

**DEVELOPMENT IMPACT FEE JUSTIFICATION
REVIEW AND SUPPLEMENT**



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INTRODUCTION

Cajon Valley Union School District levies development fees under Sections 17620 and 17621 of the California Education Code. In accordance with legislative guidelines, the State Allocation Board (SAB) has reviewed the maximum level of school facilities impact fees allowed per these code sections with the intent to adjust them for inflation in construction costs over the last two years. The Board's review found that, after years of less than typical inflation, costs escalated significantly, especially in 2021. The indices used to measure inflation indicated that the maximum for the fees that can be charged to developers until the next adjustment, essentially for calendar years 2022 and 2023, should be increased to the following amounts:

K-12 Maximum Fee Amounts

Residential Construction	\$4.79
Commercial and Industrial Construction	\$0.78

Where an elementary district and a high school district both serve an area, the districts must agree on an appropriate sharing of the maximum fee amounts. Per their agreement, Cajon Valley Union School District (District) can levy up to 62% of the maximum fees and the remainder is available to Grossmont Union High School District. The maximum fees previously allocated to Cajon Valley were \$2.53 per square foot on residential development and \$0.41 per square foot on commercial/industrial development. The SAB's action increases the District's share of the maximums to \$2.97 per square foot for residential construction and \$0.48 per square foot for commercial/industrial construction.

Cajon Valley Share of Maximum Fee Amounts

Residential Construction	\$2.97
Commercial and Industrial Construction	\$0.48

Schoolhouse Services prepared a comprehensive Fee Justification Report in April 2018 for the District documenting its justification for residential and commercial/industrial development impact fees. As it did when the SAB increased the maximum fees in 2020, the District felt it was appropriate to contract with Schoolhouse Services to review the report's descriptions of the impacts of new development to determine whether any of the changes that have occurred affect the fee the District is justified in levying, and to adjust the calculations for any such changes. This report provides information for the Board as it considers levying fees at the current updated levels adopted by the State Allocation Board on February 23, 2022.

Changes that should be reflected in any fee study update include:

- Significant changes in the local long term growth outlook, particularly through the adoption of changed land use policies and changed housing market conditions;
- Changed average student generation per home or preparation or revision of long term enrollment projections that differ significantly from those referenced in the fee report;

- Addition of major school district facilities or adoption of policies that would affect facility utilization, such as the addition of classrooms or transition to year-round schools;
- Changes in the cost of providing additional capacity and or refurbishing and relacing facilities to maintain existing levels of service; and
- Changes in the funding available to the District.

We found that the framework of the 2018 report is still a basic description of the District's justification to levy fees on new development and the factors involved. Some circumstances are changing, however, and should be noted. The year 2021 saw a significant inflation in construction costs, enrollment has drifted downward, though to what extent that is due to the covid epidemic is uncertain, and the District's planning increasingly focuses on the need to refurbish and replace existing school facilities to maintain District standards.

This report describes our review. The District's justification for levying the fees as adjusted by the SAB is thus set forth jointly in the 2018 comprehensive report and this supplement.

REVIEW OF KEY FACTORS

This section reviews the major elements underlying the justification of development impact fees, including the analysis in the 2018 justification study.

New Housing Development

The analysis in the 2018 comprehensive report was based information and projections prepared in 2013 by the San Diego Association of Government (SANDAG). SANDAG's continually reviews their demographic projections and updates them as needed. It has not found it appropriate to update its projections from those used in the 2018 report. The estimate would thus be 2,400 units completed in the years 2020 through 2025, the analysis is unchanged if this development occurs in a longer or shorter period of time. SANDAG projects that about 70% of these would be single-family detached units and 30% units in multiple-unit buildings. The policy trend is towards a smaller percentage of single-family units, but the District covers a large area, much of it undeveloped, and single family homes continue to be the overwhelming share of the units built. Though it should not be counted on as a long-term trend, the last couple of years has seen a significant increase in the demand for and construction of single family homes.

Student Generation and Enrollment

The analysis of student generation by type of housing unit in the 2018 report found an average generation of 0.33 students per new home (one student in every three homes). This factor usually changes only gradually. Total District enrollment increased through the 2018-19 school year and was almost as large in the following year. The years since have had a lower enrollment due to the COVID epidemic, but it is not known whether the recovery from the epidemic and increased demand for single family homes will or will not lead to a resumption of enrollment growth.

Enrollment Capacity of Classrooms

The District has added seven net classrooms since the 2018 report. A total of 12 new classrooms have been added, but five old rooms were demolished due to their condition and to make space for some of the new rooms. Even with the capacity of the seven new classrooms added, the District's ideal capacity remains far below current enrollment. As a result, additional capacity should be added to accommodate enrollment from new homes if the District's facilities are not to become more overcrowded.

Facilities Cost

The 2018 report determined an average cost of \$38,765 per student for school facilities to accommodate additional students, based on the cost of the Lexington School reconstruction and supported by some projects for other districts. The SAB found that construction costs have escalated 7.6% over 2018 and 2019 and 17.45% over 2020 and 2021, a total increase of 26.4% over the four years. Increasing the early 2018 cost of \$38,765 by this percentage yields a 2020 cost figure of \$48,990 per additional student. (In neither case were land costs included.) Multiplying this cost times the estimate of 800 students from new development results in a cost of \$39.19 million.

Use of Fee Revenues

Some of the fee revenues are likely to be used to construct facilities that increase the enrollment capacities of the District's schools. One primary use of fee revenues has been to construct additional classrooms and classroom support space (and in some situations to provide it in modular buildings). Another is to provide additional capacity in the academic support facilities required, such as libraries, physical education facilities, cafeterias and general purpose rooms, administrative space, etc.

In many cases projects will include refurbishing and replacing buildings that would not meet the standards of the District in coming years. This use of development fee revenues was recognized as legal when Government Code 66001(g) was amended specifically to recognize refurbishment of existing facilities as an appropriate use of fee revenues.

RESIDENTIAL FEES

The 2018 report projected that the eight years of new development would total 6.33 million square feet; the six years 2022 through 2027 would thus be about 4.75 million square feet.

Table 6-2 from the 2018 report is replaced below with the updated cost and the 4.75 million square feet of new construction generating this cost impact information. It should be noted that, if new development occurs more slowly than projected, it would not affect the ratio between the square footage of new development and the cost impact.

**Table 6-2 Replacement
Per Square Foot Cost of Residential Development**

<i>Facilities Costs</i>	
<i>Total Facilities Cost</i>	\$39,190,000
<i>Total Square Footage</i>	4,750,000
<i>Facilities Cost per Square Foot</i>	\$8.25

Source: Schoolhouse Services

The maximum limits for Section 17620 fees are adjusted biannually by the State Allocation Board (SAB) to ensure that fee revenues keep pace with construction cost inflation. As noted above, the District's share of the new fee limits adopted by the SAB on January 24, 2020 is \$2.97 per square foot for residential development. This amount will be the limit until the Board again adjusts the fee limits, presumably in January of 2024. With a facilities cost of about \$8 per square foot of residential construction, the District is justified in levying \$2.97 per square foot on that construction.

The levying of fees on alternative types of residential development, namely "Redevelopment Construction," additions to homes and housing dedicated to senior occupancy were also reviewed. The District continues to give a credit for demolition undertaken in conjunction with new construction (assuming the building demolished was occupied prior to demolition); the justification for fees in the 2018 report and this report therefore justify the fees on redevelopment construction. The 2018 report determined an impact of approximately \$8.33 per square foot on home additions; the increase in construction costs means the impact is even higher, thus justifying the residential fee on additions. Finally, senior housing continues to be justified at the rate of fees on commercial/industrial development.

COMMERCIAL/INDUSTRIAL FEES

The 2018 Schoolhouse justification study for commercial/industrial (C/I) fees traces the impacts of non-residential development for varying types of development. The factors that affect the impacts are the density of employment by type, the percentage of employees who also reside in the District, the formation of worker's households, student generation from these households, the cost of facilities to house these students, and the share of the cost funded by residential fees. The effect was only to include the impact from employees residing in the District.

We reviewed these factors in light of present day information, similar to our review of the factors affecting school cost impacts from new homes. The net residual cost of accommodating students, after accounting for fee revenue from residential development, is the only factor significantly changed from the 2018 study. The cost impact for the various categories of

commercial/industrial development is thus increased. However, the two categories that did not have impacts sufficient to justify the maximum fees remain below the maximum. Only fees of \$0.02 per square foot and \$0.06 per square foot can be levied on parking structures and self-storage buildings. The fee for the other building categories is \$0.48 per square foot, the maximum set by state law. The comprehensive 2018 report provides guidelines for calculating fees on commercial/industrial development that is not one of the required categories.

SUMMARY OF FINDINGS

This report has reviewed the assumptions in the 2018 comprehensive report, identified those that needed to be brought up-to-date, and, using the same framework as in the earlier report, determined the fees the District is justified in levying at this time. This has led to the following conclusions:

- 1) Facilities cost inflation since the time of the earlier Schoolhouse report results in an updated facilities cost impact of \$8.25 per square foot of new residential construction. This exceeds the District's share of the maximum fee, \$2.97 per square foot, for residential construction, thus justifying levying a fee of this amount.
- 2) The situation is different for the fees on commercial and industrial development. The maximum fee of \$0.48 per square foot can be levied on buildings in all but two of the building categories. For buildings in the other two categories, the fee is lower; the amounts: \$0.02 per square foot for parking structures and \$0.06 per square foot for self-storage buildings.