Massaging the impact: Peoria officials gearing for new plan, fee schedule

By Rusty Bradshaw
Independent Newsmedia, Inc. USA

Last Modified: Oct 23, 2013 10:22AM

PEORIA, Ariz. -- Peoriaofficials began the process last week to draw up new rules and a price structure for development impact fees after legislation passed last year redefining the practice for municipalities.

Arizona Senate Bill 1525 placed greater restrictions on several fee categories by redefining necessary public services, and added new requirements related to how impact fees are calculated, according to Katie Gregory, Peoria deputy finance and budget director. City staff and consultants reported to City Council Oct. 15 on the status of rewriting city procedure and fee structure for impact fees.

“Impact fees are a significant source of funding for our capital plans,” Ms. Gregory said.

Development impact fees pay for 1-time capital infrastructure costs resulting from new development within the city. In areas where little or no development exists, infrastructure requirements are great, as are the costs to provide that infrastructure, according to Ms. Gregory.

“Substantial capital investments for roads, parks, water and wastewater facilities, public safety facilities and libraries are necessary to serve new growth and maintain existing levels of service,” Ms. Gregory said.

In the past, city officials have paid up to 35 percent of infrastructure improvements with impact fees, according to Ms. Gregory. However, with the downturn in the economy, only about 18 percent of the city’s capital plan is paid for with impact fees, she added.

To fulfill requirements of SB 1525, Peoria officials worked over the past year with two firms, Duncan Associates and Raftelis Financial Consultants, to update the general government and utilities impact fee studies. Duncan researched the general government and Raftelis the utilities portions.

Some of the significant changes in the law include limiting the eligible facilities, setting compliance deadlines, establishing service areas and service units and establishing level of service standards. The law also requires establishing and formally adopting land use assumptions and infrastructure improvement plans, and new requirements related to developer credits. Municipalities are also required to lock in fee schedules for 24 months following development approval.

Ms. Gregory said the legislation also requires the city to update its capital improvement plan every five years.

“We have done that more frequently,” she said.

City staff is required by SB 1525 to have an updated capital improvement plan and impact fee structure in place by August 2014.

City staff met with stakeholders Feb. 26 and reviewed planned methodologies for the revamped process. They met with stakeholders again Oct. 16, and at least one more stakeholders meeting is planned for November, according to Ms. Gregory.

Mesquite District Councilwoman Cathy Carlat believes even more stakeholder meetings should be conducted.

“The city does not take the market into consideration (when setting impact fees), but now that we have time we need to consider that in partnership with our stakeholders,” she said. “We should be able to correct ourselves if we are wrong.”

Steve Kemp, Peoria city attorney, said levels of service standards required in the new law have always been in place, but the city has in the past been able to be flexible with them.

“Now it is much more stringent,” he said. “For example, the old statutes allowed for flexibility in park size, now the statute limits them to 30 acres.”

Ms. Gregory explained city staff considered several approaches for setting impact fees, including plan-based, incremental expansion, system buy-in and hybrid approaches. Frank Davis of Raftelis said his firm suggests a hybrid of the buy-in and incremental approaches for the utilities impact fee structure, while Clancy Mullin of Duncan suggested the incremental for general government.

“That is kind of a hybrid with the plan-based because the city must have the funds for projects,” Mr. Mullin said.

The city’s existing fee structure has difference zones, with Bell Road as the dividing line. But Mr. Mullin believes the fee structure should be uniform within service areas. City staff proposes multiple service areas within the city for different categories of service, according to Ms. Gregory.

“In 2007 we had two zones — north and south of Bell Road — then we dissected the north zone to create a ‘central’ zone,” Ms. Gregory explained.

Mayor Bob Barrett said that was done to direct growth to the northern part of the city. Ms. Carlat said another factor in splitting the north zone was to prevent leapfrog growth between city council districts.

“But we don’t have that anymore because the Mesquite District is the growth area now,” she said. “I believe the north should be one zone.”

Palo Verde District Councilman Ron Aames said council members would need some land use projections before making that decision.

Last week’s meetings were just the first steps in the process of revamping the city’s development impact fee schedule. Ms. Gregory said staff hoped to get on the council’s Nov. 19 study session agenda to review discussions from the two stakeholders meetings. If that is accomplished, she said a public hearing could be conducted at Dec. 10 and final adoption could be considered as early as the Jan. 21 council meeting.

News Editor Rusty Bradshaw can be reached at 623-445-2725 or rbradshaw@newszap.com.