



School Impact Fee Justification Study

Residential and Commercial/Industrial Development

Novato Unified School District

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
INTRODUCTION	4
LEGISLATIVE HISTORY	6
AB 2926	6
AB 1600	6
AB 181	7
RESIDENTIAL IMPACT FEE JUSTIFICATION	8
Overview of Methodology	8
Projected Residential Development	8
Student Generation Rates.....	9
Projected School Facilities Costs.....	10
Facilities Cost Per Student	11
COMMERCIAL/INDUSTRIAL IMPACT FEE JUSTIFICATION	14
Overview of Methodology	14
SUMMARY AND FINDINGS.....	19
ADMINISTRATION OF THE FEES	21
Administrative Requirements	21
Reporting Requirements.....	21
Government Code Section 66001 (a) (1): Purpose of Fees.....	21
Government Code Section 66001 (a) (2): Use of Fees	21
Government Code Section 66001 (a) (3): Reasonable Relationship between the Fee’s Use and the Type of Development Project on which the Fee is Imposed	22
Government Code Section 66001 (a) (4): Reasonable Relationship Between the Need for the Public Facility and the Type of Project Upon Which the Fee is Imposed	22
Government Code Section 66001 (b): Reasonable Relationship Between the Amount of the Fee and the Cost of the Public Facility.....	23
REVENUE SOURCES/FUNDING FACILITIES	24
State School Facility Program	24
General Obligation Bonds	24
Parcel Taxes	24
Mello-Roos Community Facilities Districts	24
RECOMMENDATIONS	25

SOURCES	26
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TABLE OF CONTENTS

Table 1. Student Generation Rates and Students Generated.....	10
Table 2. Housing Units and Calculation of Weighted Square Footage	11
Table 3. Calculation of Weighted Average Square Footage	11
Table 4. Cost per Student for New Construction	11
Table 5. District Total Facilities Need for New Construction	11
Table 6. District Facilities Cost per Square Foot for New Construction.....	11
Table 7. Cost per Student for Modernization	12
Table 8. District Total Modernization Need.....	12
Table 9. District Modernization Facilities Cost per Square Foot.....	12
Table 10. Commercial/Industrial Employee Generation Factors.....	15
Table 11. Community Shopping Center Cost per Square Foot	16
Table 12. Agriculture Cost per Square Foot.....	16
Table 13. Mini-Storage Base Cost per Square Foot	16
Table 14. Community Shopping Center Residential Fee Offset.....	17
Table 15. Agriculture Residential Fee Offset	17
Table 16. Mini-Storage Residential Fee Offset	17
Table 17. Commercial/Industrial Final Costs per Square Foot.....	18

EXECUTIVE SUMMARY

This Developer Fee Justification Study (Residential and Commercial/Industrial Construction) (“Study”) is intended to determine the extent to which a nexus can be established in Novato Unified School District between residential development and commercial/industrial projects and (i) the need for school facilities, (ii) the cost of school facilities, and (iii) the amount of statutory school fees per residential development and commercial/industrial project square foot that may be levied for schools pursuant to the provisions of Sections 17620 and 17621 of the Education Code, as well as Sections 65995, et seq., and 66001 of the Government Code.

In January 2024, the State Allocation Board’s biennial inflation adjustment changed the fee to \$5.17 per square foot for residential construction and \$0.84 per square foot for commercial/industrial construction.

The residential impact fee is based on each student that is generated by new residential development creating a direct impact to the District by way of increased facilities costs. These facilities costs could take the form of the need to construct new facilities, or the need to refurbish or modernize facilities to maintain the existing level of service for all students generated over the next 20 years. Both costs will be calculated so that a range of impact is demonstrated. Since this calculated impact is higher than the Level I statutory fee, the District is justified to collect the Level I statutory fee.

In addition to the school facilities cost impacts, the District will experience Central Administrative and Support Facilities cost impacts as a result of students generated from future units. In January 1994, the State Allocation Board approved a policy of four (4) square feet of Central Administrative and Support Facilities per student.

The District serves the City of Novato, California, as well as surrounding areas of unincorporated Marin County. The District serves a total of 7,209 TK-12th grade students at seven elementary schools (TK-5), one TK-8 school, one charter TK-8 school, two middle schools (6-8), two high schools, one continuation high school, and one independent study program. Based on the recalculated facility capacity, the District has a classroom capacity of 9,777 students.

The City of Novato and Marin County planning departments collectively estimate a total of **2,972 new residential units** to be constructed in the portion of those jurisdictions that are served by the District, over the next twenty years. These units will be a mix of single-family (1,311 units) and multi-family (1,661 units). Based on average weighted square footage for each unit, this will mean a total of **5,216,580 square feet of new residential space** will be constructed over the next twenty years.

Based on an analysis of District enrollments and housing units, each new residence will generate students at a rate of 0.293 TK-12th grade students per unit. When applied to the estimation of 2,972 new residences, the result is an estimate of **871 TK-12th grade students** who will be generated and housed in District facilities.

To house the additional students generated by new residential development, it is likely that the District will employ a combination of constructing new facilities and refurbishing existing facilities to maintain the existing level of service in order to house the students generated by future residential development.

The cost to modernize the District's facilities is less than the cost to build new facilities, so there will be a range of impacts depending on the facilities needed. However, even should the District exclusively utilize less costly refurbished and modernized facilities to house the students generated by new residential development, the calculations in this report demonstrate that the costs to the District created by the new development exceed the statutory Level I fee.

The total cost to the District to supply facilities for 871 additional students will range from **\$35,387,859** (entirely modernization) to **\$92,156,155** (entirely new construction). Given the total residential square footage estimate of 5,216,580 square feet, this results in a **cost impact to the District of \$6.78 to \$17.67 for each square foot of new residential development.**

Since this impact exceeds the Level I statutory fee (\$5.17), **the Novato Unified School District is justified to collect the Level I residential impact fee.**

The District also experiences an impact from new commercial/industrial development. This is demonstrated by performing two calculations. First, each square foot of residential development is converted into a number of households, and then into a number of students generated and modernization facilities need. Modernization costs are used as the more conservative cost, since the residential impact fee calculations already demonstrated that a range of need will likely exist; however, if the Level 1 impact fee for commercial/industrial development is justified based on modernization costs, it will also be justified for higher new construction costs.

With a cost to the District established per square foot of commercial/industrial development, a residential fee offset is then applied to account for the residential fee revenues the District will collect from homes associated with the employees generated by new commercial/industrial development. If the impact of the employees is already addressed by the residential fees collected, the District would have no need to collect a commercial/industrial fee as well.

After calculating the base impact of each square foot of new commercial/industrial development and subtracting the residential fee offset, **the District is still justified to collect the Level I statutory fee (\$0.84) for all types of commercial/industrial development** except Agriculture and Mini-Storage, which are justified at a lower rate of \$0.27 for Agriculture development and \$0.05 for Mini-Storage.

Based on the results of this study, the Novato Unified School District is justified to collect the statutory fee for all applicable **residential construction at the rate of \$5.17 per square foot** and the statutory fee for **commercial/industrial construction at the rate of \$0.84 per square foot for all development except Agriculture and Mini-Storage, which are justified at a lower rate of \$0.27 for Agriculture development and \$0.05 for Mini-Storage.**

INTRODUCTION

School districts are continually evaluating the condition of their capital facilities and identifying whether construction of new facilities and/or improvements to existing facilities are necessary to sufficiently house their student body. Districts may use various sources of funds for these capital facility projects, including Developer Fees, State program funds, redevelopment funds, certificates of participation, sale of capital assets, and mitigation measures. In September 1986, the Governor signed into law Assembly Bill 2926 (Chapter 887/Statutes 1986), which granted school district governing boards the authority to impose developer fees. This authority is codified in Education Code Section 17620, et seq. which states in part "...the governing board of any school district is authorized to levy a fee, charge, dedication or other requirement against any construction within the boundaries of the district for the purpose of funding for the construction or reconstruction of school facilities."

School districts were provided a mechanism to assist in funding with the adoption of the Mitigation Fee Act (Government Code Section 66000 et seq.). This act governs the imposition of fees by a district as a condition of approval of a development project. In order to impose such a fee, a reasonable connection must exist between the new development and the construction and/or improvement of school facilities for which the fees are to be assessed. More specifically, State law requires that certain nexus findings must be made and documented. The objective of this Study is to provide a rigorous basis for such findings.

Level I fees (also known as statutory fees) are adjusted every two years according to the inflation rate for Class B construction as determined by the State Allocation Board. With the passage of SB50 in 1998, a cap was placed on the amount that could be charged under the Level I fee calculation. The law allowed for adjustments of the cap as noted in Government Code Section 65995(b)(3), which specifies in part that "...fees shall be increased every two years, according to the adjustment for inflation set forth in the statewide cost index for Class B Construction, as determined by the State Allocation Board at its January meeting, which increase shall be effective as of the date of that meeting."

Level II developer fees are outlined in Government Code Section 65995.5 and allow a school district to impose a higher fee on residential construction only if certain conditions can be met and a study conducted to provide justification for the higher residential fee per square foot.

As of January 2024, Government Code Section 65995 authorizes school districts to collect Developer Fees on future development of no more than \$5.17 per square foot for residential construction and \$0.84 for commercial/industrial construction (Level I fees).

Specifically, this Study has been prepared for the purpose of identifying the impact of projected future development on the school facilities of the District, and determining the extent to which a nexus exists between said developments and the need for school facilities and the cost of school facilities. This Study also considers the ability of the District's current facilities to accommodate the impact of demand from projected new development, and seeks to identify the actual costs associated with meeting the increased facilities needs that result from new residential and commercial/industrial development.

Recent legislation expounded the parameters of attached and detached living areas which are attached or detached from the primary single-family or multifamily dwelling unit (generally referred to as Accessory Dwelling Units (ADUs), and Junior Accessory Dwelling Units (JADUs)). Whether these types of dwelling units are called casitas, granny flats, in-law units, accessory units, or converted living space, these

constructed areas are intended to provide an area for living and sleeping – whether the facilities and provisions for living, sleeping, eating, cooking, and sanitation are within that living space or within (or adjacent to) the attached single-family or multifamily dwelling unit. The District recognizes that students are generated from these types of living areas and will levy the appropriate fee rate for these types of construction projects.

As noted previously, in January 2024, the State Allocation Board (“SAB”) adjusted the amount of statutory School Fees for TK-12th school districts from \$4.79 to \$5.17 per square foot of residential construction and from \$0.78 to \$0.84 per square foot of chargeable covered and enclosed space for commercial/industrial construction pursuant to Education Code section 17620, et seq., and Government Code section 65995, et seq. The purpose of this Study is to provide the District’s Board of Education with the required information to make the necessary findings set forth in Government Code sections 66001, et seq., and 65995, et seq., in order to authorize an increase in statutory School Fees.

The content of this Study will show that the Novato Unified School District is justified in levying the statutory maximum Level I Developer Fee.

LEGISLATIVE HISTORY

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

AB 2926

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

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

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

AB 1600

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

1. Determine the purpose of the fee.
2. Identify the facilities to which the fee will be put.
3. Determine that there is a reasonable relationship between the need for public facilities and the type of development on which a fee is imposed.
4. Determine that there is a reasonable relationship between the amount of the fee and the public facility or portion of the public facility attributable to the development on which the fee is imposed.
5. Provide an annual accounting of any portion of the fee remaining unexpended, whether committed or uncommitted, in the School District's accounts five or more years after it was collected.

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

AB 181

AB 181, enacted by the State in 1989, made significant changes in several State Codes, including Sections 53080 et seq. of the Government Code which was re-codified as Sections 17620 et seq. of the Education Code on January 1, 1998. Changes in Section 53080 included additional requirements and procedures for imposing School Fees and other conditions on new development. Specifically, AB 181 imposes more stringent nexus requirements on school districts that wish to levy School Fees on Commercial and Industrial Development ("CID"), as follows:

1. In order to levy a School Fee on CID, a formal study must be conducted to determine the impact of "the increased number of employees anticipated to result" from new CID on the "cost of providing school facilities within the School District".
2. Only that portion of the School Fee justified by the "nexus findings" contained in this study may be levied. Nexus findings must be made on an individual project basis or on the basis of categories of CID and must "utilize employee generation estimates that are based on commercial/industrial factors within the school district."
3. Categories to be evaluated may include, but are not limited to, office, retail, transportation, communications and utilities, light industrial, heavy industrial, research and development, and warehouse uses.
4. Starting in 1990, maximum School Fees for residential and CID will be subject to increases every two (2) years rather than annually.
5. An appeals procedure shall be established whereby the levy of School Fees on a commercial/industrial project may be appealed to the governing board of a school district. Grounds for an appeal must include, but are not limited to, improper project classification by commercial/industrial category, or the application of improper or inaccurate employee or student generation factors to the project.

In summary, AB 181 establishes additional requirements which must be satisfied by school districts prior to their levying School Fees on CID.

RESIDENTIAL IMPACT FEE JUSTIFICATION

Overview of Methodology

The residential impact fee is based on each student that is generated by new residential development creating a direct impact to the District by way of increased facilities costs. These facilities costs could take the form of the need to construct new facilities, or the need to refurbish or modernize facilities to maintain the existing level of service for all students generated over the next 20 years. Both costs will be calculated so that a range of impact is demonstrated.

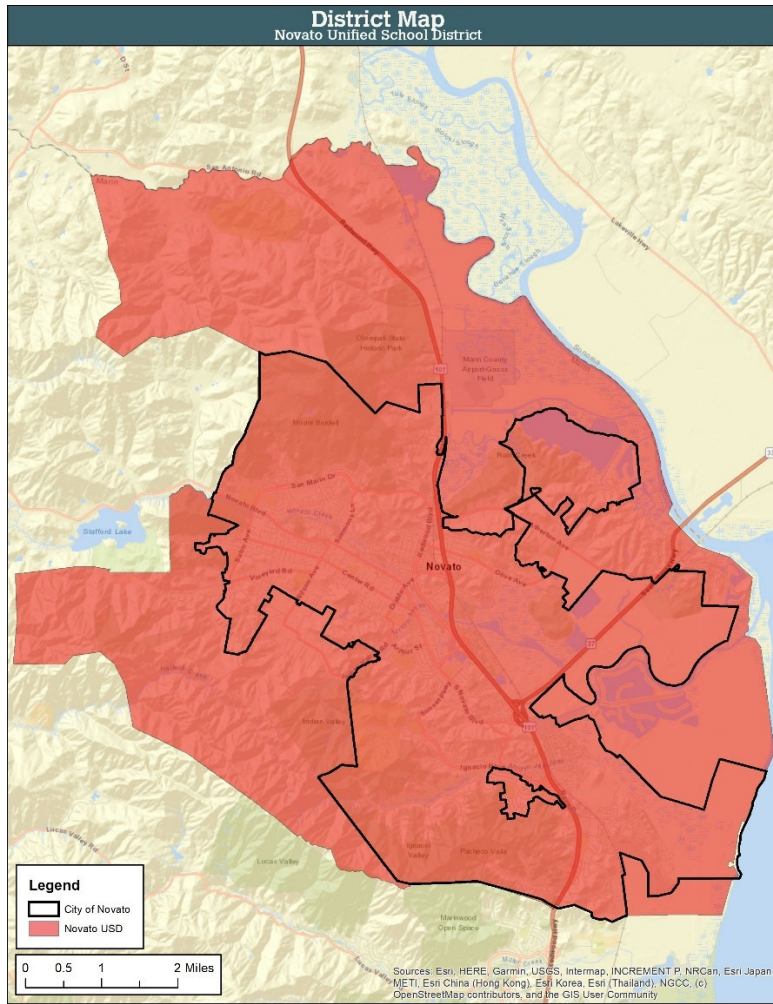
The Study will review the number of new units estimated to be built over 20 years, the rates of student generation from each unit of development, and the District's facility costs tied to each student generated. This will result in an impact cost to the District per square foot of residential development. If this calculated impact is higher than the District's proportion of the Level I statutory fee, the District will be justified in collecting the Level I statutory fee.

Projected Residential Development

The number of future units to be constructed within the boundaries of the District was determined based on information provided by the jurisdictions served by the District (City of Novato and County of Marin).

The Novato Unified School District serves the jurisdiction of the City of Novato, California and some areas of unincorporated Marin County. Figure 1 provides the District boundary and the areas of each of these jurisdictions served by the District. Planning agencies from each jurisdiction were contacted to obtain information regarding planned development within the District boundary over the next twenty years.

Figure 1. Novato Unified School District Boundary



Residential development generates students for the District to house in facilities, new and/or renovated. Therefore, it is imperative to research residential development to project growth and associated student generation within the District. According to the City of Novato, 804 single-family units and 1,661 multi-family units may be constructed within the District over the next 20 years. Units for the County of Marin were identified based on the Marin County Housing Element and identified opportunity sites to meet the County’s assigned housing need, with the assumption that these sites will be developed over the course of 20 years and multiple cycles of Housing Element updates. This analysis of development in the area served by the District estimates 507 single-family units. Together all jurisdictions served by the District estimate a combined total of 2,972 new residential units.

Student Generation Rates

Student Generation Rates were calculated by King Consulting for the District through an analysis that consisted of cross referencing the District’s current enrollment data against residential data from the United States Census Bureau.

The average number of students generated by each housing unit provides a student generation rate or “yield factor”. The number of students emanating from new housing units within the District’s boundaries was assessed for the District by comparing the total number of housing units within the District boundary

according to 2022 Census American Community Survey estimates to the District’s current enrollment for 2023-24. The housing unit total of 24,632 when compared to the student enrollment of 7,209 results in a student generation rate of 0.293 students per housing unit. This rate is then multiplied by the number of expected residential units to be constructed to calculate the number of students expected to be generated. Table 1 outlines the result of the analysis.

Table 1. Student Generation Rates and Students Generated

Development Type	Projected Number of Units		Student Generation Rate		Expected Students Generated
All Units	2,972	X	0.293	=	871

Projected School Facilities Costs

New students generated by development increase the demand on school facilities, creating a need to add facilities and/or to refurbish facilities in order to maintain existing levels of service. Without the ongoing refurbishment of existing facilities to maintain the existing level of service, some NUSD school facilities may not be available over the next 20 years to house students. But for the students generated by new development, the District would not need to maintain as many facilities at the existing level of service.

NUSD’s Board-approved 2016 Facilities Master Plan (“FMP”) identifies numerous reconstruction projects across the District’s school sites along with their costs. Among the work identified are asphalt/playground surface repairs, exterior painting, interior finishes, air-conditioning upgrades, parcel improvements, modernization on existing Multi-purpose Rooms, Libraries, Gyms, collaborative classroom spaces and outdoor learning spaces. Total projects costs for all projects listed in the FMP are estimated at \$277.6 million.

Based on costs detailed in its 2016 Facilities Master Plan, the District estimates a total need of \$277.6 million based on all identified projects. Even after applying \$222 million in Measure G bond funding, this creates a shortfall of more than \$55.6 million.

To calculate the modernization needs generated by students from new development, the District must analyze the number of new units to be constructed, the square footage of those units, and, utilizing the student generation rate, the number of students to be generated by those developments. Once this analysis is completed, the per pupil cost to house those students can be calculated based on the cost to modernize facilities. To calculate a weighted average square footage, the average square footage for each residential type is multiplied by the projected housing units for each residential type. The total projected square footage for all residential types is then divided by the total projected number of units for all residential types to arrive at the weighted average. The City of Novato and County of Marin were not able to provide an estimate of average square footage for the projected new housing units. Therefore, average square footage by housing type is based on the square footage of a combination of 236 single-family and multi-family units built over the past 28 years within the areas served by the District. These calculations are shown in Tables 2 and 3.

Table 2. Housing Units and Calculation of Weighted Square Footage

Residential Type	Total Projected Housing Units		Average Square Footage		Total Projected Square Footage
Single-Family	1,311	X	2,797	=	3,666,867
Multi-Family	1,661	X	933	=	1,549,713
Totals	2,972				5,216,580

Table 3. Calculation of Weighted Average Square Footage

Total Projected Square Footage		Total Projected Housing Units		Weighted Average Square Footage
5,216,580	/	2,972	=	1,755

Facilities Cost Per Student

The cost per student to construct new school facilities within the Novato Unified School District is \$105,805 as shown in Table 4. Construction costs were provided by Van Pelt Construction Services based on records of past and present projects in recent new construction school projects in the Bay Area region (Appendix A). Table 5 demonstrates the total facilities needed due to the 871 students expected to be generated, while Table 6 expresses the total facilities need as a cost per square foot.

Table 4. Cost per Student for New Construction

Grade Level	New Construction Cost per Student
TK-5	\$92,646
6-8	\$112,559
9-12	\$123,766
Weighted Average $((\\$92,646*7)+(\\$112,559*3)+(\\$123,766*4))/14$	\$105,805

Table 5. District Total Facilities Need for New Construction

Facilities Cost per Student		Total Students Generated		Total Facilities Need
\$105,805	X	871	=	\$92,156,155

Table 6. District Facilities Cost per Square Foot for New Construction

Total Facilities Need		Total Projected Square Footage		Facilities Cost per Square Foot
\$92,156,155	/	5,216,580	=	\$17.67

In addition to costs that might be associated with the construction of new school facilities, the District may also experience costs to refurbish existing facilities to keep them at the existing level of service for all future students. Since it is estimated that 871 of these future students will be generated by new development, the District is expected to bear the cost of the refurbishment projects for facilities housing these 871 students on facilities that would not otherwise require this standard of modernization. Therefore, costs per student for refurbishment and modernization must also be demonstrated. The cost to modernize facilities is 38.4% of new construction costs. This percentage is based on the comparison of the per pupil grant for the State School Facility Program modernization program and the State per pupil new construction grant. When analyzing the cost to construct new facilities, the State provides \$15,770 per elementary school pupil and \$6,005 to modernize facilities. For middle school pupils, the State provides \$16,679 for new construction and \$6,350 for modernization/reconstruction. Finally, for high school pupils, the State provides \$21,223 per 9-12 pupil and \$8,315 to modernize facilities. The average of the modernization/reconstruction grants is 38.4% of the new construction grants. Appendix B details the School Facility Program per pupil grant amounts.

Since the facilities cost per student is \$105,805, the modernization cost per student for the Novato Unified School District is 38.4% of this value, or \$40,629 (Table 7).

Table 7. Cost per Student for Modernization

Facilities Cost per Student (New Construction)		Modernization Percentage		Modernization Cost per Student
\$105,805	X	38.4%	=	\$40,629

This modernization cost per student is multiplied by the total students generated from Table 1 to determine the District's total modernization need created by new residential development (Table 8). Dividing the total modernization need by the total projected square footage in Table 3 provides the modernization facilities cost per square foot (Table 9).

Table 8. District Total Modernization Need

Modernization Cost per Student		Total Students Generated		Total Modernization Need
\$40,629	X	871	=	\$35,387,859

Table 9. District Modernization Facilities Cost per Square Foot

Total Modernization Need		Total Projected Square Footage		Facilities Cost per Square Foot
\$35,387,859	/	5,216,580	=	\$6.78

It is likely that the District will employ a combination of constructing new facilities and refurbishing existing facilities to maintain the existing level of service in order to house the students generated by future

residential development. However, even should the District exclusively utilize less costly refurbished and modernized facilities to house the students generated by new residential development, the calculations in this report demonstrate that the costs to the District created by the new development still exceed the statutory Level I fee.

The Novato Unified School District is justified in collecting residential developer fees at a rate ranging from \$6.78 to \$17.67 exceeds the current statutory Level I fee of \$5.17. Therefore, the District is justified to collect the full amount of the statutory fee per square foot of new residential construction, currently \$5.17.

COMMERCIAL/INDUSTRIAL IMPACT FEE JUSTIFICATION

California Assembly Bill 181 provides that a district “must determine the impact of the increased number of employees anticipated to result from commercial/industrial development upon the cost of providing school facilities within the district. For the purposes of making this determination, the study shall utilize employee generation estimates that are based on commercial and industrial factors within the district, as calculated on either an individual project or categorical basis”. However, Assembly Bill 530 modified the requirements of AB 181 by allowing the use of a set of statewide employee generation factors. These factors are identified in the San Diego Association of Governments report, “San Diego Traffic Generators”. This study has become the standard in the industry for the calculation of the commercial/industrial fees.

Overview of Methodology

The construction of commercial/industrial buildings within a community generates new employees and, therefore, new residents for a school district. The link between creating new jobs and student enrollment has been acknowledged by the State Allocation Board and in statute. The Legislature has also determined that if there is more impact than can be mitigated by residential fees, and some of this impact is caused by commercial/industrial development, then commercial/industrial development can also be charged fees. As shown above, the District is justified to collect a higher residential fee than the current statutory level.

To determine the nexus relationships identified in AB 181 of commercial/industrial development, several factors must be analyzed to calculate the facilities cost per square foot of this development. Assembly Bill 530 allows for the use of state-wide employee generation factors, specifically those derived from a report entitled San Diego Traffic Generators published by the San Diego Association of Governments (SANDAG) in 1990. This report demonstrates the number of employees generated per square foot of commercial/industrial development, by category. Table 10 displays these categories and the number of employees generated for each square foot of space. The lowest categories are Mini-Storage, followed by Agriculture and Community Shopping Centers. If the District is justified to collect the Level I commercial/industrial fee using the category with the lowest employees/square feet, then they will be justified at all other categories exceeding that level.

These categories are explained in detail in the original SANDAG report. While many of the categories are self-explanatory, some are specifically defined in the original report:

- Commercial offices include “standard” offices and “large/high-rise” offices.
- Corporate offices are distinguished by typically housing a single corporate tenant rather than a combination of multiple tenants in one building.
- Community Shopping Centers are defined as covering 10-30 acres with total building square footage of 100,000-300,000 square feet, with at least one major store and at least one detached restaurant.
- Neighborhood shopping centers are defined as covering less than 10 acres with less than 100,000 square feet of total buildings.
- Industrial/business parks are distinguished from industrial parks by having at least 25% of their area designated for commercial uses.

Table 10. Commercial/Industrial Employee Generation Factors

Development Category	Employees/Square Foot
Agriculture	0.00031
Banks	0.00282
Commercial Offices	0.00478
Community Shopping Centers	0.00109
Corporate Offices	0.00268
Industrial Parks	0.00168
Industrial/Business Parks	0.00221
Lodging	0.00155
Medical Offices	0.00427
Mini Storage	0.00006
Neighborhood Shopping Centers	0.00362
Scientific R&D	0.00304

As shown in Table 11, the calculations for the commercial/industrial cost impact per square foot also consider the percent of employees in the District who also live in the District, the number of households per employee, the students generated per household, and the modernization cost for each student. Data for percent of employees living in the District and households per employee are sourced from The United States Census Bureau's 2022 American Community Survey. The average of students generated per household was previously shown in Table 1, while the modernization cost per student was shown in Table 9.

The Community Shopping Center employees per square foot from Table 10 is multiplied by the percent of employees who live in the District to account only for employees whose children will impact the District's schools. The resulting number of employees living in the District is then multiplied by the number of households per employee to determine how many households are represented by the increased number of employees due to new commercial/industrial development. With this number of households calculated, they are multiplied by the student generation rate to determine the number of students generated from the households. Finally, this number of students is multiplied by the most conservative modernization cost per student to demonstrate the cost to the District created by the need to house students generated from the construction of each square foot of commercial/industrial development. Table 11 only shows each input number that is multiplied together in this sequence, rather than every resulting product.

As previously stated in the residential impact fees section, the District will likely perform a combination of new construction and refurbishment/modernization to address the impact of the generated students. Only the modernization costs are shown in the commercial/industrial calculations, however, as these are the most conservative costs. Any newly constructed facilities required for the students will cost more, based on the costs previously shown in Table 4. Therefore, if the Level 1 impact fee for

commercial/industrial development is justified based on modernization costs, it will also be justified for new construction costs. Furthermore, all categories of commercial/industrial development with a higher rate of employees per square foot, as shown in Table 10, will have a correspondingly higher school facilities cost per square foot, and will therefore also be justified at the Level 1 fee amount.

Table 11. Community Shopping Center Cost per Square Foot

Employees per Square Foot		% Employees Living in District		Households per Employee		TK-12 th Students per Household		Modernization Cost per Student		Commercial/Industrial Cost per Square Foot
0.00109	X	36.6	X	0.829	X	0.293	X	\$40,629	=	\$3.94

It is important to note, however, that the Mini-Storage and Agriculture categories of commercial development are the two lowest rates in Table 10. These types of development have a lower impact than all other categories of commercial/industrial development, with only 0.00031 and 0.00006 employees generated per square foot, respectively. As such, since school facilities costs per square foot for these categories of development will be lower than the example previously demonstrated, they will each be shown in detail here. Table 12 demonstrates the base cost per square foot for Agriculture and Table 13 demonstrates the base cost per square foot for Mini-Storage development.

Table 12. Agriculture Cost per Square Foot

Employees per Square Foot		% Employees Living in District		Households per Employee		TK-12 th Students per Household		Modernization Cost per Student		Commercial/Industrial Cost per Square Foot
0.00031	X	36.6	X	0.829	X	0.293	X	\$40,629	=	\$1.12

Table 13. Mini-Storage Base Cost per Square Foot

Employees per Square Foot		% Employees Living in District		Households per Employee		TK-12 th Students per Household		Modernization Cost per Student		Commercial/Industrial Cost per Square Foot
0.00006	X	36.6	X	0.829	X	0.293	X	\$40,629	=	\$0.22

Having calculated the base costs per square foot for commercial/industrial development, a residential fee offset is then applied to account for the residential fee revenues the District will collect from homes associated with the employees generated by new commercial/industrial development. If the impact of the employees is already addressed by the residential fees collected, the District will have no need to collect a commercial/industrial fee as well. It is important to note that while this offset conservatively assumes all homes associated with new employees are new homes, in reality some of the new employees

will live in existing homes. For the purpose of calculating the residential fee offset, it is estimated the District will collect the full statutory residential fee of \$5.17. The weighted average square footage for a new home in the District was previously shown in Table 3. Table 14 shows the calculations for the residential fee offset for Community Shopping Centers and therefore any other commercial/industrial category exceeding that rate, while Table 15 shows the calculation for Agriculture and Table 16 shows the calculation for Mini-Storage development.

The employees per square foot is again reduced by the percent of employees living in the District and adjusted by the households per employee to arrive at a number of households per square foot of commercial/industrial development. These values are the same ones sourced from the 2022 American Community Survey and also shown in Tables 11-13. To determine the residential fee collected per square foot of commercial/industrial development, the households are multiplied by the average square feet per household (from Table 3) and the residential impact fee that would have been collected on that square footage to obtain the residential offset. Tables 14-16 summarize the inputs that are all multiplied together to obtain the residential offset without showing each resulting product of each step.

Table 14. Community Shopping Center Residential Fee Offset

Employees/ Square Foot		% Employees Living in District		Households per Employee		Average Square Feet/ Household		Revenue per sq. ft. from Residential Fee		Residential Offset
0.00109	X	36.6	X	0.829	X	1,755	X	\$5.17	=	\$3.00

Table 15. Agriculture Residential Fee Offset

Employees/ Square Foot		% Employees Living in District		Households per Employee		Average Square Feet/ Household		Revenue per sq. ft. from Residential Fee		Residential Offset
0.00031	X	36.6	X	0.829	X	1,755	X	\$5.17	=	\$0.85

Table 16. Mini-Storage Residential Fee Offset

Employees/ Square Foot		% Employees Living in District		Households per Employee		Average Square Feet/ Household		Revenue per sq. ft. from Residential Fee		Residential Offset
0.00006	X	36.6	X	0.829	X	1,755	X	\$5.17	=	\$0.17

Table 14 applies the residential fee offset to the Community Shopping Center costs per square foot. Table 15 and 16 applies the residential fee offset to the Agriculture costs per square foot and the Mini-Storage costs per square feet. The final school facility costs, which takes into account revenue from the residential impact fee already collected, are obtained by subtracting the residential offset from the base costs. Table 17 shows the final costs per square foot. The Community Shopping Center creates a cost to the District above the statutory Level 1 fee amount, even when considering associated residential impact fees already collected, and even when assuming that all work performed by the District is less expensive modernization and refurbishment projects. Therefore, any category with a higher employee/square foot rate will also be higher than the statutory Level 1 fee amount, which is all other categories except Agriculture and Mini-Storage.

Table 17. Commercial/Industrial Final Costs per Square Foot

Development Type	Base Cost per Square Foot		Residential Offset		Final Cost per Square Foot
Community Shopping Center	\$3.94	-	\$3.00	=	\$0.94
Agriculture	\$1.12	-	\$0.85	=	\$0.27
Mini-Storage	\$0.22	-	\$0.17	=	\$0.05

The Novato Unified School District can collect the statutory Level I fee of \$0.84 per foot of commercial/industrial development, if it demonstrates the justification of that fee in its increased facilities costs related to the generation of students. As demonstrated in this report, the District can demonstrate justification for an impact of \$0.94 per square foot of Community Shopping Center per square foot, and therefore all other categories of commercial/industrial development with a higher number of employees per square foot. This includes all categories of commercial/industrial development except for Mini-Storage and Agriculture development. Therefore, the District is justified to collect the full amount of the statutory fee per square foot of new commercial/industrial construction, which is currently \$0.84, for all commercial/industrial developments except for projects classified as Agriculture, which should be collected at \$0.27, and projects classified as Mini-Storage, which should be collected at \$0.05 per square foot.

SUMMARY AND FINDINGS

This Study finds that the Novato Unified School District is justified in the collection of the statutory developer fees per square foot of both residential and commercial/industrial construction. The District should move forward with adopting the new fees. This requires the District to follow the appropriate notices for a public hearing and meeting all noticing requirements.

This justification is based on the following conclusions of the study:

- While it is likely that the District will employ a combination of constructing new facilities and refurbishing existing facilities to maintain the existing level of service in order to house the students generated by future development, the impact fees are completely justified using the lower costs of modernization even if all of the impact is addressed this way;
 - Modernization costs are 38.4% of new construction costs;
- Residential development will generate 0.293 TK-12th grade students per unit for the District to house;
 - The District's modernization cost for students generated from residential development is \$6.78 per square foot;
- Commercial/Industrial calculations also indicate a cost to house pupils that would be generated from local housing as a result of residents moving into the District;
- The modernization cost for students generated from Community Shopping Center development is \$0.94 per square foot. If the District is justified in collecting the Level I commercial/industrial fee utilizing the rate of employees per square foot applicable to Community Shopping Centers, then the District would be justified in applying the fee to any category with a higher rate, which is all other categories except for Agriculture and Mini-Storage. Therefore, the District is justified in collecting the commercial/industrial fee at a rate of \$0.84 per square foot; except for Agriculture which should be collected at a rate of \$0.27 and Mini-Storage at \$0.05 per square foot.

There is a roughly proportional, reasonable relationship between the use of the School Fees and the new residential and commercial/industrial development within the District because the School Fees imposed on new residential and commercial/industrial development will be used to fund School Facilities which will be used to serve the students generated by such new residential and commercial/industrial development.

There is a roughly proportional, reasonable relationship between the new residential and commercial/industrial development upon which the School Fees are imposed, and the need for additional School Facilities in the District because new students will be generated from new and commercial/industrial development within the District. While there is sufficient capacity in the existing School Facilities to accommodate all additional students, the capacity available requires refurbishment to maintain existing levels of service.

The amount of the School Fees levied on new residential and commercial/industrial development as set forth in this Study is roughly proportional and reasonably related to, and does not exceed the cost of, providing the School Facilities required to serve the students generated by such new residential and commercial/industrial development within the District.

Due to these factors, the District should proceed with adopting the statutory Level I Developer Fees, currently \$5.17 per square foot for residential construction and \$0.84 per square foot for commercial/industrial construction, except for Agriculture which is charged at \$0.27 and Mini-Storage which is charged at \$0.05 per square foot.

ADMINISTRATION OF THE FEES

Administrative Requirements

The District must maintain a special account for the developer fees collected and any interest which accrues from the fees collected.

Reporting Requirements

Government Code sections 66006 and 66001 require, annually within 180 days of the end of each fiscal year, that the District make available to the public certain information and adopt prescribed findings relative to Developer Fees adopted pursuant to Education Code section 17620 and Government Code section 65995.

For the fifth fiscal year following the first deposit into the fund, and every five years thereafter, the District is required to make additional findings with respect to that portion of the fund remaining unexpended, whether committed or uncommitted.

This accounting will identify a description of the fee and its amount as well as a beginning and ending fund balance. Also, in the report will be the portion of the collected funds that have been expended, those remaining funds, and the purpose to which those have been and will be put to use. The report must also identify the approximate date upon which a school district anticipates receiving adequate revenue to complete any improvements required as a result of students generated from residential or commercial construction projects.

Government Code Section 66001 (a) (1): Purpose of Fees

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.

Government Code Section 66001 (a) (2): Use of Fees

The District's use of the fee will involve construction and/or reconstruction/refurbishment of school facilities and/or additional permanent facilities on existing school campuses, including but not limited to the types of projects included in this Study and the District's Facility Master Plan. In addition, the District may 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. Design of School Facilities;
2. Purchase of land for School Facilities;
3. Construction or reconstruction of school facilities including both classroom and instructional spaces, and ancillary supporting facilities;
4. Testing and inspection of school sites and school buildings and permit and plan check fees;
5. Interim school facilities to house students generated by new development while permanent facilities are being constructed;
6. Legal and administrative costs associated with providing facilities to students generated by new development;
7. Administration of the collection of developer fees;

8. Miscellaneous purposes resulting from student enrollment growth caused by new residential development; and
9. Any other use permitted by law.

Government Code Section 66001 (a) (3): Reasonable Relationship between the Fee's Use and the Type of Development Project on which the Fee is Imposed

Future residential development will cause new families to move into the District and, consequently, generate additional students in the District. In order to continue providing facilities at the existing level of service for future students, the District will need to modernize and/or reconstruct facilities. The fee's use is therefore reasonably related to the type of project upon which it is imposed.

In addition, new commercial/industrial development will cause new workers to move into the District. Because these workers will have school-age children, the District will need to provide facilities for these students. The fee's use is reasonably related to the type of project upon which it is imposed.

Fees on Residential Reconstruction

Residential Reconstruction consists of voluntarily demolishing existing residential units and replacing them with new residential development. To the extent reconstruction increases the residential square footage beyond what was demolished, the increase in square footage is subject to the applicable developer fees as such construction is considered new residential development. As for the amount of square footage constructed that replaces only the previously constructed square footage the determination of the applicable fee, if any, is subject to a showing that the replacement square footage results in an increase in student enrollment and, therefore, an additional impact being placed on the School District to provide facilities for new student enrollment. Prior to the imposition of fees on Replacement Square Footage, the School District shall undertake an analysis on any future proposed projects(s) to examine the extent to which an increase in enrollment can be expected from Replacement Square Footage due to any differential in SGRs as identified in the Study for the applicable unit types between existing square footage and Replacement Square Footage. Any such fee that is calculated for the Replacement Square Footage shall not exceed the School Fee that is in effect at such time.

Reconstruction of Commercial/Industrial Square Footage

The voluntary demolition of existing commercial/industrial buildings and replacement with new residential development is a different category of Reconstruction. The School District will evaluate the impacts of Commercial/Industrial Reconstruction projects on a case-by-case basis and will make a determination of whether a fee credit is justified based on the nature of the project.

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

As demonstrated in this Study, current District school facilities require renovation/reconstruction to continue providing the existing level of service for the next 20 years. Existing residents and residents from new development, both residential and commercial/industrial, should share in these costs. Therefore, the need for adequate school facilities is directly related to the new residential and commercial/industrial development projects upon which the fee is imposed.

Government Code Section 66001 (b): Reasonable Relationship Between the Amount of the Fee and the Cost of the Public Facility

The State School Facility Program provides a reference for the relative cost of reconstruction/modernization projects to new construction. This report demonstrates the cost per student for new construction projects, and by using the School Facility Program grant amounts for reference, the cost per student for reconstruction/modernization projects that will need to be undertaken to ensure the District can continue to provide school facilities at the existing level of service for all future students. This report also demonstrates that the cost impact to the District per square foot of development, whether residential or commercial/industrial, is greater than the statutory developer fees to be collected.

Reconstruction is the act of demolishing existing structures and subsequently replacing them with new construction ("Reconstruction"). Reconstruction may include the voluntary or involuntary demolition of existing residential units or commercial or industrial construction and the subsequent reconstruction of the same type of residential or commercial or industrial construction, or which may consist of different residential unit types (i.e., SFD versus MFA, etc.) than what previously existed prior to demolition and replacement construction. The impact of conversion projects (i.e., demolition of commercial construction and replacement with residential construction, etc.) is no different than the impact of other forms of new construction analyzed herein, and is subject to the applicable School Fee. Likewise, to the extent Reconstruction increases the square footage beyond what was demolished ("New Square Footage"), the increase in square footage is subject to the applicable School Fee as such construction is considered new residential or commercial/industrial construction.

However, demolition and reconstruction of like-kind development (i.e., demolition of SFD and reconstruction of SFD) and the impact of replacement square footage may require a case-by-case analysis. School Fees shall be levied by the School District on new construction resulting from Reconstruction if there is a nexus between the School Fees being imposed and the impact of new construction on School Facilities, after the impact of pre-existing development has been taken into consideration. In determining such a nexus, the School District shall review, evaluate and determine, on a case-by-case basis, the impact of the proposed Reconstruction. The impact of the proposed Reconstruction may be assessed by comparing the proposed new construction and the pre-existing structures to be demolished and replaced, including the square footage, student generation, and cost impacts of each. The School District may also take into consideration the type of proposed new structures with the type of pre-existing structure demolished and replaced. For example, the impact of a pre-existing single family detached home demolished and replaced with a new triple-unit townhome. Such analysis may utilize the student generation rates identified in this Study, and historical fee records, as applicable.

REVENUE SOURCES/FUNDING FACILITIES

The District may also utilize other sources of funding for modernizing and/or reconstructing school facilities. These funding sources include:

State School Facility Program

Senate Bill 50 reformed the State School Building Lease-Purchase Program in August, 1998. The new program, entitled the School Facility Program, provides funding under a “grant” program once a school district establishes eligibility. Funding required from districts is a 50/50 match for new construction projects and a 60/40 match for modernization projects. While there is generally a shortfall between State funding and the District’s actual facility needs, the State monies aid in assisting the District in its facility needs.

General Obligation Bonds

School districts can, with the approval of 2/3 or 55% of voters, issue General Obligation Bonds which are paid out of property taxes.

The Novato Unified School District was most recently successful in passing Measure G in November 2016, which authorized \$222 million in bonds “To update aging Novato schools and protect quality education with local funding that cannot be taken by the State, shall Novato Unified School District upgrade classrooms, science labs, libraries and facilities to meet current academic/safety standards; provide dedicated space for science, math, engineering, arts and music instruction; and improve student access to modern instructional technology.” As of 2024 all bond funds have been exhausted or encumbered for existing projects.

Parcel Taxes

Approval by 2/3 of the voters is required to impose taxes that are not based on the assessed value of individual parcels. The revenues from these taxes are usually minor. Parcel taxes are typically not used for capital outlay. Instead, revenue from such programs is generally used to fund curriculum, instructional enhancements, and other non-facility related expenditures.

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 2/3 of the voters in an election.

RECOMMENDATIONS

This report recommends that the Novato Unified School District levy the maximum statutory fee authorized by Government Code Section 65995 on new residential development, currently \$5.17 per square foot. This report also recommends that the Novato Unified School District levy the maximum statutory fee authorized by Government Code Section 65995 currently \$0.84 per square foot on all categories of commercial/industrial development (except Mini-Storage/Agriculture which should be collected at a rate of \$0.05 per square foot).

These recommendations are based on the findings that residential and commercial/industrial development create a school facility cost for the Novato Unified School District.

SOURCES

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Office of Public School Construction. Leroy F. Greene School Facilities Act, 1998.

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United States Census Bureau, 2022 American Community Survey.

Smith, Dr. Tracy. Superintendent. Novato Unified School District.

APPENDIX A
CONSTRUCTION COSTS



December 1, 2023

RE: Estimated Construction Costs
Subject: Per-Student Costs at Novato Unified School District

To Whom It May Concern,

We have reviewed our records of past and present projects that involve recent new school Construction, within the region. Using a formula based on escalation from projects in previous years, our estimate for the Novato Unified School District is as follows:

Elementary School - capacity of 600 students:	\$55,587,581
Construction cost per student	\$92,646
Middle School - capacity of 1000 students:	\$112,559,302
Construction cost per student	\$112,559
High School - capacity of 2000 students:	\$247,531,038
Construction cost per student	\$123,766

These costs assume a reasonably flat site with access to utilities consistent with an urban/residential area. These costs exclude site acquisition. The above estimated costs are for the purposes of discussing State eligibility and developer fees, and are not intended for use in developing budgets for specific projects with unique conditions. Projections beyond the next 12 months will require a minimum of 6.5% escalation compounded annually.

Thank you,

DocuSigned by:

Kelli Jurgenson

Kelli Jurgenson, Vice President
VPC

APPENDIX B

PER PUPIL GRANT AMOUNTS

ATTACHMENT B

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS

State Allocation Board Meeting, January 24, 2024

Grant Amount Adjustments

New Construction	SFP Regulation Section	Adjusted Grant Per Pupil Effective 1-1-23	Adjusted Grant Per Pupil Effective 1-1-24
Elementary	1859.71	\$15,983	\$15,770
Middle	1859.71	\$16,904	\$16,679
High	1859.71	\$21,509	\$21,223
Special Day Class – Severe	1859.71.1	\$44,911	\$44,314
Special Day Class – Non-Severe	1859.71.1	\$30,036	\$29,637
Automatic Fire Detection/Alarm System – Elementary	1859.71.2	\$19	\$19
Automatic Fire Detection/Alarm System – Middle	1859.71.2	\$25	\$25
Automatic Fire Detection/Alarm System – High	1859.71.2	\$43	\$42
Automatic Fire Detection/Alarm System – Special Day Class – Severe	1859.71.2	\$80	\$79
Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe	1859.71.2	\$57	\$56
Automatic Sprinkler System – Elementary	1859.71.2	\$268	\$264
Automatic Sprinkler System – Middle	1859.71.2	\$319	\$315
Automatic Sprinkler System – High	1859.71.2	\$331	\$327
Automatic Sprinkler System – Special Day Class – Severe	1859.71.2	\$846	\$835
Automatic Sprinkler System – Special Day Class – Non-Severe	1859.71.2	\$567	\$559

ATTACHMENT B

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS

State Allocation Board Meeting, January 24, 2024

Grant Amount Adjustments

Modernization	SFP Regulation Section	Adjusted Grant Per Pupil Effective 1-1-23	Adjusted Grant Per Pupil Effective 1-1-24
Elementary	1859.78	\$6,086	\$6,005
Middle	1859.78	\$6,436	\$6,350
High	1859.78	\$8,427	\$8,315
Special Day Class - Severe	1859.78.3	\$19,396	\$19,138
Special Day Class – Non-Severe	1859.78.3	\$12,977	\$12,804
State Special School – Severe	1859.78	\$32,330	\$31,900
Automatic Fire Detection/Alarm System – Elementary	1859.78.4	\$198	\$195
Automatic Fire Detection/Alarm System – Middle	1859.78.4	\$198	\$195
Automatic Fire Detection/Alarm System – High	1859.78.4	\$198	\$195
Automatic Fire Detection/Alarm System – Special Day Class – Severe	1859.78.4	\$544	\$537
Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe	1859.78.4	\$365	\$360
Over 50 Years Old – Elementary	1859.78.6	\$8,454	\$8,342
Over 50 Years Old – Middle	1859.78.6	\$8,942	\$8,823
Over 50 Years Old – High	1859.78.6	\$11,705	\$11,549
Over 50 Years Old – Special Day Class – Severe	1859.78.6	\$26,948	\$26,590
Over 50 Years Old – Special Day Class – Non-Severe	1859.78.6	\$18,019	\$17,779
Over 50 Years Old – State Special Day School – Severe	1859.78.6	\$44,910	\$44,313