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Developers may face Big Isle impact fees

Alternative sought as \$100M still owed for infrastructure

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HILO, Hawai'i — The Hawai'i County Council is considering charging impact fees for building permits as an alternative to the county's current reliance on "Fair Share" contributions from developers.

The proposal came up Tuesday during a Finance Committee discussion of a report that showed the county has collected only \$8.1 million of the \$108.5 million developers have pledged for infrastructure.

The county so far has spent only \$3.6 million on infrastructure such as roads to accommodate population increases brought on by development. The bulk of the money that's been collected but not spent — \$2.4 million — belongs to North Kona.

"I am truly disgusted by this report," South Kona Councilwoman Brenda Ford said. "I have always believed Fair Share is illegal, and this report very obviously points out the inequities."

In comparison, the county would have collected about \$60 million if it had charged impact fees, according to research by Waimea engineer Bob Hunter.

"Hämäkua, North Hilo, Puna, Ka'u and South Kona receive no benefit from the Fair Share system, because the horse is out of the barn, zoning-wise," Hunter said in testimony. "They would benefit from an impact fee system."

Kohala Councilman Pete Hoffmann is firmly convinced the Fair Share system misses the mark. He is so opposed that he votes against any rezoning or developers' agreement that includes a Fair Share component.

"Fair Share does not work," Hoffmann said. "It does not meet the needs of this county and unfairly penalizes the taxpayers of this county."

Hoffmann is working on a bill to add an impact fee. A similar bill did not pass last year.

County Planning Director Bobby Jean Leithead-Todd, a former councilwoman, said she's personally in favor of impact fees, but said she isn't speaking for the administration.

"Would the imposition of that fee stop people from building?" Leithead-Todd asked. "That has always been the question administrations and councils have always wrestled with."

But Leithead-Todd conceded an impact fee could help fund infrastructure for substandard subdivisions that were created in the 1960s before developers were required to provide infrastructure, such as roads.

Hoffmann emphasized that impact fees for individual property owners seeking a building permit would be half or less than the \$12,000-per-lot currently assessed developers. In addition, he said, there would be an option for property owners under a certain income level to put the fee in abeyance until the property is sold.

Hilo Councilman Donald Ikeda didn't seem convinced.

"I believe in individual homeowners," Ikeda said. "It's like changing the rules when they have already been saving the money to build their homes."

There are a host of restrictions to using Fair Share assessments. The money must be spent for capital improvements, not duplicate services paid by other means such as property taxes. Funds must be used in the judicial district where they are raised. They must be used for new projects, not refurbishing old projects. And the projects must have a regional benefit, not limited to a single neighborhood or community.

In other action, the Finance Committee approved a bill increasing the deposit for filing an appeal of real property taxes from \$15 to \$25.
