

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS
FINAL BILL ANALYSIS**

BILL #: CS/HB 207 Impact Fees
SPONSOR(S): Local, Federal & Veterans Affairs Subcommittee; Donalds and others
TIED BILLS: IDEN./SIM. **BILLS:** SB 144

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local, Federal & Veterans Affairs Subcommittee	14 Y, 0 N, As CS	Miller	Miller
2) Commerce Committee	22 Y, 0 N	Smith	Hamon
3) State Affairs Committee	22 Y, 0 N	Miller	Williamson

FINAL HOUSE FLOOR ACTION: 101 **Y's** 12 **N's** **GOVERNOR'S ACTION:** Approved

SUMMARY ANALYSIS

CS/HB 207 passed the House on March 27, 2019, and subsequently passed the Senate on April 4, 2109. The bill also passed the House and Senate in CS/CS/HB 7103 on May 3, 2019.

Impact fees are amounts imposed by local governments to fund local infrastructure needed to expand local services to meet the demands of population growth caused by development. The impact fee ordinances enacted by a county, municipality, or special district must meet certain minimum statutory criteria. However, the various types of impact fees for different infrastructure needs, the calculation of the amount due, and the timing of collecting these fees is currently at the discretion of each local government.

The bill codifies the requirement for impact fees to bear a rational nexus both to the need for additional capital facilities and to the expenditure of funds collected and the benefits accruing to the new construction. Local governments will be required to designate the funds collected by the impact fees for acquiring, constructing, or improving the capital facilities to benefit the new users. Impact fees collected by a local government may not be used to pay existing debt or pay for prior approved projects unless such expenditure has a rational nexus to the impact generated by the new construction. The bill further excludes fees charged for connecting to water and sewer systems.

The bill may delay when impact fees are collected, but not the amount, thus it does not restrict the amount of revenue local governments may raise nor require they expend additional amounts. Reflecting the possibility that payments may be delayed into later fiscal years than under current law, the Revenue Estimating Conference estimates the bill will have a negative indeterminate impact on local government revenues.

The bill was approved by the Governor on June 18, 2019, ch. 2019-106, L.O.F., and will become effective on July 1, 2019.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Present Situation

Impact Fees

Impact fees are amounts imposed by local governments¹ to fund local infrastructure required to provide for increased local services needs caused by new growth.² Impact fees must meet the following minimum criteria when adopted by ordinance of a county, municipality, or special district:

- The fee must be calculated using the most recent and localized data.
- The local government adopting the impact fee must account for and report fee collections and expenditures. If the fee is imposed for a specific infrastructure need, the local government must account for those revenues and expenditures in a separate accounting fund.
- Charges imposed for the collection of impact fees must be limited to the actual costs.
- All local governments must give notice of a new or increased impact fee at least 90 days before the new or increased fee takes effect. Counties and municipalities need not wait 90 days before decreasing, suspending, or eliminating an impact fee.³

The types of impact fees, amounts, and timing of collection are within the discretion of the local government authorities choosing to impose the fees.⁴ The courts have found the imposition of impact fees appropriate where the local government meets two fundamental requirements known as the dual rational nexus test, which requires impact fees to have (1) a reasonable connection, or nexus, between the need for additional capital facilities and the population growth generated by the project, and (2) a reasonable connection, or nexus, between the expenditures of the funds collected from the impact fees and the benefits accruing to the subdivision or project.⁵ Meeting the second criterion requires the local government ordinance imposing the impact fee to earmark the funds collected to acquire the new capital facilities necessary to benefit the new residents.

Some local governments impose impact fees specifically for local school facilities.⁶ School districts have authority to impose ad valorem taxes within the district for school purposes⁷ but are not general purpose governments with home rule power⁸ and are not expressly authorized to impose impact fees.⁹ Local governments imposing specific impact fees for education capital improvements typically collect

¹ S. 163.31801, the impact fee statute, uses “local government” inclusively to refer to counties, municipalities, and special districts. The statute distinguishes school districts from other local governments. *See* s. 163.31801(4), F.S.

² S. 163.31801(2), F.S.

³ S. 163.31801(3), F.S.

⁴ Currently, in Florida there are 67 counties, 413 municipalities, 1,091 independent special districts, and 637 dependent special districts. *See* ch. 7, F.S.; *The Local Government Formation Manual 2018-2020*, Appx. B, at <http://myfloridahouse.gov/Sections/Documents/loadoc.aspx?PublicationType=Committees&CommitteeId=3025&Session=2019&DocumentType=General Publications&FileName=2018-2020 Local Government Formation Manual Final.pdf> (last accessed 1/18/2019); Lists of Independent and Dependent Districts available through Dept. of Economic Opportunity, Special District Accountability Program, at <http://specialdistrictreports.floridajobs.org/webreports/criteria.aspx> (last accessed 1/18/2019).

⁵ *St. Johns County v. Northeast Florida Builders Association, Inc.*, 583 So. 2d 635, 637 (Fla. 1991), citing *Hollywood, Inc. v. Broward County*, 431 So. 2d 606, 611-612 (Fla. 4th DCA (1983), *rev. den.* 440 So. 2d 352 (Fla. 1983).

⁶ *See, e.g.*, Miami-Dade County Code of Ordinances ch. 33K, “Educational Facilities Impact Fee Ordinance;” Orange County Code of Ordinances ch. 23, art. V, “School Impact Fees.”

⁷ Art. VII, s. 9(a), art. IX, s. 4(b), Fla. Const.; s. 1011.71, F.S. *See also* *St. Johns County, supra* at 583 So. 2d 642.

⁸ *See* art. VIII, ss. 1(f)-(g), (2), Fla. Const.

⁹ S. 163.31801(2), F.S.

the fees for deposit directly into an account segregated for funding those improvements.¹⁰ The ordinances creating the impact fee also require the funds be used only for education capital improvement projects.¹¹

Some local governments require payment of impact fees prior to the issuance of a development or building permit.¹² In general, a building permit must be obtained before the construction, erection, modification, repair, or demolition of any building.¹³ A development permit pertains to any building permit, zoning permit, subdivision approval, rezoning, certification, special exception, variance, or any other official action of local government having the effect of permitting the development of land.¹⁴

Counties¹⁵ and municipalities¹⁶ may construct or acquire and operate water supply and wastewater disposal systems and may charge reasonable fees for the connection to and use of such systems.¹⁷ Connection fees are charges imposed by the operator of a water supply or wastewater disposal system to defray the costs incurred for allowing additional users to tie into the system and may be considered a type of impact fee.¹⁸

Effect of the Bill

The bill prohibits a local government from requiring payment of impact fees prior to the issuance of a building permit. The bill codifies the dual rational nexus test by requiring an impact fee to have a rational nexus both to the need for additional capital facilities and to the expenditure of funds collected and the benefits accruing to the new construction. Local governments will be required to designate the funds collected by the impact fees for acquiring, constructing, or improving the capital facilities to benefit the new users. Impact fees collected by a local government may not be used to pay existing debt or pay for prior approved projects unless such expenditure has a rational nexus to the impact generated by the new construction. The bill further excludes fees imposed for connection to water or sewer service from being treated as impact fees. Finally, the bill makes conforming changes to s. 163.31801, F.S.

¹⁰ In Miami-Dade County, the education facility impact fee is paid to the County Planning & Zoning Director who must then deposit that amount into a specific trust fund maintained by the County. Miami-Dade County Code of Ordinances, ss. 33K-7(a), 33K-10(1). In Orange County, the school impact fee is paid to the County or municipality (if the land being developed is within a municipality), which then transfers the funds collected at least quarterly to the Orange County School District. The District is responsible for maintaining the trust into which the impact fee revenues must be deposited. Orange County Code of Ordinances, ss. 23-142.

¹¹ See Miami-Dade County Code of Ordinances, s. 33K-11(a); Orange County Code of Ordinances, s. 23-143(b).

¹² See, e.g., Roads Impact Fee, ch. 2, art. VI, div. 2, s. 2-267(a), Land Development Code Lee County, Florida, at https://library.municode.com/fl/lee_county/codes/land_development_code?nodeId=LADECO_CH2AD_ARTVIIMFE (last accessed 1/18/2019); Transportation Impact Fee, Ch. 56, Part I, s. 56-15.C.1, City of Orlando Code of Ordinances, at https://library.municode.com/fl/orlando/codes/code_of_ordinances?nodeId=TITIICICO_CH56IMFE (last accessed 1/18/2019); Road Impact Fees, Miami-Dade County Code of Ordinances, s. 33E-6.1(c), at https://library.municode.com/fl/miami_dade_county/codes/code_of_ordinances?nodeId=PTIICOOR_CH33EROIMFEOR_S33E-6.1PAROIMFE (last accessed 1/18/2019).

¹³ S. 553.79, F.S.

¹⁴ S. 163.3164(16), F.S.

¹⁵ S. 153.03, F.S.

¹⁶ S. 180.06, F.S.

¹⁷ Counties are expressly authorized to “fix and collect” fees for service, including connection fees. S. 153.03(3), F.S. Municipalities are authorized to establish “just and equitable” service rates or charges. S. 180.13, F.S.

¹⁸ See *City of Zephyrhills v. Wood*, 831 So. 2d 223 (Fla. 2d DCA 2002); *Hernando County Water and Sewer District v. Hernando Board of Public Instruction*, 610 So. 2d 6 (Fla. 5th DCA 1992).

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill may delay when impact fees are collected, but not the amount, thus it does not restrict the amount of revenue local governments may raise nor require they expend additional amounts. Reflecting the possibility that payments may be delayed into later fiscal years than under current law, the Revenue Estimating Conference estimates the bill will have a negative indeterminate impact on local government revenues.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The primary impact to the private sector would be the potential effect on private financing of the change in timing of collecting the impact fees.

D. FISCAL COMMENTS:

None.