Panel: Mounting debt and slow growth will continue to challenge Collier's economy

By LAURA LAYDEN

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NAPLES — Collier County government continues to face big challenges, from the mounting burden of debt to slower growth.

Three economic experts offered their views on the county's fiscal stability during an event Tuesday night sponsored by the Naples Daily News and the Greater Naples Chamber of Commerce. About 130 attended the event, held in the Community Room at the Naples Daily News' headquarters off Immokalee Road.

Part of the focus was on impact fees, which are one-time charges on new construction. Panelists emphasized how unsustainable they are as a revenue source for the county.

"Here's where you see the real collapse," said Patrick Anderson, principal and CEO of Anderson Economic Group in Michigan, during his talk.

In Collier, impact fee revenue is a quarter of what it was in 2007. The fees are not generating enough money to pay off the debt for growth-related projects, which is raising yellow flags, Anderson said.

When the impact fees can't cover the debt payments for the projects, the county has to tap the general fund, leaving less money to pay for services and other needs.

The county has short-term debt of about $20 million, Anderson said.

Another warning sign for county government is the downgrading of its capital improvement bonds, which means it has to pay more interest on its borrowings, Anderson explained.

Back in 2004, Anderson Economic Group did a fiscal study of Collier County government. He said the county still needs to address four concerns identified in that study: a slowdown in its population growth, a small fraction of its budget coming from sustainable revenue sources, its reliance on impact fees and the cyclicality of the economy.

He said two-thirds of the county's sustainable revenue comes from ad valorem taxes, or property taxes. Sustainable means they come from stable sources on an annual basis.

There is a need to find other steady sources of income and to diversify the economy, he said.

"It will involve some painful choices," Anderson said. "It's a tough discussion. You could avoid it as long as the economy was growing. You can't avoid it anymore."

Hank Fishkind, a well-known Florida economist, said the recession has brought attention to the structural weakness in Collier County.

Collier County is at a crossroads, he said. Decisions made over the next few years will determine what happens over the next 10 years.

There are challenges, but they can also be viewed as opportunities, said Fishkind, with Orlando-based Fishkind & Associates Inc.

He talked about the lack of growth and the job losses.

In 2007, the Naples metro area lost 5,700 jobs. That was followed by 12,200 in 2008 and about 7,200 in 2009.

Meanwhile, there are more than 1,000 new claims a week for unemployment in Collier County, Fishkind said. He said it will be at least another year before the unemployment picture brightens.

"They ain't coming back," he said of the thousands of construction jobs that have been lost.

He talked about the overbuilding in the boom years. "New home construction is not dead," he said. "It just feels that way."

Housing markets have stabilized, but recovery may be far off, Fishkind said. The hottest market continues to be resales in the $300,000 and under price range and sales of higher-end homes are "fllat as a pancake," Fishkind said.

He predicts that new home construction will pick up noticeably in 2011 and 2012.

He said there is now more than 2 million square feet of vacant retail space in Collier County and about 1.4 million square feet of vacant office space.

"Ugly," Fishkind said. "It's just ugly."

He talked about the high impact fees and the difficult permitting environment, saying they both have inhibited economic development in Collier County.

Other counties are considering consolidating services and outsourcing more of their services and other functions to reduce costs.

In Collier, property taxes will continue falling at least through 2012, Fishkind said.

Dean Stansel, an economics professor at Florida Gulf Coast University, had two recommendations for Collier County: Lower taxes and slow the growth of spending.

In his presentation, he said lower taxes lead to faster economic growth.

Metro areas that put a higher priority on roads and highways tend to grow faster too, he said.

In 2006, Collier had the highest per capita taxes of $1,003. Taxes increased more than 100 percent from 2000 to 2006, Stansel pointed out.

General fund spending in Collier County rose by 113 percent from 1999 to 2005. That put it at the top of the list for the largest increase, when compared to Charlotte, Lee, Manatee and Sarasota counties, Stansel said.

The three speakers answered a handful of questions from participants, both in the audience and online. One question was whether lowering taxes was the only way to encourage growth in this area. Stansel said taxes are not the only factor. If you lower taxes too much, you might have to cut services and other amenities too much, he said.

“There are lots and lots of good private parks,” Stansel said. “If charities can run parks, why do governments need to?”

David Aldrich, president of the Collier Builder Industry Association, described the forum as enlightening. He said it’s clear the county needs to identify more sources of revenue going forward and to look beyond impact fees.

One possibility may be transfer fees, or fees that would be charged every time property changes hands. But that would require approval by the state Legislature, Aldrich noted.

The building industry has been fighting for lower impact fees.

“It’s one thing to eliminate the fees,” Aldrich said. “It’s another to reduce them. I think the impact fees are too high.”

Collier County Commissioner Jim Coletta acknowledged the county has a debt problem. But he remains optimistic about the county’s future.

He sees an opportunity to draw more high-tech companies to the county and the county is working to make permitting easier to encourage business growth.

In the past three years, the county has laid off 22 percent of its employees, he pointed out.

“Sometimes you have to get into the worst of it to make improvements,” he said. “But we’re heading in the right direction.”

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