

## State bill could force hike in tax, water for Surprise residents

by **Dustin Gardiner** - Mar. 7, 2011 12:50 PM  
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If state lawmakers approve a bill limiting cities' ability to collect development fees, Surprise residents could be forced to pay higher taxes and water rates.

Surprise has more than \$285 million in outstanding debts and obligations that it's relying on future development fees to repay, city officials said. The fees are one-times levies builders must pay to provide infrastructure for new construction.

Nearly \$73 million is needed to repay interfund loans to replenish accounts that were improperly drained to build a new City Hall, police and fire headquarters and other projects, according to an audit. The projects were supposed to be largely funded by impact fees, but other accounts were depleted to pay the bill.

Senate Bill 1525, proposed by Senate President Russell Pearce, R-Mesa, could dry up much of the city's revenue stream from development fees, leaving it with few options to repay the \$285 million.

Here are the bill's key provisions:

- Limits what types of projects cities can assess impact fees for, possibly excluding parks, arts and cultural facilities and other non-essential services. Also prohibits cities from using fees to furnish and equip

facilities built by impact fees, such as new fire stations.

- Requires that the taxes a home or business owner is forecasted to pay the city be credited against the development fees assessed. This could offset fees.

- Creates an advisory committee to oversee each city's fee program. At least 60 percent of the committee should be made up by members of the real-estate or homebuilding industries.

- Fees that are in place before the bill's effective date would need to come into compliance by Aug. 1, 2012.

Aside from the \$73 million that was misallocated, Surprise will eventually need impact fees to repay \$120 million in bonds, which includes funding for a water-treatment plant and other projects, and \$92 million to comply with its development agreements with builders.

Many of the agreements require the city to reimburse builders for a portion of the impact fees they pay. Builders receive the reimbursements because they provide some

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kind of infrastructure, such as water or power lines.

Surprise Chief Financial Officer Scott McCarty said that if the impact-fee rules are changed "in the middle of the game," taxes could increase or service levels might decrease. Water and wastewater rates could also climb. The size of the increases has not been determined.

Michael Celaya, Surprise's intergovernmental relations director, discussed the bill at budget workshop with City Council members Tuesday. He asked for the council's help as Surprise and other cities begin an "all-out push" to defeat SB1525.

The bill passed 16-13 in the Senate this week. It now goes to the House of Representatives for consideration.

"This is really something that has got our eyes," Celaya told the council. "We're optimistic that we're still able to try to kill this bill in the House. Initially, it looked very bleak, slim for us."

Supporters of the bill say cities have abused impact fees, charging developers to build arts facilities and other projects that are not considered infrastructure. They say the fees have become a burden to homebuilders and buyers.

"It was never intended for what has happened and this has just got out of hand," Pearce said as he introduced the bill last month. "We're just driving people out of the ability to afford a home."

Surprise council members said they object to the bill because it forces existing residents to foot the bill for infrastructure meant to serve new residents. Cities that

assess impact fees generally have a "growth pays for growth" policy.

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