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## Reduced Impact Fees Help Some Builders

Source: BIG BUILDER News  
Publication date: February 9, 2009

By **Lynn Norusis**

Home builders are getting some relief--or at least an empathetic gesture--as certain municipalities are deferring impact fees.

Areas such as Anaheim, Calif., and Santa Rosa County, Fla., have recently reduced or deferred payment of impact fees to help the ailing home building industry--in the hopes that this will spur building and pump some oxygen into the flat-lined economy.

Adrian Foley, regional president of Brookfield Homes saluted the efforts of municipalities, saying his company will cumulatively save \$1 million in Anaheim alone because it will not have to borrow the money from the bank that is typically needed upfront for impact fees. The Anaheim Union School Board in January jumped on the city's bandwagon and also deferred its impact fees until occupancy, which Foley said amounts to approximately \$5,000 to \$6,000 per house for school fees and an average of \$15,000 for general fees.

While home builders are gratefully accepting any help they can get, some in the industry question the potential results.

"This is probably happening more in the harder hit areas," said Clancy Mullen, executive vice president at Duncan Associates, a consulting firm that focuses on land development regulations, growth management, and impact fees. "It is becoming a popular thing to do."

According to the firm, total impact fees charged in 2008 averaged \$11,276 per single-family unit,

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based on a sample of 280 jurisdictions, with the highest average coming from California.

"This could cause a hiccup down the road," Mullen said in regards to future infrastructure financing. "Probably not in the short term, but when the market gets going again." That being said, he pointed out that there is not a lot of development currently taking place, so municipalities are not collecting a large sum of fees.

The most recent survey from Duncan Associates took a hard look at what deferring impact fees can really do for the economy:

"A few jurisdictions in hard-hit Florida lowered their fees in an attempt to reverse the effects of the housing crisis by stimulating residential construction. Despite the fact that the problem is one of over-supply, some governing bodies reasoned that they were not getting much impact fee revenue anyway and that reducing fees would show their sympathy with the plight of the home builders, even if it would have no real effect on reviving the construction industry.

"DeSoto County, for example, suspended its impact fees, which had been adopted in 2006, as of Jan. 1, 2008, and refunded all the fees that had been collected. Charlotte County rolled back its impact fees to 1998 levels, a decrease of \$6,328 for a typical single-family unit. In the eight months before the Jan. 1 rollback, the county had been issuing an average of 57 single-family permits a month; in the eight months for which data are available following the rollback, the county has issued on average only 30 permits a month. Marion County cut its residential fees by \$4,000 for a 90-day period; when asked if the impact fee cut had bolstered the economy as intended, commissioner Jim Payton, one of the prime advocates for the reduction, conceded to the *Ocala Star-Banner* that, "If it did, we were in really bad shape." "

No one can be quite certain what the impacts of deferring these fees will be for the future of a community's infrastructure or home builder balance sheets, but the current economic climate has others in the home building industry asking for relief.

Eddie Ousley, communications director at the Florida Home Builders Association, said representatives from the organization last week testified before the state Senate committee in an effort to secure a statewide deferral of impact fees. While some municipalities have taken it upon themselves to work with builders, other localities are in talks to raise the fees.

"When times were good, the governments were collecting massive amounts of impact fees," Ousley said. "Property relief went into effect last year, and some [municipalities] are trying to regain the income by upping impact fees."

As local organizations and governments try to wade through the economic crisis, grabbing any lifeline available, the argument of impact fees is a moot point because if no one is building, fees can't be collected or saved.

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