



City of Venice, FL

Final Addendum to the
FY 2018 Fire Protection Assessment Study

September 1, 2017

INTRODUCTION

This document represents an Addendum to the City of Venice's (the City) Fire Protection Assessment Report (Report) prepared by Stantec, dated July 24, 2017. During the course of public meetings and implementation of the Fire Protection Assessment program, certain condominium owners expressed concerns regarding calculation of the Tier 2 component of the assessment for condominium parcels.

The availability methodology described in the July 24 Report involves two components pursuant to which a portion of the assessment is imposed equally among all tax parcels on a per parcel basis (Tier 1), and other costs are apportioned among developed property based on the value of structures on the parcel (Tier 2). The method relies upon structure value as determined by the county property appraiser. Property appraisers may not assign a separate land value for condominium complexes, such that the availability methodology typically applies just value and/or replacement cost for purposes of calculating the Tier 2 component of the assessment. The two-tiered method based upon the benefits conveyed by availability of service, including the handling of the Tier 2 calculations for condominiums based upon just value, has been upheld by Florida courts including the Florida Supreme Court as a valid approach to apportioning costs for a fire assessment.

However, although the approach used in the Report was developed in accordance with the above referenced Florida Supreme Court case, we discussed with the City the evaluation of an alternative approach for condominium parcels after the above-referenced public meetings and concerns expressed by condominium owners regarding the determination of structure value in Tier 2. This alternative approach, which we believe is responsive to such concerns and reasonable in light of the substantial number of condominium parcels in the City, is described herein.

In addition, the City asked us to evaluate two scenarios of reduced cost recovery, namely 20% and 15%, both of which alternatively include and exclude a 0.1 mil reduction for the current 3.6 mils. These alternatives are also presented herein.

ALTERNATIVE SCENARIOS

CONDOMINIUM ANALYSIS

The City contains 7,156 condominium parcels without attributable land value out of 16,252 total parcels. Due to the substantial number of condominium parcels within the City, and to address concerns expressed by certain condominium owners during the implementation process, we have evaluated methods to create a credit for the Tier 2 component of the assessment imposed against each condominium based upon the imputed value of associated land. This section of this addendum addresses the condominium analysis and the effect upon the Fire Assessment study.

The methodology utilized in the City's Fire Protection Assessment Study (the "Availability method") involves two components or tiers: Tier 1 allocates a portion of the overall assessment amount equally among all tax parcels on a per parcel basis. Tier 2 recognizes that a primary benefit of fire service availability is protection from loss of the structures associated with a given tax parcel (and therefore avoidance of replacement costs); whereby the remaining amount to be recovered through the assessment in Tier 2 is apportioned among developed property based on the value of structures on the parcel. Tier 2 generally excludes reasonably ascertainable land value because the land and its value will remain even in the event the improvements are completely lost in a fire incident.

One of the advantages of the availability method is that it relies upon data prepared by the county Property Appraiser. The Property Appraiser is required to develop and maintain a database of information in the course of fulfilling constitutional duties associated with the Florida system of ad valorem taxation. The database includes, among other things, a list of each tax parcel in the jurisdiction and the distinct tax parcel identification number assigned to each, as well as estimated replacement costs for the structures and buildings on each parcel. That data may be accessed and utilized by a city for purposes of the availability methodology, at no cost to the city. Use of such publicly maintained data avoids duplication of efforts and the ongoing expenses associated with a city first developing and then maintaining over time apportionment metrics such as replacement value on its own, resulting in cost-efficient administration.

One limitation of that data is that the Property Appraiser may not isolate, separately identify or determine a land value for real property associated with a condominium form of ownership, wherein each condominium parcel is owned individually but other elements of the overall complex are owned jointly (i.e. parking lots, clubhouses or other amenity features, and the land upon which the parcels are constructed). Recognizing this limitation, the communities that have adopted the availability method typically use the replacement cost or just value assigned by the Property Appraiser for purposes of deriving the Tier 2/structure value component, finding that such approach is reasonable because the legal structure of condominium or similar common ownership materially restricts the severability of a specific or individual condo parcel created under a statutory regime from any associated parcel of land, and that the benefit of service availability to common features is conveyed back to the parcel itself in the form of improvement value. The availability method and its use of replacement value as a metric for fire assessment apportionment, which includes the above-described handling of condominiums has been upheld at both the trial court level and by the Florida Supreme Court.¹

Consistent with the above, the methodology used in the development of the assessment program for the City relies upon the Sarasota County Property Appraiser's data to generate the Replacement Cost New Less Depreciation (RCNLD) of Building and Extra Feature Values for all properties within the City. The sum total of the Building and Extra Feature Values represent the total Structure Value used as the basis for the Tier 2 rate, which is applied to every \$5,000 increment of Structure Value for each developed parcel.

However, in light of the high percentage of condominium parcels in the City of Venice, and to address concerns expressed by certain condominium parcel owners regarding the valuation technique used for the application of Tier 2 to each condominium's

¹ Morris v. Cape Coral, 163 So.3d 1174, 1180 (Fla. 2015) ("The use of the property appraiser's structure value is reasonable because the property appraiser is statutorily required to use a replacement cost to determine this value. See § 193.011(5), Fla. Stat. (2014). We find that this is a reasonable approach to apportionment and not arbitrary.")

potential Fire Assessment, we have evaluated a method to apply a land value credit to each condominium's structure value described herein.

The credit is calculated by first identifying the subset of non-condominium residential developed parcels within the City. Each non-condominium residential parcel has a separate land value, and associated land square footage as provided by the Property Appraiser. The total non-condominium residential land value is divided by the total non-condominium residential land square footage to determine a weighted average value of land per square feet within the City. Table 1 below contains the land values and square footage used for this calculation.

Table 1

Code	Description	Land Sq Ft	Land Value
100	Single Family Detached	63,922,095	\$ 919,703,700
101	Single Family Attached - End Unit	1,634,790	\$ 22,118,900
102	Single Family Attached - Inside Unit	12,582	\$ 468,600
010X	Single Family & Other Bldg	442,350	\$ 10,004,400
200	Manufactured 1-Fam Res	3,243,181	\$ 85,010,600
310	Multi-family 10 - 19 units	154,894	\$ 3,165,400
320	Multi-family 20 - 49 units	136,389	\$ 1,518,100
032X	Multi-family 20 - 49 units - mixed use	18,295	\$ 473,800
350	Multi-family 50 - 99 units	647,260	\$ 3,356,000
390	Multi-family 100 or more units	633,362	\$ 3,060,000
060X	CCRC -Retirement Homes - Independent Living mixed use	2,067,650	\$ 12,428,700
810	Multiple Single Fam Dwellings	1,443,404	\$ 12,231,200
081X	Multiple Single Fam Mixed	81,926	\$ 2,406,800
820	2-Family Dwelling	836,682	\$ 17,913,500
082X	2-Family & Other Bldg	103,576	\$ 2,146,600
082Y	Multiple 2 Family Bldgs	29,994	\$ 667,600
830	3-Family Dwelling	214,334	\$ 1,377,100
083X	3 Family & Other Bldg	39,485	\$ 781,900
840	4-Family Bldg	72,804	\$ 1,824,500
084X	4-Family & Other Bldg	55,659	\$ 242,200
890	Multi-family apts 5-9 units	206,742	\$ 3,850,600
Total:		75,997,454	\$ 1,104,750,200
Land Value per Square Feet of Non-Condominium Residential Parcels:		\$14.54	

The Property Appraiser has supplied a database of each individual condominium parcel within the City, and the associated condominium building/complex and total land area of each complex. We further isolated the data to include only condominium parcels with no attributable land value in the property database. The total condominium land area is multiplied by the average land value per square feet calculated above to determine an imputed total Condominium Land Value within the City. We then calculated the total Just Value of all condominium parcels from the Property Appraisers data to determine the ratio of imputed total Condominium Land

Value as a percentage of total Condominium Just Value. This percentage is the effective land value credit that is then applied to the structure values for each condominium parcel for the determination of the Tier 2 value for each individual Condominium parcel. The credit calculation is detailed in Table 2 below.

Table 2

Line	Description	Data	Source or Calculation
1	Total Land Value of Developed Residential Properties	\$1,104,750,200	Calculated in Table 1
2	Total Land Square Feet of Developed Residential Properties	75,997,454	Calculated in Table 1
3	Value per Sq Ft:	\$14.54	Line 1 divided by Line 2
4	Total Condominium Land Sq Ft:	23,637,927	From Property Appraiser's data
5	Total Condominium Land Value:	\$343,616,835	Line 3 multiplied by Line 4
6	Total Condominium Just Value:	\$1,381,435,000	From Property Appraiser's data
7	Land % of Just Value:	24.87%	Line 5 divided by Line 6
8	Applied Structure Value:	75.13%	100% Less Line 7

This adjustment may not be exact for each condominium parcel but is reasonable given 1) the limitation regarding land value data for each condominium parcel in the Property Appraiser's data, which is the source of property data used in the assessment calculations, and 2) the averaging concept in rate making that is used when data limitations will not allow a more precise allocation to individual rate payers. This adjustment employs that averaging concept regarding land value of condominium parcels because land value data for individual condominium parcels is not available. For example, this form of averaging is commonly used in utility ratemaking where a property close to the water treatment plant actually costs less to serve than a property distant from the plant, but data is not available to practically differentiate the rate for such parcels based upon distance from the plant and an average rate is applied to both properties.

Such a revision to the treatment of condominium parcels in Tier 2 reflects a reasoned and logical approach to addressing the specific circumstances and parcel configuration present in the City based upon available data, and in our estimation is reasonable in light of the specific circumstances and parcel configuration present in the City.

We have developed this approach in consultation with special counsel engaged to assist the City with development and implementation of the fire assessment program, and special counsel agrees and concludes that it complies with the fair and reasonable apportionment standard applicable to special assessments.

The application of the condominium credit is reflected in the sample of representative condominium parcels in Table 3 below.

Table 3

Sample Condominium Parcels for Demonstration	Structure Value before Credit (rounded)	Land Value Credit%	Applied Structure Value %	Structure Value after Credit (rounded)	Tier 2 EBUs Before Credit	Tier 2 EBUs After Credit	50% Cost Recovery Assessment Before Credit	50% Cost Recovery Assessment After Credit
Condominium - Low Value	\$80,000	24.87%	75.13%	\$60,000	16	12	\$171	\$152
Condominium - Average Value	\$190,000	24.87%	75.13%	\$140,000	38	28	\$277	\$229
Condominium - Med High Value	\$480,000	24.87%	75.13%	\$360,000	96	72	\$556	\$440
Condominium - High Value	\$850,000	24.87%	75.13%	\$640,000	170	128	\$912	\$710

Table 4 below reflects the Fire Assessment adjusted net revenues at 100%, 75%, 50% and 25% cost recoveries, which were calculated in the original study.

Table 4

Revenue Estimates at 25% Cost Recovery Increments with Condominium Adjustment

	% Cost Recovery	100%	75%	50%	25%
Tier 1 Rate per Parcel	\$	187.84	\$ 140.88	\$ 93.92	\$ 46.96
Tier 2 Rate per Structure EBU	\$	9.63	\$ 7.22	\$ 4.81	\$ 2.41
FY 2018 Net Estimated Revenue after Condominium Adjustment	\$	7,608,000	\$ 5,703,000	\$ 3,795,000	\$ 1,896,000

Note: While the estimated revenues collected are effected by the condominium adjustment, the applied rates remain unchanged from the original analysis

REVENUE SCENARIOS AND PROPERTY IMPACTS

The City has contemplated various scenarios regarding the Fire Assessment at different cost recovery amounts, as well as potential offsets to the Ad Valorem millage rate in order to collect a net revenue amount to meet the City's budgetary goals. The initial consensus of the City was to adopt a maximum of 50% cost recovery Fire Assessment, with a 0.5 Mil reduction to the Ad Valorem tax rate. As discussions regarding the Fire Assessment have evolved, additional scenarios have been requested and evaluated in terms of cost recovery and Ad Valorem tax rate offsets. Table 5 below contains scenarios requested by the City Council, showing the net revenue and associated Fire Assessment rates for each scenario.

Table 5

Fire Assessment and Millage Offset Scenarios - Revenue Analysis

Scenario	Description	Net Fire Revenue	Millage Offset	Net Revenue	Tier 1 Rate per Parcel	Tier 2 Rate per \$5,000 of Structure Value
1	50% Cost Recovery, 0.5 Mil Decrease	\$3,795,000	(\$1,801,000)	\$1,994,000	\$93.92	\$4.81
2	20% Cost Recovery, 0 Mil Decrease	\$1,516,000	\$0	\$1,516,000	\$37.57	\$1.93
3	20% Cost Recovery, 0.1 Mil Decrease	\$1,516,000	(\$360,000)	\$1,156,000	\$37.57	\$1.93
4	15% Cost Recovery, 0 Mil Decrease	\$1,129,000	\$0	\$1,129,000	\$28.18	\$1.44
5	15% Cost Recovery, 0.1 Mil Decrease	\$1,129,000	(\$360,000)	\$769,000	\$28.18	\$1.44

The following pages contain tables and graphs applying each scenario listed above to representative property types within the City. These tables evaluate the net impact of the Fire Assessment and Millage Adjustments (where applicable) to the representative property types on an annual basis.

Table 6

Scenario Analysis - Property Impact Tables

	A	B	C	D	E	F	G	H
				Net Impact of Fire Assessment and Millage Offset				
	Parcel Type	Structure Value (Rounded)	Assessment Tier 2 Units	Scenario 1 - 50% Cost Recovery, 0.5 Mil Decrease	Scenario 2 - 20% Cost Recovery, 0 Mil Decrease	Scenario 3 - 20% Cost Recovery, 0.1 Mil Decrease	Scenario 4 - 15% Cost Recovery, 0 Mil Decrease	Scenario 5 - 15% Cost Recovery, 0.1 Mil Decrease
1	Single Family Home - Low Value	\$90,000	18	\$91	\$72	\$54	\$54	\$36
2	Single Family Home - Average Value	\$190,000	38	\$157	\$111	\$87	\$83	\$59
3	Single Family Home - High Value	\$220,000	44	\$156	\$122	\$92	\$92	\$62
4	Single Mobile Home	\$60,000	12	\$107	\$61	\$52	\$45	\$36
5	Condominium - Low Value	\$60,000	12	\$132	\$61	\$57	\$45	\$41
6	Condominium - Average Value	\$140,000	28	\$159	\$92	\$78	\$69	\$55
7	Condominium - Med High Value	\$360,000	72	\$235	\$177	\$136	\$132	\$91
8	Condominium - High Value	\$640,000	128	\$310	\$285	\$205	\$213	\$133
9	Office/1-Story Single Tenant	\$160,000	32	\$133	\$99	\$76	\$74	\$51
10	Restaurant	\$890,000	178	\$150	\$381	\$221	\$285	\$125
11	Retail/Office	\$3,150,000	630	\$1,669	\$1,253	\$962	\$935	\$644
12	Grocery Store	\$7,740,000	1,548	\$2,215	\$3,025	\$1,960	\$2,257	\$1,192
13	Service Club	\$530,000	106	\$604	\$242	\$242	\$181	\$181
14	Yacht Club	\$1,850,000	370	\$179	\$752	\$413	\$561	\$222
15	Assisted Living Facility	\$2,570,000	514	\$771	\$1,030	\$671	\$768	\$409
16	Church	\$1,150,000	230	\$1,200	\$481	\$481	\$359	\$359

Note: Representative Condominium parcel Structure Values are net of the credit described in the previous section

Figure 1- Single Family Residential Property Impacts of Scenario Analysis

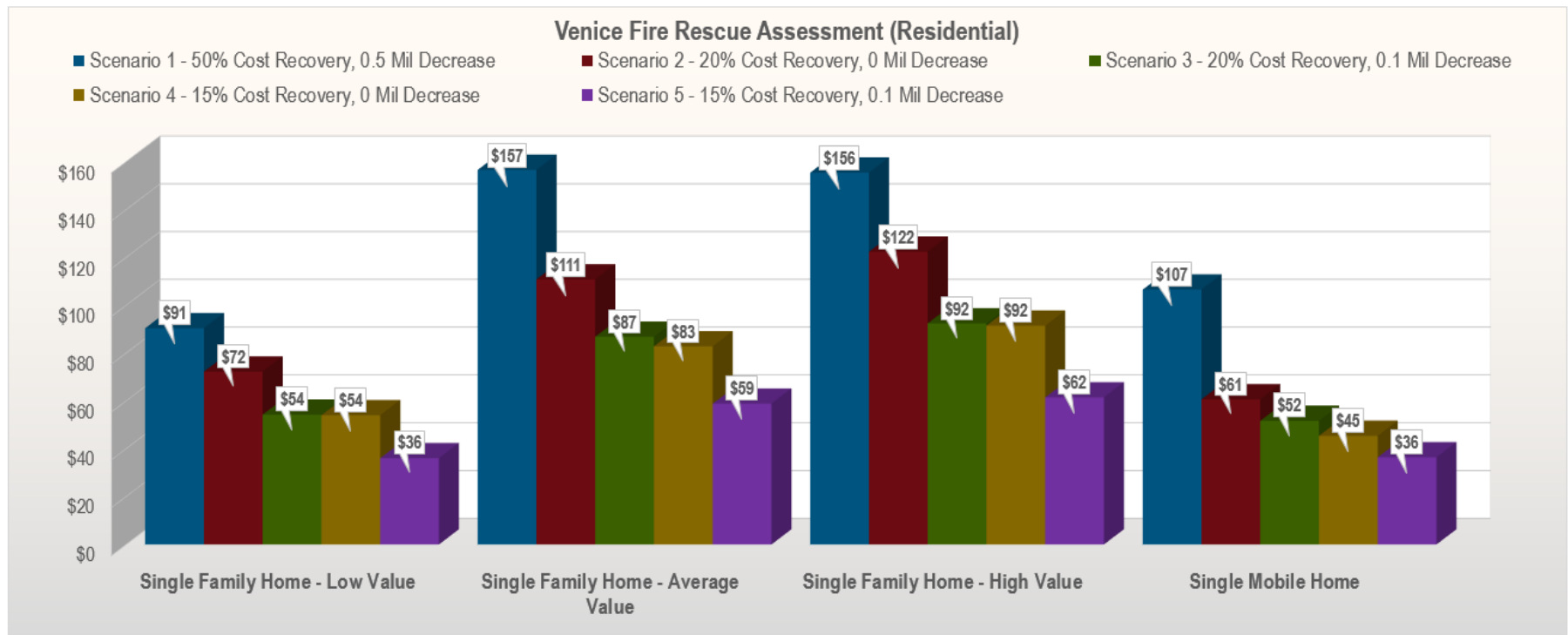


Figure 2- Condominium Property Impacts of Scenario Analysis

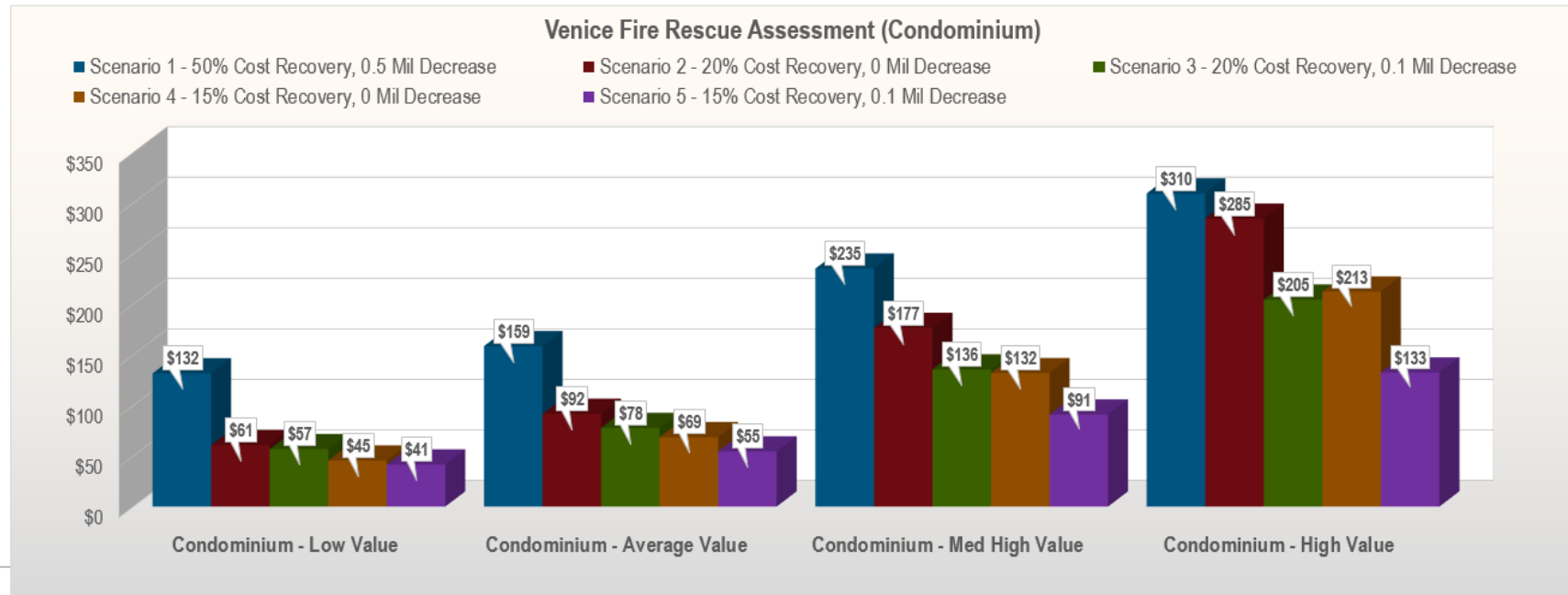
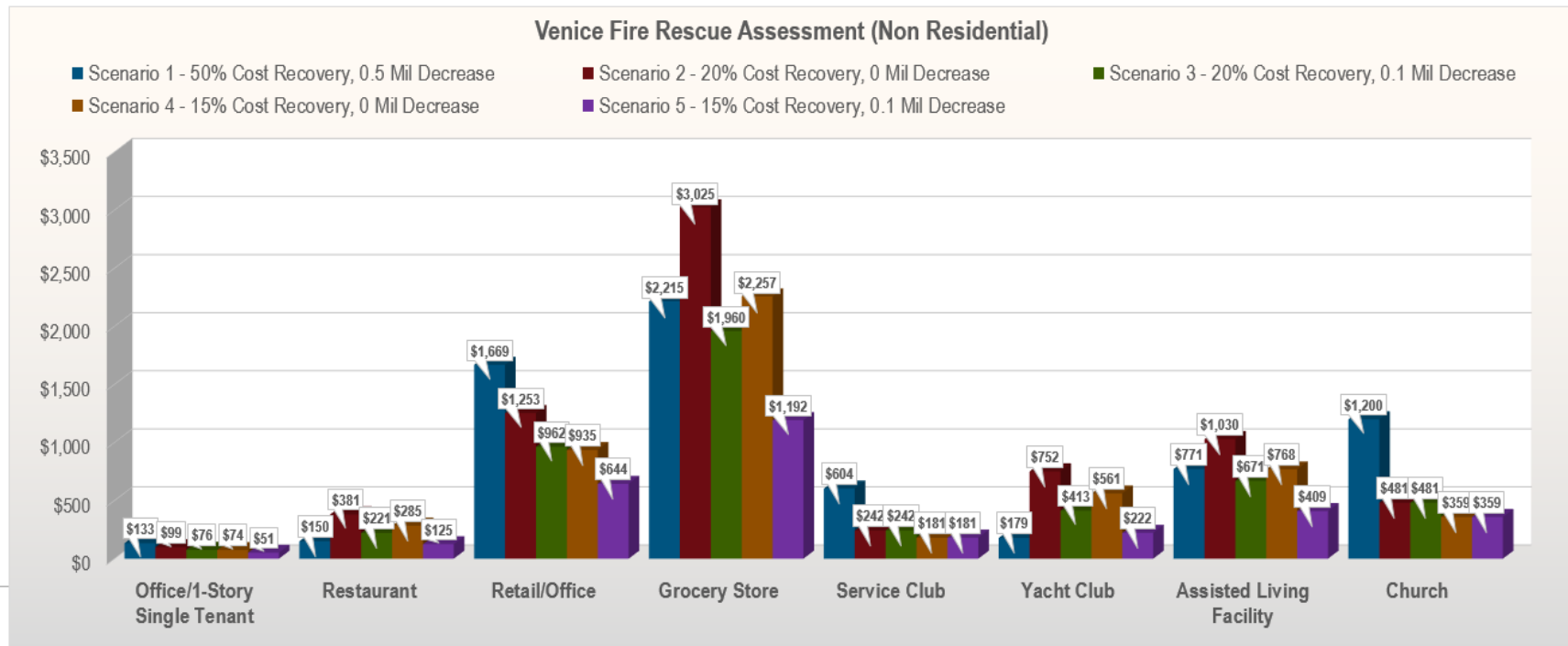


Figure 3- Non-Residential Property Impacts of Scenario Analysis



CONCLUSIONS AND RECOMMENDATIONS

The apportionment methodology set forth in the Report dated July 24, including the handling of condominium parcels, is consistent with the Florida Supreme Court's ruling that validated the availability method of cost apportionment for a Fire Assessment. However, in light of the substantial number of condominium parcels in the City, we have developed a land value credit for the Tier 2 component of the assessment for condominium parcels that we believe is reasonable and responsive to concerns raised by certain condominium parcel owners.

Such a revision to the treatment of condominium parcels in Tier 2 reflects a reasoned and logical approach to addressing the specific circumstances and parcel configuration present in the City based upon available data and in our estimation is reasonable.

We have developed this approach in consultation with special counsel engaged to assist the City with development and implementation of the fire assessment program, and special counsel agrees and concludes that it complies with the fair and reasonable apportionment standard applicable to special assessments.

If the City adopts the Fire Assessment rates based upon this alternative approach for condominium parcels, the condominium land credit as determined herein will be applied to all condominium parcels within the City before the final assessment roll is certified to the Tax Collector.