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## Raleigh taxes, fees or both might rise

As Raleigh grows, the council must consider who pays for roads, parks and drainage

By SARAH LINDENFELD HALL, Staff Writer

RALEIGH -- Years of low taxes and development fees and high growth have put Raleigh at a financial crossroads.

The city has identified \$374 million worth of road-building and other transportation needs, for example. And the city's Comprehensive Plan says it needs 337 more acres for neighborhood parks.

City taxpayers haven't seen a regular or major tax increase for more than a decade. At the same time, the fees developers pay to cover the costs for roads and parks have stayed the same since 1987.

Something has to change, some say.

City officials say property taxes likely will have to go up 2 cents to pay for the \$80 million in transportation and affordable housing bonds, which voters approved this month.

And several City Council members are talking about hiking fees for developers.

In the past five years, the existing fees covered an average of 10 percent of allowed costs for roads and 12 percent for parks, though the city is allowed to recoup as much as 50 percent.

Mayor Charles Meeker, who won his third term this month, supports some fee increases. And he'll be joined by Russ Stephenson, an at-large council member-elect, who focused his campaign on fee hikes. Thomas Crowder, another supporter, coasted to a second term unopposed in Southwest Raleigh's District D.

They say property taxes may not have to go up, if the development fees do.

Results of a study of the city's impact fees is expected by the time the council debates the budget next year.

Though other council members are more skeptical, it's likely the issue will get some serious debate.

Any change to the fees "has to be balanced," said council member Jessie Taliaferro, a skeptic who gets support from home builders. "It has to be fair, and we need to hear from the development community about what they think is

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reasonable."

## City's growing pains

Raleigh was one of the fastest-growing cities in the state in the 1990s, adding more than 64,000 people and 26 square miles, according to a city-funded study of its impact fees.

Complaints about road congestion, flooding after heavy rains and the need for more parks are common at council meetings.

The city received authority from the General Assembly in 1985 to collect fees from developers for roads, drainage and open space.

The city has not collected fees for drainage projects, which could include work to relieve stormwater flooding.

"There was never a council that was together on what it wanted to do in terms of drainage," long-time City Attorney Thomas McCormick said.

As a result, the costs of fixing flooding problems and handling stormwater are borne by taxpayers citywide.

Last year, the problems had gotten so pressing that the city started charging a stormwater fee, which is added to city water and sewer bills.

## The case for fees

The city did move forward in 1987 to charge developers for roads and parks.

The fees that developers pay for roads and parks raise just a tiny portion of the city's overall revenue. For the current fiscal year, they will total \$3.7 million. Property taxes raise about \$125 million this fiscal year. The city's total budget is nearly \$460 million.

Stephenson says the fees aren't raising enough and that Raleigh taxpayers are subsidizing the construction of new roads and parks as their own neighborhoods are declining.

He hopes that once Raleigh taxpayers find out how little the fees cover, they'll lobby for changes.

"Once they understand where their tax dollars are going and what for, they'll be informed enough to want to have that conversation with their representative," he said.

Lisa Schneider, a lawyer who lives in North Raleigh, said she sees a need for increases.

"If developers want to build in an area that doesn't have the infrastructure to support the development, they need to be paying more in impact fees," Schneider said.

## And the case against

Not everybody agrees that taxpayers are subsidizing new growth. Some point to the city's growing tax base and say growth, eventually, pays for itself.

Michael Walden, an N.C. State University professor who completed a study of

impact fees for Triangle home builders groups, said studies of residential neighborhoods find that property taxes aren't enough to cover the roads, parks and other infrastructure they require.

But, he said, taxes from shops, restaurants and other commercial development, which are built to serve those neighborhoods, are sufficient.

John Myers of Wakefield Development Co. said higher fees mean more expensive housing. Prices could go up even more than a fee increase, counting the interest that a homebuilder must pay, he said.

And, Myers said, developers already are building the utilities and roads inside their neighborhoods and, often paying for road improvements a mile or two away from their developments. On top of that, he said, developers and homebuilders are working with stricter regulations that require additional fees and more land to be set aside for open space and buffers.

"There's a lot of giving, so to speak, or payments in kind that are made throughout the course of the process that I think are invisible to the public, but deserve to be accounted for in a true, unbiased analysis of whether development is going to pay for itself," said Myers, whose company is developing 1,100 lots across Raleigh this year.

### **Bottom line: Who pays?**

James C. Nicholas, a professor of law and urban planning at the University of Florida who worked with a consultant on the city's impact fee study, said critics of impact fees have made the same argument across the country.

"Their position is perfectly well understood," Nicholas said. "They don't want to pay the bill."

Ultimately, there are two ways to pay the city's bills, he said.

"One, we're going to tax people," he said. "The other is, we're going to charge them for services. If you tax them, everybody pays. If you charge them for services, the user or the benefitor pays. Those are the only two choices."

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