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First Coast's developers call for moratorium on impact fees to boost jobs

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By David Bauerlein

For years, builders gritted their teeth when they wrote big-dollar checks for impact fees and fair share payments assessed by local governments.

The growth-management programs generated money for government to build roads, schools and parks. When the economy was humming, it was mainly a question of how high the fees should be. Homebuilders typically pay several thousands dollars for a single house, while commercial development can run into the hundreds of thousands of dollars.

But with the construction industry still reeling from the recession, the pendulum on growth-management fees has swung the other way. In Northeast Florida, the momentum has shifted toward reducing the fees, adopting moratoriums on collecting them, and studying elimination of them altogether.

Jacksonville City Council last week passed a bill reducing the payments that builders must make in the "fair share" program, which applies to new construction in part of the city with over-capacity roads. The amount of savings will vary based on a checklist of criteria, but it could result in knocking down the fair share amount by 60 percent or more.

Ultimately, Jacksonville is on track to eliminate the fair share program in July and replace it with a new "mobility fee" system. The mobility fees would be charged on new construction throughout the city, but the fees would be lower in areas that have compact development that shorten car trips and give other options besides driving.

City officials don't have any projections for how many construction jobs will materialize as a result of builders taking advantage of lower fair share payments.

Even with reduced fees, the construction industry faces other challenges. It's still tough for real estate developers to line up bank financing. The housing market has a glut of homes for sale. Vacant retail and office space has depressed demand for new commercial buildings.

Still, smaller fair share payments could enable some projects to move forward that otherwise wouldn't, said Bill Killingsworth, director of the city's planning and development department.

"My suspicion is that on some projects, it's going to tip the scales and make them viable, and on others, it won't," he said.

Brian Teeple, executive director of the Northeast Florida Regional Council, said moratoriums have gained favor in counties around the state, but they're not making a big difference.

"I just don't think that it does much to move the needle on the construction industry," he said. "The systemic [economic] problems are very large, and it's very hard for any local government to control or manipulate them. Frankly, even at the state level it's very hard to do."

But developers say when they crunch the numbers, the government-imposed fees are often a make-or-break proposition.

Shopping center developer Toney Sleiman said he is holding off on building shopping centers in Jacksonville that would cost about $1 million apiece because the fair share payments for each would be about $400,000, which is a deal-killer.

He said while those are stopped in their tracks, he is moving forward with a plan to build a shopping center in Nassau County, which has a moratorium on impact fees. If Nassau County were charging impact fees, the shopping center off Florida A1A wouldn't be doable, he said.

When his company built a big-box store last year for Academy Sports + Outdoors in Jacksonville, the city originally calculated a $1.3 million fair share payment. He eventually reached agreement for a $437,000 payment, but he said the process meant it took longer to break ground and put people to work.

He said the City Council needs to enact a two-year moratorium for commercial and residential construction. It needs to be a straightforward elimination of fees without requirements that add red tape, he said.

"What we've got to do is a total moratorium - no fees," he said. "Let's create jobs. What the bill should say is that it's a jobs bill."

In two neighboring counties that have moratoriums, the record is mixed.

Clay County has had a moratorium on transportation impact fees since 2009. Before then, Clay County accounted for 11 percent of the building permits pulled in 2008 for new homes in the four-county metropolitan area. By 2010, Clay County's share of those permits had risen to 15 percent.

But in Nassau County, a similar moratorium on impact fees hasn't changed the county's share of the home-building market. Nassau's activity level has stayed at about 6 percent of permits in the past three years. Nassau and Clay county officials have had on-going discussions about whether to end the fees entirely.

St. Johns County hasn't enacted a moratorium on impact fees, but the fees haven't stopped the county's share of single-family building permits from expanding. St. Johns County had 34 percent of the permits issued in 2010, compared to 24 percent in 2008.

Duval County's share of home permits in the four-county area dropped from 58 percent in 2008 to about 45 percent in 2010.

Though St. Johns County hasn't gone the moratorium route, it is doing a study of how its impact fees are calculated for commercial and residential developments. The study shows that impact fees for commercial development could be reduced by as much as 40 percent because updated traffic models show shopping centers, office buildings and other commercial projects have less impact on traffic congestion than previous studies showed.

At the state level, Gov. Rick Scott's transition team has recommended a moratorium of up to two years for impact fees as part of a package of proposals for how the state can reverse Florida's deep job losses. Sleiman, a high-profile backer of Scott's campaign, has pitched his proposal for a moratorium to Scott.

State Rep. Daniel Davis, who introduced the legislation reducing Jacksonville's fair share payments when he was still on City Council, said he thinks the upcoming legislative session will result in an overhaul of programs that have sought to raise money by charging builders. He said that approach has failed to catch up on government's backlog of projects.

"You're not going to be able to do it on the back of new construction," he said. "I think there will be systemic changes."

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