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Concrete and Steel: Impact fees rise to 67 percent

The toll on developers was dwarfed by hikes in the price of concrete and steel.

By [Erik Siemers](#)

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In the summer, just before the city started charging impact fees on new development, Dennis Davis watched developers he works with hustle to avoid the extra cost.

"We had a big rush with a lot of our developers pushing to get projects in," said Davis, vice president of the commercial builder Star Construction Inc. based in Albuquerque.

Starting Sunday, the fees - meant to supply money to pay for the cost of infrastructure that comes with new building - will rise. But this time, that rush is absent, Davis said.

"I think (impact fees) have been overshadowed by the increase in concrete and steel," Davis said. "It seems to have settled down."

The city on July 1 began assessing one-time charges on new building permits. To ease the burden on developers, the fees are implemented in phases.

In July, fees equaled 34 percent of the estimated cost to pay for the public safety, drainage facilities, roadways and parks to service new development.

On Jan. 1, that cost rises to 67 percent.

At the time the fees were passed, critics complained they are too high in some parts of town and will push developers into other communities. Since then, the cry seems to have quieted.

For starters, the fees are five months old, said Jim Folkman, executive director of the Home Builders Association of Central New Mexico.

"There's been enough discussion about impact fees that everybody knows about them," Folkman said.

And in the roster of issues facing the development community, impact fees rank below other market factors like the availability and cost of supplies.

"The material shortages have had far more effect than any cost increase due to impact fees," Folkman said.

Impact fees can be anticipated and their cost factored into the price of the development, he said.

"With cost increases, unfortunately a lot of builders will sign a contract with a homeowner and halfway through construction the cost of materials goes up 12 percent," Folkman said. "Frequently, the builder has to eat that."

The fees are paid at the beginning of a development and are higher in less-developed places like the West Side, which isn't likely to have as much existing infrastructure as the North East Heights.

For example, once assessed at 100 percent in January 2007, impact fees for a 2,000-square-foot home on the West Side will exceed \$8,000.

The same new home in Nob Hill would be assessed \$1,332 in fees.

So far, impact fees haven't been a burden or a boon.

"The reality of it is, the city of Albuquerque hasn't really collected that much in impact fees," Folkman said.

In a separate mechanism to relieve developers, the city agreed not to assess the fees on developments that were approved prior to Dec. 10, 2004. Those properties have what's called "vested rights."

Though collection figures weren't immediately available Thursday, both Folkman and Susan Johnson, a member of the City Council staff who managed the design and implementation of the impact fee program, said most of the development started since July has fallen under this provision.

"There were a huge number of these vested rights cases," Johnson said. "It was a conscious decision. It was something that we thought was a way to ease the development industry into this."

Projects with vested rights expire on July 1, 2007, meaning developers will get stuck with the fees if they don't obtain building permits before then.

Johnson said the system will pay off in time.

"I think it's fair to say as of Jan. 1, it's not going to make a whole lot of difference to the home-building industry and the city's bottom line," Johnson said. "But in another year, we'll be looking at a working system that provides the funds that are required to put in the major infrastructure in these new neighborhoods."

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