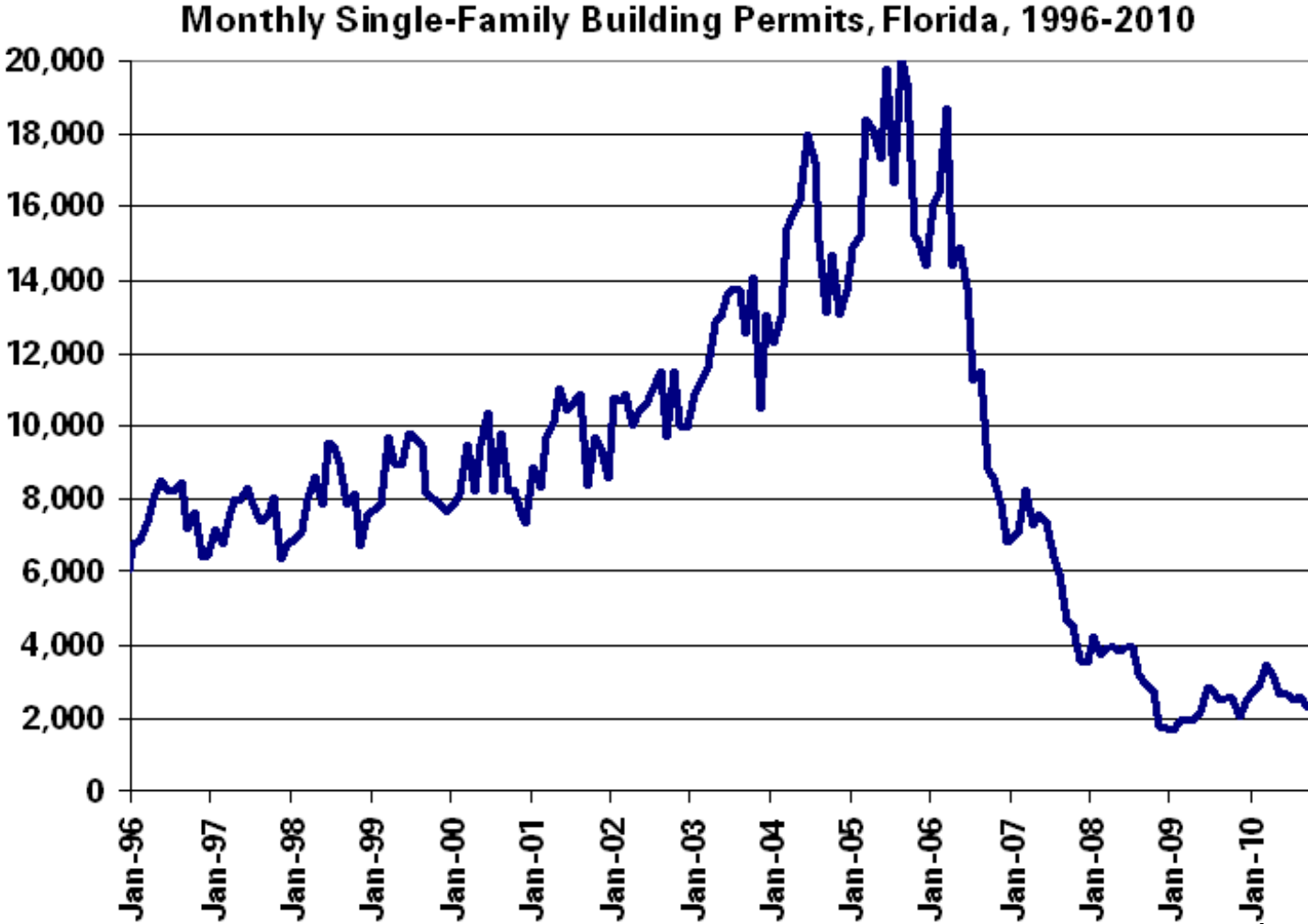

Do Fee Reductions Stimulate Growth? Evidence from Florida

2010 Growth & Infrastructure Consortium, Tampa, FL

Clancy Mullen

Dr. James C. Nicholas

Collapse of Housing Bubble



Political Pressure to Reduce Fees

- Developers more aggressive
 - Desperation: few projects still in process can't compete with falling prices of existing homes, trying to cut all costs possible
- Opposition to growth weakened
 - Taxes on existing residents no longer going up because of unbridled growth; collapse of housing bubble has created more visible problems

Arguments for Fee Reductions

- Need to be competitive to attract development
 - Developers & businesses will go where fees are lowest
- New housing can't compete with existing housing
- Might stimulate construction and create jobs
 - What have we got to lose? (revenue low)
 - If we don't try it, we won't know
 - Worth it if it creates even one job
- If it doesn't appear to have worked...
 - We don't know how much worse it would have been
 - We will be positioned for the recovery

Arguments Against Fee Reductions

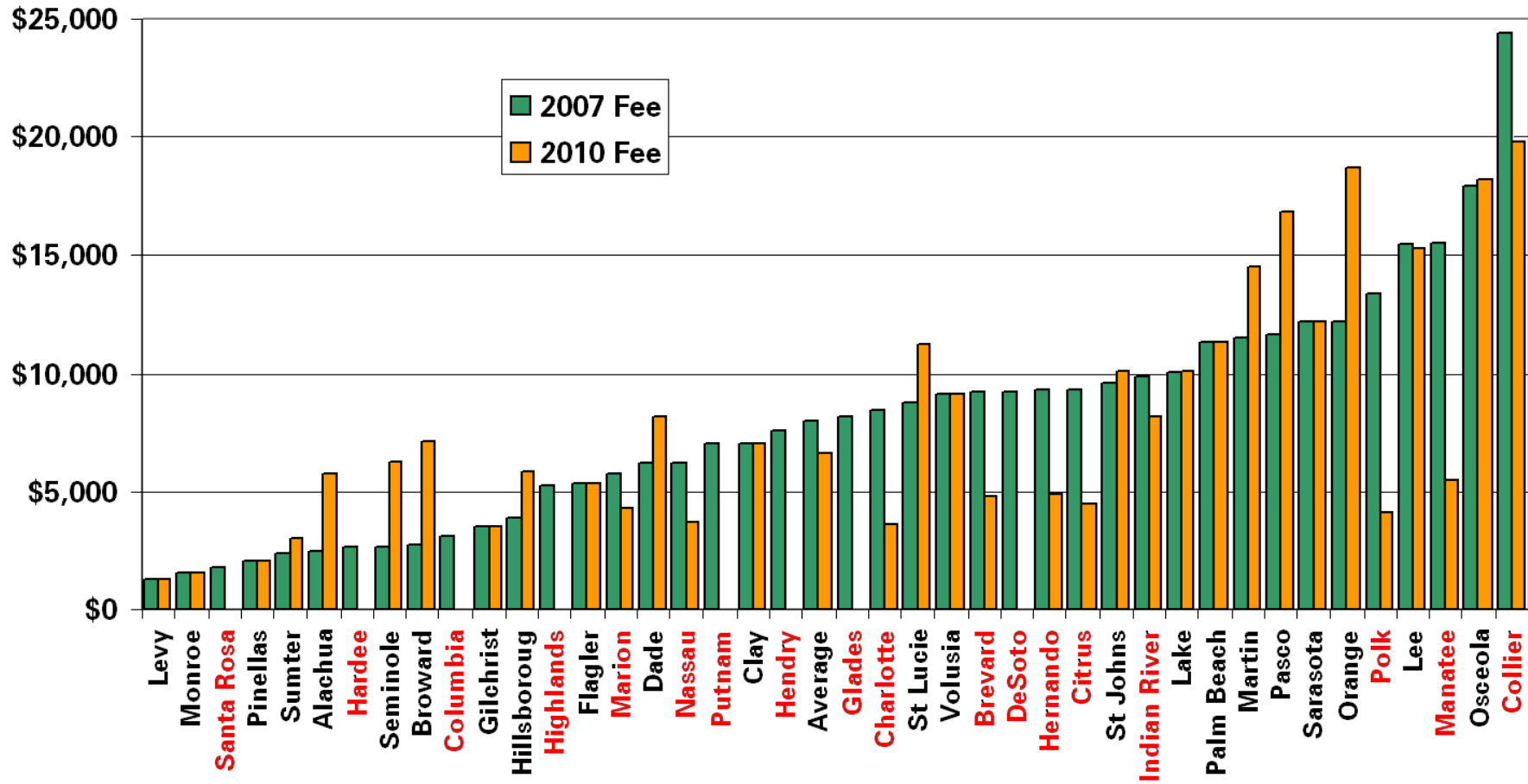
- Impact fees have never been shown to deter growth
 - Development follows market opportunity, not lowest cost
 - National chains not deterred by fees; “mom & pop” stores rent
 - Industries want good transportation, labor force, low operating costs
- Impact fees are visible, but not only development costs
 - Developers will continue to make road and other improvements
- If it does work, it will only make things worse
 - Increase housing oversupply; depress housing prices
- Reducing/suspending impact fees will create inequities
 - Builders who have paid fees competing with builders who did not
- Funding for growth-related improvements will shrink

So Who is Winning the Argument?

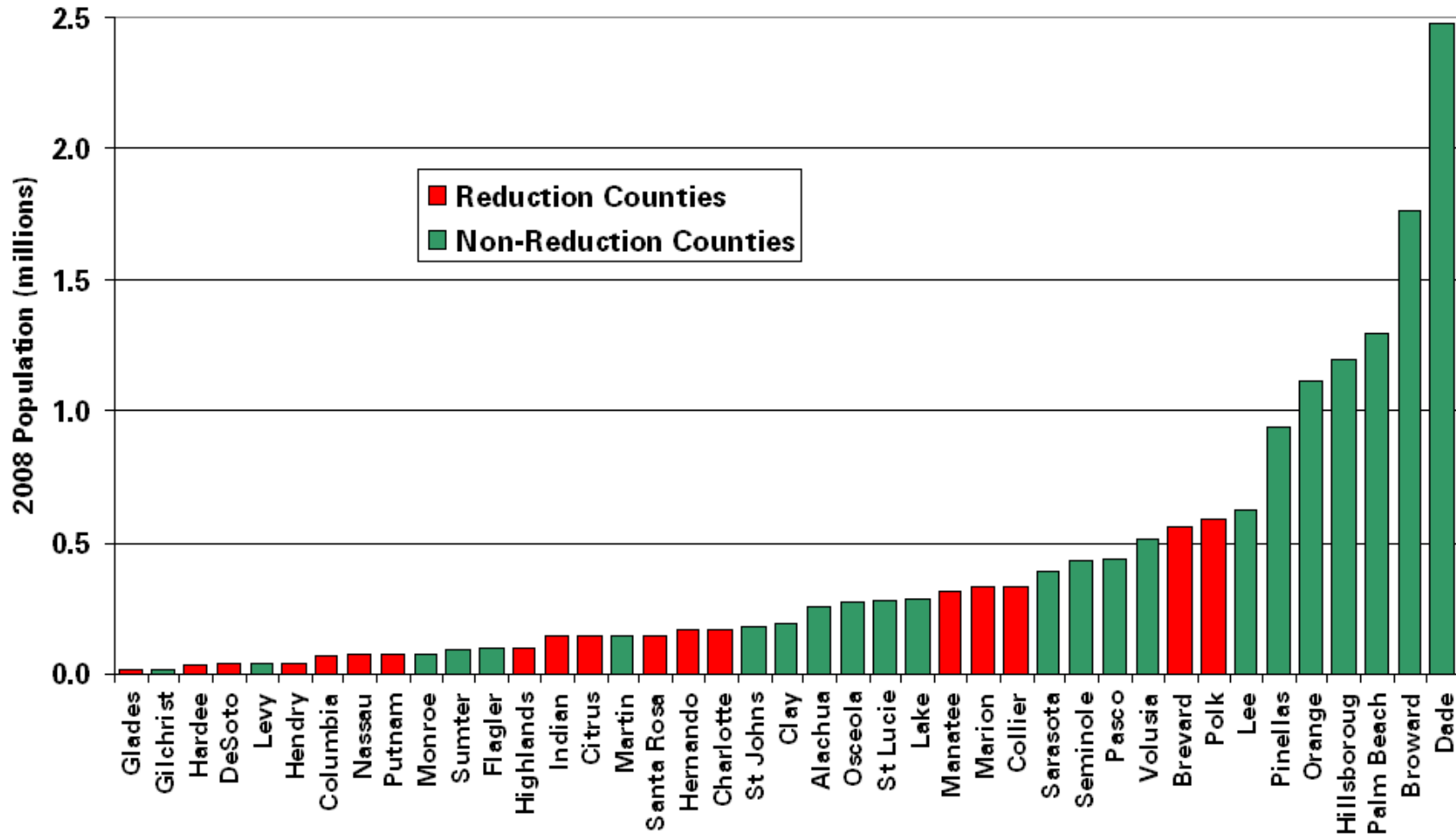
FL County Fee Reductions/Suspensions

- Brevard Co. – suspended road fees for 2 years, March 2009
- Charlotte Co. – rollback fees 2/3 eff. January 2008
- Citrus Co. – reduced road fees 50% Jan. 2009; suspended April 2010
- Clay Co. – adopted/suspended road fees for 2 years, eff. January 2009
- Collier Co. – road & park fees reduced; school fees halved, Oct. 2010
- Columbia Co. – fees adopted Feb. 2008; suspended Jan. 2009
- DeSoto Co. – all fees suspended 2 years, January 2008
- Glades Co. – all fees suspended, Nov. 2008
- Hendry Co. – all fees suspended, Sept. 2008
- Hernando Co. – fees rolled back to 2001 levels, Dec. 2009
- Highlands Co. – all fees suspended, July 2009
- Indian River Co. – suspended some fees, March 2009
- Lake Co. – road fees suspended March 2010
- Manatee Co. – road fees halved, school fees suspended, Jan. 2009
- Marion Co. – road fees suspended, January 2010
- Martin Co – all fees suspended except roads & schools, July 2009-Oct. 2010
- Nassua Co. – all fees suspended except schools, July 2008
- Polk Co. – cut all fees but schools 50%, April 2009
- Putnam Co. – all fees suspended, March 2009
- Santa Rosa Co. – suspended road fees, Feb. 2009
- Wakulla Co. – suspended fees Sept. 2008 – reinstated March 2010

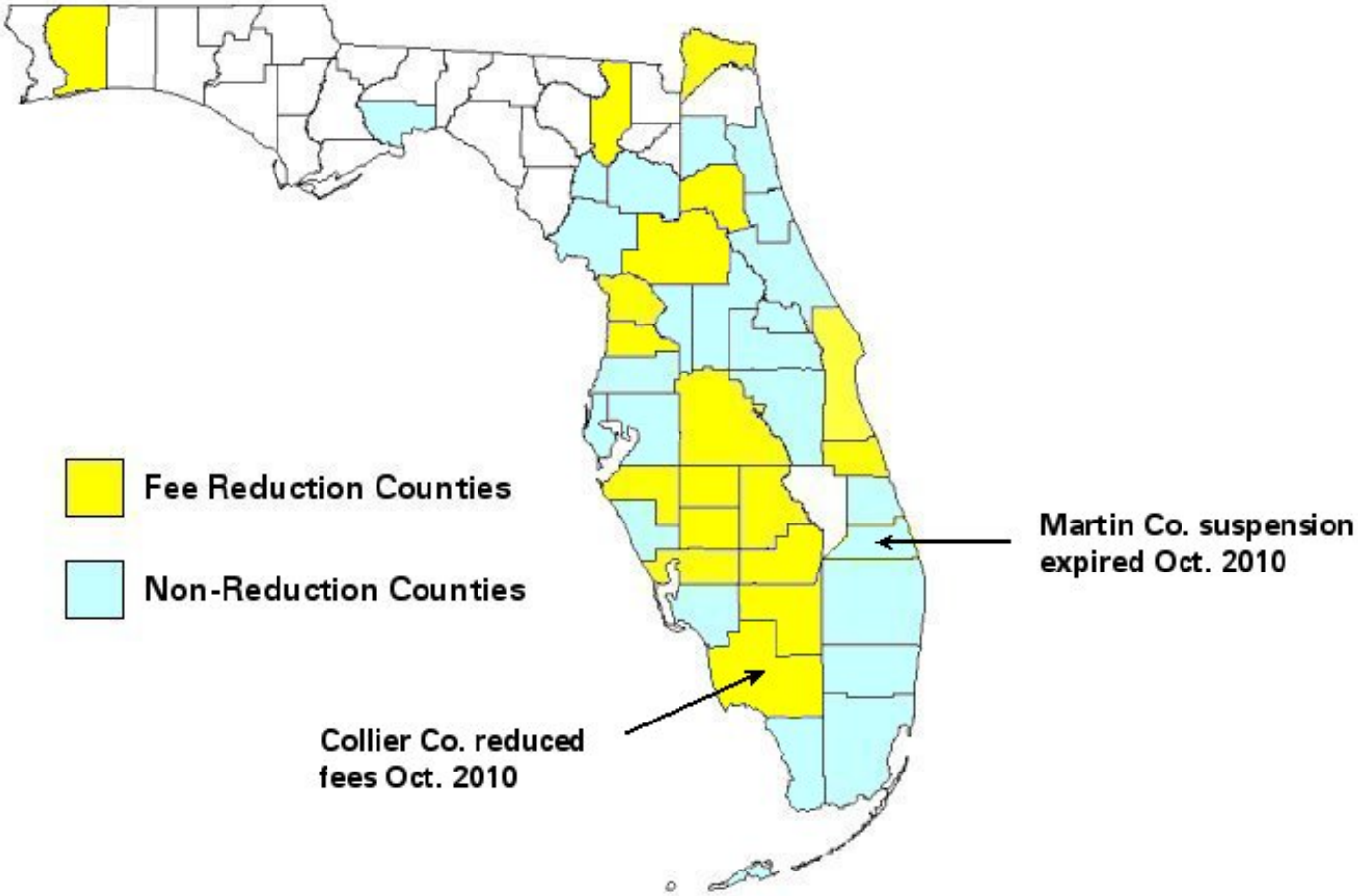
FL County Fee Reductions/Suspensions



FL County Fee Reductions/Suspensions



FL County Fee Reductions/Suspensions



Based on 2007-2010 Change in Fees

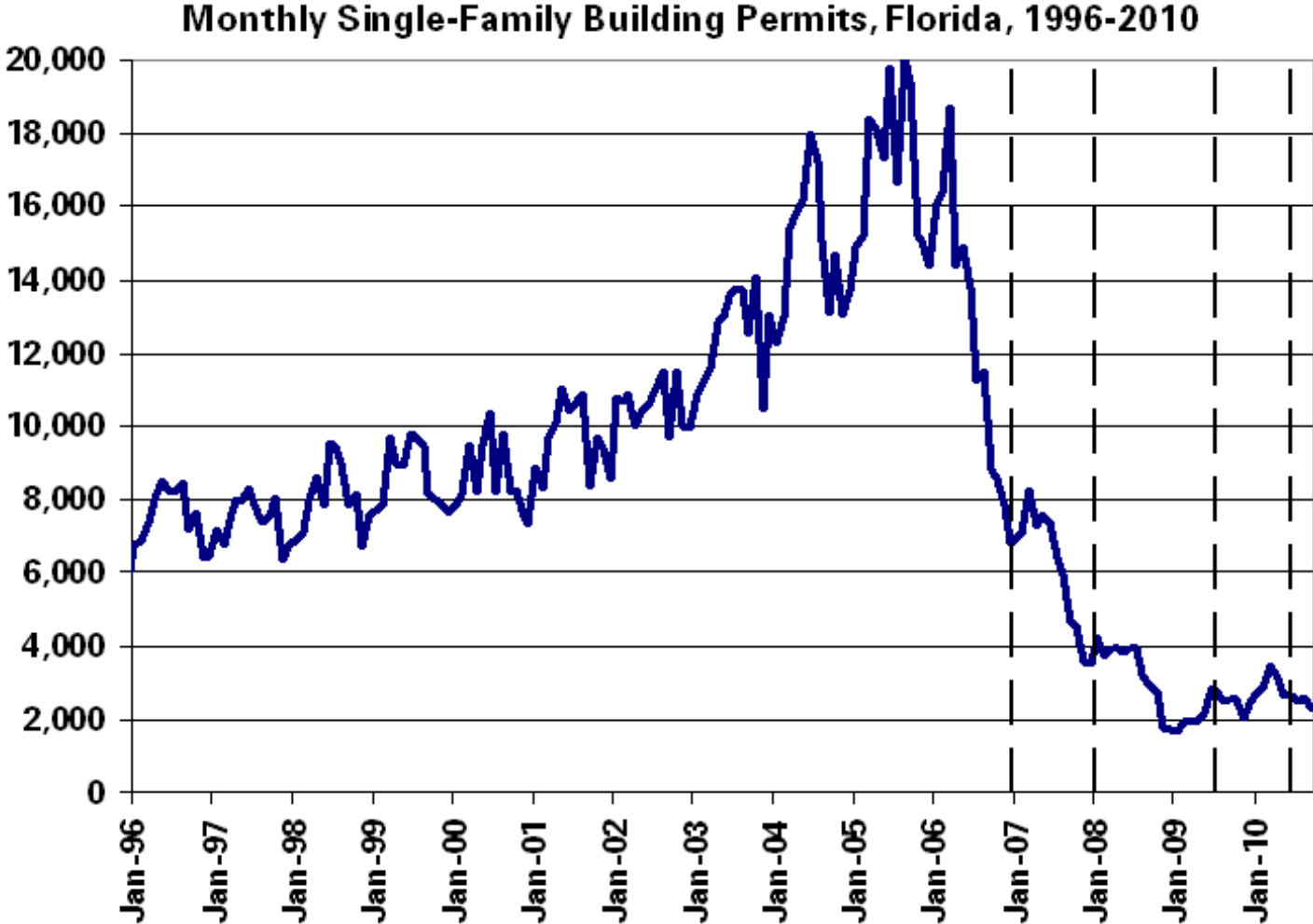
Research Design

- Time periods
 - Fee-reduction period: 19 months (Jan. 2008-July 2009) during which a number of counties reduced their fees
 - Year before fee-reduction period: 2007 calendar year
 - Year after fee-reduction period: Aug. 2009-July 2010

- Change in single-family fees
 - Total non-utility fees (water/wastewater excluded)

- Percent change in single-family permits

State-Wide Context



Sample Selection

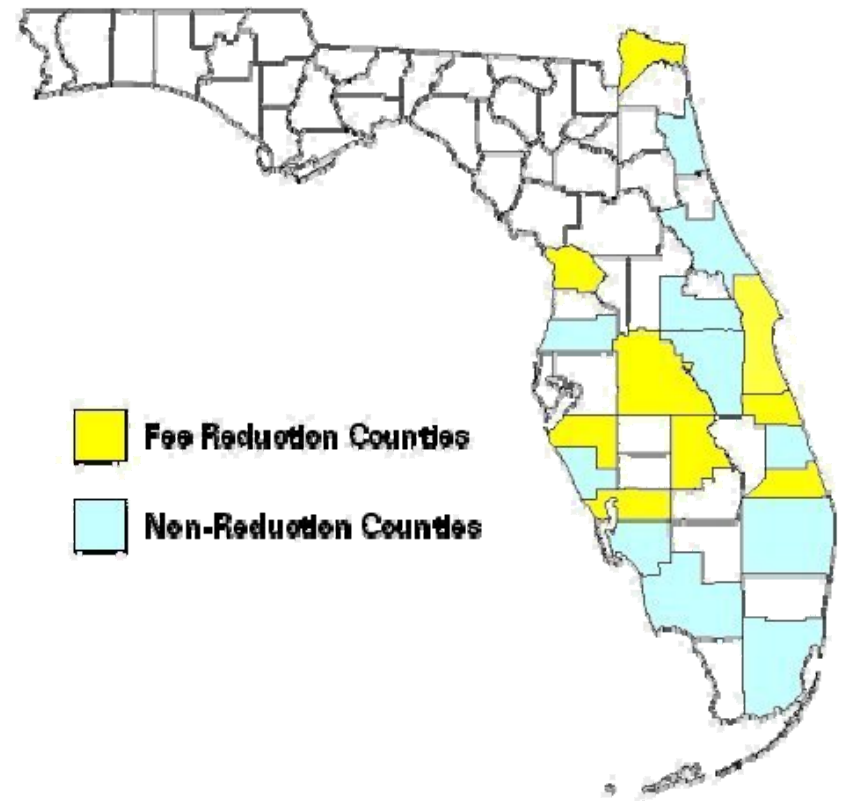
- Starting point
 - 42 counties that charged fees in 2007

- Exclusions
 - 2 counties that adopted and suspended fees during the period
 - 1 county that reduced fees, then increased them
 - 3 counties that reduced fees after the period
 - 8 counties with relatively low fees in 2007
 - 6 slow-growth counties
 - 2 counties for which building permits were not available

Sample Counties

- 9 fee reduction counties
 - Brevard, Charlotte, Citrus, Highlands, Indian River, Manatee, Martin, Nassau, Polk

- 11 non-reduction counties
 - Collier, Lee, Miami-Dade, Orange, Osceola, Palm Beach, Pasco, Sarasota, St. Johns, St. Lucie, Volusia

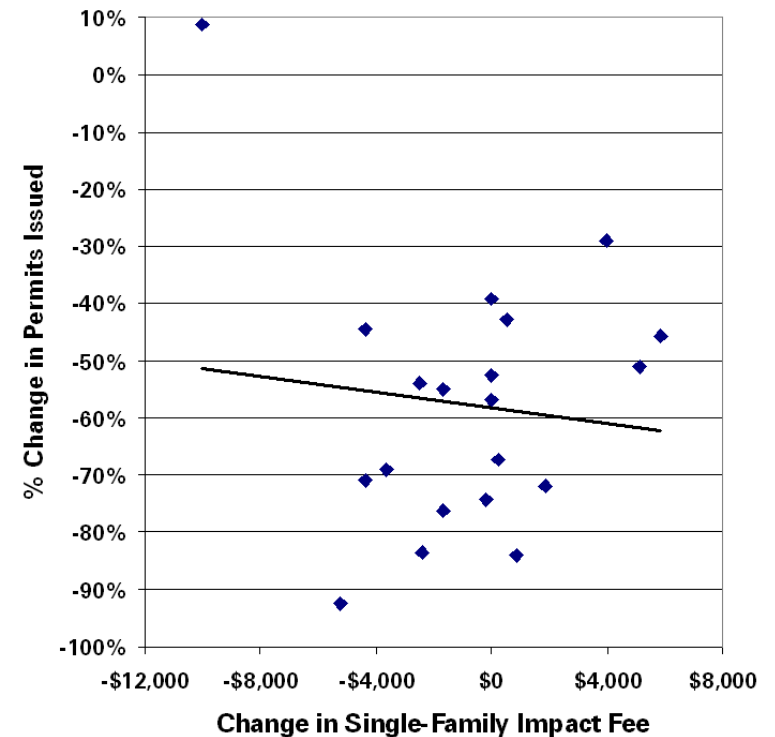


Sample County Characteristics

- Population size and growth
 - Fee reduction counties tend to be smaller (average 2008 population of 247,000 vs. 742,000)
 - Both types of counties grew about 20% from 2000-2008
- Single-family fees
 - All sample counties charged at least \$6,000 in 2007
 - Fee reduction counties tended to have lower fees in 2007 (average of \$9,849 vs. \$12,631)
 - Fee reduction counties reduced fees an average of \$4,000
- Single-family permits
 - Permits declined more in reduction counties (60% vs 56%)

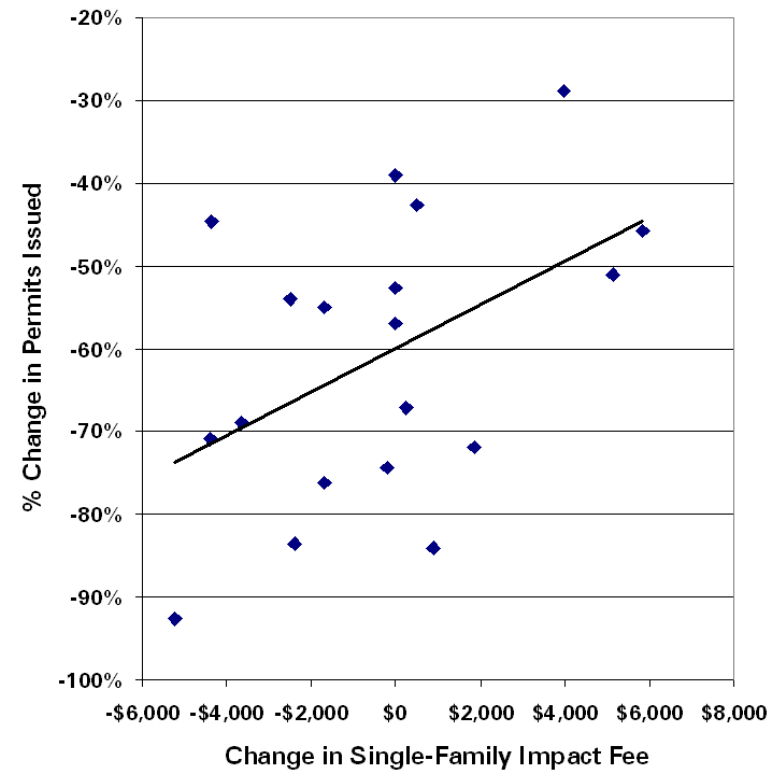
Initial regression analysis

- Not statistically significant
 - Slope of line in expected direction (bigger fee reduction = lower decline in permits)
 - Explains only 1% of variation
 - 64% chance of random result
 - Manatee County is a major outlier distorting the relationship



Excluding Manatee County

- Statistically significant
 - Slope of line in opposite direction (bigger fee reduction = greater decline in permits)
 - Explains 22% of variation
 - 4% chance of random result
- Conclusion
 - No correlation between reducing fees and issuing more permits



But What's with Manatee?

