



Connected today. Powered for the future.

Learn more

xfinity communities

DESIGN & DEVELOPMENT

> Navigating Rising Costs: How Developers Can Tackle Water and Impact Fees in Multifamily

Posted on: June 13, 2023



Multifamily Executive

Navigating Rising Costs: How Developers Can Tackle Water and Impact Fees in Multifamily

Steps can be taken toward designing efficient residential buildings to reduce fees and operating costs.

By [Carmine Iadarola](#)



Adobe Stock

Developers of multifamily projects are very cognizant of the current construction and operating costs required to keep their units reasonably priced for what is the most affordable residential product available in most urban communities.

One area that is often overlooked in this quest for affordability are the impact fees associated with water, stormwater, and sanitary sewer (collectively referred to as development resources). Being aware of how impact fees will affect development and taking calculated measures to reduce such fees not only makes multifamily developments more affordable and profitable, but also addresses an important concern of any

THE 2022

MFE CONCEPT COMMUNITY REPORT

IS HERE! >>>>

DOWNLOAD

TRENDING



61% of Multifamily Firms Have Increased...



Greystar Tackles Nation's Attainable...

developer, which is the availability of these limited and necessary development resources.

The growing scarcity of these resources due to political, legal, and climate issues has increased the costs of, and limitations on, supplying these necessary services for new multifamily developments. Many communities are becoming increasingly concerned about the uncertainty of their development resources as articles proliferate across the nation about moratoriums on development due to shortages of supply and capacity.

These challenges are not limited to the well-publicized contentiousness of the Colorado River allocation to states in the West; municipalities from across the nation, including California, Colorado, Minnesota, New Jersey, and Texas, face questions of whether or not to approve new development due to the current demand placed on already overallocated and stressed systems. A municipal entity will typically prioritize allocating their supplies and infrastructure relating to development resources in order to ensure there is sufficient capacity to meet existing demands.

The reduced availability of development resources has raised the specter in many communities of a potential moratorium or reduction on the issuance of new service to prevent an overextension of current supplies. Although particularly prevalent in the drought-stricken West, these issues are spreading nationwide as exemplified by a moratoria in Corcoran, Minnesota, as well as Mecklenburg and Cabarrus counties in North Carolina.

Furthermore, new projects aimed at increasing the availability of development resources often take decades to develop, are risky, and are extremely costly, which requires municipalities to carry long-term debt before any infrastructure or revenue is produced. As a result, simple, readily available, low-cost solutions to this resource crisis simply do not exist.

In addition to the uncertainty of development resource availability, the impact fees that providers charge, which are used to defray the capital costs required to serve new development, are also skyrocketing.

The development resource costs of a single-family residential equivalent can range from \$8,000 in Charleston, South Carolina, to \$75,000 or more in several Colorado municipalities. These impact fees clearly have a significant impact on the profitability and affordability of new development. Meanwhile, stopping or even slowing the rate of new development means housing becomes even more scarce and less affordable in many communities.

There is no doubt that, even for those areas outside the arid West, the costs of development resources are beginning to escalate. The unpredictability of water supply and increased flooding has made the quality of development resources as large an issue as their scarcity.

Furthermore, as science and technology have been able to identify more and more chemicals as pollutants, the Environmental Protection Agency is adopting new rules for meeting safe drinking water standards. Many of these rules are designed for chemicals and pollutants that we did not even know existed at the turn of the century.

The increased cost of meeting these standards for both potable and nonpotable development resources has put a strain on existing infrastructure, requiring more investment and capital costs to offset with increased impact fees.

In short, developers can expect that impact fees will only continue to rise with time, which means that efficiently managing development resources will be paramount to success or failure of a new project.

With this understanding, the most valuable and least expensive development resources are the ones that already exist in a provider's system. This is where the multifamily developer becomes an important part of

the impact fee equation.

By planning for resource efficiency in project design, the provider can maximize the value of its existing system and avoid significant infrastructure investment or incurring additional debt. By efficiently utilizing and managing an already available resource, the developer can then reduce the impacts they place on the system and their subsequent impact fees and operating costs by extending the life and application of this resource.

As such, if not for their own economic self-interest, every developer has a community responsibility to use and manage their development resources in the most efficient way possible.

Several steps can be taken by multifamily developers toward designing efficient residential buildings, such as the use of WaterSense-labeled low-flow fixtures; water-wise landscaping; effective utilization of nonpotable, graywater, or reuse water where permitted; stormwater management; adiabatic cooling; and advanced metering infrastructure that provides water use data to occupants that aids in leak detection or high water uses.

As the market for new and improved methods for resource management continues to evolve, it is also imperative that developers keep a pulse on new technology that could further these efficacious efforts.

Implementing a tailored resource management program specific to a project using the strategies outlined above will result in a reduced monthly consumption for occupants. As much as \$50 per month can be saved per residential unit through efficiency programs, which improves the project's profits and the resident's lifestyle and available cash, while also reducing the demands on important municipal infrastructure.

Efficiency efforts should also be recognized in the impact fees in order to encourage investment in products and management techniques that conserve development resources. As impact fees are directly tied to the cost of additional infrastructure created on a system by new development, reducing such impacts to correspond with the reduced usage is a very strong signal to invest in conservation.

Unfortunately, efficiency is not always recognized by all providers, so developers need to ensure they check with their provider about potential impact fee savings for management strategies that save costs and reduce the impacts on the system and the riparian environment.

ABOUT THE AUTHOR



Carmine Iadarola

Carmine Iadarola is president and founder of AquaSan Network, which has been assisting private and nonprofit developers for over 40 years in developing strategies to save and conserve water and how to use water management to increase profits through reduced costs.

Advertisement

Keywords:

Subject:

- Water Supply
- Water
- Water Conservation
- Multifamily
- Multifamily Building
- Design
- Development
- Developers
- Stormwater Management

