

Springdale : Rapid growth has city considering impact fees

BY CHARLIE MORASCH

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SPRINGDALE — After adding more than six square miles to the city's borders in 2004, Springdale leaders are looking at equitable and feasible ways to add millions of dollars in streets and sewer lines.

Springdale has added more than 15,000 residents since the 2000 Census, according to the Northwest Arkansas Regional Planning Commission. The city's population is estimated at 62,000.

Now the city's leaders are deciding whether costly street and sewer improvements brought by a wave of rapid growth can continue to be paid by city tax revenues.

The city's Planning and Water and Sewer commissions have weighed adding development impact fees as a way to bring water, sewer service and improved drainage and roads to vast expanses of former agricultural land annexed to the city's southeast and western borders in 2004. "We often can't keep up with just our regular tax base," Springdale Alderman Kathy Jaycox said. "The planners are looking at that as a way to offset some of those costs."

At a June 14 Springdale City Council meeting, Rick Barrows of the Springdale Planning Commission asked aldermen to study impact fees.

Impact fees are set amounts charged to those who construct buildings and are aimed at capturing some of the cost of infrastructure such as fire protection, sewer service and roads made necessary by new development. Several Arkansas cities, including Bentonville, Conway and Fayetteville, have added them in recent years.

As the commission's chairman, Barrows has watched Springdale require the first developers to make street and sidewalk improvements called "off-site improvements" while later developments were not required. Barrows asked if the city merely expects primary development to pay for off-site improvement while later development benefits by not having to make the improvements and enjoying enhanced property values. "We've identified the problems," Barrows said. "We would just like some solutions that

would make sense to everyone. 'Impact fee' is such a dreaded phrase, but that's exactly what it is — the impact of rapid development."

THE IMPACT TREND Impact fees gained popularity during the late 1970s in Florida and California as local government planners searched for ways to replace reduced tax and federal aid revenues, according to the Austin, Texas-based Duncan Associates consulting firm.

Jim Duncan said he notices four to five U.S. cities discussing impact fees each day, as his company posts related news articles at www.impactfees.com.

Impact fee discussion can evolve into a feeling of "us versus them" between a city's residents and newcomers, which Duncan tries to squelch by marketing the opportunities presented by growth.

Duncan remembered visiting Northwest Arkansas during the 1960s before many of today's cultural and business opportunities existed.

In 2002, Bentonville was the first Arkansas city to add impact fees, which charges for costs associated with fire protection, water service and wastewater service.

The state Legislature created a law in 2003 allowing cities to add impact fees to spend on capital projects like adding water and sewer capacity or road improvements.

Act 1719 requires the fees must to be refunded if they're not used within seven years, and requires cities to collect the fees during a final inspection.

Developers and city planning leaders have watched a court case about the legitimacy of impact fees advance through Benton County Circuit Court.

The Northwest Arkansas Home Builders Association sued Bentonville in 2003, saying its impact fees were an unconstitutional tax that had not been presented to voters.

Last month, Circuit Judge Tom Keith issued a ruling that Bentonville's impact fees were valid but said he wants more information before ruling whether the fees are a tax.

Rogers Mayor Steve Womack said he's watching the Bentonville impact fee suit as Rogers considers levying its own impact fees for street improvements.

Rogers has hired Duncan Associates to study an impact fee for road improvements. The company worked as consultants to Fayetteville before it approved impact fees in December 2003.

Northwest Arkansas cities with impact fees show the fees have slowed growth immediately following

their adoption.

Bentonville's single-family building permits dropped from 605 in 2002 to 400 in 2003, but bounced back to 608 in 2004.

Fayetteville's single-family residence building permits decreased from 621 in 2003 to 579 in 2004 after enacting impact fees in December 2003.

Lowell enacted its first impact fees last week to pay for a planned fire station, with new homes scheduled to pay \$504, and commercial/retail centers will pay \$520 for 50,000 square feet or less beginning in September.

FAIR AND EQUITABLE Springdale requires developers to make improvements outlined in the city's master plan corridors. The off-site improvements typically include storm water drainage work and the construction or widening of roads and sidewalks. According to the city's master plan, more than 900 feet of Jones Road at the intersection of U.S. 412 needs to be paved and widened. Dixie Management Investment of Fayetteville was building the first buildings along the intersection, including a convenience store, car wash and a 20-acre business subdivision with multiple lots planned to be sold later for offices and retail.

At Springdale's July Planning Commission meeting, Steve Clark of Clark Consulting presented Dixie Management with two options to meet city requirements along its planned shopping and office center on Jones Road: pay to upgrade the road or table development plans until the city or another developer improved the road.

Rather than wait it out, Clark said Dixie Management chose in early July to split most of the improvements with the city and developers of a Harps Food Store to be built on the other side of Jones Road.

Other property owners following the two developments will reap the rewards of not being the first on the block, Clark said. "It happens," Clark said. "The first guy in pays the substantial burden for the infrastructure and then frequently you'll have a second or third or fourth person who will follow behind them and benefit from the improvements they've constructed. That's just the nature of the game."

Builders and developers, however, typically oppose such fees, which are always passed onto the consumer, said Lance Johnson, president of the Northwest Arkansas Home Builders Association. "It's very difficult to show that the fee payers directly benefit," Johnson said. "Impact fees have a much greater burden on people at the low end of the housing market."

Fayetteville developer John Nock and other developers recently told the Fayetteville sewer officials they supported a temporary impact fee aimed at adding more sewer capacity along the city's west side. "The reality is if you don't have an impact fee, if there isn't another funding mechanism, then your growth

stops," Nock said. "I don't get overjoyed about paying any tax or impact fee. But when it serves a direct purpose it can be a very good tool."

PAYING FOR 'BIG AREAS' Besides the issue of inequities between an area's early developers paying for the bulk of infrastructure needs, the city has had difficulty paving enough streets and expanding sewer lines to keep pace with massive growth.

According to the city's planning department, Springdale annexed 4,000 acres last year to increase its total land area by 25 percent, and is preparing for a 1,500- to 2,000-home subdivision called Grand Valley planned to be built around an elementary school in largely undeveloped land to the city's southeast.

City officials say the city's revenue streams are not built to rapidly add sewer taps and expand roads to keep pace with Springdale's recent annexation and building boom.

Springdale could use construction impact fees to address the issue, said Chris Weiser, chairman of the Springdale Water and Sewer Commission. "These are big areas that will require very, very expensive infrastructure," Weiser said. "We need some guidance from the city as to what kind of funding mechanisms they would like us to use."

The commission attempts to purchase rights-of-way and install pipes and machinery large enough to serve customers for decades, Weiser said. "You don't want to open the ground more than once. You want to do it right the first time," Weiser said.

The issue should be studied carefully so home buyers aren't priced out of Springdale because of impact fees, Jaycox said. "It doesn't seem to be affecting the cities around us," Jaycox said. "I don't see growth being halted in any way as far from impact fees from the other areas in our region. It really is allowing these cities to try to keep up with these issues without adding more taxes to an already overtaxed base."

A former assistant city engineer, Clark has seen both sides of the impact fee issue.

In 1990, city leaders and developers talked about dumping the city's off-site improvement requirements in favor of a more equitable impact fee system. "The initial question back then was how much would be the appropriate assessment," Clark said. "[Developers] were thinking a couple hundred dollars a lot, saying, 'They can't be too high or they'll stifle growth.' My comment at the time was if it's not at least \$1,000 a lot, you're really not going to ever generate enough money."

As discussion died 15 years ago, impact fees haven't been broached since the Springdale City Council's June 14 meeting. Alderman Kathy Jaycox said there are good reasons for the city to investigate impact fees, but she didn't know where or when the city would start that process. Mayor Jerre Van Hoose said aldermen typically bring forward actions such as impact fees, and said he personally didn't believe the time was right to add such fees because the city's two sales taxes fund most road projects. "The entire

market community is helping us pay for these streets, including everybody that spends money in Springdale," Van Hoose said. "Maybe someday that will be something the city will want to look at."

To contact this reporter: cmorasch@arkansasonline.com

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Contact: webmaster@nwanews.com