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OCALA BUSINESS JOURNAL SPECIAL REPORT

Construction: Impact fees? Builders say industry pays for itself

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OCALA — From Key West to Tallahassee, Brevard County to Belleview, local governments struggling to reinvigorate the stagnant housing market are finding themselves in the middle of a heated debate regarding impact fees.

Developers are pushing municipalities to relax or eliminate impact fees, one-time charges imposed by local governments on proposed development projects to defray some of the costs of constructing or improving off-site infrastructure such as sewers, roads, parks and schools needed to service the development. Impact fees originated in Florida in the 1970s and have been a thorn in the side of developers

since.

Many cities and counties already have eliminated or reduced impact fees and several others are considering it.



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Josh Klugger, president of the Marion County Building Industry Association, says what he sees as high impact fees in Marion County are turning potential buyers away. "Why would you pay \$14,000 here when you can go to Alachua County and pay less than \$2,000?" he said.

Belleview suspended impact fees for six months and the Marion County Builders Industry Association recently released an economic impact study conducted by the National Association of Home Builders Housing Policy Department that shows the home building industry in Ocala not only pays for itself, its economic impact results in new income and jobs for Floridians and additional revenue for local governments, eliminating the need for impact fees.

"These results show that home building is more than paying its own way and should put to rest the notion that existing home owners are subsidizing new home construction here in the Ocala area," said Dr. Elliot Eisenberg, NAHB senior economist who conducted the study. "This is an excellent result and tells me that local residents should be thanking the building industry for footing the bill for a lot of city and county services."

While local industry leaders say they are not yet calling for the elimination of impact fees, they think it's time for some serious discussions.

"What we need to do is look at them based on the current conditions in Marion County and make sure they are still where they need to be," said Francine Johannesen, MCBIA executive officer. "What we don't want to happen is we don't want impact fees to increase. County staff is asking for an increase and we don't want that to happen.

"Quite honestly, we don't want any impact fees at all."

With Marion County impact fees totaling \$14,000, Johannesen said it's important to embrace homebuyer's needs.

"Homebuyers are struggling to find homes they can afford," Johannesen said. "Before one piece of dirt is moved it costs the home buyer \$14,000. We don't disagree that you need schools, you need water, you need sewer, but new growth pays for itself. Right now, new growth is paying for a lot of things they really shouldn't be paying for, which hinders people moving into the county. In the future, do we want businesses and people building their homes in other counties?"

MCBIA president Josh Klugger said people are turning away from Marion County because of impact fees.

"Why would you pay \$14,000 here when you can go to Alachua County and pay less than \$2,000?" Klugger said. "Let's look at the whole picture. A lot of budgets were set on what the economy was doing two years ago. People were living in la-la land when they were setting their budgets. A lot of it was poor budgeting."

Klugger also has concerns about how impact fees are being spent.

"We don't really know exactly where these fees are going," Klugger said. "Fees taken in the southeast sector for new construction are supposed to remain in the southeast section. Ask the county commissioners where impact fees go. It's a real mess. I think somebody should ask the county commission for an audit."

Eisenberg said there's no real need to increase or add impact fees. He believes lowering fees would have little impact and it's up to the community to make some tough choices.

"Right now the thing to do for Marion County is to rethink their entire infrastructure and fee-costs-recovery approach," Eisenberg said. "When housing markets were booming the fees didn't seem to make a lot of difference. Now people are going to respond much more to price signals than they have in the past. When the market comes back, buyers are going to be very aware of prices because the lenders are

going to be so cautious with money.

The builders are going to be very tight with money because they can't get loans.

"Fees are actually going to reduce home construction in the county."

Marion County Commissioner Stan McClain said about five months ago, commissioners lowered commercial impact fees to help jump start economic development, though they left single family fees intact.

"I'm a builder and one of the problems is if we were on the short side of our inventory and we thought it would spur some home building, I would be first in line to drop them and see what happens," McClain said. "I think what's going to happen now, if we were to drop impact fees, it would cause another gap between the houses you have on the market and the new house you could build.

"It's counterproductive at this point."

Commission Chairman Jim Payton said he's been reading and hearing the debate about a moratorium or eliminating impact fees, but that's not a discussion being held locally.

"I think the market is so saturated with inventory and the unemployment rate is so high I don't believe reducing impact fees would do anything other than enrich those who don't really need to be enriched. My personal opinion is it wouldn't accomplish anything."

Payton said there's no reason to increase fees either.

"There's no appetite to increase impact fees," Payton said. "As far as Marion County is concerned, you couldn't expect that to happen."

Ocala City Manager Rick Horst said impact fees are "always a tough issues, but we're not looking to change ours at all."

Considering all the state and local budget cuts, James Miller, a spokesman for the Department of Community Affairs, which oversees growth in Florida, said now might not be the best time to consider cutting fees.

"Impact fees are a very useful tool local governments can use to help with the cost of capital improvements due to the demand for public facilities that result in the creating of a new development," Miller said. "Impact fees are a way to charge developers and create revenue to pay for these public facilities because, obviously, once the people move there, they are going to require and request them."

Miller said impact fees can be a financially feasible capital improvement element for a city or county when it comes to infrastructure — roads, parks, water, sewer, schools — that goes along with creating a new development.

Charles Lee, director of advocacy for Audubon of Florida, said it wouldn't hurt if communities took a close look at impact fees but it wouldn't be a good idea to cut fees across the board because those services are still needed and the cost would be shifted elsewhere.

"If you simply abolish a way of paying for the necessary public services that are generated by building more houses, then what you're really saying is you want the taxpayers to pay for those services in higher taxes," Lee said. "It's not like the fee for new roads, new schools and other things like that is going to go away if you eliminate impact fees."

Lee said eliminating impact fees probably wouldn't have much impact on new construction starts because of the state's vast inventory.

"I think it's pretty naive to believe that impact fees are affecting whether new construction is going to happen," Lee said. "In Florida right now we have an inventory of over 300,000 vacant homes. So the leverage of eliminating a couple of thousand on the construction of a new home is enough difference if a new house gets

constructed.”

Recently, the city of Belleview initiated a six-month moratorium on impact fees. Mayor Tammy Moore said the response has been positive, but she’s worried six months won’t be long enough to make a substantial difference.

“We hope the word gets out and there’s somebody out there that needs a little boost to get going,” Moore said. “What we’re trying to do is create jobs, stimulate the economy by creating jobs. We had to do something to encourage people to take a chance. People are scared right now to take that first step.”

