



DATE: June 23, 2020

CATEGORY: Unfinished Business

DEPT.: Community Development

TITLE: **Citywide School Strategy**

RECOMMENDATION

1. Adopt a Resolution to Adopt a Council Policy for a Citywide School Strategy, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Direct staff to return with amendments to the East Whisman and North Bayshore Precise Plans, consistent with the Citywide School Strategy.

BACKGROUND

This agenda item was previously scheduled for the June 9, 2020 City Council meeting and was continued to June 23, 2020. Minor changes have been made to the report that was agendized for June 9, including attaching two new letters received as public comments (included in Attachments 2 and 5) and updating information regarding school costs and funding sources (Attachment 4).

Overview

Schools are a key element of the City's quality of life, and the City recognizes and shares the school districts' concern regarding population growth and its impact on schools. City officials have been working with the Mountain View Whisman School District (MVWSD) and Mountain View Los Altos Union High School District for over a year to address school capacity needs associated with new residential development.

The result of this novel effort is a strategy providing multiple additional opportunities for school resources, including a land strategy that includes a program for transfer of development rights, potential collaboration with the schools for shared open space using City park funding, and having a shared understanding of the school need which would provide information to developers and applicants.

The strategy is almost unprecedented in its scope, conservatively contributing, through the City's role, *at least* 45 percent of the school districts' projected needs, which would have only otherwise been available through bonding, State grants, and other resources. It also clearly communicates the school districts' shortfall, a gap that developers and property owners may wish to voluntarily bridge.

The City also partners with the school districts in a variety of ways, including providing after-school enrichment programs, field maintenance and turf replacement, crossing guards, and school resource officers. In addition, the City helped create teacher housing by amending the General Plan and Zoning Ordinance to create value and improve feasibility for a market-rate development project in partnership with MVWSD.

Legal Framework

There are significant limitations imposed by State law on the imposition of fees for school facilities. In short, when reviewing projects, the City is prohibited from requiring school fees which exceed those already authorized by statute. In particular, State law provides as follows:

A State or local agency may not deny or refuse to approve a legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property...on the basis of a person's refusal to provide school facilities mitigation that exceeds the amounts authorized pursuant to this section or pursuant to Section 65995.5 or 65995.7, as applicable. (Government Code Section 65995(i))

In addition, payment of fees "shall be the exclusive method of considering and mitigating impacts on school facilities," and "are...deemed to provide full and complete school facilities mitigation." (Government Code Sections 65996 (a) and (b)). Because of these statutory restrictions, additional developer funding for schools may only occur voluntarily.

The Building Industry Association (BIA) has submitted recent letters to the City citing this law (Attachment 2 – BIA Letters).

Previous Discussions

Council began discussions to develop a school strategy during the North Bayshore Precise Plan (NBPP) update process. School districts and Council expressed concern that potential new housing north of U.S. 101 would not be accessible to local schools,

and existing State fees on new development would not be adequate to fund new school facilities necessary for the students generated from new residential development.

To address these issues, the North Bayshore Precise Plan encourages developers to work with the school districts on a “Local School District Strategy” intended to support new schools in or adjacent to the North Bayshore Area. The Sobrato Organization (Sobrato) brought the first Bonus FAR residential project in North Bayshore, 1255 Pear Avenue, which was approved in 2018 and provided a contribution to the schools.

Subsequent to the Sobrato approval, the East Whisman Precise Plan (EWPP), which rezoned the existing area from largely industrial and office uses to include residential uses, was adopted in 2019. The EWPP also included language similar to the NBPP regarding a “Local School District Strategy.” During the EWPP and Sobrato project discussions, Council, school district representatives, and developers expressed concern with the open-ended negotiations associated with the Sobrato development, and Council directed staff to facilitate discussions between developers and the school districts to provide a better shared understanding of the school districts’ needs.

As a result of this work, the proposed Citywide school strategy will eliminate development-by-development discussions of “Local School District Strategies,” and provides for additional collaborative opportunities outside the development process.

As written, the Precise Plans may be inconsistent with the proposed Citywide School District Strategy. Staff is seeking authorization to bring back North Bayshore and East Whisman Precise Plan amendments to modify the wording related to school strategy to eliminate development-by-development discussions of school contributions. Also, much of the language is unnecessary given the funding gap analysis, voluntary developer contributions, and other opportunities identified below.

The East Whisman Community Benefit analysis assumed that developers would make a voluntary school contribution. However, staff does not recommend revising the community benefit analysis at this time due to the uncertainty created by the COVID-19 pandemic. Staff will revise the analysis in the near future when economic conditions stabilize.

October 15, 2019 City Council Study Session

In October 2019, Council held a Study Session (Attachment 3) to review ways to support local schools and add the following additional structure to the collaborative process:

1. City actions that could support school district land acquisition outside the private development process. These included a transfer of development rights (TDR) program similar to the one carried out by the Los Altos School District in the San Antonio area and opportunities to share park land dedication funding for shared open space. Council supported this direction.
2. Identification of appropriate project types and locations where opportunities for voluntary land dedication should be explored. For example, large project sites should be analyzed to see if they could be incentivized to voluntarily dedicate land without losing overall allowed floor area or development capacity. Council also supported this direction.
3. School district cost share options, which acknowledge the range of resources available to school districts, including State grants, bonds, and existing properties.
4. Information related to the funding gap for voluntary developer contributions. Two options were presented with different levels of voluntary developer contribution. Council directed staff to study a voluntary contribution value for residential development that was between the two options presented, noting that the economics of office projects could support a higher voluntary contribution than residential development. Council further directed that subsidized affordable units (i.e., 100 percent affordable developments) should not be considered in the same voluntary contribution framework.

ANALYSIS

Citywide School Strategy Policy

A resolution adopting the Citywide School Strategy Council Policy is attached to this report (Attachment 1). The major elements document the City's continued commitment to collaborate with school districts and developers to support school growth, including the High School District's interest in finding and developing a new comprehensive high school and MVWSD's interest in finding and developing multiple elementary schools and a new middle school. The policy may also create additional funding opportunities for improvements to add student capacity and shared public/school facilities.

The Policy contains strategies that the City Council has previously reviewed and which are within the City's power to authorize:

1. Park Land Funds. The City may consider sharing park land dedication funds for shared open space and facilities where funding is available and feasible based on City park financing policies. This is estimated to cover approximately 7 percent of the costs needed for new schools.
2. TDR. The City may consider a TDR program to support school district acquisition of new sites. This is estimated to cover approximately 33 percent of the costs needed for new schools.¹
3. Incentives for Dedication. The City could allow developments that dedicate school land to allow development rights associated with that land elsewhere within their project area. This would be subject to additional development review, findings of project feasibility, other site design considerations, and the need for public parks. It should be noted that while the City can provide incentives for land dedication, the dedication would have to be voluntary.
4. Ongoing Collaboration with Schools. The policy also stipulates these programs depend on ongoing discussion with the school districts, such as where new schools would be most appropriate, and leveraging of other resources available to the school districts such as bonding, State reimbursements, reuse of existing facilities, etc.

Projected Need and Funding Gap

One goal of the Citywide School Strategy is to identify the funding gap the school districts face in their projected need for land, classroom space, and other facilities. Identifying this funding gap provides transparency and a shared understanding for developers and property owners, who may wish to support local schools with voluntary contributions. The funding gap is determined by estimating the districts' overall need and subtracting other resources that may be available to them. The funding gap must also consider the economic feasibility of voluntary developer contributions, one potential mechanism for closing the gap, to ensure the contributions are realistic.

¹ This is a conservative estimate based on the experience of the LASD TDR program.

Well before the October 2019 Study Session, City staff has worked with the school districts' staff and consultants to develop a long-term school growth projection. The projected student growth is estimated from 20,000 planned and potential net new dwelling units over the next 30 to 50 years. The projected need amounts to roughly 12 acres of elementary school land, 10 acres of middle school land, 23 acres of high school land, and about \$470 million worth of improvements. The school districts estimate the total value of the needed land and improvements, in current dollars, at about \$1.14 billion, which is based on the school districts' assumptions of student generation rates.

Implementation of the City Policy proposed above is conservatively estimated to contribute approximately 40 percent of the school districts' projected land and facility needs (\$450 million). This estimate is based on the City's experience with the Los Altos School District (LASD) TDR program and shared park land, which covered over 75 percent of LASD's land acquisition costs.² In addition, projected development is expected to contribute approximately \$93 million in mandated school fees (approximately 8 percent of the school districts' projected costs).

The remainder is a combination of School District Share and the funding gap. The Council discussion in October included consideration of both the school districts' ability to access funds from State, bond and other resources, and the feasibility of additional voluntary developer contributions. Based on this discussion, share for the school districts could be as low as \$400 million to \$450 million or about 35 percent to 40 percent.³ Staff's summary of school district sources of funding and cost reductions, based on discussions with school district staff, is included as Attachment 4 (School District Funding and Cost Reduction Sources). This summary largely corroborates the \$400 million to \$450 million amount, especially if it is spent over 20 to 40 years, although there may be some uncertainty around State reimbursements and bond passage. This leaves a funding gap of **\$147 million to \$197 million**. Table 1 summarizes the estimated portions of the \$1.14 billion described above.

² Land acquisition is estimated to be about 60 percent of total costs. 75 percent of 60 percent is 45 percent of the total, so 40 percent is a conservative assumption.

³ The "Split Share" Option in October assumed approximately \$405 million school share, which was 33 percent of \$1.22 billion, the previous estimated total need.

Table 1 – Summary of School Funding Sources

Source	Amount	Percent
Citywide School Strategy Policy (Land Strategy)	\$450 million	39.5%
Office Fees*	\$2 million	8.2%
Residential Fees**	\$91 million	
School District Share	\$400 million to \$450 million	35.1% to 39.5%
Shortfall (Funding Gap)	\$147 million to \$197 million	12.9% to 17.3%
Total	\$1.14 billion	100%

Percentages may not add due to rounding.

*Assumes approximately 3 million net new square feet.

**Assumes approximately 20,000 units or 22.24 million net new square feet.

Voluntary Developer “Funding Gap” Contributions

In Mountain View and other communities, developers have been known to provide voluntary contributions directly to school districts. These contributions are not based on any City requirement—as described above, developers who do not offer such contributions cannot have their projects denied or conditioned on that basis. However, developers understand these voluntary contributions contribute to an identified community need, create goodwill, and offer other intangible benefits.

The \$147 million to \$197 million shortfall discussed above may be further reduced through voluntary developer “funding gap” contributions. This may provide flexibility for the school districts to apply fewer cost reductions or may reduce the amount of future bonds that may be needed.

As stated before, *the City cannot consider these contributions in evaluating specific projects*, so the City and school districts should not assume that voluntary developer contributions will cover the funding gap.

In October 2019, the City Council reviewed options for voluntary developer contributions, as shown in Table 2. Council directed that residential and office feasibility should be a consideration in analysis supporting any voluntary developer contributions. Specifically, residential, given its lower profit margins and regional need, could not provide a voluntary contribution as large as office. Council directed

staff to analyze a residential contribution amount between the amounts shown and a higher amount for office.

Table 2 – October Study Session Options

	School Share	Total “School Strategy” contribution (mandated fee* + voluntary contribution)	Voluntary “Funding Gap” portion only
Residential Feasibility Option	\$525 million (43%)		
Residential Office		\$6.30 per sq. ft. \$6.30 per sq. ft.	\$2.51 per sq. ft. \$5.69 per sq. ft.
Split-Share Option	\$405 million (33%)		
Residential Office		\$13.16 per sq. ft. \$13.16 per sq. ft.	\$9.37 per sq. ft. \$12.55 per sq. ft.

* The mandated fees increased since last October. This table uses the previous fees.

Table 1 above shows a total funding gap approximately 1.5 to 2 times the mandated fees on development, which, applied equally across office and residential, would not reflect development feasibility or Council direction. However, Table 3 shows that, if office development were to provide a voluntary contribution 25 to 30 times their mandated fee, the “residential share” of the funding gap could be lowered to 1 to 1.5 times the mandated fee. These ratios better reflect the realities of development feasibility.

Table 3 – Funding Gap Share Based on Feasibility

	State Fee	Funding Gap	Ratio
Total from Table 1	\$93 million	\$147 million to \$197 million	Approx. 1.5 to 2 times
Office Share	\$2 million	\$50 million to \$60 million	25 to 30 times
Residential Share	\$91 million	\$91 million to \$137 million	1 to 1.5 times

Table 4 below shows the potential values of individual voluntary developer contributions based on the ratios in Table 3, to provide a clear comparison with what Council reviewed last October. It should be noted that the mandated fee increases with inflation every two years, so identifying the funding gap as a ratio of the fee will track it against inflation over time.

Table 4 – Voluntary “Funding Gap” Share Values

	Total “School Strategy” contribution (mandated fee* + voluntary contribution)	Voluntary “Funding Gap” portion only
Residential	\$8.16 to \$10.20 per sq. ft.	\$4.08 to \$6.12 per sq. ft.
Office	\$17.16 to \$20.46 per sq. ft.	\$16.50 to \$19.80 per sq. ft.

*Using updated fees.

Identifying the funding gap to provide a shared understanding of the school districts’ needs was the primary purpose of the Citywide School Strategy. This information clearly transmits to developers that Mountain View’s schools are in need of resources that are not anticipated by State law or traditional funding mechanisms, and provides a clear estimate of that need. It also communicates that, according to the City’s latest analysis, many Bonus FAR and Gatekeeper developers (especially office) may have room in their pro formas for these voluntary contributions, depending on the uses, size, and characteristics of their project, although the COVID-19 pandemic may affect this analysis. Gatekeeper projects could identify their voluntary contributions with their Gatekeeper authorization requests.

In summary, the Citywide School Strategy includes City actions that can help reduce the cost of land acquisition to school districts, and the finding of a funding gap, which developers may offer to help close. This strategy supports future discussions between the City and school districts regarding land needs, and provides a clear foundation for developers to consider their options for voluntary contributions. It also provides a framework for future updates to this information as conditions change.

Additional City Support

The school districts have expressed concern about other factors that may be addressed through City collaboration in addition to the School Strategy, such as concerns about the timing of funding and reimbursements and overlaps between operational and capital costs and resources (additional concerns are included in Attachment 5 – School District Letter). These discussions can build off of the many ways that the City and school districts partner to serve Mountain View youth.

The City funds crossing guards, School Resource Officers, maintenance of school fields, and after-school and enrichment programs, among other services benefiting the school districts, at a cost of over \$6.5 million in Fiscal Year 2018-19. Shoreline Regional Park Community funds are also provided through the Educational Enhancement Reserve Joint Powers Agreement, with more than \$51 million contributed to benefit local

education since 2006. In addition, the City helped create teacher housing by amending the General Plan and Zoning Ordinance to create value and improve feasibility for a market-rate development partnered with MVWSD. These collaborative measures can be the foundation of continued support from the City to local school districts.

As discussed above, one primary purpose of the Citywide School Strategy is to avoid development-by-development discussions of school contributions such as voluntary contributions and allocations of other developer funding, like community benefits, because developer contributions to schools beyond mandated school fees cannot affect City decisions on land use entitlements. Rather, the City can continue collaborating on funding as specific needs or opportunities arise. These opportunities may be evaluated based on the following considerations:

- The school districts' actual needs and improvement plans;
- Other school district opportunities for funding;
- Opportunities to address timing gaps and reimbursement options; and
- Other City priorities for funding (such as transportation improvements and affordable housing).

This framework for ongoing collaboration gives both schools and the City the greatest possible flexibility and efficiency to target available funds where they are most needed, and to include the broadest possible range of assistance opportunities within those collaborative discussions.

FISCAL IMPACT

There will likely be long-term impacts on staff time as the City continues to work with school districts as the City grows. Some staff time will be necessary to prepare and present modifications to the EWPP and NBPP. However, this should also save staff time in the long term by providing a clear and consistent set of school strategy standards.

CONCLUSION

Staff recommends the City Council adopt the Citywide School Strategy Council Policy, accept the above funding gap analysis, and direct staff to return with amendments to the East Whisman Precise Plan and North Bayshore Precise Plan, as described in this report.

ALTERNATIVES

1. Modify the proposed Citywide School Strategy Policy.
2. Do not approve the Citywide School Strategy Policy.
3. Modify direction to amend Precise Plans.

PUBLIC NOTICING

Staff met multiple times with school district representatives and developers throughout this process. The City Council agenda is advertised on Channel 26, and the agenda and this Council report appear on the City's website. A website for the topic is maintained at <https://www.mountainview.gov/depts/comdev/planning/activeprojects/schoolstrategy.asp>, which advertised the meeting. Property owners in North Bayshore, East Whisman, and Terra Bella and applicants for under-review development were mailed notices. Other interested stakeholders were notified of this meeting via the e-mail notification system for Citywide School Strategy, North Bayshore, East Whisman, and Terra Bella.

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EA-AS/6/CAM/899-06-23-20CR/200359

- Attachments:
1. Resolution to Adopt a Citywide School Strategy Policy
 2. BIA Letters
 3. [October 2019 Study Session](#)
 4. School District Funding and Cost Reduction Sources
 5. School District Letter