Level I Developer Fee Study for San Mateo-Foster City 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 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.

- The San Mateo-Foster City School District currently shares developer fees with the San Mateo Union High School District. The developer fee sharing arrangement between the two school districts is currently 60 percent for the elementary school district and 40 percent to the high school district.

- The San Mateo-Foster City School District is justified in collecting $2.27 (60 percent of $3.79) per square foot for residential construction and $0.37 (60 percent of $0.61) per square foot of commercial/industrial construction with the exception of mini storage. The mini storage category of construction should be collected at a rate of $0.08 per square foot.

- The capacity for the San Mateo-Foster City School District is based on the State Class Size Reduction and School Facility Program loading factors of 24 students per K-3rd grade classroom, 25 students per 4th-6th grade classroom, and 27 students per 7th-8th grade classrooms. The current capacity of the District is 11,360 K-8th grade students.

- The justification is based on this study's findings that the District currently exceeds its K-8th grade capacity and will continue to exceed its capacity into the 2022-2023 school year.

- Each new residential unit to be constructed in the District will average 1,286 square feet and will generate an average of .5 K-8th grade students for the San Mateo-Foster City School District to house.

- Each square foot of residential construction will create a school facilities cost of at least $13.14 per square foot.

- Each square foot of commercial/industrial construction will create a school facilities cost ranging from $0.08 to $7.31 per square foot.

INTRODUCTION

In September 1986, the Governor signed into law Assembly Bill (AB) 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 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.

Chapter 1354/Statutes of 1992, which became effective January 1, 1993, affected the facility mitigation requirements a school district could impose on developers. This Chapter 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 $0.37 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 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.

The next adjustment will occur at the January 2020 State Allocation Board meeting.

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

Senate Bill 50: Background

In August 1998, the Governor signed into legislation SB 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 that 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 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 Section 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 San Mateo-Foster City 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 San Mateo-Foster City School District.

School Capacity

The student capacity of San Mateo-Foster City School District is currently 11,360 K-8th grade students**.** The capacity for the San Mateo-Foster City School District is based on the State Class Size Reduction and School Facility Program loading factors of 24 students per K-3rd grade classroom, 25 students per 4th-6th grade classroom, and 27 students per 7th-8th grade classrooms. A detailed facility inventory is included in Appendix A.

Student Generation

To identify the number of students anticipated to be generated by residential development, a student yield factor of .5 has been identified for the San Mateo-Foster City School District. The yield factor is based on State wide averages calculated by the Office of Public School Construction. The student yields are shown in Table 1.

Table 1:
Student Generation Factors

Single-Family Residential Units	
Grade Level	Yield
K-6	0.4
7-8	0.1
Total	**0.5**

Source: Office of Public School Construction.

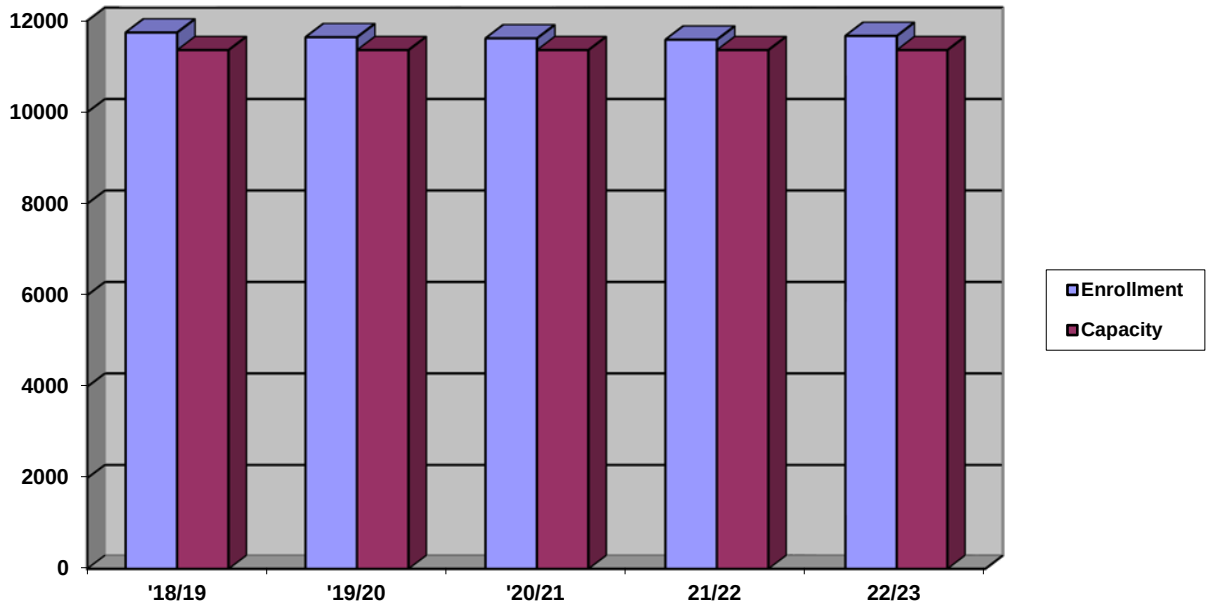
Enrollment Projection and Development

The enrollment projections used in this study utilize a cohort methodology based on four years of historic CBEDS enrollment. The cohort survival method of projecting enrollment 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 four years.

The City of San Mateo, City of Foster City and the San Mateo County Planning Departments were contacted regarding current and future residential development projects within the District's boundaries. According to the planning departments, there are developments which include 1,676 residential units pending within District boundaries. Proposed development was not included in the enrollment projection. A development summary is included as Appendix E.

Figure 1 illustrates the District's enrollment projection and capacity. This figure indicates the District currently exceeds its facility capacity of 11,360 students and will continue to do so through the 2022-2023 school year.

Figure 1:
Enrollment Projection v. Capacity



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 San Mateo-Foster City 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 2 shows the cost impact for new school facilities for each student generated by new residential development.

Table 2 shows it will cost the District an average of $33,779 to house each additional student in new facilities. Land costs were not included in the cost per student calculations as the District owns property on which they may construct a new school. Appendix C contains the cost per student calculations.

Table 2:
Facility Cost Per Student

Grade	Cost
K-6	$32,706
7-8	$37,533
Weighted Average = ((($32,706 x 7) +($37,533 x 2)/9)	$33,779

Source: State Department of Education, Office of Public School Construction, 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 five years of developer fee records, the average size of a new residential unit will be approximately 1,286 square feet.

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 0.5 K-8th grade students for the District to house, each residential unit will generate .000389 students per square foot (0.5 students per unit divided by the average residential unit size of 1,286 sq. ft.). The cost to house students is $13.14 per square foot of new residential construction ($33,779 per student multiplied by the square foot student generation factor of .000389 students). This cost impact is based on each new student requiring new facilities.

Based on the residential fee generation calculations, each square foot of residential construction will create a school facilities cost of at least $13.14 per square foot for the San Mateo-Foster City School District. However, the maximum statutory Level I residential

fee is $3.79 and the District has a fee sharing arrangement with the San Mateo Union High School District. The San Mateo-Foster City School District collects 60 percent of the fee and high school district collects 40 percent of the fee. Therefore, the District is justified to collect $2.27 (60 percent of $3.79) per square foot of residential construction.

Commercial / Industrial Development and Fee Projections

In order to levy developer fees on commercial and industrial development, AB 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 AB 530 (Chapter 633/Statutes of 1990) modified the requirements of AB 181 by allowing the use of a set of statewide employee generation factors. AB 530 allows the use of the employee generation factors identified in the San Diego Association of Governments report titled, San Diego Traffic Generators. The initial study that was completed in January 1990 and is updated annually 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 3.

Table 3 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 40 percent adjustment eliminates double counting the impact. This adjustment is shown in the worksheets in Appendix D and in Table 3.

These adjustment factors are based on surveys of commercial and industrial employees in school districts similar to the San Mateo-Foster City School 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. The data in Table 4 are based on the per-student costs shown in Table 2. 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 4, the students per square foot are multiplied by the cost of providing school facilities.

Table 3:
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	.2	.4	.08
Corporate Offices	2.68	.2	.4	.08
Commercial Offices	4.78	.2	.4	.08
Lodging	1.55	.3	.4	.12
Scientific R&D	3.04	.2	.4	.08
Industrial Parks	1.68	.2	.4	.08
Industrial/Business Parks	2.21	.2	.4	.08
Neighborhood Shopping Centers	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
Agriculture	.31	.5	.4	.20

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

Table 4:
Commercial and Industrial Facilities Cost Impact

Type of Development	Cost Impact Per Sq. Ft.
Medical Offices	$5.75
Corporate Offices	$3.61
Commercial Offices	$6.44
Lodging	$3.13
Scientific R&D	$4.09
Industrial Parks	$2.26
Industrial/Business Parks	$2.98
Neighborhood Shopping Centers	$7.31
Community Shopping Centers	$2.20
Banks	$5.70
Mini-Storage	$0.08
Agriculture	$1.04

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

Table 4 shows that each square foot of commercial/industrial construction will create a school facilities cost ranging from $0.08 to $7.31 per square foot. Thus a reasonable relationship between commercial and industrial development and the impact on the San Mateo-Foster City School District is shown. The maximum Level I statutory commercial/industrial fee is $0.61. However, the San Mateo-Foster City School District has a fee sharing arrangement with the San Mateo Union High School District. The elementary district collects 60 percent of the fee and the high school district collects 40 percent of the fee. Therefore, the District is justified to collect $0.37 (60 percent of $0.61) per square foot of commercial/industrial construction with the exception of mini storage. The mini storage category should be collected at a rate of $0.08 per square foot.

Summary

A reasonable relationship exists between new residential, commercial and industrial development in the San Mateo-Foster City School District and the need for new school facilities. This relationship is based on the finding that the District currently exceeds its capacity of 11,360 and will continue to do so through the 2022-2023 school year**.** New students 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 San Mateo-Foster City 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 residential development creates a school facility cost of $13.14 per square foot. Each square foot of commercial and industrial development creates a school facility cost ranging from $0.08 to $7.31 per square foot.

The San Mateo-Foster City School District is justified to collect $2.27 (60 percent of $3.79) per square foot of residential construction and $0.37 (60 percent of $0.61) per square foot of commercial/industrial construction with the exception of mini storage. The mini storage category should be collected at a rate of $0.08 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 $0.25 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 statewide 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. In January of 2020, 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.

AB 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.

AB 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 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 home 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.

SB 1151 (Chapter 1037/Statutes of 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.

AB 181 (Chapter 1109/Statutes of 1989), which became effective October 2, 1989, was enacted to clarify several areas of developer fee law. AB 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

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

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.

Government Code 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.

Government Code 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.

Government Code Section 66001(d), as amended by SB 1693 (Monteith/Statutes of 1996, Chapter 569), requires that for the fifth year following the first deposit into a developer fee fund, and for every five 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:

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).

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 Government Code Section 66001 (e).

Government Code 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 Government Code Section 66001(d) that it still needs the fees.

Government Code Section 66002 provides that any local agency which levies a development fee subject to Government Code 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, AB 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 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 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 percent 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 $148 million bond in 2015 for the construction and reconstruction of school facilities. The costs to complete all projects included in the bond exceed available funds. Developer fees will be used to augment local bond funds to complete construction projects.

School District General Funds

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

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 & identify Purpose of the Fee

The San Mateo-Foster City 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 does not currently have funds to provide for the shortfall in housing costs. We suggest the District continue to consider possible funding alternatives such as participation in the State School Facility Program.

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 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 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 San Mateo-Foster City 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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Schreder, Jack and Associates. Original research.

APPENDIX A

DISTRICT CAPACITY

San Mateo-Foster City
District Capacity

School	Total Classrooms	Protected Classrooms	Available Classrooms		Tk-3*	4-5**	6**	7-8***	Total Capacity
Audubon	38	11	27		18	9	0	0	657
Bayside	53	15	38		25	13	0	0	925
Baywood	33	4	29		19	10	0	0	706
Beresford	14	3	11		7	4	0	0	268
Brewer Island	33	11	22		15	7	0	0	535
College Park	26	7	19		13	6	0	0	462
Fiesta Gardens	28	7	21		14	7	0	0	511
Foster City	43	8	35		23	12	0	0	852
George Hall	35	15	20		13	7	0	0	487
Highlands	30	7	23		15	8	0	0	560
LEAD	36	13	23		15	8	0	0	560
Laurel	30	9	21		14	7	0	0	511
Meadow Heights	20	6	14		9	5	0	0	341
North Shoreview	18	5	13		9	4	0	0	316
SM Park	26	9	17		11	6	0	0	414
Parkside	30	21	9		6	3	0	0	219
Sunnybrae	32	10	22		15	7	0	0	535
Abbott	39	10	29		0	0	10	19	763
Borel	39	6	33		0	0	11	22	869
Bowditch	40	7	33		0	0	11	22	869
Total			**459**		**241**	**123**	**32**	**63**	**11,360**

* TK-3 loading standard 24

** 4-6 loading standard 25

*** 7-8 loading standard 27

APPENDIX B

ENROLLMENT PROJECTION

San Mateo-Foster City School District													
Enrollment Projection													
Grade	14-15	15-16	16-17	17-18	Change			AVE.	18-19	19-20	20-21	21-22	22-23
K	1567	1698	1675	1633	131	-23	-42	22	1655	1677	1699	1721	1743
1	1360	1284	1392	1359	-283	-306	-316	-302	1331	1353	1375	1397	1419
2	1411	1328	1277	1337	-32	-7	-55	-31	1328	1300	1322	1344	1366
3	1378	1371	1290	1248	-40	-38	-29	-36	1301	1292	1264	1286	1308
4	1355	1320	1336	1246	-58	-35	-44	-46	1202	1256	1246	1219	1241
5	1309	1326	1268	1296	-29	-52	-40	-40	1206	1162	1215	1206	1178
6	1237	1278	1284	1233	-31	-42	-35	-36	1260	1170	1126	1179	1170
7	1154	1211	1252	1265	-26	-26	-19	-24	1209	1236	1146	1102	1156
8	1087	1161	1196	1220	7	-15	-32	-13	1252	1196	1223	1133	1089
K-6	9,617	9,605	9,522	9,352					9,283	9,210	9,248	9,353	9,426
7-8	2241	2372	2448	2485					2461	2432	2369	2235	2245
K-8	11,858	11,977	11,970	11,837					11,744	11,642	11,617	11,588	11,670

APPENDIX C

COST PER STUDENT

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		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		$0
	Total-Acquisition of Site		$0
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		$52,734
			$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		$687,056
	Total Construction		$16,254,193
	Total Items II, III and IV		$17,549,797
	Contingency 10%		$1,754,980
	Construction Tests		$187,183
	Inspection		$131,576
	TOTAL ESTIMATED PROJECT COSTS		**$19,623,536**
	ESTIMATED COST PER STUDENT		**$32,706**

**Source: California Department of Education, Jack Schreder & Associates.*

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		1,360
	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		$0
	Total-Acquisition of Site		$0
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		$76,936
			$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		$1,175,028
	Total Construction		$31,334,369
	Total Items II, III and IV		$33,742,838
	Contingency		$3,374,284
	Construction Tests		$263,031
	Inspection		$153,073
	TOTAL ESTIMATED PROJECT COSTS		**$37,533,226**
	ESTIMATED COST PER STUDENT		**$37,533**

**Source: California Department of Education, Jack Schreder & Associates.*

APPENDIX D

COMMERCIAL/INDUSTRIAL CALCULATIONS

San Mateo-Foster City 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
AGRICULTURE	0.31	0.5	0.000155	0.4	0.0000620	0.20
STUDENT YIELDS			COST PER STUDENT			
K-6	0.4000		K-6	$32,706		
7-8	0.1000		7-8	$37,533		
STUDENTS PER SQUARE FOOT						
(YIELD FACTORS X ADJ HH/SQ. FT IN COLUMN F)						
	K-6	7-8	9-12	TOTAL		
MEDICAL	0.000137	0.000034	0.000000	0.000171		
CORP. OFFICE	0.000086	0.000021	0.000000	0.000107		
COM. OFFICE	0.000153	0.000038	0.000000	0.000191		
LODGING	0.000074	0.000019	0.000000	0.000093		
R&D	0.000097	0.000024	0.000000	0.000122		
IN. PARK	0.000054	0.000013	0.000000	0.000067		
IN/COM PARK	0.000071	0.000018	0.000000	0.000088		
COM. SC.	0.000174	0.000043	0.000000	0.000217		
COMMUNITY SC	0.000052	0.000013	0.000000	0.000065		
BANKS	0.000135	0.000034	0.000000	0.000169		
MINI STORAGE	0.000002	0.000000	0.000000	0.000002		
AGRICULTURE	0.000025	0.000006	0.000000	0.000031		

COSTS PER SQUARE FOOT						
(STUDENTS/ SQ. FOOT X STUDENT COST/SQ. FOOT IN EACH CATEGORY)						
	K-6	7-8	9-12	TOTAL		
MEDICAL	$4.47	$1.28	$0.00	$5.75		
CORP. OFFICE	$2.80	$0.80	$0.00	$3.61		
COM. OFFICE	$5.00	$1.44	$0.00	$6.44		
LODGING	$2.43	$0.70	$0.00	$3.13		
R&D	$3.18	$0.91	$0.00	$4.09		
IN. PARK	$1.76	$0.50	$0.00	$2.26		
IN/COM PARK	$2.31	$0.66	$0.00	$2.98		
COM. SC.	$5.68	$1.63	$0.00	$7.31		
COMMUNITY SC	$1.71	$0.49	$0.00	$2.20		
BANKS	$4.43	$1.27	$0.00	$5.70		
MINI STORAGE	$0.06	$0.02	$0.00	$0.08		
AGRICULTURE	$0.81	$0.23	$0.00	$1.04		

APPENDIX E

DEVELOPMENT SUMMARY

San Mateo-Foster City School District DEVELOPMENT SUMMARY				
Project Name	**Address**	**City**	**Residential Units**	**Status**
Pilgrim Triton Phase C (Townhouses)	551-565 Pilgrim Drive	Foster City	70	Under Review
Pilgrim Triton Phase C (Apartments)	551-565 Pilgrim Drive	Foster City	22	Under Review
PA14-060 De Anza Duplex	2123 & 2133 De Anza Blvd	San Mateo	2	Approved
PA15-073 Lodato (Apartments)	21 Lodato Ave	San Mateo	3	Approved
PA15-058 2 West 3rd Ave (Apartments)	2 West 3rd Ave	San Mateo	30	Approved
PA15-048 210 South Fremont St (Condos)	210 South Fremont St	San Mateo	15	Approved
PA17-060 2775 S. Delaware St (Affordable Apartments)	2775 S. Delaware St	San Mateo	68	Approved
PA15-031 Hillside Terraces (Condos)	2700, 2728, 2790 S. El Camino Real	San Mateo	68	Approved
PA18-013 Waters Park Drive (SF & Townhomes)	1, 2, & 3 Waters Park Drive	San Mateo	190	Under Review
PA15-098 Essex at Central Park (Apartments)	99-157 E 5th Ave	San Mateo	80	Under Review
PA16-064 477 E Hillsdale (Apartments)	477 E Hillsdale Blvd	San Mateo	151	Completed Pre-Application
PA17-083 Concar Passage(Apartments)	Concar Shopping Center	San Mateo	935	Completed Pre-Application
PA18-015 406 E 3rd Ave (Apartments)	406 E 3rd Ave	San Mateo	23	Pre-Application Under Review
Ascension Heights Subdivision (Lots)	Bel Aire Rd	San Mateo County	19	Approved
TOTAL			**1676**	

Sources: Foster City Planning Division, City of San Mateo Planning Division, San Mateo County Planning & Building Department