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If cutting Hernando County impact fees created jobs, prove it

By Times Wire

Hernando County commissioners are in denial. Tuesday, they learned their year-old strategy of discounting impact fees had failed to stimulate the local economy, to resurrect building activity or to boost employment. So they voted unanimously to keep the tactic in place for another year, showing the only thing sunsetting on this policy is logic.

Commissioners again received erroneous information from vested interests that neighboring counties had cut or eliminated impact fees altogether. Wrong. Immediately to the south, Pasco County - Hernando's competitor for residential growth along the Suncoast Parkway - has resisted the temptation to lower its fees. Currently, Pasco County's impact fees for single-family homes total more than \$20,000, or 400 percent more than Hernando. And even before the discount, Hernando's commercial and industrial fees were significantly less or comparable to the charges in Citrus County to the north. There simply is no competitive disadvantage to Hernando.

Regardless, commissioners agreed to continue for another year the policy of setting the impact fees at 2001 levels, effectively a 50 percent cut. The impact fees - a one-time charge on new construction to help offset the increased demand in public services attributed to growth - remain at \$4,800 for a single-family home. Most of the cost is targeted for education and transportation, but the fees also cover parks, libraries and other services.

The tactic hasn't worked. Since the commission halved its fees, overall building activity has dropped. During the first 10 months of the discount, the county issued 179 building permits, a 14 percent decline from the 208 permits handed out a year earlier. The outcome was not unexpected. The strategy hasn't been successful elsewhere in Florida and there was no reason to presume Hernando County would be different.

Commissioners pointed to the uptick in housing construction as rationalization for their decision Tuesday. In the first 10 months of the discount, housing permits stood at 137, up from 108 for the same time period a year earlier. However, there was no documentation that the boost was attributed exclusively to the impact fee cuts. No matter. That's 29 homes that wouldn't otherwise be paying real estate taxes, said Commissioner John Druzbeck.

It is not much of a consolation considering the county and school district lost \$104,500 from the reduced impact fees assessed on those 29 homes. All told, impact fee revenue dropped \$2.5 million over the 10 months of the discount compared to a year earlier, a number that is skewed significantly by the slowdown in commercial construction.

But the push for the initial reduction and the subsequent continuation came from the home-building industry. The drastic slowdown there is not tied to a reasonably priced infrastructure surcharge but to a surplus inventory of resale homes, the exodus of investors from the market, high unemployment, tighter credit and an inability of potential buyers to sell their current homes for a reasonable return.

We also must note this tax-conscious commission failed to recognize that allowing new development to skimp on infrastructure charges is nothing more than a cost shift from new residents to existing ones. Instead of cutting a break for home builders and their customers, the commission should consider the wisdom of dumping a future tax burden on residents who have already paid their impact fees.

But, since the commission wanted to continue this misguided idea, it at least should have modeled it after the county's other economic incentives offered to new industry. The county could give a 50 percent rebate of the impact fees after the home builder documented the number of jobs created, the length of employment, the salaries paid and the home addresses for the workers. Such documentation would at least end the haphazard guesses about the productivity of this policy.

If the math tossed around the commission meeting was accurate, the 29 additional permits accounted for 580 jobs in Hernando County. The commission shouldn't be shy about asking for proof.

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