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City considers impact fees for new development

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For the past 10 years, when developers started a project in Leon County they had to pay little more than the cost of construction and land.

But with each new house or condominium unit undoubtedly comes a vehicle and a family and a need for better roads and services. Those improvements mostly have been paid for by taxpayers.

That may change, however, as Tallahassee commissioners have reawakened talks about instituting impact fees, a method used by many urban communities in the state that is designed to make developers who spur growth pay for it.

"You can look around and see we have substantial infrastructure problems," City Commissioner Mark Mustian said. "Tallahassee, just like the rest of Florida is running an infrastructure deficit. Most developers are accustomed to paying impact fees from dealing with other communities all over the state. I think the new thought has been that growth needs to pay for some portion of itself."

The city already charges water and sewer impact fees on new development, which pays for stormwater improvements needed because of growth. But the new talks likely will focus on raising funds for better sidewalks, roads, fire-service facilities or schools that could be needed to serve new developments.

Although discussions are just beginning, lessons learned after the county imposed a transportation impact fee in 1989, only to repeal it six years later, might be used in writing the policy.

The tax was dropped mainly on the strength of local small-business owners who complained the fee hindered their ability to survive financially.

The city and county could run into the same argument a decade later, said Ted Thomas, an executive board member of the Northeast Business Association, a politically active organization that represents more than 200 small businesses.

He considers impact fees a way for local governments to get out of their responsibilities to pay for improvements and said the latest talks are signs of the mismanagement of growth by government over the past 20 years.

"The city and county approve all developments, so it's not like they didn't know what was going on. It's like they were waiting for growth to happen when they knew all along what the impacts were going to be and didn't plan for them," he said. "These people were obviously asleep at the wheel, and now they want to try to push the blame on developers."

Raoul Lavin, the city's budget manager, said it is unclear how much of the financial burden developers would carry if the city and county opted to create impact fees.

Developments such as new condominium projects would be prime candidates to pay the fees, but new residential subdivisions such as SouthWood or the proposed Welaunee Plantation would pay the largest charges because they are located farther from the city's urban core.

Lavin said staff will spend the next six months surveying other communities and reviewing their fee structures to determine which would work best here.

Impact fees, which are usually charged while developers apply for building permits, are particularly prevalent in areas south of Orlando to help cope with the booming growth in Central and South Florida. Some communities use a flat fee assessed to residential and nonresidential developments. Others use formulas to determine what type of impact a development will have on such areas as traffic and public safety.

The city currently collects $430 for water-system charges and $2,520 for sewer-system charges for an average single-family residential unit. Funds collected are used solely for water and sewer utility expansion and capital projects. Commercial rates depend on the size of the development.

In 2004, the city collected $1.2 million for water-system charges and $5.8 million for sewer-system charges.

"There are lots of opportunities for impact fees, and it has been done statewide," Lavin said. "It just makes sense to have fees that try to recoup the cost of new development. And it's a cost that's shared by all developments."

Officials also would have to correct mistakes made more than a decade ago with the county's transportation impact fee.

At first, the idea was to bank money from developments and apply it to roads near the site that needed improving. The county ended up collecting about $13 million, far short of the cost to improve some of the roads.

Small-business owners complained in force, arguing the fee was a financial strain. Mustian said one flaw with the county's fee was that it applied to improvements to existing buildings, which hampered some businesses from expanding.

The county eventually buckled under the pressure of the complaints, despite attempts by the city to convince county commissioners at the time that the impact fee was a good idea. Without the county's backing, most agree an impact fee would not be effective. The tax would have to apply countywide to meet its potential, Lavin said.

Ten years later, the city might be making a push again, but this time state trends might be on its side.

That could mean bad news for local businesses, Thomas said.

"The commissions should start setting aside dollars now to handle the impacts of growth. The emphasis should be on government and not the private sector," he said. "You've got to manage growth, not regulate it. An impact fee is a tax so, of course, it's a regulation."

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