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FORT WORTH

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Developers could pay 660 percent more if Fort Worth raises water impact fees

BY SANDRA BAKER

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FORT WORTH — The City Council is facing a critical and costly policy decision as the city's Water Department re-evaluates its water and

wastewater impact fees and how much it wants developers and current customers to bear the cost of the city's growth.

The current combined impact fee is \$921; that's the amount the city charges developers when they want to connect a residential or commercial property to the water and sewer systems. The remainder is charged to current customers on their water bills. The council last set the amount in 2012.

The amount developers pay is 50 percent of what the full cost was determined to be at that time, or \$1,842. But that cost didn't include money that the Trinity River Water District and the Trinity River Authority charge Fort Worth for its portion of some projects, including the \$2.3 billion Integrated Pipeline Project, which will bring water to the city from East Texas to ensure future supply.

The figure also doesn't include interest on debt on Fort Worth's portion of those projects. Under state law, both of those costs are allowed to be included in calculating the impact fee. Water Director John Carman wants those costs, reaching into the millions of dollars, figured in this time around.

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IT'S IMPORTANT TO INCLUDE THOSE [INTEREST] COSTS OR AT LEAST BE REALISTIC ABOUT WHAT THE COST IS OF GROWING OUR SYSTEM.

John Carman, Fort Worth water director

“That’s one of the biggest differences between this year and last time,” Carman said. “While always allowed, interest costs for investments we make in growth-related infrastructure is allowed to be included in the impact fee. It’s important to include those costs or at least be realistic about what the cost is of growing our system.”

Impact fees are charged to help pay for the capital improvements needed to provide water and sewer services. Fort Worth’s fees make projections on costs going 10 years out. Between Jan. 1 and June 30, the city collected \$4.8 million in impact fees.

The council will hold a public hearing on the proposed fees at its Nov. 15 meeting. The fees also affect cities in six surrounding counties that buy water wholesale and wastewater services from Fort Worth.

Gradual increase

Four years ago, the council set the water impact fee based on a projected \$153.8 million from 163,954 new meters. Today, that number jumps to \$625.4 million and a projected 142,209 new meters. And on the wastewater side, the current fee was based on \$136.2 million in eligible costs and 129,763 new meters. That will rise to a projected \$332.3 million and 127,381 new meters.

Based on those projected figures, the water impact fee would be \$4,395 and the wastewater impact fee \$2,609, for a total \$7,004. If the council decides to include the

added project and interest costs and continue to stay at charging developers 50 percent, their cost would be \$3,502, a 280 percent increase.

If the council decides to have developers pay the full amount, that would be 660 percent increase over what they pay now.

Under state law, cities are required to look at impact fees at least every five years. The Water Department has held two meetings in recent weeks with a citizens advisory committee set up to make a recommendation to the council. That group recently approved recommending that the impact fee rise gradually over three years, but cap at 40 percent of \$7,004, or \$2,802, to be paid by the developers.

Developers typically pass impact fees along to the home buyer or property owner.

Bob Madeja, principal of custom home builder Phoenix Homes and committee chairman, said the group is trying to keep a balance on who pays for the growth.

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Bob Madeja, principal, Phoenix Homes

“What we don't want to see happen is the fees get so high on a house,” Madeja said. “The percentage is not as important as the dollar amount. If fees keep going up and up,

developers say they will keep moving out. We don't want to get to the point we're pricing ourselves out of the market, particularly for starter homes.”

Ultimately, it will come down to what the council wants to do, Madeja said.

Councilman Jungus Jordan, whose district includes far southwest Fort Worth where much of the city's growth will happen in the coming years, said a lot of number-crunching remains before the fee can be decided. He said he wants to see how the value of that growth plays in the fee calculation and if there are other ways to pay the debt load.

“We have to look at the economic impact of that growth,” Jordan said. “Current users should not have to pay for the future users. I'm going to be hard-nosed on growth paying for growth.”

Paying for growth

The council has been leaning toward “growth paying for growth” in other policy decisions. This month, the council approved public improvement districts for two large master-planned communities, the Walsh Ranch in west Fort Worth and Rock Creek Ranch in far southwest Fort Worth, which allow the developers to charge a special tax to property owners to pay for infrastructure growth in those developments, not the city.

“We're growing,” Carman said. “In order for those folks to come and live here, we're going to have to put in water and sewer

infrastructure. That’s a basic tenet. The first step in economic development is water and sewer infrastructure ... so the rest of the development can happen.”

The new impact fees must be in place by April to meet state requirements. Wholesale customers must be given 90 days’ notice of a planned hike.

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