Impact Fee Reductions as Incentives
How Do They Work?
Impact Fee Incentives

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David Goldstein – Pasco County
Nilgün Kamp, AICP – Tindale-Oliver
Presentation Overview

• Overview of Impact Fee Incentives
  – Why?
  – How/Legal Considerations?
  – Results

• Case Studies
  – Pasco County
  – City of Orlando
  – Affordable / Workforce Housing Survey
Overview of Impact Fee Incentives

• Why Impact Fees?
  – Revenue source for new infrastructure needed due to growth
  – Revenue is generated as growth occurs

• Equity
  • Those who create the need pay for it
  • Equitable in terms of impact of each land use
  • Equitable by limiting burden on existing population

• Growth Management Tool
Overview of Impact Fee Incentives

• Why Provide Incentives?
  – Economic Development Goals
    • Increase Revenues per Unit of Development
    • Increase Stability of Revenues
  – Community Goals
    • Efficient Development Patterns
    • Affordable/Workforce Housing
    • Mobility/Transportation
Overview of Impact Fee Incentives

• How to Measure Results?
  – **Economic Development Goals**
    • Increase Unit Revenues of New Development
      – Increase Wages & Income
      – Increase Employment to Population Ratios
      – Increase Revenue per Acre Used/Density
    • Increase Stability of Revenues Through Diversification
      – Residential vs. Non-Residential Development
  • Outcomes
    – Increased Revenues per Person and/or Per Acre
    – Reduced Costs
Overview of Impact Fee Incentives
Measuring Results

Wage per Job Rankings

Source: Bureau of Economic Analysis
Overview of Impact Fee Incentives
Measuring Results

Employment per Capita Ratio Ranking

Source: BEBR and BEA
Overview of Impact Fee Incentives  
Measuring Results  

Tax Base Distribution – Osceola County

Source: Florida Property Valuations and Tax Databook
Overview of Impact Fee Incentives
Measuring Results

Tax Base Distribution – Hernando County

Source: Florida Property Valuations and Tax Databook
Overview of Impact Fee Incentives
Measuring Results

Property Tax
Revenue per Acre

Activity Centers & Corridors
3% of land
48% of tax rev
Overview of Impact Fee Incentives

• How to Measure Results?
  – **Community Goals**
    • Efficient Development Patterns
      – Increase Mix and Density of Development
    • Home Ownership
      – Increase in Affordable Units
    • Improved Mobility
      – Reduction in Trips and/or Trip Lengths
      – Increased Internal Capture
      – Increased Non-Auto Trips
Overview of Impact Fee Incentives

• Application of Discounts (Targets)
  – **Economic Development Goals**
    • Increase Wages/Income/Diversity
      – Specific Industries
      – Certain Wage Levels
      – Affordable/Workforce Housing
  – **Community Goals**
    • Infill/Redevelopment
    • Mixed Use Development
    • Affordable Units
Overview of Impact Fee Incentives

• Other Reasons to Provide Discounts
  – **Unique Characteristics of the Development**
    • Mixed-Used, TOD, etc.
    • Retail/restaurant in Downtown/CBD
  – **No Fee Zones**
    • Redevelopment areas with sufficient facilities
  – **Different than Across-the-Board Reduction**
Overview of Impact Fee Incentives

• Examples of Communities Providing Incentives
  – Pasco County
  – City of Orlando
  – Indian River County
  – Marion County
  – City of Sarasota
  – Hillsborough County
Overview of Impact Fee Incentives

How to Provide Incentives?

- **Concern:** Equity Among Land Uses

  - **De-Minimis Impact**
    - The loss of revenues is minimal

  - **Use Differential LOS Geographically**

  - **Buy Down the Differential**
    - Using general tax dollars
Overview of Impact Fee Incentives

• Legal Considerations
  – **Supporting Goals** of Comprehensive Plan or other related planning documents

  – **Statutory Support** -- 163.3180(5)(f)3. and 6., Fla. Stat. encourages exemptions, discounts or reductions for urban areas, redevelopment, job creation, mixed use, multi-modal transportation districts, and affordable or workforce housing

  – **Dual Rational Nexus Test**
Overview of Impact Fee Incentives

Results

Avg. Annual Population Growth

1980-2007
≈ 3.0%
≈ 3.0%
≈ 1.7%

2007-2016
≈ 1.2%
≈ 0.7%
≈ 0.5%

= Fee in place & collected (33)
= Fee in place, but suspended/moratorium (13)
= No transp. Impact fee (21)
Overview of Impact Fee Incentives

• General Results of Targeted Incentives
  – Signals Local Governments’ Intentions
  – Limited Without Other Incentives
  – More Effective with Development at Margin
    • Starter housing
      – Affordable/Workforce housing
    • Small businesses
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Mobility Fees
Pasco County
Mobility Fee Structure

- Tiered Mobility Fee Rates
- Lower Fees in Urban Market Area
- Higher in Suburban & Rural Market Areas
- Longer Trip Lengths, higher LOS standard = higher fees
Market Areas Combined into Mobility Assessment Districts

- West
- Central
- South
- West and South
- Central and East
- East
- North
Preferred Rates

- Office
- Industrial
- Lodging (Hotel)
- Traditional Neighborhood Development/Town Centers (TND)
- Transit Oriented Development (TOD)
- Mixed Use Trip Reduction Measures Development (MUTRM)
- Redevelopment in West Market Area
Rate Buy-Down

- Other transportation revenues subsidize/buy-down mobility fee for preferred uses and locations
  - 2nd Local Option Gas Tax
  - Portion of Penny for Pasco (Sales Tax)
  - 33.33% Tax Increment
- Required buy-down calculated yearly based on actual permits and revenues
## Example Tax Increment Calculation

<table>
<thead>
<tr>
<th>Base Year</th>
<th>1/1/2012</th>
<th>1/1/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Roll Date</td>
<td>1/1/2012</td>
<td>1/1/2017</td>
</tr>
<tr>
<td>Fiscal Year</td>
<td>FY 2013</td>
<td>FY 2018</td>
</tr>
<tr>
<td>Tax Increment Area Taxable Valuation</td>
<td>$15,761,360,963</td>
<td>$20,775,791,447</td>
</tr>
</tbody>
</table>

| Current Year Minus FY 2013 (Base Year) | $5,014,430,484 |
| Multiply by millage rate | 7.6076 |
| Divide by $1,000 (taxable value) | $1,000 |
| Multiply by percentage available for transportation | 33.33% |
| Multiply by percentage collected (3% discount for paying early) | 97% |
| **Tax Increment** | **$12,333,216** |
# Example Mobility Fee Subsidy Calculation

<table>
<thead>
<tr>
<th>Mobility Fee</th>
<th>Number Resid Permits</th>
<th>SF Non-Res Permits</th>
<th>Revenues with buy-down</th>
<th>Revenues without buy-down</th>
<th>Difference (Mobility Fee Subsidy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection/Benefit District 1 - West (MFCBD1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment District A</td>
<td>118</td>
<td>171,847</td>
<td>$690,194</td>
<td>$1,886,163</td>
<td>$(1,195,969.00)</td>
</tr>
<tr>
<td>Assessment District B</td>
<td>87</td>
<td>0</td>
<td>$730,848</td>
<td>$809,343</td>
<td>$(78,495.00)</td>
</tr>
<tr>
<td>Assessment District C</td>
<td>104</td>
<td>2,884</td>
<td>$1,218,007</td>
<td>$1,406,064</td>
<td>$(188,057.00)</td>
</tr>
<tr>
<td>Total</td>
<td>309</td>
<td>174,731</td>
<td>$2,639,049</td>
<td>$4,101,570</td>
<td>$(1,462,521.00)</td>
</tr>
</tbody>
</table>

- Gas Tax Revenues spent in Collection/Benefit District 1-West: $
- Sales Tax Revenues spent in Collection/Benefit District 1-West: $
- Total Tax Revenues spent in Collection/Benefit District 1-West: $

- Total Tax Revenues spent in Collection/Benefit District 1-West: $
- Deduct Mobility Fee Subsidy Needed: $
- Required Transfer Needed from the Multi-Modal Fund to the MFCBD1 Fund: $(1,462,521)$
• Local governments encouraged to develop tools and techniques to complement the application of transportation concurrency

• Exempting or discounting impacts of locally desired development
  – Urban areas, redevelopment, job creation, and mixed use

• Multi-modal solutions
  * See Section 163.3180(5)(f), Florida Statutes
New subsection (i): If a local government elects to repeal transportation concurrency, it is encouraged to adopt an alternative mobility funding system that uses one or more of the tools and techniques identified in paragraph (f). Any alternative mobility funding system adopted may not be used to deny, time, or phase an application for site plan approval,
• plat approval, final subdivision approval, building permits, or the functional equivalent of such approvals provided that the developer agrees to pay for the development's identified transportation impacts via the funding mechanism implemented by the local government.
• A mobility fee-based funding system must comply with the dual rational nexus test applicable to impact fees. An alternative system that is not mobility fee-based shall not be applied in a manner that imposes upon new development any responsibility for funding an existing transportation deficiency as defined in paragraph (h).
Dual Rational Nexus Test

• A rational nexus between proposed development and the need for additional capital facilities for which the fee or exaction is imposed ("Needs Prong")

• A rational nexus between the improvement/expenditure of funds collected and the benefits accruing to the development ("Benefit Prong")
Dual Rational Nexus Test

• Needs Prong More Difficult Issue for Mobility Fees
  – Limited to capital facilities; generally can’t assess for O&M, and transit is O&M intensive
  – Difficult to “promote” or “discount” compact, mixed use, energy efficient developments (TND, MUTRM and TOD), because development should be paying for the same need (level of service), and fee differentials are generally only based on trip generation
Dual Rational Nexus Test

- Pasco dealt with the Capital vs. O&M issue by using a different funding source for transit operations (home rule tax increment based on Strand case).
- Pasco discounted fees for urban areas, TND, MUTRM and TOD by:
  - Relying on California studies (Caltrans) showing that these development forms generate lower vehicle miles traveled (VMT), because more people walk, bike or ride transit.
Dual Rational Nexus Test

- Lower level of service (more congestion) for urban areas, assuming greater reliance on transit; helped offset higher right of way and construction costs in urban areas

- Subsidized or “bought down” the fees for urban areas, TND, MUTRM and TOD (and other favored uses) with other non-impact fee revenue sources
## FEE COMPARISON TABLE
(Non-residential fees are per 1,000 sf)

<table>
<thead>
<tr>
<th></th>
<th>Prior TIF</th>
<th>Mobility Fee Urban (West/South)</th>
<th>Mobility Fee Suburban (Central/East)</th>
<th>Mobility Fee Rural (North)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family</td>
<td>$10,302</td>
<td>$5,835</td>
<td>$8,570</td>
<td>$9,800</td>
</tr>
<tr>
<td>(1501-2499 s.f.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apartments</td>
<td>$7,564</td>
<td>$3,971</td>
<td>$5,845</td>
<td>$6,694</td>
</tr>
<tr>
<td>Light Industrial</td>
<td>$3,151</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Office (50,000-100,000)</td>
<td>$3,703</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Retail (50,000-200,000)</td>
<td>$8,877</td>
<td>$5,641</td>
<td>$7,051</td>
<td>$8,813</td>
</tr>
<tr>
<td>Hotel</td>
<td>$3,147</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
# FEE COMPARISON TABLE

TND, TOD and MUTRM

(Non-residential fees are per 1,000 sf)

<table>
<thead>
<tr>
<th></th>
<th>Prior TIF</th>
<th>Mobility Fee Urban (West/South)</th>
<th>Mobility Fee Suburban (Central/East)</th>
<th>Mobility Fee Rural (North)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOD Single-Family (1501-2499 s.f.)</strong></td>
<td>$10,302</td>
<td>$1,459</td>
<td>$1,459</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>TND Single-Family (1501-2499 s.f.)</strong></td>
<td>$10,302</td>
<td>$2,918</td>
<td>$2,918</td>
<td>$4,900</td>
</tr>
<tr>
<td><strong>MUTRM (Single-Family) (1501-2499 s.f.)</strong></td>
<td>$10,302</td>
<td>$4,376</td>
<td>$4,376</td>
<td>$7,350</td>
</tr>
<tr>
<td><strong>TOD Retail (50,000-200,000 s.f.)</strong></td>
<td>$8,877</td>
<td>$1,410</td>
<td>$1,410</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>TND Retail (50,000-200,000 s.f.)</strong></td>
<td>$8,877</td>
<td>$2,821</td>
<td>$2,821</td>
<td>$4,407</td>
</tr>
<tr>
<td><strong>MUTRM Retail (50,000-200,000 s.f.)</strong></td>
<td>$8,877</td>
<td>$4,231</td>
<td>$4,231</td>
<td>$6,610</td>
</tr>
</tbody>
</table>
Rural Area Fees
Town Center Comparison

Rural Movie Theater
• $21,454 per screen – 168% of prior transportation impact fee

Movie Theater in TND Town Center (Dade City, Pasadena Hills)
• $6,422 per screen – 51% of prior transportation impact fee
Rural Area Fees

Town Center Comparison

Rural Supermarket
• $13,082 per 1,000 s.f. – 160% of prior transportation impact fee

Supermarket in TND Town Center (Dade City, Pasadena Hills)
• $4,184 per 1,000 s.f. – 51% of prior transportation impact fee
Presentation Overview

• Overview of Impact Fee Incentives
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• Case Studies
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  – City of Orlando
  – Affordable / Workforce Housing Survey
City of Orlando
Impact Fee Incentives

- Converted to multimodal transportation impact fee in 2011
- Evaluated potential incentives
- Implemented targeted incentives
## City of Orlando Impact Fee Incentives

### Technical Advisory Committee (TAC)

### Geographic Area - Rank Order of Discount

<table>
<thead>
<tr>
<th>Area</th>
<th>Reduction Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

![Map showing geographic areas 1, 2, and 3]
## City of Orlando Impact Fee Incentives

### Rank Order of Land Use Discount Priority – Plan Area

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Area 1</th>
<th>Area 2</th>
<th>Area 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed Use (Res., Office, Retail)</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Transit Oriented Development</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Office</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Retail</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Industrial</td>
<td>6</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Single Family</td>
<td>5</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
City of Orlando
Impact Fee Incentives

Property Tax Revenue per Acre

Activity Centers & Corridors

3% of land
48% of tax rev
City of Orlando Impact Fee Incentives

- Change of Use Application
- SE TND Discount
- TOD Discount
City of Orlando
Impact Fee Incentives

• Change of Use Application
  – Adopted in April 2011
  – Small Business Incentive Program
  – Increase Occupancy of Vacant Buildings
  – Maximum Exemption: $20,000 per application
### City of Orlando Impact Fee Incentives

**Change of Use Application**  
**Small Business Incentive, 2013-2017**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Applications Approved</td>
<td>92</td>
</tr>
<tr>
<td>Total Fees Waived</td>
<td>$2,200,031</td>
</tr>
<tr>
<td>Average Incentive Awarded</td>
<td>$23,606</td>
</tr>
<tr>
<td>Number of Jobs Created</td>
<td>1,149</td>
</tr>
<tr>
<td>Total New Construction Investment</td>
<td>$9,047,242</td>
</tr>
</tbody>
</table>
City of Orlando Impact Fee Incentives

- **SE TND Discount**
  - 30% Discount

*Historical Results (2013-17):*

- **Storey Park:**
  - 149 Single Family Units: $170,620
  - 47 Multi Family Units: $35,631

$206,251
City of Orlando Impact Fee Incentives

  - 30% Discount
  - **Laureate Park at Lake Nona:**
    - 826 Single Family Units: $945,770
    - 217 Multi Family Units: $164,486
    - Other (Commercial): $1,290,615
  - Total: $2,400,871
City of Orlando
Impact Fee Incentives

• **TOD Discount**
  – Implemented in October 2012
  – Downtown Core, within ¼-mile of transit
  – Up to 50% Reduction
    • Based on 4 criteria
    • May receive 12.5% reduction for each
## City of Orlando
### Impact Fee Incentives

**TOD Reduction – Historical Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>2013-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Applications Approved</td>
<td>12</td>
</tr>
<tr>
<td>Total Fees Waived</td>
<td>$6,418,954</td>
</tr>
<tr>
<td>Average Incentive Awarded</td>
<td>$534,912</td>
</tr>
<tr>
<td>Total New Construction Investment</td>
<td>$450,771,322</td>
</tr>
</tbody>
</table>
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Impact Fee Incentives for Affordable/Workforce

• A growing concern
• More pronounced at coastal / urbanized communities
• In Collier County, ULI research suggested a need for a Community Housing Plan.
Note: Prices are adjusted for inflation using the CPI-U for All Items less shelter.
Source: JCHS tabulations of CoreLogic Home Price Indices.
Impact Fee Incentives for Affordable/Workforce

Definitions:

• **Affordable**: Typically very low/low income
  – Up to 80% of median household income

• **Workforce housing**: Moderate income
  – 81 to 120% of median household income
A review of 30 jurisdictions

Identified 10 Florida jurisdictions with impact fee incentives for affordable/workforce housing:

- Brevard County
- Broward County
- Indian River County
- Lee County
- Orange County
- Palm Beach County
- Polk County
- City of Ft. Lauderdale
- City of Lakeland
- City of Orlando
Impact Fee Incentives for Affordable/Workforce

– Communities implemented impact fees in 1 to 9 service areas
– **Eight** communities offer discounts for all of their impact fee programs
– **Two** communities **vary discounts** by geographical location
– **Discounts** range from **10% to 100%** depending on income level and/or location and type of housing
  • Single family home discounts: $1,020 to $16,100 (per unit)
  • Multi-family home discounts: $300 to $11,200 (per unit)
Impact Fee Incentives

- Schools, 25%
- Transportation, 60%
- Parks, 10%
- Other*, 5%

70-85%

*Other = Fire/EMS, Correctional, Law Enforcement, Public Bldgs., Solid Waste, Libraries
Impact Fee Incentives for Affordable/Workforce

- **Primary** funding sources:
  - State Housing Initiatives Partnership (SHIP)
  - Accrued interest on impact fees
  - Some do not fund loss of revenue

- **Four** communities do not track household income status **beyond** initial qualifications
  - Remaining communities require a 10 to 30-year period of qualification

- **All communities** utilize impact fee incentives in-conjunction with other programs
Impact Fee Incentives for Affordable/Workforce

- Examples of Other Common Incentives:
  - **Density Bonus** (8 of 10 communities)
  - **Expedited permitting** (10 of 10)
  - **Purchase assistance** (10 of 10)
  - **New construction/reconstruction assistance** (8 of 10)
  - **Rehabilitation assistance** (10 or 10)
  - **Flexible lot configurations** (7 of 10)
  - **Parking and setback flexibility** (6 of 10)
Impact Fee Incentives for Affordable/Workforce

- Historical Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Figure (per Year)</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Dollar Value of Discounts</td>
<td>$157,000</td>
<td>$0 to $488,200</td>
</tr>
<tr>
<td>Avg. Number of Units Developed</td>
<td>100</td>
<td>0 to 300</td>
</tr>
<tr>
<td>Units Developed per 10,000 people</td>
<td>1.7</td>
<td>0.0 to 5.1</td>
</tr>
<tr>
<td>Time Period of Results (years)</td>
<td></td>
<td>2 to 18</td>
</tr>
</tbody>
</table>
Impact Fee Incentives for Affordable/Workforce

• Unique Programs
  - Linkage Fees
    - Currently assessed in Town of Jupiter and Coconut Creek
    - Winter Park initially implemented fee in the early 1990s
    - For residential and non-residential development
    - Waivers for targeted industries
Impact Fee Incentives for Affordable/Workforce

- Unique Programs (Cont’d)
  - **Inclusionary Zoning**
    - Mechanism that requires a market rate development to include some level of affordable/workforce housing
    - Palm Beach County, Town of Jupiter, and Broward County have inclusionary zoning policies
    - A fee in-lieu may be paid
      - Fees range from $50,000 to $200,000 per eligible unit
Impact Fee Incentives for Affordable/Workforce

• Inclusionary Zoning: Palm Beach County
  • Implemented in 2004
  • 1,300 rental units developed
  • Additional 750 rentals and 100 townhomes in near future
  • Approximately $4 million collected to be utilized for:
    – Purchase assistance
    – Fee reductions
    – Other incentives
Impact Fee Incentives for Affordable/Workforce

- **Linkage Fees: Winter Park**
  - Linkage fee implemented in early 1990s
  - Residential and non-residential
  - Currently suspended
  - **During peak development**, generated approximately $350,000 per year
  - 70 units have been developed
  - Approximately **$500,000 remaining in fund** to be utilized for incentivizing affordable/workforce housing
Impact Fee Incentives for Affordable/Workforce

• Linkage Fee & Inclusionary Zoning: Town of Jupiter
  • Implemented in 2015:
    – Linkage fee for non-residential development
    – Inclusionary zoning with an in-lieu fee
  • Since implementation, approximately $300,000 collected
  • Waiver for targeted industries
Final Thoughts

• Goals
  – **Economic Development vs. Community**
• Targeted Impact Fee Discounts
• Combined with Other Incentives
• Most Successful with Development at Margin
Questions?

- David Goldstein  
  Chief Assistant County Attorney, Pasco County  
  e-mail: dgoldstein@pascocountyfl.net

- Nilgün Kamp  
  Director of Public Finance, Tindale Oliver  
  e-mail: nkamp@tindaleoliver.com

- Nancy Jurus-Ottini  
  Transportation Impact Fee Coordinator, City of Orlando  
  e-mail: nancy.jurus-ottini@cityoforlando.net