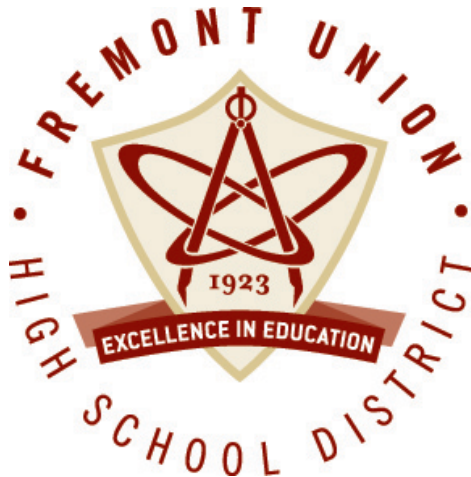


# DEVELOPMENT IMPACT FEE JUSTIFICATION

*Prepared for:*

## FREMONT UNION HIGH SCHOOL DISTRICT



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March 2016

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# Chapter 1

## Introduction & Summary

### Background

The Fremont Union High School District (“FUHSD” or the “District”) serves the communities of Cupertino and Sunnyvale, along with portions of other cities and unincorporated Santa Clara County, all located in the Silicon Valley portion of the San Francisco Bay Area. FUHSD is a 9<sup>th</sup> to 12<sup>th</sup> grade school district, which currently operates five comprehensive high schools - Cupertino, Fremont, Homestead, Lynbrook, and Monta Vista – with a combined enrollment of 10,700 students. (Approximately 40 other students are also enrolled in the District.) The Cupertino Union Elementary School District and Sunnyvale Elementary School District are the predominant “feeder” school districts (kindergarten through eight grades) that provide almost all of the students who progress to FUHSD schools.

Fremont Union High School District has been experiencing steady growth, its enrollment having increased by 18% over the last 15 years. Enrollment is projected to grow another six percent over the next five years. A further examination of future enrollment, including looking at both enrollment from already existing homes and students generated by new residential development, will come later in this report.

Section 17620 of the California Educational Code authorizes school districts to collect fees for mitigation of the impact of new development on enrollment in the District. The current maximum fee levels under this Section are \$3.48 per square foot of residential development, and \$0.56 per square foot of commercial/industrial development. The State Allocation Board bi-annually updates the maximum development impact fee amounts. These figures reflect the recent fee increases adopted by the State Allocation Board at its meeting on February 24, 2016.

Where an elementary district and a high school district both serve an area, the districts must agree on an appropriate sharing of the maximum fee amounts. Per existing fee sharing agreements with its feeder school districts, Fremont Union High School District can levy up to 38 to 40% of the maximum fees, with 60 to 62% going to the elementary school district within whose boundaries the development will occur. (The terms of the fee agreements vary slightly.)

Currently, the maximum fees allocated to FUHSD are from \$1.32 to \$1.39 per square foot on residential development and \$0.21 or \$0.22 per square foot on commercial/industrial development.

To levy fees the District requires documentation showing the nexus between development and the facilities to be funded and the cost of mitigation. (Government Code Sections 66000 *et seq.*) This report provides the required information.

## **Report Organization**

This report is structured as follows:

Chapter 2 describes the nexus between new residential and commercial/industrial development and its impact on district enrollment. It is intended to show that the district has considered the relationship between new development and the facilities for which it seeks funding through fees on new development. It provides a theoretical framework for the analysis and findings in the remaining chapters.

Chapter 3 begins with a description of the housing projections prepared by the District's consulting demographers, Enrollment Projection Consultants. It follows this with information about student generation of different types of housing and in different locations within the District. The chapter concludes with projections of enrollment from the new homes, as well as a consideration of future enrollment from existing homes.

Chapter 4 provides information developed by District staff about the classrooms currently available for instruction in its schools and about the theoretical and practical enrollment capacities of these classrooms. It compares the capacity of the District's facilities with projected enrollment.

Chapter 5 describes the District's school facility options and estimates the costs of the additional capacity required to accommodate enrollment from new homes.

Chapter 6 provides the justification of mitigation on residential development. This chapter first calculates the cost of facilities required on a per square foot basis. It then demonstrates that the district is justified in levying the maximum Section 17620 fees on residential development. The fiscal impact on types of development other than residential construction on vacant land are analyzed.

Chapter 7 provides the justification of mitigation on commercial/industrial development. It calculates the facility on a cost per square foot basis. It then demonstrates that the District is justified in levying the maximum fees on many categories of commercial/industrial development and determines the lesser amounts justified on the remaining categories.

Chapter 8 considers the legal requirements for the imposition of fees and sets forth findings that these requirements have been met.

## Summary

- Enrollment was 10,736 students as of the fall 2015 count date, with about 10,700 of these students enrolled in the District's five comprehensive high schools. The District's demographers project that enrollment at these five schools will increase by 600+ students by the 2020-21 school year.
- The District currently houses all students from existing homes in its facilities. However, class sizes are on average a little larger than they used to be and larger than the District considers educationally desirable. The number of classrooms available at most of the schools is inadequate for the District to be able to schedule classes efficiently, and some teachers have to exit their rooms during their preparation periods. The addition of over 400 students from homes already existing in the District will increase the need for additional capacity.
- New housing development of 3,350 housing units is projected from the present to the 2020-21 school year. Continued commercial/industrial development, primarily on redeveloped sites, is expected.
- Approximately 169 students are projected to live in the 3,350 new homes. This increase will exacerbate the District's capacity shortage if new facilities are not built.
- It is assumed in this report that the additional capacity necessary to house both increased enrollment from existing homes and new development will be in the form of additions to the existing campuses. The share of the cost of these additions appropriately allocated to the 169 students from new homes is estimated to cost approximately \$11.76 million.
- The cost impact per square foot of residential development is \$2.76 per square foot. The District's current Section 17620 maximum residential fee level is either \$1.22 or \$1.29 per square foot of new construction, less than half of the cost impact. Thus, the District is justified in levying the maximum fee on residential development.

The District's share of the current maximum fee for commercial/industrial space is \$0.21 or \$0.22 per square foot. This fee is justified on all types of commercial/industrial development except Parking Structures and Self-storage. The fees for these categories are \$0.01 and \$0.02 per square foot respectively.

## Chapter 2

### Nexus Between Development and Enrollment

New development can be required to provide mitigation only to the extent of its impacts. For schools, the impacts are students for whom additional capacity must be provided. The mitigation is funds to offset the costs involved in providing facilities to accommodate the increased enrollment. A school district seeking mitigation from developers has the burden of documenting the nexus between development and the facilities that will be needed. This chapter describes this nexus in general terms. Its purpose is to clarify the causal chain between developments and its facility impacts, and, in so doing, provide a framework for the quantification of the impacts in the remainder of the report.

This brief chapter begins with a description of the nature of growth in a regional economy and the associated growth in population. It then traces the effect of the construction of workplaces and homes, components of regional growth to increases in enrollment in local schools. It concludes by discussing how the estimated cost of facilities to accommodate the increased enrollment can be allocated among the development that generates this additional enrollment.

#### **Economic Growth**

Commercial/industrial construction and residential development (and hence additional households and children) are related parts of economic growth. An expanding regional economy results from increased demand for the goods and services produced in the region. As economic expansion progresses, more workers are needed, and increasingly they must be attracted from outside the region. Sometimes the process is reversed; the availability of a productive labor force can be a key factor leading to the expansion of business activity in the region, with a resultant increase in employment.

Both the increase in business activity and the addition of new households require new development. The business activity requires new commercial and industrial space; the addition of families requires additional housing units. This is not to imply that the additional employees necessarily work in the new commercial/industrial space or that the new households occupy the new housing units; which is obviously not the case. However, when new space is constructed and existing businesses or households move into it, the space they previously occupied is made available. Whatever the number of shifts in the chain, space is eventually available for occupancy by new employees or residents from outside the region. In contrast, in regions where growth is not occurring, new construction is slow to occur because there is little market for the space made available, which keeps property prices and rents below the level necessary to cover the cost of new construction.

## **Impacts on Schools**

The interrelated nature of commercial/industrial development and residential development justified the California legislature's adoption of fee legislation that recognized both as contributing to enrollment growth in schools. The higher per square foot fee on residential development presumably represents the immediacy of the new home's role in generating additional students; when a new home is occupied, most of the children immediately begin attending local schools. Yet it is clear that new homes are developed primarily in response to the need for additional housing to accommodate the growing labor force and their families, making employment growth a major contributor to the need for additional school facilities. The enrollment impacts are therefore the joint effect of local housing development and both local and regional commercial/industrial development.

The most immediate school impact of new homes is, as stated above, additional students enrolling in the local schools. The associated impact is the need for school facilities to accommodate these students. In fact, the school district must usually anticipate this need far in advance in order to plan for the construction of the additional facilities needed. The enrollment projections must include consideration of factors affecting enrollment other than new development. For example, rising birth rates may be resulting in increased enrollment from older homes. However, the enrollment impacts of new development must be separately identified, as mitigation can be sought from new development only for the portion of the facilities that would not have been needed in the absence of that development.

Thus the final step in the demonstration of nexus is the determination of the facilities anticipated to be needed to accommodate the additional enrollment that would not have occurred without the new development. The facilities are often new schools, though they are sometimes wings to be added to existing schools, relocatable classrooms or, occasionally, the reconstruction or replacement of school buildings which would otherwise have reached the end of their useful life.

Once the facilities appropriate to provide the needed capacity have been identified, their cost must be estimated. It is the mitigation of this cost, and only this cost, that the district may seek from new development.

## **Determination of Mitigation**

It should be noted that the task of quantifying the impacts of new development on school facility costs involves identifying the relative shares of the cost impacts attributable to each individual development project. To begin with, how much of the cost should be allocated to commercial/industrial development and how much to residential. Within these categories, how much, for example, should be allocated to office versus retail space and how much to single family homes as compared to multi-family. The most common approach is to assume that housing development should bear the cost of mitigation up to the level set by the State legislation. If fees at that level are inadequate, fees on commercial/industrial development are then appropriate. The amount of the commercial/industrial fee is based on the portion of the cost

calculated to be unfunded after the fees on residential development are paid (up to the limits set by the State). This perspective reflects the immediacy with which residential development impacts school enrollment.

In the majority of cases the total of residential and commercial/industrial fees are inadequate to provide the facilities to accommodate the enrollment from new development. The courts earlier upheld city-imposed mitigation supplemental to the statutory developer fees in situations where the new development is a result of changes in public policy, such as annexation or rezoning. Senate Bill 50 of 1998 subsequently shifted responsibility for school financing to the State, and removed the basis for supplemental mitigation imposed by cities and counties. However, it provided for greater residential mitigation in the form of alternative fees if certain requirements are met.

The school enrollment resulting from commercial/industrial development is proportional to the number of employees. Thus appropriate mitigation amounts per square foot are determined proportional to the employment density of each type of building. The approach taken in this report is conservative, in that it assumes that only the proportion of employees residing in the local school district impact that district and ignores the impact on all the other districts in which the employees reside. If all districts use this approach in their analysis, the majority of the impact from employment is never considered, simply because on a regional basis the majority of the labor force commutes to work in districts other than where the employees reside.

The impacts of residential development tend to be somewhat proportional to size of unit (i.e. larger homes tend to generate more students). This relationship supports the implicit determination in state legislation for square feet as a measure of relative causality of school impacts. If there is evidence that student generation characteristics are different for different types of residential development, it may be necessary to determine the impacts of the different types.



## Chapter 3

### Housing and Enrollment Projections

#### Housing Projections

Fremont Union High School District is called upon to house enrollment from new residential development. Additional enrollment occasioned by new housing is projected to continue into the foreseeable future, although the rate of enrollment growth from new housing is slowing due to land availability constraints. Enrollment from new homes is projected separately from enrollment from existing homes. This is necessary since fee justification must identify and address the impact of students from new development, distinguishing it from the costs of housing students from existing homes. A projection of future enrollment from new development is therefore an essential aspect of the District's fee justification. This chapter sets forth enrollment projections and describes the analysis upon which they are based.

The analysis of enrollment from new homes begins with projections of new residential development. The Fremont Union High School District boundaries encompass essentially all of the cities of Cupertino and Sunnyvale, small portions of the several surrounding cities, and an unincorporated portion of Santa Clara County. Almost all of new residential development will occur in the Sunnyvale and Cupertino School Districts, the feeder districts that provide almost all of FUHSD's students. There are no large vacant land areas available for development within the District's boundaries. There are only a limited number of smaller vacant parcels. The majority of new residential will occur as redevelopment of existing commercial and residential properties.

The projections used here are those prepared for the District by Enrollment Projection Consultants (EPC); the firm has provided demographic information for the District and its feeder districts for many years. They are based on an extensive analysis of factors affecting enrollment in the District. The analysis includes economic and social factors, birth statistics, patterns of grade-to-grade cohort progressions and, particular to enrollment from new homes, development in the pipeline, zoning and other development constraints and student generation per new home. The analysis is detailed, in that it analyzes and projects factors affecting enrollment in small "planning areas", allowing for the factors based on the nature of each area.

EPC projects the construction of 3,350 new homes in the District over the next five years. The forecasts separate the projected housing units between the northern (Sunnyvale Elementary School District portion of the District) and southern (Cupertino Union School District portions of the District) and between more family-friendly (mostly single family detached) and less family-friendly units (smaller apartments and condominiums), as student generation tends to vary in different areas and among different types of housing. The large majority of the projected new housing, 2,450 units, is in the Sunnyvale Elementary School District portion of the District; only 900 units are in the Cupertino Union School District portion. The large majority, 3,100 units are apartments and condominiums, reflecting the lack of greenfield areas for development. One

hundred and thirty of the units are single-family detached (and townhouses), units traditionally more oriented to families. The remaining 120 units are part of below market rate (BMR) projects; these are separated out because they are often oriented to families and can generate a relatively large number of young children.

**Table 3-1  
Projected Housing Units 2011-12 through 2021-22**

<i>City</i>	<i>Type</i>	<i>Units</i>
<i>Sunnyvale ESD</i>		
	Single family detached	50
	Condominiums and Apartments	2,280
	Below Market Units	120
<b><i>Total-Sunnyvale ESD</i></b>		<b>2,450</b>
<i>Cupertino Union ESD</i>		
	Single family detached	80
	Condominiums and Apartments	820
	Below Market Units	0
<b><i>Total Units-Cupertino Union ESD</i></b>		<b>900</b>
<b><i>FUHSD Total Units</i></b>		<b>3,350</b>

*The Sunnyvale and Cupertino Elementary School Districts comprise almost all of the District.  
Source: Enrollment Projection Consultants*

A time framework of a decade was used in the analysis for the 2012 justification document. The shorter time framework here follows from EPC’s decision to restrict its forecast to five years. New housing being completed and occupied during the school years 2015-16 through 2019-20 is forecasted. This allows for a comparison of enrollment from the fall of 2015 to the fall of 2020.

The actual volume and timing of new housing within the District is not critical when determining the cost impact of new residential development for fee calculation purposes. Regardless of whether these projections are realized in five years or 10 years, the same number of students from new housing will have to be accommodated. Furthermore, while any unanticipated change in the amount of housing constructed in a given time frame will change the projected enrollment from new housing, and the cost of accommodating it, it will also change by the same proportion the assessable square footage projected to be constructed over that same time period, leaving the per square foot cost of new development essentially unchanged. In other words, using a moderately lower (or higher) growth estimate than is assumed here would not affect the cost impact of an individual new housing unit.

### Student Generation Rates

Student generation rates (SGRs or student yields), the average number of students per home, are the second key aspect of projecting enrollment from new homes. (For example, if 40 students reside in 100 homes, the SGR of these homes is 0.40.) Student generation, however, typically varies among housing types; single-family detached homes usually generate two to three times more students than units in multiple family structures (apartments and condominiums). Other factors such as the sale price, the location of residential development, the characteristics of the units, and socio-economic factors are also significant in determining student generation.

Enrollment Projections Consultants' work for FUHSD includes searching the District's student file for addresses matching the addresses of recently built housing. This survey provides SGRs for housing of different types in different parts of the District. The SGRs for the housing type and District sub-areas are shown in Table 3-2.

**Table 3-2**  
**Student Generation Rates (SGRs)**  
**For New Housing**

<i>Housing Type</i>	<i>SGRs</i>
<b><i>Sunnyvale ESD</i></b>	
<i>Single-Family Detached</i>	0.10
<i>Condominiums/Apartments</i>	0.02
<i>Below Market (BMR)</i>	0.28
<b><i>Cupertino USD</i></b>	
<i>Single-Family Detached</i>	0.21
<i>Condominiums/Apartments</i>	0.08
<i>Below Market (BMR)</i>	0.02

*\* Some family friendly condominiums are included with single family.*

*Source: Enrollment Projections Consultants*

### Enrollment from New Housing

The number of housing units of each type simply multiplied by the student generation rate of each housing type results in a preliminary total of 169 students, as shown in Table 3-3. (EPC actually tracks the new students through the grades and thus the District forecasts include a slightly different count of students from new housing.)

**Table 3-3  
Enrollment from New Housing**

<i>Housing Type</i>	<i>Units</i>	<i>SGR</i>	<i>As Built</i>
<b><i>Sunnyvale ESD</i></b>			
<i>Single-Family Detached</i>	50	0.10	5
<i>Condominiums/Apartments</i>	2,280	0.02	47
<i>Below Market (BMR)</i>	120	0.28	34
<i>Sunnyvale Total</i>	2,450		86
<b><i>Cupertino USD</i></b>			
<i>Single-Family Detached</i>	80	0.21	17
<i>Condominiums/Apartments</i>	820	0.08	67
<i>Below Market (BMR)</i>	0	0.02	0
<i>Cupertino Total</i>	900		84
<b><i>FUHSD Total</i></b>	<b>3,350</b>		<b>169</b>

*Sources: Tables 3-1 and 3-2*

**Enrollment from Existing Housing**

District enrollment as of the fall 2015 California Longitudinal Pupil Achievement Data System (CALPADS) [the successor to the Basic Education Data System (CBEDS)] was 10,736. Of this total 37 students did not attend the five comprehensive high schools; the enrollment at these five schools was about 10,700 students. District enrollment has increased by 1,674 students, an increase of 25%, over the last 15 years. The majority of this increase has come from existing housing. From 1996 through about 2006, the presence of the baby boom echo generation into high school years fueled the increases, though the increasing efforts of parents to have their children attend high achieving schools played a role. Since 2006, the large baby boom echo cohorts have been passing from their high school years. Yet, even with smaller high school age cohorts in California, District enrollment has increased by a small amount over the last five years. Now, with the baby boom echo cohorts almost all graduated, enrollment is projected to increase by over 600 students over the next five years, with only about 169 of this increase being generated by students from new homes.

The enrollment would be even larger if the District had not over the last decade undertaken a program to diminish the number of inter-district transfers attending FUHSD schools. Ten years ago the District established a residency office. It now require that new students enrolling in the District’s schools, whether entering the ninth grade or into a later grade, present evidence of residence in the District and do so again prior to their junior years. (The only significant exception is for children of the employees of the District and the feeder districts.)

## Chapter 4

### Capacity Analysis

Fremont Union High School District is a growing school district, as was made clear in the last chapter. This increased enrollment has been accommodated in the same schools in the District. And enrollment is projected to increase by over 600 students in the next five years. The intent in this fourth chapter is to look at the enrollment capacity of the existing facilities of the Fremont Union High School District to house the growing enrollment.

#### **Enrollment Capacity**

Given the need each year to picture the how the increasing enrollment will be housed, it is not surprising that District staff prepare detailed information about the capacity of the schools. It should be understood that staff are not determining long-term capacity based primarily on educational standards. Rather, the determination of capacity reflects factors such as current teacher/pupil ratios (lower than they used to be), whether teachers can stay in their rooms during their teacher preparation periods, minimal availability of rooms for meetings that are not regularly scheduled, etc. Though these are not the determination of the District's educational standards, they are the appropriate basis to begin consideration of the District's current enrollment capacity.

Per the District's recent classroom count for the space available for the 2016-17 school year, there will be a total of 457 classrooms in the five high schools (Cupertino, Fremont, Homestead, Lynbrook, and Monta Vista) that can be used for instruction; this count is up from a total of 345 classrooms ten years ago. The total includes 405 general education classrooms and 52 classrooms used for Special Day Classes (SDC), the program for students with special needs, which have much smaller class sizes. The count of classrooms does not include rooms used full time for academic support (e.g. libraries, computer labs, etc.) or administration.

The District's target is to schedule (non-SDC) classes for an average of 5.33 periods out of the seven periods of the day. One of the reasons for this is the presence of specialty rooms such as music rooms, computer labs, some science labs, etc. which do not get scheduled for their special classes all periods and are not arranged for general classes. Another reason is the District's policy of allowing teachers to remain in their home rooms during their two preparation periods, avoiding requiring them to move out and back and allowing them to meet with students and/or parents. (This is the policy at the great majority of California high schools.) Finally, class attendance is lower during the first period and, particularly, the last period of the day due to athletics, transportation arrangements, and student work schedules. The District estimates needed capacity per student at 6.10 classes per day. The 5.33 periods of usage of a classroom thus equals 87% of the need of the students in an average class.

The maximum number of students for each type of class is set by the District's contract with teachers. This often means the number of students in a given room will differ for different periods of the day. For example, freshman English and algebra classes are counted as having 23.0 students and later English and math classes have up to 28 students. Science, social science, and several other class categories have a maximum of 32.5 students. The largest class sizes are for physical education and band/choir classes. The average of all (non-SDC) classes is 30.10 students per class.

The sizes of Special Day Classes are set by the state standards. The District averages 12 students per SDC class. Room usage is targeted for 4.5 periods per day. SDC students are also assumed to take an average of about 6.10 classes per day, meaning each room provides about 74% of the needs of an average class.

Using these data the capacity of the 405 noon-SDC rooms is 10,640 students and the SDC rooms 460 students, for a total capacity of 11,100 students. This capacity is just about equal to the current enrollment.

At this point the compromises inherent in the assumptions need to be recognized. For example, teachers are allotted two hours each day for teacher preparation and other school related activities. The District's policy is that the teacher's home room will be available during that time. Yet overall only about half of that time is made available for that purpose. Another problem is that, with the rooms all assumed to be scheduled, rooms are not available for classes which pull students from their regular class schedule. A very important consideration is that the current class sizes, while now common in California, are larger than they used to be and larger than the average of high school classes nationwide. If the District moves towards the average sizes that used to be characteristic of the District and of the state, and the average of the country as a whole, its capacity would be significantly short of its enrollment.

In other words, the District is already compromising on educational standards in its provision of enrollment capacity. There is no excess capacity available for students from new homes in the District.

## Chapter 5

### Facility Costs

#### School Renovations and Additions

As discussed earlier, over the next five years enrollment is projected to increase over 600 students. New development is forecasted to generate 169 of these additional students. To cope with increased enrollment to this point, the District has undertaken projects over the last decade that has added 112 classrooms. (This is a net count; some classrooms, primarily portables, have been removed to make space for two-story buildings.) The enrollment of 600 more students will require the addition of even more capacity.

An additional high school campus would provide more than enough capacity. Reopening the former Sunnyvale High School campus was one possibility considered in the prior justification report. The District is currently leasing out the site and it could, in theory, be taken back and renovated for use as a high school. However, the condition of the campus is such that it's likely that it would be less expensive to demolish the buildings there and build anew than to renovate them. And the campus is currently subject to multiple long term leases; taking the campus back would, in effect, result in a large land cost. Also, very important, it is not in the southern portion of the District where the additional capacity is needed. The District has decided that it would not be a good campus for a comprehensive high school serving the Cupertino and Sunnyvale communities. And it would probably provide more than the capacity needed.

A new smaller high school in the southern portion of the District would appear to be ideal. However, it would be difficult to find an available site and, even if one could be found, the cost of adding capacity in the form of a new campus would be prohibitively expensive, given the cost of land. Thus more intensive development of existing campuses appears to be the most likely option.

#### Costs

The District has data on its cost of construction in the building of additional classrooms funded by Measure B authorized by the voters in 2008. One of the projects is the construction of a classroom and cafeteria building at Fremont High School. It is a two-story building with 30,000 square feet of floor space. The cost is \$22.0 million, which is \$733 per square foot for the 30,000 square feet of improvements. Similarly, a classroom and cafeteria building at Homestead High School has 17,000 square feet and cost \$12.6 million, or \$741 per square foot.

It is clear that infill construction on an existing campus on a tight schedule is much more expensive than construction of a new campus on an open field. The reasons include that they are designed to receive high LEED ratings, that non-classroom space is usually more expensive than classroom space, that they are two-story buildings, which the construction has to be fitted into an existing campus and scheduled so as to minimize interruption of ongoing school activities.

However, they do not include any land acquisition costs. These projects call attention to the reality that expanding the enrollment capacity of schools requires expanded capacity in the educational support spaces as well as classroom space.

The California School Facility (CSF) program uses a size standard of 95 square feet per high school student. This standard includes space for academic support activities. This standard times a \$733 per square foot cost results in \$69,600 as the cost of adding capacity to FUHSD schools. These costs per student, times the number of students generated by each alternative, project the cost of capital facilities to accommodate additional students.

This information about per student construction costs provides a basis for calculation of the cost impact of the 3,350 new homes projected in the next five years and the 169 students projected to reside in them. The cost is \$11.76 million.

**Table 5-2  
Facilities Expansion Costs**

	<i>Cost per Student</i>
<i>Per Student Construction Cost</i>	<b>\$69,600</b>
<i>Students from Residential Development</i>	169
<b><i>Construction Costs due to Residential Development</i></b>	<b>\$11,760,000</b>

*Source: General Plan Housing Element Study (2014) and Schoolhouse Services.*



## Chapter 6

### Determination of Fee on Residential Development

#### Per Square Foot Cost Impacts

The legislation authorizing school districts to impose fees implicitly assumes that they will be in the form of a fee amount per square foot of new construction. It is thus necessary to calculate the total square feet of new units among which the cost will be allocated. Single family detached (SFD) units vary widely in size. The SFD units will generally be as large as will fit on the sites, though in some cases they will be townhouses. An average size of 3,000 square feet is assumed for these units. The apartment and condominium units will be much smaller in size; an average size of 1,200 square feet is projected, above the size of projects now being proposed. In both cases, the area estimated is as defined in Section 65995(b)(1) of the California Government Code, being the “square footage within the perimeter of a residential structure,” with exclusions for garages, patios, etc.

Multiplying the 130 single-family detached units projected to be constructed by an average size of 3,000 square feet yields approximately 390,000 square feet. Multiplying the 3,220 projected units in multiunit buildings (i.e. condominiums and apartments) by an average size of 1,200 square feet yields approximately 3,864,000 square feet. The calculations are summarized in Table 6-1.

**Table 6-1**  
**Square Feet of Residential Development**

	<i>Single-Family Detached</i>	<i>Condominiums Apartments</i>	<i>Total</i>
<i>Number of New Units</i>	130	3,220	3,350
<i>Average Square Footage</i>	3,000	1,200	
<i>Total Square Footage</i>	390,000	3,864,000	<b>4,254,000</b>

*Source: Schoolhouse Services*

The total cost impact of new development was determined in the previous chapter to be \$11,762,000. As shown in Table 6-2, the resulting cost impact per square foot is \$2.76.

**Table 6-2**  
**Per Square Foot Cost of Residential Development**

<i>Facilities Costs</i>	
<i>Facilities Costs for Enrollment from New Housing</i>	\$11,762,000
<i>Total Square Footage of New Residential Development</i>	4,254,000
<i>Facilities Cost per Square Foot</i>	<b>\$2.76</b>

*Source: Schoolhouse Services*

The statutory fee the schools can levy on residential development per Educational Code Section 17620 is adjusted biennially by the State Department of Education. As adjusted February 24, 2016, the maximum fee is \$3.48 per square foot. Per agreements with the elementary school districts, Fremont Union High School District is entitled to 38% to 40% of this fee, if justified by this analysis. Its share is therefore \$1.32 or \$1.39 per square foot. With a cost impact of \$2.76 per square foot, Fremont Union High School District is justified in levying its share of the maximum state legislated amount on residential development.

### **Alternative Types of Development**

Government Code Sections 66000 *et seq.* refer to “types of development.” The type of development analyzed above is residential construction (without demolition of pre-existing structures) of new housing units. Other types of development have, or potentially have, different cost impacts. We here address several types of residential development other than new residential units on vacant land. The impacts of commercial and industrial development are addressed in the next chapter.

#### Redevelopment Construction

A recent lawsuit, *Warmington Old Town Associates v. Tustin Unified School District*, was decided by the Court on the determination that new construction that replaced pre-existing structures, termed “redevelopment construction” by the Court, constituted a different type of development. This was because it potentially had different student generation characteristics than new construction on vacant land. In other words, the removal of existing structures potentially removed some students, which could offset at least some of the impact of the students residing in the new homes. The court’s finding was that the Tustin School District’s justification lacked determination of the impacts of redevelopment construction. Therefore, we address the matter of redevelopment construction.

It should be understood that Fremont Union High School District provides a credit for structures removed in preparation for new development. In most cases, this means that in effect only the incremental new square footage of redevelopment construction is assessed. This is not the only approach to implementing the Court's decision regarding "redevelopment construction;" it is the one that generally results in the lower fees.

The analysis in this report (of new construction on vacant land) would then also apply to that portion of redevelopment construction on which fees are levied. There will be cases in which the per square foot fiscal impact of the property demolished will differ from the impact of the new development, meaning that a simple subtraction of the old square footage is incorrect. The obvious example is when a commercial building is replaced by a residential building. In this case, the fee amount the demolished building would have to pay if new is subtracted from the fee otherwise due on the new, all as determined per the analysis in this report. In all cases, the analysis in this report appropriately covers redevelopment construction.

### Residential Expansions

Additions to existing homes are another type of development that differs from the model analyzed above. Additions to existing housing represent a permanent increase in the capacity to accommodate population in a community. Any increased population may include school-aged children, which will place a corresponding demand on schools. Thus, to maintain the educational level of service, the increase in local residential capacity from additions must be met by a corresponding availability of school facility capacity.

State law allows school districts to collect fees on room additions to existing housing units over 500 square feet. From a legislative standpoint, additions are considered a type of new development; in so far as they generate facility impacts they are subject to fees. Within the frame of the enrollment projections in this analysis, however, the students from additions are not included in the number of student from new development. In fact, residential additions represent a form of intensification of the existing housing stock and the resulting enrollment growth is a component of enrollment from existing housing.

We only have data on the impacts of additions from one situation. An analysis of residential additions was conducted by Schoolhouse Services for the Santa Cruz City School Districts. Available data there showed that additions averaged 977 square feet in size, and student generation for these homes increased from 0.48 to 0.69 K-12 students. The average share for grades 9-12 was approximately 0.05. A simple calculation serves to illustrate the school facility cost impacts of additions. In the previous chapters that average facilities cost per student was determined to be \$69,600. If each addition resulted in 0.05 students, the impact per addition would be \$3,480. An average addition of 977 square feet thus produces an impact of \$3.56 per square foot. This amount is well above the Level 1 fee amounts of \$1.32 or \$1.39 per square foot the District is eligible to levy.

### Senior Housing

Certain types of housing dedicated for occupancy by senior citizens may not be subject the full residential fee because it would not house student age residents. Pursuant to state law, it would generally be subject to the maximum fee for commercial development projects, based on its indirect contribution to student generation. Individual projects applying for such special treatment should be evaluated by the District on a case-by-case basis.

## Chapter 7

### Impact of Commercial/Industrial Development

Commercial or industrial development, along with residential development, has an impact on school enrollment. New jobs require a larger labor force, which in turn causes new housing to be built to increase the housing supply. The families in new houses have their children enrolled in the local school District. This enrollment growth, a joint result of the commercial/industrial and the residential development, in turn impacts the facility capacities of the District.

The District levies fees consistent with California Educational Code Section 17620 (formerly Government Code Section 53080) to be applied to the mitigation of these impacts. The previous chapter established that current Section 17620 fees for residential development do not generate enough revenue to cover the costs of additional capacity to accommodate the students from that development. The revenue gained from the maximum allowable such fees on residential projects covers only a portion of the cost of housing the students from new homes. Therefore, the District looks to commercial/industrial development also to contribute its fair share of the cost of needed school facilities.

The current maximum fee for commercial or industrial development projects is set at \$0.56 per square foot (the rate was set by the State Allocation Board on February 24, 2016). If justified by this analysis, Fremont Union High School District is entitled, depending on the elementary district, to 38% or 40% of this fee, or \$0.21 or \$0.22 per square foot of commercial/industrial development. The District seeks to levy this amount, where justified, to help alleviate the unfunded facilities cost per student.

#### Calculation of Cost Relationship

There are several key components in calculating a justifiable commercial or industrial development fee. The following formula is used to determine the school facility cost per square foot of development:

- A. Employees per Square Foot of Development.
- B. Percentage of Employees Residing within the District.
- C. Average Number of Homes per Resident Employee.
- D. Average Number of Students per Home.
- E. Unfunded Cost of School Facilities per Student.

$$A \times B \times C \times D \times E = \text{School Facility Cost per Square Foot of Development}$$

The number of employees per square feet depends on the type of commercial/industrial (C/I) development. Consequently, the result of the equation will differ for each principal C/I category. The remaining factors are approximately consistent across development types. The fact that the result is greater than zero reflects the causal relationship between commercial/industrial development and school facility needs. If the calculated impact is greater than the maximum, currently \$0.21 or \$0.22, for a given category of development, then the maximum fee is justified for that type of development. Each factor in this formula is discussed below.

Employees per Square Foot of Development

The estimated number of employees per square foot must reflect the wide variation among the different types of commercial/industrial development. As permitted by state law, results from an employment density survey published by the San Diego Association of Governments (SANDAG) are used to determine numbers of employees per square foot anticipated in future commercial or industrial development. (Information on warehouses, for which SANDAG lacks data, is from the Institute of Transportation Engineers.) SANDAG provides employment densities based on a series of categories ranging from retail to research and development. The densities are shown in Table 7-1.

**Table 7-1  
Employees Per Square Foot of Building Area**

<i>Category</i>	<i>Employees/Sq.Ft.</i>	<i>Sq.Ft./Employee</i>	<i>Employees/1,000 Sq.Ft.</i>
<i>Parking Structures*</i>	0.00002	50,000	0.02
<i>Self-storage</i>	0.00006	15,541	0.06
<i>Lodging</i>	0.0011	883	1.10
<i>Schools</i>	0.0011	878	1.10
<i>Warehouses**</i>	0.0013	769	1.30
<i>Auto Repair</i>	0.0013	741	1.30
<i>Movie Theaters</i>	0.0015	667	1.50
<i>Big Box Retail</i>	0.0017	597	1.70
<i>Regional Shopping Centers***</i>	0.0019	539	1.90
<i>Hospitals</i>	0.0021	471	2.10
<i>Community Shopping Centers***</i>	0.0023	442	2.30
<i>Neighborhood Retail***</i>	0.0026	388	2.60
<i>Banks</i>	0.0028	354	2.80
<i>Business Offices</i>	0.0034	293	3.40
<i>Medical Offices</i>	0.0043	234	4.30

\* With attendants.

\*\* Source: Institute of Traffic Engineering (I.T.E.) *Trip Generation* 5th ed.

\*\*\* Regional is greater than about 35,000 sq. ft., community 10,000 to about 35,000 sq. ft., and neighborhood less than 10,000 sq. ft.

Source of other data: SANDAG Traffic Generators report, April 2002 (most recent edition).

*For example, suppose an office developer wishes to build a medical office building with an area of 100,000 square feet. To determine the justifiable fee for this category, SANDAG provides a statistic of an average of 0.0043 employees per square foot, or 4.3 employees per 1,000 square feet. With an area of 100,000 square feet, this development would yield approximately 430 employees.*

#### Percent of Employees Residing within the District

Fremont Union High School District serves an area that includes commercial/ industrial as well as residential property. A share of those employed within the District's boundary will also reside in the area. This is more likely to occur in communities where there is a substantial supply of residential properties. The Cupertino and Sunnyvale areas are fairly large, with varying degrees of affordability. However, being located in the Silicon Valley there are also other nearby residential opportunities outside of the FUHSD. Therefore, we estimate that the percentage of employees who work and reside in the District is approximately 35%. (This is a conservative approach in that we include no impact from employment outside the District that contributes to enrollment within the District, or from employment in the District that contributes to enrollment in other districts.)

*Continuing with our example, the second step in determining total cost of the medical office building development is to determine the number of new employees likely to also live within the District by using the ratio for current residents. In the previous section, we established that there would be approximately 430 employees for the 100,000 square foot office building. The number of employees living in the District, and therefore likely to have an impact on District facility capacity, would be 35% of 430, or 151 employees.*

#### Average Number of Homes per Resident Employee

This section addresses how many homes are likely to result from new employees living in the District. A rule of thumb supported by Census data is that there are typically about 1.5 employed persons per home. This can also be stated as 0.67 homes per employee. This ratio reflects the fact that many homes have more than one worker.

*In our office building example, the 151 employees living in the District will require  $151 * 0.67$ , or 101 additional homes.*

#### Average Number of Students per Home

A total of 3,350 new homes are forecast over the next 10 years. These homes are projected to generate 169 new students. The average SGR is therefore 0.05045 students per home.

*Continuing with the medical office building example, we can now determine how many students will impact facility capacity as a result of new employees residing in the District. The approximately 101 homes, (occupied by 151 employees) will in turn yield  $101 * 0.05045$ , or about 51 students.*

### Unfunded Cost of School Facilities per Student

The cost of facilities for new students assigned to commercial/industrial development must not include the portion funded by residential fee revenue. As calculated in Table 7-2, the unfunded facility cost, after revenue from residential fees, is \$5,849,000, or \$34,609 per student. (The higher residential rate of \$1.39 per square foot is conservatively used for this analysis.) It is this unfunded remainder per student that drives the need to levy appropriate fees on the new commercial/industrial development.

**Table 7-2**  
**Unfunded Facility Cost per Student**

<i>Total Residential Square Feet</i>	4,254,000
<i>Fee per Square Foot</i>	\$1.39
<b><i>FUHSD's Total Residential Revenue</i></b>	<b>\$5,913,000</b>
<i>Total Facility Cost</i>	\$11,762,000
<b><i>Total Unfunded Cost</i></b>	<b>\$5,849,000</b>
<i>Number of Students</i>	169
<b><i>Unfunded Facility Cost per Student</i></b>	<b>\$34,609</b>

*Source: Schoolhouse Services.*

*We can now finish calculating the large medical office building example. Multiplying the unfunded facility cost for one student of \$34,609 times 51 students results in a total impact of \$1,765,000. At 100,000 square feet, this commercial development costs the District approximately \$1.76 per square foot. This is well beyond the maximum of \$0.22 per square foot fee, which is the maximum fee allowable by state law and the agreement with the feeder schools. This example illustrates the significant impact of commercial/industrial development, and specifically medical office space, on District capacity and facility costs.*

Similar calculations for other categories of commercial/industrial development are shown in Table 7-3.



**Table 7-3  
Cost per Square Foot with Residential Offset**

<b>Building Type</b>	<b>Employees per Sq. ft.</b>	<b>Employees in District</b>	<b>Homes per Employee</b>	<b>Students per Home</b>	<b>Cost per Student</b>	<b>Cost per Sq. ft.</b>
<i>Parking Structures*</i>	0.00002	35%	0.67	0.0505	\$34,609	\$0.01
<i>Self-storage</i>	0.00006	35%	0.67	0.0505	\$34,609	\$0.02
<i>Lodging</i>	0.0011	35%	0.67	0.0505	\$34,609	\$0.45
<i>Schools</i>	0.0011	35%	0.67	0.0505	\$34,609	\$0.45
<i>Warehouses**</i>	0.0013	35%	0.67	0.0505	\$34,609	\$0.53
<i>Auto Repair</i>	0.0013	35%	0.67	0.0505	\$34,609	\$0.53
<i>Movie Theaters</i>	0.0015	35%	0.67	0.0505	\$34,609	\$0.61
<i>Big Box Retail</i>	0.0017	35%	0.67	0.0505	\$34,609	\$0.70
<i>Regional Shopping Centers***</i>	0.0019	35%	0.67	0.0505	\$34,609	\$0.78
<i>Hospital</i>	0.0021	35%	0.67	0.0505	\$34,609	\$0.86
<i>Community Shopping Ctrs***</i>	0.0023	35%	0.67	0.0505	\$34,609	\$0.94
<i>Neighborhood Retail***</i>	0.0026	35%	0.67	0.0505	\$34,609	\$1.06
<i>Banks</i>	0.0028	35%	0.67	0.0505	\$34,609	\$1.15
<i>Business Offices</i>	0.0034	35%	0.67	0.0505	\$34,609	\$1.39
<i>Medical Offices</i>	0.0043	35%	0.67	0.0505	\$34,609	\$1.76

\* With attendants

\*\* Source: Institute of Traffic Engineering (ITE) Trip Generation 5th ed.

\*\*\* Regional is greater than about 35,000 sq. ft., community 10,000 to about 35,000 sq. ft., and neighborhood less than 10,000 sq. ft.

Source: Table 7-1 and Schoolhouse Services

### **Development Not In Prescribed Categories**

Given the District's 60/40 and 62/38 splits with its feeder districts, this report demonstrates that the maximum fee amounts of \$0.21 and \$0.22 are justifiable for all of the categories except Parking Structures and Self-Storage. These low employment density categories can only be levied fees of \$0.01 and \$0.02 respectively.

However, if when using this table to determine future fees no category directly fits the type of development in question, one can use the following analysis to determine the justifiable fee. First, determine the employment density (employees per square foot) for the project. Next, determine if the employment density is high enough to justify levying the maximum fee (the greater the number of square feet per employee the lower the density and the lower the impact). In this case, it is helpful to know the minimum number of square feet per worker needed to justify such a fee. A "break even point" can be calculated using the formula for Cost per Square Foot of Development, setting the result equal to \$0.22 (assumed to apply for this calculation) and solving for A, number of square feet per worker. Again, the factors are:

- A. Employees per Square Foot of Development.
- B. Percentage of Employees Residing within the District (0.35).
- C. Number of Homes per Resident Employee (0.67).
- D. Number of Students per Home (0.0505).
- E. Unfunded cost of School Facilities per Student (\$34,609).

**Break Even Point:**

$$\text{Workers/Sq. ft.} = 0.22 / (B * C * D * E) = 0.22 / (0.35 * 0.67 * 0.05045 * \$34,609).$$

$$\text{Workers/Sq. ft.} = 0.001246$$

$$\text{Sq. ft./Worker} = 803 \text{ square feet per worker}$$

Therefore, any commercial or industrial development that does not fit into one of the SANDAG categories but is projected over its lifetime to have less than 803 square feet per worker should still be levied the maximum \$0.22/sq. ft. However, if the type of development in question typically has an employment density of more than 803 square feet per worker, the maximum fee should not be levied. Instead, a justifiable amount can be calculated using the formula outlined on the first page of this chapter, substituting the relevant number of employees per square feet.

For all categories above the break-even point (currently all categories except “parking structures” and “self storage”), the fee is \$0.22 per square foot

*Example:*

*Suppose a developer wishes to build a 10,000 square foot storage facility that, by its nature, is expected typically to have about one employee. The employment density for this development is 1/10,000 or 0.0001 employees per square foot. However, the break-even point for justifying a maximum fee is a per employee density of 803 square feet. It is therefore necessary to calculate a lower fee for this development. Using the formula for School Facility Cost per Square Foot of Development, we yield the following result:*

$$0.0001 * 0.35 * 0.67 * 0.05045 * \$34,609 = \$0.08 \text{ per square foot.}$$

## Chapter 8

### Findings

The chapters of this Fee Justification Study present a methodology for evaluating school facility capital costs associated with new commercial, industrial and residential development. In particular, Chapter 6 showed that residential development has an impact on the District and that fees projected to be collected from residential development are less than the cost of meeting these school facility needs. Chapter 7 established that commercial and industrial development in the District will contribute to the need for new or reconstructed school facilities. This chapter frames the results of the analysis in terms of the legislated requirements to demonstrate the legal justification of the Level 1 and C/I fees.

#### Legal Tests

The relationship between School Facility Fees and new development may be evaluated by applying three tests, each of which must be met for the fee amount to meet the requirements of Government Code Section, 66000, et seq. These three tests are discussed below.

1. Does a reasonable relationship exist between the need for elementary and middle school facilities and new commercial/industrial and residential development projects? (Sometimes known as the relationship test.)

**This report establishes that new development projects cause a need for school facilities in the Fremont Union High School District.**

2. Does the District need new or reconstructed school facilities? (Sometimes known as the "Need Nexus.")

**This report establishes that the District has no excess capacity; it will need additional school facilities to accommodate students generated from new development projects.**

3. Is the fee amount reasonably related to the amount of need caused by the new commercial/industrial or residential development project? (Sometimes known as the "Cost Nexus")

**This report establishes that cost of school facilities needed by the District to accommodate students related to new development projects is greater than the fees which may be levied against the respective types of new development projects.**

## **Evaluation of Legal Requirements**

The following sections evaluate the three tests listed above.

### Reasonable Relationship Between Development Projects and the Need for School Facilities

Enrollment will grow due to continuing development of new homes and continuing demand for new and existing housing linked to development of employment opportunities in the District. To meet this need, the District must make construction and reconstruction investments to meet the demands from existing housing and the demands of new students entering the school system.

This report established that each new housing unit or residential addition project is on average likely to have a certain number of students, that new school facilities are needed, and that the average cost of serving each new housing unit is greater than anticipated revenues for both a project-by-project and cumulative basis.

This report establishes (a) that new commercial or industrial development within the District causes an increase in the number of workers in the District, (b) that a percentage of these workers reside in the District, (c) that each housing unit in the District has a statistical relationship to the District's enrollment by the probability of having children living in that home who will attend a school operated by the District, and (d) additional students will require the District to incur costs for additional school facilities.

This report further established that new construction needs must be addressed so that these future students will have adequate school facilities in which to receive an education. Facility costs unrelated to new development will be financed by other sources of income.

### Need for School Facilities

Enrollment projections show that enrollment will continue to grow and exceed available school space. The projected new homes will bring additional students to the District; residential addition projects will bring additional students to the District; and commercial/industrial developments will play a contributing role in the generation of these students. Together, these additional students will cause the District to undertake various new construction projects. Based on these projections, the District will expand its building program to provide for future school facility needs. Necessary accounts have been established and funds are appropriated for these purposes by the Board.

School Facility Fees will be used to create additional space for students, including planning, design and construction of permanent additions to any of the sites owned by the District, match payments for any state funded projects, lease or rental of portable/interim school facilities, interim site improvements, and costs related to accomplishing these projects. Other projects are expected to include acquisition of furnishings and equipment needed by the increased number of students, reconstruction or expansion of school and support staff work areas to enable the

District to serve the increased number of students, and require services to implement these projects. In addition to the above costs, School Facility Fees may be used to pay the administrative, legal, architectural, engineering or other professional costs associated with implementing the above projects and the School Facilities Fee program.

#### Relationship Between Fee Amount and Costs from New Development

This report also shows that a fee equal to the maximum statutory fee of \$1.32 or \$1.39 per square foot, depending on the elementary district, is appropriate for residential development because the cost impact (calculated at \$2.76) is greater than these amounts. It also shows that a fee equal to the \$0.21 or \$0.22 per square foot commercial/industrial fee maximum is appropriate for almost all commercial and industrial development projects likely to be built in the District because their cost impact is greater than these amounts. For Parking Structures and Self-storage, the District will levy only the appropriate fee amount equal to the fiscal impact of that particular commercial/industrial development category.