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I. Background

What is an Impact Fee – An impact fee is a one-time charge to developers to pay for infrastructure costs that can be linked to new development. They serve a similar purpose to Pigouvian Taxes, having developers internalize the infrastructure costs caused by their development.

Context – There have been a number of impact fee increases across local governments that some have labelled as drastic and excessive. These counties and municipalities have cited ‘extraordinary circumstances’ as a reason for these increases. Developers have been forced to abandon some of their developments due to financial infeasibility with no other option to finish the projects.

Research Question – What is driving the drastic increase in impact fees across the local governments in Florida and what effect will it have on the enacting community’s real estate development?



II. Methodology

Pre-Post Comparison (Interrupted Time Series) – Establish baseline changes

- Track permitting trend over a continuous period to see if the trendline significantly shifts or changes slope exactly when new impact fee is implemented.
- Serves as a before and after test

Difference-in-Differences Estimation

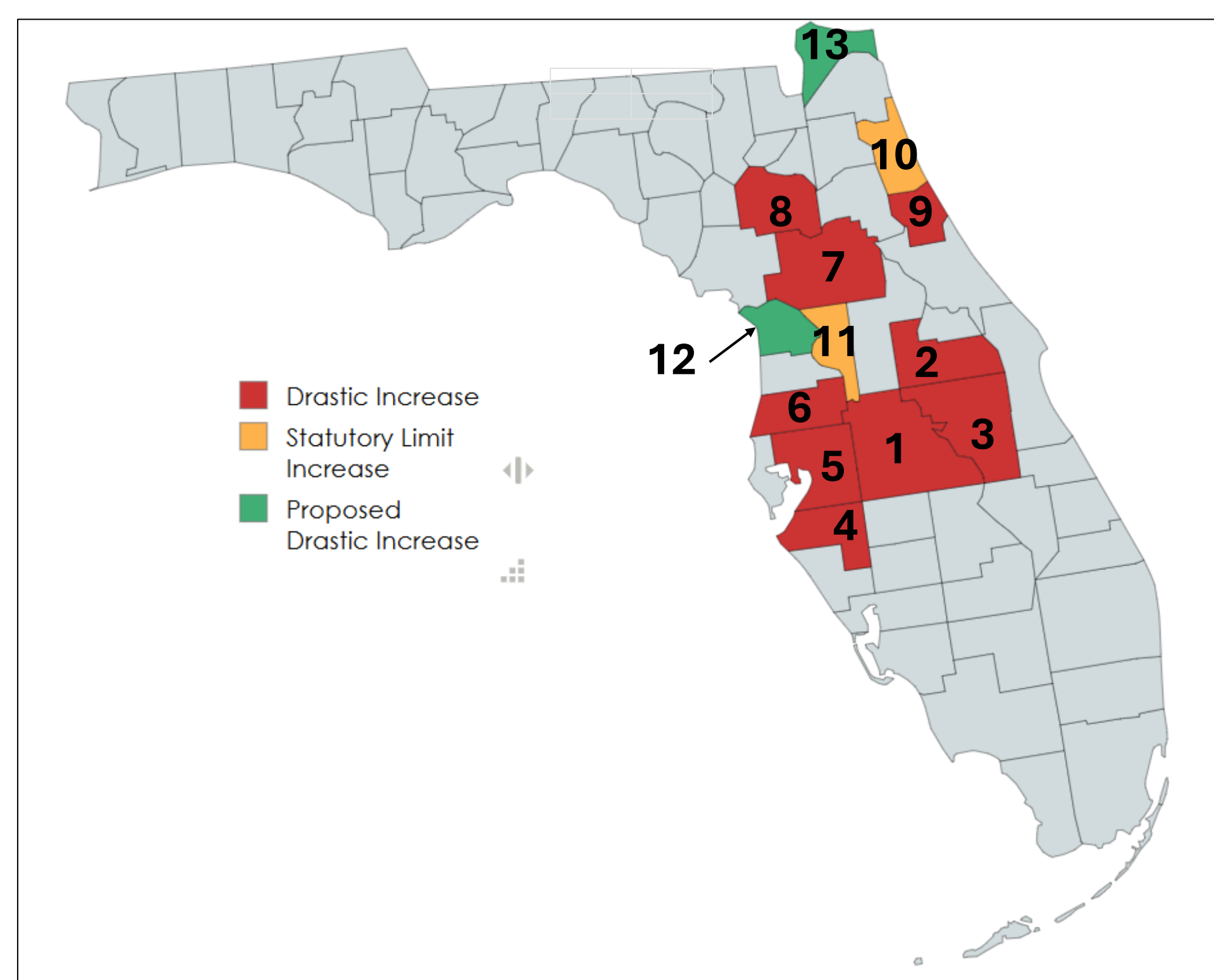
- Calculate the difference in permitting volume before and after the fee increase for enacting governments (treatment) and subtract the difference in permitting volume over same period for surrounding governments with more normal increases (control)
- Directly answers if the change is systematic or specific to the municipality

Correlation Analysis

- Analyze if total municipal revenue fell despite the fee increase due to development drop-off
- Shows the revenue impact of increased fees
- Can also be used to show development drop off
 - Revenue = Development x Fee; so, in theory, if revenue doesn’t increase in proportion to fee that must mean development dropped.

Limitations

This methodology acknowledges potential limitations, including the “rush to permit” phenomenon. This study will attempt to smooth this anomaly by using averages rather than raw totals whenever possible. It will also take the change in the Florida Building Code into account, as it could also hold this same phenomenon.



1	Polk County
2	Orang County
3	Osceola County
4	Manatee County
5	Hillsborough County
6	Pasco County
7	Marion County
8	Alachua County
9	Flagler County
10	St. Johns County
11	Sumter County
12	Citrus County
13	Nassau County

III. Anticipated Results

What is Driving the Increases?

- Construction Cost Inflation on Public Infrastructure
- Outdated Fee Structures
- Florida Impact Fee Act 2021 Amendment New Requirements
- Shift to Plan-Based Methodologies
- Post-pandemic Population Growth

Impact on Development

- Decrease in overall development
- Shift in development trend to less impacted areas
- Increase in development in surrounding areas without increased fees

IV. Discussion

The Cost of Catching Up – how many of these extraordinary circumstances are the result of local governments failing to update their fees

The Pass-Through Reality – how much of the increase in impact fees are getting passed onto consumers

Regressive Impact Fees – how will a massive flat fee increase effect affordable development

The Lag Effect – how many Certificate of Occupancy’s will be given after the impact fee increases? Building permits do not guarantee a completed building, just a speculative one. CO’s are a lagging indicator to the effect of the increases.

Sources

