



Kalispell City Council

City Moves Toward Impact Fee Compromise

By Dan Testa, 2-10-09

The finish line could be drawing near for Kalispell's seemingly interminable debate over transportation impact fees. At a work session Monday, Mayor Pam Kennedy ordered city staff to hold a public hearing on a revised traffic impact fee structure March 2 at 7 p.m. The council plans to debate and vote on an ordinance implementing the impact fees at a special meeting March 9.



Caption: Construction workers shingle the roof of the Flathead Bank drive-through at Hutton Ranch Plaza in October of 2007. - Lido Vizzutti/Flathead Beacon

A transportation impact fee would charge developers additional costs for the road improvements made necessary by the increased traffic generated by those new

homes, stores and businesses. For two years Kalispell has been trying to come up with a workable policy while developers have criticized the fees as unfair to commercial development, particularly retail, some of which might be required to pay millions, and possibly out of line with state law. The deteriorating economy and attendant slowdown in new construction has only heightened the urgency of this issue for both the city and the business community.

Council members have spent the last several weeks working through the problems they see with the traffic impact fees, and while they are honing in on a solution, several outstanding policy questions remain about the implementation of the fees.

Chief among those problems is how much developers may be required to pay. Kalispell has a list of roughly \$12 million in road improvements and upgrades listed in its Capital Improvement Plan, for which the city intended to charge new developments through traffic impact fees. But in discussions, it grew clear to council members that the charges on developers

would not cover the entire cost of these projects, and since the city lacks the funds to complete some of these road improvements, it was unclear how some of the projects could ever be completed.

At the Monday work session, Public Works Director Jim Hansz drew up a pared down list of road projects, slashing the list's cost in half to about \$6 million, and reducing what developers would have to pay. As part of its deliberation before formally voting on an ordinance, the council will have to decide which projects to fund through traffic impact fees, and which projects to jettison. That decision will have a large effect on the size of the impact fees. City staff will likely draw up several scenarios for the council to choose from, some of which might slash the list of road projects by as much as 65 percent.

Council will also decide on a policy to extend credit to developers against the impact fees for road improvements and upgrades they are already undertaking which are listed on the city's Capital Improvement Plan. Developers are currently required to upgrade roads within and immediately adjacent to their developments through extension agreements, and Councilman Bob Hafferman has repeatedly argued that these improvements are not taken into account by the city's proposed traffic impact fee policy.

Finally, council must also decide on a policy to grandfather in developments with phases already under construction and for which financing has already been arranged. Developers have argued that introducing a large fee after developments have already been approved represents a kind of bait-and-switch on the city's part, and could fail to make many proposed projects profitable, given the economy. Hafferman has proposed offering a total exemption from traffic impact fees for all developers who received a preliminary plat for their projects between July 1, 2004 and July 1, 2009. This would exempt nearly every major commercial and residential development on Kalispell's northern end.

Kennedy expressed her approval for a plan that would give a developer 25 percent off their traffic impact fee upon pulling a building permit, as a way to prompt developers to break ground on their projects. The developer would then have two years to begin construction.

"I, personally, like the building permit time because it is a push to truly stimulate the construction industry in this community," Kennedy said. "That, hopefully, would indeed bring about some construction jobs."

While the questions remaining about the impact fees are large, Kalispell appears closer to implementing them than at any time in the last two years. How the development community, along with members of the public who support the proposed impact fees in their original form, react to the council's potential compromise won't be known until the public hearing in March.

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