

Positive Impact

By Jay Brady | Government Editor - Thursday, December 16, 2010

REVIEW SUMMARY

What. Development impact fees going down for different reasons.

Issue. Studies show development pays its way.

Impact. Will lower fees result in more jobs and tax revenue?

By the numbers. A look at impact fees along the Gulf Coast.

Just a few years ago, local governments around the Gulf Coast were in a race to the top to increase impact fees on new development.

Such fees range from a few thousand dollars to more than \$20,000 for a home, and to tens of thousands of dollars per 1,000 square feet for commercial projects. But all that is changing.

Collier County had the highest fees in a high-impact-fee state until Oct. 8 when its school impact fee was cut in half and road fees dropped by about a third. The county also reduced its park fees and emergency medical services fee.

“Now that costs have gone down dramatically, impact fees are going down,” explains Fred Coyle, chairman of the Collier County Commission. “Impact fees will continue to go down as the costs of infrastructure goes down.”

Collier’s non-utilities fee for a single-family home went from \$28,655 to \$19,367. That amount still puts it a close second to Ocoee in Orange County, but Collier still has the highest total impact fees for a home — \$26,437 — when utility impact fees are added in.

Now, with unemployment rates ranging from 11% to 13% on the Gulf Coast and government revenues plummeting along with construction, there’s increasing competition to reverse course and lower or even suspend the fees.

And with some of these same local governments throwing money at economic development projects, it appears some are beginning to acknowledge that development actually does pay its way, contrary to the basic assumption of impact fees that it doesn’t.

That’s not a concern of Coyle, however, who doesn’t see economic development goals or the county’s 12.2% unemployment rate as reasons to lower impact fees further. “Changing impact fees doesn’t give buyers more money to buy homes,” he claims.

Coyle may want to read a 2009 economic study of residential development in North Carolina showing that residential development yields net fiscal and economic benefits. Among the reasons: new homes have higher property values on average than existing ones, and provide an ongoing annuity to government coffers while also supporting area businesses and contributing more in various other taxes.

That report backs up studies done several years ago looking at benefits and costs of development in Manatee and Alachua counties. Those studies show new development pays its way even without impact fees.

Manatee County commissioners ignored the study at the time, and instead raised the fees to generate more tax revenue. But last year, commissioners cut the single-family home fee by more than \$10,000 to about \$5,500, and sliced its commercial fees almost in half.

No growth, no fees

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No fewer than 19 counties around Florida, including five from the Gulf Coast, have taken action in recent months or years to cut or suspend impact fees, according to data gathered by the Business Review. (See table below.) Before the wave of fee suspensions, impact fees were being charged in 40 of the state's 67 counties.

Sarasota and Lee counties are two of the latest in this race to get fees moving toward levels that don't discourage job creation or create headaches for county attorneys.

On Dec. 7, the Sarasota County Commission voted unanimously to suspend for two years collection of its school impact fees charged on new homes, apartments and mobile homes. The fee was \$2,032 for a single-family home, less for apartments and mobile homes.

For its part, Lee County this month reduced road impact fees charged to medical office uses by choosing to treat such uses as general office uses. Sarasota County made that change in 2007.

In Lee County, that cut the road fee from roughly \$24,700 to about \$7,400 per 1,000 square feet, similar to the effect on Sarasota County's medical office fee. And like Collier did, Lee County no longer charges more when a more intensive use moves into an existing building.

A proposal to cut fees 25% across the board made by the Horizon Council, Lee County's economic development arm, failed.

But the county did agree to expedite a study of its road fees expecting that lower road construction and right-of-way costs may support lowering road fees in 2011.

Sarasota County's action came at the request of the Sarasota County School Board because the district no longer has plans for new schools for at least five years. School impact fees must be spent within five years under the county's ordinance.

"They came to the same conclusion we came to, that if you're not having any growth you shouldn't be collecting impact fees," says School Board Chairman Frank Kovach.

The district's request to drop the fees more than a year earlier went nowhere. But the potential legal liability of continuing to collect the fee weighed heavily in the both boards' decision to suspend the fee. That convinced previously reluctant Commissioner Jon Thaxton to go along.

Tiered approach next?

Thaxton now wants to see a tiered approach for road fees similar to Charlotte and Hillsborough counties' systems where fees are higher in suburban and rural areas and less in urban areas.

That could be bad news for places like North Port, where workers commute long distances, a concern of outgoing Commissioner Shannon Staub, who represented the area for 14 years.

Staub has reason to be concerned and she has company in Pat Neal, president of Neal Communities, and a former state senator.

In Hillsborough's three-tiered system, Plant City, being furthest from Tampa, has the highest fees in the county. It also explains why Pasco's fees are higher than Hillsborough's, with its big commuter workforce causing trip lengths, and thus fees, to increase.

"The only places that a house can be built, get the higher taxes," observes Neal, referring to how a tiered system could impact North Port, an otherwise more affordable housing option in the county.

County Administrator Jim Ley is also pushing for a tiered system. "We've been looking for the new best practice," Ley told the board at its Dec. 1 meeting. "We think Tindale-Oliver has the best new practice. We'd like to bring them in," says Ley referring to the Tampa-based engineering and planning firm.

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Tindale-Oliver drafted Pasco's and Collier's fee systems, the two highest in the region. Economist Hank Fishkind completed work for Pasco in 2007 helping the county justify lowering its non-residential impact fees.

Sarasota County brought in Fishkind to explain his approach, but never acted on his recommendations to lower non-residential fees.

"The whole system needs to be totally revamped," according to Commissioner Joe Barbetta, who fought for higher fees when the county hired Lee County's consultant, Duncan Associates. The Texas firm gave Sarasota county a new higher fee system in 2007 that was never fully implemented due to the recession. Now, Barbetta supports tiered rates so fees are lower where there are more urban services in place.

Still, Barbetta told commissioners, "We need to make some drastic changes in the state of Florida to be competitive. We need to have an article in Forbes magazine or the Wall Street Journal, and see an article that says Florida is open for business, and the west coast is just the place to go."

Sarasota County is also moving ahead in January to consider cutting its road fee by 50%, saving a new homebuyer nearly another \$3,000.

"The bottom line, for this moment, is our unemployment figures are really high," notes County Commissioner Nora Patterson, referring to the county's 11.9% unemployment rate. "If we can reduce our unemployment figures, we should."

Builders Carlos Beruff, president of Bradenton-based Medallion Homes, and Neal, say they can help make that happen.

"We're a quick working band-aid," says Beruff. He says for every 100 new homes, builders create 300 jobs. "Pat (Neal) and I have created more jobs than the combined economic development councils of both counties."

Both build in Sarasota and Manatee counties primarily, and say they'll pass on the \$5,000-per-home savings to their buyers. Beruff has approval for a 60-unit subdivision east of Venice called StoneWalk Preserve.

"That's the only way we can achieve the price point," says Beruff, speaking about builders' need to offer lower prices to compete with foreclosures and rising rates.

Impact fees reduced or suspended around the state

Charlotte: Reduced fees in 2007 to 1998 levels (as much as 77%), decreased some fees and increased others in 2009, and cut fees by appx. 9% effective Oct. 1, 2010.

Citrus: Road fee suspended until June 1, 2011.

Collier: Most fees reduced Nov. 1, 2010. Single family fee cut appx. 32%, office by 37% and industrial by 27%. For single family, school fees cut 50%, roads 33% and parks 11%. No additional fees for more intensive use of existing buildings.

Columbia: Suspended fees through Jan. 1, 2010; moratorium extended one year to Jan. 1, 2011.

DeSoto: Suspended fees effective Jan. 1, 2008.

Glades: All fees suspended effective Nov. 24, 2008 until Dec. 1, 2010; extension to Feb. 2013 on Dec. 14 agenda expected to pass.

Hardee: All fees except for industrial and warehouse suspended until July 1, 2011; industrial and warehouse suspended until Oct. 1, 2011; school fee suspended until July 1, 2011.

Hendry: All fees suspended through Dec. 31, 2011. Effective Jan. 1, 2012, fees at 50% of stated amount in schedule.

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Hernando: Reduced fees to 2001 levels through Nov. 30, 2010 and again to Nov. 30, 2011 (single family fee of appx. \$9,200 reduced to appx. \$4,800).

Highlands: All fees suspended for one year effective July 1, 2009; suspension extended to July 1, 2011.

Lake: Road fee suspended for one year effective March 2, 2010 (fee was \$2,189 for mid-size single family home).

Lee: Medical office fee of appx. \$24,700 per 1,000 sq. ft. cut to appx. \$7,700 per 1,000 sq. ft. for two years by treating as general office use; change of use fees eliminated for two years. Expedited consultant study of road fees authorized.

Manatee: School fees suspended and roads fee cut 50% for two years until July 2011.

Marion: Road fee suspended from Jan. 1, 2010 to June 30, 2011.

Polk: All fees suspended for six months except school, effective Aug. 31, 2010 and then extended through July 31, 2012.

Putnam: All fees suspended for two years effective March 31, 2009.

Santa Rosa: All fees suspended for two years effective Jan. 1, 2008 then extended through 2010; emergency ordinance to suspend road fees for 2011 approved Dec. 9, 2010.

Sarasota: School fees suspended for two years effective Dec. 15, 2010; 50% cut to road fees under consideration; in 2007, cut fees for medical office use by treating as general office.

Wakulla: Impact fees suspended indefinitely.

Sources: ImpactFees.com by Duncan Associates, county officials and Gulf Coast Business Review.