



CALIFORNIA'S  
COALITION  
*for* ADEQUATE  
SCHOOL HOUSING<sup>SM</sup>

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**C.A.S.H. WORKSHOP**  
**“Using Local Funds to Sustain Facility Staff, Projects, and  
Programs”**

**Tuesday, April 22, 2008**

9:00 a.m. to 2:30 p.m.

Doubletree Hotel

2001 Point West Way

Sacramento, California

**SCHOOL DISTRICT DEBT INSTRUMENTS**

**TIM YOUNG**

Economic & Planning Systems

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CALIFORNIA'S COALITION *for* ADEQUATE SCHOOL HOUSING

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## **Coalition for Adequate School Housing (C.A.S.H)**

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### **Local Capital Facility Funds**

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## **Local Capital Facility Funds**

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- ▶ **Statutory Developer Fees**
  - ▶ Level 1
  - ▶ Level 2
  - ▶ Level 3
  
- ▶ **Developer Mitigation Agreements**
  
- ▶ **Mello-Roos Community Facility Districts**

## Developer Fees

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- ▶ SB 50 (1998) created 3 levels of fees
- ▶ Level 1
  - ▶ Fee cap set by the SAB in January of even numbered years
  - ▶ Current rate caps:
    - ▶ \$2.97 per sq ft for residential development
    - ▶ \$0.47 per sq ft for nonresidential (commercial and industrial)
    - ▶ \$0.47 per sq ft for age-restricted senior housing

## Developer Fees

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- ▶ Level 1 Fees
  - ▶ AB 1600 Nexus Study or Fee Justification Documents
  - ▶ Show connection between new development and the need for new facilities
  - ▶ Uses local design standards (loading factors and definition of a classroom).
  - ▶ Flexible use of funds
    - ▶ Facilities staff costs
    - ▶ Non-classroom facilities
    - ▶ Support facilities (administration, maintenance, etc.

## Developer Fees

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- ▶ **Level 2 Fees**
  - ▶ If a district meets certain qualifications the district may adopt Level 2 fees as an alternative to Level 1 fees
  
- ▶ **Qualifications**
  - ▶ Must be eligible for state funding
  - ▶ Meet two of four criteria:
    - ▶ Year-Round Schedule
    - ▶ Election in past 4 years with at least 50%+1 vote
    - ▶ Debt exceeding 15% or 30% of bond limit (depends on type of debt)
    - ▶ 20% portables

## Developer Fees

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- ▶ **Level 2**
  - ▶ Uses state standards for calculating the fee
    - ▶ State loading standards
    - ▶ State classroom count
    - ▶ State costs (per-pupil grants)
    - ▶ State grants for site acquisition (limited to 1966 Department of Education site acreage).
    - ▶ State grants for site development
  
  - ▶ Intended to match state funding
  
  - ▶ Limited to school facilities

## Developer Fees

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- ▶ **Level 3**
  - ▶ **Basically double the Level 2 fees**
  - ▶ **Only authorized if the SAB is not apportioning funds for new construction projects**
  - ▶ **With over \$2.1 billion in available state bond funds for new development, Level 3 fees will not be implemented in the foreseeable future**

## Mitigation Agreements

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- ▶ **Mitigation agreements cannot be mandated by the District, cities or counties.**
- ▶ **Mitigation cannot be mandated by CEQA**
- ▶ **Many developers do enter into voluntary mitigation agreements in order to provide the necessary additional funding when state funding and fees fall short.**

## Mitigation Agreements

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- ▶ **Common issues covered**
  - ▶ Mitigation amounts replace Level 1, 2 and 3 fees
  
  - ▶ Funding can come from additional fees
    - ▶ Fees are often converted to a per-housing-unit rate rather than a per-square-foot rate
  
  - ▶ Funding can come from other mechanisms
    - ▶ Mello-Roos CFDs
    - ▶ Land deals
    - ▶ Developer Built Schools

## Mitigation Agreements

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- ▶ **Additional components**
  - ▶ Land acquisition
    - ▶ Condition of site (pad ready sites have a benefit to the school district)
    - ▶ Purchase agreement timing

## Mitigation Agreements

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- ▶ **Advantages**
  - ▶ Provides funding over and above Level 1 or Level 2 rates
  - ▶ Both school district and developer know in advance the amount of the mitigation rather than relying on statutory fee rates
  - ▶ Flexibility in use (support facilities etc)
  
- ▶ **Disadvantages (or difficulties)**
  - ▶ Agreeing on an inflation index
  - ▶ Building trust between parties

## Mello-Roos Community Facilities Districts (CFDs)

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- ▶ Commonly used for infrastructure financing, including schools
  
- ▶ Can be gerrymandered
  
- ▶ Can use any assessment methodology except ad valorem – per-square-foot or per-unit are the most common
  
- ▶ One time taxes are permitted
  
- ▶ Early pay off permitted



## Mello-Roos CFDs

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- ▶ Land owner election if fewer than 12 registered voters
- ▶ Needs 2/3rds approval
- ▶ Vote sets the tax rate and tax formula
- ▶ Bonds are issued based on expected revenue
  - ▶ (vs. GO bond tax rates set based on bonds issued)



## Mello-Roos CFDs

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- ▶ Must be used for capital improvements (some administration costs permitted)
- ▶ End date for the CFD must be specified
- ▶ Concerns
  - ▶ Increased infrastructure costs limiting amount left over for schools
  - ▶ Increasing use of Services CFDs limiting total CFD authorization

## Local Funding Summary

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- ▶ Fees, Mitigation Agreements and CFDs all provide local funding for capital facilities including some administration costs
- ▶ Be very aware of the legal and contractual limitations of each of the funding sources so that audits do not find misuse of funds

## Examples

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- ▶ Single Family Fee Breakdown
- ▶ Summary of Tax Burden
- ▶ Annual Taxes and Assessments



# Single Family Fee Breakdown

Item	Greenfield Development	
	Laguna Ridge	
	SFR [1]	
	Jan-08	
<b>City/County Fees</b>		
Processing Fees		\$2,040
Water		\$11,380
Drainage		\$3,632
Sewer		\$10,450
Transportation		\$10,253
Fire/Police		\$1,691
Community Facilities		\$4,002
General Government		\$205
Affordable Housing		\$4,335
<b>Subtotal City/County Fees</b>		<b>\$47,993</b>
<b>Plan Area Fees</b>		
Park Improvement		\$2,807
<b>Subtotal Plan Area Fees</b>		<b>\$2,807</b>
<b>School Fees/Cost &amp; Burden</b>		<b>\$13,062</b>
<b>Subtotal City/County, Plan Area and School Fees</b>		<b>\$63,861</b>
<b>Other/Privatey Funded Backbone Infrastructure</b>		
Infrastructure		\$20,653
Park Improvements		\$12,943
<b>Subtotal Other/Privatey Funded Backbone Infrastructure</b>		<b>\$33,596</b>
<b>Total Fees (Rounded)</b>		<b>\$97,000</b>

Source: EPS.

\*sfr\_breakdown\*

[1] Estimated fees and cost burdens used for both large and small lots.



# Summary of Tax Burden

Item	Assumption	Single-Family Unit		Multi-Family Unit
		RD-4, 5, 7	RD-8,10	RD-15, RD-20
<b>Home Price Estimate</b>		<b>\$450,000</b>	<b>\$350,000</b>	<b>\$200,000</b>
Homeowner's Exemption [1]		(\$7,000)	(\$7,000)	(\$7,000)
Assessed Value [2]		\$443,000	\$343,000	\$193,000
<b>Total Ad Valorem Taxes</b>	<i>1.0066% of Assessed Value</i>	<b>\$4,459</b>	<b>\$3,453</b>	<b>\$1,943</b>
<b>Total Special Taxes and Assessments</b>		<b>\$3,032</b>	<b>\$2,726</b>	<b>\$2,390</b>
<b>Total Tax Burden</b>		<b>\$7,491</b>	<b>\$6,179</b>	<b>\$4,333</b>
<b>Total Taxes and Assessments as a % of Home Price</b>		<b>1.66%</b>	<b>1.77%</b>	<b>2.17%</b>

Source: City of Elk Grove, Sacramento County compilation of tax duties by code 2007-08 and EPS.

[1] Other *ad valorem* taxes include property tax rate overrides such as general obligation bonds for schools. This rate is an estimate by EPS.

[2] Annual tax rate may increase over time because of escalation factors and/or increased costs associated with maintenance.



# Annual Special Taxes and Assessments

Item	Assumption	Single-Family Unit		Multi-Family Unit
		RD-4, 5, 7	RD-8, 10	RD-15, RD-20
<b>Special Taxes and Assessments</b>				
Elk Grove USD CFD No. 1	<i>flat</i>	\$200	\$200	\$200
City of Elk Grove CFD No 2003-2 (Police Services)	[1]	\$356	\$356	\$252
Water & Drainage Studies (SCWA 13)	<i>flat</i>	\$7	\$7	\$7
Street Lighting Maintenance District	[2]	\$58	\$58	\$58
Elk Grove CSD Landscaping & Lighting District	<i>flat</i>	\$75	\$75	\$75
Laguna Ridge Parks & Landscaping CFD No. 2005-1 [4]	<i>flat</i>	\$713	\$713	\$713
City of Elk Grove Street Maintenance A.D. No. 1	[1]	\$94	\$94	\$66
<b>Subtotal Taxes</b>		<b>\$1,502</b>	<b>\$1,502</b>	<b>\$1,370</b>
City of Elk Grove Laguna Ridge Infrastructure CFD No. 2005-1 Services and Maintenance	<i>flat</i>	\$1,530	\$1,224	\$1,020
<b>Total Special Taxes and Assessments</b>		<b>\$3,032</b>	<b>\$2,726</b>	<b>\$2,390</b>

Source: City of Elk Grove, Sacramento County compilation of tax duties by code 2007-08 and EPS.

[1] Annual tax rate may increase over time because of escalation factors and/or increased costs associated with maintenance.

[2] Rate is \$31.14 per parcel, plus \$26.78 per single family unit or \$0.54 per front foot for Multi-family. Multi-family assumed to equal that of SF. Front footage per commercial acre estimated to be 200 linear feet.