



2 cities examine impact charges

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Bentonville's and Fayetteville's proposals for development impact fees are as polarized as their locations on a Northwest Arkansas map.

The fees were introduced to the region in the early 2000 s when the demands on sewer and water lines overwhelmed municipalities as the population boomed.

Fayetteville, Rogers and Bentonville all collect more than a million dollars annually from these fees, charged to new developments that create needs for additional or improved services. Springdale hasn't implemented such fees.

With a cooled market, however, demands have decreased and so has the revenue stream produced by impact fees.

Bentonville's City Council recently approved hiring a consultant to see which fees it can lower or eliminate, while Fayetteville sewer and water officials soon will ask the City Council to increase impact fees to pay for new projects.

Directly comparing the two cities and their fees can't be done, said state Sen. Dave Bisbee, R-Rogers, who wrote a 2003 law that requires impact fees to be directly proportionate to the development's impact on the affected infrastructure.

"You gotta look at the fee and what it's for," he said. "Somebody with a low fee for a lot of things would logically increase things, while someone with a lot of fees for a lot of things would have to decrease the fees if the economy slowed down.

" It's not that one's increasing and the other's decreasing," he said. "They're situated differently."

Of the three major Northwest Arkansas cities that have impact fees, Bentonville's are the most extensive. The city collects for its police and fire departments, water and sewer utilities, parks department and library. In fiscal year 2007, the city collected about \$ 3. 7 million.

In late September, the City Council approved the hiring of an outside consulting firm to determine what fees are needed and whether any fees needed to be eliminated or decreased.

The study is needed because voters passed a \$ 110 million bond issue in August 2007 that finances projects also being supported by impact fees, said Camille Thompson, the city's staff attorney.

For example, the city had planned \$ 3 million in park improvements using impact fees, she said. "They didn't want us to wait to get the fee revenue up," she said of voters.

It's also becoming harder to estimate how much money will be collected from the fees, she said.

"They're not as reliable or predictable as other sources," she said. "The money is so restrictive. If you don't use it in seven years, you have to go through this rigorous refund provision."

A provision to increase Fayetteville's impact fees is expected to go before the City Council as early as November, said David Jurgens, water and wastewater director.

He said the city didn't include enough growth-based capital improvement projects the last time it implemented the fees.

For example, the city approved spending \$ 2. 3 million in impact fee revenue on the west side water treatment plant but did not account for the cost of pipes leading to the plant.

The proposed increase would add about \$ 700 worth of fees to an average single-family home. The increased fee would be \$ 1, 843, up from \$ 1, 143.

The amount was decided on using a study completed by the consulting firm, Duncan Associates.

Paul Becker, Fayetteville's finance director, said it's important that people understand the proposed rate increase is about a third less of what the consultants recommended.

The increase, if approved, would fund a transmission line and storage tank on Mount Sequoyah that will improve water pressure on the west side of town, among other projects.

"We have a lot of capital needs like that — a lot of capacity needs that cannot be met through the existing funding stream," Jurgens said.

Impact fees have been a source of contention and focus of lawsuits in the region since introduced.

Most recently, the Northwest Arkansas Home Builder's Association dropped a 2003 lawsuit it filed against Bentonville that claimed the city's impact fees were illegal.

The association has long argued the fees put added hardships on developers.

Former association president Bill Burckart recommended the group drop the lawsuit in order to improve communication with the city. "I thought it was more imperative that we improve our communication and we remove any obstacles that would inhibit that communication," he said.

Burckart is running for a position on the City Council.

He believes Bentonville is positioning itself to better attract development once the

economy turns around, because people will want to build there if the fees are lower.

“We’re already suffering the worst economic environment in our lifetime,” he said. “Anything that Bentonville or anyone else can do to lower them or reduce any taxes or fees right now is an acknowledgment of what’s going on with their citizens.

“ It’s nice to have the understanding of how hard it is to make payroll every Friday.”

Springdale officials said the city purposely avoided impact fees in order to better recruit development to the city.

“The city has been aggressive to recruit businesses in Springdale,” said Wyman Morgan, Springdale’s administration and financial services director. “We may look at what neighbors are doing, but we don’t feel like we really have to follow their lead.”

Rogers Water Utilities is still in the middle of a lawsuit with the Home Builder’s Association over its sewer access and impact fees.

There have been several versions of the lawsuit, including one dismissed by Circuit Judge David Clinger in July 2007 that called for refunding nearly \$ 2. 9 million in fees. The refund was sought because the water utility implemented the fees before first seeking City Council approval, a violation of the law that sets parameters for the fees. The latest lawsuit filed in Benton County Circuit Court alleges illegal exaction, said Tom McAlister, superintendent of the Rogers Water Utility. He said he can’t see any way outside of impact fees to pay for needed improvements to the water and sewer lines. “You can either have water and sewer infrastructure to hook up to or not,” he said. “If you don’t have it, you can’t build. It’s kind of a chicken or the egg thing, I guess.”

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