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Town's spotlight shines on impact-fee reductions

By Michael Tucker, staff writer | Posted: Tuesday, June 14, 2011 11:00 am

Impact fees are back in the spotlight of the Manhattan Town Council and local officials are considering reducing them as a way to spur growth.

As it stands, Manhattan has the second highest municipal impact fees in the Gallatin Valley, just behind Bozeman at \$8,088 per lot, according to the council. Sewer impact fees tops the town's list at \$4,774.

The proposal before the council is to reduce impact fees for new residential construction by one-third. They also could be cut in one-half for commercial building.

All councilmen said Thursday they are in favor of reducing fees, but differed throughout the night on numbers. Impact fees are charged to new growth to pay for infrastructure, such as roads, sewer, water and fire fighting. The idea is that existing residents have been paying into governmental coffers for some time, and new growth should offset its own impacts.

The council adopted impact fees in 2007, when seven proposed subdivisions flanked the town. Since then, only one development has received final plat approval. It has since gone into foreclosure.

Growth around the valley stalled in 2008 due to a national recession, and Manhattan councilmen said it's time to reduce impact fees to attract business.

"We need to get below Belgrade to make it inviting for people to drive that extra six miles," Councilman Gregg Dietz said.

Councilman Dan Ryan agreed and proposed to reduce charges by 50 to 75 percent.

"They are going to where they can make a buck," he said. "We need to cut fees to stimulate growth."

As far Belgrade goes, city planner Jason Karp said new building has been quiet. The city has issued two building permits for residential homes, and the bulk of building permits have been issued for remodels.

"They aren't going to take anything from us because there isn't anything going on here," he said of Manhattan.

County planner Chris Scott said about the same thing.

"Impact fees aren't really affecting growth much because it's slow all over," he said.

Manhattan Councilman Craig Bergstedt said lowering costs might be a good idea, but impact fees were implemented to reduce the burden on existing residents. If fees are lowered, the reduction should be temporary.

"I'm in favor of reducing fees as long as they cover what they are intended to cover," he said.

Mayor Tony Haag said lowering impact fees might sound attractive, but the town would have to somehow recoup that money.

On one hand, cutting impact fees could stimulate growth and increase the tax base, but on the other hand the fees are in place to pay for infrastructure, and cutting fees may cause trouble down the line, he said.

"Here's the bottom line on those impact fees: it's another one of those pay-me-now or pay-me-later things," he said. "If you give up impact fees today, you are going to have to adjust it in the future for what you gave up."

The council will hold a public hearing on the issue in July.

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