



Santee School District

SCHOOLS

Cajon Park
Carlton Hills
Carlton Oaks
Chet F. Harritt STEAM
Hill Creek
Pepper Drive
PRIDE Academy
at Prospect Avenue
Rio Seco
Sycamore Canyon
Alternative
Success Program

HAND DELIVERED

August 14, 2018

Marni Borg, Consulting Environmental Planner
City of Santee
Development Services Department
10601 Magnolia Avenue
Santee, CA 92071

Re: Fanita Ranch Specific Plan

Dear Ms. Borg,

The purpose of this letter is to provide comments regarding the proposed Specific Plan submitted by HomeFed Corporation ("Developer") for the Fanita Ranch Project ("Fanita Ranch Project") as it relates to impacts to the Santee School District ("District") and school facilities.

We note the following references to school facilities in the Fanita Ranch Project Description document:

- Page 9 describes the Fanita Commons main Village area which includes a K-8 school site
- Exhibit 2.1a and Table 2.1 indicate a "School Overlay" area of 19.2 acres
- Note 6 for Table 2.1 states; "The underlying land use for the S overlay sites is MDR [*Medium Density Residential*]. If the reserved school site is not acquired for school use within 2 years of filing the final map, the MDR land use may be implemented on the school site and adjacent joint use facility site and the maximum total number of units in the Specific Plan Area shall be 3,008 units."
- Page 23, section 2.5, describes the 19.2 acre School Overlay area in more detail. 15.0 acres is reserved for a potential K-8 public school site and 4.2 acres is reserved for a joint use area that "may include play fields, gardens, open play areas and other similar amenities that could remain open for public use after hours." This section also states; "If pursued by the Santee School District, the school site can accommodate up to 1,000 students, including existing Santee students and new students within Fanita Ranch".

As stated in the District's response to the Developer's General Plan Amendment application, the District believes it is best to be able to serve students generated

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from the Fanita Ranch Project within their own community concurrent with occupancy of homes. However, in that response, the District also stated that the provision of educational services to students within their own community must be considered in light of what is possible and practical within available resources.

Recently, the Developer provided the District a more detailed accounting of the types of homes planned for the Fanita Ranch development. This data was analyzed together with the District's most recent student generation rates calculated in October 2017. This calculation used a 20 year history of residential developments from 1997 through 2016 and current enrollment data. Applying student generation rates to the Developer's proposed configuration of housing types indicates that 634 K-8 students may be generated from the Fanita Ranch development at full build-out.

School Operational Issues

Page 48 of the Fanita Ranch Project Description document, Section 7 – Development Phasing, states that construction on the project is expected to begin Summer 2021 with build-out of approximately 10 to 15 years. It is important to note that the District has calculated the “break-even” point at which a new school would generate enough new State Local Control Funding Formula Base Grant funding to at least cover the costs for operating a new school. This analysis indicates that as many as 340 new students would be needed before opening of a new school would be operationally feasible, depending on the variability of assumptions used.

State School Building Program

To service 700 students with a new school in Fanita Ranch would require substantial financial resources, none of which the District currently possesses.

The costs for school construction generally fall into the following five categories:

1. General Planning
2. Site Acquisition
3. Site Development
4. Building Construction (Hard Costs)
5. Soft Costs (e.g. architectural; engineering; plan reproduction; agency fees; testing and inspection; furniture, fixtures, and equipment)

The State of California, through the Office of Public School Construction (OPSC), operates the School Facilities Program (SFP). The SFP was originally designed to be a 50/50 program for new school construction whereby the State

would provide 50% of the costs and the remaining 50% would come from local sources such as Developer Fees, local General Obligation Bonds, and/or Community Facilities Districts (CFDs). While the State's portion for funding cost categories #2 and #3 remains at 50%, the State's match for cost categories #4 and #5 is well below 50%.

The State's portion of funding for these categories is determined using a grant methodology applied to the number of "unhoused students" in a district. Consequently, the amount of State Grant funding available to pay for cost categories #4 and #5 is different for each district depending upon the value of various inputs. The formula for determining a district's State funding eligibility uses various district-specific factors including projected enrollment in five (5) years and existing classroom capacity determined by State loading factors. Variations in the underlying formula inputs can increase the amount of local funding necessary to build a new school to amounts well above the SFP's intended 50% level.

In addition to district specific variations in State Grants, the State's match has also eroded over the years due to actual school construction cost escalation outpacing increases to the State's per grant amounts. Consequently, the State's match is now well below 50% thereby requiring more local funds for new school construction.

Not only is State funding inadequate, the availability of State funding is uncertain. In recent years, the State has exhausted all of its bonding authority and, therefore, suspended payments for approved projects. More recently, although the State has new authorization approved by the voters in 2016, it has significantly reduced the amount of bonds issued to fund the SFP in order to relieve the State's General Fund from debt service costs. During the last three State budget cycles, Governor Brown has signaled a desire for the State to either completely discard or significantly alter the SFP.

All of these events are strong indicators that State funding cannot be relied upon for determining the feasibility of a new school. Therefore, it is likely that most, if not all, of the costs for planning and constructing a new school for Fanita Ranch would have to be paid from local sources. This being the case, the District analyzed the potential costs and possible funding sources to determine the feasibility of constructing a new school.

Growth Classrooms

First, it must be noted that the District has capacity for housing some new students in its existing nine (9) schools. This reduces the amount of State Grants available for new construction and is a significant factor for determining whether a new school is even necessary.

Since the inception of the Fanita Ranch development idea over 20 years ago, there have been several different developers. When the District negotiated a Mitigation Agreement with Barrett Homes ("Initial Mitigation Agreement"), the most recent developer prior to HomeFed, the plan was to construct new classroom additions at existing schools, rather than build a new school, in order to house the new students to be generated from 1,380 dwelling units. In fact, the aforementioned dwelling units were included in the State funding eligibility application submitted at the time the Initial Mitigation Agreement was executed. Eventually, the District received State funding based on this eligibility application and these funds were used to construct new classrooms at 6 of its 9 schools. Consequently, with 2,949 dwelling units now planned for Fanita Ranch, the District may only be able to submit for 1,569 dwelling units for Fanita Ranch when the tentative map is approved.

New School Requirements and Cost

If a new school in the Fanita Ranch community were pursued, the 19.2 acres designated for a school and joint use area generally appears to meet the size requirements of the California Department of Education (CDE). The calculations and parameters promulgated by CDE indicate a recommended school site size of 13.7 acres for 700 students and 20.2 acres for 1,000 students. However, it must be noted that CDE must approve any new school site and there are numerous criteria, in addition to size, that must be met. It should also be noted that the District currently owns two (2) vacant land sites that could be used for either siting future schools or for a land swap:

- Summit Property: 23.10 acres in the residential area just northwest of the northern terminus of Magnolia Avenue
- Elliott Property: 15.50 acres in the City of San Diego abutted on the northwest to the new Pardee Homes Weston development

To adequately house 700 students in a new school, the District estimates that 38 classrooms would be needed with a total building square footage of at least 65,000. Given the current per square foot new school construction cost (from new classroom building project estimate recently provided by a licensed

contractor) escalated to 2022, the cost per square foot for hard construction costs alone could be nearly \$650. When all five cost categories are considered, the **total cost for constructing a new school is likely to exceed \$70 million.**

Developer Fees

Under current law, developers are required to mitigate the impact of their developments on a variety of public services, including schools. Mitigation for school facilities is defined in various code sections related to payment of Developer Fees. Specifically, the levy and collection of Developer Fees is governed by Education Code section 17620 and Government Code sections 65995 through 65998 and 66000 through 66008. There are three (3) levels of Developer Fees that may be levied by a school district:

- Level 1 fees are the current statutory fees (also referred to as "Stirling Fees") allowed under Education Code section 17620
- Level 2 fees are outlined in Government Code section 65995.5, and allow school districts to impose higher fees on residential construction if at least 2 of 4 specified conditions are met
- Level 3 fees are outlined in Government Code section 65995.7, and may be implemented by a district if the State certifies that there is no State funds available for new school facilities.

The District is currently authorized to levy Level 1 Developer Fees at a per square foot amount of \$2.35. In accordance with State regulations, dwelling units constructed for senior living (designated as "Active Adult" in the Fanita Ranch Specific Plan) are assessed at the Commercial/Industrial rate, which is currently \$0.38 per square foot for the District. Every even year, the SAB considers increase of the Level 1 statutory fee based on increases to the construction cost index. This was last done January 2018 and is scheduled to be considered again in January 2020. The District may also take future actions that would trigger the conditions for Level 2 fees.

Conclusion

The District has analyzed 18 different scenarios for funding of a new school. These scenarios are based on variations in State funding, Developer Fees, and invoking a Community Facilities District (CFD). Given the fact the District currently owns significant vacant land, the District has further analyzed scenarios both including and excluding Site Acquisition costs. **None of these**

scenarios generate enough revenue to cover all new school costs. The shortfall ranges from a low of \$7 million in the most optimistic of circumstances, some of which are highly unlikely; to a high of nearly \$54 million in the most challenging of funding circumstances.

A development project of this magnitude will require the District to negotiate a Mitigation Agreement with the Developer. In light of the significant funding challenges for constructing a new school outlined above, during the negotiation process, it may be necessary for the District and Developer to analyze various options for providing adequate school facilities for Fanita Ranch residents other than construction of a new school. Options may include construction of new classrooms on existing school campuses, as was the plan with the Initial Mitigation Agreement with Barrett Homes.

If you have any questions regarding the foregoing, please feel free to contact me by phone at 619-258-2321 or by email at karl.christensen@santeesd.net.

We look forward to continuing to work collaboratively with the Developer to provide adequate school facilities for future Fanita Ranch residents.

Sincerely,



Karl Christensen
Assistant Superintendent, Business Services