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Editorial: Impact Fee Debate Shows Backward Thinking on Growth Objectives

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by Dennis Maley

This week, both the Manatee and Sarasota County Commissions voted in favor of developers getting a half-off deal for road impact fees on new construction. The votes served to renew debate between those who advocate smart growth and others who view the continuation of vigorous land development as essential to the economic health of the community.

In Sarasota County, where developers argued that the fees made it impossible to compete with Manatee (who'd already had the reduction in place for the last two years), the commission voted 4-1to enact a two-year, 50 percent reduction. Commissioner **Jon Thaxton** cast the lone dissenting vote.

In the case of Manatee County, the **board voted 5-2** in favor of the county administrator's recommendation to draft an ordinance continuing the current 50 percent reduction of road impact fees and 100 percent waiving of education impact fees on new development for another two years. Commissioners McClash and Gallen both voted against it, preferring an amended motion that would extend them one year, so that the issue could be revisited once an impact fee study is completed.

This seemed logical. Let's see exactly what all of this adds up to, what is necessary and what isn't, and if we have to extend this another year in the meantime to be on the safe side, so be it. No dice. The reasons given by the rest of the board seemed varied and less than coherent, yet it remained clear from the outset: the motion would pass, and it would be for two years.

During the limited debate, I did catch several interesting quotes that left me scratching my head. Commission Chair, **Carol Whitmore** answered the charge that it was a subsidy to development by saying they were actually subsidizing home buyers not developers. I'm not sure that either of these are true per se, but I found it striking that the commissioner seemed to think it was the place of the board to "subsidize" home buyers of new construction – especially considering the glut of inventory in the area.

Commissioner Donna Hayes argued that we needed to keep new home prices low for the sake of attracting companies that might be considering relocation to the area. I was under the impression that this is why we give significant abatements and other such incentives to such companies and was again unaware that part of our economic recovery strategy was to suppress the already deflated home values that nearly all economists say must recover upward.

Commissioner DeSabatino, who has seemed very conscious of the perception that she's pro-development since it was revealed that around 90 percent of her six-figure plus campaign was financed by development interests, again made an effort to weigh the issue, but ultimately was as resolute as the others and unwilling to consider the one year proposal, because last time just "went so fast."

Commissioner Bustle opined that that it was important to send the message of their commitment to the development community by passing two years right now. From what I understood, the original suspension of the fees was intended to stimulate a struggling core industry and curb a downturn that was already hurting local employment. At times, it seemed that the argument was that we are still facing those same problems and need to stay the course. At others, it seemed to be a matter of the fees being exorbitant or unnecessary – like I said not necessarily coherent, but certain.

The school district, which can only use their fees for new construction, has said that there is no current need for such revenues and supported the motion. Now if it is true, as Administrator Hunzeker claimed, that the road impact fees are antiquated and reflect a need for road improvements that no longer exists, then I am all for them being set appropriately. But I, like many others, would like to see an impact fee study that demonstrates that to be the case, rather than an assurance that all road projects that were needed were going to be performed (with the exception of two that were being delayed). In the end, I was troubled by how firm the commissioners seemed to be going into the vote. One might have even thought that a majority of them had their mind made up before the meeting started and that nothing an impact fee study could show was likely to change it.

I am also troubled by the amount of what appears to be either ignorance or disinterest in the local economy, how it functions and both the short and log term challenges faced. In the matter of both counties and much of the press, the conversation seemed to start with the notion that a reduction in building permits pulled from the same month, year to year is an overall bad thing that policies must be designed to change. It is true that construction and development is and has been the core of our economy for a very long time. Any downturn is felt deeply and quickly by a great number of citizens in our economy – a ripple effect that touches many more than just the developers and their contractors.

Nonetheless, the recent collapse of that industry has proven how badly we need to do what economists have been telling us for decades – diversify. To this end, the local governments have been doing a good job on many fronts – the port, Ft. Hammer, tourism on AMI, etc. – but must continue to make this the focus and move toward a day when the reduction in new construction permits is seen as a good thing, a force to balance our single biggest challenge in terms of our real estate market – a massive inventory problem, where supply far exceeds demand.

Any policy that might serve to subsidize new development in any way, continues to put the current inventory at a competitive disadvantage. Manatee County is only starting to see the beginning of what I fear will be a major problem this decade: the continuing abandonment and dilapidation of homes in the urban core. Walk down any street in the more historic neighborhoods of Bradenton and you can find multiple vacant homes on many of the blocks. Many are bank owned. Many have been vacant for two years or more.

Some developers have made the argument that impact fees don't allow them to compete with the glut of short sales on the market, but this doesn't hold water and contradicts the argument that relocating buyers want new home construction not abandoned homes, as an argument to subsidize it. The truth is, most of the best values are these same bank-owned homes that have been long vacant and are in need of major repair. While banks are often eager to unload them, other banks are less than enthusiastic when it comes to loaning on them.

In a county where the average household income is around $38,000, there aren't a lot of potential buyers sitting on the kind of money needed to buy one of these properties and fix it up to a livable standard (presumably while they are continuing to rent or pay a mortgage wherever they are living while they do). They are often great deals for cash-buyers, usually investors who want to do a minimum amount of work to make the property livable as a rental. When they can get a run down bank sale for $40 grand, patch it up and rent it for $700, it makes sense. But this is not what you want to see become of the already struggling urban core in either Manatee or Sarasota Counties.

I would rather see an incentive plan for local banks to work with local contractors in order to rehabilitate these existing homes that are already plugged into the existing infrastructure. This would accomplish much in terms of getting the lowest priced homes off of the market and helping home prices to recover, thus healing the supposed disadvantage to developers of new home construction – while putting people in that industry to work and getting the homes off the banks' books.

Such a policy would also help to solve the inventory problem, while revitalizing the urban core and encouraging commercial redevelopment to support such areas. A program like this would be very challenging to design and implement – much more so than simply voting to make new construction cheaper. However, we are in challenging times that will require creativity, inventiveness and courageous leadership – the kind I didn't see much of a stomach for last week.

I'm not portending to have the answer in a column, but I wish that more of the decision makers were having such conversations, rather than perpetuating the illusion that we can or should ever want to return to the previous level of new construction, the one that created this inventory problem in the first place.

I don't want to live in a community where the urban core becomes a dense cluster of dilapidated low-income rentals and crumbling infrastructure, while we continue to mitigate wetlands and cover grass with macadam and asphalt out east – the only place where people with a choice will eventually want to live. I doubt a majority of taxpayers do either. That lesson has already been taught to us by a multitude of American cities and need not be repeated.

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