

Kalispell braces for higher impact fees

By TOM LOTSHAW/The Daily Inter Lake | Posted: Sunday, October 27, 2013 6:00 am

What some people are already criticizing as large, development-stunting increases in Kalispell's sanitary sewer impact fees might be growing even larger.

A proposal to increase the minimum fee from \$2,499 to \$4,257 has been caught in limbo for more than a year, with neither the Impact Fee Advisory Committee nor the City Council taking action to make the adjustment.

More recent calculations find the fees must increase to \$5,708 if they are going to raise enough money to pay off the debt for a three-part westside interceptor project that's estimated to cost about \$13.5 million.

Twenty-seven-inch sewer lines will be needed along Spring Creek Road and Three Mile Drive, estimated to cost \$7.5 million. Eventually, a 30-inch line will be needed along Stillwater Road, a project estimated to cost \$6 million.

"We don't generate enough money to pay for these [westside interceptor projects]. We're short," Susie Turner, Kalispell's director of public works, told the Impact Fee Advisory Committee on Tuesday.

The lines are becoming needed as other sewer lines near their carrying capacities in north and west Kalispell. The size and cost of the westside interceptor projects shrank when Kalispell scaled back its annexation boundaries. But past cost estimates used to calculate impact fees were outdated and about \$5.4 million lower than what is now anticipated.

A recent study of sewer-line conditions, flows and capacities found the westside interceptors will be needed for continued growth in west and north Kalispell. That study is the focus of a work session the Kalispell City Council holds on Monday.

Without enough money from sewer impact fees to pay for westside interceptor projects, existing sewer customers would have to foot the bill through higher rates unless developers are somehow convinced to pay for the lines. Otherwise the city could forego some or all of the projects and let growth be limited by existing capacities in the sewer system.

Hearing the news on Tuesday, members of the Impact Fee Advisory Committee let out a collective groan.

"Oh, boy," chairman Chad Graham said. "Everyone knows where I was on the ability for growth to absorb the [size of the fee] before."

Impact Fee Advisory Committee members will wrestle with the conundrum for at least another month as they try to craft a recommendation for the City Council. Graham and other members of the committee said they're afraid the westside interceptor will turn out like the city's wastewater treatment plant expansion.

Facing the threat of a moratorium on building permits, Kalispell expanded its treatment plant capacity for \$22 million. The expanded plant went online in 2009 as the local economy ground to a halt in recession.

With little development occurring, impact fee collections the city was counting on to pay for that expansion dried up. The lack of revenue forced the city to raise its sewer rates to make the yearly debt payment.

Much of the proposed increase in sewer impact fees is an attempt to generate enough money from development projects to pay for the treatment plant expansion that was undertaken to allow more growth in the city.

Graham and some other people are afraid the development community simply cannot absorb the fees being considered. Increasing fees to those levels will only slow growth and perpetuate the problem of not enough impact fees being collected, they argue. The flip side is that existing customers pay or the city does not raise enough money to enlarge or upgrade infrastructure as needed.

Montana law says municipal impact fees should be reviewed every two years and adjusted if needed. Boggled down in studies, reviews and controversy, Kalispell's sewer impact fees have not been adjusted in more than five years.

Kalispell's water impact fees also have not been adjusted in more than five years. After months of review and at least two rounds of contracted studies, a proposal to increase the minimum water impact fee from \$2,213 to \$2,567 is scheduled for a public hearing and possible vote by the City Council on Monday, Nov. 4.

Impact fees for storm sewer, police and fire services also are coming due for review and possible adjustment. Those reviews have not been started.

The one-time charges are imposed on construction and redevelopment projects that put new demand on Kalispell's utilities and services.

Money from the fees can then be used to enlarge infrastructure as needed to accommodate growth and new customers and residents. As presently set, impact fees total \$6,357 for construction of a single family home in Kalispell.

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