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OSCEOLA COUNTY DEVELOPMENTS NEWS

Osceola School Board rejects negotiated impact fee agreement between district and developer



By LAURA KINSLER
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The South Carolina-based developer bought the former Red Roof Inn on Kyngs Heath Road in Kissimmee and plans to convert it to a 100-unit apartment community. A former Comfort Inn on W192 will be converted to 200 studio

The Osceola County School Board went against the recommendation of its superintendent and attorney this week when it voted 4-1 to reject a proposal that could have lowered school impact fees by more than \$2 million for a **pair of motel conversion projects on Kissimmee's W192 corridor.**

“We are likely going to see litigation over this,” school board attorney Frank Kruppenbacher said. “We tried to negotiate an agreement to avoid litigation.”

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The developer, **Styx Co.**, paid nearly \$12 million in March for two motels on the tourism corridor with plans to invest another \$8 million converting them into upscale communities called “The Teale” with a total 300 unfurnished studio apartments with Class-A finishes and amenities. Principal Ryan Hyler told GrowthSpotter the rents would start in the low \$1,000s - significantly higher than other recent motel conversions in the area.

But the developer ran into the same problem others have dealt with as they attempt to convert motels into housing – a school impact fee that can eat up 15 percent of the total project budget.



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Osceola School Board cancels vote on studio apartment impact fees

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Osceola County's \$11,362-per-unit school impact fee for apartments is the **highest in Florida**, and it makes no distinction between studio apartments and larger floorplans intended for families. The issue nearly derailed a \$40 million conversion planned at the **former Red Lion hotel** in Kissimmee last year.

The school impact fee for the Teale communities would have added up to \$3.4 million using the standard rate for multifamily housing.

Styx Co. had been working with Osceola County officials since it first put the motels under contract in June of 2019 on a way to lower the impact fee for studio apartments. Susan Caswell, assistant community development administrator, met with the school board last summer to present a new rate of \$552 per unit for "zero bedroom apartments." The school board's consultant, Tindale Oliver, supported the study that relied on data from studio apartments in Orange County.

The recommendation was based on the size of the units and the developer's guarantee that it would require 12-month leases and limit occupancy to two people per unit.

The same consultant, **Tindale Oliver**, also suggested that the school board consider applying the standard townhome rate of \$7,591 per unit for studio apartments, which equates to about \$2.28 million for 300 units.



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But school officials **resisted the effort** to amend the impact fee ordinance outside of the district's 3-year schedule.

Caswell told GrowthSpotter she didn't press the issue with the school board last July because the ordinance contained a provision that allows the developer to apply for the reduced impact fee by submitting the county's alternative study to justify the lower rate.

So Styx negotiated an agreement with the district that would have allowed them to pay the \$552 per unit rate upfront, for a total of \$165,642, and put another \$2.18 million – the approximate difference between the studio rate and townhouse rate – into escrow.

That way, if The Teale communities generated more students than the developer projected, the district could claim those additional funds from the escrow account. The developer even agreed to pay upfront for an annual audit of the two communities to count the number of school children living there.

Superintendent Debra Pace said she was comfortable that the escrow funds and trigger mechanisms laid out in the agreement would protect the district's interest.

The developer, who is represented by Shutts & Bowen, threatened to sue the district if the board rejected the agreement. And Kruppenbacher told board members the district would have a weak case because of the statements from Tindale Oliver supporting the lower rate.

"We were going to hold firm," he said. "What threw us the curve ball was when the consultant came back and said this was reasonable. It was readily apparent that our consultants were not the people I would want to stand in court with me."

School Board Members Ricky Booth and Tim Weisheyer supported the agreement but failed to convince any of the three remaining members to vote for it. Instead, the board voted 4-1 to charge the developer the townhouse rate for the studio units.

Chairman Kelvin Soto said he didn't want to start making exceptions to the board's policy because they feared getting sued. And he didn't want to set a precedent to invite more developers to replicate the developer's business model.

SECTIONS



tourism industry workers.

“I think it's unfortunate that it didn't pass, because the agreement seemed to be fair to both sides,” Caswell said. “But the School District is starting their impact fee update this year, and they have mentioned looking at the issue of smaller units as part of that update.”

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