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Apply reasonable fees for businesses

Flexibility is key to managing the uncertainties of today's economy, especially when it comes to government policies.

The City of Frederick found out as much recently when the investors behind Volt Restaurant balked at the $205,000 price tag for water and sewer impact fees to open another restaurant, North Market Street Kitchen, in the long-vacant building that once housed Carmack Jack's grocery store.

The mayor and Board of Aldermen moved quickly to amend the city's code to allow businesses to break up that fee into four equal installments. Under the new structure, the first 25 percent is due when the city issues a building permit, with another 25 percent due in each of the subsequent three years.

By the end of three years, the business would have paid the full fee for its impact on the city's water and sewer systems. Volt's investors have not said if they will choose the four payments of $51,250 or walk away and look for a sweeter deal elsewhere.

Elected officials acknowledge that the fix is temporary, and have staff working on a different formula to determine a fee for a business's impact on the water and sewer system, but have not said that the result would be a lower.

After all, the city has borrowed $120 million since 2005 to increase capacity in its water and sewer systems to allow growth to occur, and has set aside another $14 million for future capacity in the county's wastewater treatment plant.

Someone has to pay for that growth, and it's only fair that new businesses and residents foot the bill instead of the folks already here. That's the idea behind the water and sewer impact fees, so any formula the city settles on has to cover the cost of that bill.

But any formula that places a $205,000 impact fee on a business that wants to open in Frederick is troublesome. Such a high cost is quite a hurdle for any entrepreneur to overcome, even when broken into four equal parts.

Perhaps the city should look at a fee similar to the one the county used to pay for infrastructure, including water and sewer, in Urbana. Each new-home owner in Urbana pays an annual fee on their property tax bill that pays back the bonds used to build the infrastructure they use.

The fee ranges depending on the size of the house, so a townhouse might pay $1,000 a year while a larger single-family home would pay $1,800. But once that house has stood for 30 years, the fee ends because the bill to pay for its impact is paid in full.

Instead of paying an additional $30,000 at the time a family bought a townhouse, the cost is spread out over decades, making it easier to pay, but the bill is eventually covered. Such a system could ease the burden on businesses trying to open shop.

The question city officials have to ask is this: Is it better to have vibrant businesses contribute something to that $134 million bill over 30 years, or vacant buildings contribute nothing?