

Proposed Legislation to End Impact Fees Would Affect Rolesville and Wake Forest

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A piece of legislation proposed in the General Assembly in early March, though recently revised by the House Finance Committee, has set in motion the potential to alter the way towns throughout North Carolina fund certain municipal services.

House Bill 436, filed by Rep. Sarah Stevens of N.C. House District 90 and sponsored by Rep. Mike Clappitt of N.C. House District 119 sought to eliminate builder impact fees on new construction, money that often funds things like water and sewer, parks and recreation, local transportation measures, and fire services.

A substitute for the bill, which was filed on April 20 and passed the House on April 25, would disallow any new or increased impact fees during the next year while the Legislative Research Commission studies the fees currently imposed by towns and cities in North Carolina. The Commission would report on its

findings at the beginning of the 2018 legislative session.

The original legislation may have been prompted by an August 2016 state Supreme Court ruling in the matter of *Quality Built Homes v. Town of Carthage* in which the court ruled the town improperly charged impact fees for future water and sewer expansion.

While some towns, including Rolesville and Wake Forest, have sought and received legislative approval over the years to charge impact fees, many have not and therefore have no real legislative authority to do so. Carthage has been ordered to repay more than \$100,000 collected over the past 10 years, and there is fear the ruling, which creates uncertainty about the authority to levy impact fees, will lead to a cascade of litigation against other towns by developers wishing to recoup their money.

HB 436 would also have repealed existing laws that do give certain towns authority to charge fees for specific purposes. In addition to



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Facilities like Main Street Park are possible because of developer impact fees.

Rolesville and Wake Forest, other towns that could be impacted include Raleigh, Cary, Garner, Knightdale, Wendell, Zebulon, Chapel Hill and Carrboro.

In Rolesville and Wake Forest, all new developments pay impact fees prior to the start of construction. Based on an average of 200 building permits filed each year,

Rolesville collects an estimated \$1.3 million annually in fees. Each building permit for a single-family dwelling includes \$6,570 in fees, which go equally toward water and sewer, transportation, and parks and recreation expenses. In Wake Forest, approximately \$1.3 million collected in fees annually pays for fire

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and recreation, most recently through funding greenway construction and a new fire station on Jenkins Road. Builders typically pass the expense on to the homeowner as part of the cost of the house.

Both Rolesville and Wake Forest officials are in favor of the fees.

"All these people who are moving here are causing us to have to buy more park land, do more street improvements, fix more sidewalks and things like that," said Rolesville Mayor Frank Eagles, noting there would be no need for additional services if there was no new growth.

Town Manager Bryan Hicks added that "future development is carrying the load because those are the ones creating the demand."

Should the legislation gain ground, Eagles said the town would have to look to other ways to fund services.

"It's just going to raise everybody's tax rate, including the ones who have been here for years," he said.

Wake Forest Town Manager Kip Padgett said he hopes the legislation does not progress "because it could have a big impact on us and our ability to meet our capital needs."

The loss of impact fee revenue in Wake Forest would mean the town would have to find other sources of income to fund services. Most likely the money would have to come from the taxpayer-funded general fund according to Padgett.

Rep. Chris Malone, who represents N.C. District 35 covering Rolesville and Wake Forest, also opposed the bill, saying that one legislator was trying to bring uniformity in the laws to the entire state."

"Rolesville, Wake Forest and all our towns in this district have legal rights to have those kinds of fees levied," Malone said, noting the legislation that has been in place since the 1980s for certain towns.

The revised legislation is currently being reviewed in the Senate. How the legislation progresses, and the ultimate recommendation following a study of the issue by the Legislative Research Committee remains to be seen.

To follow this bill and others through the General Assembly, go to www.ncleg.net and enter the bill number or search criteria key words.