



# TOWN OF QUEEN CREEK BIENNIAL DEVELOPMENT IMPACT FEE AUDIT RESULTS

Fiscal Years 2014-15 and 2015-16

Town Council Meeting and Public Hearing

December 5, 2018

# PURPOSE OF PRESENTATION

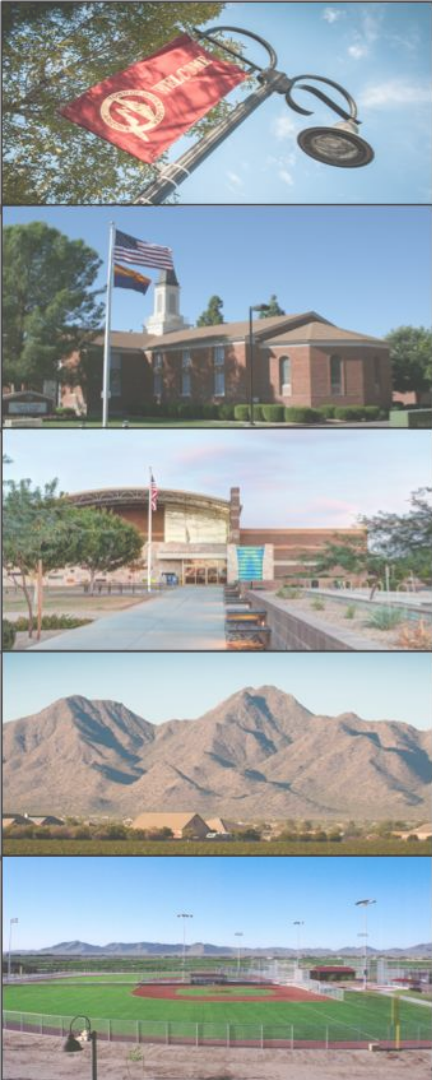
- Review Audit Results
- Hold Public Hearing
- Accept Final Audit Report



# BACKGROUND



- Development impact fees (DIF) are subject to statutory requirements on how they are assessed, collected, used, and reported (ARS §9-463.05).
- DIF may be assessed to offset the cost of providing necessary public services to a development.
  - Must be based on Land Use Assumptions (LUA) and an Infrastructure Improvement Plan (IIP) adopted by the Town
- Town adopted most recent LUA, IIP and DIF schedule in May 2014
  - *Infrastructure Improvements Plan, Land Use Assumptions, and Development Fees* prepared by TischlerBise Inc.
  - New fee schedule went into effect August 1, 2014



# BACKGROUND (CONTINUED)

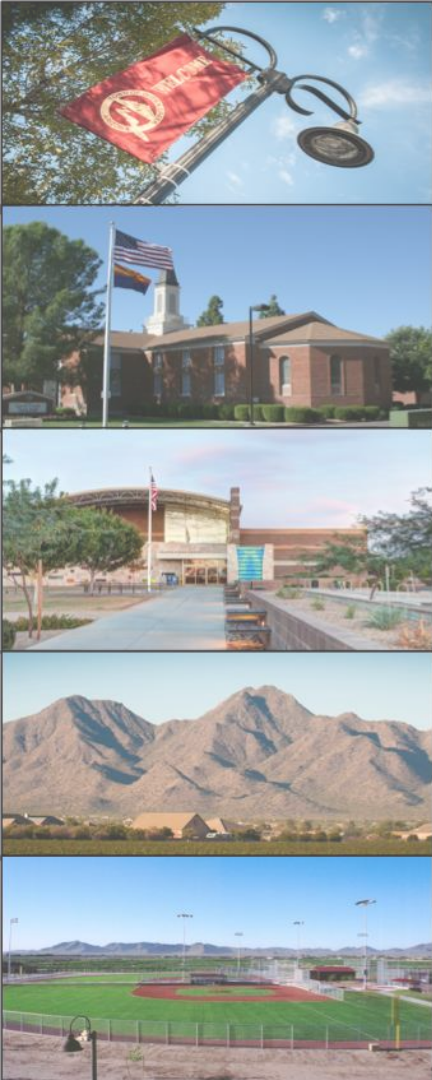
- Town must establish an infrastructure improvement advisory committee or complete a biennial audit of the Town's land use assumptions, IIP, and DIF.
- Biennial audit must:
  - Qualified professional (not Town employee / did not prepare the IIP)
  - Review collection and spending of DIF for each project in the IIP
  - Evaluate any inequities in implementing the LUA, IIP or imposing DIF
- Audit results must be posted on the Town's website.
- Town must conduct a public hearing on the audit within 60 days of the release of the audit report to the public.



# BACKGROUND (CONTINUED)

- Willdan Financial Services audited the Town's LUA, IIP, and DIF revenues and expenditures for the period July 1, 2014 – June 30, 2016 (two fiscal years).
- Audit completed October 3, 2018
- Audit report posted to Town's website October 10, 2018
- Public Hearing scheduled for December 5, 2018

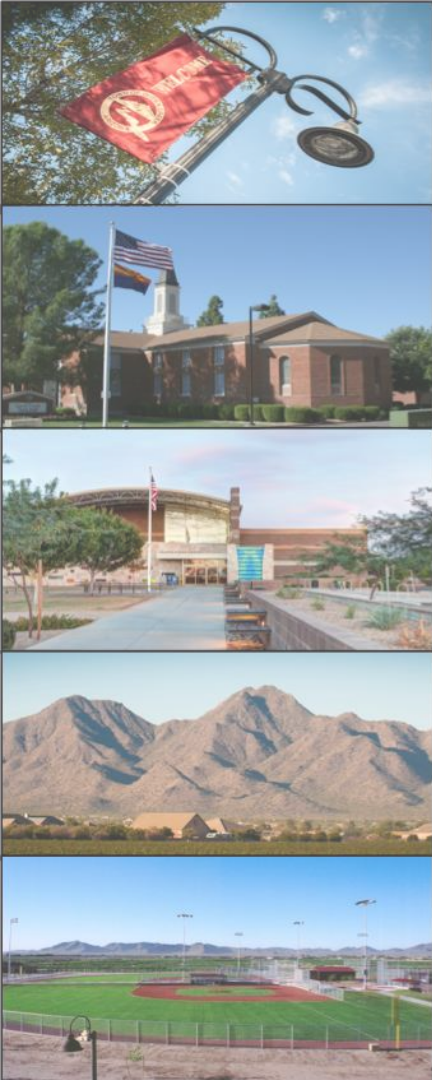




# BACKGROUND (CONTINUED)

During Audit Period (July 1, 2014 – June 30, 2016):

- 1,852 Single-Family permits issued
- 273,000 square feet of Commercial space assessed
- 58,000 square feet of Office & Other space assessed
  - 516,000 square feet of school-related space for Streets
- No assessments for Multi-Family or Industrial categories
- DIF Revenue totaled \$13.9 million



# BACKGROUND (CONCLUDED)

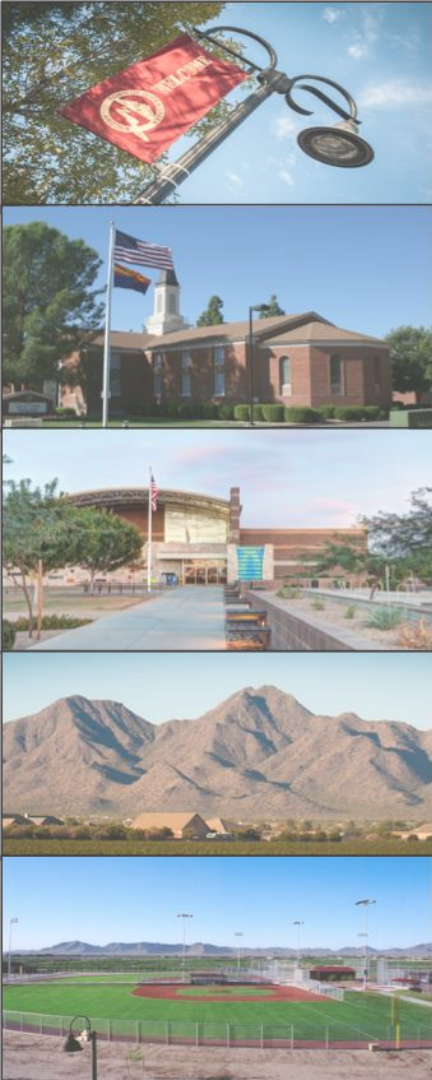
## Study Period DIF Revenue

	FY2014-15	FY2015-16	Total
Parks	\$ 2,886,251	\$ 4,023,134	\$ 6,909,385
Town Facilities	454,401	568,471	1,022,872
Streets	1,433,770	1,724,924	3,158,694
Police	165,382	223,484	388,866
Fire	449,281	589,922	1,039,203
Library	585,716	796,012	1,381,728
	\$ 5,974,801	\$ 7,925,947	\$ 13,900,748

# AUDIT OBJECTIVES

Audit scope included reviewing:

1. Land Use Assumptions
  - How does actual development compare to projections?
2. Infrastructure Improvement Plan (IIP)
  - Have the identified projects been completed as anticipated?
3. Expenditures
  - Were expenditures made on items identified in the study report?
4. Level of Service
  - Has the Town maintained the same level of service for new growth?
5. Revenues / Permit Sampling
  - Were fees charged correctly?





# AUDIT RESULTS

## 1. Review Land Use Assumptions

- Single family and commercial development exceeded projections
- Multifamily, industrial and office development did not meet projections

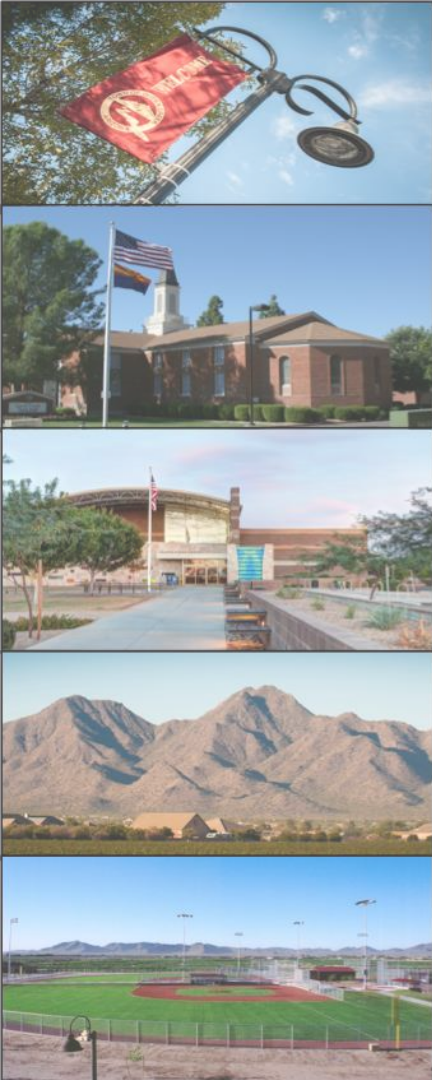
## 2. Review of Infrastructure Improvement Plan

- Progress of infrastructure projects is consistent with Town's adopted IIP

## 3. Review of Expenditures

- All expenditures were for items identified in the adopted IIP





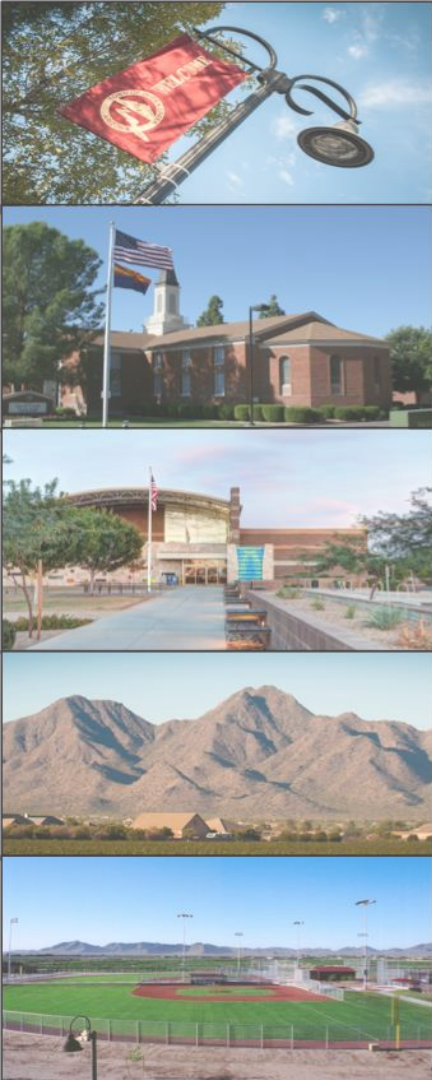
# AUDIT RESULTS (CONTINUED)

## 4. Level of Service Review

- Facilities were anticipated based on 10-year development projections
- Audit was for first 2 years – projections would require fractional facilities to be constructed, which is not practical

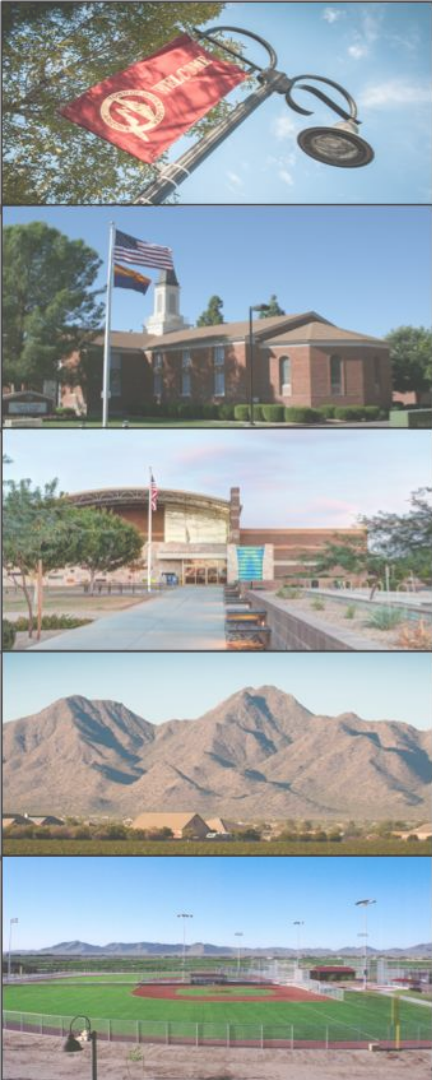
## 5. Revenues / Permit Sampling

- Fees were correctly charged based on development type/square footage
- Identified instances where the Town assessed an incorrect fee amount based on the statutory 24-month “fee hold period”



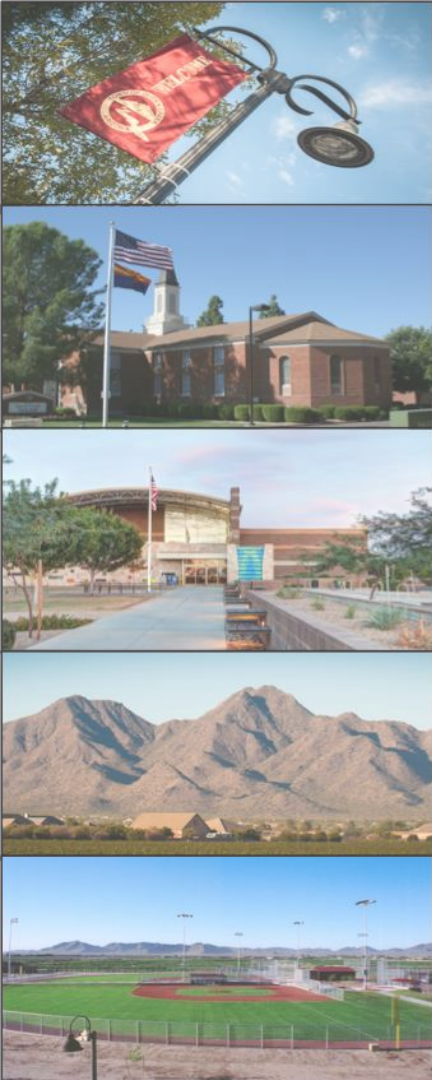
# AUDIT RESULTS (CONTINUED)

- ARS §9-463.05(F) creates a 24-month “fee hold period”:  
*“A municipality's development fee ordinance shall provide that a new development fee or an increased portion of a modified development fee shall not be assessed against a development for **twenty-four months after the date** that the municipality issues the **final approval for a commercial**, industrial or multifamily development or the date that **the first building permit is issued for a residential** development ...If, after the date of the municipality's final approval of a development, the municipality reduces the development fee assessed on development, the reduced fee shall apply to the development.”*
- Essentially “freezes” the developer’s impact fee rates for two years



# AUDIT RESULTS (CONTINUED)

- 24-month “fee hold period” begins:
  - Residential – the date of first building permit issued for a subdivision
  - Commercial / Nonresidential – the date of final plat approval
- If a fee goes up during 24-month period, the Developer pays the **old** fee
- If a fee goes down during 24-month period, the Developer pays the **new** (lower) fee



# AUDIT RESULTS (CONTINUED)

- The Town adopted a new development impact fee schedule effective August 1, 2014.
- All fees decreased except:
  - Streets fee for Single-Family Residential increased \$632
  - Parks and Library fees assessed to Commercial for the first time

	Old Fee	New Fee	Change
Streets - SF Residential	\$631	\$1,263	\$632
Parks - Commercial (per sq ft)	\$0	\$0.563	\$0.563
Library - Commercial (per sq ft)	\$0	\$0.111	\$0.111



# AUDIT RESULTS (CONTINUED)

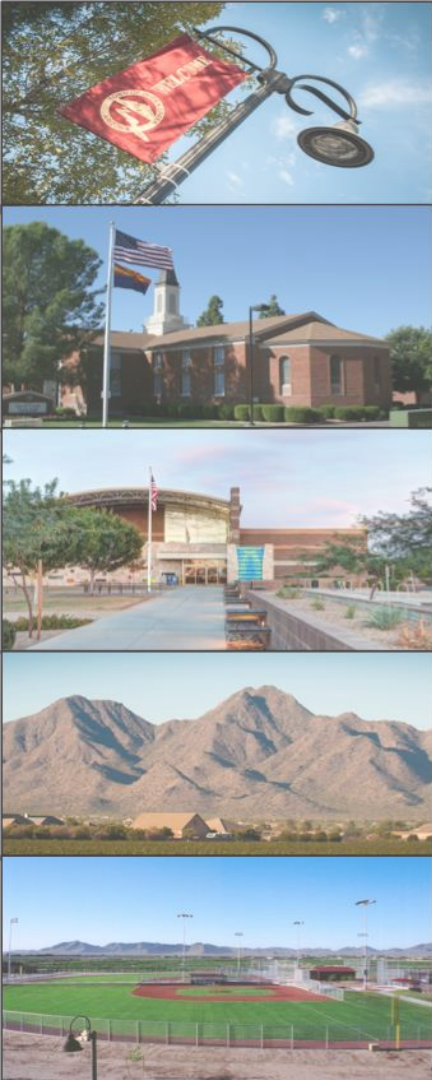
- The Town applied the new fee schedule to all permits issued after August 1, 2014.
  - Did not take into account the 24-month fee hold period for developments that had started construction prior to the fee change
- Sample of 40 single-family permits: 16 were incorrectly assessed a higher fee for Streets = \$10,112 overcharged
- Single-Family Example:

Receipt	First Permit Issued Date	24 Month End Date	Fee in Effect for 24 months	Permit Date	Assessed Fee	Overpaid
52836	9/17/2013	9/17/2015	\$631	8/26/2014	\$1,263	\$632

# AUDIT RESULTS (CONTINUED)

- Sample of 15 nonresidential permits: 2 were incorrectly assessed for Parks & Library impact fees = \$4,819.74
- Commercial Example:

Category	Receipt	Square Feet	Approval Date	24 Month End Date	Rate in Effect for 24 months (\$/sqft)	Permit Date	Assessed Fee	Overpaid
Parks	52736	4,555	6/16/2014	6/15/2016	\$0.00	8/20/2014	\$2,564.47	\$2,564.47
Library	52736	4,555	6/16/2014	6/15/2016	\$0.00	8/20/2014	\$505.61	\$505.61



# AUDIT RESULTS (CONCLUDED)

- Discrepancies were based on a sample of permits only
- Finance staff will review permit records to identify all instances of incorrect fees
- The Town will refund customer overcharges
  - Refunds will be made to the developer
  - Expected completion date is April 30, 2019
- The Town is updating permitting system software to verify a 24-month fee hold period for future fee changes



# PUBLIC HEARING

Town of Queen Creek  
Biennial Development Impact Fee Audit  
Fiscal Years 2014-15 and 2015-16



# ACCEPT AUDIT REPORT

Adopt Resolution No. 1241-19 Adopting the Impact  
Fee Biennial Audit for the Period July 1, 2014 to  
June 30, 2016