

## Gilbert officials worried about impact-fees proposal

by **Parker Leavitt** - Mar. 19, 2011 07:24 AM  
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A bill currently making its way through the state Legislature could give Gilbert officials a reason to push the panic button and leave them scrambling to replace millions of dollars needed for vital infrastructure.

Senate Bill 1525, which already won Senate approval and is now moving through the House of Representatives, would limit municipalities' ability to assess developer impact fees.

System-development fees make up the largest funding source in Gilbert's Capital Improvement Plan, a document that includes future parks, roads, utilities and public-safety facilities. Those infrastructure costs over the next few decades are expected to total about \$1.2 billion, according to the plan.

But the new law, proposed by Senate President Russell Pearce, could jeopardize a large chunk of that cash.

One of Gilbert's two state senators, Andy Biggs of District 22, co-sponsored the legislation and voted in favor when the Senate passed the bill by a 16-13 vote on Feb. 28. Gilbert's other state senator, Steve Yarbrough of District 21, voted in opposition.

The bill has now moved to the state House, but a vote has not yet been scheduled.

Gilbert Mayor John Lewis said the bill would

have a "massive" impact on the way future projects are funded.

"In Gilbert right now, we really don't have any other way to pay for infrastructure," Lewis said. "That's the way it's been for a number of years."

Gilbert assesses eight types of impact fees to developers for a total of \$19,684 per single-family residential unit. For a new subdivision of 500 homes, the developer would end up paying \$9.8 million, which is then distributed among police, fire, parks, traffic, water and "general government" funds.

While new-home construction has slowed in the recession, Gilbert has averaged about 72 new homes per month since October.

Beginning in fiscal 2012, Gilbert expects to collect and use over \$402 million in impact-fee revenue, according to the CIP. It's based on a growth-pays-for-growth philosophy that Gilbert has relied on for decades.

"It allows us to keep the tax base low in many other areas," Lewis said. "It was just the feeling that it would be the fairest approach,

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for those who are coming to town who would be acquiring new infrastructure to pay for it. That's the direction we would like to continue to go."

When explaining his vote in favor of SB 1525 before the state Senate last month, Pearce said impact-fee reform is long overdue in Arizona. "This is a critical bill to move forward," Pearce told the state Senate. "What's happened over time is impact fees have escalated out of control."

In the Phoenix metro area, the average impact fee on residential homes is over \$20,000, Pearce claimed. "That's a tax on homeowners, on new buyers," he said. "It's inappropriate, and nothing is more valuable than homeownership."

While the bill is worrisome to many cities and towns, Pearce said it would help the construction industry.

"You've got to get the construction industry moving again," he said. "You've got to get homeownership moving again. The homebuilding industry is in dire straights and needs some relief."

Other states such as Texas, Nevada and New Mexico have adopted similar legislation, Pearce said.

Gilbert Councilwoman Linda Abbott criticized Biggs for his support of the measure and said it would shift the financial burden of growth from the developers to a community's existing residents and taxpayers.

"Andy Biggs has never demonstrated support for the responsibility of municipalities for providing services to their residents," Abbott said. "I think it's no

surprise that the state of Arizona for too long has run primarily on the homebuilding industry, and we don't have the economic diversity to sustain ourselves in other industries."

Town Council candidate Victor Petersen, whose family owns VIP Homes, said he needs to learn more about the legislation before forming a confident opinion.

"Based on the information I have studied so far, I believe that SB 1525 is designed to more purely implement the sound theory of growth paying for growth," Petersen said. "To the extent that this will be the effect of the bill, I support it."

On the other hand, if the bill cuts system-development fees to the point they no longer sustain growth, Petersen said he will oppose it. Petersen lists Biggs as an endorser on his campaign website.

Both Lewis and Abbott declined to speculate on what specific measures could be used to replace any lost impact-fee revenue if the law is adopted.

"I've heard that one option is to press the

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panic button," Lewis said. "We would have to change our whole philosophy. I don't know what that would be. So this type of bill would be massive as far as what it would lead us to do."

In a report to the Town Council last month, Gilbert Intergovernmental Relations Coordinator Michelle Gramley warned the bill could be "very damaging" to the town's finances.

"We'd have to find other revenue sources to fund what had been the current approach to build two-thirds of the town of Gilbert," Lewis said.

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