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Saturday, October 02, 2004

## Impact fee lawsuit drying up city building lot supply

By Russ Squire

Through the continuation of the impact fee law suit, the building industry in the Bozeman area is shooting itself and the issue of housing affordability in the foot.

Lot prices have skyrocketed in the past year at a rate greater than at any other single time in our city's history – up 30 percent to 60 percent. That's not just inflation, its hyper-inflation. So, what's causing it?

The answer, quite simply, is a lack of enough supply to meet rising consumer demand for building lots in Bozeman. Why can't we have more lots approved in the city on central services? There is a developing lack of capacity within our water and, more specifically, sewer systems. The 24- inch sewer trunk line being installed on North Rouse over the past year needs to be extended to the south where it can help alleviate bottlenecks in the present system, thereby allowing for more capacity. Instead, this line will end at Babcock for now. Why not proceed with the improvements now? The city doesn't have the money to do so because \$20 million of future infrastructure funding is tied up in the impact fee law suit.

I sat on the Impact Fee Advisory Group back in 1997 when I was president of the Southwest Montana Building Industry Association. At that time, the industry supported the impact fee with mixed emotions within the group. As board composition changed the group decided to retain an attorney to fight the constitutionality of the fee because at the time it was enacted, the city of Bozeman did not have self-governing powers.

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Shortly after the impact fee was enacted the city obtained self-governing powers.

Fast forward five years and the suit is still not resolved and is beginning to artificially restrict the supply of new development in Bozeman. It's sort of ironic that the impact fee lawsuit may quickly become the champion of the slow growth/no growth crowd when in the beginning they were the impact fees greatest supporters. Little did the no-growth crowd know at the time that the impact fee was really a wolf in sheep's clothing -- i.e., a growth enabling mechanism. Many builders thought, erroneously, that the impact fee was a slow-growth mechanism. By suing the city the builders will ultimately give the slow-growth/no-growth group just what they wanted -- slow growth/no growth.

The single most important, and somewhat controllable variable, in the affordable housing equation is land cost. As a city and local economy, we are powerless to influence world commodity markets for lumber, oil and concrete. We do, however, have the ability to influence land prices in the local market by creating a greater supply of building lots to balance with demand.

The impact fee lawsuit has hog tied our ability to meaningfully influence this side of the equation. Had the lawsuit not been enjoined, then Bozeman would have \$20 million more in water, streets and sewer infrastructure today, and the existing capacity bottlenecks would not be an issue. In fact, it is quite possible that the impact fee lawsuit has hurt housing affordability more than any other variable within our control over the past decade and, quite frankly, I'm ashamed of that fact.

Bozeman housing affordability has been mortally wounded by this tryst pitting builders against city infrastructure demands, the very same services their future ability to build relies upon. It's time for calmer heads to prevail and work out a solution to the impact fee impasse before Bozeman's city motto has to be changed to "The Most Livable, Yet Unaffordable, Place."

Russ Squire is a member of the city of Bozeman Impact Fee Advisory Board and past-president of the Southwest Montana Building Industry Association.

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