# Sarah Heard: Impact-fee calculations need to be forward-looking

By Sarah Heard, guest columnist

Tuesday, January 29, 2008

Most local governments and school districts in Florida collect impact fees on all new construction. These fees help to offset the impacts of new residents on schools, roads, emergency services, law enforcement and many other services and facilities.

The notion that new development must pay for itself isn't merely a good idea in Martin County. It's the law. So, as we emerge from one of the biggest building booms in history, our impact fee treasury should be bursting. Unfortunately, it is not. In fact, while this boom was occurring, our impact fee collections were so deficient that a majority of the County Commission approved long-term (20-year) bonding and borrowing to come up with the funding to build necessary projects.

Future impact fees are pledged to pay off the debts. Now we're in a predictable pickle. Housing starts have plummeted. Actual impact fee receipts in 2007 were half those collected in 2005. This year will likely be worse. But we still have those fresh, long-term debts to pay off. And we still have the obligations to provide necessary infrastructure and services.

What went wrong?

The thrill of that throttled-up market with its record profits made the development/building industries powerful and persuasive. When realists pointed to the exploding gap between revenues collected for building new roads and the actual costs of building new roads, they were shown the door.

When James Nicholas, our impact fee consultant, examined the skyrocketing costs of labor and materials in that amped-up market, he recommended that our commission increase impact fees and consider adoption of a more realistic methodology to calculate the true costs of development impacts. The building and development forces lobbied hard in opposition to those increases. The board majority acquiesced.

The methodology for determining the proper collection of impact fees is clearly not working here in Martin County.

We have used the consumption methodology, which looks backward at completed projects and presumes from those a per-unit cost for future units. The extraordinary run-up on costs of construction materials following the hurricanes and the building boom made this methodology flawed.

We should have quickly reacted by adopting the improvements methodology for calculating impact fees. This methodology looks forward, calculating costs from our capital improvement plan's projections, which are updated annually in real time with real market costs. Hence, this methodology is far more accurate. It allows us to accurately assess impact fees. It raises impact fees. Again, the development community rallied in opposition. And, our majority board again agreed with them.

Nicholas has again reviewed our impact fees and those of the School District. He again recommended substantial increases and serious consideration of the adoption of the improvements methodology, which more accurately allows us to collect impact fees that approximate true costs. In my view it is imperative that we enforce our law that requires new development to pay for itself. We should adopt the improvements methodology. It is fair, and it is court-tested.

Make no mistake, if we fail to make the necessary changes to uphold this law, we will be forced to lower our levels of service standards and endure more crowded roads and schools and diminished park and emergency services. Or, if that is intolerable to us, our existing residents will be forced to pay for the infrastructure our new developments necessitate.

*Heard is a Martin County commissioner.*

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