



Legislators question impact-fee shift

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Legislators were skeptical Thursday of a push by developers to shift infrastructure costs from buyers of new homes to all real-estate buyers.

Rep. Ray Kidd, D-Jonesboro, likened the proposal to “putting it on the poor folks.”

Two Northwest Arkansas developers told the House City, County and Local Affairs Committee they were frustrated with impact fees that are levied locally to raise money for streets and other improvements.

They said they would prefer that cities be allowed to charge a real estate transfer tax for infrastructure needs. The state already charges a transfer tax.

Charlie Sloan, a contractor in the Fayetteville area, said impact fees for infrastructure, which are only charged on new homes, “artificially inflate the cost of a home” and that communities ought to have other options for revenue to improve infrastructure.

Rep. Jon Woods, R-Springdale, sponsored the interim study on the subject at the request of Jeremy Hutchinson of Little Rock, a former legislator and now a lobbyist for Sloan.

Stephen Davis, a business consultant testifying for the change, stressed the impact fees only help offset the costs of new development while a city real estate transfer tax could help infrastructure throughout a city in areas old or new.

But Rep. Lamont Cornwell, D-Benton, said the developers’ proposal defeats the purpose of impact fees.

“Impact fees are for the burden of the infrastructure in the developing area,” he said. “People in the existing community will argue they are already paying their fair share and shouldn’t pay for the expansion.”

Davis said cities can’t use impact fees to pay back development bonds because the income stream isn’t predictable.

Cornwell contended that would also apply for real-estate transfer taxes.

Davis responded that people in existing homes haven’t necessarily already paid their fair share. Using his family as an example, he said that people who have more children put additional strain on municipal government because that results in more people using city services.

“No system can be fair for everyone,” he said, adding that the debate boils down to whether cities should charge a minority of citizens several thousand dollars per home purchase or charge all home buyers a few hundred dollars per purchase.

Cornwell questioned why voters in a municipality would approve a citywide tax in place of impact fees.

He also questioned why the developers want to put the question to voters.

“That’s why we elect city councils,” he said.

Hutchinson described it as a “local option.” He said real estate transfer taxes would be favorable in the Delta because growth is nonexistent in many eastern Arkansas communities. That fact makes impact fees “useless,” he said.

Kidd wondered why the committee was spending time on an issue that he viewed as only affecting Fayetteville.

In April, Fayetteville voters narrowly defeated a \$ 2, 363 increase in impact fees per single family house. The existing fee is \$ 4, 897.

Other Arkansas cities with impact fees are Bentonville, Lowell, Hot Springs, Cabot and Conway.

Woods said he hasn’t formed an opinion on the issue and has heard from some friends in the real-estate business that oppose it.

He said the idea of the developers’ proposal is to “encourage people to buy new homes.” He said in Fayetteville most new homes cost too much for the average college graduate to afford.

Woods said he doesn’t know whether removing the impact fee would increase the availability of more modestly-priced homes. He said the fact that more expensive homes are being built in Fayetteville could be because those are the homes that developers make money selling.

He said he wasn’t sure whether developers statewide support the change advocated by Sloan and Davis but he knew that some developers in Fayetteville wanted it.

He said he thought some developers were “looking for ways to make money” because homes aren’t selling as quickly as they would like.

Woods said one question he wanted to study more before introducing legislation during the 2009 session was this: “Should the state even get involved or just let the free market do what it should do ?”