

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, January 27, 2010

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.

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 State Allocation Board (SAB) 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.

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 SAB at its January meeting.

The assessment for development fees for 2004, 2006, 2008, and 2010 are shown below for information. According to the Marshall & Swift (M&S) Eight California Cities Index and Ten Western States Index, the cost index for Class B construction adjusted by -0.31 and 1.03 percent respectively during the period of January 2008 through January 2010, requiring the assessment for development fees to be adjusted as follows:

Eight California Cities Index Maximum Level I Assessment Per Square Foot

	<u>2004</u>	<u>2006</u>	<u>2008</u>	<u>2010</u>
Residential	\$2.24	\$2.63	\$2.97	\$2.96
Commercial/Industrial	.36	.42	.47	.47

Ten Western States Index Maximum Level I Assessment Per Square Foot

	<u>2004</u>	<u>2006</u>	<u>2008</u>	<u>2010</u>
Residential	\$2.24	\$2.63	\$2.97	\$3.00
Commercial/Industrial	.36	.42	.47	.47

AUTHORITY

Education Code Section 17620 authorizes school districts to assess development fees within district boundaries to fund the construction or reconstruction of school facilities, subject to the limitations set forth in Chapter 4.9, commencing with Section 65995 of the Government Code.

Government Code Section 65995(b)(3) requires the maximum square footage assessment for development 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 Board meeting...effective as of the date of that meeting."

(Continued on Page Two)

## OPTIONS

Option 1 – Adjust the 2010 maximum Level I assessment for development using the M&S Eight California Cities Index.

Pro: The M&S Eight California Cities Index fits more appropriately for the construction projects in California.

Con: Using the M&S Eight California Cities Index will provide less assessment collection to school districts than the alternative index.

Option 2 – Adjust the 2010 maximum Level I assessment for development using the M&S Ten Western States Index.

Pro: Using M&S Ten Western States Index will provide more assessment collection to school districts.

Con: In comparison to the M&S Eight California Cities Index, the M&S Ten Western States Index fits less appropriately for the construction projects in California.

## RECOMMENDATION

Approve Option 1 to be effective immediately.

## BOARD ACTION

In considering this Item, a substitute motion was made and carried by the State Allocation Board that would keep the developer fee rate at the same level as the 2008 level of \$2.97.