CITRUS COUNTY EXTRAORDINARY NEEDS STUDY
May 30, 2023

Citrus County updated its transportation impact fee study in 2021,[1] and phased those increases in over two years to 50% of the maximum amounts calculated in the 2021 study. The current transportation impact fee schedule became effective on March 23, 2022. Recent developments, notably including a surge in development applications and increased traffic due to the 2022 completion of the extension of the Suncoast Parkway into the county, have created an urgent need for additional funding for transportation capacity improvements. The County now wishes to increase the transportation impact fees to the maximum amounts supported by the 2021 study. The purpose of this analysis is to determine if there are extraordinary circumstances that would allow the transportation impact fees to be increased beyond the phase-in limitations of the Florida Impact Fee Act.

Legal Framework

The statutory limitations on impact fee increases became law in June 2021, but were retroactively effective on January 1, 2021 (see text in Appendix). They require that any impact fee increase of up to 25% must be phased in over two years, and any increase between 25-50% over four years. No impact fee rate can go up more than 50% over four years. Aside from required annual phasing of increases in equal annual increments, fees can only be increased once every four years. The statute allows the phase-in limitations to be exceeded, based on an analysis that describes the extraordinary circumstances that create the need to exceed them.

The Florida Impact Fee Act allows the limitations on fee increases to be exceeded, provided that the following criteria are met:

- "A demonstrated need study justifying any increase in excess of those authorized in" the Act "has been completed within the 12 months before the adoption of the impact fee increase and expressly demonstrates the extraordinary circumstances necessitating the need to exceed the phase-in limitations."
- "The local government jurisdiction has held not less than two publicly noticed workshops dedicated to the extraordinary circumstances necessitating the need to exceed the phase-in limitations set forth" in the Act.
- "The impact fee increase ordinance is approved by at least a two-thirds vote of the governing body."

The Impact Fee Act does not define what constitutes "extraordinary circumstances." It would appear that the act authorizes a super-majority of the local governing body to determine whether extraordinary circumstances require relief from the phase-in limitations on fee increases.

This analysis identifies a number of circumstances that would appear to fit within the common understanding of the term "extraordinary," including the following:

[1] Duncan Associates, *Citrus County Impact Fee Update for Transportation, Schools, Parks, Libraries, Law, Fire, EMS and Public Buildings*, March 22, 2021.

• The County is experiencing unusually rapid growth.
• The County has plans for major road improvements to accommodate that growth that exceed available revenue.
• It would take 10 years to increase the fees from 50% to 100% under phase-in limitations. This would result in the estimated loss of $18 million in impact fee revenue over the next six years.

These circumstances are described more fully below.

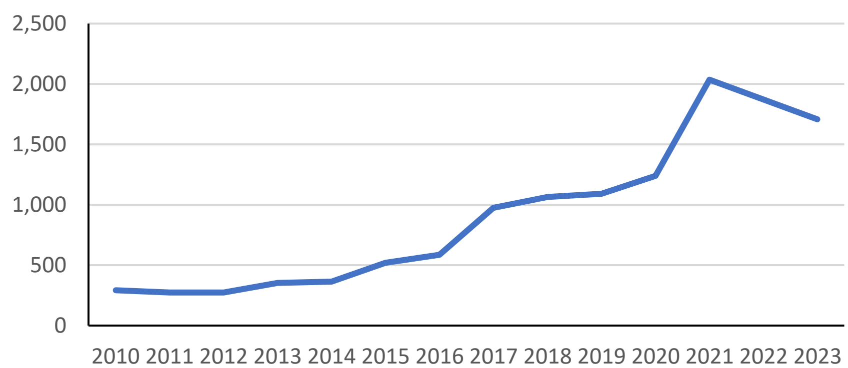
Rapid Growth

Residential building permit data illustrated in Figure 1 below and summarized in Table 1 on the following page show a steady increase in the number of housing units permitted in the unincorporate area since 2013. Most of the increase has been for single-family detached homes, with a much smaller number of new mobile home placements and only a few new multi-family units. Since few new mobile homes are located in mobile home parks, the vast majority of new housing units are paying the fee for a single-family home.

While future growth is always difficult to predict precisely, there are reasons to believe that an average of about 1,500 new housing units will be built annually over the next six years. While a general surge in housing statewide during the pandemic has likely been a factor in the building boom in the last few years, the primary driver has been the construction of the Suncoast Parkway toll road, which when the next extension is completed in about 2026 will allow motorists to travel from Crystal River to Tampa without having to go through a traffic light. The previous extension from US 98 in Hernando County to SR 44 in Citrus County was opened in February 2022. This project increases accessibility to the county to a much larger area, and will be likely to sustain growth at near current levels for the next few years.

In addition, the housing data excludes nonresidential growth, which over the last two years accounted for 9% of new building square footage and 12% of new construction value.[2] In this context, an estimate of 1,500 new single-family homes annually (or its equivalent in terms of potential impact fee revenue) over the next six years would appear to be a reasonable one.

Figure 1. Housing Units Permitted, 2010-estimated 2023



[2] Permitting statistics for the unincorporated area in the 2021 and 2022 calendar years, provided by Citrus County Growth Management on May 4, 2023.

Table 1. Housing Units Permitted, 2010-estimated 2023

Calendar Year	Single-Family	Multi-Family	Mobile Home	Total Actual	Total Estimated
2010	149	0	142	291	291
2011	130	0	144	274	274
2012	165	2	105	272	272
2013	228	4	121	353	353
2014	228	1	135	364	364
2015	366	2	150	518	518
2016	379	1	206	586	586
2017	690	2	281	973	973
2018	854	0	211	1,065	1,065
2019	829	2	260	1,091	1,091
2020	977	10	253	1,240	1,240
2021	1,746	9	280	2,035	2,035
2022	1,588	9	273	1,870	1,870
2023 (thru 5/3)*	466	19	104	589	1,706
Annual Average, 2010-2012				279	
Annual Average, 2013-2016				455	
Annual Average, 2017-2019				1,043	
Annual Average, 2020-2022				1,715	
Projected Annual Average, Next 6 Years (2023-2028)					1,500

* 2023 actual total based on data through May 3, 2023, estimated total for all of 2023 assumes same total daily permits as seen in the first 126 days of the year.
Source: Data on new housing units permitted in the unincorporated area from Citrus County Growth Management Department, May 4, 2023.

Transportation Revenue Needs

The need for capital improvements to accommodate increasing travel demand is evidenced by the County's planned near-term capacity projects. These impact fee-eligible improvements, which total $283.5 million, are summarized in Table 2. The Hernando/Citrus Metropolitan Planning Organization (MPO) recently completed a traffic model analysis associated with the Suncoast Parkway extensions into Citrus County, which predicted CR 491 going to level of service "F" in the future.[3] Only a small portion of the cost of widening this roadway is funded in the County's current Capital Improvements Plan, with the unfunded portion estimated to cost $165 million. A $61 million widening of Croft Road is also needed, but unfunded. Both of these projects are on the MPO's high priority list. Together, these two unfunded but urgently needed projects are estimated to cost $246 million.

Table 2. Planned Roadway Capacity Improvements

Description	Miles	Improvement	Status	Est. Cost
CR 491, Audubon Park Path-Horace Allen	1.31	Widen 2-4 lanes	Funded	$37,500,000
CR 491, Pine Ridge Blvd-SR 200	6.88	Widen 2-4 lanes	Unfunded	$165,000,000
Croft Rd, SR 44-Hayes	2.72	Widen 2-4 lanes	Unfunded	$81,000,000
Total Cost of Planned Projects				$283,500,000
Unfunded Revenue Needs				$246,000,000

Source: Citrus County Growth Management Department, May 17, 2023.

[3] Citrus County Public Works Department, May 2, 2023.

The County does not anticipate receiving any State or Federal revenue for these unfunded projects, and will need to rely on local transportation funding sources, which in recent years has consisted almost entirely of transportation impact fees and local option gas taxes. Most of the current transportation impact fee fund balance is already committed to the funded portion of the CR 491 widening project, with only about half a million dollars left available (see Table 3 below). Annual impact fee revenues are currently generating about $2.9 million annually (see Table 4). The County has already committed about $14.9 million in gas tax and bond funds (which in turn are repaid almost entirely from gas taxes) to the funded CR 491 widening project. According to the 2021 study, the County had spent an average of $2.2 million per year in gas taxes on transportation capacity improvement in the previous five years, and was also using gas tax revenue to repay $26 million in capacity-related debt.[4] Given the scale of the needed but unfunded improvements, additional transportation capacity funding is urgently needed.

Table 3. Transportation Impact Fee Fund Balances

	Total	Committed	Available
District A	$2,751,155	$2,591,964	$159,191
District B	$1,335,450	$1,090,000	$245,450
District C	$1,564,470	$1,590,000	-$25,530
District D	$1,628,840	$1,435,485	$193,355
Total	$7,279,915	$6,707,449	$572,466

Source: Citrus County Growth Management Department, May 2, 2023.

Cost of Phasing Fee Increases

Barring extraordinary circumstances, the Florida Impact Fee Act now limits fee increases to once every four years. The County's last increase was effective beginning on June 23, 2021, so the transportation impact fees cannot be increased again until June 23, 2025 – two years from now. The Florida statute limits fee increases to no more that 50% over four years, which means that it would take four years (from current fees for the year starting June 23, 2024 to the year starting June 23, 2028) to increase the assessment rate from 50% to 75% of the 2021 study maximum fees. It would take another four years (to 2032) to increase the transportation fees to the maximum amounts calculated in the 2021 study.

The County has the option of updating the 2021 study for the maximum transportation impact fees in 2025, but this would not allow greater fee increases over the next six years than those based on the 2021 study. However, the County could update the study in 2029 and based on that study increase the fees somewhat more than the 2021 study maximums during the final four-year phase-in, which would only go up 33% if based on the 2021 study, or less than the 50% allowed. Due to these longer-term uncertainties, this analysis is limited to revenue projections over the next six years.

The following assumptions are used to project transportation impact fee revenues over the next six years for the phased and extraordinary circumstances alternatives:

- The transportation impact fee study will not be updated, nor will extraordinary circumstances be invoked again during the next six years.
- Average annual growth over the next six years will be in the range of 1,500 single-family homes, or their equivalent in terms of the amount of impact fees paid.

[4] Duncan Associates, *Citrus County Impact Fee Update for Transportation, Schools, Parks, Libraries, Law, Fire, EMS and Public Buildings*, March 22, 2021, page 22.

Under these assumptions, increasing the transportation impact fees pursuant to statutory limitations would generate about $21 million over the next six years, compared to $39 million if the fees were increased to the 2021 study maximum fees immediately, as shown in Table 4. The extraordinary needs approach would generate about $18 million more than the phased approach over the next six years, or about $3 million more each year. While this alone would make only a partial contribution to closing the transportation capacity funding gap, it would still be a significant one.

Table 4. Six-Year Revenue Loss Due to Phasing

Year Starting June 23	Phased Fee/Unit	Unphased Fee/Unit	Phased Revenue	Unphased Revenue	Lost Revenue
2023 - No Phasing Allowed	$1,932	$4,347	$2,898,000	$6,520,500	$3,622,500
2024 - No Phasing Allowed	$1,932	$4,347	$2,898,000	$6,520,500	$3,622,500
2025 - Phasing Year 1	$2,174	$4,347	$3,261,000	$6,520,500	$3,259,500
2026 - Phasing Year 2	$2,416	$4,347	$3,624,000	$6,520,500	$2,896,500
2027 - Phasing Year 3	$2,658	$4,347	$3,987,000	$6,520,500	$2,533,500
2028 - Phasing Year 4	$2,898	$4,347	$4,347,000	$6,520,500	$2,173,500
Six-Year Total			$21,015,000	$39,123,000	$18,108,000

Source: The phased fee per unit is based on the current single-family fee during the next two years, followed by a 50% increase over the four-year phasing period in equal annual increments; the unphased fee per unit is the maximum fee calculated in the 2021 study; revenue projections are calculated by multiplying the fee per unit by 1,500 new units (or equivalent) annually.

Needs Analysis Summary

Recent rapid growth has created the need for about $246 million in near-term transportation capital improvement funding. Current funding sources are limited, and additional funding is urgently needed.

The County's current transportation impact fees, which are assessed at 50% of the maximum fees calculated in the 2021 study, are less than half the average charged by other Florida counties.[5] The County would like to increase the assessment rate to 100% in light of the urgent need for additional capital improvement revenue. However, statutory limits on impact fee increases would not allow any increase for the next two years, and would require another eight years to phase in a doubling of the fees, resulting in a ten-year period to accomplish this.

Revenue projections prepared as part of this analysis indicate that adopting the increase in the assessment rate to 100% immediately, as allowed under the extraordinary circumstances provisions of the statute, would bring in about 86% more revenue over the next six years than would be possible under the phasing requirements.

Collectively, these appear to comprise extraordinary circumstances that warrant transportation impact fee increases that exceed the phasing restrictions.

[5] Based on Citrus County's current $1,932 fee for a single-family home, compared to the average of $4,189 assessed by other Florida counties in the survey conducted for the 2021 study (see Table 115 in that report).

APPENDIX: STATUTORY LANGUAGE

The Florida Impact Fee Act was most recently amended by House Bill 337, which was signed by the governor on June 4, 2021. The recent provisions relating to limitations on impact fee increases are in subsection 6 of the Act, as reproduced below.

163.31801 Impact fees; short title; intent; minimum requirements, audits; challenges. --

(1) This section may be cited as the "Florida Impact Fee Act."

…

(6) A local government, school district, or special district may increase an impact fee only as provided in this subsection.

(a) An impact fee may be increased only pursuant to a plan for the imposition, collection, and use of the increased impact fees which complies with this section.

(b) An increase to a current impact fee rate of not more than 25 percent of the current rate must be implemented in two equal annual increments beginning with the date on which the increased fee is adopted.

(c) An increase to a current impact fee rate which exceeds 25 percent but is not more than 50 percent of the current rate must be implemented in four equal installments beginning with the date the increased fee is adopted.

(d) An impact fee increase may not exceed 50 percent of the current impact fee rate.

(e) An impact fee may not be increased more than once every 4 years.

(f) An impact fee may not be increased retroactively for a previous or current fiscal or calendar year.

(g) A local government, school district, or special district may increase an impact fee rate beyond the phase-in limitations established under paragraph (b), paragraph (c), paragraph (d), or paragraph (e) by establishing the need for such increase in full compliance with the requirements of subsection (4), provided the following criteria are met:

1. A demonstrated need study justifying any increase in excess of those authorized in paragraph (b), paragraph (c), paragraph (d), or paragraph (e) has been completed within the 12 months before the adoption of the impact fee increase and expressly demonstrates the extraordinary circumstances necessitating the need to exceed the phase-in limitations.

2. The local government jurisdiction has held not less than two publicly noticed workshops dedicated to the extraordinary circumstances necessitating the need to exceed the phase-in limitations set forth in paragraph (b), paragraph (c), paragraph (d), or paragraph (e).

3. The impact fee increase ordinance is approved by at least a two-thirds vote of the governing body.

(h) This subsection operates retroactively to January 1, 2021.