



## City Says More Impact Fees Needed

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SILOAM SPRINGS -- Additional impact fees are needed to cover the cost of growth, according to Siloam Springs city officials.

The city needs to charge at least \$3,000 per new residential lot to expand electric, water, sewer, sanitation, police, fire and park and recreation services because of growth and population increases, City Administrator David Cameron said.

Approximately 600 new homes in Siloam Springs have been built in the past two years, which could add approximately 1,450 people to an estimated population of 14,000 -- based on a five-year average of 2.43 persons per household in Siloam Springs.

The city could raise utility rates, but those now living in Siloam Springs bear a heavy financial burden already, said Judy Nation, a member of the Siloam Springs Board of Directors.

"Why should someone who's lived here 20 years pay for (growth). I pay water and electric, and I don't want to subsidize new growth," Nation said.

The city electric department is planning to spend \$1.64 million in 2006 to improve and expand the electrical system to serve new growth areas.

An increase in population triggers more revenue through utility services as well as sales taxes and property taxes, but, "We do not immediately begin to get a return on our investment. Electric alone takes 11 years to make enough money to pay for it (expanding service infrastructure)," Cameron said.

Board member Mark Long wants equitable mathematical formulas that determine the percentage of impact a residential, commercial or industrial development would have on the respective infrastructures. Then the city can charge a fee to the developer or builder that offsets capital improvement costs.

"When you say 'impact fee,' you get every builder in the world squirming. I'm not saying we should make money ... I want people to build, but it's overwhelming (the city budget)," he said.

In 2004, the city revised the street impact fee ordinance to make sure developers were paying their share of the growth. The fee enables the city to avoid dipping into a multimillion-dollar reserve account to improve, expand or extend streets to handle increased traffic from the new subdivisions.

Eighty percent of sales tax collections are currently earmarked for street improvement.

Mayor M.L. "Moose" Van Poucke supports impact fees, considering the city issued 411 building permits in 2005 and anticipates another 500 permits in 2006.

"Tomorrow is not soon enough" to begin charging impact fees, Van Poucke said. "We've been giving free for so many years. We don't want to take advantage of anyone, but we don't want to make us look stupid."

This is the only development fee in Siloam Springs, but city leaders seek fees across the board, including police and fire impact fees.

"I prefer no fees, or to have them as little as possible," said Ron Drake of DRC Investment Group in Siloam Springs.

Drake typically remodels old and historic buildings, but at some point an impact fee ordinance will affect him when his business expands to include construction.

"I'm not necessarily for it or totally against it," Drake said. "I understand the city's growing pains and the need for fees." Drake said his support of or opposition to the fees will be based on their amounts.

The director of the city electric department, Art Farine, has studied city finances and other data for a couple of years to create fee formulas based on impact.

"I'm not ready to give any numbers," Farine said, but he expects each utility or service to have separate formulas because of differences in staffing, equipment and vehicle needs, among other operating expenses.

In the end, Farine said, developers aren't the ones who pay for growth. "They'll add it to the cost of the lots that they sell. Ultimately, the homeowner will pay."