Technical Memorandum

Sarasota Fiscal Neutrality Analysis

Prepared for

Sarasota County
Sarasota, FL

Submitted by

AECOM

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I. Introduction and Background

Sarasota County engaged AECOM to analyze the current fiscal neutrality analysis legislation as a part of the Sarasota 2050 Plan. The Sarasota 2050 legislation is codified in Article 11 of the Sarasota County Code of Ordinances. The legislation defines fiscal neutrality as "…when a development will pay the full costs of all public facilities and services that are required to support the development and that are required to meet or exceed the level of service standards adopted by the County. This requirement includes the initial costs of all required infrastructure and the ongoing costs for all operations and maintenance."

The neutrality analysis has been required of developers who wish to develop locations outside of the urban service area boundary. In addition to submitting a fiscal neutrality analysis from a qualified professional and review by the County Office of Financial Management, the developer's submission is also peer reviewed by a professional selected by the County. AECOM has fulfilled this role for Sarasota County and to date, has assessed 12 analyses for their adherence to a sound methodology, reasonable assumptions, and general findings.

As a part of amendments to the ordinance, after having the program in place, the County desired a review of the process, to seek improvements as well as some standardization of the preparation of the analyses to enable more timely and accurate review by County staff and to ensure that the requirements follow a fair and clear process. Though every development is unique, having a prescribed basis for particular assumptions and methodologies will better enable comparisons and review by County staff. This report is the culmination of this process.

II. Task 1: Review of Documents and Data

a) Review Documents and Data Relating to Past Fiscal Neutrality Analyses

i. Review Pending Potential Changes to Sarasota County Fiscal Neutrality Requirements

As a part of the proposed changes to Sarasota County Fiscal Neutrality requirements as codified in the Sarasota County Comprehensive Plan & Sarasota County Zoning Code, AECOM provided comments on the changes and attended and was available to provide testimony at the Board of County Commissioners' public hearing on October 22, 2014. AECOM's comments included:

- AECOM noted that the allowance of incentives for affordable housing, while aligned with the County's policies in support of affordable housing, may have an impact on fiscal neutrality.
- AECOM generally supported the separation of transportation-related components as a separate item to be analyzed due to the County, City, State, and Federal funding aspects relating to transportation capital improvements.
- Changes in the monitoring and reporting requirements will place additional emphasis on the validity of the market analysis submission.
- Requirements for project performance should be items within the applicant's control.

Ongoing monitoring and reporting may have an impact on the applicant's ability to obtain project funding. Some sense of certainty is needed on a phase-by-phase basis.

ii. Review Previous Studies

AECOM evaluated previous studies prepared in advance of the adoption of the fiscal neutrality requirements, internal staff reviews, and analyses of fiscal neutrality studies associated with the Sarasota 2050 developments, and specifically a previous report "An Economic Assessment of Sarasota County's Fiscal Neutrality Provision" by Laffer Associates in January 31, 2014 (Laffer Report). Although the Laffer report made good points about the difficulties presented in the fiscal neutrality requirement, it is largely focused on taking a position against smart growth principles in favor of an unregulated real estate market. While it is important to note how public policy decisions impact the economy, government regulations often have goals that extend beyond growth. The objective of AECOM's analysis is not to necessarily judge the efficacy of the requirement or its impacts on the economy, but to recommend the best approach to make the fiscal neutrality requirements the most accurate and least burdensome possible.

iii. Review Submission Processes

AECOM reviewed previous submissions—including records, correspondence, and interviews with fiscal analysts who had worked on behalf of applicants and with County staff.

Practitioner Interviews

To assess the experience of those consultants conducting fiscal neutrality analysis for developers undergoing the process in Sarasota County, AECOM interviewed three consultants from three firms who have completed studies. The interviews were conducted simultaneously via conference call and included (in alphabetical order): Lucy Gallo of DPFG, Julie Herlands of TischlerBise, and Steve Schriever of Fishkind and Associates. Representatives from Sarasota County's Office of Financial Management and Planning Department were also in attendance.

Two of the consultants performed three to four analyses each for developers in Sarasota County, but also have extensive experience doing other kinds of fiscal analysis for a variety of clients in Florida and around the country. TischlerBise has recently completed its first fiscal neutrality analysis in Sarasota County but has completed numerous fiscal impact analyses and other studies around the country. Tischler and Associates, Inc. (predecessor to TischlerBise) conducted a study of the economic and fiscal impacts of development in general on Sarasota County in 1999-2000. Fishkind and Associates worked with Sarasota County when the 2050 plan was first being developed.

While many communities require fiscal analyses for various zoning changes or funding or other reasons, according to a consultant, Sarasota County's dedication to review the reports is different from what is experienced elsewhere. The monitoring requirements (which have recently changed) are also unusual. Because of the County's interest, the consultants found that at the start of a new project, having a meeting with the County financial staff assisted the consultants in understanding the necessary inputs for the analysis as well as to ensure that the analysis is presented in a clear way that makes review for the County easier, and allows the process to be executed smoothly. Because of this, it is also useful if the consultant can have an open line of communication between the fiscal neutrality analyst, the peer reviewer, and the County, so that any questions can be answered efficiently (versus having everything in writing). Typically, the lead time on a project from the beginning of analysis to the report is approximately six weeks, which has been adequate for the analysts thus far.

Consultants review the market study ahead of time and suggest that it would be helpful for this component to be reviewed by the County and approved ahead of time for any discrepancies or questions. Also, for the ease of review by the County and consultants, it would be helpful for the market study to illustrate demand, pricing, and absorption using the unit types shown in 2050 legislation.

The consultants agreed that there is often confusion on what is possible with a fiscal analysis. For example, many of the sufficiency questions from the County center around capital costs and projects—specific details such as timing, location of projects, exact cost, exact improvements, which is not a feasible way to conduct a fiscal impact analysis because it essentially requires doing what impact fee studies are supposed to do—determining the cost of improvements attributable to new development. Sarasota County's impact fees use an inventory replacement method (versus improvements only, as in some jurisdictions), and this makes them feasible for use as a proxy for costs attributable to the development. The inventory replacement method is better than using a marginal approach for fiscal analysis as well. This method considers the level of population requiring various facilities and services (such as a new school for every 1,000 students), and would not capture cost from smaller developments, which also use services but might not meet the thresholds required for certain facilities.

The consultants emphasized that fiscal analysis is not a cash flow analysis, and therefore cannot be looked at as a year-by-year examination of exactly what will be flowing into the County's revenue or expense stream. The consultants advocate for alternate scenarios, to show the effect certain variation in program, costs, or other factors could have on the development's fiscal neutrality.

From a technical perspective, for the analyses, consultants add a balancing fund to the County budget when the budget is not balanced, to ensure the development is not unfairly disadvantaged or advantaged. To reconcile the County's budget, there is often a lot of upfront work, with the possibility of incorrect allocations, and having this provided by the County would be helpful and would likely eliminate some back and forth discussion both before and after the report is issued.

Inflation is typically left out of the analysis (in other words, they use a constant dollar approach), which enables comparisons across years and across projects. For this reason, they would also like to see a standardization of approach and inputs where possible.

Consultants mentioned the difficulty of evaluating some uses from a fiscal perspective. Hospitals are not developed solely based on new population, but rather on utilization and are evaluated by the State for approvals. Thus, it is impractical to make assumptions on what a particular development's contribution will be to hospital needs. Transit is nearly always a heavily subsidized use and does not pay for itself; therefore, it is unreasonable to think that a developer can present fiscal neutrality for this service. Enterprise funds such as electric, water, etc. should exclude operating costs because they are or should be satisfied by rate studies. These are self-sustaining enterprises. Rather, for capital improvement needs as a result of the development, these should be decided upon with the utility, and the developer's agreement to pay for necessary improvements should satisfy this element of fiscal neutrality. It should be noted that the 2007 Impact Fee Study by Duncan Associates is in the process of being updated as this report is being written. Also, work is in progress on a Mobility Plan and Mobility Fee system. Potential revisions to the impact fees may provide more information on the application of such fees to offset capital infrastructure costs and the potential Mobility fees may allow for revenues to go into capital infrastructure funds related to transit needs.

County Staff Interviews

AECOM met with several departments at Sarasota County to understand the staff's experience in reviewing the fiscal neutrality analyses for sufficiency as well as to gain insight on inputs. AECOM met with representatives of the Office of Financial Management, Planning and Development Services, Public Utilities, and the County Attorney.

The Public Utilities staff stated that each utility has a method for estimating costs for both residential and non-residential projects. These costs per equivalent dwelling unit (EDU) are periodically checked to ensure it covers costs. Some charges are County-wide, but others, such as stormwater, are based by location. As far as difficulty in providing services for new development, this has not been an issue, because most developments have been within areas with existing infrastructure and capacity. In some further areas outside of the urban service area, potential developments would require more significant investment.

The Office of Financial Management suggested that a summary providing numbers made available by budget fund, comparisons between projects, and some review of previous submissions would be efficient. This would encourage consistency between reports. They suggested isolating costs to per square foot/per capita by development type to have a basis of comparison between developments. The group said a year-over-year versus cumulative fiscal neutrality was necessary to provide the Board of County Commissioners (BCC) information about the flow of revenues and costs over the period of analysis. They said that reserve funds should not be included in calculations as they are not available to offset shortfalls from a development and that the County would establish inflation over development period. With the absence of ongoing monitoring, it is even more important to establish the validity of the market study, and the staff suggested a review by the County prior to submission of the fiscal neutrality analysis. The Office of Financial Management suggested that applicants should be provided with formulas or ratios to allow for efficient evaluation of fiscal impacts and that sources for inputs to the fiscal impact models should be standardized. They also emphasized the need for the result of this study to be clear not only to developer/applicants but also to the general public.

b) Review County Revenue Sources and Expense Data Sources

AECOM reviewed potential data sources for County revenues and expenses and has determined that the current fiscal year budget for the County is the appropriate source for data. The schedule of revenues and expenses, as shown in the provided guide to be updated annually by the county, will provide the basis for calculation and the current year budget by revenue and expense.

III. Task 2: Development of Assumptions, Metrics & Analytical Approaches

a) Review Standard and/or ''Typical'' Assumptions and Data Points: ''Best Practices'' from Previous Fiscal Neutrality Submissions and ''Current State-of-the-Industry Practices Literature on Fiscal Impacts Analysis Methodology.''

Previous Fiscal Neutrality Submissions

To date, AECOM has conducted peer reviews on behalf of Sarasota County on twelve fiscal neutrality analyses. Of these, six were for the same development by Neal Communities, now called Grand Palm. Previously, there were reports prepared for Blackburn Settlement (2010) and Cedar Ridge (2011), which are now incorporated into Grand Palm, as well as Grand Palm Neighborhood 2 (2014), Neighborhood 3 (2014), and Neighborhood 4 (2015), and a peer review of a fiscal neutrality monitoring report for Grand Palm Neighborhood 1 (2014). Other developments include Villages of Lakewood Ranch South (two separate reviews 2009/2010 and 2014), Lakepark Estates (2014), Lindvest's Fruitville Road property (2015), Hidden Creek (2015), and the Villages of Manasota Beach (2015).

All of the analyses were prepared by one of three firms—Fishkind and Associates, Development Planning and Financial Group, Inc. (DPFG), or TischlerBise—all well-known companies in the field of economic and fiscal analysis. The reports included narrative text, tables and supporting documentation spreadsheets and market pricing and absorption projections. The supporting documentation was used to provide background information about assumptions of pricing for sales and rental property potential valuation and sales or rental absorption projections to address issues of phasing and potential tax revenue.

The reports also included demographic information and development programming used to support assumptions for per capita multipliers, calculation of impact fees and student generation, and support proportionate share. When available, actual sales data were provided to augment absorption and pricing assumptions.

While it was possible to use whichever method might best illustrate the fiscal neutrality of the proposed projects, the three consulting analysts used somewhat similar methods. Fishkind used the previously developed FIAM, a modified per capita method, for the reports it prepared. DPFG and TischlerBise used a marginal/average cost hybrid methodology to determine their projects' impact on capital and operating costs with personnel and operating costs, and expenditures for capital improvements projected on a variable or incremental basis. They also projected revenues on a marginal basis and revenues attributable to growth were reflected on an average basis. All studies used the impact fee schedule in effect at the time of their respective analyses and student generation numbers provided by the Sarasota County Schools.

In each case, current levels of service and expenditures were assumed to continue, as the analysts have no way to accurately predict changes in either factor, though each has a significant impact on the reliability of the projected fiscal impacts.

The supporting market studies tended to use comparable sales data to establish a range of pricing and values and to establish a pace of absorption.

Literature on Fiscal Impact Analysis Methodology

Though communities often examine the fiscal impact of new development for changes in zoning or other land use actions, most do not refer to it as “fiscal neutrality” *and there are few if any communities that have this as an absolute requirement*. Typically, it is a piece of an overall application to demonstrate the impact of the development. An exhaustive analysis of all fiscal analysis\ nationwide is outside the scope of this study; however, AECOM did review fiscal analysis literature to establish parameters for analysis and determine if there are new or innovative practices that could be deployed as a standard for Sarasota’s fiscal neutrality requirement. *We were unable to find any documentation explicitly on “fiscal neutrality” or the best practices for fiscal analysis in every situation.*

The Fiscal Impact Handbook (though it has been updated a few times in subsequent versions), was published at about the time fiscal impact analysis (FIA) began to have widespread use as a tool by municipalities looking at the implications of development in their communities on their budgets.[1] Around that time, many jurisdictions were struggling with the results of the move toward a more automobile-oriented development pattern throughout the latter part of the twentieth century; in some cases, established communities lost tax base while in others, the provision of services moved from a denser core to housing areas on the fringe. This volume is still considered a primary resource for the instruction of fiscal impact analysis for staff of planning offices and for practitioners. While the resource has aged, the methods of fiscal impact analysis have not changed much. It reflects the view of providing “…a fiscal foundation for development planning but not [serving] as a surrogate for the latter.” (page 3) and describes the primary methods of approaching estimating the fiscal benefits and costs of an action, be it legislative, development, or other changes to a public body’s

[1] The Fiscal Impact Handbook, Burchell, Robert W.; Listokin, David. The Center for Urban Policy, Rutgers—The State University of New Jersey, 1978.

revenues/expenses. While a full summary of the topics in the book will not be given here, it has been referenced by AECOM for development of fiscal impact analysis recommendations.

“Prospects and Perils of Fiscal Impact Analysis,” a 2010 article in the *Journal of the American Planning Association* examined the uses of fiscal impact analysis and how it relates to assumptions used.[2] The authors interviewed planning directors across the country and also performed fiscal impact analysis on hypothetical mixed-use projects in seven cities in Wisconsin to evaluate the sensitivity of results. They found that fiscal impact analyses are important tools for planners, but that the analysis can “…produce relatively large errors and even incorrectly predict whether to expect a fiscal surplus or deficit.” They do not recommend eliminating fiscal impact analysis as a tool, but rather that “planners and researchers should acknowledge the limitations of FIA, and conduct FIA in ways that reflect the uncertainty involved.”

“Fiscal Impact Analysis: Methods, Cases, and Intellectual Debate” by Zenia Kotval and John Mullin in September 2006 mentions the benefits (realistic sense of cost of growth, linking planning to local annual budget, and minimizing the emotions surrounding local decision-making) and limitations (lack of consideration of environmental and social factors) of fiscal analysis. The article evaluates the methods available for analysis, saying that per capita analysis, though the most frequently used, is the least accurate and that marginal analysis, while taking into account things such as excess capacity, is costly and time consuming and relies upon accurate and open information from the municipal employees. The authors state that all traditional methods place more emphasis on inputs than on outputs and that the analysis should consider the nature of the development, because some may have different income/expense profiles than the averages suggest. They also caution that “outputs are not the answer,” stating that:

> “While fiscal analysis can provide important information about the direction or tendencies of impacts, policy decisions often ‘get bogged down by rather than illuminated by numbers. Outputs are always subject to debate, regardless of the quality of the model. Planners worry that fiscal factors may become the sole determinant of policy decisions, rather than simply one of many inputs in those decisions. Moreover, they may be wary of potential repercussions for suggesting a land use for which the model predicts that costs exceed revenues.”

[2] “Prospects and Perils of Fiscal Impact Analysis,” Edwards, Mary M.; Huddleston, Jack R., Journal of the American Planning Association. 76.1 (Winter 2010): 25-41.

In addition to evaluating the traditional methods of fiscal impact analysis, the authors review potential alternatives, such as Costs of Community Service studies (principally used in evaluating agricultural land and open space), and mention other alternatives such as econometric, conjoined modeling, and the Federal Reserve Fiscal Impact Tool.

A hard copy of a presentation given by Evangeline Linkous, AICP, PhD, Assistant Professor at the Department of Urban and Regional Planning in the School of Public Affairs at the University of South Florida titled “Fiscal Neutrality in Florida,” also provided an overview of how Florida has grappled with funding new infrastructure investment and the role of fiscal neutrality in this struggle. It contains a good high-level summary of the history of growth management in Florida and quotes the 2001 Governor’s Growth Management Study Commission’s findings that state that fiscal impact analysis “should constitute a tool, not an automatic threshold for approval or denial” and that the commission’s goal was to link future land use plans with future infrastructure planning and budgeting. The commission led to Fishkind and Associates’ contract with the Department of Environmental Protection to develop the Fiscal Impact Analysis Model (FIAM), with the intent of deploying the tool for use in Florida’s communities to use for local land use decision-making. Linkous identifies four places including Sarasota County where fiscal neutrality is required: Sarasota County 2050; Collier County Rural Land Stewardship Area; Collier County Rural Fringe Mixed Use; and Farmton Local Plan—Volusia. According to the presentation, the Collier County Rural Land Stewardship Area places similar demands to the Sarasota County 2050 Plan—to consider transportation, potable water, wastewater, irrigation water, stormwater, solid waste, park, law enforcement, emergency medical services, fire, and schools. It must “demonstrate that its development, as a whole, will be fiscally neutral or positive to the Collier County tax base, at the end of each phase, or every five years, whichever occurs first, and in the horizon year (buildout).”

“Preliminary Fiscal Evaluation of Development Patterns in the Shreveport-Caddo Metropolitan Planning Area,” Shreveport Metropolitan Planning Commission of Caddo Parish, Louisiana, September 28, 2009, prepared by TischlerBise, is a comprehensive three-phase analysis of the region’s demographics and budget trends, an evaluation of the fiscal impact of plan options and various types of development, and recommendations of financial strategies. It recommends that impact fees should vary by location and emphasizes that the fiscal analysis is not a budget forecasting document. The analysis uses a case study-marginal methodology, uses the current level of service, and omitted inflation. It evaluated three development scenarios: “Cautious,” “Focused,” and “Bold.” The report emphasizes in several instances that the fiscal neutrality is only one element that should be considered, mentioning court cases that “have suggested that, in addition to fiscal impacts, local governments need to evaluate environmental impacts, regional needs for housing and employment, and other concerns.”

“The Fiscal Impact of New Housing Development in Massachusetts: A Critical Analysis,” by Robert Nakosteen, PhD and James Palma, produced by the University of Massachusetts Donahue Institute and sponsored by the Citizen’s Housing and Planning Association (CHAPA) in 2003 examined housing affordability in Massachusetts and the accuracy of per capita analyses and trends that would affect the ability to create reliable forecasts. The report used U.S. Census, Commonwealth Department of Revenue, and U.S. Department of Education data from 1990 to 2000 to examine how per capita multipliers developed in 1990 would predict actual outcomes in 2000. The report did not examine capital expenditures. The study advises using marginal case study methods for predicting fiscal impacts of new development, though it acknowledges that “this method is more difficult to use and requires much more information than the per capita method.” It found that costs in the municipalities it examined were increasing even when growth was excluded and suggested that “population growth seems to be negatively correlated with increases in per capita municipal spending.” In other words, the data suggests that an increase in population actually decreases per capita costs. However, the researchers do caution that “more research needs to be done in this area to make conclusions on the reasons for this observation.” The study found that, for the data it examined, the method of projecting population by housing type overstated population for single family housing and understated it for multifamily housing.

The “Guide to Fiscal Impact Studies” from Hendricks County, Indiana Plan Commission, dated October 2007 indicates that the County uses fiscal analysis for rezoning, subdivision approvals, and development plan review, typically for a development of 150 or more single family units, but a study can be requested by the Plan Commission for any reason. Hendricks County has its own financial consultant conduct the studies with inputs provided from the applicants. Inputs include a site map, total acreage broken down by developable area, mileage of streets and whether they would be dedicated to the County, acres dedicated to roads, drainage and other tax exempt uses, total houses with number of sales and value per year, square footage of commercial space, school corporation that the development is located within and whether it is served by school buses, income level of residents, traffic impact, two comparables within the County for each class of property, cost to develop each acre of commercial/residential property, list of builders constructing the units, origin of the materials for construction, construction labor and salaries, fees paid, and value of any dedicated infrastructure. The applicant is required to pay for the study.

“Incorporating Fiscal Impact Analysis in Land Use Planning,” a presentation by L. Carson Bise of TischlerBise for Balanced Growth Ohio 2013, in addition to discussing fiscal analysis’s benefits and applications, points out that the “majority of fiscal analyses are prepared for specific development proposals” and that “project-level analyses are typically reviewed in a vacuum.” Bise also mentions the “lack of formal standards” in fiscal impact methodologies. Bise presents several case studies.

One, examining growth strategies for Champaign, Illinois, found that costs—especially capital costs—were much higher outside of the urban service area boundary; recommendations included the implementation of a tiered impact fee program. The FIAM was also examined, and Bise used the case study of TischlerBise's study in Hillsborough County to illustrate the large degree of variation between their findings and the FIAM, emphasizing that a "one size fits all" solution does not always reflect the reality of individual jurisdictions and that "fiscal impacts are only one part of the equation."

Mary M. Edwards of the Wisconsin Land Use Research Program at the University of Wisconsin—Madison produced the "Community Guide to Development Impact Analysis" in March 2000 to instruct communities in the evaluation of "the consequences of development on a community." For this guide, fiscal impact analysis was only one component; Edwards also advised evaluating environmental impacts, socio-economic impacts, and traffic impacts. For fiscal analysis, the guide advises that "marginal and average costing approaches may result in dramatically different estimates of fiscal impacts for the same development." The guide recommends a hybrid method of analyzing net fiscal impacts: per capita average analysis for operating costs and marginal case study for capital costs. Edwards advises to "consider the direct impacts as well as the cumulative impacts of the development. The cumulative impacts are often the most difficult to assess, yet may have the most significant consequences." She mentions the limitations in fiscal analysis, namely that the interaction of land uses cannot be evaluated (for example, construction of an employment center may induce development of retail and housing, or the increase in property values of surrounding property due to a new development.)

Conclusions and Recommendations

Fiscal impacts analysis is a useful tool to help policy makers understand the potential impact a development may have on the County's fiscal health. It can aid in the decision-making process by highlighting the need to balance service levels and needs and to evaluate current capacity to meet those anticipated needs. Connecting growth to budgetary and capital planning can help the Planning Commission and the Board of County Commissioners to consider the implications of proposed developments. They also help identify ways in which incentives, such as lowered impact fees, may impact future budgets.

Fiscal impacts analysis also has limitations that should be recognized and acknowledged. Even a skilled analyst cannot precisely project pricing and absorption beyond comparable examples and current market conditions. Once a development is in the marketplace, market forces take over to set selling prices and absorption. Also, economic conditions can change. That is why a *fiscal neutrality plan* is required and is necessary to identify potential courses of action that can be taken to mitigate unanticipated lower values or significant changes in absorption and pacing. Guidance for developing a Fiscal Neutrality Plan is presented in the Guide.

The analyses are done on a project-by-project basis and do not completely present the overall impact of cumulative projects. It also doesn't reflect how the project will affect the larger economy in terms of business growth, employment growth, or household income growth. A project may be determined to not be "fiscally neutral" yet its larger economic impact may be a net positive for the economic and fiscal health of the County. FIA does not consider the issue of equity and social responsibility. For instance, while it may be easy to identify the fiscal downsides of low-income housing on County and School budgets, the County also bears some level of responsibility for ensuring access to affordable housing. Such nuances are left to elected officials to balance community needs and budgets. Also, different methods may produce different results. Although the effort to standardize the fiscal neutrality sources and methods may allow for simpler comparisons project-to-project, the variables involved may suggest that a different method is more accurate.

A determination of "fiscal neutrality" should be one of many factors used to consider the suitability of a project for approval. The fiscal impact analysis tool is not a substitute for carefully considered judgement.

b) Calculate a range of multipliers and revenue sources that could be part of a standardized fiscal neutrality analysis that would provide a measure of comparability between and among submissions and identify a clear method for applicants.

Multipliers developed include:

- Student Generation Rates (please see appropriate section below)
- Employment Rates
- Vacancy Rates

These are highlighted below and all other multipliers and factors are included in the guide and supplemental tables.

Employment Rates

Employment generation for commercial space should be evaluated using the following factors per square foot of employment as guidelines, realizing that actual employment density may vary by specific project details. If there is a rationale for using another method for employment, the consultant should clearly state the method and any sources. The following guidelines should be used in absence of other documented employment generation rates (Source: *Planners Estimating Guide: Projecting Land Use and Facility Needs* by Arthur C. Nelson, FAICP, Planners Press, American Planning Association, 2004):

- Office: 350 square feet per employee
- Retail: 671 square feet per employee
- Industrial: 500 square feet per employee
- Hotel: 0.74 employees/room

Vacancy Rates

For determining occupied housing and commercial space, unless otherwise indicated in the market study, assume a stabilized occupancy of (Source: *Planners Estimating Guide: Projecting Land Use and Facility Needs* by Arthur C. Nelson, FAICP, Planners Press, American Planning Association, 2004):

- Single Family Residential 97%
- Multifamily Residential 92%
- Commercial 95%
- Hotel 97%

c) Use of Marginal Cost versus Per Capita Cost

Based upon review of past submissions and the fiscal analysis literature, ***AECOM recommends a hybrid per capita/marginal method.*** A specific recommendation about which method is used for particular operating revenue or expense categories is presented below:

Operating Revenues

Operating Revenue	Estimation Method
Property Taxes	Calculated
Mosquito Control	Calculated
Telecommunications Tax (not Intergovernmental)	Residential and Commercial Per Capita
Other Taxes	Residential and Commercial Per Capita
Gas Tax (7 cent)	Residential and Commercial Per Capita
Tourism Development Tax (if applicable)	Calculated
Gas Tax (Intergovernmental 3 cent)	Per Capita—Population
Local Government Sales Tax	Per Capita—Population
State Revenue Sharing (Growth Portion)	Per Capita—Population
Other Intergovernmental	Per Capita—Population
Charges for Services (except Utility/Enterprise)	Residential and Commercial Per Capita
Fines and Forfeiture	Residential Per Capita
Permits/Fees/Assessments	Residential and Commercial Per Capita
Interest	Residential and Commercial Per Capita
Miscellaneous (Not utility/enterprise)	Residential and Commercial Per Capita

Operating Expenses

Department	Operating Expenditure Name	Demand Base
Property Appraiser	Personnel Services	Residential and Commercial Per Capita
Property Appraiser	Operating Expenditures	Residential and Commercial Per Capita
Property Appraiser	Internal Services	Residential and Commercial Per Capita
Property Appraiser	Internal Service EIT	Residential and Commercial Per Capita
Tax Collector	Personnel Services	Residential and Commercial Per Capita
Tax Collector	Operating Expenditures	Residential and Commercial Per Capita
Tax Collector	Internal Services	Residential and Commercial Per Capita
Tax Collector	Internal Service EIT	Residential and Commercial Per Capita
Clerk of Circuit Court	Personnel Services	Residential and Commercial Per Capita
Clerk of Circuit Court	Operating Expenditures	Residential and Commercial Per Capita
Clerk of Circuit Court	Internal Services	Residential and Commercial Per Capita
Clerk of Circuit Court	Internal Service EIT	Residential and Commercial Per Capita
Supervisor of Elections	Personnel Services	Per Capita--Population
Supervisor of Elections	Operating Expenditures	Per Capita--Population
Supervisor of Elections	Internal Services	Per Capita--Population
Supervisor of Elections	Internal Service Automotive	Per Capita--Population
Supervisor of Elections	Internal Service EIT	Per Capita--Population
Sheriff's Office	Personnel Services	Proportional Per Capita
Sheriff's Office	Operating Expenditures	Proportional Per Capita
Sheriff's Office	Internal Services	Proportional Per Capita
Sheriff's Office	Internal Service EIT	Proportional Per Capita
Board of County Commissioners	Operating Expenditures	Residential and Commercial Per Capita
Board of County Commissioners	Internal Services	Residential and Commercial Per Capita
Board of County Commissioners	Internal Service EIT	Residential and Commercial Per Capita
Court Administration	Personnel Services	Residential Per Capita
Court Administration	Operating Expenditures	Residential Per Capita
Court Administration	Internal Services	Residential Per Capita
Court Administration	Internal Service Automotive	Residential Per Capita
Court Administration	Internal Service EIT	Residential Per Capita
State Attorney	Operating Expenditures	Per Capita--Population
State Attorney	Internal Services	Per Capita--Population
State Attorney	Internal Service EIT	Per Capita--Population
Public Defender	Operating Expenditures	Per Capita--Population
Public Defender	Internal Services	Per Capita--Population
Public Defender	Internal Services EIT	Per Capita--Population
Guardian Ad Litem	Personnel Services	Per Capita--Population
Guardian Ad Litem	Operating Expenditures	Per Capita--Population
Guardian Ad Litem	Internal Services	Per Capita--Population
Guardian Ad Litem	Internal Service EIT	Per Capita--Population
Medical Examiner	Operating Expenditures	Per Capita--Population
County Attorney	Personnel Services	Residential and Commercial Per Capita
County Attorney	Operating Expenditures	Residential and Commercial Per Capita

County Attorney	Internal Services	Residential and Commercial Per Capita
County Attorney	Internal Service Automotive	Residential and Commercial Per Capita
Tourist Development	Personnel Services	Proportional Share (If a hotel is included)
Tourist Development	Operating Expenditures	Proportional Share (If a hotel is included)
Communications	Personnel Services	Residential and Commercial Per Capita
Communications	Operating Expenditures	Residential and Commercial Per Capita
Communications	Internal Services	Residential and Commercial Per Capita
Communications	Internal Service Automotive	Residential and Commercial Per Capita
Communications	Internal Service EIT	Residential and Commercial Per Capita
Economic Development	Operating Expenditures	Residential and Commercial Per Capita
Emergency Services	Personnel Services	Proportional Per Capita
Emergency Services	Operating Expenditures	Proportional Per Capita
Emergency Services	Internal Services	Proportional Per Capita
Emergency Services	Internal Service Automotive	Proportional Per Capita
Emergency Services	Internal Service EIT	Proportional Per Capita
Emergency Services	Grants in Aid	Proportional Per Capita
Financial Management	Personnel Services	Residential and Commercial Per Capita
Financial Management	Operating Expenditures	Residential and Commercial Per Capita
Financial Management	Internal Services	Residential and Commercial Per Capita
Financial Management	Internal Service Automotive	Residential and Commercial Per Capita
Financial Management	Internal Service EIT	Residential and Commercial Per Capita
Financial Management	Grants in Aid	Residential and Commercial Per Capita
Health and Human Services	Personnel Services	Per Capita--Population
Health and Human Services	Operating Expenditures	Per Capita--Population
Health and Human Services	Internal Services	Per Capita--Population
Health and Human Services	Internal Service Automotive	Per Capita--Population
Health and Human Services	Internal Service EIT	Per Capita--Population
Health and Human Services	Grants in Aid	Per Capita--Population
Human Resources	Personnel Services	Residential and Commercial Per Capita
Human Resources	Operating Expenditures	Residential and Commercial Per Capita
Human Resources	Internal Services	Residential and Commercial Per Capita
Human Resources	Internal Service Automotive	Residential and Commercial Per Capita
Human Resources	Internal Service EIT	Residential and Commercial Per Capita
Libraries and Historical Resources	Personnel Services	Per Capita--Population
Libraries and Historical Resources	Operating Expenditures	Per Capita--Population
Libraries and Historical Resources	Internal Services	Per Capita--Population
Libraries and Historical Resources	Internal Service Automotive	Per Capita--Population
Libraries and Historical Resources	Internal Service EIT	Per Capita--Population
Office of County Administrator	Personnel Services	Residential and Commercial Per Capita
Office of County Administrator	Operating Expenditures	Residential and Commercial Per Capita

Office of County Administrator	Internal Services	Residential and Commercial Per Capita
Office of County Administrator	Internal Service Automotive	Residential and Commercial Per Capita
Office of County Administrator	Internal Service EIT	Residential and Commercial Per Capita
Parks, Recreation, and Natural Resources	Personnel Services	Per Capita--Population
Parks, Recreation, and Natural Resources	Operating Expenditures	Per Capita--Population
Parks, Recreation, and Natural Resources	Internal Services	Per Capita--Population
Parks, Recreation, and Natural Resources	Internal Service Automotive	Per Capita--Population
Parks, Recreation, and Natural Resources	Internal Service EIT	Per Capita--Population
Planning and Development Services	Personnel Services	Residential and Commercial Per Capita
Planning and Development Services	Operating Expenditures	Residential and Commercial Per Capita
Planning and Development Services	Internal Services	Residential and Commercial Per Capita
Planning and Development Services	Internal Service Automotive	Residential and Commercial Per Capita
Planning and Development Services	Internal Service EIT	Residential and Commercial Per Capita
Public Utilities	Personnel Services	Residential and Commercial Per Capita
Public Utilities	Operating Expenditures	Residential and Commercial Per Capita
Public Utilities	Internal Services	Residential and Commercial Per Capita
Public Utilities	Internal Service Automotive	Residential and Commercial Per Capita
Public Utilities	Internal Service EIT	Residential and Commercial Per Capita
Public Utilities	Grants in Aid	Residential and Commercial Per Capita
Public Works	Facility and Fleet Management	Proportional Per Capita
Public Works	Field Services	Proportional Per Capita
Public Works	Transportation and Real Estate	Proportional Per Capita

d) Units of Measurement of Demand: Market Analysis

The market analysis forms the foundation for the fiscal impact analysis. It outlines the number of homes or businesses that the development should contain based on market support, and what price they can sell or rent for. Because of this, it is important that the market analysis is thorough and reliable. The market analysis should be submitted for County review prior to embarking on the fiscal neutrality analysis.

The market analysis should contain:

- Trade area information for each land use (description and map to describe where customers/home buyers are coming from)

- Population growth data for the trade area
- Employment growth data for the County and trade area
- Estimates of total demand and description of capture rates (or how much of the total demand the development will take, as a percentage)
- Comparable purchase/rental residential properties with: descriptions of:
    - Location
    - Minimum, maximum, and average prices/rents asked and, if possible, achieved
    - Total number of units developed
    - Total number sold
    - Year sales started/finished
    - Sales/absorption pace
    - Defining features
    - If necessary, different projects should be used to evaluate the various types of housing included in the applicant's development. An example of a comparables table:

		Comparable 1								
Housing Type	Applicable for:	Location	Year Built	Average Home Size	Minimum Sales/ Month	Average Sales/ Month	Maximum Sales/ Month	Minimum Sales Price/SF	Average Sales Price/SF	Maximum Sales Price/SF
Estate House	Hamlet/Village/Settlement									
Front-Loaded Detached Single Family Residential Type 1	Hamlet/Village/Settlement									
Front-Loaded Detached Single Family Residential Type 2	Hamlet/Village/Settlement									
Front-Loaded Detached Single Family Residential Type 3	Village/Settlement									
Rear-Loaded Detached Single Family Residential Type 1	Hamlet/Village/Settlement									
Rear-Loaded Detached Single Family Residential Type 2	Village/Settlement									
Attached Residential Type 1	Hamlet/Village/Settlement									
Attached Residential Type 2	Village/Settlement									
Apartment	Village/Settlement									
Residential Over Non-Residential	Village/Settlement									
Live-Work Unit	Village/Settlement									
Total Units										

- For commercial space, recent real estate performance data on rents, absorption, vacancy and other indicators should be provided for the applicable market area near the applicant's development. A scan of competing projects under construction, planned or proposed gives an indication of potential market share. Comparable properties' performance will also assist in making the market for the use clear to reviewers.
- For projects with a lodging component, recent published data on occupancy rates and average daily rates (ADR) for the county or a competitive set, as well as visitation trends should be included.
- Absorption should be provided on an annual basis for all uses and projected through buildout

- Residential unit demand should be segmented into the residential types described by the 2050 legislation:

Development Program	Applicable for:
Estate House	Hamlet/Village/Settlement
Front-Loaded Detached Single Family Residential Type 1	Hamlet/Village/Settlement
Front-Loaded Detached Single Family Residential Type 2	Hamlet/Village/Settlement
Front-Loaded Detached Single Family Residential Type 3	Village/Settlement
Rear-Loaded Detached Single Family Residential Type 1	Hamlet/Village/Settlement
Rear-Loaded Detached Single Family Residential Type 2	Village/Settlement
Attached Residential Type 1	Hamlet/Village/Settlement
Attached Residential Type 2	Village/Settlement
Apartment	Village/Settlement
Residential Over Non-Residential	Village/Settlement
Live-Work Unit	Village/Settlement

- Source information for data should be clearly provided within the market study.
- Market data should include pricing and absorption support information for all land uses and product types to be included in the submission and any deviation analyses.

e) Handling of Specific Funds and Allocation Across County Budget

The most current available County budget at www.scgov.net is to form the basis of the revenues and expenses to be used for fiscal analysis. At the release of the budget, the County will also have an auxiliary sheet of fund reconciliation—which funds are used for operating, capital, and debt—as a “map” for applicants’ fiscal consultants. The current list of funds to be used, the basis of analysis, and the FY15 value is included as an appendix.

f) School Generation Estimates

Analysts should use the following rates by housing type and school type, unless otherwise guided by the school district. These multipliers should be updated periodically and adjusted to more accurately reflect the school age population. Analysts should ensure that the student generation numbers being employed in the calculations are current. Sarasota County Schools are the acceptable source for student generation multipliers used in fiscal neutrality analysis calculations.

	All	Elem	Middle	High
Composite Single Family	0.283	0.127	0.072	0.084
Multiplier Multi Family	0.061	0.029	0.016	0.015

Source: Impact Fees for Educational Facilities, Sarasota County: Henderson & Young, January 13, 2004; Composite multiplier developed by Department of Urban & Regional Planning, University of Florida. Retrieved from 2008 Sarasota City School facility Support Document

g) Schedule of Assumptions, Preferred Methodologies, and Identification of Adequate Level of Analysis in Supporting Documentation

Based on our review of previous studies, our own professional fiscal impact experience, and our review of industry literature, we prepared the attached manual, with our recommended methodology. In addition, the schedule of assumptions that are applicable across all fiscal neutrality analyses are included in the appendices. A summary is provided here for reference:

- Inflation should be excluded from the analysis
- Capital revenues include impact fees, any agreed-upon payments by the developer to the County for proportional share of improvements or other improvements, capital funds revenue (using a per capita method), and capacity fees.
- Capital expenditures should be calculated using a hybrid per capita-marginal method. Extraordinary expenses should be discussed with the appropriate county departments and should be factored in. Regular expenses should be calculated using the costs per capita as indicated in the appropriate impact fee study.
- As of now, the legislation requires impacts to be calculated for hospitals. However, there is no *fiscal* impact to the *county budget.* The Sarasota County Memorial Hospital is governed by the Sarasota County Public Hospital Board. The hospital has had a decreasing reliance on tax revenues—going from $56.5 million in FY2008 to $40.6 in FY2013. In FY 2013, the hospital spent $87 million in ''safety net care costs'' according to the Hospital's 2013 Community Report. These covered bad debts, traditional charity care, medicare losses, Medicaid losses, around-the-clock specialty care for emergency patients, and clinics/community programs. Most of this is not supported by taxes. Given this, the fiscal

impact of new residents on the hospital is not directly related to the hospital's operating budget. Determining a particular development's demand on a hospital is more complicated than a per capita distribution of the revenues and expenses of the hospital budget. To adhere to the letter of the law, applicants should apply a marginal method to this factor, which will require interviews with hospital administrators for any perceived deficiencies and if the development will unduly tax the system.

- Transit is also a required impact. Similar to hospitals, AECOM recommends a marginal approach, using interviews with the Sarasota Transit Authority to determine what if any expenses/revenues can be attributable to the development.
- Enterprise funds operating expenses are self-supported through user fees.

IV. Task 3: Prepare Technical Report

a) Technical Memorandum

This technical memorandum report and appendices serve as the deliverable for this study. AECOM submitted a draft technical memorandum for County review and comments. Upon receiving comments from the County, AECOM edited and produced this final document. Following public hearings, AECOM will incorporate final changes to the technical memorandum report.

b) Hearings/Presentations

AECOM will be present at the public hearings presenting the findings of this study before the Sarasota County Planning Commission and the Sarasota County Board of County Commissioners.

General & Limiting Conditions

AECOM devoted effort consistent with (i) the level of diligence ordinarily exercised by competent professionals practicing in the area under the same or similar circumstances, and (ii) the time and budget available for its work, to ensure that the data contained in this report is accurate as of the date of its preparation. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the Client, the Client's agents and representatives, or any third-party data source used in preparing or presenting this study. AECOM assumes no duty to update the information contained herein unless it is separately retained to do so pursuant to a written agreement signed by AECOM and the Client.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and consideration.