Chico Unified School District

Developer Fee Justification Study

August 2014

Government Financial Strategies inc.

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Chico Unified School District

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EXECUTIVE SUMMARY

Pursuant to Government Code Section 65995 et. seq. and Education Code Section 17620 et. seq., school districts are authorized to levy fees on new residential and commercial-industrial development to fund the "construction or reconstruction of school facilities" necessary to accommodate the students from new development. Currently, the maximum statutory fees allowed by law are $3.36 per square foot of residential development and 54¢ per square foot of commercial-industrial development.

New residential development in the Chico Unified School District ("District") will increase the number of students in the District. The District's schools do not have the capacity to accommodate all of these additional students. Consequently, a developer fee is needed to fund the acquisition and construction of school facilities to serve this increase in enrollment.

The District's elementary and junior high school grade configurations are currently K - 6 and 7 - 8, respectively. However, because the District plans to adjust these configurations to K - 5, 6 - 8 in the immediate future, as documented in the District's *2014 Facilities Master Plan* ("*FMP*"), the analysis in this *Developer Fee Justification Study* ("*Study*") assumes elementary and junior high grade configurations of K - 5 and 6 - 8, respectively.

The District has 5,215 K - 5 students, 209 below its current elementary capacity of 5,424. Therefore, of the 2,397 K - 5 students that could be yielded by new development, 2,188 will require additional school facilities.

With respect to junior high school students, the District has 2,627 students in grades 6 - 8, 475 below its planned (after accounting for eight planned new classrooms to be funded from bond proceeds on-hand) junior high capacity of 3,102. Therefore, of the 1,257 junior high students that could be yielded by new development, 782 will require additional school facilities.

At the high school level, the District's enrollment of 3,641 is 886 students below its current high school capacity of 4,527. Therefore, of the 1,965 high students that could be yielded by new development, 1,079 will require additional school facilities.

Based upon the analyses and findings contained in this *Study*, each additional home within the boundaries of the District will cause $8,796 in school facilities costs, which equates to $5.02 per square foot for the expected average size (1,753 square feet) new home.[1] Since the impact per square foot exceeds the statutory fee ($3.36), the District is justified in imposing the maximum statutory residential fee of $3.36 per square foot on all new residential development to the extent allowed by law.

Education Code Section 17620 authorizes the imposition of developer fees on commercial-industrial development. Commercial-Industrial development generates school facility needs because the new jobs created bring new families, and consequently new school-aged children, into the District. This *Study* shows that even after accounting for projected residential developer fee revenues, the fiscal impact of various types of commercial-industrial development in the District exceeds 54¢ per square foot for every business type except "rental self-storage". Therefore, the District is justified in charging a developer fee of 54¢ per square foot on all new commercial-industrial construction except "rental self-storage", in which case 9¢ per square foot is the justified charge.

[1] Although the residential cost impact was calculated based on new homes, for the purposes of this Study it is assumed that new residential construction, demolition and replacement, as well as additions of more than 500 square feet, are all the same type of development - residential. Thus, whether residential square footage is added via new construction, reconstruction, or additions, the number of resulting students per square foot and fiscal impacts per square foot are the same or substantially similar.

INTRODUCTION

As of the date of this *Study*, the developer fees authorized by Government Code Section 65995 et. seq. are as follows:

Residential Development	$3.36 per square foot
Commercial-Industrial Development	54¢ per square foot

A school district must make a number of findings before establishing new developer fees. When "establishing, increasing, or imposing" developer fees, the District must (Government Code Section 66001(a)):

1. Identify the purpose of the fee,

2. Identify the use to which the fee is to be put,

3. Determine how there is a reasonable relationship between the use of the fee and the type of development on which the fee is imposed,

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

5. Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility.

This *Study* has been prepared to assist the District with making the findings necessary to justify charging developer fees.

AVAILABLE CAPACITY

Table 1 (below) identifies the District's elementary, junior high and high school capacities, and compares them with their respective enrollments (based on implementation of the District's plans to adjust its elementary and junior high grade configurations to K - 5 and 6 - 8, respectively, as documented in the District's *FMP*). It can be seen that there is excess capacity available at all three grade levels.

Table 1: Capacities Versus Enrollments

Grade Levels	*Capacity(1)*	*2013-14 Enrollment(2)*	*Excess (Shortfall) of Capacity Over Enrollment*	*Capacity Available for New Development*
Elementary (K - 5)	5,424	5,215	209	209
Junior High (6 - 8)	3,102	2,627	475	475
High (9 - 12)	4,527	3,641	886	886
Total K - 12	13,053	11,483		

(1) K - 5 capacity = total elementary capacity shown on page 10 of the District's 2014 *Facilities Master Plan - Final* ("*FMP*"). 6 - 8 capacity = total junior high capacity shown on page 10 of the *FMP* + 264 spaces gained by the future net increase of 8 classrooms (33 students per classroom), the cost of which is expected to be funded from Measure E bond proceeds on-hand and other non-developer fee revenue (information regarding new classrooms and funding source provided by Chico Unified School District - July 2014). Total high school capacity based on capacity of Pleasant Valley High School shown in *FMP* + Chico High School capacity (excluding Inspire) provided by Chico Unified School District (June 2014). Capacity does not include Inspire, Alternative Education, or Loma Vista.
(2) Enrollment for regular education schools from California Department of Education, Educational Demographics Unit. Does not include Inspire, Alternative Education, or Loma Vista.

ADDITIONAL CAPACITY REQUIRED TO SERVE NEW DEVELOPMENT

Projecting the additional capacity required to serve new development requires comparing the number of students expected to result from new development with the capacity available for these students.

The first step in this process is to determine the number of elementary, junior high and high school students that each new home will yield. Table 2, below, shows the District's student yield rates based on 2009-10 resident student (enrollment adjusted for inter-district transfers in and out) data and the 2010 U.S. Census count of the total number of households (i.e. occupied homes) within the District. It can be seen that, on average, each home yielded 0.122 elementary (K - 5) students, 0.064 junior high (6 - 8) students and 0.100 high (9 - 12) school students. For the purposes of this *Study*, it is assumed that each new home will yield the same number of students.

Table 2: Student Yield Rates

Grade Levels	2009-10 District Resident Students(1)	2009-10 Occupied Housing Units(2)	Students Per Occupied Housing Unit
Elementary (K - 5)	5,238	43,108	0.122
Junior High (6 - 8)	2,757	43,108	0.064
High (9 - 12)	4,297	43,108	0.100
Total K - 12	12,292		0.286

(1) 2009-10 enrollment increased by number of inter-district transfers out and decreased by number of inter-district transfers in (information provided by Chico Unified School District).
(2) 2010 U.S. Census (U.S. Census Bureau).

The second step is to project the number of new homes that could potentially be constructed in the District. As shown in Table 3, below, based on information for the City of Chico's Sphere of Influence, the boundaries of which are entirely within the District, the current estimated number of additional homes that could be constructed is 19,647.

Table 3: Potential New Residential Development

Total Potential Buildout(1):	62,933
Estimated Existing Homes(2):	- 43,286
Potential New Homes:	19,647

(1) Potential buildout of City of Chico Sphere of Influence (City of Chico 2030 General Plan - Land Use Element - Table LU-4).
(2) Equals 2008 count of homes in City of Chico sphere of influence (41,438 - City of Chico 2030 General Plan, Land Use Element, Table LU-4) increased by estimated 4.46% increase in City of Chico home count from January 2008 through June 2014 (January 2008 count from California Department of Finance, Demographic Research Unit. June 2014 count based on January 1, 2014, count from California Department of Finance, Demographic Research Unit plus January 2014 to June 2014 residential building permit data from City of Chico).

ADDITIONAL CAPACITY REQUIRED TO SERVE NEW DEVELOPMENT (CONT.)

As shown in Table 4, below, the third step is to project the number of students from new development by applying the per-home student yield rates to the projected number of new homes.

Table 4: Students From New Residential Development

Grade Levels:	*Elementary*		*Junior High*		*High*		*K - 12*
Projected New Homes:	19,647		19,647		19,647		
Student Yield Rate:	x 0.122		x 0.064		x 0.100		
Students from New Homes:	2,397	+	1,257	+	1,965	=	5,619

Table 4 shows that the potential new homes could yield 2,397 elementary students, 1,257 junior high students, and 1,965 high school students.

The number of new classroom spaces needed to accommodate the students from new homes equals the number of such students that cannot be accommodated with existing facilities. The first part of Table 5, below, compares the number of projected students (derived in Table 4) with the number of available spaces (derived in Table 1) to determine the number of students from new development in excess of current capacity. It is projected that the District will need to provide additional classroom capacity for 2,188 elementary school students, 782 junior high students and 1,079 high school students. Table 5 also shows that even after taking into account planned additional capacity at existing schools, new schools may be needed to serve the increased enrollment.

Table 5: Additional Capacity Required to Serve New Development

Grade Levels:	*Elementary*		*Junior High*		*High*		*K - 12*
Students from New Development:	2,397		1,257		1,965		
Capacity Available for New Development:	- 209		- 475		- 886		
Additional Capacity Required:	2,188	+	782	+	1,079	=	4,049
Additional Capacity Required:	2,188		782		1,079		
Capacity Added to Existing Schools(1):	- 468		- 0		- 0		
Additional Capacity Required at New Schools:	1,720	+	782	+	1,079	=	3,581
Additional Capacity Required at New Schools:	1,720		782		1,079		
Capacity Per New School(2):	÷ 550		÷ 900		÷ 1,800		
New Schools Required - Rounded(3):	3	+	1	+	1	=	5

(1) Represents planned projects which are not funded from bond proceeds on-hand and for which the District does not currently have a definitive non-developer fee revenue source (developer fees may be spent on these projects, but for the purposes of determining justified developer fees, capacity to be funded from developer fees is not counted as already funded. Planned additional elementary capacity based on adding 18 classrooms to the regular elementary schools (not including Loma Vista) and assuming an average loading of 26 students per classroom. 26 students per classroom loading is weighted average based on four grades (K - 3) loaded at 24:1 and two grades (4 and 5) loaded at 30:1. Loading from *FMP*.
(2) Information provided by Chico Unified School District.
(3) Rounded to nearest whole number. Although the assumed capacity of a new junior high school (900) exceeds the required additional capacity shown herein, the required capacity is fairly close. Further, if a smaller school were constructed, the cost per student shown in Table 6 would not necessarily be less, and could be more because of fixed costs associated with constructing new schools (e.g. the need for administrative facilities). Although the assumed capacity of a comprehensive high school (1,800) exceeds the required additional capacity shown herein, the District could adjust boundaries to increase the enrollment at the new school and, even if a smaller school were constructed, the cost per student shown in Table 6 would not necessarily be less, and could be more because of fixed costs associated with constructing new schools (e.g. the need for administrative facilities).

FACILITY COSTS PER STUDENT SPACE ADDED

As mentioned previously, additional facilities will be required to accommodate the elementary, junior high and high school students from new residential development. Table 6 [below] summarizes the estimated cost to the District of providing additional classroom space for these students.

The cost of providing elementary school facilities for students from new development is based on the estimated cost per student of adding new classrooms at the existing schools and constructing new schools. It can be seen that the estimated cost per student served by each new classroom at existing schools is $26,257 and the estimated cost per student served at new schools is $30,503.

The cost of providing junior high school facilities for students from new development is based on the estimated cost per student of constructing a new school. Based thereon, it can be seen that the estimated cost per student served is $57,889.

The cost of providing high school facilities for students from new development is based on the estimated cost per student of constructing a new school. Based thereon, it can be seen that the estimated cost per student served is $58,202.

Table 6: Facility Costs Per Student Space Added

Grade Levels:	*Elementary*	*Junior High*	*High*
Additional Capacity at Existing Schools			
Construction Cost Per Student(1):	$20,198		
Planning/Soft Cost Per Student(2):	+ $6,059		
Cost Per Student Served:	$26,257		
Additional Capacity at New Schools			
Construction Cost Per School(3):	$15,936,515	$50,000,000	$104,763,200
New Schools Required:	x 3	x 1	x 1
Total Construction Costs:	$47,809,545	$50,000,000	$104,763,200
Total Construction Costs:	$47,809,545	$50,000,000	$104,763,200
Land Acquisition Costs(4):	+ $2,520,000	+ $2,100,000	+ $0
Total Costs:	$50,329,545	$52,100,000	$104,763,200
Total Costs:	$50,329,545	$52,100,000	$104,763,200
Students Served(5)	÷ 1,650	÷ 900	÷ 1,800
Cost Per Student Served:	$30,503	$57,889	$58,202

(1) Based on doubling the State new construction grant per elementary student (as of January 2014). The State new construction grant amount is doubled because the State grant amount is only intended to fund 50% of the cost per student. State grant amounts are used because the District does not currently have cost estimates exclusively for the new classrooms projects.
(2) Planning/soft costs estimated to equal 30% of construction costs (information provided by Persinger Architects - April 2014).
(3) Cost estimate for each new elementary school based on May 2002 estimate of $10,150,000 (information provided by Chico Unified School District) increased by the 57.01% increase in the statutory developer fee caps (the State increases the developer fee caps based on a construction cost index) from 2002 to 2014. Cost estimate (as of July 2014) for new junior-high school provided by Chico Unified School District (July 2014). Cost estimate for new high school based on March 2006 estimate of $82,000,000 (information provided by Chico Unified School District) increased by the 27.76% increase in the statutory developer fee caps (the State increases the developer fee caps based on a construction cost index) from 2006 to 2014.
(4) Elementary land acquisition cost based on two additional sites needed (the District currently owns the land required for one of the three schools needed - 12 acres in the Bell-Muir area), 12 acres per site, and $105,000 per acre, which is the price per acre the District paid in 2004 to acquire the site for Canyon View High School. Junior-high land acquisition cost based on one additional site needed, 20 acres per site, and $105,000 per acre. No high school land acquisition costs are required because the District already owns the land required for a new high school.
(5) Number of new schools required multiplied by capacity per new school (Table 5).

RESIDENTIAL DEVELOPER FEE JUSTIFIED

In Table 5 [page 5], this *Study* identified the number of additional spaces needed to accommodate the students from new residential development. And Table 6 [page 6] identified the cost of the facilities needed to accommodate these students. Based on this information, Table 7, below, calculates the cost of providing these facilities for each square foot of new residential development.

Table 7 shows that the students from each new home constructed in the District will cost $8,796 to accommodate, which equates to $5.02 per square foot for the estimated average size new home (1,753 square feet).[2] Therefore, the District is justified in charging the maximum residential developer fees of $3.36 per square foot on all new residential development to the extent allowed by law.

Table 7: Residential Developer Fee Justified

New Classroom Cost Per Elementary Student:	$26,257	
Elementary Students from New Development in New Classrooms:	x 468	
Total Cost of Elementary Students from New Development in New Classrooms:	$12,288,276	
New Schools Cost Per Elementary Student:	$30,503	
Elementary Students from New Development in New Schools:	x 1,720	
Total Cost of Elementary Students from New Development in New Schools:	$52,465,160	
Total Cost of Elementary Students from New Development in New Classrooms:	$12,288,276	
Total Cost of Elementary Students from New Development in New Schools:	+ $52,465,160	
Total Cost of Elementary Students from New Development:		$64,753,436
New School Cost Per Junior High Student:	$57,889	
Junior High School Students from New Development in New School:	x 782	
Total Cost of Junior High Students from New Development:		$45,269,198
New School Cost Per High School Student:	$58,202	
High School Students from New Development in New School:	x 1,079	
Total Cost of High Students from New Development:		$62,799,958
Total Cost of K - 12 Students from New Development:	$172,822,592	
Less: Funds Available to Mitigate Impact of New Development(1):	- $0	
Unfunded Cost of K - 12 Students from New Development:		$172,822,592
Unfunded Cost of K - 12 Students from New Development:	$172,822,592	
Projected New Homes:	÷ 19,647	
Unfunded K - 12 Cost Per New Home:		$8,796
Unfunded K - 12 Cost Per New Home:	$8,796	
Estimated Average Size New Home(2):	÷ 1,753 sq. ft.	
Unfunded K - 12 Cost Per Square Foot:		$5.02

(1) The District has committed bond proceeds on-hand towards adding 8 new classrooms at the junior high schools (information provided by District - July 2014), and this additional capacity has been accounted for in Table 1. The District has no other funds on-hand which are committed to projects which would add capacity for students from future new development (information provided by District - July 2014). The District's developer fees on-hand are not counted for this purpose because those funds are for mitigating the impact of the new development (for which building permits have already been issued) which paid those fees.
(2) Average size of new home building permits issued in District from 2011-12 through 2013-14 (building permit information provided by Chico Unified School District).

[2] Although the residential cost impact was calculated based on new homes, for the purposes of this *Study* it is assumed that new residential construction, demolition and replacement, as well as additions of more than 500 square feet, are all the same type of development - residential. Thus, whether residential square footage is added via new construction, reconstruction, or additions, the number of resulting students per square foot and fiscal impacts per square foot are the same or substantially similar.

COMMERCIAL-INDUSTRIAL FEES

As commercial-industrial properties develop, new jobs are created. Many of the people hired into these new jobs move into the community and bring families with them. The children from these families will increase the need for additional school facilities. Consequently, commercial-industrial development will impact the District.

The cost of accommodating these students is lessened by the amount of residential developer fees paid for new homes. Therefore, subject to statutory limits, commercial-industrial fees are justified to the extent that the residential developer fees paid fall short of mitigating the total financial impact of each new home.

The methodology used to analyze the impact of commercial-industrial development on the District must quantify the relationship between the creation of new jobs and the fiscal impact on the District of new employees moving into the community. The results of this analysis for the District are summarized in Table 8 (next page).

Education Code Section 17621 allows for the use of employee generation figures from a report produced by the San Diego Association of Governments (SANDAG). This report provides estimates for the average number of employees per square foot of space for various types of businesses. Column 1 of Table 8 shows the number of employees per 1,000 square feet for each of twelve types of businesses.

Column 2 of Table 8 represents the estimated number of employees who will live in the District per 1,000 square feet of commercial-industrial development. These figures were derived by multiplying each business' employees per 1,000 square feet by 58%, the estimated percentage of these employees who also live in the District. Although this percentage is an estimate, the actual percentage of jobs held by residents would have to be less than 20% before the justified amount would be less than 54¢ per square foot for every business category (except rental self-storage).

Column 3 represents the number of District households per 1,000 square feet. These numbers were derived by multiplying each business type's District employees per 1,000 square feet by 0.95, the estimated number of households per employee. Although this figure is an estimate, the actual number of households per employee would have to be less than 0.30 before the justified amount would be less than 54¢ per square foot for every business category (except rental self-storage).

The projected school facility costs per 1,000 square feet for each business type (column 4) were calculated by multiplying each business' District households per 1,000 square feet by the average cost per household ($8,796). These costs range from $264 to $23,221. The developer fees paid per 1,000 square feet (column 5) were derived by multiplying the households per 1,000 square feet by the fees expected to be paid for the average household ($5,890). The fees paid range from $177 to $15,550 per 1,000 square feet.

Column 6, the net unfunded costs per 1,000 square feet, represents the amount by which the projected costs per 1,000 square feet exceed the projected developer fees paid per 1,000 square feet. Division of this figure by 1,000 square feet yields the net unfunded costs per square foot (column 7). It can be seen that the net unfunded costs per square foot exceeds 54¢ per square foot for every business type except "rental self-storage". Therefore, the District is justified in charging a developer fee of 54¢ per square foot on all new commercial-industrial construction except "rental self-storage", in which case 9¢ per square foot is the justified charge.

COMMERCIAL-INDUSTRIAL FEES (CONT.)

Table 8: Impact Analysis of Commercial-Industrial Development

Column #:	1	2	3	4	5	6	7
Type of Business	*Employees Per 1,000 Sq. Ft.(1)*	*Chico Employees Per 1,000 Sq. Ft.*	*Chico Households Per 1,000 Sq.Ft.*	*Projected School Facilities Costs Per 1,000 Sq. Ft.*	*Developer Fees Paid Per 1,000 Sq. Ft.*	*Net Unfunded Costs Per 1,000 Sq. Ft.*	*Net Unfunded Costs Per Sq. Ft.*
Banks	2.83	1.64	1.56	$13,722	$9,188	$4,534	$4.53
Restaurant	2.54	1.47	1.40	$12,314	$8,246	$4,068	$4.07
Commercial Offices	4.79	2.78	2.64	$23,221	$15,550	$7,671	$7.67
Community Shopping Centers	1.73	1.00	0.95	$8,356	$5,596	$2,760	$2.76
Corporate Offices	2.68	1.55	1.47	$12,930	$8,658	$4,272	$4.27
Industrial Business Parks	3.73	2.16	2.05	$18,032	$12,075	$5,957	$5.96
Industrial Parks	1.68	0.97	0.92	$8,092	$5,419	$2,673	$2.67
Lodging	1.13	0.66	0.63	$5,541	$3,711	$1,830	$1.83
Medical Offices	4.27	2.48	2.36	$20,759	$13,900	$6,859	$6.86
Neighborhood Shopping Ctrs	2.80	1.62	1.54	$13,546	$9,071	$4,475	$4.48
Scientific R & D	3.04	1.76	1.67	$14,689	$9,836	$4,853	$4.85
Rental Self-Storage	0.06	0.03	0.03	$264	$177	$87	$0.09

Assumptions/Data:

58%	of workers who both work and live within boundaries of District(2)
0.95	households per employee(3)
$3.36	Statutory Maximum Residential Developer Fee
x 1,753	square feet: estimated average size of new home in District
$5,890	Average Developer Fees Paid Per Home
$8,796	School Facilities Costs Per Home(4)

(1) Based on San Diego Traffic Generators, San Diego Association of Governments.
(2) Based on data from the *2012 American Community Survey 1-Year Estimates*, 58% of workers 16 years of age and over who did not work from home and who lived in the District had a commute time to work of less than 15 minutes (U.S. Census Bureau). For the purposes of this *Study*, it is assumed that this percentage is reasonably reflective of the percentage of employees of new businesses in the District who will also live within the District.
(3) It is estimated that there are approximately 89,052 occupied housing units located in and 93,600 employed people living in Butte County (State Department of Finance, Demographic Research Unit, City/County Population and Housing Estimates - January 2014; State of California Employment Development Department, Labor Market Information Division - January 2014). This equates to 0.95 households/occupied homes per employee (89,052 ÷ 93,600). For the purposes of this *Study*, it is assumed that this ratio is reasonably reflective of the ratio of homes to employees for people who both live and work within the boundaries of the Chico Unified School District.
(4) See Table 7.

NEXUS FINDINGS

Purpose of Fee

The purpose of the fees is to assist with paying for legal capital expenditures related to accommodating students from new development.

Use of Fee

The District plans to use the fees to assist with paying any and all expenses related to providing school facilities needed to accommodate students from new development.

Reasonable Relationship Between Fee's Use and Development on Which Fee is Imposed

New residential space (e.g. new homes, additions of more than 500 square feet, etc.) provides capacity for additional school-aged children to live within the District's boundaries. To the extent that they cannot be accommodated with existing school facilities, these school-aged children will require additional school facilities. The fees to be imposed by the District as justified by this *Study* will be used to help fund these additional facilities. Therefore, there is a reasonable relationship between residential development and the use of the fees.

As commercial-industrial properties develop, new jobs are created. Many of the people hired into these new jobs will move into the community, bringing families with them. The children from these families will require school facilities. The fees to be imposed by the District as justified in this *Study* will be used to help fund these facilities. Therefore, there is a reasonable relationship between commercial-industrial development and the use of the fees.

Reasonable Relationship Between Need for Facilities and Development on Which Fee is Imposed

As described above, to the extent that school-aged children from new residential development cannot be accommodated with existing school facilities, these school-aged children will require additional school facilities. Therefore, the District needs to charge the residential developer fee authorized pursuant to law and justified by this *Study* in order to provide additional school facilities for the children produced by new residential development.

Similarly, to the extent that school-aged children drawn into the community from commercial-industrial development cannot be accommodated with existing facilities, these students will increase the need for additional school facilities. Therefore, the District needs to charge the commercial-industrial developer fees authorized pursuant to law and justified by this *Study* in order to provide additional school facilities for the children produced by new commercial-industrial development.

Reasonable Relationship Between Amount of Fee and Cost of Public Facility

As shown in this *Study,* the cost of providing school facilities to accommodate new development equates to $5.02 per square foot of residential development. Since the District will not seek to charge more than this amount, there is a reasonable relationship between the amount of the fee for residential development and the cost of the required school facilities.

As further shown in this *Study,* after accounting for the residential developer fees expected to be paid by the average new home, the additional cost of providing school facilities to accommodate students from new commercial-industrial development ranges from 9¢ to $7.67 per square foot. Since the District will not charge any type of commercial-industrial development more than the lesser of the applicable fiscal impact or 54¢, there is a reasonable relationship between the amount of the fee for commercial-industrial development and the cost of the required school facilities.

ACCOUNTING PROCEDURES

Deposit and Accounting of Fee Revenue

Revenue derived from development fees shall be deposited, invested, accounted for, and expended in accordance with Government Code Section 66006.

Funds are being deposited in a separate capital facilities account so that there will be no commingling of fees with other revenue, except for temporary investments. The fees will be expended solely for the purpose for which they were collected. Any interest earned by such an account will be deposited in that account and expended solely for the purpose for which it was originally collected.

Within 180 days after the last day of each fiscal year, the information specified in Government Code Section 66006(b) shall be made available to the public.

Unexpended or Uncommitted Fee Revenue

Pursuant to Government Code Section 66001(d), on the fifth (5th) anniversary following the first deposit into the developer fee fund or account, and every five years thereafter, findings will be made with respect to that portion of the fund or account remaining unexpended.

The findings will identify the purpose to which the fee will be put, demonstrate a reasonable relationship between the fee and the purpose for which it was charged, identify all sources and amounts of funding anticipated to complete financing in incomplete improvements, and designate the approximate dates on which this funding is expected to be deposited into the appropriate account or fund. Findings will not be made with respect to letters of credit, bonds, or other instruments taken to secure payment of the fee at a future date. If the findings are not made, the unspent funds and any interest thereon may be refunded to the then current record owner or owners of the development project.

Pursuant to Government Code Section 66001(e), within 180 days of the determination that sufficient funds have been collected to complete financing on incomplete projects, an approximate date by which construction may commence will be identified or the unspent funds and any interest thereon may be refunded to the then current record owner or owners of the development project.

CONCLUSION

This *Study* demonstrates that each square foot of new residential development creates a fiscal impact of $5.02 upon the Chico Unified School District.[3] Therefore, the District is justified in imposing the statutory residential developer fee of $3.36 per square foot on all new residential development (e.g. new construction, demolition and replacement, additions of more than 500 square feet to existing homes, etc.) to the extent allowed by law.

Further, this *Study* shows that even after accounting for projected residential developer fee revenues, the fiscal impact of various types of commercial-industrial development in the District exceeds 54¢ per square foot for every business type except "rental self-storage". Therefore, the District is justified in charging a developer fee of 54¢ per square foot on all new commercial-industrial construction except "rental self-storage", in which case 9¢ per square foot is the justified charge.

[3] Although the residential cost impact was calculated based on new homes, for the purposes of this *Study* it is assumed that new residential construction, demolition and replacement, as well as additions of more than 500 square feet, are all the same type of development - residential. Thus, whether residential square footage is added via new construction, reconstruction, or additions, the number of resulting students per square foot and fiscal impacts per square foot are the same or substantially similar.