Okaloosa County

Funding Feasibility Study

for Beach Restoration on Okaloosa Island and City of Destin

Final Report

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For the
Okaloosa County
Tourist Development Council

Prepared by
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I – *Overview*

Okaloosa County is one of the many communities in our nation exploring measures to address beach erosion, particularly through the construction of beach restoration projects. In addition to project design and permitting, one of the early steps in this process is to determine the potential sources of funding for these projects. Okaloosa County has contracted with Coastal Technology Corporation (Coastal Tech) to study project financing options and to develop a feasible plan for funding the County's Beach Restoration Program.

Under a Memorandum of Understanding with the County and the City of Destin, the Okaloosa County Tourist Development Council (TDC) is playing the lead role in developing the funding plan for the County's Beach Restoration Program.

Ideally, beach restoration projects are funded using a blend of several revenue sources or streams. Available funding streams may include federal, state and local government funds, coupled with local assessments, fees or taxes on properties in the project area or within a political subdivision or special district boundary. If properly planned, this "blended funds" approach can spread the project costs, reduce local assessments and fees, and create a stable financial foundation for the long-term obligations that can arise in a beach restoration program.

Since the beaches are a valuable resource to the general public and the economy, federal and state governments are often willing funding partners in the restoration effort, but they rarely cover the entire cost of a project. Federal funds are typically made available through the Water Resources Development Act (WRDA), which is taken up by Congress every two to five years. These federal funds are administered by the Corps of Engineers. No federal funds are expected for the initial restoration projects in Okaloosa County.

At the State level, the Department of Environmental Protection's Bureau of Beaches and Coastal Systems evaluates beach erosion problems and facilitates solutions. The primary vehicle for implementing the state beach management effort is the Florida Beach Erosion Control Program, which was established in 1986 to work in concert with local, state and federal governmental entities to protect, preserve and restore Florida's sandy beaches. Under the program, financial assistance in an amount up to 50 percent of project costs is available to Florida's county and municipal governments, community development districts, or special taxing districts for shore protection and preservation activities located on the Gulf of Mexico, Atlantic Ocean, or Straits of

Florida.

Unfortunately, federal and state funding programs are subject to special conditions or legal stipulations that can limit the funds available to a local community. Therefore, a prudent funding plan will include and identify local funding sources necessary to construct and support a beach restoration project or program.

At the local level, Okaloosa County has elected to commit TDC revenue to the help finance the County's Beach Restoration Program. The county's beautiful beaches are not only enjoyed by county residents; they are the destination of thousands of visitors. Since tourism and the beaches go hand-in-hand, it is appropriate that beach tourists help support beach restoration efforts. But the state and the TDC cannot afford to do it all; additional local sources of funding must be identified.

In May of 2007, two local planning charettes were held in Okaloosa County to explore possibilities for local funding. More detailed funding workshops in Destin and on Okaloosa Island followed in August 2007 and, after some revision, the funding plan was presented to the TDC for consideration on August 22, 2007. The TDC unanimously adopted the plan and the recommendations therein, which were then presented to the Destin City Council on September 4, 2007. The City of Destin also approved the plan and recommendations by unanimous vote.

The result of the planning process was a recommendation from Coastal Tech, supported by the TDC and the City of Destin, that Okaloosa County establish two Municipal Services Benefit Units (MSBU), one for the Okaloosa Island Project Area and another for the City of Destin Project Area, designated Area AB. The MSBU provides a fair and equitable mechanism to share the unfunded local costs of the project (after contributions from the State of Florida and the TDC) among local residents who benefit most directly from the restoration projects.

On September 18, 2007, the funding plan was presented to the Okaloosa County Board of County Commissioners for review and consideration. After the presentation by the TDC and Coastal Tech, and input from the local community, the Commission voted unanimously to move forward with the recommended plan, and directed that a draft MSBU ordinance be prepared and presented in formal public hearings, now scheduled to begin in November 2007.

This report summarizes Coastal Tech's conceptual evaluation of measures and recommendations for establishment of an MSBU to support the Okaloosa County Beach Restoration Program.

II – *Overall Cost Distribution and Proposed Project Costs*

Beach restoration projects generate benefits that extend far beyond the beachfront property owners in the project area. Okaloosa County beaches provide recreational benefits to visitors from around the state and even the world, contributing to the health of the local and state economy. The state benefits from wide healthy beaches in the form of increased tax revenue and economic activity. Beachfront landowners benefit from the added level of storm protection provided by wide, healthy beach-dune systems. The point is, the beaches are an asset to many segments of society and the cost of restoring and maintaining the beach is appropriately shared by the state, the beach-going public (through the TDC), and the residents fortunate enough to live in close proximity to the shoreline.

Sometimes, federal funding is also available for beach projects through the Water Resources Development Act or WRDA. In this law, Congress can provide funds to the U.S. Army Corps of Engineers to restore beaches where a “federal interest” is identified. Okaloosa County has initiated the long process to secure federal funds for its beaches; however, the process will likely take at least five years and could easily extend to ten years before federal funds are available for Okaloosa County projects. For this funding plan, no federal funds are expected to be available for the initial restoration projects, now scheduled for 2008.

The State of Florida, through the Florida Department of Environmental Protection, administers a financing program to support the restoration of Florida beaches. Since all Floridians benefit from healthy beaches, the FDEP will support eligible beach restoration projects with up to 50% of the project cost. These funds are limited and FDEP has criteria in place to determine which projects will receive cost-sharing and how much state support will be offered. To receive state funds, the project area beach must first be designated as *critically eroded*. The level of state funds available is capped at 50% of the cost and is proportional to the public access available along the shoreline. In Okaloosa County, the Okaloosa Island project is eligible for the full 50% state share. In Destin – from the East Pass jetty to Henderson Beach State Park – the financing plan anticipates that a 6% state contribution will be available, based upon the current level of public access along the project reach.

After identifying the federal and state funds available, Coastal Tech investigated local funds from the TDC and an MSBU to complete the funding plan. TDC revenues are collected as a surcharge of short-term rentals in the county, often referred to as a "bed tax." By integrating bed tax revenues into the funding plan, visitors to Okaloosa County can contribute to the cost of maintaining the beaches. Tourists and visitors benefit from wide, healthy beaches and so it follows that they should contribute to the restoration and maintenance efforts. To create a dedicated fund for beach restoration, the TDC is moving forward to increase the bed tax by one cent, to five cents, on each dollar of the rental/hotel charge. This additional one cent fee – the so called "fifth cent" – is expected to generate approximately $1.7 million annually, which will be dedicated exclusively to the County's Beach Restoration Program.

However, even after all of the above sources are considered – federal, state and TDC – the financing plan is still not sufficiently robust to pay for the projects on Okaloosa Island and in Destin. In consultation with the community, Coastal Tech investigated the use of an MSBU or Municipal Services Benefit Unit, to complete the funding plan. An MSBU is a financing tool created by the Florida Legislature and available to cities and counties statewide. In an MSBU, the "beneficiaries" of local projects – whether it is a new sidewalk, improved fire service, or a new beach – are assessed a fee to pay for all or part of the cost of the improvement based on the amount of benefit they receive.

For the beach projects in Okaloosa County and based upon preliminary cost estimates, the proposed MSBU assessments account for less than one-half of the estimated project costs. On Okaloosa Island, the proposed assessment will account for approximately 24% of the project cost. In Destin, the MSBU will support approximately 36% of the project cost. The remaining project costs – 76% on Okaloosa Island and 64% in the City of Destin – will be paid by the State and visitors to Okaloosa County.

The proposed MSBU assessments on local business and landowners are based on the premise that those who live or do business on or near the beachfront benefit from the restoration of eroded shorelines. The benefits that accrue to those in the "benefit zone" are: (1) reduction of potential storm damage to homes and property once the beach is restored and (2) improved recreational opportunities. In a grand sense, everyone in the county and perhaps the state benefits from better beaches and that is why the state and the TDC must pitch in to fund these projects. The MSBU assessments are intended to apply to a narrower group of local citizens, those closest to the shoreline, who benefit from the restored beach in a more direct way.

To be acceptable in any community, MSBU assessments must, in the end, be rationally related to the benefits received by those assessed the fee. Coastal Tech's goal was to develop an assessment approach that fairly and equitably distributes the remaining costs of the beach restoration projects among the property owners in the benefit zone.

The Okaloosa County Beach Restoration Program includes two distinct planning areas: (1) the 2.8 miles of Okaloosa Island and (2) the 3.1 mile stretch of beach between Henderson Beach State Park and East Pass, in the City of Destin. For each planning area, Coastal Tech investigated cost estimates for five project cost categories: (1) construction; (2) project management; (3) environmental compliance; (4) local project administration; and (5) post-construction monitoring. Coastal Tech conferred with the TDC and Taylor Engineering to determine a construction cost estimate of $4 million per mile. The remaining costs are estimated for each project planning area based on Coastal Tech's experience with similar projects. The "local project administration" costs are costs that do not qualify for FDEP cost-sharing, including the expense of developing and implementing an MSBU.

Okaloosa Island Project Costs

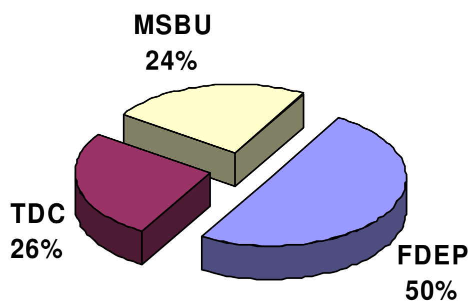
The Okaloosa Island Restoration Project planning area extends from Florida Department of Environmental Protection (FDEP) monument R-001 to R-015. This 2.8 mile stretch of beach is estimated to cost $12.69 million to restore. This estimate is based on the following costs, as outlined in the attached <u>Okaloosa County Beach Restoration Conceptual Project Cost Scenario: Okaloosa Island</u>:

- Construction - $11.2 million
- Project Management - $500,000
- Shorebird & Turtle Monitoring - $250,000
- Local Project Administration - $150,000 (not to be cost-shared by FDEP)
- Post-Construction Monitoring - $586,000
- **Total Estimated Project Cost - $12.69 million**

The estimated $12.69 million project cost is adopted herein for this funding feasibility analysis and project financial planning, but the actual cost of the beach project will not be known until the bidding process is complete.

The available and feasible funding sources for the Okaloosa Island project are also identified in the attached Conceptual Project Cost Scenario sheet. The potential funding sources are: (1) the State/FDEP providing 50% of the project cost; (2) the Okaloosa County TDC providing 26% of cost (as identified by the TDC); and (3) a local MSBU providing the remaining

Figure 1. Okaloosa Island Project Cost Distribution



24% of the project cost (see Figure 1). Because the Okaloosa Island project area meets all state requirements for public beach access, the project qualifies for the maximum State/FDEP share available (50% of eligible project costs, excluding "Local Project Administration" costs).

The attached Conceptual Project Cost Scenario sheet also outlines the timeline for post-construction expenses. For the purposes of financial planning, the new beach is expected to have a total "project life" of eight years, per Taylor Engineering, and it is proposed that the MSBU revenues be raised over that time period. After the FDEP contributes 50% of the eligible project costs ($6.27 million) and the TDC contributes 26% of the project costs ($3.37 million), the remaining balance of $3.05 million is proposed to be funded through an MSBU, financed over the eight year project life.

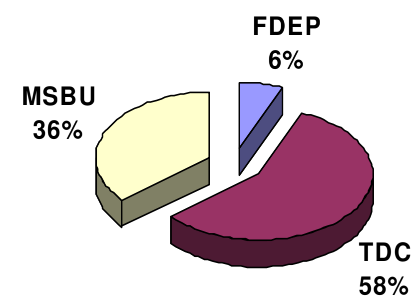
City of Destin Project Costs

The Destin Beach Restoration Project will begin at the East Pass jetty and extend eastward to Henderson Beach State Park (from FDEP Monument R-017 to R-034). This 3.1mile stretch of beach will cost approximately $14.18 million to restore. The project cost estimate was developed using the same five cost factors and methodology used for the Okaloosa Island project estimate. Of course, the actual cost of the projects will not be known until the bidding process is complete. As outlined in the Okaloosa County Beach Restoration Conceptual Project Cost Scenario: City of Destin (A & B) (Appendix I), the $14.18 million cost estimate breaks down as follows:

- Construction - $12.50 million
- Project Management - $500,000
- Shorebird & Turtle Monitoring - $250,000
- Local Project Administration - $150,000
- Post-Construction Monitoring - $780,000
- **Total Estimated Project Cost - $14.18 million**

Coastal Tech identified the same three feasible funding sources for the $14.18 million Destin Project that were used for the Okaloosa Island Project. They are: (1) the State/FDEP providing 6% of project cost ($840,000); (2) the TDC providing 58% of the cost ($8.25 million); and (3) an MSBU providing the remaining 36% of the project costs ($5.09 million) (see Figure 2). Per Taylor Engineering, the "project life" is again estimated to be eight years.

Figure 2. City of Destin Project Cost Distribution



In Destin, the lower state share of 6%, just over $840,000, is due to the lesser amount of public access in the project area. State funding levels are directly proportional to the number of public access points, public parking areas, and publicly-available accommodations along the shore. For the purposes of this financing plan, no upgrade to existing public access was considered. The <u>Okaloosa County Beach Restoration Conceptual Project Cost Scenario: City of Destin (A & B)</u> (Appendix I) outlines the costs, distribution of costs, and cost schedule in more detail.

III – *MSBU Funding Breakdown*

<u>Boundaries</u>. To establish an MSBU, an important first step is to define the "benefit zone" or the area where benefits of the beach project are expected to accrue and where the MSBU assessment will apply. In general, the proposed benefit zones – or MSBU boundaries – for both Okaloosa Island and Destin projects extend along the shoreline for the length of the restoration projects and then landward to the first major road roughly parallel to the shore. These boundaries are recommended by Coastal Tech to reflect fair and equitable benefit zones, and are based on the input from the community charettes and the TDC.

MSBU boundaries delineate the properties that would most directly benefit from the restoration of the beaches. Beneficiaries certainly exist outside of the recommended boundary because it can be reasonably argued that all residents of Florida, and perhaps the United States, benefit in some way from improved beaches and the economic activity that ripples through the economy. For example, a beach chair manufacturer in Georgia may directly benefit from the restoration of Okaloosa Island if a local hotel buys more chairs to take advantage of the expanded beaches that are constructed. While identifiable, diffuse beneficiaries such as the chair manufacturer cannot be reasonably or practically captured within an MSBU boundary. The overall financing plan, however, expands the base of beneficiaries and contributors well beyond the MSBU boundary, with contributions from the State of Florida (from the FDEP Beach Erosion Control Trust Fund) and the TDC (from revenues generated from the "bed tax" applied to short-term rentals). In fact, the contributions from the State and TDC far exceed those from the local property owners within the MSBU boundaries for both the Okaloosa Island and the Destin projects. The simple fact is those within the MSBU boundary are assessed a fee for a small portion of the benefits generated by the beach restoration projects.

The recommended MSBU boundaries are intended to capture parcels that share common characteristics relevant to specific benefits produced by the projects: (1) improved recreational opportunities and (2) improved storm damage reduction, as described below.

First, in geographic terms, major roads – such as Highway 98 and Santa Rosa Boulevard – typically form a commonly recognized and meaningful demarcation of neighborhoods within walking distance from the beach – associated with recreational benefits. Owners within the MSBU boundary have relatively easier and more pedestrian-friendly access to the beach, when compared to those who must walk across or traverse a major roadway or highway. Those outside the MSBU can generally be expected to drive to the beach more frequently than those within the overall MSBU boundary. In short, the parcels and neighborhoods within the MSBU boundary share a more consistent character – a "beachfront identity" and access to the shoreline – than parcels located outside the boundary, such as homes along Santa Rosa Sound on the north shore of Okaloosa Island. On Okaloosa Island the properties seaward of Santa Rosa Boulevard are dominated by condominiums and hotels while single family homes are more characteristic of properties landward of this major roadway. In Destin, the properties along the northern shore of Destin Harbor were excluded from the recommended MSBU boundary because the business properties there generally cater to marina users (not beach goers) and, most importantly, because direct access to the shoreline is hampered by the presence of the harbor, which acts much like a major road barrier.

Second, with respect to the storm damage reduction benefits, the structures located immediately adjacent to the beach are far more vulnerable to damage from storms and surge than structures that are not located on the beachfront. When beaches are restored, the risk of damage to structures immediately adjacent to the shoreline is reduced, generating a direct and tangible benefit to these parcels. Major storm events can cause severe erosion and property damage to beachfront land and structures. Restoring the dunes and extending the beach seaward has been shown to reduce the risk and level of damage caused by storms. The Florida Coastal Construction Control Line (CCCL), which represents the landward limit of severe shoreline fluctuation from the forces of a 100-year coastal storm, generally coincides with the storm damage reduction benefit zone. In Okaloosa County, the CCCL captures the beachfront properties, indicating that these properties are subject to a unique and special level of storm damage risk. Restoration of the beach and dune system will reduce this risk under design storm conditions. In contrast, properties located further landward are at a lower risk of erosion damage and are unlikely to gain any significant improvement in storm damage reduction with restoration of the beach and dune system. Therefore, the recommended storm damage reduction (SDR) benefit zone is limited solely to the structures and properties fronting the beach.

In summary, the MSBU share of costs is split between two benefit categories: recreational (REC) and storm damage reduction (SDR). The REC benefit, and subsequent allocation of cost, is shared equally by <u>all</u> parcels within the MSBU boundary because all parcels receive increased recreational opportunities. The SDR benefit, and subsequent allocation of cost, is divided only among the beachfront properties because those properties receive enhanced storm protection from restoration of the beach and dune system. Only the beachfront properties receive both benefits from the project and are therefore assessed under each benefit category.

The recommended boundary was presented to the community during the two May charettes and two August workshops. While public response to the proposed boundary was predictably mixed, many comments were favorable. Some objected to the imposition of any cost on properties along the shore, regardless of the boundary. Others sought to expand the MSBU boundary to cover the entire island or the entire county. These suggestions were discussed but not found to be preferable by the TDC. The recommended MSBU boundaries on Okaloosa Island and Destin are consistent in approach, sensible, fair, and result in an equitable assessment outcome.

Allocation of Benefits. For an MSBU, the unfunded local cost of the project must be allocated to the two benefit categories (REC and SDR) in proportion to the relative value of the benefits in each. Based on Coastal Tech's experience and judgment, a proposed benefit allocation between the SDR and REC categories represents a reasonable, fair, and equitable distribution of costs. This determination was presented to the community, the TDC, City of Destin and the Board of County Commissioners and no objections were raised.

For both the Okaloosa Island and the Destin projects, the storm damage reduction benefits generated by restoration of the beach dune system – which accrue exclusively to beachfront parcels – are projected to constitute 60% of the total benefits generated. The remaining 40% of the expected benefits were found to be recreational and these benefits accrue equally to all those within the MSBU boundary, both beachfront and off-beach parcels.

Based on the 60-40 allocation, 60% of the local annual revenue raised in the MSBU will be drawn from the beachfront properties based on a point system described below. Because everyone equally enjoys the opportunity to use the expanded beach for recreation, the remaining 40% of the MSBU revenue will be drawn as a *pro rata* assessment on all parcels within the boundary.

Okaloosa County staff identified the total number of parcels located within each MSBU boundary and Coastal Tech used these parcel counts to determine the *pro rata* REC assessment for the Okaloosa Island and Destin MSBUs. The final number of parcels within the MSBU boundary must be verified by Okaloosa County at the time the MSBU is implemented.

For the Okaloosa Island MSBU, the total number of parcels within the boundary is estimated to be 2,750. For the Destin MSBU, the total number of parcels within the boundary is estimated to be 5,318. These parcel counts include individual condominiums because each condominium unit is identified as a separate taxable entity by the Okaloosa County Property Appraiser. Hotel rooms are not separate taxable entities; therefore the MSBU assessment is applied to the hotel, not to the hotel room. Condominium "common areas" were excluded from these counts, as to not double assess condo unit owners who typically are charged for the expenses imposed on their associations or incurred for common areas.

For the Okaloosa Island project, the total annual REC assessment required from all parcels in the MSBU boundaries is estimated at $177,600. When shared equally by the 2,750 contributors within the MSBU boundary, the annual REC assessment is estimated to be $64.58 per parcel.

In Destin, the 5,318 contributors within the MSBU boundary will equally share the estimated $296,120 annual REC assessment and will annually contribute $55.68 per parcel. In both communities, the assessments will be collected for seven years during the eight year project life.

Collecting the storm damage reduction assessment from beachfront parcels (representing 60% of the MSBU revenue needed) in the same *pro rata* manner used for the recreational assessment would not result in a fair and equitable distribution of project cost. For example, if the 60% SDR revenue need was simply divided by the number of parcels along the beachfront, then a single beachfront condominium unit owner would pay the same assessment as the owner of a hotel or business. This scenario is clearly inequitable. So, a *pro rata* strategy is not recommended for the SDR benefit assessments. Instead, Coastal Tech recommends collecting the SDR assessment revenue based on an objective, fair system that accounts for key parcel characteristics that are rationally related to the storm damage reduction benefit a parcel may receive – such as the measurable point system described below.

SDR Revenue Collection Factors

To develop a point system rationally related to the storm damage reduction benefits that accrue to a parcel, three characteristics related to storm risk were identified:

- The area of the beachfront parcel, in acres,
- The beachfront length of the parcel, in feet, and
- The number of "dwelling units" on the parcel.

The area of a beachfront parcel is a sensible storm damage reduction benefit assessment factor because as the area of the lot increases, so does the area vulnerable to erosion in a storm. By protecting larger parcels, the beach restoration project generates greater SDR benefits when compared to a smaller parcel, all else being equal.

The number of dwelling units on a parcel as identified on the County Assessor's tax roll is also a sensible and rational SDR assessment factor. If the beach is restored, the SDR benefit that accrues to a parcel generally increases as the number of units on the parcel goes up, all else being equal. Given two equally-sized lots, the parcel with a ten-unit condo can be expected to receive a greater SDR benefit that the parcel with a single family home since there are simply more units to protect. This factor does not take into account the number of rooms within a home or condominium, how many beds there may be, or how frequently people reside in the unit because to do so would be intrusive, difficult to measure, and add a significant level of subjectivity and uncertainty to the assessment. However, even though hotels are typically listed as a single taxable parcel on the County Appraiser's tax roll, each hotel room is counted as a full "dwelling unit" for the SDR assessment. Rooms within the hotel are not listed as distinct taxable entities but are treated as such for this assessment. As a result, a 100-room hotel will pay the same SDR assessment as a 100-unit condominium high-rise if the structures sit on parcels equal in size and beach frontage length.

Finally, a parcel's beach frontage length is also a rational and sensible storm damage reduction benefit assessment factor because the risk of structure damage and land loss during a storm generally increases with the length of shoreline exposed to wind, waves, tides and surge. To illustrate this concept, consider two adjacent parcels of the same acreage and shape, but different orientations to the beach front. Assume each parcel is one-acre in size and has dimensions of 100 feet by 436 feet but one parcel is oriented so that it has the short side (100 feet) along the beach and the other has the long side (436 feet) facing the beach. In the event of a severe coastal storm, the property with the longer beach frontage (436 feet) can be expected to sustain more damage than the property with the shorter beach frontage (100 feet), assuming all else is equal. Because a wider, healthier beach will reduce the risk of storm damage, the more vulnerable property – that with the longer beach frontage length – receives the greater SDR benefit and should therefore pay the higher MSBU assessment fee. This scenario also illustrates why beach frontage length and lot size are independent assessment factors in the SDR point system.

Together, these three factors – lot size, number of dwelling units, and beach frontage length – are used to determine the appropriate SDR assessment for all beach-fronting parcels. These factors apply equally, whether the parcel is a condominium, single-family home, multi-family structure, restaurant, retail establishment, business, or vacant land.

However, using these three factors alone to assess all beachfront properties for SDR benefits would unfairly favor non-habitable commercial properties located on the beachfront, which, by definition, do not contain "dwelling units." A fourth factor in the SDR assessment has been included to correct this anomaly. For example, consider the SDR assessment for a commercial beachfront restaurant versus a four-unit beachfront condo. Assuming the restaurant and condo sit on lots of equal size and frontage, the four condo owners together would pay a greater SDR assessment, because the restaurant, which is obviously not "dwellable," would earn fewer SDR points.

Because the beachfront restaurant owner and other beachfront businesses depend on the beach-dune system to help protect the business structure and provide a source of potential customers (beach visitors), Coastal Tech included a fourth SDR assessment factor that applies only to non-habitable beachfront commercial properties. Based on a site visit to assess business size and capacity, commercial properties were classified as large, medium or small and designated as Class A, B or C, respectively. Class A commercial establishments were assigned 100 points, Class B properties were assigned, 50 points and Class C commercial properties were assigned 25 points. The business classification assessment corrected the distortion in the methodology that results from counting only "dwelling units" on a beachfront parcel. As a result, a 100 point commercial beachfront facility (such as the "Boardwalk" commercial complex on Okaloosa Island) would pay the same SDR assessment as a 100-unit condominium high-rise if the structures sit on parcels equal in size and beach frontage length.

In summary, the Okaloosa County conceptual SDR assessments are based upon the following four factors:

1. The size of the beachfront parcel (orange column on the spreadsheet)
2. The number of "dwelling units" on the parcel (yellow column)
3. The beachfront length of the parcel (green column)
4. Commercial Classification (A, B or C) for Non-habitable Beachfront Commercial Properties (blue column)

SDR Scoring

In the attached conceptual MSBU assessment spreadsheets (one for Okaloosa Island, another for Destin AB), each beachfront parcel is listed, with the acreage of the parcel, the number of dwelling units, and the beachfront length. Again, each hotel room, like each home or each condominium unit, is counted as a single "dwelling unit." The raw data were provided to Coastal Tech by Okaloosa County and City of Destin based on their respective Geographic Information System (GIS) data bases. Some beachfront length data were checked by Coastal Tech via desktop GIS measurements to improve the accuracy. It is important to note that all property data included in the assessment spreadsheets are subject to change and final verification by the Okaloosa County Property Appraiser at the time the MSBU is implemented.

The data in the attached conceptual assessment spreadsheets are used to estimate the SDR assessment for each parcel. Each parcel was scored according to the schedule in the following table:

SDR Factor	Points	Per	Example
Acreage	1	0.1 acre	1.2 acre lot = 12 points
# of Dwelling Units	1	1.0 unit	54 condos or 54 hotel rooms = 54 points
Beach Frontage Length	1	10 feet	325 linear feet of beachfront = 32.5 points
Business Class	100 50 25	A Class B Class C Class	Large Business = 100 points Medium Business = 50 points Small Business = 25 points

The point system is the foundation for collecting the SDR assessments, which constitute 60% of all MSBU revenues needed for the county's beach restoration project. For the proposed Okaloosa Island Project, the total annual SDR assessment needed to support the project is $266,400 per year. (The total MSBU revenue needed for Okaloosa Island Project – both SDR & REC assessments – is $444,000 per year over seven years). For the Destin AB Project, the total annual SDR assessment needed for the project is $444,180 per year. (The total MSBU revenue needed for the Destin AB Project – both SDR & REC – is $740,300 per year, also over seven years).

For the SDR assessment, all beachfront parcels are scored on the basis of the above four factors and a total point score for each parcel is calculated. The sum of <u>all</u> beachfront parcel scores is also tabulated. Each parcel pays an SDR assessment based on the parcel's score, as a percentage of all the SDR points. For example, if a parcel's SDR score constitutes 0.11% of all the SDR points, the parcel will be assessed 0.11% of the SDR revenues to be collected that year.

In the case of beachfront condominiums, the entire beachfront condominium parcel is scored based on the lot acreage, number of condominium units, and the parcel beachfront length. This total condominium assessment is then divided by the number of condo units in the building to determine the annual SDR assessment for each condominium owner. The result is that all condo owners in the same building pay the same SDR assessment.

Estimated MSBU assessments have been calculated for all properties within each MSBU and are attached in the conceptual assessment spreadsheets.

IV – *Conclusion*

The MSBU assessment methodology presented here is meant to create a fair and equitable system for raising the funds necessary to support Okaloosa County's Beach Restoration Program. It is important to keep in mind that creation of an MSBU will fund only a small percentage of the beach project (24% on Okaloosa Island and 36% in Destin). The MSBU is not intended to encompass all the benefits of a beach restoration project or to assess all beneficiaries. Rather the MSBU is intended to reflect the unique benefit received by those who live in close proximity to the shoreline and who are protected by a wider, healthier beach-dune system. Other beneficiaries – such as the State of Florida and visitors to the county's beaches – expand the base of contributors far beyond the MSBU boundary. In fact, in both project areas, the State and TDC pay well over half the cost of the projects.

Within the MSBU boundary, Coastal Tech also sought to establish a fair and equitable assessment methodology. Everyone within the MSBU boundary, regardless of the location of the parcel, pays the same recreational benefit assessment because the opportunity to visit the beach is available to all. Along the beachfront, the SDR point system ensures the storm damage reduction assessments are focused on the parcels at greatest risk – those on the beachfront itself – and the SDR assessment is based on objective, measurable factors that are rationally related to the benefits of a wider, healthier beach.

V – *Recommendations*

Based on review of the MSBU assessment methodology and input from the funding charettes and workshops, Coastal Tech recommends the following:

1. The Okaloosa County Commission should authorize collection of a 5^{th} cent Tourist Development Tax and dedicate the revenue derived therefrom to the long-term restoration and maintenance of Okaloosa County beaches.

2. Based on public input and acceptance within the community that the basis of the proposed MSBU is fair and equitable, Coastal Tech recommends that Okaloosa County implement the MSBU Project Area Funding Plans for the Okaloosa Island Project and the City of Destin Area A-B Project, specifically (unless a more detailed analysis is undertaken):
    a. Adopt the methodology for calculation of beachfront assessments, based on beach frontage length, number of dwelling units per parcel, lot size, and commercial character; and
    b. Adopt the allocation of benefits as 60% Storm Damage Reduction (SDR) and 40% Recreational (REC), with beachfront properties carrying the SDR share of the assessments and all properties within the MSBU boundary sharing equally in the REC benefits assessment on a *pro rata* basis.

3. Consistent with the County's comprehensive strategy to restore and maintain its beaches, the TDC, in cooperation with Okaloosa County, should develop and implement an MSBU – based on the same funding principles recommended herein - to support future beach renourishment activities in the area immediately east of Henderson Beach State Park eastward to the Walton County line.

4. The TDC, in coordination with the City of Destin and Okaloosa County, should verify the conceptual assessment table data regarding the list of properties, beachfront length, number of units, lot size, and business class scoring.

5. The TDC, in coordination with the City of Destin and Okaloosa County, should seek to increase the state funding share for the Destin Area A-B Project above the current 6% state share reflected in the funding plan by pursuing FDEP certification of available "public accommodations" along the shore and/or evaluating and constructing appropriate beach access improvements.

6. During implementation of the MSBU, as the project designs and the understanding of project benefits advance, the TDC should:
    a. Consider adjusting the annual MSBU assessments to account for construction of new projects or changes to existing properties within the MSBU boundary;
    b. Consider expansion of the MSBU boundary for the Destin Area A-B Project to include all properties south of highway 98, specifically including those properties along the northern shoreline of Destin Harbor;
    c. Consider assessing non-beachfront businesses within the MSBU boundary, via the current scoring system for *SDR Scoring* of beachfront businesses (i.e. Class A, Class B, & Class C).

Appendix I

MSBU Boundary Maps
&
Spreadsheets

(Insert
Okaloosa County Beach Restoration Conceptual Project Cost Scenario: Okaloosa Island)

(Insert
<u>Okaloosa County Beach Restoration Conceptual Project Cost Scenario: City of Destin (A & B)</u>)

(Insert MSBU Boundary Map – 11 by 17)

(Insert Okaloosa Island SDR Spreadsheet 11 by 17)

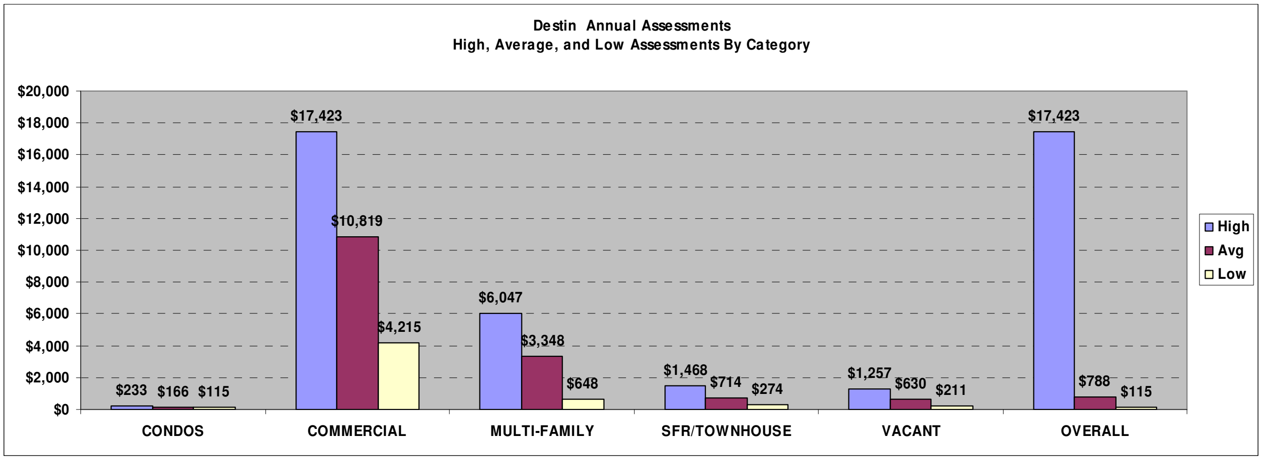
(Insert Destin SDR Spreadsheet 11 by 17)

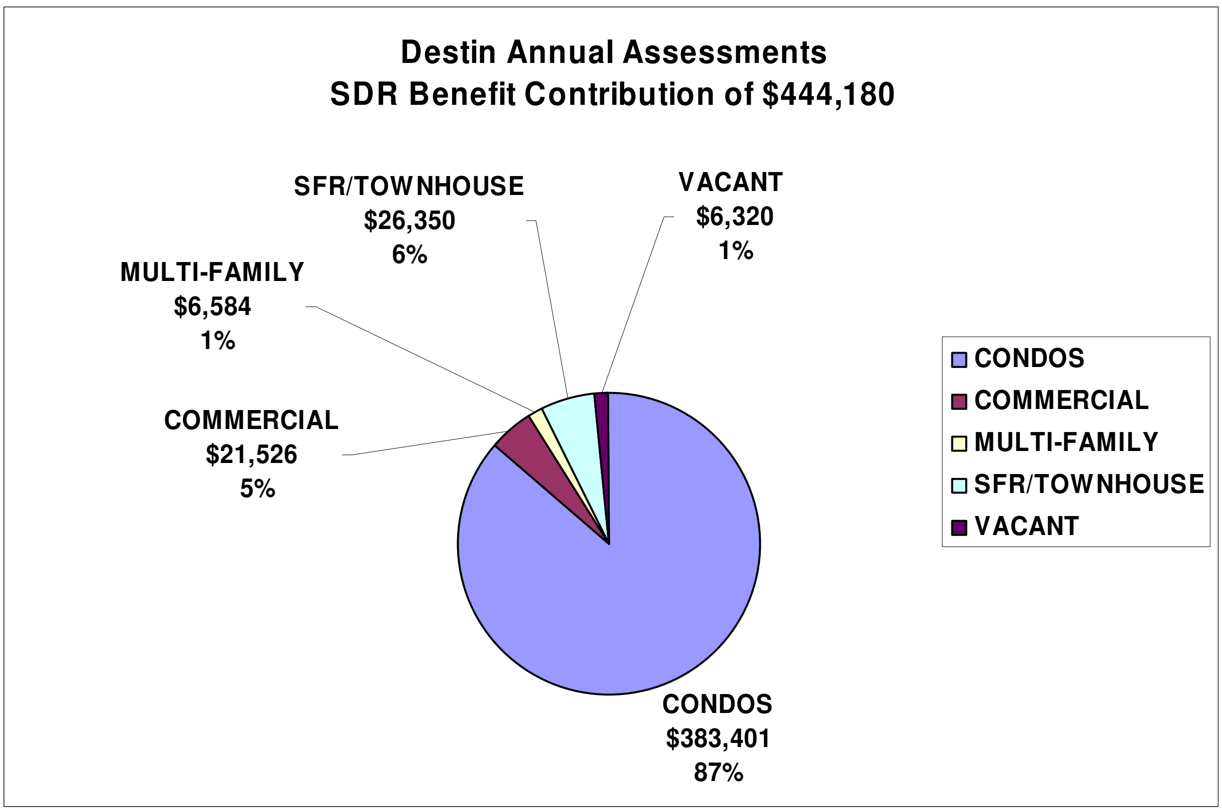
Appendix II

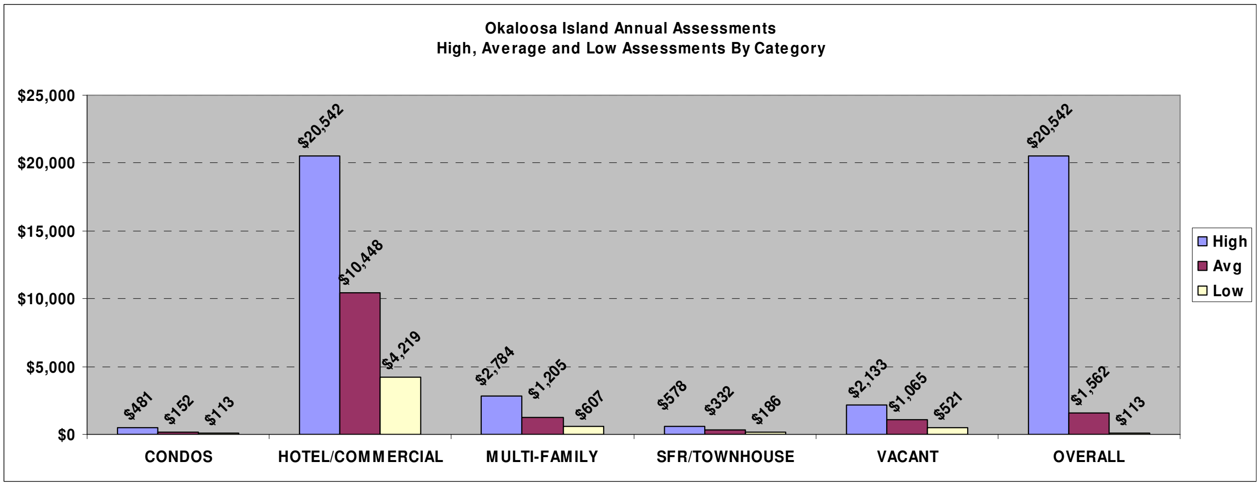
Assessment Breakdown

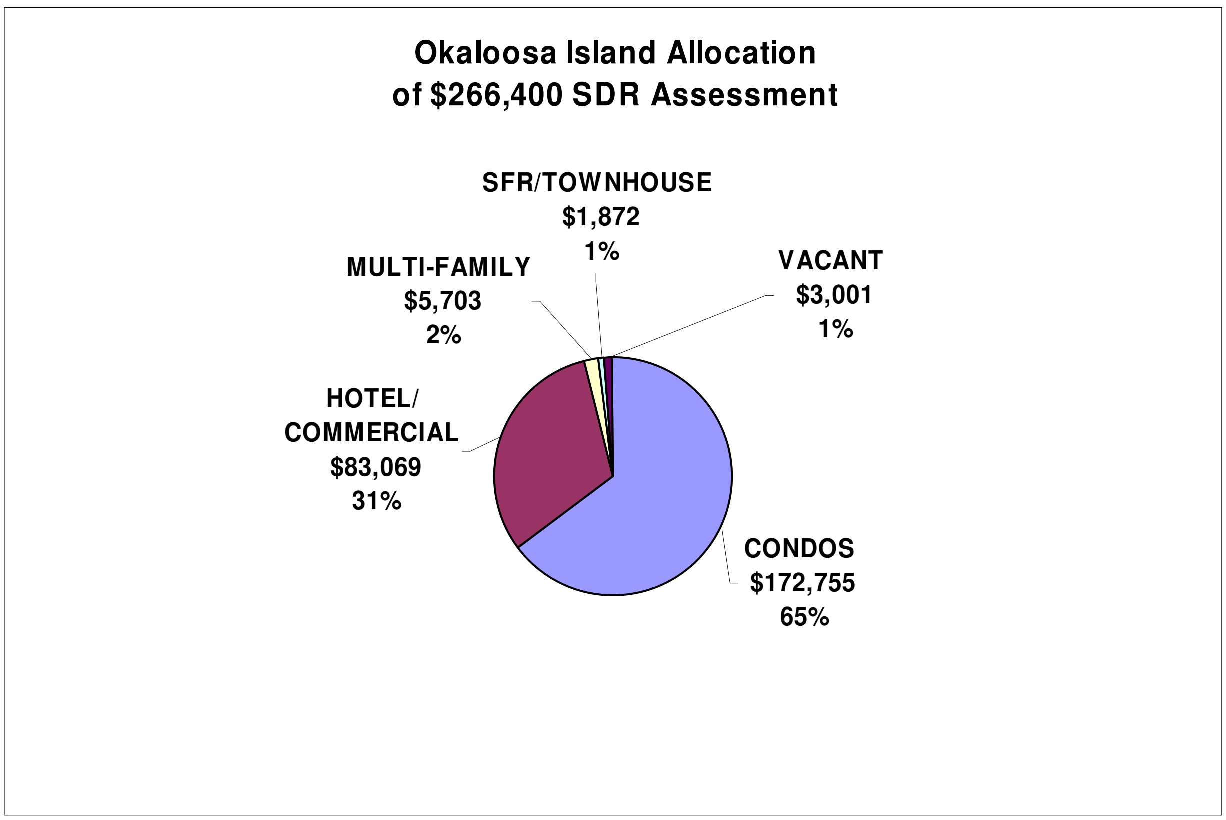
By

Contributor Group


Destin Annual Assessments
High, Average, and Low Assessments By Category
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
$233
$166
$115
$17,423
$10,819
$4,215
$6,047
$3,348
$648
$1,468
$714
$274
$1,257
$630
$211
$17,423
$788
$115
CONDOS
COMMERCIAL
MULTI-FAMILY
SFR/TOWNHOUSE
VACANT
OVERALL
High
Avg
Low


Destin Annual Assessments
SDR Benefit Contribution of $444,180
SFR/TOWNHOUSE
$26,350
6%
VACANT
$6,320
1%
MULTI-FAMILY
$6,584
1%
COMMERCIAL
$21,526
5%
CONDOS
$383,401
87%
CONDOS
COMMERCIAL
MULTI-FAMILY
SFR/TOWNHOUSE
VACANT


Okaloosa Island Annual Assessments
High, Average and Low Assessments By Category
$25,000
$20,000
$15,000
$10,000
$5,000
$0
$481
$152
$113
$20,542
$10,448
$4,219
$2,784
$1,205
$607
$578
$332
$186
$2,133
$1,065
$521
$20,542
$1,562
$113
CONDOS
HOTEL/COMMERCIAL
MULTI-FAMILY
SFR/TOWNHOUSE
VACANT
OVERALL
High
Avg
Low


Okaloosa Island Allocation
of $266,400 SDR Assessment
SFR/TOWNHOUSE
$1,872
1%
VACANT
$3,001
1%
MULTI-FAMILY
$5,703
2%
HOTEL/
COMMERCIAL
$83,069
31%
CONDOS
$172,755
65%

Appendix III

Public Comments

on

Workshop Presentation*

(* The public comments included in this appendix are not exhaustive but are generally representative of comments received by Coastal Tech. Many more comments were reportedly sent to local elected officials, the TDC, and local news organizations but were not cc'd to Coastal Tech, though contact information was provided to the public at each event. A complete compilation of comments was not possible.)

Email: 8/8/07

Peter,

Good job last night at the meeting in Destin. I am the general manager of Jetty East. One of my board members was at the meeting with me last night and wanted to make sure that I sent to you the Public Lodging Establishment info from the Florida Statutes. In one area of 62B-36, it states that a Public Lodging Establishment is one licensed by the DBPR with six or more units fronting directly on the sandy beach. Under Cost Sharing, 62B-36.007 (b), it states, "Public lodging establishments shall be granted eligibility based upon the percentage of units available to the public, rounded to the nearest 10%, times the property's beachfront footage."

I'm sure you had this info already but wanted to comply with my board member. I think the plan you described to fund the beach renourishment project is simple and would be acceptable to most people in Okaloosa County. I think if you start to micro manage all the myriad of facets that could be taken into consideration, you gum up the works, it costs more, and it makes it so the planning stage goes much longer than most people would like.

We here at Jetty East would like to get the sand as soon as is practicable so we have the protection of a beach and berm. Thanks for all your good work.

Sincerely,

Jerry Stalnaker
General Manager
Jetty East Condominium
Destin, Florida

Email exchange: 8/3/07 to 8/9/07

Peter,
I am slightly confused regarding your comment regarding the parcels included in the Destin Pointe listing (10.7) acres. You do have the 11 beach front properties individually listed and the 10.7 acres includes the 130 front feet of that parcel for a score of 107 plus 13 points divided among the 182 property owners (including the 11 beachfront) plus each of the 182 would pay the Recreational benefit share. Are you suggesting that each of the 116 homesite parcels (less the 11 beach front) should pay a unit cost as well? If so, the Holiday Isle homes across Gulf Shore Drive should also be rated similarly based on the Holiday Isle Improvement Association's ownership of two beachfront properties. Perhaps the compromise would be to add unit points to the 10.7 acres since there are 182 homes or condominium units involved in that hybrid development. (66 in the Magnolia House condominium plus 116 individual homesites under individual ownership.)
My point is that while Destin Pointe maybe should pay a larger share, the fairness principle may dictate that homes not on the beach should be treated as just that.
If you are confused by my comment, I will be happy to talk with you.

If you have any magic potion in your bag of tricks to get the County Commissioners to accept their authority to impose an MSBU without a petition, now would be the time to open the bag.

Terry

From: Terry Trojan [mailto:ttrojan@bellsouth.net]
Sent: Friday, August 03, 2007 6:25 PM
To: Peter Ravella
Subject: RE: FINAL FILES FOR THE WORKSHOPS

Peter, I did read quickly the Destin sheet and am happy to see that Destin Pointe and the beachfront property owners there are sharing in the project. I don't know how they will take to the 107 points for their 10.7 acres but in my opinion, it is well worth the expense and I will be sure to express that opinion in front of the board if they raise any objection. Their expense to clean up the roadways after Ivan were @$225,000 plus pool repair expense in excess of $150,000 plus landscaping repair costs etc. etc. I think their insurance premiums have gone up more than what their assessment will be.
Nice work. I will look at it all more closely over the weekend.
Terry

Email: 8/10/07

Pete,

Thanks again for your work on funding solutions for the Okaloosa Beach Restoration programs. I wrote up a summary and comments on your presentation for other folks on the island to review (attached below). Please take a look and let me know if I am out of whack on anything.

Thanks,
Scott Schaeffler
Director, Okaloosa Island Leaseholders Association

TDC Beach Restoration Funding Study Workshop Notes

Summary of Workshop Presentation sponsored by TDC on August 6th, 2007
The Okaloosa County Tourist Development Council (TDC) is exploring measures to address beach erosion via a beach restoration program. The program has two project areas: the beaches of Okaloosa Island (2.8 miles) and Destin (3.1 miles).

The TDC contracted Coastal Technology Corporation (CTC) to perform a funding feasibility study. As of August 7, 2007, CTC recommends funding the estimated $12.9M cost for the Okaloosa Island project as follows:

50% -- State of Florida.
Due to the abundant public beach access available on Okaloosa Island our restoration project is qualified for 50% funding.

26% -- TDC.
Raises the “Bed Tax” from 4% to 5%. The raised amount is shared with the Destin Project.

24% -- MSBU.
Municipal Services Benefit Unit. Essentially a tax levied on the beneficiaries. In the case of the Okaloosa Island project, it levied on all owners seaward of Santa Rosa Blvd. Specific amount is based on a scoring system in which beneficiaries are awarded points commensurate with the benefits they receive from the beach restoration. Predicted amount is about $120 to $150 per condo owner for each of 8 years.

Two Recommendations
The author of this study, Peter Ravella, seemed both logical and unbiased. However, the report gives no justification for the division of TDC funding between the projects—namely, Destin is awarded $7.8M while Okaloosa receives only $3.4M. If the division were based on the results of CTC’s “scoring” system (see above), the division would be significantly different:

Project	Points	% of total points	Commensurate TDC Funding
Destin	8,993	57%	$6.4M
Okaloosa Island	6,720	43%	$4.8M
Total	**15,713**	**100%**	**$11.2M**

This would reduce the Okaloosa Island MSBU requirement to $1.7M, or **13%** of the total (vice 24%!). The predicted annual amount per condo owner would be approximately $65 to $82.

Also, CTC and the TDC should examine opportunities for reduced Flood Insurance premiums due to the flood mitigation effect of an engineered beach. This would be a great selling point.

One Question
Is any part of the current TDC "Bed Tax" scheduled to sunset?

Email: 8/12/07

From: Mike
To: pravella@coastaltechcorp.com
Sent: Sunday, August 12, 2007 8:03 PM
Subject: Renourishment of Destin

Peter,

I have had more time to digest information that was presented and discussed during the August 6th meeting.

I offered the suggestion to moderate the costs to single family units and feel that the adjustment to 2 points per unit, both single family as well as condo units. This seems the most equitable without dismantling the premises made in your original proposal. The discussion of the units not being counted led to the search for a number of units that adjoin East Pass. I believe that these missing units as well as any unit south of 98 that adjoins the Pass should have designation a beach or partial beach designation for their access to the beach. These include East Pass towers, one and two; The Ultimate; Waterview Towers, one, two and three; Point Destin; along with several other units and other single family units that may have not been listed.

I do believe that the ratio of 60/40 proposed by you seems most appropriate as those at the beach have the greatest direct financial benefit to be derived from the renourishment and protection factor directly.

Additionally, you mentioned that there was some concern to the beach value being assessed to second properties, i.e., the Pelican, Sandpiper, etc. Any property that has deeded access and has direct access to the beach on site should have the same risk assessment as the other on site properties. Their access is of a class that affords them the same commingled use as the direct beachfront units and no distinguishing differentiation could be easily or simply derived.

Thanks for your further consideration.

Dr. Mike Raim

Email: 8/12/07

Dear Peter,

At the meeting last week we brought up several points and at your suggestion we are getting back to you. As we discussed how the cost for this beach project is set up may set a precedent for future projects and we are therefore very concerned about the formula that is set. Incidentally both my wife and myself appreciate your efforts to create a system to address complex issues and still be equitable without being overly complex.

Using the point system proposed, the homeowners on Gulf Shore Drive are being asked to provide a much larger share than any other group in the cost of beach restoration. Knowing the value of tourism, the condition of the beaches and the age and actual worth of the homes involved, this does not seem fair to us. As you showed us at the meeting, changing percentages only increased most people a small amount, but affected the beachfront homeowners a great deal. We hope you will consider the following points:

First, the 60-40 split with beach owners absorbing the larger amount of the restoration cost is missing the major point. The "Big Money" in this situation is tourism, i.e. rentals, and the purchase of goods and services by these same tourists. When Destin has a "bad year financially" it is expressed in these terms. These figures drive the local economy. The Big Kahuna water Park, other amusement areas and restaurants that make at least 80 % of their income in the short few weeks of tourist season should share the cost. It would be miniscule to their budget. Without the beaches there are no tourists and without the tourists these businesses would not survive.

Second, I would like to cite an example. We have a single-family old beach house on Holiday Isle and since we have owned it our claims have been minimal and largely wind related. No gulf front home on Gulf shore Drive has suffered major damage, however, the houses across the street from ours were severely damaged in the last two storms. Two were lost completely, one was condemned and required an extensive rebuild. Others were also severely affected by water that crossed the road. Sand came across the road and filled the canals behind their homes causing Holiday Isle Association a major expense to remove this sand from their canals. Under your proposal we would pay $1200 and accept in principle responsibility for 60% of the overall cost and they would pay $ 54 per yr. We feel this is blatantly unfair to the single-family beachfront owner.

Fourth, I feel that areas, which are critically eroded, should be treated differently. Those homeowners on Destin Pointe almost have their porches in the water at high tide and any storm of any size is going to badly injure them. I feel if the area your are in is critically eroded your assessment should be greater. We are not critical, in fact, we now have probably almost as much beach (over 200 ft) as Destin Point will have after the restoration, yet we are asked to pay up to 3.7 times the amount they are asked to pay in your plan because we have a larger lot size. Those that need beach restoration should pay more than those who do not need additional beach.

Fourth, I don't think acreage should be a cost factor for a private home. We don't understand how having more property between your home and the street reflects how much damage your home would sustain. The houses with larger acreage are all on Gulf Shore Drive. The majority of these homes were built 13 to 30 years ago and the homes themselves are less valuable than the ones on the smaller lots, which were mostly built within the last 8 years.
Using your formula, a lot with 50 ft. of beach frontage but less acreage pays 1/3 or less of a 100 ft. lot, yet the risk for loss to the owner of the smaller lot with the newer home is far greater since his house is worth much more. In this case lot size does not matter, it adds no additional damage risk and multiplies the assessment. Frontage footage alone is at least a little more equitable if you are not going to get into the actual value of a house.

In summary second tier homes across the street from the beach particularly across from lots or single homes need to be reconsidered, critically involved should have an effect in the assignment of cost, the acreage factor for beachfront owners should be eliminated and simple frontage used, the 60/40 should be reconsidered and all at the meeting felt Emerald Grande owners must be included. The most critical point and one which I think all the community would agree with is that businesses should have a share if they are in the area (Winn Dixie, Big Kahuna etc.etc.).

Again thank you for your willingness to listen to our concerns.

Sincerely, Andy and Louise Brooker, 620 Gulf Shore Dr.

Email: 8/13/07

Hello Peter:

As discussed please find comments, questions and possible solutions.

First, I would like to say that I support the simplified approach you are using. However, perhaps it is advisable to prevent the creation of an "opposition front" by considering minor changes, requiring a minimum amount of extra work while maintaining the simplified format.

As you read the following paragraphs please keep in mind where I am coming from. I had the fortune to have been able to travel the USA from coast to coast during my professional career. During my time off' I found myself always gravitating towards coastal communities. My observations indicate that the best communities found a way to form successful partnerships between the public and the private sectors. I also learned the hard way about private beach areas that were "totally inaccessible" by the public. And, it was encouraging to find communities that corrected a few mistakes made by their predecessor by finding creative alternatives to increase the use of public beach access sites.

A) Holiday Isle/Sandpiper Cove.
There are over 1900 homeowners in Holiday Isle and over 600 in Sandpiper Cove. There are very few single family beachfront properties and, so far they have kept a very low profile as compared with other single family beachfront properties in the area to the East (Riparian Rights Litigation). However, the severe damage, due to hurricanes, to a few coastal homes (Destin Pointe) has created friction with their neighbors to the North, just a few blocks away.

However, the entire section (around 3000 property owners) depends on Gulf Shore Drive to remain open during and after a hurricane. Therefore, in recent years every owner has demonstrated an interest in keeping this public road open including spending money out of their own pockets.

SUGGESTION: Consider spreading "some" of the current total SDR dollar amount east to west of Sandpiper Cove with all property owners North of Gulf Shore Drive.

In this section of Destin we have some of the oldest condos. There is a relative large group of fixed income retired owners. Many are career military and some were government agency employees. They are active in the community and none can be classified as a millionaire. Therefore, they are the likely group to question the exclusion of property owners between the harbor and South of Hwy. 98. Without the protection offered by the condos in Holiday Isle, the Fishing Fleet and businesses in that section would have experienced a worst negative impact as the result of hurricanes since Hurricane Opal in 1995.

SUGGESTION: Consider spreading some of the current total SDR dollar amount, as well as a share of the total Recreational Assessment with all property owners located west of Gulf Shore Drive and between the harbor and South of Hwy. 98.

In this section of Destin the great majority of the condos rent to the public (90%). It is my understanding that under the types of public access definitions there is one called "Public Lodging Establishment." Such establishment is any public lodging currently licensed by the Department of Business and Professional regulation in the classification of "hotel," "motel" and "resort condominium" with six or more units and fronting directly on the sandy beach. It is
also my understanding that such establishments will be granted eligibility based upon the percentage of units available to the public, rounded to the nearest 10%, times the property's beachfront footage.

QUESTION: Can we use this classification in order to get additional State Funding?

In this section of Destin there are two public access sites. However, public parking is very limited at both sites. Neither one has restrooms facilities. Both lack a walkway to facilitate access to the beach. The public can access these sites via "existing" public transportation. Private funds could be made available on short notice to build restroom facilities and walkways.

QUESTION: Can the State participation increase if we were to commit private funds to upgrade both of these sites?

B) Business Class.
In your presentation under Beachfront SDR Assessment Factors you had this classification included. However, it is my understanding that it was not used to calculate the share of the restaurant at the Holiday Inn. On the same subject, there is a restaurant at Sandpiper Cove. And, at least two more within the MSBU Boundary South of Hwy. 98

QUESTION: Please clarify why the Business Class was not used in these cases?

Destin depends on one primary industry, the tourist industry. And, tourists are attracted by two recreational activities. The white sandy beach and fishing.
The full-time local population is too small to support the number and size of restaurants, big retail stores, nightclubs etc.

QUESTION: Using your simplified approach of Class A. Commercial, Class B. Commercial etc....can you come up with an "economic impact assessment model" for commercial properties North of Hwy. 98?

In closing, I have not heard any one suggest that "all property" owners in Destin should be assessed, and it is in our best interest as a community to keep it that way. However, I have heard many times that businesses North of Hwy. 98, including Hotels and Motels should be assessed on the basis of "economic impact reduction" benefits.

Looking forward to your feedback either by email or in person.

John L. Medina
cell phone number: 850-502-0580

Holiday Isle Improvement Association, Inc.
President, Board of Directors

Sandpiper Cove Condominium Association, Inc.
Board Member

Destin Community Land Trust, Inc.
Board Member

(CHB) Citizens For Healthy Beaches.
Founding Member
Cochairman

(CAPEC) Community Association Presidents of the Emerald Coast.
Founding Member/
Executive Committee Member

Destin Harbor Board
Board Member

Memo: 8/13/07

Coastal Tech Memo

August 28, 2007

To: Mike Minich, Chairman, Okaloosa County TDC Board
Fr: Peter A. Ravella, Coastal Tech
Re: Responses to Rebecca Sherry's Comments on Beach Restoration Financing Plan

In an e-mail to Okaloosa County Commissioners (I believe dated August 27, 2007), Rebecca Sherry, 554 Coral Court #511, Fort Walton Beach, FL 32548) posed several objections and questions to the proposed MSBU and Financing Plan for the Okaloosa County Beach Restoration Program prepared by Coastal Tech under contract to the TDC.

This memo is intended to respond to Ms. Sherry's objections/questions. Ms. Sherry's comments are in black, Coastal Tech responses are in blue:

1. Why are residential condos taxed a separate storm protection and recreation tax while hotels are only charged a recreation tax? Do hotels not get protection from beach restoration in a storm? Hotels are only charged 40% of the tax paid by condos. Why do the Holiday Inn, Best Western, Ramada Inn, and Sheraton Four Points receive special treatment citizens do not get?

> Hotels are assessed a fee for "storm protection." All beachfront properties, regardless of character, pay the Storm Damage Reduction (SDR) Assessment, including hotels. Beachfront parcels, including hotels, also pay the recreational assessment. Off-beach parcels only pay the recreational assessment. The assessment method is the same for all properties, regardless of character.
>
> There is a difference however where the assessment is applied. The hotel's assessment is charged to the hotel owner (a single entity) and not to the rooms or units within the hotel. Condominium assessments are applied at the condo unit level because each condo is separately owned so there are many assessments within a condo building. Hotels and condos are charged an SDR assessment on the same basis as every other property: frontage length, lot size, and the number of units. In addition to these three factors, non-habitable commercial beachfront parcels (such as a restaurant or retail space) are assessed an additional factor reflecting the benefit of additional traffic expected from restoration of the beach.
>
> Hotels do in fact get "special treatment" in a sense, but not favorably. For every room in a hotel, the hotel parcel "earns" a point and the hotel's assessment is increased. Each unit in a condo also "earns" a point. For assessment purposes, a hotel room and a condo unit are treated the same, even though a privately-owned condo unit is in fact a separate taxable entity and a hotel room is not.

2. Why does the beachfront Hampton Inn hotel pay $0 tax when the condominium next door, Summer Place, pays the full 100% rate?

> The Hampton Inn is on the list and has been for weeks.

3. When is a condo not a condo? When it is Emerald Grande. At Emerald Grande condominium, where unit prices start at almost $1,000,000 with monthly fees of
$995, owners are exempt from an approximate $1,500 per owner MSBU tax. Including developer Peter Bos and his fellow Emerald Grande owners could ease the burden on
Okaloosa Island south side residents if Emerald Grande paid their fair share. Why can't they afford it if the rest of us with much less expensive dwellings can afford it? Why do they get their beach restoration for free when poorer folks have to pay?

The Emerald Grande is outside the MSBU boundary and is therefore not assessed. Only parcels within the MSBU boundary can be assessed. Whether a Storm Damage Reduction (SDR) benefit fee is applied is based on the location of the parcel (inside or outside the MSBU boundary) and, if it is on the beach, the length of the frontage, the number of units on the parcel (if any) and the size of the lot. Off-beach parcels within the MSBU boundary only pay the Recreational Benefit fee.

Second, if the County chose to expand the Destin MSBU boundary to include properties north of the harbor but south of HWY 98, these parcels, including the Emerald Grande, would be treated as "off-beach" parcels Off-beach properties are only assessed the recreational benefit fee, which is estimated to be about $55 per year for the Destin MSBU. There is no basis for the assertion that Emerald Grande owners, if there were included, would pay $1,500, as claimed by Ms. Sherry.

Finally, the Destin and Okaloosa MSBUs are distinct and will be used separately to fund projects in their immediate areas. Changing the Destin MSBU assessment would not change the Okaloosa Island MSBU assessment.

4. When is a condo not a condo part 2? Waterscape is a newer condominium. However, Coastal Tech has classified it as a hotel so it is taxed at only 40% of the rate of neighboring condominiums.

Waterscape is a new project and is indeed a condo, not a hotel. At the time the property list was compiled, we mistakenly categorized Waterscape as a hotel, as it is being built on the site of the Regency Hotel and we assumed it was also a hotel. Remember, the specific assessments are not up for a vote, the MSBU assessment method is. In the resolution passed by the TDC, Coastal Tech is directed to continue verifying the data used in the conceptual MSBU assessments. The property list and data will be refined and updated as the process moves forward, including moving Waterscape from the hotel to the condo section of the beachfront parcel list.

When is a condo not a condo part 3? Venus Condominium is south of Santa Rosa Boulevard, yet pays $0 tax.

The MSBU assessment spreadsheets for Okaloosa Island or Destin only include beachfront parcels because only these parcels are subject to the SDR assessment, which is based on the point system. All off-beach parcels pay a flat annual recreational assessment and listing the thousands of properties in the spreadsheet would make it unmanageably large. The Venus condominium is located at 885 Santa Rosa Blvd and it is not a beach-fronting parcel. Like all off-beach properties, Venus condo owners will pay the annual recreational assessment currently estimated to be about $60 per year.

6. When is a vacant lot taxed differently than another vacant lot? When one lot is owned by a developer and another is owned by individuals. The vacant lot where Coquina Isle used to stand is taxed at the full 100% rate whereas vacant lots owned by developers are not. Coquina's owners will pay a combined $8,250.60 per year. Per Coastal Tech's presentation, the next highest vacant lot tax (also on the beach) is $556.66. Surely all vacant lots should be taxed the same way.

All beach-fronting vacant lots are assessed exactly the same way, regardless of ownership type. The vacant lots are assessed based on lot size and beach frontage length. All beachfront parcels, including vacant lots, also pay the flat annual recreational fee.

The Coquina Condo was mistakenly listed as a condo because the data on the appraisal district website and parcel photography showed the building was standing. The building was recently demolished and the MSBU spreadsheet now reflects that change.

7. The PGB vacant lot is actually 2 lots, and it is almost an acre combined, not the 0.68 acre shown in the study so the tax should be higher. The 0.68 acre lot has an adjacent 0.26 acre lot which is not listed on the beach restoration tax rolls, even though it is within the stated boundary, so it pays $0. All vacant lots should be taxed the same way.

All vacant lots are assessed the same. There are in fact two separate and distinct lots here, one on the beachfront (0.68 acres) and a smaller off-beach lot. Each lot will pay an MSBU assessment. It would not be appropriate to treat the off beach lot as beachfront or combine it with a beachfront lot, since there are distinct parcels.

Again, all properties within the MSBU boundaries are NOT assessed by the same method. Beachfront properties as assessed for both Storm Damage Reduction (SDR) benefits and Recreational (REC) benefits. Off-beach parcels are only assessed a Recreational benefit fee of about $60 per year. Since the off-beach assessment is the same for all 2,000 to 3,000 off-beach parcels, they are not listed in the spreadsheet – it would be too long.

8. The Tom Thumb convenience store and the adjacent Southern Resorts rental and sales properties appear to be omitted from the beach restoration tax. Why are only some businesses and some condos south of Santa Rosa Boulevard targeted for the tax? The stated taxing boundary is Santa Rosa Boulevard. What is the true boundary of this tax or why are some properties within the stated boundary exempted?

Only those parcels on the beachfront are detailed and listed in the spreadsheet because the point system assessment method only applies on the beachfront. Off-beach parcels are not listed because they are all assessed the same REC benefit fee of about $60 per year. With the exception of government-owned parcels, all properties located seaward of Santa Rosa Blvd would pay an assessment. The FDEP contribution to the Okaloosa Island project is based on the county beach access ways. To make a separate assessment at the county level on the same beach access parcels would be double billing since both the state and county would contribute for the same parcels. The US government parcels are excluded because they are military and assessing them is inappropriate.

9. Why are the Gulfarium, the Boardwalk, the Beachside Grill and other businesses and tourist attractions taxed at a rate of only 40% of residential condominiums?

They aren't. As stated above, as a beach-fronting property, the Gulfarium, Boardwalk, and the Beachside Grill all pay both an SDR and REC assessments. In addition, these properties also pay a special commercial assessment applied to non-habitable commercial beachfront properties. The Boardwalk and Anglers Grill will contribute more than $16,000 per year.

Unlike a condo or other multi-unit habitable buildings, the assessment on commercial parcels is to the "parcel," not on "units" inside the parcel. Condos and other multi-unit buildings have a "unit assessment," which is calculated simply be dividing the parcel assessment on a condominium building by the number of condo units. The fact that non-habitable, commercial properties don't have a "unit assessment" does not mean they don't pay an SDR benefit assessment fee, it just means the fee is not subdivided by the number of units in the building.

As you are aware, the condos targeted for the tax have residents classified as low income seniors, disabled, widows, and veterans. Many can no longer physically step foot on the beach.

The assessment method did not account for income, net worth or the physical health of property owners, nor would it be appropriate to do so. The assessment method however is designed to be reasonably affordable. For a fixed income senior living in the El Matador, the annual assessment cost is about $120 or ten dollars per month.

Why should they pay more than tourist attractions whose visitors surely come here for the beach?

They don't. The Gulfarium's assessment (estimated at $8,200 annually) is about 68 times higher than the annual assessment on a condo unit in the El Matador ($120) and about 28 times greater than the highest annual assessment on any Okaloosa Island condo unit.

In addition, tourists will help pay for the beach project. In fact, through the TDC and the imposition of the 5th cent, tourists who rent rooms are responsible for a greater share of the beach project costs (26%) than all the private owners in the MSBU (24%). On top of that, the State of Florida will contribute twice as much as the owners (50%). The owners in the MSBU contribute the smallest portion of the project cost compared to the TDC/tourists and the state.

10. Charging the Gulfarium only 40% of the tax, the recreation portion, is absurd since the Gulfarium appears to be a major source of ongoing beach erosion. Anyone who has passed the Gulfarium sees the constant erosion their storm drain causes. Not only should the Gulfarium pay the storm reduction portion - a strong case could be made that it should pay extra or move the storm drain causing the problem. My apologies if the problem storm drain is not theirs.

As above, the Gulfarium does pay the SDR assessment (about $7200 per year) plus an additional assessment of about $1,000 per year because it is a non-habitable commercial beachfront parcel. It is also charged a recreational benefit fee. In all, the Gulfarium assessment is estimated to be just over $8200 per year, using the Coastal Tech's recommended methodology.

The existence of storm drains was not considered in the MSBU assessment methodology nor would it be appropriate to do so.

11. The graph on page 13 of the Coastal Tech presentation is misleading. It shows per capita tax for condo owners, but total property tax for hotels. Thus, at first glance one may believe most of the tax is being paid by businesses when in fact it is being paid by citizens including low income seniors, disabled, widows, and veterans who live in the condos.

It is not misleading, it's accurate. In a condominium building, the assessment is applied to each condo unit because each unit is separately owned and listed in the Appraisal District database. For hotels and other business, the assessment is on the hotel or commercial establishment, not a subunit. Each hotel room is not a separate parcel so it would make no sense to list a "unit cost" for each hotel room. All together, condos account for the vast majority of beachfront properties, so together they contribute more than the hotels and commercial facilities.

12. No breakdown was presented for Destin property owners so this can only be described as an error of omission. I can only surmise it is likely filled with errors similar to Okaloosa Island.

Yes there was. Assessment spreadsheets were presented and passed out for both Okaloosa and Destin. The spreadsheets are too wide for a PowerPoint and, if included there, are unreadable. Instead, hard copies for Okaloosa and Destin were provided at the workshops and charettes. The one slide showing an assessment spreadsheet was included in the PowerPoint so people could identify the spreadsheets in the handout by its color and design.

13. All public beach freeways are omitted from the tax. Will these areas not be restored after a storm or be permitted to be used for recreation?

As stated above, all government owned parcels such as access points or military sites are excluded from the assessment. The access sites, however, are used to establish the state contribution to the project (50% of all project costs). We cannot fairly collect contributions from the state and the county for the same beach access ways.

14. Businesses just north of Santa Rosa Boulevard and elsewhere are exempt from the tax even though they benefit from this project. No wonder they favor this proposal since they get their benefits for free. Who says they don't benefit?

The MSBU boundary is Santa Rosa Blvd. on Okaloosa Island. This is the area that receives the most direct benefit from the beach restoration project. Other benefits exist and that is why the State of Florida and the TDC – and not the property owners – will pay more than 75% of the project cost. The MSBU will pay for only 24% of the project cost. The MSBU assessments are intended to reflect a portion of the project benefits and in fact the assessments represent the smallest group contribution to the project cost. Both the state and the TDC/tourists pay a greater percentage of the project costs than all the private owners assessed in the MSBU combined.

Email Response:
Dear Commissioners and Mr. Trifilio,

See my comments below in green, with additional comments in response to the spreadsheet received August 31 listed at the end. For clarification:
My original is in black.
Coastal Tech responses are in blue
My replies to those responses are in green.

Please forward any response to me.

Sincerely,

Rebecca Sherry

Coastal Tech Memo
August 28, 2007
To: Mike Minich, Chairman, Okaloosa County TDC Board
Fr: Peter A. Ravella, Coastal Tech
Re: Responses to Rebecca Sherry's Comments on Beach Restoration Financing Plan
In an e-mail to Okaloosa County Commissioners (I believe dated August 27, 2007), Rebecca Sherry, 554 Coral Court #511, Fort Walton Beach, FL 32548) posed several objections and questions to the proposed MSBU and Financing Plan for the Okaloosa County Beach Restoration Program prepared by Coastal Tech under contract to the TDC.
This memo is intended to respond to Ms. Sherry's objections/questions. Ms. Sherry's comments are in black, Coastal Tech responses are in blue:

1. Why are residential condos taxed a separate storm protection and recreation tax while hotels are only charged a recreation tax? Do hotels not get protection from beach restoration in a storm? Hotels are only charged 40% of the tax paid by condos. Why do the Holiday Inn, Best Western, Ramada Inn, and Sheraton Four Points receive special treatment citizens do not get?

Hotels are assessed a fee for "storm protection." All beachfront properties, regardless of character, pay the Storm Damage Reduction (SDR) Assessment, including hotels. Beachfront parcels, including hotels, also pay the recreational assessment. Off-beach parcels only pay the recreational assessment. The assessment method is the same for all properties, regardless of character.

There is a difference however where the assessment is applied. The hotel's assessment is charged to the hotel owner (a single entity) and not to the rooms or units within the hotel. Condominium assessments are applied at the condo unit level because each condo is separately owned so there are many assessments within a condo building. Hotels and condos are charged an SDR assessment on the same basis as every other property: frontage length, lot size, and the number of units. In addition to these three factors, non-habitable commercial beachfront parcels (such as a restaurant or retail space) are assessed an additional factor reflecting the benefit of additional traffic expected from restoration of the beach.
Hotels do in fact get "special treatment" in a sense, but not favorably. For every room in a hotel, the

hotel parcel "earns" a point and the hotel's assessment is increased. Each unit in a condo also "earns" a point. For assessment purposes, a hotel room and a condo unit are treated the same, even though a privately-owned condo unit is in fact a separate taxable entity and a hotel room is not.

Hotels do receive "special treatment" and it is favorable. For SDR, in your own words, every room in a hotel earns a point. Some condos like mine receive an additional point for their office. My 83 unit condo "earns" 84 points. For parity, either a hotel should "earn" a similar point for their office or front desk, or condos should not "earn" this extra point either.

In addition, hotels pay 1 recreation tax per entire hotel. Condos pay 1 recreation tax per individual unit. So a hotel, like the 335 room Ramada Beach Resort is taxed only once while the 9 unit Tiki Beach condo pays a tax 9 times that of the 335 room Ramada.

Hotels "earn" no points for their restaurants, bars, front desks, gift shops, laundries, or other businesses they operate on their premises. They are tax free.

For comparison, Holiday Inn at 195 rooms pays $10,500 a year while Breakers, a 183 unit condo pays $23,683.07. Now you know why all the condo owners want beach tax parity with hotel operators. The hotels get a much better deal.

As I stated before - hotels get a 60% off deal, operate extra businesses from their premises beach tax free, and bring more visitors on the beach (residents live in condos, to my knowledge no one lives permanently in an Okaloosa Island hotel, check TDC tax receipts for confirmation of my facts).

2. Why does the beachfront Hampton Inn hotel pay $0 tax when the condominium next door, Summer Place, pays the full 100% rate?
The Hampton Inn is on the list and has been for weeks.

Thank you for adding the Hampton Inn. It was not included the spreadsheet I received from the TDC on August 25, 2007 or in previous information packets distributed in public meetings.

3. When is a condo not a condo? When it is Emerald Grande. At Emerald Grande condominium, where unit prices start at almost $1,000,000 with monthly fees of $995, owners are exempt from an approximate $1,500 per owner MSBU tax. Including developer Peter Bos and his fellow Emerald Grande owners could ease the burden on Okaloosa Island south side residents if Emerald Grande paid their fair share. Why can't they afford it if the rest of us with much less expensive dwellings can afford it? Why do they get their beach restoration for free when poorer folks have to pay?

The Emerald Grande is outside the MSBU boundary and is therefore not assessed. Only parcels within the MSBU boundary can be assessed. Whether a Storm Damage Reduction (SDR) benefit fee is applied is based on the location of the parcel (inside or outside the MSBU boundary) and, if it is on the beach, the length of the frontage, the number of units on the parcel (if any) and the size of the lot. Off-beach parcels within the MSBU boundary only pay the Recreational Benefit fee.

There is no sound technical reason Emerald Grande and the harbor district are exempt. Florida DEP officials consider county wide taxation "common". There is no statewide limitation preventing

taxation of a "harbor district". Emerald Grande clearly benefits by beach restoration and should not have been exempted. Surely this decision can be reversed.

Second, if the County chose to expand the Destin MSBU boundary to include properties north of the harbor but south of HWY 98, these parcels, including the Emerald Grande, would be treated as "off-beach" parcels Off-beach properties are only assessed the recreational benefit fee, which is estimated to be about $55 per year for the Destin MSBU. There is no basis for the assertion that Emerald Grande owners, if there were included, would pay $1,500, as claimed by Ms. Sherry.

I based my $1,500 figure based on what I personally must pay as a waterfront condo owner. Emerald Grande is located on a very wide waterfront lot which logically would pay a similar share of beach tax. I did not realize Emerald Grande would be categorized as a non beachfront property. This is illogical since <u>sales literature touts the property's private beach</u>.

Finally, the Destin and Okaloosa MSBUs are distinct and will be used separately to fund projects in their immediate areas. Changing the Destin MSBU assessment would not change the Okaloosa Island MSBU assessment.

Okaloosa Island TDC dollars went to finance the 2006 Destin beach restoration reported as $3 million. Since Okaloosa Island beaches are public, and Destin beaches are private, Okaloosa Island receives a larger state match. Why do dollars continue to flow from Okaloosa Island to Destin? The residents of Okaloosa Island are less affluent. We should not have to continue to finance our richer Destin neighbors. Coastal Tech increased Okaloosa Island taxation from 16% MSBU tax to 24% MSBU tax after our residents complained in May about the funding shift to Destin. Surely, it can be changed back.

Better yet, be fair and give us back our share of the $3 million we sent to Destin last year, and use that to reduce our MSBU tax burden.

The TDC funding disparity is being used to give Destin part of Okaloosa Island's state financing, and that is unfair. This is an end run around the state's criteria which rewards Okaloosa Island for public beach access.

4. When is a condo not a condo part 2? Waterscape is a newer condominium. However, Coastal Tech has classified it as a hotel so it is taxed at only 40% of the rate of neighboring condominiums.

Waterscape is a new project and is indeed a condo, not a hotel. At the time the property list was compiled, we mistakenly categorized Waterscape as a hotel, as it is being built on the site of the Regency Hotel and we assumed it was also a hotel. Remember, the specific assessments are not up for a vote, the MSBU assessment method is. In the resolution passed by the TDC, Coastal Tech is directed to continue verifying the data used in the conceptual MSBU assessments. The property list and data will be refined and updated as the process moves forward, including moving Waterscape from the hotel to the condo section of the beachfront parcel list.

Thank you for promising to correct this discrepancy. Waterscape is still classified as a hotel on documents I received August 31,2007. Realtors were advertising Waterscape condos in February

2006 after signs were posted on Okaloosa Island. When was this study commissioned?

When is a condo not a condo part 3? Venus Condominium is south of Santa Rosa Boulevard, yet pays $0 tax.

The MSBU assessment spreadsheets for Okaloosa Island or Destin only include beachfront parcels because only these parcels are subject to the SDR assessment, which is based on the point system. All off-beach parcels pay a flat annual recreational assessment and listing the thousands of properties in the spreadsheet would make it unmanageably large. The Venus condominium is located at 885 Santa Rosa Blvd and it is not a beach-fronting parcel. Like all off-beach properties, Venus condo owners will pay the annual recreational assessment currently estimated to be about $60 per year.

This is a gross exaggeration. There are not "thousands of properties" classified as off-beach parcels in the MSBU zone on Okaloosa Island. I count less than 25. Why not provide the public a list of the small quantity of Okaloosa Island parcels included in the tax? Citizens may catch more errors before they come out at the next public hearing.

The math is unusual in other respects too. No matter how many times the spreadsheet changes, it still states the number of contributors as 3,022. Based on the latest spreadsheet, there are about 3,721 contributors listed - and that doesn't include the "thousands of properties" not listed. Mr. Ravella recently told me information shared with the public is "just conceptual", but the figures are really just wrong.

6. When is a vacant lot taxed differently than another vacant lot? When one lot is owned by a developer and another is owned by individuals. The vacant lot where Coquina Isle used to stand is taxed at the full 100% rate whereas vacant lots owned by developers are not. Coquina's owners will pay a combined $8,250.60 per year. Per Coastal Tech's presentation, the next highest vacant lot tax (also on the beach) is $556.66. Surely all vacant lots should be taxed the same way.

All beach-fronting vacant lots are assessed exactly the same way, regardless of ownership type. The vacant lots are assessed based on lot size and beach frontage length. All beachfront parcels, including vacant lots, also pay the flat annual recreational fee.
The Coquina Condo was mistakenly listed as a condo because the data on the appraisal district website and parcel photography showed the building was standing. The building was recently demolished and the MSBU spreadsheet now reflects that change.

I am glad you will correct this on future spreadsheets. Coquina Isle was demolished in February 2007. The first public meeting for beach restoration was May 2007. Let me know when I can receive an updated MSBU spreadsheet.

7. The PGB vacant lot is actually 2 lots, and it is almost an acre combined, not the 0.68 acre shown in the study so the tax should be higher. The 0.68 acre lot has an adjacent 0.26 acre lot which is not listed on the beach restoration tax rolls, even though it is
within the stated boundary, so it pays $0. All vacant lots should be taxed the same way.

All vacant lots are assessed the same. There are in fact two separate and distinct lots here, one on the beachfront (0.68 acres) and a smaller off-beach lot. Each lot will pay an MSBU assessment. It would not be appropriate to treat the off beach lot as beachfront or combine it with a beachfront lot, since there are distinct parcels.

Again, all properties within the MSBU boundaries are NOT assessed by the same method. Beachfront properties as assessed for both Storm Damage Reduction (SDR) benefits and Recreational (REC) benefits. Off-beach parcels are only assessed a Recreational benefit fee of about $60 per year. Since the off-beach assessment is the same for all 2,000 to 3,000 off-beach parcels, they are not listed in the spreadsheet – it would be too long.

Again, there are not "2,000 to 3,000 off-beach parcels" in the taxing area on Okaloosa Island. I count less than 25. How do you get anywhere near 2,000 to 3,000 parcels unless you go to the areas of the island you have exempted from the tax? Why not provide the public a list of the small quantity of Okaloosa Island parcels included in the tax? Citizens may catch more errors before the public hearing.

8. The Tom Thumb convenience store and the adjacent Southern Resorts rental and sales properties appear to be omitted from the beach restoration tax. Why are only some businesses and some condos south of Santa Rosa Boulevard targeted for the tax? The stated taxing boundary is Santa Rosa Boulevard. What is the true boundary of this tax or why are some properties within the stated boundary exempted?

Only those parcels on the beachfront are detailed and listed in the spreadsheet because the point system assessment method only applies on the beachfront. Off-beach parcels are not listed because they are all assessed the same REC benefit fee of about $60 per year. With the exception of government-owned parcels, all properties located seaward of Santa Rosa Blvd would pay an assessment. The FDEP contribution to the Okaloosa Island project is based on the county beach access ways. To make a separate assessment at the county level on the same beach access parcels would be double billing since both the state and county would contribute for the same parcels. The US government parcels are excluded because they are military and assessing them is inappropriate.

According to FDEP, paying for beach restoration with a county wide tax is "common". I suggest beach access ways be paid for with a county wide tax, or at least a tax which extends throughout the boundaries of the Okaloosa County TDC. After all, TDC dollars were diverted to Destin for the 2006 beach restoration. Why can't they be used toward Okaloosa Island in 2007?

I never suggested taxing the US government or military parcels since the U.S. constitution prohibits that.

Earlier in response to item 1, Mr. Ravella stated: "In addition to these three factors, non-habitable commercial beachfront parcels (such as a restaurant or retail space) are assessed an additional factor reflecting the benefit of additional traffic expected from restoration of the beach." ***Why do so many business that benefit not pay this? The non-beach front businesses share in this benefit, but do not pay the tax. Restaurants and other businesses don't pay this tax just because they aren't on the beach or are on the other side of the road! That makes no sense and is not equitable. The Tom Thumb, Southern Resorts rental agency, the restaurants inside of the hotels (even those inside the beachfront hotels), restaurants and other businesses on the "right" side of the street – they all benefit but none of them pays this tax.***

9. Why are the Gulfarium, the Boardwalk, the Beachside Grill and other businesses and tourist attractions taxed at a rate of only 40% of residential condominiums?

They aren't. As stated above, as a beach-fronting property, the Gulfarium, Boardwalk, and the Beachside Grill all pay both an SDR and REC assessments. In addition, these properties also pay a special commercial assessment applied to non-habitable commercial beachfront properties. The Boardwalk and Anglers Grill will contribute more than $16,000 per year.

Unlike a condo or other multi-unit habitable buildings, the assessment on commercial parcels is to the "parcel," not on "units" inside the parcel. Condos and other multi-unit buildings have a "unit assessment," which is calculated simply be dividing the parcel assessment on a condominium building by the number of condo units. The fact that non-habitable, commercial properties don't have a "unit assessment" does not mean they don't pay an SDR benefit assessment fee, it just means the fee is not subdivided by the number of units in the building.

Businesses and tourist attractions receive "special treatment" and it is favorable.

The Boardwalk is a 20.93 acre parcel with 1017 feet of beachfront. It pays $12,557.01. Anglers Grill is a 20.93 acre parcel with 1017 feet of beachfront. It pays $4,258.98. Both pay a single recreation tax of $60.

El Matador condo is a 10.98 acre parcel with 512 feet of beachfront and pays $38,223.36. It pays 316 separate recreation taxes of $60 each.

Either the Boardwalk should be paying $75,924.14 and so should Anglers, or El Matador should be paying between $2,144.15 and $6,321.72. El Matador is at least being taxed 2X and perhaps 9X as much as it should be taxed to be fair.

The true problem is not with the handful of business that will pay a discounted MSBU tax, but with the many others who pay $0. Island businesses Cash's nightclub, Helen Back, Fuddpuckers, Los Panchos, and Old Bay Steamer pay $0. Businesses blocks away like Barefoot Weddings, Publix, and Blockbuster benefit too and pay $0. Would Barefoot Weddings exist without a beach?

As you are aware, the condos targeted for the tax have residents classified as low income seniors, disabled, widows, and veterans. Many can no longer physically step foot on the beach.

The assessment method did not account for income, net worth or the physical health of property owners, nor would it be appropriate to do so. The assessment method however is designed to be reasonably affordable. For a fixed income senior living in the El Matador, the annual assessment cost is about $120 or ten dollars per month.

Who decided it is not appropriate to consider income with regard to taxes? I doubt the county commissioners would agree. The Save our Homes amendment and homestead exemption are well established in Florida.

I have a list of nearly 2 pages of residents whose property tax bill will increase significantly with the

new beach tax. One disabled veteran will be new to the property tax rolls with this MSBU tax. Taxes for others will increase up to 52%. These residents live in 11 condos - Aqua Villa, Breakers, El Matador, Emerald Isle, Islander, Island Princess, Nautilus, Sea Oats, Seacrest, Surf Dweller, and Venus.

Most taxes are progressive in nature. The proposed beach tax is regressive, with condos and their residents paying more than neighboring hotels and businesses.

Why should they pay more than tourist attractions whose visitors surely come here for the beach?

They don't. The Gulfarium's assessment (estimated at $8,200 annually) is about 68 times higher than the annual assessment on a condo unit in the El Matador ($120) and about 28 times greater than the highest annual assessment on any Okaloosa Island condo unit.
In addition, tourists will help pay for the beach project. In fact, through the TDC and the imposition of the 5th cent, tourists who rent rooms are responsible for a greater share of the beach project costs (26%) than all the private owners in the MSBU (24%). On top of that, the State of Florida will contribute twice as much as the owners (50%). The owners in the MSBU contribute the smallest portion of the project cost compared to the TDC/tourists and the state.

The Gulfarium assessment, by your estimate, is $8,200, which includes a single $60 recreation tax. With 11.79 acres and 601 feet of beachfront it is larger than El Matador in both respects.

El Matador condo has 10.98 acres with 512 feet of beachfront and pays $38,223.36. This includes paying 316 separate recreation taxes.

Either the Gulfarium should be paying $44,867.66, or El Matador should be paying $6,985.69. El Matador is being taxed at least 5X as much as it should be taxed to be fair.

The true problem again is not with the handful of businesses like the Gulfarium that will pay a discounted MSBU tax, but with the many others who pay $0. Island businesses Cash's nightclub, Helen Back, Fuddpuckers, Los Panchos, and Old Bay Steamer pay $0. Businesses blocks away like Barefoot Weddings, Publix, and Blockbuster benefit too and pay $0. Again, would Barefoot Weddings exist without a beach?

10. Charging the Gulfarium only 40% of the tax, the recreation portion, is absurd since the Gulfarium appears to be a major source of ongoing beach erosion. Anyone who has passed the Gulfarium sees the constant erosion their storm drain causes. Not only should the Gulfarium pay the storm reduction portion - a strong case could be made that it should pay extra or move the storm drain causing the problem. My apologies if the problem storm drain is not theirs.

As above, the Gulfarium does pay the SDR assessment (about $7200 per year) plus an additional assessment of about $1,000 per year because it is a non-habitable commercial beachfront parcel. It is also charged a recreational benefit fee. In all, the Gulfarium assessment is estimated to be just over $8200 per year, using the Coastal Tech's recommended methodology.

The existence of storm drains was not considered in the MSBU assessment methodology nor would it be appropriate to do so.

Who decided it is not appropriate to consider the continuous beach erosion from the Gulfarium in determining their share of taxes? <u>That storm drain should be moved as part of the project or you are just throwing money away on any sand put in that vicinity.</u> Who should pay to move that storm drain? We are told you used a "beneficiary pays" formula (Powerpoint slide 3), yet the Gulfarium is one of the biggest beneficiaries and pays a pittance.

Charging the Gulfarium a single recreation tax of $60 while charging each individual condo owner the same tax is illogical. While a condo owner may have a handful of guests several times a year, the Gulfarium has thousands of guests each year. Surely TDC bed tax receipts show how unfair it is to compare a single residential condo to a tourist attraction.

11. The graph on page 13 of the Coastal Tech presentation is misleading. It shows per capita tax for condo owners, but total property tax for hotels. Thus, at first glance one may believe most of the tax is being paid by businesses when in fact it is being paid by citizens including low income seniors, disabled, widows, and veterans who live in the condos.

It is not misleading, it's accurate. In a condominium building, the assessment is applied to each condo unit because each unit is separately owned and listed in the Appraisal District database. For hotels and other business, the assessment is on the hotel or commercial establishment, not a subunit. Each hotel room is not a separate parcel so it would make no sense to list a "unit cost" for each hotel room. All together, condos account for the vast majority of beachfront properties, so together they contribute more than the hotels and commercial facilities.

According to your most recent spreadsheet, there are 1,360 hotel units and 2,325 condo units. After I moved Waterscape from hotels to condos and removed Coquina Isle from condos to vacant lots, there are 1,021 hotel rooms and 2,604 condo units. The hotels are paying a total of $59,347.74 or $43.63 per hotel room and the condos are paying a total of $330,615.34 or $126.96 per condo unit.

<u>Thus, condo units are paying 2.9X as much as hotel rooms.</u>

Surely any second grader could tell a bar graph with condos nearly three times as large as one for hotels. Instead, you show a graph designed to show the opposite – hotels with $20,757 and condos with $481 <u>by comparing a single condo unit to an ENTIRE hotel</u>. Why not compare them per unit or compare entire hotels with entire condos?

Your graph is misleading. It compares an apple to a bushel of apples.

12. No breakdown was presented for Destin property owners so this can only be described as an error of omission. I can only surmise it is likely filled with errors similar to Okaloosa Island.

Yes there was. Assessment spreadsheets were presented and passed out for both Okaloosa and Destin. The spreadsheets are too wide for a PowerPoint and, if included there, are unreadable. Instead, hard copies for Okaloosa and Destin were provided at the workshops and charettes. The one slide showing an assessment spreadsheet was included in the PowerPoint so people could identify the spreadsheets in the handout by its color and design.

My husband and I attended the OILA presentation, then he attended the Fort Walton Beach charette and I attended the Destin charette. We have kept all handouts, detailed notes, and signed up for all information. This level of detail was not available to the public. At the TDC I signed up for more information, and you admit I was given obsolete information. Even now, I recreated your spreadsheet from scratch since you were unwilling to provide the electronic version. Surely we both know how to use e-mail and attach documents and spreadsheets.

13. All public beach freeways are omitted from the tax. Will these areas not be restored after a storm or be permitted to be used for recreation?

As stated above, all government owned parcels such as access points or military sites are excluded from the assessment. The access sites, however, are used to establish the state contribution to the project (50% of all project costs). We cannot fairly collect contributions from the state and the county for the same beach access ways.

Per FDEP, the county can collect for beach access ways. County wide financing of beach restoration is common in Florida. The TDC made the decision to go the other way. As previously stated, you cannot tax the federal government.

14. Businesses just north of Santa Rosa Boulevard and elsewhere are exempt from the tax even though they benefit from this project. No wonder they favor this proposal since they get their benefits for free. Who says they don't benefit?

The MSBU boundary is Santa Rosa Blvd. on Okaloosa Island. This is the area that receives the most direct benefit from the beach restoration project. Other benefits exist and that is why the State of Florida and the TDC – and not the property owners – will pay more than 75% of the project cost. The MSBU will pay for only 24% of the project cost. The MSBU assessments are intended to reflect a portion of the project benefits and in fact the assessments represent the smallest group contribution to the project cost. Both the state and the TDC/tourists pay a greater percentage of the project costs than all the private owners assessed in the MSBU combined.

The Santa Rosa Blvd boundary is arbitrary and needs to be changed. No reasonable adult would believe one tourist targeted business benefits from the beach while another right across the street does not benefit.

New Items

A. Vacant lot removed. I noticed the 9.40 acre vacant lot described as Fort Walton Development LLC has been removed. It was in the packet from August 22, 2007, but is not in the latest packet. What is the status of this parcel?

B. Double taxation. Some condos are levied an MSBU tax both on individual units and on the association office. For example, Surf Dweller condo has 83 units, but is taxed as 84 units for both beach restoration and for recreation. So an owner pays the full tax (SDR and REC) as an individual, and 1/83 of the tax again as an owner in the condominium building.

The Holiday Inn has 195 units, and is taxed as 195 units for storm protection but as only 1 unit for recreation. The Holiday Inn has restaurants, a bar, an office for check-in, an outdoor Tiki hut bar (so does the Best Western), and a laundry. Certainly the Holiday Inn should be taxed as 195 units x 2 (SDR and REC) for the hotel, plus each individual business within the hotel should be charged for beach restoration and for recreation.

The Ramada Hotel and Sheraton Four Points have bars and restaurants. The Best Western and Hampton Inn have breakfast areas. Since condos pay extra for their office space, so should hotels. Condos do not have restaurants and bars.

I stand by my original assertion. Hotels receive a sweetheart deal. As noted in several examples, hotels are taxed at less than 50% of the rate of a condo.

C. Factor 2. As discussed above, 1 unit doesn't equal 1 point. For condos, the office/front desk is included as a unit. For hotels, separate buildings and even separate businesses, are point free. It is recommended someone visit Okaloosa Island, examine each tax unit and make corrections as required to improve study accuracy.

Memo: 9/7/07

Coastal Tech Memo

September 7, 2007

To: Darrel Jones, Executive Director, TDC &
Mike Minich, Chairman, Okaloosa County TDC Board
Fr: Peter A. Ravella, Coastal Management Director, Coastal Tech (512-236-9494)
Re: *Second Response* to Public Comments on Okaloosa County Beach Restoration Funding Plan

Through emails and phone calls, the public has continued to participate in the process to develop a funding plan for the Okaloosa County Beach Restoration program. Most comments have been generally favorable and the Funding Plan received unanimous support from the TDC Board on August 22 and by the City of Destin Council by vote on September 4. The Destin Chamber of Commerce also passed a resolution favoring the Funding Plan.

- **Public Input Process to date**
  - May 30 - Okaloosa Island Project Funding Charette (funding concepts)
  - May 31 - Destin Project Funding Charette (funding concepts)
  - Aug 6 - Okaloosa Isl. Funding Workshop (funding method & assessment estimates
  - Aug 7 - Destin Funding Workshop (funding method & assessment estimates)
  - Aug 22 - TDC Board meeting & public discussion (method & assessment estimates)
  - Sept 4 - City of Destin Council consideration
  - Sept 18 - Okaloosa County Board of Commissioners consideration *(upcoming)*

- **Background –** There are two Project Areas and two separate funding plans that use the same methodology: (1) Okaloosa Island, and (2) City of Destin
  - Plan blends three funding streams for each project area
    - FDEP Funds
    - 100% Dedicated TDC revenues from imposition of a 5th cent bed tax
    - Local Municipal Services Benefit Unit (MSBU assessments)
  - Local landowners in the MSBU are the smallest contributor group for the projects, accounting for 36% of the project costs in Destin and 24% of project cost on Okaloosa Island.

- **Public Reaction –** Support outweighs the limited opposition. Opponents wish to:
  - Expand the MSBU boundary to include the entire Okaloosa Island and all of Destin, rather than limiting the MSBU boundary to properties seaward of Santa Rosa Blvd (Okaloosa Isl.) and HWY 98 (Destin).
  - Exempt Homestead properties from assessment claiming the assessment are to significant a tax increase, particularly for fixed income seniors in El Matador Condo on Okaloosa Island. The annual assessment for El Matador condo owners is $121 per year.
  - Increase assessment on Hotels by counting each hotel room the same way as a condominium is treated. Because there are few hotels on Okaloosa Island in the MSBU, making this change would roughly double the assessment on the hotel properties but have an insubstantial effect on condo assessments. The El Matador assessment would decrease from approximately $121 to $113 per year.

There are many details to the plan which I would be happy to discuss at your convenience. Please do not hesitate to contact me at 512-236-9494. *Peter Ravella*