



27J Schools Cash-in-lieu Land Value Calculation

Final Report

November 15, 2019

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27J SCHOOLS.

Cash-in-Lieu Fee Calculation

27J Schools (27J) is headquartered in Brighton, Colorado, and operates schools in the cities of Brighton, Commerce City, and Thornton. The district encompasses more than 200 square miles across Adams, Broomfield, and Weld Counties and serves a population of approximately 86,000 people. 27J comprises 12 elementary schools, five middle schools, three comprehensive high schools, one alternative school, five charter schools, and one online school. Several schools in 27J are projected to be over capacity by 2021-2022, including Brighton High School, Overland Trail Middle School, Quist Middle School, Stuart Middle School, Reunion Elementary, Second Creek Elementary, Brantner Elementary, and West Ridge Elementary. Although many factors contribute to growth in student enrollment, over the past two decades, the majority of enrollment growth in 27J has resulted from residential development in the region. The cities of Brighton, Commerce City, and Thornton have nearly doubled in population since 2000, resulting in a 37 percent increase of students in the district between 2008 and 2018.

As of 3Q19, the communities in 27J had nearly 2,400 vacant lots available for residential development, with more than 35,000 future lots planned. Groundwork and construction are already underway on approximately 3,200 lots. Given recent trends in population growth, 27J expects its student enrollment to grow by approximately 40 percent between 2018 and 2028. In order to adequately serve its constituent communities, 27J must expand its current facilities and purchase land for new schools in the district.

Background

C.R.S.22-54-102 (III) grants authority to local governments to require residential developers to dedicate sites for schools or pay cash-in-lieu of dedicated sites. Typically, developers will either set aside land in developments for the purpose of building schools, or if they are unable to do so, work with the local government to agree upon a cash-in-lieu amount based on current, established land values. Local governments and/or school districts levy cash-in-lieu fees only on new residential development and can only use those fees to purchase land or fund activities related to building schools.

Historically, 27J and local governments have experienced great success in meeting school site needs in the region through land dedication. However, the demand for residential development and the resulting difficulty in dedicating sites large enough for middle schools and high schools have required 27J to purchase sites using cash-in-lieu funds. Figure 1 presents land values that 27J currently uses to assess cash-in-lieu fees, which were established in 2000. The current cost to acquire land greatly exceeds those values. Based on current projections for population growth and corresponding increases in student enrollment, 27J must expand school services, and in doing so, must reassess land values and the cash-in-lieu fees that it assesses on residential developers.

Figure 1.
Current land values for
cash-in-lieu fees

Source:
27J Schools.

Municipality	Current cash-in-lieu value (per acre)
Brighton	\$35,000
Commerce City	\$32,077
Thornton	\$35,000

Land values

Given that 27J may need to purchase additional land in order to serve new students, it is important to establish a base value for land purchases. Land dedication for schools must be a single, contiguous parcel and must include a minimum of 12 acres to accommodate an elementary school, 25 acres to accommodate a middle school, and 60 acres to accommodate a senior high school. School land must be centrally located with public access and road frontage and must be free of hazards that threaten the safety of those using the land. BBC determined the value of land sufficient to accommodate a school within 27J's boundaries by reviewing sales of vacant land within the last three years that would meet minimum size requirements for different school types. Figure 2 presents information about applicable land sales. As shown in Figure 2, the average cost per acre of applicable land sales within the last three years was \$71,273.

Figure 2.
Applicable land sales within 27J boundaries

Jurisdiction	Record	Property	Type	Date	Value	Size (acres)	Price (per acre)
Brighton	R0071214	Peoria & 119th Ave	Agricultural	10/6/2017	\$700,000	11.0	\$63,636
Brighton	R0147917	Corrigan Subdivision	Commercial	11/15/2017	\$1,915,000	25.2	\$76,074
Commerce City	R0080145	NW of King Soopers	Agricultural	10/13/2017	\$1,000,000	19.9	\$50,284
Brighton	R0164587	Bromley Park F102	Industrial	8/24/2017	\$8,262,600	122.4	\$67,521
Thornton	R0147019	The Villages at Riverdale F1	Residential	4/27/2017	\$870,000	9.9	\$87,733
Brighton	R0187324	Village at Southgate	Residential	4/10/2017	\$4,000,000	39.6	\$101,036
Thornton	R0165658	Riverdale Ranch	Residential	12/23/2016	\$2,000,000	31.2	\$64,119
Commerce City	R0190789	Reunion - W of King Soopers	Agricultural	11/22/2016	\$6,600,000	110.4	\$59,783
Average cost per acre							\$ 71,273

Source: 27J Schools.

There were several land sales made in the last three years that would meet minimum size requirements but that the study team considered as outliers in terms of their cost per acre. Figure 3 presents information regarding those land sales, which were not considered further in BBC's fee calculations.

Figure 3.
Land sales within 27J boundaries that BBC considered as outliers

Jurisdiction	Record	Property	Type	Date	Value	Size (acres)	Price (per acre)
Commerce City	R0194277	DIA Tech Center F2	Commercial	9/11/2017	\$3,755,232	25.0	\$150,330
Commerce City	R0181278	DIA Tech Center F6	Commercial	4/4/2018	\$5,821,500	38.8	\$150,000
Brighton	R0179136-7	Prairie Center	Residential	10/23/2017	\$377,821	70.0	\$5,397
Brighton	R0156301	Brighton East Farms F3	Agricultural	10/18/2017	\$275,000	9.3	\$29,587

Source: 27J Schools.

Another important consideration when determining land values for cash-in-lieu fee calculations is the cost per acre of recent school site purchases within district boundaries. As shown in Figure 4, there were four such land purchases within the last three years, and the average cost per acre for those land sales was \$71,223, largely in line with the average cost per acre of the other applicable land sales presented in Figure 2.

Figure 4.
Recent school land sales within 27J boundaries

Jurisdiction	School	Date	Value	Size (acres)	Price (per acre)
Brighton	Prairie View Middle/High School	2003	\$1,400,000	76.1	\$18,400
Commerce City	Stuart Middle School	2008	\$955,000	14.7	\$65,016
Thornton	Riverdale Ridge High School	2010	\$2,819,500	70.1	\$40,203
Thornton	Quist Middle School	2016	\$3,439,000	21.3	\$161,272
Average cost per acre					\$ 71,223

Note: The value of this land has not been adjusted for inflation.

Source: 27J Schools.

Recommendations

BBC offers the following recommendations for 27J's consideration:

- 27J should use the current value of applicable sales (\$71,273/acre) for calculating the cash-in-lieu values.
- 27J should continue to maintain the Cash-in-lieu of Land Dedication Fund separate and apart from the General Fund, and make withdrawals from the former only to pay for the purchase of land.
- 27J should continue to adhere to a written policy governing its expenditure of monies from the Cash-in-lieu of Land Dedication Fund.
- 27J's cash-in-lieu fees should be updated every 3-5 years, or when there are substantial changes in the local market, to accommodate for rising land values as the population in the area continues to rise.
- 27J's fees should be updated annually based on established inflation indices, such as the Consumer Price Index or the Engineering News Record Producer Price Index.