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News

Building impact fees just day away

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With date for implementation of impact fees on construction just a day away, contractors in Lake Havasu City still have many questions as to how the fees will affect new construction in the city.

Since the Lake Havasu City Council passed the ordinance in late April, very little building has been done in the city, according to Bud Schulz, executive director of the Colorado River Building Industry Association in Lake Havasu City.

"My concern is any type of additional fees to construction costs is only going to hurt the city," contractor Tom Askland of Askland & Associates, Inc., said. "We are at the bottom of a real estate depression."

The leeway time between the passing of the ordinance and its implementation was supposed to help increase the number of building permits pulled. Schulz, himself, had predicted a rush of permits being handed out before the Aug. 1 deadline. This just did not happen.

According to Schulz, only three building permits were handed out for single-family homes in the month of June. The 2005 number of permits for single-family homes averaged about 75 per month, he said. As of July 1, only 104 permits for single-family homes have been issued for 2008, according to the city Development Services Department.

The decline in new home construction can be linked to the large number and plummeting prices of existing homes on the market. In June, the Lake Havasu Association of Realtors listed the number of total active listings at 2,732 homes, with 873 vacant land lots included. And 1,479 of the listings were residential.

The average selling price of the residential homes was down to \$267,189, almost \$60,000 from the June 2007 average price of \$325,655.

In addition to the glut of existing homes on the market, the newly created impact fee will further hinder new home construction, some builders contend.

The cap for impact fees on new construction of a single-family residential home is \$6,000. The city council worked to reduce that amount. The fee for a single-family home for 2008 would be \$2,213, with multi-family homes incurring a fee of \$2,145. These figures will gradually go up 25 percent each of the next two years. A single-family home would have a fee of \$4,423 in 2010.

Meanwhile, Workforce Arizona recorded a loss of 700 construction jobs in Kingman and Lake Havasu City for the month of June. Construction jobs have declined in both cities for 10 straight months. Schulz said construction workers have to look elsewhere for work, which could cause many families to leave the city, further damaging the real estate market in the city.

If construction is down and permits and jobs are scarce, Askland asks what impact fees can be applied, if there is no construction?

"If nobody builds, they won't get funding from impact fees or permits," Askland said. "Right now we are at the bottom of the trough, and these fees will not help get us out."

The impact fees apply to new construction and building on to existing properties. Essentially, if the number of square feet changes for non-residential retail businesses, an additional \$1.35 per square foot will be applied. Impact fees for general commercial business will cost \$1.57 per square foot.

These numbers are only 50 percent of the total fees and only apply to the 2008 calendar year.

Impact fees will go up to 75 percent in 2009 and 100 percent in 2010.

Impact fees normally are implemented immediately at 100 percent.

Contractors like Marcella Lehr and Mark Durand said they felt the fees were unavoidable. However, they both believe implementing them now will only further damage an industry sitting on its last leg.

"The impact fees are necessary, but the timing is not," Lehr said.

Mayor Mark Nexsen defended the council's decision to implement the fees now, saying with the current real estate crisis nationwide, the impact of the fees would be less detrimental, because business was already down.

"There is never a good time for impact fees," Nexsen said, "but, this is an honest fee at the best time. I take no pleasure in impact fees, but it is absolutely necessary for the benefit of the community."

The impact fees will not affect any permits issued before Aug. 1, Nexsen said. They also will not apply to any construction begun before the Aug. 1 date.

Nexsen said if construction in the community were scarce, the city simply would not be able to build structures long in the works such as the new fire station.

The 2008 breakdown of the Aug. 1 implementation for a single-family home is \$615 for police, \$433 for fire, \$820 for parks, \$115 for general government and \$230 for transportation per home.

The Aug. 1 breakdown for 2008 per square foot for retail business construction is \$0.43 for police, \$0.31 for fire, \$.08 for general government and \$0.53 for transportation.

The figures for commercial construction are identical to retail with exception of a slight increase in fees for transportation at \$0.75 per square foot.

It is the local contractors who will most be affected by the implementation of the impact fees. Many cities in California and Arizona including Kingman, Bullhead City and Flagstaff have impact fees in place. Contractors from outside Lake Havasu City would therefore be used to paying such fees. The question now is will new outside contractors decide to build in the city?

Schulz said one way things could turn around would be to bring corporate restaurants such as Red Lobster or The Olive Garden in. He pointed to the recent addition of the Wal-Mart Supercenter on State Route 95 as an example. Businesses such as these could possibly increase employment opportunities and increase the city revenue from the impact fees. Companies like this could afford to pay the impact fees for construction.

Local contractors are building in the community. Schulz pointed to the recent construction of Foothill Estates as an example.

Still, some contractors and builders are hoping the city might delay the implementation of the fees. In a last minute effort to be heard, Lehr, Durand and several other contractors met with Lake Havasu City Developmental Services Director Larry Didion on Monday. Didion could not be reached for comment.

As of Wednesday, Nexsen said no motion had been presented to him for the council to consider. The council would have to call a special meeting and give 24 hours notice beforehand.

Schulz said after fighting the implementation of the fees since October 2007, there is no more that can be done.

"In respect to the impact fees, the issue is a done deal," he said. "The city council has made their decision."

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