



## Report Says Multifamily Developers Overpay in Fees

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By Les Shaver

In Volusia County, Fla., a developer of a 500-square-foot studio apartment pays the same in school impact fees as the developer of a 5,000-square-foot unit. Hardly seems fair, does it?

That's what Arthur C. Nelson, a presidential professor in the College of Architecture + Planning at the University of Utah, and director of the Metropolitan Institute at Virginia Tech, says. "For the time being, I'm convinced that in most jurisdictions, impact fees for multifamily housing are higher than they should be," Nelson says. "That's the bottom line."

Nelson says impact fees should vary based on dwelling size and project density. Often, communities will distribute them on a per-unit basis. In one example the study cites, the net impact cost to serve a large home on a large lot is \$13,470. The developer underpays impact costs by \$3,120. Conversely, the apartment or condo in this example has an impact of \$6,405 but the developer overpays by \$3,945.

This is certainly the case in areas of the country other than Volusia County. Barry Gross, president of Developers Research, a consulting firm in Irvine, Calif., sees impact fees for multifamily housing in Riverside County, Calif., range from \$25,000 per unit to \$40,000 per unit, which can be as much as a quarter of the total cost of construction.

"These impact fees provide a serious disincentive for multifamily housing builders in the future," he says. "In most jurisdictions in Riverside County, the fees for a sewer or water connection are the same for single-family detached homes and multifamily homes, creating a disproportionate burden on small units. In the case of water connection fee, a single-family unit may use more than twice as much water as an apartment unit, yet the connection fee is the same, thereby increasing the cost per gallon."

Some localities are taking steps to rectify impact fee inequities. Nelson suggests that communities charge impact fees for transportation and parks on a per square foot basis, as is the case in Albuquerque, N.M. For school impact fees, localities would be better served to follow the Dade County, Fla., model where the country figures the average student per unit size and applies that coefficient to the house size.

These recommendations and others can be found in a new report from the U.S. Department of Housing and Urban Development (HUD), where Nelson advises local governments on how to implement equitable impact fees and shows apartment firms how to promote the sustainability of higher-density housing or oppose unreasonable impact fees. The HUD report, *Impact Fees & Housing Affordability: A Guide for Practitioners* is available at the National Multi Housing Council's Workforce Housing Resource Center [online](#).

"We need to be more refined in how we assess impacts on residential development," Nelson says.

"We're not doing a good enough job in the field of recognizing the effects of multifamily on facilities, and we overcharge multifamily."