

Panel debates impact-fee levels

By TOM LOTSHAW/The Daily Inter Lake | Posted: Saturday, February 2, 2013 12:00 am

Large proposed increases to Kalispell sewer impact fees are drawing opposition from two members of the city's advisory Impact Fee Committee.

Chairman Chad Graham and Jason Mueller argued the increases would stifle growth and development in Kalispell. But they held off on making a formal recommendation against them because other committee members were not present.

"Increasing the fee \$2,000 will have ripple effects you can't imagine in the construction area," Graham said at the committee's Jan. 22 meeting.

Kalispell's minimum sewer impact fee is set at \$2,499 per equivalent residential unit and has not been adjusted for almost five years. A study by Morrison-Maierle finds much larger fees are needed if the city wants to pursue its mantra of "growth should pay for growth."

Depending on the sewer extension projects Kalispell plugs into the fee's calculation and whether a 2025 or 2035 planning horizon is used, the minimum fee could grow to \$4,257, \$5,527, \$6,656 or even \$9,153.

The lowest tier of proposed increases is based on a "skeleton list" of \$8.1 million of committed extensions. Building those in means fees could raise money to help pay for the projects as they become needed because of growth.

"These are improvements to the existing system, pieces of the system that if you want the city to be able to grow, these have to be done," Morrison-Maierle engineer Paul Burnham told the impact fee committee.

Using a shorter 2025 planning horizon and plugging in another \$6.7 million in uncommitted extensions results in the highest proposed increases. The uncommitted extensions are projects to expand the existing sewer system for future development.

Without impact fee money collected to help pay for those projects, costs would likely fall on developers to pay through things such as special improvement districts or latecomer agreements.

The \$22 million wastewater treatment plant expansion Kalispell undertook in 2008 under threat of a moratorium on growth also is putting pressure on sewer impact fees.

Efforts to recoup the expansion's cost from future growth makes up almost \$2,200 of all four proposed fee adjustments. Fees could then raise money to help pay growth's fair share of the \$1 million annual bond payment Kalispell faces for the next 14 years.

Graham, who works in the construction industry, said Kalispell needs to keep a check on its impact fees, especially if the city wants to spur development in its railroad corridor and if Whitefish is looking to reduce or eliminate some of its impact fees to draw development there.

"If they're trying to become a better place to do business and pull from us, we need to look at that and try to stay in the lead," Graham said.

But a lack of impact fee money would leave Kalispell's sewer rate payers and developers on the hook to pay for system expansions and upgrades that become needed for growth to occur. And the money will have to come from somewhere.

"The city could elect to issue bonds to pay for that improvement," Burnham said about the sewer system extensions. "But now you're shifting cost not onto the developer or growth, but to every citizen in the community."

The same holds true for the treatment plant. Sewer customers already pay a disproportionate share of the debt service for its expansion, which boosted treatment capacity from 3.1 to 5.4 million gallons per day.

"Some of that is borne by impact fees, but only a portion," Burnham said of that debt service payment. "The majority is borne by rate payers. Now the question for the council is do we want to saddle rate payers with more of that and not saddle development."

Graham wanted to vote on a fee recommendation for the Kalispell City Council at last week's meeting, but decided to wait for other committee members who were not present — Larry Sartain and council member Jeff Zauner — to attend this month.

Impact fee committee members recommend that Kalispell increase the minimum water impact fee 16 percent from \$2,213 to \$2,567, based on the findings of the study by Morrison-Maierle. That is now ready to go to the Kalispell City Council for consideration.

Kalispell also charges impact fees for its stormwater, police and fire services.

Fees total \$6,357 for construction of a typical single-family home. They can total hundreds of thousands of dollars or more for larger projects.

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