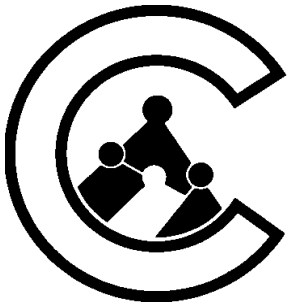
DEVELOPMENT IMPACT FEE JUSTIFICATION

Prepared for:

CUPERTINO UNION SCHOOL DISTRICT



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Introduction & Summary

Background

The Cupertino Union School District (CUSD and District) is located at the heart of Silicon Valley. It serves essentially all of the City of Cupertino, along with portions of the neighboring cities of Los Altos, San Jose, Santa Clara and Saratoga. Enrollment has been growing steadily and is projected to continue to do so, reflecting both students from new development and increased enrollment from existing housing units. The District does not have adequate school facilities to accommodate its enrollment.

Section 17620 of the California Education 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 $3.20 per square foot of residential development, and $0.51 per square foot of commercial/industrial development; the maximums were adjusted to this level by the State Allocation Board at its meeting on January 25, 2012. Per an existing development fee sharing agreement with the Fremont Union High School District, Cupertino Union School District is entitled to receive 60% of the maximum fee, $1.92 on residential development and $0.31 on commercial/industrial development.

To levy these fees the District requires documentation showing the nexus between development and the facilities to be funded and the cost of mitigation. (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 provides a theoretical framework for the analysis and findings in the remaining chapters.
>
> Chapter 3 begins with a description of the methods of enrollment analysis. This chapter then considers enrollment from new housing and goes on to consider whether enrollment from existing housing will change.
>
> Chapter 4 describes the District's classroom loading standards and estimates classroom availability. Using this information, it provides an analysis of the capacity of the District's existing facilities.

Chapter 5 compares the capacity of the District's facilities with projected enrollment and describes the District's future capacity needs, its school facility plans, and facility costs.

Chapter 6 provides the justification of fees on residential development. It first calculates the cost of facilities required on a per square foot basis. It then shows that the District is justified in levying the maximum Section 17620 fees on residential development. The fiscal impact of types of residential development other than on vacant land is 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 almost all categories of commercial/industrial development.

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

Summary of Findings

- Enrollment as of the fall of the 2011-2012 school year is 18,645 students. The District currently houses all students from existing homes in its facilities. However, class sizes are on average larger than they used to be and larger than the District considers educationally desirable. Also, the District uses more relocatables than are considered acceptable by State of California funding regulations and some of them are relatively old. The total capacity of the District's schools with classes at appropriate size standards, and without excess or deteriorated older relocatables, is not much over 15,000 students.

- One thousand new housing units are projected to be constructed from July of 2011 through the 2020-2021 school year, generating enrollment in the fall of 2021. Approximately 368 students are projected to be living in these new homes in the 2021-2022 school year. This increase will exacerbate the District's current 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 additions that will house the 368 students from new development are estimated to cost $7.36 million.

- The cost impact per square foot of residential development is $4.58 per square foot. The District's current Section 17620 maximum residential fee level is $1.92 per square foot of new construction, approximately 40% of the cost impact.

- The current maximum fee for commercial/industrial space is $0.31 per square foot. This fee is justified on all categories of non-residential development except for parking and self-storage structures. Lower amounts have been determined for these categories.

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 relationship 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. 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; that 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, as stated above, is 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. The enrollment projections must include consideration of factors affecting enrollment other than new development; for example, rising birth rates may result 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 necessary 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 share of the cost impacts attributable to each individual development project. To begin with, how much of the cost should be allocated to commercial/industrial (C/I) 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 State legislation. If fees at that level are inadequate, fees on C/I 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 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 footage as a measure of relative causality of school impacts.

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.

Chapter 3

Housing and Enrollment Projections

Housing Projections

Cupertino Union is called upon to house enrollment from new residential development in the District. 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 in the District. The Cupertino Union School District boundaries encompass all (except a very small office park portion) of the City of Cupertino, and smaller portions of the cities of Sunnyvale, San Jose, Saratoga, and a very small portion of Los Altos. The City of Cupertino includes just under 40% of the housing units in the District at the time of the 2000 U.S. Census. The remaining 60% of the District's housing units were in the other cities.

There are no large vacant land areas available for development within the District's boundaries. The majority of new residential will occur as either redevelopment of existing commercial properties (such as the Valco Shopping Center site) or redevelopment of existing residential properties. There are only a limited number of smaller vacant parcels.

The projections are those prepared for the District by Enrollment Projection Consultants (EPC). 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 "planning areas", allowing for the factors based on the nature of each area.

EPC projects the construction of about one thousand new homes in the District over the next decade. The great majority of these, 830 units, are apartments and condominiums, reflecting the lack of greenfield areas for development. One hundred and fifty of the units are single-family detached and townhouses, units traditionally more oriented to families. The remaining twenty are below market rate (BMR) units; these are separated out because they are often oriented to families and generate a relatively large number of young children.

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 15 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.

Table 3-1
Projected Housing Units
School Years 2011-2012 through 2020-2021

Housing Type	*Units*
Multi-Family (Condominiums/Apartments	830
Single- family Detached*	150
Below Market Multi-family	20
Total	**1,000**

**** Includes townhomes and other family oriented multi-family units.***
Source: Enrollment Projection Consultants

Student Generation Rates

Student generation rates (SGRs), the average number of students per home, are the second key aspect of projecting enrollment from new homes. (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.

In the District single-family detached housing, and a significant share of single-family attached housing, is targeted towards families with children, with almost all units having three or four bedrooms. This is because there is a very high premium on family housing in CUSD due to families wanting to take advantage of the quality of the District's schools, as well as the top-rated high schools serving the area. This desire is also reflected in the unusually large number of students present in smaller units not designed for families. Single-family attached units (condominiums) and most apartments are in multi-story buildings and typically have one or two

bedrooms. For young families with children they are more expensive and less satisfactory than other alternatives, yet student generation in these housing types is significant. Overall, student generation is extremely high for an older suburban area.

Table 3-2
Average SGRs by Housing Type

Housing Type	*Average SGR*
Multi-Family (Condominiums/Apartments	0.27
Single- family Detached*	0.64
Below Market Multi-family	0.33

**** Includes townhomes and other family oriented multi-family units.***
Source: Enrollment Projection Consultants

Enrollment from New Housing

The number of housing units of each type multiplied by the student generation rate of each housing type results in a preliminary total of 327 students, as shown in Table 3-3. EPC actually tracks the new students through the grades and forecasts that the 1,000 new homes constructed from fall 2011 to fall 2021 will generate a total of 368 students enrolled in the District in the 2021-2022 school year; this is the number of total students shown in the last column of the table. The difference is the addition of students into kindergarten between the time the unit is first occupied and the fall 2021 student count (minus some graduates from the eighth grade). Of the 368 students, 253 will be in grades Kindergarten through five, and thus attending elementary schools, and 115 will be in grades six through eight (and attending middle schools).

Table 3-3
Enrollment from New Housing

			Students	
Housing Type	*Units*	*SGR*	*As built*	*2021*
Multi-Family (Condominiums/Apartments	830	0.27	224	
Single- family Detached*	150	0.64	96	
Below Market Multi-family	20	0.33	7	
Total	1,000		327	**368**

**** Includes townhomes and other family oriented multi-family units.***
Sources: Tables 3-1 and 3-2.

Enrollment from Existing Housing

The projection of future enrollment from homes already present in the District involves several complications. In the short term, there is the uncertainty about the change in the birth-date at which students begin kindergarten, complicated by the possibility of the District having classes for students with birthdays just prior to the cut-off. On a broader scale, the last several years have seen a great increase in enrollment in the younger grades, reflecting several factors but especially the larger role of test scores in attracting increasing numbers of young families to the District. EPC tends to see continued increases as unsustainable in the longer run, due to lower birth rates a few years ago, leaving the District with large cohorts currently in the younger grades moving in the next few years into the middle schools. Given the assumption that the housing turnover to younger families has peaked, EPC forecasts show overall elementary enrollment decreasing beginning about 2015 and then growing again a few years later as the higher current birth rate is reflected in school enrollments. Consistent with this picture, middle school enrollment would grow at a rapid rate while the current large cohorts in the early grades progress through and then have a temporary downswing until the larger cohorts now being born move into the middle schools.

Chapter 4

Capacity Analysis

Cupertino Union is a rapidly growing school district, as was made clear in the last chapter. Enrollment has increased every year in the last decade, going from 15,575 in the fall of 2001 to 18,645 a decade later; this increase of 20% has been accommodated in the same schools in the District. The increase is overcrowding many of these schools. Most of the schools are housing more students than their design capacity, primarily by adding modular classrooms. School classroom support facilities - cafeteria/general purpose spaces, administrative offices, support classrooms for music/art or for students with targeted needs, playground space and facilities, etc. - are over-crowded or unavailable.

The intent in this fourth chapter is to determine the enrollment capacity of the existing facilities of the Cupertino Union School District. The chapter begins with an analysis of District standards in matters critical to the calculation of enrollment capacity: classroom loading (i.e. class size), single or double session kindergarten classes, teachers remaining in their rooms during prep periods, and allowance for flexibility. Information is then provided regarding the number and availability of the different types of classrooms. The chapter concludes with a determination of the capacity of these classrooms consistent with the District's standards.

Classroom Loading

The enrollment capacity of a school is a function of the District's educational standards. As used here, a "standard" is the reasonable level the district believes it should be using and is therefore the level it uses in planning for the future. For example, one key standard is the average number of students per classroom. Class size standards adopted by the District Board after study of the matter would be a clear indication of the District's standards. Since such a study has not been undertaken in the district, the current practice and the practice in the past are the most relevant evidence. In the current situation the district's ability to staff classrooms has been compromised by the recent reductions in state funding of education. The standards used for this report are thus a combination of current class sizes and class sizes in recent years.

The District employs several different classroom loading standards, reflecting both state-level requirements, local Cupertino Union School District policies and, above all, the level of state funding. The State of California funds a class size reduction program that subsidizes a portion of the cost of class size reduction in kindergarten through third grade and the Cupertino District participates in this program. (Kindergarten is a special case in the Cupertino Union District, as discussed below.) The standard built into the program is a maximum of 20 students per homeroom. Due to financial and classroom capacity constraints, however, the district has

increased the maximum size in the kindergarten through third grade class size reduction program in this school year, raising class sizes in these grades up to a maximum of 24 students. This increase was facilitated by the fact that the penalties built into the state program are being waived. However, the waiver is scheduled to sunset after the 2013-14 school year. The Cupertino community values education and it is likely the district will make an effort to return to smaller classes in the lower grades if at all possible; for example, District voters approved a parcel tax in part to minimize the effect of state budget cuts on class sizes. The District's reasonable standard is 20 students per class, at this time still the state standard.

The kindergarten class sizes are a special case. Two classes generally share each kindergarten room. Thirty-three students are split between the two classes. One class comes in the morning and the other in the afternoon, except they overlap during the middle of the day. The effect of the loading is that each kindergarten room accommodates a total of 33 students.

In grades fourth and fifth grades the District's loading standard is 32 students. A few years ago it appeared that state support for lowering class sizes above the third grade would be funded, but the state's fiscal difficulties have made funding for additional class size reduction beyond the third grade unlikely. Even so, a loading standard of 32 students is quite high in comparison withy the standards for other grades and in comparison with other districts. However, it has been the level of staffing and room planning for a number of years, so it is assumed as the stand in this report.

The loading standard for the middle schools, the sixth through the eighth grades, is 25 students per room. This is the current practice, despite the fiscal constraints. A teacher is assigned to each middle school for every 25 students.

Elementary school students typically remain in their assigned rooms during the school day, except for the period the class has recess. During that period the teacher has a teacher preparation period. Middle school students (grades 6-8) typically rotate from room to room. Each teacher has stays in his or her room during the period of the day assigned for his or her teacher preparation period; this offsets the physical education period students have for one period each day. Thus, the theoretical capacity for all grades is the number of classrooms multiplied by the appropriate loading standard.

In addition to regular education classrooms, Special Day Classes (SDC) for special education students are provided at Cupertino Union School District school sites. The District currently has 553 students with their primary classroom assignment in SDC classes. (This number is steadily increasing; there were 376 SDC students at the time of the 2005 study.) The number is almost evenly divided between assignments to severe and non-severe classes. The District plans on an average of 12 students per SDC classroom, approximately consistent with state standards.

Table 4-1
Classroom Loading

Grades	*Students*
Kindergarten	**33**
Grades 1-3	**20**
Grades 4-5	**32**
Elementary Average	**24.7**
Grades 6-8	**25**
Middle School Average	**25.0**
Special Day Classes (SDC)	**12**

Source: Cupertino Union School District

The District's classes, excluding SDC, thus consist of kindergarten effectively loaded at 33 students per room, three grades (1-3) loaded at 20 students per classroom, two grades (4-5) loaded at 32 students per classroom, and the three middle school grades (6-8) loaded at 25 students per classroom. The combination of the three elementary grade level loading standards (for grades K, 1-3 and 4-5) results (in a calculation more complex than would appear) in an average elementary class loading, excluding SDC, of 24.7 students per classroom.

Classroom Count

Classrooms are, of course, the principal focus of enrollment capacity. The first need in estimating capacity is a count of available classrooms in the District's existing schools. The count excludes rooms used for other than the District's educational program for kindergarten through eighth grade students. Thus rooms used for programs such as the Comprehensive Autism Program (CAP), student and family counseling, pre-school, etc. are not considered available. Similarly, rooms used for administrative purposes are not included.

The District's elementary schools have a total of 586 classrooms fitting this definition. Of these, 408 are in permanent buildings and 178 are modular classrooms, including 57 that will be over 30 years old by 2021. As well as the age consideration, the District considers that it has more relocatable classrooms than is educationally appropriate. This judgment is consistent with the California statutes regarding new school construction grants, in which districts, when calculating their enrollment capacity, do not include any modular classrooms above 25% of the number of permanent classrooms. Following this procedure, which is specified for Level 2 and Level 3 fees, the District should not count 76 modular classrooms. The assumption here is that the District will be replacing 57 modular classrooms, to a large extent those that would otherwise be 30 years old in 2021. This will leave the District's current facilities with 529 classrooms.

A similar analysis for the middle schools shows a total of 233 classrooms, 188 of them of permanent construction. There are 45 modular classrooms, a more reasonable percentage. Only three will be greater than 30 years old in 2021. Assuming the need to replace only three classrooms, the middle schools have 230 classrooms in existing facilities available in 2021.

Students will not be able to be assigned to all of these classrooms. Some will be used as academic support classrooms, including music and art rooms, computer and language labs, rooms used for counseling and intervention, and rooms used for the Resource Specialists Program (RSP). The standard for support classrooms is to have one room at each elementary school for RSP and two classrooms for other support activities, for a total of three support classrooms per school; the education standard thus requires 60 classrooms in elementary schools. The presence of aged and deteriorating classrooms, approximately the same number as the need for support rooms, is a critical factor in allowing the majority of elementary schools currently to have adequate academic support rooms, though that is not the case with some of the schools in the overcrowded schools in the northeast portion of the District.

Table 4-2
Classroom Count and Enrollment Capacity

	Elementary	*Middle*	*Total*
CLASSROOMS			
Total Classrooms	586	233	819
Permanent	408	188	596
Modular	178	45	223
*Retained Modular**	121	42	163
Permanent plus Retained Modular	529	230	759
Support (3 classrooms per school)	60	20	80
Available Classrooms	469	210	679
Non-SDC Classrooms	435	194	629
SDC Classrooms	34	16	50
CAPACITY			
*Non-SDC Loading Standard***	24.7	25.0	
*Non-SDC Classrooms Capacity****	10,745	4,850	15,595
SDC Loading Standard	12	12	
*SDC Classrooms Capacity****	408	192	600
Theoretical Capacity	11,153	5,042	16,195
Efficiency	95%	90%	
Practical Capacity	10,595	4,538	15,133

**** Excluding 60 aged/deteriorated modular classrooms.***
***** Elementary classroom loading reflecting loading of grades K-3 at 20 students per room, grades 4 and 5 at 32 students per room, and middle school grades 6-8 at 25 students per room.***
****** Equal to Homerooms times Loading Standard.***
Sources: Cupertino Union School District and Schoolhouse Services.

District Capacity

The District's total theoretical capacity is found by multiplying the number of classrooms available by the appropriate number of students a single classroom in each category accommodates. The number of students a given classroom accommodates is set by the classroom-loading standards established above. Thus, for example, in the elementary column the 435 non-SDC classrooms multiplied by the elementary non-SDC blended loading standard of 24.7 students yields a capacity for 10,745 non-SDC elementary students. All of the calculations are also shown in Table 4-2.

It is difficult, if not impossible, for a district to utilize each classroom at full capacity under the loading and usage assumptions described above. One obstacle to maximizing capacity is that the number of students in a grade at a school is not likely to be an exact multiple of the class size standard. For example, if there are 78 fifth grade students, they cannot be apportioned into classes each with 32 students. The classes either have to have 26 students or 39 students. (Fairly often a combination class is created, e.g. consisting of both of fourth and fifth graders, though that is not likely to result in classes of exactly 32 students. Also, combination classes create teaching difficulties and are thus an educational compromise.)

Another major problem in maximizing classroom loading and usage is that students are not geographically spread among attendance areas in a manner proportional to the enrollment capacity at each campus. The presence of many more students in the attendance areas of the schools in the northeast portion of the District is a particular difficulty in the Cupertino District. Of course, the District cannot control demographic patterns. In the absence of an evenly distributed student population, operating at theoretical capacity would require either capping enrollment at most schools or continuously changing attendance boundaries. Neither of these options is desirable.

Another fact is present in the middle schools. Special purpose rooms, such as science laboratories, music and art rooms, shop, etc., often cannot be scheduled for every period. The members of a school band probably are in band class only an hour or two each day. Even if there is a school chorus that also uses the room, it is unlikely that the room would be scheduled for a full class each period. And, without desks, the room cannot be used for English, math, etc. classes.

In light of these practical classroom loading and usage assumptions, the classroom-loading figure calculated earlier is multiplied by a factor that reduces the gross capacity to a more practical level. The reduction is five percent for elementary school enrollment capacity and 10 percent middle school capacity. In light of this consideration, the realistic capacity of the District's existing facilities, consistent with the District's standards, is about 10,600 elementary students and about 4,500 middle school students.

It can be noted that current enrollment is about 2,000 elementary students and 1,500 middle school students greater than the practical capacity of the District's classrooms. The District is able to accommodate these students primarily because it currently lacks the financial resources and room availabilities to have class sizes at a more reasonable standard in grades one through three; replacement of the aged relocatables, which currently house about 1,500 students, must also await funding.

Chapter 5

Facilities Plans and Costs

Comparison of Available Capacity with Enrollment

Table 5-1 compares student capacity with projected enrollment. It indicates that, at the classroom-loading levels summarized earlier, existing District facilities are pressed beyond capacity solely with enrollment from existing housing. Thus, these facilities will have no space remaining to accommodate the 368 students enrolled from new development.

Table 5-1
Capacity Compared to Enrollment in 2014

	Elementary	*Middle*	*Total*
Capacity	10,595	4,538	15,133
2011 Enrollment	12,593	6,052	18,645
Deficit	1,998	1,514	3,512

Source: Schoolhouse Services

District Facility Plans

Total additional capacity for perhaps 3,500 students would be needed to house existing students at the District's educational standards (including about 1,500 of them now housed in aged modular classrooms); additional students from new enrollment will only worsen the situation.

The district's preferred option for increased enrollment capacity would be new schools in the northern portion of the district. However, there seems to be no possibility of a new school; the primary reasons are the lack of a suitable site and, if one were available, its astronomical cost. The District does have two closed schools, but they are located in the southern portion of the District, while the need is in its northeastern portion. Furthermore, it would cost at least as much to renovate the schools to current state requirements as it would be build new schools on the sites.

The assumption made here, therefore, is that the increased enrollment capacity will be created by construction of one or more classroom wings at over-crowded schools, along with improvements in the support facilities to allow the campuses to function with a significantly larger enrollment than the design of the campus anticipated. The cost of such additions is only a fraction of the

cost of a new campus and probably less than the cost of taking back a leased site and renovating it for school use.

The District has constructed extensive improvements at various campuses over the last decade. These improvements have been funded primarily by bond issues approved by the voters, though fee revenues have also contributed. The District is now looking into whether it should ask the voters to approve another bond issue. In any case, however, bond issues by themselves will not be able to provide the capacity needed, as well as modernization projects that do not increase capacity. Fee revenue to pay at least part of the cost of capacity for students from new development must continue to be a part of the funding.

Elementary Schools

The Cupertino School Board has not at the present time adopted any plans for improvements that might be funded with a bond issue and/or developer fee revenue. As noted above, it is assumed here that the improvements would be additions to existing campuses. Classroom capacity would be added to the greatest extent possible by construction of new classroom wings, probably two stories in height. There could well potential classroom locations only large enough for a room or two; in such cases the improvements could be in the form of modular classrooms. Limited funding could also result in some modular classrooms. Classroom support facilities will also be needed, as many campuses have enrollments far above the designed capacity of their facilities. The improvement projects funded with fee revenue will presumably be at the schools most impacted by increased enrollment, though possibly sometimes being at schools where the increase in capacity is planned to relieve pressure on the schools most impacted by enrollment growth.

It will be a challenge to add additional capacity on the Stocklmeir, Eisenhower, and Collins campuses, the schools in the heart of the area of growing enrollment. Stocklmeir has a current enrollment of almost 1,200 students and Eisenhower and Collins have enrollments of about 750 students. The schools were designed for smaller enrollments and the sites are only 14.3 acres, 9.8 acres, and 9.6 acres in size respectively. The School Facilities Planning Division of the California Department of Education makes available a "Guide to School Site Analysis and Development" which includes recommendations for size of campus for various enrollments. The guide recommends 16.4 acres for an elementary school of 1,200 students without a class size reduction program and 17.6 acres with class size reduction. For an elementary school of 750 students, the guide recommends 13.1 acres without a class size reduction program and 13.8 acres with class size reduction.

Accommodating about 750 to 1,200 students on much smaller campuses involves placing classrooms on areas the state guide plans for other uses, such as recreation. The assumption used here is that the classroom wings would have two stories to minimize the ground area required and that the enlargement of support facilities would also be designed to minimize the compromise with recreational space.

Middle Schools

All of the Cupertino District's middle schools are projected to have enrollments substantially in excess of the capacity of their current facilities. A new campus is even more out of the picture for a middle school, as the campus size would be about twice that of an elementary school. The district has plans for possible improvements at several of the middle schools. Lawson middle School has the largest potential for additional enrollment capacity. The plans for that campus include two two-story classroom buildings, one with 16 rooms and the other with eight rooms; building these, however, would require that the district's adjacent administrative offices be moved to another site. The plans for the Cupertino campus include a two-story 22-room classroom building. Because of the other support and recreational space improvements included, the total cost of the improvements for both campuses is about $50 million, not including the cost of alternate space for the administrative space. The site plan for Hyde shows a single-story four unit classroom addition; the staff has recognized the need for it to be two stories on the same footprint.

These three schools also have a problem with limited campus space due to their enrollments being above the level for which they were designed; for Hyde and Lawson it is particularly serious. The "Guide to School Site Analysis and Development" published by the Department of Education has a standard of 20.9 acres for a school of 900 students and 23.1 acres for a school of 1,200 students. Hyde has a current enrollment of 1,005 students and a site size of 14.0 acres; Cupertino has a current enrollment of 1,293 students and the size of its campus is 20.4 acres; and Lawson's enrollment is 1,030 and its campus is 13.4 acres in size, though the addition of the land occupied by the administrative buildings would be a significant improvement. The picture is even more unsatisfactory, if projected future enrollments are considered. These size constraints are a factor contributing to the relatively high costs of the planned improvements. (It should be noted that the CUSD Board of Education has not reviewed or adopted plans for construction of any of these improvements.)

Costs

The improvements required to add enrollment capacity will include both classrooms and support facilities, essentially all of the types of facilities present in schools. It is therefore appropriate to look at the cost of complete schools as an estimate of the cost of adding these improvements. This is probably a conservative approach. Adding components and retrofitting is almost always more expensive per square foot than building a new campus, both because of the costs of "fitting in" and the lack of economies of scale. The State Allocation Board uses a minimal cost of educational facilities for state funding grants for new school facilities. The cost implicit in the grant amount for elementary students is $18,910 (excluding land costs) as of January 2012.

The preliminary cost estimates for the above projects have a significantly higher per student cost than the state figure. It can be noted, for example, that a two-story classroom building would be expected to cost at least $300,000 per classroom. (For example, an elevator would be required.) Assuming 24 students per room, the classroom cost is $12,500 per student, about two-thirds of

the State Allocation Board cost. Additional students on the campus require enlarging of some of the support facilities as well, e.g., the cafeteria and multipurpose rooms. A rough rule of thumb is that about 40% of elementary school costs are for support facilities. At a cost of $300,000 per classroom, less would be available for support facilities. In this report the state figure of $18,910 per student is used as the cost of adding capacity to the elementary campuses, thus assuming no land cost.

It seems consistent and conservative to use the state cost figures also to calculate the cost impact of the middle school students, even though the cost of improvements at the Cupertino and Lawson campuses is in above that figure on a per square foot basis. The projected cost implicit in the state grant amount became $19,998 as of January 2012. As discussed above, Special Day Class (SDC) students have less than half the number of students per room as non-SDC students; their per student cost is therefore more than double. The cost per SDC student in the state program is $35,530 for non-severe and $53,128 for severe. The average, weighted evenly between non-severe and severe consistent with the proportions of District SDC students, is $44,329 per student.

Table 5-2 shows the calculation of the cost for the provision of additional school facilities for the 368 students from new development. The total cost of housing students in expansions of existing campuses, i.e., without purchasing land, is $7.36 million. If it were necessary for the District to acquire additional land in the Cupertino market area to develop new facilities, the new total facilities costs would be much larger.

Table 5-2
Cost Impact of New Development

	Elementary	*Middle*	*SDC*	*Total*
Cost per Student	$18,910	$19,998	$44,329	
Number of Students	245	112	11	368
Cost Impact	$4,633,000	$2,240,000	$488,000	**$7,361,000**
Impact per Student				**$20,003**

Source: 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. Having data about single-family detached units is important because these units vary widely in size and, in CUSD, consist of the majority of new residential development. The District's recent developer fee payment records indicate that the average size of new recent single-family detached units over the last three years has been 2,798 square feet. For multi-family condominium and apartment units the average size has been 1,398 square feet. In all 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 150 single-family detached units projected to be constructed by 2021 by an average size of 2,798 square feet yields a total of approximately 420,000 square feet. Multiplying the 850 projected units in multiple-family buildings (apartments and condominiums) by an average of 1,398 square feet yields a total of approximately $1.19 million square feet. The calculation of the total square footage of 1.6 million square feet for the projected new housing units is summarized in Table 6-1.

Table 6-1
Square Feet of Residential Development

	Single-Family Detached	*Multiple-Family Buildings*	*Total*
Number of New Units	150	850	1,000
Average Square Footage	2,798	1,398	
Total Square Footage	419,627	1,187,963	**1,607,590**

Source: Schoolhouse Services

The total cost impact of new development was determined in the previous chapter to be $7.36 million. As shown in Table 6-2, the resulting cost impact is $4.58 per square foot ($7,361,000 million/1,607,590 million square feet).

Table 6-2
Per Square Foot Cost of Residential Development

Facilities Costs	
Total Facilities Cost	$7,361,000
Total Square Footage	1,607,590
Facilities Cost per Square Foot	**$4.58**

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 in January 2012, the maximum fee is $3.92 per square foot. By agreement with the high school district, Cupertino Union School District is entitled to 60% of this fee, if justified by this analysis. The District's share is therefore $1.92 per square foot. With a cost impact of $4.58 per square foot, Cupertino Union School District is justified in levying their share of the maximum state legislated amount on residential development, $1.92 per square foot.

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 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 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 Cupertino Union School District provides a credit for structures removed in preparation for new residential. 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 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, netting the fee amount the demolished building would have to pay if new against the fee due on the new, all as determined per the analysis in this report, determines the appropriate fee amount. 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 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 students 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 High School District. 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. Of the total 0.21 student increase, the estimated share of elementary and middle school students, based on the enrollment proportions, was 0.15 students per home. (This is a conservative estimate of the impact on the Cupertino District, as the student generation rates are in general significant higher in the Cupertino District.) A simple calculation serves to illustrate the school facility cost impacts of additions. In the previous chapters that average facilities cost was determined to be $20,003 per student. If each addition resulted in 0.15 students, the impact per addition would be $3,000. An average addition of 977 square feet thus produces an impact of $3.07 per square foot. This amount is well above the maximum Level 1 fee amount of $1.92.

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 $0.51 per square foot (the rate was set by the State Allocation Board in January 2012). If justified by this analysis, Cupertino Union School District is entitled to 60% of this fee, or $0.31. 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 x B x C x D x E = School Facility Cost per Square Foot of Development

The number of employees per square feet depends on the type of commercial/industrial development. Consequently, the result of the equation will differ for each principal commercial/industrial category. The remaining factors are 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 $0.31, 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, comes from the Institute of Transportation Engineers.) SANDAG provides employment densities for 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

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

** 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 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

Cupertino Union 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 Union School District is relatively varied. Therefore, we estimate that the percentage of employees who work and reside in the District is approximately 20%. (This is a conservative approach in that we include no impact from employment outside the District that contributes to enrollment within the District, nor 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 20% of 430, or 86 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 U.S. 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 86 employees living in the District will require 86 * 0.67, or 58 additional homes.*

Average Number of Students per Home

A total of 1,000 new homes are forecast over the next five years. These homes generate 368 students. The average SGR is therefore 0.368 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 58 homes, (occupied by the employees) will in turn yield 58 * 0.368, or about 21.3 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 per student, after revenue from residential fees, is $6,024. 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

Total Residential Square Feet	1,607,590
Fee per Square Foot	$1.92
CUSD's Total Residential Revenue	$3,087,000
Total Facility Cost	$7,361,000
Total Unfunded Cost	$4,274,000
Number of Students	368
Unfunded Facility Cost per Student	**$11,614**

Source: Schoolhouse Services

We can now finish calculating the large medical office building example. Multiplying the unfunded facility cost for one student of $11,614 times 21.3 students results in a total impact of $247,400. At 100,000 square feet, this commercial development costs the District approximately $2.46 per square foot. This is well beyond the maximum of $0.31 per square foot fee, which is the maximum fee allowable to the District by state law. 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

Building Type	Employees per Sq. ft.	Employees in District	Homes per Employee	Students per Home	Cost per Student	Cost per Sq. ft.
Parking Structures*	0.00002	0.20	0.67	0.368	$11,614	$0.01
Self-storage	0.00006	0.20	0.67	0.368	$11,614	$0.03
Lodging	0.0011	0.20	0.67	0.368	$11,614	$0.63
Schools	0.0011	0.20	0.67	0.368	$11,614	$0.63
Warehouses*	0.0013	0.20	0.67	0.368	$11,614	$0.74
Auto Repair	0.0013	0.20	0.67	0.368	$11,614	$0.74
Movie Theater	0.0015	0.20	0.67	0.368	$11,614	$0.86
Discount Clubs	0.0017	0.20	0.67	0.368	$11,614	$0.97
Regional Shopping Centers*	0.0019	0.20	0.67	0.368	$11,614	$1.09
Hospital	0.0021	0.20	0.67	0.368	$11,614	$1.20
Community Shopping Ctrs*	0.0023	0.20	0.67	0.368	$11,614	$1.32
Neighborhood Retail*	0.0026	0.20	0.67	0.368	$11,614	$1.49
Banks	0.0028	0.20	0.67	0.368	$11,614	$1.60
Business Offices	0.0034	0.20	0.67	0.368	$11,614	$1.95
Medical Offices	0.0043	0.20	0.67	0.368	$11,614	$2.46

* 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 developer fee sharing agreement with the Fremont Union High School District, this report demonstrates that the maximum fee of $0.31 is justifiable for all commercial industrial categories except the following categories which are not allowed to be charged at the $0.31 per square foot rate and may only be charged at their actual fiscal impact rate: parking structures ($0.01) and self storage facilities ($0.03).

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 $0.31 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 (0.20).

C. Number of Homes per Resident Employee (0.67).

D. Number of Students per Home (0.368).

E. Unfunded cost of School Facilities per Student ($11,614).

Break Even Point:

Workers/Sq. Ft. = 0.31/(B*C*D*E). = 0.31/(0.20*0.67*0.368*$11,614).

Workers/Sq. Ft.= 0.00089

Sq. Ft./Worker = 1,123 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 1,123 square feet per worker should still be levied the maximum $0.31/sq. ft. However, if the type of development in question typically has an employment density of more than 1,123 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.

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. This number inverted converts to 10,000 square feet per employee. However, the break-even point for justifying a maximum fee is a per employee density of 1,123 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:

*0.00172*0.20*0.67*0.368*$11,614 = $0.03 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 Cupertino Union 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

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 quantifies the relationship between students from new development and the cost of school facilities needed by the district to accommodate them. It then establishes that the cost impact is greater, except for two categories of commercial/industrial development, than the maximum fees that may be levied against the respective types of new development projects.

Evaluation of Legal Requirements

The following sections will 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 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.

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 relocatable/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 $1.92 per square foot is appropriate for residential development because it is less than the cost impact (calculated at $4.58). It also shows that a fee equal to the $0.31 per square foot commercial/industrial fee maximum is appropriate for the majority of commercial and industrial development projects likely to be built in the District because it is less than their cost. For development in other categories, the District will levy only the appropriate fee amount equal to the fiscal impact of that particular commercial/industrial development category.