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University Place cuts developer fees

INCENTIVES FOR BUILDERS: These days, local cities want growth and are more forgiving of impacts such as traffic

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University Place will reduce a fee paid by developers and offer them additional incentives, surpassing other South Sound cities that have adopted similar tactics to try to revitalize their flagging business centers and sales tax bases.

The City Council voted unanimously this week to cut the traffic impact fee that developers are charged. The fee, designed to pay for improved streets that help accommodate growth, will drop from \$3,989 to \$3,199 per estimated evening rush hour trip.

The decision gives developers a 20 percent discount on the impact fee — and potentially a lot more. With credits, a business that generates significant sales tax may not have to pay the fee at all.

UP Councilman Ken Grassi said the changes are innovative and “give us the competitive edge we need to get Town Center going.” The city has invested tens of millions of dollars into the mixed-use development in an effort to grow the tax base.

“I think this will be something that other cities will borrow and implement themselves,” Grassi said.

In fact, some cities already have led the way by either reducing the fee or giving developers more time to pay it.

- In July, the Edgewood City Council specifically mentioned the economic downturn when it slashed its traffic fee by 75 percent, from \$4,615 to \$1,150 per evening trip, for the next three years.
- The Puyallup City Council in September extended to Dec. 31, 2012, the period during which developer can delay payment of impact fees; that allowance was set to expire at the end of this year.
- The City of Kent took the same step as Puyallup last year.

“(Cities) are trying to encourage development and make things a little bit easier due to the economy,” said Carol Tobin, planning consultant at the Municipal Research and Services Center.

Tobin said she’s unaware of any community other than UP that provides a credit on the fee from sales-tax generating businesses.

Shawn Hoey, government affairs associate for the Master Builders Association of Pierce County, praised University Place’s revisions as “very innovative, and it’s something that is definitely leading the way.”

But he asked for a two- or three-year suspension of the fee to give developers a break in the poor economy. He was the lone speaker during a public hearing before Monday night’s council vote.

City Engineer Jack Ecklund said such a proposal would create a \$900,000 funding shortfall, and Councilman Eric Choiniere said he had no interest in shifting that burden onto residents.

Councilwoman Caroline Belleci supported the reduced impact fee but expressed concern about possibly having a large number of businesses paying no fee and that the credits would take money out of the city’s general fund.

“It’s going to be important that we keep on top of this,” she said.

The fee program will continue to be self-supporting because while it will receive less money, it needs less, Ecklund explained. There are fewer additional cars on local streets each year due to the weak economy and construction costs are lower, he said.

University Place will give developers the option to pay the fee over five years instead of all at once. It also will allow them to pay the fee when a tenant applies to occupy a building instead of when the developer seeks a permit to build it.

The first credit will reduce the fee by 50 percent of the sales tax collected from the business in a year.

The second credit gives all restaurants and most retail businesses, which generate a lot of sales-tax revenue, a 65 percent reduction in the fee. A study found UP residents spend two out of every three taxable dollars outside the city.

The city's decision to charge the traffic impact fee in 2007 generated criticism at the time from local developers and the business community. There have been several adjustments to the fee since but nothing as substantial as this.

Tacoma and Lakewood, Pierce County's two largest cities, don't assess a similar fee. Puyallup's fee is \$4,500 per evening trip. Bonney Lake charges \$3,995.

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