

Payson Roundup

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## New state law sharply limits impact fees

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Payson may face major budget problems in coming up with the money for water facilities, parks and police under the terms of a legislative crackdown on impact fees signed into law last week.

Gov. Jan Brewer last week signed SB 1525, which imposes tough new restrictions on fees local governments impose mostly on new construction to help pay for the infrastructure new businesses will need.

Payson has relied heavily on impact fees to finance the Blue Ridge Reservoir and to expand and outfit its parks.

As a result, Payson builders face some of the higher impact fees in the state, thanks mostly to the town's \$7,500-per-unit water impact fee and the Northern Gila County Sanitary District's roughly \$5,000-per-unit fee. Town fees for recreation and police bring the impact fee total to about \$15,000 per unit, with much higher fees for businesses.

SB 1525 phases in tough new restrictions, but it's unclear whether Payson's reliance on impact fees to finance Blue Ridge will slip in under the wire due to a compromise provision that allows existing, bonded projects to go forward.

The Arizona League of Cities and Towns fought the initial version of SB 1525, which would have all but eliminated most impact fees. The League eventually agreed not to fight a watered down version, which would allow towns to continue charging impact fees for projects already in process — which will likely include the Blue Ridge pipeline.

Nonetheless, the compromise version will phase in tough limitations on future impact fees in return for a promise by the state legislative leadership that they will not introduce any new bills curbing impact fees before 2015.

"I am grateful that the parties were able to meet in the middle on this matter," said Brewer in her signing statements.

"Unless both sides agree that minor changes need to be made in the impact fee statutes, this is the last piece of legislation I intend to sign regarding that matter. The time has come to put an end to the annual exercise of charges and counter-charges regarding impact fees."

Building and real estate interests have pushed for years to curtail the spread of impact fees. Lawmakers narrowly failed in their effort to impose a three-year moratorium on impact fees in 2009, but did enact a freeze that prevented any increases.

During the late and lamented boom times, cities and towns argued that new growth should "pay its own way" by paying up-front fees to cover the cost of parks, sewers, water and other public infrastructure. Current residents rarely objected to even hefty fees on newcomers, making the rapid increase in fees politically palatable for city councils leery of the public reaction to any increase in sales or property taxes.

Supporters argued the fees ensured new developers would "pay their own way."

Critics argued the fees inflated the cost of housing and discouraged new businesses and construction. They said earlier residents generally didn't have to pay impact fees, but would benefit from the sales and property tax payments made by the newcomers.

In Payson, a big jump in impact fees followed studies of plunging well levels that suggested the town could run out of water. The town council also imposed a 250-unit-per-year limit on building permits.

However, the housing slump changed the dynamic of the debate. So did last fall's election of an overwhelming Republican majority in the Legislature.

Senate President Russell Pearce (R-Mesa) pushed the near repeal of local impact fees, saying that the fees had gotten "out of control" and represented a tax on home buyers.

League of Cities and Towns Executive Director Ken Strobeck, by contrast, said that the Legislature had "handcuffed" cities and towns struggling to provide services in the face of the loss of sales tax and declining property values.

SB 1525 will impose a long list of restrictions on impact fees. Some of its provisions include:

- Allows continued collection of fees for debt service on existing bonds for projects already under way.
- Narrows the list of justifications for impact fees.
- Requires towns to calculate just how much the new development will use the facilities in question in setting the fees.
- Prevents towns from waiving impact fees.
- Requires an infrastructure plan and a study of the fees.
- Requires the refund of fees if the project they were supposed to finance isn't built within a decade.
- Ends the current impact fee freeze.
- Gives cities until August of 2015 to come up with Infrastructure Improvement Plans that include detailed justification of exactly what any impact fee will finance.

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