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Population boom leads to debate on impact fees in Outer Banks

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© June 5, 2005

Last updated: 8:10 PM

The people are coming to northeastern North Carolina.

Houses will be built, the population will grow, and commercial growth likely will follow.

In the meantime, counties and towns are looking for ways to pay for infrastructure improvements to accommodate the growth.

An attractive option for the region's growing counties and towns has been impact fees, charged on new homes and designed to go toward the cost of building new schools. The authority was limited to a few counties and 19 cities and towns, which include Kill Devil Hills, Kitty Hawk, Manteo, Nags Head and Southern Shores.

But North Carolina's General Assembly has been slow to approve the use of impact fees in recent years. And builders and Realtors oppose the fees because, they say, the fees are discriminatory. Every new home is charged the same flat rate, whether the home is worth \$150,000 or \$5 million.

Skipping the General Assembly, Durham County commissioners approved an impact fee that developers would pay on new homes built in the county.

The fee, approved in November 2003 and scheduled to go into effect January 2004, has been tied up in the court system since a builders' group challenged the decision. The county is collecting the impact fees, pending the outcome of an appeal.

Durham County Attorney Chuck Kitchen said that regardless of the end result, counties that face population booms are going to have to find ways to pay for the necessary improvements.

"The counties really need several different ways of generating revenue," Kitchen said.

"It's important that no one group is hit hard."

Officials like the idea of impact fees because they are designed to charge the people responsible for bringing growth to the area. But with seemingly little support from state legislators and protests from lobbyists and non profit agencies, including Habitat for Humanity and the NAACP, county officials are now thinking of shifting their support to an impact tax.

An impact tax differs from the fee because it would be charged to all new development – residential, commercial and industrial – and the revenue could pay for any kind of school capital improvements. An impact fee can only be used to address school capacity needs, Kitchen said.

In the past few weeks, Dan Scanlon, Currituck County's manager, said he's been asked whether the county might be willing to support the impact tax idea if it were to be introduced as a bill in the General Assembly.

"Currituck County is like a lot of counties in the area," Scanlon said. "We're struggling to meet the demands that growth brings."

Both Currituck and Camden counties are seeing the first bursts of growth because they share the border with Virginia's South Hampton Roads.

Officials in nearby Pasquotank and Perquimans counties are waiting for Virginia to complete its widening of U.S. 17, and they expect to see similar increases.

“It’s almost sort of like an economic crisis,” said Pasquotank Commissioner Matt Wood.

“It creates such a front-end revenue problem.”

Although the idea of an impact tax is not new, the effort to build grass-roots support is still in the early stages.

Two bills that suggest establishing impact taxes are sitting in the House Finance Committee. But county officials hope that by building support, a solution will develop and gain approval.

“Taxes and fees are a little painful, but we need to pay for services,” Kitchen said.

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