



## State of roads said to block paths to stores

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**ROGERS** — City officials are expecting increased sales tax revenue once projects like the Pinnacle Hills Promenade open later this year.

But the increase in shopping venues will only benefit city coffers if the roads leading to the developments can handle the additional traffic, said Rogers Alderman Buddy Wright. Along with other Rogers city officials, Wright advocates adoption of impact fees on residential and commercial development to help pay for road improvements.

The city will hold the first of two public hearings on an impact-fee proposal for road improvement today at 6 p. m. at the Poplar Street administration building. While some city officials argue that developments requiring new infrastructure should pay for streets, others argue that the fees are excessive, inequitable and could drive development elsewhere.

“Without a doubt, anyone that tries to get from the east side of Rogers to Bentonville or even go across town wants a better road,” Wright said. “Whether they want to foot the bill is something else.”

Aldermen paid \$ 38, 100 to Texas-based Duncan Associates in June 2005 to study how much money could be generated for road improvements through impact fees.

The Legislature approved the use of impact fees in 2003. Under Arkansas Annotated Code 14-56-103, fees are assessed within an designated district on new development and can be used only to fund improvements within that area. The money is deposited in a designated account and must be spent within seven years of collection.

The study outlines fees for both residential and nonresidential development. Residential developers would pay \$ 3, 071 to \$ 4, 646 per housing unit based on square footage. The study also outlines the option of collecting fees based on the type of housing, with fees from \$ 1, 985 per room in a motel to a \$ 3, 780 maximum for a single-family home.

New nonresidential development would pay fees based on square footage. Developers would pay \$ 536 to \$ 10, 553 per 1, 000 square feet, depending on the type of building. For example, developers would pay \$ 55, 760 in impact fees for a 10, 000-squarefoot office and \$ 176, 400 in impact fees for a 100, 000-squarefoot warehouse.

A second public hearing on the fees will be held Aug. 21. If the Rogers City Council approves the impact fees, the city will become the third in Northwest Arkansas to do so.

Bentonville began charging impact fees for fire, water and expanded sewer capacity in July 2002. The revenue goes toward building a new 48-inch water line, expanding the

existing wastewater treatment plant, acquiring property for the Northwest Arkansas Conservation Authority treatment plant, purchasing fire equipment and building fire substations. Fayetteville began charging water and wastewater impact fees in June 2003. They implemented fire and police impact fees in December. The Rogers study includes the entire city in its assessed district, allowing for the money to be spent on any of the city's 61 road projects outlined in the capital improvement plan, said Steve Glass, city director of transportation and planning. "We've got to find a way to fund these improvements," he said. "If we don't fund them, people won't want to live here anyway."

**THE OPPOSITION** Impact fees are touted by city officials as a way to pay for growth, but building industry representatives say the fees are often distributed unevenly and result in a poorly managed system.

"We all have the right to ask for information as to how impact fees are being spent," said Jan Skopecek, executive director of the Northwest Arkansas Home Builders Association. "One of my goals this weekend is to go back through the law, and having experienced other impact fees in other areas, compare the manner in which this [Rogers study ] was prepared."

The association represents more than 600 members of the home-building industry in Benton and Washington counties. In July 2003, it sued Bentonville in Benton County Circuit Court, challenging the legality of its fees. The association and three homeowners argued in the suit that the fees passed by the city amounted to a tax on specific people for general improvements, Skopecek said. The next court date will be later this year.

Skopecek added that the proposed fees for Rogers could cause the same problem because the entire city is designated as a benefit area. The study allows fees collected from developers of property along one road to be spent on improvements to another area of the city, she said.

Because the money must be spent within seven years, the roads where funds are assessed might not receive help until much later, she said.

"My genuine concern at this point is if I pay a \$ 3, 000 road fee and within seven years the roads are not improved around me, my fees have gone to support some place else in the city," Skopecek said. "We all know that every dime collected will be paid out somewhere, but it doesn't mean it will directly benefit the person who paid for it."

City officials, including Rogers Mayor Steve Womack, have stated that both widening the Pleasant Grove Road overpass above Interstate 540 and building the 45 th Street bridge east of I-540 are the two most important street projects that would improve traffic flow for the entire city.

Womack announced in April that he would ask voters to approve a roughly \$ 11 million bond issue to pay for both projects. Revenue collected from an already assessed 1. 5 mills of property tax would pay off the bonds.

Skopecek said it seems inequitable for residents living far from the proposed road projects to pay for them.

"It doesn't mean that they won't use the Pleasant Grove Road overpass. That's their argument," she said. "But should citizenry who live in east Rogers have to pay for the

## Pleasant Grove Road overpass ?”

While the city will abide by the City Council’s decision, Womack said his biggest concern is the effect that impact fees could have on housing prices. Developers incorporate the fees into the prices of their homes to recover the cost, he said.

“People are having trouble buying a home because of land costs, gas prices and cost of living, and we have to be able to accommodate those people because they work here,” Womack said. “I’ve got police officers that can’t afford to live in town.”

Wright said that the estimated \$ 4. 8 million generated by the fees each year should be prioritized and spent on smaller road projects first to smooth general traffic flow.

“If there is any low-hanging fruit, things we can do quickly, let’s do that first,” he said.

Wright added that designating the entire city as a benefit district allows money from southwest Rogers to pay for projects on the north and east sides of the city.

“We cannot desert some areas just because they are poor and try to serve the rich,” he said. “We have to serve everybody.”

Bentonville’s benefit district encompasses the entire city and money generated from the fees goes toward major projects, said Bentonville community planning director Troy Galloway.

The city charges water impact fees to help pay for the construction of a \$ 20 million water line from Beaver Water District to the city. The project should be completed in June 2007. The city’s wastewater impact fee pays for costs associated with the Northwest Arkansas Conservation Authority’s wastewater treatment plant. The plant will be expandable from 5 millions gallons a day of capacity to 20 million gallons a day, and Bentonville is one of 10 member cities involved, Galloway said.

But determining who benefits from street improvements to ascertain who should pay for them is too difficult, he said.

“We have so many people coming into town to work that aren’t residents of the city,” Galloway said. “If we pass the cost of street construction onto home builders, you’re probably not hitting the audience that needs to be charged.” ‘THE MARKET IS NOT STRONG’

Glass said the Rogers City Council is not likely to approve charging fees at the highest level in the study and that charges would be phased in to ease any financial burden on developers. The study, in addition to stating that the fees can be adopted at a lesser rate, also suggests the city could provide a 60-day grace period after approving the fees when developers could submit plans to the city without being charged.

But office and commercial developer Collins Haynes said the impact fees are still not palatable.

Haynes’ office buildings, located in the Pinnacle area and along I-540, are typically 20, 000 square feet, making the impact fee for his developments as large as \$ 111, 520 per building, he said.

“You cannot make that up,” he said. “The market where it is today is not strong... and with this new fee they’re discussing, I said, ‘ You’ve got to be kidding me. ’”

The study states that developers would receive credit against the impact fees if improvements are done on their sites that exceed what is required. But Haynes, who spent an additional \$ 7 million to build two bridges and a five-lane road through Metro Park, a 52-acre office and retail complex east of Horsebarn Road and west of I-540, said the credits won’t be enough.

“Banks don’t give away money,” Haynes said.

“The money is still burning. From the day you buy property, you pay interest. This is an added burden on development that is very, very counterproductive.”

The fees, however, can also be adjusted over time.

Bentonville and Fayetteville officials updated their impact fee studies to reflect changes in material costs and city priorities.

In a May 2006 updated study completed for Fayetteville, Duncan Associates recommended two option for implementing impact fees for road improvements. One option includes the cost of right-of-way acquisition in the impact fee, and the other does not. For example, developers of a single-family home subdivision would pay either \$ 3, 409 per home without right of way or \$ 3, 722 per home with right of way. Both options are also available for residential and retail, office and industrial projects. The Fayetteville City Council adopted the newest study recommending road fees, but has not adopted the fees. Aldermen also plan to discuss updating the 2003 study of the city’s water and wastewater fees, said Ron Petrie, a city engineer.

“We’re collecting a lot, and it hasn’t slowed growth,” Petrie said.

“Really, it’s just money that the average citizen won’t have to pay to improve infrastructure through increased rates.”

Bentonville aldermen in May reduced their wastewater impact fee by \$ 442 to \$ 498 for residential development and by \$ 393 to \$ 6, 253 for commercial development as a result of their updated May study. The reduction accounts for the city’s participation in the Northwest Arkansas Conservation Authority treatment plant. Multiple cities will pay to build the facility, reducing costs to Bentonville, Galloway said.

Skopeczek said she plans to lobby state representatives in Little Rock to pass a measure in the next legislative session creating alternatives to impact fees. She added that revenue from impact fees cannot be guaranteed because homes are not selling as quickly as they were a year ago.

Washington and Benton counties have enough homes and lots to provide housing at the current growth rate for the next eight years, according to the Skyline Report, a quarterly study of real estate in the twocounty area released this month by the Center for Business and Economic Research at the Sam M. Walton College of Business of the University of Arkansas at Fayetteville. The report also states that area planning commissions have already approved an additional 19, 200 residential lots. “You can’t finance with impact fees because you don’t know if you will have them tomorrow,” Skopeczek said. “And with

**the adjustment in the market right now, you can't guarantee that more will be built.”**

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