



Print Page

The Last Straw

Localities test tolerance—and legal limits—as they levy an ever heavier toll on builders and, ultimately, new home buyers.

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A LONG THE U.S. 27 CORRIDOR, SOUTH of Orlando, where Polk, Osceola, Lake, and Orange Counties butt up to one another in an area known as the Four Corners, Florida is a human petri dish of in-migration. These counties account for a hefty part of Florida's 1,000 new migrants a day as all sorts of people flock there, looking to make a home or a buck on speculation. Housing inventory is in such short supply in the Four Corners area, prices are rising nearly 20 percent a year.

New people need places to live, and that's been great news for home builders. The bad news is that the Four Corners municipalities and counties not only don't have enough houses for the influx, they don't have nearly enough infrastructure, services, utilities, and school facilities. They face the same problems as many other American localities: They're cash-strapped and not sure how they're going to keep up with the current population, let alone accommodate a horde of new residents. Hence, impact fees, a little-begrudged necessary evil of new home development for more than three decades, have become a highly combustible issue, particularly as municipalities use the fees as everything from a self-defense system aimed at thwarting particular projects to a stall tactic against project approvals to a revenue generation scheme for local coffers.

On a national basis, new homes sold in 2004 generated more than \$7.2 billion in impact fees. If new home sales projections hold to forecasted levels and impact fees increase at current average rates, the fees will pump more than \$9.4 billion a year into local economies by 2010. Figure for price appreciation—say about 8 percent a year, and you're looking at impact fees of about \$15 billion in 2010.

Meanwhile, when a locality like Osceola County elects officials who summarily raise the area's school impact fees by 243 percent, who's to stop them? If such impact fee increases became systemic, particularly as municipalities look to try to recoup funds the federal government cuts as it shifts into deficit reduction mode, the potential consequence in billions of dollars is hardly imaginable. In the curious logic of much of the nation's local law, even an indefensibly unfair local levy upon builders—and thus upon the unwittingly burdened home buyer—is hardly worth the lost time it costs to beat the fee down to a more reasonable level.

Big builders think the fees have risen to extortionary heights, but they've habitually traded off absorbing the fees as long as they could maintain profitable entitlement cycle times and pass along the cost in the price of the house. But in Florida's Four Corners, and other rapidly growing areas of the country, builders are changing their semi-tolerant tune. Accusations and recriminations are starting to fly, and lawyers are getting into the act. "NAHB is involved in numerous cases



Illustration: William Rieser

