

**DEVELOPMENT IMPACT
FEE JUSTIFICATION**

REVIEW AND UPDATE

Prepared for:

**FREMONT UNION
HIGH SCHOOL DISTRICT**



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INTRODUCTION

Fremont Union High School District levies development fees under Sections 17620 and 17621 of the California Education Code. In accordance with legislative guidelines, the State Allocation Board (SAB) has reviewed the maximum level of school facilities impact fees allowed per these code sections with the intent to adjust them for inflation in construction costs over the last two years. The Board’s review found that, after years of less than typical inflation, costs escalated significantly, especially in 2021. The indices used to measure inflation indicated that the maximum for the fees that can be charged to developers until the next adjustment, essentially for calendar years 2022 and 2023, should be increased to the following amounts:

K-12 Maximum Fee Amounts

Residential Construction	\$4.79
Commercial and Industrial Construction	\$0.78

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 (FUHSD) can levy up to 40% or 38% of the maximum fees, depending on the elementary district boundaries within which the development will occur. In the Cupertino Union School District (CUSD) 60% remains available to CUSD and in the Sunnyvale Union School District (SUSD) 62% remains available to SUSD. (The terms of the fee agreements vary slightly.) The new maximum fee levels, as well as the CUSD and SUSD share levels, are shown below:

	Total	Fremont Union High School District Share (with CUSD)	Fremont Union High School District Share (with SUSD)
Residential Construction	\$4.79	\$1.92	\$1.82
Commercial and Industrial Construction	\$0.78	\$0.31	\$0.30

Schoolhouse Services prepared a comprehensive Fee Justification Report for the Fremont High Union School District dated March 2016. It provides documentation of the District’s justification for residential and commercial/industrial (i.e., non-residential buildings) development impact fees. FUHSD contracted with Schoolhouse to review this report, to consider whether circumstances have changed to an extent that a new comprehensive justification report is required, and to describe the effects of the SAB’s changes on the District’s fee levies.

The circumstances regarding the impacts of development on school facilities can be summarized as follows. Housing development in the city has been increasing. New laws have been passed, and others are being considered, that require cities to approve projects that would not have been otherwise approved. California Senate Bill 35 (SB35) has requirements for Cupertino to achieve

State-mandated new housing levels. The District's most recent enrollment projections consider these changes, while also accounting for changing demographics that may affect the student generation rates in both new and existing housing.

District enrollment is projected to decline but, given the impact of the covid epidemic, it is difficult to trend current enrollment into the future. Changes in available classrooms have also occurred since the 2016 comprehensive report. Voters passed a bond issue and the resultant funds have enabled the District to construct new facilities, allowing the District to accommodate a larger number of students. However, some schools still lack the desired enrollment capability.

Fee revenues will be used for varied types of projects. Some of the fee revenues are likely to be used to construct facilities that increase the enrollment capacities of these schools. This could be to construct additional classrooms and classroom support space (and in some situations to provide it in modular buildings). It can also be to provide additional capacity in the academic support facilities required, such as libraries, physical education facilities, cafeterias and general-purpose rooms, administrative space, etc.

An increasing share of the projects will be refurbishing and replacing buildings that would otherwise not meet the standards of the District in coming years. This use of development fee revenues was recognized as legal when Government Code 66001(g) was amended specifically to recognize refurbishment of existing facilities as an appropriate use of fee revenues.

Facilities Cost

Recent capital projects within FUHSD provide information about the cost of refurbishing or replacing educational space to maintain enrollment capacity in the future. The projects included four classroom buildings, of which only one does not involve demolition of an older building. Another project involves the demolition of six classrooms. An equal number of planned projects involve renovation or replacement of space in buildings such as gym/field houses and cafeterias, some of which have a minority of the space devoted to classrooms.

The per square-foot cost of the four buildings are similar and averaged \$852 per square foot in 2020 dollars, \$710 per square foot in direct construction cost plus about 20% in associated costs such as architectural, fees, permits, etc. The SAB found that construction costs have escalated 17.45% over 2020 and 2021; this adjustment raises the average cost estimate to \$1,001 per square foot. Refurbishment in non-classroom building projects generally have higher per square foot costs. The cost of \$1,001 per square foot is conservatively used here as the basis for determining the capital cost impact of students from new development.

The California School Facility (CSF) program, which provides school construction grants to qualifying districts uses standards of 95 square feet per high school student. These size standards include space for academic support activities, such as libraries, assembly space (often general purpose), administrative offices, and cafeteria kitchen space. The CSF space standards are

considered minimal. Multiplying the 95 square foot standard times the \$1,001 per square cost results in a cost estimate of \$95,095 per high school student to add capacity to District schools.

Fees on Residential Development

While the District may have lower enrollment in the future, their capacity will continue to be impacted by the need to refurbish or replace deteriorated or obsolete classrooms to support enrollment. Without refurbishment and replacement as needed, the District's schools will not have the capacity required to house students from new homes. At the time the SAB increased the maximum fees amounts in 2020, the cost impact of residential development was calculated to be \$3.38 per square foot of new residential development. On February 23, 2022, the SAB found that construction costs have escalated 17.45% over 2020 and 2021. Adjusting for this factor, the cost impact is now \$3.97 per square foot of residential development.

The current limit on Level 1 total residential fees, set by the SAB on January 22, 2020, is \$4.79 per square foot, with FUHSD's share of this amount being \$1.92 or \$1.82 per square foot, depending on the elementary district within which the development is located. These fee amounts are far less than the calculated cost impact. FUHSD is thus justified in levying these amounts on residential development.

Fees on Commercial and Industrial Development

The District's 2022 maximum commercial/industrial fee is \$0.30 or \$0.31 per square foot (depending on the elementary district). The 2016 comprehensive report calculates the impact of various types of commercial and industrial development, determining that all categories except the two categories with the least average employee density – parking structures (\$0.01) and self-storage (\$0.03) have impacts well about the maximum fee amounts. These calculations justify the District levying the maximum amounts for all commercial and industrial categories except the categories of parking structures (\$0.01) and self-storage (\$0.03). The comprehensive 2016 report provides guidelines for calculating fees on commercial/industrial development that is not in one of the categories shown.