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Riverton moves to lower construction fees

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Construction could boom in Riverton, if the city follows through on a plan to make itself more attractive to builders.

Next month, the city will consider lowering its impact fees for new construction, a move designed to make building more appealing, while lowering the price of new homes.

And the savings are huge. Plans call for dropping the fee on a new home from \$5,036 to only \$764, a drop of nearly 85 percent. Commercial construction would also see huge savings, falling from \$5,136 per 1,000 square feet to only \$1,034 for the same space, potentially removing hundreds of thousands of dollars from the price of a big-box retailer, City Engineer Trace Robinson said.

The city took out nearly \$16 million in bonds in 2007 to complete a wide variety of projects, Robinson said, and received another \$13.8 million from the federal government and other sources. Those bonds were not expected to be paid back for several years, but the bargain basement price of recession-era construction allowed the city to stretch its dollars further, completing some of the bond payments ahead of schedule.

The city was able to complete 13 projects since taking out the bonds, Robinson said, and constructing ahead of schedule saved the city an estimated \$35 million. That savings will now be passed on to developers and those who purchase their buildings in the form of reduced impact fees, which generally pay for things like parks and roads in new developments.

“We’ve reduced the impact,” by completing more construction than expected, Robinson said. “We’re reducing that to match what the actual impact will be.”

The savings will be passed on to consumers, said Curt Dowdle, executive officer of the Salt Lake Home Builders Association and an impact fee critic. He wholeheartedly supports Riverton’s plan to reduce its fees.

“They’re just a terrible, regressive prepaid tax that new homeowners pay to buy a new home,” Dowdle said. “They are prepaying a tax and they are paying it on a 30-year basis.”

Dowdle believes the cuts will be a huge help to builders struggling to keep homes in the \$200,000 sweet spot for new construction. The fee cost is usually built into the buyer’s mortgage, and interest can add thousands of dollars to the original price.

During the new century construction boom, impact fees were not such a problem, Dowdle said, and home builders paid them willingly because consumers could afford the marked-up price. But with the housing bubble bust and financing hard to come by, a few thousand dollars can make a huge difference.

The Riverton City Council will vote on the measure at its Jan. 4 meeting.

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