

# Impact fee changes alarm Surprise council

By Richard Smith, Today Staff | Posted: Wednesday, March 19, 2014 12:31 pm

Surprise City Council members knew a paradigm shift was coming in the collection and use of development impact fees since the state approved statutory revisions in Senate Bill 1525 that significantly changed the fee requirements.

But they couldn't see the stark difference on paper until a presentation of the development impact fees proposed to take effect Aug. 3 at a recent special City Council meeting.

These one-time fees collected on new residential and commercial construction will drop significantly across the board.

Mayor Sharon Wolcott said this new law will make it nearly impossible for cities to use impact fees to pay for this new growth. And growing suburbs will still need to continue providing these facilities and road improvements as they expand.

"No question that some adjustments to the use of impact fees were called for," Wolcott said. "But now, the new state law will limit a city's ability to have future growth pay for itself. It costs the city a lot of money to provide services to new households."

Wolcott said heavy lobbying by homebuilders has wrought a law that will force cities to limit growth more severely than intended or find alternative way to fund the portions of new roads not covered by the new fees — and virtually any quality of life facility — i.e. libraries, community centers and regional parks — the city wants to add that is not already in the developer agreement.

It will hit current residents, she said, as the primary mechanism to make up the difference is to raise property taxes

"Why do you think we have such low property taxes? Because we have impact fees," Wolcott said. "We will have no choice if we're going to grow."

Finance Director Bob Wingenroth unveiled what he called "conservative" proposal for impact fees, as Surprise tries to avoid any gray areas in making sure its fees are in compliance with the new law.

Wingenroth said the law restricts the number of projects cities can include in their impact fee calculation. Previous laws allowed cities to base impact fees on all potential development in the next 25 years. The new law restricts this baseline to projects which can be planned and built in the next 10 years.

Also impact fees are more area-specific, meaning the money collected can only be spent on projects in that general region of the city. For example, new homes and businesses in Special Planning Area 2 (west of Sun City West, North of Grand Avenue and cutting off roughly at the city's northwest limits) face a higher impact fee than other areas to pay for road improvements in the area of 163rd Avenue north of Grand.

Two samples were included. Homes in SPA 1 (Almost all of the development in city limits south of Grand Avenue, plus the Original Town Site and Coyote Lakes) now pay \$12,595 in impact fees. Under the proposed fee, new homes in the area would pay \$8,557.

Impact fees for commercial development vary by size, with rates increasing as square footage goes up. A standard-sized chain restaurant pays \$89,300 in impact fees now, but would pay \$66,314 under the new structure.

While learning more about Arizona's new rules, Wingenroth said Surprise's impact fee process will be more fluid and updated more frequently than in the past.

"We are doing this conservative and will continue to review and adjust impact fees as needed." Wingenroth said.

In response to councilman Todd Tande's question, Wingenroth said if the city needs to make a course correction in its impact fee structure, the process will take about nine months. Tande also voiced concerned that building projects currently underway will delay construction until the new fees take effect.

Tande and other council members sounded the alarm on the low proposed fees in planning areas 3, 4, 5 and 6. None of these areas to the northwest are in Surprise city limits, but they fall in its planning area. Impact fees for new construction there would drop from between \$14,000-\$16,000 per house to a flat fee of \$3,185.

Those numbers have Wolcott concerned that the city is, without intending to, encouraging sprawl.

"Reducing impact fees in SPAs 3, 4, 5 and 6 by 400 percent. Wow! To me that says 'build in the desert,'" she said.

Wolcott also fears the difficulty paying for amenities outside of impact fees will limit Surprise's ability to attract higher end housing developments, one of the council's major goals for the next five years.

Wolcott and the council encouraged residents to voice their opinions on impact fees at upcoming meetings. There is a stakeholder meeting from 2:30 to 4 p.m. Monday in Communiversy @ Surprise, 15950 N Civic Center Plaza.

A public hearing on developer impact fees is slated during the April 15 council meeting.