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Raleigh's fees are high enough as is

Regarding your Feb. 25 editorial on impact fees, don't forget Economics 101. Taxes -- and impact fees are indeed taxes -- shift the supply curve, raising prices, decreasing supply and weakening discretionary income.

Some contend that impact fees primarily affect people who haven't moved here yet. However, a significant percentage of new homes are purchased by people who already live here. These fees raise the price of existing homes as well, since existing home prices track new home prices.

Compare impact fees to our property tax rate, which has dropped considerably since 1988. It's not the rate that matters, it's the revenue. Raleigh's general fund revenues have risen at an annual rate of about 5 percent. Thoroughfare and open space fee revenues have risen 6 percent annually. As a percentage of total general revenue, these fees have risen from 1.2 percent to 1.5 percent.

Note: just 1.5 percent of total general revenue. Increase the fees until you completely stop new construction and you still won't have a significant percentage of total revenues.

In 1998, the city added another fee exclusively to new construction. The "nutrient charge" covers the cost of improved treatment at the wastewater plant. Including the nutrient fee, our impact fee rates have risen 50 percent, and revenue has risen 9 percent annually, nearly double the rate of the more broadly based revenues.

The consultant on impact fees was apparently brought on board to deliver the message of a forgone conclusion that fees must rise. It is the only plausible explanation for the lack of factual analysis. Their report consists of two main themes, "everybody else is doing it" and "we haven't raised the rate." Neither is sufficient justification for the increase.

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The economic reality is that impact fees are outperforming our other general revenue sources, are contributing substantially more today than when originally implemented and will never be a significant percentage of our total general revenues.

If the City Council raises impact fee rates, it will be because we are unwilling or unable to control our spending. We have simply found a politically vulnerable target that will suffer a disproportional financial burden. The next time it may be a group that hits closer to home for you. The concept of taxing the other guy is terribly flawed. The consistent reality of economics is clear: the cost of governmental extractions is ultimately borne by all consumers.

What is it about the combination of low fees, low taxes and a high quality of life that some just can't seem to understand?

Tommy Craven

City Council, District A

Raleigh

(The length limit on letters was waived to permit a fuller response.)

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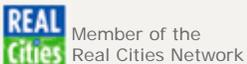
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