



## **Increase in county's non-residential impact fees unlikely**

By Stuart Korfhage  
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Listen to any of the five St. Johns County commissioners for any length of time, and you'll probably hear him say how he's business-friendly or for commercial growth in the county.

That's probably why they couldn't move quickly enough to denounce a plan presented at Tuesday's Commission meeting that would raise impact fees on commercial building.

Nothing has been decided yet. The item Tuesday was just one for discussion of the proposal from consultant James C. Nicholas. There will be a public meeting March 6 when the issue (including residential impact fees) will be addressed.

But from the reactions of the commissioners at Tuesday's meeting, it's fair to assume they aren't going to approve any plan that would raise impact fees for commercial building by as much as 78 percent in some categories.

Commission Chair Henry Dean said he's can't support the schedule proposed by Nicholas because it would do the exact opposite of what he wants to do. He said the best course of action would be to reduce non-residential impact fees by 40 percent. According to county documents, a reduction rate of 40 percent would result in flat or reduced impact fee rates for 14 non-residential categories and "modest" increases in the remaining 12 non-residential categories.

That would have a budget impact of about \$725,000, but Dean and others think the financial benefits of attracting business here will easily offset the revenue lost by reducing the fees.

"I have been concerned over the last several years, and one of the reasons I chose to run for County Commission is I felt like we needed to provide more incentive than disincentive for commercial and business activity in this county," he said.

Dean added that about 87 percent of the county's ad valorem property tax revenue comes from residential, compared with the state average of 65 percent.

Regardless of what the exact revenue implications are, local builder Mike Davis of AD Davis Construction said he is positive that raising impact fees too much on commercial projects will damage business prospects in this county.

His company deals directly with business owners looking to construct facilities here, and he knows what kind of costs they are facing.

"The net impact is that you're going to completely shut down any small building that would be built," Davis said.

He provided an example of a project he's currently working on. He said the small business facility has a current impact fee of about \$45,000, but under the new proposed schedule, the fee would be about \$80,000 — about 10 percent of the cost of the entire project.

Davis said the large developments like big box retailers can absorb the costs, possibly by charging a little more, but small businesses will consider not building. That could mean deciding against expanding a business or even building in a different county.

"That recommendation from that consultant would 100 percent guarantee St. Johns County would have remained a bedroom community where everybody was driving to get to current buildings because nobody could afford to build a new commercial building," Davis said. "What you're doing is you're telling everyone who is a small mom and pop business owner is you're stuck in your building and we're not going to help you expand."

Commissioner Jeb Smith said he favored Dean's plan of reducing non-residential impact fees by 40 percent and then went further by adding that he thinks non-residential concurrency fees should also be abolished. It's unclear what that would cost the county in terms of lost revenue.

"If we say we're going to be pro-business and we want to grow business, we need to be considerate of those impediments to growth," Smith said at Tuesday's meeting. "I think that our impact fees are a true hindrance to non-residential growth."

Impact fees and concurrency pay for much of the growth the county has seen. Many current residents see the fees as a fair way to pay for the increased needs in roads, schools, fire/police, etc.

Those in the business community wonder how much impact commercial projects really cause since they do not generate new residents. And in many cases, the projects are in places where sufficient roads already exist.

Some have called for an increase in the local gas tax to deal with transportation needs rather than putting so much of the burden on development.

Jessie Spradley of the Northeast Florida Builders Association said during Tuesday's meeting that piling the burden on builders could have a negative overall effect on the county's finances.

"As you consider these fees and whatever you do with commercial or residential, just remember whatever increase you put on there it will keep a family from buying a home in St. Johns County, and it will keep a business owner from locating his business in St. Johns County," he said.

It's unclear what any increase in residential or commercial impact fees would actually do. What is clear is that the current fee schedule isn't stopping the county's rampant growth.

The most recent monthly building report from the county showed that there were 345 permits issued in January for residential construction, the highest total for January since the recession.

On the commercial side, the year-to-date total valuation for the permitted work is almost \$78 million for the 2018 fiscal year, which started in October. That's better than \$30 million more than the year-to-date total in January 2017. The total commercial valuation in the 2017 fiscal year was about \$266 million, an increase of more than \$90 million from the 2016 fiscal year.