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## Economist warns of impact of fee hike

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SARASOTA -- The proposal put forward by Sarasota County commissioners to raise impact fees by 58 to 327 percent during the next two years sent enough of a shock wave through the local development community that leaders called on Hank Fishkind to help.

The prominent Orlando economist was successful earlier this month in convincing Pasco County commissioners to avoid similar impact-fee hikes.

He did that by showing them that proposed increases would not only retard economic development, but might cause total tax collections to fall.

Fishkind delivered the same message to Sarasota commissioners Thursday afternoon, and at least one local developers representative believes the message hit home.

"The commissioners seemed willing to study his proposals," said Jay Brady, executive director of the Gulf Coast Builders Exchange. "They asked their staff to come back with facts and figures."

As it stands now, Sarasota County commissioners are proposing a 327 percent increase in hotel impact fees from \$1,221 per 1,000 square feet to \$5,215 per 1,000 square feet by 2008.

Industrial park impact fees are to increase 184 percent from \$2,331 per 1,000 square feet, and retail impact

### HIGHER IMPACT FEES

Sarasota County's proposed impact fee hikes. Figures are based on 1,000 square feet of commercial space.

Retail \$13,670 \$21,600 58%

Industrial park \$2,331  
\$6,616 183.8%

Office \$4,173 \$10,128 142.7%

Hotel \$1,221 \$5,214 327%

Single-family \$10,637  
\$18,921 77.9%

Multi-family \$10,056  
\$16,516 64.2%

### DECLINING TAX REVENUES

Sarasota County's non-property tax revenues have fallen precipitously this year.

Infrastructure surtax \$12.4M  
\$8.8M

Half-cent tax \$10.5M \$7.4M

Gas taxes \$6.4M \$4.7M

Electric franchise \$4.4M \$3.7M

State revenue sharing \$4.4M  
\$3.9M

Tourism-development tax \$2.1M

fees are to increase 58 percent from \$13,670 to \$21,600 over the same time period.

But Fishkind told the County Commission that those increases would be counterproductive.

Using results from the study he prepared for Pasco County, Fishkind said that every \$1 increase in impact fees causes 17 fewer square feet of retail space to be built in Florida, 27 fewer square feet of industrial space, 41 fewer square feet of warehouse space, and 50 square feet less of office space.

Fishkind said that "at a certain point, raising fees brings in less revenue."

For retail development, governments can raise impact fees to more than \$10,000 per 1,000 square feet before developers abandon projects and total tax collections fall.

For builders of hotels or manufacturing plants, however, the threshold is much lower. Impact fees of only \$1,000 per 1,000 square feet can cause developers to back off and cause governments to earn less in total revenues than if they had left fees alone.

"County revenues are already declining due to the downturn in residential real estate," said Brady, who represents area builders.

The other risk, Brady said, is that the county will chase away the kind of businesses it needs to diversify the economy away from its dependence on residential real estate.

"If they don't want an economy that is dependent on residential real estate, they will have to encourage businesses to set up here, and they are not going to do that by increasing impact fees."

\$2.2M

Single-family permits550168

Source: Sarasota County  
Economic Reports

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