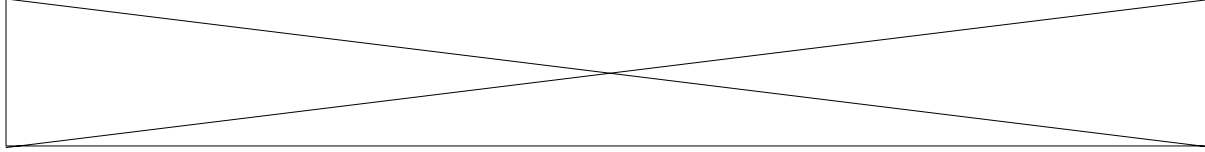


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Who foots the bill for our new roads?

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Transportation officials want to sharply increase fees paid by developers for road projects, which builders say could drive up the cost of new homes and further damage an ailing housing industry.

Road-impact fees assessed for new single-family homes in the Truckee Meadows would go from about \$2,000 to \$7,000, up 250 percent under a proposal to be discussed Friday by the Regional Transportation Commission. Commercial projects being built in Reno-Sparks also would face big increases.



A new access to Somerset is being cut adjacent to Interstate 80 between Mogul and the first Verdi exit. (ANDY BARRON/RENO GAZETTE-JOURNAL)

It's a necessary step as skyrocketing construction and land acquisition costs are making road projects needed because of growth is increasingly expensive, said Greg Krause, RTC executive director.

"It's inescapable. There's just been a huge increase in the cost of doing our business," Krause said. "It's the real-life experience of what we are paying as we are trying to build our roads."

Builders balk at the proposal. While they are willing to pay more, they say the RTC's favored strategy would come at crippling cost.

"It would basically kill economic development in Northern Nevada," said Mike Dillon, community relations director for the Builders Association of Northern Nevada.

As part of a policy to make growth pay for itself, developers have been assessed road-impact fees since 1995, generating

\$170 million. Money from the fee goes toward construction of arterial and collector roads made necessary by growth. The fees are not used for freeways.

Projects using the fees include the recently completed extension of Moana Lane, the widening of Vista Boulevard and construction of many new arterial roads, including Sparks Boulevard between Los Altos and Pyramid Way, and in Reno's quickly growing South Meadows area, Double-R Boulevard, Double Diamond Parkway and South Meadows Parkway.

The fees are regularly adjusted for inflation, but the last significant increase was in 2003, about 10 percent.

Since then, big changes have occurred, RTC officials say. Even as the agency grapples with an increase in the number of road projects needed to accommodate projected growth, cost of building those roads is spiking dramatically.

According to the RTC, inflation has raised construction costs by an average of 250 percent. A one-mile-long stretch of a four-lane arterial roadway was projected to cost about \$1.8 million in 2003, but today, the same stretch would cost \$6.4 million, officials said.

Cost of buying land needed for projects also is way up, increasing by between 400 and 800 percent since 2003, according to the RTC.

"What we're paying for construction and land has gone up enormously," said Derek Morse, RTC deputy director.

To ensure traffic congestion does not worsen beyond levels desired by local governments in the Truckee Meadows, the RTC has identified some 150 road projects costing more than \$1.2 billion that are needed by 2017.

The increase in developer-paid road fees, which would ultimately be passed on to new home and business owners, is needed to fund those projects, officials said. On Friday, RTC staff will ask commissioners to authorize that the proposal be taken to officials at the cities of Reno and Sparks and Washoe County for adoption.

Under the RTC proposal, new development would pay \$838 million through increased fees. Other fees and taxes would provide \$383 million

more for roads. Developers ultimately would pay as residential and commercial projects are built, RTC officials said.

If enacted as proposed, the huge fee increase would have a substantially chilling effect on the area's growth, said Dillon of the Builders Association. He estimated impact fees paid by developers of a box store such as Costco could increase from about \$400,000 to as much as \$1.7 million.

The result, Dillon said, likely would be to drive residential and commercial projects from Washoe County to Storey or Lyon counties and Carson City.

"It would stop any kind of economic growth," Dillon said. "Projects won't get built here. They will just go elsewhere."

Buzz Harris of the Associated General Contractors agreed the fees could hurt the building industry and the county economy.

"I think it could have a very dramatic effect," Harris said. "For the industry to take on such an increase, it could affect the economy as a whole just as the slowdown in the residential real estate market and building has affected the economy as a whole."

A proposal from the Builders Association, Associated General Contractors and the National Association of Industrial and Office Properties would increase fees immediately by 40 to 50 percent, a level Dillon said is more consistent with what he says has been the actual increase in construction costs.

"What we're proposing is basically a fee that's based on a 50 percent increase in the cost of construction over the past couple years," Dillon said. "That's reality."

That plan also calls for an

18-month period during which experts could explore which road projects are necessary over a decade and ways to fund them. The RTC regional road impact fee system would be evaluated, as would economic consequences to the community from increased fees and deteriorating infrastructure.

The builders' recommendation would cost developers \$768 million but raise public costs to \$452 million, according to RTC officials. They said the RTC's preferred proposal might tack an extra \$30 per month on a

30-year mortgage for a new home and doubt it would have any dramatic impact on Washoe County's housing industry.

"Will it kill them? I don't think so. Will it slow them down? We don't know yet," Krause said.

Builders also question whether some big-ticket road projects currently on RTC's \$1.2 billion list of planned improvements can be built. Many would require removal of existing housing and others, such as the proposed widening of a one-block section of Fourth Street in downtown Reno, would "take out" existing businesses and part of the Silver Legacy hotel-

casino, Dillon said.

"I just don't see some of those projects ever happening," Dillon said.

If some projects are removed, others elsewhere might be needed to avoid major congestion in the future, Krause said.

"Then we might have to build other projects not on the list to meet congestion standards," Krause said. "That becomes an exercise in chasing your tail."