



MEMORANDUM

Date: October 10, 2024

To: Honorable Mayor and Commissioners

Via: Todd Stoughton
Interim City Manager

From: Matt Willman
Interim Utilities Director

Subject: **File ID 24-5937 Updating and Amending the City's Impact Fee Ordinance**

Introduction

The City currently assesses impact fees for sanitary sewer, solid waste, local roads, and public libraries. Only new residential development is assessed an impact fee for library facilities. The current impact fee structure was implemented in 1986 and is no longer aligned with present day infrastructure costs that are required to support capital projects.

Background

The purpose of this impact fee evaluation is to calculate updated maximum supportable cost justified solid waste and stormwater utility impact fees allowing the City of Key West ("City") to recover the upfront cost of past infrastructure investments equitably and to provide funds to offset the cost of future capital projects. The City currently assesses sanitary sewer and solid waste impact fees to new development within the City. The existing fees have been in effect since 1986 and does not currently assess a stormwater impact fee.

The staff has identified implementation concerns regarding the Sanitary Sewer Fees between the first and second readings. Modifications to workflows and processes are necessary before adoption. Therefore, we recommend removing the sewer fees from the second reading and suggesting that they remain as they were.

The final report shall be utilized to document the calculated impact fees, the methodology used, the information relied on, and to summarize the calculations that were completed to prepare the maximum supportable cost justified fees for each system. The report also provides a brief review of the legal requirements at the state level for impact fees assessed within the State of Florida and discusses possible fee implementation options availability to the City based on the calculated results and state legislation.

Use of Fees

Impact fees paid shall be used by the city exclusively for the purpose of capital improvements that expand the capacity of the respective system, including but not limited to expenditures for the rehabilitation so as to meet the increased demand on the city system which such additional connections to the system create.

Stormwater impact fees shall be used by the city exclusively for the purpose of capital improvements that expand and improve the capacity of the stormwater system to meet the increased demand on the city stormwater system.

And, for the purpose of capital improvements to the city solid waste disposal system to meet the demand on that system which new solid waste generating activity creates.

Procurement

The Florida Impact Fee Act states that an increase of an impact fee of up to 25 percent of the current fee must be implemented in two equal annual adjustments, **while an increase of between 25 to 50 percent must be implemented in four equal annual installments.** The Act states that an impact fee cannot be increased by more than 50 percent and that an impact fee cannot be increased more than once every four years. As a result, the maximum cost justified impact fees for sanitary sewer and solid waste calculated as part of this report were compared to the City's existing impact fees to evaluate several possible implementation scenarios for each fee.

Proposed Rate Structure for New Construction/Units

Table 7-6. Solid Waste Impact Fees

Property Use	Impact Unit	Year 1	Year 2	Year 3	Year 4
Residential	Dwelling unit	\$387.00	\$430.00	\$473.00	\$516.00
Hotel / Motel	Sleeping room	\$94.06	\$94.06	\$94.06	\$94.06
Office	100 SF	\$45.01	\$47.03	\$47.03	\$47.03
Retail	100 SF	\$96.75	\$107.50	\$118.25	\$129.00
Restaurant	Seat	\$193.50	\$215.00	\$236.50	\$258.00
Bar / Lounge	Seat	\$96.75	\$107.50	\$118.25	\$129.00
Theater	Seat	\$48.38	\$53.75	\$59.13	\$64.50
Marina	Slip	\$48.38	\$53.75	\$59.13	\$64.50

Note: The fees projected under this implementation approach assume that the City does not elect to meet the requirements of Paragraphs 6(g)1-3 but raises fees up to the maximum allowable under the Florida Impact Fee Act phase-in limitations over five years.

- Solid Waste Revenue Collected FY23: 121,719.61
- A potential increase to the Solid Waste Fund could be +/- 12% in year 1 equating to \$14,500
- Current Average Residential Dwelling Unit Impact Fees are \$344, being a \$43 increase in Year 1.

Table 7-7. Stormwater Impact Fee

Property Use	Impact Unit	Year 1	Year 2	Year 3	Year 4
All Properties	ESU	\$170.83	\$341.67	\$512.50	\$683.34

- The City does not currently collect Impact Fees for the Stormwater fund.
- Because this is a new fee (if adopted) it could be set at 100% equaling year 4. But it does seem reasonable to apply the same methodology as the other fund fees.
- It's difficult to predict a new annual revenue generated by this proposed fee, but it could be between \$15,000-\$50,000 per year. This fund would grow by approximately the same increment each year until year 4 or 5.

While considering the most favorable option to the fee payer, Raftelis developed the tables above implementing the increase over a five year period. By State statute the increase must be applied over a minimum of a four year period, (Section 163.31801 of the Florida Statutes).

Recommendation

The City Manager's Office recommends the Mayor and Commission approve implementing the amended Impact Fee Ordinance for Solid Waste and Stormwater and adopting the February 12, 2024 final report as guidance on fee structure. And selecting the four (4) year option of implementation, upon the review of the City Attorney.

Exhibits:

Exhibit A – Utility Fee Impact Fee Update FINAL REPORT / February 12, 2024

