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Cape's impact fee money lower than expected

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Even though Cape Coral officials budgeted for less impact fee money this year, a virtual standstill in residential construction may leave city officials with less than they expected.

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In the fiscal year which closed on Sept. 30, the city collected less in impact fees than it has since 2003. About \$22.1 million was collected, nearly \$16 million less than in fiscal year 2006.

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For the new fiscal year, the city budgeted for just more than \$16.5 million in impact fees. But the amount of construction shows even that may be optimistic.

City financial services director Mark Mason said the city has budgeted based on predictions 1,400 new single family homes will be built this year.

In October, 15 such permits were pulled, while only 12 were pulled in November. Mason said that could cause problems for the city as it moves ahead with projects paid for primarily by impact fees.

But some City Council members say they can make do and that impact fees can never be counted upon.

District 3 Councilman Bill Deile said if growth is declining, there should not be as much need for impact fee revenue.

"If impact fees are done correctly, the money collected is to offset the cost to the community generated by new construction. If we figured that correctly in the past, then when we have less in impact fees, then we have less need for them," he said.

"Now, if the calculation was off, then shame on us in the past for not doing them correctly, and we'll have to live within our budget just like everybody else does."

Impact fees are typically charged when permits for new construction are pulled. The fees are intended to offset the cost to the city generated by the development. Cape Coral also charges impact fees on existing homes connecting to the city water and sewer utilities.

A typical single-family home in Cape Coral built in an area with new utilities would be charged about \$14,194 in various impact fees imposed by the city, school district and county.

The funding, in most cases, is used for new parks, schools and roads.

District 5 Councilman Eric Grill said the council should explore reducing impact fees to stimulate growth, a measure recently taken by Charlotte County commissioners. He figures reducing the cost of building a home may encourage more people to buy.

"It can't be an arbitrary number," he said. "You may have to have some kind of percentage."

Patti Schnell, executive director of the Cape Coral Construction Industry Association, said her group would oppose any increase in fees right now, but would support a decrease.

"If I can go somewhere else and save \$10,000 on a house, I go there," Schnell said. "It is almost \$15,000 in impact fees to build a house in Cape Coral if it is on water and sewer, and that doesn't even begin to talk about commercial."

Commercial development is subject to different impact fee rates, depending on the type and size of the business.

If Cape Coral does lower impact fees, it needs to make sure that information is well known throughout the market, Schnell said.

But some on council are not sure changing impact fees is the right approach. "If construction is down, then there should be less need for impact fees," said District 2 Councilman Pete Brandt.

Mason said he has not seen evidence that impact fee rates have any impact on the rate of development.

"It has never been proven impact fees restrict growth," he said. "We had impact fees during the height of our growth period from 2003 through 2006."

Deile noted that Cape Coral's impact fees are lower than other Lee County cities. He believes that in itself should provide some attraction for developers.

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