

MacRo Report Blog

Frederick impact fees redesigned for accuracy, predictable business cost *Originally published in the Frederick News Post April 19, 2012 by Patti S. Borda*

Frederick's aldermen agree it is impossible to set an impact fee ordinance that will please everyone.

The city board continued Wednesday to work on a way to assess water and sewer impact fees based on a property's estimated use instead of its number of fixtures.

Impact fees are paid when a building permit is issued, and the proposed ordinance allows the city to assess additional fees a year later if the original use estimate is too low by 25 percent or more.

The aldermen did not settle the question of who benefits from water and sewer service to businesses: Is it just the property owner or the city as a whole?

Richard Griffin, director of economic development, said perhaps the city wants to consider not requiring new development to pay 100 percent of the cost to provide new water and sewer capacity.

"In reality, we all benefit some" from a new business or restaurant, Griffin said.

Aldermen disagreed about whether it makes sense to have all users pay a percentage of that new capacity cost and, if so, whether to cover the cost through general rate increases or a subsidy from the general fund. Last year, aldermen worried if high fees were driving away redevelopment and new businesses.

Impact fees of more than \$200,000 deterred one business prospect, and led the city to allow property owners to pay the fees over time.

Mayor Randy McClement and Alderwoman Karen Young said the fees are a part of the cost of doing business, and owners should know how much it will cost to operate.

"We can't put the burden on our other residents," Young said. "The reality is we're never going to make everybody happy. ... I think we have come a long way."

The ordinance, which McClement said the board will have a chance to adopt in coming months, sets fees based on more accurate use estimates and in a way that is more predictable for property owners.

Zach Kershner, deputy director of public works, said property owners and the city will estimate use based on a building's previous history if a new business is similar to the previous occupant, on the new occupant's history elsewhere or on an average of similar types of businesses.

Kershner cited examples where the new assessment method would have cost several recently completed development projects between \$200,000 and \$450,000 more upfront. The impact fees those projects paid, based on fix-

tures, assumed use that was thousands of gallons below what the properties actually used, he said.

Alderwoman Shelley Aloï said the new ordinance may not be an improvement if it hits new businesses with those higher fees.

"These increases are significant," Aloï said. "I don't think we need to do that."

Mark Fries, development consultant, urged the aldermen not to lose the city's competitive edge with neighboring jurisdictions, which may have lower fees and less property tax.

"There's a public good element to having major employers in your jurisdiction," Fries said.

The new assessment method will, in many cases, reduce the fees businesses pay upfront, Kershner said.

The city will be allowed to collect subsequent impact fees if the actual use over the first year is at least 25 percent higher than the estimate. Aldermen will allow property owners to pay the subsequent assessment over time.

Alderwoman Carol Krimm said the city has already spent the money to add capacity to the water and sewer system, and it now needs new users to share the cost.

"If you put up a barrier then you don't increase users," Krimm said.
