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Schools seek impact fees to handle growth

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O'FALLON, ILL. -- The hallways at O'Fallon Township High School are so crowded that students rushing between classes look like they're engaged in some type of adolescent contact sport.

The high school and other schools in this booming community are crowded, and students are suffering because of it. Voters have rejected two school expansion proposals, and officials are struggling to find an agreeable stopgap measure.

Just last week, several area school administrators offered an idea they hope presents a partial solution. At a City Council meeting, superintendents for the O'Fallon High School, O'Fallon elementary, Shiloh and Central school districts proposed requiring developers and builders to pay a fee every time they plan or build houses. Edwardsville and Glen Carbon have taken that step, and the Highland and Triad school districts are discussing it.

The fees, broadly referred to as school impact fees, would go directly to schools to pay for expansions needed to accommodate the student influx.

"The idea is that development should pay for itself," said O'Fallon City Administrator Walter Denton.

It sounds simple, but the idea that "growth should pay its own way" is controversial, especially with those in the building industry. They say the fees unfairly punish newcomers, discourage development and ultimately slow local economies.

"We are absolutely pro-school," said Jerry Rombach, executive director of the Homebuilders Association of Greater Southwest Illinois. "We know that strong school districts translate to home sales. But we think the school impact concept is flawed."

Various types of school impact fees are allowed by law in most states, including Illinois. But, according to the Missouri Municipal League and the Homebuilders Association of Greater St. Louis, no school districts in Missouri have impact fees, even in fast-growing areas. (Some municipalities charge development-related fees for infrastructure costs.)

"Historically there have not been any school impact fees in Missouri," said Pat

Sullivan, the association's executive vice president. "That's rooted in the fact that it's widely been interpreted that there is no enabling legislation in Missouri."

Sullivan explained that because Missouri law allows monthly property tax assessments, taxes are collected quickly, relieving the financial burden of education sooner. In Illinois, annual tax assessments can cause lag times. For example, a family could move into a new home in July, put their children in the school system that fall, but not pay taxes until the end of the following year.

"Nickel and dime-ing"

In Illinois, school impact fees have become a popular option. In the Chicago area, many fast-growing suburbs allow them. Last year, the Edwardsville School District became the first in the Metro East area to benefit from impact fees when two municipalities in the district, Edwardsville and Glen Carbon, adopted ordinances allowing them.

School administrators in O'Fallon and Shiloh hired a consultant more than a year ago to produce a study and develop a formula for devising impact fees. Under the ordinance they're proposing, the developer or builder of a four-bedroom, single-family house, for example, would pay \$2,403. Over the course of several years, the fees could generate millions. Edwardsville officials, for example, estimate the fees will generate \$10 million over five years.

While developers and builders pay the fees, those fees get passed to home buyers - and that, critics say, unfairly penalizes those buyers. Some won't even have children in the local schools.

"It's a cost of doing business for us. We have to pass it on," said Mark Fulford, of the O'Fallon-based Fulford Homes. "There will be a point where people will say, 'That's not a good enough value, we'll go somewhere else.'"

Worse, critics say, existing residents who decide to "trade up" to a new, larger house in their own community will be hit with the fee even though they were paying taxes into the school system already. Why, they ask, should residents be asked to pay for something they won't use?

"Nickel and dime-ing homeowners is not fair," Rombach said. "It virtually assures communities they will not see affordable housing in their communities, and in some places it could be an unspoken objective - they want to keep out lower-priced homes and slow growth."

Other factors weigh in

Sullivan believes the fees could discourage construction of schools.

"The amount generated by a school impact fee couldn't build a sidewalk leading to the school, let alone a new school," he said. "They produce such a tiny amount of revenue, yet they can lull the general public into thinking they took care of the problem and make them reluctant to support a bond issue."

O'Fallon Mayor Gary Graham doesn't think the fees will be enough. "It'll make a dent, and I'm willing to go out on a limb."

While the building industry claims that new home construction has dropped in the Chicago areas where school impact fees are imposed, some experts say there's little evidence the fees have a stagnating effect.

"I have never seen the rapidity of development affected by impact fees," said attorney Richard Flood, who wrote the ordinance on which the Edwardsville and proposed O'Fallon fees are based.

Flood noted that some cities farther from downtown Chicago have tried to lure home buyers with lower impact fees. But, he said, it doesn't work. "Other factors," he said, like quality of schools, commuting distances and amenities, "weigh much more heavily."

Real estate agents in the Metro East area say the imposition of fees is unlikely to affect buyers' decisions here. In Edwardsville, it's too soon to tell. In O'Fallon, real estate agent Dan Tatum said he didn't think the fees would have an effect if the ordinance passes.

"I haven't had any buyers say it's a concern," said Tatum. "I honestly don't think it makes a difference, even on a lower-end house. You have to cover the school cost one way or another. If the house is going to cost more, I think buyers will understand."

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