Public Policy Analysis

Impact Fee Moratorium

This Public Policy Analysis attempts to analyze the different aspects of whether an Impact Fee Moratorium would benefit the citizens of the City of Palm Coast over the long-term.

Public Policy Analysis

Impact Fee Moratorium

City of Palm Coast Infrastructure Team

October 2012

Highlights

- Impact fees pay for infrastructure needs associated with growth, also known as "**Pay as You Grow**."
- Since 2002, the City has collected and spent over $90 million of impact fees. Some of the projects funded with impacts fees include: Belle Terre North 4-Laning, Water Treatment Plant #3, Waterfront Park, and the Main Fire Station #25.
- If impact fees were not in place in the past, the average homeowner would have been burdened with an additional $280 annually in property taxes and utility rate/fees.
- Based on anticipated growth through 2035, the City will need $355 million to fund additional infrastructure to keep pace with anticipated growth.
- If growth does not pay for the associated infrastructure needs, then existing residents and businesses will be burdened with additional taxes and/or fees to pay for the few that benefit from a moratorium.
- If a short-term impact fee moratorium (2 years) is enacted and based upon current growth continuing:
    - The City will need to generate an additional $1.65 million in taxes and fees annually.
    - If property taxes are used to fund this deficit, the average household (based on $100k taxable value) would see an 11% increase (0.45 mils) or pay an additional $45 per year.
- Even a short-term moratorium could have negative impacts to the City's financial stability (i.e. bond rating, state auditor general findings, ability to fund future capital projects).
- Known studies and data show that there is no correlation between an impact fee moratorium and increased growth or economic activity.
- The City has already adjusted impact fees to provide flexibility to encourage businesses to fill empty storefronts and also simplified the fee schedule resulting in lower fees for some uses.
- The City should continue to consider offsetting impact fees for primary employers by allocating funds to the economic development incentive fund.
- Impact fees remain the fairest taxing mechanism to ensure growth pays for the associated infrastructure needs for a growing community, such as Palm Coast.

Part 1: Impact Fees in General

An impact fee is a fee that is imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development. These fees are usually implemented to help reduce the economic burden on local jurisdictions that are trying to deal with population growth within the area. Impact fees can only be used for the costs of adding capacity to infrastructure, not maintenance or administration costs. In Florida, impacts fees were synonymous with the saying "**Pay as You Grow**."

The City of Palm Coast was established by the voters to provide infrastructure and services for a growing community with the departure of ITT. While ITT constructed the basic infrastructure for the community, ITT left many projects to be completed by the City as the remaining vacant lots (approximately 18,000 today[1]) were built upon. For general government infrastructure, the founders of Palm Coast were clear in drafting the City of Palm Coast Charter that debt financing for general government capital impacts should be restricted and only upon the voters' approval.

City of Palm Coast impact fees were established through separate ordinances (transportation, water & sewer, parks, and fire) starting in 2002. Impact fees are an integral part of the City's 2035 Comprehensive Plan, Land Development Code, various Ordinance and Resolutions, and Utility Bond Covenants. Since 2002, over $90M in impact fees have been collected (see Appendix A), resulting in more than $27M of transportation infrastructure, $46M of utility and sewer infrastructure, $13M of parks and recreation facilities, and $4M of fire infrastructure. Major infrastructure projects funded through impact fees, included, but not limited to: Belle Terre North 4-Laning, Pine Lakes Improvements, Old Kings Road 4-Laning, Water Treatment Plant #3, Wellfield and Lift Station Upgrades, Wastewater Treatment Plant Expansion, Reuse System, Waterfront Park, Ralph Carter Park, Tennis Center, Seminole Woods Park, and 2 New Fire Stations.

Prosperity 2021 – Plan for Growing Our Local Economy outlines several key themes relevant to the discussion of a possible impact fee moratorium. First and foremost, quality services and investment in infrastructure are important to maintaining our quality of life in our neighborhoods and providing for economic development opportunities in our community. Second, several projects are listed to provide flexibility for impact fee payment and also provide impact fee deferral/offset to attract primary employers. Consistent with Prosperity 2021, City Council adopted changes to impact fees to provide flexibility and even simplified rates, which resulted in lower impact fees for several types of uses and encouraged filling of empty storefronts. In addition, proposed incentive agreements with primary employers have included offsetting impact fees consistent with Prosperity 2021.

[1] 2011 Annual Report on Growth and Development Trends, City of Palm Coast

Locally, there has been discussion of whether to place a moratorium on impact fees to spur economic development. Three key questions are raised in response:

1) **If growth doesn't pay for itself, who does?**
2) **Is it fair to others who have previously paid impact fees?**
3) **Does a moratorium on impact fees spur economic development?**

If Growth Doesn't Pay for Itself, Who Does?

Let's presume that a moratorium is successful and growth does indeed occur. If the City wishes to maintain current levels of service (i.e. streets free from congestion, water treatment plants with capacity, adequate parks and open space), additional infrastructure will be needed. How will the City pay for this additional infrastructure capacity? If growth does not pay for itself through impact fees, then the taxpayers would bear the costs associated with additional infrastructure through increased taxes.

If impact fees were not in place in the past, the City would have needed to generate $44 million for general governmental capital projects. Households would have been additionally burdened with a 32% (1.38 mils) higher property tax rate or an additional $138 annually on average. In addition, in order to generate the $46 million needed for utility capital projects, households would have been additionally burdened with an 18% higher utility rate or an additional $142 annually on average[2].

Looking forward and based on the 2035 Comprehensive Plan, a total of approximately $335 million will be needed to fund the infrastructure improvements associated with the projected growth through 2035 (See Appendix B). On average, this equates to $15 million per year.

Assuming a short-term two year moratorium consistent with Flagler County's recent actions and projecting the past two years growth forward two years, would result in a loss of $3.3M of impact fees over the next two years. In order to replace this funding, the City would need increase the property tax rate 11% (approximately 0.45 mils) resulting in an increase of $45 per year to the average household[3]. Other general taxes could be levied such as an electric utility franchise fee or electric utility tax. Today, this would equate to a 2.6% increase in household's electric utility bill or an increase of $33 per year to the average household[4].

[2] Estimates based on $100k taxable home value and average utility bill
[3] Estimate based on $100k taxable home value and FY2013 Tax Rate
[4] Estimate based on FPL provided data

Is It Fair To Others Who Have Previously Paid Impact Fees?

The question of fairness is raised in discussion of an impact fee moratorium in regard to two particular groups: (1) existing residents and businesses and (2) existing developments.

First, existing residents and businesses have paid impact fees through the purchase of their home or business in order to pay for their impact and the need for additional infrastructure. If a moratorium is enacted, assuming growth will occur or even accelerate; existing residents and businesses that already paid impact fees will be additionally burdened with increased taxes or lease rates to pay for the demand for infrastructure created by those who do not pay impact fees. Another example of unfairness is if an existing resident is attempting to sell their home and the City essentially subsidizes new construction, this only increases the market supply of homes making it more difficult to sell the existing residents' home.

Second, existing developments have installed infrastructure to support the future development of their property in return for impact fee credits. If a moratorium is enacted, those impact fee credits will have no value and the existing development will not get credit for infrastructure constructed and be additionally burdened with increased taxes to pay for the demand for infrastructure created by those who do not pay impact fees. One example is Town Center; currently the developer has approximately $500,000[5] in impact fee credits from constructing various road improvements (i.e. Royal Palm Extension). If a moratorium is enacted, the value of those impact fee credits would equal $0, resulting in up to a $500,000 loss to the developer.

Does a Moratorium on Impact Fees Spur Economic Development?

Currently, known studies and data do <u>not</u> support the suspension of impact fees in order to spur growth. A recent study published in 2010, *"Impact Fees and Development Activity: Evidence from Florida*" by Mullen and Nicholas[6] (Appendix C) concludes by stating "This analysis has been unable to confirm any statistically significant relationship between impact fee reductions and higher rates of building permit issuance for single-family development. This finding will certainly not end the debate about the effects of impact fees on development activity, but hopefully it will inject some rationality into a discourse that up to now has been largely dominated by wishful thinking."

Comparing Palm Coast to neighboring counties yields the same conclusion. For residential single-family building permits, when you look at the number of permits issued per person, Volusia County has the lowest number of permits issued per person yet much lower impact fees than St. Johns County and Palm Coast.

[5] City of Palm Coast Records

[6] *"Impact Fees and Development Activity: Evidence from Florida*" by Mullen and Nicholas, 2010

	Palm Coast	St. Johns County	Volusia County	State of Florida
2011 Population[7]	76,499	195,823	494,804	19,057,542
Single Family Permits[8] **(8/2011 - 7/2012)**	102	1,758	582	37,110
Permits Per Person	0.0013	0.0090	0.0012	0.0019
Total Impact Fees[9] **(*Average for FL)**	$15,995.46	$12,515.97	$4,421.00 *(some fees suspended)*	$14,679.00*[10]

For commercial activity, when you evaluate the commercial valuation per person, Palm Coast has a higher commercial valuation per person even though for a restaurant Palm Coast impact fees are higher (as an example). Commercial impact fees vary greatly depending on the type of use and jurisdiction.

	Palm Coast	St. Johns County	Volusia County
2011 Population	76,499	195,823	494,804
Commercial Permit Valuation (8/2011 - 7/2012)	$41,153,746[11]	$55,825,655[12]	NA
Valuation Per Person	$537.96	$285.08	NA
Total Impact Fees Example - Restaurant[13]	$118,040.46	$62,821.17	$88,492.03

[7] Population Estimates, US Census Bureau
[8] Building Permits Survey, US Census Bureau
[9] Impact Fees as Reported on Local Government Websites
[10] 2012 National Impact Fee Survey, http://impactfee.com/
[11] City of Palm Coast Permitting Records
[12] St. Johns County Building Permit Services
[13] Impact Fees as Reported on Local Government Websites

This local data confirms the conclusion reached by the previously stated state-wide study that there is no evidence to support that a suspension of impact fees will spur growth.

Part 2: Specific Impact Fees

Transportation* – The City's current balance in the Transportation Impact Fee Fund has a debt of $3.75 million. This debt was caused when Flagler County failed to return the Palm Coast impact fees that were used to expedite the construction of the Matanzas Parkway/I-95 Overpass. If the City decides to place a moratorium on transportation impact fees, consistent with the auditor's requirements, the City must identify other revenues (i.e. property tax, electric utility tax, electric franchise fee) in order to continue extinguishing this debt. During the fiscal year 2013 budget process, the City Council established the use of future transportation impact fees from new construction to offset this debt. In addition, it is unknown whether previously awarded impact fee credits would become an additional financial liability to the City should an impact fee moratorium be enacted.

Water & Sewer – The majority of the City's water and sewer infrastructure is financed through issuance of bonds. The bond covenants dictate how much of the City's utility rates and fees go towards capital infrastructure. If a moratorium is enacted for City utility impact fees (aka capacity fees), the City will need to increase utility rates on existing users to provide additional revenues to fund required capital projects. This increase in utility rates would be in addition to the increased rates currently being recommended by the Utility Rate Study. In addition, the City's bond rating could be negatively affected by the City Council's lack of will to fund future infrastructure needs through impact fees.

Parks* – The City's current balance in the Park Impact Fee Fund is approximately $300,000. These funds do not cover the expected capital expenses in the FY 2013 5-Year Capital Improvement Plan. The City is under obligation through state grants to construct improvements to Longs Landing, which have an estimated cost of approximately $3.0 million. Since current Park Impact Fees do not cover the entire cost, general tax dollars will need to be dedicated towards these improvements. If a moratorium on park impact fees is enacted, this will increase the amount of general tax dollars needed to complete this project. At this time, the City Council has not determined what funding source will be used to construct these improvements. Please note that the City has contracted with a consultant to review the Park Impact Fee Ordinance and reevaluate the methodology for determining the impact fee rates.

Fire* – The City's current balance in the Fire Impact Fee Fund is approximately $100,000. These funds do not cover the costs of the next anticipated capital project, which is a fire station situated in the southern portion of the City at an estimated cost of $2.5 million. If a moratorium on fire impact fees is enacted, the costs of this new fire station will need to be paid through general tax dollars.

****For the non-utility capital projects, the City has a limited ability to finance these projects due to City Charter restrictions. The City was established by the voters to provide infrastructure and services for a growing community with the departure of ITT. If an impact fee moratorium is enacted, this will further hamper the City's efforts to fund these necessary improvements. The advantage of impact fees as a funding source is that the collection of fees is directly tied to the need for those improvements, also known as "Pay as You Grow."***

Part 3: Encouraging Economic Development

The City Council in 2011 took actions to spur economic development in order to fill empty store fronts and simplify the Transportation Impact Fee Ordinance. In addition, the City Council provided payment options for non-utility impact fees to encourage economic development (See Appendix D for Presentation).

For example, prior to 2011, if a business moved into an empty store front that business would have to pay the difference between the business use and the prior use of the space. With the 2011 City Council action, these businesses no longer have to pay the difference in transportation impact fees. In addition, with the simplified fee schedule many transportation impact fee rates were averaged and lowered, for example:

- **Residential Single Family from $3,868 to $2,686**
- **Medical Office (per 1,000 s.f.) from $10,643 to 5,781**
- **Restaurant (per 1,000 s.f.) in a Shopping Center from $13,373 to $5,781**

Both City staff and the City Council in the past have offered and granted primary employers an incentive package that includes offsetting impact fees to encourage the primary employers to locate in the City of Palm Coast. Primary Employers sell their products and/or services outside our community and bring in new dollars into our local economy, which in turn are spent with local businesses. By limiting these incentives to primary employers, the City does not interfere with local market competition. If further economic development is desired, then the City could continue this practice and possibly dedicate additional funds to the economic incentive fund to attract primary employers.

Conclusion

For a growing community, such as Palm Coast, impact fees remain the fairest mechanism to ensure growth pays for the associated infrastructure needs, while minimizing taxes for existing residents and businesses. While impact fees may not be appropriate for communities with little developable acreage or minimal infrastructure needs, Palm Coast is not that community. Palm Coast is projected to double in population by 2025 and has over 18,000 vacant lots and over 20,000 additional housing units entitled within approved developments of regional impact. Furthermore, this "**Pay as You Grow**" taxing mechanism to pay for additional infrastructure is consistent with City's history of restricting general obligation debt and staying ahead of growth and the associated infrastructure impacts.

In a greater context, the City is currently exploring alternative funding options to pay for existing infrastructure and maintenance needs due to the aging infrastructure installed by ITT. Absent from this discussion has been new infrastructure needs, since those needs were historically addressed through impacts fees, or "**Pay as You Grow**." If a moratorium is enacted, this will only add to the bottom line needed for infrastructure projects, while reducing the number of revenue options to fund those projects.

Even a short-term moratorium can have significant negative impacts to the City's financial stability and would result in unfairly burdening the existing residents with additional taxes and fees. The City's Transportation Impact Fee Ordinance has a negative balance, which is planned to be extinguished through future transportation impact fee collections. If a moratorium is enacted, the City will need to use general tax dollars to begin extinguishing the negative balance in order to avoid possible state auditor general findings. Furthermore, the existing 76,499 residents would be unfairly burdened with not only paying for their infrastructure impacts, but also for the few that would benefit from the moratorium through increased property taxes and utility rates.

While known studies have indicated that there is no correlation between impact fee suspensions and economic growth, the City has taken several actions consist with **Prosperity 2021** to encourage economic development, while maintaining fairness to existing residents and businesses. The City adjusted impact fees to provide flexibility to encourage businesses to fill empty storefronts and also simplified the fee schedule which resulted in lower fees for some uses (i.e. 31% reduction for single-family homes). In addition, the City continues to offer and grant offsetting impact fees for primary employers through economic development incentive agreements.

Appendix A

Impact Fee Collection History

Transportation Impact Fees

2005 Total	$10,705,562.11
2006 Total	$7,941,295.60
2007 Total	$3,425,264.28
2008 Total	$2,610,809.59
2009 Total	$1,024,914.20
2010 Total	$838,620.67
2011 Total	$412,423.31
2012 Total	$581,068.36
Grand Total	**$27,539,958.12**

Water Impact Fees

2004 Total	$6,614,184.15
2005 Total	$8,920,497.68
2006 Total	$4,538,761.42
2007 Total	$2,254,634.25
2008 Total	$1,325,735.60
2009 Total	$748,297.13
2010 Total	$748,053.22
2011 Total	$191,818.21
2012 Total	$413,820.71
Grand Total	**$25,755,802.37**

Sewer Impact Fees

2004 Total	$3,383,958.70
2005 Total	$6,430,471.42
2006 Total	$4,277,774.54
2007 Total	$2,421,289.34
2008 Total	$1,371,845.58
2009 Total	$706,613.15
2010 Total	$450,299.73
2011 Total	$199,765.61
2012 Total	$1,262,778.08
Grand Total	**$20,504,796.15**

Park Impact Fees

2002 Total	$1,222,549.66
2003 Total	$1,532,810.78
2004 Total	$2,664,177.93
2005 Total	$3,626,721.88
2006 Total	$2,221,597.70
2007 Total	$435,932.85
2008 Total	$567,599.97
2009 Total	$142,409.62
2010 Total	$267,206.99
2011 Total	$110,859.18
2012 Total	$130,029.96
Grand Total	**$12,921,896.52**

Fire Impact Fees

2003 Total	$728,514.24
2004 Total	$907,528.62
2005 Total	$723,557.17
2006 Total	$1,026,616.03
2007 Total	$284,173.12
2008 Total	$116,269.28
2009 Total	$110,419.96
2010 Total	$61,359.32
2011 Total	$26,397.53
2012 Total	$35,069.06
Grand Total	**$4,019,904.33**

Appendix B

Comprehensive Plan Capital Projects

Transportation Capacity Improvements to Year 2035					
<u>2015 Roadway Improvements</u>	**Expansion**	**Est. Length (Miles)**	**Est. Lane Miles**	**Unit Cost (Millions)**	**Total Cost (Millions)**
The following improvements are recommended to maintain the adopted LOS standard on the City's roadway network in 2015:					
Belle Terre Parkway from Pine Lakes Parkway (S) to Cypress Point Parkway	4 to 6 lanes	0.3	0.6	$1.53	$0.92
Old Kings Road from Town Center Blvd. to Palm Coast Pkwy. (SR 100 to Town Center Blvd. -complete)	2 to 4 lanes	4.5	9.0	$1.53	$13.80
Palm Coast Parkway from US 1 to Pine lakes Parkway – Intersection Improvements	Dedicated Turn lanes				
	TOTALS	**4.8**	**9.6**		**$14.72**
<u>2035 Roadway Improvements</u>					
The following roadways are anticipated to be deficient in 2035 and improvements may be required to maintain the adopted LOS standard on the City's roadway network:					
Belle Terre Boulevard from US 1 to SR 100	2 to 4-lanes	3.7	7.4	$1.53	$11.35
Belle Terre Parkway from SR 100 to Royal Palms Parkway	4 to 6-lanes	1.5	3.0	$1.53	$4.60
Belle Terre Parkway from Royal Palms Parkway to White View	4 to 6-lanes	1.4	2.8	$1.53	$4.29
Belle Terre Parkway from White View Parkway to Pine Lakes Parkway	4 to 6-lanes	2.8	5.6	$1.53	$8.59
Matanzas Woods Parkway Westerly Extension (OBT Project Site) from	2 to 4-lanes	2.8	5.6	$1.53	$8.59
Matanzas Woods Parkway US 1 to Old Kings Road***	2 to 4-lanes	1.8	3.6		$26.48
Old Kings Road from SR100 to Palm Coast Parkway	4 to 6-lanes	6.2	12.4	$1.53	$19.02
Old Kings Road from Palm Harbor Village Way West to Matanzas Woods Parkway****	2 to 4-lanes	4.0	8.0		$18.68
Palm Coast Parkway from US 1 to Pine Lakes Parkway	4 to 8-lanes	0.5	2.0	$1.53	$3.07
Palm Coast Parkway (EB) from Pine Lakes Parkway to Belle Terre	2 to 3-lanes	1.2	1.2	$1.53	$1.84
Palm Coast Parkway (WB) from Pine lakes Parkway to Belle Terre	2 to 3-lanes	1.2	1.2	$1.53	$1.84
Palm Coast Parkway from Cypress Point Parkway to I-95 East Ramps	6 to 8-lanes	0.7	1.4	$1.53	$2.15
Seminole Woods Parkway from US 1 to Sesame Boulevard	2 to 4-lanes	2.4	4.8	$1.53	$7.36
SR 100 from Seminole Woods Parkway to John Anderson*	4 to 6-lanes	3.0	6.0	$1.53	$9.20
Town Center Boulevard from Central Avenue to Old Kings Road **	2 to 4-lanes	0.25	0.5	$1.53	$0.77
US 1 from Matanzas Woods Parkway to White View Parkway*	4 to 6-lanes	5.8	11.6	$1.53	$17.79
	TOTALS	**39.25**	**77.1**		**$145.62**
	Year 2035 TOTAL				**$160.34**

*State Road - FDOT Responsibility

**Developer Commitment (Town Center DRI)

***Need for 4-lanes from Matanzas Woods Interchange Justification Report. Costs from Approved PD&E Study.

****Need and Cost from Approved PD&E Study.

Source: 2035 Comprehensive Plan, Other Approved Projects

Notes: Unit Cost are based on average lane mile cost for the Old Kings Road - Phase 1 4-laning from SR 100 to Town Center Blvd. and Belle Terre Parkway 4-laning from Palm Coast Parkway to Matanzas Woods Parkway includes Design, Construction, and CEI cost.

Water Treatment Plant - Capacity Improvements to Year 2035

Year	Service Area Population (1)	Average Day (MGD)(2)	Maximum Day (MGD)(3)	Treatment Capacity (MGD)(4)	Capacity Improvement (5)	Cost (millions)*
2010	79,332	7.269	9.698	15.384		
2015	90,659	9.089	12.697	15.384		
2019	**105,449**	**10.571**	**14.769**	**18.384**	**WTP #3 - Add 3.0 MGD**	$10.0
2020	109,433	10.971	15.327	18.384		
2024	**129,023**	**12.935**	**18.07**	**19.98**	**WTP #2 - Add 1.596 MGD**	$5.5
2025	133,788	13.412	18.738	19.98		
2027	**142,470**	**14.283**	**19.954**	**22.98**	**WTP #3 - Add 3.0 MGD**	$13.0
2030	155,484	15.587	21.776	22.98		
2031	**159,788**	**16.019**	**22.379**	**24.576**	**WTP#2 - Add 1.596 MGD**	$7.0
2034	**172,700**	**17.313**	**24.188**	**27.576**	**New WTP#4 - 3.0 MGD**	$40.0
2035	176,739	17.718	24.753	27.576		
					TOTAL	$75.5

*No Desalination plant in work program.

(1) Service Area Population - Includes areas outside of City limits

(2) Average Day Demand - 100 gallons/capita/day

(3) Maximum Day Demand - 1.4 X Average Day Demand

(4) Treatment Capacity - WTP #s 1,2,&3

(5) Treatment Plant Capacity Only. Does not include pump stations, mains, etc.

Source: City of Palm Coast Water System - Updated Capacity Analysis Report, August 2011.

Wastewater Treatment Facility - Capacity Improvements to Year 2035

Year	Service Area Population(1)	AADF (MGD)(2)	Maximum TMADF (MGD)(3)	Treatment Capacity (MGD)(4)	Capacity Improvement	Cost (millions)
2010	75,541	5.268	5.767	6.83		
2015	80,304	5.378	5.987	6.83		
2018	**91,460**	**6.125**	**6.819**	**8.83**	**New WWTF #2 - 2.0 MGD**	$24.0
2020	99,105	6.637	7.389	8.83		
2024	**117,320**	**7.857**	**8.747**	**11.10**	**WWTF #1 - Add 2.27 MGD**	$15.0
2025	121,734	8.152	9.076	11.10		
2030	141,713	9.49	10.566	11.10		
2031	**145,718**	**9.758**	**10.864**	**13.10**	**WWTF #2 - Add 2.0 MGD**	$18.0
2035	161,493	10.815	12.04	13.10		
					TOTAL	$57.0

(1) Service Area Population - Includes areas outside of City limits

(2) Average Annual Daily Flow - 161 gallons/Equivalent Residential Unit (2.4 persons/ERU)

(3) Maximum 3-Month Average Daily Flow based on 7-year historical average. (1.113X AADF)

(4) Treatment Capacity - WWTF #1

(5) Treatment Plant Capacity Only. Does not include lift stations, mains, etc.

Source: City of Palm Coast Wastewater Treatment Facility Updated Capacity Analysis Report, September 2012

Recreational Facilities Improvements to Year 2035			
Project Name	**Description**	**Acres/Length**	**Cost (Millions)**
Projects in 5-Year CIP			
Graham Swamp Trail Phase 2	Construction	3.3 miles	$2.50
Longs Landing Estuary Park	Nature Center, Non-motorized Water Access, Trail, Gazebos, & Fishing Piers		$3.50
Lehigh/Belle Terre Trailhead	Design/Construction - Parking, restrooms, dog-park, gardens, basketball courts, skate-park.		$1.00
Community Center Replacement/Design	(Funding for master plan)		$0.05
Holland Park-Renovation	Construction		$3.00
Projects in Comprehensive Plan			
Community Park - in southern part of City (if the park site between Pine Lakes and Whiteview is no longer available) (20-50 acres)	Land Acquisition ($100,000/acre)	20-50 acres	2.0-5.0
Indian Trails Park (Land adjacent to Fire Station #23)	Ball Fields, Soccer, Tennis, Basketball, Playground, Picnic Shelters, Restrooms, Maintenance Building, Parking, Dog Park, Multi-Purpose and Passive Use Trails. ($375,000/acre)	28 acres (14 acres to be developed)	$5.25
Cultural Arts or Civic Facility	Construction		$13.00
Aquatic Complex	Construction		$11.33
Activity Center in southern part of City	Construction		$20.75
Neighborhood Park/School joint facility in Northeast quadrant of the City	Construction		See below
Pine Lakes Neighborhood Park	Construction: Informal Ball Field, Open Play Area, Playground, Baskteball Court, Picnic Area @$250,000/acre	10 acres (5 acres to be developed)	$1.25
Matanzas Woods Neighborhood Park	Construction: Informal Ball Field, Open Play Area, Playground, Baskteball Court, Picnic Area @$250,000/acre	10 acres (5 acres to be developed)	$1.25
Quail Hollow Neighborhood Park	Construction: Informal Ball Field, Open Play Area, Playground, Baskteball Court, Picnic Area @$250,000/acre	10 acres (5 acres to be developed)	$1.25

Fire/Rescue Capital Improvements

Capital Improvement Project	Description	Cost (millions)
Fire Station #22 Palm Coast Pkwy. NE	Relocation or Renovation	$2.25
Southern Fire Station (South of SR 100) - Recommended Option: Locate at Seminole Woods Parkway and Sesame Blvd.	New Station	$2.25
Southern Fire Station (South of SR 100) - Consideration should be given to locating fire station on Belle Terre Blvd.	New Station	$2.25
DRIs- Palm Coast Park, Neoga Lakes, and Old Brick Township -2 dedicated sites for each DRI, location will depend on street network.	New Stations - 6	$13.50
	TOTAL	**$20.25**

(1) The City does not own land for potential relocation of Fire Station #22.

(2) The City does not own land for proposed location of Fire Station on Seminole Woods. Proposed site owned by Flagler County School District

(3) The City does not own land for Fire Station on Belle Terre Blvd. south of SR 100.

(4) DRIs have donated sites for Fire Stations.

(5) Costs are for design & construction of station only, does not include land acquisition and equipment. Estimate based on construction of prototype Fire Station # 21 & 24.

Source: Station Location Study for the Palm Coast Fire Department , Matrix Consulting Group, January 2010

Appendix C

Impact Fees and Development Activity: Evidence from Florida by Mullen and Nicholas

Impact Fee Reductions and Development Activity:
A Quantitative Analysis of Florida Counties[1]

With the collapse of the housing bubble starting in 2006, many communities in formerly high-growth areas found their economies, which were heavily dependent on housing construction, begin to slow and even contract. These same high-growth communities had been using development impact fees as a way to raise funds for growth-related infrastructure needs, particularly for roads but also for other facilities such as parks, schools and fire stations. Impact fee revenues began to shrink, and the development industry began to call for impact fee reductions or suspensions as a way to rekindle development and stimulate the local economy. Many jurisdictions have heeded these calls. Now that we have had several years of experience with such efforts, it should be possible to measure their affects.

This paper focuses on the experience of Florida counties from 2007 to the present. Florida provides an appropriate setting for this analysis, given the widespread use of impact fees and the severity of the housing downturn in the state. A focus on counties is appropriate because of the relative dominance of counties in the provision of non-utility infrastructure, including roads and schools.[2] There are 64 Florida counties, and about 40 of them have used impact fees.

The Public Debate

Prior to the housing downturn, impact fee opponents in Florida generally used a two-pronged attack: residential fees were resisted on the grounds that they would drive up home prices and hurt housing affordability, while fees on nonresidential developments were resisted on the grounds that they would make the jurisdiction less competitive for economic development projects. Rarely was it claimed that high residential fees would deter homebuilders, who presumably would be able to pass through these costs to buyers. Since the housing downturn, however, the nature of the discourse has changed. Now, reducing or suspending fees for residential development is sometimes promoted as a way to spur residential construction, which in turn will create jobs and revitalize local economies.

Even proponents of impact fee reductions or suspensions sometimes admit the effort may be little more than window dressing. For example, a member of Sarasota County's impact fee advisory committee was quoted in 2008 as saying of a proposed impact fee suspension: "Even if it is just a gesture, I think it's extremely important to encourage the community, because I don't think we've seen the bottom of the well yet."[3] Others contend that while there is no assurance that lowering fees will stimulate growth, "If

[1] Draft of analysis by Clancy Mullen, Executive Vice President of Duncan Associates, Austin, Texas and Dr. James C. Nicholas, Professor Emeritus of Florida State University, to be presented at the annual conference of the Growth and Infrastructure Consortium, November 4, 2010.
[2] While school boards have independent taxing authority, their boundaries are coterminous with counties and they rely on counties to enact and collect school impact fees on their behalf.
[3] *Sarasota Herald-Tribune*, "Sarasota Looks at Impact Fees," November 15, 2008

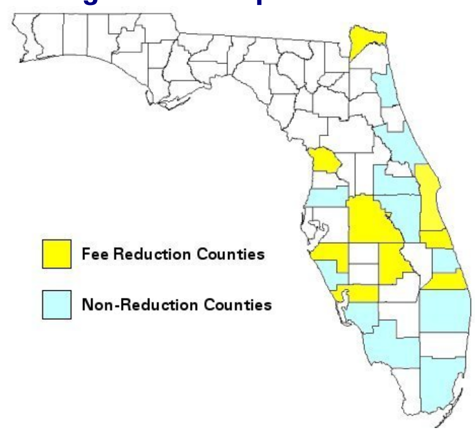
don't try it, we won't know."[4] Even in the face of continuing declines in permits after a year of reduced fees, the chair of the Indian River County Commission argued that there is no way to tell how much further building would have dropped off under the full amount of the fees.[5]

Are impact fee reductions simply a way for local officials to signal to developers and builders that they "feel their pain," or do they actually stimulate construction that would not have happened in the absence of such action? While a full exploration of this question for both residential and nonresidential construction would be desirable, analyzing the effect of fee reductions on nonresidential development poses some significant difficulties.[6] In this paper, we confine the analysis to residential development.

Research Design

The method employed was to define a period of time during which a number of counties reduced their impact fees significantly, and compare the number of single-family permits issued the year before and the year after for a set of counties that include some that reduced their fees and others that did not. The first fee reductions occurred in January 2008. In order to define a large enough sample, while still allowing a year of subsequent building permit history, the fee reduction period was defined as the 19-month period of January 2008 to July 2009. The year before was 2007, and the year after the 12-month period of August 2009 to July 2010.

Figure 1. Sample Counties



The starting point was to identify Florida counties that charged impact fees in 2007. Using the *2007 National Impact Fee Survey*, 42 Florida counties were identified as charging impact fees.[7] The *2009 National Impact Fee Survey* was used, along with an updated survey of Florida counties, to identify counties that had reduced their impact fees significantly between January 2008 and July 2009. Nine fee-reduction counties were included in the analysis: Brevard, Charlotte, Citrus, Highlands, Indian River, Manatee, Martin, Nassau and Polk. Eleven "non-reduction" counties were identified that charged impact fees of at least $4,000 per single-family unit in 2007 and did not reduce them during the period: Collier, Lee, Orange, Osceola, Palm Beach, Pasco, St. Lucie, St. Johns, Sarasota and Volusia. Characteristics of the 20 counties utilized in the analysis are summarized in the following table. A number of counties had to be excluded for a variety of reasons (the excluded counties, their characteristics and reasons for exclusion are provided in Table 2 at the end of the paper).

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[4] Mike Secor, President, Highlands County Builders Association, CentralFloridaPolitics.com, posted on June 17, 2009 by Heath.Whiteaker

[5] TCpalm.com, March 16, 2010

[6] There is no "standard" unit of nonresidential development comparable to the single-family house for residential, fees vary significantly for various types of nonresidential development, and building permit data is much more difficult to acquire.

[7] Wakulla County was identified as charging impact fees, but was not included in the 2007 survey.

Table 1. Summary of Sample Counties

County	2008 Populatioı	2000-08 Change	Pop. Growth	Single-Family Fees Before	After	Fee Change	Single-Fam Permits Before	After	% Change
Fee Reduction Counties									
Brevard	556,213	79,983	17%	$9,187	$4,834	-$4,353	2,039	1,129	-45%
Charlotte	165,781	24,154	17%	$8,380	$4,002	-$4,378	932	271	-71%
Citrus	142,043	23,958	20%	$9,314	$6,920	-$2,394	933	154	-83%
Highlands	100,207	12,841	15%	$5,218	$0	-$5,218	918	68	-93%
Indian River	141,667	28,720	25%	$9,877	$8,185	-$1,692	1,130	269	-76%
Manatee	317,699	53,697	20%	$15,529	$5,499	-$10,030	1,086	1,181	9%
Martin	143,868	17,137	14%	$11,511	$9,839	-$1,672	318	143	-55%
Nassau	71,915	14,252	25%	$6,211	$3,726	-$2,485	626	288	-54%
Polk	585,733	101,809	21%	$13,415	$9,765	-$3,650	3,854	1,199	-69%
Average	247,236	39,617	19%	$9,849	$5,863	-$3,986	1,315	522	-60%
Non-Reduction Counties									
Collier	332,854	81,477	32%	$24,428	$28,416	$3,988	1,069	760	-29%
Lee	623,725	182,837	41%	$15,503	$15,310	-$193	4,356	1,118	-74%
Miami-Dade	2,477,289	223,510	10%	$6,157	$7,999	$1,842	3,246	913	-72%
Orange	1,114,979	218,635	24%	$12,217	$18,067	$5,850	4,053	2,199	-46%
Osceola	273,709	101,216	59%	$17,941	$18,173	$232	2,389	784	-67%
Palm Beach	1,294,654	163,463	14%	$11,367	$11,367	$0	2,101	1,279	-39%
Pasco	438,668	93,900	27%	$11,686	$16,828	$5,142	2,052	1,006	-51%
Sarasota	276,585	83,890	44%	$12,203	$12,203	$0	1,129	535	-53%
St. Johns	393,608	67,647	21%	$9,605	$10,122	$517	2,139	1,225	-43%
St. Lucie	426,413	61,214	17%	$8,729	$9,602	$873	1,690	269	-84%
Volusia	510,750	67,407	15%	$9,108	$9,108	$0	1,520	654	-57%
Average	742,112	122,291	20%	$12,631	$14,290	$1,659	2,340	977	-56%
All County Avg.	519,418	85,087	20%	$11,379	$10,498	-$881	1,879	772	-58%

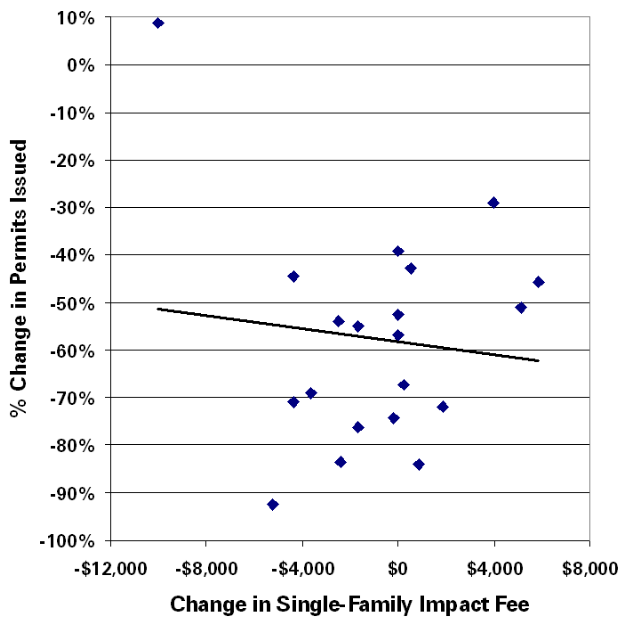
Notes: Some "after" fees changed in 2010 as follows and are not reflected here: Citrus suspended road fees 5/26/2010 ($1,577 reduction); Martin suspension of all fees except roads and schools ended 10/1/2010 ($4,749 increase); Collier reduced road and park fees in 10/2010 ($3,671 reduction); St. Lucie increased some fees on 10/1/2020 ($1,662 increase)
Source: Population from University of Florida, Bureau of Economic and Business Research, *Florida Population Studies*, Vol. 42, Bulletin 154, June 2009; single-family fees "before" from Duncan Associates, *2007 National Impact Fee Survey*, August 2007; single-family fees "after" from Duncan Associates survey, October 2010; single-family building permits issued from U.S. Census, http://www.census.gov/const/www/permitsindex.html ("before" is 2007 calendar year, "after" is August 2009 through July 2010).

All of the sample counties experienced significant population growth between 2000 and 2008. The fee-reduction counties tend to be considerably smaller than the non-reduction counties (average population of 247,236 versus 742,112). All of the counties had relatively high impact fees in 2007, averaging almost $10,000 per single-family unit in the fee-reduction counties, and over $12,000 in the non-reduction counties, with none of the counties charging less than $6,000 per house. The fee-reduction counties reduced their single-family fees by an average of almost $4,000 from 2007-2010, while the non-reduction counties on average increased their fees by about $1,600. Consistent with the state-wide trend, annual single-family permit issuance declined from 2007 to the 12-month August 2009-July 2010 period in all counties but Manatee, with the average decline among fee reduction counties slightly higher than among the non-reduction counties (60% versus 56%).

The average percentage change in permit issuance between fee reduction and non-reduction counties does not suggest a strong correlation between fee reductions and an increase (or a lower decline) in building permit issuance. However, the averages conceal large variations between counties. To take into account those variations, it is necessary to employ linear regression analysis. Regression analysis plots a line that most closely fits the data, and produces statistics that indicate the percent of variation explained (r-square), and the level of confidence that the relationship is not a random one (f-statistic).

Regression Analysis Results

Figure 2. Fee Change vs. Permit Change

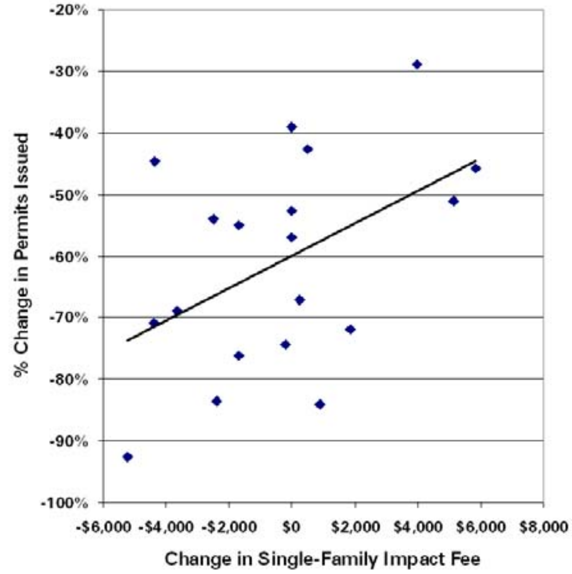


If fee reductions do stimulate increased development (or at least slow declines in permit issuance), one would expect to see a negative correlation between fee increases and changes in building permit issuance. In other words, an increase in impact fees should be associated with a greater percentage decline in permit issuance, while a reduction in impact fees should be associated with an increase (or a lower decline) in the rate of permit issuance. To test this hypothesis, a linear regression analysis was performed, with the independent variable equal to the absolute change in the amount of impact fees and the dependent variable equal to the percent change in building permit issuance. The results indicate that there is no significant relationship between the two variables. While the coefficient has the predicted sign (negative, indicating an inverse relationship), it is very small (a $1,000 decrease in impact fees is associated with 0.7% more building permits), explains only 1% of the variation, and has a 64% chance of being a random relationship.[8] Plotting the data, as shown in Figure 2, reveals the extent to which Manatee County is an outlier.

[8] The linear regression equation is y = -0.00000694 x– 0.582, the r-square is 0.0126, the f-statistic is 0.637 and the t-statistic for the x coefficient is -0.480

Running the regression analysis without Manatee County results in a weak but statistically significant relationship in the opposite direction. The equation explains 22% of the variation, and there is only a 4% chance of a random relationship. The equation indicates that a $1,000 increase in impact fees is associated with 2.6% more building permits being issued.[9] The researchers do not suggest that the results of this regression analysis indicate causality (i.e., increases in impact fees stimulate development), particularly since it was necessary to exclude the one county that reduced its fees the most and experienced an actual increase in building permits in order to achieve this result. Nevertheless, it clearly shows that the opposite relationship is not supported by these data.

Figure 3. Fee Change vs. Permit Change (Excluding Manatee County)



Conclusion

This analysis has been unable to confirm any statistically significant relationship between impact fee reductions and higher rates of building permit issuance for single-family development. This finding will certainly not end the debate about the effects of impact fees on development activity, but hopefully it will inject some rationality into a discourse that up to now has been largely dominated by wishful thinking.

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[9] The linear regression equation is y = 0.00000262 x– 0.600, the r-square is 0.2225, the f-statistic is 0.041 and the t-statistic for the x coefficient is -2.206

Table 2. Impact Fee Counties Excluded from Analysis

County	2008 Pop.	Growth 2000-08	Single-Family Fees 2007	Single-Family Fees 2010	Notes
Counties that both adopted and suspended fees during the period					
Clay	185,168	31%	$7,034	$7,034	rd fee adopted 1/1/09, suspended 2 yrs eff. 1/1/2009
Columbia	66,121	17%	$0	$0	fees adopted 2/2008; suspended 1/1/2009
Counties that reduced fees during period, then increased them					
Wakulla	30,717	34%	?	?	1 yr suspension 9/2008, fees reinstated 3/17/2010
Counties that reduced fees after the period					
Hernando	164,907	26%	$9,238	$4,862	rollback all fees to 2001 levels for 1 yr eff. 12/1/2009
Lake	288,379	37%	$10,026	$10,127	rd fees suspended 1 yr eff 3/1/2010
Marion	329,418	27%	$5,714	$4,254	road fees suspended for 1 yr eff. 1/1/2010
Counties with relatively low fees in 2007					
Alachua	252,388	16%	$2,508	$5,776	
Broward	1,758,494	8%	$2,718	$5,731	road fee could not be determined
Gilchrist	17,256	20%	$3,500	$3,500	
Hillsborough	1,200,541	20%	$3,878	$5,878	
Levy	40,817	18%	$1,249	$1,249	
Santa Rosa	181,180	47%	$1,801	$0	1 yr suspension eff. 2/19/2009, later extended thru end of 20
Seminole	144,136	22%	$2,635	$6,251	
Sumter	93,034	74%	$2,393	$2,997	
Low-growth counties					
DeSoto	34,487	7%	$9,212	$0	suspended all fees 1/1/2008
Glades	11,323	7%	$8,143	$0	suspended all fees on 11/24/2008 until 12/1/2010
Hardee	27,909	4%	$2,628	$2,628	
Monroe	76,081	-4%	$1,534	$1,534	
Pinellas	938,461	2%	$2,066	$2,066	
Putnam	74,989	6%	$7,023	$0	all fees suspended for 2 yrs eff. 3/1/2009
Counties for which building permit data not available					
Flagler	95,512	92%	$5,307	$5,307	
Hendry	41,216	14%	$7,591	$0	all fees suspended c 9/2008, extended 2/24/09 until 1/1/2011

Appendix D

May 3, 2011 City Council Presentation related to Impact Ordinance Adjustments

Impact Fees

Transportation - Recreation & Parks - Fire

Impact Fee Fairness is a City Council Priority

- **2010 City Council Goals & Objectives**
  - Top Priority

    City Economic Development and Incentive Policy
  - Moderate Priority

    Building, Permitting and Inspection Processes: Simplification/Streamlining

- **Prosperity 2021**
  - Simplify and Streamline Development Process
  - Flexible Impact Fee Payment Program
  - Impact Fee Deferral
  - Reasonable Impact Fee Methodology
  - Existing and Aging Commercial Areas
  - Redevelopment Master Plan

Purpose of Impact Fees

- Capital Improvements and Infrastructure
- Sustain Development
- Comprehensive Plan
- Florida Statutes

Proposals

- **Existing Established Businesses – Increase Intensity of Use (Transportation Fees)**
  - Change of use without additional fees

- **Simplification of Fee Structure (Transportation Fees)**
  - Developer/owner pays impact fees
  - Tenant/business owner does not pay impact fees
  - Combine and average fees

- **Deferral and Early Payment Incentive (Transportation, Recreation & Parks, & Fire Fees)**
  - Prior to Certificate of Occupancy
  - Waive 3% administrative fee for payment at permit issuance

Existing Established Businesses (Transportation Fee)

Transportation impact fee for changes of use will be waived for buildings permitted prior to City incorporation in 1999.

Simplify Fee Structure
by Combining and Averaging Classifications

- **Developer/owner pays impact fees**
- **Tenant/business owner does not pay impact fee at interior build-out**
- **Combine classifications – Change of use without additional fees**
  - Retail to Restaurant
  - Professional Office to Medical
  - Warehouse to Auto Repair

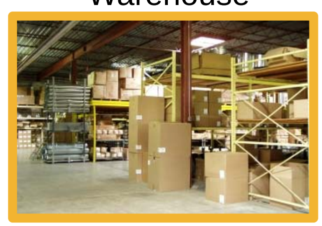
Retail

Restaurant

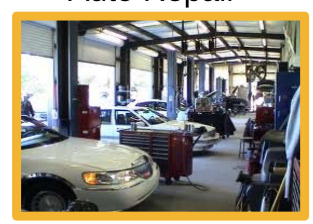
Professional Office

Medical Office

Warehouse



Auto Repair



Fee Deferral and Early Payment Incentive

Transportation, Recreation & Parks, and Fire Impact Fees

"All Impact Fees to be collected at the time of issuance of a Building Permit"
Current Ordinances

- Fee Deferral
  - Payment prior to Certificate of Occupancy

- Early Payment Incentive
  - Pay at permit issuance
  - Waive 3% administrative fee

Consolidated Impact Fees

Residential	Impact Fee
Single-Family Detached/Duplex/Mobile Home Individual Lot	
Multi-Family/Apartments	
Condominium/Townhouse	

Group Fee $2,686.65

Consolidate Impact Fees

General Office and Retail	Impact Fee
Office	
Medical Office/Clinic	
Business Park	
Retail/Shopping Center/ Specialty Retail (Outparcels excluded)	
Hardware/Paint	
Nursery (Garden Center) Gross floor Area	
Pharmacy/Drugstore with Drive-Through	
Video Rental Store	
Day Care Center	

Group Fee $5,781.62

Consolidate Impact Fees

Stand Alone (Not incorporated with a group)	**Impact Fee**
Convenience Store	
Bank/Savings	
Restaurant	
	Group Fee $16,645.30

NOTE:
Fast-Food Restaurant with Drive Through (out of group)
Combine 2 types of Convenience Stores
Combine 2 types of Banks/Savings
Combine 2 types of Restaurants

Consolidate Impact Fees

Large Box	**Impact Fee**
Discount Superstore, including Electronics, Toys/Children's Superstore	
Supermarket	
Home Improvement Superstore	
Health/Fitness Club	
Recreational Community Center	
Bowling Alley	

Group Fee $8,267.12

Consolidate Impact Fees

Industrial and Automotive	Impact Fee
General Light Industrial/Utilities	
Industrial Park	
Manufacturing	
Warehouse	
Auto Parts Sales/Tire Store	
Auto Repair or Body Shop	
Gasoline Station	

Group Fee $3,052.45

NOTE:
New/Used Auto Sales (out of group)
General Heavy Industrial (out of group)
Combine 3 types of Warehouses

Transportation Impact Fee Ordinance

- Define Pre-Incorporation and Post-Incorporation and add language to waive impact fees when changing the use of a pre-incorporation building

- Fee Deferral and Early Payment Incentive

- Revised use Classification and Fee Schedule
  - 5 Year Phase In
  - Technical Justification

Recreation & Parks Impact Fee Ordinance

- Fee Deferral
- Early Payment Incentive

Fire Impact Fee Ordinance

- Fee Deferral
- Early Payment Incentive

Discussion