April 30, 2020

TO:
Terri Allison
VenturaUnified School District
Terri.Allison@VenturaUSD.org

FROM:
Dick Recht
Schoolhouse Services
Dick@SchoolhouseServices.com

RE:
Review of Fee Justification Documentation

Situation
Ventura Unified School District levies development fees under Section 17620 and 17621 of the California Education Code. The State Allocation Board (SAB) on January 24, 2020 considered information about the increase in construction costs over the last two years and, consistent with California law, made its biennial adjustment to the maximum Level 1 development fee amounts to reflect inflation. For the last two years the maximum fee amounts a PK-12 district could levy were $3.79 per square foot on residential construction and $0.61 per square foot on commercial/industrial (non-residential) construction. The State Allocation Board's action increased the maximum fees to $4.08 and $0.66 per square foot for residential and commercial/industrial construction respectively. This is an increase of 7.64% over the two-year period.

Justification of the Increased Fee Amounts
The increased fee amounts can only be put in place by resolution of the Ventura Unified School District (SDUSD) Board of Trustees at a public hearing. Since Section 17620 fees are impact mitigations, rather than taxes, a district must also demonstrate that the amounts being levied are justified due to the financial impacts on the district.

Schoolhouse Services prepared a comprehensive justification document for the District in November 2017, less than three years ago. The analysis determined that the financial impact of new residential development was $8.97 per square foot, significantly above the new maximum of $4.08 per square foot. The inflation tracked by the SAB over these three years, 12.4%, would have incurred subsequent to the preparation of the justification document, indicating that the current cost impact is about $10, even more in excess of the new residential fee limit.

The impact of commercial/industrial (C/I) development varies by the average employment density of the type of development. The document showed calculations determining the cost impact of all of the C/I categories except two to be above the new $0.66 per square foot maximum. The fees levied for these categories are thus subject to the updated maximum limit. The other two categories showed impacts below the former maximum fee. Even with some inflation in costs, neither of these categories reaches the new maximum fee amount. Fees on development in these categories are limited to the actual impact amounts, presumably not much above the impact amounts calculated three years ago. The result is that the fees are close to those shown in Table 7-3 of the justification report, $0.11 for self-storage buildings and $0.03 for parking structures.

Adequacy of the Existing Documentation

There is no number of years at which a justification report needs to be updated, contrary to the case with SFNA reports justifying Level 2 fees. The legal criterion is whether or not the report still describes the situation in the district.

My communication with Ventura District staff and my review of the November 2017 report indicates that there have not been changes in the District that indicate the Level 1 fee amounts are not justified, that the 2017 report still describes the situation with the exception of the inflation in construction costs (set forth above) and updated consideration of the modest decline in student generation from existing housing.

District Enrollment

Ventura District contracts with DecisionInsite, a demographics firm, to analyze the factors affecting enrollment and, based on the analysis, to project enrollment over the coming years. The 2017 report drew upon the DecisionInsite forecasts at that time and a new report from the firm is now available. The rate of new housing construction continues in a heated market, though with limited opportunities and frequent delays of projects. The new report projected almost as many new units in the development pipeline as the earlier report, though still a modest amount compared to the much larger number of current housing units. It found slightly lower student generation rates in both existing and new units, presumably due to increasing housing costs. The students from new units approximately offset the slightly lower number of students from existing housing, with total enrollment in the recommended forecast to be about equal five years from now (down about 0.5%).

The projection that there will be only about the same total enrollment, even with students from new units include, does not mean that there will be adequate capacity available. The 2017 report provided a thorough analysis of the District's facilities and the enrollment they are designed to accommodate. The total PK-12 capacity is 14,709 students, moderately short of the 15,2121 student enrollment projected by DecisionInsite. There is insufficient excess capacity to accommodate students from new development. More important, some of the District's buildings are old and some lack contemporary electronic capabilities. This need is addressed following.

Use of Fee Revenues

Development fee revenues have been and will be used to construct facilities that increase the enrollment capacities of the District's schools. One primary use of fee revenues has been to construct additional classrooms and classroom support space (and in some situations to provide it in modular buildings). Another is to provide additional capacity in the academic support facilities required, including such as libraries, physical education facilities, cafeterias and general purpose rooms, administrative space, etc.

The majority of these projects will include refurbishing and replacing buildings that would not meet the standards of the District in coming years. This use of development fee revenues was recognized as legal when Government Code 66001(g) was amended specifically to recognize refurbishment of existing facilities as an appropriate use of fee revenues. If District facilities are assumed to last 100 years without replacement or substantial refurbishing, that still implies that 10% need to be replaced or refurbished over the next decade. The 2017 report showed that this cost for students from new housing by itself exceeded the revenue generated by new housing.

Conclusions

In summary, the picture is that the same factors are continuing to impact the District generally in the same manner. Our judgment is that the District's existing 2017 report, with the updated information provided here, remains an accurate description of the impact of new development and we see no need for the District to have a new document prepared. The VUSD Board of Directors is justified in increasing the fees as described on the basis of its information.