

**Schoolhouse Services Consulting**

Economists and Planners



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# **Level 1 and Level 2**

# **Fee Justification Document Guidelines**



**FEE JUSTIFICATION REPORT**  
**Meets the Requirements of Government Codes Sections 66000 et seq.**

Report should read like a district capacity needs study.

Methodology and assumption as legally defensible as possible\*

Should answer two questions:

Will there be (with current facilities) adequate capacity for future enrollment?

If not, what will be the cost of capacity added to house enrollment from new development?

**Introduction and Summary**

Brief description of district and its fee program

Summary of findings

**Nexus between Development and School Enrollment**

Nature of economic growth

Impacts of growth on schools

Determination of fiscal impacts/fee amounts

**Housing and Enrollment Projections**

Project housing growth (must project enrollment from new homes separately)

Fee determinations can usually be done without housing forecasts, but maybe less credible

Usually broken out by housing type; awareness of whether senior units are included

Advantage of using public agency forecasts (e.g., city or council of governments)

Continuation of past rate of development may be satisfactory

Determine student generation rates (SGRs) of new units

Can use fee payment records for addresses and search student file for students residing there

Can use district average

Units in district in 2000 from NCES ([www.nces.ed.gov/surveys/sdds/index.asp](http://www.nces.ed.gov/surveys/sdds/index.asp))

Units since 2000 from Censtats ([www.censtats.census.gov/bldg/bldgprmt.shtml](http://www.censtats.census.gov/bldg/bldgprmt.shtml))

Average equals current units divided by enrollment

Usually broken out by housing type; awareness of whether senior units are included

NCES doesn't provide housing unit counts by type

Project enrollment from new homes

Multiply new housing projections by student generation rates (by housing type)

Estimate special needs students if separate housing costs for such students will be used

Project enrollment from existing homes

Only purpose is to determine whether adequate capacity will be available

Projection that enrollment from existing homes will be unchanged may be OK (high school?)

Don't project using unadjusted projection ratios

**Future Capacity of Existing Facilities**

Count classrooms

Including charter schools?\*

Likely include if district owned and charter enrollment is included in enrollment forecasts

Not including aged or deteriorated facilities\*

Need not include closed schools (but include them as possible added capacity below)

Usually by grade level (elementary, middle and high school)

Not including support rooms\* (district standard)  
RSP, music/art, library and/or media, computer labs (unless regularly scheduled classes)

District standards regarding classroom use – must be reasonable

Class sizes (loading)

Usually separate sizes for special day classes and class size reduction classes

District standard now usually moderately lower than existing average\*

Extent of double-session kindergarten\*

Capacity equals classrooms times class sizes

Allowance for flexibility\* (district standard)

Unreasonableness of full classroom loading

mixed classes, frequent shifting, and intra-district transfers or boundary adjustments

Common allowance is 5% of capacity

### **Compare future enrollment (from existing and new homes) with future capacity**

If capacity is adequate, no impact from new development

If capacity is inadequate, determine number of unhoused students from new homes

Assume students from existing homes are accommodated first

### **Determine how additional capacity will be provided**

Relocatables, classroom wings, reopened school(s), new school(s), rebuilding schools\*

If rebuilding otherwise unacceptable facilities, determine per student cost

If a mix, students from existing homes assumed to be in less expensive facilities

District plans are best; if different from past pattern and no district plans, justify choices

### **Determine cost of new facilities needed to house students from new homes**

Recent district cost experience is best basis

Experience of nearby districts is acceptable

Cost basis for state grants is acceptable for new buildings

State inflation adjustment can be used to adjust for inflation

Costs of additions are extremely (and unexpectedly) high; provide as much evidence as possible

Land costs are very high; provide as much evidence as possible

Most parcels do not meet state requirements; prime subdivision parcels are best comparables

Don't overlook on-site and off-site land development costs

### **Determine residential impact fee**

Law implies a square foot fee (by setting a per square foot limit on the fee)

Current maximum fee is \$2.63 per square foot

Determine square feet of new residential development

Based on new housing projection above

Excluding senior housing

Average size based on developers' plans (seldom available) or district fee payment records

Sizes have increased substantially in recent years, but may drop in next few years

Fiscal impact equals cost of facilities to house students divided by square feet of their homes

Do not use total facility cost needs

Fee equals smaller of fiscal impact or legislated maximum fee

Currently \$2.63 per square foot for unified district; negotiated split for non-unified districts

**Different types of development**

Standard of “rough proportionality” (Dolan decision) - each project pays roughly its fair share

Housing additions

Law implies fee is appropriate; assume it should be the same as for new units\*

Student generation impact information is scarce

Less likelihood of legal challenge due to small amounts

Senior housing

Law allows use of maximum commercial industrial fee\*

Residential vs non-residential (Commercial/Industrial) development

Lesser impact implies lesser fee (see below)

“Redevelopment Construction” (Warmington decision) - when existing buildings are removed

Must have a justification for the fee levied\*

Single family detached vs condos vs apartments

Formerly common to calculate separate assessments; not usually done now (court concern)

Would require separate SGRs, which are not always available

Problem to determine fee when unknown whether structure will be condos or apartments

Different areas of district

Possible difference in capacity available, student generation, home sizes, etc.

### **Commercial/Industrial (C/I) Fees**

Current maximum is \$0.42 per square foot

Justification required whether residential fees are Level 1 or Level 2/3

Alternative 1\* – C/I development directly generates enrollment (independent of new homes)  
Allen Bill generated students

Alternative 2\* – a joint impact of residential and non-residential (new jobs cause new homes)  
Seems to be the intent of AB 1600  
Reasonable approach – C/I based on portion of costs not mitigated by residential fees  
Residential treated as primary because impact is more direct

#### Calculate C/I Fees

Density of employment

Minimum set of building types must be calculated separately

Must be based on in-district data or on SanDAG data

Results in different impact amounts for different types of development

parking, self-storage and (sometimes warehouse) impacts under fee maximum

Fee levy: building type known, but data is by activity rather than building type

Percentage of employees that will reside in district (and thus have enrollment impact)

Conservative in that it ignores majority of enrollment impact

Data is usually unavailable (common misuse of census commute data)\*

Number of students per employee

Number of homes per employee

Number of students per home

Cost per student – after funding from residential fees

Cost impact equal multiplication of the above factors

Fee equal lower of cost impact or maximum fee

### **Summary statement of findings – Residential and Commercial/Industrial**

Reflect Government Code Sections 66000 *et seq.*

**SCHOOL FACILITIES NEEDS ANALYSIS (SFNA)  
Necessary to Levy Level 2/3 Fees per Government Codes Sections 65995**

Report is similar to a fee justification report, but with important differences  
Law is specific about the methodology and many of the assumptions

**Introduction and Summary**

Brief description of district and its fee program  
Summary of findings

**Prerequisites to being eligible to levy Level 2 and/or 3 fees**

State new construction funding eligibility and application

Language of law is in past tense\*

Need and funding effort requirements (two of four)

At least 30% of K-6 students are on multitrack year-round schedule

In a high school attendance area in which all or some new units will be located

For high school districts, 30% of students in attendance area with new units

Received 50% +1 (not super-majority) voter approval of bond issue within last four years

Unanticipated problem for school districts with existing bond levies

Incurred debt for capital outlay equal to 15% of district's bonding capacity

Bonding capacity as % of assessed valuation is 2.5% for unified and 1.25% for others

How count certificates of participations (COPs)\*

At least 20% of teaching stations are relocatable

**Housing and Enrollment Projections**

Project housing growth (to project enrollment from new homes)

Must be for the next five years

Must be broken out by housing types

Single family detached, single family attached (condos/ row-houses) and apartments

Awareness of whether senior units are included

Advantage of using public agency forecasts (e.g., city or council of governments)

Determine student generation rates (SGRs) of new units

Must be based on housing type specific SGRs exhibited in the last five years

Can use fee payment records for addresses and search student file for residing students  
fairly expensive; matches are missed unless carefully done

Problems

if data is limited – perhaps use data from nearby district

if fee records do not distinguish between condo and apartment – collapse categories?\*

Cannot use district average (including existing homes)

Awareness of whether senior units are included

Project enrollment from new homes

Multiply new housing projections by (housing type specific) student generation rates

Estimate special needs students because separate housing costs for such students will be used

Project enrollment from existing homes

Only purpose is to determine whether adequate capacity will be available

Law does not specify means of forecasting\*

Projection unchanged enrollment from existing homes may be OK (high school?)

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### **Capacity of Existing Facilities**

Count classrooms

Including charter schools?\*

Likely include if district owned and charter enrollment is included in enrollment forecasts

Including closed schools (even if leased and/or deteriorated)

By grade level (elementary, middle and high school)

Including support rooms (but excluding rooms used in past for libraries and administration)

Excluding relocatables in excess of 25% of permanent classrooms (but see Form 50-02)

District standards regarding classroom use

Class sizes (loading) per Education Code Section 17071.10 *et seq.*

25 students for grades K-6, 27 students for grades 7-12, 11 students for Special Day Class probably different from elementary/middle enrollment projections

Capacity equals classrooms times class sizes

No allowance for flexibility; 6% deduction to insure need

Unless qualified for multitrack year-round (except if used for eligibility qualification)\*

### **Compare future enrollment (from existing and new homes) with capacity**

If capacity is adequate, no impact from new development

If capacity is inadequate, determine number of unhoused students from new homes

Assume students from existing homes are accommodated first

### **Determine cost of new facilities needed to house students from new homes**

Law specifies that building cost is equal to building cost basis for state new construction grants

Fixed dollars per student independent of how capacity will be provided

Separate amounts for elementary, middle, high school and special education students

Land purchase and development costs are estimated based on local factors

Most parcels do not meet state requirements; prime subdivision parcels are best comparables

Don't overlook on-site and off-site land development costs

Usually convert to per-student cost

Cost equals number of students times per student building and land costs

Level 2 fee based on one-half of building and land costs; Level 3 fee based on full costs

### **Determine residential impact fee**

Determine square feet of new residential development

Based on new housing projection above

Excluding senior housing

Average size based on developers' plans (seldom available) or district fee payment records

Sizes have increased substantially in recent years, but may drop in next few years

Fee equals cost of facilities to house students from new homes divided by square feet in homes

Do not use total facility cost needs





**FEE JUSTIFICATION REPORT**  
**to impose fees per Education Code Section 17620 *et seq.***  
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Asterisk (\*) indicates choice or issue

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Allen Bill generated students; other enrollment with impact independent of new homes

Alternative 2\* – a joint impact of residential and non-residential (new jobs cause new homes)  
Seems to be the intent of AB 1600  
Reasonable approach – C/I based on portion of costs not mitigated by residential fees\*  
Residential treated as primary because impact is more direct

### Calculate C/I Fees

Density of employment

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Must be based on in-district data or on SanDAG data

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Number of homes per employee

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## **Summary statement of findings – Residential and Commercial/Industrial**

Reflect Government Code Sections 66000 *et seq.*

**SCHOOL FACILITIES NEEDS ANALYSIS (SFNA)**  
**Necessary to Levy Level 2/3 Fees per Government Codes Sections 65995**

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Unanticipated problem for school districts with existing bond levies

Incurred debt for capital outlay equal to 15% of district's bonding capacity

Bonding capacity as % of assessed valuation is 2.5% for unified and 1.25% for others

How count certificates of participations (COPs)\*

At least 20% of teaching stations are relocatables

**Housing and Enrollment Projections**

Project housing growth (to project enrollment from new homes)

Must be for the next five years

Must be broken out by housing types

Single family detached, single family attached (condos/ row-houses) and apartments\*

Awareness of whether senior units are included

Must utilize "relevant agency information" (e.g., city or council of governments forecasts)

Determine student generation rates (SGRs) of new units

Must be based on housing type specific SGRs exhibited in the last five years

Can use fee payment records for addresses and search student file for residing students  
fairly expensive; matches are missed unless carefully done

Problems

if data is too limited for reliable results – perhaps use data from nearby district

if fee records do not distinguish between condo and apartment – collapse categories?\*

Cannot use district average (includes existing homes)

Awareness of whether senior units are included

Project enrollment from new homes

Multiply new housing projections by (housing type specific) student generation rates

Estimate severe and non-severe SDC students due to separate housing costs for such students

Project enrollment from existing homes

Only purpose is to determine whether adequate capacity will be available

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Projection unchanged enrollment from existing homes may be OK (high school?)

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### **Capacity of Existing Facilities**

Count classrooms

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By grade level (elementary, middle and high school)

Including support rooms (but excluding rooms used in past for libraries and administration)

Excluding relocatables in excess of 25% of permanent classrooms (but see Form SAB 50-02)

District standards regarding classroom use

Class sizes (loading) per Education Code Section 17071.10 *et seq.*

25 students for grades K-6, 27 students for grades 7-12, 11 students for Special Day Class  
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Fixed dollars per student independent of how capacity will be provided

Separate amounts for elementary, middle, high school and special education students

Land purchase and development costs are estimated based on local factors

Most parcels do not meet state requirements; prime subdivision parcels are best comparables

Don't overlook on-site and off-site land development costs

Usually convert to per-student cost

Cost equals number of students times per student building and land costs

Adjust cost to reflect other sources of funding

Use of surplus property, excess school capacity and other local sources

Indicate other district priorities if appropriate

Level 2 fee based on one-half of building and land costs; Level 3 fee based on full costs  
Reduce Level 2 and Level 3 costs by amount of fee from commercial/industrial construction\*  
Unless not “dedicated to facilities necessitated by new construction”  
problem of double dipping if not dedicated  
Problem in that C/I fees usually depend on amount of residential fees  
Project C/I fee amounts based on past percentage of costs

### **Determine residential impact fee**

Determine square feet of new residential development  
Based on new housing projection above  
Excluding senior housing  
Average size based on developers’ plans (seldom available) or district fee payment records  
Sizes have increased substantially in recent years, but may drop in next few years  
Must be based on information from governmental agency or independent consultant

Fee equals ½ (Level 2) or the full cost (Level 3) of facilities divided by square feet in new homes

### **Different types of development**

Same issues and items to be included as with a fee justification report

### **Commercial/Industrial (C/I) Fees**

Same issues and items to be included as with a fee justification report  
Problem if using portion of costs unfunded by residential fees to justify C/I fees  
Using full residential fees would result in no justification for C/I fees  
Assume Section 17620 maximum residential fees

### **Summary statement of findings – Residential and Commercial/Industrial**

Reflect Government Code Sections 66000 *et seq.*

Recommend district adopt Level 1 residential fee as backup if Level 2/3 fee is suspended

Reflect Education Code Section 65995.5 *et seq.* SFNA requirements