Fort Worth Business Press

Study seeks infrastructure funding alternatives

BY ALESHIA HOWE
September 01, 2008

After the recent implementation of impact fees ignited tensions between the development community and the city, Fort Worth leaders believe a new review of development funding alternatives will maintain the city's competitiveness and help fund needed infrastructure improvements.

Last week, the city and chamber turned to outside consulting firm Willdan Financial Services, based in California, to conduct a full review of the city's Impact Fee strategy via a 10-year outlook for city development funding alternatives. The city and the chamber will split the cost of the $250,000 study.

David Berzina, executive vice president for economic development at the Fort Worth Chamber of Commerce, said the study will recommend steps of how to fund projects such as streets and roadways in Fort Worth, address the gap in projects without raising taxes and benchmark the city with 12 or 15 other cities that are competing with Fort Worth for new businesses.

"They'll compare us to other cities and make sure we're still competitive and we're going to remain competitive for years to come," Berzina said.

For example, Berzina said Fort Worth may be able to use more bonds for some infrastructure improvements instead of relying on the Impact Fees.

The study is scheduled for completion first quarter 2009, Berzina said. Mayor Mike Moncrief and City Council members will then be briefed on the study's findings and ultimately, will pass or fail legislature concerning future action the city might take.

In addition to suggesting alternate funding strategies, Berzina said he hopes the study will also review the impact fees currently in place to give city leaders an idea as to their effectiveness.

In November 2007, the city of Fort Worth formed a 29-member City Manager's Advisory Committee on Development Costs and Infrastructure Funding, also called the Gang of 29. By May, the Gang had tabulated and presented a suggested rate to implement an impact fee for developers to help offset rising infrastructure costs related to the explosion of development in the city – particularly in Fort Worth's fringes, such as far north and far south.

The City Council approved the ordinance on May 13 and the ordinance officially went into effect on July 1.

The impact fee is a $2,000 flat fee for each single-family residential unit in Fort Worth and a $1,500 fee for every nonresidential development within the city's limits.

The ordinance uses math averages based on the amount of cars traveling on arterial roads near a developed structure during the peak driving period of 5-6 p.m. for commercial development. The measured unit is called a vehicle-mile and is based on the impact of one vehicle traveling one mile in one lane near a structure during those peak hours.

The majority of areas affected by the ordinance are outside of Loop 820 but fees change depending on infrastructure and specifics in different areas of the city.

The ordinance does offer breaks and discounts to developers who construct roads into or around their developments and to developers who can create traffic reductions, for example by building a mixed-use development, which would offer a live, work and play environment.

Many developers have been hit hard by the fees, which are ultimately passed on to the buyer.

"We wanted to get something in place and a lot of developers and the community got on board," said Robert Gleason, director of governmental affairs for the Greater Fort Worth Association of Realtors and Gang of 29 member. "We got that, but now it's very important to evaluate all the various funding sources as well as get an estimation on 10 years out of potential revenues, the fee structure and development costs in Fort Worth."

Lee Nicol, partner at Harris, Nicol & Welborn development group, is a member of the Gang of 29. Though he said no one in the development industry wanted to have impact fees, the fees are necessary because of the overwhelming growth Fort Worth has seen in recent years with the growing list of supportive roadways for those developments.

"It's not a bad problem to have," he said. "In some respects, we're a victim of our own prosperity."

Bill Stonaker, president of Wilson & Stonaker, which is currently developing Landmark Quebec in northern Fort Worth, said the impact fees haven't affected the current $300 million mixed-use project, but it has compelled the veteran developer to make more calculated choices for development sites.

“I have a development at Alta Vista and Golden Triangle and I have no clue what I’m going to do about it,” Stonaker said. “There’s some confusion that still needs to be cleared up, but there are cities where the cost of doing business and getting a project through are so high that I won’t step foot in them. When I can get the same product and the same rent in half the time in other cities, there are some cities I just steer clear of. Fort Worth’s not there yet.”

City Council member Danny Scarth said the value of building permits submitted to the city in 2008 to date are equal to the same period in 2006, with a shift toward commercial real estate projects.

“It’s great for everybody if you can drive efficiently to your development, do your shopping and drive efficiently back,” Scarth said. “The question is who’s going to pay to make that happen.”

Scarth said all involved parties hope the study of Impact Fees yields a greater array of choices to bring in funding for roadways. One such means Scarth mentioned was the idea of a Public Utility District, or PUD, similar to a Public Improvement District, in which business owners in a designated area would pay an extra tax for road improvements within the area.

“When the community wants a higher standard, it turns to a PID, we could look at similar options for utilities,” Scarth said. “We are looking forward to the study.”

Contact Howe at ahowe@bizpress.net

Online at: http://www.fwbusinesspress.com/display.php?id=8347