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## Cities, homebuilders differ over impact fees

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*Freezing increases in development impact fees could boost the homebuilding industry, a homebuilders association official says, but city leaders are wary.*

*Tribune*

A homebuilders association official maintains that a two-year freeze on raising development impact fees or any new related fees would provide some stability to a battered homebuilding industry. But East Valley leaders say the move sets a bad precedent toward existing residents paying for new growth.

The freeze, retroactive to June 29, 2009, became official as part of the state budget passed last month. Accordingly, municipalities cannot impose any new development fees or increase existing fees until after June 30, 2011.

“For communities that are literally building theirs from scratch, this really shakes us to the foundation,” said Queen Creek Town Manager John Kross.

Kross described the law as “a bad precedent where an industry can dictate public policy.”

Impact fees help pay for infrastructure such as roads, water and sewer lines, which are needed to support new development.

An earlier proposal by the Home Builders Association of Central Arizona to suspend impact fees did not go far. Still, top East Valley officials say current residents should not have to subsidize new residential development.

But Spencer Kamps, lobbyist for the homebuilders association, which lobbied for the change, questioned why impact fees would go up in a down economy, in which housing prices have crashed and there’s not much construction activity. Freezing the fee, he said, would provide stability for the homebuilding industry.

“I’m not saying it’s an end all be all, but in a stable environment, you can offer more pricing choices to the consumer,” Kamps said. “It provides stability as it relates to costs and certainty to build, which is obviously a good thing in the down market.”

Any time construction happens, it creates jobs, he added.

Scott Butler, Mesa’s intergovernmental relations director, said that when people look at buying a house, impact fees are just one portion of the overall cost, one homebuyers are willing to pay for. He doesn’t believe the freeze will make a dent in home purchases.

"Most people buying a home understand they want streets and proper sewage infrastructure. They don't want their house on a septic tank," Butler said.

Butler and Kross also are concerned that the end goal is to place a moratorium on impact fees in the long term, given that the issue has been raised in the Legislature consistently over the past several years.

The freeze has also sent a few communities scrambling to their attorneys to figure out how to deal with recent fee increases.

Chandler is still figuring out how the statutory change will affect the rate increase the city adopted in March that did not go into effect until July 1. The retroactive date is June 29, two days prior. A rollback for Chandler would mean losing \$600,000 this fiscal year.

"Given that we've cut back on so many capital projects already in this downturn, any loss to finance critical projects means we won't even be able to do the bare minimum we'd planned," said Dennis Strachota, Chandler's management services director. "To have resources taken away for these projects means the burden is placed on current residents or it's not done."

Queen Creek charges just under \$16,000 in impact fees for a new single-family home, which goes to pay for basics such as fire and wastewater infrastructure, transportation, libraries and parks. The town was in the process of adopting a new water infrastructure fee to help finance infrastructure upgrades to the Queen Creek Water Company, which it recently bought. But the freeze on increases bars it from doing so.

Gilbert Town Manager George Pettit said the town's updated fees went into effect July 27. Discussions are ongoing with attorneys on how to deal with the freeze and if the town can continue to charge the revised fee.


The difference is around \$1,300 per single-family home. Gilbert has budgeted collecting about \$1 million this fiscal year and \$2.3 million next year.

Kamps, the lobbyist for the homebuilders association, said the point is to create jobs and sales tax revenue by spurring construction activity in a down market.

"If the impact fee is \$20,000 on a \$100,000 home, it's hard to attract buyers because of the regulatory cost," Kamps said. "To increase the cost in a downpriced market is a job killer."



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