVICE CENTER	\$4.82	\$1.62	\$3.12	\$9.57		
COMMUNITY SERVICE CENTER	\$1.45	\$0.49	\$0.94	\$2.88		
BANKS	\$3.76	\$1.27	\$2.43	\$7.45		
MINI-STORAGE	\$0.08	\$0.03	\$0.05	\$0.16		