

Council takes look at water impact fees

By TOM LOTSHAW/The Daily Inter Lake | Posted: Wednesday, October 2, 2013 6:00 am

Impact fees remain a point of contention among Kalispell City Council members who plan to vote next month on proposed water impact fee increases.

During a work session on Monday, council member Phil Guiffrida III said one of his biggest complaints about impact fees is the confusion they generate.

“The formula is confusing and it doesn’t have to be this confusing,” Guiffrida said. “And if it’s confusing to me — someone who reads this stuff for fun — I can only imagine how confusing it is to someone else.”

Over the last few months, Guiffrida pitched a few ideas to try to keep impact fees more stable through swings in the economy. One idea was to steer some property taxes from new development into a fund to help pay for infrastructure upgrades and other capital improvement projects normally paid for with impact fees.

“I would love to find a way to make this less complicated for everyone. But I feel like I spun my tires and everything else,” Guiffrida said. “I was in search of an answer and fell short. I just have concerns. I think there’s a better way of going about it.”

The proposal before the City Council would increase the minimum water impact fee from \$2,213 to \$2,567. That’s the fee charged for a 3/4-inch water connection. Fees for larger connections are higher and would also increase.

If approved, this would mark the first increase in Kalispell’s water impact fees since 2008, when they were adjusted for inflation after being studied and set in 2006.

Montana law says municipal impact fees should be reviewed and if needed adjusted every two years.

Kalispell’s water and sewer impact fees have gone through two rounds of contracted studies — one in 2010 and another in 2012 — and nearly one year of review by the city’s Impact Fee Advisory Committee.

Sewer impact fees face much larger possible increases — from \$2,499 to \$4,257 — but remain under review for now.

The impact fees are one-time charges imposed on construction and redevelopment projects that put new demand on the city’s water, sewer, stormwater, police and fire services.

They are calculated using growth projections and a list of anticipated capital improvement needs and raise money to pay for infrastructure upgrades and enlargements that become necessary as the city grows.

The fees are a way to keep the costs of growth off existing residents and utility customers.

Some council members wrestled with a 2 percent growth rate used in this latest review of water impact fees. It’s significantly lower than the rate used before. But the estimate held up when reviewed by Kalispell’s planning department and the Impact Fee Advisory Committee

Two percent growth means about 182 new housing units a year, according to Kalispell Planning Director Tom Jentz. “That was our average over a 10-year period and it’s way over what we’ve seen in the last five years. That is pretty fast growth,” he said.

Settling on an even higher projected growth rate would lower the impact fees because infrastructure costs would be spread among more construction projects. But that approach — or the option to charge only a percentage of the impact fee as has been done for some of the fees in the past — also raises the possibility that not enough money would be raised to pay for projects as they become needed, Public Works Director Susie Turner said.

“What happens if we fall short, who picks it up? The taxpayer or the user fees would have to bear the burden,” council member Jeff Zauner said at Monday’s work session. “I for one would not elect to vote for that, especially when the current actual growth rate is around 1 percent.”

Council members opted to go ahead and vote on the proposed water impact fee increases.

The City Council will vote Oct. 7 on a resolution of intent to schedule a Nov. 4 public hearing on the subject.

Council member Jim Atkinson defended the impact fee methodology. “We have a formula, we have been utilizing the formula, and we’re testing the value of the formula over time. We have to look at it every two years and if we’re overcharging then it’s pretty simple, in two years we look at it and start charging less,” he said. “I think it can be very simple if we stay out of it, ask a few important questions every two years, get good answers and move forward.”

Guiffrida said he questions what happens to those people who overpaid or underpaid. “I’m just trying to find a uniform way to make it fair,” he said.

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