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# Impact fee battle - a Mesa case study

by **Gary Nelson** - Mar. 17, 2011 10:10 AM
The Arizona Republic

Right now, Lehi Crossing is more than 290 acres of bare dirt being pierced by heavy machines in preparation for utilities, streets and, eventually, 914 homes.

In a few months, the first moving van will arrive. The minute it does, the new residents will need police and fire protection, garbage pickup and other city services.

Even before then, Mesa must install waterlines and sewerlines for the William Lyon Homes development near Val Vista Drive and Thomas Road.

To put it mildly, providing those services and improvements has an impact on Mesa's bottom line. And that's where development impact fees come in.

The idea is to make growth pay for itself, or to at least offset some of the costs imposed on existing residents by developers who profit from new neighborhoods. But cities say their ability to levy fees is threatened by pending Arizona legislation.

Mesa approved the Lehi Crossing development in 2006, just as the housing market began to crash. The gated community will feature homes between 1 ,300 and 4,000 square feet, with commensurate pricing.

But no matter its size and cost, each home comes with an extra $8,506 built into the price tag. At buildout that will amount to almost $7.8 million. The fees are paid either when permits are pulled or when the completed home is sold, and are funneled into various accounts to pay for specific services or infrastructure.

There's even a $218 fee for cultural facilities, which the homebuilders have challenged in court because they don't believe it to be a "necessary" public services, as required by Arizona law.

The law doesn't require Mesa to spend Lehi Crossing's impact fees on Lehi Crossing per se. For example, Lehi Crossing will generate more than $1 million in park impact fees. But that doesn't mean it's going to get a $1 million city park; Mesa can spend the money in other neighborhoods.

Similarly, Lehi Crossing's nearly $200,000 in cultural impact fees is more likely to be spent on downtown cultural facilities than in the neighborhood.

And its nearly $250,000 in fire impact fees will help pay off bonds for fire stations Mesa is building elsewhere in the city. On the other hand, fees from future neighborhoods may eventually fund a fire station being

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planned just south of Lehi Crossing.

But in one specific case, there's a correlation between Lehi Crossing's fees and direct services to the neighborhood.

Because it is in the Salt River plain, it will need a pumping station to lift sewage to treatment facilities. That and another piece of equipment will cost about $2.4 million, almost exactly what Lehi Crossing will be assessed for wastewater impact fees.

Impact-fee calculations in Arizona are based on complex formulas that take into account what cities spent on their existing infrastructure, with roughly proportional assessments on new development.

Thus, older cities such as Mesa can't charge as much as newer cities. Chandler's fees, for example, are nearly triple what Mesa can assess.

But the chief idea is to prevent already-existing residents, from having to foot the bill for new neighborhoods.

Cities typically issue bonds for new infrastructure and impact fees help pay those bonds over time.

Although the fees are popular with cities, Mayor Scott Smith, who was a homebuilder before entering politics, thinks they may be harmful in the long run.

"My problem with impact fees is they basically eliminated good planning," Smith said. If impact fees are meant to pay a city's c osts for growth, "it's hard to say no to growth. They've paid the admission fee."

And in a way, Smith said, impact fees actually feed Arizona's oft-maligned growth machine, fueling urban sprawl and adding to cities' costs.

"We now have an entire system that is dependent on impact fees," he said, and it can create financial traps for cities.

A city might obligate itself to build, say, a $40 million water-treatment plant, counting on impact fees from 5,000 homes to help pay for it - and then be left holding the bag when for some reason those 5,000 homes never show up.

Smith said Mesa, because it is older and charges lower impact fees than some other cities, wouldn't be hurt as badly as newer cities if impact fees were curtailed.