

Guest commentary: Collier impact fees: playing catch-up in tough economy

By LARRY BAYTOS / Naples

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** First of two parts*

Collier County government assesses impact fees which are essentially a tax on new construction that must be paid in advance of drawing permits. Within Collier County, fees typically vary in amount from 10 percent to more than 100 percent of the cost of constructing a building, with variations based on the size and intended purpose of the building (home, bank, fast-food restaurant, etc.).

State law requires that impact fees be used solely to fund infrastructure associated with growth: roads, water and sewer capacity, schools, parks, government buildings, jails, etc. Within Collier there are a dozen fees that apply to residential units and eight fees for commercial construction.

The fee income to the county averaged just under \$100 million per year from 2004 to 2007; that income, coupled with borrowed funds, allowed the county to embark on a critically needed program of infrastructure investment.

According to a reputable independent survey, Collier fees are the highest in the state by a considerable margin. Previous County Commission members failed to raise the fees during 2002 through 2005 and funds were insufficient to expand road capacity and other infrastructure to meet forecasted growth. In 2006, the county's Productivity Committee recommended that the County Commission approve 10 impact fee studies proposed by the county's fee consultant.

Because of the several years' delay in raising fees and the rapid run-up in land and construction costs, the fee increases were substantial. For example, the fee for a 2,000-square-foot home increased 85 percent from \$16,687 to \$30,803 and commercial fees experienced similar rates of increase. These higher fees were implemented in the fall of 2006.

Later, the Productivity Committee also supported adoption of an indexing policy so fees would not fall behind in the future. The consultant's proposal for the first round of indexing called for double-digit increases. The Productivity Committee had concerns that the first indexing under the new policy came at a time when both commercial and residential construction was in the midst of steep decline locally. Furthermore, the impact-fee increases (based on a credible statistical model) came when the actual costs of land and construction had declined substantially.

The Productivity Committee recommended that the County Commission increase only the transportation fee and to freeze other fees. The Development Services Advisory Committee recommended that no fees be raised. The County Commission chose to instead accept the staff proposal and approved fee increases of 15 percent for residential and 24 percent for commercial construction, but delayed the effective date to Nov. 1, 2008.

Subsequent to the Nov. 1, 2008, fee indexing, research by the Productivity Committee revealed that Collier impact fees had increased somewhat more rapidly than the typical Florida county. For example, Collier fees for single-family homes had increased from double the average Florida average in 2004 to triple the average Florida county in 2008. Furthermore, as 2008 wore on, tales of local job losses and foreclosed homes became commonplace. Commercial construction declined more than 50 percent from 2006 through 2009, while unemployment rates nearly doubled. The county fee consultant produced a recommendation for a second round of indexing increases, again while the actual costs of land and construction were obviously in decline.

The County Commission did accept a recommendation to defer action on fee increases subject to further study.

After several months of intense debate amidst worsening economic news, the Productivity Committee proposed that the County Commission roll back fees to 2006 levels for two years. The recommendation came at an inconvenient time as the county's impact-fee revenues had declined from \$100 million to less than \$50 million due to construction declines. County government also faced reduced ad valorem revenues due to legislated changes and declining property values.

Thus the stage was set for spirited debate on impact fees between the County Commission and business and community leaders.

In the next installment I will review the arguments set forth by government and business for or against Collier's policy on impact fees.

Baytos has been a Collier County resident since 1990. He recently concluded four years' service on the county Government Productivity Committee, the last year as chairman. He formerly was a senior vice president of the Quaker Oats Co. and a management consultant in Chicago. He has a master's degree in business administration from Harvard University.

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