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Impact fees pass costs of growth to new residents

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The concept of making the new residents of an area pay for the new public services and infrastructure their presence makes necessary has been working in Central Arizona since the early 1980s.

New people to the community create demands for infrastructure and services. They need new streets and add to the traffic load on existing ones. They want to play in city parks, use the city library, get water out of their faucets and sewer service when they flush the toilets.

All of that costs money, and since the 1980s municipalities and county governments have expected newcomers to their communities to pay for the added needs they create. Originally they called them "buy-in" fees, but now most local governments call them impact fees.

Further complicating things in Arizona and especially in Central Arizona is water. Since 1998, most of Yavapai County that falls into the Prescott Active Management Area (AMA) has been under a groundwater mining declaration. The state declared that water users in the area of the county encompassing Prescott and Prescott Valley, water users are taking more water out of the aquifer (underground water deposit) than they are putting back in. The Arizona Department of Water Resources says the area needs to reach "safe-yield," a state where the area is putting as much water back as it is taking out, by 2025.

The [City of Prescott](#) and the [Town of Prescott Valley](#) have teamed together to import water from a ranch outside the AMA to continue to serve their growing populations. Prescott seeks to pay for the costs of the ranchland it bought and the pipeline and pumping system it must build largely through impact fees.

And the fees for all local governments in this water-starved yet highly popular part of the country continue to increase.

Today, newcomers building a home in Central Arizona pay anywhere from \$1,575 in newly-incorporated Dewey-Humboldt to as much as \$53,000 in Prescott, depending on the water meter in the building and the number of plumbing fixtures. The average per single-family home in Prescott is about \$12,000.

Prescott's impact fees increase in proportion to the number and type of water fixtures in the home. Water-saving fixtures lead to a break in fees as do fewer fixtures in the home. Prescott plans to use proceeds from impact fees to help pay for its \$140 million project to import water. City of Prescott records show that homebuilders pay from \$4,888 to \$26,053 as a water resource fee and another \$4,880 to \$26,063 for a water system impact fee.

In addition to water, Prescott impact fees also include \$253 for the library; \$715 for parks; \$401 for recreation; \$589 for police; \$525 for fire service; \$469 for streets, and \$275 for public buildings.

Over the years, the City of Prescott has used impact fees to pay for a variety of town improvements. In Fiscal Year 2006-2007, the city spent \$7 million in impact fee proceeds for a new community center, a new library branch, two new neighborhood parks, trailhead enhancements and the design for a new downtown fire

station.

The greatest expenditure has gone to the city's Big Chino Water ranch project to import more water into the area - about \$3.8 million.

City Finance Director Mark Woodfill said the city's first impact fee, instituted in 1982, was a "buy-in fee" for the water and sewer system. The city has called them impact fees since 1995.

Woodfill says the city reviews impact fees about every five years. Its latest increases drew a number of objections from the community, as well as support from factions who support the idea of growth paying for itself.

The greatest objection came from the Yavapai County Contractors Association which complained that increasing the fees to the maximum law allows would cause homebuilders to look elsewhere.

In the face of opposition, the county opted to increase only the police and fire fees in September 2006.

Another sore point with impact fee opponents has been the Prescott City Council's decision to assess the bulk of the city's impact fees only on homes - not commercial buildings.

Late in 2006, the Home Builders Association of Central Arizona filed a

complaint in Yavapai County Superior Court contending that Prescott and the Town of Prescott Valley which has suspended commercial impact fees until August of 2008 are violating an Arizona state law that requires that "development fees must be assessed in a nondiscriminatory manner ..."

Bill Kauppi, Prescott Valley management services director, said the town suspended commercial fees about three years ago to encourage more commercial and retail development in the town.

Prescott Valley Town Manager Larry Tarkowski said the town's impact fees, which have remained unchanged since 1995, "generate the revenue to offset the impact of the new development, whether it is residential or commercial.

"All the new homes are assessed the same," he adds. "However, commercial is assessed based on the square footage."

Total impact fees in Prescott Valley run \$2,711 per home. They include \$208 for the library; \$795 for parks and recreation; \$405 for police; a \$51 civic fee, and a \$1,252 circulation fee.

"They pay for roads," Tarkowski says. "They pay for cops. They pay for parks and recreation. It goes toward offsetting the costs of infrastructure. The collection of impact fees has diminished, thanks to the housing slump."

Most of Arizona is in a housing slump with economists estimating it could take as long as two years to sell off the current surplus of homes on the market.

Joe Contadino, president of Universal Homes and developer of Granville, one of Prescott Valley's largest home developments, he doesn't object to impact fees in principle.

"I don't have an issue with it because the town needs to develop its infrastructure. I would have issue with piling all the costs of the town's infrastructure on new residents. You are providing additional services to existing residents ... New residents should pay their full share."

Yavapai County charges a flat \$3,400 roadway development fee per each new residence in mid 2007.

Previously, in 1998, county supervisors set roadway development fees at 30 percent of the estimated costs of identified regional road projects. The county has received about \$11.5 million from roadway development fees since Sept. 1, 1998, through June 30, 2006.

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