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What's coming out of YOUR wallet?

Thursday, March 30, 2006

By A.J. RENNER Repository Staff Writer

GREEN - It's difficult to assess the impact of a human life.

It's easier to assess the impact of that human's house. In Green, that impact — for a detached three-bedroom unit — is \$2,464.

City Council is discussing impact fees — fees charged on new buildings to pay for the increased load on a city's infrastructure.

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A consultant has assessed the impact of different kinds of homes and businesses to the parks, roads, fire and emergency services and general government.

Impact-fee partisans say the fees can keep growth manageable and help the city's bottom line. Opponents say it will stifle business, cause atrophy in the community, and harm the construction industry.

Green's debate mirrors one going on in Columbus, and could foreshadow one coming to Stark County.

Townships, Counties and School districts

Right now, only cities can impose impact fees. Ohio House Bill 299, sponsored by Rep. Jon Peterson, R-Delaware, would allow counties, townships and school districts to charge them.

"I represent the fastest-growing county in the state," Peterson said. "The infrastructure is just being pushed to the max."

Jackson Township Fiscal Officer Randy Gonzalez said the township administration is in "total support" of the bill.

"We're just looking, in Jackson Township, for any alternatives to asking voters for more property taxes," Gonzalez said.

Unlike Green, which has a 2 percent income tax, Jackson Township must pass property taxes every few years. As home building booms, residents are shouldering more of the burden for police, fire, parks, and especially the heavily traveled main roads that lead to the new developments.

"We've been in catch-up mode for the last 20 years to improve those feeder roads," Gonzalez said.

Bad for business?

Gonzalez is not worried about scaring businesses away. Jackson's booming business districts are mostly "built out," he said.

Green isn't as lucky. "I spent two hours (recently) with a company that wants to come to Green," said Mayor Dan Croghan. "We spent that time coming to a proposal ... that came to \$1.5 million. And I'm going to turn around and tell them, 'Oh, by the way, I'm going to have to ask

you for an additional \$250,000?' "

Consulting firm TischlerBise studied the fees for Green. They suggested business fees such as \$30,900 for a 100-room hotel or \$195,000 for a 100,000-square-foot commercial facility.

In a strong real-estate market, impact fees don't affect business growth too much, said TischlerBise consultant Dwayne Guthrie. But Green's 1.9 percent growth rate is "moderate," not strong, he said

Upper-end office jobs are most likely to be deterred by impact fees; restaurants, and grocery stores unlikely, Guthrie said.

"We have the airport. We have the location," said Councilwoman at-large Lynda Smole, who favors impact fees. "We have the ability, when marketed, to offer so much more than anybody else."

Councilman at-large Andrew Padrutt disagrees. "The city of Akron, other cities in this community, will do anything to get jobs to come to their communities — anything."

Councilwoman Susan Ridgeway, Ward 3, another fee supporter, believes the city "may lose some prospective businesses. Rental spaces may go up a bit." But, she said, Green has attractions other communities can't offer. "Businesses want infrastructure. They want to get on and off highways quickly."

Impact fees could be used to enhance those attractions. "I think you've seen in other states it produces a revenue stream that provides the infrastructure that actually promotes development," said legislator Peterson.

Green already uses Tax Increment Financing, where businesses pay property taxes directly to the city for specific infrastructure improvements. The program is relatively new and has not stood the test of time, impact fee proponents say.

Practical opposition

Impact fees would be another blow to an already-beset industry, said Jim Camp, partner and general manager at Cutler Real Estate. Prices for lots and building supplies are going up, he said. He also predicts a shortage in skilled labor as plumbers and electricians retire.

Impact fees are a tax cities depend on developers to collect, said John Pavlis, a Stark County developer and president of the Ohio Homebuilders Association.

"If anybody gets blamed, they'll blame the 'greedy' developer with 'Why is my house so high-(priced)?' " said Carmine Torio, executive vice president of the Homebuilders Association serving Portage and Summit counties.

"I don't know a developer who's not wealthy," said Ridgeway. "They may have to bite the bullet here and be not so greedy."

Torio argues that smaller developers, who must sell the houses they build before getting more financing, will suffer most, as their houses stay on the market longer.

The maximum residential fee Green is discussing — \$2,997 on a four-bedroom house — might not scare too many people away.

"What worries me is that it's creeping. It starts out at a low level, and then somebody says, 'Hey, this is working,' " said Camp, who believes voters should have a say on new taxes. "I guess if you're a no-growth person, it's a good way to kill development."

Kill — Or slow?

Ridgeway wants home building to slow just enough to give Green Local Schools time to catch up.

"I don't think they can charge an impact fee high enough that will make a real dent in our needs," said Treasurer Roy Swartz.

Guthrie, the consultant, predicts little change in home buying. "Real estate commissions haven't shut down the market, so I doubt this will."

Council President Jim Colopy, Ward 1, argues that the city can help schools with new zoning tools: Planned districts without single-family housing could attract new residents without young children.

Where will the money go?

Green's impact fee study projected maximum income of \$3.15 million over five years: \$497,000 for parks, \$690,000 for the Fire Department, \$478,000 for general government and \$1.49 million for roads.

"It's an additional source of revenue," said Councilman at-large Bruce Manwaring, who is undecided on the fees. "It's our duty to look at this stuff."

Green took in roughly \$13.16 million last year in income taxes, which is one reason Colopy doesn't "see the need" for impact fees.

Some capital spending could even hurt the city: A new fire station, for example, would cost money to staff and run year after year.

Croghan has aggressively pursued federal, state and county money for roads and other projects. Smole applauds his fiscal discipline, but worries about when he's gone. She would like to establish a rainy day fund.

Ridgeway would like the city to impose an impact fee and give the money to the schools. She has not discussed this plan with Green Local Superintendent David Macali.

The city might have to defend such a move in court.

"Why hasn't somebody done it?" said Croghan. "Are we the avant-garde here? ... Why would anybody think about doing something like that?"

An impact fee for schools?

Under House Bill 299, schools could impose their own impact fees for capital projects on residential developments.

"It sounds like there's a lot of work you need to do," said James Knis, business manager of Plain Local Schools. "It would be worth it if you need to add a school building or two, not if you need to add a classroom."

Green spent \$61,900 and nearly a year on the two TischlerBise studies.

"The irony of it in Green is (the schools) don't have a problem with capital (funding)," said Croghan. The district is constructing a new elementary school and an addition to the high school. "Their problem is operations."

Outlook on fees

For now, impact fees are unlikely to gain traction in Green. A parks impact fee, charged only on homes, might have more support.

But the city's charter requires that parks get 7 percent of the income tax already. "That's a good chunk of change," said Manwaring.

Meanwhile, House Bill 299 is in the House Local and Municipal Government and Urban Revitalization Committee. It has had several hearings already. Developers and other opponents want a reasonable cap put on the fees. They also want assurances that the county, schools and townships or cities won't impose a triple whammy all at once.

Peterson hopes for a vote before summer.

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The impact on you?

If you're not buying new construction, a homeowner would be affected in the following ways:

-- Since impact fees go to capital projects, local governments, theoretically, wouldn't have to ask for as much property tax from existing residents.

-- Property values in highly desirable areas could rise as newly built properties get more expensive. You could sell your home for more money, but rising appraisals could result in higher property taxes.

Impact fees

An impact fee is a fee charged on each new building in a city to offset the additional costs such as road improvements, parkland acquisition and police cruisers — that will come with the new construction.

Fees must be reasonable, and cities must prove a relationship between the development and the cost of serving the extra residents or employees.

Only cities may impose impact fees, but House Bill 299 would allow counties, townships, and school districts to impose some version of these fees.

Proponents say:

- It is an additional source of money for cities.
- It can ease the property-tax burden on current residents.
- It reduces "who does what" negotiations with developers; developers simply pay the fee and the city does the capital work.

Opponents say:

- It may deter business and residential development.
- It is another cost to the building industry, which already faces higher lot costs, building supply shortages, and a projected skilled labor shortage.
- It undermines the philosophical basis of general taxation, in which an entire community is assessed for the public good, rather than on a usage basis.

Sources: The Ohio Municipal League, Ohio Rep. Jon Peterson, R-Delaware County, city of Beavercreek, TischlerBise, Jim Camp of Cutler Realty

The cost

Consulting firm TischlerBise studied the impact of new development in Green. Here are the recommended maximum impact fees for parks, fire and emergency services, general government, and roads. Different fees apply to medical buildings, hospitals, schools and hotels.

Detached residential:

- 0-2 bedrooms: \$1,763
- 3 bedrooms: \$2,464
- 4-plus bedrooms: \$2,997

Attached residential:

-- 0-1 bedrooms: \$1,160

-- 2 bedrooms: \$1,469

-- 3-plus bedrooms: \$2,076

Nonresidential — Commercial-Shopping Centers:

-- 10,000 square feet or less: \$3.10 per square foot

-- 10,001-50,000 square feet: \$2.32 per square foot

-- 50,001-100,000 square feet: \$1.95 per square foot

-- 100,001-200,000 square feet: \$1.68 per square foot

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