

# **VALLCO SPECIFIC PLAN SCHOOL IMPACT ANALYSIS**

*Prepared for:*



**CITY OF  
CUPERTINO**

*Prepared by:*

**SCHOOLHOUSE SERVICES**

*Economists and Planners*

(650) 373-7373

April 2018

## **TABLE OF CONTENTS**

I. ENROLLMENT IMPACTS.....	1
Background	
Residential	
Student Generation	
Enrollment Impacts	
Enrollment Capacity of Cupertino District Schools	
Enrollment and Capacity of Fremont Union District Schools	
II. CAPITAL FACILITIES COST AND REVENUE IMPACTS.....	14
Facilities Costs	
Revenue Impacts – Development Fees	
Development Subject to Impact Fees	
Voluntary Benefits	
Comparison of Capital Facilities Costs and Developer Mitigation	
III. OPERATING REVENUE AND COST IMPACTS.....	23
Operating Costs	
Operating Revenues	
Other CUSD and FUHSD Revenues	
Comparison of Operating Costs and Revenues	

## **I. ENROLLMENT IMPACTS**

### **Background**

The City of Cupertino has contracted with Schoolhouse Services to conduct an analysis of the enrollment and fiscal impacts of development for the Vallco Specific Plan which currently includes a proposed plan and two alternatives (also referred to as the “Plan” or “Plans” in this report) on the local school districts. The Specific Plan is for the Vallco Special area, the 58 acre site of the current Vallco Shopping Center on Wolfe Road at its intersection with the Interstate 280 freeway.

A Specific Plan can be envisioned as a planning document that implements General Plan policies and may also act as the zoning for an area. A General Plan, and its accompanying zoning map, assign land use categories usually for all areas of a city specifying the land uses allowed. As its name implies, a Specific Plan, usually for a relatively small portion of a city, is most often used for an area where mixed land uses are involved. It is more specific than a General Plan about the land uses allowed, in this case describing the alternatives primarily in terms of the amount of each of the four principal land uses included in the Plan. However, a Specific Plan usually is not as definitive as a project plan, which typically includes, for example, specific buildings and their locations.

Three scenarios are analyzed and compared in this report: The Proposed Project together with the General Plan Buildout with Maximum Residential and the Retail and Residential alternatives. Each of them assumes the construction of a mixed-use development. Each would also require the demolition of approximately 1.2 million square feet of existing retail space (plus some support space) on the site, most of it vacant or underutilized, along with associated parking garages. Brief descriptions of the Proposed Project and the two alternatives follow, together with a table summarizing the amount of building space for each of the major land uses.

The “Proposed Project”. Office space is the largest share of the development, with commercial and residential uses and a hotel also having a major presence. The proposed programming in the project is consistent with the General Plan. The property-owner, Vallco Property Owner, LLC, and a developer, Sand Hill Property Company, proposed a project, The Hills at Vallco, in late 2015, which was the subject of an initiative vote in the 2016 ballot with similar programming.

The number of residential units and their average size assumed for the Proposed Project alternative are consistent with those of The Hills at Vallco project proposed. However, the Proposed Project for purposes of the Specific Plan is not that project and the Proposed Project is not as detailed as the Hills at Vallco project was.

The first alternative evaluated is the “General Plan Buildout with Maximum Residential”, also referred to in tables as the General Plan Buildout alternative. This alternative diminishes the amount of office space and increases substantially the number of residential units.

The “Retail and Residential” alternative” is the second alternative. It eliminates the office space entirely but includes additional residential units.

The amount of commercial space and the number of hotel rooms are assumed to be unchanged among the three Specific Plan alternatives discussed above. There may be up to 65,000 square feet of civic spaces, such as governmental offices, meeting rooms and community spaces, also included in the Proposed Project and the General Plan buildout with Maximum Residential alternative.

### Land Use Amounts

	Land Use				
	Commercial (SF)	Office (SF)	Hotel (rooms)	Residential (DU)	Civic Uses (SF)
Proposed Project	600,000	2,000,000	339	800	65,000
General Plan Buildout alternative	600,000	1,000,000	339	2,640	65,000
Retail and Residential alternative	600,000	0	339	4,000	0
Re-tenanted/Re-occupied Mall (the No Project alternative)	1,200,000	0	0	0	0

A fourth alternative, what might be termed the “no project alternative”, is also being analyzed in environmental documents for informational purposes. This alternative would entail the re-tenanting of the existing 1.2 million square foot mall and would not require the adoption of a Specific Plan. The General Plan and zoning would remain as they currently exist. Retail would continue to be the dominant land use in the existing buildings. Having no housing units, however, it would not directly generate students for local schools.

### Residential

Residential space is potentially the largest amount of space in the Vallco Specific Plan area. It is also the space that directly affects school enrollment. The number of units varies from the 800 units in the Proposed Project, to 2,460 units in the General Plan Buildout alternative, and 4,000 units in the Retail and Residential alternative. The characteristics of the units will be a major

determinant in the number of students residing in them. Major considerations are pointed out here, with more detailed design matters receiving more attention later.

For each of the three scenarios, the residential buildings will be in an urban mixed-use setting, likely in three to seven or more story buildings with residential over ground floor retail. It is not known at this stage whether the units will be apartments, i.e. all units in a building constituting a single property, which would require that the units be rented, or will be condominiums, i.e. with a plat map that makes the units individual properties that can be bought and sold (or even rented). The default assumption in this report will be that the units will be apartments, though any significant differences that would follow from the units being condominiums will be pointed out and analyzed.

Some of the units will have to be more affordable than the rent levels, or sales prices, the current market will support; these units are referred to as “Below Market Rate” or “BMR” units. The City requires a minimum of 15% of the residential units in a development greater than six units, be set aside as affordable and that percentage is assumed here. The required level of affordability differs between apartments and condominiums. For sale BMR units have to be provided in a mix of 50% moderate income and 50% median income and for rent BMR units have to be provided in a mix of 60% very low income and 40% low income unless the applicant proposes a different alternative which receives the Council’s approval.

While requirements for Below Market Rate units apply to all development, there is no requirement for age-restricted housing units. None are assumed here, though a developer could include some in its proposal, as was previously proposed to be included in The Hills at Vallco project. Having age-restricted units would reduce the students generated by the project, but that is not assumed in this report.

Some assumptions about probable development for each alternative scenario follow from the magnitude of the assumed land uses in that scenario. As will be seen later, the total square feet of space developed varies among the three scenarios, increasing from the Proposed Project as the amount of residential space added exceeds the reduction in the amount of office space in the alternatives. The amount of parking space needed for the alternatives could affect the total building area, but it is still reasonable to conclude that the larger amount of floor space involved with more residential units indicates that the building heights will probably be greater for the alternative Plans with more housing than for the Proposed Project.

The Proposed Project and the two alternatives reflect not only different numbers of housing units, but also differences in the size of the housing units. The 800 units included in the Hills at Vallco project emphasized small units, averaging only 800 square feet within each unit. That size is assumed here for the Proposed Project alternative. Larger units, averaging about 1,000 square feet in size (1,250 square feet including common areas, corridors and amenities) are anticipated for the 2,640 units in the General Plan Buildout alternative. Finally, the 4,000 units in the Retail

and Residential alternative are anticipated to average 825 square feet in size (about 1,000 square feet with common areas, corridors and amenities included).

It should be understood that these scenarios of the residential development that could occur are not forecasts of such development. There are no project design plans on which to make such forecasts. Development could vary significantly from these assumptions. The scenarios are drawn not to forecast development, but to investigate the differences that the amounts of the various land uses would tend to encourage. And, it should be noted, the differences and their calculated impacts are not at all precise.

### **Student Generation**

The project is located within the school district service areas of Cupertino Union Elementary School District (CUSD or Cupertino District) and Fremont Union High School District (FUHSD or Fremont District). It is located within the Collins Elementary School and the Lawson Middle School attendance areas, both part of CUSD. The project is in the Cupertino High School attendance area within the FUHSD, but also fairly close to Lynbrook High School. Students residing in the Cupertino High attendance area have the option of choosing to attend Lynbrook. This report considers the enrollment impacts on these schools and the fiscal impacts on the two districts.

A projection of new student enrollment resulting from each of the Specific Plan scenarios is the critical factor identifying the potential impact of the proposed development on the impacted schools. Student generation rates (SGRs), the average number of students per new housing unit, are the key factor for the projection of enrollment into the future. (For example, 20 elementary students residing in 100 housing units exhibit an elementary school SGR of 0.20 students per unit.) Multiplying the number of new units by an appropriate SGR results in a projection of the number of students from the units that will be generated by the units.

Different housing types generate different SGRs. Single family detached units with private yards usually generate the most students. Within the range of apartments and condominiums, however, student generation can vary significantly, with the sizes, the design and the marketing of the units being major factors. The majority of apartments and condominiums in the Cupertino area are not designed for families. Most of these units are smaller, ranging from studio and loft units to predominantly one and two-bedroom units. They are usually in multi-story buildings and lack private yards. However, if located in a highly rated school district, relatively large apartments and condominiums, especially if they are in a family-friendly setting, can generate as many students as single family detached units.

### **SGRs of Recent Residential Development in Cupertino**

Enrollment Projection Consultants (EPC) has been the demographer for both the Cupertino District (elementary and middle school enrollments) and the Fremont District (high school enrollment) for many years. As part of its work the firm determines student generation (counts

the number of students) for a large number of relatively new housing units of various housing types.

The EPC surveys are the logical place to start in estimating the SGRs for Vallco alternatives. The most recent survey covered 284 attached units (units in multi-unit buildings). One and two-bedroom units dominate the sample. (A limited number of buildings with generally larger units and/or that appear to be designed to accommodate families are not included in this sample; they have been grouped with single family homes in a separate sample for EPC's analysis.)

The survey by EPS found an average SGR for the CUSD (kindergarten through eighth grade) of 0.32 students per multi-family residential unit, or approximately one student in every three homes. The average high school SGR (for the CUSD portion of FUHSD) was 0.08 per unit in multi-family buildings. (The buildings analyzed include some below market rate (BMR) units, but no buildings entirely of BMR units.)

Unfortunately, these averages are for only two buildings, the only multiple-unit buildings that have been completed in the last few years. The individual SGRs of these buildings are also relevant. Table I-1 shows the SGRs of the two developments and their combined SGR (weighted by their number of units).

Table I-1  
SGRs in Comparable Developments

Development	Unit Characteristics	Number of Units	CUSD SGR	FUHSD SGR
<i>Nineteen800/Rose Bowl</i>	large apartments	204	0.33	0.10
<i>Biltmore Addition</i>	average size apartments	80	0.28	0.04
<i>Both Projects</i>		284	0.32	0.08

Sources: Enrollment Projection Consultants.

The “Nineteen800 apartment complex, also known as the “Rose Bowl”, is adjacent to the Vallco Special Area. Its 204 units have 68 CUSD students, an SGR of 0.33 and 21 FUHSD students, an SGR of 0.10. It should be noted that these units are on average significantly larger than the average size of units built in the decade before them, indicating that the Nineteen800 development SGRs are higher than new units of more average size are likely to be. The 80 new units in the Biltmore apartment development at the intersection of Blaney Avenue and Stevens Creek Blvd. have significantly lower SGRs, 22 CUSD students, an SGR of 0.28, and three FUHSD students, an SGR of 0.04. These SGRs are lower, especially for the middle school and

high school grades levels, presumably reflecting the more average size of the units. In both cases most of the tenants moved in a couple of years ago. Rents have escalated significantly since then; it should be expected that units coming on the market in the next few years are likely to have even fewer households with children.

### SGR Variations

We know from many studies that certain characteristics are often associated with adult oriented complexes (and hence relatively few students). These include:

- The developments include more studios and one-bedroom units than larger units with two or three bedrooms;
- The units are relatively small, in particular lacking larger kitchen/family eating areas, but expensive. Families can usually get more for their money in older buildings and alternative locations;
- They tend to be in taller buildings, with fewer or no units at the ground level;
- They are generally in a mixed-use, and not a residential, environment;
- They lack yards and have limited access to play structures and areas for pre-school children, and/or lack open spaces with turf for elementary school-age children;
- There is generally no more than one assigned parking space per unit;
- They are marketed for their sophisticated adult life style;
- To make living at such a high density attractive, they include features such as physical fitness centers, party lounges, business centers, gated entrances, etc., all oriented to adult preferences, but adding to the price. They do not include child care facilities.

The development under the Vallco Specific Plans are generally likely to match the characteristics listed. The General Plan envisions the development in the Vallco Special Area to be in a mixed-use format with residential uses on upper floors with retail and active uses on the ground floor and encouraging a mix of units for young professionals that would like to live in an active “town center” environment. Since the proposed units, whatever the alternative, will be situated in the midst of an urban commercial environment; they are more likely to appeal to adults than to families with children. The buildings are envisioned to be three to seven or more stories tall, with the ground floor being commercial.

Most important, the units will likely be expensive. The market for apartments is a primary consideration. The wild success of technology (including internet) firms, many of them young companies, has created a demand for young engineers and entrepreneurs, with relatively large salaries as a result. The housing supply is inadequate and rents have escalated tremendously. Many of these tech employees can afford the high rents, though many have to co-rent up to do so; for example, two people sharing a two-bedroom unit, or four people sharing a larger unit, each with his/her own room/space. It has become very difficult for young families to complete for units in the heart of Silicon Valley.



Since detailed plans for the residences are not available for the proposed scenarios, we do not know about the features and amenities that will be included. These will be determined by their target market, including whether the units will be marketed to younger families. However, the development could include a fitness center and a swimming pool(s). Most of the projects built during the last decade have generally not seen families as their target market; it is probable that these units will not either. (None of the many pictures shown on internet sites for the Nineteen800, Biltmore, Hamptons and Main Street projects show a child or children-specific amenities, whether within a unit or elsewhere in the complex.)

Assumptions have been made about the size of the units, as discussed above, and, as noted above, this is a factor that strongly influences student generation. Studios and one-bedroom units relatively seldom satisfy the needs of a household with school-age children. Two-bedroom units provide a bedroom for one or two children, and with more children a three-bedroom unit is almost a necessity.

The interiors of the units in the Proposed Project are anticipated to average 800 square feet. (Unless otherwise stated, the unit sizes here are for the interiors of the units.) This size suggests a scenario of mostly small one-bedroom units or a mix where the number of two-bedroom units is approximately offset by the number of studio units. The Retail and Residential alternative has an assumed average unit interior size of 825 square feet, much like the Proposed Project alternative. These unit sizes would be comparable to those in the nearby Biltmore, Main Street and Hampton Apartments. The one-bedroom units in these developments seem to be mostly between 700 and 900 square feet and the two-bedroom units average about 1,000 square feet. The assumed average size of the units in the General Plan Buildout alternative is about 1,000 square feet. The two-bedroom Nineteen800 units, in contrast average 1,200-1,300 square feet in size (partially because they typically contain two bathrooms).

These scenarios of units suggest that the Proposed Project and the Retail and Residential alternative would tend not to offer units that meet the needs of households with children. The units in the General Plan Buildout with Maximum Residential alternative would have more bedrooms for children, but households with children would have to compete for the very expensive units with other potential tenants often with multiple high incomes.

The above analysis leads to the SGR projections for the three scenarios shown in Table I-2. The SGRs shown are not those found in any of the scenarios described above, but are based on the SGRs of those projects adjusted for the differences in the three scenarios.

**Table I-2**  
**Vallco Specific Plan and Alternatives**  
**Projected SGRs**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>Elementary (K-5) SGR</i>	0.13	0.20	0.13
<i>Middle (6-8) SGR</i>	0.04	0.06	0.04
<b><i>Total CUSD SGR</i></b>	<b>0.17</b>	<b>0.26</b>	<b>0.17</b>
 <i>High School FUHSD SGR</i>	 <b>0.04</b>	 <b>0.06</b>	 <b>0.04</b>

*Source: Schoolhouse Services.*

In summary, the high prices and the small size of the premises make the likelihood of households with students quite low for the Proposed Project and the Retail and Residential alternative. The scenario for the General Plan Buildout with Maximum Residential alternative provides larger units likely to attract moderately more households with students. However, the high prices of the units would still hold down the number of households with children, despite the attractiveness of the school districts.

### **Enrollment Impacts**

With appropriate SGRs we can proceed with the calculation of the enrollment generated from the Proposed Plan and alternatives. Table I-3 shows the calculated student enrollment impact resulting from the project three to ten years after construction of the units.

**Table I-3**  
**Estimated Enrollment Impact\***

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>Elementary (K-5)</i>	104	528	520
<i>Middle (6-8)</i>	32	158	160
<b><i>Total CUSD</i></b>	<b>136</b>	<b>686</b>	<b>680</b>
 <i>FUHSD</i>	 <b>32</b>	 <b>158</b>	 <b>160</b>

*Source: Schoolhouse Services.*

Given the assumptions described above, the three Proposed Plan and alternatives are projected to generate for Cupertino Union Schools approximately 136 students in the Proposed Project to about 680 students in the General Plan Buildout with Maximum Residential and Retail and Residential alternatives. The three scenarios are projected to generate for Fremont Union Schools from approximately 32 students in the Proposed Project to about 160 students in the General Plan Buildout with Maximum Residential and Retail and Residential alternatives.

The number of students generated by the Proposed Project is significantly fewer than for the alternatives, reflecting both the fewer number of units and the lower student generation of the smaller units. For the two alternatives with the larger number of units, the smaller units in the Retail and Residential alternative offsets the greater number of units in that alternative.

It should be remembered that these estimates are reasonable for the alternatives. However, many characteristics of the units are unknown and the market is uncertain; the actual enrollment generated could vary up or down from these numbers, especially since we are talking about perhaps 10 years and further into the future. In particular, it should be remembered that student generation is still falling as rents and condo prices are increasing; thus, the number of students projected for each alternative are more likely to be too high than to be too low.

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

#### District-wide Enrollment

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. The Cupertino District has been a rapidly growing school district. Enrollment has increased almost every year, going from 15,571 in the fall of 2001 to 19,194 in the Fall of 2013, an increase of more than 20% accommodated without additional schools in the District. This increase in enrollment overcrowded many of schools, particularly in the northern and northeastern portions of the District.

A different enrollment trend has become evident in the last four years and is projected for the next five years (the period of Enrollment Projection Consultants projections for CUSD). The EPC Fall 2017 study shows an October 2017 enrollment of 18,001, a decline of almost 1,200 students over the last four years. Without counting any students that would be attending from Vallco development, the firm projects a further decline of 1,478 students district-wide over the next five years, for a total drop of about 14% from when enrollment peaked. (EPC's report shows a decline of 1,257 students, but that includes 221 students from an assumed 700 Vallco units, an assumption EPG cautions as speculative.)

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.

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 less 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 longer term picture. In the long term, the young tech workers will be older; a decade from now, 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 with school-age children will likely come to prefer a more suburban environment with good schools.

### Elementary Schools

Against the district-wide overall picture, attention must be given to (1) what is happening in the elementary schools compared to the middle schools and (2) the differences in the various parts of the district.

Without counting any students that would be attending from Vallco development, the firm projects a further decline of 582 elementary students District-wide over the next five years. It observes that this decline could be partially offset by a projected increase of 182 students from a hypothetical 700 Vallco unit development, which would make the projected decline only 400 students. (EPC cautions that any assumption about the number of units built at Vallco in the next five years is speculative.) The decline would be even greater except for the projected construction of 1,200 housing units (not including units from the Vallco project), which EPC projects to generate about 300 elementary students. (The projects containing the 1,200 units are identified in EPC's report to the District.)

The rate of decline will not be the same throughout the district, differing among three areas of the district. The majority of the schools north and northeast of I-280 (in the Hyde and the eastern part of the Cupertino Middle School attendance areas), where most of the new development is occurring, will remain at about current enrollment from their attendance areas. Schools in the central area lying below I-280 and Bollinger Road (the Lawson attendance area) are projected to experience moderate enrollment declines from their attendance areas. The schools in the southern portion of the district have already passed their peak enrollment and have a continued decline projected in the future.

Wolfe Road is the dividing line between the Collins (Cupertino) and Eisenhower (Santa Clara) attendance areas. The Vallco Special Area encompasses property on both the east and west sides of Wolfe Road, but the alternatives do not have plans that specify the number of residences to be located on each side. In any case, CUSD anticipates that, consistent with District practices, the majority of the elementary students generated by the project would be enrolled at the Collins or Eisenhower Elementary Schools, with others attracted to programs elsewhere in the District.

The relationship between a school's enrollment and the count of students residing in the school's attendance area needs to be explained. The Cupertino District has developed programs that are located in schools with available capacity, generally schools in the south part of the district; CLIP, the Chinese Language Immersion Program, is an example. Many students participating in the program are drawn from attendance areas in the northern/northeastern and central tiers of the district, lessening the pressure on these schools. Also, Special Day Class (SDC) programs are located in the southern schools, again drawing some students from the more crowded schools. Finally, there are situations in which students attend a school in a nearby attendance area, shifting enrollment south and lessening the pressure on the over-crowded schools. All of these practices have some inherent disadvantage, but it is a much more favorable resolution than either having the northern schools even more crowded or having fewer voluntary choices of schools. Collins Elementary currently has only 36 more students residing within its attendance area than attend the school, perhaps about average for schools in the central portion of the District when the factors in the preceding paragraph are considered. Looking ahead, the number of students residing in its attendance area is projected to decline by 72 students over the next three years. Eisenhower, in the northeast portion of the District, has more students (173) residing in its attendance area than attend the school and it is projected to have about the same number of students residing in its attendance area five years from now as it currently has.

Adding many of the 104 students projected for the Proposed Project alternative, even with a modest continued decline in enrollment from existing housing, would take combined enrollment at these schools back approximately to their current enrollments. It would be impossible to add more than a relatively small portion of the over 500 students projected for the General Plan Buildout with Maximum Residential and Retail and Residential alternatives to Collins and Eisenhower enrollments. The accommodation of the large majority of the 500 plus students would have to be viewed in terms of the District-wide projected decline of about 600 students (without any students from Vallco). To the extent the enrollment decline doesn't continue after EPC's five-year forecast window, it would mean more pressure on schools in the northeast portion of the District, requiring program enhancements and/or attendance boundary adjustments to accommodate most of that enrollment in schools outside of the northeast schools.

### Middle Schools

Growing enrollment in the school district was until recently threatening to overwhelm the capacity of CUSD middle schools. Now that is changing. This school year's enrollment in the middle schools is 339 student below last year's enrollment. Without counting any students that would be attending from Vallco development, the firm projects a further decline of 896 middle school students District-wide over the next five years. (An enrollment of 39 students from a hypothetical 700 Vallco unit development, an assumption EPG cautions as speculative, would reduce the decline to 857 students.)

The four largest middle schools (Cupertino, Kennedy, Lawson, and Miller) have Fall 2017 enrollments of between 1,228 and 1,427 students. The other school, Hyde, is much smaller, with

an enrollment of 972 students. At the Lawson and Miller schools, that enrollment includes a significant net in-migration of students, 127 and 149 respectively, from other school attendance areas. Cupertino and Hyde Middle Schools export a similar net number of students to other schools.

In the next three years, however, enrollment from the attendance areas of each of the large middle schools is projected to decline, ranging from 120 to 227 students. (Enrollment from the Hyde, a smaller school, attendance area is projected to remain at approximately the current level.) These declines allow for more flexibility in distributing students generated by a large new development, consistent with District practices, than would have been the case prior to the change in enrollment trends.

The Vallco Special Area is in the Lawson Middle School attendance area. Enrollment from the Lawson attendance area declined 122 students from 2016 to 2017 (October counts) and is projected to decline by an additional 120 students by 2020. Seventeen classrooms of permanent construction have been added in the past few years at the Lawson and the adjacent Cupertino Middle School campuses, adding substantially, about 600 students, to their enrollment capacity. and relieving overcrowding.

The additions at Lawson and Cupertino Middle Schools and the decline of almost 900 students (without any development assumed at Vallco) suggests that the impact on the District's facilities by the 32 middle school students that would be generated by the Proposed Project would be insignificant. It also appears that the District has the capability to absorb the approximately 160 middle school student that would result from the General Plan Buildout with Maximum Residential and Retail and Residential alternatives.

### **Enrollment and Capacity of Fremont Union High School District Schools**

The Fremont Union High School District currently has an October 2017 enrollment of 11,000 students attending its five comprehensive high schools. Enrollment Projection Consultants expects this to remain essentially constant for the next two years. At that point the enrollment decline described above for the middle schools will begin moving to the high school level. Assuming no development at Vallco and therefore, no students being generated, a decline of 990 students residing in the District is projected for the next four years, October 2019 to October 2023. (EPC's report shows a decline of 901 students, which includes a projected increase in 89 students from a hypothetical 1,110 Vallco units, including 410 units in the sixth year, an assumption EPG again cautions as speculative.)

The Vallco Special Area is located in the Cupertino High School attendance area. Enrollment from the Cupertino attendance area is projected to decline by 187 students over the next six years, not including any students from Vallco development. (EPC's projections for FUHSD are for six years, to the 2023/24 school year.) Lynbrook High School attendance area is adjacent to the Cupertino attendance area. Enrollment from the Lynbrook attendance area is projected to

decline by 334 students over the next six years, which (not considering any other factors) would drop the school to an enrollment of about 1,500 students. The “Lynbrook Supplemental School Assignment Plan” adopted by the FUHSD addresses this matter, including allowing students from the Cupertino High School attendance area to choose to attend Lynbrook High School.

Staff have calculated the enrollment capacity of these five schools to be 11,272 students; capacity is slightly above current enrollment. It should be understood that this capacity reflects various factors, especially including current financial constraints. For example, it assumes that average class size for almost all classes is 30.1 students. This is significantly above the national average and, presumably, the FUHSD would lower class sizes, and thus require more classrooms, if more adequate funding were available.

Cupertino High School is calculated by District staff to have an enrollment capacity of 2,566 students. Fall 2017 enrollment at Cupertino High School is 2,273 students, moderately below that capacity. A total of 2,370 FUHSD students reside in its attendance area. It is projected that in the Fall of 2023, the attendance area will have about 98 fewer students in its attendance area, bringing its enrollment to 2,175 students (assuming 97 students continue to attend elsewhere in the District).

While increasing enrollment has brought FUHSD to full utilization of the capacity of its schools, the enrollment decline of about 1,000 students projected as the smaller grade cohorts move into their high school years will free up some enrollment capacity. The Proposed Project impact of 32 high school students would be insignificant. The impact of 160 students from the General Plan Buildout and the Retail and Residential alternatives would call for planning to accommodate it, but doing so would not appear to be a problem since total enrollment would not exceed the total enrollment capacity of the District.

## **II. CAPITAL FACILITIES COST AND REVENUE IMPACTS**

This section estimates the cost of facilities to house the number of students generated by development under the three Specific Plan alternatives and the revenues generated by that development. (It can be noted that the “no project” alternative, because it does not involve the direct generation of any students, does not have any revenue nor any cost impacts.) It should be understood that these are one-time costs and revenues, the revenues being statutory development fees levied at the time of construction and the costs being school facility construction costs incurred when enrollment capacity is provided. And it should be noted that, as only the broadest definitions of the alternatives are available, the calculations are not precise.

### **Revenue Impacts - Development Fees**

Development fees constitute the only mandatory capital facilities revenues to school district resulting from development. California law provides for these fees on residential and non-residential development as a partial source of funding for the costs of accommodating the students resulting from the development. The maximum fee amounts were originally conceived of as providing one-half of the cost of facilities to accommodate additional students, though they typically fall short of this share.

The initial fees authorized by state legislation, effective beginning in 1987, are set forth in Education Code Section 17620(a)(1), “The governing board of any school district is authorized to levy a fee, charge, dedication or other requirement against any construction project ... for the purpose of funding the construction or reconstruction of school facilities ....” Even more critically, the section states “A city or county ... shall not issue a building permit for any construction absent certification by the appropriate school district that any fee ... levied by the governing board of that school district has been complied with, ....”

The imposition of these fees, now usually referred to as Level 1 fees, is subject to statutorily prescribed rules. One of these limits the fees to maximum amounts. These amounts are adjusted for inflation, most recently in January 2018 to \$3.79 per square foot for residential development and \$0.61 per square foot for commercial/industrial (C/I) development, which includes almost all private non-residential development. (There are also even lower fees for some very low employment land uses, such as attendant-controlled parking structures.)

A minority of school districts in the state are eligible, based on factors such as overcrowding and debt, to levy higher residential fees, referred to as Level 2 (and Level 3) fees. Few of the districts in the Cupertino area are eligible to levy these fees. The same 1998 law that authorized these fees set forth in Government Code Sections 65995.5 *et seq.*, made it clear that a project’s compliance with a fee program adopted by a district constituted mitigation of the project’s impact; no other mitigation can be required.



Impact fees are not taxes. They can only be levied if the governmental agency demonstrates that its services will be negatively impacted if the impacts of the development are not mitigated. Both CUSD and FUHSD have adopted documents justifying the fees they levy. For decades the Cupertino Union and Fremont Union High School Districts have been pushed to have available the capacity to accommodate a continually increasing enrollment; fees were levied for the purpose of adding enrollment capacity beyond that provided by existing buildings. Now, as described in the information about enrollment above, the Districts can look ahead and see that enrollment from existing homes is projected to be decreasing. They will probably not, at least in the near to medium distant future, be faced with the need to accommodate more students. This has allowed them to focus on the need to replace and refurbish old and/or obsolete facilities.

The above analysis has made it clear that the primary task for CUSD and FUHSD in having adequate capacity 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 (1) refurbish existing facilities to maintain the existing level of service” in the determination and expenditure of fees to mitigate development impacts. A possible further need is the addition of a small amount of capacity where possible at campuses that already have full enrollment in order that additional students from new development will not cause or increase overcrowding.

The State Allocation Board (SAB) adjusts maximum fee amounts biennially in January for changes in the cost of construction, with the most recent adjustment having occurred in January 2018. (The Class B cost of construction index used by the state board rose about nine percent between December 2015 and December 2017.)

Where two school districts, such as CUSD and FUHSD, each serve a portion of the kindergarten through twelfth grades, the fee revenues are split between the districts. FUHSD and its elementary feeder districts have an agreement as to how fee revenues are to be shared. Per this agreement, CUSD is allowed to collect up to 60% of the \$3.79 maximum fee amount, or \$2.27 per square foot of residential development. FUHSD is allowed to collect 40% of the maximum, or \$1.52 per square foot of residential development. The maximum fees on non-residential development are \$0.37 and \$0.24 per square foot for CUSD and FUHSD respectively.

### **Development Subject to Impact Fees**

Table II-1 lists the building areas subject to development fees for the Proposed Project and the two alternatives.

**Table II-1**  
**Development Subject to Fees**  
**(Square Feet)**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<b>Residential</b>			
<i>Interior Space per Unit</i>	800	1,000	825
<i>Non-interior Space per Unit<sup>1</sup></i>	200	250	175
<i>Number of Units</i>	800	2,640	4,000
<b>Total Residential Space</b>	<b>800,000</b>	<b>3,300,000</b>	<b>4,000,000</b>
<b>Non-residential</b>			
<i>Office</i>	2,000,000	1,000,000	0
<i>Hotel<sup>2</sup></i>	120,000	120,000	120,000
<i>Commercial/Retail<sup>3</sup></i>	600,000	600,000	600,000
<i>Civic<sup>4</sup></i>	65,000	65,000	0
<i>Support Infrastructure<sup>5</sup></i>	100,000	100,000	100,000
<i>Credit for Space Demolished</i>	(1,200,000)	(1,200,000)	(1,200,000)
<b>Net Non-residential Space</b>	<b>1,685,000</b>	<b>685,000</b>	<b>(380,000)</b>
<b>Total Space</b>	<b>2,485,000</b>	<b>3,985,000</b>	<b>3,620,000</b>

<sup>1</sup> Includes hallways, lobby, etc.

<sup>2</sup> 191 hotel rooms

<sup>3</sup> Retail and restaurants

<sup>4</sup> Governmental Offices, community meeting space or facilities

<sup>5</sup> Loading, facility, and security areas and central plant

Source: City of Cupertino

The information about the square footage of the various components of the project shown in Table II-1 can be multiplied by the development impact fee amounts to calculate the fee revenue that would be generated by Vallco development, as shown in Table II-2.

### Voluntary Benefits

The law establishing the ability of school districts to levy impact fees was not intended to provide revenue adequate to fully mitigate the impact. In a few cases, developers offer to provide benefits in addition to the required fees to lessen the impact. The previously proposed Hills at Vallco project was an example of this, as the developer offered to fund significant improvements desired by CUSD and FUHSD. The project description with the Hills at Vallco project stated intention was to provide resources to CUSD and FUHSD substantially in excess of the development fee mitigation required by state law. CUSD and FUHSD made statements expressing the view that the benefits offered would more than mitigate the impacts of the project.

**Table II-2  
Development Impact Fee Revenue**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Residential and Retail</i>
Residential Square Feet	800,000	3,300,000	4,000,000
<b>CUSD Fee Revenue @ \$2.27</b>	\$1,816,000	\$7,491,000	\$9,080,000
<b>FUHSD Fee Revenue @\$1.52</b>	\$1,216,000	\$5,016,000	\$6,080,000
Non-residential Square Feet	1,685,000	685,000	-380,000
<b>CUSD Fee Revenue @ \$0.37</b>	\$623,450	\$253,450	-\$140,600
<b>FUHSD fee revenue @\$0.24</b>	\$404,400	\$164,400	-\$91,200
<b>CUSD Total Fee Revenue</b>	<b>\$2,439,450</b>	<b>\$7,744,450</b>	<b>\$8,939,400</b>
<b>FUHSD Total Fee Revenue</b>	<b>\$1,620,400</b>	<b>\$5,180,400</b>	<b>\$6,004,400</b>
<b>Total Fee Revenue</b>	<b>\$4,059,850</b>	<b>\$12,924,850</b>	<b>\$14,928,200</b>
CUSD students	136	686	680
<b>CUSD Revenue per Student</b>	<b>\$17,937</b>	<b>\$11,289</b>	<b>\$13,146</b>
FUHSD students	32	158	160
<b>FUHSD Revenue per Student</b>	<b>\$50,638</b>	<b>\$32,787</b>	<b>\$37,430</b>

### Facilities Costs

This section of the report addresses the cost of accommodating students from each of the Vallco Specific Plan alternatives as described in the last few paragraphs and compares the cost with the development fee revenue the project will generate for CUSD and FUHSD. The analysis of school enrollment impacts above shows that from 104 to 528 additional elementary, from 32 to 160 middle school students, and from 32 to 160 high school students would be generated by the Vallco Specific Plan alternatives.

The discussion above described the primary approach that will be taken by CUSD and FUHSD 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. The replacement of the old CUSD offices with a new two-story building with 20 classrooms and a music room at Lawson Middle school provides a comparable for the cost of replacement with a new building of permanent construction. The 21 rooms cost \$9.6 million in hard construction costs and \$2.8 million in associated “soft” costs, for a total cost of \$12.4 million. That cost was incurred beginning four years ago. Based on the cost of construction index used by the California State

Allocation Board (SAB), which oversees state school grants and developer fee limits, its currently would cost 16.6% more due to inflation, a cost of \$14.46 million. Classrooms average very close to 1,000 square feet per room; adding 10% for hallways, etc. would bring the square feet of building space to 23,100 square feet. The cost is therefore estimated at \$626 per square foot. This is comparable to costs of other permanent construction projects in the two districts.

Much of what CUSD has to do to have adequate capacity in the future is to replace aged relocatables (also referred to as portables or modulars). It purchased and installed 10 modular classrooms at a cost of \$3.39 million in 2015 and 2016. With an estimated 10,000 square feet of space in the units, the cost is \$339 per square foot. The SAB's construction cost index has increased 10.3% from the average of 2015 and 2016 costs to the 2018 cost, increasing the current cost to replace aged modular classrooms to \$374 per square foot.

Capital projects within the FUHSD also provide information about the cost of refurbishing or replacing educational space to maintain enrollment capacity in the future. This information is in the form of costs for projects to be undertaken in 2018 and 2019. A list of planned projects includes four classroom buildings, only one of which, the addition of four classrooms, does not involve demolition of an older building. Another project involves the demolition of six classrooms. An equal number of planned projects involve renovation or replacement of space in buildings such as gym/field house, cafeteria, etc. (some of which have a minority of the space devoted to classrooms).

The per square cost of the three buildings are very similar and average \$726 per square foot. The fourth classroom project, the four-room building, has a much higher cost per square foot. The refurbishment (including installing up-to-date technology) in non-classroom building projects generally have much higher per square foot costs, more often than not making refurbishment more expensive in the long run, than replacement with new construction. The cost of \$726 per square foot is conservatively used as the basis for determining the capital cost impact of students from new development. This cost is in the same range as the \$626 cost of similar CUSD projects.

We do not know what proportion of projects in the two districts will be modular/relocatable and what percentage will be permanent construction. To have a reasonable number that can be used to compare cost for the three Specific Plan alternatives, we use a simple average of the three costs, implicitly assuming modular buildings will account for one third of the square feet refurbished or built by the districts. The assumed cost is therefore \$575 per square foot. The assumption that enrollment capacity needs will be met through refurbishing and replacement means that no cost for land is included.

The California Department of Education (CDE) uses floor space per student guidelines as a component in determining the dollar amounts in its new construction grant program and these numbers can be used to project the amount of floor space necessary to accommodate students

from new development. The floor spaces are 73 square feet for elementary, 80 square feet for middle school students, and 95 for high school students.

The above information allows for calculation of an estimated capital facilities cost for the three General Plan alternatives. Table II-3 repeats Table I-3, showing the number of students at each grade level generated by the Proposed Project and the two alternatives.

**Table II-3  
Enrollment Impact**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>Elementary (K-5)</i>	104	528	520
<i>Middle (6-8)</i>	32	158	160
<i>Total CUSD</i>	<b>136</b>	<b>686</b>	<b>680</b>
<i>FUHSD</i>	<b>32</b>	<b>158</b>	<b>160</b>

Source: Schoolhouse Services.

The estimated enrollments shown in Table II-1 are converted into the amount of educational space needed to be refurbished or replaced to maintain its availability for the students. This is shown in Table II-4.

**Table II-4  
Space Impact  
(Square Feet)**

	<i>Square Feet Per Student</i>	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>Elementary (K-5)</i>	73	7,600	38,500	38,000
<i>Middle (6-8)</i>	80	2,600	12,700	12,800
<i>Total CUSD</i>		<b>10,200</b>	<b>51,200</b>	<b>50,800</b>
<i>FUHSD</i>	<b>95</b>	<b>3,000</b>	<b>15,000</b>	<b>15,200</b>

Source: Schoolhouse Services.

The last step is to convert the square feet of space into cost impact, utilizing the average cost estimate of \$575 per square foot. The results are shown in Table II-5.

**Table II-5**  
**Cost Impact**  
(millions of dollars)

	<i>Cost per Square Foot</i>	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>Elementary (K-5)</i>	\$575	\$4.37	\$22.16	\$21.83
<i>Middle (6-8)</i>	\$575	\$1.47	\$7.29	\$7.36
<i>Total CUSD</i>		<b>\$5.84</b>	<b>\$29.45</b>	<b>29.19</b>
<i>FUHSD</i>	<b>\$575</b>	<b>\$1.75</b>	<b>\$8.65</b>	<b>\$8.74</b>

Source: Schoolhouse Services.

### Comparison of Capital Facilities Costs and Developer Mitigation

Table II-6 below shows the calculation of the difference between the development impact fees likely to be generated by the Specific Plan alternatives and the Construction Cost Index adjusted facilities costs per student for each of the alternatives.

**Table II-6**  
**Development Impact Fees Versus Facilities Costs\***  
(millions of dollars)

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<b>CUSD</b>			
Fee Revenues	\$2.44	\$7.74	\$8.96
Facility Costs	\$5.84	\$29.45	\$29.19
Net Capital Impact	(\$3.40)	(\$21.71)	(\$20.23)
<b>FUHSD</b>			
Fee Revenues	\$1.62	\$5.18	\$6.00
Facility Costs	\$1.75	\$8.65	\$8.74
Net Capital Impact	(\$0.13)	(\$3.47)	(\$2.74)

\*Both fee and revenue costs are one-time, rather than annual.

Source: Schoolhouse Services

The table shows that impact fees do not cover the cost of facilities, particularly for CUSD. The deficits are significantly larger for the General Plan Buildout with Maximum Residential and the Retail and Residential alternatives than for the Proposed Project, reflecting the larger enrollments generated by the two alternatives with many more housing units.

The impacts reflect the relatively high cost of school facilities at CUSD and FUHSD campuses. The deficits would be even higher, if not for the substantial fee revenue from the non-residential development portion of the project. The deficits also reflect the design of California law that development fees are only intended to partially mitigate development impacts on school districts.

### **III OPERATING REVENUE AND COST IMPACTS**

#### **Operating Costs**

Operating costs are annual costs and are matched with revenues received annually. Almost all operating costs tend to increase with enrollment, if educational standards are to be maintained. These costs include personnel costs like salaries and benefits for certificated and classified employees, which comprise the large majority of a district's budget. Therefore, the cost per student estimate is simply a calculation of the revenues available for operating expenditures divided by the number of students, as shown in Table III-1.

**Table III-1**  
**Per Student Operating Costs**

	<i>Operating Budget</i>	<i>Number of Students</i>	<i>Per Student Cost</i>
<b>CUSD</b>	\$185.2 million	18,001	<b>\$10,290</b>
<b>FUHSD</b>	\$146,900,000	11,042	<b>\$13,300</b>

*Sources: CUSD and FUHSD 2017-18 budgets and Schoolhouse Services*

The cost impact of the Proposed Project, and each alternative, on each district is calculated as the cost per student times the number of students. This is shown in Table III-2.

**Table III-2**  
**District Operating Costs**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>CUSD Students</i>	136	686	680
<b><i>CUSD Costs (@ \$10,290 per student)</i></b>	<b>\$1,400,000</b>	<b>\$7,06,000</b>	<b>\$7,000,000</b>
<i>FUHSD Students</i>	32	158	160
<b><i>FUHSD Costs (@ \$13,300 per student)</i></b>	<b>\$430,000</b>	<b>\$2,100,000</b>	<b>\$2,130,000</b>

*Source: Schoolhouse Services.*

#### **Operating Revenues**

Additional students generated by development in the Vallco Special Area, under any of the scenarios, will affect the revenues and costs for the two districts in very different ways.

#### **Cupertino Union School District**

**CUSD** is a "revenue limit" district. Like other revenue limited districts in the state, its property tax revenues are sufficiently low that it is eligible to receive supplemental funding from the state's operating grants program. (Ninety-plus percent of the students in California public schools attend revenue limit districts.) This grant program is now in its fifth year; it folds about



40 funding programs into a single grant program and generally allows districts to allocate the revenue as they see fit. The program can be briefly summarized as follows. Based on the state budget allocation to K-12 education for the fiscal year, it is the public school funding level (property tax revenues plus grants) that the state can support in all California districts. Then the state budgeted money supplies the additional funds necessary to each district to fill the gap. For each district, the state specified funding level (the Local Control Funding Formula or LCFF) depends on total enrollment and the percentage of the enrolled students that are learning English or eligible for free or reduced price lunches.

The result of the program's structure is that the total district revenue, i.e., revenues from property taxes plus the revenue limit program, increases proportionately as enrollment increases. Another reality for a revenue limit district is that the increase in property tax revenue from new homes is offset by a comparable reduction in the money from the state; thus higher property taxes do not affect the total of property tax and state revenue limit funding. It should also be understood that the above analysis is based on the current state grant funding program; this program could be modified in coming years. CUSD total revenue (taxes plus the state grant) due to the current program totals \$148 million in this fiscal year, or \$8,200 per student.

The federal and state government also supply other funding, generally for categorical programs, and these also tend to increase as enrollment increases, as do the relatively small revenues from several local sources (e.g. interest and transportation fees). CUSD operating revenues from these sources total \$37 million, or \$2,100 per student for the 2017-2018 school year.

#### Fremont Union High School District

FUHSD is one of the relatively few districts in the state that is not a revenue limit district. Its property tax revenue is moderately above the amount below which the state Local Control Funding Formula (LCFF) comes into play and provides grants supplementing property tax revenue. Because there is no state supplement to property tax revenues (in contrast to the CUSD situation), District revenue does not increase when additional students are enrolled. However, when new development generates additional property taxes, the District's revenues increase. The increase in property tax revenue is equal to the District's share of the property tax rate times the fair market value established by the Santa Clara County Assessor.

Table III-3 shows the calculation of the assumed assessed valuation for the Proposed Project and the General Plan Buildout with Maximum Retail and Retail and Residential alternatives. The assessed values are based on per unit and/or per square foot market values estimated by Schoolhouse based on recent property sales. However, it should be noted that at this time, the markets are changing rapidly. Current sales are to a large extent dependent on a very strong market, but also on historically low interest rates and uncertainty about alternative investments. These, and other, factors could change before construction of the buildings is completed. Also, there are uncertainties as to how value will be allocated among the buildings; the central plant, for example, has little value in itself, but it is necessary for the income generating buildings.

Therefore these estimates should be understood to reflect judgment as much as they reflect statistical data. And the lack of precision in the estimated assessed values should not be overlooked.

The estimated total fair market value of the buildings of the scenarios, as shown in Table III-3, is in the same range, from a little over \$4.2 billion to a little over \$5.1 billion dollars. The basic property tax rate per California law is one percent of assessed value; the annual maximum property tax (without voter approved bonds and special taxes) that is estimated to be generated by development of the Vallco Specific Plans is from \$42 to \$51 million.

**Table III-3**  
**Assessed Value**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<b><i>Residential</i></b>			
<i>Interior Space (square feet)<sup>1</sup></i>	640,000	2,640,000	3,300,000
<i>Assessed Value per Square Foot</i>	\$1,100	\$1,100	\$1,100
<b><i>Residential Assessed Value (\$ millions)</i></b>	<b>\$700</b>	<b>\$2,900</b>	<b>\$3,630</b>
<b><i>Non-residential</i></b>			
<i>Office, Hotel, and/or Commercial/Retail<sup>2</sup></i>	2,720,000	1,720,000	720,000
<i>Assessed Value per Square Foot</i>	\$1,300	\$1,300	\$1,300
<b><i>Non-residential Assessed Value (\$ millions)</i></b>	<b>\$3,540</b>	<b>\$2,240</b>	<b>\$940</b>
<b><i>Total Assessed Value (\$ millions)</i></b>	<b>\$4,240</b>	<b>\$5,140</b>	<b>\$4,570</b>

<sup>1</sup> Table II-1

<sup>2</sup> Not including any Civic, Support Infrastructure, and Parking space; their assessed value is minor in comparison and is implicitly included in the value of the other land uses

Source: Schoolhouse Services

FUHSD's share of the base one percent property tax in the 13-301 tax code area in which the project is located in is 16.7% of the base tax revenue it would range from \$7.1 million to \$8.6 million, as shown in Table III-4. This tax revenue generated by the Vallco Proposed Project and the two alternatives amounts to from \$48,000 to \$221,000 for per student from Vallco.

It should be understood that these large numbers for these scenarios reflect (1) the very large property values in prime locations in San Francisco and the Peninsula and (2) the fact that residential development is balanced by a large amount of non-residential. The differences in the projected property tax revenue per FUHSD student reflect the difference in the smaller number of students in the Proposed Project compared to the larger number of students in the General Plan Buildout with Maximum Residential and Retail and Residential alternatives, which generate many more students.

**Table III-4  
FUHSD Property Tax Impact**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<b>Property Taxes</b>			
<i>Assessed Value (\$ millions)</i>	\$4,240	\$5,140	\$4,570
<b>Maximum Tax Levy (1% of assessed value<sup>1</sup>)</b>	<b>\$42,400,000</b>	<b>\$51,400,000</b>	<b>\$45,700,000</b>
<b>FUHSD Property Tax Revenue</b>			
<b>FUHSD Share of Maximum Tax Levy (16.68%)</b>	<b>\$7,080,000</b>	<b>\$8,580,000</b>	<b>\$7,630,000</b>
<i>Number of Vallco generated students</i>	32	158	160
<b>Property Tax Revenue per Student</b>	<b>\$221,300</b>	<b>\$54,300</b>	<b>\$47,700</b>

<sup>1</sup> State law (per Proposition 13) limits the base tax levy to one percent of assessed value.

There can be additions to this limit for debt service on voter approved bonds.

Source: Schoolhouse Services

FUHSD receives a modest amount of funding, about 13% of their total revenue, from sources other than its property taxes. These can most conveniently be estimated of a per capita basis; the 2017-18 budget anticipates \$1,700 per student from these sources.

**Table III-5  
FUHSD Other Revenues**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>FUHSD Students</i>	32	158	160
<b>Other Revenues (@ \$1,700 per student)</b>	<b>\$50,000</b>	<b>\$270,000</b>	<b>\$272,000</b>
<b>Property Taxes</b>	<b>\$7,080,000</b>	<b>\$8,580,000</b>	<b>\$7,630,000</b>
<b>Total Revenue Impact</b>	<b>\$7,135,000</b>	<b>\$8,850,000</b>	<b>\$7,900,000</b>

Source: Schoolhouse Services.

### Other CUSD and FUHSD Revenues

The voters of both CUSD and FUHSD have approved bond issues for campus improvements. Debt service on the bond issues is spread among property tax payers proportional to assessed value. The current tax rate for CUSD is \$0.000496 per dollar of assessed value. As shown in Table III-6, the revenue paid by Vallco property owners if developed per the Proposed Project for debt service on CUSD bonds is projected at \$2.10 million. The debt service levied on Vallco development for the General Plan Buildout with Maximum Residential and the Retail and Residential alternatives is projected to be \$2.55 million and \$2.26 million respectively.

Similarly, the current tax rate for the Fremont District is \$0.000464 per dollar of assessed value and the revenue levied for debt service on District's bonds is projected to be about 93% of the amounts for CUSD. It should be understood, however, that these revenues do not increase the funds available to the districts. The bond issues and associated debt service are fixed amounts. The assessed value of new development increases the total assessed value, spreading the debt service among a larger tax base; it does not increase the revenue to the districts. It does decrease by from \$4.1 to \$4.9 million annually the amount other tax-payers in the districts have to pay.

**Table III-6**  
**School District Bond Debt Service**

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<i>Assessed Value (\$ millions)</i>	\$4,240	\$5,140	\$4,570
<i>CUSD Bonds (at 0.0496% of assessed value)</i>	<b>\$2,100,000</b>	<b>\$2,550,000</b>	<b>\$2,260,000</b>
<i>FUHSD Bonds (at 0.0464% of assessed value)</i>	<b>\$1,970,000</b>	<b>\$2,380,000</b>	<b>\$2,120,000</b>
<i>Per Student</i>			
<i>CUSD Bonds</i>	<b>\$15,500</b>	<b>\$3,700</b>	<b>\$3,300</b>
<i>FUHSD Bonds</i>	<b>\$61,500</b>	<b>\$15,100</b>	<b>\$13,200</b>

*Source: Santa Clara County Tax Collector and Schoolhouse Services*

There is one local CUSD funding source (other than the property taxes) that does not increase proportionally with enrollment, parcel taxes. Parcel taxes, which total approximately 10% of total District general fund revenues, flow from measures approved by the voters. These taxes continue until the expiration of the voters' authorization, though it is reasonable to expect that they will probably be renewed at that time.

Parcel taxes are levied on a per parcel basis. The number of parcels constituting the non-residential land uses is minimal, and that would also be the case if the residential units are apartments, with each building a parcel. In contrast, if the units are platted and sold as condominiums, each unit would be subject to the CUSD parcel tax of \$250 per parcel (housing unit). The annual revenues in that case would be \$200,000, \$660,000 and \$1,000,000 for the Proposed Project, General Plan Buildout with Maximum Residential and Retail and Residential alternatives respectively.

Voters in the FHUSD, like voters in the CUSD, have approved a parcel tax; the amount is \$98 per parcel. But again, the small number of parcels involved if the residential units are apartments would make parcel tax revenue from the project negligible. However, if the units are condominiums, the annual revenues would be \$78,000 for the Proposed Project, and \$259,000 and \$392,000 for the General Plan Buildout with Maximum Residential and Retail and Residential alternatives respectively.

The developers of the proposed The Hills at Vallco project in 2015 had agreed to pay both the CUSD and the FHUSD parcel taxes per unit on the 800 apartment units proposed, making them equivalent to condominiums for this purpose. However, while this is possible, it is an unusual commitment and it is not assumed for any of the scenarios in this analysis.

### Comparison of Operating Costs and Revenues

Table III-7 shows the operational revenues and costs anticipated for both districts as a result of the Proposed Project and the General Plan Buildout with Maximum Residential and the Retail and Residential alternatives. This shows the net fiscal impact for each of the three scenarios and allows for a comparison of the fiscal impacts between them.

The net fiscal impact in each case is negligible for CUSD; both revenues and costs increase approximately proportionately to the increase in the number of enrolled students. For FUHSD, there is a large fiscal impact surplus under all three scenarios, due to the very large property values and, hence, property taxes in the Cupertino area. For both districts, bond debt service is based on assessed value and is, thus, in the same order of magnitude in each case. If parcel taxes apply, the revenue increases proportional to the number of units.

**Table III-7**  
**Operational Cost Versus Operational Revenue Impacts\***

	<i>Proposed Project</i>	<i>General Plan Buildout</i>	<i>Retail and Residential</i>
<b>CUSD</b>			
<i>Revenue<sup>1</sup></i>	<b>\$1,400,000</b>	<b>\$7,06,000</b>	<b>\$7,000,000</b>
<i>Costs<sup>1</sup></i>	<b>\$1,400,000</b>	<b>\$7,06,000</b>	<b>\$7,000,000</b>
<i>Net Impact</i>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Bond Debt Service<sup>2</sup></i>	\$2,100,000	\$2,550,000	\$2,260,000
<i>Possible Parcel Taxes<sup>3</sup></i>	\$200,000	\$660,000	\$1,000,000
<b>FUHSD</b>			
<i>Revenue</i>	<b>\$7,140,000</b>	<b>\$8,850,000</b>	<b>\$7,900,000</b>
<i>Costs<sup>1</sup></i>	<b>\$430,000</b>	<b>\$2,100,000</b>	<b>\$2,130,000</b>
<i>Net Impact</i>	<b>\$6,710,000</b>	<b>\$6,750,000</b>	<b>\$5,770,000</b>
<i>Bond Debt Service<sup>2</sup></i>	\$1,970,000	\$2,380,000	\$2,120,000
<i>Possible Parcel Taxes<sup>3</sup></i>	\$80,000	\$260,000	\$392,000

\* All costs and revenues shown are annual costs and revenues

<sup>1</sup> CUSD Revenues and costs and FUHSD costs increase approximately proportionately to enrollment

<sup>2</sup> Debt service payments (a part of property taxes) do not go to the districts; they reduce the amounts other taxpayers have to pay.

<sup>3</sup> Condominiums pay parcel taxes; apartments do not (unless by agreement with developer)

Sources: Revenues and costs from the CUSD and FUHSD 2017-2018 budgets, Schoolhouse Services