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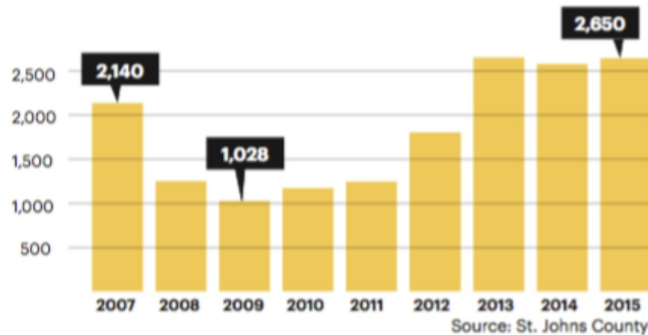


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Challenges of growth pile up in St. Johns County

After the number of new home permits dropped by half during the recession, the county saw a resurgence — but the number has been flat for three years.



By Derek Gilliam – Reporter, Jacksonville Business Journal

Dec 18, 2015

When [Victor Narusas](#) and William Pitts looked at a tangle of vegetation off County Road 207 in St. Johns County in late 2012, they saw opportunity.

Although the U.S. economy was headed for a “fiscal cliff,” Europe was struggling with austerity and the Greek debt crises, and the economy was still reeling from the worst recession in 80 years, the sharp-eyed pair that formed Double Eagle Development LLC decided to seize the moment. “The 207 corridor was a sleeping giant that was actively being pursued to ignite that area before the crash,” Narusas said.

The bet has paid off, with that tangle of vegetation being turned into Treaty Oaks, an \$18 million, 165-acre development. Already, the first 142 lots of the 418 in the development have been sold, Narusas said. That level of development isn’t rare in St. Johns County, which rebounded from the housing crash faster than its neighbors.

But there’s a dark cloud to that silver lining. As developers pick back up projects and build homes, as people flock to St. Johns County, the increase in population is putting strains on already limited public resources, sending county officials scrambling to find ways to pick up the slack.

The fear: the challenges of growth could cause St. Johns County’s home construction to smack into a wall.

Rebound

Since the real estate crash, home construction has recovered in St. Johns County, with 2,650 permits issued for \$752 million worth of new homes in fiscal year 2015. That's a bit up from the previous fiscal year when 2,585 single family permits were issued for \$711 million in new home values, but a slight fall from 2013's 2,688 permits and \$717 million market valuation.

At the height of the housing boom in 2005, permits for about 4,500 homes were issued in St. Johns County, said County Administrator Michael D. Wanchick.

In 2009, that fell to a low of 1,028 permits issued.

A housing recovery hasn't been the situation everywhere on the First Coast.

For example, Flagler County – once named one of the fastest growing areas in the U.S. – had about the same number of permits issued in 2005 as St. Johns.

But this year, they had fewer than 500 single-family permits issued.

“We're lucky not to be in that situation,” Wanchick said.

Some of the things that allowed St. Johns County to recover faster than other areas include low taxes and a public school district ranked top in Florida.

But more residents means more strain on county services. New roads need to be paved and more police, firefighters and teachers need to be hired.

How to pay for those services is a conundrum the county hasn't solved.

Tax proposal

In June, county staff members pushed for an increase in taxes – in a county that historically has been one of the lowest taxed counties in the state.

“Currently, projected revenues will prevent the county from taking those actions necessary to preserve/enhance its quality of life,” a presentation by staff members said. “Consequently, a long range financial plan of action will be necessary to address the County's quality of life and capital needs.”

According to the presentation, the county's fire district fund has dipped into reserves that will be depleted by 2018. In the next 10 years, the county will need about \$175 million for transportation projects, including road construction.

The initiative failed when commissioners voted 3-2 against the 1 percent increase (although a half-cent sales tax that will generate revenue for schools was enacted).

Developer funding

This leaves the county few alternatives besides to pass on the cost of growth to developers, who then pass it on to buyers.

To develop Treaty Oaks, for example, Double Eagle had to promise to build a \$4 million, 4,000-foot county connector road before gaining approval from the County Commission.

Pitts, one of Narusas' partners on Treaty Oaks, said the \$4 million road increases the cost of business, with homebuyers having to absorb about \$4,500 for each lot.

The developers said it still makes economic sense to construct the road and build out the neighborhood, even as about 22 percent of the first phase of development cost is sunk into improving the county's infrastructure.

Batey McGraw, vice president of land development for Dream Finders Homes, lives in St. Johns County and is developing a large tract of land in Ponte Vedra Beach where about 70 homes will be built.

He said he sees the current economic cycle as about halfway through and believes home construction has room for growth. Still, he points to the cost to develop in St. Johns County as a limiting factor.

"They grew fastest out of the recovery," he said. "Now, they're starting to flatten because a affordability is an issue. Houses are more expensive in St. Johns County. So now, as it's getting expensive and it's less reachable for more of the population. Then Clay and Nassau become an alternative."