



October 23, 2023

J. Scott Herring, P.E  
Interim Deputy Hernando County Administrator  
1525 E. Jefferson St.  
Brooksville, Florida 34601

Re: Impact Fee Demonstrated-Need Study – Task Order

Mr. Herring,

Stantec has prepared this Task Order to conduct a Demonstrated-Need Study in which we will review Hernando County's adopted Impact Fees and evaluate the County's Demonstrated-Need in terms of the cost to the County to provide the level of service indicated by the currently adopted impact fees. This would primarily involve research and an assessment of documented increases in the cost of construction, population growth, and expected revenue loss since the adoption of existing impact fees. We are not proposing to conduct new impact fee calculations or to provide new impact fee documentation. We are not assessing or verifying the underlying methodology or calculations of the County's existing impact fee studies completed by Tindale Oliver in 2020 and 2021 as part of this assignment.

The impact fees that will be included in the scope of the Demonstrated Need Study are as follows:

- Roads
- Fire
- EMS
- Public Buildings
- Jail
- Law
- Libraries
- Parks
- Educational Facilities

While we have significant experience in the development of municipal services impact fees in Florida, we are not attorneys and we do not provide legal opinions. The County and its legal counsel may use the data and analysis we provide, but the County will need to form its own decisions as to whether the analysis meets the requirements of the Florida State Statutes to exceed the State's impact fee phase-in limitations.

## **Background**

Hernando County's Impact Fees were adopted at various points since 1986 to assist the County in providing adequate facilities for expected growth. The impact fee documentation has since been updated multiple times, with the most recent update occurring in 2020 and 2021 by Tindale Oliver (now part of Benesch). The current rates are based on the Hernando County Board of County Commission's policy decision to retain existing impact fee levels which reflect a lower cost recovery of the full calculated fee levels in the studies conducted by Tindale Oliver. The County is retaining Stantec to provide a Demonstrated-Need Study that outlines the extraordinary circumstances necessitating the need to exceed the phase-in limitations established in the Florida State Statutes,



163.31801. As stated before, we are not assessing the accuracy of the previous studies completed by Tindale Olive as part of this study.

### **House Bill No. 337**

On June 6<sup>th</sup>, 2021 the Governor signed into law House Bill No. 337, amending the Florida Impact Fee Act to, amongst other changes, place limitations upon the magnitude of impact fee increases allowable for local governments. Per House Bill No. 337, limitations on impact fee increases are as follows:

- 1) Increases not more than 25% above the current rate must be implemented in two equal annual increments
- 2) Increases between 25% and 50% must be implemented in four equal installments
- 3) No increase may exceed 50%
- 4) Impact fees may not be increased more than once every four years

### **Exceeding Limitations on Impact Fee Increases**

Local governments may increase impact fees beyond the limitations outlined above provided the following criteria are met:

- 1) A demonstrated need study has been completed within the 12 months prior to adoption of the proposed impact fee increase, expressly demonstrating the extraordinary circumstances necessitating the need to exceed the phase-in limitations
- 2) At least two publicly noticed workshops are held
- 3) The increase is adopted by at least a two-thirds vote

### **Our Approach**

During our 30+ years of experience, we have developed a thorough and effective approach to the development, review, and creation of impact fees. Our understanding of impact fee statutes, "case law", and growth management legislation will provide the County with the essentials to adjust the Impact Fees.

Our approach to this Demonstrated-Need Study will focus on "cost of service" as the defining benchmark to evaluate the sufficiency of the existing Impact Fee levels and provide the basis for extraordinary circumstances necessitating an adjustment to the County's Impact Fee schedule. We will conduct an analysis that evaluates the County's Impact Fee program revenues at its current state and existing level of impact fees. If the impact fee program is under-collecting the cost of expanding services to meet the demands of growth, the County may not have adequate funding for the expansion of services. Under-collection of Impact Fees may lead to a decline in level of service, or a shift in the cost burden to expand facilities to taxpayers through general revenues. The potential for under-funded services in the County demonstrates the need to adopt an increase to Impact Fees that exceed the phase-in limitations.

The County has not updated their Impact Fees since 2013 and this extended duration of time may demonstrate an extraordinary circumstance. Standard industry practice recommends an impact fee program should be updated every 4 years to realign an impact fee program to avoid significant increases and restructuring.

We will initiate the project with a virtual kick off meeting to discuss data collection and finalize an understanding of desired modifications, key issues, and timeline for the study. We will review existing impact fee documentation, research industry standard sources, and perform an analysis of construction and land cost inflationary increases. We'll meet again virtually with the County to discuss our initial findings and determine if there is additional follow-up research necessary. A virtual meeting is included to discuss the assumptions and results with the County's legal counsel to receive their guidance and approval that compliance with Florida State Statutes is met. Upon determination with the County and the County's legal counsel of the final suggested impact fee levels (reflecting



its recent prior impact fee studies conducted separately) and basis for exceeding the Florida State Statute phase-in limitations, we will detail the results of our analysis to County Management in a Technical Memo. We will also attend up to two publicly noticed workshops and one public hearing, as per the requirements of Florida State Statutes, 163.31801.6(g).

**Cost Estimate**

The cost estimate table on the following page outlines the tasks to be performed during the Task Order, the estimated hours to complete each task by consultant and the total fee to complete the Demonstrated-Need Study. Based upon the above referenced table, the fee for this Task Order will be a lump sum of **\$37,620**.

**Table 1 – Cost Estimate**

<b>Task</b>	<b>Cost</b>
Task 1. Project Initiation	\$4,280
Task 2. Research & Analysis	\$16,380
Task 3. Prepare Technical Memo	\$6,625
Task 4. Attend Public Workshops/Hearing (3)	\$9,960
Estimated Expenses	\$375
<b>Total Fee:</b>	<b>\$37,620</b>

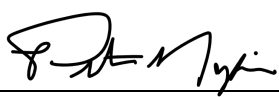
**Conclusion**

We are delighted to have the opportunity to present this Task Order to you. If you have any questions or would like to discuss this proposal, please do not hesitate to call me at (904) 671-0117. Again, it is a pleasure to be able to submit this Task Order for your consideration, and we look forward to the opportunity of working with the County.

Sincerely,

Peter Napoli, Managing Consultant  
 peter.napoli@stantec.com

If the terms of this proposal are acceptable, please affix the appropriate signature below and return a copy (digital scan or facsimile will be acceptable) to us for our files:

<p><b>Accepted by Hernando County, FL:</b></p> <p>_____</p> <p style="text-align: center;"><i>Signature</i></p> <p>_____</p> <p style="text-align: center;"><i>Name</i></p> <p>_____</p> <p style="text-align: center;"><i>Title</i></p> <p>_____</p> <p style="text-align: center;"><i>Date</i></p>	<p><b>Accepted by Stantec Consulting Services Inc.</b></p> <p style="text-align: center;"></p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><i>Signature</i></p> <p style="text-align: center;">Peter Napoli</p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><i>Name</i></p> <p style="text-align: center;">Managing Consultant</p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><i>Title</i></p> <p style="text-align: center;">10/23/2023</p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><i>Date</i></p>
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