Pros, cons of impact fees heard

By Katharhynn Heidelberg

Daily Press

MONTROSE — A low level of service can negatively impact quality of life in Montrose County. While good services cost money, impact fees could be just the ticket for capital costs, Andrew Klotz of RPI Consulting told commissioners, county staff and the public Wednesday.

The county is considering whether to implement impact fees for new development in unincorporated areas. RPI is its consulting firm and is conducting a study paid for partly by a Smart Growth grant.

Impact fees can only be used for capital costs, not operational costs. They help a governmental entity maintain an expected level of service, Klotz said.

“Those (capital costs) are the expensive things. When you don’t make those (expenditures) your level of service declines.”

With that, he said, quality of life diminishes. Driving on a bad road — of which there are plenty countywide — creates wear and tear on vehicles and ultimately, more expenses for drivers, he said. And the more building that takes place, the greater demand for roads, law enforcement and other county services.

Too many counties, Klotz said, let things decline and use their general fund money to cover capital costs until the well runs dry. “Impact fees are only concerned with capital expenses. Most governments don’t make a decision. They just let services degrade.”

County resident Richard Harding, who also sits on the county’s sales tax committee, was concerned other residents didn’t understand how impact fees worked.

He said there was a perception in the community that a 2006 vote to ease Taxpayer Bill of Rights restrictions on the county was the same thing as approving impact fees. In reality, the voted exempted the county from certain revenue caps under TABOR, allowing it to take in and retain more income, including that which could come from impact fees.

Harding also stressed that impact fees cannot be used for a deficit. The sales tax committee determined it will take around $60 million to correct the backlog in the road and bridge department alone, but, he said, impact fees could not be used for that purpose.

Counties have several options for dealing with the impacts of growth and Klotz said impact fees were the most efficient, although they have limitations.

Counties can simply limit growth to a certain number of new houses or commercial buildings per year, which is effective, but also interferes with free market real estate, Klotz said.

Other options include getting the taxpayer to subsidize increased needs, for instance schools whose attendance spikes due to growth.

“Impact fees charge development its fair share of capital improvements,” Klotz said. “They will never solve all our problems, but they’re a great tool.”

Impact fees can maintain levels of existing services, but cannot be used to increase levels of service. New horse stalls at the county fairgrounds could be considered a legitimate capital expense because the fairgrounds already offer horse stalls, he explained when later questioned by the fairgrounds manager. The service level itself does not have to remain static.

Accordingly, impact fee money could pay for new stalls and the county would not be limited to simply maintaining the extant structures. However, if these were not an existing level of service, Montrose County would be unable to use impact fees to create them.

Nor can impact fees pay for backlog, salaries, or other expenses deemed to be operational costs. Though the county can implement impact fees without a vote of the citizenry, under law it must use the money for designated services and provide a rationale for the fee being assessed.

That justification, also called “rational nexus” is the next step to be taken in the county’s five-month impact fee study.

Impact fees can help offset the costs of growth. But growth can slow, county representatives said.

“When factors change, when they quit building, the picture changes,” Commissioner Allan Belt said. “That may require us to change impact fees.”

County Manager Joe Kerby asked whether anyone had ever rescinded an impact fee.

Klotz said most entities will waive fees for certain projects, but this is not a strategy he recommends. While it may be considerate to waive an impact fee for affordable housing or a nursing home, he said those developments still draw on county resources and necessitates payment from somewhere. “That gets you in a sticky pickle. The cost doesn’t go away,” Klotz said.

“We are inundated by waiver requests for other regulations on the books,” Belt said. “I hope we can write our impact fees so we don’t spawn a bevy of waiver requests on the impact fees.”

When growth slows, so does the collection of the fees, Klotz said earlier.

“You don’t collect if nothing’s getting built. There’s no additional strain on county services. But I don’t think that’s a problem in Montrose.”

Contact Katharhynn Heidelberg via e-mail at katharhynnh@montrosepress.com