

**INDIAN RIVER COUNTY, FLORIDA**

**M E M O R A N D U M**

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**TO:** Board of County Commissioners

**THROUGH:** John A. Titkanich, Jr., County Administrator

**PREPARED BY:** Chris Balter, Chief of Long-Range Planning

**DATE:** September 12, 2023

**SUBJECT:** Authorize Initiation of the Consultant Selection Process for an Impact Fee Update

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It is requested that the data herein presented be given formal consideration by the Board of County Commissioners at its regular meeting on September 26, 2023.

**DESCRIPTION AND CONDITIONS**

In order 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. The collection of those eight impact fees were reduced to six during the economic downturn when the County suspended the collection of three of the impact fee categories based on reduced needs. Despite the reductions, impact fees have generated considerable revenue for infrastructure expansion projects, and they continue to be among the largest single source of funding in Indian River County. On March 5<sup>th</sup>, 2019, the Board of County Commissioners (BCC) approved Ordinance 2019-007, which requires an impact fee study to be completed every 5 years. Since the last impact fee study was conducted in 2019, staff drafted a Scope of Services for an impact fee study update.

The scope of services contains activities including an update of the fee schedule for six (6) of the County's impact fees (the update will also evaluate/calculate the impact fees for currently suspended Correctional Facilities, Solid Waste Facilities, and Library Facilities, especially as it relates to solid waste facilities), an update of the local growth rate and the availability of "buy down" revenue used in the Affordable Growth model. 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 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.

As with all impact fee updates, consultant expertise is needed. Staff has drafted the attached Scope of Services (Attachment 1) to update the County’s impact fee ordinance and rate schedules (excluding the three discontinued impact fee categories), together with an update of the affordable growth model. Once the scope of services is approved by the Board, along with authorization to proceed with the update, staff will incorporate the scope into a formal request for qualifications (RFQ) document and initiate the consultant selection process.

## **ANALYSIS**

### **Purpose of Impact Fees**

By definition, an impact fee is a one-time charge levied against new development for the purpose of financing the expansion of a capital facility. In Florida, impact fee requirements have evolved through various court decisions over the years and, in more recent years, have been specifically supported, authorized, and regulated by state statute (the “Florida Impact Fee Act” FS 163.31801).

Impact fees are not taxes. For that reason, impact fees are subject to different rules than taxes. As with fees generally, impact fees must be structured such that the fee, which a feepayer pays, must be directly proportional to the benefit that the feepayer receives.

Consistent with case law, impact fees must be used only for capacity-producing capital improvements necessitated by new growth. Impact fees may not be used for operation and maintenance expenses, nor may impact fees be used to correct existing deficiencies.

Impact fees are thus intended to assign the burden of paying for a portion of new public capital facilities to new residents and businesses that use or benefit from the capital facility while at the same time assuring that new development does not reduce the quality of life for existing residents and businesses. As part of an impact fee program, quality of life is measured by establishing a level of service standard for each impact fee program category (such as traffic, parks, schools, and fire/EMS). Maintaining the level of service for a particular public facility/service results in maintaining the quality of life for existing and new residents. The level of service for each of the impact fee program categories is listed within the County’s Comprehensive Plan as well as the County impact fee ordinance.

### **Scope of Services**

As structured, the draft Scope of Services (Attachment 1) focuses on updating elements likely to have changed significantly since 2019, such as land and construction costs, grant funding, and other revenue data. On the other hand, fee variables such as trip length and trip generation rates will not be revisited in this scope largely because no new guidance has been issued, and no major changes have occurred since 2019 affecting those variables.

Although some elements of previous updates will not be undertaken in this update, the attached scope does include an update of the local growth rate and the availability of “buy down” revenue used in the Affordable Growth model and resulting changes and updated policy options for fee

rates. Staff anticipates that changes in some components (such as the growth rate and facility costs) will push fees higher while other changes (such as the sales tax credit component and increased availability of “buy down” revenue resulting from the sales tax extension (approved by voters in 2016) will push fees lower. Staff also anticipates applying the same policy decisions made during the 2019 update to keep non-residential impact fee rates low.

### **FINANCIAL IMPACT**

The consultant’s fees will be paid from Impact Fees/Admin/Other Professional Services, Account # 10320415-033190

### **RECOMMENDATION**

Staff recommends that the Board of County Commissioners approve the draft Scope of Services for the impact fee update and authorize staff to initiate the consultant selection process for the update.

Attachment:

1. Scope of Services for Indian River County Impact Fee Update