

In Palm Coast, the End of a 90% Building Permit Discount Will Affect Thousands

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Whenever a builder puts up a house or a business, the builder must pay a one-time tax, called an impact fee. The fees are designed to pay for new developments' demands for roads, schools, parks and similar infrastructure. The fees can be steep: they total more than \$15,000 for a single-family home in Palm Coast. The cost is tacked on to the price of a house, and presumably amortized through a homeowner's mortgage.

The Flagler County Chamber of Commerce and the Flagler Home Builders Association have been lobbying local governments to repeal impact fees for two years as a stimulus to the local construction industry, which has been particularly hurt by the housing bust and ensuing recession. The two groups have had limited success: Bunnell and the county agreed to suspend their parks and transportation impact fees of around \$1,700 per new house. But the school board balked at suspending its \$3,600-a-house impact fee.

The chamber and the builders will be targeting the Palm Coast City Council next. That discussion will take place at the council's Oct. 23 workshop.

But impact fees only affect builders and buyers of new homes or new businesses. They don't directly affect existing property owners.

Yet whatever happens with impact fees, existing property owners are about to get hit with a sudden and very steep increase in construction fees of their own: a 90 percent discount on all building permit fees is ending on Oct. 31.

Building permit fees are entirely separate from impact fees. Permit fees apply to all forms of construction, whether it's a new house or an existing house. Permits must be pulled for any kind of work on a property—from replacing an air conditioning unit to water heaters to putting up a shed to replacing a roof to installing a fence or digging a pool.

Some of these expenses are not luxuries: when a roof falters or an AC unit blows, it must be replaced.

While the number of actual building permits for new residential homes has dwindled from 4,347 in 2004 alone, to just 96 last year, the number of building permits overall was still 5,521 last year: people still need to accomplish various projects around the house.

A permit for above-ground pool, for example, costs \$6.50. A permit for a fence costs \$4. A permit to install a new AC unit costs \$8. A permit to build a new house costs around \$150 (it varies with square footage). The permit for a roof replacement is \$10.

All those are the discounted prices. Starting November 1, those prices will jump to \$65 for a pool permit, \$81 for an AC, \$40 for a fence, \$100 for a roof, and so on.

The home builders are not fighting that increase: they already got the discount extended once. They're willing to let it expire and focus their attention on passing an impact fee moratorium.

"Last year we thought that there was still too much money remaining in the fund. We asked for an extension and it was granted," said Jason deLorenzo, the government affairs director for the Florida Home Builders Association and a city council member. "At this point in time we're prepared to leave some money for a future building department."

The 90 percent discount kicked in on June 16, 2009. Palm Coast didn't institute it out of the goodness of its heart. It did so to fix what had been a serious accounting deficiency.

Under Florida law, all building permit fees must be segregated in an account independent of a local government's general fund. Building fee revenue may not be used arbitrarily for whatever expenses a local government chooses. The revenue must be spent on expenses related to enforcing the Florida building code and running a building department—on inspectors, on support staff, on overhead and equipment. That wasn't quite the case in Palm Coast. Through the boom years, the fees generated huge revenue. The fees were not adjusted to reflect the added volume. And the revenue was lumped into the general fund, where it helped subsidize the city's other operations, and keep the property tax low.

In 2009, the city agreed to set up a building fund, segregate the money, and kick in the 90 percent discount until its stash of building-permit revenue was brought down to reasonable levels.

Week after week since then, the building department has highlighted its savings to people who've pulled permits. As of last week, total savings to residents and builders have added up to \$2.1 million, on total construction valued at \$249 million.

As of Oct. 31, there will be \$2.1 million left in the building fund, with \$400,000 of that budgeted for building department expenses this year, bringing the fund down to \$1.7 million by year's end. The fund must keep a healthy balance, because in case of a local disaster, the city must have room to pay overtime wages or numerous contractors to address an onslaught of building issues. It's also a reserve that would be used to pay for a portion of a new city hall, if and when that city hall is built: the portion that would be assigned to the building department can be built with fees generated by building permits. Less than two years ago, when the city administration was floating a plan to build a \$10 million city hall, about a sixth of the cost would have been borne by building permit fees.

The upshot of it all is that a major discount that residents might have been taking for granted is ending. "It's primarily citizens who were saving the money, not builders," deLorenzo said. It's consequently primarily citizens who will be bearing the brunt of the higher fees. With that in mind, the city has been advertising the end of the discount ("Now is the time to expand/renovate your business or make improvements to your homes") in hopes of spurring last-minute building activity.