SCHOOL IMPACT FEE UPDATE STUDY

prepared for

LEE COUNTY, FLORIDA

prepared by

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in association with

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INTRODUCTION

This study was commissioned by Lee County to update the school impact fee calculations. The Lee County Board of County Commissioners adopted an ordinance imposing school impact fees in November 2001. The current fee schedule was adopted in November 2005. The county-wide ordinance requires all new residential development within Lee County to pay applicable impact fees prior to the issuance of a building permit. Municipalities within the county collect the fees and turn them over to the County, which in turn transmits them to the School Board to be spent on growth-related improvements according to the terms of an interlocal agreement between Lee County and the School District of Lee County.

METHODOLOGY

This update maintains the methodology utilized in the 2005 impact fee update.[1] That prior study utilized a methodology that differed from the original 2001 school impact fee study,[2] which was challenged by a group of plaintiffs that included the Lee Building Industry Association and First Homebuilders of Florida. While the judge ruled in favor of the County, holding that the school impact fee methodology met both prongs of the dual rational nexus test, the prior impact fee study's approach was adjusted to address concerns raised by the trial court judge, who felt that the methodology should take into consideration future appreciation of property values. In addition, this update includes the legal and administrative costs associated with the purchase of land, since these costs are part of the total cost of land.

LEGAL FRAMEWORK

Impact fees are a way for local governments to require new developments to pay a proportionate share of the infrastructure costs they impose on the community. In contrast to traditional "negotiated" developer exactions, impact fees are charges that are assessed on new development using a standard formula based on objective characteristics, such as the number and type of dwelling units constructed. The fees are one-time, up-front charges, with the payment usually made at the time of building permit issuance. Impact fees require that each new development project pay its pro-rata share of the cost of new capital facilities required to serve that development.

School impact fees have been litigated and upheld in Florida. In *St. Johns County v. Northeast Florida Builders Association*, the Florida Supreme Court ruled in 1991 that school impact fee ordinances do not conflict with the State constitutional requirement of a uniform system of public schools, and that neither the State constitution nor State law preempts county school impact fees. The Court further ruled that the failure of municipalities within the county to participate in the school impact fee could invalidate the ordinance, since some of the funding would be used to construct schools that would benefit development not subject to the fee. For this reason, the Court held that no impact fee could be collected under the ordinance until "substantially all of the population of St. Johns County is subject to the ordinance."

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[1] Duncan Associates, et. al., *School Impact Fee Update Study, Lee County, Florida*, September 2005

[2] Duncan Associates and Dr. James C. Nicholas, *Lee County School Impact Fee Study*, November 2001

In 2000, the Florida Supreme Court heard another school impact fee case, *Volusia County v. Aberdeen at Ormond Beach, L.P.* The case was brought by the company that owned Aberdeen at Ormond Beach Manufactured Housing Community, an age-restricted mobile home park. The mobile home park had restrictive covenants that imposed limits on the age of residents, including a prohibition against permanent residence by persons younger than 18 years old. The Court held that the school impact fee ordinance should not apply to age-restricted communities, because they will not generate a need for additional school facilities.

Since impact fees were pioneered in states like Florida that lacked specific enabling legislation, such fees have been defended as a legal exercise of local government's broad "police power" to regulate land development in order to protect the health, safety and welfare of the community. The courts have developed guidelines for constitutionally valid impact fees, based on "rational nexus" standards.[3] The standards set by court cases generally require that an impact fee meet a two-part test:

1) The fees must be proportional to the need for new facilities created by new development, and

2) The expenditure of impact fee revenues must provide benefit to the fee-paying development.

A Florida district court of appeals described the dual rational nexus test in 1983 as follows, and this language was quoted and followed by the Florida Supreme Court in its 1991 *St. Johns County* decision:[4]

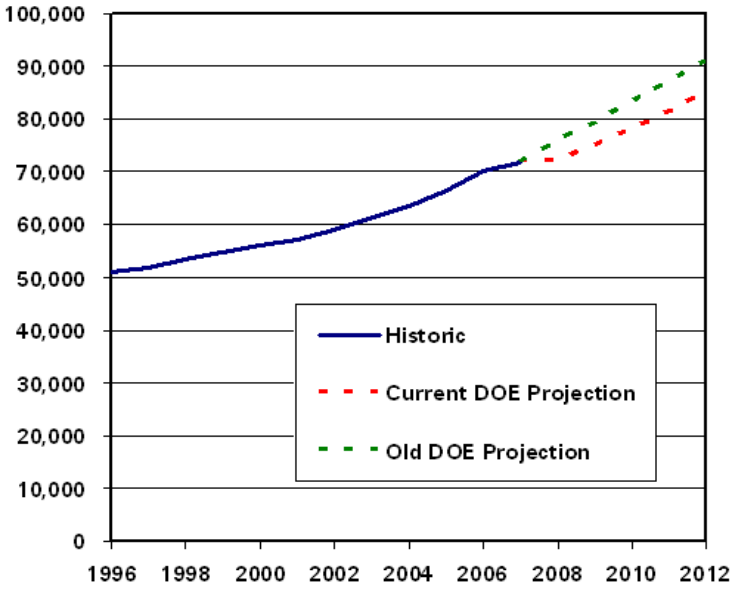
> *In order to satisfy these requirements, the local government must demonstrate a reasonable connection, or rational nexus, between the need for additional capital facilities and the growth in population generated by the subdivision. In addition, the government must show a reasonable connection, or rational nexus, between the expenditures of the funds collected and the benefits accruing to the subdivision. In order to satisfy this latter requirement, the ordinance must specifically earmark the funds collected for use in acquiring capital facilities to benefit the new residents.*

[3] There are six Florida cases that have guided the development of impact fees in the state: *Contractors and Builders Association of Pinellas County v. City of Dunedin*, 329 So.2d 314 (Fla. 1976); *Hollywood, Inc. v. Broward County*, 431 So.2d 606 (Fla. 1976); *Home Builders and Contractors Association of Palm Beach County, Inc. v. Board of County Commissioners of Palm Beach County*, 446 So.2d 140 (Fla. 4th DCA 1983); *Seminole County v. City of Casselberry*, 541 So.2d 666 (Fla. 5th DCA 1989); *City of Ormond Beach v. County of Volusia*, 535 So.2d 302 (Fla. 5th DCA 1988); and *St. Johns County v. Northeast Florida Builders Association*, 583 So. 2d 635, 637 (Fla. 1991).

[4] *Hollywood, Inc. v. Broward County*, 431 So. 2d 606, 611-12 (Fla. 4th DCA), review denied, 440 So. 2d 352 (Fla. 1983), quoted and followed in *St. Johns County v. Northeast Florida Builders Ass'n*, 583 So. 2d 635, 637 (Fla. 1991).

The Need Test

Figure 1
NON-CHARTER SCHOOL ENROLLMENT, 1996-2012



To meet the first prong of the dual rational nexus test, it is necessary to demonstrate that new development creates the need for additional educational facilities. The County's comprehensive plan expresses the County's commitment to "assist the Lee County School Board in the orderly and rational expansion of educational facilities that enhance economic growth and a desired quality of life."[5] The county's growing population creates demands for new school facilities in order to maintain acceptable levels of service. Regular (non-charter school) public school enrollment in Lee County increased by almost 20,000 students in the last ten years, and it is anticipated that enrollment will increase by about another 13,000 students in the next five years, according to the most recent official Department of Education (DOE) projections, as illustrated in Figure 1. The current DOE projection incorporates the recent slow-down in enrollment growth from the rates experienced in the early 2000s. The DOE long-range projection prepared for the five-year educational facilities survey in December 2006 had enrollment growing to 90,853 students by the 2011-12 school year. However, the most recent DOE long-range forecast prepared in October 2007, which is used in the School District's five-year work plan, shows enrollment growing to 84,869 students by the 2011-12 school year.

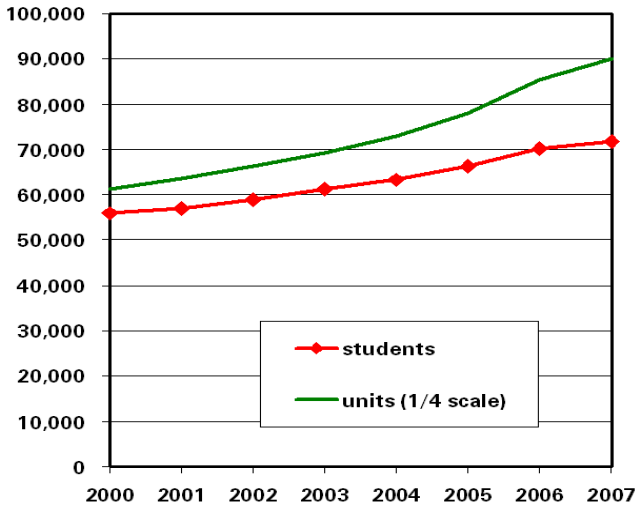
Enrollment is not growing as fast as it had in the past largely because growth has slowed and fewer housing units are being built.[6] Nevertheless, it is clear that growth is still occurring, and that growth in residential dwelling units leads to increases in public school enrollment. Figure 2 illustrates how Lee County Public School enrollment tracked Lee County housing unit growth during this decade. Enrollment growth has lagged somewhat behind housing growth over the last year or two, due to an overbuilt residential market and a greater number of vacant units. However, this lag will be temporary, and the impact on enrollment will be felt when these units are sold and occupied. While the recent housing down-turn has reduced the amount of new permit activity, the County's preliminary enrollment figures for the 2007-08 school year shows that public school enrollment is still increasing, albeit at a slower rate.

[5] Lee County, *The Lee Plan*, as amended through November 2006, Policy 158.5.1.

[6] Lee County housing unit growth based on U.S. Census Bureau, Building Permit Estimates, January 2000 through October 2007 from http://censtats.census.gov/cgi-bin/bldgprmt/.

The County's school impact fees are proportional to the number of students expected to enroll in public school in Lee County for each type of dwelling unit constructed. Student generation rates derived from 2000 U.S. Census data for Lee County have been calibrated against actual public school enrollment and further adjusted to account for the fact that some public school students will attend charter schools. This methodology ensures that the school impact fees assessed are proportional to the impacts of the development. In addition, the impact fees are reduced to take into account future local school taxes and State funding that will be generated by new residential development and used for capacity-expanding capital improvements. Finally, the school impact fee ordinance contains a provision allowing an applicant who believes that his development will have less impact than indicated by the fee schedules to submit an independent fee calculation study.[7]

Figure 2
STUDENTS & HOUSING, 2000-2007



The Benefit Test

To meet the second prong of the dual rational nexus test, it is necessary to demonstrate that new development subject to the fee will benefit from the expenditure of the impact fee funds. One requirement is that the fees actually be used to fill the need that serves as the justification for the fees under the first part of the test. The school impact fee ordinance contains provisions requiring that impact fee revenues be spent only on growth-related educational capital improvements, defining "capital improvement" as:

> *land acquisition, equipment purchase, site improvements, off-site improvements and construction associated with new or expanded public elementary or secondary schools and support facilities. Capital improvements do not include maintenance and operations.*[8]

These provisions ensure that school impact fee revenues are spent on improvements that expand the capacity of the public educational system to accommodate new students, rather than on the maintenance or rehabilitation of existing school facilities or other purposes.

Another way to ensure that the fees are spent for their intended purpose is to require that the fees be refunded if they have not been used within a reasonable period of time. The Florida District Court of Appeals upheld Palm Beach County's road impact fee in 1983, in part because the ordinance included refund provisions for unused fees.[9] Lee County's school impact fee ordinance contains provisions

[7] Lee County Land Development Code, Sec. 2-406

[8] Lee County Land Development Code, Sec. 2-403

[9] *Home Builders Ass'n v. Board of County Commissioners of Palm Beach County*, 446 So. 2d 140 (Fla. Dist. Ct. App. 1983)

requiring that the fees be returned to the fee payer if they have not been spent or encumbered within ten years of fee payment.[10]

A final method of ensuring benefit is to restrict the funds to be spent in the geographic area in which they are collected. Currently, the county is divided into three "School Choice Zones." Since students may not attend a school outside the Choice Zone in which they reside, the ordinance provides that as long as the Choice Zones are in effect, the fees collected within each Choice Zone will be spent within that same Zone. Additional discussion of this issue is presented in the "Benefit Districts" section of this report.

In sum, ordinance provisions requiring the earmarking of funds, refunding of unexpended funds to feepayers, and restriction of impact fee revenues to be spent within the school choice zone in which they were collected ensure that the fees are spent to benefit the fee-paying development.

Florida Statutes

The 2006 Florida Legislature passed Senate Bill 1194, which established certain requirements for impact fees in Florida. The bill, which became effective on June 14, 2006, created a new Section 163.31801, Florida Statutes, which reads as follows:

> *163.31801 Impact fees; short title; intent; definitions; ordinances levying impact fees.--*
>
> *(1) This section may be cited as the "Florida Impact Fee Act."*
>
> *(2) The Legislature finds that impact fees are an important source of revenue for a local government to use in funding the infrastructure necessitated by new growth. The Legislature further finds that impact fees are an outgrowth of the home rule power of a local government to provide certain services within its jurisdiction. Due to the growth of impact fee collections and local governments' reliance on impact fees, it is the intent of the Legislature to ensure that, when a county or municipality adopts an impact fee by ordinance or a special district adopts an impact fee by resolution, the governing authority complies with this section.*
>
> *(3) An impact fee adopted by ordinance of a county or municipality or by resolution of a special district must, at minimum:*
>
> > *(a) Require that the calculation of the impact fee be based on the most recent and localized data.*
> >
> > *(b) Provide for accounting and reporting of impact fee collections and expenditures. If a local governmental entity imposes an impact fee to address its infrastructure needs, the entity shall account for the revenues and expenditures of such impact fee in a separate accounting fund.*
> >
> > *(c) Limit administrative charges for the collection of impact fees to actual costs.*

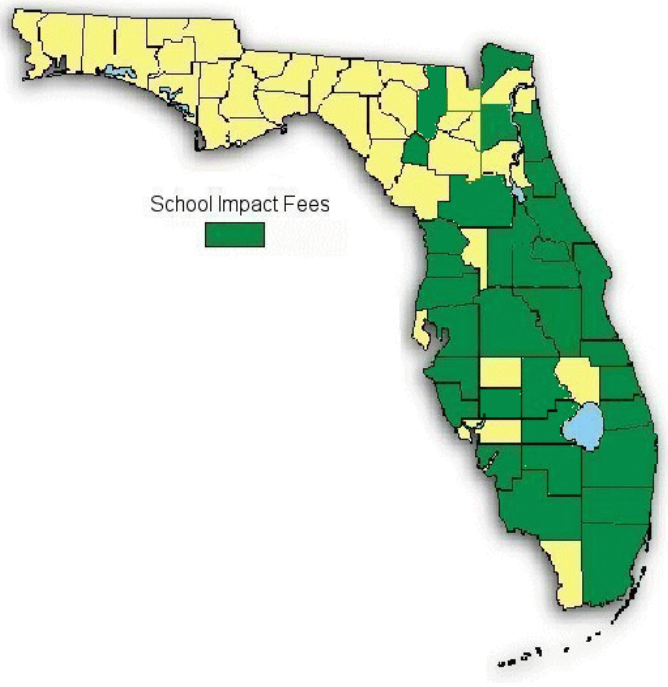
[10] Lee County Land Development Code, Sec. 2-410

(d) Require that notice be provided no less than 90 days before the effective date of an ordinance or resolution imposing a new or amended impact fee.

(4) Audits of financial statements of local governmental entities and district school boards which are performed by a certified public accountant pursuant to s. 218.39 and submitted to the Auditor General must include an affidavit signed by the chief financial officer of the local governmental entity or district school board stating that the local governmental entity or district school board has complied with this section.

For the most part, these requirements are administrative and procedural. The only substantive requirement that has a bearing on this study is that the impact fee must "be based on the most recent and localized data." A variety of recent, local data has been compiled over the last six months to be used in the impact fee calculations. The major inputs into the formula are student generation rates, level of service per unit of residential development, capital cost and revenue credits. Student generation rates are based on 2000 Census data for Lee County, calibrated to actual 2000 School District enrollment, and the percentage of public school students in charter schools in the current 2007/2008 school year. The level of service is based on the 2006/2007 inventory of public school facilities, student station capacity and current student generation rates. Capital costs are based on the most recent land values based on current appraised values for suitable school sites, recent school construction costs per student station and ancillary facility costs per student. The revenue credits are based on the current five-year capital funding plan, state capital funding and property tax funds available for capacity expansion. In sum, this report complies with the substantive requirements of the *Florida Impact Fee Act*.

Figure 3
COUNTIES WITH SCHOOL IMPACT FEES



SCHOOL IMPACT FEES IN FLORIDA

In Florida, the more populous, urban counties where the most growth has been occurring (the two traits tend to go together in Florida) have tended to be the ones that have enacted school impact fees. Currently, there are 33 Florida counties that charge school impact fees (see Figure 3 on previous page). Three-fourths of all counties that added more than 20,000 people since 2000 have enacted school impact fees. However, nine counties with less than 100,000 people have adopted school impact fees; as shown in Table 1, these counties have had less absolute growth than the more populous counties.

Table 1
FLORIDA COUNTY POPULATION GROWTH, 2000-2007

County	2007 Population	2000-2007 Pop. Growth	School Fees
Orange	1,105,603	209,259	Yes
Miami-Dade	2,462,292	208,930	Yes
Hillsborough	1,192,861	193,913	Yes
Lee	615,741	174,853	Yes
Palm Beach	1,295,033	163,849	Yes
Broward	1,765,707	142,689	Yes
Duval	897,597	118,718	
Polk	581,058	97,134	Yes
Osceola	266,123	93,630	Yes
Pasco	434,425	89,660	Yes
Collier	333,858	82,481	Yes
St. Lucie	271,961	79,266	Yes
Lake	286,499	75,971	Yes
Brevard	552,109	75,879	Yes
Marion	325,023	66,107	Yes
Volusia	508,014	64,671	Yes
Sarasota	387,461	61,504	Yes
Seminole	425,698	60,502	Yes
Manatee	315,890	51,888	Yes
St. Johns	173,935	50,800	Yes
Clay	184,644	43,830	Yes
Flagler	93,568	43,736	Yes
Sumter	89,771	36,426	
Leon	272,896	33,444	
Hernando	162,193	31,391	Yes
Alachua	247,561	29,606	
Indian River	139,757	26,810	Yes
Okaloosa	196,540	26,042	
Santa Rosa	142,144	24,401	
Charlotte	164,584	22,957	
Pinellas	944,199	22,717	
Citrus	140,124	22,039	Yes
Bay	167,631	19,414	
Escambia	311,775	17,365	
Martin	143,737	17,006	Yes
Walton	57,093	16,492	
Nassau	69,569	11,906	Yes
Highlands	98,727	11,361	Yes
Columbia	65,373	8,860	Yes
Wakulla	29,417	6,554	
Levy	40,045	5,595	
Suwannee	39,608	4,764	
Putnam	74,799	4,376	Yes
Gadsden	49,398	4,311	
Jackson	50,416	3,661	
Gulf	16,815	3,483	
Hendry	39,651	3,441	Yes
Baker	25,623	3,364	
Taylor	22,516	3,260	
Okeechobee	39,030	3,120	
Bradford	29,055	2,967	
Washington	23,719	2,746	
Gilchrist	17,106	2,669	Yes
Union	15,722	2,280	
Dixie	15,808	1,981	
DeSoto	33,983	1,774	Yes
Jefferson	14,494	1,592	
Calhoun	14,477	1,460	
Hamilton	14,705	1,378	
Madison	19,944	1,211	
Lafayette	8,215	1,193	
Franklin	12,249	1,192	
Holmes	19,464	900	
Liberty	7,772	751	
Hardee	27,520	582	
Glades	11,055	479	Yes
Monroe	78,987	-602	

Source: Florida Bureau of Economic and Business Research, "Population Change for Counties in Florida, 1980 through 2007," April, 2007.

The school impact fees charged by individual counties vary widely. For a typical three-bedroom, 2,000 square foot, single-family detached home, the fees range from a low of $750 per unit in Gilchrist County to a high of $11,829 per unit in Orange County. Seven counties have added school impact fees since the last school impact fee update in Lee County in November 2005; these include Marion, Highlands, Hendry, Gilchrist, Glades, De Soto and Columbia counties.

Table 2
FLORIDA SCHOOL IMPACT FEES

County	Fee*
Orange	$11,829
Collier	$10,099
Osceola	$9,981
Lake	$9,324
Clay	$7,034
Manatee	$6,350
Volusia	$6,066
Martin **	$5,567
St. Lucie	$5,232
Hendry	$5,101
Seminole	$5,000
DeSoto	$4,562
Brevard	$4,445
Pasco	$4,356
Putnam	$4,347
Glades	$4,322
Lee	$4,309
Hernando	$4,266
Polk	$4,171
Palm Beach	$3,998
St. Johns	$3,895
Nassau	$3,726
Flagler	$3,600
Marion	$3,516
Highlands	$2,901
Miami-Dade	$2,448
Citrus	$2,109
Sarasota	$2,032
Hillsborough	$2,000
Broward	$1,844
Indian River	$1,756
Columbia	$1,500
Gilchrist	$750

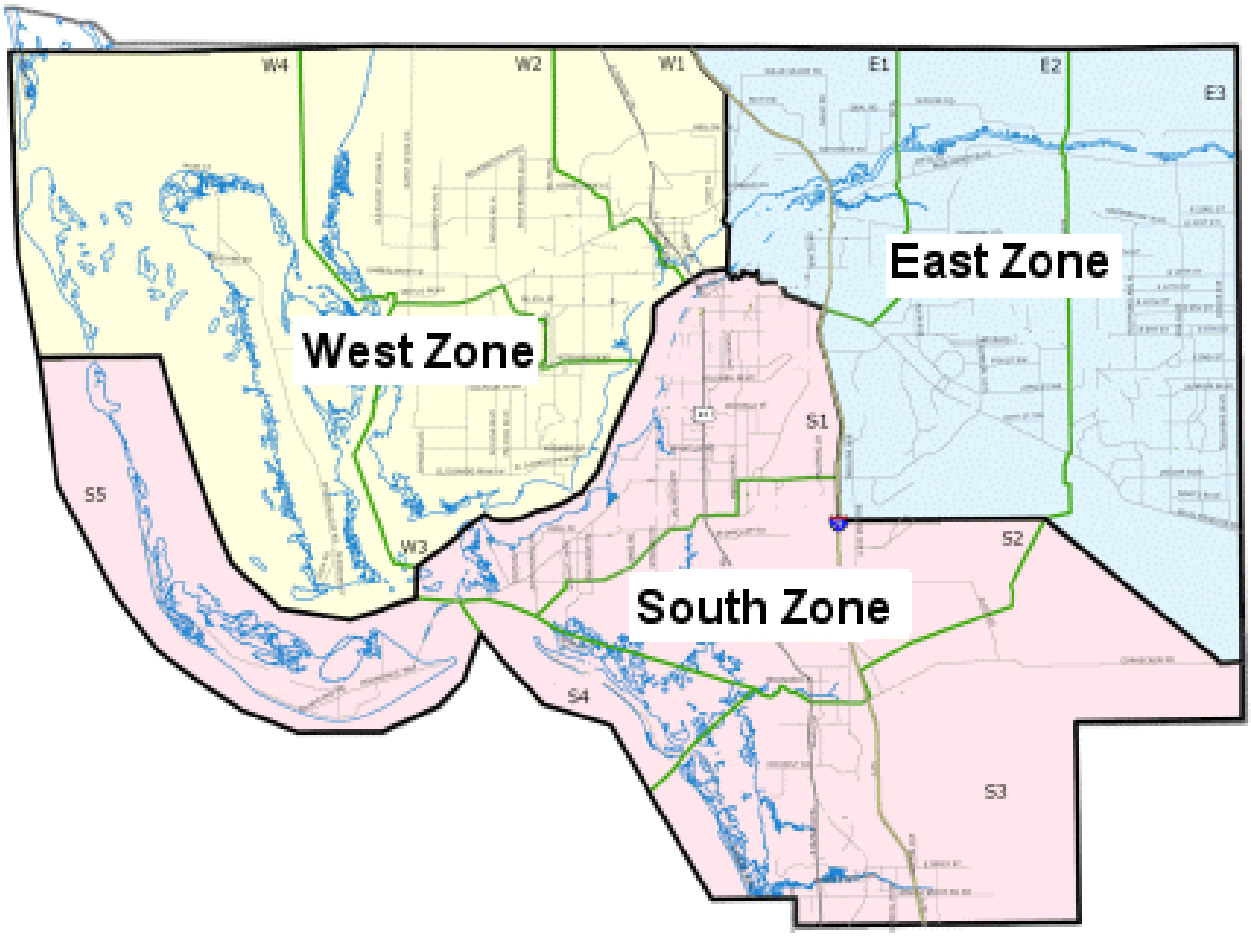
* for 2,000 square-foot, single-family detached unit with three bedrooms
** effective October 1, 2008
Source: Survey by Duncan Associates, May 14, 2008.

BENEFIT DISTRICTS

When implementing school impact fees, the geographic area in which collected funds may be expended while providing benefit to the fee-paying development must be established. This geographic area is the "benefit district." Fees collected within a benefit district are spent on capital improvements within that district.

For the purpose of assigning students to individual schools, Lee County is divided into three "School Choice Zones." Students' parents may request that their children be assigned to any school of their choice within the School Choice Zone in which they live, and assignments are based on the parental ranking of school preference as well as a number of other factors. The current School Choice Zone boundaries for the 2008-09 school year, shown in Figure 4, have not changed since originally adopted for the 2005-06 school year.

Figure 4
CURRENT SCHOOL CHOICE ZONES



Under the County's school impact fee ordinance, the School Choice Zones essentially serve as informal benefit districts. Section 2-409 of the Land Development Code states: "For example, so long as the school board maintains a school choice system where students must attend a school within the zone where they reside, then all funds must be spent within the zones where they are collected. Fees collected from one school choice zone may be spent on a capital improvement in another school choice zone only if it can be demonstrated that the improvement will benefit the feepayers in the original school

choice zone. For example, the construction of magnet schools and administrative facilities that provide benefits across school choice zones."

The school impact fee revenues collected since fiscal year 2003 in each of the Choice Zones are summarized in Table 3. Significant amounts of revenue have been collected in each zone every year. For the three full fiscal years that the original fee schedule was in place, revenues increased every year, as residential development accelerated. In fiscal year 2006, however, revenue increased only because of the approximate doubling of impact fees at the beginning of 2006. Because of that increase, school impact fee revenue did not begin to decline until fiscal year 2007.

Table 3
SCHOOL IMPACT FEE REVENUE, FY 2003-2007

	FY 2003	FY 2004	FY 2005	FY 2006*	FY 2007
East Choice Zone	$3,769,406	$7,459,041	$16,016,941	$24,571,414	$12,122,232
West Choice Zone	$8,992,702	$14,208,311	$15,399,127	$20,067,667	$5,880,698
South Choice Zone	$7,678,685	$10,144,781	$11,590,133	$10,130,475	$5,607,132
County-Wide	$20,440,793	$31,812,133	$43,006,201	$54,769,556	$23,610,062
Actual Annual % Increase	na	56%	35%	27%	-57%

* fees basically doubled (93% increase for single-family and 147% increase for multi-family)
Source: Revenues by fiscal year (October to September) from Lee County Community Development Department, October 10, 2007 and December 14, 2007.

In the event that School Choice Zones are someday abandoned, the resulting county-wide benefit district would be reasonable. The construction of a school anywhere in the county will increase capacity to serve new development, regardless of location. As new schools are constructed, attendance zones are also modified to ensure that the capacity is efficiently utilized. A new residential development subject to a school impact fee is not guaranteed that its students will attend a new school paid for with those impact fees, just as a new development paying road impact fees is not guaranteed the ability to drive exclusively on new roads funded with those road impact fees. Instead, the benefit to an impact fee paying development is that the impact fees are spent to expand the overall capacity of the public school system, so that the students living in new developments have student stations available for them, regardless of whether those stations are in new or existing schools.

Regardless of whether the county is divided into multiple benefit districts, the Lee County School District strives to locate new schools as close as possible to where new residential development is occurring in order to minimize pupil transportation costs. To provide an assurance that impact fees will be spent in a manner that will provide benefit to fee payers, the School Board adopted a policy to spend impact fee funds largely on new schools located as close as possible to where new residential development is occurring. The cost of new schools makes it impossible to construct a new school in close proximity to every growth area in the county each year. Nevertheless, it is possible to show a reasonable correlation between where new schools funded by impact fees are located and where new residential growth is occurring in the School Board's five-year capital improvements plan, which is updated on an annual basis.

STUDENT GENERATION RATES

The impact of new residential development on the demand for school facilities is based on the average number of public school students generated per dwelling unit. The student generation rates are not calculated as the ratio of students to occupied units, since not all units are occupied at all times. To take into account less than full occupancy, the student generation rates are calculated as the ratio of students to total dwelling units.

2000 U.S. Census Data

Public school districts in Florida are responsible for providing educational services to pre-kindergarten children eligible for Exceptional Student Education (ESE) programs as well as kindergarten through twelfth grade (K-12) students. The best available data source on student generation rates by type of dwelling unit is the 2000 U.S. Census 5-percent Public-Use Microdata Samples (PUMS). The 2000 PUMS data for Lee County consists of census enumerations for 13,107 occupied and vacant housing units. In using the census sample data, public school students are defined as persons enrolled in public school and attending preschool through 12th grade. The student generation rates from the 2000 census sample data by housing type are shown in Table 4.

Table 4
STUDENT GENERATION RATES, 2000

Housing Type	Sample Size (Units)	Public School Students	Total Units	2000 Students/ Unit
Single-Family Detached	6,673	44,292	122,972	0.360
Multi-Family	4,365	11,627	82,124	0.142
Mobile Home	2,069	3,254	39,671	0.082
All Housing Types	13,107	59,173	244,767	0.242

Source: U.S. Census Bureau, weighted 2000 PUMS 5% sample data for Lee County; public school students are defined as persons attending preschool through 12th grade in public school.

State law requires that impact fees in Florida be based on the most current available data. The 5-percent PUMS data that was available from the last decennial census will not be available in the future. Instead, the annual Census Bureau's American Community Survey (ACS) will release annual 1-percent PUMS data for the same large geographic areas (at least 100,000 residents). Unfortunately, only two years of data are available so far (for 2005 and 2006). The sample sizes from this data source are too small to yield reliable results for all housing types. For example, the Lee County sample size for mobile homes was 2,069 units in the 2000 PUMS, but is only 396 in the 2005 PUMS and 353 in the 2006 PUMS. Based on these small samples, it is no surprise that the mobile home student generation rate changed from 0.082 in the 2000 PUMS to 0.130 in the 2005 PUMS and 0.036 in the 2006 PUMS.

Besides the small sample sizes available for the most recent data, another concern is that the 1-percent 2005 and 2006 PUMS data is only available for years that are not typical of long-term conditions in Lee County. Student generation rates used to calculate school impact fees need to reflect long-term demand, not temporary unusual events, such as the current housing downturn, because the School District must provide capacity to meet demands from new units indefinitely. The 1-percent data have the largest sample sizes for single-family detached units. The data indicate that the vacancy rate for single-family

detached units had increased from 12 percent in 2000 to 17 percent in 2005 and 2006. While the data indicate that the overall students per single-family detached unit declined slightly from 2000 to 2005/2006, from 3.60 to 3.48, this decline is entirely attributable to the temporary rise in vacancy rates. Students generated per occupied unit has actually increased, from 4.09 in 2000 to 4.18 in 2005/2006.

Based on the foregoing analysis, the fees in this update will continue to be based on the 2000 Census 5-percent PUMS data. The County should consider switching to the 1-percent ACS data when the fees are updated in three years. At that time, there will be five years of data that can be averaged to obtain reasonable reliability, and the duration of the current high vacancy rates can be more reliably ascertained.

Calibrating to 2000 Actual Enrollment

To ensure that the student generation rates derived from the 2000 sample data are representative of actual conditions in 2000, the number of expected public school students, based on the number of dwelling units enumerated by the 2000 census and the student generation rates derived from the 2000 census sample data is compared to the actual public school enrollment for that year. As Table 5 shows, the actual students enrolled in the School District is only 92.7 percent of the expected number of students. This indicates that the student generation rates derived from the 2000 census sample data somewhat over-predict actual student enrollment in the District.

Table 5
EXPECTED AND ACTUAL STUDENTS, 2000

Housing Type	2000 Units	Student Generation Rate	Expected Students
Single-Family Detached	122,543	0.360	44,115
Multi-Family	82,920	0.142	11,775
Mobile Home	39,942	0.082	3,275
Total Expected Students, April 2000			59,165
Actual Cycle 7 Enrollment, April 4, 2000			54,833
Ratio of Actual to Expected Students			0.927

Source: 2000 units from 2000 U.S. Census, Summary File 3 (weighted 1-in-6 sample data); student generation rates from Table 4; actual cycle 7 enrollment (excludes charter school, juvenile detention and other students not housed by the School District) from the Lee County School District, April 25, 2005.

Calibrating for the actual number of students and dwelling units in Lee County at the time of the 2000 census, the student generation rates derived from the 2000 census for Lee County have been adjusted downward by 7.3 percent, as shown in Table 6.

Table 6
CALIBRATED STUDENT GENERATION RATES

Housing Type	2000 Students/ Unit	Adjustment Factor	Calibrated Students/ Unit
Single-Family Detached	0.360	0.927	0.334
Multi-Family	0.142	0.927	0.132
Mobile Home	0.082	0.927	0.076
All Housing Types	0.242	0.927	0.224

Source: 2000 students per unit from Table 4; adjustment factor from Table 5.

New Units versus All Units

The student generation rates discussed so far have been based on all dwelling units existing in Lee County at the time of the 2000 census. However, the 2000 census sample data also allow us to look at how student generation varies with the age of the unit. These data allow us to confirm that new dwelling units do, in fact, contain public school children and therefore have an immediate impact on the need for new school facilities. These data, displayed in Table 7, clearly confirm that new dwelling units, regardless of whether "new" is defined as units built in the last five, ten or 20 years, contain substantial numbers of public school students and thus have an immediate impact on the need for public educational facilities. The fact that the number of students per unit fluctuates somewhat depending on the age of a dwelling unit is to be expected, but the impact fee should be based on the expected student occupancy over the life of the housing unit.[11] The impact of new development is not confined to the immediate impact, but also includes the long-term impact. The Lee County public school system will have the responsibility of providing facilities to serve a new dwelling unit in perpetuity.

Table 7
STUDENT GENERATION BY AGE OF THE HOUSING UNIT

		Age of the Housing Unit (Years)			
Housing Type	All Units	0-5	6-10	11-20	>20
Single-Family Detached	0.360	0.341	0.374	0.360	0.364
Multi-Family	0.142	0.114	0.105	0.103	0.202
Mobile Home	0.082	0.116	0.038	0.072	0.097
All Housing Types	0.242	0.244	0.246	0.209	0.267
Sample Size	13,107	2,007	1,609	4,249	5,242

Source: U.S. Census Bureau, 2000 PUMS 5% sample data for Lee County; public school students are defined as persons attending preschool through 12th grade in public school; age of unit based on year built, with 0-5 years old being units built 1995 through 2000, etc.

[11] As the Florida Supreme Court observed in *St. Johns County, et al. v. Northeast Florida Builders Ass'n*, 583 So.2d 635 (1991): "During the useful life of the new dwelling units, school-age children will come and go. It may be that some of the units will never house children. However, the county has determined that for every one hundred units that are built, forty-four new students will require an education at a public school."

Adjusting for Charter Schools

An adjustment to the student generation multipliers may be required to account for charter school enrollment. Charter schools are public schools that receive State educational funding but are not required to meet all of the requirements that apply to regular public schools. In particular, charter schools do not have to meet all of the State requirements for capital facilities that apply to regular public schools. The existence of charter schools relieves the regular public school system of the cost of providing capital facilities for the students enrolled. However, there is no guarantee that individual charter schools will not fail and return the responsibility of providing capital facilities for their students to the regular public school system.

Charter school enrollment in Lee County has grown significantly since the first charter school was established in the 2000/2001 school year. As shown in Table 8, charter schools have grown from only 15 students in the 2000/2001 school year to more than 7,000 in the current school year, and from less than one percent to almost ten percent of public school enrollment. This recent rapid growth in charter school enrollment, combined with the uncertain long-term viability of charter schools, makes future charter enrollment projections problematic. The School District, in making projections of its capital needs, acknowledges current charter school enrollment but does not assume that the historic growth rate for charter students will be sustained in the future. This seems to be a prudent course for public facility planning under these conditions of uncertainty, and the same approach will be taken in the impact fee analysis. Based on the enrollment projections in the adopted five-year work plan, charter school enrollment will account for just over ten percent of public school enrollment by 2012.

Table 8
CHARTER SCHOOL ENROLLMENT, 2001-2012

School Year	Public School Enrollment			Percent Charter
	Charter	Regular	Total	
2000/01	15	56,966	56,981	0.03%
2001/02	19	59,157	59,176	0.03%
2002/03	420	61,269	61,689	0.68%
2003/04	2,007	63,379	65,386	3.07%
2004/05	3,796	66,462	70,258	5.40%
2005/06	5,023	70,175	75,198	6.68%
2006/07	6,928	71,772	78,700	8.80%
2007/08	7,667	71,136	78,803	9.73%
2011/12	9,923	84,869	94,792	10.47%

Source: Lee County School District, Department of Accountability, Research and Continuous Improvement (http://www.leeschools.net/dept/plan/Enrlcurr.htm); all enrollment figures are cycle 7 (March/April) except charter school enrollment for 2000/01 and 2001/02, which are cycle 1 (August/September); 2011/12 enrollment projections are charter and capital outlay full-time equivalents (COFTE) from Lee County School District, *5-Year District Facilities Work Program for 2007/2008 through 2011/2012*, September 26, 2007.

If charter school enrollment had not increased as a percentage of total enrollment since 2000, the year for which the student generation rates were calibrated, no adjustment would be necessary. However, the percentage has increased significantly, as shown in the previous table.

In Table 9, the calibrated student generation rates for new units calculated earlier are reduced to account for the enrollment share of charter school students. As a result of the increased charter enrollment, the calibrated non-charter student generation rates have declined by approximately five percent for each housing type when compared with the non-charter student generation rate developed for the previous school impact fee update in 2005.

Table 9
NON-CHARTER STUDENT GENERATION RATES

Housing Type	Calibrated Students/Unit	Percent Non-Charter Students	Calibrated Non-Charter Students/Unit
Single-Family Detached	0.334	89.53%	0.299
Multi-Family	0.132	89.53%	0.118
Mobile Home	0.076	89.53%	0.068
All Housing Types	0.224	89.53%	0.201

Source: Calibrated student generation rates from Table 6; percent non-charter students is based on projected enrollment for 2011/12 school year from Table 8.

EXISTING LEVEL OF SERVICE

A fundamental principle of impact fees is that new development should not be held to a higher standard than existing development. If the impact fees are based on a higher standard than currently exists, new development must not be required to both pay the impact fee and pay taxes that are used to remedy the existing deficiency, unless credit against the fees is given for such tax payments.

In the arena of school impact fees, the level of service can be measured in terms of the overall ratio of students to school capacity. School capacity is determined in accordance with standards developed by the State, as described below.

Student Station Capacity

The Florida Department of Education (DOE) maintains an inventory of student stations in schools. This inventory is referred to as the Florida Inventory of School Houses (FISH).

In the November 2002 election, Florida voters approved the Classroom Size Reduction Amendment (Amendment 9) to the Florida Constitution. Section 1 of Article IX of the State Constitution establishes, by the beginning of the 2010-2011 school year, the following maximum number of students in core-curricula courses assigned to a teacher: (1) Pre-kindergarten through grade 3: 18 students; (2) grades 4 through 8: 22 students; and (3) grades 9 through 12: 25 students.

Following passage of the amendment, the Legislature enacted SB-30A, which requires school districts to reduce the average number of students in each classroom by at least two students per year beginning with the 2003-2004 fiscal year until the maximum number of students per classroom does not exceed the 2010-2011 maximum. If a district's class size does not meet the required maximum, the district must reduce to the constitutional maximum in each of the three grade groupings or the average number of students in each of the three grade groupings by at least two-students-per-year as follows:

- 2003-2004, 2004-2005 and 2005-2006 at the district level;
- 2006-2007 and 2007-2008 at the school level; and
- 2008-2009 at the classroom level.

Following the passage of the class size amendment, DOE adjusted (lowered) FISH classroom capacities to reflect the targets of 18 students per room in grades K-3, 22 per room in grades 4-8 and 25 per room in grades 9-12. Lee County has adopted the use of post-amendment FISH for all internal and external purposes.

There are two types of FISH capacities: Satisfactory Student Stations and FISH Capacity. Satisfactory Student Stations are computed by multiplying the core-curriculum classrooms by the maximum students per class by grade level as provided in Section 1003.03, Florida Statutes (different capacities are specified for specialized classrooms). FISH Capacity takes into account utilization rates adopted by DOE in the State Requirements for Educational Facilities (SREF). The utilization rates are: 100 percent of Satisfactory Student Stations for elementary schools, 90 percent for middle schools and high schools with up to 1,500 Satisfactory Student Stations, and 95 percent for high schools with more than 1,500 Satisfactory Student Stations. Utilization rates give districts some flexibility at middle and high school levels to accommodate inefficiencies created with multiple class changes, electives and other activities. Schools that have a combination of grade levels (e.g., K-8s and 6-12s) have a utilization rate of 90 percent.

Existing School Inventory

To determine the current level of service for educational facilities in Lee County, an inventory was prepared of existing schools completed and in service for the 2007/2008 school year. Table 10 shows the existing school inventory, including the name of each school, site area, building square feet (permanent and portable), capacity in student stations based on post-amendment Florida Inventory of School Houses (FISH) Capacity standards, and current (March 2008) enrollment. Charter school students as well as students confined in juvenile detention and other non-district facilities were not included in the inventory, because the District is not responsible for funding the capital costs of serving these students.

Table 10
EXISTING SCHOOL INVENTORY

School	Acres	Permanent Sq. Feet	Portable Sq. Feet	FISH Capacity	2007/2008 Enrollment
Allen Park Elementary	14.00	108,181	960	1,061	885
Alva Elementary	5.00	46,524	5,760	391	447
Bayshore Elementary	20.00	82,271	1,200	711	617
Bonita Springs Elementary	5.00	51,746	3,120	467	434
Caloosa Elementary	20.00	136,458	960	1,093	1,067
Cape Coral Elementary	14.00	101,435	0	916	805
Colonial Elementary	19.00	108,334	2,880	1,019	752
Diplomat Elementary	32.00	116,525	0	1,086	945
Edgewood Renaissance	13.00	92,356	2,400	777	478
Edison Park Elementary	7.00	70,956	0	449	381
Franklin Park Elementary	20.00	82,723	7,104	699	522
Ft Myers Beach Elementary	11.00	27,020	0	200	180
Gateway Elementary	16.00	111,893	1,920	824	779
Gulf Elementary	30.00	156,247	0	1,396	1,271

School	Acres	Permanent Sq. Feet	Portable Sq. Feet	FISH Capacity	2007/2008 Enrollment
Hancock Creek Elementary	20.00	143,537	960	1,062	905
Harns Marsh Elementary	47.54	122,125	0	930	884
Hector A. Cafferata Jr. Elem	20.00	69,380	0	883	757
Heights Elementary	25.00	75,384	0	911	635
J. Colin English Elementary	15.00	91,658	8,640	651	463
Lehigh Elementary	15.00	79,533	13,969	1,002	907
Littleton Elementary	20.00	108,424	1,920	774	697
Manatee Elementary	12.00	118,394	0	1,070	787
Michigan International Academy (K-8)	18.00	83,627	11,328	771	526
Mirror Lakes Elementary	25.00	131,223	5,760	1,089	1,090
North Ft Myers Academy (K-8)	71.00	197,630	26,928	1,688	1,003
Orange River Elementary	14.00	93,586	5,566	925	856
Orangewood Elementary	13.00	86,249	6,000	764	708
Patriot Elementary	11.00	118,394	0	1,070	770
Pelican Elementary	22.00	143,026	0	1,362	1,114
Pine Island Elementary	15.00	54,379	960	409	324
Pinewoods Elementary	37.00	132,170	2,304	1,080	983
Ray V. Pottorf Elementary	28.54	122,162	0	930	635
Rayma C. Page Elementary	14.00	112,365	0	836	639
River Hall Elementary	20.00	118,426	0	1,046	878
San Carlos Park Elementary	23.00	114,496	0	1,081	878
Skyline Elementary	20.00	136,686	960	1,398	1,052
Spring Creek Elementary	21.00	90,737	7,488	897	762
Sunshine Elementary	18.00	122,078	3,120	1,271	1,158
Tanglewood Riverside Elementary	20.00	94,870	0	793	722
The Sanibel School (K-8)	25.00	55,241	2,640	448	372
Three Oaks Elementary	19.00	86,694	5,184	810	776
Tice Elementary	21.00	70,443	8,640	699	583
Trafalgar Elementary	25.00	86,988	0	977	875
Treeline Elementary (Staged)	13.09	100,741	0	709	657
Tropic Isles Elementary	20.00	110,590	2,960	1,087	936
Veterans Park Academy (K-8)	20.00	196,574	0	1,768	1,553
Villas Elementary	22.00	104,802	4,800	1,015	849
Elementary School Subtotal	956.17	4,865,281	146,431	43,295	36,297
Alva Middle	13.00	81,826	4,320	633	583
Bonita Springs Middle	16.00	120,723	0	876	607
Caloosa Middle	20.00	132,060	0	1,005	887
Challenger Middle	14.00	160,706	0	1,257	865
Cypress Lake Middle	29.00	137,171	4,368	1,039	742
Diplomat Middle	14.00	138,827	0	974	866
Ft Myers Middle Academy	20.00	125,734	720	858	625
Gulf Middle	30.00	126,599	4,416	1,002	978
Lee Middle	20.00	145,535	4,320	986	587
Lehigh Acres Middle	35.00	126,595	3,840	1,136	1,091
Lexington Middle School	15.00	160,706	0	1,027	840
Mariner Middle	16.00	134,668	0	1,141	924
Paul Laurence Dunbar Middle	22.00	163,548	0	1,013	959
Three Oaks Middle	25.00	137,880	0	1,027	783
Trafalgar Middle	32.00	143,128	11,904	1,272	1,082
Varsity Lakes Middle	14.00	150,722	0	1,024	977
Middle School Subtotal	335.00	2,186,428	33,888	16,270	13,396
Cape Coral Sr High School	40.00	262,475	6,144	1,987	1,955
Cypress Lake Sr High School	30.00	276,380	0	1,727	1,329
Dunbar High School	52.00	202,324	0	1,176	834
East Lee County High	45.92	300,307	0	1,928	1,449

School	Acres	Permanent Sq. Feet	Portable Sq. Feet	FISH Capacity	2007/2008 Enrollment
Estero Sr High School	64.00	273,777	0	1,932	1,481
Ft Myers Sr High School	38.00	254,145	4,600	2,082	1,810
Ida S. Baker High	40.00	299,696	0	2,030	1,995
Island Coast High (Staged)	46.00	0	43,200	643	400
Lehigh Sr High School	82.00	283,299	5,760	2,006	1,573
Mariner Sr High School	104.00	253,905	12,288	2,054	1,841
North Ft Myers Sr High School	35.00	254,877	12,960	2,181	1,896
Riverdale High School (6-12)	40.00	238,328	7,872	2,147	1,932
South Ft. Myers High	38.00	300,310	0	1,926	1,233
High School Subtotal	654.92	3,199,823	92,824	23,819	19,728
Regular Facility Subtotal	1,946.09	10,251,532	273,143	83,384	69,421
Alternative Learning Center West*	10.00	0	22,566	265	161
Buckingham Exceptional Ctr	10.00	27,880	1,824	115	101
Lee County High Tech Central	30.00	181,289	11,712	1,062	82
New Directions School	15.00	141,483	0	665	570
North Vo-Tech	15.00	61,927	0	324	76
Royal Palm Exceptional	7.00	59,332	0	230	208
Special Facility Subtotal	87.00	471,911	36,102	2,661	1,198
Total of All Schools	2,033.09	10,723,443	309,245	86,045	70,619

*Alternative Learning Center West staged in portables on the North Fort Myers Academy for the Arts campus in 2007-08.
Source: Lee County School District; FISH Capacity from Lee County School District, *5-Year District Facilities Work Program for 2007/2008 through 2011/2012*, September 26, 2007; enrollment based on Cycle 7 (March, 2008); total enrollment excludes 196 students in state-owned facilities and 321 public school students in other facilities not owned by the district (PACE Center for Girls, County-wide ESE, District PreK5 and Vince Smith Center).

Student-Capacity Ratio

The existing level of service will be measured as the ratio of students to FISH Capacity in permanent buildings. Since the costs per student are calculated for permanent buildings, the FISH capacity will be reduced to reflect only the capacity in permanent buildings. The existing level of service for educational facilities in Lee County is summarized in Table 11. District-wide, the School District provides enough classrooms to meet the Classroom Size Reduction Amendment standards of maximum students per classroom that it must provide by the 2010-2011 school year. Overall, the District has a surplus of about 8,985 permanent student stations, and is providing more than 100 percent of the permanent capacity needed to meet post-amendment standards. Consequently, there are no existing deficiencies, and the impact fees will be based on the cost of providing one permanent student station per student.

Table 11
EXISTING LEVEL OF SERVICE

FISH Capacity in Permanent Buildings, 2007/2008	79,604
Enrollment in District-Owned Facilities, 2007/2008	70,619
Current Permanent Student Station Surplus	8,985
FISH Capacity in Permanent Space per Student	1.127

Source: FISH capacity based on 2007 FISH permanent student seats from Lee County School District Cycle 7 Enrollment Report, March, 2008; enrollment from Table 10.

Some of the capacity surplus is temporary. After an intensive building campaign, the District is now embarking on a significant remodeling program to provide equity in educational opportunities in older versus newer facilities. This will in many cases result in a loss of FISH capacity at the older schools. As shown in Table 12, permanent capacity loss due to renovations will consume a significant share of the existing capacity surplus.

The current facility plan was developed based in part on the 2006-07 Five-Year Educational Facilities Survey and the internal capital planning process undertaken prior to the new enrollment data. The current adopted work program shows a need for an additional 7,272 permanent student stations over the next five years. However, in light of the slowing enrollment growth, the School District has considered postponing several planned new schools until after the 2008-2012 planning period.

Table 12
PLANNED STUDENT CAPACITY, FY 2008-2012

Current Permanent Student Capacity Surplus	8,985
Net Permanent Capacity Loss from Renovations/Additions	2,007
Remaining Capacity Surplus After Renovations/Additions	6,978
Projected Enrollment Growth, 2008-2012	14,250
Additional Permanent Capacity Needed, 2008-2012	7,272

Source: Current permanent capacity surplus from Table 11; net permanent capacity loss from renovations/additions from Lee County School District, *5-Year District Facilities Work Program for 2007/2008 through 2011/2012*, September 26, 2007; projected enrollment growth from Table 28.

No reduction to the fee is made to account for existing excess capacity. Because the fees are based on one station per student, new development is not charged for excess capacity. Also, the existence of FISH capacity does not mean that these seats are actually available for use. FISH capacity is a standardized measure of capacity in a school facility, but does not take into account the effect that programs within the school have on capacity. Finally, because the available capacity is not always located where it is needed, the District will either need to accommodate students in growth areas or incur increased transportation costs to move the students to facilities with excess capacity.

CAPITAL COSTS

The capital cost of providing school facilities includes the cost of school construction, land acquisition and ancillary facilities, including administrative offices, fleet maintenance facilities and buses. This update includes the addition of the District's administrative and legal costs associated with land acquisition. These types of costs were not included in previous impact fee studies because the information was not readily available. However, they represent real costs of acquiring land needed to serve new development, and are legitimately included in the school impact fee calculation.

Construction Cost

There are basically two ways to add student stations: build new schools or expand existing schools. In most school impact fee analysis, the cost to add student capacity is based on the cost of building new

schools. This is true for several reasons. First, the cost of an expansion that adds classroom wings without expanding core facilities, such as cafeteria, gymnasium, library and administrative offices, generally does not include the full cost, either because the core facilities already had excess capacity that was constructed earlier, or else the core facilities are over-utilized and will need to be expanded in the future. Second, expansion projects often include extensive remodeling work, and it may be difficult to sort out what project costs are attributable to the added capacity.

State law provides maximum school construction costs per student station that may be incurred by school districts. State construction cost standards were updated in 2006 and are based on Amendment 9 enrollment standards. Section 1013.64(6)(b)1. reads as follows:

> *(b)1. A district school board, including a district school board of an academic performance-based charter school district, must not use funds from the following sources: Public Education Capital Outlay and Debt Service Trust Fund; School District and Community College District Capital Outlay and Debt Service Trust Fund; Classrooms First Program funds provided in s. 1013.68; effort index grant funds provided in s. 1013.73; nonvoted 2-mill levy of ad valorem property taxes provided in s. 1011.71(2); Classrooms for Kids Program funds provided in s. 1013.735; District Effort Recognition Program funds provided in s. 1013.736; or High Growth District Capital Outlay Assistance Grant Program funds provided in s. 1013.738 for any new construction of educational plant space with a total cost per student station, including change orders, that equals more than:*
>
> *a. $17,952 for an elementary school,*
>
> *b. $19,386 for a middle school, or*
>
> *c. $25,181 for a high school,*
>
> *(January 2006) as adjusted annually to reflect increases or decreases in the Consumer Price Index.*

Not all of the costs incurred by the School District are counted in the construction cost caps set by the State. These include off-site costs, such as road improvements, that are not located on the school site but are necessitated by the construction of the school; items such as retention areas necessitated by water management permits; land costs; costs for hardening the facility against hurricanes, for which the District is reimbursed by Lee County Emergency Operations Center; and other costs for which the District is reimbursed by other government agencies. Table 13 summarizes these additional non-construction costs for recent school construction projects in Lee County. The total add-on cost will be subtracted from total project cost to determine the construction cost for each school that is subject to the State construction cost caps. Off-site, on-site permit items and land costs will be included as separate components to the fee calculation. Hurricane upgrade and other reimbursements represent costs that are ultimately paid by other entities and are not included in the calculation of the impact fees.

Table 13
NON-CONSTRUCTION COSTS

School Facility	Off-Site	On-Site Permit Items	Land Cost	Hurricane Upgrade	Other Reimburse-ments	Total Add-on Costs
River Hall Elementary	$415,677	$1,799,253	$0	$0	$202,348	$2,417,278
Manatee Elementary	$1,382,395	$2,407,140	$1,768,560	$283,605	$250,000	$6,091,700
Patriot Elementary	$1,408,395	$1,759,742	$0	$0	$0	$3,168,137
Treeline Elementary	$2,007,187	$2,114,443	$0	$0	$0	$4,121,630
Heights Elementary	$2,500,000	$2,862,000	$0	$0	$0	$5,362,000
Oak Hammock Middle	$1,498,799	$4,230,200	$0	$278,300	$0	$6,007,299
Challenger Middle	$1,548,697	$2,648,939	$8,600,000	$0	$0	$12,797,636
East Lee County High	$1,113,127	$6,529,677	$1,437,688	$1,369,204	$0	$10,449,696
Island Coast High	$2,182,298	$3,448,275	$1,008,632	$1,200,000	$2,182,298	$10,021,503
Total	$14,056,575	$27,799,669	$12,814,880	$3,131,109	$2,634,646	$60,436,879

Source: Lee County School District, February 18, 2008.

Table 14 shows total project cost for recently-constructed elementary, middle and high schools in the Lee County School District. In order to calculate the average construction cost per student, the non-construction costs identified above are subtracted from the total project costs. The resulting school facility construction costs are then divided by the FISH Capacity to determine the cost per student. All new schools constructed since January 2005 have been built to accommodate Amendment 9 class size standards as prescribed in the State Constitution and Florida Statutes. FISH Satisfactory Student Stations are computed by multiplying the core-curriculum classrooms for each grade grouping (PK-3, 4-8 and 9-12) by the post-amendment maximum students per class and adding prescribed capacities for specialized spaces such as gymnasiums, band rooms and exceptional student education classrooms. FISH Capacity used in this analysis takes into account DOE adopted utilization rates. The utilization rates are: 100 percent of Satisfactory Student Stations for elementary schools, 90 percent for middle schools and 95 percent for high schools (with more than 1,500 Satisfactory Student Stations).

Table 14
LOCAL CONSTRUCTION COSTS PER STUDENT

School Facility	Contract Date	Total Cost	Add-Ons	Const. Cost	Student Capacity	Orig. Cost/ Student	Cost Factor	Current Cost/ Student
River Hall Elementary	08/05	$19,346,837	$2,417,278	$16,929,559	1,046	$16,185	1.082	$17,512
Manatee Elementary	04/06	$21,689,050	$6,091,700	$15,597,350	1,070	$14,577	1.051	$15,320
Patriot Elementary	04/06	$21,926,628	$3,168,137	$18,758,491	1,070	$17,531	1.051	$18,425
Treeline Elementary*	06/07	$24,630,000	$4,121,630	$20,508,370	1,034	$19,834	1.019	$20,211
Heights Elem. Replacement*	06/07	$30,334,340	$5,362,000	$24,972,340	1,300	$19,209	1.014	$19,478
Average Elementary School						$17,467		$18,189
Oak Hammock Middle*	04/06	$37,318,810	$6,007,299	$31,311,511	1,224	$25,581	1.051	$26,886
Challenger Middle	04/06	$41,910,358	$12,797,636	$29,112,722	1,257	$23,160	1.051	$24,341
Average Middle School						$24,371		$25,614
East Lee County High*	06/05	$51,726,731	$10,449,696	$41,277,035	1,928	$21,409	1.086	$23,250
Island Coast High*	12/06	$63,013,720	$10,021,503	$52,992,217	2,004	$26,443	1.026	$27,131
Average High School						$23,926		$25,191
Total Construction Cost				$251,459,595				

* school under construction, costs are estimates and student capacity based on planned FISH capacities.
Source: Contract date, total cost information and capacity from Lee County School District, February 18, 2008 and July 15, 2008; add -on costs from Table 13; student capacity for existing schools based on FISH permanent student capacity from Table 10; cost factor is ratio of January 2008 to contract date of the *Engineering News-Record* Building Cost Index.

The average construction costs per station calculated above are compared with the State-imposed maximum construction costs per student station for the current year. As previously mentioned, the State cap is based on FISH Satisfactory Student Stations, while the local cost is based on FISH Capacity. In order to compare the State cap to the local cost used in this study, the State cap is adjusted by multiplying the State cap figure by an inflation factor to determine the applicable cap for 2008, and further adjusted for middle and high schools to reflect the official utilization rates. These adjustments determine the State construction spending cap per student for FISH Capacity. As shown in Table 15, the District's recent elementary and high school construction costs per student station are lower than the State caps. The average cost per station for the most recently-constructed middle schools is somewhat higher than the State cap.

Table 15
STATE CONSTRUCTION CAPS VS. LOCAL COSTS PER STUDENT

Grade Level	State Cap Jan. 2006	CPI Factor	Adj. Cap Jan. 2008	Adjusted Cap/ Student Capacity	Local Cost	% of Cap
Elementary	$17,952	1.0644	$19,108	$19,108	$18,189	95.2%
Middle	$19,386	1.0644	$20,634	$22,927	$25,614	111.7%
High	$25,181	1.0644	$26,803	$28,214	$25,191	89.3%

Source: State cap is maximum construction cost per student station from Sec. 1013.64, Florida Statutes for January 2006; CPI factor is ratio of Consumer Price Index, U.S. City Average, All Urban Consumers, All Items, 1982-84 = 100 for Jan. 2008 to Jan. 2006; adjusted cap per student provides adjustment to FISH Satisfactory Student Station used in state caps by dividing adjusted cap for middle schools by utilization rate of 90 percent and high school by utilization rate of 95 percent; local cost from Table 14.

The cost per student for each grade level used in the impact fee calculations is the lower of the average recent local cost or the current State cap. The overall cost per student is weighted by current enrollment to produce a weighted average construction cost per student capacity in permanent classrooms of $21,092, as shown in Table 16.

Table 16
WEIGHTED CONSTRUCTION COST PER STUDENT STATION

Grade Level	No. of Students	% of Enrollment	Cost/ Station	Weighted Cost/Student
Elementary	36,297	52.3%	$18,189	$9,513
Middle	13,396	19.3%	$22,927	$4,425
High	19,728	28.4%	$25,191	$7,154
Total	69,421	100.0%		$21,092

Source: Number of students in regular facilities from Table 10 (excludes special facilities); average construction cost per station based on State caps from Table 15.

Off-Site/Drainage Cost

In addition to on-site construction costs, many new school projects require off-site improvements, such as improvements to adjoining streets and sidewalks, water and sewer infrastructure improvements and drainage improvements. A major expense that is not counted in the State construction caps is on-site retention and other on-site costs required to secure water management permits. Based on the School District's experience with the last nine schools built, the cost of these improvements has averaged 16.6 percent of construction cost, as reflected in Table 17.

Table 17
OFF-SITE/DRAINAGE IMPROVEMENT COSTS

Off-Site Costs	$14,056,575
On-Site Water Management Permit Costs	$27,799,669
Total Off-Site/Drainage Costs	$41,856,244
Total Construction Costs	$251,459,595
Percent of Construction Costs	16.6%

Source: Off-site and water management permit costs from Table 13; total construction cost from Table 14.

Land Cost

The cost of land for new school sites must be added to construction costs. As part of this impact fee update, the consultant team retained a local real estate appraiser to determine an appropriate land cost for future school sites. The appraiser identified 23 sales throughout Lee County that were comparable to new school sites in size, location and suitability for development. The appraiser interviewed either the buyer, seller or agent involved in each transaction to verify the selling price, financing, motivation to purchase and sell and any lease or income expense information. The sales prices were adjusted to current dollars (October 2007). The adjustment reflects both the rapid growth in land values through December 2005, and the subsequent real estate slow down. For sales prior to January 2006, the prices were adjusted to reflect cost appreciation of 2 percent per month. A 15 percent downward adjustment

was made for 2006 to reflect the real estate slow down. The average cost per acre in each of the three choice zones was then weighted by the anticipated percent of new schools to be built in each zone to determine a county-wide weighted cost.

Lee County School District has acquired 26 tracts over the past three years. The land purchases ranged in value from $12,500 per acre to more than $425,000 per acre. The appraiser's report found that the average acquisition cost over the past three years was $153,965 per acre, which was more than three times higher than the $54,000 per acre for sites acquired by the District between 2002 to 2004. However, most of the recent transactions occurred during the "boom cycle" of the recent real estate upturn of 2004-2005, and the appraiser did not think the recent district land acquisition costs would be indicative of future land costs. Since the appraisal study is forward looking, the appraisal used non-district land purchases as the primary basis for determining the appropriate land cost.

In determining an appropriate land cost, the appraiser examined comparable historic land sales by School Choice Zone. The transactions analyzed for determining the land value primarily occurred since January 2005. The choice of land transactions reflects site characteristics that meet future school need by zone and targeted areas where growth and school construction is expected. The future school needs were utilized to weigh the cost per acre derived for each zone to determine the equal average value per acre. The final county-wide value is estimated at $63,000 per acre. This is a 40-percent reduction from the average land cost of $105,000 used in the 2005 study, and is lower than the cost per acre used in the original 2001 study.

Table 18
LAND ACQUISITION COST PER ACRE

	2001 Study	2005 Study	2008 Study
Land Acquisition Cost per Acre	$87,000	$105,000	$63,000

Source: 2001 cost from Duncan Associates, *School Impact Fee Study*, November 2001; 2005 cost from Duncan Associates, *School Impact Fee Update Study*, September 2005; 2008 cost from Maxwell & Hendry Valuation Services, Inc., *School Impact Fee Study (Land Component) for Lee County, Florida,* October 15, 2007.

In addition to the raw land cost, the District's acquisition costs include legal, administrative and due diligence costs. The legal costs for South Fort Myers High School, East Lee County High School, Lee County Public Education Center and Ida Baker High School all include costs related to eminent domain proceedings. As shown in Table 19, the legal and due diligence costs associated with recent land acquisitions cost approximately $4,005 per acre.

Table 19
LEGAL AND DUE DILIGENCE COST PER ACRE

Property	Acres	Due Diligence	Legal Fees	Total Fees	Fees/Acre
Palomino Ln./Skyport Ave (future school)	18.96	$37,855	$3,453	$41,308	$2,179
Treeline Avenue (future school)	23.94	$33,100	$6,143	$39,243	$1,639
Alpha Dr/Priscilla Ln. (future school)	18.00	$27,048	$8,014	$35,062	$1,948
Treeline Avenue (future school)	13.09	$1,761	$2,256	$4,017	$307
Rayma Page Elementary	13.60	$29,850	$23,428	$53,278	$3,918
Lee Co. Public Education Center	29.80	$47,195	$85,659	$132,854	$4,458
South Fort Myers High	38.49	$54,013	$170,338	$224,351	$5,829
Cape Coral (future school)	15.83	$27,475	$0	$27,475	$1,736
1st St. (future school)	13.00	$51,143	$2,070	$53,213	$4,093
19th Ave. (future school)	15.92	$33,325	$4,164	$37,489	$2,355
20th Ave. (future school)	30.77	$55,145	$3,056	$58,201	$1,891
Ida S. Baker High	40.00	$40,308	$2,124,633	$2,164,941	$54,124
Island Coast High	46.00	$27,259	$2,295	$29,554	$642
Patriot Elem./Challenger Middle	25.40	$29,200	$4,654	$33,854	$1,333
18th St. (future school)	37.89	$35,245	$8,368	$43,613	$1,151
Littleton Rd. (future school)	124.75	$40,000	$5,449	$45,449	$364
Birdsong Ln. (future school)	11.20	$30,263	$4,591	$34,854	$3,112
Tice St. (future school)	114.37	$36,393	$8,110	$44,503	$389
S. Olga Dr. (future school)	18.86	$31,153	$5,131	$36,284	$1,924
Gunnery Rd. (future school)	16.26	$26,579	$0	$26,579	$1,635
Joel Blvd./Tuckahoe (future school)	101.60	$43,325	$0	$43,325	$426
Redmont (future school)	12.60	$35,422	$4,485	$39,907	$3,167
Manatee Elem./Oak Hammock Middle	35.64	$41,313	$6,055	$47,368	$1,329
Riverhall Elementary	19.99	$32,450	$8,727	$41,177	$2,060
East Lee Co. High	45.92	$99,365	$145,828	$245,193	$5,340
East Zone Staging	10.67	$28,600	$19,199	$47,799	$4,480
Leonard Transport Facility	22.55	$31,300	$2,924	$34,224	$1,518
Total	915.10			$3,665,115	$4,005

Source: Parcel size, due diligence and legal fees from Lee County School District, School Support Division, November 27, 2007.

The total land cost per acre includes both the raw land acquisition cost based on the appraisal report and recent legal and administrative costs related to district land acquisition. The combined acquisition and legal/administrative costs are $67,005 per acre, as shown in Table 20.

Table 20
NET LAND COST PER ACRE

Land Acquisition Cost per Acre	$63,000
Legal/Admin. Fee per Acre	$4,005
Total Land Cost per Acre	$67,005

Source: Acquisition cost from Maxwell & Hendry Valuation Services, Inc., *School Impact Fee Study (Land Component) for Lee County, Florida,* October 15, 2007; legal and administrative costs from Table 19.

The acreage occupied by existing schools is divided by school capacity to determine the acres of land required per student. This is multiplied by the cost per acre to derive the land cost per student, as shown in Table 21.

Table 21
LAND COST PER STUDENT STATION

Total Acres	2,033.1
Current Permanent Capacity	79,604
Acres per Student	0.0255
Land Cost Per Acre	$67,005
Land Cost Per Student	$1,709

Source: Total acres from Table 10; current permanent capacity from Table 11; land cost per acre from Table 20.

Ancillary Facility Cost

In addition to schools themselves, the District provides ancillary facilities that must also be expanded as enrollment grows. These ancillary facilities include administration buildings, buses and fleet maintenance facilities. Table 22 shows the building and land costs of the District's ancillary facilities. The construction costs are calculated by multiplying the sum of the permanent square footage of all ancillary facilities by the current estimated cost per square foot for Lee County. The land cost is based on the same cost per acre as school sites. In the existing-level-of-service analysis, the ancillary facilities exclude the Hipps Building and Adams Buildings, since these old administrative buildings will be sold. In addition, this study only includes 70 percent of the Lee Public Education Center's total square feet to reflect excess capacity associated with the un-used portion of the facility.

Table 22
ANCILLARY FACILITY COSTS

Facility	Square Feet	Acres
Dunbar Athletics	478	4.00
Dunbar Community School	35,237	6.00
Gwynne Building	19,692	1.00
Lee Public Education Center*	257,019	30.00
Maintenance Department	65,419	10.00
Supply Department	18,038	1.00
Transportation Services East 1	6,568	10.00
Leonard Transportation Facility	0	11.00
Transportation Services North	20,907	10.00
Transportation Services South 1	26,965	23.00
Transportation Services South 2	2,160	5.00
Transportation Services, Canal St.	28,307	10.00
Transportation Services West	20,492	20.00
Total Area	501,282	141.00
Cost Per Sq. Foot/Acre	$111	$67,005
Total Cost	$55,642,302	$9,447,705

* Square feet includes 86% of 298,859 square feet in this building to reflect un-used portion of facility and excess capacity.
Source: Square feet of permanent buildings and acres of land based on FISH facility data from Lee County School District, November 27, 2007; cost per square foot based on cost of Lee County Public Education Center (Metro Mall) cost of $102 per square foot per Lee County School District, School Support Division, July 21, 2005 adjusted based on Building Cost Index as of February 2008 from *Engineering News-Record*; cost per acre from Table 20.

Currently, the District has over 890 buses in active service. These includes buses on daily routes and spare buses. The spare buses are used for field trips and as substitute buses when the route buses are in for service. The current unit costs of new school buses are multiplied by the number of buses of each type to determine the total cost of the current bus fleet, as shown in Table 23.

Table 23
EXISTING BUS FLEET COST

Bus Type	Total Fleet	Unit Cost	Total Cost
Type A, Special Needs	25	$75,000	$1,875,000
Type C, 47-Passenger	102	$85,000	$8,670,000
Type C, 65-Passenger	372	$85,000	$31,620,000
Type D, 71-77-Passenger	394	$95,000	$37,430,000
Total Fleet	893		$79,595,000

Source: Number of buses in fleet and unit costs from Lee County School District, September 11, 2007.

The total ancillary cost is the sum of all construction, land acquisition/site preparation and transportation equipment costs, as shown in Table 24. The total cost is divided by the current number of students to determine the ancillary capital cost per student.

Table 24
TOTAL ANCILLARY FACILITY COST PER STUDENT

Building Cost	$55,642,302
Land Cost	$9,447,705
Bus Fleet Cost	$79,595,000
Total Ancillary Cost	$144,685,007
Enrollment in District-Owned Facilities, 2007/2008	70,619
Ancillary Capital Cost Per Student	$2,049

Source: Building and land costs from Table 22; bus fleet cost from Table 23; current enrollment from Table 10.

Interest Cost

Interest costs are often an unavoidable expense of making growth-related capital improvements under conditions where (1) rapid growth necessitates improvement costs that cannot be funded out of current revenues or (2) capacity must be added in very large increments. Many impact fee ordinances in Florida explicitly authorize the use of impact fees to pay interest costs. For example, Section 2-409(a) of Lee County's school impact fee ordinance states that the impact fee funds "may be used or pledged in the course of bonding or other lawful financing techniques, so long as the proceeds raised thereby are used for the purpose of capital improvements for educational facilities."

If it is legitimate to spend impact fee revenue on interest costs of debt instruments used to construct capital facilities, it must also be legitimate to include interest costs in calculating the impact fee. While Florida statutes do not speak to the issue, enabling acts in at least nine states explicitly authorize the inclusion of interest costs in calculating impact fees.[12] The provision in Georgia's impact fee enabling act is typical of these:

> Projected interest charges and other finance costs may be included if the impact fees are to be used for the payment of principal and interest on bonds, notes, or other financial obligations issued by or on behalf of the municipality or county to finance the capital improvements element but such costs do not include routine and periodic maintenance expenditures, personnel training, and other operating costs.[13]

Despite broad agreement that interest costs may legitimately be included in impact fee calculations, relatively few communities, at least in Florida, have done so to-date. This is likely a legacy of the earlier impact fee studies, which were purposely conservative in order to avoid legal challenge. While still rare, this approach is not unheard of. For example, Palm Beach County adopted school impact fees in 2003 that included an interest cost component.[14]

While there have been few local government in Florida to have included interest costs in the impact fee calculations, there are a number that have explicitly excluded interest payments on outstanding debt

[12] Georgia, Hawaii, Idaho, Nevada, New Mexico, South Carolina, Texas, Utah and Virginia

[13] Sec. 36-71-2(18), Georgia Annotated Statutes

[14] Nicholas, James C., *2003 Update of Impact Fees for Palm Beach County*, 2003

from revenue credit calculations on the grounds that interest costs were not included on the cost side of the equation.[15] Lee County has historically excluded both interest costs and revenue credit for the interest portion of debt service payments, and this approach is continued in this study.

Cost Summary

The sum of school construction costs, off-site/drainage costs, land costs and ancillary facility costs yields the total capital cost per student required to accommodate the District's growing enrollment, as presented in Table 25.

Table 25
TOTAL CAPITAL COST PER STUDENT

Construction Cost per Student	$21,092
Off-Site/Drainage Cost per Student	$3,501
Land Cost per Student	$1,709
Ancillary Facility Cost per Student	$2,049
Total Capital Cost per Student	$28,351

Source: Construction cost per station from Table 16; non-construction costs based on percent of construction cost from Table 17; land cost from Table 21; ancillary facility cost from Table 24.

REVENUE CREDITS

In addition to paying school impact fees, new development will also pay for school facilities through future contributions to other capital funding sources that will be used to pay for expanding school capacity. The impact fees will be reduced by the present value of those future contributions expected to be made over the next 20 years in order to ensure that new development is not charged twice for the same facilities.

Credit for future revenues, however, only needs to be given for funds that will be available for capacity-expanding improvements. As in the last update, the impact fee credit is based on the District's official five-year Work Program submitted to the Florida Department of Education. The Work Program is used to estimate the percent of future capital funding likely to be received by the District over the next 20 years that will be available to pay for capacity-expanding improvements. Capacity-expanding improvements, which include 29 new schools, will cost an estimated $1.20 billion. Some of this will be paid with school impact fees, other earmarked revenue, such as PECO New Construction, and non-recurring revenues, such as the fund balance.

The capital funding that the Lee County School Board expects to receive over the next five years, as set forth in the District's five-year Work Program, is summarized in Table 26. The District's major source of capital funding is the local Capital Improvement Tax (CIT). According to its adopted five-year capital plan, the District will raise $1.12 billion in CIT revenues out of a total non-earmarked recurring capital budget of $1.25 billion. The addition of impact fees, other earmarked revenue and non-recurring

[15] See, for example, Tischler & Associates, *School Impact Fees Update Report, Pasco County, Florida*, 2001 and Duncan Associates, *Road Impact Fee Update, Cape Coral, Florida*, May 2005

revenue brings the total capital funds anticipated to be available to $1.71 billion. The District does not plan to issue new debt or utilize proceeds from prior debt authorizations during this period.

Table 26
PLANNED CAPITAL FUNDING, FY 2008-2012

Capital Improvement Tax (CIT)	$1,121,650,394
Capital Outlay & Debt Service (CO&DS)	$4,758,060
Classrooms For Kids	$95,776,033
Interest and Miscellaneous	$28,136,291
Total Non-Earmarked Recurring Revenue	$1,250,320,778
Impact Fees	$100,000,000
Allocated Fund Balance	$310,206,630
PECO New Construction Revenue	$29,502,142
PECO Maintenance	$24,472,774
Total Revenue Available	$1,714,502,324

Source: Lee County School District, *5-Year District Facilities Work Program for Fiscal Years 2007/2008 through 2011/2012*, September 26, 2007.

School impact fees must be used solely for capacity-expanding improvements. The District's capital plan also programs revenue from other one-time sources, such as debt and fund balances, for capacity improvements. Maintenance and rehabilitation of existing facilities are funded from recurring annual revenue sources, such as the CIT property tax. Recurring funding that is not needed for non-capacity purposes is available for expenditure on capacity improvements.

Debt service for outstanding Certificates of Participation (COPs), which function much like bonds, is anticipated to consume about 20 percent of the District's CIT revenues. Payment of the principal on this debt service, to the extent that it was used for capacity-expanding improvements, will be treated as a capacity-expanding improvement. However interest costs, which were not included on the cost side of the fee calculations, are excluded from the definition of capacity improvements on the credit side for consistency (see discussion on page 28).

According to the District's five-year plan, 63.3 percent of non-recurring, non-earmarked capital revenue will be used for capacity-expanding capital improvements, as shown in Table 27. This percentage will be used in developing the State funding and Capital Improvement Tax revenue credits in the remainder of this section.

Table 27
PLANNED CAPITAL EXPENDITURES, FY 2008-2012

	Total	Capacity	Non-Capacity
New Schools	$878,173,912	$878,173,912	$0
Additions	$21,400,000	$21,400,000	$0
Replacement	$30,002,738	$14,036,503	$15,966,235
Land Purchases	$75,050,021	$75,050,021	$0
Bus/Vehicle Purchases	$52,120,581	$9,975,527	$42,145,054
New Administrative Complex	$2,748,477	$1,574,804	$1,173,673
Capital Outlay Equipment	$38,973,365	$38,973,365	$0
Ancillary Transportation Depots	$523,328	$523,328	$0
Debt Service for s.1011 Loans	$0	$0	$0
Debt Service for COPs	$233,029,355	$143,346,443	$89,682,912
Minor Maintenance/Repair	$55,000,000	$0	$55,000,000
District-wide Maintenance	$49,659,231	$0	$49,659,231
School Improvements/Construction	$7,543,402	$0	$7,543,402
Non-Capacity Capital Outlay Projects	$1,897,490	$0	$1,897,490
Document Imaging	$13,005	$0	$13,005
Safety and Inspections	$1,060,516	$0	$1,060,516
Capitalized Personnel	$10,825,338	$0	$10,825,338
Construction Technology	$17,455,628	$17,455,628	$0
Insurance Contingency Funds	$8,591,079	$0	$8,591,079
Survey Recommends (Reconfigure Schools)	$17,631,625	$0	$17,631,625
County-Wide Roof Replacement	$16,911,275	$0	$16,911,275
Rent/Lease Relocatables (Portables)	$15,490,549	$0	$15,490,549
Upgrade Technology	$57,594,325	$0	$57,594,325
District Software Systems	$11,085,366	$0	$11,085,366
County-wide HVAC	$54,725,436	$0	$54,725,436
Safety to Life Corrections	$12,271,150	$0	$12,271,150
Rent/Lease Energy Management Equipment	$2,028,432	$0	$2,028,432
Total Expenditures	$1,671,805,624	$1,200,509,531	$471,296,093
Impact Fees	$100,000,000	$100,000,000	$0
Fund Balance	$310,206,630	$307,135,467	$3,071,163
COPs Proceeds	$0	$0	$0
PECO New Construction	$29,502,142	$29,502,142	$0
PECO Maintenance	$24,472,774	$0	$24,472,774
Paid with Non-Earmarked Recurring Revenue	$1,207,624,078	$763,871,922	$443,752,156
Percent	100.0%	63.3%	36.7%

Source: Lee County School District, *5-Year District Facilities Work Program for Fiscal Years 2007/2008 through 2011/2012*, September 26, 2007; capacity share of replacement facilities based on increase in Heights Elementary capacity from 695 to 1,306 student stations; capacity share of buses is based on projected enrollment growth over work program period from 70,619 to 84,135 COFTE, non-capacity share are replacement buses; non-capacity share of new administrative complex cost is based on the ratio of square footage of existing administrative buildings to square footage of new complex per July 8, 2005 memorandum; non-capacity share of fund balance based on non-capacity apportionment of the new administrative complex and non-capacity capital outlay projects that will be funded by the fund balance; non-capacity COPs debt service estimated at 38.5%, based on 30.5% of debt service to interest per Lee County School District, *2007-08 Final Budget*, "Future Annual Requirements to Retire Debt," p. 136, June 30, 2007 and 11.5% of outstanding COPs principal used for replacement schools based on data provided by Lee County School District, November 30, 2007.

State Capital Funding

The State of Florida provides limited funding for capital improvements. The Capital Outlay and Debt Service (CO&DS) has diminished in recent years and is no longer a significant source of capital funding. PECO new construction revenues had declined in prior years; however, the School District has been able to receive additional funding from this source for new construction in the current five-year plan. Classrooms for Kids is the most significant source of State funding for new schools. The Classrooms for Kids program is funded by the Florida Lottery and provides funding for the construction of new schools and additions to help public school districts meet the class size standards prescribed in the Florida Constitution and Section 1003.03, Florida Statutes. However, future PECO New Construction and Classroom for Kids revenues are expected to be significantly lower in future years than in the current year. Consequently, average State capital funding per student is based on the four years remaining in the capital plan, excluding the current fiscal year. Anticipated funding over the next four years is $201.71 per student per year, as shown in Table 28. The total State funding has increased since the last update, which assumed an average funding of $24 per student.

Table 28
PLANNED STATE CAPITAL FUNDING, FY 2008-2012

	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	4-Year Avg.
PECO New Construction	$15,925,949	$4,237,782	$2,310,272	$3,395,962	$3,632,177	$3,394,048
Enrollment (non-charter)	70,619	74,401	77,196	80,624	84,869	n/a
PECO Funding per Student	$225.52	$56.96	$29.93	$42.12	$42.80	$42.95
CO&DS Bond Proceeds	$951,612	$951,612	$951,612	$951,612	$951,612	$951,612
Classrooms for Kids	$35,776,033	$15,000,000	$15,000,000	$15,000,000	$15,000,000	$15,000,000
Total Other State Funding	$36,727,645	$15,951,612	$15,951,612	$15,951,612	$15,951,612	$15,951,612
Enrollment (non-charter)	70,619	74,401	77,196	80,624	84,869	n/a
Other Funding per Student	$520.08	$214.40	$206.64	$197.85	$187.96	$201.71

Source: Lee County School District, *5-Year District Facilities Work Program for Fiscal Years 2007/2008 through 2011/2012*, September 26, 2007; enrollment estimates based on non-charter public school enrollment in District-owned facilities for March 2008 from Table 10 and 2008/2009 to 2011/2012 projected enrollment from *Work Program*.

The State funding credit is based on the present value of the PECO funding and other capital funding per student that are utilized for capacity expansion. The present value of PECO funding over the next 20 years is $546. The present value of other future State capital funding over the next 20 years is about $2,566 per student, which is reduced to account for the percent of capital funding available for capacity expansion. The total State capital funding available for capacity expansion over the next 20 years is the equivalent to a current payment of $2,170 per student, as shown in Table 29. This amount will be deducted from the total cost per student.

Table 29
STATE FUNDING CREDIT

Average Annual PECO New Construction per Student, FY 2007/08-2011/12	$42.95
Present Value Factor (20 Years @ 4.76%)	12.72
PECO New Construction Credit per Student	$546
Average Annual Other Capital Funding per Student, FY 2007/08-2011/12	$201.71
Present Value Factor (20 Years @ 4.76%)	12.72
Net Present Value of Future Other Capital Funding per Student	$2,566
Percent of Capital Funding Available for Capacity Expansion	63.3%
Other Funding Credit per Student	$1,624
Total State Funding Credit per Student	$2,170

Source: Average annual State capital funding per student from Table 28; net present value factor based on discount rate of 4.76%, which is average Interest rate on state and local bonds for the last three months (2/2008 through 4/2008) from the Federal Reserve at http://www.federalreserve.gov/releases/h15/data/m/slbond.txt; percent of capital funding available for capacity expansion from Table 27.

Capital Improvement Tax

School districts in Florida are authorized to impose a property tax for capital improvements known as the Capital Improvement Tax (CIT). New residential developments that will send children to District schools will also pay the CIT. A credit will be calculated to reflect what new developments will pay toward their school capital needs through their annual CIT payments.

The CIT millage rate assessed by the Lee County School District has been at what was the maximum level of $2.00 per $1,000 of taxable value. However, HB 5083, which was passed by the Florida legislature and took effect on July 1, 2008, amends Sec. 1011.71(2), Florida Statutes, to reduce the maximum CIT millage rate from 2.00 to 1.75. Applying this tax rate to the taxable value per student yields an annual payment per new student. Applying the percentage of capital funding available for capacity expansion yields the annual CIT capacity payment per student that can be expected from new development, as shown in Table 30.

Table 30
ANNUAL CAPITAL IMPROVEMENT TAX PER STUDENT

Total Lee County Residential Taxable Value, 2007	$48,443,311,840
Lee County Public School Enrollment, 2007	70,619
Average Taxable Value per Student	$685,981
Capital Millage Rate (per $1,000)	$1.75
Annual Tax Payments Per Student	$1,200
Percent of Capital Funding Available for Capacity Expansion	63.3%
Annual CIT Payments for Capacity per Student	$760

Source: Total taxable value of residential property in Lee County in 2007 from Lee County Property Appraiser, August 28, 2007; non-charter public school enrollment for October 2007 from Table 10; percent of capital funding available for capacity expansion from Table 27.

State law caps increases in taxable value on homesteads at the Consumer Price Index (CPI) or 3 percent, whichever is lower. In recent years the CPI has been increasing at about 3 percent annually. To take into account that residential development will pay more in CIT capacity payments in future years due to appreciation of property value, the annual contribution per student will be inflated at 3 percent annually. The anticipated stream of future tax revenues over the next 20 years is discounted to determine the net present value. As shown in Table 31, a credit of $12,416 per student is appropriate to account for future property tax payments.

Table 31
CAPITAL IMPROVEMENT TAX CREDIT

Year	CIT/Student
Year 1	$760
Year 2	$783
Year 3	$806
Year 4	$830
Year 5	$855
Year 6	$881
Year 7	$907
Year 8	$934
Year 9	$962
Year 10	$991
Year 11	$1,021
Year 12	$1,052
Year 13	$1,084
Year 14	$1,117
Year 15	$1,151
Year 16	$1,186
Year 17	$1,222
Year 18	$1,259
Year 19	$1,297
Year 20	$1,336
Total	$20,434
Net Present Value	$12,416

Source: Year 1 CIT capacity payment from Table 30; succeeding years inflated by 3% annually, which is the State cap on the annual increase in taxable value for homesteads; net present value based on discount rate of 4.76%, which is average Interest rate on state and local bonds for the last three months (2/2008 through 4/2008) from the Federal Reserve at http://www.federalreserve.gov/releases/h15/data/Monthly/H15_SL_Y20.txt

Reducing the capital cost per student station by the amount of the credits for anticipated state funding and the present value of future property taxes that will be paid by new residential development and available to fund capital improvements results in the net cost per student of $13,765, as shown in Table 32.

Table 32
NET CAPITAL COST PER STUDENT

Total Capital Cost per Student	$28,351
State Funding Credit per Student	$2,170
Future Property Tax Credit per Student	$12,416
Net Capital Cost per Student	$13,765

Source: Total capital cost from Table 25; state funding credit from Table 29; future property tax credit from Table 31.

It may be useful to compare the updated component values of the net capital cost with their counterparts from the 2005 study. As shown in Table 33, the total capital cost per student has increased by 25.7 percent from the 2005 study. This was due to the general increase in construction costs (State construction cost guidelines were increased by over 30 percent during this period) and a significant increase in off-site costs/drainage mitigation costs, which outweighed a 36-percent decrease in per-student land costs.

Despite the significant increase in the capital cost per student, the overall net capital cost per student calculated in this update has increased by only 1.0 percent compared with the 2005 update. This slight increase in the overall net cost is the result of the increase in the total capital cost being almost completely offset by the increase in revenue credits for State funding and property taxes.

Table 33
CHANGE IN NET CAPITAL COST PER STUDENT, 2005 TO 2008

Cost Factor	2005 Study	2008 Study	Potential Change	Percent Change
Total Capital Cost per Student	$22,550	$28,351	$5,801	25.7%
State Funding Credit per Student	$145	$2,170	$2,025	1396.6%
Future Property Tax Credit per Student	$8,770	$12,416	$3,646	41.6%
Net Capital Cost per Student	$13,635	$13,765	$130	1.0%

Source: 2008 total capital cost from Table 25; 2008 state funding credit from Table 29; 2008 future property tax credit from Table 31; 2005 values from Duncan Associates, *Lee County School Impact Fee Study*, September 27, 2005.

NET COST SCHEDULES

The net cost per dwelling unit is the product of the number of public school students that, on average, can be expected to be generated from the type of unit and the net cost per student calculated in this report. The resulting net costs shown in Table 34 represent the maximum school impact fees that can be justified based on the analysis contained in this study.

Table 34
SCHOOL NET COST PER DWELLING UNIT

Type of Unit	Students/ Unit	Net Cost/ Student	Net Cost/ Unit
Single-Family Detached	0.299	$13,765	$4,116
Multi-Family	0.118	$13,765	$1,624
Mobile Home	0.068	$13,765	$936

Source: Students per unit from Table 9; net cost per student from Table 32.

The potential impact fees shown above represent a decrease of about 4.6 percent from the current fees, as shown in Table 35. This decline is due to a 1.0-percent increase in the net cost per student and a 5.4-percent reduction in the student generation rates.

Table 35
POTENTIAL CHANGE IN SCHOOL IMPACT FEES

Type of Unit	Potential Fee	Current Fee	Potential Change	Percent Change
Single-Family Detached	$4,116	$4,309	($193)	-4.5%
Multi-Family	$1,624	$1,704	($80)	-4.7%
Mobile Home	$936	$982	($46)	-4.7%

Source: Potential fees from Table 34.

In summary, the maximum school impact fees calculated in this report are, on average, about 4.6 percent lower than those that were calculated three years ago. The following factors resulted in this decline: (1) construction cost increases outweighed reduced land costs, resulting in a 25.7-percent increase in the cost per student; (2) the increase in the cost per student was mostly counter-balanced by the increase in the revenue credit per student, resulting in a 1.0-percent increase in the net cost per student; (3) finally, student generation rates declined by 5.4 percent, resulting in a fee decrease of about 4.6 percent.