

Development impact fee changes coming

By **CAROLYN DRYER, Editor** | **Posted: Thursday, December 12, 2013 1:28 pm**

Things are looking up. Growth is coming. Peoria leaders ponder how the city's revenues will meet or surpass the costs of that growth. Capital projects need to be constructed, but where will the money come from? And, with recent legislation, which brings with it more restrictions, how can the city maintain its current delivery of services while constructing new projects to serve future growth?

Brent Mattingly, Peoria's chief financial officer, gave council a look at its resources, and defined impact fees, which are "one-time payments to support capital facilities needed to serve growth."

Impact fees can be a developer's nightmare, or a way to ensure a development is a healthy addition to the community. Impact fees have been used to pay for necessary public services when a development is built. But, that was in the 2009 state statute, a half-page document, which also allowed cities to determine the levels of service and the accompanying impact fees to pay for that service.

Forward to 2011, to a document 11 pages long, which, according to City Attorney Steve Kemp, is "very, very detailed." It covers water, wastewater, storm water, drainage, and libraries. The 2011 statute limits impact fee collection for libraries up to 10,000 square feet. A developer cannot be charged for the cost of a new library that goes beyond that square footage.

Under Proposition 117 approved in 2012 by voters, cities must re-visit their impact fee levels every five years. Necessary public services are redefined. When a city calculates impact fees, it must "determine the cost of development-related capital improvements, and allocate those costs equitably to various types of development."

Mattingly said the city has met with stakeholders who would be impacted by any development impact fees. Those stakeholders include real estate developers (build major/regional infrastructure); homebuilders (usually responsible for local improvements); Arizona State Land Department (major landholder in Peoria); Arizona Homebuilders Association (major contributor to new legislations, and represents homebuilders); Valley Partnership (represents commercial development interests); and Arizona Multi-Family Association (represents multi-family).

Impact fees go through a public hearing process.

Kemp said fees adjustments, or infrastructure improvement plans, will be a regular (new) way of doing business now.

Katie Gregory, deputy finance and budget director, agreed with Councilmember Ron Aames, who said if projections about growth and service needs are wrong and the city needs to change fees because of a meaningful reason, there is flexibility in the statute. She said for everything in the facilities area, there is a 10-year horizon.

And, if an impact fee is collected for a capital project that ends up not being built, that fee must be refunded. But, the refund does not go to the developer. Instead, it is paid to the current property owner.

What Peoria has to ponder for the future are repayment agreements and zones. Planners have to make land use assumptions and determine service areas.

Kemp told council the impact fee legislation does not affect retail development incentives.

But what the city has to ask in the future is does that large pipe it needs to build for a new development benefit only the development or other areas more? This is what the city is now studying, Kemp said.

Prop. 117 limits assessed value increases on property to 5 percent per year beginning Jan. 1, 2015. It also limits general obligation bond capacity.

Kemp said, "Prop. 117 has a significant impact on impact fees." He added that schools would be affected significantly.

Referring to the impact fee legislation of 2011 and the passage of Prop. 117 by voters in 2012, City Manager Carl Swenson said, "These two laws will restrict the city significantly in critical areas."

Gregory gave an impact fee study update. She said city staff has come up with a projection of 17,660 single-family detached units will be built in Peoria in the next 10 years.

Mayor Bob Barrett asked how the city can expect to sustain the growth, considering the limits of impact fees.

Gregory said the city has to determine if a project serves a regional purpose or a local one. For example, Happy Valley Road was a regional project; one of the side streets off Happy Valley would be local. City planners are creating transportation zones that would tie more closely to statute requirements.

A park that has been planned for 99th and Olive avenues within 10 years is not the result of new growth, Kemp said, so the city cannot use impact fees to build it. Because it is in the 10-year capital improvement program, Gregory said the city plans to use general obligation funds to build the park.

The new fire station and future police facilities in the northern part of the city would require decreased impact fees because they respond city-wide.

These are just examples of the types of projects that city planners in all departments are considering. The next steps involve the adoption of growth projections and project plans, with the adoption impact fee levels. Find out more at a public hearing that will take place 7 p.m. Jan. 7 at council chambers, 8401 W. Monroe St.

The proposed schedule for adoption of growth projections and capital projects is Feb. 18; public hearing on an impact fee ordinance, March 4; council adoption of the impact fee ordinance, April 8; new impact fees effective, July 1.