



**Impact Fee Workshop Minutes
Tuesday, March 7, 2006 – 9:00 a.m.
School Board Meeting Room
Stuart, FL 34994**

Members Present

Lorie Shekailo-Chair
Dr. David Anderson
Susan Hershey
Nancy Kline
Dr. Sara A. Wilcox, Superintendent
Tom Elfers, School Board Attorney

Members Absent

Laurie Gaylord-Vice-Chair
Kristin Conrad, Student Representative (JBHS)

Staff Present

Hank Salzler, Ruth Pietruszewski, Darla Miloszewski-Roddy, Rodger Osborne, Cathleen Brennan, Julie Sessa, Sabra Avery, J. Lisle Bozeman, Garrett Grabowski

Public

James Nicholas, Lloyd Brumfield, Richard Towne, Kirk Sorenson, John Patteson

Press

PBPost – Sandra Hong Stuart News – Kelly Tyko

MCEA – No representation **AFSCME** – No representation

Call to order by the Chairman and Pledge of Allegiance to the Flag of the United States
Lorie Shekailo informed the public, staff, and Board members that Laurie Gaylord's mother was critically ill; therefore, Laurie Gaylord would not be present at this workshop.

1. Open to the Public

Richard Towne requested to speak after Dr. James Nicholas's presentation.
Sue Hershey made a motion to amend the agenda and move open to the public to after Dr. James Nicholas's presentation. Nancy Kline seconded, and the motion carried unanimously.

2. Introductions-J. Lisle Bozeman

J. Lisle introduced herself and Dr. James Nicholas.

3. Presentation on Technical Memorandum on the Methods of Updating Public Educational Impact Fees by Dr. James Nicholas (COPY ATTACHED)

Dr. James Nicholas stated that he had amended what had been put before the Board before, which came about by a question posed by MCSD staff. Why were the capital costs calculated in terms of existing enrollment rather than in terms of existing student capacity? Capacity is the issue, not how many people are in it. Dr. Nicholas felt it was a good point. Every school impact fee in Florida has been done in terms of enrollment. The first one that was done in St. John's County was done on enrollment, and every one else copied it because it was successful. Dr. Nicholas drafted the methodology to calculate the impact fees using capacity instead of enrollment. This brought about a shift from enrollment based to station based, which changed the numbers. Two issues changed the study; the shift in methodology and a mistake resulting in double counting. Dr. Nicholas found they had double counted some of the classroom facilities; the adult facilities and Head Start facilities, so he had to make an adjustment and take those out. The net effect increased the amount of the fee. The increase was due entirely from shifting to the station based rather than enrollment based system. Everything else stayed the same. He stated that the key number was how much it cost to build a student station. He concluded that in Martin County that cost was \$34,069.00 for a student station, inclusive of all costs; land, school buses, books, and everything that would cost to send a child to school, a turnkey. The Brown vs. Lee County case cleared up issues of costs. Lee County School District argued in court that it should be a turnkey cost. The court agreed, because those were the costs incurred to put a child in school. Dr. James

3. Presentation on Technical Memorandum on the Methods of Updating Public Educational Impact Fees by Dr. James Nicholas (Con't)

Nicholas applauded Martin County School District. He commented that this was the first time working on impact fees that he actually had the true capital costs laid out. He reviewed the credit costs. He stated that the major issue was the Capital Improvement Tax, which has two components. First was the use of capital improvement tax to pay off the anticipated COPS issue, and second was continuing use of the capital improvement tax for the long term improvement program. The argument in Florida has been that people should never have to pay more than their fair and proportionate share. He stated that schools have complex funding systems. Schools have state funding. Florida state funding has several different sources, with PECO being the largest. Schools have local funding, general operating millage, the opportunity for general obligation bond issues, availability of COPS, and then continuing Capital Improvement Tax. There are further options of voted short term millage. Impact fees are added to these sources. Impact fees are considered a donation, but of course most builders do not agree with that terminology. Other sources of revenue need to be evaluated in terms of their meeting the needs of new development for school capacity. He gave examples of how that could be done using scenarios with different funding sources. The impact fee in Florida has largely been seen as the source of money that covers the deficit after all other sources have been exhausted. This idea was recently supported by the courts in the Metro Home Builders case out of Osceola County and by the Impact Review Task Force. As other available sources rise, the impact fees should go down. In an ideal world the impact fees would go to zero. New homes go on the tax roles. When the home goes on the tax roles, that home will pay the Capital Improvement Tax (CIT). The Capital Improvement Tax will be used to pay in part capital expansions. Approximately 78% of MCSD Capital Improvement Tax is going to capacity expansions and much of that is related to class room size reduction. Professor Nicholas explained that it could be up to twenty-four months before a new home paid the CIT, and the first day the new home is occupied the demand is put on the district. If only a few students were added there would be no problem, but that is not the case. Districts must come up with front end funds, and then the money dribbles in later. If it had to be done once, it would not be an issue. Doing it year after year, or every three years is an issue. He stated that "You are digging yourself deeper. You're putting that on your credit card. You do it once and draw it down, it's no problem. You are recurring it, and that COPS issue is an indicator that that is exactly what you are doing. What you have to do is bring in that upfront source, and then those continuing programs should then be able to work." To get these things to work together is the goal. He stated that new development is paying for school capacity costs, largely through their CIT. He reviewed the tables to figure the CIT. Property values are going up; therefore, CIT payments are going up. The issue here is fairness to the existing taxpayer and the new residents. Looking at the class size reduction, he stated that that still is capacity expansion, which will partly be paid for by the new homes. Sue Hershey asked Professor Nicholas if he meant that we locally are paying for class size reduction with our capital. He answered, "You sure are." The Impact Fee Task Force determined that there is no single way to figure this, allowing elected officials to look at options and alternatives with the element of equity being determined. James Nicholas recommended shifting to a station based system giving full consideration for purposes of credit the payments of capital improvement tax by new development. The last issue is on the credit. In the Osceola case there was a two part decision. It was a full complete win for the Osceola County and the School District. The plaintiffs asked for a rehearing on this issue, the CIT. The court granted the rehearing and issued an amended final order. The court ordered a \$2,000 reduction in the Osceola County impact fee, which is on appeal. The court said that these new homes were going to be taxed and the proceeds of those taxes would be used in part to fund capital expansions; therefore, it was a legal necessity that there be a reduction that fairly reflects that. There are two issues with regards to the CIT. First is an equity issue. No one should be required to pay more than their fair share. Second is a legal issue. The court demanded an accounting of what was done, or will be done, with those CIT payments when that new home is built and occupied. The court didn't say how it was to be done, other than to be equitably. He stated that this was his best effort to bring to the Board the various issues and recommendations on how to deal with these issues. He stated that the methodology resulted in an impact fee that does not exceed a reasonable pro rata share of anticipated costs to be incurred here in Martin County in providing new residential development with adequate school capacity. Sue Hershey asked if he had made adjustments for the Indiantown developments, since more families will be generated from those developments. Professor Nicholas stated that he had not. He recommended that an Indiantown specific analysis be done. What is going to be developed in Indiantown will be more similar to Palm Beach County or Broward County, than it is to Martin County, in terms of demographics. Indiantown will be the affordable housing for Northern Palm Beach County. There will be much higher occupancies there than generally seen in Martin County. He felt the County and the School Board needed to come in with an Indiantown specific approach. The road impact will be huge. The road systems are now in place for commute to the major employment areas. He stated that whatever had happened in California twenty years ago is now going to happen here. Indiantown will probably be families with a long commute. The affordable homes in Indiantown will be about \$250,000, and for the Gold Coast that is a bargain. He reiterated that the impact fee he computed here would not accommodate Indiantown development.

1. **Open to the Public**

- Lloyd Brumfield had a few questions to ask Professor Nicholas. He asked if mobile homes were included in an analysis. Professor Nicholas answered yes. Lloyd asked Professor Nicholas if the average home was 1100 to 2300. Professor Nicholas answered yes. He suggested to the Board members that they continue to update impact fees at least every two years.
- Richard Towne stated that the Comp Plan required fairness. He voiced his opinion on Professor Nicholas's report. He had sent Board members an e-mail describing his methodology. He asked them to be sure to read it, and he explained a correction he wanted to make to the last paragraph.
- John Patteson warned Board members not to rely on county data, since it has been six years since the census was done. He discussed Indiantown development and student population. The county does not yet have a traffic management plan for Indiantown. He stated that until the county comes up with an idea on how to four lane the 710 bridge, nothing is going to happen in Indiantown. He expressed his concern on the impact fee methodologies. He used the garbage in garbage out (GIGO) formula as the example; if figures plugged into an equation are inaccurate, the results will be inaccurate.
- Kirk Sorenson, representing the Home Builder's Association, handed out a brief table for Board members to review as he addressed them. The association did not have a serious issue with the methodology James Nicholas had followed. There were some numbers he requested clarification on. His hand-out identified the existing fees and Dr. Nicholas's proposed fees. The association did have a problem with the escalation rate used. He stated that James Nicholas used a 3% escalation rate for residential homes, the School Board work plan used a 6% escalation rate, and the county's recent budget documents showed on taxable values the most recent escalation rate was 8%. He recommended using 6%. He discussed discount rates and gave recommendations.

Sue Hershey asked where he had gotten his information. Kirk answered he had gotten information from the district's work plan. Sue asked if anyone knew the district's portable rate. Sue asked if we could have a report on this at the next meeting. Dr. Sara A. Wilcox responded yes.

4. **Open to the Board**

Nancy Kline

Expressed her concern about developments in Indiantown. She stated that affordable housing was usually young families, which means more children.

Sue Hershey

Thanked the public for their input. She stated that the District needed to move forward with a study on Indiantown. She stated that there was a need for affordable housing.

David Anderson

Stated that the price of \$250,000 for affordable housing was not affordable to the people that are living in Indiantown now. He stated that it may be affordable housing for people moving into the area.

Lorie Shekailo

Said she agreed with the other Board members.

4. Open to the Board (Con't)

Dr. Sara A. Wilcox

Stated that she appreciated the public input. She stated that the District tried very hard to make sure that the information and notices got out, so that everyone would have the opportunity to give their thoughts and ideas. She thanked the public for being there.

Lorie Shekailo called for a motion to adjourn the workshop.

Nancy Kline made a motion to adjourn the workshop. Sue Hershey seconded, and the motion carried unanimously.

There being no further business to bring before the Board, the meeting was adjourned at 10:10 a.m.

CHAIR (Lorie Shekailo)

SECRETARY (Sara A. Wilcox, Ph.D.)