

Boom's burden

Fee could provide early money to schools in growth boom

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JOLIET — City leaders are considering charging developers a fee that could generate up to \$3.3 million a year to help schools confront a student population boom.

The transition fee could bring in cash to pay for teachers, textbooks and other operating expenses. It would help school districts in Joliet's boundaries, such as Plainfield, Troy, Minooka and Joliet.

The fees are designed to help schools when new homes are built in newly annexed areas. The fees would cover expenses during a year-plus lag time — between the time the new student enrolls and the time the district actually gets tax money from the new house.

This lag time can cost the district millions of dollars, some leaders say. After the lag is over, the schools only recover 50 percent of expenses, City Manager John Mezera said. And in the end, current taxpayers are stuck with that loss.

Many residents are tired of picking up the tab for new housing growth. In several districts, voters have rejected school referendums. Constituents have asked school leaders how they are working with their City Hall counterparts to handle the growth.

This fee could help answer that question.

But an area builders' group and real estate association vehemently oppose the fee.

They say the idea is double taxation and would inflate the price of new homes, making it less affordable for people living on moderate incomes.

Joliet proposal

Currently, fast-growing school districts face a problem: New houses create an immediate burden of new students and added costs for the district, but it could take a year to 18 months for the district to actually get tax money from those new houses.

For instance, schools on average lose about \$2,615 in taxes for a year — and have to pick up the cost — for a three-bedroom single-family home in a district serving kindergarten through 12th grade.

To counter this, a school transition fee would be charged to a developer at the time a builders permit is issued. This fee would not apply to undeveloped property already annexed into Joliet.



John Patsch / Staff Photographer
Joe Shetina, a Joliet city councilman, and Michael Kelly, president of the Plainfield School Board, observe the progress of a middle school being built in Joliet west of Ridge Road. Joliet's proposed transition fee would help local school districts bear the burden of growth.

Joliet's proposal would be implemented over a 24-month period, increasing every six months until it is fully implemented. The formula varies depending on the size of the school district and home.

For instance, the fees would be:

- \$2,615 for a three-bedroom single-family home in a K-12 school district;
- \$2,223 in a K-8 school district such as Troy; or
- \$392 in a high school district such as Joliet Township.

The fees would increase for larger homes because those homes would bring in more children. For example, a four-bedroom single-family home would pay:

- \$3,284 in a K-12 district;
- \$2,791 in a K-8 district; or
- \$493 in a high school district.

Joliet's land use committee will meet at 3:30 p.m. Thursday at City Hall, 150 W. Jefferson St., to look at the proposed resolution.

Mezera, the city manager, said it is possible the city council will vote on the issue in December, and if it passes, the resolution would go into effect immediately.

If approved, the Joliet transition fee will be implemented over 24 months starting on Jan. 1, 2006. But since the school districts need the money now in their education funds, there is an option to get the money from the facilities impact fee until the transition fee is fully implemented.

Plainfield and Minooka village leaders also are considering enacting transition fees or lag-time fees as part of their annexation agreements with developers.

Piece of the puzzle

Joliet is seeing 1,000 new single-family homes each year, of which the majority are four-bedroom homes. The transition fee would provide school districts with about \$2.9 million if there were 500 three-bedroom homes and 500 four-bedroom homes, according to Mezera's estimates.

The transition fee would be the last piece of the puzzle of impact fees that the city of Joliet has implemented to help school districts with the population boom of new homes, Mezera said.

"The final part of the impact fee is the education fund to help cover expenses of students that are not being paid by the new homes," Mezera said.

In 1989, the city of Joliet implemented a land fee, which is used by the districts to purchase land. In 2004, a facilities fee was implemented, which is used to build buildings.

Now, the city wants to provide fees to go into the education fund to help pay for students living in new homes who are attending schools.

Plainfield problem

Ron Kazmar, vice president of the Plainfield School Board, said the issue is a cash-flow and timing problem that will continue as long as enrollment increases. Each year, the district gets more students, so each year it falls further and further behind.

Kazmar estimates that Plainfield schools — which get about 1,800 new students from new homes each year — lose \$6.3 million because of the lag time between the student arriving and the district getting the tax money.

The next year, the district gets another 1,800 new students, and the cost just keeps accumulating. By the 15th year, the school district has lost about \$88.2 million, Kazmar said.

Eventually, the district will recover some of the cost, but not all of it — still leaving the district \$49.7 million in the hole due to the lag time.

"It becomes a taxpayer problem because the home builders can keep building the houses, but it doesn't come up with additional funding. The funding has to come from somewhere. School districts have no other choice but to ask the taxpayer," Mezera said.

If taxpayers vote down a referendum for more money, then a school district has to cut services, Mezera said.

"The taxpayers and their children bear the brunt one way or another. Higher taxes or lower services if home builders don't pick up the additional expense," Mezera said.

Last March, a Plainfield referendum to build eight new schools and perform renovations was rejected by 119 votes. In April, the district will return to voters, asking them to approve a \$252.1 million building bond referendum to build nine new schools and do other building renovations to accommodate the 11,000 additional students it expects in five years.

Critics sound off

Russ Head, president of the Will-Grundy Counties Home Builders and Associates, said it is important for people to realize that the builders will be passing along the transition fee to the buyer — which is then double taxation and payment for services yet to be rendered.

"If you increase the cost to \$3,000, the builder has to raise its cost by \$3,000. It's not the builder paying it — it's the new homeowners. For every \$1,000 added to a price of a home, a certain percentage of people can't afford it anymore," said Head, of Noble Hill Custom Homes.

Head said new homeowners pay their full share under the current system.

"If you were to move in June 1, you are charged taxes the day after you move in. You are actually paying property taxes on June 2."

"Taxing bodies don't see that money for quite a while, but the resident is being charged for being there," Head said. "It is a false statement they are only paying 50 percent. They are paying 100 percent for every day they live there."

But Plainfield's Kazmar said the cash flow problem and timing problem will continue as long as enrollment increases.

Tom Joseph, government affairs director for the Three Rivers Association of Realtors, said the proposed transition fee is not fair to a resident who currently owns a home in Joliet and then buys a new home in Joliet. He said that person will be paying a triad of taxes.

"Where is that fair, and where is that constitutional? They are acting like everyone is coming from apartments to a new development home," Joseph said.

Mezera strongly disagrees.

"They can't show any double taxation. It is a term that incites emotion ... but they can't document how there is any double taxation," Mezera said.

Attorney Richard Flood, who is on the Impact Fee Taskforce for the Illinois Legislature, said developers may say it's unfair, but they have a choice to annex or not to annex into the municipality.

"I think they will have a very hard time dreaming up a lawsuit over it because the law is very clear no one can force a municipality to annex property," Flood said. "It's only double taxation if they can show the assessor won't take it off the rolls the day the house is torn down."

Almost all municipalities in McHenry County have implemented transition fees, said Flood, who represented many of them.

"They are all doing it pursuant to annexation agreements. The bottom line is: If you don't like the transition fee, don't enter into the annexation agreement." Flood said. "I think they realized there is no way to litigate the issue. The bottom line is: It is a voluntary agreement."

Growth pays for itself?

Head also contends that growth is paying for itself. "Our point is that the local property tax revenues are increasing faster than the number of students," Head said.

Head cites figures from the Illinois State School Report cards:

In Plainfield schools, there were 16,423 students in 2003, 18,538 in 2004, and 21,055 children in 2005.

Meanwhile, property taxes were \$58.1 million in 2003, \$73.2 million in 2004, and \$86.5 million in 2005.

There was a 25.9 percent increase in property taxes from 2003 to 2004 compared to a 12.9 percent increase in student enrollment during the same period, Head said.

In 2004-05, there was a 18.2 percent increase in property taxes compared to 13.6 percent increase in student enrollment.

But Kazmar said the increase in property taxes has not kept pace with the increase in instructional expenses. In the past three years, from 2002 to 2005, there has been an increase of 85 percent in property taxes compared to a 92 percent increase in instructional expenses.

Kazmar said it's important to note that during that time, the district cut about \$4 million in instructional expenses, such as the reading recovery program and social workers in 2002 because the district was facing a big deficit.

The increase in property taxes also reflects an education-fund rate increase that voters passed five years ago — 15 cents per \$100 of equalized assessed valuation. It was phased in over five years to help pay for teachers, textbooks and other operational expenses.

In Minooka, the high school district is expecting a growth boom. The district has 1,848 students and expects 3,337 students by 2013, said Superintendent David Middleton.

If the transition fee is approved, it will be a few years before the district will see the money since many of the homes being built now are already annexed into municipalities.

Currently, 2,521 single-family homes and 897 multifamily homes are to be built in approved subdivisions in Joliet. The transition fees won't apply to these homes.

Middleton said new growth doesn't pay for itself. For example, the district is looking at building a new high school for 2,000 students. It will cost \$54.4 million in the first phase, and the operating expenses per student run from \$8,000 to \$9,000.

"The impact fees help, but they don't provide funds that are needed to fully educate the students," Middleton said.

Larry Wiers, superintendent of Troy schools, said anyone who suggests that exploding growth finances itself doesn't understand school finance.

In Will County, the school districts have a triple whammy — exploding growth, the tax cap and a flawed funding formula, he said.

"Last year, we lost \$1.2 million to the tax cap. It's safe to say if we did not have a tax cap in the county, the likelihood of asking for an education increase by referendum would be very remote," he said.

Lake County example

In Lake County, the Wauconda School District has 4,200 students and projects to have 5,500 by year 2013. Last spring, its four municipalities agreed to charge lag-time fees.

Superintendent Daniel Coles said the lag-time fees answer an important question.

"It answers the question for those homeowners who have lived here five to 40 years and paid into the system and have taken pride in the system and paid their taxes and maintained the educational system and have not had an impact on the school system that a new 500-home subdivision would have on a school system," Coles said.

"It sort of meets that question: How does the new growth pay for some of the impacts — not only facility-wise, but operationally — that get imposed on a local school district when those subdivisions come in?"

Joseph, of the Realtors group, said that's why school districts and municipalities should talk to legislators to fix the school funding problem rather than enact transition fees.

School and municipal leaders said they have, and they can't wait any longer for help.

Plainfield: How much?

Plainfield schools would stand to benefit substantially from a transition fee.

In the Plainfield district, there are currently 27,250 homes with an additional 8,608 single-family homes that already have been approved by local municipalities and are expected to be built in the next five years. The district has about 2,500 townhomes and expects roughly an additional 600 to be built, said Ellen Theobald, district demographer and coordinator of transportation.

The district expects to get 1,800 new homes each year within its 64 square miles, an area including parts of Joliet, Plainfield, Romeoville, Crest Hill, Bolingbrook, Naperville and unincorporated Will and Kendall counties.

When the district is fully built out, it expects to have 12,000 additional homes in Plainfield, 3,000 new homes in Joliet and 2,500 new homes in Bolingbrook, Theobald said.

In the village of Plainfield, if 9,600 of the homes were four bedrooms and 2,400 were three bedrooms, the school district could get

\$19.8 million in transition fees over the next 15 years, Kazmar said.

"That's a couple of million bucks a year — I'll take it any day," Kazmar said.

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