
City to consider impact fees

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GALVESTON — Under a proposal the city council will consider this week, the builder of a new home in Galveston would pay an impact fee of nearly \$3,600.

“This is just going to be part of the price of doing business,” said Rhonda Gregg, chair of an advisory committee putting forward the recommendation.

Gregg, project manager for the Blackard Group’s Pirates Galveston, said she would not describe the recommendation as unanimous.

“I would say the committee was pretty divided,” she said. “It’s a bitter pill for some of the developers to swallow.”

In a February report, Gregg’s committee called the impact fees a tool to fund the cost of additional services made necessary by new development.

“An impact fee is paid only by those who use the services of the new facilities,” the report said. “Conversely, the impact fee is not meant to pay for the renovation or maintenance of existing facilities that service existing users.”

A Way To Keep Up

Brandon Wade, the city’s public works director, said the proposed fees would benefit the city’s current residents.

“With these fees, the development itself covers the cost of needed improvements,” he said. “Otherwise, the burden would fall strictly on the backs of ratepayers. Having the fees is a way of keeping water and sewer rates lower.”

The fees also benefit developers, he said.

“The fees really force the city to do some of the construction needed to support these developments,” he said. “Without the fees, we would be at something of an impasse.”

Gregg had a slightly different take.

“The city of Galveston is far behind the curve in terms of infrastructure,” she said. “With the current situation, there just isn’t a way for the city to keep up.”

A Bumpy Start

The impact fees will change that, she said.

“As a development community, we’re going to have to give some in order to move projects forward,” she said.

Jeff Sjostrom, executive director of the Galveston Economic Development Partnership, noted that the process got off to a bumpy start.

“When the city started talking about this, everybody came unglued,” he said.

But he said the city had done much in the intervening months to ease those concerns.

“I think the committee has done some good work,” he said.

Nothing New

The concept of an impact fee is hardly new.

“I believe it was 1987 that the state put in legislation defining the process, but some cities were charging fees even before that,” Wade said.

Of course, that doesn’t mean Galveston should have adopted the fees sooner.

“Actually, we’ve just recently gotten into a situation where impact fees would be useful,” Wade said. “Impact fees are not particularly useful when you’re in a situation of relatively stagnant growth. In fact, they can be detrimental.”

Gregg noted that many nearby cities already had such fees, and they had done nothing to slow development.

“A lot of those communities are growing by leaps and bounds,” she said.

Recouping The Cost

The city of Friendswood has had fees in place since 1990. Last year, the fees generated revenues of nearly \$300,000.

“It seems like a reasonable way to recoup the cost of the necessary infrastructure,” said Nick Haby, assistant to the city manager.

He said Friendswood’s fees were based on the size of a building’s water meter. They range from \$2,859 for the smallest meter to more than \$300,000 for the largest.

“Every city does impact fees a little differently,” Haby said. “In Friendswood, we add them on to the price of a building permit.”

Wade said the approach in Galveston would be similar.

“We haven’t gone so far as to calculate the fees, but we can do that fairly quickly,” he said.

A 10-year Plan

Gregg said a key part of the process was putting together a 10-year capital improvement plan.

“It took months to put that together,” she said.

The plan identifies more than \$26 million worth of projects that will be needed to accommodate anticipated growth.

“It’s important to note that the statutes allow for communities to revisit these calculations every year if necessary,” Gregg said. “With the current pace of growth, that’s something the city’s going to have to be prepared to do.”

At this week’s meeting, the council will consider a report by the consulting firm CDS Market Research outlining the change in Galveston’s growth picture.

“According to the Houston Galveston Area Council’s 2025 Regional Growth Forecast, the population of the city of Galveston is set to increase by more than 5,000 by 2014, representing an increase of 8.63 percent,” the report says. “This is a surprisingly high number considering the stagnant population growth since 1990.”

Getting Older

The report also notes an increase in vacation homes, which it says will bring an influx of older vacationers with higher incomes.

The report, in fact, projects that during the course of the next decade the island will see a rise in its median age from 35.5 to 36.5 and a growth of about \$4,000 in its median household income. It also projects a 10.6 percent increase in total employment.

The council will meet in special session Aug. 3 to consider a resolution calling for a public hearing to discuss imposition of the fees. The city’s timetable calls for the fees to be adopted in September and to take effect Oct. 1.

Once adopted, the fees could be assessed immediately for any plats approved after Oct. 1. For plats approved before that date, the city could not assess the fees before Oct. 1, 2007.

“The fees would be assessed with the filing of the plat, but they would be payable when the developer applied for a building permit,” Gregg said.

State law allows cities to enter into agreements with developers regarding the timing and method of payment. Cities also have the option of rebates to cover work done by the developer, and they can waive the fees entirely for projects aimed at providing affordable housing.

Development Tool

“Having impact fees creates a tool in some ways to do the work that needs to be done,” Sjostrom said.

In many cases, Gregg said, the developers might do the work themselves in lieu of the fees.

“This is going to be a huge, huge process,” she said. “It’s not going to be a simple matter of collecting the cash and moving on.”

She said the end result, though, should be beneficial to developers.

“The development community needs to know up front what’s out there,” she said. “When you’re dealing with projects like this, information is golden.”

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