



Impact Fee Study Raises Questions

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BROOKSVILLE - Even though the Hernando County Builders Association may be thrilled with the Hernando County School Board's decision not to raise impact fees, their financial economist says the board consultant's recent impact fee study is "grossly flawed."

In a report sent to district officials Friday, Stuart-based financial economist Kirk Sorenson, who was hired to examine the study by the HBA, claims the numbers used by Washington-based board consulting firm Henderson Young & Co. are wrong.

While the board may not be raising the fees now, Sorenson said he still intends to finish the alternative study he is currently working on to bring attention to technical concerns.

"Obviously, it's an economic concern, but that impact fee study is grossly flawed," he said. "If they go back in a year or two and say 'Maybe we should implement this now,' it's not accurate."

Hernando Builders Association Representative Bob Eaton, chairperson of the government affairs committee, preferred not to speculate on "what ifs," and said he remains grateful that the board did not entertain the consultant's recommendation.

"We're very pleased that the board appreciates the situation we all find ourselves in and with (their) decision to not even discuss raising impact fees," he said.

In December, Henderson Young & Co. released a report recommending the school impact fee per new single-family home be raised from \$4,266 to \$10,000 to cover new school construction — an increase of about 134 percent.

The report, mandated after a change in state statute prompted the district to adopt new methodology in 2006, cost the district an estimated \$64,000.

The district's consultant cited a substantial enrollment growth for county schools, a trend the firm said should continue.

However, the consultant's enrollment projections were based on an average annual growth rate of 5.5 percent from the beginning of the 2005-06 school year.

The report was submitted in December 2007, which is a direct violation of Florida statute 163.31801, which requires the use of the most current and localized data when conducting impact fee calculations, Sorenson said.

District finance director Deborah Bruggink said that claim is "absolutely incorrect," referring to the difference in results as "a timing issue."

The firm's data was taken from the 2005-06 school year because at the time the data was collected,

the board had not yet submitted its work plan for the 2006-07 school year.

That work plan was approved late, in February 2007, Bruggink said.

"The consultant was using the latest available data for that work plan," she said. "The work plan and Full Time Equivalent (state student numbers) are not related. We haven't even done a work plan associated with the 2007-08 year yet."

The projections indicate there will be about 27,784 students in Hernando's public schools by 2010-11, necessitating the need for new educational facilities, as determined by comparing the district's state capacity standards to the number of students it must serve.

"We've got 5,000 kids in portables, and all of our schools are at capacity," Bruggink said. "We support getting (away) from portables because we don't think it's the right classroom space for kids."

However, a sluggish housing market has caused economic growth to slow considerably since then — causing the consultant's projections to be overstated by 20 percent, or 1,200 student stations, Sorenson said. The most recent data for Hernando County, or 2007 Capital Outlay Full Time Equivalent enrollment projections, indicates an annual growth rate of 4.4 percent, he added.

"Today, growth is only increasing by 1 or 2 percent per year, and that's expected to continue, at least for the near future," Sorenson said. "Fewer people are moving in, and people are moving out."

"It's a trend throughout the state. Hernando is actually better off than a lot of the counties I've seen, but enrollment is still down compared to what it was a few years ago."

"If future growth starts trending downward, the fees will also go down," he added.

Bruggink acknowledged that enrollment has decreased, with the district reporting 22,067 students in fall 2007.

However, the numbers change each year, and the work plan changes with it, she said.

"Our next work plan would use the numbers that Sorenson is using," Bruggink said.

Sorenson also called the consultant's methodology "questionable" because he believes it inappropriately includes the current value cost of future debt service interest payments and thereby "double counts" a portion of the school facility construction costs.

Bruggink called this allegation "totally off base and unfounded."

At press time, the school district's consultant, Randy Young, could not be reached for comment.

On Tuesday, the board agreed that if future challenges to the current impact fee rate should arise from builders or developers, the new study validates it because the consultant's case has withstood court challenges in Osceola County.

But Sorenson disagreed.

"I was involved with the Osceola County case, and the court actually ruled in favor of the builders," he said. "He made them reduce their fees by about \$2,000 because it included a cost component that shouldn't have been there. And it looks like (the consultant) is trying the same thing in Hernando."

When a district issues debt for new schools, it pays the debt back with new school taxes.

Therefore, even though a school may already be built, developers are still making payments because the district is paying debt service. The court ruled that builders have to be given credit for that, Sorenson said. But that was only one small piece of the case. The rest withstood court challenges, Bruggink said.

"We've got documentation provided to us saying that he won the overall case," she said. "You've got two interpretations of the outcome there."

New homebuyers in Hernando County currently pay seven impact fees, which are imposed on developers and builders to fund capital improvements in the community.

Impact fees per single-family home in Hernando County total \$9,027. That includes all seven impact fees.

Should this consultant's recommendation be approved, the total would be \$14,761.

That's not including any of the other proposed six impact fees Hernando County commissioners may hike.

Critics have said it is vital county officials not raise impact fees during this period of market uncertainty. On Tuesday, the board agreed.

But in the future, Sorenson said he would like to see the district at least correct the numbers used in their study before implementation is discussed.

"They would have to update the study to begin with, but I would recommend that they start from scratch and just re-do the study," he said.

If the board had shown interest in raising fees, a stakeholders' meeting would have taken place Tuesday for members of the Hernando County Chamber of Commerce, Hernando County Builders' Association and county planning staff, in which Sorenson would have presented his findings.

And Bruggink said next time impact fees are amended, district staff will again use the latest data — and argue whatever challenges Sorenson makes to their calculation.

"If the increase two years from now is still \$10,000, then at that point, the two consultants will hash it out," she said. "I think if the market is better then, the board will support moving forward with (our consultant's) recommendation."

Hernando County has 10 elementary schools, four middle schools, four high schools and one combination school that houses elementary and middle school grades, kindergarten through eighth grade, with another K-8 school slated to open in August.

It also boasts a charter school and education center for at-risk students in grades 4-12.

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