

**03/25/09**

**Impact fee policy should look forward**

*OUR POSITION: Impact fee policy is a head-scratcher.*

We're having trouble understanding our local politicians. While we agree on many preferred outcomes and the policies we believe will help produce those outcomes, we just can't fathom the logic behind one policy all local governments seem to agree on: lowering impact fees.

Let's put our Mr. Spock hats on and look at this in a logical way.

Problem: Counties, cities and schools are bothered by the state micromanaging their budgets and reducing the amount of money available to them.

Solution: Lower tax revenue even further by reducing impact fees.

If you needed more money to fund your household, the solution wouldn't be to eliminate a source of income, would it?

Problem: We want our year-round residents to pay lower taxes.

Solution: Reduce impact fees so that new residents pay less money and year-round residents must help pay for the cost of growth.

You can move the shells around to make a "growth pays" argument, but the fact is roads and other infrastructure required to serve new residents is subsidized by existing residents.

Problem: We were too dependent on home building for our economy and are now paying the price.

Solution: Instead of spending taxpayer dollars to diversify the economy use them to encourage more residential home building by lowering impact fees.

Assuming such a policy works; history tells us it doesn't.

Problem: Too many homes are on the market at cheap prices.

Solution: Lower impact fees to encourage builders to build more homes.

The only thing that should encourage that is higher demand, not price subsidies.

Problem: Builders cannot sell new homes at \$100 a foot as long as similar resale homes are sold for \$50 a foot.

Solution: Lower impact fees, which reduces the cost of a new home two or three percent but does nothing to solve low resale prices.

What actually makes the most sense is to increase the impact fees. That stops new inventory from being added and allows the backlog to clear. If you are building a \$400,000 home the difference is not meaningful, so those homes will get built regardless but the small homes will not. We're not advocating an increase in fees, but simply a return to fees local government determined were needed to provide the infrastructure growth demands.

The current policy -- if it produced the desired result, which is dubious at best -- would serve only to replicate the residential boom-bust model that has ill-served our communities. But even if local governments want home building to reemerge as our major industry, a key strategy is missing: investment.

Cities, counties and school boards should borrow money and fast forward projects, rather than continue to cut costs. The city of Punta Gorda and the Sarasota School Board are doing just that. Others should follow suit.

As officials shape their 2009-2010 budgets, it makes sense for them to hold total taxes received the same even if it means a tax increase on some property owners. Tossing more workers into the unemployment line, will increase foreclosures and distressed sales and reduce housing demand.

Investing in our future will provide a better return on our tax dollars than an ill-advised, though politically popular, impact fee cut.

Problem: Too many homes are on the market at cheap prices.

Solution: Lower impact fees to encourage builders to build more homes.

The only thing that should encourage that is higher demand, not price subsidies.

Problem: Builders cannot sell new homes at \$100 a foot as long as similar resale homes are sold for \$50 a foot.

Solution: Lower impact fees, which reduces the cost of a new home two or three percent but does nothing to solve low resale prices.

What actually makes the most sense is to increase the impact fees. That stops new inventory from being added and allows the backlog to clear. If you are building a \$400,000 home the difference is not meaningful, so those homes will get built regardless but the small homes will not. We're not advocating an increase in fees, but simply a return to fees local government determined were needed to provide the infrastructure growth demands.

The current policy -- if it produced the desired result, which is dubious at best -- would serve only to replicate the residential boom-bust model that has ill-served our communities. But even if local governments want home building to reemerge as our major industry, a key strategy is missing: investment.

Cities, counties and school boards should borrow money and fast forward projects, rather than continue to cut costs. The city of Punta Gorda and the Sarasota School Board are doing just that. Others should follow suit.

As officials shape their 2009-2010 budgets, it makes sense for them to hold total taxes received the same even if it means a tax increase on some property owners. Tossing more workers into the unemployment line, will increase foreclosures and distressed sales and reduce housing demand.

Investing in our future will provide a better return on our tax dollars than an ill-advised, though politically popular, impact fee cut.