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Developers ask water board to roll back fee increase

Bob Challinor, Desert Valley Times

A group of developers asked the water district to reconsider the current \$11,170 in fees it currently charges for construction of new projects saying a recent hike in Ordinance 2 fees would have disastrous consequences for development.

Mesquite Mayor Susan Holecheck, five developers and a landscape company owner told the Virgin Valley Water District Board that its Jan. 20 decision to raise Ordinance 2 fees by \$5,400 would paralyze growth, especially during current economic difficulties.

The water board voted 5-0 to hike Ordinance 2 fees to \$8,700 per acre-foot. The \$5,400 increase more than doubled the former \$3,300-per-EDU (equivalent dwelling unit) fee the district charges for new development.

The district acquires culinary water using Ordinance 2 fees.

"Ordinance 2 fees are set aside in a restricted account," said Mike Winters, VVWD general manager. "They're not for wages or operation and maintenance or to buy trucks. They're set aside strictly for purchases of water."

The Ordinance 2 fee is only part of the total fee charged by VVWD for new development. The district also charges a \$2,120 impact fee that VVWD uses for construction of new projects such as wells and pipelines. Another \$250 is charged for the water meter and transponder. A \$100 transfer fee is attached for the state engineer's office to change points of diversion.

Board members said they raised the fees to keep up with the fair market value of water, a market they said was driven by Southern Nevada Water Authority (SNWA) purchases last year. VVWD and its board members have made clear their desire to keep water in the valley, but also commented on their reluctance to compete head-to-head for water with SNWA.

"The district does not have to charge the Ordinance 2 fee at all if the public does not want to keep the water here in the valley," Winters said. "The outcry from every citizen in the valley is to keep the water here, and the only way you can do that is to find an avenue to collect the funds necessary to do so."

"The outcry has also been that new development pay its own way. It is only natural that anyone building a new home tries to build it as cheaply as possible. The cheaper the construction of new home, the more profit goes to those who build it – whether it be a large-scale developer or a single first-time homeowner."

"How do you get an unbiased opinion? The mayor wants us to think about the future of Mesquite; think about our future years with no water or less water than we could have had if only we would have stuck to our guns."

On Jan. 20, Winters had told the water board: "I don't know if this will stifle growth even more. We can either put meters in every third house or go one-for-one."

But the development community on Tuesday said the fee increase's impact would be "catastrophic."

"Pulte Del-Webb has invested \$35 million into the community," said Quincy Edwards of Mesquite Pulte, reading a statement from the corporation's public relations director. "The proposal to charge \$11,000 per lot, even in a good economic climate, is difficult for a developer to incur. With Del Webb accounting for a large portion (of the fees), the impact would be catastrophic.

"We're asking the board to reconsider and repeal the proposed rate increase. The increase is excessive as compared to many water districts across the state."

"As mayor, I want to address the issue brought to my attention by the development community on Ordinance 2 fees," Holecheck said. "The intent of the fees is to provide a justified and prudent approach to ensure potable water. We appreciate that economic challenge require much analysis and forethought, but the attempt to recoup more revenue could result in shutting off the revenue stream. Now is not the time to undertake major changes."

Ken Phillips of HFMS/LB Builders said, "It's a big impact on any builder. All you do is come up and put the meter in."

"This is not a good time to increase fees," said George Rapson of Solstice. "The impact on us will be \$250,000 just on the motor coach component of our development. It will be millions on the hotel-casino. This will have a devastating impact on finances in today's economy."

"At this time you'd actually stop the growth of the community with these fees," said Scott Nelson with Ence Homes. "Two year ago, you increased it almost 50 percent again. I hope you reconsider."

Kelby Hughes, owner of Kokopelli Landscaping, said the Ordinance 2 fee increase "would have a huge impact on our business. It affects how homeowners landscape their yards. I'd like to see the fees stay economical, so the people can not only buy their homes, but also plant trees."

"There was not too much discussion when you were raising the fee," said Chuck Bentley, owner of Pride Construction. "If this (increase) only keeps one person from buying a house right now, that's a big effect. Five thousand dollars is a staggering amount to a homeowner."

Water board member Ted Miller said he agreed with developers.

"During an economic slump, one of the biggest problems is government," he said. "The reason we raised fees was to compete with Las Vegas for water. Now we're down to \$1 million in the (Ordinance 2) fund. We're not able to compete with SNWA. I agree we should cancel the new fee. It's outrageous. We need to put ourselves in position to buy water, but maybe we can do it by selling bonds."

"I'd like to direct staff to put this back on the agenda and have a discussion," said board member Bubba Smith. "We need to reconsider the actions we've done. We need more information from developers on impacts."

Winters said developers and farmers at the Jan. 20 when the board voted unanimously to raise the Ordinance 2 fees.

"One of the comments was that growth should have to pay for itself," Winters said. "When the board voted to raise Ordinance 2 fees from \$900 to \$3,300, Pulte and RFMS prepaid Ordinance 2 fees at \$900 to put meters on their lots. The board raised fees to keep up with the market. That's all it is; keeping up with the market."

Winters cautioned that if the board decided to repeal the latest Ordinance 2 fee increase it would have to make two other decisions.

"The board would have to decide how to pay for the '06 bond it got when it bought water from John Linetti and how it would continue to pay for the water it bought from Jimmy Hughes.

"If someone wants to sell their water they won't want to wait until we have enough money. They'll go

on down to Vegas who has \$40 million and will buy right now. I couldn't blame them."

The board will revisit the Ordinance 2 fee increase at 4 p.m. during its March 11 special meeting that begins at 2 p.m.
