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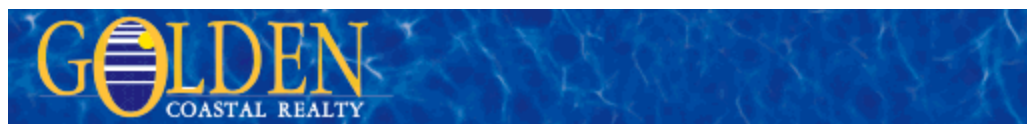
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Sussex County officials explore ways to fund infrastructure

Three options for infrastructure funding

By Ron MacArthur

Cape Gazette staff

Sussex County officials are looking for additional ways to fund roads and infrastructure. With a unanimous vote Tuesday, Oct. 2, county council moved forward to draft enabling legislation giving the county the option to enact impact fees, special development districts and/or tax increment financing.

By law, the county cannot use any of these funding options to create revenue for infrastructure. New legislation would have to be passed by the Delaware General Assembly.

County Administrator David Baker said draft legislation being prepared for three counties would give county officials the framework to create funding plans for new infrastructure.

Baker said if the enabling legislation passes in the General Assembly in 2008, the county council would have to set up the mechanism to establish special districts, impact fees and tax increment financing.

Roads are a concern

Last month, the council held a workshop to discuss how to pay for infrastructure for new developments. Baker said road improvements are expensive and developers are being forced to pay huge sums of money to comply with Delaware Department of Transportation (DelDOT) demands. Those costs can contribute to higher home costs.

"A major concern of the council is the status of the roads in the county," Baker said. "We tend to agree with DelDOT on what needs to be done, but the problem is funding."

Baker said, for example, the new development district could help fund road projects on- and off-site to not only benefit residents in the development, but other county residents as well.

Bob Stickels, former county administrator who is now director of external affairs for George, Miles & Buhr, an engineering, architectural and planning firm in Sussex County, said developers are getting hit hard with additional costs for off-site road work beyond the anticipated on-site improvements and entrance road work.

He said he is working with two projects with more than \$10 million in road improvements, which include the construction of nontraditional roundabouts.

Stickels said many roads in the county have been ignored over the years. "There are so many failing roads in the county, and they [DelDOT] are putting the burden on developers to fix them," he said.

Eventually the added costs either drive away developers or Sussex
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drive up the costs of new homes, which Stickels said hurts the effort to provide more affordable housing in the county.

Stickels said the county's plan to establish special development districts is a better way to pay for road improvements, because it spreads the costs over 20 to 30 years.

Stickels said he supports the establishment of development districts over impact fees. "Impact fees are paid right up front and could take a lot of people out of the housing market," he said.

"The districts are a win-win because residents living here get improvements on roads and people moving here get a tax deduction and don't have to pay for the money," Stickels said. "Sooner or later somebody is going to have to get the roads fixed."

Stickels noted the districts could be established for other infrastructure projects beyond roads including sewer projects, fire stations and libraries.

Councilman Vance Phillips questioned why impact fees were included in the list when the county already charged impact fees when new sewer districts were established. Baker said the county does not have authority to levy impact fees other than for water and sewer projects.

That conversation set off a chain-reaction discussion among council members as to the merits of the controversial impact fees.

Councilman George Cole said it was important to keep the impact fee option open because more money would end up being spent on projects. "We don't need bond counsel and don't need lawyers who end up making all the money," he said.

He reiterated it was important to keep all three options open. “We may find that may work better than the others,” he said.

When other council members questioned impact fees, Cole fired back: “Council members are caving in already on impact fees from lobbying by lawyers who will end up making all the money,” Cole said.

It didn't matter because the vote was 5-0 to explore all three funding option and proceed with writing legislation to give the county that power.

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Three options for infrastructure funding

The following is a brief synopsis of the three funding options for infrastructure being explored by the Sussex County Council:

SPECIAL DEVELOPMENT DISTRICTS – The districts would be established within small geographic areas or within a single development. Government-issued, tax-exempt bonds would be issued for properties with developments.

County Administrator David Baker said the property owner would be taxed each year over and above normal property taxes until the bonds were paid off. The amount and length of time would be determined by the county, depending on the cost of the project.

Baker said the key stipulation is that the project being paid for with bond money has to be owned by a public entity, either county or state. “The county would have to approve each specific district,” he said.

Municipalities, including Millsboro and Bridgeville, have already created special development, or tax, districts by amending their charters. Others are lined up to do the same.

IMPACT FEES - Impact fees, which would be charged to developers, builders and/or property owners, would also be used for infrastructure projects only, Baker said.

“They would be very defined for specific projects that are growth-related. As we would have to be very careful how we spend the money.”

Most municipalities charge impact fees to builders for new construction projects.

TAX-INCREMENT FINANCING – Under this program, the county would provide tax credits to developers for providing public infrastructure. But Baker said of the three options, this one is not practical at this time because of the county's low property taxes.

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