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# **Model Ordinance for Proportionate Fair-Share Mitigation of Development Impacts On Transportation Corridors**

**Final Edition**

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## **PREFACE**

Concurrency is a growth management concept intended to ensure that the necessary public facilities and services are available concurrent with the impacts of development. To carry out transportation concurrency, local governments must define what constitutes an adequate level of service (LOS) and measure whether the service needs of a new development outrun existing capacity and any scheduled improvements in the Capital Improvements Element (CIE). If adequate capacity is not available, the local government cannot permit development unless certain conditions apply as provided for in statute, such as “de minimis” exemptions for developments having only minor impacts or concurrency exception areas to encourage infill and redevelopment.

The 2005 amendments to Florida’s growth management legislation directed local governments to enact concurrency management ordinances by December 1, 2006, that allow for “proportionate share” contributions from developers toward concurrency requirements (see §163.3180(16), F.S., in Appendix A). The intent of the proportionate fair-share option is to provide applicants for development an opportunity to proceed under certain conditions, notwithstanding the failure of transportation concurrency, by contributing their share of the cost of improving the impacted transportation facility.

The Florida Department of Transportation (FDOT) was directed to develop a model ordinance for proportionate fair-share contributions for use by local governments no later than December 1, 2005. This model proportionate fair-share ordinance is the result of a collaborative effort between the FDOT, the Center for Urban Transportation Research (CUTR), a Technical Advisory Committee comprised of transportation and development professionals with experience in concurrency management, and a cross section of Florida developers and their consultants.

It is necessary for a local government to have a Concurrency Management System (CMS) in place prior to the adoption of a proportionate fair-share ordinance. The newly adopted proportionate fair-share requirements would not apply until a deficiency is identified through the local CMS. Local governments that have yet to establish a CMS will need to do so prior to implementing a Proportionate Fair-Share Mitigation Program.

Proportionate Fair-Share Programs must be consistent with local concurrency management requirements. The law permits local CMSs to determine concurrency based on new capacity to be provided by planned road improvement projects up to the first three years of the capital improvement schedule. Local governments, at their option, may adopt more stringent standards that apply concurrency at an earlier stage. To the extent local governments have adopted more stringent standards, the proportionate fair-share ordinance must reflect a similar time period, thus providing for proportionate fair-share options in years one, two or three (consistent with local provisions) of the five-year capital improvement schedule.

Proportionate fair-share contributions should not be confused with transportation impact fees. The primary difference is that the proportionate fair-share payment outlined in

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Section 163.3180(16), F.S., is intended as a means to address a specific transportation concurrency issue - a road segment or segments operating below the adopted level-of-service standard; whereas transportation impact fees are imposed on each new development to pay for that development's impact on the entire transportation system (as addressed by the local impact fee ordinance). The model ordinance addresses the need for local governments to provide transportation impact fee credit for proportionate fair-share contributions under certain conditions as required by Section 163.3180(16), F.S.

The model ordinance implements the provisions of Section 163.3180(16), F.S., which establishes conditions whereby developers may satisfy transportation concurrency requirements through proportionate fair-share contributions. It should be noted that the developer may elect to use these provisions if the transportation facilities or facility segments identified as mitigation for the development's traffic impacts are specifically identified for funding in the five-year schedule of capital improvements in a local government's (CIE) or in an adopted long-term CMS.

Likewise, the local government may elect to allow a development to proceed through the Proportionate Fair-Share Program if the local government is willing to add the necessary transportation improvement project to the five-year schedule of capital improvements in the next annual update of the CIE. If the local government does not have sufficient funds to fully fund construction of a transportation improvement required by the CMS, the local government and developer may still enter into a binding proportionate fair-share agreement authorizing the developer to construct that amount of development on which the proportionate fair share is calculated. In this latter case, the proportionate fair-share amount must be sufficient to pay for one or more improvements which will, in the opinion of the governmental entity or entities maintaining the transportation facilities, significantly benefit the impacted transportation system.

Local capital improvement plans needed to achieve and maintain adopted LOS standards over the five year period and long term CMSs must be "financially feasible" as defined in Section 163.3164(32), F.S. Local governments choosing to add a project to their five-year capital improvements schedule must demonstrate that additional contributions, payments or funding sources are reasonably anticipated to fully fund the project. Updates to the CIE that reflect proportionate share contributions will still meet financial feasibility requirements if additional developer contributions and other funding sources needed to satisfy the requirements of the local CMS are reasonably anticipated at least within a 10-year period.

The definition of financial feasibility in statute further indicates that "the requirement that (LOS) standards be achieved and maintained shall not apply if the proportionate-share process set forth in 163.3180(12) and (16) is used." This provision clarifies that proportionate share is a pay-as you-go method that does not require immediate resolution of the LOS deficiency, but transportation projects satisfying the LOS deficiencies on these facilities must still be programmed for improvement in the five-year CIE or long term concurrency management system.

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The five-year schedule of capital improvements in the CIE must be reviewed annually and modified as necessary to maintain financial feasibility. In addition to any locally programmed facilities, the schedule must include projects in the Metropolitan Planning Organization (MPO) Transportation Improvement Program (TIP) (and any privately funded facilities that have been guaranteed in an enforceable agreement) that are relied upon to ensure concurrency and financial feasibility in the five-year schedule period (§163.3177(3)(a)6, F.S.).

If a long term CMS is adopted, the local government must evaluate the system periodically and at a minimum the next Evaluation and Appraisal Report (EAR) must assess the progress toward achieving an improved LOS and identify any changes needed to accelerate that progress. Long term CMS are typically 10 years, but may extend up to 15 years with certain justification. The legislation also called for a long term schedule of capital improvements to be submitted with the long term CMS plan (§163.3177(3) (d), F.S.).

Finally, a local government has the responsibility to deny a development that is inconsistent with the comprehensive plan or land development regulations. This should occur regardless of a development's ability to meet concurrency through proportionate fair share, unless the plan is amended to reflect the necessary changes to accommodate the development.

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## **EXECUTIVE SUMMARY OF ORDINANCE**

Sections A and B of the ordinance provide statements regarding the intent of the Proportionate Fair-Share Program. The basic intent is to establish a process for mitigating the impacts of development on transportation facilities through the cooperative efforts of the public and private sectors. Under this process, development may proceed despite a lack of adequate capacity on the impacted transportation system, provided applicants contribute their fair-share toward satisfying concurrency for the transportation impacts of their development projects. A corresponding intent is to strengthen local capital improvements planning by tying these developer contributions more closely to the transportation planning and improvement process.

Section C states that the Proportionate Fair-Share Program would apply, pursuant to certain conditions, to any development that has been denied transportation concurrency by the local government, other than those specifically excluded by statute or exempted from concurrency in local ordinance. It would also apply to transportation facilities not maintained by the permitting local government, provided those facilities are relied upon for transportation concurrency determinations.

Section D is provided to accommodate regulatory definitions needed to implement the Proportionate Fair-Share Program. The section advises local governments to reconcile terms in their proportionate fair-share ordinance with other concurrency-related definitions in Chapter 163, F.S., and local land development regulations. It also provides the new definition of concurrency from Section 163.3180(2) (c), F.S.

Conditions for participating in the program are indicated in Section E. Specifically, plans must be in place to improve the impacted transportation facilities such that capacity will be available to accommodate the impacts of the proposed development as required by Section 163.3180, F.S. Local governments may also choose to add new projects to the local CIE or a long-term CMS and schedule of projects that incorporate developer contributions. If no improvement has been included in an adopted improvement program, then the local government may allow participation in the Proportionate Fair-Share Program pursuant to the provisions in Section E(2).

Although the emphasis is on major facility improvements to address transportation needs, Section E would not preclude short-term operational improvements in advance of a larger capacity project. It would also allow for mitigation in the form of parallel reliever routes, improved network development and connectivity, transit facility improvements, or other major mobility improvements. The intent, however, is that any improvement to a facility be aimed at advancing a planned improvement project or at least be reflected in an adopted corridor management plan which addresses operational improvements in a comprehensive manner.

Section F addresses the need for intergovernmental coordination with other affected jurisdictions and agencies, regarding contributions to impacted facilities that are under their jurisdiction. Proportionate fair-share contributions should be applied toward the

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impacted facility. Therefore, local governments are advised to work with other affected agencies to establish a process for applying developer contributions to the impacted facilities. This could be accomplished through cooperative agreements or some other method, such as participation in preapplication meetings, as suggested in Section G.

Section G provides a basic application process for proportionate fair-share agreements. It provides for a short notification to applicants, concurrent with the notice of a lack of capacity to satisfy transportation concurrency, informing them of the proportionate fair-share option and referring them to the ordinance requirements. Under this section, potential applicants would need to attend a preapplication meeting. If the proposed mitigation would be on the Strategic Intermodal System (SIS), FDOT would be notified and invited to attend. Including FDOT in the preapplication process is suggested as a good way to provide for early and ongoing coordination and to meet the requirements of Section 163.3180(16) (e), F.S., which requires FDOT concurrence on SIS mitigation. Although not specified in ordinance, preapplication meetings would also be helpful for coordinating on proportionate share contributions with other affected agencies that maintain a roadway within their jurisdiction (e.g., county roadways in city boundaries, non-SIS state highways).

Section H sets forth the methodology for determining an applicant's proportionate fair-share obligation. This section applies the formula specified in statute, which is that used for multi-use Developments of Regional Impact (DRI). Unlike the DRI requirements, however, the impact area would be determined by the local CMS and not by the "significance test" provided in Rule 9J-5 for multi-use DRIs. The process involves determining each development's share of a future improvement cost based on the number of trips that would exceed available capacity under the local CMS. The planned improvement used as the basis for the contribution would be that improvement specified pursuant to Section E of the ordinance. The cost used for the proportionate fair-share calculation should reflect actual costs at the time the improvement is scheduled for construction as closely as possible. Therefore, a sample method for determining an inflation factor is provided in Appendix B.

Section I establishes that applicants are eligible to receive impact fee credit for proportionate fair-share contributions, as required by Section 163.3180(16) (b) (2), F.S. A complicating factor is that impact fees are assessed on a system-wide basis, whereas concurrency determinations for proportionate fair-share address improvements related to a specific site. Therefore, the model suggests that local governments first determine the distribution of impact fee revenues across the transportation system. Under this approach, applicants would be eligible for impact fee credit only for that portion of their proportionate fair-share contribution that applies to the same segment that is also being funded for improvement with their impact fees.

Under Section 163.3180(16) (b) (2), F.S., applicants are not eligible for impact fee credits on facilities not contemplated in the impact fee ordinance. For example, if the road is a state road and the impact fee rate is calculated based on trip lengths that include state roads, then there would be a credit. If the calculation included only trip lengths on non-

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state roads there would be no credit. In addition, impact fee credits would be administered pursuant to the requirements of the local impact fee ordinance and would be provided as they are earned and not necessarily at the time of the proportionate fair-share contribution.

Section J provides a process for executing proportionate fair-share agreements and a timeline for payment of contributions. It allows applicants to move forward with their development plans pursuant to an agreement, without requiring payment until prior to final approval either of the development order or recording of a final plat. However, it establishes that applicants must apply for a development permit within one year, or as required by a local government's CMS. It also provides an incentive for early payment by establishing that the local government will recalculate the fair-share obligation to capture any changes in improvement costs where an applicant submits their payment more than one year after execution of the agreement.

Section K outlines the method for appropriating revenue from proportionate fair-share contributions. It suggests that revenues be applied to the facilities for which they were collected, unless the terms of the agreement dictate otherwise. It also establishes parameters for re-appropriating revenue if an improvement is removed from the CIE. Specifically, it requires another improvement to be identified and added to the CIE to mitigate transportation deficiencies within that same corridor or sector. At the discretion of the local government, proportionate fair-share revenues may be used for operational improvements prior to construction of the capacity project from which the proportionate fair-share revenues were derived. Proportionate fair-share revenues may also be used as the 50% local match for funding under the FDOT Transportation Regional Incentive Program (TRIP).

Section K also includes an optional provision whereby local governments could establish a method to reimburse an applicant who constructs a transportation facility that provides capacity in excess of the applicant's proportionate fair-share obligation. This could be addressed in the terms of proportionate fair-share agreements and/or provided for in the proportionate fair-share ordinance using the model language provided.

The ordinance concludes with two optional additions to a local government's proportionate fair-share regulations. Option A provides an opportunity for a local government to address the transportation impacts of a proposed development in an adjacent local government that is at or near its border. Each participating local government would first enter an agreement to incorporate the provision into their land development regulations. Where a permitting local government finds a significant transportation impact may occur across its border, using the methodology provided, it would inform its neighbor who would determine if the development traffic would cause a concurrency deficiency in their jurisdiction. If so, the adjacent local government would determine the applicant's proportionate fair-share obligation to them and provide that information to the permitting agency who would condition their approval on the fulfillment of all proportionate fair-share obligations.

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Option B provides a concept for applying the Proportionate Fair-Share Program toward mobility improvements within a transportation concurrency exception area (TCEA), transportation concurrency management area (TCMA), or a multimodal transportation district (MMTD). Because these areas are intended to incorporate significant multimodal improvements and often have constrained roadways, an area-wide approach is suggested. It advances Section 163.3180, F.S., which requires local governments to adopt and implement strategies to support and fund mobility within these areas, including alternative modes of transportation.

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## **I. MODEL PROPORTIONATE FAIR-SHARE ORDINANCE**

### **Introduction**

*This model ordinance provides a series of options that are intended as a framework for Proportionate Fair-Share Programs. The ordinance language sets forth the proportionate fair-share mitigation options in a manner consistent with and as required by Section 163.3180(16), F.S., and has been crafted to tie to existing local government CMSs. Because conditions vary throughout the state, it is not the intent that a local government would adopt the ordinance verbatim as it does not address all issues that may arise within a particular context. Rather, the model ordinance is a technical assistance product that local governments will need to adapt to their situation. The model ordinance contains some options that a local government may consider depending upon their needs. Local governments should obtain professional planning and legal assistance when adapting this model regulatory language to fit local needs.*

### **A. Purpose and Intent**

The purpose of this ordinance is to establish a method whereby the impacts of development on transportation facilities can be mitigated by the cooperative efforts of the public and private sectors, to be known as the Proportionate Fair-Share Program, as required by and in a manner consistent with §163.3180(16), F.S.

### **B. Findings**

- (1) The [Council/Commission] finds and determines that transportation capacity is a commodity that has a value to both the public and private sectors and the [City/County] Proportionate Fair-Share Program:
  - (a) Provides a method by which the impacts of development on transportation facilities can be mitigated by the cooperative efforts of the public and private sectors;
  - (b) Allows developers to proceed under certain conditions, notwithstanding the failure of transportation concurrency, by contributing their proportionate fair-share of the cost of a transportation facility;
  - (c) Contributes to the provision of adequate public facilities for future growth and promotes a strong commitment to comprehensive facilities planning, thereby reducing the potential for moratoria or unacceptable levels of traffic congestion;
  - (d) Maximizes the use of public funds for adequate transportation facilities to serve future growth, and may, in certain circumstances, allow the

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[City/County] to expedite transportation improvements by supplementing funds currently allocated for transportation improvements in the CIE.

- (e) Is consistent with §163.3180(16), F.S., and supports the following policies in the [City/County] Comprehensive Plan [cross reference policies and objectives in the comprehensive plan/CIE].

### **C. Applicability**

*Commentary: Each local government is required to adopt and maintain LOS on transportation facilities per Chapter 163, F.S., through a CMS designed to “ensure that issuance of a development order or development permit is conditioned upon the availability of public facilities and services necessary to serve new development” (Rule 9J-5.0055 F.A.C.), This model ordinance assumes that each local government has a CMS in place. Further, this model ordinance is designed to work within a local government’s existing CMS.*

The Proportionate Fair-Share Program shall apply to all developments in [City/County] that have been notified of a lack of capacity to satisfy transportation concurrency on a transportation facility in the [City/County] CMS, including transportation facilities maintained by FDOT or another jurisdiction that are relied upon for concurrency determinations, pursuant to the requirements of Section E. The Proportionate Fair-Share Program does not apply to developments of regional impact (DRIs) using proportionate fair-share under §163.3180(12), F.S., or to developments exempted from concurrency as provided in [reference appropriate sections in concurrency ordinance, policies in comprehensive plan, and/or Chapter 163.3180, F.S., regarding exceptions and de minimis impacts].

*Commentary: It is important to note that statutory requirements allowing de minimis impacts for concurrency have been changed to require local governments to maintain records to ensure that the 110% criteria is not exceeded. This documentation must be submitted annually with the updates to the local CIE schedule. If DCA determines that a local government has exceeded the 110% criterion on a particular roadway, then it will send a letter notifying the local government that further de minimis development approvals on that roadway are prohibited by state law until the local government provides proof to DCA that the volume has been reduced below 110%.*

### **D. Definitions**

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*Commentary: This model assumes that basic terms have been defined in local land development regulations. Terms in the local government proportionate fair-share ordinance should be reconciled with definitions of relevance to concurrency found in Section 163.3164, F.S., Section 163.3180, F.S., and local land development regulations. In addition, any terms not already defined that have regulatory connotations will need to be defined. Note that the definition of concurrency has been revised as follows: “transportation facilities needed to serve new development shall be in place or under actual construction within 3 years after the local government approves a building permit or its functional equivalent that results in traffic generation” (§163.3180(2)(c), F.S.).*

## **E. General Requirements**

*Commentary: This section establishes general requirements for participation in the Proportionate Fair-Share Program pursuant to §163.3180(16) (b) 1, and (f), F.S. It also clarifies under what circumstances an applicant may choose to participate in the Program, as well as, under what circumstances the local government may choose to offer the opportunity to participate.*

- (1) An applicant may choose to satisfy the transportation concurrency requirements of the [City/County] by making a proportionate fair-share contribution, pursuant to the following requirements:
  - (a) The proposed development is consistent with the comprehensive plan and applicable land development regulations.
  - (b) The five-year schedule of capital improvements in the [City/ County] CIE or the long-term schedule of capital improvements for an adopted long-term CMS includes a transportation improvement(s) that, upon completion, will satisfy the requirements of the [City/County] transportation CMS. The provisions of Section E (2) may apply if a project or projects needed to satisfy concurrency are not presently contained within the local government CIE or an adopted long-term schedule of capital improvements.

*Commentary: Pursuant to §163.3180(16) (b) 1, F.S., the transportation improvement in section (1) (b) above may be a programmed capital improvement that enhances the capacity of the transportation system to accommodate the impacts of development. For example, this may involve widening and/or reconstructing a roadway or where the primary roadway is constrained or widening is no longer desired, this could involve creating new reliever roadways, new network additions, new transit capital facilities (e.g., bus rapid transit corridor), or other major mobility improvements, such as expansion of bus fleets to increase service frequency. Local governments may, at their discretion, wish to make short-term operational improvements in advance of the capacity project as provided for in section K(1) of the ordinance. If the capacity of the planned improvement is fully committed, or there is no eligible project in an adopted work*

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*program, a developer could potentially still participate at the discretion of the local government pursuant to E(2) below.*

(2) The [ City / County] may choose to allow an applicant to satisfy transportation concurrency through the Proportionate Fair-Share Program by contributing to an improvement that, upon completion, will satisfy the requirements of the [City/County] transportation CMS, but is not contained in the five-year schedule of capital improvements in the CIE or a long- term schedule of capital improvements for an adopted long-term CMS, where the following apply:

(a) The [City/County] adopts, by resolution or ordinance, a commitment to add the improvement to the five-year schedule of capital improvements in the CIE or long-term schedule of capital improvements for an adopted long-term CMS no later than the next regularly scheduled update. To qualify for consideration under this section, the proposed improvement must be reviewed by the appropriate [City/County body], and determined to be financially feasible pursuant to §163.3180(16) (b) 1, F.S., consistent with the comprehensive plan, and in compliance with the provisions of this ordinance. Financial feasibility for this section means that additional contributions, payments or funding sources are reasonably anticipated during a period not to exceed 10 years to fully mitigate impacts on the transportation facilities.

*Commentary: The last sentence is somewhat redundant, but was added to clarify that under §163.3180(16) (b) 1, F.S.: “Updates to the five-year CIE which reflect proportionate fair-share contributions may not be found not in compliance [with financial feasibility requirements] if additional contributions, payments or funding sources are reasonably anticipated during a period not to exceed 10 years to fully mitigate impacts on the transportation facilities.”*

(b) If the funds allocated for the five-year schedule of capital improvements in the [City/County] CIE are insufficient to fully fund construction of a transportation improvement required by the CMS, the [City/County] may still enter into a binding proportionate fair-share agreement with the applicant authorizing construction of that amount of development on which the proportionate fair-share is calculated if the proportionate fair-share amount in such agreement is sufficient to pay for one or more improvements which will, in the opinion of the governmental entity or entities maintaining the transportation facilities, significantly benefit the impacted transportation system.

The improvement or improvements funded by the proportionate fair-share component must be adopted into the five-year capital improvements schedule

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of comprehensive plan or the long-term schedule of capital improvements for an adopted long-term concurrency management system at the next annual capital improvements element update.

*Commentary: Item (b) addresses §163.3180(16) (f), F.S. The intent is to allow for major improvements that significantly benefit the impacted transportation system, rather than minor incremental projects included to address localized congestion problems. A transportation improvement funded under this section does not relieve the local government from addressing any LOS deficiencies on any remaining links identified as deficient and impacted by the development. The local government's strategies to address any such deficiencies must be incorporated in the comprehensive plan at the next annual update of the CIE. These strategies may include adding projects to the Five Year Schedule of Capital Improvements or longer term solutions such as long term concurrency management systems, transportation concurrency exception areas, multimodal transportation districts, transportation concurrency management areas or other innovative solutions.*

- (3) Any improvement project proposed to meet the developer's fair-share obligation must meet design standards of the [City/County] for locally maintained roadways and those of the FDOT for the state highway system.

*Commentary: Local governments are responsible for ensuring the financial feasibility of capital improvements in the adopted CIE pursuant to Section 163.3164(32) and Section 163.3177. Below are recommended policy statements to include in the CIE of the comprehensive plan:*

*Policy \_\_: The [City/County] CIE shall be reviewed annually and updated as necessary to reflect proportionate fair-share contributions.*

*Policy \_\_: The [City/County] is responsible for ensuring the financial feasibility of all capital improvements in the adopted CIE.*

*Pursuant to Chapter 163.3177, F.S., the CIE "must include transportation improvements included in the applicable MPO/TIP... to the extent that such improvements are relied upon to ensure concurrency and financial feasibility." The CIE "must also be coordinated with the applicable MPO's long-range transportation plan..." and should also include "regionally significant transportation facilities" from an adopted regional transportation plan. Although not required by statute, local governments outside of MPOs should include state road improvements from the FDOT Work Program in their CIE, especially those that are relied upon to ensure concurrency within their community. It may be necessary to amend the CIE for consistency with these requirements. See Section F for other important considerations related to these provisions.*

## **F. Intergovernmental Coordination**

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Pursuant to policies in the Intergovernmental Coordination Element of the [City/County] comprehensive plan and applicable policies in [reference adopted regional plan], the [City/County] shall coordinate with affected jurisdictions, including FDOT, regarding mitigation to impacted facilities not under the jurisdiction of the local government receiving the application for proportionate fair-share mitigation. An interlocal agreement may be established with other affected jurisdictions for this purpose.

*Commentary: Proportionate fair-share contributions should be applied toward the impacted facility. However, impacted facilities may be maintained by an agency other than the local government executing the proportionate fair-share agreement (e.g., a county or state road within the city limits). Therefore, it is advisable for each local government to work with other affected agencies to establish a procedure for coordinating mitigation to impacted facilities that are maintained by another agency. It may be appropriate to enter into a Memorandum of Understanding (MOU) or interlocal agreement outlining inter-jurisdictional review criteria and decision time-frames, or to establish an ordinance provision authorizing deposit of proportionate fair-share funds into the appropriate project account of the FDOT or other affected jurisdiction.*

## **G. Application Process**

- (1) Upon notification of a lack of capacity to satisfy transportation concurrency, the applicant shall also be notified in writing of the opportunity to satisfy transportation concurrency through the Proportionate Fair-Share Program pursuant to the requirements of Section E.
- (2) Prior to submitting an application for a proportionate fair-share agreement, a pre-application meeting shall be held to discuss eligibility, application submittal requirements, potential mitigation options, and related issues. If the impacted facility is on the SIS, then the FDOT will be notified and invited to participate in the pre-application meeting.

*Commentary: Section 163.3180(16) (e), F.S., requires FDOT concurrency on SIS mitigation proposals. It is the intent of G (2) that FDOT coordinate closely with the local government and developer as proportionate fair-share mitigation options are defined for the SIS in particular. Such coordination is also important on mitigation for other important state highways. Including FDOT in the preapplication process is a good way to provide for early and ongoing coordination on this issue. See also number five below.*

- (3) Eligible applicants shall submit an application to the [City/County] that includes an application fee of [\$X] and the following:

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- (a) Name, address and phone number of owner(s), developer and agent;
  - (b) Property location, including parcel identification numbers;
  - (c) Legal description and survey of property;
  - (d) Project description, including type, intensity and amount of development;
  - (e) Phasing schedule, if applicable;
  - (f) Description of requested proportionate fair-share mitigation method(s); and
  - (g) Copy of concurrency application.

*Commentary: Presumably some of the above items would already have been submitted as part of the initial concurrency application, and would simply need to be copied and resubmitted for this purpose.*

- (4) The [Concurrency Administrator] shall review the application and certify that the application is sufficient and complete within [10 business days]. If an application is determined to be insufficient, incomplete or inconsistent with the general requirements of the Proportionate Fair-Share Program as indicated in Section E, then the applicant will be notified in writing of the reasons for such deficiencies within [10 business days] of submittal of the application. If such deficiencies are not remedied by the applicant within [30 days] of receipt of the written notification, then the application will be deemed abandoned. The [Council/Commission] may, in its discretion, grant an extension of time not to exceed [60 days] to cure such deficiencies, provided that the applicant has shown good cause for the extension and has taken reasonable steps to effect a cure.

*Commentary: These review timelines are provided for illustration. Local governments should establish a timeline that is appropriate for them in the context of their development review and concurrency management process.*

- (5) Pursuant to §163.3180(16) (e), F.S., proposed proportionate fair-share mitigation for development impacts to facilities on the SIS requires the concurrency of the FDOT. The applicant shall submit evidence of an agreement between the applicant and the FDOT for inclusion in the proportionate fair-share agreement.

*Commentary: Payments toward mitigation of impacts to the SIS could be transferred to the FDOT through an interlocal agreement or the local government could apply the contributions toward advancing improvements identified in a corridor management plan aimed at reducing local traffic impacts on the SIS.*

- (6) When an application is deemed sufficient, complete, and eligible, the applicant shall be advised in writing and a proposed proportionate fair-share obligation and

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binding agreement will be prepared by the [City/County] or the applicant with direction from the [City/County] and delivered to the appropriate parties for review, including a copy to the FDOT for any proposed proportionate fair-share mitigation on a SIS facility, no later than [60 days] from the date at which the applicant received the notification of a sufficient application and no fewer than [14 days] prior to the [Council/Commission] meeting when the agreement will be considered.

*Commentary: The appropriate parties for review of proportionate fair-share agreements would include the jurisdiction maintaining the transportation facility that is subject to the agreement, if other than the approving jurisdiction. It is also advisable for local governments to provide their DCA representative a copy for review and comment.*

- (7) The [City/County] shall notify the applicant regarding the date of the [Council/Commission] meeting when the agreement will be considered for final approval. No proportionate fair-share agreement will be effective until approved by the [Council/Commission, or pursuant to staff approval for agreements below a certain dollar amount].

*Commentary: Local governments should establish an approval process for agreements that works in their context. A local government may wish to allow administrative approval for smaller contributions below a certain defined dollar amount and provide for Council approval of contributions that exceed that specified amount.*

## **H. Determining Proportionate Fair-Share Obligation**

*Commentary: This section establishes the methodology for determining the proportionate fair-share obligation of the applicant. Development trips, roadway segments and corresponding eligible improvements used for proportionate fair-share calculation in this section are identified using the local government CMS, the local CIE, and Section E of this ordinance.*

- (1) Proportionate fair-share mitigation for concurrency impacts may include, without limitation, separately or collectively, private funds, contributions of land, and construction and contribution of facilities. *[Note: This language is as provided in §163.3180 (16) (c), F.S.]*
- (2) A development shall not be required to pay more than its proportionate fair-share. The fair market value of the proportionate fair-share mitigation for the impacted facilities shall not differ regardless of the method of mitigation. *[Note: This language is as provided in §163.3180 (16) (c), F.S.]*
- (3) The methodology used to calculate an applicant's proportionate fair-share obligation shall be as provided for in Section 163.3180 (12), F. S., as follows:

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“The cumulative number of trips from the proposed development expected to reach roadways during peak hours from the complete build out of a stage or phase being approved, divided by the change in the peak hour maximum service volume (MSV) of roadways resulting from construction of an improvement necessary to maintain the adopted LOS, multiplied by the construction cost, at the time of developer payment, of the improvement necessary to maintain the adopted LOS.”

OR

$$\text{Proportionate Fair-Share} = \sum \left[ \left[ \frac{\text{Development Trips}_i}{\text{SV Increase}_i} \right] \times \text{Cost}_i \right]$$

*Commentary: In the context of the formula, the term “cumulative” includes only those trips from the stage or phase of a development being considered in the application. The trips expected to reach the failing roadway for this calculation are those identified in the development’s traffic impact analysis. Logically, one would evaluate concurrency based on the total trips impacting the peak hour of the failing roadway. Assumptions used in the proportionate fair-share calculation should be consistent with those used in the local government’s CMS.*

Where:

Development Trips<sub>i</sub> = Those trips from the stage or phase of development under review that are assigned to roadway segment “i” and have triggered a deficiency per the CMS;

SV Increase<sub>i</sub> = Service volume increase provided by the eligible improvement to roadway segment “i” per section E;

Cost<sub>i</sub> = Adjusted cost of the improvement to segment “i”. Cost shall include all improvements and associated costs, such as design, right-of-way acquisition, planning, engineering, inspection, and physical development costs directly associated with construction at the anticipated cost in the year it will be incurred.

*Commentary: Under the definition of “development trips,” only those trips that trigger a concurrency deficiency would be included in the proportionate fair-share calculation.*

- (4) For the purposes of determining proportionate fair-share obligations, the [City/County] shall determine improvement costs based upon the actual cost of the improvement as obtained from the CIE, the MPO/TIP or the FDOT Work Program. Where such information is not available, improvement cost shall be determined using one of the following methods:
- (a) An analysis by the [City/County] of costs by cross section type that incorporates data from recent projects and is updated annually and approved by the [Council/Commission or appropriate entity]. In order to accommodate

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increases in construction material costs, project costs shall be adjusted by [inflation factor]; or

*Commentary: The cost used for the proportionate fair-share calculation should be today's cost estimate of tomorrow's cost. A sample method for determining an inflation factor is in Appendix B. Upon acceptance by the local government of a proportionate fair-share contribution, the applicant would not be responsible for any subsequent cost overruns or inflationary factors associated with the project beyond that date.*

- (b) The most recent issue of FDOT *Transportation Costs*, as adjusted based upon the type of cross-section (urban or rural); locally available data from recent projects on acquisition, drainage and utility costs; and significant changes in the cost of materials due to unforeseeable events. Cost estimates for state road improvements not included in the adopted FDOT Work Program shall be determined using this method in coordination with the FDOT District.

*Commentary: When determining a cost for state road improvements it is important to contact the FDOT District for cost estimates based on actual construction costs, right-of-way and other area specific costs.*

- (5) If the [City/County] has accepted an improvement project proposed by the applicant, then the value of the improvement shall be determined using one of the methods provided in this section.
- (6) If the [City/County] has accepted right-of-way dedication for the proportionate fair-share payment, credit for the dedication of the non-site related right-of-way shall be valued on the date of the dedication at [\_\_\_\_\_] percent of the most recent assessed value by the [City/County] property appraiser or, at the option of the applicant, by fair market value established by an independent appraisal approved by the [City/County] and at no expense to the [City/County]. The applicant shall supply a drawing and legal description of the land and a certificate of title or title search of the land to the [City/County] at no expense to the [City/County]. If the estimated value of the right-of-way dedication proposed by the applicant is less than the [City/County] estimated total proportionate fair-share obligation for that development, then the applicant must also pay the difference. Prior to purchase or acquisition of any real estate or acceptance of donations of real estate intended to be used for the proportionate fair-share, public or private partners should contact the FDOT for essential information about compliance with federal law and regulations.

*Commentary: Local governments may want to use a proxy for market value to allow applicants to proceed without the cost of an appraisal. For example, some communities use 115% or 120% of assessed value, in the assumption that market value typically*

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*exceeds assessed value by 15% or 20%. For further information on this technique see the CUTR publication Corridor Preservation Best Practices at [www.cutr.usf.edu](http://www.cutr.usf.edu).*

## **I. Impact Fee Credit for Proportionate Fair-Share Mitigation**

- (1) Proportionate fair-share contributions shall be applied as a credit against impact fees to the extent that all or a portion of the proportionate fair-share mitigation is used to address the same capital infrastructure improvements contemplated by the local government's impact fee ordinance.
- (2) Impact fee credits for the proportionate fair-share contribution will be determined when the transportation impact fee obligation is calculated for the proposed development. Impact fees owed by the applicant will be reduced per the Proportionate Fair-Share Agreement as they become due per the [City/County] Impact Fee Ordinance. If the applicant's proportionate fair-share obligation is less than the development's anticipated road impact fee for the specific stage or phase of development under review, then the applicant or its successor must pay the remaining impact fee amount to the [City/County] pursuant to the requirements of the [City/County] impact fee ordinance.

*Commentary: The intent of the ordinance is that any impact fee credit would be provided as the impact fee is earned and not necessarily when the proportionate fair-share contribution is submitted.*

- (3) Major projects not included within the local government's impact fee ordinance or created under Section E. (2) (a) and (b) which can demonstrate a significant benefit to the impacted transportation system may be eligible at the local government's discretion for impact fee credits.
- (4) The proportionate fair-share obligation is intended to mitigate the transportation impacts of a proposed development at a specific location. As a result, any road impact fee credit based upon proportionate fair-share contributions for a proposed development cannot be transferred to any other location unless provided for within the local impact fee ordinance.

*Commentary: Under the legislation, local governments with transportation impact fees must provide impact fee credit for proportionate fair-share contributions. Impact fee credits may vary by jurisdiction based on the methodology used to determine those fees. Impact fees are generally assessed on a system wide basis, whereas concurrency determinations for proportionate fair-share address improvements that are related to a specific site. Therefore, it is intended that the local government calculate the impact fee for the development and determine the distribution of the impact fee revenues across the transportation system within the given impact fee zone. Applicants would be eligible for impact fee credit for that portion of their proportionate fair-share payment that applies to a segment for which the local government transportation impact fee is being applied.*

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## J. Proportionate Fair-Share Agreements

- (1) Upon execution of a proportionate fair-share agreement (Agreement) the applicant shall receive a [City/County certificate of concurrency approval]. Should the applicant fail to apply for a development permit within [12 months or timeframe provided in the local CMS of the execution of the Agreement, then the Agreement shall be considered null and void, and the applicant shall be required to reapply.
- (2) Payment of the proportionate fair-share contribution is due in full prior to issuance of the final development order or recording of the final plat and shall be non-refundable. If the payment is submitted more than 12 months from the date of execution of the Agreement, then the proportionate fair-share cost shall be recalculated at the time of payment based on the best estimate of the construction cost of the required improvement at the time of payment, pursuant to Section H and adjusted accordingly.

*Commentary: It is intended that proportionate fair-share contributions be paid in a timely fashion and that they reflect actual costs as closely as possible. This section provides that if an applicant chooses to submit their proportionate fair-share payment more than one year after execution of the agreement, the local government will recalculate the fair-share obligation to capture any changes in improvement costs over time. Because this could increase an applicant's fair-share obligation, presumably it would be in the applicant's interest to pay as early as possible.*

- (3) All developer improvements authorized under this ordinance must be completed prior to issuance of a development permit, or as otherwise established in a binding agreement that is accompanied by a security instrument that is sufficient to ensure the completion of all required improvements. It is the intent of this section that any required improvements be completed before issuance of building permits or certificates of occupancy.
- (4) Dedication of necessary right-of-way for facility improvements pursuant to a proportionate fair-share agreement must be completed prior to issuance of the final development order or recording of the final plat.
- (5) Any requested change to a development project subsequent to a development order may be subject to additional proportionate fair-share contributions to the extent the change would generate additional traffic that would require mitigation.
- (6) Applicants may submit a letter to withdraw from the proportionate fair-share agreement at any time prior to the execution of the agreement. The application fee and any associated advertising costs to the [City/County] will be non refundable.

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- (7) *OPTIONAL PROVISION*: The [City/County] may enter into proportionate fair-share agreements for selected corridor improvements to facilitate collaboration among multiple applicants on improvements to a shared transportation facility.

*Commentary: Situations may arise where local governments desire to facilitate multi-developer fair-share agreements on corridors needing improvement. This sample provision would encourage and allow for public/private agreements among several developers on a corridor that would like to coordinate with each other and the local government on improvements needed for them to achieve concurrency. Such agreements would accommodate unique opportunities for coordinating among several entities, both public and private, to accomplish a needed facility upgrade.*

*For example, Hillsborough County entered into a public-private partnership with developers along U.S. 301 aimed at coordinating concurrency mitigation projects across several major developments with vested status along the corridor. A stimulus for the program was the fact that each development was widening the corridor along impacted segments, resulting in variations in laneage and corresponding safety problems. Because these segments needed to be tapered, and then later would need to be reconstructed, there were cost savings to all of the developers to pool their resources and coordinate on the overall road widening project needed to serve their developments. Each developer was required to pay their proportionate fair-share into an account that was earmarked for this purpose. Participating developers were also allowed to construct their share of the improvement as an alternative to paying into the account.*

## **K. Appropriation of Fair-Share Revenues**

*Commentary: This section outlines the method for appropriating the revenue from proportionate fair-share contributions. It directs revenues to the facilities for which they were collected unless the terms of the agreement dictate otherwise. Section K(2) establishes parameters for re-appropriating revenue if an improvement is removed from the CIE. Specifically, it requires another improvement to be identified and added to the CIE to mitigate transportation deficiencies within that same corridor or sector.*

- (1) Proportionate fair-share revenues shall be placed in the appropriate project account for funding of scheduled improvements in the [City/County] CIE, or as otherwise established in the terms of the proportionate fair-share agreement. At the discretion of the local government, proportionate fair-share revenues may be used for operational improvements prior to construction of the capacity project from which the proportionate fair-share revenues were derived. Proportionate fair-share revenues may also be used as the 50% local match for funding under the FDOT TRIP.
- (2) In the event a scheduled facility improvement is removed from the CIE, then the revenues collected for its construction may be applied toward the construction of

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another improvement within that same corridor or sector that would mitigate the impacts of development pursuant to the requirements of Section E(2)(b).

*Commentary: It is important to reiterate that a local government that enters into a proportionate fair-share agreement with an applicant is committing to improving the transportation facility in question within at least 10 years. Not doing so would raise questions regarding compliance of the annual capital improvements program with the requirements of Chapter 163 as administered by the Florida Department of Community Affairs (FDCA).*

Where an impacted regional facility has been designated as a regionally significant transportation facility in an adopted regional transportation plan as provided in Section 339.155, F.S., and then the [City/County] may coordinate with other impacted jurisdictions and agencies to apply proportionate fair-share contributions and public contributions to seek funding for improving the impacted regional facility under the FDOT TRIP. Such coordination shall be ratified by the [City/County] through an interlocal agreement that establishes a procedure for earmarking of the developer contributions for this purpose.

*Commentary: Local governments may consider establishing a method whereby an applicant who constructs a transportation facility that exceeds the applicant's proportionate fair-share obligation could be reimbursed for the excess contribution. This could be addressed in the terms of proportionate fair-share agreements and/or provided for in the proportionate fair-share ordinance. Below is sample language for that purpose:*

- (3) **OPTIONAL PROVISION:** Where an applicant constructs a transportation facility that exceeds the applicant's proportionate fair-share obligation calculated under Section H, the [City/County] shall reimburse the applicant for the excess contribution using one or more of the following methods:
- (a) An impact fee credit account may be established for the applicant in the amount of the excess contribution, a portion or all of which may be assigned and reassigned under the terms and conditions acceptable to the [City/County].
  - (b) An account may be established for the applicant for the purpose of reimbursing the applicant for the excess contribution with proportionate fair-share payments from future applicants on the facility.
  - (c) The [City/County] may compensate the applicant for the excess contribution through payment or some combination of means acceptable to the [City/County] and the applicant.

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*Commentary: The intent of item (c) above is that the local government could provide payment alone or use a combination of methods, such as those provided in (a) or (b) to reimburse the applicant for the excess contribution.*

## **II. MODEL OPTIONAL PROVISIONS**

*Commentary: Below are two optional provisions that a local government may consider adding to its proportionate fair-share ordinance. Option A sets forth a method of coordinating with adjacent jurisdictions on proportionate fair-share contributions for development impacts that extend “across the border.” Option B sets forth a method of applying the proportionate fair-share program toward mobility improvements within a TCEA, TCMA, or MMTD.*

### **A. Cross Jurisdictional Impacts**

*Commentary: This section provides a concept to advance intergovernmental coordination objectives in local government comprehensive plans and applicable policies in adopted regional plans. It provides an opportunity for a local government to address the impacts of a proposed development in an adjacent local government that is at or near its border. It is intended as a means of managing development on a regional thoroughfare, and not for application to minor roadways. A regional transportation facility in this context would most likely be an arterial roadway, but could be a major collector roadway that is planned for expansion and reclassification as an arterial. To apply this method, each participating local government must first enter an interlocal agreement to incorporate the provision into their respective land development regulations. The permitting local government would use the methodology in this section to determine whether a significant impact may occur across its border and offer its neighbor an opportunity to evaluate the proposed development to determine if it would exceed their adopted LOS standards for concurrency. Where the proposed development would trigger a concurrency failure on the neighboring local government’s roadway, that local government would use the proportionate fair-share methodology to determine the applicant’s obligation. In this situation, the applicant would need to provide a proportionate fair-share contribution to the adjacent local government that experiences a concurrency deficiency, as well as to the permitting local government.*

- (1) In the interest of intergovernmental coordination and to reflect the shared responsibilities for managing development and concurrency, the [City/County] may enter an agreement with one or more adjacent local governments to address cross jurisdictional impacts of development on regional transportation facilities. The agreement shall provide for application of the methodology in this section to address the cross jurisdictional transportation impacts of development.

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(2) A development application submitted to the [City/County] subject to a transportation concurrency determination meeting all of the following criteria shall be subject to this section:

(a) All or part of the proposed development is located within [fill in number] mile(s) of the area which is under the jurisdiction, for transportation concurrency, of an adjacent local government; and

*Commentary: A minimum of one mile is suggested for the provision above.*

(b) Using its own concurrency analysis procedures, the [City/County] concludes that the additional traffic from the proposed development would use [five percent or more of the adopted peak hour LOS maximum service volume] of a regional transportation facility within the concurrency jurisdiction of the adjacent local government (“impacted regional facility”); and

*Commentary: There are many measures and approaches a community might use to determine whether an impact on a neighboring jurisdiction’s roadway segment is significant enough to warrant further analysis for proportionate fair-share contributions. This section suggests a method similar to that used for DRIs.*

(c) The impacted regional facility is projected to be operating below the level of service standard, adopted by the adjacent local government, when the traffic from the proposed development is included.

*Commentary: An accurate assessment of LOS impacts would account for the cumulative impacts of previously approved developments that have not yet been constructed.*

(3) Upon identification of an impacted regional facility pursuant to subsection 2(a)-(c), the [City/County] shall notify the applicant and the affected adjacent local government in writing of the opportunity to derive an additional proportionate fair-share contribution, based on the projected impacts of the proposed development on the impacted adjacent facility.

(a) The adjacent local government shall have up to ninety (90) days in which to notify the [City/County] of a proposed specific proportionate fair-share obligation, and the intended use of the funds when received. The adjacent local government must provide reasonable justification that both the amount of the payment and its intended use comply with the requirements of Section 163.3180(16), F.S. Should the adjacent local government decline proportionate fair-share mitigation under this section, then the provisions of this section would not apply and the applicant would be subject only to the proportionate fair share requirements of the [City/County].

(b) If the subject application is subsequently approved by the [City/County], the approval shall include a condition that the applicant provides, prior to the

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issuance of any building permit covered by that application, evidence that the proportionate fair-share obligation to the adjacent local government has been satisfied. The [City/County] may require the adjacent local government to declare, in a resolution, ordinance, or equivalent document, its intent for the use of the concurrency funds to be paid by the applicant.

*Commentary: The new growth management legislation encourages jurisdictions to coordinate with their neighbors on LOS standards and methodologies for concurrency on transportation facilities that traverse multiple jurisdictions. Specifically, the new law requires local governments to “consider compatibility with the roadway facility’s adopted LOS standards in adjacent jurisdictions” and to use a “professionally accepted methodology for measuring impacts on transportation facilities” for concurrency determinations. In addition, counties are encouraged to coordinate with adjacent counties, and local governments within a county are encouraged to coordinate, for the purpose of using common methodologies for measuring transportation impacts for concurrency administration.*

## **B. Proportionate Share Program for TCEAs, TCMA’s and MMTD’s**

*Commentary: This section provides a concept for the application of a proportionate fair-share program in the context of a TCEA, TCMA, or MMTD, which are concurrency alternatives that require mobility plans and funding mechanisms. Because these areas tend to involve significant multimodal improvements and often have constrained roadways, an area-wide approach is suggested.*

Within the [reference all local TCMA’s, and/or MMTD’s, and/or TCEAs], [City/County] hereby establishes a proportionate fair-share assessment, based on the expected costs and transportation benefits of all the programmed improvements within that District, and based on the expected trip generation of the proposed development.

*Commentary: Amendments to §163.3180 F.S. tighten requirements for TCEAs. Similar to the requirements for TCMA’s and MMTD’s, the statute requires local governments to adopt and implement strategies to support and fund mobility within the designated exception area, including alternative modes of transportation, and to demonstrate how they will provide mobility. This ordinance provision offers local governments a means to use proportionate fair-share payments for this purpose.*

## **APPENDIX A: 2005 Proportionate Fair-Share Legislation**

*This Appendix contains the proportionate fair-share language from Senate Bill 360 as found in Chapter 163.3180(16) Florida Statutes.*

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(16) It is the intent of the Legislature to provide a method by which the impacts of development on transportation facilities can be mitigated by the cooperative efforts of the public and private sectors. The methodology used to calculate proportionate fair-share mitigation under this section shall be as provided for in subsection (12).

(a) By December 1, 2006, each local government shall adopt by ordinance a methodology for assessing proportionate fair-share mitigation options. By December 1, 2005, FDOT shall develop a model transportation concurrency management ordinance with methodologies for assessing proportionate fair-share mitigation options.

(b) In its transportation CMS, a local government shall, by December 1, 2006, include methodologies that will be applied to calculate proportionate fair-share mitigation. A developer may choose to satisfy all transportation concurrency requirements by contributing or paying proportionate fair-share mitigation if transportation facilities or facility segments identified as mitigation for traffic impacts are specifically identified for funding in the five-year schedule of capital improvements in the CIE of the local plan or the long-term CMS or if such contributions or payments to such facilities or segments are reflected in the five-year schedule of capital improvements in the next regularly scheduled update of the CIE. Updates to the five-year CIE which reflect proportionate fair-share contributions may not be found not in compliance based on ss. [163.3164](#)(32) and [163.3177](#)(3) if additional contributions, payments or funding sources are reasonably anticipated during a period not to exceed 10 years to fully mitigate impacts on the transportation facilities.

2. Proportionate fair-share mitigation shall be applied as a credit against impact fees to the extent that all or a portion of the proportionate fair-share mitigation is used to address the same capital infrastructure improvements contemplated by the local government's impact fee ordinance.

(c) Proportionate fair-share mitigation includes, without limitation, separately or collectively, private funds, contributions of land, and construction and contribution of facilities and may include public funds as determined by the local government. The fair market value of the proportionate fair-share mitigation shall not differ based on the form of mitigation. A local government may not require a development to pay more than its proportionate fair-share contribution regardless of the method of mitigation.

(d) Nothing in this subsection shall require a local government to approve a development that is not otherwise qualified for approval pursuant to the applicable local comprehensive plan and land development regulations.

(e) Mitigation for development impacts to facilities on the SIS made pursuant to this subsection requires the concurrency of the FDOT.

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(f) In the event the funds in an adopted five-year CIE are insufficient to fully fund construction of a transportation improvement required by the local government's CMS, a local government and a developer may still enter into a binding proportionate share agreement authorizing the developer to construct that amount of development on which the proportionate fair share is calculated if the proportionate fair-share amount in such agreement is sufficient to pay for one or more improvements which will, in the opinion of the governmental entity or entities maintaining the transportation facilities, significantly benefit the impacted transportation system. The improvement or improvements funded by the proportionate fair-share component must be adopted into the five-year capital improvements schedule of the comprehensive plan at the next annual CIE update.

(g) Except as provided in subparagraph (b) 1. Nothing in this section shall prohibit the FDCA from finding other portions of the CIE amendments not in compliance as provided in this chapter.

(h) The provisions of this subsection do not apply to a multiuse development of regional impact satisfying the requirements of subsection (12).

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## APPENDIX B: METHOD FOR COST ESCALATION

*This Appendix contains a method to estimate growth in costs, through the computation of a three-year average of the actual cost growth rates. This will provide a growth rate that should be smoothed to avoid overcompensating for major fluctuations in costs that have occurred due to short term material shortages.*

$$\text{Cost}_n = \text{Cost}_0 \times (1 + \text{Cost\_growth}_{3\text{yr}})^n$$

Where:

$\text{Cost}_n =$	The cost of the improvements in year n;
$\text{Cost}_0 =$	The cost of the improvement in the current year;
$\text{Cost\_growth}_{3\text{yr}} =$	The growth rate of costs over the last three years;
$n =$	The number of years until the improvement is constructed.

The three-year growth rate is determined by the following formula:

$$\text{Cost\_growth}_{3\text{yr}} = [\text{Cost\_growth}_{.1} + \text{Cost\_growth}_{.2} + \text{Cost\_growth}_{.3}]/3$$

Where:

$\text{Cost\_growth}_{3\text{yr}} =$	The growth rate of costs over the last three years;
$\text{Cost\_growth}_{.1} =$	The growth rate of costs in the previous year;
$\text{Cost\_growth}_{.2} =$	The growth rate of costs two years prior;
$\text{Cost\_growth}_{.3} =$	The growth rate of costs three years prior.

