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Chesapeake, standing to lose, opposes impact fees

CHESAPEAKE

Since 2004, developers who ask to rezone land to build new homes have promised Chesapeake nearly \$24 million that could be put toward needed school, library and transportation projects.

The cash "proffers" could be a long-term revenue source for a city that still has some room to grow.

That is why Chesapeake officials are fighting a state Senate bill that would do away with cash proffers and limit land proffers for residential rezonings. In their place would be capped impact fees on new residential and commercial development. City leaders say the impact fees won't come close to generating the kind of money that comes out of the proffer system.

"We're talking about a bill that could severely impact the city's financial situation," City Manager William Harrell said. "This bill is a major threat to the city of Chesapeake."

The bill, proposed by Sen. John Watkins, R-Powhatan, gained Senate approval last week by a 21-19 vote and has been referred to the House of Delegates Rules Committee. Watkins has called cash proffers "legalized extortion."

At Harrell's urging, the City Council last week passed a resolution asking the General Assembly to carry over the bill to 2009 so it can be studied more. Harrell and other city officials have been in Richmond in recent weeks discussing the bill with legislators.

Hampton Roads cities such as Portsmouth, Norfolk and Virginia Beach, which have less open land for development, don't deal as much with cash proffers and residential rezonings. Those cities could stand to gain if they are allowed to enact impact fees on new residential and commercial building.

Suffolk and other growing localities such as Chesterfield, Loudoun and Fairfax counties are concerned with the bill's details.

The Home Builders Association of Virginia, which has been against impact-fee legislation for three decades, helped draft Watkins' bill. In a Jan. 21 letter to the Senate, the group's executive vice president, Michael L. Toal-son, argued that the bill would create a more reliable and consistent source of revenue, curb rising real estate taxes and reduce the per-unit cost for Virginians looking to buy a home.

"The proffer system is out of control," Toalson said Friday. "It is affecting the ability of many hard-working Virginians to own a home."

Cash proffers, he added, "have skyrocketed to nearly \$50,000 per house in some communities and have no limits on where they can go from there."

Toalson also said that cities such as Chesapeake could have made more money over the past few years on impact fees rather than cash proffers because the impact fees would have been collected on homes built on land already zoned for residences.

Chesapeake officials worry that the bill could take away major revenue and shift the cost of new development from builders to homeowners and taxpayers. If it is passed, Harrell said, the city will have to seriously consider whether it recommends any residential rezonings at all, because the impact fees would not be able to cover the rising costs that come with new development.

Since the late 1980s, Chesapeake has accepted voluntary cash and land proffers along with developers' residential rezoning applications. The money and land can go toward school, roads, parks or public safety projects that would help accommodate new development and the people who come with it.

From the late 1980s to 2004, developers pledged a total of about \$2.1 million in proffers, according to city documents and interviews with Chesapeake officials.

Since 2004, the total amount pledged has increased to nearly \$26 million as the voluntary proffers became a routine part of most residential rezoning applications in Chesapeake.

Out of the \$26 million figure, only about \$1.6 million has been collected by the city, because some proffers are not collected until building permits are issued, city officials say. Some residential projects take years to build, so the proffers sometimes trickle in, said Chesapeake Planning Director Brent Nielson.

Currently, Chesapeake's estimated infrastructure cost for new residential development is about \$20,350 for each single-family home, city officials say. Developers are allowed to proffer land or up to \$20,350 in cash for each single-family home.

The new bill could cap impact fees for single-family homes to \$7,500 in the region, Nielson said. That figure could drop because of developer credits that the bill also includes.

The Chesapeake school system is also worried about the potential changes.

Typically, Chesapeake schools use the money from proffers to expand and build schools. The land proffers are used for new schools.

One recent cash and land commitment came from the developers of a 488-acre project in Deep Creek called Culpepper Landing. The developer committed more than \$9.7 million to the school system and set aside more than 20 acres of land for a new school, Nielson said.

Currently, a new home's estimated cost to school infrastructure is about \$16,700, school officials say.

"I suspect that the impact fees would not make up for the lost proffers," said Chesapeake School

Board Chairman Tom Mercer.

Staff writer Amy CouteÃ© contributed to this report. It also contains information from the Richmond Times-Dispatch.

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