



**Residential Development School
Fee Justification Study**

Coronado Unified School District

March 30, 2016

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Executive Summary

This Residential Development School Fee Justification Study ("Study") is intended to determine the extent to which a nexus can be established in the Coronado Unified School District ("School District") between residential development and (i) the need for school facilities, (ii) the cost of school facilities, and (iii) the amount of statutory school fees ("School Fees") per residential building square foot that may be levied for schools pursuant to the provisions of Section 17620 of the Education Code, as well as Sections 65995 and 66001 of the Government Code.

The School District provides education to students in grades kindergarten through 12 residing within the City of Coronado ("City") and a portion of the unincorporated County of San Diego ("County") (please see map on following page for a geographic profile of the School District). Collectively, the School District's school facilities in school year 2015/2016 have a capacity of 3,112 students. Of these 3,112 seats, 1,139 are at the elementary school level (i.e., grades kindergarten through 5), 783 are at the middle school level (i.e., grades 6 through 8), and 1,190 are at the high school level (i.e., grades 9 through 12). Based on data provided by the School District, student enrollment is 3,150 in school year 2015/2016. Comparing student enrollment to facilities capacity reveals that student enrollment exceeds facilities capacity at the elementary school and high school levels while facilities capacity exceeds student enrollment at the middle school level in school year 2015/2016 (please see Section IV for more information on student enrollment and facilities capacity).

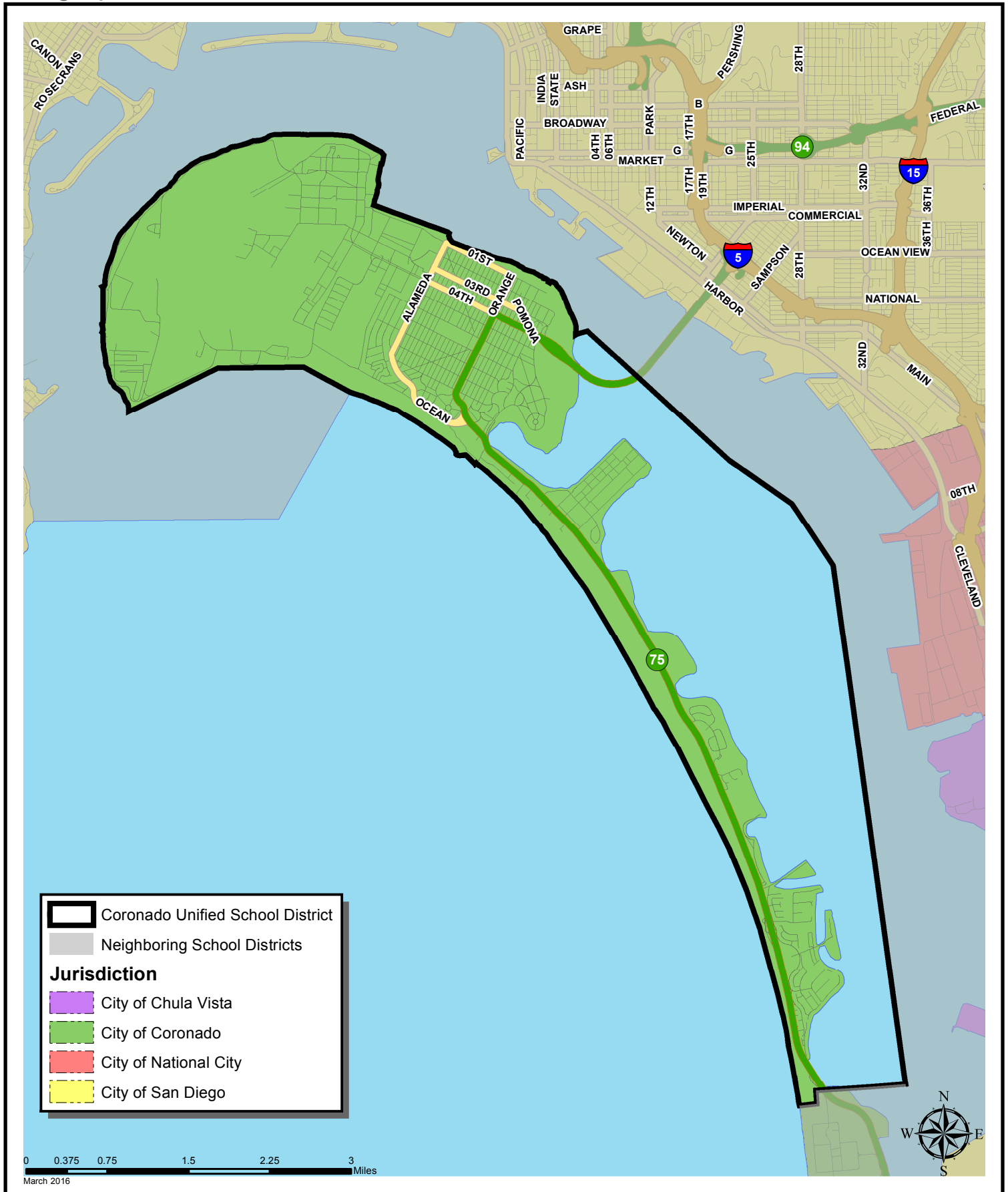
To establish a nexus and a justifiable residential School Fee level, the Study evaluated the number and cost of new facilities required to house students generated from future residential development within the School District. Based on information obtained from CoreLogic, it is estimated that approximately 418 additional residential units could be constructed within the School District's boundaries through calendar year 2050 ("Future Units"). Of these 418 Future Units, 140 are estimated to be single family detached ("SFD") and 278 are estimated to be multi-family attached ("MFA") units.

To determine the impact on the School District from Future Units, the Study first multiplied the number of Future Units by the student generation factors ("SGFs") calculated by Dolinka Group, to determine the projected student enrollment from Future Units. The results were that 47 unhoused elementary school students and 53 unhoused high school students are anticipated to be generated from Future Units. These numbers include a reduction of the number of students projected to be housed by existing excess seats ("Projected Unhoused Students").

To adequately house the Projected Unhoused Students, the School District will need to expand existing elementary school and high school facilities. Using design capacities of 25 students per classroom at the elementary school level and 27 students per classroom at the high school level, the School District will need to construct two (2) new elementary school classrooms and two (2) new high school classrooms to accommodate the Projected Unhoused Students from the Future Units projected to be constructed at this time. The cost of expanding the existing elementary school and high school facilities by adding additional teaching stations is based on per-pupil grant amounts established by Senate Bill ("SB") 50.

Coronado Unified School District

Geographic Profile - School Year 2015/2016



	Coronado Unified School District
	Neighboring School Districts
Jurisdiction	
	City of Chula Vista
	City of Coronado
	City of National City
	City of San Diego

0 0.375 0.75 1.5 2.25 3 Miles
 March 2016

In addition to the school facilities cost impacts, the School District will experience Central Administrative and Support Facilities cost impacts. In January 1994, the State Allocation Board ("SAB") approved a policy of four (4) square feet of Central Administrative and Support Facilities per student, which based on School District cost estimates equates to a per-student cost of \$800. Multiplying these costs by the facilities needed and the students generated yielded the total school facilities cost impacts shown in Table ES-1.

**Table ES-1
Total School Facilities Cost Impacts (2016\$)**

School Level	Cost per Teaching Station/Student	Teaching Stations Required/Students Generated	Total School Facilities Cost Impacts
Elementary School	\$541,200	1.8800	\$1,017,456
Middle School	N/A	0.0000	\$0
High School	\$786,240	1.9630	\$1,543,389
Central Admin. Impacts	\$800	100	\$80,000
Total	N/A	N/A	\$2,640,845

The amounts listed in Table ES-1 were apportioned to each land use class based on the number of students generated from such residential land use. Thereafter, the school facilities cost impacts for each land use class were divided by the number of Future Units to calculate the school facilities cost impacts per residential unit. Table ES-2 below lists the school facilities cost impacts per residential unit.

**Table ES-2
School Facilities Cost Impacts per Residential Unit (2016\$)**

Land Use	Total School Facilities Cost Impacts	Future Units	School Facilities Cost Impacts per Residential Unit
Single Family Detached	\$1,159,550	140	\$8,283
Multi-family Attached	\$1,481,295	278	\$5,328

To determine the school facilities cost impacts per square foot of residential construction, the school facilities cost impacts per unit were divided by the average square footage of a residential unit in each land use class. Table ES-3 lists the school facilities cost impacts per average residential square foot.

**Table ES-3
School Facilities Cost Impacts per Residential Square Foot (2016\$)**

Land Use	School Facilities Cost Impacts per Future Unit	Average Square Footage	School Facilities Cost Impacts per Residential Square Foot
Single Family Detached	\$8,283	2,000	\$4.14
Multi-family Attached	\$5,328	1,500	\$3.55

On February 24, 2016, the SAB increased the maximum residential School Fee authorized by Section 17620 of the Education Code from \$3.36 to \$3.48 per residential building square foot for unified school districts. Based on the square footage of the average residential unit constructed within the School District, the School Fees would provide for less than 100 percent of the school facilities cost impacts. Therefore, the Study concludes that the School District is fully justified in levying the maximum residential School Fee of \$3.48 per square foot for all new residential development within its boundaries.

I. Introduction

SB 50, which Governor Wilson signed on August 27, 1998, was enacted on November 4, 1998, following the approval of Proposition 1A by the voters of the State in the general election on November 3, 1998. SB 50 includes provisions for the following:

1. Issuance of State general obligation bonds in an amount not to exceed \$9.2 billion;
2. Reformation of the State School Building Program; and
3. Reformation of the School Fee mitigation payment collection procedure.

Additionally, Assembly Bill ("AB") 16, which Governor Davis signed on April 26, 2002, was enacted following the approval of Proposition 47 ("Prop 47") by the voters of the State in the general election on November 5, 2002. Prop 47 includes the authorization for issuance of State general obligation bonds in the amount of \$13.05 billion, and AB 16 provides for additional reformation of the State School Building Program into the School Facilities Program. On March 2, 2004, the voters of the State approved Proposition 55 ("Prop 55"). Prop 55 includes the authorization for the additional issuance of State general obligation bonds in the amount of \$12.3 billion. Finally AB 127, which Governor Schwarzenegger signed on May 20, 2006, was enacted following the approval of Proposition 1D ("Prop 1D") by the voters of the State in the general election of November 7, 2006. Prop 1D includes the authorization for the issuance of State general obligation bonds in the amount of \$10.4 billion.

The Mira-Hart-Murrieta Decisions, which formerly permitted school districts to collect mitigation payments in excess of School Fees under certain circumstances, are suspended by AB 127. In lieu of the powers granted by the Mira-Hart-Murrieta Decisions, SB 50 and subsequent legislation provide school districts with a reformed School Fee collection procedure that, subject to certain conditions, authorizes school districts to collect Alternative Fees on residential developments. However, not all school districts will qualify to charge Alternative Fees, and Alternative Fees are generally not imposed upon residential units that have existing agreements with a school district.

Therefore, school districts must still rely on School Fees as a funding source for school facilities required by new development. However, before a school district can levy School Fees on new development, State law requires that certain nexus findings must be made and documented. The objective of this Study is to provide a rigorous basis for such findings.

II. Legislation

State legislation, specifically AB 2926 and AB 1600, provides guidelines, procedures, and restrictions on the levy of School Fees for school facilities. Certain provisions of this legislation are summarized below:

A. AB 2926

AB 2926 was enacted by the State in 1986. Among other things, AB 2926 added various sections to the Government Code which authorize school districts to levy School Fees on new residential and commercial/industrial developments in order to pay for school facilities. In addition, AB 2926 provides for the following:

1. No city or county can issue a building permit for a development project unless such School Fees have been paid.
2. School Fees for commercial/industrial development must be supported by the finding that such School Fees "are reasonably related and limited to the needs for schools caused by the development."
3. School Fees for 1987 were limited to \$1.50 per square foot of enclosed residential floor space and \$0.25 per square foot of enclosed commercial/industrial floor space.
4. Every year, School Fees are subject to annual increases based on the Statewide cost index for Class B construction, as determined by the SAB at its January meeting (This provision was changed to every other year by AB181).

The provisions of AB 2926 have since been expanded and revised by AB 1600.

B. AB 1600

AB 1600, which created Sections 66000 et seq. of the Government Code, was enacted by the State in 1987. AB 1600 requires that all public agencies satisfy the following requirements when establishing, increasing or imposing a fee as a condition of approval for a development project.

1. Determine the purpose of the fee.
2. Identify the facilities to which the fee will be put.
3. Determine that there is a reasonable relationship between the need for public facilities and the type of development on which a fee is imposed.
4. Determine that there is a reasonable relationship between the amount of the fee and the public facility or portion of the public facility attributable to the development on which the fee is imposed.

5. Provide an annual accounting of any portion of the fee remaining unexpended, whether committed or uncommitted, in the School District's accounts five or more years after it was collected.

In other words, AB 1600 limits the ability of a school district to levy School Fees unless (i) there is a need for the School Fee revenues generated and (ii) there is a nexus or relationship between the need for School Fee revenues and the type of development project on which the School Fee is imposed. (The requirements of AB 1600 were clarified with the passage in 2006 of AB 2751, which codifies the findings of *Shapell Industries vs. Milpitas Unified School District*.) The Study will provide information necessary to establish such a nexus between School Fees and residential development.

III. Methodology of Study

The School District is projecting an increase in student enrollment attributable to new residential development in future years. This projected growth will create a demand for new school facilities to be constructed within the School District and the need to incur significant school facilities costs to meet that demand. As a result, the School District has determined that School Fees should be levied on new development projects. In particular, the School District has determined that School Fees must be levied on new residential projects, if findings can be made that such projects will lead to higher student enrollment and increased facilities costs. The objective of the Study is to provide a basis for such findings consistent with the requirements of AB 2926, AB 1600, and the provisions of Section 66001 of the Government Code.

A. Overview of Methodology

In order to evaluate the existence of a nexus, the Study identifies and analyzes the various connections or linkages between residential development and (i) the need for school facilities, (ii) the cost of school facilities, and (iii) the amount of School Fees that can justifiably be levied. The primary linkages identified include the following:

1. Housing projections (i.e., the projected number of residential units to be constructed within the School District);
2. Student generation (i.e., the number of students generated from a residential unit within the School District);
3. Facility requirements (i.e., the number of new school facilities required to house students generated from new residential units);
4. School facilities cost impacts (i.e., the costs to the School District associated with the construction of new school facilities); and
5. School Fee requirements (i.e., the School District's need to levy School Fees to cover the cost of new school facilities).

The above linkages result in a series of impacts which (i) connect new residential development with increased school facilities costs and (ii) connect School Fees per residential building square foot with increased facilities costs. These impacts are identified for two (2) residential land uses; SFD units and MFA units (e.g., condominiums, apartments, townhomes, duplexes, etc.). These "linkage impacts" include four (4) major types:

1. Residential Unit Projections
2. Student Generation Factors
3. School Facilities Cost Impacts
4. Maximum School Fee Revenues

B. Residential Unit Projections

The number of Future Units to be constructed within the boundaries of the School District was estimated based on information obtained from CoreLogic.

C. Student Generation Factors

SGFs by school level (e.g., elementary school, middle school, and high school) for each of the residential land use categories were calculated by Dolinka Group. Dolinka Group calculated SGFs for the School District through an analysis which consisted of cross-referencing the School District's actual enrollment data against residential data from the Office of the Assessor for the County ("County Assessor").

D. School Facilities Cost Impacts

School facilities cost impacts were calculated by determining the additional elementary school, middle school, and high school facilities needed to adequately house students generated from Future Units and the total cost for those school facilities. School facilities costs are based on the per-pupil grant amounts established by SB 50.

E. Maximum School Fee Revenues

Maximum School Fee revenues for residential development were based on the current maximum residential School Fee authorized by the SAB (currently \$3.48 per square foot) under AB 2926.

F. Comparison of School Facilities Cost Impacts and Maximum School Fee Revenues

If school facilities cost impacts per residential square foot are greater than maximum School Fee revenues, then the levy of the maximum residential School Fee is justified to cover as much of school facilities cost impacts per residential square foot as possible. Should school facilities cost impacts per residential square foot be less than maximum School Fee revenues, then only a School Fee equivalent to the school facilities cost impacts per residential square foot can be justified to cover facilities needs generated by future residential development. Under this latter circumstance, the School District would not be justified in imposing the maximum residential School Fee per square foot.

IV. Facilities Capacity and Student Enrollment

In order to determine whether the School District's existing school facilities contain excess capacity to house students generated by new residential development, school year 2015/2016 student enrollment and school facilities capacity of the School District were evaluated.

Collectively, the School District's school facilities in school year 2015/2016 have a capacity of 3,112 students. Of these 3,112 existing seats, 1,139 are at the elementary school level, 783 are at the middle school level, and 1,190 are at the high school level. The enrollment of the School District in school year 2015/2016 is 3,150 students. As shown in Table 1 below, the School District's student enrollment exceeds facilities capacity at the elementary school and high school levels while the facilities capacity exceeds student enrollment at the middle school level in school year 2015/2016.

**Table 1
Existing School Facilities Capacity and Student Enrollment**

School Level	2015/2016 Facilities Capacity	2015/2016 Student Enrollment^[1]	Excess/ (Shortage) Capacity
Elementary School (Grades K-5)	1,139	1,167	(28)
Middle School (Grades 6-8)	783	729	54
High School (Grades 9-12)	1,190	1,254	(64)
Total	3,112	3,150	(38)

[1] 2015/2016 student enrollment provided by the School District.

As indicated in Table 1, 54 middle school seats are available to house students generated from Future Units. These surplus seats will be addressed in Section V below.

V. Impact of Residential Development on School Facilities Needs

As discussed in Section III, the objective of the Study is to determine the appropriateness of the imposition of a School Fee on residential property to finance school facilities necessitated by students to be generated from new residential development. Section III outlined the methodology which was employed in the Study to meet that objective. Section V is a step-by-step presentation of the results of the analysis.

A. Projected Residential Development within the School District

The initial step in developing a nexus as required by AB 2926 and AB 1600 is to determine the number of Future Units to be constructed within the School District's boundaries. Based on information obtained from CoreLogic, Dolinka Group has estimated that the School District could experience the construction of approximately 418 Future Units through calendar year 2050. Of these 418 Future Units, 140 are expected to be SFD units and 278 are expected to be MFA units. Table 2 distinguishes Future Units by land use.

**Table 2
Future Units**

Land Use	Total Future Units
Single Family Detached	140
Multi-family Attached	278
Total Units	418

B. Reconstruction

Reconstruction is the act of replacing existing structures with new construction, which may have an alternative land use (i.e., commercial/industrial versus residential) or may consist of different residential unit types (i.e., SFD versus MFA, etc.).

B1. Residential Reconstruction

Residential Reconstruction consists of voluntarily demolishing existing residential units and replacing them with new residential development. To the extent Reconstruction increases the residential square footage beyond what was demolished ("New Square Footage"), the increase in square footage is subject to the applicable School Fee as such construction is considered new residential development. As for the amount of square footage constructed that replaces only the previously constructed square footage ("Replacement Square Footage"), the determination of the applicable fee, if any, is subject to a showing that the Replacement Square Footage results in an increase in student enrollment and, therefore, an additional impact being placed on the School District to provide school facilities for new student enrollment.

Prior to the imposition of fees on Replacement Square Footage, the School District shall undertake an analysis on any future proposed projects(s) to examine the extent to which an increase in enrollment can be expected from Replacement Square Footage due to any differential in SGFs as identified in the Study for the applicable unit types between existing square footage and Replacement Square Footage. Any such fee that is calculated for the Replacement Square Footage shall not exceed the School Fee that is in effect at such time.

B2. Reconstruction of Commercial/Industrial Construction into Residential Construction

The voluntary demolition of existing commercial/industrial buildings and replacement of them with new residential development is a different category of Reconstruction. Dolinka Group is aware that such types of Reconstruction may occur within the School District in the future, however, Dolinka Group was unable to find information (i) about the amount planned within the School District in the future or (ii) historical levels, which might indicate the amount to be expected in the future. Due to the lack of information, the School District has decided to evaluate the impacts of Commercial/Industrial Reconstruction projects on a case-by-case basis and will make a determination of whether a fee credit is justified based on the nature of the project.

C. Student Generation Factors per Residential Unit

In order to analyze the impact on the School District’s student enrollment from Future Units, Dolinka Group calculated SGFs for SFD and MFA units. The process of determining SGFs involved cross-referencing the School District’s enrollment data against the County Assessor residential data. The SGFs for each land use by school level are shown in Table 3.

**Table 3
Student Generation Factors**

School Level	Single Family Detached Units	Multi-family Attached Units
Elementary School	0.1244	0.1094
Middle School	0.0745	0.0559
High School	0.1833	0.0988
Total	0.3823	0.2641

D. School District Facilities Requirements

By multiplying the Future Units as listed in Table 2 by the SGFs identified in Table 3, the Study determined the projected number of new students to be generated from Future Units. The Projected Student Enrollment by school level is shown in Table 4.

**Table 4
Projected Student Enrollment from Future Units**

School Level	Projected Student Enrollment from Future SFD Units	Projected Student Enrollment from Future MFA Units	Projected Student Enrollment from Future Units
Elementary School	17	30	47
Middle School	10	16	26
High School	26	27	53
Total	53	73	126

As indicated in Section IV, 54 surplus middle school seats are available to accommodate the Projected Student Enrollment. Therefore, the Projected Unhoused Students are less than the Projected Student Enrollment at the middle school level. Table 5 shows Projected Unhoused Students for the School District .

**Table 5
Projected Unhoused Students from Future Units**

School Level	Projected Students from Future Units	Surplus Seats	Projected Unhoused Students
Elementary School	47	0	47
Middle School	26	54	0
High School	53	0	53
Total	126	54	100

To determine the number of elementary school and high school facilities necessary to adequately house the Projected Unhoused Students, Dolinka Group divided the Projected Unhoused Students by the estimated school facilities capacity at each school level, as provided by the School District. The additional school facilities requirements are identified in Table 6.

**Table 6
Additional School Facilities for Projected Unhoused Students**

School Level	Projected Unhoused Students	Estimated Teaching Station Capacity	Additional Teaching Stations Needed
Elementary School	47	25	1.8800
Middle School	0	N/A	0.0000
High School	53	27	1.9630

E. School District Facilities Costs

The cost of expanding the existing elementary school and high school facilities by adding additional teaching stations is based on per-pupil grant amounts established by SB 50. It must be noted that the facilities costs are in 2016 dollars and do not include interest costs associated with debt incurred to finance the construction of facilities. The estimated site costs and facility construction costs by school level are shown in Table 7.

**Table 7
Estimated School Facilities Costs (2016\$)**

School Level	Estimated Total Cost per Teaching Station
Elementary School	\$541,200
Middle School	N/A
High School	\$786,240

The costs in Table 9 do not include costs associated with Central Administrative and Support Facilities. As indicated in Table 7, Future Units will cause the enrollment of the School District to increase by approximately 100 students. In accordance with the Provisions of Chapter 341, Statutes of 1992, SB 1612, the SAB adopted a report on January 26, 1994, requiring approximately four (4) square feet of central administrative and support facilities for every student. Based on this report and the estimated cost per square foot to construct and furnish these types of facilities, the Study incorporates a Central Administrative and Support Facilities cost impact of \$800 per student.

F. Total School Facilities Cost Impacts

To determine the total school facilities cost impacts caused by Future Units, Dolinka Group (i) multiplied the school facilities costs (Table 7) by the additional school facilities needed (Table 6) and (ii) multiplied the central administrative and support facilities costs per student (above paragraph) by the Projected Unhoused Students (Table 5). Table 8 illustrates the total school facilities cost impacts from future residential development.

**Table 8
Total School Facilities Cost Impacts from Future Units (2016\$)**

Item	Cost per Teaching Station/Student	Teaching Stations Required/Students Generated	Total School Facilities Cost Impacts
Elementary School	\$541,200	1.8800	\$1,017,456
Middle School	N/A	0.0000	\$0
High School	\$786,240	1.9630	\$1,543,389
Central Admin. Impacts	\$800	100	\$80,000
Total	N/A	N/A	\$2,640,845

G. School Facilities Cost Impacts per Residential Unit

To determine the total school facilities cost impacts per future residential unit, the total school facilities cost impacts listed above need to first be apportioned by land use based on the number of elementary school, middle school, and high school students to be generated from such land use. Table 11 shows total school facilities cost impacts by land use.

**Table 9
Total School Facilities Cost Impacts by Land Use (2016\$)**

School Level	Single Family Detached Units	Multi-family Attached Units	Total School Facilities Cost Impacts
Elementary School	\$381,616	\$673,440	\$1,055,056
Middle School	\$0	\$0	\$0
High School	\$777,934	\$807,855	\$1,585,789
Total	\$1,159,550	\$1,481,295	\$2,640,845

Total school facilities cost impacts for each land use were then divided by the number of Future Units in such land use to determine school facilities cost impacts per SFD unit and MFA unit. These impacts are shown in Table 10.

**Table 10
School Facilities Cost Impacts per Future Unit (2016\$)**

Land Use	Total School Facilities Cost Impacts	Future Units	School Facilities Cost Impacts per Residential Unit
Single Family Detached	\$1,159,550	140	\$8,283
Multi-family Attached	\$1,481,295	278	\$5,328

H. School Facilities Cost Impacts per Square Foot

To determine the school facilities cost impacts per square foot of residential construction for each land use, the school facilities cost impacts per unit listed in Table 12 were divided by the average square footage of such type of residential unit. Using square footage information for units constructed within the School District, Dolinka Group estimates that the average square footage of an SFD unit in the School District is projected to be 2,000 square feet while the average square footage of an MFA unit is projected to be 1,500 square feet. Table 11 shows the school facilities cost impacts per square foot of residential construction in the School District.

**Table 11
School Facilities Cost Impacts per Residential Square Foot (2016\$)**

Land Use	School Facilities Cost Impacts per Residential Unit	Average Square Footage	School Facilities Cost Impacts per Square Foot
Single Family Detached	\$8,283	2,000	\$4.14
Multi-family Attached	\$5,328	1,500	\$3.55

I. Comparison of School Facilities Cost Impacts and School Fee Revenues per Residential Square Foot

On February 24, 2016, the SAB increased the maximum residential School Fee authorized by Section 17620 of the Education Code from \$3.36 to \$3.48 per residential building square foot for unified school districts. Based on the square footage of the average residential unit constructed within the School District, the School Fees would provide for less than 100 percent of the school facilities cost impacts. Therefore, the Study concludes that the School District is fully justified in levying the maximum residential School Fee of \$3.48 per square foot for all new residential development within its boundaries.