

Cities, county re-evaluate impact fees

By [WALT WILLIAMS](#) Chronicle Staff Writer

In a few months, a new home in Belgrade will cost \$9,172 more than it does now. A new home in Manhattan might cost \$4,300 more. New houses in Bozeman and the rest of Gallatin County also could see their price tags go up.

The price shifts are not the result of market forces but of impact fees imposed and collected by local governments.

Bozeman and Gallatin County have long collected impact fees to pay for infrastructure improvements needed to support more houses and businesses.

So has Manhattan, but Belgrade is new. And the policy tool is getting more attention in light of a state law passed two years ago that sets limits on just what the fees can be collected for.

The new fees will make new housing in the county more unaffordable and make it more costly to start up a business. But local officials say the money is needed because growth should pay its own way rather than have existing residents cover the bill through taxes.

"It's just a matter of making ends meet and providing the capacity we need to maintain the level of services we are currently providing," Belgrade City Planner Jason Karp said.

Belgrade implemented its first impact fees Wednesday.

One immediate result was a last-minute rush of permit applications as people attempted to submit their projects ahead of the deadline to avoid paying the fee. Karp said his office probably received more than 100 applications in the days leading up to the deadline.

The city will collect fees for parks, water, sewers, streets and fire services. The total fee will come to \$9,172 for a single-family home.

Businesses will pay much more, and while it will vary from property to property, a company proposing a 50,000-square-foot building or less might need to pay \$380,000 in fees.

Manhattan already charges \$5,700 a home for water and sewer, having raised its water impact fees from \$1,800 to \$4,500 in July. Now officials are considering charging up to \$10,034 a house to also include streets and fire services.

"I think it's very important to look at (housing) affordability, but even more important right now, we need to look at what infrastructure we have," Manhattan Mayor Tony Haag said.

Haag noted that Manhattan was required by state law to build a new sewer treatment plant to accommodate the town's population 20 years from now.

"We are mandated to design that for growth, so growth should pay for it," he said.

That general philosophy is shared by most developers, up to a certain limit.

Their concern is that impact fees, particularly in Bozeman, are far higher than what it costs to pay for the actual impacts, and city officials saw the fees as a politically easy way to raise revenue.

Both sides came together in 2005 to get the Legislature to pass Senate Bill 185, which spelled out that cities and counties could enact impact fees under certain conditions, among them that local governments first conduct a study to determine the appropriate amount to charge.

"I think the intent was to put some parameter in place. Š Here's the authority to do it but do it within these standards," Shawn Cote of the Southwest Montana Building Industry Association said.

Another requirement in the law was for local governments to set up impact-fee advisory boards with representatives from the development community.

Bozeman established one, although during a meeting Thursday, many of its members were ready to quit because they felt the City Commission had ignored its recommendation concerning new rates for water impact fees.

In the end, no one stepped down, and rates for water impact fees are not yet set. But committee chairman and Bozeman builder Tim Dean said affordability should always be something officials consider in setting fees.

"Growth has to pay its way, but on the other hand, (a fee) has to be fair and equitable," he said.

Bozeman has charged about \$8,000 a home in impact fees in the past.

Gallatin County has traditionally collected impact fees for road improvements and fire services. Its impact-fee advisory board is considering a plan to reset road impact fees at \$3,979 for each new home. The county also is studying fire impact fees.

"So we're being very cautious to make sure everything we do complies with the law," said Open Space Coordinator Mike Harris, who is overseeing the county's impact fee revisions.