

# INDIAN RIVER COUNTY, FLORIDA

## MEMORANDUM

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**TO:** Jason E. Brown; County Administrator

**THROUGH:** Phillip J. Matson, AICP  
Community Development Director

**FROM:** Bill Schutt, AICP  
Chief, Long Range Planning

**DATE:** March 2, 2020

**SUBJECT:** Request for the Board of County Commissioners to Consider an Ordinance to Amend Title X, Impact Fees, of the Code of Indian River County by Adopting Proposed New Impact Fee Schedules for the Unincorporated Indian River County and Municipalities, and by Adopting Related Amendments Including Revisions to Level of Service Standards Used in Impact Fee Calculations and Revisions to Impact Fee Benefit Districts [Legislative]

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It is requested that the following information be given formal consideration by the Board of County Commissioners at its regular meeting of March 10, 2020.

### **DESCRIPTION & CONDITIONS**

To address infrastructure costs associated with new growth, Indian River County has, since 1986, imposed traffic impact fees on new development. In 2005, the County adopted impact fees for eight additional services/facilities. Collection of those eight impact fees were reduced to five during the economic downturn, when the County suspended collection of three of the impact fee categories based on reduced needs. Despite the reductions, impact fees have generated considerable revenue, and for infrastructure expansion projects they continue to be among the largest single source of funding in Indian River County.

According to the Indian River County Impact Fee Ordinance, the County must review and update its impact fee schedule every five years. Since the last update was performed in 2014, the county initiated the update process in late 2018. On November 20, 2018, the BCC reviewed and approved a proposed scope of services for an Impact Fee update. Thereafter, staff incorporated the scope of services into a Request for Proposals (RFP) for consultant services, and issued the RFP on December 14, 2018.

The scope of services contains activities including an update of the fee schedule for six (6) of the County's impact fees (excludes/continues the suspension of Correctional Facilities, Solid Waste Facilities, and Library Facilities), an update of the local growth rate and the availability of "buy down" revenue used in the Affordable Growth model, and an evaluation of the County's three

separate transportation impact fee benefit districts (north, central, and south county). Further, the scope requires the utilization of the latest available data to update impact fee variables and inputs, including utilization of data and land use categories from the current 10<sup>th</sup> Edition of the Institute of Transportation Engineers Trip Generation Manual; an update of land acquisition and infrastructure costs; a review of existing levels of service (for non-traffic fee categories only); an update of impact fee credits; and development of an updated impact fee schedule(s) for both a full impact fee calculated rate and for reduced impact fees under the County's Affordable Growth model.

On March 26, 2019 the Board of County Commissioners (BCC) approved a contract with Tindale-Oliver and Associates, Inc. A draft report was thereafter completed and reviewed by the BCC on January 21, 2020. That draft report included two impact fee schedules; one with full calculated impact fees and another with reduced impact fees based on the Affordable Growth model with recommended discounts. Both of the impact fee schedules also included reduced administrative fees (reduced from 2.5% to 2.0%), two new small home land use categories that had additional discounts and waivers applied beyond those calculated through the Affordable Growth model, and updated impact fee land use categories. With respect to the two new small home land use categories specifically, one land use category was for a proposed impact fee waiver for single-family homes of less than 1,000 square foot in size and the other was for a proposed 50% reduction of impact fees for single family homes of between 1,000 square feet and 1,500 square feet in size for households in or below the low income category (less than 80% of Area Median Income).

In reviewing the draft report, **the BCC concluded that the County should not collect the full calculated impact fees but should collect the recommended reduced impact fees based on the Affordable Growth model and should collect the reduced 2.0% administrative fee.**

While the BCC was in overall agreement to collect the reduced impact fees based on the Affordable Growth model, members of the BCC indicated that they did not feel that the County should be waiving impact fees for single family homes of less than 1,000 square foot in size unless the fee waiver was part of an enforceable agreement or deed restriction for a set length of time limiting the use of the home to households either in the low income category or below (less than 80% of Area Median Income). The BCC requested that staff review the issue further with the Affordable Housing Advisory Committee (AHAC) and then bring back any further recommended revisions to the BCC.

On January 22, 2020, staff informed the AHAC of the BCC's request. After discussion, the AHAC voted to recommend that the income requirement be applied for Low and Very Low-income categories for both of the proposed small home land use categories (less than 1,000 square foot and between 1,000 and 1,500 square foot). No specific recommendation was made for a time period to include in a deed restriction or an enforceable agreement for forgiveness of the impact fees.

After receiving BCC direction and additional direction from AHAC, the Consultant worked with staff and prepared a proposed Final Indian River County Impact Fee Update Study Report dated February 13, 2020 (Attachment 1). That technical report includes the final (recommended) fee schedule with the AHAC recommended revision to restrict the impact fee waiver option to single-family homes of less than 1,000 square feet in size for income qualified households similar to the previously proposed income restriction for the 1,000 to 1,500 square foot single-family income category. In both cases the income limit percentage is listed in the impact fee schedule to better reflect the "Low" income category.

The final report and impact fee ordinance modifications, including proposed updated impact fee schedules with new and updated impact fee land use categories, and updated transportation impact fee benefit districts are attached for BCC review and approval.

## ANALYSIS

In accordance with State Law, a public hearing must be conducted in order to update the Indian River County Impact Fee Ordinance and put the new residential impact fee schedules for the unincorporated county and municipalities into effect. Staff has complied with the advertising requirements for the public hearing and also provided a 30-day notice to each municipality and the School District as required by each county/municipality/school impact fee interlocal agreement. The proposed ordinance (Attachment 2) contains the recommended reduced impact fee schedules with reduced administrative charges. Those schedules include the impact fee exemptions for the less than 1,000 square foot single-family land use category for households earning less than 80% of area median income, and the 50% reduction to the Affordable Growth reduced impact fees for the 1,000 to 1,500 single-family land use category for households earning less than 80% of area median income. Also included in the ordinance are modifications to the impact fee ordinance text (Title X), which include changes to the adopted impact fee level of service standards for each fee category, and a modified transportation impact fee benefit district map.

### Municipal and School District Review

On January 13, 2020 and January 16, 2020 links to the proposed Draft Impact Fee Update Study, Fee Schedules, and accompanying BCC staff report were provided to staff at the Indian River County School District, the City of Fellsmere, the Town of Indian River Shores, the Town of Orchid, the City of Sebastian, and the City of Vero Beach. A follow-up e-mail was sent on February 25<sup>th</sup> asking for any comments or questions and to announce the planned March 10, 2020 public hearing to consider adopting the proposed reduced recommended impact fee rates. As of the writing of this agenda item, there have been no written concerns provided in response to the e-mails.

With respect to the School District specifically, County staff worked closely with School District staff in the development of the school impact fees and has received no objections to the proposed school impact fee rates. Further, school district staff has supported its need for collection of school impact fees at the substantially reduced rate (28% of full impact fee rate) by showing that the collected fees would be used for planned school portable replacements and construction of a new wing at the Sebastian Middle School.

### Income Based Single-Family Housing Impact Fee Waiver and/or Reduction

The proposed impact fee exemption for the less than 1,000 square foot single-family land use category for households earning less than 80% of area median income, and the proposed 50% reduction to the Affordable Growth reduced impact fees for the 1,000 to 1,500 single-family land use category for households earning less than 80% of area median income are consistent with AHAC recommendation and consistent with discussion from the January 21<sup>st</sup> BCC meeting. The method of enforcement of the income restrictions is not discussed in the report or the impact fee schedule. **Prior to implementation of the impact fee ordinance, a proposed updated impact fee development policy**

**manual and proposed template legal method for enforcing the income restrictions to include an impact fee forgiveness time period will be presented to the BCC for discussion and final action.**

As discussed by the BCC, this could include a proposed forgiveness time period for the impact fees similar to the shared appreciation time periods used in Indian River County Habitat for Humanity Shared Appreciation Agreements. Those agreements are structured to provide a homeowner who sells their home with 10% of the home appreciation amount within the first 5 years, 25% of home appreciation amount between years 5 and 10, 50% of home appreciation amount between years 10 and 15, 75% of home appreciation amount between 15 and 20 years, and 100% of home appreciation amount after 20 years.

As proposed, the impact fee waiver and reduction are consistent with state law that provides for such reductions and/or waivers.

Impact Fee Schedule Overall

The Consultant has performed all tasks necessary to update the impact fee schedules; has applied the “Affordable Growth” methodology to reduce impact fees; and has determined that proposed staff modifications/reductions based upon the Affordable Growth model are technically sound and warranted. Consequently, the Board has a reasonable basis for determining that the Consultant’s update and Affordable Growth methodology with staff recommended reductions as applied to the impact fees are acceptable.

Level of Service Modifications

Level of Service (LOS) standards for public goods and services are often expressed in terms of units of service per resident (since there is an existing inventory of classrooms, jail beds, library books that can easily be divided by a number of residents to yield a standard). Each of these units of service has a replacement cost and a value associated with it as well. Therefore, for impact fee calculation purposes, LOS can be expressed in terms of asset valuation per resident. Since an asset valuation approach most accurately reflects the combination of all capital assets needed to provide the public good the Consultant has recommended that the County adopt a LOS standard for impact fee calculation purposes for each fee category expressed in terms of asset valuation (same approach as in the 2014 impact fee study update). The specific LOS changes, consistent with the Consultant’s final report, appear in Section 2 of the proposed impact fee ordinance (Attachment 2).

Adoption and General Percent Changes in Impact Fees

Said ordinance, if adopted, will establish new impact fee schedules for the unincorporated county and municipalities, based on the Consultant’s final report. As proposed, in the unincorporated county, the impact fee schedules will help to incentivize construction of housing that is affordable by eliminating impact fees completely for smaller income qualified houses and in other cases significantly reducing impact fees. With respect to new market rate single-family housing and for multi-family housing, impact fees will slightly increase. For single-family homes, the percent increase is between 13.6% and 17.0%. For mid-rise multi-family (3 stories or more, impact fees will increase by 4% and for low-rise multi-family (1-2 stories), impact fees will increase by 29.1%. Even with the high percentage increase for low-rise multi-family, the total \$6,374 in impact fees per unit is still over \$1,000 less than the lowest single-family impact fee amount in the current adopted impact fee schedule.

With respect to institutional (not including governmental), commercial, industrial, office, and related use categories, all are increasing except for warehousing, veterinary clinics, and banks/savings (no drive thru). Those land uses have impact fees that are decreasing overall between 10% and 15%. Some of the more common non-residential uses, such as general office and gas station/convenience market, will see larger increases; general office will increase from \$2,579 per 1,000 square foot to \$4,007 per 1,000 square foot while gas station/convenience market will increase by \$4,892 per fueling position. Overall, the proposed non-residential and non-governmental impact fees are significantly less than the full calculated impact fee rate and less than fees charged in 2009.

**The proposed effective date of the ordinance is June 15, 2020.** The proposed effective date will satisfy state statutes which require a minimum of 90 days between adoption and the effective date of any impact fee increase. As publicly noticed, the BCC may choose to select an effective date beyond June 15, 2020.

### **RECOMMENDATION**

Staff recommends that the Board of County Commissioners:

1. Accept the Consultant's Impact Fee Update Final Report dated February 13, 2020; and
2. Adopt the proposed modifications to Title X, Impact Fee Ordinance Changes, as contained in the attached ordinance, including updates to:
  - a. impact fee level of service standards for Emergency Services, Public Buildings Development, Law Enforcement, Parks and Recreation Facilities, and Public Education Facilities;
  - b. the impact fee schedules as contained in Appendix A; and
  - c. Impact Fee Benefits Districts for Transportation as contained in Appendix B.

### **ATTACHMENTS**

- 1) Final Impact Fee Update Study Report
- 2) Proposed Impact Fee Ordinance Modifications, Fee Schedules, and Transportation Impact Fee Benefit Districts map for the Unincorporated County and Municipalities