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January 22, 1991

Transportation and Community Development Committee
Sacramento, CA

Honorable Members in Session:

**SUBJECT: A CONCEPT PAPER ON POLICY ISSUES RELATED TO SCHOOL
FACILITIES FINANCING IN THE SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT**

SUMMARY:

At the request of City Councilmember Lynn Robie, staff have been attending various meetings with Sacramento City Unified School District officials and representatives of developers in the Meadowview/Airport Community Plan area.

Before further staff time and resources are expended in dealing with school facilities financing issues relative to various subdivisions and other projects which will need to be addressed, Councilmember Lynn Robie and Councilmember Terry Kastanis asked that the Transportation and Community Development Committee and the full City Council review these issues and direct staff on an appropriate role to carry out.

BACKGROUND:

In order to better understand the many issues and perspectives that have arisen related to school facilities in the Sacramento City Unified School District and the Meadowview/Airport Community Plan area, staff has developed the attached concept paper. This paper outlines the key issues and provides three options for staff involvement.

POLICY CONSIDERATION:

There are many policy considerations related to the issue of school facilities financing in the Sacramento City Unified School District and the City of Sacramento's role vis-à-vis these issues.

In approaching this complex maze of issues, staff has developed a concept paper which begins to address the most critical policy issues which need to be addressed at the current time.

Once the Transportation and Community Development Committee and the full City Council has provided direction on the critical issue of staff involvement, additional policy matters can be addressed. This item creates the framework for additional policy direction as well as future perspectives.

MBE/WBE:

Not applicable.

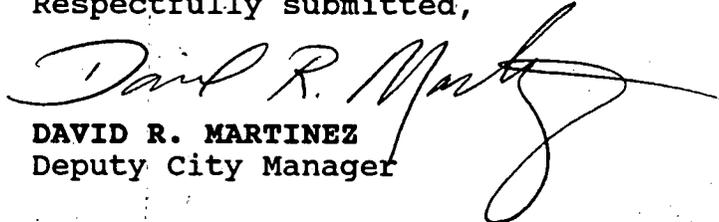
FINANCIAL CONSIDERATION:

At this time, City costs incurred to date include staff time involving a Deputy City Manager, a number of Planners, a Supervising Engineer and a Senior Deputy City Attorney. A specific dollar amount for this staff time has not yet been developed.

RECOMMENDATIONS:

Staff recommends option #2 in the attached concept paper which would allow for an expanded role in forming positive resolution to current problem.

Respectfully submitted,



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Deputy City Manager

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January 29, 1991
All Districts

**POLICY ISSUES RELATED TO SCHOOL FACILITIES FINANCING IN THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

A CONCEPT PAPER

SUBMITTED TO:

**THE TRANSPORTATION & COMMUNITY DEVELOPMENT COMMITTEE OF THE
SACRAMENTO CITY COUNCIL**

**JANUARY 29, 1991
SACRAMENTO, CALIFORNIA**

BACKGROUND

Over the past several months, staff from the City Manager's Office, Planning and Development Department, Public Works Department and the City Attorney's Office have been attending meetings with Councilmember Lynn Robie, representatives from the Sacramento City Unified School District and developers of property in the Meadowview/Airport Community Plan.

At the request of Councilmember Robie, City staff have been attending various meetings in order to assist Sacramento City Unified School District officials and developer representatives in grappling with the serious problem of planning for financing school facilities in a growing area where only limited funds are available.

The issue of school financing recently reached a high point of controversy when the one hundred and forty seven (147) lot Steamboat Bend Subdivision, a part of the Meadowview/Airport Community Plan was heard by the Sacramento City Planning Commission. At this meeting, the Planning Commission directed developers and School District officials to try to work out an acceptable solution for school financing in order to move the project forward.

The situation involving the Steamboat Bend Subdivision is only one example of the increasing difficulties faced by School District officials and developers when the issue of school facilities financing is considered. A second subdivision, Beth Estates which is a 27 lot single family subdivision is scheduled for Commission hearing in the near future. In addition, Franklin Meadows and North Shores (500 lots) single family subdivisions are currently going through environmental review.

As a result of City staff having attended several meetings and the outlook appearing to necessitate a continued involvement of City staff in attending meetings, conducting research and developing various reports and analysis, Councilmember Robie requested that the issue of staff involvement be brought before the Transportation and Community Development Committee and the full City Council for a decision.

THE PROBLEM

The problem faced by Sacramento City Unified School District representatives and developers is both short term and long term.

The most immediate problem centers around the fees that will be charged to help pay for schools as part of the building permit process.

Under current state law up to \$1.58 per square foot can be charged without developer consent. However, Sacramento City Unified School District officials have calculated an amount of \$4.33 per square

foot per dwelling unit in order to provide sufficient funds for school construction.

In the recent school impact fee issue in the County involving similar circumstances the Board of Supervisors approved \$2.67 per square foot for residential construction as the school impactation fee for the Elk Grove Unified School District. This includes \$1.58 State law sterling fee and an additional negotiated fee of \$1.09.

This amount was arrived at after many months of meetings and negotiations between Elk Grove School District officials, County staff and developers. The same \$2.67 per square foot was recently approved by the Sacramento City Council at the request of Councilmember Terry Kastanis for development projects in the City of Sacramento which are located within the boundary of the Elk Grove Unified School District and the South Sacramento Community Plan area.

One idea put forth for consideration would be for developers in the Sacramento City Unified School District to also pay \$2.67 per square foot for residential construction and then supplement the difference needed to construct adequate school facilities by some other funding mechanism such as a Mello-Roos Community Facilities District.

The problem with generating the adequate amount of funds needed to provide schools is the impact which this has on the price individual homeowners must pay per home. It is estimated, for example, that the needed \$4.33 per square foot would cost new homeowners \$6,496.97. (Based on a 1,500 square foot home)

A combination of impactation fees and a long term financing mechanism like a Mello Roos might enable School District officials and developers to structure a financing package which adequately meets the needs to provide school facilities. However, it should be noted that a Mello-Roos Community Facilities District would require a vote of property owners within the designated area. A failed Mello-Roos vote might leave School District officials with an inadequate amount of money to finance needed school facilities to accommodate the number of children who will reside in the newly built homes.

The challenge to City staff thus far has been to try to mediate what appear to be legitimate concerns and perspectives of Sacramento City Unified School District officials and developer representatives.

It should be noted that the problem faced by Sacramento City Unified School District officials and developers in the Meadowview/Airport Plan area were not created by them. They are just the most recent participants in a struggle to provide adequate school facilities without sufficient funds. It is also simplistic and inaccurate to expect the School District to simply make up the difference "from State funds". The level of funds needed have not been allocated to the School District thus creating a short fall in

school facilities funding. In the long run, it would appear that the Legislature will need to address the overall issue of adequate school facilities funding throughout California. In the meantime, at the local level this situation creates a special challenge to all of the parties trying to find equitable solutions to what is a very difficult problem.

THE NORTH NATOMAS SCHOOLS EXPERIENCE

While the situations may be different, North Natomas being undeveloped, and much of the Meadowview/Airport area being developed to a greater extent, some lessons can be learned from the approach adopted by the City Council to cope with the potential lack of school facilities.

In the case of North Natomas, the City Council, and the North Natomas Community Plan, directed that separate agreements be developed between developers and appropriate school districts. In order to facilitate this process, the City assisted in funding the Murdoch and Mockler Schools Facilities and Financing Study. This study provides an estimate of school facilities in North Natomas over the next twenty years and addresses a variety of approaches and mechanisms to be used in providing school facilities. In this study, alternatives range from traditional fees paid by developers, land dedication for schools, assistance in siting the schools and some design/engineering and infrastructure help to be provided by developers.

To address what sort of long range needs are anticipated for school facilities in the Meadowview/Airport area and more specifically in the North Shores/Delta Shores area, a school facilities/financing plan is an essential first step.

THE ROLE OF CITY STAFF

In the situation described above, City staff has basically served as observer, advisor and facilitator of meetings in a mediating capacity.

Staff can continue to assume this role. However, staff can also expand its role and if desired can assist in developing agreements between the School District and developers. Our City Treasurer, Finance Department and the Special Assessment District Unit in the Public Works Department could help facilitate preparation of the school facilities plan and development of the financing program.

The options appear to include three possible directions:

1. Maintain Status Quo. Staff as observer, facilitator, mediator.
2. Expand Staff Role. Staff as active participant in forming positive resolution to current problem.

3. **A Full Staff Commitment.** This would involve dedicating whatever staff resources might be necessary to resolving pending issues. From a financial perspective, it might also include using City debt financing abilities to enable resolution of current problem.

Regardless of whatever option is approved, it would appear that greater coordination by City staff and School District staff will be needed in the future. From the City staff perspective, The City needs to increase its sharing of information in terms of growth and development trends so that City School District officials can anticipate better and plan better for future facilities. City School District staff also need to share their feedback on subdivisions and other planned projects as early as possible so that established mechanisms like the City Planning Commission can be more fully utilized.

This recommendation can probably best be addressed by having regular set meetings between staff from the Planning and Development Department and City School District officials who work in facilities planning and financing areas.

CREATING A MODEL FOR COORDINATION AND INTERACTION WITH OTHER SCHOOL DISTRICTS

Over the past several months, City staff and Councilmember Lynn Robie have been initiating new perspectives in terms of the City of Sacramento vis-a-vis the Sacramento City Unified School District. Staff has been attending meetings without having a clear role or policy direction identified.

Through the adoption of policy direction to staff, a clearer role can be achieved.

Whatever role is finally agreed upon, this should provide staff with valuable direction in terms of responding to requests from other school districts in the future.

THE MARCH 6, 1991 JOINT MEETING BETWEEN THE SACRAMENTO CITY COUNCIL AND THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF TRUSTEES

Much like at the staff level, the City Council will soon have the opportunity to forge new relationships and linkages with the Sacramento City Unified School District.

Several of the tentative agenda topics for the March 6th meeting focus on interaction issues such as coordination and school facilities financing issues.

The current experience with the Meadowview/Airport area might serve as a good beginning in creating closer and positive working relationships with representatives from the Sacramento City Unified School District.

FUTURE REPORTS AND DISCUSSION BY TRANSPORTATION AND COMMUNITY DEVELOPMENT COMMITTEE:

Whatever policy direction is given ultimately by the City Council, staff is prepared to provide regular reports to the Transportation and Community Development Committee on implementation measures.

The Policy issues endemic to school facilities financing also impact on the effectiveness of land use planning and how good land use planning can and should complement what is being done in the schools facilities planning area. In prior years, it was assumed that adequate funds would be available to provide funding for school facilities. However, this new climate of uncertainty creates difficulties in planning for future growth.

To encourage the Elk Grove Unified School District and the developers to negotiate an agreement, the Sacramento County Board of Supervisors suggested imposition of a building moratorium until an agreement was reached. Hopefully, it won't have to come to that point in this case. This is particularly critical since there is already a defacto residential building moratorium affecting a significant portion of undeveloped land within the City.