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## Impact fees split schools, home builders

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MOUNT BETHEL — In the 1950s, real estate developer William Levitt turned suburbia into an American staple when he built more than 17,000 cookie-cutter homes in what was then rural lower Bucks County.

But Levitt did more than just throw up houses. Recognizing that a community needed more than dwellings, he built swimming pools, baseball fields, churches, shopping centers — and schools.

"What happened to that sense of fairness?" state Rep. Scott Petri, R-178, wondered aloud during Thursday's four-hour hearing of the Local Government Committee of the House of Representatives.

The committee was hearing advice on House Bill 72, which would compel latter-day Levitts to do what that developer did, in at least one respect.

The bill would allow schools to levy an educational impact fee on new real estate developments to help pay for the staffing and building costs that come with new students.

It is co-sponsored by state Reps. Mario Scavello, R-176, and John Siptroth, D-189, and 15 of their colleagues.

Specifically, the bill would allow schools to charge developers \$2,500 for every bedroom after the first in each unit in a subdivision plan. The fee would be capped at \$7,500 per home.

The fees for building permits, or the document that developers need to begin a project, would follow a similar price scale, although there would be no cap.

School districts could use the money to build or expand classroom space, or to add staff. A single pupil can cost a school district from \$6,000 and \$16,000 to educate for a year, depending on where they go to school.

But fairness, not cost, is the true issue, noted Timothy Kelsey, a professor of agricultural economics at Pennsylvania State University.

"The issue is who will pay these costs," Kelsey said.

Existing residents often wind up footing the bill for the new infrastructure costs required by new development, Kelsey said. In other words, they pay for the land use decisions that are made by other people for other people.

In the case of schools, long-time residents gape as their tax bill increases dramatically even though their children are grown.

Christopher Baj, an East Stroudsburg school board member who was one of the many pro-impact fee presenters Thursday, described some effects of growth on that district where enrollment has increased 77 percent in the past 15 years.

The district is trying to catch up; it is building a new school and expanding three others, with other projects in the pipeline.

And, while enrollment growth in that district was essentially flat last year, the increase may not be over. More than 9,000 new homes are slated to be built in the district, which means enrollment could grow another 50 percent if all the units come to pass.

"If the debate continues longer," Baj said, "(the bill) won't be of much value (to us)."

But the Pennsylvania Builders Association, which was the lone voice during testimony to oppose the bill, worried about the economic costs of levying impact fees for schools.

Mark Mitman, a developer in Bethlehem and member of the builders' association, feared that impact fees would only raise the prices of homes, which would freeze homebuyers, especially first-timers, out of the market.

"We fail to see the logic in fairness to the homebuyer," Mitman said.

Mitman also thought there were other, better ways to contain costs and raise money, such as the existing transfer tax — which levies 2 percent on every home sale.

Fiscal discipline would help, too, he said. "For school directors reluctant to control costs, issue a bond or raise taxes," Mitman said, "impact fees are the easy way out."

Both sides of the debate brandished statistics to support their arguments.

Average number of school children per household — or the true impact of new homes on the schools — was one thorny number.

It can vary based on the age of housing stock; newer homes tend to house young families. Older homes tend to have been lived in longer by families with grown children.

The precise tipping point at which a property spins off more tax income than it requires in services was also disputed.

Kelsey cited two Rutgers University professors, Robert Burchell and David Lisotkin, who found that the type of development matters. Office parks tend to be the best for government and school district coffers (they pay a lot in taxes and exert little demand for services in return). Large garden apartments and mobile homes tend to use more public money than they pay for.

Kelsey added that districts with ample room for new students in their schools also benefit from new development. But for those, like East Stroudsburg, that are straining to find enough classroom space, the opposite is true.

Mitman, of the builders' association, cited sunnier studies, which were conducted by the National Association of Home Builders, on homes both in-state and outside. They demonstrated that new homes generate more tax revenue than the local government incurs in costs.

But when state Rep. Richard Grucela, D-137, asked him to name the developments in-state that did so, he could not. Mitman also acknowledged that one study looked at the lesser costs incurred by municipalities, not by school districts.

"New development and growth never pays for itself in the long run. It just never does," John Rice, a township lawyer, testified. "School districts, of course, take the biggest hit."

Previous efforts to pass impact fees for school costs have failed. But Grucela said this version had proceeded further than those in the past.

State Rep. Robert Freeman, D-136, the committee's chairman, said the panel would likely try to move the bill in the fall.

Neither he nor Grucela would estimate its chances for success.