

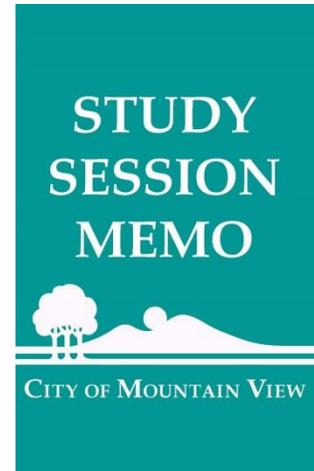
DATE: October 15, 2019

TO: Honorable Mayor and City Council

FROM: Eric Anderson, Principal Planner
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Community Development Director

VIA: Daniel H. Rich, City Manager

TITLE: **Citywide School Strategy**



PURPOSE

To provide direction on School Strategy implementation in Precise Plans.

BACKGROUND

The City has multiple policy goals for increasing the number of housing units in the City, in response to the Bay Area's housing crisis. These include:

- Adding substantial housing in traditional employment centers;
- Reducing regional vehicle trips, greenhouse gas emissions, and freeway congestion;
- Providing a range of housing choices for the community; and
- Providing additional affordable housing opportunities.

The City has been creating Precise Plans, authorizing Gatekeepers and reviewing and approving housing projects in support of these goals. Over 6,500 net new units are approved or under review. In addition, the City has adopted the North Bayshore Precise Plan, San Antonio Precise Plan, and El Camino Real Precise Plan and is developing the East Whisman Precise Plan and Terra Bella Visioning, all of which may include up to approximately 17,000 to 20,000 additional units. Altogether, this could be an increase of approximately 65 to 75 percent to the City's total unit count, from today.

Mountain View has two elementary/middle school districts, Los Altos School District (LASD) and Mountain View Whisman School District (MVWSD). The majority of the City's housing growth is expected in the MVWSD, including the North Bayshore, East

Whisman, and Terra Bella areas.¹ MVWSD operates nine elementary schools and two middle schools with a total enrollment of approximately 5,300 students. All of Mountain View is served by the Mountain View Los Altos High School District (MVLAHSD). MVLAHSD operates two comprehensive high schools, an alternative high school, and other local educational resources, with a total enrollment of approximately 4,400 students.

DISCUSSION

The school districts approached the City with concern about their ability to accommodate students from these housing developments. The State of California sets standard school impact fees on residential and nonresidential development to accommodate new students, and cities and school districts are not allowed under State law to levy higher fees on conforming development. These fees are currently \$3.79 per square foot on residential and \$0.61 per square foot on office. This amount is lower than the amount needed to acquire land and construct new buildings.²

In 2014, the City adopted the San Antonio Precise Plan, which included language allowing “creative partnering solutions for development of a public school,” including transfer of development rights (TDR). This led to the LASD TDR program which has enabled LASD to acquire 9.65 acres of land for a new school.

More recently, to support the school districts, the City included “Local School District Strategy” language in the adopted North Bayshore Precise Plan, draft East Whisman Precise Plan, and Terra Bella Visioning so that new development can help school districts accommodate the additional growth envisioned by these plans:

Bonus FAR projects shall submit a Local School District Strategy to the school districts and the City, intended to support new local schools serving the area. The School Districts and the Developer shall meet and confer in good faith to develop the School District Strategy to support new local schools. The School District Strategy shall be memorialized as a legally binding agreement. The strategy may include, but is not limited to, land dedication for new school development; additional funding for new school development; TDR strategies to benefit developer(s) that

¹ Only the San Antonio Change Area and a small portion of the El Camino Real Change Area are in the Los Altos School District. This includes 936 net new units under construction, 632 net new approved units, and 37 net new under-review units.

² School districts have other resources: the State has periodically made funding available to districts that are over capacity, and school districts have the ability to bond to raise money.

provide new school facilities; or other innovative strategies supporting schools.

Under this language, Bonus FAR projects are expected to support local school districts through a voluntary agreement approved by the City Council (in general, the City can request voluntary contributions in exchange for rezonings, Bonus FAR, and other discretionary approvals).

The Precise Plan language is general and does not specify considerations for acceptable “Local School District Strategies.” This has led to uncertainty and frustration by the school districts and developers. The purpose of this Study Session is to provide analysis regarding those considerations and to receive Council direction to finalize implementation of these school strategies. Staff will review development projects in light of the direction provided by Council, who will ultimately make final actions on those projects’ specific school strategies.

Implementation of the Citywide School Strategy is expected to be dynamic. The City can periodically revise its implementation as new information becomes available, school campuses are created, and economic factors change.

Residential Feasibility

The City’s efforts to add housing may be constrained by lower economic feasibility of these projects. Despite high sales prices and rents, high-density residential projects may be economically infeasible by \$100,000 or more per unit. Developers may be unable to make residential projects pencil out due to the factors summarized below.

- Construction costs are significantly higher in these areas, based on a local labor shortage and more complicated and expensive high-rise methods;
- City fees, such as the Park Land Dedication Fee, which can be well over \$100,000 per unit;
- Environmental and site issues, based on redevelopment of industrial land;
- Escalating land prices; and
- Rents and sales prices that are not increasing as fast as the cost factors above.

More information about these factors is provided in Attachment 1—Feasibility Findings.

The only project approved so far with a Local School District Strategy was 1255 Pear Avenue, a mixed-office and residential project approved last year. Attachment 2 (1255 Pear Avenue Project Analysis) includes a detailed summary of the park land dedication and school strategy outcomes. Sobrato's contribution ended up as \$21.70 per residential square foot (\$17.63 per residential and net new office square foot), which was half the amount requested by the schools, using their assumptions for student generation rates (SGRs) and school sizes. Considering the park land dedication reduction, the net effect was \$7.75 per residential square foot (\$6.30 per residential and net new office square foot).

The East Whisman Precise Plan is scheduled to be considered for adoption on November 5, 2019. At that meeting, staff will recommend a community benefits value to the City Council for both office and residential development. The Precise Plan team's analysis will take Council's school strategy direction as an input for the community benefits value. In other words, the higher the school strategy obligation, the less community benefits it may be feasible to ask for.

School Strategy Framework

Staff identified the stakeholders and target responsibilities because the City Council has previously determined that the developers should not be responsible for 100 percent of the cost:

- The school districts have some share of the responsibility, based on their capacity to bond and receive State funding. Staff recommends this responsibility be at least 33 percent, based on development feasibility and the opportunities available to them.
- Developers and the City may facilitate the acquisition of school district land (through the Land Strategy, below).
- Developers should contribute additional funding because many developers may not have adequate land to take part in the Land Strategy (see Other Contributions, below).

Citywide Growth Scenario

This analysis and its output are based on Citywide growth, and staff recommends applying the program similarly across all applicable development (see below, *Applicable Projects*). While North Bayshore has policies supporting smaller units (and, therefore,

lower SGRs), it is difficult to project the exact unit mix that may be built. Plus, North Bayshore has more need for new school land than other areas, where it may be easier to accommodate some students on existing campuses. Therefore, it is impossible to determine whether a specific area (such as North Bayshore) may have a lower or higher need for school funding. In addition, applying the school strategy similarly to all Citywide development will reduce the complexity of the program and streamline its implementation.

The growth studied in this framework is 20,000 units, approximately equal to the number of units that may be built in the City's Change Areas, plus Terra Bella. This is a long-term analysis, and it is unlikely that this many units would be built for at least 20 years.³ In addition, it may take significantly longer for new buildings to be affordable enough to attract a range of family sizes. However, the purpose is to examine school district needs consistent with City growth policies and to ensure the City is considering development's long-term and cumulative effects.

Staff developed a unit-type projection based on the City's current housing goals and policies, including a goal for 20 percent affordable units; a mix of ownership and rental; and a mix of unit sizes based on the targets in the North Bayshore and East Whisman Precise Plans.

Student Generation

Projecting the number of students from new development is impossible to do with any certainty. Broad demographic factors (such as household formation and fertility), development types, unit types, the cost of housing, the availability of units elsewhere in the City and region, immigration and broad economic factors (such as household incomes and regional hiring) all may have significant effects on student generation in new units and are almost impossible to predict in the near term and impossible to predict in the long term.

In previous discussions, the disagreement between parties has been primarily about building type. Specifically, parties disagreed whether one- and two-story older apartments are a reasonable proxy for four- and higher story projects proposed in North Bayshore and East Whisman. Currently, in Mountain View and similar cities, the older, smaller apartments have significantly more students than the newer, taller buildings, but we do not have data to determine whether that is because of building age, rents/sales prices, unit sizes, neighborhood factors, or other reasons unrelated to

³ Since 2011, there has been an average of 800 net new units approved every year. This period may not be representative because it is over the course of a significant economic expansion.

the building type. Therefore, it is possible that the new, taller buildings could eventually have more students than they have today.

This framework seeks to bypass those questions by testing multiple SGRs, with total expected students of each shown in Table 2:

- **School Districts’ SGRs:** The school districts’ demographer has developed SGRs based on available data from units in the City of Mountain View.
- **Independent Analyst SGRs:** To provide an independent perspective on this issue, the City hired Schoolhouse Services to conduct their own demographic analysis of the data. Schoolhouse Services is unassociated with the school districts or any affected property owner and has a long resumé of experience developing demographic analysis for other school districts. While there are minor differences between Schoolhouse Services and the school districts’ long-term SGRs in many categories, the key difference is the projection for affordable units.⁴

SGRs were also prepared by a demographer hired by Google, but these are not used by the proposed School Strategy below. All three SGRs are shown in Attachment 3—SGR Comparisons and Assumptions.

Table 2 – Student Projections Based on 20,000 Units

	School District Data	Schoolhouse Services Data
Elementary	1,512	1,082
Middle	936	670
High	1,152	824
Total	3,601	2,575

Numbers may not add due to rounding.

⁴ The school districts only used two-bedroom and larger rental units to establish their SGRs for one-bedroom and larger affordable units (both ownership and rental). Schoolhouse Services finds that families with children are not likely to select one-bedroom units at the same rate as two-bedroom and larger units, even if they are affordable. In addition, in the long term, affordable ownership units will have more empty-nesters and other nonchildren households than rental units. However, it should be emphasized that the City Council does not need to take a side on this issue because the contribution analysis below is tested on both scenarios.

Applicable Projects

The School Strategy in this report can only be applied to projects requesting a General Plan Amendment or rezoning (e.g., Gatekeepers) or Bonus FAR. It cannot be applied to zoning-compliant and Base FAR projects because the State limits school fees on those projects.

The City has already adopted the El Camino Real and San Antonio Precise Plans, which include Bonus FAR development tiers. However, those Precise Plans do not include school strategy language associated with that Bonus FAR, so for these projects, the City Council could opt to apply community benefits to the schools instead of, for example, additional affordable housing, off-site transportation improvements, or other community benefits.

For Gatekeepers, East Whisman, and Terra Bella, the School Strategy may apply to residential *and* office development. However, the North Bayshore Precise Plan does not explicitly apply the School Strategy to office development. The analysis below assumes a portion of North Bayshore's office development will provide school contributions through mixed-use Master Plans and other mixed-use approvals. The School Strategy would not apply to Google Landings, an office-only project under review.

Several developments are also proceeding as Gatekeepers, based on the Los Altos School District Transfer of Development Rights program. Staff does not recommend applying the School District Strategy to the *transferred* floor area (but does recommend applying it to the remaining project floor area in those projects, if otherwise required). As of the writing of this report, only about 60 units are being created through this transferred floor area. Plus, the price of the floor area was set based on knowledge of fees and community benefits expectations at the time of the authorization, which did not include the school strategy. In addition, the floor area is being transferred from the San Antonio area, which would not have had a school strategy requirement, and the City Council decided that the floor area should not have to provide community benefits. Lastly, it can already be considered a school contribution, though it is for the benefit of a different school district than the ones impacted by those 60 units.

Land Strategy

In multiple meetings with school district representatives, they have stated that a major concern is acquisition of land. Multiple issues limit the ability for school districts to find land, including the lack of large enough sites and the challenges of assembling, rapidly escalating land costs, and the challenges of eminent domain. Based on data from the

school districts, the land cost for new schools could be approximately **64 percent** of the overall cost.

The City cannot designate a specific property for a school because this would remove all private value from the property. This is a “taking” under court precedent and the Constitution, and the City would be required to pay the property owner compensation for the land. However, under specific circumstances, the City can use its land use authority and other resources to facilitate the school district’s acquisition of private property. These opportunities are described in more detail below: Shared Open Space, Off-site Transfer of Development Rights, and Land Dedication.

Shared Open Space

The City has made agreements with local school districts to share open space. Schools have the exclusive right to this open space for physical education and recess when school is in session, but the public may use the open space on evenings, weekends, and holidays. These agreements are a “win-win,” where each group is given access to the open space amenity during periods of their highest demand. As a result, the City has been willing to provide school districts with a time-prorated share (approximately 50 percent) of the land value to construct a shared open space.

A recent example is the new school proposed by the Los Altos School District (LASD) at the Kohl’s site on the corner of Showers Drive and California Street. The City is providing \$23 million to LASD for approximately four acres of shared-use open space at the school. This value is approximately **17 percent** of the school district’s purchase price for the land they are using for the school (\$135 million, which does not include \$20 million for the City’s public park, which is not shared). This is a reasonable comparable for similar agreements with future schools.

Off-site Transfer of Development Rights

To assist LASD in acquiring the Kohl’s site, the City also approved a Transfer of Development Rights (TDR) program. The City is allowing the Los Altos School District to sell the site’s unused development rights to other property owners in the City. Developers are purchasing those rights in the form of building square footage and using them to build larger buildings in other locations approved by the City Council. In total, this action is expected to create almost \$80 million in income for the school district or 59 percent of the land cost.

The City may consider the LASD TDR program a reasonable comparable for future projects. However, there are other considerations and constraints the City may have in

approving a similar program. For example, there may be more or fewer development rights available at the selling site, and the City may wish to limit where and how the development rights are applied. In addition, prior to authorizing an off-site TDR, the City and school districts should determine if there are available alternative funding options using State or other resources.

Land Dedication

The City has a policy allowing residential projects to dedicate land for public parks without losing the development rights associated with the new public park land. In addition, projects are frequently granted flexibility on development standards related to the transfer, such as height.

Large site developments may be able to similarly dedicate a portion of their site to a school district, through the development review process, and reallocate their floor area to other parts of their site. There are additional challenges, however. Because the minimum size of schools is significantly larger than the minimum size of parks, development projects would need to be very large to be able to fit their development rights on the remaining site area – staff estimates at least 10 to 15 acres, based on school sites of approximately four acres and up. Even at the lower end of this range, it is likely there would be some loss of development rights as a result of the school land dedication. There are few sites in the City larger than 10 acres, but when applications are received for these project sites, the City could consider approving them with land dedicated to a school district.

Though there are few sites larger than 10 acres, the City has a Master Plan process that is intended in part to coordinate public improvements and development rights across multiple properties. This Master Plan process can be used to determine how a school site can be accommodated when each affected development site may be less than 10 acres. The City already has required Master Plan areas in North Bayshore and East Whisman. The City may wish to require Master Plans in Terra Bella as well.

In summary, staff recommends that the City Council create a land dedication expectation for the following project types:

- All Master Plans
- Bonus FAR and Gatekeeper projects larger than 10 acres

To determine whether land should be dedicated, the City Council should consider the following factors:

- Whether the school districts have expressed an interest in locating a school site in the area
- Project development feasibility (may include consideration for moving development potential to other parts of the master plan area/project area if land is dedicated)
- Effect on master plan/project design
- Other City needs affecting the project site, such as public parks
- Usefulness or redundancy of land to the school districts:
 - Would the land create or expand a school where additional capacity is needed?
 - Is the land too close to another campus to improve overall school accessibility?
 - Are nearby schools at or near capacity and is significant additional growth expected in the area served by the potential school?
 - Would the school districts be willing to operate a school on the site given its size, location, and configuration?
 - Are there available alternatives using State or other funds?

The school districts are encouraged to prepare some analysis that would further narrow down sites. For example, the school districts can identify neighborhoods where a school will or will not be needed, or the districts can identify additional characteristics of size, configuration, and location that may inform these case-by-case discussions.

TDR Value

The City would not be able to use both land dedication and off-site TDR to facilitate school district acquisition of land because both programs effectively do the same thing. It is also unclear what percentage of the school's land needs would be accommodated by these programs. For example, not all of the development rights may be transferred,

the City may have competing policy goals when approving the transfer, or fewer large-project-site and Master Plan applications may be submitted.

On the other hand, TDR would better track changes in land cost than collection of funds at current land values. This means it could support a greater proportion of land costs than monetary contributions.

Based on the various factors above, staff assumes that land dedication and off-site TDR approvals by the City could account for at least **50 percent** of the school districts' land costs, or 35 percent of total capital costs.

Land Strategy Summary

Based on the analysis above, staff estimates that City and developer actions to support school district land acquisition could cover at least **43 percent** of total school district needs, as shown in Table 3.

Table 3 – Contribution of City Land Strategy

	Portion of Land Costs (64% of Overall)	Portion of Overall Costs
Shared Open Space	17%	11%
TDR or Land Dedication	50%	32%
Total	67%	43%

Question 1

Does the City Council support the proposed School Land Strategy, including City and developer contributions in the form of shared open space, land dedication, and off-site TDR?

Other Contributions

The school districts will need additional resources to cover the remaining 33 percent of land costs as well as construction of new classrooms and other buildings and facilities. According to analysis by the school districts using their SGRs and school site sizes, the total cost, in today's dollars, to accommodate projected students is approximately \$1.22 billion, of which approximately \$660 million remains after implementation of the Land Strategy. Using similar assumptions, the total cost to accommodate the Schoolhouse Services projection is approximately \$873 million, of which approximately \$470 million remains after implementation of the Land Strategy. Assumptions behind these numbers are provided in Attachment 3.

The City Council has previously stated that the school districts (and the State) should be responsible for a portion of their costs. The school districts have multiple resources to use to acquire land and build facilities, including bonds, State money, and the existing fees identified above. In addition, the school districts may elect to construct denser campuses that are more space- or operation-efficient, or to utilize existing land to accommodate more students.⁵ Staff recommends this school district portion be at least 33 percent, based on project feasibility and other school resources.

Staff have developed two options for developer contributions, a lower “Residential Feasibility Option” and a higher “Split-Share Option.”

- *The Residential Feasibility Option* sets the contribution based on the 1255 Pear Avenue development contribution (after their Park Land Dedication Fee was reduced), **\$6.30 per square foot**. Setting the contribution at this level would allow Citywide projects to have a similar total cost as the 1255 Pear Avenue project. This option prioritizes development project feasibility.
- *The Split-Share Option* uses the school districts’ projections and sets the contribution where the school districts would be responsible for 33 percent of the total costs, and the remaining 67 percent would be covered through developer contributions of land and money, off-site TDR, and shared open space. The school districts’ responsibility would be only 20 percent under the projections developed by SchoolHouse Services. The contribution value would be **\$13.16 per square foot** under this option. This option prioritizes a 1/3 to 2/3 split between the school districts on the one hand and City/developer actions on the other.

Table 4 summarizes the two options and the relative contribution percentages of each part of the Citywide School Strategy under each option and scenario.

⁵ The Mountain View Whisman School District currently has three campuses they are not using for public schools that are subject to long-term leases to others for day cares and private schools. In addition, Schoolhouse Services has found that many comparable high school districts have elected to open new smaller campuses with targeted programs, such as STEM, instead of comprehensive high schools. These options are not consistent with the school districts’ existing policies, but they may be an alternative to lower the total cost.

Table 4 – Summary of School Strategy Options and Scenarios

	School/ State Share	Park Land Share	TDR Share	Developer Contribution Share
<i>Residential Feasibility Option - \$6.30</i>				
SchoolHouse Scenario	36%	11%	32%	18%
School Districts Scenario	43%	11%	32%	11%
<i>Split-Share Option - \$13.16</i>				
SchoolHouse Scenario	20%	11%	32%	37%
School Districts Scenario	33%	11%	32%	24%

Question 2

Which option does the City Council prefer for the school district share and developer contribution?

Question 3

Does the City Council have other direction on the Citywide School Strategy?

RECOMMENDATION

Staff is seeking City Council input on the following questions for the Citywide School Strategy:

1. Does the City Council support the proposed School Land Strategy, including City and developer contributions in the form of shared open space, land dedication, and off-site TDR?
2. Which option does the City Council prefer for the school district share and developer contribution?
3. Does the City Council have other direction on the Citywide School Strategy?

NEXT STEPS

Affected development applications will be reviewed based on City Council direction on the Citywide School Strategy. These applications will return to the City Council for final approval at a later date.

PUBLIC NOTICING

The City Council agenda is advertised on Channel 26, and the agenda and this Study Session memo appear on the City's website. Property owners in North Bayshore, East Whisman, and Terra Bella were mailed notices. Other interested stakeholders were notified of this meeting via the e-mail notification system for North Bayshore, East Whisman, and Terra Bella.

EA-AS/5/CAM
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- Attachments:
1. Feasibility Findings
 2. 1255 Pear Avenue Project Analysis
 3. SGR Comparisons and Assumptions