

St. Joseph Peninsula Beach Renourishment Project

Projected Costs & Funding

Projected Project Cost

- \$19.8 million estimated project cost, which includes area from the north side of stump hole into to the SJP state park. (Note: SJP State Park has expressed interest in participation in the project, so the project will likely extend an additional 5,000 to 6,000 feet into the state park boundaries. The projected cost includes the project amounts for SJP State Park).
- *Note: The "door" has been left open to expand the project to the south into Eglin AFB lands, contingent upon financial participation by both FDOT & Eglin should they decide to join forces and expand the project area.*

Projected FDEP Matching Funds

Project Length & Cost

The project length & cost projections were provided by Michael Dombrowski & Phil Flood.

Estimated Project Length (feet)	37,041 feet
Estimated Project Length (miles)	7.02 miles
Estimated Project Cost	\$ 19,800,000
Estimated amount paid for by state	
Estimated state cost share (see calculations below) x	6,164,271
Rish Park & SJP State Park (paid 100% by state)	<u>3,100,000</u>
Estimated total paid by state	\$ 9,264,271
Estimated local amount (\$19.8 million less \$ 9,264,271)	10,535,729
Plus inflation/project bid reserve (estimate) *	<u>1,464,271</u>
Estimated local amount for projection purposes	\$12,000,0000

x – Represents the total project cost of \$19.8 million less \$3.1 million paid 100% by state for Rish Park & SJP State Park (or \$16.7 million) multiplied by the cost sharing percentage of 36.91%.

** - The estimated local cost share amount is approximately \$10.5 million; however, this amount has been included for project purposes since the actual project cost will differ from the projections in that it will be based on the actual bids received from the dredging companies (it could be less or more than the projected amount). Actual bids cannot be obtained until the project has been approved and will be permitted by both the state & federal government.*

Public Beach Access

<u>Public Beach Access:</u>	<u>Eligibility</u>	<u>Comments:</u>
Buffer Preserve as primary	5,285 feet	See "Public Beach Access footnotes"
Cape Palms as primary	5,380 feet	Will qualify, as approved by the BOCC
Dunes Drive as primary	5,330 feet	Will qualify, as approved by the BOCC
SJP State Park as primary	8,640 feet	In place – no further action required
Rish Park as secondary	2,150 feet	See "Public Beach Access footnotes"
Stump Hole as secondary	560 feet	In place – no further action required
TOTAL	27,345 feet	

State eligibility percentage	73.82%	27,345 feet (state eligibility) divided by 37,041 feet (entire project area)
State cost share percentage	36.91%	50% of state eligibility percentage
Overall percentage paid by state	46.79%	

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Local Share of Initial Project Cost

The following projections are based on a bonding projection prepared for the Beach Advisory Committee by Morgan Keegan. At that time, we asked Ralph Cellon to prepare a projection based on a "local cost share" of \$12 million. ***It is important to note that the current projection for our "local share" is \$10.5 million, but we have included a "buffer" for changes in actual project cost.***

Other Assumptions:

- Projection assumes bond is to be repaid over 7 years
- All amounts below **include** the other costs associated with the bond, including interest & bond origination costs, such as insurance, cost of issuance & surety bond, etc...
- SJPBAC recommends the following ratios to be applied to each of the MSTU classifications annually:
 - Gulf-front – 70% of total MSTU burden
 - Gulf-interior – 25% of total MSTU burden
 - Bay-side – 5% of total MSTU burden

Local Share	Assessed Value of Property in Project Area (10/05)	Projected Millage Rate	Projected Annual Tax Revenue	Percentage of Total – <u>Excluding TDC Funds</u>	Percentage of Overall Total (Year 1 only)
Gulf-front	\$ 257,779,778	5.079497	1,309,391.51	70.00%	65.91%
Gulf-interior	\$ 271,068,203	1.725200	467,646.93	25.00%	23.54%
Bay-side	\$ 93,243,518	1.003150	93,537.22	5.00%	4.71%
TDC Funds	n/a		116,000.00	n/a	5.84%
	\$ 622,091,499		\$1,986,575.65	100.00%	100.00%

The following provides an example of what a "hypothetical" property in each MSTU classification would pay in taxes for the project:

Classification	Taxable Property Value	Projected Millage Rate	Projected Tax
Gulf-front	\$ 1,000,000	5.079497	5,079.50
Gulf-interior	\$ 500,000	1.725200	862.60
Bay-side	\$ 500,000	1.003150	501.58

Recommendations for Local Project Funding

- The SJPBAC requests that the BOCC call for the vote on the three MSTUs, to be held on June 27, 2006.
- It is the recommendation of the SJPBAC, that the BOCC adopt a resolution that the board will not amend the ordinances to increase the cap amounts currently contained within each ordinance (6 mills gulf-front, 4 mills gulf-interior, 2 mills bay-side).

Maintenance & Future Nourishment Projected Costs & Recommendations

Projected Costs Associated with Maintaining a Managed Beach

Annual Costs associated with maintaining a “managed beach”

- Performance & biological monitoring (every year for the first 3 years & then every other year)*
- Endangered species monitoring*
- Coastal engineer or biologist (outsourced or on staff)
- Public beach access points (maintenance, trash removal, etc...)

** Michael Dombrowski estimates that monitoring costs will run between \$50,000 to \$75,000 per year (this amount is eligible for state cost sharing as well).*

Hurricane Damage

After the beach has been restored, the beach becomes public infrastructure. As such, it is eligible for 75% funding assistance from FEMA in the event of a federally declared disaster. In other words, if the Peninsula is hit by a hurricane and the sand is washed away, FEMA will pay for 75% of the cost of restoring the beach. ***This is true even in an area with a CBRA designation.***

As a result, there could be the potential need for funds to pay for the remaining cost not covered by FEMA in the event of a disaster. ***However, the remaining 25% is eligible for state cost sharing on the same basis as our restoration project.***

It is important to note, however, that a restored beach protects structures – or from a county perspective, *the tax base!*

During the 2006 Beaches & Shores Convention in Sarasota, Mr. Jim LaGrone with the FDEP showed a slide (attached) demonstrating the dramatic difference in the amount damage to structures that occurred with category 3 storms before and after restoration in Bay County.

- *During Eloise & Opal, a total of 746 structures were damaged.*
- *After restoration, during Ivan & Dennis, a total of 20 structures were damaged!*

Beach Nourishment (future maintenance)

Our coastal engineer, Michael Dombrowski, projects that our first nourishment (or maintenance) cycle will occur about 7.5 years after our initial project has been completed. This is well within the “normal” range of 6 to 10 years typically expected from a beach system. It is important to note that the nourishment phase involves restoring a lesser amount of sand to the beach than under the initial phase, and maintenance is done before the dunes or upland structures are damaged.

Mr. Dombrowski projects that we will have approximately 32% of the sand remaining in the project area at the time of future maintenance. As a result, the cost for this phase would be approximately 68% of the cost for our initial phase. *It is important to note that we would qualify for FDEP cost sharing for future nourishment as well!*

Funding for the Future

Dr. William B. Stronge, professor of Economics at Florida Atlantic University, reports that we should experience a **one-time increase in property values (or recovery of lost values) as a direct result of the restoration project of approximately 18.9% (low)**, based on historical data for other projects collected during 1992 through 1997 in his report regarding “Projected Contribution of a Beach Project to the Tax Revenues of Gulf County” (attached) above and beyond normal and anticipated growth.

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The basis for this is that the “cost” of doing nothing will significantly deteriorate the property values in the project area; as the beach erodes, properties are lost and the remaining properties place structures on the beach, such as sea walls & rocks, to protect their homes.

Dr. Stronge completed gathering data for his report based on historical data as of July 2005. Obviously, the storm activity after this time took a significant toll on the Cape! Given the current market conditions, it would be reasonable to state that **property values have already decreased more than the predicted 18.9%**. (Although, due to new construction & development, this decrease will not likely be seen in the overall picture of the current tax rolls).

Recommendations for future costs associated with the project

- It is the recommendation of the SJPBAC to the BOCC that general tax revenue related to this one-time “pop” in property values be set aside to cover the annual & ongoing costs for the beach project, as well as to establish a reserve for the future (both for a “contingency” amount in the event of a disaster & the remainder to assist with future maintenance or nourishment).
- It is the recommendation of the SJPBAC to the BOCC that an “inflation” adjustment be made to this amount each year, such as the CPI (consumer price index) plus 3%. The basis for this is that these types of projects tend to experience a greater rate of inflation than the overall inflation rate, as they are dependent upon fuel costs and the providers are limited in number. **This rate, however, should never be greater than the actual growth rate experienced by the county.**

Obviously, this approach is dependent upon the property values actually increasing as a direct result of the beach restoration project. As a result, it is the recommendation of the committee that a baseline be established, in the event that the project is successfully voted in by the residents in the project area. This baseline would then be used to establish the actual increase in taxable property values as a result of the project. In turn, a portion of those dollars would be set aside annually for normal and anticipated expenses associated with the project.

The following is an example of how this might work:

Future Funding Example

Taxable Property Values in Project Area (10/05)	622,091,499
Increase in property values due to beach project (18.9% - low estimate)	117,575,293
Increase in general tax revenue related to beach project (5.0952 mills)	599,070

<u>Year</u>	<u>Tax associated with Increase in Value</u>	<u>Inflation Adjustment</u>
Year 1 (10/05 taxable values)	-	
Year 2	599,070	
Year 3	637,410	Adjusted for inflation by 6.4%*
Year 4	678,204	Adjusted for inflation by 6.4%*
Year 5	721,609	Adjusted for inflation by 6.4%*
Year 6	767,792	Adjusted for inflation by 6.4%*
Year 7	816,931	Adjusted for inflation by 6.4%*
Total over 7 year period	4,221,017	

**Used the 2005 CPI of 3.4% plus 3%.*

This portion of the taxes that are directly related to the successful implementation of the beach project could be used to pay for the following:

- Monitoring expenses
- Costs associated with turtle monitoring & habitat
- Cost for coastal engineer or biologist (whether on staff or outsourced)

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- Costs associated with maintenance of public beach access points in the project area
- Reserve for hurricane disaster damage
- Reserve for future nourishment (to pay for a portion of future costs)

Effect on overall tax revenue generated from project area

The following depicts future projected growth for the tax base, along with the amount of revenue that could be set aside for the project should it be successful:

	<u>Projected</u> <u>Taxable Value</u>	<u>Projected</u> <u>General</u> <u>Prop Tax Rev</u>	<u>Projected</u> <u>Increase over</u> <u>Prior year</u>	<u>Projected</u> <u>General</u> <u>Rev Increase</u>	<u>Amount</u> <u>Set aside for</u> <u>beach project</u>
Year 1 (10/05)	622,091,499	3,169,681	-	-	-
Year 2 **	888,346,661	4,526,304	1,356,623	757,554	599,070
Year 3	1,100,661,512	5,608,091	1,081,787	444,377	637,410
Year 4	1,363,719,614	6,948,424	1,340,334	662,129	678,204
Year 5	1,689,648,602	8,609,098	1,660,673	939,064	721,609
Year 6	2,093,474,617	10,666,672	2,057,574	1,289,782	767,792
Year 7	2,593,815,051	13,216,006	2,549,335	1,732,403	816,931
		52,744,275	10,046,326	5,825,309	4,221,017

** Year 2 includes the 23.9% "normal" growth rate plus the 18.9% additional growth expected as a result of the beach project.

Public Beach Access Footnotes

- *The estimated eligibility footage credit was provided by Phil Flood.*
- *To qualify as a **primary access point**, the access point must have 100 parking places & public restrooms. This equates to a ½ mile on either side of the access point in state eligibility (or approximately \$1.2 million in state funding).*
- *A **secondary access point** does not need restrooms. Access is credited based on the number of parking places up to 50, which achieves maximum credit of ¼ mile on either side of access point (or approximately \$600,000 in state funding).*
- **Buffer Preserve** – At this point, discussions have been very positive with the Buffer Preserve for establishing a primary access point, with parking and restrooms located in the buffer preserve park; however, a public access point will need to be *established* across from the park. Preliminary discussions have also been positive with the property owner directly across from the park, so it is reasonable to assume that this access point will be viable. *(Note: Although it seems highly unlikely, the SJPBAC does have a "contingency plan" in the event that the Buffer Preserve does not work out.)*
- **Rish Park** – The application to sublease a portion of Rish Park for purposes of a walkover & limited parking has been received by Don Bulter.
- **Other potential access points** – The SJPBAC has been contacted by several property owners who would like to grant an easement to the county for public access. At this time, it appears that at least one of these locations will be viable. At this time we have only secured a verbal commitment for one location and are still exploring others. As a result, **we have not included** these potential secondary access points in the calculations.