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School Impact Fee
Study

Nassau County School Impact Fee Study Update

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Prepared for:

**Nassau County School District
Nassau County, FL**

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1.0 Introduction

Nassau County ("County") has had a school impact fee since the year 2005. The County now wishes to update their school impact fee with the most recent available data in order to keep the fee up to date. This is especially important in light of the fact that the State of Florida ("State") passed the Florida Impact Fee Act ("Act") which requires impact fees to be developed using the most recent and local data.

2.0 Rationale for Impact Fees

Impact fees are one-time charges assessed on new residential development to pay for the capital costs new growth creates. Essentially, impact fees require new growth to pay its pro rata share of the cost for new facilities necessitated by the new growth. Impact fees cannot be used to remedy deficiencies caused by existing growth.

The Florida Impact Fee Act¹ states the following:

The Legislature finds that impact fees are an important source of revenue for a local government to use in funding the infrastructure necessitated by new growth. The Legislature further finds that impact fees are an outgrowth of the home rule power of a local government to provide certain services within its jurisdiction. Due to the growth of impact fee collections and local governments' reliance on impact fees, it is the intent of the Legislature to ensure that, when a county or municipality adopts an impact fee by ordinance or a special district adopts an impact fee by resolution, the governing authority complies with this section.

It was the intent to of the Legislature to insure certain standards were met when impact fees are imposed. The certain standards each impact fee must meet are listed below.

- (a) Require that the calculation of the impact fee be based on the most recent and localized data.*
- (b) Provide for accounting and reporting of impact fee collections and expenditures. If a local governmental entity imposes an impact fee to address its infrastructure needs, the entity shall account for the revenues and expenditures of such impact fee in a separate accounting fund.*
- (c) Limit administrative charges for the collection of impact fees to actual costs.*
- (d) Require that notice be provided no less than 90 days before the effective date of an ordinance or resolution imposing a new or increased impact fee. A county or municipality is not required to wait 90 days to decrease, suspend, or eliminate an impact fee.*

¹ FL Statute 163.31801

The Act was historic in that the State had never before had any legislative statutes regarding impact fee standards. Unlike other states that have always had specific state statutes regarding impact fees, Florida has relied upon the courts to determine the legality of impact fees.

The Florida Supreme Court has upheld impact fees for schools.² Thus, there is no doubt that such fees are legal impositions that can be used to expand funding for educational facilities necessitated by new growth. However, school districts do not have the independent authority to impose impact fees for schools. School impact fees can only be enacted by county governments.

Impact fees in Florida are based upon local government's broad "police" powers to protect the health, safety, and welfare of the community.³ Lacking any statutory authority the Florida courts gradually articulated the legal guidelines for valid impact fees. The Florida case law is consistent with case law in other states⁴. The fundamental legal foundation is the dual rational nexus test that must exist between a regulatory fee or exaction and the development activity that is being regulated⁵.

The dual rational nexus test is as follows. First, there must be a demonstrable connection between the need for public capital facilities and the new development that will be required to pay the fee. In other words, the fee payor must create the need for additional facilities that his fee will pay for. Second, the fee payor must receive a direct benefit from the payment of the fee.

One of the clearest expositions of the requirements for valid impact fees of all sorts was set out by the Banburry court in the form of seven factors that local governments should follow. The court wrote as follows.

Among the most important factors the municipality should consider in determining the relative burden already borne and yet to be borne by newly developed properties and other properties are the following . . .

- (1) the cost of existing capital facilities;*
- (2) the manner of financing existing capital facilities (such as user charges, special assessments, bonded indebtedness, general taxes, or federal grants);*
- (3) the relative extent to which the newly developed properties and the other properties in the municipality have already contributed to the cost of existing capital facilities (by such means as user charges, special assessments, or payments from the proceeds of general taxes);*

² St. Johns County v. Northeast Florida Builders Association, 583 So. 2d 635 (Fla. 1991).

³ Contractors and Builders Association of Pinellas County v. City of Dunedin, 329 So. 2d 314 (Fla 1976) and Homebuilders and Contractors Association of Palm Beach County v. Board of County Commissioners of Palm Beach County, 446 So. 2d 140 (Fla 4th DCA 1983)

⁴ Banburry v. South Jordan City, 631 P. 2d 899 (Utah 1981) and Lfferty v. Paysons City, 631 P. 2d 899 (Utah 1981)

⁵ Dolan v. City of Tigard, 114 S Ct 2309 (1991)

- (4) *the relative extent to which the newly developed properties and the other properties in the municipality will contribute to the cost of existing capital facilities in the future;*
- (5) *the extent to which the newly developed properties are entitled a credit because the municipality is requiring the developers or owners (by contractual arrangement or otherwise) to provide common facilities (inside or outside the proposed development) that have been provided by the municipality and financed through general taxation or other means (apart from user charges) in other parts of the municipality;*
- (6) *extraordinary costs, if any, in servicing the newly developed properties; and*
- (7) *the time-price differential inherent in fair comparisons of amounts paid at different times.*

Florida's courts have also decided cases in a fashion highly consistent with the Banbury norms.⁶

Drawing on the dual rational nexus test, Florida courts have determined that impact fees can only be charged for that portion of the cost for new facilities directly caused by the need to accommodate new growth. Impact fees may not be used to pay for costs associated with remedying deficiencies, or back log needs, in existing facilities. The liability for backlog is with the existing development and cannot be imposed on new growth.

Furthermore, to assure that fee payors receive benefit from their payments, courts have required that the fees be expended in a reasonable amount of time to create the new capital facilities.

Finally, impact fees must be segregated from other funds. They are held in trust for the benefit of the fee payors and can only be used to expand capacity to serve new growth.

The Nassau County School Board's impact fees have been tested in the courts. SEDA Construction Company, a residential home builder, filed a lawsuit against Nassau County and the Nassau County School Board on or about April 8, 2010. SEDA alleged that the County and School Board improperly imposed, collected, and expended educational impact fees. Following a four-day trial, the Court determined that the impact fees which the School Board utilized: (1) were properly collected, (2) had been properly expended by the School Board for capital facilities to serve new growth and not existing deficiencies as SEDA alleged, and (3) the County and School Board substantially complied with the requirements of the local ordinance in administering the impact fee program. The Court entered a Final Judgment in favor of the County and School Board on or about April 15, 2014. The Court's judgment was subsequently confirmed by the First District Court of Appeal."

⁶ Volusia County v. Aberdeen at Ormond Beach, L.P., 760 So. 2d 12b (Fla 2000); Hollywood Inc. v. Broward County, 431 So. 2d 606 (Fla 4th DCA 1982); and Seminole County v. City of Casselberry, 541 So. 2d 666 (Fla 5th DCA 1989)

3.0 School Impact Fee Rates in Florida

There are 22 counties in Florida that have imposed school impact fees. Table 1 provides a list of the counties with school impact fees and the amounts of those fees for a typical single-family home. The fees for a single-family house range from \$817 in Levy County to \$10,187 in Osceola County. The average school impact fee in Florida is \$4,796 for a single-family house, the median fee is \$4,914. Nassau County's current school impact fee is \$3,268.

Table 1. School Impact Fees in Florida⁷

County	School Impact Fee for a Single Family House
Brevard	\$4,445
Broward	\$5,966
Clay	\$7,034
Collier	\$5,851
Dade	\$2,448
Flagler	\$3,600
Hillsborough	\$4,000
Indian River	\$1,702
Lake	\$7,719
Lee	\$2,043
Levy	\$817
Martin	\$5,567
Nassau	\$3,268
Orange	\$6,525
Osceola	\$10,187
Palm Beach	\$1,866
Pasco	\$4,828
Polk	\$4,160
St Johns	\$6,242
St Lucie	\$6,188
Seminole	\$5,000
Volusia	\$6,065

⁷ www.Impactfees.com 2015; National Impact Fee Survey; Duncan Associates.

4.0 Methodology for Nassau County School Impact Fee

This school impact fee update uses a consumption based methodology. This methodology has been used successfully in Florida for the calculation of school impact fees. This methodology is legally defensible and uses current and local Nassau County data for the analysis.

Essentially, the consumption based methodology calculates the per student cost of new student station construction and subtracts all applicable credits to arrive at the net impact fee cost per student. This net cost is then applied to the appropriate student generation rates for residential units to calculate the impact fee.

5.0 Impact Fee Calculation

This section provides a step-by-step view of each calculation involved in the computation of the new school impact fee. Each part of the calculation is thoroughly documented with the sources of data. The mathematical equations are also explained so that the results can be replicated by independent reviewers.

Step 1 – Square Feet per Student Station

The costs for capacity related improvements must relate to some unit of measurement. The most reasonable method for this involves calculating the square feet per student station so costs can then be displayed on a per student station basis.

Table 2 lists the student stations, capacity, utilization rate, and student enrollment by school type for the 2017-2018 school year. The overall utilization rate is 87%, with the removal of the relocatable units, the utilization rate increases to 92%. These utilization rates include the newest school, Wildlight Elementary. The school district is currently over capacity at three schools, and very near capacity at others. There is also growing demand for facilities primarily in the Yulee area where school utilization is highest. This situation shows that there is a need for additional future capacity to meet the demands of new growth (see Table 3). This is a common problem for many school districts. Areas of school districts that receive the most new growth often have the highest demand for new capacity related projects; fulfilling both prongs of the dual rational nexus test in that new growth creates a demand for the impact fee and also that new growth receives the benefit from the impact fee in having capacity in the school district for their children.

Table 2. 2017-2018 School Enrollment & Capacity Statistics⁸

School	Student Stations	Actual FISH Capacity	2015-16 Enrollment	Utilization Rate
Fernandina Beach Middle School	807	726	668	92%
Southside Elementary School	684	684	556	81%
Emma Love Hardee Elementary	692	692	521	75%
Yulee Elementary School	924	924	961	104%
Yulee Middle School	1019	917	873	95%
Yulee High School	1539	1462	1227	84%
Callahan Intermediate School	729	729	576	79%
Yulee Primary	950	950	993	105%
Yulee SED Unit	57	57	87	153%
Fernandina Beach Senior High	1241	1116	899	81%
Callahan Elementary School	695	695	640	92%
Callahan Middle School	883	794	758	95%
Hilliard Middle/Senior High	1101	990	696	70%
Bryceville Elementary School	330	330	198	60%
West Nassau Senior High	1296	1166	1000	86%
Wildlight Elementary (new)	636	0	0	0%
Hilliard Elementary School	889	889	699	79%
Total	14,472	13,121	11,352	87%
Relocatable Student Stations	819	819		
Net Permanent Student Stations	13,653	12,302		92%

Table 3 uses the University of Florida's BEBR population projections to show that projected increase in population by 2025 in Nassau County will range from 13,359 to 22,059. Using the current public students per capita ratio for the county, 0.1458 students, the county's growth will generate between 1,948 and 3,217 new public school students by 2025.

Table 3. Population & School Enrollment Projections⁹

	2016 Population	2025 Population	Additional Population	Additional Students
Medium	77,841	91,200	13,359	1,948
High	77,841	99,900	22,059	3,217

Table 4 lists the building square footage for each school. This gives us the numerator in our equation to calculate the square footage per student station. There is a total of 1.9 million sq. ft. of school space in the County (this includes relocatable units).

⁸ All data from 2017-2018 Capital Outlay Work Plan ("FWP")

⁹ University of Florida; BEBR; Florida Population Studies, Bulletin 177

Table 4. Square Footage of Schools in Nassau County¹⁰

School	Sq. Ft. per Student Station	Total Building Sq. Ft.
Fernandina Beach Middle School	142	114,349
Southside Elementary School	152	103,795
Emma Love Hardee Elementary	130	90,024
Yulee Elementary School	135	124,421
Yulee Middle School	141	143,874
Yulee High School	127	194,826
Callahan Intermediate School	166	121,099
Yulee Primary	128	121,563
Fernandina Beach Senior High	152	188,951
Callahan Elementary School	147	101,907
Callahan Middle School	148	130,940
Hilliard Middle/Senior High	156	171,357
Bryceville Elementary School	136	45,003
West Nassau Senior High	141	183,017
Wildlight Elementary	636	136,605
Hilliard Elementary School	154	137,279
Total		2,109,010

Using information from Table 2 and Table 4, we can calculate the square feet per student station for elementary, middle and high school using the formula:

$$\text{Square Feet of Building} / \text{Student Stations} = \text{Sq. Ft. per Student Station}$$

This calculation is performed for elementary, middle, and high schools in order to give a more accurate calculation that will later be matched with the specific capacity costs appropriate for each type of school. This data is in Table 5.

Table 5. Square Feet per Student Station¹¹

	Elementary	Middle	High
Square Feet	981,696	583,701	469,886
Student Stations	6,529	3,590	2,848
Square Feet per Student Station	150	163	165

¹⁰ Data from Florida Inventory of School Houses (FISH)

¹¹ Calculated from Table 2 and Table 4

Step 2 – School Capital Cost per Student Station

Next, the cost to construct school capacity is examined for each school type. The cost per square feet to construct new school capacity is based on data from recent bids and allowable content coverage by the school district's insurance policies. This cost is all inclusive and covers building, FF&E, architecture, engineering, etcetera.

Using the cost per sq. ft. to construct capacity and the square feet per student station, the cost per student station is calculated with the following formula:

$$\text{Capacity Cost per Sq. Ft.} \times \text{Sq. Ft. per Student Station} = \text{Cost per Student Station}$$

Table 6. School Capacity Cost per Student Station¹²

	Elementary	Middle	High
Square Feet per Student Station	150	163	165
School Cost per Sq. Ft.	\$236	\$236	\$236
Cost per Student Station	\$35,485	\$38,368	\$38,941
<i>Maximum Allowable Cost per Station</i>	<i>\$21,447</i>	<i>\$23,161</i>	<i>\$30,084</i>
Cost per Student Station Used in Calculation	\$21,447	\$23,161	\$30,084

The Florida Department of Education (FLDOE) has mandated that school districts cannot charge fees based upon student station costs that are above those provided by the Department (Florida Statute 1013.64(6)(D)). Table 6 shows that the actual cost of student stations is significantly higher than the cost allowable by FLDOE. Therefore, the FLDOE maximum allowable cost per student station is used in this impact fee calculation.

The district-wide cost per student is calculated using the weighted average cost per student station (Table 7). The weighted average cost simply takes the cost per student station for each school type and multiplies it by the portion of that school type's total district enrollment and then sums to get the total. This is a more accurate way to assess the cost per student district wide than merely taking a simple average of the three numbers. Table 7 displays the results.

¹² Costs were based upon Wildlight Elementary construction cost plus 18% for furnishings.

Table 7. Weighted Average Cost per Student Station¹³

	Elementary	Middle	High
Cost per Student Station Used in Calculation	\$21,447	\$23,161	\$30,084
2017-2018 Enrollment	5,198.5	2,790.8	3,513.3
Weighted Ave. Cost per Student	\$24,501		

The weighted average cost per student is \$24,501.

Step 3 – Cost of Buses and Ancillary Transportation Facilities

The cost to increase capacity not only pertains to the physical school buildings, but also extends to transportation related improvements such as new buses and facilities. While many school impact fee studies also use the cost for administrative facilities, this study only uses the cost for buses and their related transportation and maintenance facilities. Transportation costs, buses and ancillary facilities tend to grow when new student stations are constructed.

Table 8. Transportation Costs for New Capacity¹⁴

Buses	
Total Number of Active Buses	113
Average 2020-2022 Enrollment	11,503
Bus demand per Student	0.0098238
Average Cost of New Bus	\$105,714
Bus Cost Per Student	\$1,038.51
Ancillary Transportation Facilities	
Total Cost	\$4,400,928
Average 2020-2022 Enrollment	11,503
Cost per Student	\$382.60

The cost for buses and transportation facilities were obtained from the facilities director and Capital Budget for the school district. The school district currently operates 113 buses for a FTE student population of 11,342. Using the current cost of a bus, the cost per student is \$1038.51. Similarly, the per student cost of additional facilities ancillary to the transportation needs of the school district is calculated to be \$382.60.

¹³ Weighted Ave. Cost per Student = (%Elem Students X Elem Cost) + (%Middle Students X Middle Cost) + (%High Students X High Cost); Based on 2017-18 Capital Outlay FTE Forecast.

¹⁴ Costs were obtained from Facilities Director for Nassau County School District and Capital Budget.

Step 4 – Gross Impact Cost per Student

The final calculation needed on the cost side of the equation is to sum the individual component costs to arrive at the gross impact cost per student. The total gross impact cost per student is \$25,922. Table 9 displays this information.

Table 9. Gross Capital Cost per Student¹⁵

	Cost
Weighted Avg Student Station Cost	\$24,500.90
Bus Cost Per Student	\$1,038.51
Transportation Facilities Per Student	\$382.60
Total Capital Cost Per Student	\$25,922.01

Step 5 – Credits

To avoid double counting the capital contribution payments made by new residents, credits for revenues to be received by the school district in the future must be accounted for and applied to the gross impact cost per student. In Nassau County, there are three potential credits to be given: 1) PECO for new construction, 2) CO & DS for capital outlay and debt service, and 3) Capital ad Valorem for new capacity.

The first credit examined is that of PECO¹⁶ designated for new construction. Some PECO funds from the State have historically been available to fund new school construction. Recent changes in the funding mechanism have diverted these funds away from public school construction. However, some PECO funding for new construction is projected for fiscal year 2020 and beyond. With the projected average PECO funding for new construction per student of \$22 a total credit of \$681 has been calculated.

Table 10. PECO Credit for New Construction¹⁷

PECO	
PECO 5-year average for new construction	\$261,319
Average 5-year Enrollment	11,805
Per Student	\$22
Capitalization Rate	3.25%
Credit per Student	\$681

¹⁵ Summed from data in Table 7 and Table 8.

¹⁶ PECO = Public Education Capital Outlay funding from the State used by local districts for new construction.

¹⁷ Nassau School District FWP. Formula for credit per student = per student / cap rate.

The next credit to be given is for the Capital Outlay and Debt Service (CO & DS) funding received from the State.¹⁸ The school district uses these funds for construction and debt service on bonds issued for new construction. The methodology for the calculation of the CO & DS credit uses the five-year average annual revenue to calculate the per student amount that is then converted to a present value by using the cost of capital interest rate. The capitalization rate is the District's cost of capital and is derived from the interest rates on long-term bond rates. The capitalization rate allows for the present value of the credit per student to be calculated in perpetuity since a credit needs to be given for each year in the future.

The \$127,696 average CO & DS funding provides a credit of \$332.82 (Table 11).

Table 11. CO & DS Credit per Student¹⁹

CO & DS Average Annual Revenue	\$127,696.00
Average 5-Year Enrollment	11,805
Per Student	\$10.82
Capitalization Rate	3.25%
Credit per Student	\$332.82

The final credit to be applied is the credit for the local capital ad valorem millage for the school district. The revenue received by the school district from this millage rate is used for both capacity related projects and maintenance, renovation, and repairs. Only the portion of these funds that are available to be used to increase school capacity are applied as a credit towards the impact fee.

The 2016-2017 FWP for the school district displays the five-year forecast for revenues received from the capital ad valorem proceeds that are available for new construction. It also provides the projected maintenance costs. These expenses are subtracted from the total to determine the projected funds available for new construction. Table 12 displays the credit calculation. Future ad valorem payments generate a credit of \$8,555.71 per student.

¹⁸ CO & DS funding comes from a portion of the taxes on motor vehicle licenses.

¹⁹ Nassau School District FWP

Table 12. Local Capital Ad Valorem Credit per Student²⁰

Capital Ad Valorem	2016-17	2017-18	2018-19	2019-20	2020-21
Ad Valorem at 1.5 Mills	\$12,206,324	\$12,505,564	\$13,329,117	\$14,175,684	\$15,086,950
Net Available for new construction	-\$5,897,706	\$2,799,659	\$5,023,212	\$5,804,779	\$9,118,045
Projected Student Enrollment	11,503	11,652	11,769	11,946	12,157
Capital Ad Valorem per Student	-\$512.72	\$240.28	\$426.81	\$485.91	\$750.04
Per Student 5-Year Average	\$278.06				
Capitalization Rate	3.25%				
Credit per Student	\$8,555.71				

Table 13 sums the three potential credits to provide the total credit that will be applied to the gross capital cost. A total credit of \$9,569.63 per student has been calculated.

Table 13. Total Credit per Student²¹

Total Credits Per Student	
PECO	\$681.10
CO & DS	\$332.82
Ad Valorem	\$8,555.71
Total	\$9,569.63

Step 6 – Net Impact Cost per Student

Next, the gross impact fee cost per student can be netted out with the credit per student to arrive at the net impact fee cost per student. Table 14 displays this data. The net capital cost per student is \$16,352.38.

Table 14. Net Impact Fee Cost per Student²²

Capital Cost Per Student	
Gross Capital Cost Per Student	\$25,922.01
Total Credit Per Student	\$9,569.63
Net Capital Cost Per Student	\$16,352.38

Step 7 – Student Generation Rates

The net cost per student must be converted to a cost per residence basis. GIS data from the Nassau County Property Appraiser provided the total number of single-family and condominium units in the county (Table 15). Data from the Florida Department of

²⁰ Nassau School District FWP

²¹ Sum of Table 10, Table 11, and Table 12

²² Table 9 minus Table 13

Business and Professional Regulation provided the number of apartment units in the county. The overall student generation rate is 0.332 per residential unit.

Table 15. Overall Nassau County Student Generation Rate²³

Single-family	22,337	units
Mobile Home	6,086	units
Condominium	4,039	units
Apartments	1,721	units
Total	34,183	units
FTE Students	11,352	
Overall Student Generation Rate	0.332	

Step 8 – Net Impact Fee Calculation

Using the net impact fee cost per student and the student generation rates, the net impact fee can be calculated for each residential land use. The school district's school impact fee is determined using a flat rate structure in which all land uses pay the same fee based off the average student generation rate for the County. Table 16 shows that the new school impact fee should be \$5,430.60 using the flat rate fee methodology. The math for this fee is as follows:

$$\text{Net Capital Cost per Student} \times \text{Average Student Generation Rate} = \text{Flat Rate Impact Fee}$$

Table 16. Flat Rate School Impact Fee²⁴

Net Impact Cost per Student	\$16,352.38
Ave. County Student Generation Rate	0.332
Flat Rate Impact Fee	\$5,430.60

²³ Nassau County Property Appraiser, Fl. Dept. of Business & Professional Regulation, and School District

²⁴ Data from Table 14 and Table 15