

Hidden fees driving up home prices

BY DAVID LYONS SOUTH FLORIDA SUN SENTINEL

Out-of-state buyers might be igniting home prices in South Florida, but developers say local government fees are adding fuel to the fire.

In some cases, the fees — known as impact fees — are tacking \$90,000 onto the price of newly constructed house, according to the Gold Coast Builders Association.

The fees help pay for schools, roads, and water and sewer systems needed in new developments. But the builders group, covering Broward and Palm Beach counties, says many of the fees charged by local governments are too high and inconsistently applied.

“Unfortunately, since the onset of the pandemic, counties, cities, school districts and other taxing agencies have been excessively increasing impact fees, driving up construction costs,” the association said.

Ken Johnson, a Florida Atlantic University real estate economist, said Florida has some of the highest impact fees in the nation. The fees, coupled with rising costs for materials, land and labor, are making it unprofitable to build homes that sell in the \$300,000 range.

“The homebuilders are right,” Johnson said. “Impact fees are probably one of the major contributing factors to our inability to deliver workforce housing. With impact fees the way they are, there are very few incentives to develop in those price ranges.”

Home prices this summer have reached historically high levels in South Florida, according to new Realtor data. The median sales price in July stood at \$500,000 in Palm Beach County, \$495,000 in Broward County and \$515,000 in Miami-Dade.

Johnson asserted that Impact fees “have become a hidden tax. It’s hurting our ability to deliver housing inventory.”

KT Catlin, the association’s executive officer, said some builders have walked away from projects after concluding that fees made

prospective developments too expensive for them to build and still make a profit.

“By the time you layer in all of the regulatory fees imposed in that area, you might not be able to build for what the individuals living in the area can afford,” Catlin said.

State law curbs fees

The concerns come nearly three months after Gov. Ron DeSantis signed a bill into law that bars local governments from increasing fees more than once every four years and limits those increases to 50%.

Any increases between 25% and 50% have to be spread over the four-year period. Smaller increases will be phased in over two years. The law also retroactively limits increases that were implemented since Jan. 1.

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Local governments seeking to exceed the fee caps need to conduct a study outlining “the extraordinary circumstances” for the increase.
BY DAVID LYONS FOR THE PALM BEACH COUNTY SUN SENTINEL

The bill was opposed by the 1,000 Friends of Florida, a nonprofit growth management organization. After the bill’s signing, the group predicted existing residents would bear the brunt of costs tied to new development through higher taxes.

In some cases, the fees — known as impact fees — are tacking \$90,000 onto the price of newly constructed houses, according to the Gold Coast Builders Association. She was surprised by the association’s outreach effort now that bill has become law.

The fees help pay for schools, roads, and water and sewer systems needed in new developments. But the builders group, covering Broward and Palm Beach counties, says many of the fees charged by local governments are too high and inconsistently applied. “This is stunning,” she said. “They got everything they wanted.”
“I’m not sure what the expectation is in terms of paying for growth,” West added. “If that is a cost to be shifted exclusively onto the taxpayers that’s what we’re going to be looking at. Unfortunately, since the onset of the pandemic, cities, school districts and other taxing agencies have been excessively increasing impact fees, driving up construction costs,” the association said.

The law came about after Hillsborough County almost doubled its fees in one year, said David Cobb, a Fort Myers-based analyst for Zonda, a real estate consulting and research firm. Ren Johnson, a Florida Atlantic University real estate economist, said Florida has some of the highest impact fees in the nation. The fees, coupled with rising costs for materials, land and labor, are making it unprofitable to build homes that sell in the \$300,000 range.

“That sends a shock wave through the industry,” he said. “It’s really the consumer who pays for these.” Johnson said. “Impact fees are probably one of the major contributing factors to our inability to deliver workforce housing. With impact fees the way they are, there are very few incentives to develop in those price ranges.”

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There is a certain logic to impact fees if you’re building out in the suburbs and you’re going to need police and fire and schools and that sort of thing,” he said. “It’s just how it’s managed.” Johnson asserted that Impact fees “have become a hidden tax. It’s hurting our ability to deliver housing inventory.”

The history of fees
KT Catlin, the association’s executive officer, said some builders have walked away from Impact fees have been fixtures in South Florida development for decades. projects after concluding that fees made

They’ve taken the form of developers paying cash, making land donations or actually prospective developments too expensive for them to build and still make a profit. constructing roads and utilities. Instead of raising taxes on everyone who lives in a city or county, developers have borne the costs of roads, parks, school expansions and water and sewer systems.
“By the time you layer in all of the regulatory fees imposed in that area, you might not be able to build for what the individuals living in the area can afford,” Catlin said.

Any fees they paid to local governments had to be allocated to the projects for which the state law caps fees money was designated.

The law caps increases to 5% annually and limits those increases to 50%.

Onward and upward

Any increases between 25% and 50% have to be spread over the four-year period. Smaller increases will be phased in over two years. The law also retroactively limits increases that were implemented since Jan. 1.

“I don’t think impact fees are going to decrease. They are going to increase,” said Tomas Sulichin, president of the commercial division of Related/ISG real estate firm in Miami.

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Mike Pappas, president and CEO of The Reyes Co., acknowledged the fee process is “tedious” and not friendly to builders who are already under the pressure of rising materials, labor and land costs.

Jane West, policy director for 1000 Friends, said the bill went too far. She was surprised by the association’s outreach effort now that bill has become law.

“You start stacking those on top of each other and you get the highest prices you’ve ever seen,” he said.

“This is stunning,” she said. “They got everything they wanted.”

“I’m not sure what the expectation is in terms of paying for growth,” West added. “If that is a cost to be shifted exclusively onto the taxpayers that’s what we’re going to be looking at — somebody’s got to pay for it.”

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“That sends a shock wave through the industry,” he said. “It’s really the consumer who pays for these.”

Cobb said that if a community’s leaders are looking to address the lack of affordable housing in its area, “it’s pretty hard to do when you’re paying 40 and 50 and \$60,000 in impact fees.”

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The history of fees

Impact fees have been fixtures in South Florida development for decades.

They’ve taken the form of developers paying cash, making land donations or actually constructing roads and utilities. Instead of raising taxes on everyone who lives in a city or county, developers have borne the costs of roads, parks, school expansions and water and sewer systems.

Any fees they paid to local governments had to be allocated to the projects for which the money was designated.

But these days, money has a tendency to seep into purposes for which they were not intend, the Gold Coast builders argue.

Onward and upward

Despite the new law and the association's lobbying efforts, brokers believe the fees — and the ensuing hikes in home prices — will continue.

“I don't think impact fees are going to decrease. They are going to increase,” said Tomas Sulichin, president of the commercial division of Related/ISG real estate firm in Miami.

The prices of new apartment rentals are also going up as a result of fees, he said.

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