Taxes may replace fees for Fountain developers

By DEEDEE CORRELL
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Fountain leaders are expected to create a special taxing district soon to pay for improvements in new areas of the ever-growing city.

Instead of paying impact fees, developers who annex land into the city would agree to join the district, whose residents would pay a tax to help build roads and police and fire stations, create open space and make other capital improvements.

Though special taxing districts aren't uncommon, the approach of replacing impact fees with the permanent revenue stream is a first for Fountain.

"Finally you could say growth is paying its own way," acting City Manager Dave Smedsrud said.

Residents have long sent the message that they don't want to subsidize development, Smedsrud said. "That's the main reason we looked at creating the district."

Here's how it will work:

As the developer of the 541-acre Norris annexation east of city limits, Chris Fellows of HF Holdings will submit a petition next month, asking the City Council to create a general improvement district.

The developer of the nearby 143-acre Appletree annexation has agreed to join the district.

If the council approves the district, an election will be held in November to remove Taxpayer Bill of Rights restrictions. TABOR puts a cap on the amount of revenue a government can retain. Only those property owners in the district — the developers — can vote.

Once the district is created, the City Council will serve as its board of directors, and people who own property there will pay a levy of up to 12 mills.

That amounts to $95.52 in annual taxes on a home valued at $100,000.

Developers say the approach is a better deal for homebuyers, because they otherwise would pay for the impact fees indirectly through higher home prices.

"We all know who pays it in the end," said Kevin Walker of the Housing and Building Association of Colorado, which hasn't yet taken a position on Fountain's plans.

When the developer passes the cost of the impact fee to the buyer, he said, the buyer assumes a larger mortgage and pays more interest over time.

Developers don't object to fronting the money, Walker said. "Builders and developers all know these facilities are necessary, and they need to be constructed for us to build good communities. If we don't figure out how to build them, our investments are hindered."

But developers do mind that they can’t ensure that the impact fees are spent on improvements in their development, Walker and Fellows said.

Impact fees go into a pot of money that is spent on capital projects in new developments, Smedsrud said.

If the district is created, the revenues must be spent on improvements that directly benefit the district — either in its boundaries or in close proximity to it.

Fountain has some of the highest impact fees in the region, Fellows added.

“But the reason we approached this wasn’t just our self-interest,” Fellows said. “A part of what we’re trying to do is help the town for the long term.”

For city officials, the advantage is that a dedicated revenue source allows them to issue bonds to pay for improvements, Smedsrud said. That’s not possible with one-time impact fees.

But as that district enjoys the benefits of the tax, the challenge will be to find ways to pay for improvements in existing parts of the city, Smedsrud said.
Fountain voters consistently reject tax increases, he noted. One of those voters who objects to tax increases also called the elimination of impact fees a bad idea.

“Impact fees are the cost of doing business,” Paul Muuss said. “I don’t think it’s right to tax those people. To me, an impact fee, you pay it one time, and it’s over.”