



Building Industry Association of Okaloosa-Walton Counties



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The Myths About Impact Fees

By Billy E. Deames
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The City of Destin is currently struggling with how to relieve traffic congestion, expand the library, enhance parks and improve police protection. Most of us grew up, as our parents before us, expecting those municipal services to be provided through payment of our taxes. Nowadays, however, politicians are loath the mention the word "taxes," believing that voters will drive them out of office for even harboring a taxing idea. Problem is, citizens continue to demand more from government; and elected officials really want to satisfy their constituents. When you add in the fact that everything costs more these days, you begin to understand the dilemma.

Americans always welcome a challenge and some enterprising bureaucrats decided to tackle the idea of raising public money without taxes. One clever solution seemed so easy that they couldn't believe it hadn't been thought of before. "Why don't we extract money from the citizens and just change the name? We'll call it fees, not taxes?" And so it came to pass, license fees, permit fees, inspection fees, processing fees, etc., etc., etc. Politicians stand before voters and proclaim their stance against evil taxes. Citizens, of course, are expected to gleefully dig into their pockets and happily pay these fees while secure in the knowledge that no one has raised their taxes. Lets look a little closer at one of these "non-taxes," the impact fee.

MYTH #1. Impact fees only affect builders and developers. False, building is not a non-profit business. The imposed impact fee will be passed directly through to the purchaser.

MYTH#2. Impact fees only affect new people moving into the community. False, impact fees affect anyone who purchases a new home or office. The majority of new construction is for current residents and business people who choose to move locally. This includes the community's own sons and daughters leaving home to purchase their first starter homes.

MYTH#3. Impact fees hit everyone equitably. False, the proposed impact fee for Destin is \$2,527 regardless if the new

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house costs \$1 million on the beach or \$75,000 on Beach Drive. There is no sliding scale provision based on ability to pay.

MYTH#4. Impact fees will have no financial impact on current residents. False. This is the most popular and most misunderstood myth about impact fees. Studies across the country show that communities with impact fees experience a relational rise in appraised values of current homes. Think about it. You build a home for \$150,000 today. Your neighbor builds the identical home next month, but pays \$2,527 more because of impact fees. You've just received a windfall profit because homes like yours are now worth \$152,527. That's great until the tax appraiser's next visit. Your property taxes are gonna go up and you'll probably never make the connection between your neighbor's impact fee and your higher property tax. Proponents of impact fees are counting on you never making that connection. They'd rather you think that the rise is due to inflation.

Impact fees are wrong for Destin. They foster a "we against them" and a "new against old" atmosphere that undermines community partnership. Next time you reach to pay money for government services, ask your checkbook if it can tell the difference between a fee and a tax. Some on the City Council are already exploring other financing options like general obligation bonds. Give them a chance.

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