

MONTEREY PENINSULA UNIFIED SCHOOL DISTRICT

**DEVELOPER FEE
JUSTIFICATION DOCUMENT
FOR RESIDENTIAL, COMMERCIAL
AND INDUSTRIAL DEVELOPMENT
PROJECTS – LEVEL 1**



**TOTAL SCHOOL SOLUTIONS
4751 MANGELS BOULEVARD
FAIRFIELD, CA 94534**

April 18, 2017

Monterey Peninsula Unified School District

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April 18, 2017

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FOREWORD

This “Developer Fee Justification Document” is an update of two prior documents dated July 16, 2015 prepared for the Monterey Peninsula Unified School District. It has been prepared to incorporate more recent data, such as changes made to California law and State Allocation Board (SAB) regulations, updated residential development data, State Allocation Board (SAB) construction grant allowances per student for School Facilities Program (SFP) projects and inflationary increases in construction costs.

Government code stipulates that the maximum fees that can be imposed on a development be adjusted every two years in even numbered years by the change in the Class B Construction Cost Index (CCI), as determined by the SAB at its January meeting. At its January 22, 2014 meeting, the SAB increased Level 1 fees to \$3.36 per square foot on residential construction and to \$0.54 per square foot on commercial/industrial construction. These fees were adopted by the District Board on July 28, 2015, and took effect 60 days later. On January 27, 2016 and a special meeting on February 24, 2016, the SAB increased Level 1 fees to \$3.48 per square foot on residential construction and to \$0.56 per square foot on commercial/industrial construction based on a 2.79 percent inflationary factor reported in the RS Means Construction Cost Index.

The State School Facility Program (SFP) grant allowances are adjusted annually in accordance with SFP regulations which require the SAB to adjust new construction and modernization grants to reflect cost changes in the Class B Construction Cost Index as determined by the SAB in January of each year. On January 25, 2017, the SAB adjusted the SFP grants to reflect a 4.42 percent increase during the period January 1, 2016 through December 31, 2016 using the RS Means Class B Construction Cost Index.

Total School Solutions

Total School Solutions
April 18, 2017

EXECUTIVE SUMMARY

The Monterey Peninsula Unified School District (District) is justified to collect the legal maximum fee of \$3.48 per square foot of residential development as authorized by Government Code Section 65995 (Level 1 fees), as future residential development creates a school facility cost that exceeds \$3.48 per square foot. The District is also justified to collect the legal maximum fee of \$0.56 per square foot of development on all categories of commercial/industrial development (except rental self-storage), as those categories of development create school facility costs that exceed \$0.56 per square foot of future development. Fees for new rental self-storage should be established on an individual case-by-case basis.

The District's justification for collecting fees on future residential and commercial/industrial development is based on the following facts and projections:

1. Over a ten-year period, it is projected that there will be 3,000 new housing units and 1,200 new students in the District from those residential developments. These students will require the District to provide its students with adequate school facilities. The District's Facilities Master Plan documents the cost to provide for adequate facilities for current and future students in excess of \$400 million. Passage of Measure P (\$110 million), Level 1 developer fees (approximately \$17 million over ten years) and an undetermined amount of state facilities funds would meet part of the need, but leave a significant shortfall for future financing.
2. Each square foot of future residential development creates an estimated school facilities cost that exceeds \$3.48 per square foot. All categories of commercial/industrial development (except rental self-storage) create an estimated school facilities cost that exceeds \$0.56 per square foot of commercial/industrial development.
3. If the District collects the current maximum fee on residential development authorized by Government Code Section 65995 of \$3.48 per square foot, fee revenue will only partially offset school facility costs to house its enrollment. If the District collects the current maximum fee on commercial/industrial development authorized by Government Code Section 65995 of \$0.56 per square foot, fee revenue will offset a small portion of the school facility cost attributable to commercial/industrial development. For both residential and commercial/industrial development, the fees authorized by Government Code Section 65995 are fully justified.

The fees outlined above all meet the requirements of Government Code Section 66001 (the nexus requirements), that is, a reasonable relationship exists between the amount and use of the fees and the developments on which they are charged.

INTRODUCTION

This report analyzes the cost of providing school facilities for students generated by future residential and commercial/industrial development projects in the Monterey Peninsula Unified School District (District). Total School Solutions has been retained by the District to conduct the analysis and prepare this report.

A. Purpose and Scope

The purpose of this report is to show that the District meets pertinent requirements of state law regarding the collection of developer fees.

State law gives school districts the authority to charge fees on new residential and commercial/industrial developments if those developments generate additional students and cause a need for school facilities. Government Code Section 65995 authorizes school districts to collect fees on future development of no more than \$3.48 per square foot for residential construction and \$0.56 for commercial/industrial construction (Level 1 fees). Level 1 fees are adjusted every two years according to the inflation rate for Class B construction as determined by the State Allocation Board. Government Code Section 66001 requires that a reasonable relationship exist between the amount and use of the fees and the development on which the fees are to be charged.

This report:

- Identifies the cost of providing school facilities for students generated by future residential and commercial/industrial development to justify the collection of fees on those developments and
- Explains the relationship between the fees and the developments on which those fees are to be charged.

B. Brief Description of the Monterey Peninsula Unified School District

As a unified school district, MPUSD had 10,219 students in 2016-17 in grades TK-12 serving the cities/communities of Monterey, Del Rey Oaks, Marina, Sand City and Seaside and operated the following schools. (Source: MPUSD report of CALPADS enrollment.)

<u>School</u>	<u>Grades</u>	<u>Enrollment</u>
Crumpton Elementary School	TK-5	423
Del Rey Woods Elementary School	TK-5	474
Foothill Elementary School	TK-5	322
Highland Elementary School	TK-5	385
La Mesa Elementary School	TK-5	474
King Elementary School	TK-5	458
Marina Vista Elementary School	TK-5	439
Marshall Elementary School	TK-5	544
Monte Vista Elementary School	TK-5	312
Olson Elementary School	TK-5	409
Ord Terrace Elementary School	TK-5	504
Dual Language Academy (Charter)	K-8	441
Walter Colton School	6-8	694
Seaside Middle School	6-8	675
Community Day Middle	6-8	5
Los Arboles Middle School	6-8	583
Central Coast High School	9-12	75
Marina High School	9-12	586
Monterey High School	9-12	1,280
Community Day High	9-12	9
Seaside High School	9-12	1,127
Total		10,219

Not included in the above are three independent charter schools that operate in the region.

I. DISTRICT FACILITY NEEDS

This section describes the District's requirements for school facilities.

A. Facilities Master Plan

In 2010, the District prepared a Facilities Master Plan (FMP) that documented over \$400 million of facilities needs as reported on the District's Facilities Department website. The District staff intends to update the FMP during the 2017-18 fiscal year for formal adoption in 2018.

B. Measure P

To partially meet facility needs, the District voters passed Measure P, a \$110 million Proposition 39 bond measure on November 2, 2010, with a 71.6% affirmative vote. The ballot language stated that bond funds would enable the District to "repair/replace aging heating, plumbing and wiring, install educational classroom technology, improve utility and energy efficiency to save money for academic programs, improve school/student safety, acquire, repair, construct and equip classrooms/sites/school facilities." The resolution calling for the bond included a lengthy list of projects to be funded, many of which provided no additional classroom space but would be used to bring classrooms up-to-date, replace aging systems, replace outdated portable classrooms, reduce operating costs, renovate, repair and upgrade facilities, etc. at the existing schools.

After passage of Measure P, the District sold, on March 10, 2011, bonds of \$34,999,104 to fund the first phase of work. On December 5, 2012, a Bond Anticipation Note (BAN) for \$20,000,000 was issued. Then, on October 8, 2015, a bond issue of \$20,170,000 was sold to repay the BAN. In November 2016, the District sold Bond Issue E for \$33 million and refinanced some prior issuances. The District intends to sell the remaining unsold bonds of \$22 million by the fall of 2018, thereby completing the issuance of the entire \$110 million Measure P bond authorization. With the sale of all bonds and all funds committed and/or encumbered, the Measure P bond program will be complete.

Measure P funds were mostly dedicated to resolving facilities issues with the existing school facilities, and there was no specific identification of the need to provide facilities for the future student population from residential construction. There will, therefore, be the need for additional funding to meet future facility needs.

C. District Facilities Needs

The District’s facilities need and associated costs over the next ten years consider three categories, as follows:

- New School Construction
- Modernization/Renovation
- Interim School Facilities

The need and estimated costs for each category are discussed below.

New School Construction

It is projected that 300 new housing units will be constructed annually over the coming years with half consisting of SFD and half consisting of MFA. The estimated yield rates are 0.60 for SFD units and 0.20 for MFA units. This level of construction and yield rates would generate approximately 1,200 new K-12 students over the next ten years (1,500 SFD units at 0.60 yield and 1,500 MFA units at 0.20 yield).

The state SFP New Construction grant amounts for grades K-6, 7-8, 9-12, SDC-Non-Severe and SDC-Severe, were adjusted by the State Allocation Board on January 25, 2017. These grant amounts including automatic fire detection/alarm and sprinkler systems as follows:

New Construction Grants

Grades	Base Grant	Fire Detection/ Alarm	Sprinklers	Grant per Student
K-6	\$11,104	\$13	\$186	\$11,303
7-8	\$11,744	\$18	\$221	\$11,983
9-12	\$14,944	\$30	\$230	\$15,204
SDC-Non-Severe	\$20,867	\$39	\$395	\$21,301
SDC-Severe	\$31,202	\$56	\$588	\$31,846

Assuming that assessing 1,200 new students from residential construction over the next ten years is justified, the cost to provide school facilities for 1,200 future students based on the state SFP New Construction grants would be approximately the following:

Grades	Future New Students	State Grant (50%)	District Match (50%)
K-6	700	\$7,912,100	\$7,912,100
7-8	150	1,797,450	1,797,450
9-12	350	5,321,400	5,321,400
Total	1,200	\$15,030,950	\$15,030,950

Based on the above cost data under the state SFP New Construction grants, the total cost for 1,200 K-12 students would be approximately \$30 million. By comparison, in Appendix D is was calculated that actual costs would be approximately \$40 million. From this it is concluded that the state program does not provide all the funds needed to adequately provide school facilities. It is also noted that ten years of residential construction was used to justify the needed facilities, while over 5,000 new housing units to the year 2035 are estimated to meet local residential housing needs.

Modernization/Renovation

The state SFP Modernization grant amounts for grades K-6, 7-8, SDC-Non-Severe and SDC-Severe, were adjusted by the State Allocation Board on January 25, 2017. The grant amounts, including automatic fire detection/alarm systems, are as follows:

Modernization Grants

Grades	Base Grant	Fire Detection/ Alarm	Grant per Student
K-6	\$4,228	\$137	\$4,365
7-8	\$4,472	\$137	\$4,609
9-12	\$5,855	\$137	\$5,992
SDC-Non-Severe	\$9,015	\$253	\$9,268
SDC- Severe	\$13,475	\$378	\$13,853

As of March 4, 2014, the District had remaining eligibility for the modernization projects under the state SFP Modernization program totaling 1,056 students (See Appendix A for details). The program provides funding for the upgrades and replacements to building systems, air conditioning, plumbing and others on a 60/40 basis. Hence, in order to avail of these funds to upgrade the existing school facilities, the District will need local funds in the amount of \$1,398,134 to match the state grant shown in the following table;

Grades	Remaining Modernization Eligibility	State Grant (60%)	District Match (40%)
K-6	743	3,243,195	2,162,130
7-8	105	483,945	322,630
9-12	126	754,992	503,328
SDC-Non Severe	82	759,976	506,651
Total	1,056	\$5,242,108	\$3,494,739

The current applications on file at the state are on hold pending the availability of state funds. If the District desires to proceed with the projects, it will be necessary to advance-fund the projects without state funds, which are not guaranteed to be received in the future.

Interim School Facilities

The District has leased portable classrooms that are paid out of the General Fund, but they could be paid with developer fees. The outstanding balance as of June 30, 2016, was \$29,441.

Site Acquisition and Development Costs

It was assumed that there would be no additional land to be acquired to meet the unhoused students projected for the coming ten-year period. And while there would be some site development costs associated with the construction of new school facilities in addition to the building construction costs, those costs were also not considered in calculating the developer fee to be levied.

Construction Cost Summary (Five years)

The total costs of the District's facility need over the next five years are summarized as follows:

Construction Cost Summary (Five years)	Cost
New School Construction (District cost)	\$30,061,900
Modernization/Renovation (District match)	3,494,739
Interim School Facilities	0
Total Cost	\$33,556,639

D. Fee per Square Foot

At an estimated 2,300 sf per SFD units and 1,000 sf per MFA units, it is estimated that approximately 4,950,000 square feet of new construction would be subject to a Level 1 developer fee. To raise \$33,556,639, a fee of \$6.78/sf would have to be levied. Based on the above costs, the fee per square foot that could be levied would exceed the legal maximum of \$3.48/sf, and the maximum fee of \$3.48/sf is therefore justified.

II. REVENUE FROM FEES ON RESIDENTIAL DEVELOPMENT VERSUS COSTS OF SCHOOL FACILITIES

This section compares the projected revenues from fees levied on future residential development to the school facility costs attributable to that development.

State law currently caps Level 1 Fees at \$3.48 per square foot for the current year. As demonstrated in the previous section, each square foot of future residential development will generate a school facility cost greatly in excess of \$3.48/sf. Any given amount of future development will, therefore, generate more school facility costs than Level 1 Fee revenue.

A. Fee Revenue from Residential Development Over the Next Five Years

If the District were to collect the maximum allowable Level 1 fee (\$3.48) on new residential development, the District would collect approximately \$17,226,000 in residential developer fees over a ten-year projection period, for an average of \$1,722,600 per year.

B. Fee Revenue from Additions to Existing Residences

Fees will be generated by additions to existing residences. This report does not account separately for fee revenue from additions to existing residences, as they have already been included in the estimated collection of developer fees over the next ten years. The fee revenue calculation for additions is the same as for new units. Pursuant to Education Code Section 17620(a)(1)(C)(i), developer fees may be charged on residential additions “only if the resulting increase in assessable space exceeds 500 square feet.”

C. Fee Revenue from Reconstruction and Redevelopment

Fees may also be generated by residential units in redevelopment projects and single and multi-family units that replace demolished units (to the extent that the new units are larger than the demolished units). No such fee revenue is considered in this report.

D. School Facility Costs Generated by Residential Development Over the Next Five Years

The total school facility cost attributable to future residential development over the next ten years was calculated in a previous section at \$30,061,900.

E. Extent of Mitigation of School Facility Costs Provided by Level 1 Residential Fees

The total residential Level 1 fee revenue of \$17,226,000 would cover approximately 57 percent of the \$30,061,900 in total school facility costs attributable to new students from residential development over the next ten years.

F. Senior Citizen Restricted Housing

As required by law, a lower fee, currently the commercial/industrial maximum of \$0.56 per square foot is established for certain types of residences that are restricted in occupancy to senior citizens. Housing of this type generates employees and has an indirect impact on the school district similar to that from commercial/industrial development projects.

III. FINANCIAL EFFECT ON THE DISTRICT OF NEW COMMERCIAL /INDUSTRIAL DEVELOPMENT

Commercial/industrial development will attract additional workers to the District, and, because some of those workers will have school-age children, will generate additional students in the District. As shown in Section I, adequate school facilities do not exist for these students. New commercial/industrial development, therefore, creates a fiscal impact on the District by generating a need for new school facilities.

The report multiplies the following five factors together to calculate the school facility cost incurred by the District per square foot of new commercial/industrial development:

- A. Employees per square foot of new commercial/industrial development,
- B. Percent of employees in the District that also live in the District,
- C. Houses per employee,
- D. Students per house, and
- E. School facility cost per student.

The report calculates each of these factors in the next sections.

A. Employees per Square Foot of Development

Education Code Section 17621 (e)(1)(B) states that “to determine the impact of the increased number of employees anticipated to result from the commercial or industrial development...shall be based upon...the January 1990 edition of the San Diego Traffic Generators, a report of the San Diego Association of Governments.” (SANDAG)

Employees Per Square Foot of Commercial/Industrial Development, by Category

Commercial/Industrial Category	Average Square Foot per Employee	Employees per Average Square Foot
Banks	354	0.00283
Community Shopping Centers	652	0.00153
Neighborhood Shopping Centers	369	0.00271
Industrial Business Parks	284	0.00352
Industrial Parks	742	0.00135
Rental Self Storage	17,096	0.00006
Scientific Research & Development	329	0.00304
Lodging	882	0.00113
Standard Commercial Office	208	0.00480
Large High Rise Com. Office	232	0.00432
Corporate Offices	372	0.00269
Medical Offices	234	0.00427

Source: SANDAG Traffic Generators report, January 1990.

B. Percentage of Employees Residing Within the District

It is estimated that approximately 25 percent of people working in the District also live in the District.

C. Number of Households per Employee

U.S. Census data indicates that there are approximately 1.28 workers per household. Likewise, this data indicates that there are 0.78 housing units for every one worker. The report, therefore, assumes that each new resident worker in the District will demand 0.78 housing units.

D. Number of Students per Dwelling Unit

This report assumes that 0.40 K-12 students will reside in each housing unit, based on a yield rate of 0.60 for SFD units and 0.20 for MFA units and a 50/50 split of units. (Note: The allowed state yield rate for School Facility Program applications is 0.70.)

E. School Facility Cost per Student

It is estimated that the school facility cost per K-12 student is \$34,296 (Appendix D).

F. School Facility Cost per Square Foot of Commercial/Industrial Development

The following table calculates the school facility cost generated by a square foot of new commercial/industrial development for each of the categories of commercial/industrial projects listed in Section A.

School facility costs for development projects not included on this list may be estimated by using the closest employee-per-square foot ratio available for the proposed development or by following the District's administrative procedures for appeals of school facility fee imposition.

**Facility Cost Per Square Foot of Commercial/Industrial
Development, by Category**

Category	Employees per Square Foot	% Employees Residing in District	Dwelling Units per Employee	K-12 Students Per Dwelling Unit	Cost per K-12 Student	Cost per Square Foot
Banks	0.00283	0.25	0.78	0.40	\$34,296	\$7.57
Community Shopping Centers	0.00153	0.25	0.78	0.40	\$34,296	\$4.09
Neighborhood Shopping Centers	0.00271	0.25	0.78	0.40	\$34,296	\$7.25
Industrial Business Parks	0.00352	0.25	0.78	0.40	\$34,296	\$9.42
Industrial Parks	0.00135	0.25	0.78	0.40	\$34,296	\$3.61
Rental Self Storage	0.00006	0.25	0.78	0.40	\$34,296	\$0.16
Scientific Research & Development	0.00304	0.25	0.78	0.40	\$34,296	\$8.13
Lodging	0.00113	0.25	0.78	0.40	\$34,296	\$3.02
Standard Commercial Office	0.00480	0.25	0.78	0.40	\$34,296	\$12.84
Large High Rise Com. Office	0.00432	0.25	0.78	0.40	\$34,296	\$11.56
Corporate Offices	0.00269	0.25	0.78	0.40	\$34,296	\$7.20
Medical Offices	0.00427	0.25	0.78	0.40	\$34,296	\$11.42

IV. FINDINGS

This section shows that the District meets the requirements of Government Code Section 66001 regarding the collection of developer fees and summarizes other potential funding sources for the District's capital projects.

A. Government Code Section 66001(a)(1) – Purpose of the Fee

The purpose of collecting fees on residential and commercial/industrial development is to acquire funds to construct or reconstruct school facilities for the students generated by new residential and commercial/industrial developments.

B. Government Code Section 66001(a)(2) – Use of the Fee

The District's use of the fee will involve constructing new school facilities. In addition, the fee may be used to construct additional facilities on existing school campuses and/or reconstructing school campuses. The District may also need to purchase or lease portable classrooms to use for interim housing while permanent facilities are being constructed.

Revenue from fees collected on residential and commercial/industrial development may be used to pay for any of the following:

- 1) Land (purchased or leased) for school facilities,
- 2) Design of school facilities,
- 3) Permit and plan checking fees,
- 4) Construction or reconstruction of school facilities,
- 5) Testing and inspection of school sites and school buildings,
- 6) Furniture for use in new school facilities,
- 7) Interim school facilities (purchased or leased) to house students generated by new development while permanent facilities are being constructed,
- 8) Legal and administrative costs associated with providing facilities to students generated by new development,
- 9) Administration of the collection of developer fees (including the costs of justifying the fees) and
- 10) Miscellaneous purposes resulting from student enrollment growth caused by new residential development.

C. Government Code Section 66001(a)(3) – Relationship Between Fee's Use and the Type of Project Upon Which Fee is Imposed.

Future residential development will cause new families to move into the District and, consequently, will generate additional students in the District. As shown in Section I of this report, adequate school facilities do not exist for these students. Future residential development, therefore, creates a need for additional school facilities. The fee's use (acquiring school facilities) is, therefore, reasonably related to the type of project (future residential development) upon which it is imposed.

New commercial/industrial development will cause new workers to move into the District. Because some of these workers will have school-age children, commercial/industrial will also generate new students in the District. As shown in Section I of this report, adequate school facilities do not exist for these students. New commercial/industrial development, therefore, creates a need for additional school facilities. The fee's use (acquiring school facilities) is, therefore, reasonably related to the type of project (new commercial/industrial development) upon which it is imposed.

D. Government Code Section 66001(a)(4) – Relationship Between the Need for the Public Facility and the Type of Project Upon Which Fee is Imposed

Future residential and commercial/industrial development in the District will generate additional students and, consequently, a need for additional school facilities. A relationship exists, therefore, between the District's need to provide additional school facilities and the construction of new residential and commercial/industrial development projects.

E. Government Code Section 66001(b) – Relationship Between the Fee and the Cost of the Public Facility Attributable to the Development on Which the Fee is Imposed

This report demonstrates that the school facility cost attributable to future residential development exceeds \$3.48 per square foot. Level 1 fees of \$3.48 per square foot on residential development are, therefore, fully justified.

This report also demonstrates that the school facility costs attributable to all categories of commercial/industrial development except rental self-storage range exceeds \$0.56 per square foot. Level 1 fees of \$0.56 on these types of development are, therefore, fully justified. The school facility cost attributable to rental self-storage units is \$0.16 per square foot. Fees for this type and other low-employee-generating types of development should be examined on a case-by-case basis.

All school facility costs and fees in this report are calculated on a per-student basis to ensure that future developments only pay for impacts they cause.

F. Other Funding Sources

The following is a review of potential other funding sources for constructing school facilities.

1) General Fund

The District's General Fund budget is typically committed to instructional and day-to-day operating expenses and not used for capital outlay uses, as funds are needed to meet the District's non-facility needs. General Fund monies may however, be used for portable lease payments, COPs or facilities projects if other funding sources are insufficient to meet commitments.

2) State Programs

The District has been approved for modernization eligibility under the School Facility Program. The State match allowance of 60 percent for modernization, however, leaves a shortfall between State funding and the District's actual facility needs. Furthermore, the School Facility Program passed a bond in November 2016 but bonds have not yet been sold. State funds for deferred maintenance may not be used to pay for new facilities. State law prohibits use of lottery funds for facilities.

3) General Obligation Bonds

School districts can, with the approval of two-thirds or 55 percent of its voters, issue general obligation bonds that are paid for with property taxes. The District passed a \$110 million Proposition 39 bond measure (Measure P) in November 2010, which will be applied to specific District projects as a part of the \$400+ million identified facilities needs. While providing funds for part of the local needs, the bond does not meet all of the financial needs to provide school facilities for existing school facilities or for future students from new construction.

4) Parcel Taxes

Approval by two-thirds of the voters is required to impose taxes that are not based on the assessed value of individual parcels. While these taxes have been used in school districts, the revenues are typically used to supplement operating budgets.

5) Mello-Roos Community Facilities Districts

This alternative uses a tax on property owners within a defined area to pay long-term bonds issued for specific public improvements. Mello-Roos taxes require approval from two-thirds of the voters (or land owners if fewer than 12) in an election.

6) Undeveloped Land/Surplus Property

The District owns some undeveloped land, but that land has not been declared to be surplus property. The District is considering its options regarding undeveloped land and may, at some undetermined future date, provide some funds that could be used to finance additional school facilities.

7) Redevelopment

The District has no Redevelopment Agency funds in effect.

V. RECOMMENDATIONS

This report recommends that the District levy the maximum statutory fee authorized by law of \$3.48 per square foot of residential development. The report also recommends that the District levy the maximum fee as authorized by law of \$0.56 per square foot, on all categories of commercial/industrial development except rental self-storage. Developer fees for rental self-storage and other types of low-employee generating developments should be examined on a case-by-case basis.

These recommendations are based on the findings that residential and commercial/industrial development creates a school facility cost for the District that is larger than the revenue generated by charging these fees.

APPENDIX A ELIGIBILITY DETERMINATION

The District has not established any new construction eligibility under the California School Facility Program (SFP). The state SFP Modernization grant eligibility of the District as of March 4, 2014, was the reported on the Office of Public School Construction website for the schools listed. Since the SAB established the eligibility, some of the school names have changed. It is anticipated that updated modernization applications will be submitted to the state when OPSC/SAB is again receiving and processing applications. (Note: Because the state had no facilities funds remaining, processing applications was suspended. A November 2016 state facilities bond measure passed, but no bonds have yet been sold under that authorization.)

SFP Modernization Eligibility As of March 4, 2014

Grades	Remaining Eligibility
K-6	
Bay View ES	25 K-6
Juan Cabrillo Center	49 K-6
J.C. Crumpton ES	9 K-6
Del Monte ES	37 K-6
Foothill ES	11 NS
Highland ES	57 K-6, 9 NS
La Mesa ES	36 K-6
Larkin ES	37 K-6
Manzanita ES	1 NS
Marina Vista ES	50 K-6
Monte Vista ES	312 K-6
George C. Marshall ES	11 K-6
Joseph W. Stilwell ES	120 K-6
Subtotal	743 K-6, 21 NS
7-8	
Roger S. Fitch MS	5 NS
Martin Luther King MS	105 7-8
Los Arboles MS	21 NS
Subtotal	105 7-8, 26 NS
9-12	
Monterey HS	126 9-12, 5 NS
Seaside HS	30 NS
Subtotal	126 9-12, 35 NS
Totals	743 K-6, 105 7-8, 126 9-12, 82 NS

APPENDIX B: HISTORICAL AND PROJECTED ENROLLMENT

The following enrollments were compiled from CBEDS/CALPADS records for 2012-13 through 2015-16 and District records for 2016-17. The enrollment data excludes enrollments for International School of Monterey, Learning for Life Charter, Bay View Academy and District Community Day.

K-12 cohort growth is the movement of students from one grade one year to the next higher grade the following year. It is the best indicator of net migration, which is the combined impact of inter-district transfers, in/out-migration, residential growth, transitional kindergarten (TK), changes in vacancy rates, movement of students to or from private/charter schools, home schooling, county programs, etc. From the table, it can be seen that the District experienced increases in kindergarten enrollment as the TK program was implemented. There was also an increase in kindergarten over prior year eighth grade as well as cohort losses in grades 1-8. Eighth grade students in charter and private schools moved into public high school at grade 9, resulting in a cohort increase for that grade. The transitional kindergarten (TK) program, which began in 2012-13, was fully implemented in 2015-16 and has had an impact on overall enrollment. Because TK is a two-year program, the first-year TK enrollment advances only to regular kindergarten in its second year.

Historical CBEDS/CALPADS Enrollment and Cohort Growth ¹

Grades	2012-13	2013-14	2014-15	2015-16	2016-17	Average 14-15/16-17
TK	unk	63	114	156	268	
K	912/	932/	805/	821/	841/	
1	909/-65	862/-50	913/-19	799/- 6	796/-25	-17
2	875/-22	856/-53	808/-54	880/-33	765/-34	- 40
3	781/-40	840/-35	822/-34	800/- 8	841/-39	-27
4	803/-41	756/-25	809/-31	803/-19	768/-32	-27
5	775/-30	775/-28	739/-17	777/-32	818/ 15	-11
6	787/-39	717/-58	721/-54	683/-56	698/-79	-63
7	700/-44	759/-28	699/-18	703/-18	671/-12	-16
8	697/-33	690/-10	726/-33	667/-32	671/-32	-33
Subtotal	7,239/-314	7,250/-287	7,156/-260	7,089/-204	7,137/-238	-234
9	714/ 32	788/ 91	765/ 75	808/ 82	774/107	88
10	719/-44	728/ 14	777/-11	742/-23	815/ 7	- 9
11	749/-25	739/ 20	722/- 6	757/-20	725/-17	-15
12	772/ 37	756/ 7	729/-10	716/- 6	754/- 3	- 6
Subtotal	2,954/ 0	3,011/132	2,993/ 48	3,023/ 33	3,068/ 94	58
Total	10,193	10,261	10,149	10,112	10,205/	

¹ Source: California Basic Educational Data System (CBEDS), Department of Education. The 2016-17 enrollments were provided by the District. TK enrollments were from the Decision Insite report dated January 19, 2017.

There is a difference between the 2016-17 enrollment reported by the District and the 2016-17 enrollment reported in the January 19, 2017 DecisionInsite report:

Source	TK	K	1	2	3	4	5	6	7	8	9	10	11	12	SDC	Total
District	268	841	796	765	841	768	818	698	671	671	774	815	725	754	-0-	10,205
Decis.InSite	268	813	762	741	815	747	771	655	640	639	750	782	683	696	370	10,132

The 2016-17 enrollment differences by school were as follows:

School	District	DecisionInsite	Difference
Crumpton ES	423	423	-
Del Rey Woods ES	474	474	-
Foothill ES	322	322	-
Highland ES	385	385	-
La Mesa ES	474	474	-
King ES	458	458	-
Marina Vista ES	439	439	-
Marshall ES	544	544	-
Monte Vista ES	312	312	-
Olson ES	409	409	-
Ord Terrace ES	504	504	-
Dual Language Academy	441	441	-
Walter Colton MS	694	691	- 3
Seaside MS	675	673	- 2
Los Arboles MS	583	581	- 2
Central Coast HS	75	71	- 4
Marina HS	586	562	- 24
Monterey HS	1,280	1,255	- 25
Seaside HS	1,127	1,114	- 13
Total	10,205	10,132	- 73

The cohort losses after kindergarten can be explained, in part, by independent charter schools and private school enrollment in the Monterey area. There are three independent charter schools: International School of Monterey, Learning for Life Charter and, beginning in 2016-17, Bay View Academy, which operates schools for grades TK-4 and 5-8 in Monterey. For 2015-16, The California Department of Education listed ten private schools located in Monterey, Seaside, Carmel and Pebble Beach:

School	Grades	Enroll.	Grade	Enroll.	Grade	Enroll.
Stevenson-Pebble Beach	9-12	498	K	106	9	254
Santa Catalina-Monterey	K-12	493	1	110	10	296
San Carlos-Monterey	K-8	279	2	121	11	287
Stevenson-Carmel	K-8	232	3	111	12	275
York	8-12	231	4	128	Subtotal	1,112
Junipero Serra-Carmel	K-8	160	5	129		
All Saints Episcopal-Carmel	K-8	159	6	150	Total	2,298
Trinity Christian-Monterey	9-12	127	7	171		
Chartwell-Seaside	2-12	94	8	160		
Peninsula Adventist-Seaside	1-8	25	Subtotal	1,186		
Total	K-12	2,298				

Births by Zip Code and MPUSD Kindergarten Enrollment

Kindergarten projections can be prepared by correlating zip code births to District kindergarten enrollments five years later (“Birth to Residents by Zip Code” table), and then using the most recent two-year average to prepare projections. The correlations are documented in the table below. It is noted that the percentages are higher in 2015 and 2016 because of the complete impact of transitional kindergarten, which began in 2012.

Births		Kindergarten Enrollment		
Year	Zip Codes 93933, 93940 & 93955¹	Year	MPUSD District Enrollment ²	Percent
2006	1,433	2011	974	67.97%
2007	1,435	2012	912	63.55%
2008	1,447	2013	995	68.76%
2009	1,346	2014	919	68.28%
2010	1,285	2015	977	76.03%
2011	1,315	2016	1,109	84.33%
Historical		Projected³		
2012	1,310	2017	1,001	76.41%

¹ Source: California Department of Health Services, Center for Health Statistics, Office of Health Information and Research, Births profiles by Zip Code, October 2014.

² Source: California Basic Educational Data System (CBEDS), Department of Education through 2015 and District records for 2016. The enrollments exclude independent charter schools.

³Source: The projection is taken from the DecisionInsite report dated January 19, 2017. The projection excludes independent charter schools.

Monterey County Births and MPUSD Kindergarten Enrollment

Kindergarten projections beyond four years in the District can be derived by correlating births in the County of Monterey to District kindergarten enrollments. Included in the correlations are the projections prepared with births by zip code, and then making projections for subsequent years using County birth data. The projections documented in the table below were taken from the DecisionInsite report dated January 19, 2017. It is noted that the percentages are higher in 2015 and 2016 because of the full impact of transitional kindergarten.

Year	Monterey County Births	Year	District Kindergarten Enrollment	Percent
Historical ¹		Historical ²		
2006	7,474	2011	974	13.03%
2007	7,551	2012	912	12.08%
2008	7,434	2013	995	13.38%
2009	7,068	2014	919	13.00%
2010	6,764	2015	977	14.44%
2011	6,814	2016	1,109	16.28%
Historical ¹		Projected		
2012	6,652	2017	1,001	15.05%
2013	6,547	2018	1,023	15.62%
2014	6,458	2019	1,018	15.76%
2015	6,426	2020	1,018	15.84%
Projected ¹		Projected		
2016	6,322	2021	1,000	
2017	6,304	2022	982	
2018	6,282	2023	964	
2019	6,247	2024	945	
2020	6,229	2025	935	
2021	6,182	2026	919	

¹ Source: California Department of Finance, Demographic Research Unit, historical and projected births by county, 2016 Series.

² Source: California Basic Educational Data System (CBEDS), Department of Education.

**PROJECTED CBEDS/CALPADS ENROLLMENT
2017-18 thru 2021-22**

Enrollment projections for the District for 2017-18 through 2021-22 were derived from kindergarten projections prepared by DecisionInsite and cohort factors. Cohort factors, which were established based on historical trends, as shown in the preceding “Historical CBEDS/CALPADS Enrollment and Cohort Movement” were distributed throughout the grades to derive the enrollment projections. The resulting projections are presented in the table below.

Grades	2017-18	2018-19	2019-20	2020-21	2021-22
TK	200	236	235	235	231
K	801	787	783	783	769
1	824	784	770	766	766
2	756	784	744	730	726
3	738	729	757	717	703
4	814	711	702	730	690
5	757	803	700	691	719
6	755	694	740	637	628
7	682	739	678	724	621
8	638	649	706	645	691
Subtotal	6,965	6,916	6,815	6,658	6,544
9	759	726	737	794	733
10	765	750	717	728	785
11	800	750	735	702	713
12	719	794	744	729	696
Subtotal	3,043	3,020	2,933	2,953	2,927
Total	10,008	9,936	9,748	9,611	9,471

Presented in the following tables is a comparison of the TSS projections above based on historical cohort trends and the DecisionInsite enrollment projections dated January 19, 2017. These projections exclude independent charter schools and District Community Day enrollments.

Projections	2017-18	2018-19	2019-20	2020-21	2021-22
Total School Solutions	10,008	9,936	9,748	9,611	9,471
Decision Insite	9,928	9,873	9,672	9,545	9,552
Difference	-80	-63	-76	-66	81

The differences are due to different projection methods and enrollment data. The TSS projections included SDC enrollments as distributed throughout the grades and reported to the Department of Education in official CBEDS/CALPADS tables while DecisionInsite treated SDC outside of grade-by-grade enrollments.

APPENDIX C. RESIDENTIAL DEVELOPMENT

The official developer fee collection records of Monterey Peninsula Unified are presented in the following table for 2011-12 through 2015-16 and for 2016-17 through 3/21/17.

Capital Facilities Fund (Fund 25)

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>3/21/17 2016-17</u>
Beginning Balance	1,599,533	1,888,604	2,597,462	3,247,462	4,319,820	5,876,037
Revenue	320,011	748,881	732,517	1,191,498	1,932,637	1,327,000
Expenditures	36,940	34,023	82,247	119,410	376,420	88,746
Ending Balance	1,882,604	2,597,462	3,247,732	4,319,820	5,876,037	7,114,291

The source of the developer fee revenue is unknown, but it is assumed that it is based on new residential units, 500+ square feet additions to existing homes, commercial developments and other sources not identified, such as possible separate agreements with developers that are not subject to the Level 1 fee. For 2015-16, assuming Level 1 collections based on \$3.36/sf, the total square footage subject to the fee would be about 575,000 sf. Assuming a 53/47 split of SFD and MFA units and an average 2,300 sf/SFD and 1,000 sf/MFA, 575,000 would translate into approximately 303 housing units. For 2014-15, by applying a Level 1 fee of \$3.20/sf, the number of housing units would be approximately 219.

The 2014-2023 Regional Housing Needs Allocation (RHNA) prepared in response to state law (SB375) allocates the following number of housing units:

2014-2023 Regional Housing Needs Allocation

<u>Location</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Above Moderate</u>	<u>Total</u>
Del Rey Oaks	7	4	5	11	27
Marina	315	205	238	550	1,308
Monterey	157	102	119	272	650
Sand City	13	9	10	23	55
Seaside	95	62	72	164	393
Subtotal	587	382	444	1,020	2,433

Based on the above allocation, the average annual need is 304 housing units for the eight-year period. Assuming that 53 percent of the units would be SF detached at 2,300 sf/unit and 47 percent would be MF attached at 1,000 sf/unit, the total annual square footage subject to the fee would be 516,800 sf. Based on a Level 1 fee of \$3.48, the total fee collected would be \$1,787,000 per year, which is consistent with the most recent Level 1 fee collections noted above.

The 2014 Regional Growth Forecast prepared by the Association of Monterey Bay Area Governments (AMBAG) dated June 11, 2014 forecasted the following number of housing units:

2010-2035 Housing Unit Forecast

Location	2010	2020	2025	2030	2035
Del Rey Oaks	741	898	1,035	1,246	1,521
Marina	7,200	8,248	9,264	9,608	9,797
Monterey	13,584	13,665	13,695	13,750	14,001
Sand City	145	439	496	586	629
Seaside	11,335	12,556	12,907	13,311	13,664
Total	33,005	35,806	37,397	38,501	39,612
Housing Unit Increase		2,801	1,591	1,104	1,111
Average HU/Year		280	318	221	222

As stated above for the 2014-2023 RHNA, the average annual forecasted housing units is consistent with the most recent Level 1 developer fees collected.

The Dolinka Group’s “Residential Development School Fee Justification Study” dated July 16, 2015, based the impact of residential construction on an AMBAG forecast of 5,552 housing units through 2035, with 2,953 (53%) being SFD and 2,599 (47%) being MFA. That study also estimated the SFD average sf at 2,300 and the MFA average sf at 1,000

A “Residential Research Summary” prepared by DecisionInsite dated December 20, 2016, reported the following estimates for the next ten years:

Year	# Units				Yield Rates			Enrollment			
	SFD	SFA	MF	Total	SFD	SFA	MF	SFD	SFA	MF	Total
2017	14	0	32	46							
2018	0	0	28	28							
2019	0	0	0	0							
2020	0	0	18	18							
2021	0	51	0	51							
2022	0	0	0	0							
2023	0	0	0	0							
2024	0	0	0	0							
2025	0	0	494	494							
2026	0	0	0	0							
Total	14	51	572	637	0.60	0.31	0.18	8	16	115	139

Conclusion

For this TSS Level 1 Justification Document, the Regional Housing Needs Allocation of approximately 300 new housing units annually will be used, assuming a 50/50 split between SFD and MFA. This report utilizes ten years of growth (3,000 housing units), and significant growth of over 5,000 housing units is expected to occur by the year 2035. This level of construction would result in substantial enrollment increases from new students in the years ahead.

APPENDIX D. SITE ACQUISITION, DEVELOPMENT AND CONSTRUCTION

Site Acquisition Costs.

Site Purchase Costs. The cost of land can vary significantly from site to site within a school district based on land availability, land improvements, prior sales prices and zoning. Before a purchase can be finalized, appraisals must be made and the terms and conditions must be agreed upon. The July 16, 2015 “Residential Development School Fee Justification Study” estimated the cost for the purchase of a school site at \$300,000 per acre, which will be used in this report.

The total cost to purchase land for the construction of future schools in the Monterey Peninsula Unified School District, based on state recommended acreages, is calculated as follows:

Site Purchase Costs

Grades	State Recommendation		Cost/Acre	Total Site Purchase Cost
	Enrollment	Acreage		
K-6	600	11.0	\$300,000	\$3,300,000
7-8	900	25.0	\$300,000	\$7,500,000
9-12	1,601-1,800	44.5	\$300,000	\$13,350,000

Site Support Costs. In addition to the cost of land, support costs associated with the acquisition of real property should be included. Actual land acquisition support costs can vary depending on several local factors at work. An analysis of various categories of services involved in the acquisition process, result in the following estimates:

Support Cost Details and Estimates

Category	K-6	7-8	9-12
Appraisal Fees	\$15,000	\$15,000	\$15,000
Legal Fees	10,000	10,000	10,000
Escrow Fees	10,000	10,000	10,000
CEQA Documentation	10,000	25,000	50,000
Environmental Analysis (DTSC)	25,000	25,000	25,000
Topographic Survey	5,000	7,000	10,000
Geo-Technical Hazards Report	3,000	6,000	10,000
Total Support Cost	\$78,000	\$98,000	\$130,000
Support Cost/Acre	\$ 7,090	\$ 3,920	\$ 2,920

Construction Costs

Site Development. Costs cannot be precisely calculated because of many variables at work, such as availability of off-site utilities and streets, site conditions (substrata soils/rocks, clean-up requirements, etc.), site slope/cuts/fills, etc. However, reasonable estimates of site development costs per acre can be prepared from architect estimates.

Planning and construction costs

Category	New High School
Architect/Engineering Fees	\$3,000,000
DSA/CDE Fees	300,000
Consultants	100,000
Subtotal Planning	\$3,400,000
Construction	\$56,000,000
Inspections	400,000
Tests	200,000
Subtotal Construction	\$56,600,000
Total Planning & Construction	\$60,000,000
Furniture & Equipment	1,000,000
Grand Total	\$61,000,000

Based on the assumption that 25 percent of the total planning and construction costs go to site development, the following table presents the cost distribution for site development;

Category	New High School
Student Capacity	1,600
Planning and Construction Cost	\$60,000,000
Site Development Cost (@ 25%)	\$15,000,000
Site Acreage	44.5
Site Development Cost/Acre	\$337,079

Building Construction. Based on the assumption that 75 percent of the total planning and construction costs go to building construction, the following table presents the cost distribution for building construction.

Category	New High School
Planning and Construction Cost	\$60,000,000
Building Construction Cost (@ 75%)	\$45,000,000
Student Capacity	1,600
Building Construction Cost/Student	\$28,125

For the purpose of this study, the site development costs, building construction costs and total construction costs presented in the following tables will be used.

CONSTRUCTION COSTS

Site Development Cost			
	K-6	7-8	9-12
Utility Services	\$100,000	\$100,000	
Off-Site Development	100,000	175,000	
Service Site Development	1,950,000	3,000,000	
General Site Development	1,336,640	1,918,700	
Fees/Reports/Testing & Inspection (25%)	386,895	539,745	
Estimated Site Development Cost	\$4,876,781	\$7,218,407	
Total Site Development Cost	\$5,569,010	\$7,848,253	\$15,000,000
Site Development Cost/Acre	\$ 506,274	\$ 313,930	\$293,970

Building Construction			
	K-6	7-8	9-12
Building Construction (New)	\$10,766,400	\$15,354,000	
Built-In Equipment & Technology	550,000	733,000	
Contingency	735,152	1,055,285	
Fees/Reports/Testing & Inspection (75%)	1,160,685	1,619,233	
Estimated Building Construction Cost	\$16,634,184	\$23,620,751	
Total Building Construction Cost	\$19,584,604	\$26,244,939	\$45,000,000

Furniture and Equipment			
	K-6	7-8	9-12
Movable Furniture & Equipment	\$500,000	\$500,000	\$1,000,000
Total Construction Cost	\$20,084,604	\$26,744,939	\$61,000,000

From the above data, the estimated building cost per K-12 student was calculated at \$34,296 based on the following student percentages for actual enrollment:

	<u>K-6</u>	<u>7-8</u>	<u>9-12</u>
Construction Cost per Student	\$33,474	\$29,717	\$38,125
Percentage of Students	57%	14%	29%
Net Construction Cost per Student	\$19,080	\$ 4,160	\$11,056

EXHIBIT A

PROCEDURE TO APPEAL IMPOSITION OF COMMERCIAL OR INDUSTRIAL DEVELOPMENT FEE

In accordance with Government Code Section 53080.1, subdivision (e)(2), the following appeals procedure is available to any developer who wishes to contest a fee imposed by the District on residential, commercial or industrial development.

A. Procedure to Appeal Fee Imposition

1. Written Statement of Appeal

- a. Any appeal of the administration's decision to impose fees on development must be presented to the District's Superintendent or his/her designee in writing.
- b. The developer's written statement of appeal shall be dated and include the specific grounds for the appeal and any information that supports the developer's contention that the fee imposition is improper.
- c. The written statement of appeal must be submitted by the developer to the Superintendent or his/her designee within five (5) days of the administration's determination to impose the fee.

2. Appeal to Superintendent or His/Her Designee

- a. The Superintendent or his/her designee shall have an opportunity to investigate the contentions made in the developer's statement of appeal. In conjunction with this investigation, the Superintendent or his/her designee may request to meet with the developer.
- b. Within seven (7) days from the date of receipt of the developer's statement of appeal, the Superintendent or his/her designee shall mail the developer a decision in writing either granting or denying the appeal.

3. Governing Board

- a. If the developer is dissatisfied with the decision of the Superintendent or his/her designee, the developer may request a hearing before the governing board.
- b. The developer's request for a hearing must be received in the District office within seven (7) days of the date of the Superintendent's decision upholding the fee imposition.
- c. The date for the hearing shall be established by the District as soon as practicable following receipt of the developer's request. It shall be the District's prerogative to decide whether the hearing will be conducted at a regular meeting of the governing board or at a special meeting.

- d. As soon as possible and in no event less than five (5) days before the date set for the hearing, the District shall send the developer a written notice including the time, date and place set for the hearing.

B. Conduct of the Hearing

1. At the hearing, the developer shall bear the burden of establishing that the fee is improper.
 - a. The developer shall be allotted 15 minutes in which to present the information showing that the fee requirement is improper.
 - b. The District administration shall have 15 minute in which to present information rebutting the developer's contentions.
 - c. The governing board has the discretion to grant either party or both additional times in which to present information in further support of their contentions.
2. Within five (5) days of the hearing, the governing board or its designee shall mail the developer a notice in writing of its decision either granting the appeal or upholding the fee imposition.
3. All hearings conducted pursuant to this section shall be informal in nature and be designed to determine the parties' contentions without unnecessary formality.

C. Miscellaneous

1. Any failure on the part of the developer to pursue their appeal within the timelines stated in this procedure shall result in the developer's forfeiture of their opportunity for a hearing before the governing board.
2. The timelines contained in this procedure may be extended by mutual written agreement of all parties.
3. It will be sufficient in meeting any of the notice requirements contained in this procedure for the District to send such notices to the developer by regular mail at their last known address as listed on their statement of appeal.
4. Whenever the deadline for any act required under this procedure falls on a Saturday, Sunday or holiday, the time shall automatically be extended to the next business day.