

DEVELOPER FEE JUSTIFICATION STUDY ADDENDUM

LOS ALTOS SCHOOL DISTRICT

March 2018



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SUMMARY OF FINDINGS

This study identifies that a reasonable relationship continues to exist between residential, commercial, and industrial development and the need for additional school facilities in the Los Altos School District. Based on the following findings, the authorization of Education Code section 17620, and the current fee sharing agreement with the Mountain View-Los Altos High School District, the Los Altos School District is justified to levy a maximum residential developer fee of \$2.52 per square foot and a maximum commercial/industrial fee of \$0.40 per square foot:

- 1) The existing facility capacity of the Los Altos School District is 4,026 K-8th grade students. The District's 2017-2018 CBEDS enrollment of 4,400 students shows the District is currently operating at 109% of capacity.
- 2) Enrollment projections based on historic trends and anticipated residential development show that the District's enrollment will increase to 4,533 K-8th grade students by the 2020-2021 school year.
- 3) The Los Altos School District will have to provide additional school facilities for each student to be generated by residential, commercial, and industrial development.
- 4) The demographic and construction characteristics identified in the District's 2012 Developer Fee Justification Study remain reasonable and valid.
- 5) Residential development will impact the Los Altos School District with a school facilities cost exceeding the fee revenue to be generated by the development.
- 6) Commercial/industrial development to occur as a result of residential development will impact the Los Altos School District with a school facilities cost exceeding the fee revenue to be generated by this development.

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INTRODUCTION

The Los Altos School District is located in Santa Clara County and provides public education for K-8th grade students residing in the City of Los Altos, portions of the cities of Los Altos Hills, Mountain View, and Palo Alto, and portions of unincorporated Santa Clara County. The District currently operates six K-6 elementary schools and two 7-8 intermediate schools. The District had a 2017-2018 October enrollment of 4,400 K-8th grade students.

In order to provide an adequate educational environment, additional school facilities are required to house growth in student populations as well as adequately house existing enrollments. Because of the high costs associated with constructing and modernizing school facilities and the District's limited budget, outside funding sources are required for future school construction and modernization. State and local funding sources for the construction and/or modernization of school facilities are limited due to changes in state law and the rapid state-wide growth in public school enrollments. To provide an additional local revenue source, the Governor signed into law Assembly Bill 2926 (Chapter 887/Statutes 1986) in September 1986.

Assembly Bill 2926 granted school district governing boards the authority to assess fees on new residential, commercial, and industrial construction. This authority is codified in Education Code section 17620 which states in part "...the governing board of any school district is authorized to levy a fee, charge, dedication or other form of requirement against any development project for the construction or reconstruction of school facilities." The legislation originally established the maximum fee rates of \$1.50 per square foot of residential construction and \$0.25 per square foot of commercial and industrial construction. Government Code section 65995 provides for a biennial inflation adjustment of the fees based on changes in the Class B construction index. As a result of the inflation adjustments, the fees authorized by Education Code section 17620 are currently set at \$3.79 per square foot of residential construction and \$0.61 per square foot of commercial and industrial construction.

Prior to levying these fees, a district must demonstrate and document that a reasonable relationship exists between the need for new or reconstructed school facilities and residential, commercial, and industrial development. The justification for levying fees is required to address three basic links between the need for facilities and new development. These links or nexus are:

- Burden Nexus: A district must identify the number of students anticipated to be generated by residential, commercial, and industrial development. In addition, the district shall identify the school facility and cost impact of these students.
- Cost Nexus: A district must demonstrate that the fees to be collected from residential, commercial, and industrial development will not exceed the cost of providing school facilities for the students to be generated from the development.
- Benefit Nexus: A district must show that the construction or reconstruction of school facilities to be funded by the collection of developer fees will benefit the students generated by residential, commercial, and industrial development.

In 2012, the Los Altos School District adopted developer fee documentation for the purposes of levying fees. This documentation titled, *Los Altos School District, Developer Fee Justification Study, 2012*, was prepared by Burke Consulting. The purpose of this addendum is to provide updated information that a reasonable relationship continues to exist between residential, commercial, and industrial development and the need for additional or reconstructed school facilities in the Los Altos School District. This addendum is organized into the following chapters:

| | |
|----------------|-----------------------------|
| CHAPTER ONE: | Existing Facility Analysis |
| CHAPTER TWO: | Enrollment Projections |
| CHAPTER THREE: | Facility Construction Costs |

CHAPTER ONE: EXISTING FACILITY ANALYSIS

To determine the need for additional school facilities, the capacity of the District's existing schools must be identified and compared to current and anticipated enrollments. This chapter identifies the school facility capacity of the Los Altos School District.

The ability of a school to house students is determined by "loading" available classroom space to a maximum class size. For its long-range planning, the Los Altos School District utilizes the maximum class loading standard as identified in Table 1. Pull-out classrooms such as Resource Specialist and computer labs are not included in the capacity analysis because the students utilizing these types of rooms are concurrently assigned to a regular classroom; therefore, they do not provide additional capacity. Additionally, portable classroom facilities are not included in the capacity analysis.

TABLE 1:
**LOS ALTOS SCHOOL DISTRICT
CLASSROOM LOADING STANDARDS**

| Class Type | District Loading |
|-------------------|-------------------------|
| Kindergarten | 24 |
| Grades 1-3 | 24 |
| Grades 4-6 | 27 |
| Grades 7-8 | 27 |
| Special Education | 12 |

Source: Los Altos School District.

TABLE 2:
LOS ALTOS SCHOOL DISTRICT
EXISTING FACILITY CAPACITY SUMMARY

| Facility | Existing Capacity | 17-18 CBEDS Enrollment | Percent Utilization |
|-----------------------|-------------------|------------------------|---------------------|
| Almond Elementary | 315 | 508 | 161% |
| Bullis Elementary | 168 | 309 | 184% |
| Covington Elementary | 573 | 580 | 101% |
| Loyola Elementary | 468 | 425 | 91% |
| Oak Avenue Elementary | 297 | 409 | 138% |
| Santa Rita Elementary | 411 | 546 | 133% |
| Springer Elementary | 486 | 495 | 102% |
| Egan Intermediate | 594 | 517 | 87% |
| Blach Intermediate | 714 | 611 | 86% |
| District Total | 4,026 | 4,400 | 109% |

Table 2 shows that the District's 2017-2018 K-8th grade facility capacity is 4,026 students and the District is currently operating at 109% of capacity based on the October 2017-2018 enrollment of 4,400 students. The District is able to operate at this level of capacity as a result of utilizing large numbers of owned and leased portable classrooms. These portables are not included in the capacity analysis as they do not provide an adequate educational environment since the District's schools were not originally designed with enough core facilities (library, toilet rooms, office, etc.) to properly support all of the classroom space the District is providing in portable classrooms. In addition, portable classrooms have a much shorter effective life than classrooms of permanent or modular construction.

The enrollment projection identified in the following chapter shows that enrollments are projected to increase exacerbating the current facility overcrowding.

CHAPTER TWO: ENROLLMENT PROJECTIONS

Enrollment projections for the Los Altos School District show that enrollments are anticipated to increase through at least the 2020-2021 school year. Table 4 provides a 3-year cohort survival enrollment projection for the Los Altos School District.

Residential Development Projections

Projections of the residential development in the Los Altos School District are anticipated to be consistent with the development rates identified in the District's 2012 Developer Fee Study.

Student Generation Rates

Student generation rates in the Los Altos School District have varied only slightly since 2012. As a result, the student generation rates identified in the District's 2012 Developer Fee Study remain valid. Table 3 provides a summary of the student generation rates.

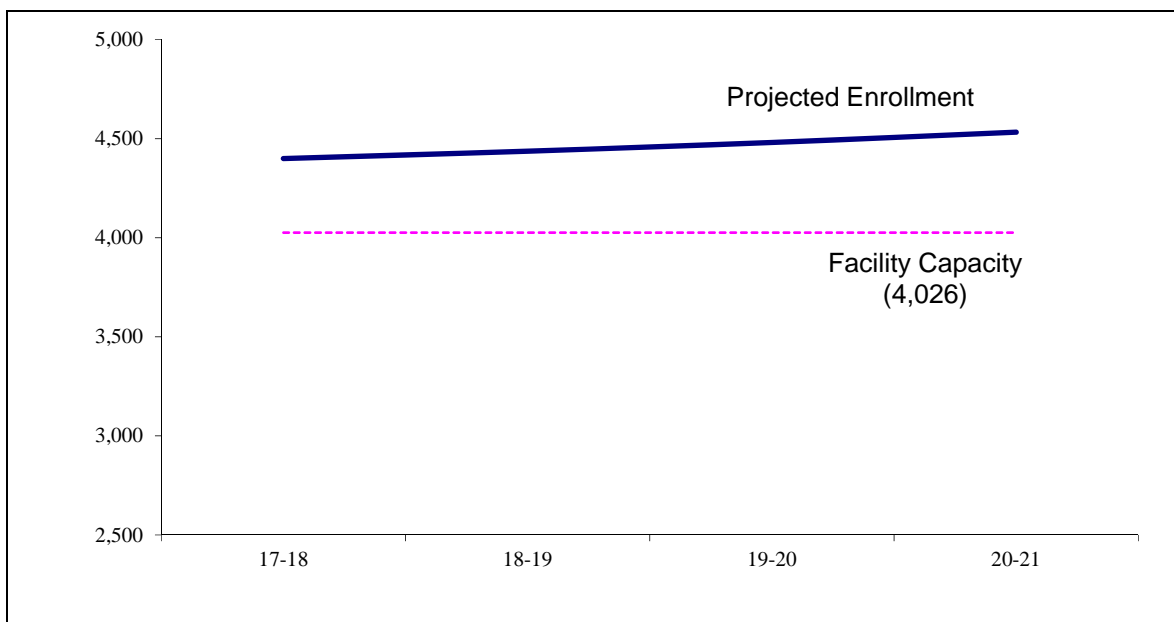
TABLE 3:
**LOS ALTOS SCHOOL DISTRICT
STUDENT GENERATION RATES**

| Grade Level | SGR per Unit |
|--------------------|---------------------|
| K-6 | 0.424 |
| 7-8 | 0.127 |
| K-8 Total | 0.551 |

TABLE 4:**LOS ALTOS SCHOOL DISTRICT
ENROLLMENT PROJECTION**

| Grade Level | 2017-2018 Existing | 2018-2019 Projected | 2019-2020 Projected | 2020-2021 Projected |
|----------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| K | 497 | 506 | 515 | 524 |
| 1 | 399 | 359 | 323 | 291 |
| 2 | 426 | 447 | 469 | 492 |
| 3 | 451 | 458 | 465 | 472 |
| 4 | 526 | 540 | 554 | 568 |
| 5 | 470 | 471 | 472 | 473 |
| 6 | 503 | 489 | 475 | 462 |
| 7 | 564 | 600 | 638 | 678 |
| 8 | 564 | 567 | 570 | 573 |
| K-6 | 3,272 | 3,270 | 3,273 | 3,282 |
| 7-8 | 1,128 | 1,167 | 1,208 | 1,251 |
| K-8 Total | 4,400 | 4,437 | 4,481 | 4,533 |
| Num. Increase | n/a | 37 | 44 | 52 |
| % Increase | n/a | 0.84% | 0.99% | 1.16% |

EXHIBIT 1:
EXISTING K-8TH GRADE FACILITY CAPACITY COMPARED
TO PROJECTED ENROLLMENTS



When the Los Altos School District's existing facility capacity is compared to the enrollment projection it is clear that additional facilities will have to be provided to accommodate future enrollments. Exhibit 1 provides the enrollment projection compared to the District's existing facility capacity.

CHAPTER THREE: FACILITY CONSTRUCTION COSTS

Because the Los Altos School District is currently exceeding its existing facility capacity, all K-8th grade students to be generated by new development will require the District to provide additional school facilities. The enrollment projection shown in Table 4 indicates the District will have to provide housing for 133 additional K-8th grade students by the 2020-2021 school year (2017-2018 October enrollment less 2020-2021 projected enrollment).

The District's 2012 Developer Fee Study identified a justified developer fee rate of \$3.13 per square foot of residential construction and \$0.34 per square foot of residential/commercial construction. As all demographic and construction characteristics and projections identified in the District's 2012 Developer Fee Study remain valid, it is reasonable to find that the maximum fees justified for the District in 2012 can be increased by the historical change in the Class B Construction Cost Index to identify the current justified fee. According to the State Allocation Board, the Class B Construction Cost Index increased 18.4% from January 2012 to December 2017. Table 5 provides the updated maximum fees that may be levied by the Los Altos School District as authorized by Education Code 17620 based on the 18.4% increase in the construction cost index.

TABLE 5:
LOS ALTOS SCHOOL DISTRICT
MAXIMUM JUSTIFIED DEVELOPER FEES PER SQUARE FOOT

| Development Type | 2012 Maximum Fee Rate | Class B Construction Index Change 2012-2018 | 2018 Maximum Fee Rate |
|-------------------------|------------------------------|--|------------------------------|
| Residential | \$3.13 | 18.4% | \$3.71 |
| Commercial | \$0.34 | 18.4% | \$0.40 |

Table 5 shows that Los Altos School District is justified to levy a maximum residential developer fee up to \$3.71 per square foot and a maximum commercial/industrial developer

fee of up to \$0.40 per square foot. Due to the current fee sharing agreement with the Mountain View-Los Altos High School District¹, the maximum fees the Los Altos School District may levy are \$2.52 per square foot of residential development and \$0.40 per square foot of commercial/industrial development.

¹ Education Code section 17623 requires non-unified school districts sharing common territory and levying fees in excess of the maximum allowed by law to share the maximum fee. The current fee sharing agreement allocates 66.6% of the fee to Los Altos Elementary School District and 33.3% to the high school district. The current State maximum fees of \$3.79 and \$0.61 when adjusted by the fee sharing agreement, provides maximum fees of \$2.52 and \$0.41 in the Los Altos Elementary School District. It should be noted the maximum allowable commercial fee is \$0.41 is greater than the District's justified commercial fee of \$0.40.

CONCLUSION

Based on the data contained in the Los Altos School District's 2012 Developer Fee Justification Study and this 2018 addendum, it is found that a reasonable relationship continues to exist between residential, commercial and industrial development in the Los Altos School District and the need for additional school facilities. The following three nexus tests required to show justification for levying fees have been met:

- Burden Nexus: New residential development will generate an average of 0.551 K-8th grade students per unit. Because the District is exceeding its existing facility capacity, all students generated by new development will require additional school facilities.
- Cost Nexus: The estimated cost to provide new elementary school facilities is \$3.71 per square foot of residential development.
- Benefit Nexus: The developer fees to be collected by the Los Altos School District will be used for the provision of additional and modernized school facilities. This will benefit the students to be generated by new development by providing them with adequate educational facilities.

The reasonable relationship identified by these findings provides the required justification for the Los Altos School District to levy a maximum residential developer fee of up to \$3.71 per square foot and the maximum commercial/industrial fee of up to \$0.40 per square foot. Due to the current fee sharing agreement with the local high school district and the justification calculations, the Los Altos School District is currently limited to levying a maximum residential fee of \$2.52 per square foot and a maximum commercial/industrial fee of \$0.40 per square foot.