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Eyed impact fees stir debate

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Some say charge is essential; others say too much burden falls on developers already

By Linn Parish

Jeff Selle, of the Spokane Regional Chamber of Commerce, says a group is working with the city on its proposal.

The city of Spokane wants to turn its temporary, voluntary transportation-impact fee into a permanent, mandatory fee on new development, an idea that's dusting up debate in business circles.

Proponents say impact fees, also known as mitigation fees, are essential to fund new streets. Permanent impact fees are a sign of progressive thinking, they contend, that would allow for future growth and boost economic-development efforts in the city.

"As a community, we need to develop a reasonable, balanced program for funding infrastructure, and mitigation fees play an extremely important part," says longtime developer Jim Frank, president of Greenstone Corp., of Liberty Lake. "We're the largest residential real estate developer in the region, and our future depends on being able to meet transportation needs.

"Those who oppose mitigation fees do so mostly out of self-interest and not out of the needs for a growing regional economy," Frank says.

Opponents say impact fees are a regressive charge that would add to the already onerous burden placed on developers, the very group that creates the new buildings and homes that increase the city's property-tax base. Also, they assert, such fees threaten to increase housing costs and price out of reach the already dwindling supply of affordable housing here.

"Development and the additional property taxes it generates fund our government," says David Bauer, executive director of the Spokane Home Builders Association. "To suggest that development is the problem and should pay more is a dodge by politicians.

"Kill off development and you can kiss off a lot of the revenue that drives the state," he says.

As the debate progresses, the city of Spokane Valley and Spokane County are closely monitoring what transpires in neighboring Spokane before considering impact fees of their own. Meanwhile, some business advocates are lobbying for all of the cities and the county to come to the table at the same time and come up with some regional solutions for handling future traffic needs.

Jeff Selle, public affairs manager with the Spokane Regional Chamber of Commerce, says the chamber is among a number of groups and companies working with the city of Spokane on its impact-fee proposal, but also is advocating a regional system for funding future street needs. A regional approach, he says, could deter cross-jurisdictional arguments about who should pay for improvements in bordering areas, such as an intersection in Spokane that draws a lot of traffic from Spokane Valley.

"Should we leave it up to the municipalities to duke it out, or should we put a neutral party in place to manage them on a regional basis?" Selle says. "If we do it on a regional basis, we eliminate potential disputes in the future."

The Downtown Spokane Partnership also has come out in favor of a regional approach.

City's proposal

Despite calls for a regional approach, the city of Spokane is moving ahead with its own impact-fee proposal. Tom Arnold, the city's director of engineering services, says the City Council passed a temporary, voluntary impact-fee ordinance July 18.

So far, no developers have opted to pay the fee voluntarily in lieu of having a traffic study done, Arnold says, though a few developers are talking with the city about paying it.

Also, in July, city staff held its first "stakeholders" meeting with people who are interested in the topic of impact fees. The next such meeting is at 10 a.m. on Sept. 9 at City Hall.

Arnold says the city hopes to have a permanent impact-fee ordinance ready to present to the City Council by the end of the year. He says impact fees would help the city meet concurrency standards as required by the state's Growth Management Act. In simplified terms, concurrency standards require a city or county to have adequate services, including roads, to handle projected growth.

The current temporary, voluntary impact-fee ordinance gives developers a choice between paying the new fee upfront or doing what they've always had to do: pay to have a traffic-impact analysis completed. Then, they might have to pay for needed traffic improvements, as indicated by the study.

Under the temporary rule, the city charges, in lieu of requiring a traffic study, a set fee at the time a building permit or certificate of occupancy is issued. The fee is determined by the use of the proposed building, the traffic it will generate, and the part of town in which it's located. Money from the fee will go toward constructing and extending streets, sidewalks, and related improvements—but not water and sewer services—in the area of town where the building will be built.

For this purpose, the city is divided into five areas: northwest, northeast, southwest, southeast, and downtown.

As currently structured, the impact fee for a single-family home would range from $600 in northeast Spokane, where residential growth is slow and infrastructure is in place, to $1,700 in the southwest portion of Spokane, where the development potential and need for local transportation improvements are great, Arnold says.

The developer of a new warehouse in northwest Spokane would pay an impact fee of about $400 for every 1,000 square feet of floor space. The developer of a neighboring convenience store and gas station, which would generate substantially more vehicle visits, would pay $15,000 for every 1,000 square feet of floor space, Arnold says.

While developers currently have a choice between impact fees and a traffic study, Arnold says the city wants to do away with the traffic-study option if permanent impact fees are adopted.

With traffic studies, he says, if the results show that a roadway or intersection can handle additional capacity, a developer can move forward with a project without having to pay extra for future arterial improvements. Once the study shows that a road can't handle additional capacity, the developer who commissioned the study has to pay for street upgrades that will help support more traffic before moving forward with the proposed project.

For example, in one part of southeast Spokane, Arnold says, a number of residential subdivisions have moved forward in recent years without improvements being made to the nearby 37th Avenue-Freya Street intersection. Recently, though, a developer proposing a 26-home subdivision completed a traffic study that found he'd have to foot the bill to have a left-turn lane put in at the busy intersection, which would cost in the thousands of dollars.

"We're trying to get away from growing and growing, then having one developer stuck with the full mitigation cost," Arnold says. "The last 100 building permits could be paying toward that instead of the last developer in."

Both advocates and detractors agree that one good aspect of impact fees is that each builder would know upfront what they'd be expected to pay when seeking a building permit, and the fees would take away the uncertainty that comes with waiting for the results of a traffic study.

Many concerns raised

Bauer says, however, that if the city used the additional property-tax revenues generated by new development to fund transportation improvements, it wouldn't have to charge impact fees.

Beyond that fundamental flaw, he says the city proposal as currently written is "fraught with problems." He says a home builder who constructs a house in northwest Spokane, where traffic flows well and infrastructure is well-established, pays the same impact fee as someone who builds in the Indian Trail Road area at the far northwest end of Spokane, which has severe traffic congestion at peak periods. He says some major developers have raised concerns about the way the city is divided into areas.

Arnold says the zones are "not perfect," and the city could be divided differently.

Ross Kelley, Spokane County's director of roads and engineering, says one reason the county has taken a "watch-and-see" approach to impact fees is that dividing the unincorporated county into areas of impact is a particular challenge. He says that with the population more widely dispersed there than in the city, it's difficult to pinpoint where traffic is coming from.

"The farther out you are, the more options you have to get where you're going," Kelley says. "It makes it difficult to assign a value to an impact fee for a particular area."

Dave Crosby, president of the Spokane Association of Realtors and owner of the American Dream Homes real estate firm here, says the association's board hasn't taken a formal stance on the city's impact-fee proposal, but the group's government affairs committee has come out against impact fees.

He expects the board to support the committee's position.

The real estate community consistently has come out against impact fees when the issue has come up in the past, Crosby says, because such fees raise the cost of new homes, which then would start a "domino effect" of higher prices rippling through the older-home market, lessening housing affordability.

If fewer people can afford to buy houses at the low end of the market, people who own entry-level homes will have more difficulty selling and moving up to more expensive houses.

"That's not in the best interest of our clients," Crosby says.

Impact fees are in place, however, in other parts of the Inland Northwest that have thriving real estate and development communities, including Coeur d'Alene, Post Falls, and Liberty Lake, says Frank, of Greenstone.

He contends that those impact fees haven't led to higher prices in those communities.

Frank was one of the original proponents for creating a voluntary mitigation fee 10 years ago in the Liberty Lake area, well before Liberty Lake incorporated. He says that he's not aware of a development that's occurred in Liberty Lake where the developer opted not to pay the mitigation fee, and $20 million in traffic improvements have occurred in what now is an incorporated city with a population of 4,950 people. Without those improvements, he asserts, the growth that's occurring at Liberty Lake would not be happening.

Mitigation fees in North Idaho communities also have paid for roads, parks, walking trails, and other public facilities, Frank says.

"All that has allowed North Idaho to experience growth, growth that's outpacing that in Spokane," he says.

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