



Economy having an impact on impact fees Collier County to consider reducing its construction fees to encourage more development

By LAURA LAYDEN

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NAPLES — When it comes to impact fees, a bad economy may be good for builders in Collier County.

A move is under way to reduce the county's controversial impact fees, which are among the highest in the state.

The fees are one-time charges on new construction that help pay for roads and other community needs, such as parks and schools. The idea has been that growth should pay for growth.

Now that the economy has down-spiraled and unemployment has risen, more questions are being raised about whether the fees should be reduced to help encourage more development, as construction has slowed to a crawl.

Even as fees have increased, construction costs and land values have declined, making it cheaper to build roads and other county projects.

At Tuesday's commission meeting, the county's Productivity Committee will recommend rolling back the fees to where they were at the end of 2007 — and keeping the lower fees for two years.

"It's the right thing to do because of the extraordinary circumstances. This is a big change in our position. Normally we were very supportive of the impact fee increases. That has been our history," said Larry Baytos, the Productivity Committee's chairman.

Separately, county staff is proposing a rollback just for transportation impact fees back to where they were in June 2006. Across the board, those fees would be reduced by 29.7 percent under that recommendation. A hearing before commissioners is scheduled for 11 a.m. Tuesday.

Business and economic leaders are expected to turn out in force for what could be a heated debate about impact fees at the meeting.

"They should lower them all. We are by far the largest builder in the county now," said Sam Durso, president and CEO of Habitat for Humanity in Collier County.

Commissioners defer impact fees for Habitat homes so that they aren't paid until the first buyers sell.

But Durso would like to see the fees waived entirely for his affordable homes, which are built with donations and volunteer labor for low-income families. Then he could build more.

Brenda Talbert, executive vice president of the Collier Building Industry Association, said the push to lower impact fees isn't just about helping the ailing construction industry.

"I think the whole business community is coming together and saying, 'Wait a minute. We need to look at these things that are obstacles to bringing jobs in. Without job creation, everything stops.'

"If I have a job, I'm going to go to the grocery store," she said. "I'm going to buy a newspaper. The whole economic engine starts to run. Homes get sold. Homes are built."

While commissioners may agree that lowering fees could help the economy, they are concerned about having enough money to pay off debt on projects already built. They worry they might be forced to increase property taxes with less money from impact fees.

At a meeting with county commissioners last week, the Economic Development Council of Collier County outlined Project Innovation — a communitywide initiative to create a new plan to diversify the economy and draw more high-wage jobs.

Commissioner Fred Coyle made his positions known then on impact fees.

"We're not interested in destroying that which already exists. So I would hope that the Project Innovation process would continue in that spirit and not turn into an effort to deprive county government of funding sources and we won't get into a battle about impact fees because the alternative to impact fees is higher taxes to the residents, and that is not going to pass this board, I don't think," Coyle said.

In 2001, Collier residents voted down a one-cent sales tax to cover the costs of growth.

About 75 percent of the voters rejected it.

The Productivity Committee long has supported the county's policy of growth paying for growth. But members have become increasingly concerned about the county's impact fee policies and practices with the economic slowdown.

The construction industry has been hard hit by a real estate slump.

Orlando economist Hank Fishkind estimates 13,000 construction jobs have been lost in the county since the real estate market peaked in 2006.

While lowering impact fees might not have an immediate result, the Productivity Committee believes it could put the county in a better position for an eventual recovery.

On Jan. 1, 2008, Collier's impact fees increased an average of 21 percent for commercial applications and 15 percent for residential projects, according to Baytos.

They were scheduled to rise again this year, but those increases have been delayed as talk has swirled about lowering them instead.

"At the very least, the fee rollback would send a message that Collier County recognizes the magnitude of current difficulties," Baytos wrote in a letter to commissioners.

Every two or three years, impact fees are reviewed by an outside consultant and rate changes are recommended based on the findings.

Transportation fees recently underwent a study. The proposed rates by consultant Tindale-Oliver and Associates Inc., include reductions, but also some increases.

Staff is recommending county commissioners consider their proposal to roll back fees instead to help stimulate the economy.

Now, the county charges \$11,522.55 in road impact fees for a single-family home with a 2,000-square-foot living area. The consultant has proposed an increase to \$11,760. With the rollback, staff recommends it would drop to \$8,884, a savings of more than \$2,600.

For a 10,000-square-foot retail building, the road impact fee today is \$180,970. The consultant proposes an increase to \$198,230. With the rollback it would drop to \$139,530, a savings of more than \$41,000.

Amy Patterson, the county's impact fee and economic development manager, said a new method for calculating the fees has made it tough to react to a changing market.

The new formula, which the consultant used to recalculate fees last year, is based more on local data, instead of national data. It was designed to slow increases, but it's had the effect of slowing decreases, even with construction and land costs for projects declining, she said.

"It's not that they could never go down," Patterson said. "It's just that they don't go down immediately."

Other impact fees currently are under review by the county's consultant, including ones for correctional centers and parks. Patterson didn't say whether staff will recommend rolling back any other impact fees.

According to a report by the Productivity Committee, total impact fees for a 2,000-square-foot single-family home jumped to \$29,000 in 2008, excluding water and sewer. That was up from \$24,000 in 2007.

In neighboring Lee County, impact fees for the same size home have been at \$16,000 since 2007. Lee County commissioners recently rejected fee increases justified by their consultant's studies.

Impact fees for a 10,000-square-foot general office building in Collier grew to \$188,000 in 2008, excluding water and sewer. That was up from \$143,000 a year earlier.

In 2007 and 2008, few other counties in Florida raised their impact fees.

In late 2006, Collier's impact fees nearly doubled. According to a report by the Productivity Committee, Collier's fees are anywhere from 19 percent to 323 percent higher than in Lee for banks, restaurants and doctors' offices.

The Productivity Committee has discussed impact fees for six months. Members voted 8-3 at a meeting Dec. 17 to recommend returning rates to those in effect Dec. 31, 2007.

At the meetings on impact fees, members heard from one developer who lost two sales in 2006 because of the high fees. Economic development leaders complained the higher fees made it more difficult to attract high-paying jobs, and another builder said the higher fees made it seem government was negative toward growth.

Even after the rollback, Collier's fees would still be the highest in the state for most types of buildings, Baytos said.

He estimates the rollback would reduce the county's impact fee collections this fiscal year by \$5 million. That's on top of the money the county expects to miss out on because collections are on the decline with construction slowing down so much.

The county budgeted to collect about \$50.5 million in impact fees this fiscal year. Last year, the county brought in about \$54 million, down from a high of nearly \$116 million in fiscal 2007.

Impact fees averaged \$4.5 million a month in 2007-08 in Collier. In the first two months of this fiscal year, they were slightly more than \$3 million a month, according to the Productivity Committee.

"We recognize that any reduction in county revenues compounds the existing budget challenges, which are formidable," Baytos said in a letter to commissioners. "But like a reduction of an appraised home value for (property tax) assessments, if an impact fee reduction is the right thing to do, scarcity of funds seems an insufficient reason to delay correction."

The Greater Naples Chamber of Commerce is encouraging its members to turn out Tuesday for discussions about impact fees.

"Impact fees have been very controversial in the business community, particularly with the development community," said Mike Reagen, the chamber's CEO. "Right now you know development is flat. And so it's a complicated topic. We want to try to be helpful and play some role together."

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