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Economic slump provides reason to review impact fee policies

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Impact fees are simple in concept, complicated in application.

The fees -- charges levied by local governments on the construction of new homes and commercial buildings -- are the products of consultants' studies (of course), lawsuits (naturally), formulas, calculations, price indexes, credit procedures, mitigation policies, administrative interpretations, negotiations, rules and exceptions to the rules.

Few people can explain the details and nuances of impact fee calculations and ordinances and, if they can, the explanations are mind-numbing.

"Aside from government officials, homebuilders and developers, few people pay attention to impact fees," Sarasota County Commissioner Jon Thaxton wrote in a Herald-Tribune guest column two years ago. Two years later, Thaxton's assessment stands, though I'd make three caveats:

1. Add an army of one often-quoted, anti-growth attorney and activist to the core group of people who play close attention to impact fees.

2. Remember that, although few people dig into impact fees, they have a broad constituency of supporters.

3. Recognize, as Thaxton and other elected officials in our region have done recently, that the economic downturn and slowdown in development provide reasons to re-evaluate impact fee policies.

Local governments in our region have, in fact, made some significant decisions about impact fees. As Doug Sword and Zac Anderson reported recently in the Herald-Tribune, Sarasota County and North Port elected officials canceled planned fee increases this year, the Charlotte County Commission cut impact fees by more than half last year and DeSoto County temporarily removed the fees altogether. Similar sentiments have begun stirring in Manatee County as well.

The Sarasota County commissioners recently showed a willingness to conduct deeper deliberations, asking their staff to analyze and present options. That request followed a proposal by outgoing Commissioner Paul Mercier to suspend all impact fees until the construction industry recovers; not surprisingly, his motion failed.

Despite the lack of public interest in the details about impact fees, they have become a defining political issue in our region. An elected official's support for, or opposition to, impact fees is a litmus test for the anti- and pro-growth forces.

But there ought to be room, especially in light of the dismal local economy, for some rational public debate by the folks in the middle of the spectrum. Here are a few steps that might create a political safety zone for constructive discussions:

Make sure that impact fee ordinances and calculations are up to date.

Since many of the fees -- especially those for roads -- are based on the costs of acquiring land and petroleum-based products, the short-term prices of building such infrastructure might have decreased, thus warranting lower fees.

Recognize that, although critics of impact fees blame them for stifling economic growth associated with construction, the funds generated by impact fees also contribute to economic activity through the building of roads, parks, libraries and utilities.

Furthermore, if such civic infrastructure isn't available, state and local laws require cities and counties to slow development until adequate facilities are available.

To that end, it's unreasonable to dismiss the revenues that have been produced or budgeted by impact fees.

In Sarasota County, for instance, the 2008 budget anticipated that the fees would generate $17 million for the capital fund. The county budgeted $14 million in property taxes, $15 million in sales taxes and $21 million in fuel taxes for roads in the annual capital budget.

Eliminate the fees and where does about one-quarter of the local funding come from?

Consider whether there are better ways to collect impact fees.

The best idea I've heard so far is allowing impact fees to be deferred, rather than required at the time a certificate of occupancy is issued. This would might allow businesses to amortize the costs of impact fees and create cash flow before full payment. Making this work wouldn't be simple but it's worth considering.

Examine whether impact fee policies adequately distinguish between the costs of suburban development and urban redevelopment.

Keep in mind that funding and building infrastructure aren't simple tasks. If they were, the challenges wouldn't be so difficult to solve.

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