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## News

### Overview of impact fees

#### Proposed taxes put city in the middle of the pack

By John Rudolf

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To builders and developers, it is a burdensome tax that discourages growth. To cities struggling to maintain services and infrastructure as populations swell, it represents a critical tool for generating revenue. But with impact fees now officially on the City Council's agenda, both sides will have plenty of time to debate over the next several months.

"This is a long process," said Gayle Whittle, the city's finance director. "They are still in the discussion phase."

The proposal for impact fees made its first appearance before the full council at a work session on Tuesday, when consultants hired by the city presented findings dealing with future growth.

The consultants estimated a cost of \$29.2 million for expanded fire, parks and general government services through 2016, and \$10.4 million to fund new police through 2020. Costs for transportation were calculated using a different methodology, but also make up a significant proportion of the fees.

The council will discuss impact fees again at another work session on Jan. 8, and city consultants are expected to deliver their final report on suggested fees by Jan. 22. Once the city accepts the consultants' recommendations, they will represent the maximum supportable fees the council can impose.

State statute requires a long period of public comment before the fees can be voted in. Whittle said the city anticipated holding a public hearing on impact fees on March 25. The city must then wait an additional 30 days before it is allowed to vote to implement the fees.

Builders and real estate agents have already made clear their strong opposition to the fees, which they argue will discourage development and cut into their already razor-thin profit margins.

The fee to build a single-family residential home would be \$5,983. Retail development would pay \$3.72 per square foot, and general commercial \$4.59 per square foot.

Lake Havasu City already has a limited amount of impact fees in place. All builders must pay a \$2,000 utility impact fee to cover sewer costs. Developers on the Island are also charged fees to cover the cost of the proposed second bridge. The second bridge impact fee is \$3,558 for a single-family home, and \$1,855 for each unit of a multi-family home. Non-residential development is charged on a sliding scale, beginning at \$5.42 per square foot for a commercial development of 25,000 square feet or less.

If implemented fully, the impact fees would be among the most expensive in the region, above Bullhead City, Kingman, Parker and Yuma.

Yet while the city may not exceed the proposed fees, it is free to reduce them. "The city has a lot of flexibility on adopting the fees," said Whittle.

The city of Prescott, which first implemented non-utility, governmental impact fees in 1995, did not impose the full fees recommend to them, according to Mark Woodfill, the city's finance director. Prescott currently charges \$3,227 in impact fees for a single-family home to pay for roads, parks, police, fire and library services (it imposes an additional \$9,000 in water resource and water utility fees).

While developers howled when the fees came before council, Woodfill said the city has enjoyed steady growth since they were imposed. "It's consistent, 3 to 4 percent a year," he said.

He said the fees had been "very successful" in meeting infrastructure needs for the city.

Others from around the state, however, debate the value of impact fees and point to unintended side effects. Jean Richmond-Bowman, executive vice-president of the Northern Arizona Building Association, based out of Flagstaff, argued that impact fees can discourage affordable housing in a community.

"This state is in a housing crisis in terms of housing affordability, as well as the market issues that are going on right now," she said. "When you already have a situation where people are unable to afford the median price home, it seems counterintuitive and counterproductive to be adding fees to the cost of a home. It makes a huge difference in terms of somebody's ability to get into a home."

Corky Poster, director of the University of Arizona's Drachman Institute and a specialist in the field of affordable housing, disagreed. "In the world of affordable housing, [impact fees] are really not a big player," he said.

Yet even proponents of impact fees conceded that builders were correct in arguing that their interests would be harmed by their imposition. "There is something to the argument that these do eat into builders' profits," said Woodfill.

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