



Cupertino Union School District

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# Developer Impact Fee Annual and Five-Year Reports for Fiscal Year Ending June 30, 2022

November 10, 2022

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## **I. Introduction**

§66001 and §66006 of the Government Code require that the Cupertino Union School District (“School District”) provide to the public information on impact fees received from new residential and commercial/industrial development to mitigate the impact of that new development on the school facilities of the School District (“Reportable Fees”). The School District currently collects statutory school fees (“Statutory School Fees”) pursuant to §17620 et seq. of the Education Code and §65995 et seq. of the Government Code.

The School District is required to provide under the Government Code the following information on Reportable Fees for the prior fiscal year:

1. Amounts collected
2. Amount of interest earned
3. Amounts spent on projects to accommodate additional enrollment from new residential and commercial/industrial development

The Reportable Fees do not include special tax proceeds, proceeds of bonds, or letter of credit to secure payment of Reportable Fees at a future date. Further, the School District is required to confirm that Reportable Fees have not been levied, collected, or imposed for general revenue purposes.

Additionally, the School District is required to identify the following:

1. The proposed purposes to which Reportable Fees may be spent
2. The reasonable relationship between the Reportable Fees and the purpose to which they are to be spent
3. The funding sources and expected funding availability date for school facilities projects for which Reportable Fees are required.

The following Annual and Five-Year Reports (“Reports”) for the fiscal year ending June 30, 2022, include the information and proposed findings the School District intends to review and adopt in accordance with §66001 and §66006 of the Government Code.

## **II. Annual Report for the Fiscal Year Ending June 30, 2022**

In accordance with Government Code §66006(b)(1) and (2), the School District hereby presents the following information for fiscal year 2021-2022 (i.e., July 1, 2021, through June 30, 2022) regarding the annual Reportable Fees:

### **A. Description of the type of fee in the fund:**

In 1987, the Board of Education enacted developer fees to defray the costs of providing additional classroom facilities to serve student enrollment growth resulting from new development. The Reportable Fees of the School District for fiscal year 2021-2022 were collected by the School District from new residential and commercial/industrial development in the amounts as noted below.

B. The amount of the fee:

The Statutory School Fee amounts for fiscal year 2021-2022 for the period between July 1, 2021, and June 30, 2022, were as follows:

- \$2.45 per square foot of assessable space for residential development constructed within the School District; and
- \$0.40 per square foot of covered and enclosed space for commercial/industrial development.

The Residential Statutory School Fee of \$2.45 per square foot and the Commercial/Industrial Statutory School Fee amount of \$0.40 was adopted by the Board of Education (“Board”) of the School District on April 9, 2020, by Resolution #19-20-15 (Exhibit A) based on the “Development Impact Fee Justification Review and Update” dated February 2020 (Exhibit B).

Government Code §65995(b)(1) limited the statutory fee to a maximum of \$4.08 for per square foot of residential construction and \$0.66 per square foot of commercial/industrial construction in 2021-2022.

If the jurisdiction has separate elementary and high school districts, the maximum fee is prorated based on a locally negotiated agreement. Cupertino Union School District and Fremont Union High School have agreed to a proration of fees on the following basis:

	Total Fee	CUSD 60%	FUHSD 40%
Level 1 Residential Fee	\$4.08	\$2.45	\$1.63

	Total Fee	CUSD 60%	FUHSD 40%
Level I Commercial and Industrial Developer Fee	\$0.66	\$0.40	\$0.26

C. The beginning and ending balance of the fund:

The table below shows the fiscal year 2021-2022 beginning and ending balances for Fund 25, the Capital Facility Fund, which holds all Reportable Fees:

Item	Reportable Fees
Beginning Balance (7/1/2021)	\$2,011,595
Ending Balance (6/30/2022)	\$3,348,467

D. The amount of fees collected, and the interest earned:

The table below shows the amount of Reportable Fees collected and interest earned during fiscal year 2021-2022.

Item	Statutory School Fees (Residential & Commercial/Industrial)
Amount Collected	\$1,771,509
Interest Earned	\$ 17,643
Total	\$1,789,152

E. An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees:

Exhibit F to this report identifies the amount of Reportable Fees expended on School Facility in fiscal year 2021-2022, as well as the percentage of each improvement funded by Reportable Fees.

F. An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement:

At the close of fiscal year 2021-2022, the School District determined that there are no new improvement projects planned.

G. A description of each interfund transfer or loan made from the fund, including the public improvement on which the transferred or loaned fees will be expended, and, in case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the fund will receive on the loan:

No inter-fund transfers or loans were made in fiscal year 2021-2022.

H. The amount of refunds made pursuant to subdivision (e) of GC §66001 and any allocations pursuant to subdivision (f) of GC §66001:

Refunds of \$9,246.30 of Reportable Fees were made pursuant to GC §66001 in fiscal year 2021-2022.

I. Summary table of fund balance, revenues, and expenditures:

The table below summarizes the beginning and ending balances, the amount of Reportable Fees collected, and interest earned, additional refunds/revenues, and total expenditures from Fund 25 during fiscal year 2021-2022.

Item	Amount
Beginning Balance (7/1/2021)	\$ 2,011,595
Reportable Fees Collected and Interest Earned	\$ 1,789,152
GASB31 Fair Market Value*	-\$ 88,010
Expenditures – Exhibit C	\$ 364,270
Ending Balance (6/30/22)	\$ 3,348,467

\*GASB31 Fair Market Value – The Fair Market Value of cash in the county treasury for unrealized loss of -\$88,010 in fiscal year 2021-2022 and is adjusted annually as required under Government Accounting Standard Board (GASB31).

### III. Five Year Report – Exhibit G: Capital Facilities/Developer Fees (Fund 25) Five-Year Plan

In Accordance with Government Code §66001(d)(1), the School district provides the following information with respect to that portion of the account or sub-account(s) remaining unexpended, whether committed or uncommitted:

#### A. Identify the purpose for which the Reportable Fees will be utilized:

The purpose of the Reportable Fees imposed and collected on new residential and commercial/industrial development within the School District during fiscal year 2021-2022 was to continue funding leased portable classrooms. Reportable fees may be used to fund construction and reconstruction projects required to serve the elementary and middle school students generated by new development within the School District. Specifically, the Reportable Fees can be used for (i) the construction of property for additional School Facilities, (ii) installation of additional classrooms and/or renovation of School District facilities needed to maintain and provide a required level of service to house students generated as a result of residential and commercial/industrial development.

#### B. Demonstrate a reasonable relationship between the fee and the purpose for which it is charged:

There is a reasonable relationship between the new development upon which the Reportable Fees are charged and the need to continue funding leased portable classrooms or for additional School Facilities and for the reconstruction of existing facilities to maintain the ability of the School District to house students generated from residential and commercial/industrial development. Furthermore, the Reportable fees charged on new development may be used to fund School Facilities that will be used to serve the students generated from new development and the Reportable Fees do not exceed the costs of providing such School Facilities for new students as set forth in the report “Development Impact Fee Justification Review and Update February, 2020.” (Exhibit B).

#### C. Identify all sources and amounts of funding anticipated to complete financial in incomplete improvements:

- N/A – There are no new public improvement projects planned.

D. Designate the approximate dates on which this funding is expected to be deposited into the appropriate account or fund:

- N/A – There are no new public improvement projects planned.

**Exhibit A: Resolution #19-20-15: Adjustments to  
School Impact Fees for Residential  
and Commercial/Industrial Development**



**CUPERTINO UNION SCHOOL DISTRICT  
RESOLUTION NO. 19-20-15**

**ADJUSTMENTS TO SCHOOL IMPACT FEES FOR RESIDENTIAL AND  
COMMERCIAL/INDUSTRIAL DEVELOPMENT**

**WHEREAS**, Government Code Section 53080 authorizes school districts to impose certain fees on residential and commercial development property for school facilities; and

- the Cupertino Union School District Board of Education ("Board") previously adopted Resolution No. 18-19-03, effective August 30 2018, adjusting school impact fees for residential to \$2.27 per square foot and between \$0.01 to \$0.37 per square foot for commercial/industrial development; and
- the Board has a Development Impact Fee Justification Review and Update; and
- the Board had thoroughly considered the update and related documentation; and
- the District has provided notice of the hearing on the imposition and increase in fee as required by law; and
- pursuant to the authority of Government Code Section 65995, subdivision (b) (3), the State Allocation Board has increased the (K-12) allowable maximum fee on residential development to be \$3.79 per square foot, and the allowable maximum commercial/industrial fee to be \$0.61 per square foot; and
- the Board recognizes the need to adjust its current fees; and,
- the District has entered into an allocation agreement with the Fremont Union High School District (FUHSD), as required by Government Code Section 53080.1 allocating the fees between the two districts;

**NOW, THEREFORE, BE IT RESOLVED** that the Governing Board of the Cupertino Union School District makes the following findings regarding its fees:

1. The purpose of the fees is to provide adequate school facilities for the students of the District who will be generated by residential and commercial/industrial development in the District.
2. The fees are to be used to finance the construction and reconstruction of the permanent and relocatable school facilities.
3. There is a reasonable relationship between the need for the fees, and the types of development projects on which the fees are imposed, in that residential, commercial, and industrial development will generate students who will attend District schools. These students cannot be housed by the District without additional facilities and/or the reconstruction of existing facilities, and the fees will be used to fund portions of these facilities.
4. There is a reasonable relationship between the amount of the fees and the cost of the facilities attributable to the development on which the fee is imposed, in that the square footage of these developments is related to the number of the students generated, and thus to the facilities which the District must add to accommodate these students.
5. There exists in the District accounts a separate capital facilities account or fund, in accordance with the requirements of Government Code Section 66006.

**NOW, THEREFORE, BE IT FURTHER RESOLVED** that the Board hereby approves the Development Impact Fee Justification Review and Update; and

11 the Board justifies the fees in the amount set forth therein, and this Board hereby imposes a fee representing the District's 60% (K.-8) allocation on residential developments of \$2.45 per square foot pursuant to Government Code Section 53080 and a fee on commercial/industrial developments between \$0.01 and \$0.40 per square foot, pursuant to Government Code Section 65995. The fees shall be charged according to the type of commercial/industrial construction as set forth in the Impact Fee Justification Study; and

- the imposition of an increase in the fees shall take effect sixty (60) days after the date of this resolution; and
- the Superintendent or designee shall give notice to all cities and counties with jurisdiction over the territory of the District of the Board's action, in accordance with the requirements of Government Code Sections 53080 and 53080.1, and requesting that no building permits be issued on or after the date which is sixty (60) days after the date of this Resolution, without certification from the District that the fees specified herein have been paid; and
- developers of a commercial or industrial development be provided the opportunity for a hearing to appeal the imposition of fees on their developments as permitted by law; and
- if any portion of the Resolution is found by a court of competent jurisdiction to be invalid, or is invalidated by statute, such invalidation shall not affect the validity of the remaining portions of this Resolution. The Board hereby declares its intent to adopt this Resolution irrespective of the possibility that one or more provision may be declared invalid subsequent hereto; and
- the fees shall be paid directly to the District prior to the issuance of the Certification of Compliance and any Certificate of Compliance issued based upon a representation to the District of the square footage of the development project shall be automatically suspended, unless amended, in the event that the representation is not accurate for any reason; and
- all fees and charges, along with any interest income earned thereon, shall be deposited in a restricted account and shall be expended solely for the purpose for which the fees are collected; and,
- in the event that new statutes are enacted which amend the provisions of this Resolution and associated procedures for the collection of fees, the Superintendent or designee is directed to notify the cities affected and implement such provisions;

**PASSED AND ADOPTED** by the Board of Education of the Cupertino Union School District, County of Santa Clara, this April 9 2020, by the following vote:

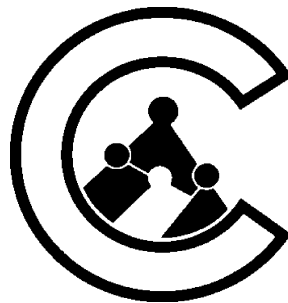
**Exhibit B: Development Impact Fee Justification  
Review and Update  
February 2020**

# **DEVELOPMENT IMPACT FEE JUSTIFICATION**

## **REVIEW AND UPDATE**

*Prepared for:*

## **CUPERTINO UNION SCHOOL DISTRICT**



*Prepared by:*

Schoolhouse Services  
(650) 373-7373

February 2020

## **INTRODUCTION**

In accordance with the legislative guidelines, the State Allocation Board (SAB) has reviewed the maximum level of school facilities impact fees. The new maximum fee levels in dollars per square foot, essentially for calendar years 2020 and 2021, were adopted by the State Allocation Board at its meeting January 24, 2018. Per Sections 17620 and 17621 of the Education Code, these are the maximum fee levels that can be charged to developers.

The Cupertino Union School District (CUSD), by contract with the Fremont Union High School District, is entitled to collect up to 60% of the maximum fee amounts. Both the new maximum fee levels and the CUSD share are shown below:

	Total	Cupertino Union District Share
Residential Construction	\$4.08	\$2.45
Commercial and Industrial Construction	\$0.66	\$0.40

Schoolhouse Services prepared a comprehensive Fee Justification Report for the Cupertino Union School District in March 2012. Also known herein as “the 2012 report,” it documented the District’s justification for residential and commercial/industrial (most non-residential buildings) development impact fees. In the interest of continuing to keep the information up-to-date and the District current with the fee levels, the District contracted with Schoolhouse Services to update its justification in 2014 and 2018 with supplemental reports. Schoolhouse’s review of the situation this year concluded that there has been little change since the 2018 report and therefore that report together with the comprehensive 2012 report appropriately describe the CUSD situation. This report more briefly describes this year’s review for the Board as it considers raising the fees to the 2020 and 2021 maximum levels.

## **Issues Affecting Fee Justification**

### New Development

Economic activity in Silicon Valley is occurring at a feverish pace. Housing development in the District has been increasing, partly due to new laws, and others being considered, that require cities to approve projects that would not have been otherwise approved. The new homes, however, are smaller.

### Enrollment

The number of students per home, in both existing and new homes, has been trending downward. Two main factors appear to be responsible for this decline. One is a long understood and anticipated maturation of households whose students are graduating and moving on. This process has been ongoing over the last decade, particularly in the southern half of the District, but the resulting loss of students was in the past more than compensated for by the growth in young

families in the northern portion of the district. This is offering some relief to the District, after almost two decades of pressure from rapid enrollment growth. Some of the schools in the northern portion of the District, however, are still under pressure and that is the area where the largest amount of new development is likely to occur.

### Rising Housing Prices

The other factor causing a loss of students is relatively new and accounts for the majority of the enrollment decline. Rapidly rising rents are resulting in young families being priced out of the District. Many of the households with the financial resources to move into the district are young tech employees, many not yet married and relatively few with school age children.

The situation is less clear in the longer-term. Then the young tech workers will be older and many will be married and with children in the household. Additionally, rising values could lead to more home sales by older households in the district, with the buyers being tech employee households, including workers who currently choose to live in San Francisco because of its more urban life style, but who will likely come to prefer a more suburban environment with good schools when they have school-age children.

### Replacement and Refurbishment of Existing Classrooms

In previous reports, the increased enrollment from both new and existing housing were the main considerations regarding District capacity. The 2012 comprehensive report includes an extensive discussion of enrollment capacity. In the 2018 report, enrollment capacity is reviewed and updated.

For decades, CUSD has been pushed to have available the capacity to accommodate continually increasing enrollment. However, as mentioned above, the District is now seeing decreasing enrollment.

The above information has made it clear that the primary task is replacing, refurbishing and enlarging existing facilities that will otherwise become deteriorated or obsolete and unavailable to house students from new or existing homes. Government Code Section 66001 (g) was amended specifically to recognize the inclusion of costs “in order to refurbish existing facilities to maintain the existing level of service” in the determination and expenditure of fees to mitigate development impacts. A possible need is the addition of a small amount of capacity, either in classrooms or in support facilities such as general-purpose rooms and cafeterias.

### **Facilities Cost**

In the 2012 report, the cost to add capacity to house the 368 additional students was estimated to be \$7,361 million, a cost of \$20,003 per student in 2012 dollars. (This cost was relatively low compared to many districts because it assumes no costs for land.) The cost was based on the amounts used in the state grant program. The grant amounts are known to be modest in order to stretch the limited funds as far as possible.

The discussion above described that the primary approach that will be taken by CUSD to house these students will be to refurbish and replace aging and/or obsolete existing buildings, an approach specifically set forth as acceptable in California law. The 2018 report estimates the cost of new school facilities based on actual District projects, referencing both permanent construction and relocatable examples.

#### Residential Fee Justification

The fiscal impact of residential development determined in the 2018 report was \$12.52 per square foot. The index tracked by the SAB has increased by 7.64% in the last two years, indicating that the current fiscal impact is about \$13.50. This amount is far in excess of the legal limit on the Level 1 fees, \$4.08 per square foot, with CUSD's share of this amount being \$2.45 per square foot.

#### Commercial/Industrial Fee Justification

The District's studies trace the impacts of commercial/industrial (C/I) development or varying categories. The factors that affect the impacts are the density of employment by type, the formation of workers' households, student generation from these households, the cost of facilities to house these students and how much of that cost is left unfunded after receipt of residential fees. The analysis in the 2018 report determined that its cost of accommodating the students from C/I development is as large as the maximum fee it is allowed to levy, \$0.40 per square foot, for all categories of development for which calculations are made, except the two categories with the smallest average employee density – parking structures (\$0.03) and self-storage (\$0.09) per square foot. Only these amounts can be levied for these two categories.

**Exhibit C: Development Impact Fee Justification**  
Review and Update  
June 2018

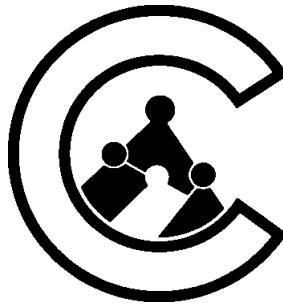


**DEVELOPMENT IMPACT  
FEE JUSTIFICATION**

**REVIEW AND UPDATE**

*Prepared for:*

**CUPERTINO UNION  
SCHOOL DISTRICT**



*Prepared by:*

Schoolhouse Services  
(650) 373-7373  
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June 2018

## INTRODUCTION

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The Cupertino Union School District (CUSD), by contract with the Fremont Union High School District, is entitled to collect up to 60% of the maximum fee amounts. Both the new maximum fee levels and the CUSD share are shown below:

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Schoolhouse Services prepared a comprehensive Fee Justification Report for the Cupertino Union School District in March 2012. Also known herein as “the 2012 report,” it documented the District’s justification for residential and commercial/industrial (most non-residential buildings) development impact fees. In the interest of continuing to keep the information up-to-date and the District current with the fee levels, the District contracted with Schoolhouse Services to update its justification in 2014 with a supplemental report (also known herein as “the 2014 report”). Schoolhouse is to review the description of the impacts of new development in the existing report to determine in general the significant changes that have occurred, incorporate information about the recently constructed facilities in the District, and adjust the calculations for changes (including inflation). This report supplements the 2012 report and the 2014 report, where applicable, and provides updated information for the Board as it considers raising the fees to the 2018 and 2019 maximum levels.

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. Changes in state standards for kindergarten through third grade class sizes have also affected District policies about how facilities are used. 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.

Changes in available classrooms have also occurred since both the 2012 and 2014 reports. Voters passed a bond issue and the resultant funds have enabled the District to construct significant new facilities, allowing the District to accommodate a larger number of students. We have good

construction information indicating that the costs for these facilities are significantly higher than assumed in the previous reports. Finally, many existing modular and permanent buildings are aging and their availability for continued use in the coming years is discussed. This report focuses on these changes. Many of the findings from the 2012 and 2014 reports remain unchanged. Therefore, the results can be efficiently communicated as a supplement to that report and the Board can act based on the information in both reports.

## **REVIEW AND UPDATE**

This section reviews the major elements in the chain of relationships underlying the justification of development impact fees and addresses significant changes since the preparation of the 2012 justification study and the 2014 supplemental report.

### **New Housing Development**

Housing projections in both the 2012 report and 2014 supplement were based on a report by Enrollment Projections Consultants (EPC), the demographic consultants to the District. The current report uses updated projections from EPC. The 2012 report projected a total of 1,000 units expected to be constructed in the District from 2012 to 2022 and the 2014 supplement projected 1,700 units from 2014 to 2024. Projections have increased significantly, with the most recent EPC report projecting 1,900 units over just the next five years (2017-2022)<sup>1</sup>. This review assumes the 1,900 units projected by EPC.

The 2012 and 2014 reports assumed 830 and 1,500 multi-family (MF) housing units (i.e., apartments and condominiums) in generally market-rate projects. The updated projection for 2018 has increased to 1,830 MF units. In contrast, while the projected number of single-family<sup>2</sup> (SF) units had increased from 2012 to 2014 (from 150 to 170, respectively), the current EPC report projects a significant decrease in SF units, with numbers falling to just 70 units (less than 4 percent of total units). Similarly, while EPC had projected 20 below-market rate multi-family (BMR-MF) units in a BMR project in the 2012 report and 30 BMR-MF units in a BMR project in the 2014 report, EPC now projects that no BMR-MF projects will be built in the next five years. While MF housing projects comprised a large majority of projected units in the 2012 and 2014 reports, they constitute an even larger percentage of total units (over 96%) in the current report. The impact of the increase in units on the number of students generated is discussed below.

### **Student Generation and Enrollment**

Student generation rates (SGRs) are the number of students residing in a group of homes divided by the number of homes in the group. (For example, 100 homes with 20 students residing in them have a student generation rate of 0.2). Surveys of new development undertaken by EPC

<sup>1</sup> As previously noted, this is the second year that the EPC report has not forecast growth beyond the five-year period, reflecting the firm's uncertainties about the mid- and longer-term picture

<sup>2</sup> EPC considers single-family (SF) units to include both single-family detached (SFD) units and large single-family attached units that are equivalent to SFD units (i.e., those with attached garages and enclosed outdoor space).

have been used as the basis to project current SGRs. For market-rate MF units, the projected SGR is 0.32 students per home. This is an increase from the SGR of 0.27 students per home for MF units projected in the 2012 report, though a slight decrease from the SGR of 0.35 students per home projected in the 2014 report. In contrast, there has been a significant decrease in the SGR for single-family (SF) units, from 0.64 students per home in the 2012 report and 0.69 students per home in the 2014 report to 0.28 students per home in the current report. The small percentage of SF units as a percentage of total units, along with the increase in MF units, minimizes the impact of this decrease on the overall number of students projected to be generated from new housing.

The increase in the projected number of new homes, coupled with larger SGR in MF units, means that new development will be impacting the District significantly more than calculated in the 2012 report. The updated projected number of students from new homes is shown below in Table 3-3 (revised). This replaces the table in the 2012 report.

**Table 3-3 (revised)**  
**Enrollment from New Housing (2017-2022)**

<i>Unit Type</i>	<i>Units</i>	<i>SGRs*</i>	<i>Students</i>
<i>Market-rate Multi-family (market-rate MF)</i>	<b>1,830</b>	<b>0.32</b>	<b>586</b>
<i>Single-family (SF)</i>	<b>70</b>	<b>0.28</b>	<b>20</b>
<i>Total</i>	<b>1,900</b>		<b>606</b>

*\*SGRs differ slightly from those presented in the EPC report due to an adjustment in the EPC model.  
Sources: Enrollment Projection Consultants (EPC) and Schoolhouse Services.*

EPC projects that about three-quarters of the students enrolled in the District over the next five years from new development will be in the elementary schools. This implies about 440 elementary students and 166 middle school students in the new homes in 2022.

### **Enrollment and Capacity of Cupertino Union District Schools**

A discussion of the capacity of schools needs to start with a consideration of the pattern of capacity versus enrollment of the district as a whole. For almost fifteen years, CUSD had been a rapidly growing school district, with enrollment increasing from 15,571 in the fall of 2001 to 19,194 in the Fall of 2013. The District accommodated this increase without the addition of any new school sites, causing enrollment pressures in many schools.

A different enrollment trend for CUSD has become evident in the last four years and is projected by EPC for the next five years. CUSD has seen a decline of almost 1,200 students over the last four years, and EPC projects an additional decline of 1,257 students over the next five years, representing 400 students in District elementary schools and 857 students in District middle schools.

### Changing Demographics

Two main factors appear to be responsible for this decline. One is a long-understood and long-anticipated maturation of households whose students are graduating and moving on. This process has been ongoing over the last decade, particularly in the southern half of the District, but the resulting loss of students was in the past more than compensated for by the growth in young families in the northern portion of the district.

### Rising Housing Prices

The other factor causing a loss of students is relatively new and accounts for the majority of the decline. Rapidly rising rents are resulting in young families being priced out of the District. Rising home prices are also making it much more difficult for young families to move into the District, though they do not price out existing homeowners and thus have a smaller effect. Many of the households with the financial resources to move into the district are young tech employees, many not yet married and relatively few with school-age children. EPC sees this factor continuing to reduce enrollment over the next five years.

This is the second year that the EPC report has not forecast growth beyond the five-year period, reflecting the firm's uncertainties about the mid- and long-term picture. In the long-term, the young tech workers will be older; a decade from now, many will be married and have children in the household. Additionally, rising values could lead to more home sales by older households in the district, with the buyers being tech employee households, including workers who currently choose to live in San Francisco because of its more urban life style, but who will likely come to prefer a more suburban environment with good schools when they have school-age children.

### Changing Capacity Considerations

In previous reports, the increased enrollment from both new and existing housing were the main considerations regarding District capacity. The 2012 comprehensive report includes an extensive discussion of enrollment capacity. For decades, CUSD has been pushed to have available the capacity to accommodate continually increasing enrollment. However, as mentioned above, the District has started to see decreasing enrollment from existing homes. In this report, we continue to review capacity based on issues presented in prior reports, including average class size (classroom loading), the number of classrooms available, and classrooms usage. However, we also discuss District capacity in relation to the growing impact of availability of aging classrooms for ongoing use.

### Class Size Standards

Standards, regarding class sizes for example, are educational intentions, reflecting both what is educationally appropriate and financially realistic, but are not necessarily current practice. The state funding program for many years supported a standard of 20 students per class in kindergarten through third grades; the District participated in the program and used this standard

in the 2012 report. During the recession, however, it became evident that the program could not be supported financially. Even though the financial picture is improving, the California Department of Education has now adopted 24 students per classroom as the standard. This is now the District's standard for every classroom housing kindergarten through third grade students. The earlier report assumed a standard of 32 students per classroom for the fourth and fifth grades and an average of 25 students per classroom in middle schools; though the standard of 32 students per classroom for the fourth and fifth grades seems unusually high, these standards are unchanged.

### Classroom Count

In the 2012 comprehensive report, Table 4-2 showed the District to have 679 available classrooms for kindergarten through eighth grade students' educational programs, consisting of 469 elementary classrooms and 210 middle school classrooms.<sup>3</sup> These classrooms had an enrollment capacity of 15,133 students in the District's facilities.

The gradual but steady increase in enrollment, as well as the need to keep the facilities technologically up-to-date, led the District to put a bond measures before the voters. It was approved, and the District has been undertaking major improvements, many of which add to the District's enrollment capacity. From 2015 to 2016, sixteen modular classrooms were replaced (seven elementary and nine middle school) and eight modular classrooms were added (four elementary and four middle school). The improvements also include permanent classroom buildings. A two-story science building with 20 classrooms was completed at Lawson Middle School in 2016 and a two-story building with 20 classrooms was completed at Cupertino Middle School. These improvements have added to the enrollment capacity of the District schools.

The District currently has 851 classrooms for K-8 educational programs. However, we again exclude 57 modular classrooms over 20-years-old that likely need to be removed or replaced within the next five years.<sup>4</sup> Additionally, as noted in the 2012 report, some classrooms must be removed for use as support rooms. We again presume three support rooms per school. That would remove 60 elementary and 18 middle school classrooms from the available classroom totals. This leaves the District with a total of 716 available classrooms, including 482 elementary classrooms and 234 middle school classrooms.

Table 4-2 (revised) below shows the current classroom counts and the resulting enrollment capacity. Due to the increase for class size in kindergarten through third grade and the net addition of classrooms funded by the bond issue, the District's enrollment capacity has increased to a new total of 16,925 students, 11,754 students at the elementary level and 5,171 students at

<sup>3</sup>This count excluded 60 modular classrooms over 20 years old and 80 classrooms needed for support services (e.g., RSP, pull-out.). It also excluded classrooms used for administrative purposes only or for programs such as the Comprehensive Autism Program (CAP), student and family counseling, and pre-school.

<sup>4</sup> These 57 modular classrooms consist of 56 elementary classrooms and one middle school classroom. They constitute about eight percent of the total number of classrooms in the District and all modulars constitute over 25% of District classrooms, above the 20% standard in the State funding program.

the middle school level. This is an increased capacity of about 1,800 students since 2012 and 600 students since 2014. The District’s enrollment at the official count in October 2017 was 11,737 elementary students and 6,264 middle school students, a total enrollment of 18,001 students. This is currently about 1,000 students above current capacity; however, the expected decline in enrollment of more than 1,200 students over the next five years would offset that.

**Table 4-2 (revised)  
Classroom Count and Enrollment Capacity**

	<i>Elementary</i>	<i>Middle</i>	<i>Total</i>
<i>Total Classrooms</i>	598	253	851
<i>Permanent</i>	408	205	613
<i>Modular</i>	190	48	238
<i>Old Modulares (20+ years)</i>	(56)	(1)	(57)
<b><i>Permanent and Retained Modular</i></b>	<b>542</b>	<b>252</b>	<b>794</b>
<i>Support Rooms</i>	60	18	78
<b><i>Available Classrooms</i></b>	<b>482</b>	<b>234</b>	<b>716</b>
<b><i>CAPACITY</i></b>			
<i>Non-SDC classrooms</i>	464	226	690
<b><i>Non-SDC classroom capacity*</i></b>	<b>12,157</b>	<b>5,650</b>	<b>17,807</b>
<i>SDC Classrooms</i>	18	8	26
<b><i>SDC Classrooms capacity*</i></b>	<b>216</b>	<b>96</b>	<b>312</b>
<b><i>Theoretical capacity</i></b>	<b>12,373</b>	<b>5,746</b>	<b>18,119</b>
<i>Practical capacity adjustment</i>	95%	90%	
<b><i>Practical Capacity</i></b>	<b>11,754</b>	<b>5,171</b>	<b>16,925</b>

*\*Classroom capacity based on loading standards of a weighted average of 26.2 students for K-5 classrooms, 25 students for 6-8 classrooms, and 12 students for SDC classrooms*

*Source: Cupertino Union School District and Schoolhouse Services*

Replacement and Refurbishment of Existing Classrooms

At least in the near- to medium-distant future, the District will probably not be faced with the need to accommodate more students. This has allowed it to focus on the need to replace and refurbish old and/or obsolete facilities. California Government Code Section 66008 and 66006(f) requires that “at the time the local agency imposes fees for public improvements on a specific development project, it shall identify the public improvements that the fee will be used to finance.” The District’s developer fee fund will be used to fund classrooms and educational support facilities needed to house students from new development. Consistent with California law, fee revenues will not be expended for regular maintenance or routine repair, for addressing asbestos problems, for deferred maintenance, or to correct existing deficiencies, except to replace or refurbish them, as necessary, to meet educational standards in the future.

The above analysis has made it clear that the primary task is replacing, refurbishing and enlarging existing facilities that will otherwise become deteriorated or obsolete and unavailable to house students from new or existing homes. Government Code Section 66001 (g) was

amended specifically to recognize the inclusion of costs “in order to refurbish existing facilities to maintain the existing level of service” in the determination and expenditure of fees to mitigate development impacts. A possible need is the addition of a small amount of capacity, either in classrooms or in support facilities such as general-purpose rooms and cafeterias. where possible, at campuses that are already full in order that additional students from new development will not cause or increase enrollment pressures.

### **Facilities Cost**

In the 2012 report, the cost to add capacity to house the 368 additional students was estimated to be \$7,361 million, a cost of \$20,003 per student in 2012 dollars. (This cost was relatively low compared to many districts because it assumes no costs for land.) The cost was based on the amounts used in the state grant program. The grant amounts are known to be modest in order to stretch the limited funds as far as possible.

The discussion above described that the primary approach that will be taken by CUSD to house these students will be to refurbish and replace aging and/or obsolete existing buildings, an approach specifically set forth as acceptable in California law. CUSD has completed projects in the last three years that provide information on the cost of this approach. However, that cost was incurred beginning in 2015. The State Allocation Board (SAB), which oversees state school grants and developer fee limits, adjusts maximum fee amounts biennially in January for changes in the cost of construction, with the most recent adjustment having occurred in January 2018. Based on the cost of construction index used by the SAB, classrooms in new permanent buildings would currently cost 11.8% more due to inflation.

A new two-story science building with 20 classrooms at Lawson Middle school provides a cost basis for the replacement of an old building with a new building of permanent construction. Classrooms are generally 960 sq. ft. We include an extra 15% to allow for larger than average floor areas within this building. This assumes approximately 22,000 square feet in floor space. The project had a total cost of \$10.1 million, which is \$505,000 per classroom and \$459 per square foot. Adjusted for inflation, this comes to \$513 per square foot. This is significantly lower than the cost per square foot of similar planned projects in the Fremont Union High School District, for which CUSD is one of the feeder districts. It is probable that the cost of new CUSD projects to renovate permanent buildings would be much higher than is reflected solely through cost of inflation adjustments.

In order to have adequate capacity in the future, CUSD will also need to replace aged modular classrooms. The District added or replaced 27 modular classrooms in 2015 and 2016. The District provided construction costs for 10 classrooms among these projects. Modular classrooms are generally 960 square feet, but one of the classrooms was 1,440 square feet. We use a



weighted average of these classroom projects to get a cost per square foot of \$318. Adjusted for inflation, the current cost to replace aged modular classrooms is \$348 per square foot.<sup>5</sup>

We do not know what percentage of projects in the District will be modular/relocatable and what percentage will be permanent construction. To have a reasonable number that can be used to compare costs of future projects, we use a simple average of the two costs. The assumed cost is therefore \$431 per square foot. The assumption that enrollment capacity needs will be met through refurbishing and replacement means that no cost for land is included.

### **Cost Impact of New Development**

The updated analysis of new homes and the number of students they generate resulted in the forecast of 606 students residing in new homes five years from now, 440 students in elementary schools and 166 students in middle schools. The California School Facility Program (SFP), which provides school construction grants to qualifying districts, uses standards of 73 square feet per elementary school student and 80 square feet per middle 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 SFP space standards are considered minimal.<sup>6</sup> Therefore, multiplying these standards by the \$431 per square foot construction cost of additional capacity results in a conservative cost estimate of \$32,290 per student, as shown in Table 5-2 (revised).

The larger number of projected homes, the greater number of students generated, and the real-world cost of construction in the District have all combined to result in a higher cost of providing capacity for students from new homes over the next five years than was projected in the 2012 report for a ten-year period.

**Table 5-2 (revised)  
Cost Impact of New Development**

	<i>Elementary</i>	<i>Middle</i>	<i>Total</i>
<i>Square Feet per Student</i>	73	80	
<i>Cost per square foot</i>	<b>\$431</b>	<b>\$431</b>	
<i>Construction Cost per Student</i>	\$31,463	\$34,480	
<i>Students from new development</i>	440	166	606
<i>Total Cost Impact</i>	\$13,844,000	\$5,724,000	<b>\$19,568,000</b>
<b><i>Impact per Student</i></b>			<b>\$32,290</b>

*Source: Schoolhouse Services and Cupertino Union School District*

We can now estimate the total square footage of new residential space expected in the next five years. Based on a review of developer fee logs for the past few years, the average size of single-

<sup>5</sup> As some modulars projects were in 2015 and others in 2016, this adjustment actually uses 9.57%, an average of the increases from 2015 to 2018 and 2016 to 2018.

<sup>6</sup> In its 2007 report *Complete Schools*, the California Department of Education evaluates these standards as seriously inadequate.

family (SF) units has remained constant at 2,800 square feet. However, the average size of multi-family (MF) units has declined from approximately 1,400 square feet in the 2012 report to 1,050 square feet in the current report. The 70 SF units and the 1,830 MF units are estimated to have a total of approximately 2.118 million square feet. This calculation is shown in Table 6-1 (revised) below.

**Table 6-1 (revised)**  
**Square Feet of Residential Development**

	<i>Single-Family</i>	<i>Multi-Family</i>	<i>Total</i>
<i>Number of New Units</i>	70	1,830	1,900
<i>Average Square Footage</i>	2,800	1,050	
<i>Total Square Footage</i>	196,000	1,921,500	2,117,500

*Source: Schoolhouse Services*

While the square feet of new development expected to be available to share in mitigating the cost impact has decreased slightly, the cost of housing students from new development has increased substantially. The total cost impact of new development was determined in Table 5-2 (revised) to be \$19.57 million, a cost allocated to 2.118 million square feet of residential construction. As shown in Table 6-2 (revised), the resulting cost impact is \$9.24 per square foot.

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

<i>Facilities Costs</i>	
<i>Total Facilities Cost</i>	\$19,568,000
<i>Total Square Footage</i>	2,117,500
<i>Facilities Cost per Square Foot</i>	<b>\$9.24</b>

*Source: Schoolhouse Services*

### **Additional Revenue Sources**

The Districts seeks revenue in many places, and the voters have been very supportive of bond issues and parcel taxes; the District does not know of any new sources. To the extent these sources are available in the future, they will presumably be devoted to renovation and replacement of existing facilities.

### **Conclusion: Residential Fees**

While the District may have declining enrollment, it's capacity will continue to be impacted by the need to refurbish or renovate classrooms to support enrollment. Without refurbishment and

replacement as needed, the District’s schools will not have the capacity in to house students from new homes; therefore, the cost of renovation and replacement of the space required to house these students, but only that space, is eligible to be mitigated, subject to California law regarding fee limits. The cost impact is \$9.24 per square foot of residential development. This amount is far in excess of the legal limit on the Level 1 fees the District is allowed to levy. The current limit on Level 1 residential fees, set by the SAB on January 24, 2018 is \$3.79 per square foot, with CUSD’s share of this amount being \$2.27 per square foot. This is only 25% of the total cost impact. CUSD is thus justified in levying that amount on residential development.

**Fees on Commercial and Industrial Development**

Unfunded Cost of School Facilities per Student

The District’s existing justification study traces the impacts of commercial/industrial (C/I) development for varying categories. The factors that affect the impacts are the density of employment by type, the formation of workers’ households, student generation from these households, the cost of facilities to house these students and how much of that cost is left unfunded after receipt of residential fees. We reviewed these factors in light of present-day information, similar to our review of the factors affecting school cost impacts from new homes. The costs on which the fees on C/I development are determined as the costs remaining after the collection of residential fees. When recalculated for the updated assumptions in this report, these unfunded facility costs are \$24,345 per student, as shown in Table 7-2 (revised).

**Table 7-2 (revised)  
Unfunded Facility Cost per Student**

<i>Total Residential Square Feet</i>	2,117,500
<i>Fee per Square Foot</i>	\$2.27
<b><i>Total Residential Fee Revenue</i></b>	<b>\$4,815,000</b>
<i>Total Facility Cost</i>	\$19,568,000
<b><i>Total Unfunded Cost</i></b>	<b>\$14,753,000</b>
<i>Number of Students</i>	606
<b><i>Unfunded Facility Cost per Student</i></b>	<b>\$24,345</b>

*Source: Schoolhouse Services*

The District’s 2018 maximum commercial/industrial fee is \$0.37 per square foot (60% of \$0.61). The District is able to levy its \$0.37 share of the maximum fee per square foot on almost all of the categories of commercial/industrial (C/I) development. However, it can only levy the amount of the fiscal impact of \$0.02 for parking structures and \$0.06 for self-storage space. The cost impact for all categories is shown in Table 7-3 (revised) below. The comprehensive 2012 report provides guidelines for calculating fees on C/I development that is not in one of the categories shown.

**Table 7-3 (revised)**  
**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	0.20	0.67	0.319	\$24,345	<b>\$0.02</b>
<i>Self-storage</i>	0.00006	0.20	0.67	0.319	\$24,345	<b>\$0.06</b>
<i>Lodging</i>	0.0011	0.20	0.67	0.319	\$24,345	<b>\$1.14</b>
<i>Schools</i>	0.0011	0.20	0.67	0.319	\$24,345	<b>\$1.14</b>
<i>Warehouses**</i>	0.0013	0.20	0.67	0.319	\$24,345	<b>\$1.35</b>
<i>Auto Repair</i>	0.0013	0.20	0.67	0.319	\$24,345	<b>\$1.35</b>
<i>Movie Theater</i>	0.0015	0.20	0.67	0.319	\$24,345	<b>\$1.56</b>
<i>Discount Clubs</i>	0.0017	0.20	0.67	0.319	\$24,345	<b>\$1.77</b>
<i>Regional Shopping Centers***</i>	0.0019	0.20	0.67	0.319	\$24,345	<b>\$1.98</b>
<i>Hospitals</i>	0.0021	0.20	0.67	0.319	\$24,345	<b>\$2.19</b>
<i>Community Shopping Centers***</i>	0.0023	0.20	0.67	0.319	\$24,345	<b>\$2.39</b>
<i>Neighborhood Retail***</i>	0.0026	0.20	0.67	0.319	\$24,345	<b>\$2.71</b>
<i>Banks</i>	0.0028	0.20	0.67	0.319	\$24,345	<b>\$2.91</b>
<i>Business Office (all types)</i>	0.0034	0.20	0.67	0.319	\$24,345	<b>\$3.54</b>
<i>Medical Offices</i>	0.0043	0.20	0.67	0.319	\$24,345	<b>\$4.47</b>

\* *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: Schoolhouse Services*

## **Summary of Findings**

The District's response to changes since the Cupertino Union School District fee justification report prepared in 2012 involves accounting for the much larger projected amount of development; the increased number of students that will be generated; overall larger class sizes; increased enrollment capacity; changes in the cost of school construction; the need to refurbish and renovate aging classroom buildings; and the change in maximum fee amounts. Incorporating these considerations into the analysis leads to the following conclusions:

- 1) Facilities cost inflation since the time of the earlier Schoolhouse report results in an updated facilities cost impact of \$9.24 per square foot of new residential construction. This far exceeds the District's share of the 2018 and 2019 maximum fee of \$2.27 per square foot for residential construction, thus justifying the imposition of the Education Code Section 17620 school impact fees at \$2.27 per square foot, the maximum legal level.
  
- 2) Facilities cost inflation similarly results in updated facilities cost impacts from \$0.02 to \$4.47 per square foot of new commercial/industrial construction, depending on the category of development. All except two of the categories exceed the District's share of the 2018 and 2019 maximum fee of \$0.37 per square foot, thus justifying the imposition of the Education Code Section 17621 school impact fees at this maximum legal level. However, parking structures and self-storage-category buildings can only be assessed at the levels cited in the table.

**Exhibit D: Development Impact Fee Justification  
Review and Update  
June 2014**

**DEVELOPMENT IMPACT  
FEE JUSTIFICATION**

**REVIEW AND UPDATE**

*Prepared for:*

**CUPERTINO UNION  
SCHOOL DISTRICT**



*Prepared by:*

Schoolhouse Services  
(650) 373-7373

June 2014

## INTRODUCTION

In accordance with the legislative guidelines, the State Allocation Board (SAB) has reviewed the maximum level of school facilities impact fees. As of January 22, 2014, the new maximum fee levels in dollars per square foot that can be charged to developers per Sections 17620 and 17621 of the Education Code for calendar years 2014 and 2015 are as follows:

	Total	Cupertino Union District Share
Residential Construction	\$3.36	\$2.02
Commercial and Industrial Construction	\$0.54	\$0.32

The Cupertino Union School District (CUSD), by contract with the Fremont Union High School District, is entitled to collect up to 60% of the maximum fee amounts. Its share is shown above.

Schoolhouse Services prepared a comprehensive Fee Justification Report (also referred to as the existing or the prior report) in March 2012 for the Cupertino Union School District documenting the District's justification for residential and commercial/industrial (most non-residential buildings) development impact fees. To insure that the information is kept current, the District has in the past periodically asked Schoolhouse Services to review its documentation and prepare updated and supplemental material as needed.

In the interest of continuing to keep the information up-to-date and the District current with the fee levels, the District has again contracted with Schoolhouse Services to update its justification. Schoolhouse is to review the description of the impacts of new development in the existing reports to determine in general the significant changes that have occurred, to incorporate information in particular about the recently constructed facilities in the District, and to adjust the calculations for changes (including inflation). This report supplements the comprehensive justification document prepared in 2012 and provides updated information for the Board as it considers raising the fees to the 2014 and 2015 maximum levels adopted by the State Allocation Board at its meeting January 22, 2014.

Changes that should be reflected in any fee study update include:

- Significant changes in the local long term growth outlook, particularly through the adoption of changed land use policies;
- Changes in the average student generation of new homes and revised long term enrollment projections that differ significantly from those referenced in the fee report;
- Addition of major school district facilities or adoption of policies that would affect facility utilization, such as the addition of classrooms or transition to year-round schools;
- Changes in the cost of providing additional capacity; and
- Changes in the funding available to the District.



To this date local government policies have not significantly changed. However, the City of Cupertino is now preparing an update to its housing element, together with related zoning changes, that could facilitate more residential development opportunities in the city. The District's most recent enrollment projections assume these changes will take place and they are therefore significantly greater than those used in the report two years ago. There has been a significant change in District policies about how facilities are used, primarily reflecting the change in state standards for kindergarten through third grade class sizes. Most significantly, voters passed a bond issue and the resultant funds have enabled the District to construct significant new facilities, allowing the District to accommodate a larger number of students. Finally, we have good construction cost information indicating that costs are significantly higher than assumed in the comprehensive report. This report focuses on these changes. Given that the existing report was prepared only two years ago and that the much of the information therein remains unchanged, the results can be efficiently communicated as a supplement to that report and the Board can act based on the information in both reports.

## **REVIEW AND UPDATE**

This section reviews the major elements in the chain of relationships underlying the justification of development impact fees, and addresses significant changes since the preparation of the existing justification study prepared in 2012.

### **New Housing Development**

The 2012 report projected a total of 1,000 units expected to be constructed in the District by sometime before 2022; these projections were based on a report by Enrollment Projections Consultants (EPC), the demographic consultants to the District. The new report from EPC projects a total of 1,700 units over the coming decade, 70% above the earlier amount. Approximately 900 of these, however, are in areas that will require they be rezoned to allow residential development. City of Cupertino staff is prepared to recommend that the rezoning take place to enable the City to conform to the requirements of California law. EPC and staff think it is likely the rezoning will be approved, though it will be many months before the City Council can act. This review therefore assumes the 1,700 units projected by EPC.

The 2012 analysis assumed that 830 units (83% of the total) would be market rate multi-family housing, apartments and condominiums. The updated projection is 1,500 such units (88% of the total). Single family detached units are increased marginally from 150 to 170 units and below market multi-family units are increased from 20 to 30 units.

### **Student Generation and Enrollment**

Student generation rates (SGRs) are the number of students residing in a group of homes divided by the number of homes in the group. (For example, 100 homes with 20 students residing in them have a student generation rate of 0.2). Surveys of new development undertaken by Enrollment Projection Consultants have found that student generation rates are increasing. The average in new multi-family units (most important because of the large share of new units) has

increased from 0.27 to 0.35 students per home over the last couple of years. The SGR for single family units has increased by a smaller percentage, from 0.64 to 0.69 students per home.

The increase in the projected number of new homes coupled with larger SGRs means that new development will be impacting the District significantly more than calculated in the 2012 report. The updated projected number of students from new homes is shown in Table 3-3 (revised) below that replaces the table in the last report. The combination of 70% more homes and significant increases in SGRs means that the expected number of students from new homes has doubled. The SGRs of new homes typically increase for a decade or more after the initial couple of years as younger siblings reach school age; an increase of 12.5% was the increase found in EPC’s data. This is shown in the increase based on the SGRs to a total of 773 students projected in the new homes by 2023.

**Table 3-3 (revised)**  
**Enrollment from New Housing**

<i>Unit Type</i>	<i>Units</i>	<i>SGRs</i>	<i>Students</i>	<i>2023</i>
<i>Multi-family Attached</i>	1,500	0.35	525	
<i>Single Family Structures</i>	170	0.69	117	
<i>Below Market Multi-family</i>	30	0.33	10	
<i>Total</i>	1,700		652	<b>733*</b>

*\*After 12.5% adjustment for younger siblings*

*Sources: Enrollment Projection Consultants (EPC) and Schoolhouse Services.*

EPC projects that two-thirds of the students enrolled in the District a decade from now will be in the middle schools. This implies about 489 elementary students and 244 middle school students in the new homes in 2023.

### **Availability of Enrollment Capacity**

Enrollment capacity is dependent on the standards regarding how classrooms are to be used. Standards, regarding class sizes for example, are educational intentions, reflecting both what is educationally appropriate and financially realistic but are not necessarily current practice.

The 2012 comprehensive report includes an extensive discussion of enrollment capacity, including which standards are appropriate. Here we focus only on the changes. Average class size (classroom loading), the number of classrooms available, and the efficiency with which the rooms can be used are the principal determinants of enrollment capacity. Changes have occurred in all of these areas.

### Class Size Standards

The state funding program for many years supported a standard of 20 students per class in kindergarten through third grades; the District participated in the program and it was the standard in the 2012 report. During the recession, however, it became evident that the program could not be supported financially. Even though the financial picture is improving, the California Department of Education has now adopted 24 students per classroom as the standard. This is now the District's standard for every classroom housing kindergarten through third grade students. The earlier report assumed a standard of 32 students per room for the fourth and fifth grades and an average of 25 students per classroom in middle schools; though the standard of 32 students per classroom for the fourth and fifth grades seems unusually high, these standards are unchanged.

### Classroom Count

The number of classrooms in the District in 2012 was shown in Table 4-2 in the comprehensive report. The District had 529 elementary and 230 middle school classrooms, 759 in total. These classrooms had an enrollment capacity of 15,133 students in the District's facilities.

It should be noted that an estimate of 60 classrooms that would be needing replacement or substantial renovation were not included in this count. While the District has periodically replaced older modulars and renovated older permanent classrooms, as it is now doing with bond issue funds, there are additional classrooms that will need to be replaced or renovated in the coming decade; otherwise they will not be up-to-standard in the coming years. Of the modular classrooms, 57 elementary and three middle school classrooms were then more than 20 years old, about a quarter of the total number of modular classrooms. Without any data about the condition of each classroom, the count of modulars more than 20 years old was taken as a proxy for those modular and permanent classrooms that before too long will have to be replaced or substantially renovated. (The 60 such rooms constitute about seven percent of the total number of classrooms.) It can also be noted that modulars as a whole constitute 27% of District classrooms, moderately above the 20% standard in the State funding program. The number of modular classrooms shown thus did not include 60 classrooms.

The gradual but steady increase in enrollment, as well as the need to keep the facilities technologically up-to-date, led the District to put a bond measures before the voters. It was approved and the District is now undertaking major improvements, many of which add to the District's enrollment capacity. The improvements include classroom buildings at Cupertino and Lawson Middle Schools and modular classrooms added at several campuses. Four elementary modular classrooms have been installed and four more are planned for installation in the 2014 summer period, bringing the elementary schools' total to 537 classrooms assumed to be available in the future.

New classroom buildings funded by the bond issue will bring the number of classrooms at middle schools up to 246 rooms. (The number of classrooms counted for the 2012 study may have been high.) The improvements included two-story classrooms wings at Cupertino and Lawson Middle Schools, significant additions to the enrollment capacity of the middle schools.

The District will have a total of 806 classrooms to be counted on for determining future enrollment capacity.

Table 4-2 (revised) below shows the current classroom counts and the resulting enrollment capacity. Due to the increase for class size in grades kindergarten through third grades and the net addition of classrooms funded by the bond issue, the District's enrollment capacity has increased about 1,200 students to a new total of 16,312 students, 11,414 students at the elementary level and 4,898 students at the middle school level.

**Table 4-2 (revised)**  
**Classroom Count and Enrollment Capacity**

	<i>Elementary</i>	<i>Middle</i>	<i>Total</i>
<b><i>CLASSROOMS</i></b>			
Permanent	408	228	636
Modular <sup>1</sup>	129	41	170
Total Classrooms	537	269	806
Support (3/4 rooms per school) <sup>2</sup>	60	20	80
<b>Available Classrooms</b>	<b>477</b>	<b>249</b>	<b>726</b>
Non-SDC	<b>443</b>	<b>233</b>	<b>676</b>
SDC classrooms	<b>34</b>	<b>16</b>	<b>50</b>
<b><i>CAPACITY</i></b>			
Non-SDC classrooms capacity <sup>3</sup>	11,607	5,825	17,432
SDC Classrooms Capacity <sup>4</sup>	408	192	600
Theoretical Capacity	12,015	6,017	18,032
Efficiency	95%	90%	
<b>Practical Capacity</b>	<b>11,414</b>	<b>5,415</b>	<b>16,829</b>

*Sources: Cupertino Union School District and Schoolhouse Services*

Enrollment Compared with Capacity

The District's enrollment at the official count in October 2013 was 12,826 elementary students and 6,358 middle school students, a total enrollment of 19,184 students. It can be seen that, even with the added capacity, the elementary and middle school enrollment is each about 1,400 students above the practical capacity of the District's schools. As a result the schools in the north and east portions of the District generally have more students residing within their attendance areas than can be accommodated in the schools. The comprehensive report includes more discussion of the District's stands and the compromises forced by the lack of adequate enrollment capacity.

## **Facilities Cost**

In the 2012 Schoolhouse study, the cost to add capacity to house the 368 additional students was estimated to be \$7,361 million, a cost of \$20,003 per student in 2012 dollars. (This cost was relatively low compared to many districts because it assumes no costs for land.) The cost was based on the amounts used in the state grant program. The grant amounts are known to be modest in order to stretch the limited funds as far as possible.

With the projects funded by the bond issue under construction the District now has current data on its cost of construction in the building of the additional classrooms. Two classroom buildings being constructed at Cupertino Middle School are the best example. They have 22 classrooms and total 26,700 square feet in floor space. The building with 20 of the classrooms is two stories, which is necessary because the campus is to have a capacity for over 1,500 students, far beyond its design capacity, and thus the footprint of the building needed to be minimized. The buildings were prefabricated off site, making it less expensive than built on site construction, but more expensive than individual modulars. The cost is \$10.9 million, which is \$495,000 per classroom and \$408 per square foot.

The California School Facility (CSF) program, which provides school construction grants to qualifying districts uses standards of 73 square feet and 80 square feet per elementary and middle school student respectively. These size standards include space for academic support activities, such as libraries, assembly space (often general purpose), administrative offices, cafeteria kitchen space, etc. The CSF space standards are considered minimal; for example the California Department of Education in a report entitled *Complete Schools* evaluates them as seriously inadequate. Being conservative, however, multiplying these standards times the \$408 per square cost results in \$29,780 per elementary student and \$32,640 per middle school student costs for adding capacity to schools.

## **Cost Impact of New Development**

The updated analysis of new homes and the number of students they generate resulted in the forecast of 733 students residing in new homes a decade from now, 489 students in elementary schools and 244 students in middle schools. The cost of additional capacity, based on the classroom building at Cupertino Middle School, was determined to be \$29,780 for each elementary student and \$32,640 for each middle school student. This information is combined to project the cost impact of new development, as shown in Table 5-2 (revised). The larger number of projected homes, the greater student generation per home and, especially, the real world cost of construction in the District have all combined to result in a much higher cost of providing capacity for students from new homes over the next decade.

**Table 5-2 (rev.)  
Cost Impact of New Development**

	<i>Elementary</i>	<i>Middle</i>	<i>Total</i>
<i>Cost per Student</i>	\$29,780	\$32,640	
<i>Number of Students</i>	489	244	733
<i>Cost Impact</i>	\$14,562,000	\$7,964,000	<b>\$22,526,000</b>
<i>Impact per Student</i>			<b>\$30,731</b>

*Source: Schoolhouse Services*

While the cost of housing students from new development has increased substantially, the square feet of new development expected to be available to share in mitigating the cost impact has also increased, though not to the same degree. The 170 single family homes, the 1,530 market rate condominiums and apartments and homes in below market projects are estimated to have a total of 2.615 million square feet. This calculation is shown in Table 6-1 (rev.) below.

**Table 6-1 (revised)  
Square Feet of Residential Development**

	<i>Single-Family Detached</i>	<i>Multiple-Family Buildings</i>	<i>Total</i>
<i>Number of New Units</i>	170	1,530	1,700
<i>Average Square Footage</i>	2,798	1,398	-
<i>Total Square Footage</i>	475,660	2,138,940	2,614,600

*Source: Schoolhouse Services*

The total cost impact of new development was determined in Table 5-2 (revised) to be \$22.53 million, a cost allocated to 2.615 million square feet of residential construction. As shown in Table 6-2 (revised), the resulting cost impact is \$8.62 per square foot.

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

<i>Facilities Costs</i>	
<i>Total Facilities Cost</i>	\$22,526,000
<i>Total Square Footage</i>	2,614,600
<i>Facilities Cost per Square Foot</i>	\$8.62

*Source: Schoolhouse Services*

**Additional Revenue Sources**

The Districts seeks revenue in many places, and the voters have been very supportive of bond issues and parcel taxes; it does not know of any new sources. The recent bond issue has funded an increased capacity in order to reduce existing overcrowding and to renovate facilities. If any additional funds did become available, it is likely they would be needed for these same purposes and would not be available to provide capacity for students from new homes.

**Conclusion re Residential Fees**

The District’s schools do not have any excess capacity in which to house students from new homes without impacting its facilities; the full cost of the schools required to house these students is therefore eligible to be mitigated, subject to California law regarding fee limits. The cost impact is \$8.62 per square foot of residential development. This amount is far in excess of the legal limit on the Level 1 fees the District is allowed to levy. The current limit on Level 1 residential fees, set by the SAB on January 22, 2014, is \$3.36 per square foot, with CUSD’s share of this amount being \$2.02 per square foot. CUSD is thus justified in levying that amount on residential development.

**Fees on Commercial and Industrial Development**

The District’s existing justification study traces the impacts of commercial/industrial (most non-residential development) for varying categories of such development. The factors that affect the impacts are the density of employment by type, the formation of workers’ households, student generation from these households, the cost of facilities to house these students and how much of that cost is left unfunded after receipt of residential fees. We reviewed these factors in light of present day information, similar to our review of the factors affecting school cost impacts from new homes. The only significant changes are in the average student generation, the cost of school construction and, therefore, what is left unfunded after payment of fees on residential development. The costs on which the fees on commercial/industrial development are determined, the costs remaining after the collection of residential fees, recalculated for the updated assumptions in this report are \$23,527 per student, as shown in Table 7-2 (revised).

**Table 7-2 (revised)**  
**Unfunded Facility Cost per Student**  
**after levy of residential fees**

<i>Total Residential Square Feet</i>	2,614,600
<i>Fee per Square Foot</i>	\$2.02
<i>CUSD's Total Residential Fee Revenue</i>	\$5,281,000
<i>Total Facility Cost</i>	\$22,526,000
	0
<i>Total Unfunded Cost</i>	\$17,245,000
	0
<i>Number of Students</i>	733
<i>Unfunded Facility Cost per Student</i>	<b>\$23,527</b>

*Source: Schoolhouse Services*

The District's 2014 maximum commercial/industrial fee is \$0.32 per square foot (60% of \$0.54). Its cost of accommodating the students from commercial/industrial development is as large as the maximum fee it is allowed to levy for all categories of development for which calculations are made except the two categories with the least average employee density – parking structures and self-storage. This justifies its levying of \$0.32 per square foot for most categories; the fees justified for other four categories are less. Table 7-3 (revised) below shows the cost impact for all categories; the fee is equal to the cost impact for the two low employment density categories. The comprehensive 2012 report provides guidelines for calculating fees on commercial/industrial development that is not in one of the categories shown.



**Table 7-3 (revised)**  
**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	0.20	0.67	0.431	\$23,527	<b>\$0.03</b>
<i>Self-storage</i>	0.00006	0.20	0.67	0.431	\$23,527	<b>\$0.08</b>
<i>Lodging</i>	0.0011	0.20	0.67	0.431	\$23,527	<b>\$1.49</b>
<i>Schools</i>	0.0011	0.20	0.67	0.431	\$23,527	<b>\$1.49</b>
<i>Warehouses**</i>	0.0013	0.20	0.67	0.431	\$23,527	<b>\$1.77</b>
<i>Auto Repair</i>	0.0013	0.20	0.67	0.431	\$23,527	<b>\$1.77</b>
<i>Movie Theater</i>	0.0015	0.20	0.67	0.431	\$23,527	<b>\$2.04</b>
<i>Discount Clubs</i>	0.0017	0.20	0.67	0.431	\$23,527	<b>\$2.31</b>
<i>Regional Shopping Centers***</i>	0.0019	0.20	0.67	0.431	\$23,527	<b>\$2.58</b>
<i>Hospital</i>	0.0021	0.20	0.67	0.431	\$23,527	<b>\$2.85</b>
<i>Community Shopping Ctrs***</i>	0.0023	0.20	0.67	0.431	\$23,527	<b>\$3.13</b>
<i>Neighborhood Retail***</i>	0.0026	0.20	0.67	0.431	\$23,527	<b>\$3.53</b>
<i>Banks</i>	0.0028	0.20	0.67	0.431	\$23,527	<b>\$3.80</b>
<i>Business Offices</i>	0.0034	0.20	0.67	0.431	\$23,527	<b>\$4.62</b>
<i>Medical Offices</i>	0.0043	0.20	0.67	0.431	\$23,527	<b>\$5.84</b>

\* 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

## **SUMMARY OF FINDINGS**

The District's response to changes since the Cupertino Union School District fee justification report prepared in year 2012 involves accounting for (1) the much larger projected amount of development, (2) the increased student generation per home, (3) overall larger class sizes, (4) significantly increased enrollment capacity, (5) changes in the cost of school construction, and (6) changed maximum fee amounts. Incorporating these considerations into the analysis leads to the following conclusions:

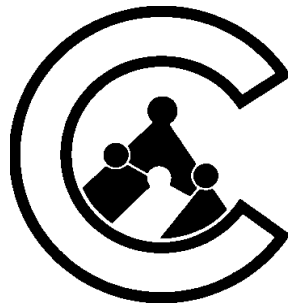
- 1) Facilities cost inflation since the time of the earlier Schoolhouse report results in an updated facilities cost impact of \$8.62 per square foot of new residential construction. This exceeds the District's share of the 2014 and 2015 maximum fee, \$2.02 per square foot, for residential construction, thus justifying the imposition of the Education Code Section 17620 school impact fees at the \$2.02 per square foot maximum legal level.
  
- 2) Facilities cost inflation similarly results in updated facilities cost impacts of up to \$5.84 per square foot of new commercial/industrial construction, depending on the category of development. All except two of the categories exceed the District's share of the 2014 and 2015 maximum fee, \$0.32 per square foot, thus justifying the imposition of the Education Code Section 17621 school impact fees at this maximum legal level. However, parking structures and self-storage category buildings can only be assessed at the levels cited in the table.

**Exhibit E: Development Impact Fee Justification**  
March 2012

# **DEVELOPMENT IMPACT FEE JUSTIFICATION**

*Prepared for:*

## **CUPERTINO UNION SCHOOL DISTRICT**



*Prepared by:*

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March 2012

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# Chapter 1

## 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**

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

*\* 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**

<i>Housing Type</i>	<i>Average SGR</i>
<i>Multi-Family (Condominiums/Apartments)</i>	0.27
<i>Single-family Detached*</i>	0.64
<i>Below Market Multi-family</i>	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**

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

*\* 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 with 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**

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

*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**

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

	<i>Elementary</i>	<i>Middle</i>	<i>Total</i>
<i>Capacity</i>	10,595	4,538	15,133
<i>2011 Enrollment</i>	12,593	6,052	18,645
<i>Deficit</i>	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**

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

*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**

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

*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**

<i>Facilities Costs</i>	
<i>Total Facilities Cost</i>	\$7,361,000
<i>Total Square Footage</i>	1,607,590
<i>Facilities Cost per Square Foot</i>	<b>\$4.58</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 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.

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

The number of employees per square feet depends on the type of commercial/industrial 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.
<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 Theater</i>	0.0015	667	1.50
<i>Discount Clubs</i>	0.0017	597	1.70
<i>Regional Shopping Centers***</i>	0.0019	539	1.90
<i>Hospital</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 (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**

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

*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**

<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	0.20	0.67	0.368	\$11,614	\$0.01
<i>Self-storage</i>	0.00006	0.20	0.67	0.368	\$11,614	\$0.03
<i>Lodging</i>	0.0011	0.20	0.67	0.368	\$11,614	\$0.63
<i>Schools</i>	0.0011	0.20	0.67	0.368	\$11,614	\$0.63
<i>Warehouses**</i>	0.0013	0.20	0.67	0.368	\$11,614	\$0.74
<i>Auto Repair</i>	0.0013	0.20	0.67	0.368	\$11,614	\$0.74
<i>Movie Theater</i>	0.0015	0.20	0.67	0.368	\$11,614	\$0.86
<i>Discount Clubs</i>	0.0017	0.20	0.67	0.368	\$11,614	\$0.97
<i>Regional Shopping Centers***</i>	0.0019	0.20	0.67	0.368	\$11,614	\$1.09
<i>Hospital</i>	0.0021	0.20	0.67	0.368	\$11,614	\$1.20
<i>Community Shopping Ctrs***</i>	0.0023	0.20	0.67	0.368	\$11,614	\$1.32
<i>Neighborhood Retail***</i>	0.0026	0.20	0.67	0.368	\$11,614	\$1.49
<i>Banks</i>	0.0028	0.20	0.67	0.368	\$11,614	\$1.60
<i>Business Offices</i>	0.0034	0.20	0.67	0.368	\$11,614	\$1.95
<i>Medical Offices</i>	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:**

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

$$\text{Workers/Sq. Ft.} = 0.00089$$

$$\text{Sq. Ft./Worker} = 1,123 \text{ square feet per worker}$$

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 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:*

$$0.00172 * 0.20 * 0.67 * 0.368 * \$11,614 = \$0.03 \text{ per square foot.}$$

## 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 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.

**Exhibit F: Reportable Developer Fee Expenditures  
for Fiscal Year 2021-2022**

**CUPERTINO UNION SCHOOL DISTRICT  
2021-2022  
ANNUAL REPORT OF DEVELOPER FEES**

In accordance with Government Code Sections 66001(d) and 66006(b), the district is required to prepare an annual report of the uses of developer fees.

In 1987, the Board of Education enacted developer fees to defray the costs of providing additional classroom facilities to serve student enrollment growth resulting from new development. Effective June 9, 2020, the fee was revised to \$2.45 per square foot for residential developments and revised to \$0.40 per square foot for commercial developments.

A total of \$1,771,509 was collected in developer fees for 2021-2022. This amount was comprised of \$1,740,010 paid for residential development and \$31,499 paid for commercial development. An additional \$17,643 was earned in interest income. The Fair Market Value of cash in county treasury for unrealized loss of -\$88,010 in FY2021-22 and is adjusted annually as required under Governmental Accounting Standard Board (GASB 31). A total of \$364,270 was expended during the year for modular classrooms at Collins, Dilworth, Eisenhower, Garden Gate, Kennedy, McAuliffe, Meyerholz, Montclair, Nimitz, Sedgwick, Stevens Creek and Stockmeir Elementary Schools; and Other modular and Administrative costs.

Beginning Balance	<b>\$ 2,011,595</b>
Current Year Revenue	
Developer Fees Revenue	1,771,509
Interest	<u>7,643</u>
Total Current Year Revenue	1,789,152
Total Available	<b>\$ 3,800,747</b>
GASB31 Fair Market Value	
FMV Revenue	<b>-\$88,010</b>
Expenditures for modular classrooms:	
Collins Elem. School	7,260
Dilworth Elem. School	33,240
Eisenhower Elem. School	47,424
Garden Gate Elem. School	55,482
Kennedy Middle School	42,570
McAuliffe Elem. School	13,344
Meyerholz Elem. School	6,720
Montclair Elem. School	13,428
Nimitz Elem. School	31,440
Sedgwick Elem. School	21,108
Stevens Creek Elem. School	7,260
Stockmeir Elem. School	33,706
Other modular costs	38,788
Administrative costs	12,500
Total Expenditure	<b>\$ 364,270</b>
Ending Balance	<b>\$ 3,348,467</b>

% Funded by Reportable Fees

Collins Elem. School	7,260	100%
Dilworth Elem. School	33,240	100%
Eisenhower Elem. School	47,424	100%
Garden Gate Elem. School	55,482	100%
Kennedy Middle School	42,570	100%
McAuliffe Elem. School	13,344	100%
Meyerholz Elem. School	6,720	100%
Montclair Elem. School	13,428	100%
Nimitz Elem. School	31,440	100%
Sedgwick Elem. School	21,108	100%
Stevens Creek Elem. School	7,260	100%
Stockmeir Elem. School	33,706	100%
Other modular costs	38,788	100%
Administrative costs	12,500	100%

**Exhibit G: Capital Facilities/Developer Fees  
(Fund 25) Five-Year Plan**



**CUPERTINO UNION SCHOOL DISTRICT  
CAPITAL FACILITIES / DEVELOPER FEES (FUND 25)  
5 YEAR PLAN**

	Actuals					
		Year 1	Year 2	Year 3	Year 4	Year 5
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
<b>Beginning Balance</b>	<b>2,011,595</b>	<b>3,348,468</b>	<b>3,839,971</b>	<b>4,213,202</b>	<b>4,612,406</b>	<b>4,984,155</b>
Revenue	1,771,509	827,759.00	756,753.00	792,256.00	774,505.00	783,380.00
Interest	17,643	24,984	25,421	25,930	26,513	27,110
Fair Market Value Gasb31	(88,010)	88,010				
<b>Total Revenue</b>	<b>1,701,142</b>	<b>940,753</b>	<b>782,174</b>	<b>818,186</b>	<b>801,018</b>	<b>810,490</b>
<b>Total Begin Balance &amp; Revenue</b>	<b>3,712,737</b>	<b>4,289,221</b>	<b>4,622,145</b>	<b>5,031,388</b>	<b>5,413,424</b>	<b>5,794,645</b>
<b>Expenditures</b>						
Modular Classrooms	307,956	333,618	340,691	348,867	357,240	365,814
Administrative Costs/Other Services	56,313	115,632	68,252	70,115	72,029	73,996
<b>Total Expenditures</b>	<b>364,269</b>	<b>449,250</b>	<b>408,943</b>	<b>418,982</b>	<b>429,269</b>	<b>439,810</b>
<b>Ending Balance</b>	<b>\$ 3,348,468</b>	<b>\$ 3,839,971</b>	<b>\$ 4,213,202</b>	<b>\$ 4,612,406</b>	<b>\$ 4,984,155</b>	<b>\$ 5,354,835</b>