Elephant roaming Norman

The Norman Transcript, *June 17, 2012*

NORMAN —— Editor, The Transcript:

The recent debates at city hall (NTIFA, NEDA, the north water treatment plant and high-density housing) are examples where various agents are looking at different sides of the same elephant: “Who pays for growth?”

If cost of growth was properly accounted for, then citizens would have no reason to oppose new development for fear of increased tax prices for city services. Rather, fees that reflect the overall (true) cost of new development would lead to growth determined by market forces.

If impact fees are too low, citizens end up subsidizing new development via higher taxes and/or degraded quality of public services, which leads to faster growth than would otherwise occur. If impact fees are too high, then new development would proceed too slowly. Norman has a sewer impact fee (e.g., the sewer excise tax) of $2,450 for a 2,000-square-foot home. Do Norman’s impact fees reflect the true costs of new development?

There are two reasons to think that Norman’s impact fees are inadequate. First, the fee has not been changed since it was established in 2001. Adjusted for inflation, the value of $2,450 in 2001 was $3,022 in 2010.

Second, compared with other cities that address growth costs via impact fee schemes, Norman’s impact fees are minimal. According to Mullen’s 2011 National Impact Fee Survey, Norman’s sewer impact fee was one third that of the average ($3,692) for a three-bedroom, 2,000-square-foot home in surveyed communities, excluding California. (The survey is available at www.impactfees.com/publications%20pdf/2011_survey.pdf).

Furthermore, the vast majority of surveyed communities have multiple impact fees, including transportation, drain, fire, parks, police, schools and water. Norman’s single impact fee amounts to about 20 percent of the total impact fees for surveyed communities, excluding California.

It is clear that Norman is behind the ball in terms of properly assessing the costs of growth. According to economic principles, until the pricing mechanism (related to new development) is corrected, Norman is unlikely to achieve optimal growth. We can’t establish an effective growth policy without first dealing with the elephant roaming our town: The costs of growth.

Cynthia Rogers

Associate professor, Department of Economics, University of Oklahoma