

# The Morning News

## Local News for Northwest Arkansas

### Developers Question Electric Fees

By [Richard Dean Prudenti](#)

*The Morning News*

SILOAM SPRINGS -- Either the city must raise electric rates or have developers or builders pay the cost of growth.

Impact fees are not popular, but city officials would rather residential and commercial developers pay \$1,024 per lot for new electric infrastructure than charge current customers higher electric rates.

The Siloam Springs Board of Directors on Tuesday tabled the fee ordinance, allowing developers a chance to share comments and concerns in a July 25 work session.

Walter Gray, who has developed about 30 subdivisions in Siloam Springs, said Tuesday afternoon the per-lot fee is unrealistic, unfair and not necessary.

Developers are spending between \$25,000 and \$36,000 per lot for land and for installing utility infrastructure, Gray said. The proposed fee of \$1,024 per lot is "a hell of a lot of money," he said. "The developers are capped out."

The developer typically digs the trench, installs the conduit and builds the transformer pads, while the city supplies the conductor, transformer and connector wires.

"Keep in mind that putting it underground is better for them (the city)," Gray said. Otherwise, the city by law must pay "every penny" of above-ground electric infrastructure.

John Bland, electric department superintendent, said Tuesday afternoon that an underground system costs roughly seven to 10 times more than installing poles and wires.

Underground lines drastically reduce maintenance costs because the electric department does not have to deal with the affect of ice storms, wind damage, and no tree-trimming is required, Gray stated in a recent letter to the city.

If the city charges the fee, Gray stated, "the only fair way ... is to apply the fee to every single family home in Siloam Springs, existing and future units."

Officials are looking to recover "what it actually costs us to buy material -- meter loops, boxes, transformers -- and installation cost," according to David Cameron, the city administrator.

To follow Gray's suggestion of using the \$8.2 million reserve account to fund new development is "taking from the people that built that reserve," and the current customer should not have to pay for growth, Cameron added.

The city expects to expand the electric system to serve 21 subdivisions with 1,787 lots, at a cost of more than \$1.8 million.

"The market has changed, and more and more people are living in the city, and there's just not enough cash" to pay for growth, and the city must wait seven years for electric sales to offset the cost of expanding service, Cameron said.

Dipping into the cash reserve is not a good idea because the city needs a "rainy day" fund. In case of an emergency or a natural disaster, the city would have enough cash to operate 90 to 100 days, he said.

Don Bunker of DBC Properties also sent a letter, asking whether the per lot fee applies to vacant, isolated lots in older parts of Siloam Springs.

"Can we exempt all infill lots, on the basis of this 'smartgrowth' utilizes existing city utilities (water, sewer, electric, gas, streets, trash routes) which increases the tax base at minimal expense to our city?" Bunker asked.

Bland said he thinks the city might lower the fee in situations where the cost of extending electric service is below the average \$1,024 development fee.

How the fee applies fairly to multifamily units remains a question. The ordinance lists a fee "per living unit" rather than "per lot" as officials have been discussing.

This would mean a charge of \$2,049 per duplex, and a charge of \$8,196 for an apartment building of eight units, said Steve Bishop of Bishop Properties in a letter to the city.

"A better way to charge would be to base the fee on the size of the service to a building regardless of the number of units," Bishop said.

Bishop requested that the city respect developers' established budgets and exempt already approved

developments.

He also asks for a more equitable way to implement the impact fee, perhaps charging the developer and the builder a portion of costs.

"I hope you and others realize that the need for affordable housing is greatly needed in Siloam Springs," Bishop said. "Any fees that are assessed by the city ... will be passed on to the consumer, making affordable housing harder to provide."

#### Fast Fact

Siloam Springs Electric supplies \$17 million, or 51 percent of the \$33.2 million in city revenue.

Source: Staff Report