

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, January 25, 2012

INDEX ADJUSTMENT ON THE ASSESSMENT FOR DEVELOPMENT

PURPOSE OF REPORT

To report the index adjustment on the assessment for development which may be levied pursuant to Education Code Section 17620.

DESCRIPTION

The law requires the maximum assessment for development be adjusted every two years by the change in the Class B construction cost index, as determined by the State Allocation Board (Board) at its January meeting. This item requests that the Board make the adjustment it considers appropriate.

AUTHORITY

Education Code Section 17620(a)(1) states the following: "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 the construction or reconstruction of school facilities, subject to any limitations set forth in Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code."

Government Code Section 65995(b)(3) states the following: "The amount of the limits set forth in paragraphs (1) and (2) shall be increased in 2000, and every two years thereafter, 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."

BACKGROUND

There are three levels that may be levied for developer's fees. The fees are levied on a per-square foot basis. The lowest fee, Level I, is assessed if the district conducts a Justification Study that establishes the connection between the development coming into the district and the assessment of fees to pay for the cost of the facilities needed to house future students. The Level II fee is assessed if a district makes a timely application to the Board for new construction funding, conducts a School Facility Needs Analysis pursuant to Government Code Section 65995.6, and satisfies at least two of the requirements listed in Government Code Section 65995.5(b)(3). The Level III fee is assessed when State bond funds are exhausted; the district may impose a developer's fee up to 100 percent of the School Facility Program new construction project cost.

In 2010, the Board did not adjust the fee since it decreased, which kept it at the 2008 rate of \$2.97 per square foot for Residential and \$.47 per square foot for Commercial/Industrial.

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STAFF ANALYSIS/STATEMENTS

The assessment for development fees for 2006, 2008, 2010, and 2012 are shown below for information. According to the Marshall & Swift (M&S) Eight California Cities Index and Ten Western States Index and the Lee Saylor Index, the cost index for Class B construction adjusted by 8.21, 6.70 and 5.49 percent respectively during the period of January 2010 through January 2012, requiring the assessment for development fees to be adjusted as follows:

Eight California Cities Index Maximum Level I Assessment Per Square Foot

	<u>2006</u>	<u>2008</u>	<u>2010</u>	<u>2012</u>
Residential	\$2.63	\$2.97	\$2.96	3.20
Commercial/Industrial	.42	.47	.47	.51

Ten Western States Index Maximum Level I Assessment Per Square Foot

	<u>2006</u>	<u>2008</u>	<u>2010</u>	<u>2012</u>
Residential	\$2.63	\$2.97	\$3.00	3.20
Commercial/Industrial	.42	.47	.47	.50

Lee Saylor Index Maximum Level I Assessment Per Square Foot

	<u>2006</u>	<u>2008</u>	<u>2010</u>	<u>2012</u>
Residential	\$2.62	\$2.86	\$2.98	3.14
Commercial/Industrial	.42	.46	.48	.51

The M&S Eight California Cities Index fits most appropriately for the construction projects in California. Additionally, it will provide more assessment collection to school districts than the alternate indices.

RECOMMENDATION

Adjust the 2012 maximum Level I assessment for development using the M&S Eight California Cities Index to be effective immediately.

BOARD ACTION

In considering this Item, the SAB approved the staff's recommendation, which adjusted the 2012 maximum Level I assessment for development using the Marshall & Swift Eight California Cities Index to be effective immediately. The Class B Construction Cost Index adjustment increased by 8.21 percent, which adjusted the Residential from \$2.96 per square foot to \$3.20 per square foot and the Commercial/Industrial from \$.47 per square foot to \$.51 per square foot.