



DCA Revises Fiscal Impact Model: Affordable Housing is Treated as “Infrastructure - Like”

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DEVELOPMENT OF FIAM

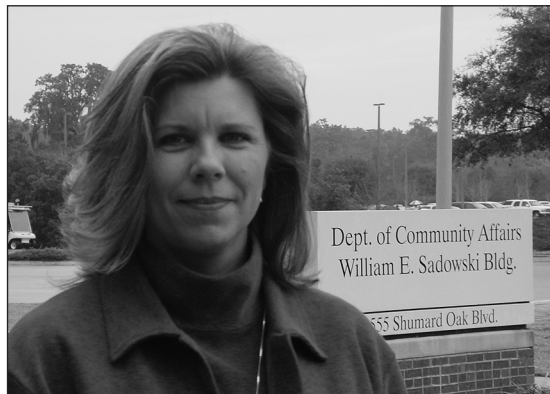
In its 2001 final report, Governor Bush’s Growth Management Study Commission recommended that Florida develop a method to determine the true costs of development and provide it to local governments as a tool to improve local land-use decision-making. During 2002, the Department of Environmental Protection awarded a contract to Fishkind and Associates of Orlando to develop the model, and created a multidisciplinary work group representing diverse interests in growth management to guide the effort. Following initial development, the model was tested in seven pilot communities: Hollywood, Orlando, Panama City, Sarasota, and Orange, Sumter and Palm Beach Counties.

The model’s methodology is incorporated into an Excel spreadsheet and estimates the costs and revenues associated with land-use decisions using a modified per capita approach. The model is location sensitive and capable of determining the costs of development on either a jurisdiction-wide or project-specific basis.

The model is designed for use by local governments with land-use responsibilities, primarily cities and counties. The model estimates cost and revenue impacts of local land use decisions on school districts and on the state roadway network. The application of FIAM in a particular jurisdiction requires input of data specific to that locality, or “calibration.” Fishkind and Associates worked closely with each pilot community to complete calibrated models for each. Then, the model was tested.

Following completion of initial development and testing, responsibility for additional research and preparations for implementation was transferred to the Department of Community Affairs (DCA). During 2003, the model was further refined in response to feedback from pilot communities.

AFFORDABLE HOUSING MODULE



As part of ongoing research, the DCA engaged Fishkind and Associates to incorporate a module to analyze affordable housing. While it is well recognized that affordable housing requires public investment, affordable housing advocates expressed concern that FIAM would be inappropriately used to deny approval of affordable housing developments. If the proposed affordable housing development were to be evaluated

using an approach that considered only the ad valorem revenue generated by the development offset by the costs of public infrastructure, affordable housing would appear to have a negative fiscal impact. Coupled with the requirement that comprehensive plans be financially feasible, this approach could have had a detrimental effect on the development of affordable housing.

The DCA organized a housing working group to engage the active participation of a number of people with expertise in this area. In its very first meeting, the working group concluded that affordable housing is “infrastructure-like,” recognizing that affordable housing is a necessary part of a community’s infrastructure, like roads, water and sewer. The group concluded, therefore,

that FIAM should not be applied to determine the fiscal impact of a proposed affordable housing development just as FIAM would not be applied to a roadway project. The DCA agreed to provide written guidance to local governments to make clear that FIAM should not be applied when making a permitting decision about a proposed affordable housing development. In addition, to address the comprehensive plan requirement for financial feasibility, the DCA will include a statement in the model, training materials, and regulations that the requirement that a local government evaluate the financial feasibility of its comprehensive plan, shall not relieve a community from its obligation to plan for and facilitate creation of a housing stock that is affordable to citizens of all economic levels, including those of very-low-income, low-income, and moderate-income.

Moreover, it was agreed that the FIAM should be modified to determine the impact of all other development on the demand for affordable housing. As originally designed, the model did not assess the effects of land-use decisions, such as commercial and residential development on the need to provide affordable housing. This overstated the fiscal benefit from commercial, industrial, and even residential development.

PEER REVIEW


The DCA also engaged the Urban Land Institute (ULI) to conduct third-party review as part of continuing research and development of the model as a tool to help communities determine the true costs of development. To help assure that further investment in the model is sound, the Department sought an independent analysis of its validity, reliability and credibility. In June 2004, the Department of Community Affairs received a preliminary report from the Urban Land Institute (ULI) on its recently completed peer review of Florida’s Fiscal Impact Analysis Model (FIAM). ULI characterized the model as “excellent.”

The evaluation found that Florida should:

- Endorse the model, package it, and make it available for land-use decisions;
- Provide incentives to local governments and developers to use the model;
- Provide training and technical assistance to local governments in using the model; and
- Develop a monitoring program to determine whether use of the model leads to better land use decisions and increased sustainability of development.

The evaluation also confirmed a recommendation from initial research: FIAM should not be used as the sole basis for a decision, but rather as a tool to inform and guide better land-use decisions. This finding validates the intent of the Growth Management Study Commission that such a model be used to make Florida a better place, not to add additional layers of government regulation.

NEXT STEP

Although the modified FIAM, (which now addresses the impact of development on the demand for affordable housing), is substantially complete, the important aspect of implementation, user support, training and certification, is not yet in place. DCA will be formulating specific proposals for implementation. Once the implementation plan including user training and support is in place, DCA will make the model widely available for use by local governments and the development community. The Department of Community Affairs will provide updated information in its publication, Community Planning. 

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