



February 8, 2016

CS NEWSFLASH:
BREAKING NEWS –
DEVELOPER FEE RATES EXPECTED TO INCREASE
WITH CORRECTED DATA

We have learned that the Office of Public School Construction ("OPSC") will recommend the State Allocation Board ("SAB") correct the Level 1 developer fee rates and per-pupil construction grants to increase the amounts above what was previously approved on January 27th, 2016.

The change—expected to be approved at the February 24th SAB meeting—comes after Dolinka Group obtained the construction cost indices utilized by OPSC and identified that incorrect data had been provided to OPSC.

That incorrect data resulted in the 1.05 percent increase in the construction cost index from 2014 to 2016. Using the correct data, we have calculated a 3.59 percent increase. **Based on this data, we are estimating a Level 1 Fee of \$3.48 per residential square foot instead of the \$3.39 per square foot approved in January.** The commercial rate would also increase from \$0.55 per square foot to \$0.56 per square foot. The final numbers recommended by OPSC will be available sometime next week.

Construction grant amounts for new construction and modernization will also increase. Instead of the 0.27 percent increase initially applied, we have calculated a 2.79 percent increase to adjust the grant amounts. For school districts that prepare a Level 2 School Facilities Needs Analysis, the increase to the per-pupil grant amounts will impact the Level 2 developer fee rates calculated.

We came across the error in an effort to advocate for school districts' funding needs given our knowledge of the construction market. We spoke at the January SAB meeting to question the index being utilized as it did not seem reflective of the cost increases in construction seen by our clients. We then took the steps to obtain the data being utilized by OPSC to verify the information.

In light of these changes, we are recommending that clients currently in the process of updating Level 1 Fee Justification Studies postpone adoption of the previously approved rates until after the SAB action in February to avoid having to take two actions to adjust fees within a short period of time.

If you have any questions regarding the potential increase of Level 1 developer fee rates, please do not hesitate to contact us at 949.250.8320 or info@coopstrategies.com.

Cooperative Strategies, LLC