

KARL N. FLAGG
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

VERNON MYERS
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



Regular meeting 2nd and 4th Thursdays each month at 6:00 p.m.

ELWIN C. "WOODY" BOYNTON, JR.
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

RUBY M. WILLIAMS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD P. HOLMES
CITY ATTORNEY

MINUTES

PALATKA CITY COMMISSION

Impact Fee Options Workshop

Tuesday, September 30, 2008; 4:00 P.M.

Price-Martin Community Center, 220 N. 11th Street, Palatka

Proceedings of a called workshop meeting of the City Commission of the City of Palatka, Florida, held on the 30th day of September, 2008.

PRESENT: Mayor Karl N. Flagg
Commissioner Mary Lawson Brown
Commissioner Allegra Kitchens
Commissioner Vernon Myers
Commissioner James Norwood, Jr.

Also Present: City Manager Elwin C. Boynton, Jr.; City Clerk Betsy Jordan Driggers; Police Chief Gary Getchell; Fire Chief Mike Lambert; Planning Director Jim Lee; Assistant Planning Director Debbie Banks; Parks Director Jeff Norton

CALL TO ORDER – Mayor Flagg called the Workshop to order at 4:10 p.m. and read the following meeting call, issued on September 24, 2008:

TO MESSRS: MARY LAWSON BROWN, ALLEGRA KITCHENS, VERNON MYERS
AND JAMES NORWOOD, JR.:

You are hereby notified that a workshop meeting of the Palatka City Commission is called to be held on Tuesday, September 30, 2008, at the alternate meeting place of the Palatka City Commission at Price-Martin Community Center, 220 N. 11th Street, Palatka, Florida, to commence at 4:00 p.m.

The purpose of the meeting is to hold an Impact Fee workshop.

/s/ Karl N. Flagg

Karl N. Flagg, MAYOR

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a special meeting on the 24th day of September, 2008.

/s/ Mary Lawson Brown

/s/ James Norwood, Jr.

/s/ Vernon Myers

/s/ Allegra Kitchens

INVOCATION – Chief Gary Getchell

PLEDGE OF ALLEGIANCE – Chief Mike Lambert

Mayor Flagg welcomed participants and noted Palatka Planning Director Jim Lee will facilitate the workshop. There will be no decisions made at the conclusion of this workshop. He asked those who chose to speak to please fill out a speaker's card for convenience.

IMPACT FEE OPTIONS – Jim Lee, Planning Director, narrated a PowerPoint presentation based upon the agenda handout (filed). He said the point of this workshop is to look at options for impact fees. Many questions have been asked about what an impact fee is. It helps pay for the capital requirements of the city that come with new growth – portions of buildings, expansion of roads, computers, cars, etc. It does not pay for salaries. In Palatka they collect impact fees for sewer, water, roads, police, fire, parks and schools. Other jurisdictions collect fees for emergency services, general government and a variety of other things. This is just one source of revenue for capital improvements. As new growth happens, there is a need for expanded services, for which you need things like police cars, fire trucks and road improvements. There are other methods of gathering funds for these improvements, such as grants. These fees do not pay for salaries. The issue experienced by B&Z is that on April 1, 2008 there was a new impact fee ordinance that went into affect, which requires impact fees for parks and roads, and significantly raised existing fees. If you have an existing building and you change the use to something with a greater impact, there would be an impact fee due when that new use came in, which is calculated together with whatever credit could be given for the old use. This has impacted the downtown area, and this has come to their attention through customers looking to redevelop. Part of this issue is the "sticker shock" that came with the change. The prior ordinance was adopted in October, 1994, and costs have obviously risen since then. They will demonstrate through this presentation that many costs have quadrupled, which has had an affect on development within the City. The best example he can use was associated with an 80-room motel being developed on Hwy 19. Prior to the new ordinance the impact fees came to \$21,000. With the new ordinance, the fees come to \$226,000. The question of impact fees is a citywide issue.

Mr. Lee said the City of Palatka has had water & sewer impact fees since the 1980s, and whether or not these fees are in place and collected affects the ability of the City to borrow money in the future, They recommend leaving those fees on the books. As to school impact fees, the City of Palatka has no authority or ability to reduce, change or eliminate these fees for new residential development in the City. These fees were adopted by ordinance by the Putnam County BOCC, which is applied within municipal boundaries, and tied to an inter-local agreement. The cost of schools is a countywide issue. This discussion is not tied to school impact fees, but only to fees the Palatka City Commission has levied and charged.

Mr. Lee said impact fees are a popular form of fee for new growth. A description of other impact fees in the surrounding areas is included in the agenda packet (filed). Everyone does not collect the same types of impact fees. Some jurisdictions only collect school impact fees. Others collect every fee they can. This is a decision made by the local governing board.

Mr. Lee compared impact fees collected by other counties, as listed in his handout (filed).

Mr. Lee gave three hypothetical examples of impact fees for existing downtown buildings. The first was an existing 7,500 sf building that has been vacant for 8 years; for retail use, the total impact fees would come to around \$50,000. For the same type of building that's had a retail use within the last 7 years, there would be no impact fee. The ordinance is written so that that if the same use has existed within the building in the last seven years, that can be credited towards the new impact fees. They did not review this ordinance for change of use when it was adopted.

The next example is a building with retail on the first floor; the use for the first floor doesn't change, so there is no fee charged. If someone also wanted to put an apartment on the 2nd floor where none existed for the prior 7 years, the impact fee is \$6,876.60.

Last, for a two-story 10,000 sf building with restaurant/retail use on the 2nd floor, where it was only used for storage before, impact fees for both uses would total \$46,253 after credit of \$11,720 for the storage use was given.

As to a new use along Hwy 19 for vacant land where there has never been a structure, Mr. Lee noted his handout provided specific examples for situations under the old ordinance and new ordinance, and Putnam County's ordinance. Putnam County doesn't have impact fees for sewer & water. To no one's surprise, roads are the big issue. For a single-family residence, under Palatka's ordinance the fees would total \$10,654; under Putnam County's ordinance, they would total \$7,022. For a retail paint store with 10,000 sf and 8 plumbing fixtures, under the new ordinance, Palatka's fee would be \$71,988 and Putnam County's fee would be \$15,500. For an 80-room hotel, Palatka's impact fee would be \$225,590 and Putnam County's fee would be \$154,260.

Mr. Lee noted there have been three building permits issued under the new ordinance. During prior years when impact fees were lower, a greater quantity of fees was collected because more permits were issued during those years. Mr. Lee noted various considerations for discussion as listed in his handout (filed). He cannot recommend the suspension of the collection of impact fees. They City currently collects fees at 100%. In order to reduce the amount of fees collected, other jurisdictions have reduced the percentage of amount of fees collected. They could exclude the downtown TIF district to encourage redevelopment of the downtown, if that is a priority, or tie percentages of reduction to economic development criteria. They could designate specific economic development criteria to reduce impact fees. The problem he has as Planning Director is implementation. If they were to put an impact fee payment plan in place, the only tool for collection of this would be to put a lien on the building. Impact fees could be repaid over a period of years, rather than collect them all at permit issuance. There could be a combination of any of the examples provided.

As to staff recommendations, Mr. Lee said there are many options available to the Commission, from remaining at the current impact fee level to removing them entirely. He and his Staff have provided recommendations as noted (filed). They recommend suspending collection of police, fire and road impact fees in the downtown business district. Water & Sewer fees would be collected at 100% of the rate, and they must continue to collect school fees. For the rest of the city, they recommend a reduction of 50% of the collection for police, parks, and fire impact fees and a reduction to 25% for roads for an 18-month period of time. Water & Sewer fees would be collected at 100% of the rate, and they must continue to collect school fees. If this were implemented, the impact fees for the 80-room hotel on Hwy 19 example he provided prior would be reduced from \$225,590 to \$117,170.

Mr. Lee said he is asking for direction from the City Commission. They have issued three permits this year, and if this recommended reduction is implemented, \$8,724.63 would need to be returned. Staff recommends that Nabors, Giblin & Nickerson, the attorneys that drew up the original ordinance, be retained by the City to make any recommended changes to the ordinance, as impact fee ordinances are often challenged. This recommendation is a starting point for discussion. He is a proponent of impact fees, but these are extraordinary economic times. He believes they need to look at potential changes, on a short-term basis, to fees being charged at this time.

Mayor Flagg said this workshop was administratively and legislatively initiated, and positive Legislation can come from this.

PUBLIC COMMENTS:

Wes Larson, President, Putnam County Chamber of Commerce, said he represents the Chamber's Board of Directors on this issue. The Chamber Board of Directors believes as a matter of public and Chamber policy that impact fees are furthering slow growth rather than helping the City's economic development. They recommend adopting a moratorium on impact fees, excluding water and sewer, as soon as possible. Commissioner Myers asked for confirmation that their request is exclusive of school fees and water & sewer fees; Mr. Larson said that is correct. They want to see some good growth within the City and believe they should not put impediments in the way of good, fast growth. Mr. Boynton asked if 18 months is suitable. Mr. Larson said would be satisfactory provided there is a reevaluation at the end of that 18 months.

Jeff Rawls, 1100 Carr Street, said this issue affects affordable housing, and there has been no discussion on that. If they consider this, try to forecast what this adds to a 30-year mortgage. It impedes affordable housing.

Chris Webster, 2207 Sawgrass Villas Drive, Ponte Vedra, said they represent the developers Mr. Lee spoke of regarding a potential mixed-use development of approximately 10.5 acres on SR 19 located between Home Depot and Sonny's BBQ. It is currently vacant land and has always been. Considering these tough economic times and the forecasts being made, they would not be able to move forward with this development with these impact fees in place. They have four prospective users for this tract. This involves a restaurant, medical facility, assisted living facility and hotel. They'd like to do this development, and hope the City will consider a moratorium for a period of time. These are tough economic times, and borrowing and distributing money is difficult. Commissioner Kitchens asked if his firm is working on projects in other counties that also charge impact fees. He said they are, which has made them either consider slowing down or stopping their developments.

Mary Kay Engleking, Realtor, said these are bad times economically. Currently she handles many bank foreclosures, which are very high in Putnam County. They need an economic stimulus package. She is asking for a moratorium on these fees. This would help Putnam County overall, and bring in more revenue by broadening the tax base. They can readdress the moratorium in 18 months. This will stimulate the economy. Commissioner Kitchens asked how impact fees have slowed construction. She has spoken to at least one bank that said impact fees don't affect the ability to get a mortgage. Ms. Engleking said impact fees are paid up front. Commissioner Kitchens said they are usually part of the purchase price of the house. Ms. Engleking said sometimes it is, sometime is it not.

John Nelson, PHA Executive Director, 400 N. 13th Street, said the PHA has taken steps to move ahead to provide affordable housing for Putnam County. Their program is in deep straights because of these impact fees, which come to 13% of the total cost of the home. This makes these homes no longer affordable for folks living and working in Putnam County, who can least afford these fees. These dollars must come either out of pocket or from program cost, and reduces the amount of units they could build by 4 units in order to pay these fees. He'd like to continue building the affordable houses, which are for sale to owners that will pay taxes to the City. The City should reduce or suspend the impact fees. Commissioner Myers asked if he'd recommend a lower threshold on impact fees. Mr. Nelson said he supports the Staff recommendation to reduce some by 50% and by 75% for roads. If the Commission went back to the prior fees, they would be within budget. They know the City needs this money to provide services.

Guy Van Dorn, LAN Associates, 116 S. 3rd Street, applauded Staff for taking this subject on. It has a dramatic affect on Palatka's future. All municipalities are in competition for what little development is going on these days. They need to attract developers, which would be of great

benefit to Palatka as well as other municipalities nearby. From a planning perspective, a longer moratorium would make better sense, as 18 months is not a long time in development terms. He also suggests they think about rolling back real estate taxes for a period of time; this has been very successful in other municipalities. Commissioner Kitchens asked how long they should reduce or put a moratorium on impact fees. Mr. Van Dorn said three years would be more reasonable.

David Dwyer, 103 Springdale Drive, read an article from Nassau County regarding their suspension of the collection of impact fees. He is a local business/tradesperson and active on local and state Trade boards. People are suffering. Many trades people have already gone under. Restaurants in this town are struggling; they are barely able to stay open. It takes many people to build a house beginning with plans, clearing, building permits, besides craftsmen and construction. If Palatka keeps charging impact fees, there may be zero building permits issued next year, and there will be no revenues coming in. The building industry keeps dozens of other industries and people in business. When you do things to slow development down, you affect many people. He's asking them to do this for trades people. They need to do what they can to boost the economy and get building going.

Commissioner Kitchens asked Mr. Lee to explain why building permits have dropped as it relates to the Comp Plan. Mr. Lee said the chart in the handout is relative to some annexations, but they stopped annexing about a year ago because the comprehensive plan was out of compliance. There have been no annexations. This only creates a portion of the affect, when taking into consideration the economy as a whole, and the ability to build houses in the city or pay for necessary improvements to houses. People in a reasonable economy will move to different areas of the City. It's a combination of many things. This situation is more associated with the economy. The comp plan had some to do with this, but given the economic situation, that would probably trump the annexation issue. This permit period ran from October 1, 2007, and impact fees went into place on April 1, 2008. During this fiscal year they've issued a total of 14 permits; 11 were issued prior to April 1 and only three after April 1, when the Impact Fees took affect.

Mayor Flagg said it is clear there is an imbalance in the City's ordinance. The legislative body is charged with balancing municipal need. This is not about a wish list; there are many things they can't afford to do, but other things they can't afford not to do. They need to address the anemic economy. He is pleased that this initiative is based upon both legislative and administrative issues. There has to be a stimulus countywide; this should not be limited to the City of Palatka. This has to be discussed by the County and all other municipalities. They all need to do what needs to be done to bring about positive growth and stimulate the local economy.

COMMISSIONER COMMENTS:

Commissioner Brown asked, should they put a moratorium on impact fees for 18 months, how that would affect the City's ability to take care of its responsibilities. Mr. Boynton said in his opinion it would have a positive affect. Permit reductions have affected the budget; taxation and even limited growth is down because of no new development. This year they had to slightly increase taxes in order to balance the budget. If the tax base doesn't increase, they may have to do that again, or cut personnel and levels of service. If the City Limits don't expand, or if they can't provide or influence a stimulus package, then next April or May they will be talking about cutting personnel or increasing the millage rate to keep services at current levels. He is in complete support of a combination of Staff's recommendations and the Chamber's proposal. He concurs with what Mr. Van Dorn said regarding the length of time to accommodate development. They will not lose in the long run. They have always worked out development agreements with businesses. Fire trucks and police vehicles could be part of development agreements. There are other ways to make capital improvements. They've been able to meet the service needs of the City with the current tax base. Impact fees may take them to a higher

level of service, but the City provides good levels of service now. As to the 18 months, that is the prediction regarding the amount of time it will take before the economy begins to turn around. This is based upon the perception of leading economists who have said to expect a turnaround in late 2009. Commissioner Brown asked if they could sit down with the County to look at leveraging off interlocal agreements to take care of things like parks systems and certain roadways.

Commissioner Kitchens said all speakers made good points. She is extremely concerned about these economic times. One recommendation is to suspend fire and police impact fees; these are the most important services they provide. She'd like to hear reports specifically from Police and Fire as to what strain new development will put on their departments. Hopefully this economic downturn will not last long. Impact fees don't cover the cost of service. One unit of residential development costs \$27,000 in services. Taxes don't cover the cost of providing services and the City has made up the difference. The City can no longer subsidize these services. If someone opens a store downtown and they need a police officer, they want one there immediately. If new development doesn't help offset these costs, the money to pay for it will come from current citizens and businesses. She is not in favor of suspending police and fire fees, but would consider reducing them. They need to offset the cost of new development. There is crime in the City. She's concerned that if they drop impact fees they'll have to cut services. Mayor Flagg said if you put all your eggs in one basket and you drop the basket, you have a catastrophe. You have to diversify your sources of revenues. They need positive responses. They don't want the citizens to shoulder all the responsibility, but need to consider the businessperson who has to meet a payroll. The tax anemia here predates the economic times, but to fix it they need to respond rather than react. The fix will come with the expansion of the tax base. They need to stimulate the local economy.

Commissioner Myers said there were good comments made by a good cross-section of the community. This issue does need to be visited and he applauds staff for doing this. Somewhere between abolition and moratorium there will be a solution. They need to develop a stimulus package to provide for growth. Construction is the lifeblood of the community. No one knows where this is all headed, but the Commission and staff have a good attitude and will work together to provide a package.

Commissioner Norwood thanked staff for bringing this issue to their attention. This fosters an opportunity to build consensus. Amendment 1 hinders government from continuing to raise taxes and forces them to broaden the tax base. They need to look for ways to bring clean development in. This puts people back to work and in a better economic situation. They need to look at creative ways to do this. If impact fees are affecting development, they have to look at a stimulus package. They need to look not only at impact fees, but at efficiency of other services as well. As economic times change, this Commission has to be flexible and address those changes. They need to address not only impact fees but also whatever else affects growth.

ADMINISTRATIVE COMMENTS

Police Chief Gary Getchell said, as to how this will affect the Police Department, they've done impact studies concerning growth, but they can't use impact fees to fund police officers. Bottom line, this impacts projects like software or equipment upgrades. This will have a short-term impact, but if there is growth, the cost won't be offset through impact fees. They've had to come up with other ways to pay for police officers. They can provide the studies they've done to the Commission. Their studies were based on formulas for different types of structures, and the numbers are fairly accurate.

Fire Chief Mike Lambert concurred with Chief Getchell, and with Staff's recommendation that something needs to be done. Growth is a long-term issue and they need to stimulate growth.

Chief Building Inspector Joff Filion said he looks at plans as they come in and how those apply to state, local and federal laws. Some of them are quite voluminous. He doubts if any developer can complete any development in 18 months. The hard part is getting it to "plan review." Some projects take 18 months just to get out of Water Management. The window may need to increase to 36 months, at least. Mayor Flagg said he's pleased to say the City employs competent staff that has done a marvelous job on the preparation and presentation on this workshop. They are capable of building a consensus on this. They will operate along the lines of consensus building. Doing nothing is not an option. He wants to assure all citizens that help is on the way. They will do what is appropriate; it may not be tailored to a specific person's need, but it will be appropriate. They are partners to all in this situation. They have a challenge to meet and an opportunity to create a win-win situation.

ADJOURN – There being no further business to discuss, the workshop meeting was adjourned at 5:30 p.m. upon a motion by Commissioner Norwood.

ANY PERSON WISHING TO APPEAL ANY DECISION MADE BY THE CITY COMMISSION WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSE MAY NEED TO INSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS TO BE BASED. FS 286.105