BusinessReport.com

Print

Assessing the impact

By Anna Thibodeaux

Monday, September 8, 2008

A new policy by the Louisiana Department of Transportation and Development requiring an "increased value assessment" on projects accessing state highways has area developers saying it could significantly hurt economic growth.

"The big concerns for all developers and our organization is this policy could shut down projects because of the cost of this new policy, and it could totally stop economic development," says Michael McDuff, executive director of the Baton Rouge Growth Coalition.

McDuff spoke on behalf of developers who declined to comment on the record because it could jeopardize projects with the state. "We have developers with a lot of questions and concerns with the new policy," he says.

The assessment comes after years of unsuccessful talks with the DOTD to address what they consider is double dipping of traffic impact fees, McDuff says. East Baton Rouge Parish has long collected a traffic impact fee and more recently so has DOTD, resulting in instances of developers having to pay both of them.

The assessment is apparently based on the difference in value of an appraisal done before and after the project is completed. McDuff says he's aware of at least two projects in the area, one on Interstate 10 and the other on I-12, that have been affected by the policy. While he declined to name them, he did say the assessment on one of them exceeded $1 million.

Developers say the assessment could go into the multimillion-dollar range depending on the project. They believe DOTD is hurting for transportation money and looking for additional revenue. While they say the assessment isn't a major concern for run-of-the-mill projects, they say it's a big deal with bigger ones. They are also describing how the DOTD calculates the assessment as "arbitrary and capricious"—especially since McDuff says they haven't found legislation authorizing the department to reappraise property.

McDuff has scheduled a Sept. 10 meeting with DOTD Secretary William Ankner to clarify the policy and express developer concerns. One question will be if DOTD can legally collect the assessment, which McDuff says developers are equating to a hidden charge.

DOTD spokesman Mark Lambert says his agency couldn't comment because of preparations for Hurricane Gustav—even before the storm had been identified as a potential threat to the state; Lambert requested an e-mail containing questions for Ankner, but neither had responded as of Aug. 31.

George Kurz, a partner in Kurz and Hebert Commercial Real Estate and a Growth Coalition officer, calls the assessment "arbitrary and political." He maintains the policy has no "yardstick to assess the charge or compare from site to site" and doesn't represent the transparency promised by Gov. Bobby Jindal for state government.

Kurz further questions the assessment money apparently going into the state general fund, instead of benefiting the area where it is collected. And, like McDuff, Kurz's greater concern is how the assessment could hurt economic development.

"When out-of-town interests look at doing business here, they will feel the state is blackmailing them for development on a state road," he says. "There is no fair way to judge from site to site what the actual fee would be."

While developers question the DOTD's transparency, Ingolf Partenheimer, the city-parish's chief traffic engineer, says last year's revamping of the traffic impact fee process was aimed at improving transparency. The fee is now based on a schedule, and developers know what it will be before starting the project. They receive the fee schedule when they apply for a building or subdivision permit.

"Our intent is to try to get it out where everyone can see it," Partenheimer says. The city-parish also sought to keep the fees reasonable, which he says are at least four times lower than recommended by a consultant. "We leveled the playing field, and now everybody's paying their fair share."

Both local government and DOTD require a traffic assessment study to identify what the developer must provide in on-site traffic improvements such as traffic lights and turning lanes. To cover off-site upgrades, developers pay local government a traffic impact fee.

Partenheimer says on a project like a subdivision with 100 lots, the off-site fee could be $59,600 [$596 per thousand square feet]. On-site traffic upgrades for a project like this could include a turning lane and traffic light at a cost of $300,000. DOTD also requires on-site traffic upgrades and now an "increased value assessment."

Dustin Annison, a department spokesman, commented on DOTD's permit process, but clarified he was not aware of the assessment. He says an engineering and traffic analysis must be done on projects that generate 100 more trips per peak traffic time to determine what traffic improvements may be needed to handle the additional traffic.

"It's been successful so far," Annison says. "Developers often request the traffic signals without a problem." Of the 90 project reviews since March, he say 20 or 21 of them were accepted, which generate $5 million in traffic improvements from developers.

Although the state traffic impact predates Ankner, McDuff says they still hope to discuss instances of developers paying both local and state traffic fees when they meet with him. And with the latest issue with the increased value assessment, he says they're eager to determine if it's "a pie-in-the-sky charge by the LDOT to raise money."