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Study: Champaign should consider developer impact fees

By Mike Monson

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CHAMPAIGN – Most residential development in Champaign does not pay for itself when compared to the cost of providing city infrastructure and services, according to a city consultant.

And that's one reason the city might want to consider impact fees on new development, according to a city-commissioned study on the costs of land uses by TischlerBise of Bethesda, Md.

City planning staff and TischlerBise officials discussed the results of the first half of the \$96,000 study Wednesday afternoon at a public meeting at the Champaign Public Library. The first part of the study looked at the cost of new development, including residential, commercial, office and industrial uses, compared to the income the new development brings in.

The city council will consider the study at a June 23 study session.

The study found that among six types of residential development, only high-priced single-family detached homes in the \$400,000 to \$600,000 range, such as Trails at Brittany and Chestnut Grove subdivisions, and downtown apartments, like at One Main, generated income surpluses for the city, primarily due to their higher taxable values.

High-priced single-family homes generated a surplus of \$813 per house for the city and downtown apartments generated a surplus of \$325 per unit.

Other types of housing were net money losers, including medium-priced single family homes, like in Sawgrass and Boulder Ridge subdivisions (a loss of \$888 per unit); low-priced single family homes, like in Ashland Park (an average \$641 per unit loss); apartments on the city fringe (an average loss of \$764 per unit) and attached housing units, such as townhomes, duplexes and triplexes (an average loss of \$334 per unit), the study said.

Among nonresidential developments, big box retail generates a \$6,245 surplus for the city per 1,000 square feet of space, and neighborhood retail generates \$4,639 per 1,000 square feet. Sales taxes generated by retail sales accounts for the surpluses.

But the city loses an average of \$314 per 1,000 square feet of office space, loses \$63 per 1,000 square feet of industrial use and loses \$51 per 1,000 square feet for health care clinics.

Even though some uses are net money losers, uses like health care clinics should not be avoided by the city because they generate high-paying jobs that enable residents to purchase homes in Champaign, said Emily Parkinson, a consultant with TischlerBise.

"It's really important to have a balance in these land uses," she said.

The study determined the net fiscal impact of different land uses by subtracting growth-related costs necessary to serve various land uses from the growth-related income generated by a new development, using the city budget and capital improvements plan and current city service levels.

The study also found that the city's capital improvements fund is under pressure and receives 72 percent of its funding from the general fund and from state subsidies.

"Impact fees could be implemented to provide some relief by covering the cost of new development's portion of capital

projects," the study stated.

An impact fee is a charge imposed on land developers to cover the cost of infrastructure and related services that the city will have to provide. Neither Champaign nor Urbana imposes such fees.

City Planning Director Bruce Knight said the city council could consider imposing impact fees as soon as this fall, when council members also are expected to be considering adoption of an updated comprehensive plan. The city has a \$53 million backlog in arterial road projects, and it's clear income generated by new development won't keep pace with the demand for new arterial streets, he said.

The second half of the TischlerBise study will examine six different areas of the city, mostly on the fringe, and look at the costs and potential income to the city of growth in those locations. It is expected to be completed in August.

The second part of the study will help the city prepare its comprehensive plan by identifying the city's best growth areas and by providing insights on what types of development should be pursued, said Assistant Planning Director Rob Kowalski.

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