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Plano considers doing away with impact fees

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The Plano City Council is considering doing away with impact fees in hopes that it would spur development in a community that has pretty well filled out its boundaries.

Jeff Zimmerman, long range planner for the city, said that impact fees could serve to discourage future development particularly since many neighboring cities already have eliminated them.

"Impact fees could be a disincentive," he said.

Much of the city already is developed and most of the "basic infrastructure is in place," he said. Plano is reaching the point where it is accumulating the fees with fewer and fewer opportunities to spend them.

Impact fees are charged to developers to help reduce the costs of building city infrastructure n typically water and sewer lines - to meet the needs to of the new project. According to state law, impact fees only can be spent on capital improvements or facility expansions directly related to new development. The money cannot be used for repairs of existing pipes and water lines.

At the end of September, the city had about $2.7 million for eligible projects, according to its most recent finance report.

Texas was the first state in the nation to institute impact fees. Now they are common throughout the South and West, but are virtually unheard of in other parts of the country. Texas impact fees are generally limited, but they commonly are used to for parks and roads in other states.

Fees are based on the size of the water meter. For example, ¾-inch and 1-inch meters are common in residential construction. The impact for a ¾-inch water meter is $ 1,241, while a 1-inch meter for a larger home would be $ 2,109. The developer would have to pay the fee for each home built within a subdivision.

A 10-inch meter for a major commercial project would cost $ 95,170.

Those numbers represent about 55 percent of the maximum the city is allowed to charge under a complex state-prescribed calculation.

According the report "National Impact Fee Survey: August 2007" by the consulting firm of Duncan and Associates, "total impact fees charged in 2007 average about $10,500 per single-family unit, and are significantly higher in California than in the rest of the country."

Impact fees usually are passed along in the cost of the home or recouped through rent.

Instead of focusing on major build outs as in many areas that still use the fees, the Plano is

"focusing on in-fill and redevelopment," Zimmerman said. In-fill refers to empty, unused parcels of land surrounded by buildings.

If someone redevelops a parcel of land, impact fees typically do not apply if the city does not have to expand its water or sewer systems to accommodate the new development.

Zimmerman noted, "There is very little need to expand or enlarge the existing infrastructure."

Plano is one of only a handful of cities in the area that still charge the fee. Getting rid of the fees could foster growth in the few remaining places within the city that would benefit from them.

On the downside, the city would lose a revenue source and developers would get the benefit of tying into the city's infrastructure without paying the fees. However, if developers could be enticed to move projects to Plano that could increase the city's taxable value, Zimmerman said.

City manager Tom Muehlenbeck added that the fees cannot be waived. In cases where the city offers up financial incentives for businesses to relocate here, those incentives are often used to defray the impact fees. However, the city has lost no development projects directly because of the impact fees.

He also pointed out that administrative costs related to the program would remain the same even as revenue falls.

The council gave the nod to further study the matter.

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