

News-Leader.com | **True Ozarks**

Published Saturday, April 2, 2005 Builders, cities argue over impact of impact fees

Officials say fees are needed to fund progress; builders say they're unfair, will stifle growth.

By [Didi Tang](#)

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Rick Parham, an Ozark builder for 15 years, is afraid he could no longer build homes in his town. What he dreads is a proposed six-fold increase in the city's sewer impact fee to \$1,800.

"The cost of building houses has increased so much," Parham said.

But city officials say such fees are to pay for public infrastructure that new growth demands.

To serve residents in new subdivisions, bigger sewer treatment plants need to be built, wider water lines put in, additional fire stations constructed and more parkland set aside.

All come at a cost, and city officials often find no money is available for those projects.

But Parham believes it is unfair to burden builders and ultimately new-home buyers with the cost.

"It's not fair to the people buying new houses to pay more for sewer and water than anyone else," Parham said, adding higher fees would discourage growth.

The debate has escalated, and similar arguments have been heard in many other booming towns in the Ozarks, where impact fees have been proposed.

- Republic is asking its residents to approve Tuesday a \$340 water impact fee and a \$30-per-acre emergency notification impact fee on new construction.
- In Nixa, the city hall held a final public hearing Thursday, and Mayor Doug Marrs said the city could make a decision by May after two years of discussion and debate.

The fee in Nixa has yet to be set, but staff has suggested the fee not exceed \$1,569.

The building industry, however, sees impact fees as a simplistic approach that improperly taxes a segment of the population, threatens housing affordability and deters growth.

The Home Builders Association of Greater Springfield is campaigning against impact fee proposals in both Ozark and Republic. Postcards have been mailed out, fliers distributed, and the impact fee is labeled as "a housing tax."

"The term of impact fee is deceptive," said Matt Morrow, the group's executive director. "It's a sales pitch trying to get (voters) along with it."

But Ozark City Administrator Collin Quigley retorted that impact fees, like any other fee, is a charge for services.

"It's a fee for actual services provided," Quigley said. "I think by calling it a housing tax, by giving it an ugly name, they make it sound very unappealing."

Dealing with growth

Impact fees are often discussed in cities where new growth is straining the city's ability to provide necessary public infrastructure.

Faced with the challenge, city officials say they have three options.

- Build no infrastructure and stop growth. Out of the question, said both city officials and members of the building industry.
- Raise taxes and rates on the entire community to pay for infrastructure projects.

But many say it is unfair to ask existing residents, who have already paid their share through years of taxes and utility fees, to shoulder costs incurred by new homes.

- Levy an impact fee on new homes for infrastructure improvements.

This, some say, is fair because new-home buyers are paying for services that are incurred by them and would benefit them.

Unfair fees

The industry counters that the impact fees are an unfair and unequitable funding method that targets a segment of the population for improvements benefiting the entire community.

Why should two new families pay differently if one chooses a new home and the other an existing home?

Don't they both flush their toilets, ask for the same level of police protection and have the same impact?

Why should a new-home buyer pay for the fees but not be able to recoup the cost when he sells the home?

Doesn't the next homeowner have the same impact on city services than the previous owner?

What if an existing homeowner wants to move to a new home? Hasn't he already paid enough?

And, aren't such fees inherently unfair to lower end homebuyers, because they make up a larger percentage of the home price?

While proponents of impact fees calculate that a new home demands tens of thousands of dollars to keep up the city's infrastructure, the opponents produce another set of statistics touting the new revenue and benefits brought by growth.

With future property tax, sales tax and utility fees, a new home pays for itself, Morrow said.

"It more than pays for itself," Morrow added, noting new growth brings more businesses and job opportunities.

That scenario, however, does not apply in bedroom communities, local officials say.

In Ozark, Nixa, Republic and Rogersville, the population is growing, but sales tax dollars — the most important revenue source for municipalities — keep flowing to the biggest player in the region, officials say.

"Typically we lose an incredible amount of sales tax to Springfield," said Republic's Assistant City Administrator Chris Coulter.

Said Quigley of Ozark: "Ask any city, and they will tell you that residential growth does not bring in the revenue."

Rather, it is businesses that bring dollars, and it is no surprise that the cities are trying to

figure out how to lure businesses into their city limits.

But before that happens, services have to be provided and bills paid, city officials say.

Funding progress

In Ozark, city officials say a new sewer plant is crucial — without one, growth would stop.

In Republic, Coulter argues that both impact fees are to ensure public safety.

In Nixa, Marrs said aldermen must ask themselves if it is time the city take care of its parks, police, water and sewer services before any crisis should occur.

In Rogersville, Mayor Jack Cole said the city's existing \$1,500 impact fees — \$900 for sewer and \$600 for water — do not cover project costs and that the city is pondering additional assessment on new homes.

But impact fees aren't the answer, the building industry says.

"Why are people moving to Ozark and Nixa? They're trying to move away from areas with overregulation, causing housing not affordable," said Mike Benna, a sales manager at Pella Window and Door in Springfield and an Ozark resident.

While proposed impact fees are significantly lower than those on the East and West coasts, Benna questioned: "Once this door is open, why stop at \$1,800, why not make it \$5,000, why not make it \$10,000?"

But city officials say costs for land and building materials are more responsible for higher home values.

Land prices have increased by roughly 80 percent over the last 10 years, said Billy Long of Murney Associates Realtors.

Today, an acre of land for residential development can fetch \$18,000, said Long, who has been in the real estate business for 27 years.

But the proposed \$1,800 impact fee in Ozark could make a difference, Long said.

Assume three houses are built on an acre in Ozark, the fee could add \$5,400 to that acre.

"It's a big increase," Long said.

Do fees slow growth?

Builders also argue that impact fees would stifle growth.

For Morrow, the correlation between cost and demand is simple: when the cost goes up, the demand goes down.

But some officials say the market has many variables other than governmental fees.

"Keep in mind this is a market," Quigley said. "Everything is market-driven."

In Republic, Coulter said the city hall heard similar arguments in 1995 when the city proposed a \$400 sewer impact fee.

The fee went through, and the new sewer plant stimulated growth, Coulter said.

In Rogersville, Cole said growth has not slowed down since the fees were implemented three to four years ago.

But could the city price itself out of the market? "We understand that it's a competitive market," Cole said. "Each city has to do what's best for their city and the market there."

In Ozark, Parham said he already saw outflow of builders to areas such as Sparta and Highlandville.

No doubt that Ozark needs a bigger sewer treatment plant, Parham said. But, he wonders: Could we find a more equitable way?

Up to voters

In the end, it is a choice that voters must decide, said Tom Wyrick, a professor of economics at Southwest Missouri State University.

"No one is not right," Wyrick said. "It's a matter of ethics of different approaches."

The community can choose to have new-home buyers pay for services or follow the historical practice by which everyone is treated the same and has to pay the same, Wyrick said.

"You may not have gutters and ditches, you may walk in mud and have no streetlight,"
Wyrick said. "It's your choice."

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