

Is Rio Rancho's impact-fee moratorium paying off?

Rosalie Rayburn / Journal Staff Writer

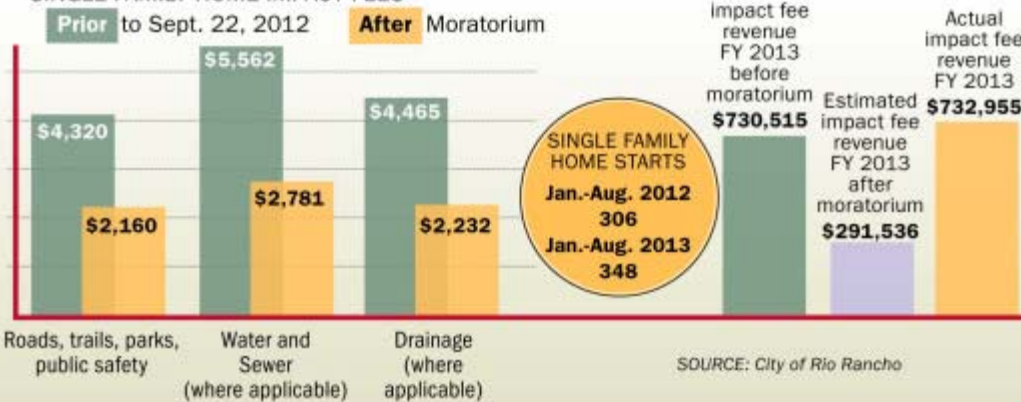
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EFFECTS OF THE IMPACT FEE MORATORIUM

SINGLE FAMILY HOME IMPACT FEES



RUSS BALL / JOURNAL

RIO RANCHO – Supporters billed it as a sure way to boost construction activity and tax revenue for Rio Rancho.

Top city staffers had their doubts, predicting that the city would lose hundreds of thousands of dollars – money used for roads, water lines and other infrastructure and services to support new development.

The two-year moratorium on impact fees took effect in September 2012, eliminating entirely the fees the city charges to developers for commercial building and slashing them in half for residential projects.

A year later, opinions vary on whether the measure or simply more favorable economic conditions overall – or both – are behind increased development activity that has surfaced since.

Effects of the impact-fee moratorium by the numbers

Single-family home impact fees before moratorium took effect Sept. 22, 2012:

- \$4,320 (for roads, bike and trailways, parks and public safety)
- \$5,562 (water and sewer for 5/8-inch meter, the most common residential size)
- \$4,465 (drainage, areas with obsolete platting only)

Single-family home impact fees during moratorium Sept. 22, 2012 through Sept. 22, 2014

- \$2,160 (for roads, bike and trailways, parks and public safety)
- \$2,781 (water and sewer for 5/8-inch meter)
- \$2,232 (drainage, areas with obsolete platting only)

Estimated impact fee revenue for fiscal year 2013 budget: \$730,515 (cash estimate only)

Estimated impact fee revenue for fiscal year 2013 budget after moratorium approved: \$291,536

Actual impact fee revenue received for fiscal year 2013: \$732,955 (cash only, does not include credits)

Number of single-family home starts:

January through August 2012: 306

January through August 2013: 348

Construction-related gross receipts tax:

- FY13 July to Sept. 2012 \$1,179,718
- FY14 July to Sept. 2013 \$1,247,697 (6 percent greater than the same period in FY13)

Councilor Tim Crum has asked city staff to do a study to gauge the effects of the moratorium, but here's what city-provided figures show so far.

Based on construction activity in the months before the moratorium took effect, Rio Rancho staff calculated \$2.7 million more in impact fees could have been due, based on actual activity in fiscal year 2013, if the moratorium that reduced the fees had not been in effect.

"However, we can't say how much would have been in cash. Impact fees are typically in the form of cash and credits," city spokesman Peter Wells said.

He said the city awards credits when a developer agrees to build infrastructure and dedicate it to the city in lieu of paying impact fees.

What is clear from the city figures is that in the fiscal year that ended June 30, Rio Rancho received slightly more impact fees in cash than the level projected without the moratorium, \$732,955 versus \$730,515, city-provided figures show.

That's more than twice what city staffers forecast it would be if councilors passed the measure.

Staff predicted impact-fee revenue would plunge to \$291,536 if councilors passed the moratorium; staffers revised that to \$340,135 in the midyear budget review.

Housing starts and gross-receipts taxes from residential and commercial construction-related activity, and fees the city receives from things such as plan checks and inspections, have also increased.

Single-family home starts were up 38 percent in the first six months of 2013 at 293, compared with 212 in the same period in 2012.

Construction-related gross receipts tax for the July to September period was 6 percent higher in 2013 at \$1,247,697, compared with \$1,179,718 in the same period last year.

Clear message

Councilors Chuck Wilkins, Mark Scott, Lonnie Clayton and Crum voted for the moratorium a year ago. Patty Thomas and Tamara Gutierrez were opposed.

Councilor Scott said the numbers show how successful the moratorium has been.

"It's sent a clear message to the business community that Rio Rancho is very serious about attracting new business," Scott said in a recent interview.

He pointed to Del Taco and Menchie's Frozen Yogurt, which opened this year in a new 6,723-square-foot strip development near the Premiere movie theater at Unser and Southern.

"All of them are producing gross-receipts tax (for Rio Rancho) so it's a win-win," he said.

Commercial builder Steve Nakamura of Rachel Matthew Development praised the moratorium, saying it was a critical factor in swaying clients to move ahead with projects.

Nakamura spoke at council meetings last year urging passage of the measure. He's now building a 5,329-square-foot corporate headquarters at 4500 Sundt Rd. and two projects for clients.

"I sold the idea of the impact fee (moratorium) to clients," Nakamura said in a recent interview. "It was too good of a deal to pass up."

One client, Bill Stange, owner of financial advisory firm Wealth Management, agrees.

"It (the moratorium) was a key deciding factor. The money we saved helped us come within budget on construction," said Stange, who estimated he saved between \$40,000 and \$50,000 on the 6,077-square-foot office Nakamura is building for him at N.M. 528 and Quantum.

Nakamura's other client, Roxanne Baltz, co-owner of air-monitoring equipment manufacturer Bladewerx, said low-interest rates were the key factor in the decision to build a 10,394-square-foot facility at 4529 Arrowhead Ridge.

Too many factors

Rio Rancho Financial Services Director Olivia Padilla-Jackson cautions against drawing a direct cause-and-effect relationship between the moratorium and the better-than-forecast figures.

"Yes, we can say it's (impact-fee revenue) above the original projection – but we can't say why," she said.

Wells added, "There are too many other factors out there like demand, pricing, lending practices. We can't definitively conclude whether the impact-fee moratorium did or did not lead to the construction over the last year."

Commercial and residential real-estate experts concur.

"Any incentive you can provide developers is going to help," said Ken Schaefer, director of brokerage services at commercial real-estate broker firm Colliers International. He said low interest rates, financing decisions and availability of land also influence where developers build.

New product lines, pricing, low interest rates and robust marketing programs also affect when and where homes are built, said Jim Folkman, executive vice president of HBA, formerly the Home Builders Association of Central New Mexico.

"It's almost impossible to determine direct correlation – but it (the moratorium) certainly didn't hurt Rio Rancho," Folkman said.

PulteGroup's New Mexico Division vice president of land, Garret Price, said the moratorium didn't influence its robust building program at Loma Colorado in Rio Rancho because there was a long-term development agreement in place. Nevertheless, the company believes the decision to reduce impact fees was a good move to make the city competitive with Albuquerque and Los Lunas.