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## Impact fees drain economic growth

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The Orlando Sentinel Editorial Board recently took aim at a proposal developed by Orange County Mayor Rich Crotty to roll back impact fees as part of an economic-stimulus package.

Government spending cannot pull the economy out of recession, as all public spending increases the tax burden on citizens and businesses, either directly in the form of higher taxes or indirectly as the dollar loses value whenever government prints or borrows money.

It is common sense that increasing taxes discourages individual industry and capital investment. Both labor and capital flow to locations where the potential for reward is greatest.

To promote the expansion of existing businesses and to attract new talent and capital, cities and counties in Florida must offer more attractive conditions for investment.

Rolling back impact fees is a great place to start.

Impact fees are added property-use taxes, assessed when citizens seek to use land for new construction or when buildings are redeveloped for a different purpose. They are a tax on the individuals and entrepreneurs in our society who are working to build wealth and create jobs.

Impact fees are aptly named, as they impact and impede the ability of property and business owners to put land to productive economic use.

Depending on the size of the building one is seeking to build or remodel, these assessments can run from tens of thousands to millions of dollars. An average new home carries about \$52,000 in impact-fee costs when those costs are financed through a traditional mortgage.

Impact fees exist because the development community is a convenient political punching bag.

In a strong economy, impact fees are hidden taxes passed along to end users and consumers.

During a recession, prices are no longer as elastic, and consumers cannot afford higher prices. This makes it virtually impossible to pass on these taxes to renters or consumers. Banks are no longer as willing to extend credit against uncollateralized assets.



Regulatory costs are often financed without physical collateral backing them up, which makes lending in areas of high regulation riskier.

As a result, impact fees can represent a nearly insurmountable financial hurdle to the constructive use of land and the growth and expansion of private businesses.

During downturns, these fees may be the critical difference in determining whether a construction project -- or business move or expansion -- is financially viable.

Government should never employ hidden or narrow-based forms of taxation to fund general public services. During a downturn, it makes even less sense to levy severe taxes on the entrepreneurs whose investment of time, energy and capital could help the local economy recover.

When it comes to the debate of impact fees and taxation, Orange County policymakers have one simple question to answer: Do they want Orange County to be one of the first counties in Florida to recover or one of the last?

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