

ENROLLMENT AND FISCAL IMPACT ANALYSIS

for the:

THE HILLS AT VALLCO

Prepared for:

The City of Cupertino



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SUMMARY

The proposed Hills at Vallco includes 800 relatively small apartments over ground floor retail, including 680 market rate units, 80 below market rate (BMR) affordable rentals and 40 age-restricted senior units. Proposed non-residential uses consist of about three million square feet of office space and associated amenity and support uses, 650,000 square feet of retail and other commercial space, 40,000 square feet in facilities available for civic uses, and 150,000 square feet of civic use and infrastructure space. The name of the project reflects a 30-acre green park and open space roof.

The enrollment and fiscal impacts of the apartments on Cupertino Union School District (CUSD) and Fremont Union High School District (FUHSD) are summarized below. In addition to required mitigation, the developer has signed letters of intention (LOIs) to provide substantial benefits to the two districts at an estimated cost of \$40,000,000. Both districts have concluded that, if these benefits are provided, the Vallco project would be of net benefit to them.

- ❑ Both CUSD and FUHSD have grown steadily in recent decades. However, due to maturing households and the rapid increase in the cost of housing, CUSD enrollment is now projected to decrease by about 400 elementary and 500 middle school students over the next five years (prior to any significant student generation from the Vallco project). FUHSD enrollment is expected to increase by about 600 students over the same period, then begin to decline as smaller cohorts move up from the younger grades.
- ❑ The demand for housing in the CUSD and in the Cupertino High attendance area is very high. The Hills at Vallco apartments are projected to have students per household generation rates of 0.28 for CUSD and 0.06 for FUHSD, a total of 0.34 students per household, though recent student counts indicate decreasing generation rates.
- ❑ Based on the above SGRs, an enrollment impact of 258 students is estimated as a result of the Vallco project: 144 students in the Collins Elementary attendance area; 68 students in the Lawson Middle attendance area, and 46 students in the current Cupertino High attendance area.
- ❑ The most significant benefit included in the developer's CUSD LOI is the construction of a new 700 student school on the Site of the former Nan Allan School, adjacent to the Collins school. This school would provide capacity for Vallco project students and reduce enrollment pressures on Collins and the schools north and east of Collins.
- ❑ The recent addition of 21 classrooms at Lawson Middle School brings its capacity up to about 1,500 students, significantly above its Fall 2015 enrollment of 1,249 students. Enrollment in the 2018-19 school year is projected to be at the same level, allowing room for the Vallco project students.

- ❑ The recent addition of 12 classrooms at Cupertino High School increases capacity approximately equal to the 300 student projected enrollment growth in Cupertino High’s current attendance area. Lynbrook High, whose attendance area borders Cupertino’s on the south, is projected to experience a decline of about 240 students in the next five years. The district recently allowed students from Miller Middle School, in the current Cupertino School attendance area, to attend Lynbrook and established a district-wide citizens advisory committee “to study the enrollment needs of the district...”
- ❑ The developer’s LOI to FUHSD provides for a 10,000 square foot “Innovator Space” for 34 years in the Vallco project. The district sees this space as a unique opportunity to help students relate their classes at the comprehensive schools to the tech activities of Silicon Valley.
- ❑ For both districts one-time development fee revenue from The Hills at Vallco project is anticipated to be significantly less than the share of school facilities costs attributable to the project, consistent with the intent of the state-set limits on fees. However, the magnitude of the costs of the benefits to be voluntarily provided by the developer are a multiple of the costs of full mitigation of the project’s impacts.
- ❑ The share of CUSD annual operational costs attributable to the Vallco project are anticipated to be approximately equal to operational revenue from the project due to the developer’s commitment to pay in lieu parcel taxes on the market rate apartments.
- ❑ In contrast, FUHSD operational revenues from the project will exceed operational costs attributable to the project by a large amount, about \$109,000 per student. The result is a projected annual surplus of about \$5.0 million for FUHSD.

I. ENROLLMENT IMPACTS

The Hills at Vallco Project

The City of Cupertino has contracted with Schoolhouse Services to conduct an analysis of the enrollment and fiscal impacts of the proposed The Hills at Vallco project (also referred to as the Vallco project in this report) on the Cupertino Union School District and the Fremont Union High School District. The land-owner, Vallco Property Owner, LLC, and the developer and applicant, Sand Hill Property Company, are seeking approval for the project on the site of the Vallco Shopping Center on Wolfe Road at its intersection with the Interstate 280 freeway. The developer envisions the project to be a center of community activity, with a variety of activities situated around two town squares, one on each side of Wolfe Road with a connecting overpass. The name, The Hills at Vallco, refers to the sloping roof design that presents a 30 acre green environment, with parkland and open space, to viewers outside of the project.

On-site Components

The residential component of the proposed new development consists of 800 apartments over ground floor retail, which would include 680 market rate units, 80 below market rate (BMR) affordable rentals and 40 age-restricted senior units. Sixty percent of the units are studio and one-bedroom units. The apartments are relatively small, the interiors averaging only 800 square feet in size. Amenity uses including a clubhouse/fitness pavilion are associated with the residences.

Proposed non-residential uses consist of about 2.3 million square feet of office space and associated amenity and support uses, 650,000 square feet of retail and other commercial space, 40,000 square feet in facilities available for civic uses, and 110,000 square feet of support infrastructure area. The commercial space is required to include 420,000 square feet of restaurants and similar uses by the city's General Plan and the theatre, bowling alley and ice rink are being retained. The land uses are listed in more detail in Table I-1 below.

The 30-acre roof supporting playgrounds and green open space is a distinguishing feature of the development. It is planned to include 3.8 miles of walking/hiking trails, bike paths, children's play areas, and gardens and vineyards; the majority of the area will be green open space. Parking is planned for 9,175 vehicles, the large majority of it in underground structures. The project requires the demolition of approximately 1,200,000 square feet of existing retail space as well as associated parking garages.

**Table I-1
The Hills at Vallco Project**

	<i>Units</i>	<i>Square Feet</i>
<i>Apartments</i>		
<i>Non-senior Units</i>	680	723,100
<i>Senior Units</i>	80	38,700
<i>Non-living Space</i>	40	38,200
<i>Residential Total</i>	800	800,000
<i>Non-residential</i>		
<i>Office</i>		2,000,000
<i>Office Support¹</i>		345,000
<i>Commercial/Retail²</i>		420,000
<i>Commercial/Entertainment³</i>		180,000
<i>Commercial/Other⁴</i>		50,000
<i>Civic⁵</i>		40,000
<i>Residential Amenity</i>		25,000
<i>Support Infrastructure⁶</i>		110,000
<i>Non-residential Total</i>		3,170,000

¹ *Includes testing and workshop area, conference hall, cafeteria and fitness*

² *Retail and restaurants*

³ *Theatre, ice rink, and bowling alley*

⁴ *Fitness*

⁵ *Community meeting space, high school innovation center, and transit center*

⁶ *Loading, facility, and security areas and central plant*

Source: Sand Hill Property Company

School District Benefits

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.

State law specifies that a school district can only require payment of state authorized fees to mitigate school impacts. For the Hills at Vallco, the developer has voluntarily proposed funding for specific facilities and program improvements beyond its obligations under state law.

Discussions with the two districts on their facility needs have resulted in Letters of Intent (LOIs) signed by Sand Hill Property and the school districts to address district needs.

The improvements proposed in these LOIs are substantial; the developer estimates their cost at more than \$40 million. The benefits have also been evaluated below in this report as part of the school enrollment and fiscal impacts on the two districts.

The Letter of Intent to the Cupertino Union School District provides for the following benefits.

- The construction of a new school on the former Nan Allan School site. This is a small site on the Portal Avenue side of the Collins campus. The site currently houses district administrative facilities and a small pre-school; these activities would be moved elsewhere. By using multi-story buildings, the site will accommodate a school for 700 students.
- The developer is committing to replacing the relocatables that are part of Collins School with new two-story classrooms. This will also result in more ground space being available.
- The LOI commits the developer to improving the Collins playground, a large portion of which is currently unusable.
- The creation of a \$1,000,000 quasi endowment fund to support the Yosemite Science Program for eighth grade students.
- Sand Hill Property had agreed to remain subject to payment of statutory development fees on the Vallco project construction, generating funds to CUSD's capital account. Sand Hill has also committed that in lieu parcel tax payments would be made for the non-senior market rate apartments, as though they were separate parcels rather than a single parcel, per current taxes and parcel taxes as authorized in the future.

The provision of the new Nan Allan School is particularly important to CUSD. It has long seen the need another school in the northern portion of the district and, while it would ideally be located north of Interstate 280, located at the Collins campus it does provide additional capacity in the larger northern portion of the district.

Sand Hill Property has executed a similar LOI to the Fremont Union High School District. It focuses on the following.

- A new 10,000 square foot, turn-key Innovation Center within the project for the FHUSD, with a lease with rent of \$1 per year for a term of 34 years. The Center could be used by students for the following:
 - Student led business incubator
 - Work-based learning initiatives hub

- Robotics team competition arena
- Multi-disciplinary student maker creativity brainstorming and prototyping space
- Centrally located classroom for students from all five campuses within the district
- Performance space
- Exhibition space
-
- As with CUSD, Sand Hill Property had agreed to remain subject to payment of statutory development fees on the Vallco project construction and also committed that in lieu parcel tax payments would be made for the non-senior market rate apartments, as though they were separate parcels rather than a single parcel, per current taxes and parcel taxes as authorized in the future.

The stated intention of the Vallco developer is to provide resources to CUSD and FUHSD substantially in excess of the development fee mitigation required by state law. CUSD and FUHSD have expressed the view that the LOIs do provide significant benefits in addition to the fee revenues, and in so doing more than mitigate the impacts of the project.

Enrollment Considerations

A projection of new student enrollment resulting from The Vallco Hills project is necessary for identification of 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. Multiplying the number of new units by an appropriate SGR results in a projection of students from the units.

Different housing types generate different SGRs. Single family detached units with private yards usually generate the most students, typically approximately two to three times the number of students generated by most apartment units and condominiums. Within the range of apartments and condominiums, however, student generation can vary significantly, with the sizes and the design and marketing of the units being major factors. The majority of apartments and condominiums are not designed for families. Most of these units are smaller than single family homes, 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 and especially if they are in a family-friendly setting, relatively large apartments and condominiums can generate almost 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 schools) and the Fremont District (high school) 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 student generation rate (SGR) for a given type of homes is the number of students counted divided by the number of units generating those students. The SGRs are then multiplied by the number of projected new units of each housing type to project future enrollment from new housing.

The EPC surveys are the logical place to start in estimating the SGRs for The Hills project. The most recent survey covered 585 units in multi-family buildings, mostly apartments but also including some condominiums, built in the last few years. While, one and two-bedroom units dominate the sample, it also includes some studios and some larger units. A few low-rise multi-family 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 294 unit sample for EPC’s analysis.

The survey by Enrollment Projection Consultants found an average SGR for the CUSD (kindergarten through eighth grade) of 0.33 students per multi-family residential unit, or approximately one student in every three homes. The average high school SGR for the Cupertino District portion of FUHSD was 0.09 per unit in multi-family buildings. (This is more than four times the 0.02 high school SGR in the remainder of the Fremont District.) These rates include some below market rate (BMR) units in the buildings, but not buildings devoted entirely to BMR units.

Tables I-2 and I-3 summarize the SGR findings for both CUSD and FUHSD for the residential projects analyzed. (The SGRs for single family units are included for reference only since no single family units have been proposed for the Vallco development.)

**Table I-2
Average SGRs by Housing Type
Cupertino Union School District**

<i>Housing Type</i>	<i>Average SGR</i>
<i>Most Apartments and Condominiums</i>	0.33
<i>Single Family Detached Units*</i>	0.57

**Includes a few family-friendly apartments and condominiums
Source: Enrollment Projection Consultants.*

**Table I-3
Average SGRs by Housing Type
Fremont Union High School District***

<i>Housing Type</i>	<i>Average SGR</i>
<i>Most Apartments and Condominiums</i>	0.09
<i>Single Family Detached Units**</i>	0.24

**City of Cupertino portion of FUHSD
**Includes a few family-friendly apartments and condominiums
Source: Enrollment Projection Consultants.*

The Hills at Vallco project units will be in some ways different from many of the buildings included in these averages; this suggests that SGRs of buildings with specific similarities to the project would be relevant. The “19800” apartments, also known as the “Rosebowl”, are adjacent

to the proposed project site. As of Fall 2015, 184 units (out of 204) had been rented. These units have 60 CUSD students, an SGR of 0.33, and 13 FUHSD students, an SGR of 0.07. It should be noted that these units are on average significantly larger than the proposed units in The Hills at Vallco project, indicating that the Rosebowl SGRs are likely to be higher than those of the units in the Vallco project.

The 80 new units in the Biltmore apartments, nearby along Stevens Creek Blvd., have significantly lower SGRs - 12 CUSD students, an SGR of 0.15, and three FUHSD students, an SGR of 0.04. These SGRs are surprisingly low, especially given that the units are modestly larger than the proposed units in the Vallco project. These two are the only large projects that have been renting in the last 18 months. Table I-4 shows other developments and their SGRs.

**Table I-4
SGRs in Comparable Developments**

Development	Unit Characteristics	Number of Units	CUSD SGR	FUHSD SGR
<i>19800/Rosebowl</i>	much larger apartments ¹	184 ¹	0.33	0.07
<i>Biltmore Addition</i>	larger apartments ²	80	0.15	0.04
<i>Earlier Apartments³</i>	high density	828	0.32	0.07

¹ Number and average size of units: 165 2-bedroom, 1,310 sq. ft.; and 39 3-bedroom, 1,573 sq.ft. Only 184 units occupied at the time of the Fall 2015 student counts.

² Number and average size of units: 34 1-bed-room, 813 sq. ft., 46 2-bedroom, 1,212,sq. ft.

³ SGRs in 2013, when the units were significantly more affordable.

Sources: Enrollment Projection Consultants, City of Cupertino, and Schoolhouse Services.

Finally, four earlier large apartment projects (built 1995 to 2000) provide a large, but not as recent, sample of 828 rental units. The CUSD SGRs for these projects in 2013 were 0.25 for grades K-5 and 0.07 for grades 6-8, a total of 0.32. The FUHSD SGR for grades 9-12 was 0.07. It should be noted that the rents were considerably more affordable when the tenants rented these units and it not likely that their rents had escalated to the level of new units constructed in the few years prior to 2013. The district-wide sample of recent multi-family buildings that year had a CUSD SGR of 0.35 and a FUHSD SGR of 0.12, the high school SGR in particular being almost double the SGR of the larger projects. These comparisons from the larger, but older survey, support the conclusion that SGRs in large multi-family projects are lower than the SGRs of all multi-family units in the survey.

The Hills at Vallco SGRs

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

- The units have more studios and one bedroom units than units with two or three bedrooms;
- The units are small, in particular lacking larger kitchen/family eating areas;
- Though small, the apartments are expensive; families can usually get more for their money in older buildings and alternative locations;
- They tend to be in taller buildings, with a minimal number of the units at ground level;
- They are not in a residential environment; apartments situated in the midst of an urban commercial environment are more likely to appeal to adults than to families with children.
- They lack yards with limited access and play structures for pre-school children, and lack lawns in the complex for the play of elementary school-age children;
- There is 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 proposed apartments within the project will generally match the characteristics listed. They will be four to seven stories tall; the ground floors will be commercial. The units are small, averaging about 800 square feet within each unit. Amenity features in the complex, e.g. a fitness center, will be oriented to the preferences of young, working adults but not so much to families with young children. The roofs will be designed to provide recreational space, the only factor appearing to make the units attractive to families with children.

Most important, they will 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 double up to do so, two people sharing a two-bedroom unit, each having his/her own room. It has become very difficult for young families to compete for two- and three-bedroom apartments in the heart of Silicon Valley.

For the above reasons the projected Vallco SGRs are below the average SGRs from EPC's survey of recently added multi-family housing. This is consistent with the survey of 800+ earlier units that demonstrated that smaller units in large relatively high-rise buildings have lower student generation than the average for all multi-family buildings. The recently rented 19800

(Rosebowl) units provide a very relevant comparable, though some adjustments have to be made due to the smaller units in the proposed project. The new units at the Biltmore, also recently rented, indicate the potential for markedly lower SGRs.

In summary, our perspective is that The Hills at Vallco SGRs are likely to be modestly below the average of the large sample of recent multi-family projects and between the Rosebowl SGRs and those of the Biltmore units. The low Biltmore SGRs indicate that the SGRs used here could be high, but they are deliberately chosen to be conservative. For the proposed apartments for purposes of this analysis, a 0.19 SGR for elementary school and a 0.09 SGR for middle school, for a total CUSD SGR of 0.28, and a 0.06 SGR for FUHSD are used, based on the reasons identified above. These assumptions were checked by development of a scenario of sub-SGRs for each size unit, from studios to 3-bedroom units, fitting the project SGRs. Table I-5 above shows the project SGRs by grade level for CUSD and FUHSD.

**Table I-5
Vallco Development
Projected SGRs**

	<i>Vallco Project</i>
<i>Elementary (K-5) SGR</i>	0.19
<i>Middle (6-8) SGR</i>	0.09
<i>Total CUSD SGR</i>	0.28
<i>High School (FUHSD) SGR</i>	0.06

Source: Schoolhouse Services.

Enrollment Impacts

With appropriate SGRs we can proceed with the calculation of the enrollment generated from the 760 non-senior apartments. (The number of students generated by the 80 senior units will presumably be negligible. It should also be remembered that the SGRs analyzed above and those chosen for the Vallco project include a proportion of BMR units.) We can also assess the impact of that development on the current enrollment at the impacted schools, which the districts expect to be at the Collins/Nan Allan Elementary campus, Lawson Middle, and Cupertino High. Table I-6 shows the calculated student enrollment impact resulting from the project three to ten years after construction of the units.

**Table I-6
Estimated Enrollment Impact***

	<i>Elementary</i>	<i>Middle</i>	<i>High</i>	<i>Total</i>
<i>Apartments</i>	760	760	760	760
<i>SGR</i>	0.19	0.09	0.06	0.34
<i>Students Subtotal</i>	144	68	46	258

** Three to ten years after construction of the units.*

Source: Schoolhouse Services.

Given the assumptions described above, the Hills at Vallico development is projected to generate approximately 258 students . It is anticipated that the 144 K-5 students projected will be in the current Collins/Nan Allan Elementary attendance area. Sixty eight students will be attending Lawson Middle School, and 46 students will be attending Cupertino High School, perhaps in the time period 2025-2030.

These estimates are reasonable for the proposed units. However, many characteristics of the units are unknown and the market is uncertain; the actual enrollment generated could vary moderately up or down from these numbers, especially since we are talking about perhaps 10 years and further into the future. We suggest that the forecast be considered as being a total of 200 to 300 students; given the intention that the projections be conservative, there is more potential for enrollment being below 258 students than above.

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 capacity versus enrollment of the district as a whole. Cupertino Union has been a rapidly growing school district. Enrollment has increased almost every year, going from 15,571 in the fall of 2001 to 18,924 in the Fall of 2015, an increase of more than 20% accommodated without additional schools in the District. This has overcrowded many of schools, particularly in the northern and northeastern portions of the District. Many of the schools are housing far more students than their design capacity, primarily by adding modular classrooms and, more recently, two story classroom buildings. 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 in some schools.

A different enrollment trend is now projected for the next five years. The Enrollment Projection Consultants (EPC) Fall 2015 study projects a decline of over 900 students district-wide over this period. 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. 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 than on renters. 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 first year in many that the EPC report has not forecast growth beyond the five-year period. This reflects the firm's uncertainties about the longer term picture. In particular, 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. How these factors will balance out is difficult to predict.

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. A decline in elementary enrollment over the next five years, reflecting the large number of maturing households, has been projected by EPC in previous reports. The current report adds awareness of the smaller number of young families due to housing affordability issues. It projects that over the next five years elementary enrollment will decline by almost 400 students, a three percent decline from 12,362 students to 11,964 students. The decline would be even greater except for EPC's projected increase of 900 housing units (including an estimate of only 50 units from the Vallco project).

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 will still be experiencing some growth worsening already serious capacity problems. Schools in the central area lying below I-280 and Bollinger Road (Collins, Garden Gate, Eaton and Sedgwick) overall are crowded, though not to the extent of the northern schools. These central area schools are now beginning to experience decreases in enrollment. 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 and Eisenhower attendance areas. While the proposed project encompasses property on both the east and west sides of Wolfe Road, the residential portion of the development is limited to the property located on the west side of Wolfe Road. In any case, CUSD anticipates that the students generated by the project would be assigned to the Collins/Nan Allan campus and Lawson Middle School attendance areas.

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 and magnet schools that are located at campuses 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 overcrowded schools.

- Special Day Class (SDC) programs are located in the southern schools, again drawing some students from the more crowded schools.
 - There are situations in which students are directed to 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 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 attending the school, making it approximately in balance when the factors in the preceding list are considered. Looking ahead, the number of students residing in its attendance area is projected to decline by 49 students over the next three years.

District staff considers that Collins Elementary School has a maximum capacity of about 700 students. However, this assumes that all rooms are continually utilized and additional academic support space would be desirable. The staff considers about 600 students to be a more effectively managed school size.

Fall 2015 enrollment at Collins Elementary School is 719 students; the projected decline of 49 students residing in the attendance area will reduce enrollment by the year 2019 to 670 students. This reduces the severe overcrowding, but leaves no room to accommodate the 144 students projected from the Hills at Vallco project. As described earlier the developer, working with CUSD, has agreed in the LOI on the voluntary construction of a new school at the site of the former Nan Allan School to add capacity for 700 students. The construction of this school would accommodate all the elementary students from the Vallco project, allow for reduction of enrollment at Collins to a desirable level, and accommodate some students from Stocklmeir and other crowded schools.

Middle Schools

Growing enrollment in the school district was until recently threatening to overwhelm the capacity of CUSD middle schools. Enrollment reached 6,562 students in the Fall 2015 counts while the General Plan Housing Element study calculated capacity at desirable educational standards at a much lower figure. However, since that study proceeds from a bond issue have allowed the district to complete several projects that add enrollment capacity.

The most important is the relocation of CUSD offices to office space on Mary Avenue in Sunnyvale, freeing up the site adjacent to Lawson Middle School to add 12 classrooms, bringing capacity up to about 1,500 students. Classrooms added to the Cupertino Middle School also brought capacity up to that level.

The decline in enrollment in the K-5 elementary schools, which is already underway, is projected to begin soon in the middle school grades. EPC is expecting a decrease of about 500 students between now and the Fall of 2020, the majority showing in lower counts in the fourth and fifth years (2019 and 2020). However, the decline of students living in the Lawson Middle School attendance area is projected to be relatively modest.

Lawson Middle School had a Fall 2015 student enrollment of 1,249 students, about 250 students below its capacity. This enrollment includes 60 more than the 1,189 CUSD students residing within its attendance area. These intra-district students include students from the adjacent Cupertino and Kennedy attendance areas, these being the largest schools in the district.

Enrollment and Capacity of Fremont Union High School District Schools

The Fremont Union High School District had a Fall 2015 enrollment of 10,683 students, with all but 37 of them attending its five comprehensive high schools. This is an increase of about 800 students over the last decade. Enrollment Projection Consultants projects that this pattern will continue over the next five years with a further increase of 625 students over this period, bringing enrollment to about 11,300, an increase of about six percent. This increase is due to the larger cohorts already in the older elementary school grades and middle school grades entering the high schools. EPC has not made quantitative forecasts past that point, but it is expected that the decreases projected over the next five years in its feeder districts will begin to be reflected in FUHSD enrollment as the smaller feeder district cohorts move into the high school grades.

FUHSD staff has just completed draft calculations of enrollment capacity of district schools in the 2016-17 school year. Assuming moderate compromises in order to maximize capacity, the enrollment capacity of these five schools is determined to be 11,095 students. In other words, the district's current capacity is more than its current enrollment, but a little less than its expected coming peak enrollment.

Cupertino High School had a Fall 2015 enrollment of 2,233 students. EPC projects the increase of students residing in its attendance area over the next five years at 312 students, about half of the district's growth. Staff estimates Cupertino High School's capacity at 2,268 students. This is adequate for current enrollment, but not for the expected increase.

The Lynbrook High School attendance lies south of Cupertino's attendance area. Lynbrook had a Fall 2015 enrollment of 1,767 students, with a projected decline of 243 students living in its area over the next five years. Lynbrook's calculated capacity is 1,803 students, ideal for current enrollment but significantly greater than projected enrollment. The Board acted in January 2016 to allow students from Miller Middle School to choose to enroll at Lynbrook and appointed a committee to study options for changes in district attendance assignment policies.

II. CAPITAL FACILITIES COST AND REVENUE IMPACTS

This section of the report addresses the cost of accommodating students from Vallco and compares the cost with the development fees the project will generate and with the cost of the proposed voluntary supplemental benefits. As with the consideration of enrollment impact, mitigation, and voluntary benefits, both one-time capital and annual operating fiscal impact projections cannot be precise. This is generally the case in predicting the effects of development on schools, but is particularly so in this case where the full impacts will not be felt until a decade or more in the future. Nevertheless, in this case, the estimates present a relatively clear picture.

Facilities Costs

Elementary and Middle School Costs

The analysis of elementary school capacity above shows that about 144 additional students generated by The Hills at Vallco project would be generated within the Collins Elementary School attendance area. Even if Collins were to remain stressed from more students than it was designed for, it could not accommodate these students. This is the primary CUSD need addressed in the benefits to which the developer is committing. The cost of additional capacity if the district builds capacity for the Vallco project elementary students offers financial perspective on the impact and perspective on the benefit if the developer constructs Nan Allan School.

On the middle school level, because of the recent construction bringing capacity at Lawson up to 1,500 students, the district can accommodate the 68 projected additional students from the Vallco project at the school. In effect, a portion of the debt incurred to build the Lawson addition, that attributable to space for 68 students, is the cost impact of the Vallco project.

Table II-1 shows the cost impact of the Hills at Vallco project generated students on the Cupertino Union School District.

**Table II-1
The Hills at Vallco Cost Impact
Elementary and Middle Schools**

<i>Elementary School</i>	
<i>Number of Students</i>	144
<i>Cost per Student</i>	\$29,780
<i>Cost Impact</i>	\$4,288,320
<i>Middle School</i>	
<i>Number of Students</i>	68
<i>Cost per Student</i>	\$32,640
<i>Cost Impact</i>	\$2,219,520
<i>Total CUSD</i>	\$6,507,840

Sources: City of Cupertino Housing Element and Schoolhouse Services.

The costs in Table II-1 are from the June 2014 study of school impacts for the City of Cupertino Housing Element of the General Plan. The report determined CUSD’s cost of providing additional capacity in multi-story buildings at \$29,780 per elementary student and \$32,640 per middle school student based on recent district projects; these costs are conservatively used here as current costs. (It should be understood that, unless noted otherwise, all cost and revenue figures are expressed in January 2016 constant dollars.) The building cost is relatively high because it is based on multi-story buildings constructed on a constrained site. However, it does not include any land acquisition costs.

High School Costs

The General Plan Housing Element study (June 2014) determined that the cost for additional high school capacity based on FUHSD recent projects was \$69,600; again this figure is conservatively used as a current cost. The building cost is relatively high because it is based on multi-story buildings constructed in a constrained site, but it does not include any land acquisition costs.

It is not known whether FUHSD would incur future costs of new capacity to have the capacity to accommodate students from the Vallco project. The advisory committee and the board will be considering various attendance options. But the cost impact of the Vallco project students on the district can, similar to the situation with the middle schools, be seen as a share of the cost of recent improvements that have added to the district’s enrollment capacity, or perhaps the cost of future improvements. In either case, the magnitude of the cost can be estimated as the cost cited in the General Plan Housing Study report. Table II-2 shows the cost impact of the Hills at Vallco project generated students on the FHUSD.

**Table II-2
The Hills at Vallco Cost Impact
High Schools**

<i>High School</i>	
<i>Number of Students</i>	46
<i>Cost per Student</i>	\$69,600
<i>Cost Impact</i>	\$3,201,600
<i>Total FHUSD</i>	\$3,201,600

Sources: City of Cupertino Housing Element and Schoolhouse Services.

Table II-3 shows the cost impact of the Hills at Vallco project generated students on both Cupertino and Fremont Union Districts.

Table II-3
The Hills at Vallco Cost Impact
Cupertino and Fremont Union Districts

<i>Total CUSD</i>	<i>\$6,507,840</i>
<i>Total FHUSD</i>	<i>\$3,201,600</i>
<i>Total Cost Impact</i>	<i>\$9,709,440</i>

Development Impact Fee Revenues

A school district adding a significant number of students usually needs to incur one-time upfront costs for capital facilities to house the students. California law provides for fees on residential and non-residential development, usually paid at the time a building permit is issued. 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 rule limits the fees to maximum amounts, adjusted biennially for inflation. The fee for residential development was increased in January 2016 to \$3.39 per square foot. Fees can also usually be levied on non-residential development because of the role of employment in causing a need for residences where employees and their children live. The recently adjusted fee for commercial/industrial (C/I) buildings, which includes almost all private non-residential development, is \$0.55 per square foot.

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; neither CUSD or FHUSD are. 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. The Hills at Vallco

project is unusual in that the developer has agreed to fund significant voluntary benefits to the school districts in addition to payment of the fees levied by the districts.

Both CUSD and FUHSD are eligible to levy Level 1 development impact fees on new residential development and the majority of commercial/industrial development. When two districts both serve in an area, they must agree on how the fee revenue is to be split in that area. FUHSD and its elementary feeder districts have such agreements. Per the agreement between the two districts, CUSD will be allowed to collect up to 60% of the maximum fee amount, \$2.03 per square foot of residential development. FUHSD is allowed to collect 40% of the maximum, \$1.36 per square foot of residential development. The maximum fees on commercial/industrial development are \$0.33 and \$0.22 per square foot for CUSD and FUHSD respectively.

California Government Code section 65995.1(a) stipulates that residential units designated for senior housing may be charged only the commercial/industrial rate. Therefore, the 40 Vallco project senior units would be charged \$0.55 per square foot, with the revenue being allocated between the districts according to the agreed upon shares.

The impact fee revenue, the source of school capital improvements funding, will depend on the size and nature of the buildings in proposed project. Other documents provide much more information about the buildings than is included in this report. Here we focus on the characteristics of the buildings that affect development fee revenues and property tax revenues that will accrue to the two school districts.

Table I-1 listed the various types of development in the project with the number of residential units and the square footage of the non-residential buildings. That information is incorporated here into Table II-4 below. The area in parking structures is not included in the table. The reasons are (1) that generally only parking facilities that are paid parking with attendants can justify levying fees and (2) even if fees are justified they likely will be only about \$0.05 per square foot (about 10% of the fee levied on office and retail space). Of course, no fees can be levied for surface parking.

Two court decisions have made it clear that demolition of existing buildings that contribute to school enrollment should result in credit against the fees payable by construction of which the demolition is a component. About 1.2 million square feet of the Vallco shopping center retail space will be demolished. This is also shown in Table II-4. Credit against fees from the demolition of the parking structures will be non-existent or negligible.

The calculations in the table show net fee revenues (after credits for demolition) of about \$2.2 million to CUSD and \$1.5 million to FUHSD. This amounts to \$11,000 per additional CUSD student and \$32,000 per additional FUHSD student.

**Table II-4
Development Impact Fee Revenue**

	<i>Total Square Feet</i>	<i>CUSD Fee/sq ft</i>	<i>CUSD Fee Revenue</i>	<i>FUHSD Fee/sq ft</i>	<i>FUHSD Fee Revenue</i>	<i>Total Revenue</i>
Apartments						
<i>Non-senior Units</i>	723,100	\$2.03	\$1,468,000	\$1.36	\$983,000	\$2,451,000
<i>Senior Units</i>	38,700	\$0.33	\$13,000	\$0.22	\$9,000	\$22,000
<i>Non-living Space</i>	38,200	\$0.33	\$13,000	\$0.22	\$8,000	\$21,000
Total Residential	800,000		\$1,494,000		\$1,000,000	\$2,494,000
Non-residential	3,170,000	\$0.33	\$1,046,000	\$0.22	\$697,000	\$1,743,000
Gross Revenues	3,970,000		\$2,540,000		\$1,697,000	\$4,237,000
Credit for Demolition	1,200,000	\$0.33	\$396,000	\$0.22	\$264,000	\$660,000
Net Revenues	2,770,000		\$2,144,000		\$1,433,000	\$3,577,000
Number of Students			212		46	
Revenue per Student			\$10,000		\$31,000	

Source: Schoolhouse Services

Comparison of Capital Costs and Developer Mitigation and Voluntary Benefits

Table II-5 below shows the calculation of the difference between the development impact fees likely to be generated by the proposed project and the facilities costs per student for each of the districts. (The voluntary benefits, in addition to development fees, proposed by the developer are not reflected in this table.) The table shows a larger net capital cost impact for CUSD and a larger net per student impact for FUHSD. The impacts reflect the high cost of school facilities at CUSD and FUHSD campuses. They 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 schools districts.

**Table II-5
Development Impact Fees versus School Costs***

	<i>Fee Revenue Per Student</i>	<i>Facilities Cost Per Student</i>	<i>Per Student Cost Difference</i>	<i>Students</i>	<i>Total Facilities Cost Impact</i>
<i>CUSD-Elementary</i>	\$11,000	\$29,780	(\$18,780)	144	(\$2,704,320)
<i>CUSD-Middle</i>	\$11,000	\$32,640	(\$21,640)	68	(\$1,471,520)
<i>CUSD - total</i>				212	(\$4,175,840)
<i>FUHSD</i>	\$32,000	\$69,600	(\$37,600)	46	(\$1,729,600)
<i>Total</i>				\$258	(\$5,905,440)

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

Source: Schoolhouse Services

Recognizing the importance of schools to Cupertino citizens and the role of a positive impact on schools in making the project attractive to them, the developer has, as noted above, offered LOIs that specify voluntary improvements and funding obligations in addition to the statutory development fees. The provision of a new school at the site of the former Nan Allan Elementary School is particularly important to CUSD, as the district has long seen the need for another school in the northern portion of the district. The proposed location, proximate to the Collins Elementary School campus, would provide additional capacity in the greater northern portion of the district. It would provide capacity for about 550 more CUSD students than the proposed project would generate located reasonably close to the overcrowded schools north and east of Interstate 280. The new school would address perhaps the most significant problem the district faces in accommodating its students.

In addition, the construction of permanent classrooms to replace the existing portables at the Collins Elementary School site would improve the usability of the existing playgrounds at the site. The project applicant also proposes to improve the playgrounds as a part of their voluntary improvements and to fund a \$1 million endowment for the 8th grade Yosemite science program.

FUHSD sees the “Innovator Space” as a critical element in its future role educating students who may work in the tech industry. Being part of the Valco project, and also its favorable location in the project, allow the district to have a facility in the proximity of the tech world. It is envisioned that student involvement there will enhance the relevance of many of the classes in the district’s comprehensive schools.

The developer has estimated the cost of the benefits at \$40 million. Some of the facts about the benefits are not specific enough for us to generate an accurate independent estimate of the costs, but enough is specified for us to confirm that the cost to the two districts of providing these benefits would be of this order of magnitude.

Table II-4 above calculated the cost impact to the districts based on its recent cost of adding capacity. The table below shows the magnitude of the benefit to the district based on the

developer’s cost estimate. The benefits are a multiple of the deficit assuming only fee mitigation.

**Table II-6
Fees and Voluntary Improvements Versus Facilities Costs***

<i>Cost of Voluntary Benefits*</i>	<i>Fee Cost Deficit</i>	<i>Net Benefit</i>
\$40,000,000	(\$5,905,440)	\$34,094,560

** Cost of Voluntary Improvements estimated by the developer.*

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. It is possible that there can be some economies of scale, that students can be added without increasing some costs proportionately. But the savings would be small and, therefore, the cost per student estimate here is simply a calculation of the operating expenditures divided by the number of students.

**Table III-1
Operating Costs**

	<i>Operating Budget</i>	<i>Number of Students</i>	<i>Per Student Cost</i>
<i>CUSD</i>	\$187,371,986	18,924	\$9,900
<i>FUHSD</i>	\$125,000,000	10,683	\$11,700

Sources: CUSD and FUHSD 2015-16 budgets and Schoolhouse Services

Operating Revenues

Cupertino Union School District Revenue

The Hills at Vallco project will affect the revenues and costs for the two districts in very different ways. 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 a supplemental grant from the state’s operating grants program. (Ninety-plus percent of the students in California public schools attend in revenue limit districts.) This grant program in its current version is only in its third year; it folds about 40 funding programs into a single grant program and generally allows districts to allocate the revenue as it see fit.

The program can be briefly summarized as follows. The public school funding level (property tax revenues plus grants) that the state can support across all California districts is determined based on the state budget allocation to K-12 education for the fiscal year and the state Local Control Funding Formula (LCFF). The state then uses the educational budget allocation to supply the additional funds necessary to each district to fill the gap between that level and local property taxes. For example, if the LCFF calculations determine that a district is be supported with \$100 million of property taxes plus LCFF grant, and the district’s property tax revenues are \$70 million, then the LCFF grant is \$30 million.

For each district, the state specified funding level per the LCFF depends on total enrollment and the portion of that enrollment that is learning English or eligible for free or reduced price lunches. CUSD revenue (taxes plus the state grant) due to this program totals \$137 million in this fiscal year, or \$7,230 per student.

The result is that the sum of the revenues from property taxes and 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 an equal 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 current programs. These programs could be modified in coming years.

The federal and state governments 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 \$42 million, or \$2,210 per student for the 2015-2016 fiscal year.

There is one CUSD funding source (other than the property taxes) that ordinarily would not increase proportionally with enrollment, that being parcel taxes. Parcel taxes flow from measures approved by the voters. The current CUSD parcel tax, which provides less than five percent of district revenues, is \$250 per parcel. It is not known, of course, whether a new measure will be adopted when it expires and, if so, at what level, but a new parcel tax is more likely than not. Since there will not be a large number of parcels in the project, its legally required contribution to parcel tax revenue would be negligible.

However, the LOIs have been updated to require that in lieu parcel taxes equal to the Measure A amounts, as well as any subsequent parcel taxes, will be paid on the 680 non-senior market rate apartments as if they were separate parcels rather than a single parcel. While this requirement is in place, parcel tax revenue would also increase significantly.

In summary, all categories of CUSD revenue sources would tend to increase proportionately with enrollment. The result would be that additional revenue per student and additional expenses per student would be approximately equal.

Fremont Union High School District Revenue

FUHSD is one of the relatively few districts in the state that is not a revenue limit district. The District's 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), state revenue does not increase when additional students are enrolled. However, new development generates additional property taxes, increasing the District's revenues. The property tax revenues will be equal to the District's share of the property tax rate times the fair market value established by the Santa Clara County Assessor at the time each building is completed.

Table III-2 shows the calculation of the assessed valuation estimate for the proposed project as proposed. The assessed values are calculated based on per unit and/or per square foot market

values estimated by Schoolhouse based on an analysis of about 30 sales in the last three months as comparables. At this time the real estate markets are changing rapidly, with values up in the order of 15-25% in the last year, so reference information needs to be quite recent. Sales are to a large extent dependent on historically low interest rates and the uncertainty about alternative investments. These, and other, factors could change in the years before construction of the buildings is completed.

**Table III-2
Assessed Value**

	<i>Number of Units</i>	<i>Square Feet</i>	<i>Assessed Value per Unit/Foot*</i>	<i>Assessed Value (in Millions)</i>
Apartments				
<i>Market Rate</i>	680		\$900,000	\$612
<i>Below Market Rate</i>	80		\$300,000	\$24
<i>Senior</i>	40		\$500,000	\$20
Apartments Total	800			\$656
Non-residential				
<i>Office</i>		2,000,000	\$950	\$1,900
<i>Office Amenity and Support</i>		345,000	\$400	\$138
<i>Commercial/Retail</i>		420,000	\$1,200	\$504
<i>Commercial/Entertainment</i>		180,000	\$400	\$72
<i>Commercial/Other</i>		50,000	\$500	\$25
<i>Civic</i>		40,000	\$100	\$4
<i>Residential Amenity</i>		25,000	\$300	\$8
<i>Support Infrastructure</i>		110,000	\$100	\$11
Non-residential Total		3,170,000		\$2,662
Total				\$3,318

*Assessed value of parking facilities and the 30-acre roof are included with that of the buildings shown.
Source: Schoolhouse Services

There are also 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. Parking facilities and the 30-acre roof are other components for which it is difficult to assign value independent of its relationship to components that generate significant income. Therefore these estimates should be understood to reflect judgment as much as they reflect statistical data.

The estimated total fair market value of the buildings is \$3.32 billion. The basic property tax rate per California law is one percent of assessed value; the annual base property tax (without voter approved bonds and special taxes) that will be generated by The Hills at Vallco complex is estimated to be \$33.2 million. FUHSD's share of the property tax in the 13-301 tax code area in which the project is located is 16.68% of the total one percent base tax rate; the annual property tax revenue from the Vallco project going to the district general fund is \$5.53 million. If 46 high

school students reside in the 800 apartments, this amounts to \$120,200 for per student. It should be understood that this large per student number reflects the fact that residential development is a relatively small part of the total Vallco development.

Assessed values by law are only allowed to increase by a maximum of two percent annually unless the property changes ownership. This rate is likely to be less over time than the rate at which district expenses increase. There are, however, ballot proposals to remove this limit on the rate of increase for commercial properties.

**Table III-3
FUHSD Property Tax Impact**

	<i>Assessed Valuation</i>
<i>Estimated Assessed Valuation</i>	\$3,318
<i>Property Tax at 1.0% Tax Rate</i>	\$33,180,000
<i>FUHSD Share of Tax Rate (16.68%)</i>	\$5,530,000
<i>FUHSD Share of Tax Rate per FUHSD Student</i>	\$120,200

Sources: Santa Clara County Tax Collector, Controller, and Schoolhouse Services

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 0.000519 per dollar of assessed value; the revenue thus paid by Vallco property owners for debt service on CUSD bonds is projected to be \$1.72 million. Similarly, the current tax rate for the Fremont District is 0.000525 per dollar of assessed value and the revenue paid for debt service on the district’s bonds is projected to be \$1.74 million. It should be understood, however, that these revenues do not increase the funds available to the two 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 \$3.46 million annually the amount other tax-payers in the districts have to pay.

Other revenues to FUHSD, the largest components being government support (\$7.00 million) and parcel taxes (\$5.75 million), provide \$1,620 per student. Given the developer’s commitment on parcel taxes (FUHSD’s current parcel tax Measure J is \$98 per year), these sources are estimated to increase roughly proportional to district enrollment. They would generate about \$67,000 annually from the Vallco project.

**Table III-4
Operational Costs Versus Operational Revenues***

	<i>CUSD</i>	<i>FUHSD</i>
<i>Projected Enrollment</i>		
Students	212	46
<i>Per Student Revenues</i>		
State LCFF Funding	\$7,230	
Sources Proportional to Enrollment	\$2,670	\$1,620
FUHSD Share of Property Tax		\$120,200
Total per Student Revenues	\$9,900	\$121,820
Total Operational Revenues	\$2,099,000	\$5,604,000
<i>Per Student Costs</i>		
Average Cost per Student	\$9,900	\$11,700
Total Operational Costs	\$2,099,000	\$538,200
<i>Net Fiscal Impact</i>		
Per Student Impact	\$0	\$110,120
Total Impact	\$0	\$5,065,800

* All costs and revenues shown are annual costs and revenues

Sources: Revenues and costs from the CUSD and FUHSD 2015-2016 budgets, Schoolhouse Services

Comparison of Operating Costs and Revenues

Table III-4 also shows the operational costs anticipated for both districts as a result of the proposed Hills at Vallco project, which allows for a comparison with the revenues resulting from the project. There is no discernable annual operating impact for CUSD as a result of the additional students from the proposed project. This reflects the perspective that all major funding sources are expected to increase proportionately to the number of students added, as our operating costs.

For FUHSD, at the estimated assessed valuation of the project, there is a net fiscal surplus of about \$110,000 per student for FUHSD, about ten times the district's costs per student. After providing services to an additional 46 students as a result of the Hills at Vallco project, the annual surplus is projected to be about \$5.0 million, a substantial amount.