

Impact Fee Reform



Our local development is one that we can boil down to both the cost and how to impact fee implementation. One would believe that when we increase impact fees, that development will decrease. In Osceola County, Florida, this is not the case. Osceola County currently has one of the highest impact fees within the state. Nevertheless, we see development continue at a rapid pace. The continued growth is because of how impact fees are collected and

the impact fee's actual impact. Not only has impact fees not slowed growth, but it has also created unfair building practices, increased our taxes, and even hurt the poorest among us.

Lets us start with how these fees have created an unfair environment for those wishing to build. Should a single individual wish to buy land and build a home or commercial property, they pay the fee in its entirety. Large developers, on the other hand, can use many tools to avoid these costs. If the price is unavoidable, the developer will pass the development cost on to the consumer, whether it be a homeowner or business seeking to lease property. We have to consider that developers have the advantage of many legal professionals that can find loop wholes or manners to avoid fees while an individual does not have these tools at their disposal. We find that this is why we see many empty lots on prime real estate within many communities that have been empty for years.

Osceola Commission and the Public Discuss an increase in School Impact Fees

-Chip Tatum



Many believe that impact fees slow down growth. Logically it makes sense. Should a builder want to build, they would not build where it was so expensive. However, studies have shown that the opposite is true. Rather the fee enables growth in areas where infrastructure constraints would typically not allow the growth from happening. ***(Been, Impact***

Fees and Housing Affordability 2005) The fee allows builders the incentive to build in more rural areas as the infrastructure would then be put in place to allow for the development. Many developers receive credits that, in turn, decrease the fee for building much of the infrastructure that only advantages them. Individuals who wish to build are rarely able to negotiate these kinds of credits. They are aware that if they would like to build their home on a dirt road miles away from civilization, they would be responsible for the added cost of living in a rural area.

Many of these same communities also enter their commission or council chambers screaming of overdevelopment. *(Press, Mormon church's development plans in Central Florida stir controversy 2015)* While decrying the travesty of urban sprawl and rapid growth, they, with the same breath, demand the same solution that has lead to this, more impact fees. They do not understand that developers can circumvent these same fees and continue to develop. However, these fees hinder construction; current residents' would like to see individual homes on larger land parcels. Developers will squeeze in more homes on a smaller acreage to be profitable. However, the individual will see themselves as dependent on the developer if they want to reach their goal of being a homeowner.

An issue that many can agree with is that most of the population does not like taxes, at least unjustified taxes. As mentioned, impact fees open up the possibility of allowing for development in areas where there is little or no infrastructure to support the development. What this creates is the added cost of yearly maintenance for roads, sidewalks, and street lights. There is also the added cost of policing and fire departments. The issue was stated correctly by current Commissioner-elect for Osceola County, Ricky Booth," property values do not generate nearly enough income for the county to deal with problems brought on by its booming population." *(Editorial Board, Endorsement: Neither candidate in District 5 is ready to tackle*

Osceola County's big issue — affordable housing 2020) The issue spans from the homes built not reaching the value needed to suffice for the cost required in public service. Again, a problem created by impact fees incentivizing too much urban sprawl into areas too far for services to reach naturally.



Impact fees also affect those seeking low-income or affordable housing. As we have seen, impact fees have halted the redevelopment of many dilapidated hotels and motels within the 192 corridors that would meet the community's need (Kinsler, *Developer takes Osceola Schools to court over impact fees 2020*). It would be far closer to the lodging and entertainment businesses that

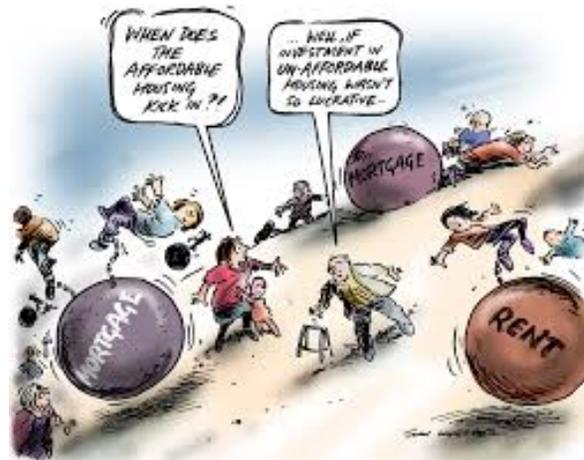
many of these individuals work. These impact fees are for the impact these apartments would have on our county's local school systems. This reasoning is highly flawed, though, as many of those same hotels and motels currently house hundreds of students whose parents cannot afford the deposit of entering into a contract for a traditional apartment.

What is the solution to this problem that will help individuals obtain their dream home and residents' slow growth? It may seem backward, but the answer is the elimination of impact fees for individuals, or at the very least, a drastic decrease for an individual.

Depending on the route a county or city decided to take could have drastic effects. It is never recommended to do away with something immediately. Doing so could have severe economic implications. If the route chosen is to do away with all impact fees. We must do so over time, reducing the rate incrementally over several years. This option would place developers and individuals on equal footing. Developers would then be forced to provide better homes with

larger lots as the individual would now have the opportunity to seek land and build on their own without the need for a third party. If the second option of merely reducing or eliminating an individual's cost while maintaining the developer's cost is chosen, we would possibly see the same effect. However, we would see the unfair treatment of smaller developers who find themselves in the same position as individuals, unable to compete against larger developers.

Either option would drastically decrease development as individuals would seek individual parcels in already developed areas to build their own homes. Developers would no longer see advantages that would incentivize them to develop hundreds of homes within a small land parcel. Homeowners building their



homes could also have the effect of allowing for tax revenue to increase without the increase in cost. As homes would be built in already populated areas rather than empty land, the intrinsic cost of infrastructure would already exist. Unlike new development, the yearly maintenance cost would be added to the county or city's annual budget without the needed tax revenue.

Without the burden of costly impact fees, we could see much of the 192 corridor be rejuvenated not only with working individuals but with new shops, restaurants, and experiences that those same individuals would frequent on their daily commutes and outside of work hours. **(Kinsler, T2 Capital doubles down on Kissimmee hotel conversions with latest acquisition 2020)** If not in this specific area, the removal of impact fees would help lower-income individuals enter the housing market elsewhere. Considering those impact fees are a regressive charge that specifically affects the poor the most. **(Millsap, Staley, &**

Nastasi, *Assessing the Effects of Local Impact Fees and Land-use Regulations on Workforce Housing in Florida 2019*) Studies and common sense would show us that lower-income families purchase smaller homes due to the restrictions on income, credit, and other variables. However, impact fees do not take any of this into account. Specifically, in Osceola County, the fees are charged for the type of home regardless of size or accommodations. The fee structure means that a home listed as "Single Family" would pay a specific price regardless of it being a two-bedroom or a six-bedroom. In turn, affecting those who are less able to afford a large home far more than those who can. A struggling couple purchasing a small single-family home would pay just as much as a mega wealth person purchasing a much larger home. Other solutions would be basing the fee on square footage or the number of rooms. These solutions do not resolve many of the other issues mentioned here.

Overall impact fees lead to further growth, the unfair cost to individuals, and even impact low-income housing needed within Osceola County. However, there still is a solution. Though it may seem unconventional, it has the possibility of working. Let us allow individuals to receive relief from the burdensome fees to spark productive growth, allowing common sense revenue and expenditures. Let us also give families on the lower end of the economic scale the opportunity to see a brighter future.

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