SCHOOL FACILITIES
NEEDS ANALYSIS

Required for Level 2 & Level 3 Alternative Fees
Under the Provisions of SB 50

and

EDUCATION CODE SECTION 17620
FEES JUSTIFICATION

Required for Level 1 Fees

Prepared for:

ONTARIO-MONTCLAIR
SCHOOL DISTRICT

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CHAPTER 1

LEGISLATIVE BACKGROUND

Level 1 Fees

For more than 25 years, California school districts have had legal authorization to levy fees on residential and commercial/industrial development. As set forth in Education Code Section 17620, "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 purpose of funding the construction or reconstruction of school facilities …." Even more critically, Section 17620 states, "No city or county … may issue a building permit for any development absent certification by the appropriate school district of compliance … with any fee … levied by the governing board of that school district …." Whatever fee is levied must be justified by a document, such as this report, that sets forth information required by Sections 66000 *et seq.* of the Government Code.

The original fees, now usually referred to as Level 1 fees, are limited by law to maximum amounts. These amounts are currently $3.79 per square foot for residential development and $0.61 per square foot for commercial/industrial (C/I) development. The limits are adjusted for inflation every two years by the State Allocation Board (SAB) based on the statewide index for Class B construction. They were last adjusted in at the State Allocation Board meeting on January 24, 2018.

In cases where a geographical area is served by an elementary and a secondary school district, rather than by a unified district, the law calls upon the districts to negotiate a sharing of the maximum fees. By agreement, the Ontario-Montclair School District (OMSD) can receive 69% of the maximum Level 1 fee on residential and commercial/industrial development, which currently amounts to $2.62 and $0.42, respectively, for the District. The District collects the maximum commercial/industrial fee on most non-residential buildings, though lower fee amounts apply on some types of buildings due to their relatively low number of employees.

Level 2 and Level 3 Fees

In many districts, Level 1 fees are inadequate to mitigate the cost of the impacts from new development. In 1998, the California legislature passed Senate Bill 50 (SB 50), the provisions of which became effective upon approval of Proposition 1A in November 1998. The bill enacted into law alternative fees, usually referred to as Level 2 and Level 3 fees, that may be levied by California school districts under certain conditions. Set forth in Government Code Sections 65995.5 *et seq*., the fees apply only to residential development. Unlike Level 1 fees, the maximum alternative fee amount that can be levied is not prescribed, but specific rules govern how the fee amount is determined.

Level 2 fees are purported to cover about one-half of the school cost impacts, in effect assuming that State grant funding is available to pay for the other half. (Most districts find the fee amounts to be less than adequate.) Level 3 fees are intended to cover the full cost impact of new development. Level 3 fees can be levied only if the State Allocation Board (SAB) determines that state funding for construction of new school facilities is not available. Some years of limited State funding and certain statements by the SAB in May

2016 made Level 3 fees a relevant consideration. The passage of Proposition 51 on the November 2016 ballot, which authorized statewide bonds of $9 billion, is also relevant.

The amounts of the alternative fees are determined through a legislated process known as a *School Facilities Needs Analysis* (SFNA); these regulations provide the framework for much of this report. The SFNA documents the following: 1) the enrollment growth associated with new development; 2) the availability of capacity to house that enrollment; 3) school facility cost impacts; and 4) the resulting fee per square foot of new development within the school district seeking to levy alternative fees.

Current District Fees

The Ontario-Montclair School District concluded that Level 1 fees were insufficient to fund the cost of the school facilities necessary to house students from new development and that it therefore should levy alternative fees. The District had an SFNA prepared that showed that the District met the prerequisites required by the legislation to levy alternative fees and provided calculations necessary to determine the amount of the fee. This updated SFNA constitutes the basis for the annual re-adoption of an alternative fee as required by California law. This report also will serve as the documentation necessary should the District enact Level 3 fees.

The Ontario-Montclair School District also levies Level 1 fees on residential development, though on a standby basis. They may not, however, duplicate Level 2 fees levied by the District; Level 1 fees are collected only if, for some reason, Level 2 (or 3) fees are not being collected. In other words, as long as the District is levying Level 2 or 3 fees greater than the Level 1 fee amount, the levy of the Level 1 fees is held in abeyance. The District levies and ***collects*** Level 1 fees on commercial/industrial development, for which there is no Level 2 alternative.

CHAPTER 2

NEXUS BETWEEN DEVELOPMENT AND ENROLLMENT

Any development fee must be based on the relationship between that development and the impacts on which the fee is determined, a relationship known as the "nexus." The purposes of this chapter are, first, to demonstrate the causal chain between development and its school facility impacts and, second, in so doing, to provide a framework for the quantification of the impacts in the remainder of the report.

New development can be required to provide mitigation only to the extent of its impacts. For schools, the impacts are students for whom additional capacity must be provided. The mitigation is funds to offset the costs involved in providing facilities to accommodate the increased enrollment. A school district seeking mitigation from developers has the burden of documenting the nexus between development and the facilities that will be needed. This chapter describes this nexus in general terms. The purpose of this chapter is to clarify the causal chain between development and its facility impacts, and, in so doing, provide a framework for the quantification of the impacts in the remainder of the report.

This brief chapter begins with a description of the nature of growth in a regional economy and the associated growth in population. It then traces the effect of the construction of workplaces and homes, the dual components of regional growth, to increases in enrollment. It concludes by discussing how the estimated cost of facilities to accommodate increased enrollment can be reasonably allocated among the types of development that generate it.

Economic Growth

Commercial/industrial construction and residential development (and hence new households and children) are related components of economic growth. An expanding regional economy results from increased demand for the goods and services produced in that region. As economic expansion progresses, more workers are needed, and increasingly these workers must be attracted from outside the region. Sometimes the process is reversed; the availability of a productive labor force can be a key factor leading to the expansion of business activity in the region, with a resultant increase in employment.

Both increased business activity and new households require new development. The business activity requires new commercial and industrial space; the addition of families requires additional housing units. This is not to imply that the additional employees necessarily work in the new commercial/industrial space or that the new households necessarily occupy the new housing units; this is obviously not the case. However, when new space is constructed and existing businesses or households move into it, the space they previously occupied is then made available to other families. Whatever the number of shifts in the chain, space is eventually available for occupancy by new employees and/or residents from outside the region. In contrast, in regions where economic growth is not occurring, new construction is slow to occur because there is little market for the space made available, which keeps property prices and rents below the levels necessary to cover the cost of new construction.

Impacts on Schools

The interrelated nature of commercial/industrial development and residential development justified the California legislature's adoption of fee legislation recognizing both as contributing to enrollment growth. The higher per square foot fee on residential development presumably represents the immediate enrollment impacts of residential development; when new housing is initially occupied, most of the children residing in these new homes immediately begin attending local schools. Yet it is clear that new homes are developed primarily in response to the need for additional housing to accommodate the growing labor force and their families, making employment growth a major contributor to the need for additional school facilities. The enrollment impacts are thus the joint effect of local housing development and both local and regional commercial/industrial development.

The most immediate school impact of new homes is, as stated above, additional students enrolling in the local schools. The associated impact of increasing enrollment is the need for school facilities to accommodate these students. In fact, the school district must usually anticipate this need far in advance in order to plan for the construction of additional facilities. The enrollment projections must include consideration of factors affecting enrollment other than new development; for example, rising birth rates may be resulting in increased enrollment from existing homes. However, the enrollment impacts of new development must be separately identified, as mitigation can be sought from new development only for the portion of the facilities that would not have been needed in the absence of that development.

Thus, the final step in the demonstration of nexus is the determination of the facilities anticipated to be needed to house the additional enrollment that would not have occurred without the new development. The facilities are sometimes new schools, sometimes building wings or relocatable classrooms added to existing schools, and sometimes the refurbishment or replacement of school buildings that would otherwise have reached the end of their useful life. Once the facilities appropriate to provide the needed capacity have been identified, the cost of these additional facilities must be estimated. It is the mitigation of this cost, and only this cost, that the district may seek from new development.

Determination of Mitigation

It should be noted that the task of quantifying the impacts of each new development on school facility costs involves identifying the relative shares of the cost impacts attributable to that individual development project. To begin with, how much of the cost should be allocated to commercial/industrial development and how much to residential? Within these categories, how much, for example, should be allocated to office *versus* retail space, and how much to single-family homes as compared to multi-family? The most common approach is to assume that housing development should bear the cost of mitigation up to the level set by the State of California (the State) legislation. If fees at that level are inadequate, fees on commercial/industrial development are then appropriate. The amount of the commercial/industrial fee is based on the portion of the facilities cost calculated to be unfunded after the fees on residential development are paid (up to the limits set by the State). This perspective reflects the immediacy with which residential development impacts school enrollment.

In the majority of cases, the total of residential and commercial/industrial fees are inadequate to provide the facilities to accommodate the enrollment from new development. The courts previously upheld city-

imposed mitigation supplemental to the statutory developer fees in situations where the new development is a result of changes in public policy, such as annexation or rezoning. However, Senate Bill 50 (SB 50), enacted in 1998, subsequently shifted responsibility for school financing to the State, thereby removing the basis for supplemental mitigation imposed by cities and counties. However, SB 50 provided for greater residential mitigation in the form of alternative fees if certain requirements are met.

Enrollment resulting from commercial/industrial development is proportional to the number of employees. Consequently, appropriate per square foot mitigation amounts are determined in proportion to the employment density of each type of building. The approach taken in this report is conservative, in that it assumes that only the proportion of employees residing in the local school district impacts that district, thus ignoring the impact on all the other districts in which other employees reside. If all districts use this approach in their analysis, the majority of the impact from employment is never considered, simply because on a regional basis the majority of the labor force commutes to work in districts other than those where the employees reside.

The impacts of residential development have tended to be somewhat proportional to size of unit (*i.e.*, larger homes tend to generate more students). This relationship supported the implicit assumption in State legislation that square feet are the appropriate measure of relative causality of school impacts.

CHAPTER 3

PREREQUISITES

State New Construction Funding Eligibility and Application

The first prerequisite for levying Level 2 (or Level 3) fees is that the District must have demonstrated eligibility for new construction funding from the State and make a timely application for such funding (Government Code Section 65995.5(a)(1)).

The Ontario-Montclair School District has submitted applications for and received approval of eligibility for new construction funding.

Need and Funding Effort Requirements

Another prerequisite involves criteria specified in the law intended to measure the level of District need along with local funding efforts to meet this need. Any district levying Level 2 or Level 3 fees must meet two of four possible requirements (Government Code Section 65995.5(a)(3)). The criteria and Ontario-Montclair School District's status are summarized as follows:

Requirement 1: **Multi-Track Year-Round Enrollment**

An elementary school district must have at least 30 percent of its K-6 students in multi-track year-round schools in one or more high school attendance areas where substantial growth is occurring.

At present, none of the District's elementary schools are operating on multi-track year-round schedules. Thus, the District does not currently meet this requirement.

Requirement 1: UNMET

Requirement 2: **General Obligation Bond Vote**

The District must have placed a bond issue before the voters in the past four years and received at least 50% plus one (not necessarily a 55% or two-thirds) approval.

The voters approved Measure K in November 2016 for $150 million. Thus, the District has met this requirement

Requirement 2: MET

Requirement 3: **Indebtedness**

To meet this criterion the District must have debt equal to at least 15 percent of its local bonding capacity. The debt includes all obligations with debt service paid from the general

fund, all types of voter approved special taxes, redevelopment pass-through, and landowner Mello-Roos taxes approved before November 4, 1998. (The requirement can also be met with debt equal to 30 percent of its local bonding capacity including landowner Mello-Roos taxes approved after November 4, 1998.)

The District's gross bonding capacity, including outstanding lease payments, is determined by the State as a percentage of the total assessed valuation of all property within the District. Per Section 15102 of the Education Code, the District's debt limit is 1.25% of its total assessed valuation. The total assessed valuation for the current fiscal year is $12.8 billion. The bonding capacity is thus $160.1 million. Fifteen percent of this total is $24.0 million.

The District has outstanding general obligation bonds for capital outlay of $98.6 million for facilities. This amount is far in excess of the requirement, being 61.6% of the District's bonding capacity.

Requirement 3: MET

Requirement 4: Relocatables

At least 20 percent of the teaching stations must be relocatable classrooms.

The District provided a count to Schoolhouse Services showing that the District's schools presently contain 1,028 classrooms. Of these, 391 are portable classrooms. Portables thus constitute approximately 38% of the District's classrooms.

Requirement 4: MET

Summary of Need and Funding Effort Requirements for Alternative Fees Met by the District

The District currently meets three of the four requirements outlined above, thereby meeting the requirement to levy alternative fees.

1) Year-Round Schedule
   REQUIREMENT UNMET: At present, none of the District's elementary schools operate on multi-track year-round schedules;

2) Bond Issue
   REQUIREMENT MET: The District submitted a general obligation bond issue (Measure K) for $150 million to the voters in November 2016, which received approval by the majority of voters;

3) Indebtedness
   REQUIREMENT MET: The District has indebtedness in excess of 15% of its bonding capacity; and

4) Relocatables
REQUIREMENT MET: Relocatables constitute more than 20% of District classrooms.

School Facilities Needs Analysis

The remaining requirement is that the District prepares and adopts a school facilities needs analysis (Government Code Section 65995.5[a][2]). This requirement is met by the information in the remaining sections of this report and the adoption of the report by the District.

CHAPTER 4

UNHOUSED PUPILS: CAPACITY AND ENROLLMENT

The School Facilities Needs Analysis must identify unhoused pupils resulting from new development for which the District must expand capacity, using the procedures set forth in Government Code Section 65995.6. The number of unhoused students depends on both enrollment from new development and the existing capacity of the District's schools. These topics are the subject of Chapter 4.

Existing Capacity and Enrollment

The District currently operates grade schools with classes from kindergarten (including pre-kindergarten per California law) through the sixth grade and middle schools with seventh and eighth grade classes, with few exceptions. One exception is the International Baccalaureate School program at Wiltsey Middle School. The program calls for three years of preparation for the student's Exhibition at the end of the eighth grade. Therefore, Wiltsey enrollment includes sixth grade students. The other exceptions are three elementary schools that also enroll 7th and 8th grade students.

The capacity available in existing facilities is to be determined by the procedures in Education Code Section 17071.10. These procedures generate the following inventory of existing facilities at the present time: 637 classrooms of permanent construction and 391 portable classrooms, for a total of 1,028 classrooms. In calculating capacity, districts with an excessive number of portable classrooms are allowed to exclude either: a) all State lease program portables and all portables leased for less than five years; or b) the number of portables in excess of 25% of the number of permanent classrooms. Per the latter option, 25% of 637 equals 159 portable classrooms to be counted. With 637 permanent rooms and 159 relocatables, 796 classrooms are counted for the purpose of determining enrollment capacity. Following Section 17071 (Form SAB 50-02), the remainder of the portable classrooms are considered excessive and not counted in the capacity total.

Some of the classrooms are utilized for Special Day Class (SDC) programs. These programs provide highly specialized instruction employing teams of specially credentialed teachers and trained instructional aides. They thus require dedicated classroom space with a limited number of students per room. Capacity requirements for SDC students are based on the numbers of currently enrolled SDC students and the State grant programs assumptions about loading for SDC classrooms, currently nine severely disabled students per classroom and 13 non-severely disabled students per classroom.

District enrollment for the current year includes 631 students designated as non-severe per state definitions and 166 students designated as severe per the definitions. This includes 125 severe SDC students and 459 non-severe SDC students in District elementary schools and 41 severe SDC students and 172 non-severe SDC students in District middle schools. These two groups require approximately 19 and 50 classrooms respectively to accommodate them. The calculation of the number of rooms required for SDC students enrolled in the District is shown in Table 4-1.

Table 4-1
District Enrollment Capacity – SDC Classrooms Required

	K-6			*7-8*			
Students	***# of Students***	***Loading factor***	***Classrooms Required***	***# of Students***	***Loading factor***	***Classrooms Required***	***Total Classrooms Required***
SDC Students (Severe)	**125**	**9**	**14**	**41**	**9**	**5**	**19**
SDC Students (non-severe)	**459**	**13**	**36**	**172**	**13**	**14**	**50**
Total							**69**

SDC classrooms are rounded up to nearest whole number
Sources: Ontario-Montclair School District and Schoolhouse Services

After these 69 rooms required for SDC classes are subtracted from the total 796 classrooms, 727 classrooms are left for non-SDC students. Per Education Code Section 17071.25 (a)(2), classrooms for non-SDC students are to be loaded at 25 students per classroom for grades K-6, and 27 students per classroom for grades 7-8. Based on the actual permanent classrooms at District elementary schools and middle schools and the relative percentage of the included 159 portable classrooms for elementary and middle schools, there are 531 eligible K-6 non-SDC rooms, and 196 eligible 7-8 non-SDC rooms, with student capacities of 13,275 students and 5,292 students, respectively. This provides a total capacity of 18,567 non-SDC students in District classrooms. This is shown in Table 4-2.

Table 4-2
District Enrollment Capacity – non-SDC classrooms

	*Number of Classrooms**	*Loading factor*	*Capacity*
K-6 (elementary)	**531**	**25**	**13,275**
7-8 (middle school)	**196**	**27**	**5,292**
Sub-Total	**727**		**18,567**

Excluding excess relocatable classrooms.
Sources: Ontario-Montclair School District and Schoolhouse Services

When the SDC and non-SDC student capacities in Table 4-1 and Table 4-2 are combined, the capacities are 13,859 students in District elementary schools and 5,505 students in District middle schools. However, these rules also require a six-percent upward adjustment in capacity for grades K-6, including students in SDC classrooms. This does not apply to students in any Grade 7 or Grade 8 classrooms, unless a substantial portion of students are on multi-track year-round schedules, which is currently not the case in the District. Thus, in effect, current legislation assumes that some overcrowding or year-round schools are to be expected. The statutory six-percent adjustment to grades K-6 adds 833 students to the District capacity, including 28 non-severe SDC students, 8 severe SDC students, and 797 non-SDC students. This increases the total capacity in the District to 20,197 students. The calculations are shown in Table 4-3.

Table 4-3
Total District Enrollment Capacity

	Non-SDC students	*SDC students (non-severe)*	*SDC students (severe)*	*Total student capacity*
K-6 (elementary)	13,275	459	125	**13,859**
7-8 (middle school)	5,292	172	41	**5,505**
6% adjustment (elementary)*	**797**	**28**	**8**	**833**
Total				**20,197**

6% adjustments are calculated for each K-6 student group and rounded to the nearest whole number.
Source: Schoolhouse Services

In contrast to Level 1 fee report capacity estimates, Level 2 report capacity estimates do not distinguish between classrooms used for regular classrooms and those used for support functions, such as Resource Specialist Programs (RSP) or language labs. Therefore, a shortage of capacity can either limit the ability of the District to provide classrooms for support functions or require that classrooms be loaded with higher numbers of students, or both.

The District's enrollment as of its 2017-18 school year California Basic Education Data System (CALPADS) official count was 21,074 students. This count includes severe and non-severe SDC students. Fifty-seven of these students are not in District schools, leaving 21,017 needing to be accommodated. With its current capacity calculated at 20,197 students, the District is below the capacity it should have, given its current enrollment. Thus, the District has no available excess capacity according to the standards of Education Code Section 17071.10. Consequently, accommodating new residential and commercial development requires that the District expand capacity by the full number of unhoused students resulting from such development.

Projection of New Development

State legislation requires that the SFNA include a projection of enrollment growth from new residential development over the next five-year period (Government Code Section 65995.6 (a)). We are here projecting the housing units becoming occupied in the school years 2018-19 through 2022-23. (For single-family detached homes, these are the units issued building permits in the calendar years 2017 through 2022. Multiple-family housing projects require a more careful one-on-one consideration.)

The pace of growth in recent years is an indicator of growth in the coming years. This rate is best tracked through review of its fee payment records, as the only other records are kept on a city-by-city basis and the District's boundaries do not match city boundaries. In recent SFNAs for the District, it was shown that development impact fees were paid on a large number of units through 2007 (during the housing boom), and then a much smaller number of fee payments were made after that year as the housing market collapsed. A few single-family detached units continued to be constructed, though reduced in number, to the extent that only about 12 units appear to have been permitted in 2011 through 2013. No buildings with multiple units (apartments and condominiums) were constructed between 2007 and 2011.

The situation has now changed. The District received fee payments for about 170 new single-family homes from early 2015 to mid-2017. The addition of structures with apartment or condominium units has increased to an even greater degree, with three significant complexes constructed. A 50-unit building at 10319 Mills Avenue in Montclair was the first such complex to be constructed and occupied. Its apartments are relatively affordable. In 2016, two large, market-rate complexes finished renting their units; the 385-unit complex on the corner of Moreno and Monte Vista Streets in Montclair (The Paseos at Montclair North) has been completed and was essentially fully occupied as of October 2016. The units are being rented as apartments, though the complex is platted, *i.e.*, at some point in the future individual units could be sold to buyers. The Paloma Apartments, consisting of 139 units located at the corner of Cucamonga Avenue and Philadelphia Street in Ontario, was similarly fully rented in 2016. It is also platted as a condominium complex.

The strength of the housing demand and the availability of potential development sites are important factors

in projecting housing development in coming years. The housing market is strong, and the City of Montclair has responded with an amended downtown plan that would increase buildout capacity by about 2,700 housing units. The Environment Impact Report (EIR) for the plan is under review. It is likely that only a small portion of the increased growth allowed by the plan amendment will be completed and occupied in the next five years. However, the strength of the market reflected in the plan is an indication that development will continue to occur as allowed in the Montclair 2006 downtown plan, and gradually at the higher densities allowed in the amendment, as well as elsewhere in the District. Additionally, the plan amendment indicates a potentially much larger enrollment impact from new development several years in the future.

The law requires that residential growth be calculated in terms of specified housing types (Government Code Section 65995.6). The categories specified are: (1) single-family detached units (units without common walls); (2) single-family attached units, primarily condominiums (units with common walls but with separate owners); and (3) multi-family units, almost always apartments (units with common walls and a single owner of the building). The latter two categories are usually referred to as multiple-family units in this report.

The requirement for separate calculations is not a problem for single-family detached homes. It is, however, a problem for multi-family units, as it is sometimes not clear whether the units will be occupied as apartments or condominiums. A planner for the City of Montclair, where the majority of the new development is likely to occur, indicated that it is likely that the majority of multiple-unit complexes in the future will be platted as condominiums, but at least begin as rental units, with the possibility of later transitioning to condominiums. Of course, even if the units of a complex become individually owned (condominiums), a sizable percentage of these units could still be rented out to tenants. In summary, the multi-family projects projected for occupancy in the next five years will generally be occupied as apartments, but with many having the potential for a later sale of individual units. We assume here, as in recent SFNAs, that twice as many units in multi-family structures will be occupied as apartment units than as condominium units.

We project 410 new housing units will become occupied over the next five years. The number of single-family homes under development indicates that a larger proportion of the units will be single-family detached homes. Given the approximately 135 homes permitted from 2016 through early 2017, we assume 175 such units will become occupied in the years 2017 through 2022. About 150 condominiums were permitted from 2016 through early 2017 and are expected to become occupied over the next five years. Additionally, some of the 115 condominium units permitted in 2015 are likely still being built and occupied, as the shared walls and common areas for these units can delay the time to occupancy longer than would be seen in single-family-detached home developments. We therefore predict 30% (35 units) of the 115 units permitted in 2015 will be occupied in the next five years. We also know that the 524 multi-family units permitted in 2015 are about 90% occupied. Therefore, we estimate that 50 apartment units will also be occupied in the next five years. This occupancy would give us a total of 235 (150+35+50) multi-family units, two-thirds of which are expected to be rented and the remaining one-third expected to be owner-occupied in the next five years. This yields 157 apartments and 78 condos.

The SFNAs for the previous two years projected that 544 new housing units to become occupied over the next five years, reflecting (to a large degree) the two large, multi-family complexes that were expected to be fully occupied by 2017. This year's estimate is still higher than the 244 future units identified by Davis Demographics, a firm that projects District enrollment for District planning purposes. (The firm's forecasts focus primarily on changing enrollment from existing housing units, as the potential for enrollment change is much greater than that from new units.) That same magnitude of growth still seems appropriate, at least until the effect of the amendments in the Montclair plan have a significant effect. The difference in the forecasts is due to the following factors: (1) our inclusion of a significant number of units permitted but not yet completed and occupied, units that are not included in the Davis count; and (2) our anticipation of some new development in in-fill homes and in projects not yet identified.

The projection of 410 units is not critical in the determination of the cost impact of new development. Any difference in the amount of housing constructed in the next five years will change the projected enrollment from that housing. However, such a difference will also change the assessable square footage projected to be constructed by the same proportion, leaving the cost per square foot of new development unchanged. In other words, using a lower (or higher) growth estimate than 410 units would not affect the per-home and per-square-foot cost impact.

One other factor should be noted. Some additional number of units designated solely for senior citizen occupancy will likely be constructed. These units will not generate students and will pay fees at the much lower rate used for commercial/industrial construction (reflecting the enrollment impact of project employees). Senior housing units therefore are not included in these projections of students generated by new development. To be consistent, all non-senior units, including unoccupied units, are used in the calculations in Chapter 6 and the square footage of senior units is *not* included in the floor area against which residential fees are assessed in those calculations. Furthermore, no dwelling units known to be designated for senior occupancy are included among the units surveyed in the student generation rate analysis. The number of units in each housing category is shown in Table 4-4.

Table 4-4
Projected Development (2017 - 2022)

Housing Type	*Units*
Single Units	**175**
Apartments	**157**
Condominiums	**78**
Total	**410**

Source: Schoolhouse Services

Student Generation Rates

Student generation rates (SGRs) are the average number of students per home (*e.g.*, 40 students in 100 homes indicate a student generation rate of 0.40). The legislation specifies that enrollment forecasts be based on SGRs of development occurring in the past five years (Government Code Section 65995.6(a)). This SGR information about recent development is used to project the enrollment impacts of housing that is projected to be constructed in the next five years. The determination of such a rate is a difficult, time-consuming, and expensive task. It involves preparing a list of the addresses of recent homes constructed and then searching the District's student file to identify matches, *i.e.*, the students residing in the new units. This methodology tends to result in a slightly low estimate of the SGRs, as some matches are likely to be missed.

As noted above, the legislation specifies that the enrollment impacts for different types of housing need to be considered separately, as student generation rates usually vary for different types of housing. Table 4-5 shows calculated student generation rates for the various types of housing required under SB 50: single-family units (single-family detached units), apartments (multi-family), and condominiums (single-family attached units) for development in recent years.

The sample of single-family homes for this analysis was drawn from fee and permit records covering the period 2011 through 2016. This period best exemplifies homes completed and occupied in the "prior five years", as there is a significant probability that a home permitted in 2017 will not have been completed and occupied by the official count in early October of that year. Eighty-three single-family detached units developed during this period were available to determine average SGRs for single units; the SGR for K-6 students is 0.18 (15 students in 83 homes) and 0.06 (5 students in 83 homes) for students in grades 7-8, for a total of 0.24 students per new single-family home.

The situation is considerably more complicated for units in multiple-unit buildings. The 50-unit building with relatively affordable rental units generated 46 students (38 K-6 students and 8 students in Grades 7-8) for a total K-8 SGR of 0.92 students per unit. Being affordable, this complex is a relatively family-friendly rental project and the SGR is relatively high. The combined student generation of the 524 units in the two market-rate rental complexes is 36 students (27 K-6 students and 9 students in Grades 7-8), shown in Table 4-5 as Apartments (market rate). The market-rate apartment complexes are less family-friendly, both in their features and due to higher rents; as a result, the SGR is a relatively low 0.07. (The SGRs for these units have been increasing and are likely to continue to do so in next few years; the large number of apartment units completed in 2007 are similar and their average SGR has increased over time to 0.09.) Since there are likely to be apartment projects similar to each of these types in the future, it seems reasonable to assume an average SGR for future projects equal to an average of the two types of projects. Since the recently completed and occupied market-rate units are likely to constitute the large majority of units, the market-rate-unit SGRs are weighted three times as heavily as the SGRs of the more affordable complex, the same ratio as in the SFNA adopted in 2017.

A number of condominiums have been completed in the last few years. Google Maps and Zillow inspections, as well as discussions with some of the builders, indicated that units permitted after late 2016 were not sufficiently completed and occupied to provide reasonably accurate student generation data.

Therefore, this report only includes the 117 units permitted from late 2014 to early 2016. These units yield an SGR of 0.03 for K-6 students (3 students in 117 homes). There are not currently any Grade 7-8 students in these units. So, we have indicated an SGR of 0.00 for that group and a combined SGR of 0.03 (3 students in 117 homes). The lower SGRs for condominiums may be indicative of a change in demographics for those residing in these unit types. However, we expect that this number is likely to increase next year when the remaining units built through 2017 begin to be more fully occupied. All of the student generation rates described above are shown in Table 4-5.

Table 4-5
Student Generation Rates

		Grades K-6		*Grades 7-8*		*Total*	
	Units	*Students*	*SGR*	*Students*	*SGR*	*Students*	*SGR*
Single-Family Units	83	15	0.18	5	0.06	20	**0.24**
Apartments (affordable)	50	38	0.76	8	0.16	46	**0.92**
Apartments (market rate)	524	27	0.05	9	0.02	36	**0.07**
Apartments (weighted average)			**0.23**		**0.05**		**0.28**
Condominiums	117	3	**0.03**	0	**0.00**	3	**0.03**

Source: Schoolhouse Services

Enrollment from New Development

The projection of students from the new single-family homes is straightforward: 175 homes with an average elementary school SGR of 0.18 are calculated to generate 32 elementary students, and with a middle school SGR of 0.06 to generate 11 middle school students, a total of 43 students. The 157 apartment units have average SGRs of 0.23 students in grades K-6 and 0.05 students in grades 7-8 per home, a total SGR of 0.28. This generates 36 elementary school students and 8 middle school students, a total of 44 students. The 78 condominium units, with SGRs of 0.03 and 0.00 students per unit, generate 2 elementary and 0 middle school students, respectively, for a total of 2 students. These results are shown in Table 4-6. As shown in the table, new development is projected to result in 89 additional students, 70 in grade K-6 and 19 in grades 7-8.

Table 4-6
Enrollment from New Development*

		Grades K-6		Grades 7-8		
	Units	*SGR*	*Students*	*SGR*	*Students*	***Total***
Single-Family Units	**175**	**0.18**	**32**	**0.06**	**11**	**43**
Apartments	**157**	**0.23**	**36**	**0.05**	**8**	**44**
Condominiums	**78**	**0.03**	**2**	**0.00**	**0**	**2**
Totals	**410**		**70**		**19**	**89**

The SGRs shown are rounded; the calculations use unrounded SGRs, so results are more accurate but some may appear off by one student.
Source: Schoolhouse Services

The number of students that will be eligible for SDC classes needs to be considered as the regulations now recognize the substantially larger per-student cost of classrooms built for Special Day Class (SDC) students. In a recent school year, District students were assigned to SDC program classes as follows. Just under 2.8% of elementary enrollment was classified as non-severe SDC, with another 0.8% of elementary enrollment being classified as severe SDC. Similarly, for middle school enrollment, 3.7% of the students were classified as non-severe SDC, with another 0.9% being classified as severe SDC.

These percentages are multiplied by the projected number of students from new development (70 elementary and 19 middle) to estimate the number of SDC students among them. The results are a projected 2.0 non-severe SDC and 0.6 severe SDC elementary students and 0.7 non-severe SDC and 0.2 severe SDC middle school students generated from new housing development over the next five years. (The numbers are calculated to tenths of a student to avoid distortion from rounding errors.) These students are subtracted from the projection for elementary (K-6) and middle school (7-8) students, resulting in a forecast of 67.4 elementary students and 18.1 middle school students in addition to the 3.5 SDC students projected in the next five years, as shown in Table 4-7.

Table 4-7
Special Day Class (SDC) Enrollment

	Total	*Non-severe SDC*		*Severe SDC*		*Non-SDC*
	Students	*%*	*Students**	*%*	*Students**	*Students**
Elementary	**70**	**2.8%**	**2.0**	**0.8%**	**0.6**	**67.4**
Middle	**19**	**3.7%**	**0.7**	**0.9%**	**0.2**	**18.1**
Total	**89**		**2.7**		**0.8**	**85.6**

**** Rounded to tenths of a student to avoid distortion from rounding***
Source: Schoolhouse Services

CHAPTER 5

COST OF SCHOOL FACILITIES

In determining the cost of facilities, construction and land costs are accounted for separately. The construction cost component is specified in the State guidelines and the same amount applies statewide. (Education Code Section 17072.10). Land costs vary dramatically throughout the State; local market values and costs are therefore to be used in the calculation of land costs (Government Code Section 65995.5(h)).

Construction Costs

The calculation of Level 2 fees is based on the principle of the cost impact being shared equally between new development and the State in the form of construction grants. The law specifies that construction grant amounts per student (one-half of the total construction cost) are to be adjusted annually by the SAB, presumably in January of each year. The 2018 adjustments were adopted at the SAB meeting on January 24, 2018.

The new grant amounts are $11,775 per elementary student and $12,483 per middle school student. These grant amounts are the costs included in Level 2 fee calculations. In addition, the law calls for regulations that would reflect the higher per-student cost of Special Day Class (SDC) rooms that accommodate fewer students. The 2018 amounts for students qualifying for these rooms for Level 2 fees at all grade levels are $22,189 for non-severely disabled and $33,174 for severely disabled. All of the above costs purportedly reflect one-half of the construction costs for facilities for students from new development, *i.e.*, equal to both the half projected as provided by State grants and the half expected to be provided through Level 2 fees. These costs include the amounts for automatic fire alarm and sprinkler systems in new construction grants.

If and when the State announces that it no longer has funds available for new construction grants, the construction costs used in the calculation of fees could double. The resulting Level 3 fee construction costs per student are thus $23,550 and $24,966 for elementary and middle school students, respectively, and $44,378 for the District's non-severe SDC students and $66,348 for severely disabled students, based on the current cost levels.

Land Costs

The Legislation specifies inclusion of land costs in determining facilities cost. Since costs vary dramatically among districts, this component is determined locally. Land costs include both site acquisition and site development costs.

Site Acquisition Costs

These costs associated with securing a new school site include land; relocation; appraisal, escrow; survey; site testing; environmental assessment; and toxicity mitigation plan and implementation (if necessary).

Site Development Costs:

Site development costs include both on-site and off-site costs. On-site development costs, as listed in the State regulations, include: site clearance; demolition; grading; soil preparation; drainage; erosion control;

embankments; retaining walls; outside stairways and ramps; relocation of portable building; and non-building fire-code requirements. Off-site development costs include curbs, gutters and paving; sidewalks; street lighting; special district fees; storm drains; safety paths; and water, sewage, gas, electric, and phone utilities.

Montera Elementary School, located on the Bandera site, was built in 2001-02. It is the last large construction project undertaken by the District. Site acquisition costs for Bandera totaled $5.36 million. While this project is the best available in the Ontario-Montclair School District, it is not recent and allows for consideration as to whether the large adjustments for inflation in land purchase and improvement cost would be reasonably accurate. Fortunately, the San Bernardino Unified School District completed a new elementary school in 2012, which provides a more contemporary comparison. The San Bernardino District is nearby and, though larger, is similar social-economically to the Ontario-Montclair School District. The land purchase cost for the Leland Norton Elementary School was $805,000 per acre (during the recession) and the site development costs were $449,000 per acre, for a total cost of $1.25 million per acre. (Apparently, some of the costs were a little higher, as it was implied that some of the cost components cited were only the amounts paid by the State under the SAB regulations.)

Montera's campus was designed to accommodate about 500 students. However, loading the school at the densities specified for State grants, the capacity is 572 students. The School *Site Analysis and Development Handbook* (State Department of Education, 1966) calls for a little over 10.0 acres for a 572-student elementary school. The costs by the San Bernardino School District for a campus the size of the Montera School at the same Norton Elementary School per-acre cost would thus have been $12.5 million at that time.

The Norton School site purchase and site development costs were incurred about six years ago. According to the cost of construction index used by the State Allocation Board, inflation from 2012 through 2018 has totaled 22.32%. Applying this rate of inflation to the $12.5 million cost yields a current cost of $15.3 million. We therefore believe that this amount is an accurate estimate for current land and development costs to build a comparably-sized school in the Ontario-Montclair District.

Loading a school the size of Montera at the densities specified for State grants, 572 students, the total land and land development cost for a new elementary school is $26,816 per student. Under the rules of SB 50, half the cost, $13,408 per student, can be used to justify Level 2 fees. If these fees are applicable, the other half is expected to be covered by State construction grants.

Middle schools generally require a greater amount of land per student. The *Handbook* calls for 20.5 acres for an 800-student middle school, or 2.6 acres per 100 students. The *Handbook* thus calls for 37% greater per-student land area for middle schools than the 1.9 acres per 100 students for a 500-student elementary school. (The school sizes are chosen to reflect accurately the standards in the *Handbook*.) Increasing the elementary land costs by 37% yields a Level 2 cost of $18,369 per student. The elementary and middle school costs for the Level 3 calculations are double those for the Level 2 analysis.

It can be noted that the District many years ago purchased a site that at the time was thought suitable for a middle school. Over time it has become increasingly clear that it would not be. It is across the street from

an elementary school, with a major water trunk line running through the middle of the site, and is too small. Following the Department of Education process, the District has declared the site as surplus.

Total School Facilities Cost

The total cost of facilities to serve new development is shown in Table 5-1 for both Level 2 and Level 3 fees. There are 67.4 non-SDC elementary students and 18.1 non-SDC middle students from new development forecast over the next five years, along with 3.5 SDC students, for a total of 89.0 students (As mentioned in Chapter 4, the student numbers are calculated to tenths of a student to avoid distortion from rounding errors. Here the construction costs are not rounded because they are the exact costs specified by the State Allocation Board and the land costs are expressed similarly. The totals are rounded to avoid conveying a high degree of precision in the total cost figures.) As long as State funding is available for school construction, the Level 2 costs of $2.393 million for school facilities apply. If State funding becomes unavailable, Level 3 costs of $4.788 million apply.

Table 5-1
School Facilities Cost

	Elementary School	*Middle School*	*Non-Severe SDC*	*Severe SDC*	*Total*
LEVEL 2 COST					
Construction Cost per student	$11,775	$12,483	$22,189	$33,174	
*Land Cost per Student**	$13,408	$18,369	$14,684	$14,684	
Total Cost per Student	**$25,183**	**$30,852**	**$36,873**	**$47,858**	
*New Development Students***	**67.4**	**18.1**	**2.7**	**0.8**	89.0
Level 2 Facilities Cost*	**$1,697,000**	**$558,000**	**$100,000**	**$38,000**	**$2,393,000**
LEVEL 3 COST					
Construction Cost per Student	$23,550	$24,966	$44,378	$66,348	
*Land Cost per Student**	$26,816	$36,738	$29,368	$29,368	
Total Cost per Student	**$50,366**	**$61,704**	**$73,746**	**$95,716**	
*New Development Students***	**67.4**	**18.1**	**2.7**	**0.8**	89.0
Level 3 Facilities Cost*	**$3,395,000**	**$1,117,000**	**$199,000**	**$77,000**	**$4,788,000**

Land Cost includes site acquisition and development, as well as off-site improvements. Land costs for SDC students are calculated as being the weighted average of the non-SDC per-student land costs for elementary and middle schools.
****New Development student numbers are calculated to tenths of a student to avoid distortion from rounding errors.***
*****Facilities Cost totals are rounded to avoid conveying a high degree of precision in the total cost figures.***
Source: Schoolhouse Services

CHAPTER 6

DETERMINATION OF LEVEL 2 AND LEVEL 3 FEES

Alternative Sources of Funding

The law requires that each district levying Level 2 or Level 3 fees consider the extent to which funds other than mitigation by residential development could be used to lessen the impact of new development. The following three alternatives are specifically mentioned.

Surplus Property

The only Ontario-Montclair School District surplus property is the site purchased, long ago, for a possible middle school. Many possible uses for the site have been suggested, but there are no plans at this time. It does not appear that it could be feasibly used as a site for a new school; therefore, the site was declared to be surplus. If the parcel were ever to be sold, the priority would be to use the proceeds either for more suitable property for the District's existing needs or for improvements to the District's existing facilities.

Excess Capacity in Existing Facilities

In Chapter 4, it was shown that current District enrollment has exceeded the limits of capacity of its facilities, as determined by the standards set forth in the law. There is therefore no excess capacity available to accommodate students from new housing.

Commercial and Industrial Fee Revenue

The District levies fees according to Section 17620 of the Education Code (Level 1 fees) on commercial/industrial (C/I) development (including residential units designated solely for senior occupancy). This revenue is available to help fund the school facilities needed to accommodate the growing population of students. Expected revenue from commercial/industrial development is subtracted from the cost impacts of the added students from new development as identified above. Conceptually, this subtraction avoids overlapping fee payments and the possibility of over-funding school facilities.

The relative amount of revenue from commercial/industrial (*i.e.*, non-residential) fees in the past is one of the best bases for the projection of fee revenue in the future. Over many years the C/I fees have averaged about nine percent of total fee revenues. The fee ratio is therefore assumed to be at nine percent in the calculations in this report. The contribution from Level 1 C/I fees will thus be $215,370 (9% **x** $2,393,000) towards total Level 2 revenue needs from Table 5-1).

Other Local Funds

The District has considered whether any other sources of local funds are available to pay for schools to accommodate new development. Sometimes a district has assets that could be liquidated to fund the cost of new schools. The Ontario-Montclair School District has only the small school site purchased many years ago. If it is sold, the proceeds would be needed for improvements to aged existing schools. The District is not aware of any other sources of local funding. Even if other sources of capital funding become available, the need for improvements to existing facilities and the need to relieve current overcrowding will remain a priority.

Assessable Floor Area

Costs associated with new development are levied on a per-square-foot basis. Accordingly, it is necessary to estimate the number of square feet of new development to which the costs must be allocated. The 410 housing units projected to be constructed within the District boundaries during the next five years, sorted by type of unit (Table 4-4), are shown again in Table 6-1 for the purpose of displaying total square footage of residential construction. (As noted in Chapter 4, some additional units designated for senior housing might be constructed, but these units will not generate students and will not be assessed residential development fees by the District.)

The number of units of each housing type is multiplied by the estimated average size of each type of unit. The average size of single-family detached homes and condominiums are based on the average size of units built in the District over the last six years. The average size of single-family homes has started to decrease a bit with some developments with smaller homes being built. In contrast, the size of condominiums has increased somewhat, with more townhome-type units being built. The average size of apartments is based on the larger, most-recent projects occupied, using both permit and floor plan data to identify square footage.

Table 6-1
Assessable Floor Area

	Projected Units	*Average Unit Size, Square Feet*	*Square Feet of Residential Construction****
Single-Family Units*	**175**	**2,100**	**367,500**
Apartments**	**157**	**1,000**	**157,000**
Condominiums**	**78**	**1,400**	**109,200**
Total	**410**		**633,700**

****Size based on a survey of units built in the last five years.***
***** Size based on most recent large projects.***
****** Rounded to the nearest 100 square feet***
Source: Schoolhouse Services

Level 2 and Level 3 Fee Amounts

Table 6-2 shows the calculation of the Level 2 and Level 3 fiscal impacts. Estimated commercial/ industrial fee revenues from Level 1 fees ($215,370) are subtracted from the cost of facilities. Then the remaining cost is divided by the projected square feet of residential construction. The results of the calculations show an impact under Level 2 costs of $3.44 per square foot of residential construction and an impact under Level 3 costs of $7.22 per square foot of residential construction.

Table 6-2
Level 2 and Level 3 Fee Calculations

	Level 2 Fee	*Level 3 Fee*
Facilities Cost	**$2,393,000**	**$4,788,000**
Contribution from Commercial/Industrial Fees	**$215,370**	**$215,370**
Remaining Cost	**$2,177,630**	**$4,572,630**
Residential Square Feet	**633,700**	**633,700**
Cost per Square Foot	**$3.44**	**$7.22**

Source: Schoolhouse Services

CHAPTER 7

SECTION 17620 RESIDENTIAL FEES

The Ontario-Montclair School District levies Section 17620 fees (Level 1 fees) on residential development, though they are not collected if higher Level 2 (or Level 3) fees are being collected. Level 1 fees do not require a School Facilities Needs Analysis, but a demonstration of the justification of the fees is still appropriate.

Fee Justification Requirements

Code Sections 66000 *et seq.* set forth the requirements for justification of Level 1 fees.

The agency must:

(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 types of development on which the fee is imposed.
(4) Determine how there is a reasonable relationship between the need for the public facility and the types of development on which the fee is imposed.

All fees, including Level 2 and Level 3 fees, must meet these requirements. (It can be maintained, however, that the legislature intended the SFNA to constitute a Section 66000 justification in itself for Level 2 and Level 3 fees.)

The assumptions on which the justification is based should reflect the standards of the district. These standards, however, must be reasonable; in other words, a district cannot use arbitrarily high standards in order to collect higher fees.

Fee Justification

The most efficient way to address the justification of the Level 1 fee, as well as that of the Level 2 and Level 3 fees, is to review the factors as used in the SFNA determinations.

Existing Capacity

The capacity of existing facilities is important because it determines whether room exists to accommodate students from new development without additional facilities. The calculation of the capacity of the District's existing facilities in the SFNA is per Code Section 17071.10. This code section provides the means to determine when a district is overcrowded to the extent that the District should receive some of the State's limited grant funds. As such, it differs in significant respects from the capacity calculated according to the District's standards. One difference is the provision of support classrooms. Resource Specialist Programs (RSP), for example, require classroom space. Section 17071 calculations appear to assume that each and every available (non-SDC) elementary classroom will be filled to an average capacity of 25 or 27 students, with no rooms allocated for support purposes. Districts usually provide some rooms in each school for enrichment classes, such as art and music, and for academic assistance, such as RSP and Title 1 programs.

Alternatively, the provision of three support rooms at a 20-classroom campus raises the classroom loading to about 30 students per classroom.

The Section 17071 assumption that only overcrowding beyond the six percent above standard load (25 students per classroom for K-6 and 27 students for 7-8) should be considered a need for state funding assistance differs markedly from the District's standards. By itself, it increases the capacity six percent above what the District considers a reasonable (*i.e.* uncrowded) condition.

It can be noted that many relocatable classrooms are not included in the count of classrooms in the Level 2 calculations. However, some of the District's relocatable classrooms are being used past their intended life and should not be expected to be available in the future and, in any case, the District would prefer a proportion of relocatables closer to State of California standards if it were possible.

Projected Enrollment

There do not appear to be significant differences between the SFNA and District assumptions with regard to the forecasted enrollment from new development.

Cost of School Construction

The actual construction costs that the District incurs with the construction of new school facilities, non-classroom space in particular, is usually in excess of the amount specified by Section 17071 as a basis for State grant amounts. The SFNA thus understates the impact.

State Funding

Finally, the SFNA assumes State funding for the calculation of Level 2 fees, but not for Level 3 fees. Given the uncertainty of State funding acknowledged in the legislation, it is reasonable to assume, for the purposes of the Section 66000 justification, that State funding is not available.

Summary

The above review determined that each factor affecting the District's capacity or cost per student is actually either equivalent to the assumption in the SFNA or differs so as to decrease available capacity or to result in a significantly higher cost. There are no factors that indicate the District has more capacity or lower facility costs than those shown in the SFNA calculations. This leads to the conclusion that the Level 3 fee determination in the SFNA is a conservative determination of the District's needs or the cost impact of new development.

Findings

The fee amount calculated for Level 3 fees is $7.22 per square foot of new residential construction. A review of SFNA assumptions, as discussed above, shows that this amount is less than the actual cost impact on the District. On the other hand, State law limits the total amount of Section 17620 fees to $3.79 per square foot, and the Ontario-Montclair School District's agreement with its high school district gives the Ontario-Montclair School District only 69%, or $2.62 per square foot, of this amount. The District can thus levy a fee of $2.62 per square foot of new residential development, the amount currently allowed under Education Code Section 17020 or, alternatively, levy Level 2 (or Level 3) fees of $3.44 (or $7.22) per square foot.

Alternative Types of Development

Government Code Sections 66000 *et seq.* refer to "types of development." The type of development analyzed to this point is residential construction (without demolition of pre-existing structures) of new housing units. Other types of development either have (or potentially have) different cost impacts. We here address several types of residential development other than new residential units on vacant land. The impacts of commercial and industrial development are addressed in the next chapter.

Redevelopment Construction

In *Warmington Old Town Associates, L.P. v. Tustin Unified School District, (2002) 124 Cal. Rptr. 2d 744,* the Court determined that new construction replacing pre-existing structures (termed "redevelopment construction" by the Court) constituted a different type of development, given that this type of development exhibited different net student generation rates from new residential construction on vacant land. In other words, the removal of existing structures potentially removes some school-aged children from the premises, which could offset at least some of the impact of the students residing in the reconstituted dwellings. Because the school district involved in the *Warmington* case failed to account specifically for the enrollment impacts of redevelopment construction, the Court ruled that the district could not assess impact fees on this type of development. More recently, another court reached a similar conclusion in the *Cresta Bella vs. Poway Unified* decision. Consequently, this study addresses the matter of redevelopment construction.

It should be understood that the District provides credit for structures removed in preparation for new development. In cases where the demolished and constructed spaces are of the same type, the impact is, in most cases, equal to that of the net increase in square footage. The analysis in this report (of new residential construction on vacant land) would then also apply to that portion of redevelopment construction on which fees are levied. There will be cases in which the per-square-foot fiscal impact of the property demolished will differ from the impact of the new development, meaning that a simple subtraction of the demolished square footage is incorrect. The obvious example is when a commercial building is replaced by a residential building. In this case, the appropriate fee amount is usually determined as follows: the fee amount the demolished building would have to pay if new is subtracted from the fee otherwise due on the new space, all as determined per the analysis in this report. In all cases, the analysis in this report appropriately covers redevelopment construction.

Residential Expansions

Additions to existing homes are another type of development that differs from the model analyzed above. Additions to existing housing represent a permanent increase in the capacity to accommodate population in a community. Any increased population may include school-aged children, which will place a corresponding demand on schools. Thus, to maintain the educational level of service, the increase in local residential capacity from additions must be met by a corresponding availability of school facility capacity.

State law allows school districts to collect fees on room additions to existing housing units over 500 cumulative square feet, indicating that the legislature felt there was a significant impact from such additions. From a legislative perspective, additions are considered a type of new development; in so far as they generate facility impacts, these additions are subject to fees. Within the framework of the enrollment projections in this study, however, the students from additions are not included in the calculations of

students from new development. Instead, residential additions represent an intensification of the existing housing stock and the resulting enrollment is a component of enrollment from existing housing.

The additional student generation from home additions will not be the same as for the construction of a new home. We only have data on the impacts of additions from one situation, though it is now fairly old. An analysis of residential additions was conducted by Schoolhouse for the Santa Cruz City Elementary and High School Districts. The data for the Santa Cruz districts showed that additions averaged 977 square feet in size, and student generation for these homes increased from 0.48 to 0.69 K-12 students. Of the total 0.21-student increase, K-8 students constitute an estimated 0.15 students. A simple calculation illustrates the school cost impacts of additions. In an earlier chapter (Table 5-1), total facilities cost was determined to be $4.788 million to accommodate 89 students, resulting in a cost of $53,798 per student. If each addition resulted in 0.15 students, the impact per addition would be $8,070. An average addition of 977 square feet thus produces an impact of $8.26 per square foot, well above the justified Level 2 fee amount.

Senior Housing

Certain types of housing when restricted for occupancy by senior citizens are not subject to the residential fee. Pursuant to Government Code Section 65995.1, the fees for senior-only housing are limited to the maximum fee for commercial development projects, based on its indirect contribution to student generation. Individual projects applying for such special treatment should be evaluated by the District on a case-by-case basis to ensure that the housing complies with all applicable statutes.

CHAPTER 8

SECTION 17620 COMMERCIAL/INDUSTRIAL FEES

Commercial or industrial development, along with residential development, has an impact on school enrollment. New jobs require a larger labor force, which in turn causes new housing to be built to increase the housing supply. Families in new houses enroll their children in the local school district. This enrollment growth, a joint result of commercial/industrial and residential development, in turn impacts the facilities of the District.

The District levies fees consistent with Educational Code Section 17620 (formerly Government Code Section 53080) to be applied to the mitigation of these impacts. The previous chapter established that current Section 17620 fees for residential development do not generate enough revenue to cover the costs of additional capacity to accommodate the students from that development. Therefore, the District looks to commercial/industrial development also to contribute its fair share of the cost of needed school facilities. In fact, the Level 2 fee calculations specified in the law assume commercial/industrial fees will be levied. The current maximum fee for commercial or industrial development projects is set at $0.61 per square foot. The Ontario-Montclair School District receives 69% of this amount, or $0.42 per square foot. The District seeks to levy this amount, where justified, to help alleviate the unfunded facilities cost per student.

Calculation of Cost Relationship

There are several key components in calculating a justifiable commercial or industrial development fee. The following formula is used to determine the School Facility Cost per Square Foot of Development:

A. Employees per Square Foot of Development

B. Percentage of Employees Residing within the District

C. Average Number of Homes per Resident Employee

D. Average Number of Students per Home

E. Cost of School Facilities per Student

A x B x C x D x E = School Facility Cost per Square Foot of Development

The number of employees per square foot depends on the type of commercial/industrial (C/I) development. Consequently, the result of the equation will differ for each principal C/I category. The remaining factors are consistent across development types. If the calculated impact is greater than $0.42 per square foot for a given category, then the maximum fee is justified for that type of development. Each factor in this formula is discussed below.

A. Employees per Square Foot of Development

The estimated number of employees per square foot must reflect the wide variation among the different types of commercial/industrial development. As permitted by state law, results from an employment density survey published by the San Diego Association of Governments (SANDAG) are used to determine numbers

of employees per square foot anticipated in future commercial or industrial development. (For categories for which SANDAG lacked data or felt its data was unreliable, information from the Institute of Transportation Engineers (ITE) is used.) SANDAG evaluated employment densities based on a series of categories ranging from retail to research and development. The densities are shown in Table 8-1.

Table 8-1
Employees per Square Foot of Building Area

Building Category	*Employees per Square Foot*	*Square Feet per Employee*	*Employees per 1,000 Square Feet*
Parking Structures*	0.00002	50,000	0.02
Self-storage	0.00006	15,541	0.06
Lodging	0.0011	883	1.10
Schools	0.0011	878	1.10
Warehouses*	0.0013	769	1.30
Auto Repair	0.0013	741	1.30
Movie Theater	0.0015	667	1.50
Discount Clubs	0.0017	597	1.70
Regional Shopping Centers*	0.0019	539	1.90
Hospitals	0.0021	471	2.10
Community Shopping Centers*	0.0023	442	2.30
Neighborhood Retail*	0.0026	388	2.60
Banks	0.0028	354	2.80
Business Office (all types)	0.0034	293	3.40
Medical Offices	0.0043	234	4.30

** With attendants*
*** Source: Institute of Traffic Engineering (ITE)* **Trip Generation***, 5th ed.*
**** Regional is greater than about 35,000 sq. ft., community 10,000 to about 35,000 sq. ft., and neighborhood less than 10,000 sq. ft.*
Source of other data: SANDAG Traffic Generators report, April 2002 (most recent edition).

For example, suppose an office developer wishes to build a medical office building with an area of 100,000 square feet. To determine the justifiable fee for this category, SANDAG provides a statistic of an average of 0.0043 employees per square foot, or 4.3 employees per 1,000 square feet. With an area of 100,000 square feet, this development would yield 430 employees.

B. Percent of Employees Who Reside in District

The Ontario-Montclair School District serves an area that includes commercial/industrial as well as residential property. A share of those employed within the District's boundary will also reside in the area. The wide variety of housing available in the District indicates that those employed locally have good opportunities to reside within its boundaries. On the other hand, housing is also available in a large number of nearby communities. We therefore project that only 25% of employees who work in the District also reside within the District's boundaries. (This is a conservative approach in that we include no impact from employment outside the District, which contributes to housing within the District.)

Continuing with our example, the second step in determining total cost of the medical office building development is to determine the number of new employees likely to also live within the District by using the ratio for current residents. In the previous section, we established that there would be approximately 430 employees for the 100,000-square-foot office building. The number of employees living in the District, and therefore likely to have an impact on District facility capacity, would be 25% of 430, or 107.5 employees.

C. Number of Homes per Employee

This section addresses how many homes are likely to result from new employees living in the District. A rule of thumb is that there are 0.67 homes per employee. This can also be stated as 1.50 employees per home. This ratio reflects the fact that many homes have more than one employee.

In our office building example, the 107.5 employees living in the District will require 107.5 ***x*** *0.67, or 72.0, additional homes.*

D. Projected Students per Home

A total of 410 new homes are forecast over the next five years. These homes are projected to generate 89 students. The average SGR is therefore 0.217 students per home.

Continuing with the medical office building example, we can now determine how many students will impact facility capacity as a result of new employees residing in the District. The approximately 72.0 homes (occupied by the 107.5 employees) will in turn yield 72.0 ***x*** *0.217, or about 15.6 students.*

E. Unfunded Cost per Student

The cost of facilities for new students assigned to commercial/industrial development must not include the portion funded by residential fee revenue. As calculated in Table 8-2, the unfunded facility cost per student, after revenue from Section 17620 residential fees, is $35,146. It is this unfunded remainder per student that drives the need to levy appropriate fees on the new commercial/industrial development.

Table 8-2
Unfunded Cost per Student

Level 1 Fee per Square Foot	$2.62
Residential Square Feet	633,700
Residential Fee Revenue	$1,660,000
Facility Cost	$4,788,000
Unfunded Cost	$3,128,000
Number of Students	89
Unfunded cost per Student	**$35,146**

***Residential Fees have been rounded to the nearest thousand**
Source: Schoolhouse Services

We can now finish calculating the large medical office building example. Multiplying the unfunded facility cost for one student of $35,146 times 15.6 students results in a total impact of approximately $548,000. At 100,000 square feet, this commercial development costs the District approximately $5.48 per square foot. This is far beyond the maximum fee of $0.42 per square foot, the District's share of the maximum fee allowable by state law. This example illustrates the significant impact of commercial/industrial development, and specifically medical office space, on District capacity and facility costs.

Cost Impacts by Building Category

Similar calculations for other categories of commercial/industrial development are shown in Table 8-3. For each category of building, the cost impact is calculated as a function of employment density, percent of local residence of employees, homes per employee, students per home, and the cost remaining after mitigation by residential development.

As established above, the District is able to levy only $0.42 per square foot on commercial/ industrial development. It can be seen that the District can levy this amount on all of the categories shown, except for employee-tended parking structures and self-storage; buildings of these types can only be charged $0.03 per square foot and $0.08 per square foot, respectively.

Table 8-3
Cost per Square Foot with Residential Offset

Building Category	*Employees per Sq. ft.*	*Employees in District*	*Homes per Employee*	*Students per Home*	*Unfunded per Student*	*Cost per Sq. ft*.*
Parking Structures**	0.00002	25%	0.67	0.217	$35,146	$0.03
Self-storage	0.00006	25%	0.67	0.217	$35,146	$0.08
Lodging	0.0011	25%	0.67	0.217	$35,146	$1.41
Schools	0.0011	25%	0.67	0.217	$35,146	$1.41
Warehouses	0.0013	25%	0.67	0.217	$35,146	$1.66
Auto Repair	0.0013	25%	0.67	0.217	$35,146	$1.66
Movie Theater	0.0015	25%	0.67	0.217	$35,146	$1.92
Discount Clubs	0.0017	25%	0.67	0.217	$35,146	$2.17
Regional Shopping Ctrs***	0.0019	2 5%	0.67	0.217	$35,146	$2.43
Hospitals	0.0021	25%	0.67	0.217	$35,146	$2.68
Community Shopping Ctrs****	0.0023	25%	0.67	0.217	$35,146	$2.94
Neighborhood Retail**	0.0026	25%	0.67	0.217	$35,146	$3.32
Banks	0.0028	25%	0.67	0.217	$35,146	$3.58
Business Offices	0.0034	25%	0.67	0.217	$35,146	$4.34
Medical Offices****	0.0043	25%	0.67	0.217	$35,146	$5.48

May vary slightly when calculated directly with formula above, using home and student numbers rounded to the nearest tenth.

*** With attendants***

****Source: Institute of Traffic Engineering (ITE) Trip Generation, 5th ed.***

***** Regional is greater than about 35,000 sq. ft., community 10,000 to about 35,000 sq. ft., and neighborhood less than 10,000 sq. ft***

Source: Schoolhouse Services

Development Not in Prescribed Categories

This report demonstrates that the maximum fee of $0.42 per square foot is justifiable for almost all building categories; all categories except "Parking Structures" and "Self-storage" have an impact greater than the Ontario-Montclair School District's $0.42 share of the maximum allowable fee of $0.61 per square foot.

If, when using this table to determine future fees, no category directly fits the type of development in question, one can use the following analysis to determine the justifiable fee. First, determine the employment density (employees per square foot) for the project. Next, determine if the employment density is high enough to justify levying the maximum fee (the greater the number of square feet per employee, the lower the density and the lower the impact). In this case, it is helpful to know the minimum number of square feet per employee needed to justify such a fee. A "break-even point" can be calculated using the formula for Cost per Square Foot of Development, setting the result equal to $0.42 and solving for A, employees per square foot of development. Again, the factors are:

A. Employees per Square Foot of Development
B. Percentage of Employees Residing within the District (0.25)
C. Number of Homes per Resident Employee (0.67)
D. Number of Students per Home (0.217)
E. Unfunded cost of School Facilities per Student ($35,146)

Break-even Point:

Employees /Sq. ft. = 0.42/ (B **x** C **x** D **x** E) = 0.42/ (0.25 **x** 0.67 **x** 0.217 **x** $35,146)

Employees/Sq. ft. = 0.000329

Sq. ft/employee = 3,040

Therefore, any commercial or industrial development that does not fit into one of the SANDAG categories but is projected over its lifetime to have less than 3,040 square feet per employee, an unusually large amount, should still be levied the maximum $0.42/sq. ft. However, if the type of development in question typically has an employment density of more than 3,040 square feet per employee, the maximum fee should not be levied. Instead, a justifiable amount can be calculated using the formula outlined at the start of the chapter, substituting the relevant number of employees per square feet.

For all categories above the break-even point (currently all categories except "parking structures" and "self-storage"), the current fee is $0.42 per square foot.

Example:

Suppose a developer wishes to build a 10,000-square-foot storage facility that, by its nature, is expected typically to have about one employee. The employment density for this development is 1/10,000 or 0.0001 employees per square foot or 10,000 square feet per employee. However, the break-even point for justifying a maximum fee is a per-employee density of 3,040 square feet. It is therefore necessary to calculate a lower fee for this development. Using the formula for School Facility Cost per Square Foot of Development, we yield the following result:

0.0001 **x** (0.25 **x** 0.67 **x** 0.217 **x** $35,146) = 0.0001 **x** $1,277 = $0.13 per square foot.

CHAPTER 9

STATEMENT OF FEE JUSTIFICATION

Level 2 and Level 3 Fees

Requirements Met

The ability to levy Alternative fees requires that a district meet several prerequisites.

1. Be eligible for state new construction funding
2. Satisfy certain requirements for local need and funding effort
3. Conduct a *School Facility Needs Analysis*

As discussed above, Ontario-Montclair School District has established eligibility and applied for State funding. The District also meets three of the requirements for need and local funding effort, more than the two necessary to levy Level 2 and Level 3 fees. By completing this report, the District has conducted a *School Facility Needs Analysis*.

This report sets forth the purpose of the fee, the use to which the fee will be put, and the relationships between the use of the fee, the District's needs to accommodate students from new development, and the type of residential projects. In doing so, the District fulfills the requirements imposed by State law on agencies that levy development fees.

Justified Fee Amounts

The Ontario-Montclair School District is justified in levying a Level 2 fee, the fee appropriate under present conditions, of $3.44 per square foot on residential development. If funding for new schools from the State Allocation Board is not available, the District is justified in levying a Level 3 fee of $7.22 per square foot.

Level 1 Fees

Residential

This report sets forth the purpose of the fee, the use to which it will be put, and the relationships between the use of the fee, the District's needs to accommodate students from new development, and the type of residential projects. This report calculates the fee amount based on State-specified costs and assumptions equivalent to or more conservative than the District's standards. In so doing, this report fulfills the requirements imposed by State law on agencies that levy development fees.

The calculated fiscal impact of enrollment from new development is at least $7.22 per square foot. The statutory limit for Ontario-Montclair's share of the Level 1 residential fees is $2.62 per square foot. The Level 1 fee that can be levied is therefore $2.62 per square foot, or a greater amount up to $7.22 per square foot if the State Allocation Board adjusts the maximum Level 1 fee limits.

Commercial/Industrial

This SFNA explains the use and purpose of the fee, and the relationship of the use of the fee to (a) the impact of commercial/industrial development on school enrollment, and (b) the various types of commercial/industrial projects.

The calculated fiscal impact of enrollment from new commercial/industrial development in the categories analyzed is between $0.03 per square foot and $5.48 per square foot, depending on the type of building. The statutory limit for Ontario-Montclair School District's share of commercial/industrial fees is $0.42. Therefore, for all C/I development whose impact is greater than $0.42 per square foot, which is all development except employee-staffed parking structures and self-storage, the fee that can be levied is $0.42 per square foot.

For new commercial/industrial development categories whose fiscal impact of enrollment is less than $0.42 per square foot, the fee is proportional to impact as required. The two categories identified with a lower fiscal impact have fees as follows:

For employee-staffed parking structures, the fee is $0.03 per square foot
For self-storage facilities, the fee is $0.08 per square foot

Projects to be Funded with Fee Revenue

The following are projects the District has identified as candidates for funding with development impact fee revenues:

- Facility improvements, identified in the District's Facilities Master Plan, necessary for providing essential facilities and/or supporting the District's academic programs, including security, technology, and support facilities' needs;
- Addition of new and/or expansion/modification of existing facilities due to anticipated increases in student enrollment, including new relocatable/modular classrooms and support facilities