



# IMPACT FEES- BEGINNING THE FORMAL UPDATE PROCESS

Town Council Meeting

April 3, 2019

# PURPOSE OF PRESENTATION

1. Program Overview
2. Review Land Use Assumptions (Growth Projections) and Infrastructure Improvement Plans
3. Review Draft Fees
4. Identify Associated Documents
  - All-In Cost Comparison
5. Calendar and Next Steps
6. Recommended Motion





# 1. PROGRAM OVERVIEW AND CALENDAR

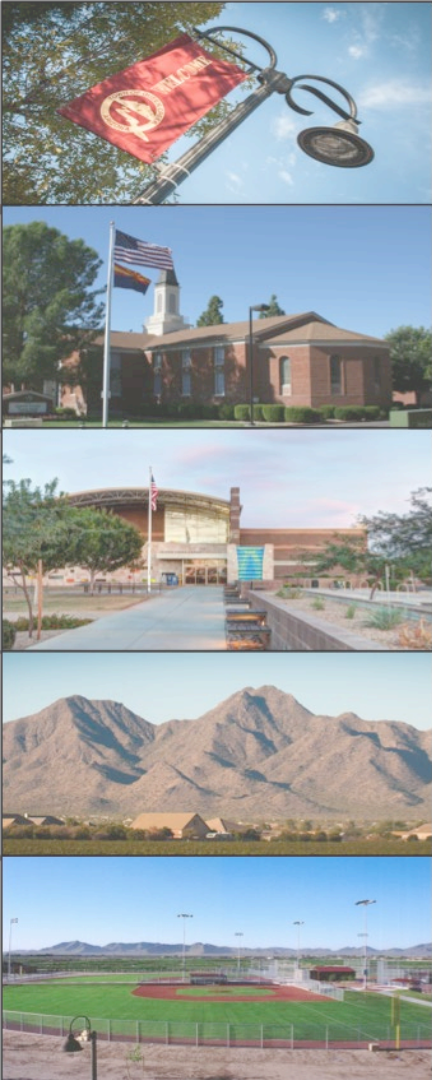
# IMPACT AND CAPACITY FEES

- One-Time Payments Assessed to New Development to Help Pay the Proportionate Share of Infrastructure Costs New Development Imposes on the Town
- “Maximum Supportable Fee”



# IMPACT AND CAPACITY FEES -GOALS

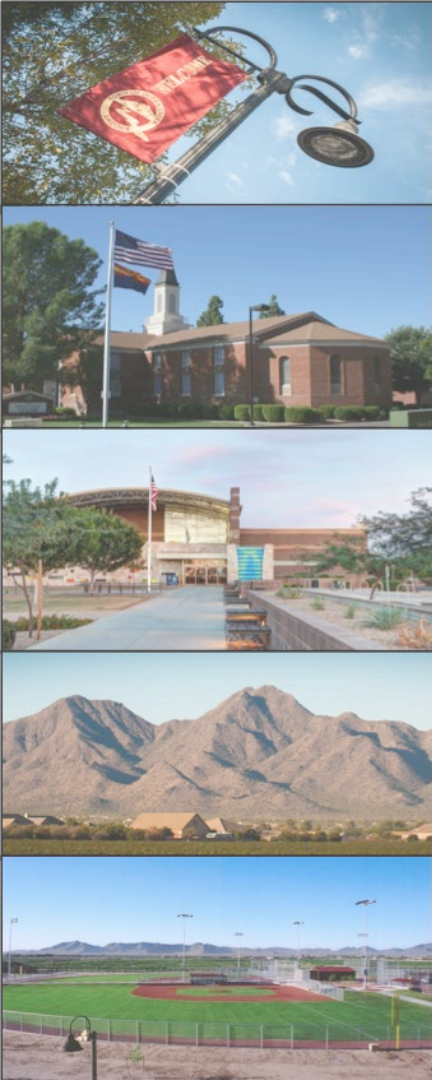
- Calculate the Maximum Allowable Fee Per State Law (Town Staff and Consultant)
- Set the Fee Amount Such that New Development Pays Its Proportionate Share of New Infrastructure (Town Council)



# OUR APPROACH

- Update All 8 Fees at Once
  - 6 Impact Fees (LAST UPDATED 2014)
  - 2 Capacity Fees (LAST UPDATED 2014)
- Review Water and Wastewater Rates
  - Water (LAST INCREASED 2010)
  - Wastewater (LAST INCREASED 2014)





# *IMPORTANT NOTE...*

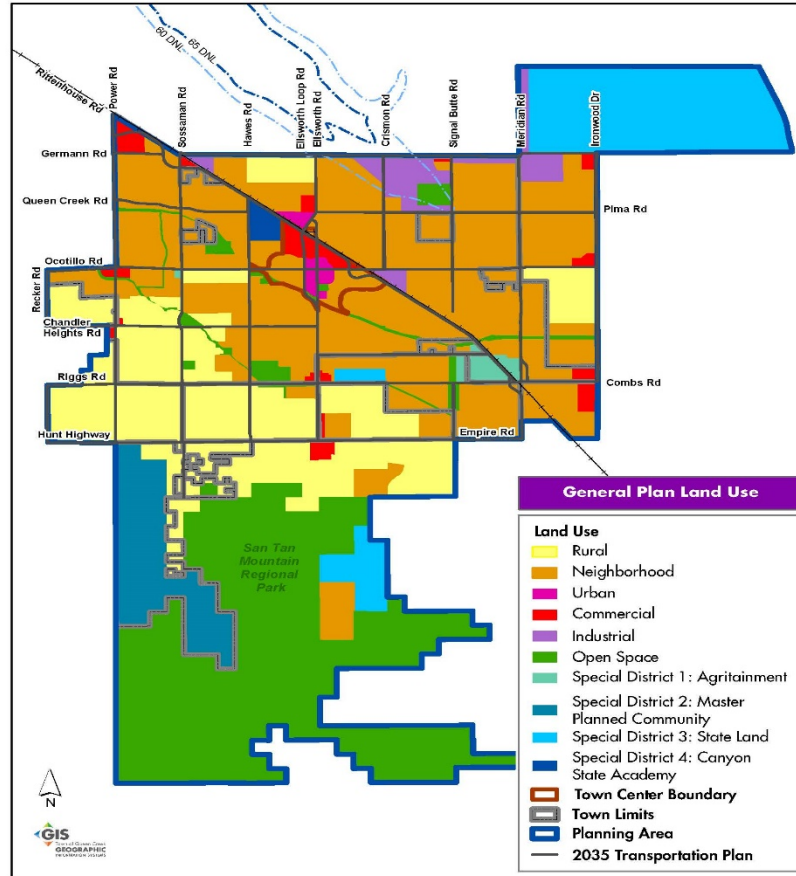
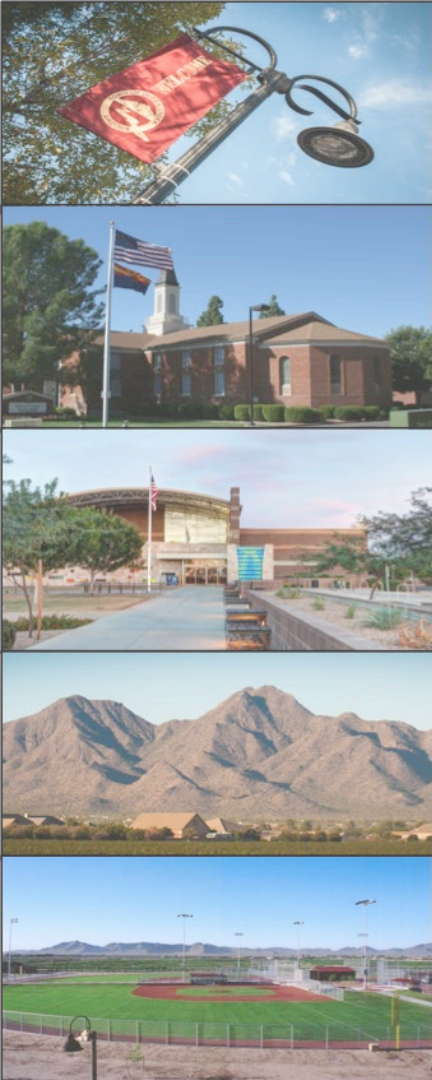
- Different State Statutes Govern Impact Fees vs. Water / Wastewater Capacity Fees
- As such, the Motion to Begin the Update Process **Only Applies to Impact Fees (6 Fees)**
  - New Fee Effective Date: January 2020
- The Timing to Reduce the Capacity Fees is a Different Process and Can be a Different Date
  - New Fee Effective Date: July 1, 2019



## 2. REVIEW LAND USE ASSUMPTIONS (GROWTH PROJECTIONS) AND INFRASTRUCTURE IMPROVEMENT PLANS

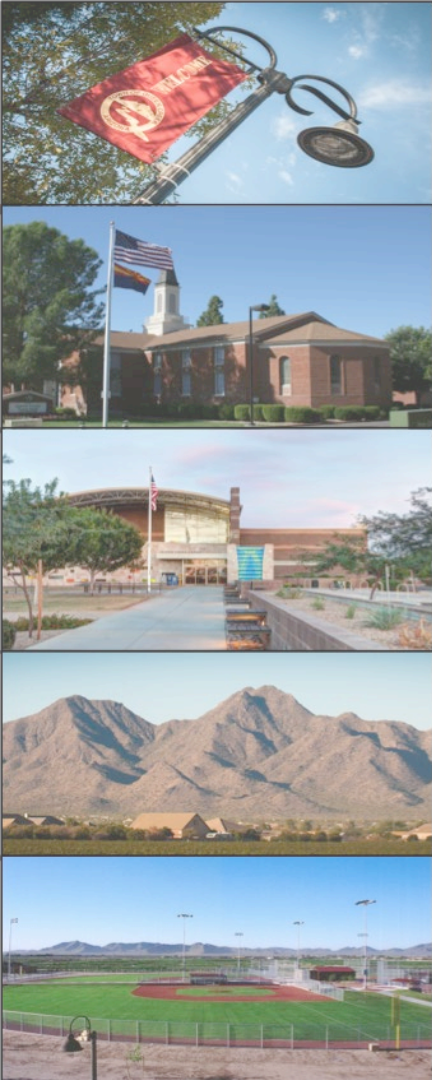


# 2018 GENERAL PLAN



# SIGNIFICANT GROWTH EXPECTED (IMPACT FEES)

Land Use Category	FY 17-18	FY 26-27	10-Year Increase	10-Year % Increase
Single Family Homes	11,522	23,385	11,863	103%
Multi-Family (Units)	440	2,297	1,857	422%
Retail (Square Feet)	2.1M	3.0M	0.9M	44%
Office (Square Feet)	1.1M	2.4M	1.3M	118%
Industrial (Square Feet)	0.3M	0.8M	0.5M	160%

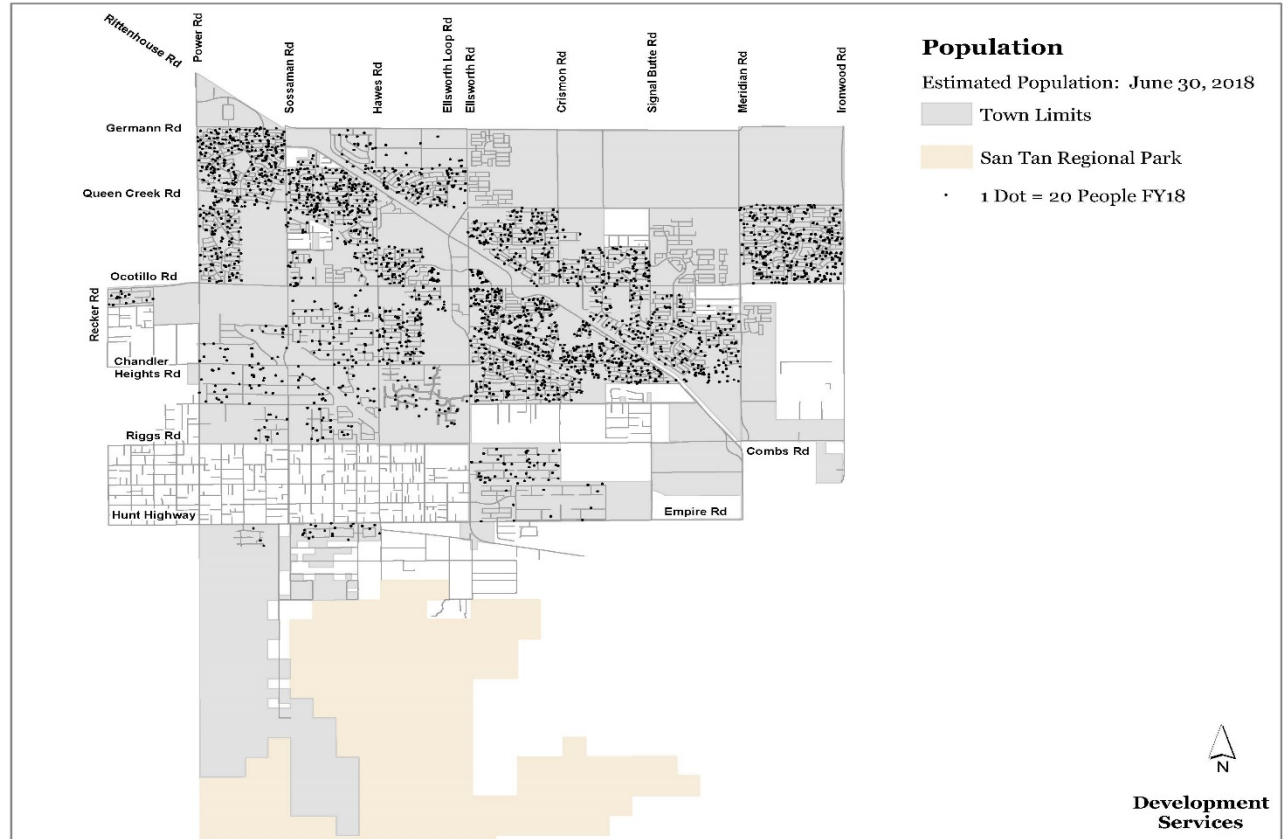
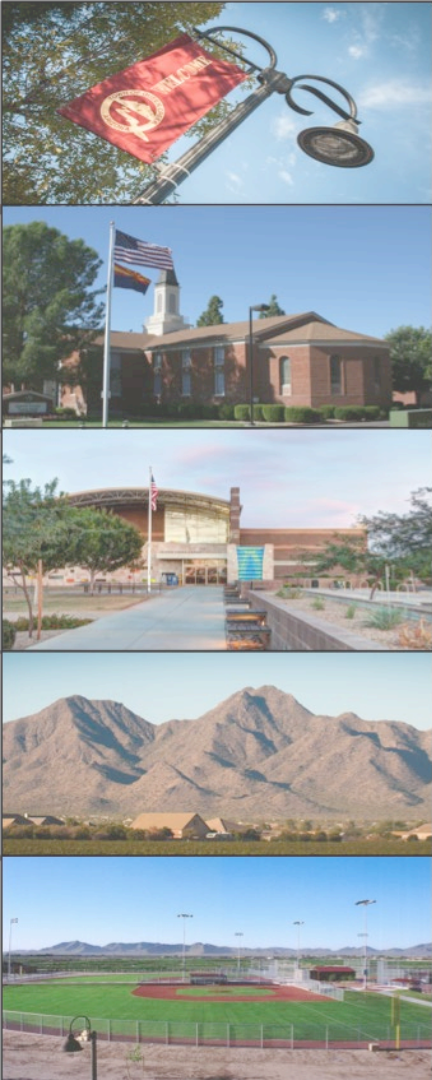


# 10-YEAR POPULATION ESTIMATE (IMPACT FEES)

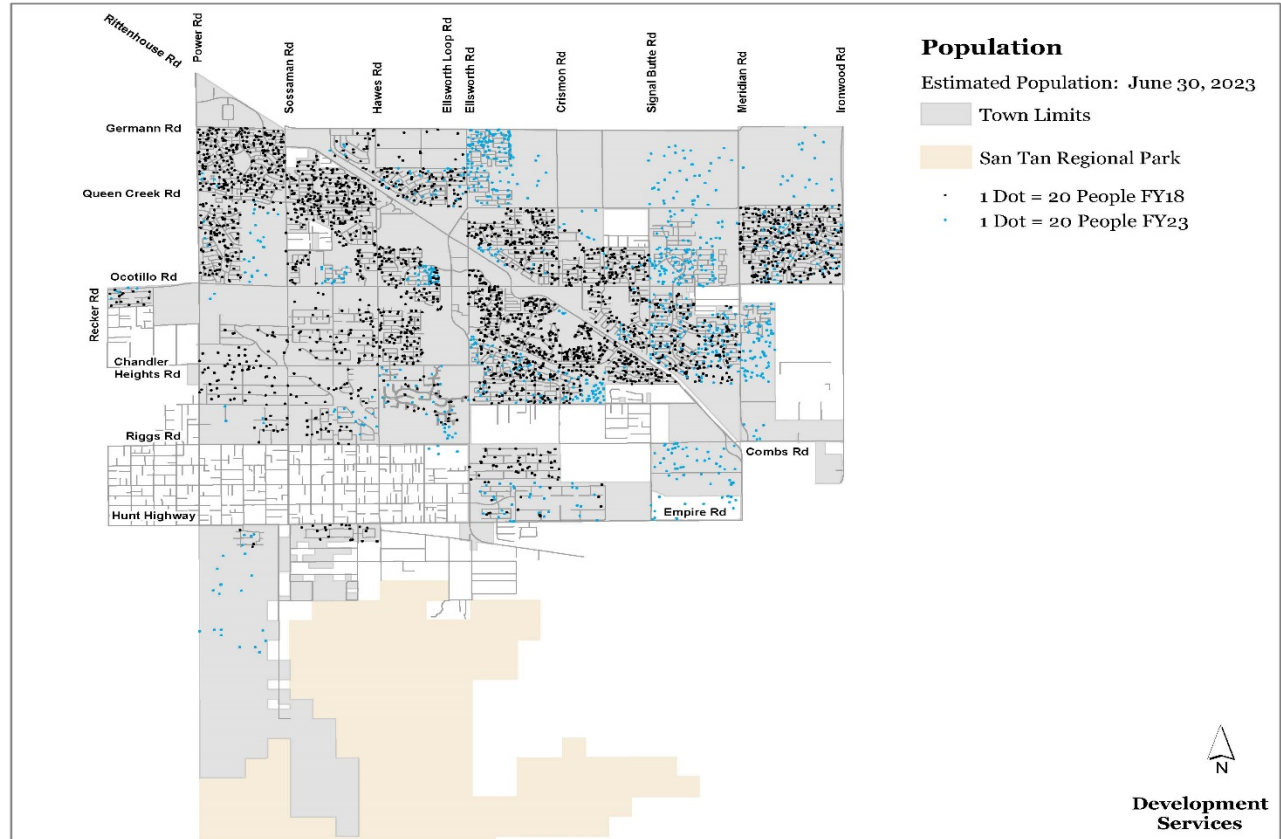
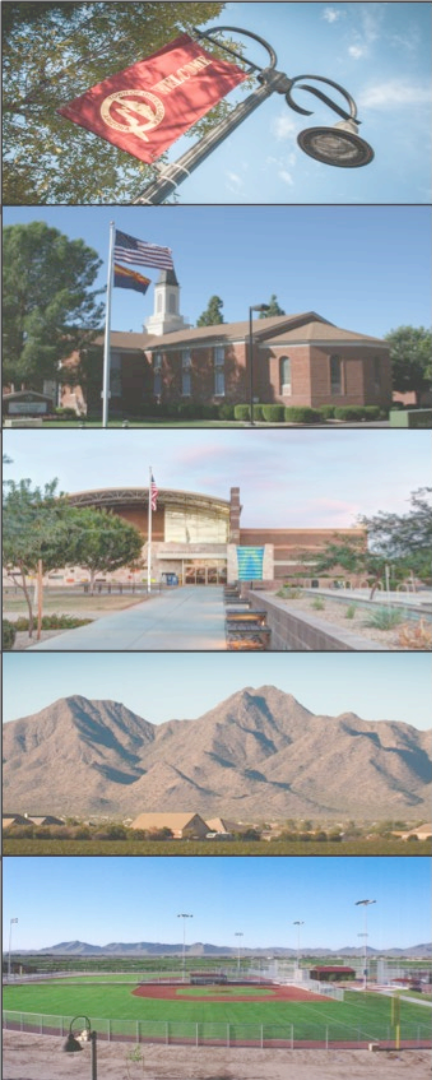
Population is Expected to **DOUBLE**  
over the Next 10 Years

FY 2017-18	42K
FY 2026-27	<u>84K</u>
Increase	42K

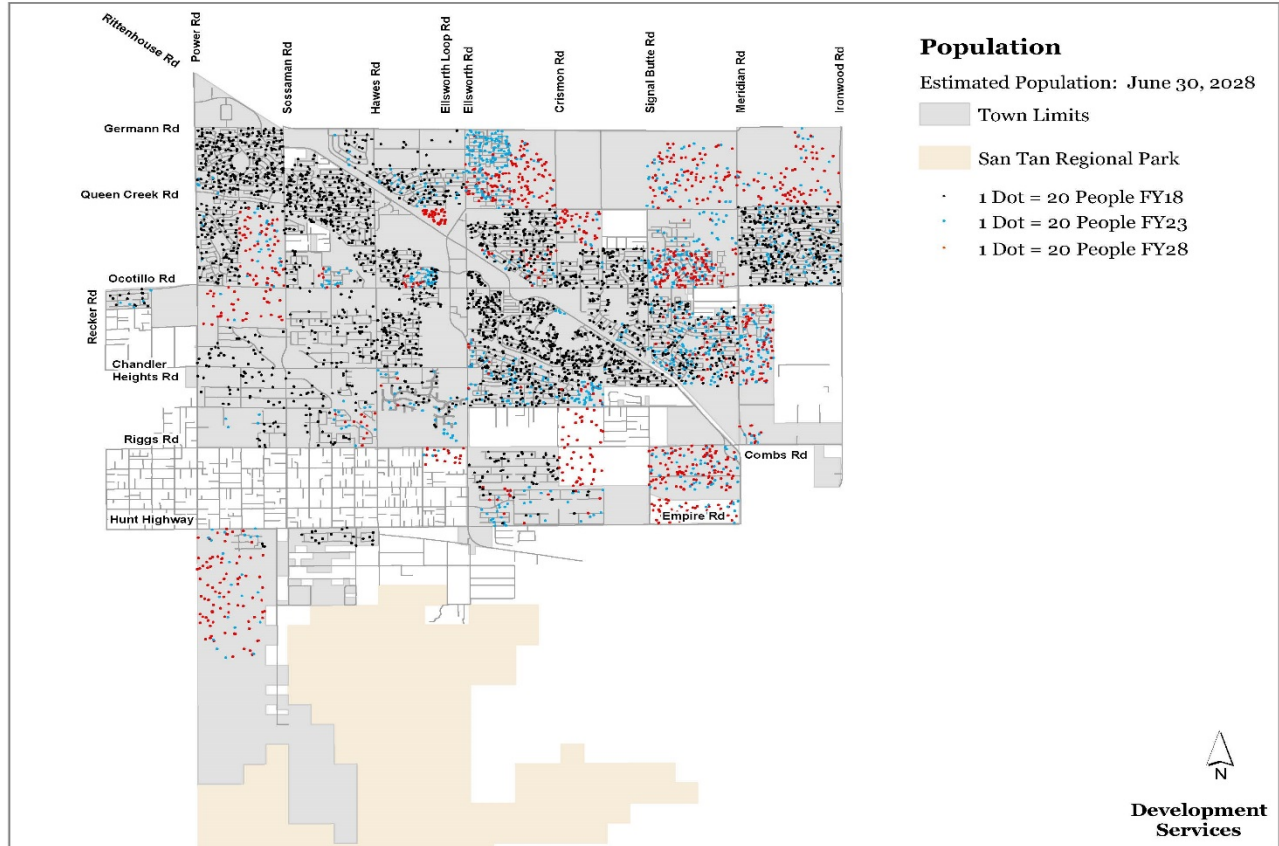
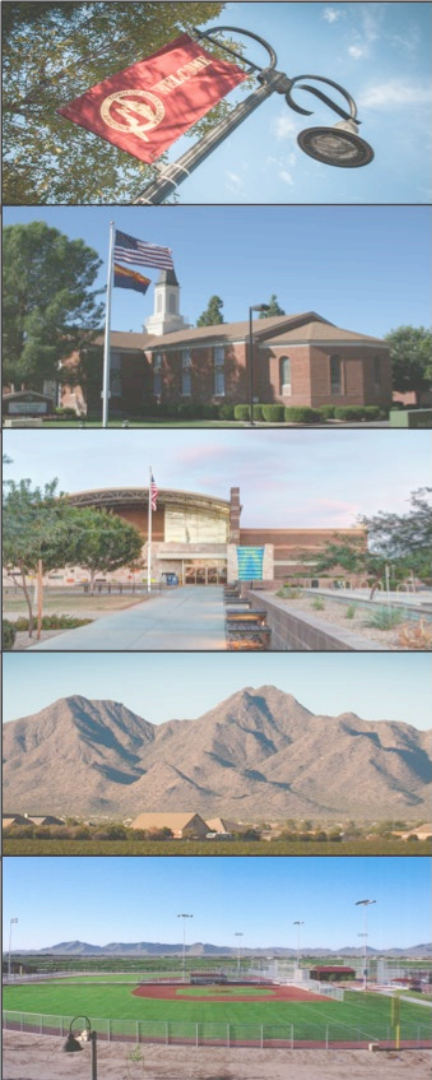
# POPULATION DENSITY 6/30/18: 42K



# POPULATION DENSITY 6/30/2023: 68K



# POPULATION DENSITY 6/30/2027: 84K



# SIGNIFICANT GROWTH EXPECTED (CAPACITY FEES)

<b>Equivalent Residential Units (ERUs)</b>	<b>FY 17-18</b>	<b>FY 26-27</b>	<b>10-Year Increase</b>	<b>10-Year % Increase</b>
Wastewater	13,605	24,288	10,683	79%
Water	28,128	51,104	22,976	82%

# INFRASTRUCTURE IMPROVEMENT PLAN (IIP)

- 10-Year Project List Needed to MAINTAIN THE SAME LEVEL OF SERVICE
  - Includes Debt Costs
  - Includes Inflation
- Infrastructure Needs are Greater in Newer, Developing Communities Like QC

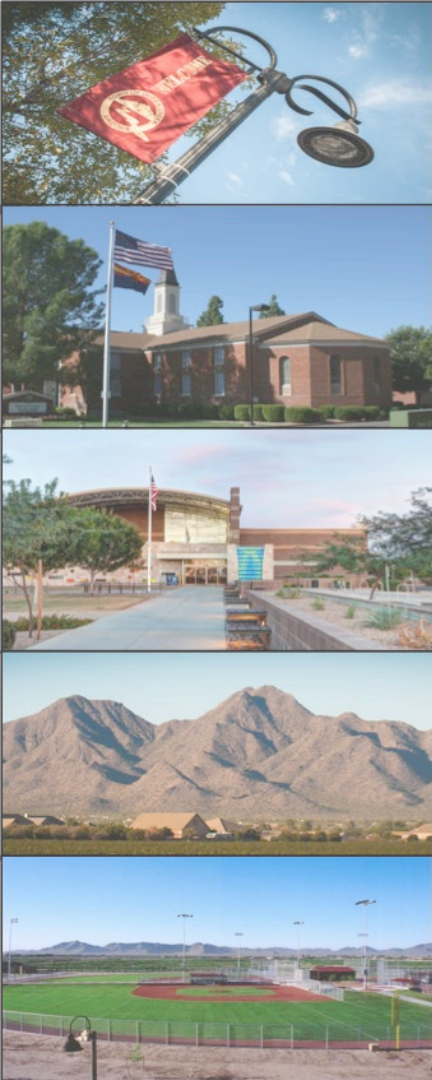


# SIGNIFICANT INFRASTRUCTURE NEEDED

**10-Year Total: \$448.7M**

Growth: \$246.7M (55%)

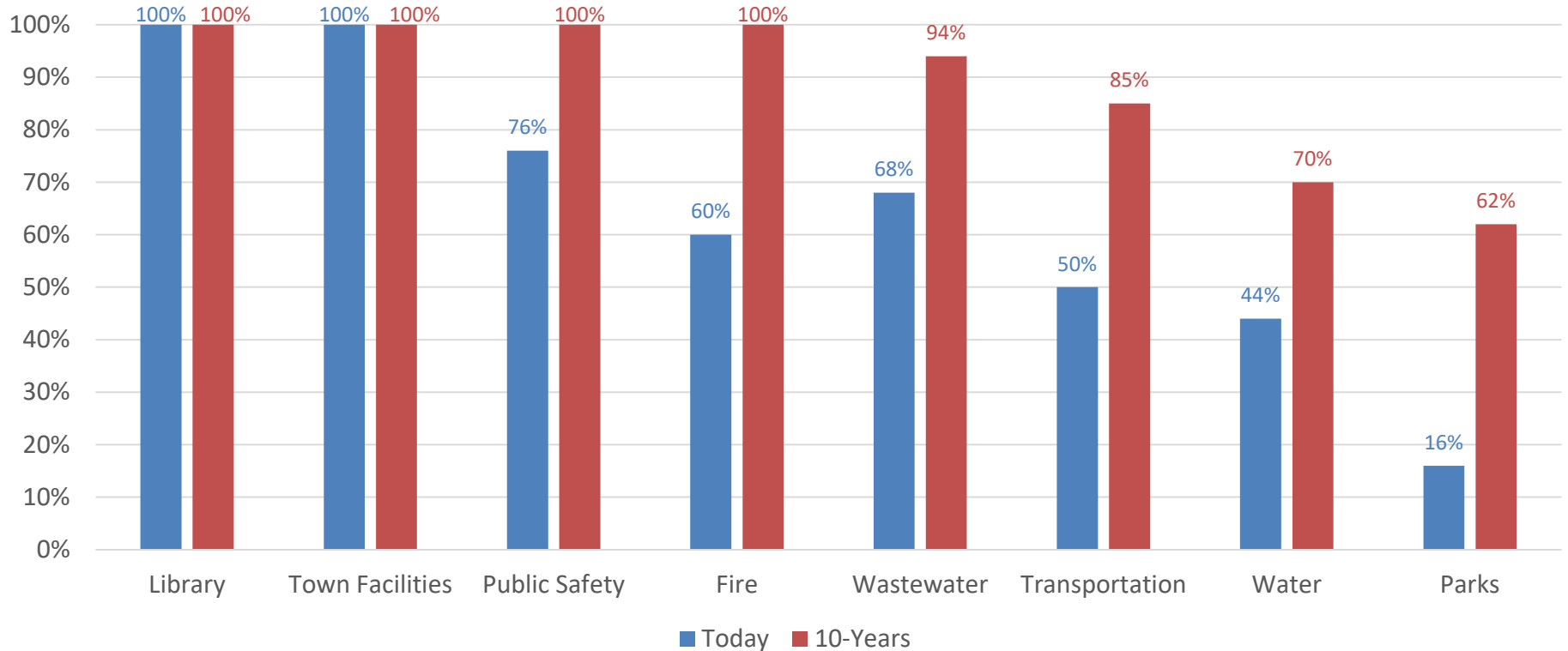
Non- Growth: \$202.0M (45%)



# INFRASTRUCTURE IMPROVEMENT PLANS

Fee Type	Total Infrastructure	Growth	Growth %	Non-Growth	Non-Growth %
1.Parks and Recreation	\$82.0	\$68.4	83%	\$13.6	17%
2.Wastewater	\$67.6	\$31.0	46%	\$36.6	54%
3.Water	\$111.0	\$54.7	49%	\$56.3	51%
4.Transportation	\$147.0	\$76.0	52%	\$71.0	48%
5. Fire / Medical	\$31.3	\$10.8	38%	\$19.3	62%
6.Law Enforcement / Police	\$1.5	\$1.3	87%	\$0.2	13%
7. Library	\$4.5	\$2.3	51%	\$2.2	49%
8. Town Facilities	<u>\$3.8</u>	<u>\$1.0</u>	<u>26%</u>	<u>\$2.8</u>	<u>74%</u>
<b>TOTAL</b>	<b>\$448.7</b>	<b>\$246.7</b>	<b>55%</b>	<b>\$202.0</b>	<b>45%</b>

# TOWN INFRASTRUCTURE % COMPLETE TODAY VS FUTURE 10-YRS





# 3. REVIEW DRAFT FEES

# “SIMPLE DIVISION”

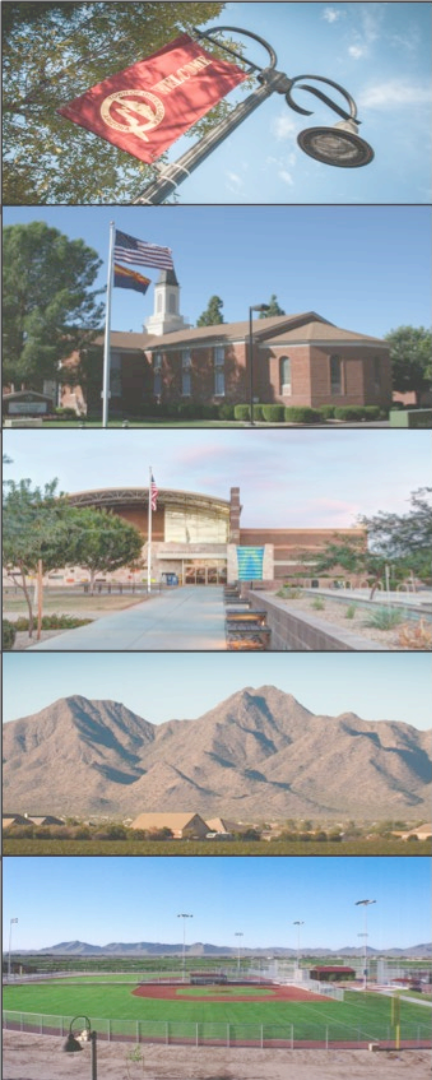
Costs

(Project Expenses  
Debt Payments)

Divided By

Units

(Homes, Apartments,  
Non-Residential Square Footage)



# FACTORS AFFECTING FEES

1. Increased Population and Growth Projections (Compared to Existing Plan)
2. Comprehensive Project Lists
3. Refinanced / Paid Off Debt
  - 2016 Refinancing: \$5.2M Savings in Transportation, Library, Parks, and Building
  - \$20.8M Wastewater Debt

# FACTORS AFFECTING FEES

(CONTINUED)

## 4. \$75M Bond Issue (January 2018)

- \$65M Transportation
- \$6M Fire
- \$4M Public Safety

## 5. Included Reconciled, Beginning Cash Balances (Lower Amount Needed from Fees)

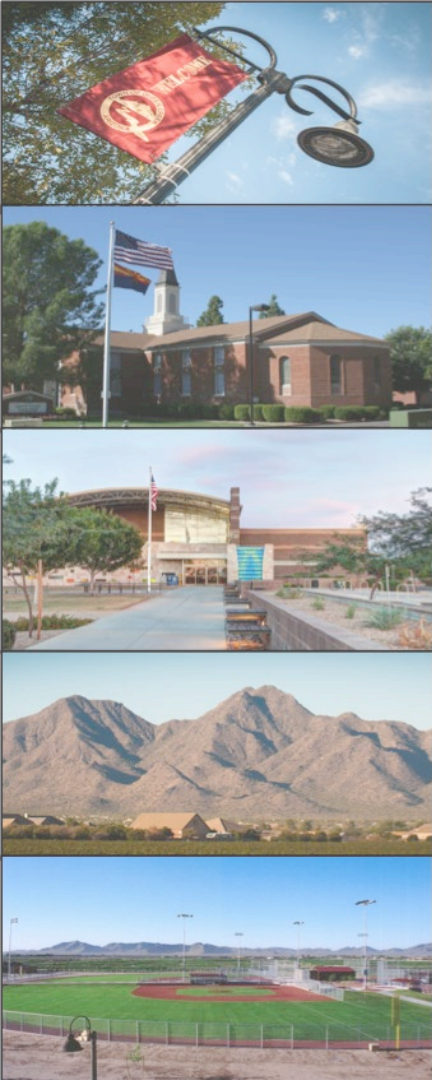


# FACTORS AFFECTING FEES

(CONCLUDED)

## 6. Changed Assumptions Which Lowered Allocation of New Infrastructure to Growth

- Functional Population Which Results in a Lower Use of Infrastructure Capacity
- Used Regional Data (vs. National Data) for Employees per 1,000 SF for Non-Residential Fee Categories





# FEE OVERVIEW

- Single-Family and Multi-Family Fees are Decreasing
- Non-Residential Fees Are Increasing



# QC'S IMPACT / CAPACITY FEES

## SINGLE FAMILY HOME

Fee Type	Current Fee	Draft Fee	\$ Change	% Change
1.Parks and Recreation	\$3,681	\$3,022	(\$659)	(18%)
2.Wastewater	\$5,082	\$2,901	(\$2,181)	(43%)
3.Water	\$4,014	\$2,382	(\$1,632)	(41%)
4.Transportation	\$1,263	\$2,118	\$855	68%
5. Fire	\$490	\$888	\$398	81%
6. Law Enforcement / Police	\$167	\$258	\$91	54%
7. Library	\$723	\$167	(\$556)	(77%)
8. Town Facilities	<u>\$470</u>	<u>\$76</u>	<u>(\$394)</u>	<u>(84%)</u>
<b>TOTAL</b>	<b>\$15,890</b>	<b>\$11,812</b>	<b>-\$4,078</b>	<b>-26%</b>

# PARKS AND RECREATION

## Projects/Debt: \$82M

Existing Land Debt

Reflects Town Council Direction re. Increase LOS to 40 Acres per 10K Residents (Build 261 Owned Acres)

Trails

	Current Fee	Draft Fee	\$ Change	% Change
Single Family	\$3,681	\$3,022	(\$659)	(18%)
Multi-Family	\$2,710	\$2,174	(\$536)	(20%)
Retail (per 1K SF)	\$563	\$703	\$140	25%
Office (per 1K SF)	\$552	\$1,041	\$489	89%
Industrial (per 1K SF)	\$650	\$1,057	\$407	63%

Allocations Changed Between Residential and Non-Residential

Reduced Growth Allocated Debt Costs \$1.2M Via Refinancing (from \$6M to \$4.8M)

Growth Costs For Trails Costs Increased \$3M (from \$3.6M to \$6.6M)

Growth Costs for Parks Costs Increased \$15.5M (from \$15.5M to \$31M)

Divided By

10-Year Population Increased 17K (from 25K to 42K)

# WASTEWATER

	Current Fee	Draft Fee	\$ Change	% Change
¾-inch	\$5,082	\$2,901	(\$2,181)	(43%)
1-inch	\$8,629	\$2,901	(\$5,728)	(66%)
1 ½ - inch	\$16,738	\$9,660	(\$7,078)	(42%)
2-inch	\$26,875	\$15,462	(\$11,413)	(42%)

**Projects: \$67.6M**  
Expanding Treatment Plant Distribution System

Change to the Same Fee

Reduced Treatment Plant Costs by \$20M (from \$30M to \$10M)  
Growth Costs Recovered from Capacity Fees Increased \$16M (from \$14M to \$30M)

Divided By

10-Year EDU Projection Doubled (from 7K to 10.7K)

# WATER

	Current Fee	Draft Fee	\$ Change	% Change
¾-inch	\$4,014	\$2,382	(\$1,632)	(41%)
1-inch	\$6,806	\$3,978	(\$2,828)	(42%)
1 ½ - inch	\$13,189	\$7,933	(\$5,256)	(40%)
2-inch	\$21,166	\$12,697	(\$8,469)	(40%)

**Projects: \$111M**  
Expanded  
Distribution System  
  
Wells, Pipes

Removed \$11M Debt for H2O Company Purchase  
Growth Costs Recovered from Capacity Fees  
Increased \$40.5M (from \$14.2M to \$54.7M)

Divided By

10-Year EDU Projection Increased (from 5K (5 Years)  
to 23K)

# TRANSPORTATION

	Current Fee	Draft Fee	\$ Change	% Change
Single Family	\$1,263	\$2,118	\$855	68%
Multi-Family	\$882	\$1,479	\$597	68%
Retail (per 1K SF)	\$1,569	\$2,630	\$1,061	68%
Office (per 1K SF)	\$679	\$1,139	\$460	68%
Industrial (per 1K SF)	\$429	\$720	\$291	68%

## Projects/Debt: \$147M

Remaining Amount of  
the Town Council  
Approved \$195M 10-  
Year Plan

Increased Project List Significantly  
Costs Recovered from Impact Fees Increased  
\$65.5M (from \$6.5M to \$72M)

Divided By

10-Year Population Increased 17K  
(from 25K to 46K)  
New Vehicle Miles Traveled Increased Significantly  
(from 510K to 912K)

# FIRE/MEDICAL

	Current Fee	Draft Fee	\$ Change	% Change
Single Family	\$490	\$888	\$398	81%
Multi-Family	\$361	\$639	\$278	77%
Retail (per 1K SF)	\$290	\$843	\$553	191%
Office (per 1K SF)	\$285	\$430	\$145	51%
Industrial (per 1K SF)	\$335	\$340	\$5	1%

**Projects/Debt: \$32.6M**

Existing Fire Station Debt

Two New Fire Stations Apparatus / Equipment

More Costs Allocated to Retail

Growth Costs Increased \$8.1M (from \$3.9M to \$12M)  
Included \$1.3M Beginning Cash Balance

Divided By

10-Year Population Increased 17K (from 25K to 46K)

# LAW ENFORCEMENT / POLICE

	Current Fee	Draft Fee	\$ Change	% Change
Single Family	\$167	\$258	\$91	54%
Multi-Family	\$123	\$186	\$63	51%
Retail (per 1K SF)	\$56	\$245	\$189	338%
Office (per 1K SF)	\$229	\$125	(\$104)	(45%)
Industrial (per 1K SF)	\$90	\$99	\$9	10%

**Projects/Debt: \$3.3M**

Existing Public Safety Building Debt

Future Office Space

Vehicles

More Costs Allocated to Retail

Growth Costs Increased \$2.2M (from \$1.3M to \$3.5M)  
Included \$1.8M Beginning Cash Balance

Divided By

10-Year Population Increased 17K (from 25K to 46K)



# LIBRARY

	Current Fee	Draft Fee	\$ Change	% Change
Single Family	\$723	\$167	(\$556)	(77%)
Multi-Family	\$532	\$120	(\$412)	(77%)
Retail (per 1K SF)	\$111	\$39	(\$72)	(65%)
Office (per 1K SF)	\$109	\$57	(\$52)	(48%)
Industrial (per 1K SF)	\$128	\$58	(\$70)	(55%)

**Debt Only: \$4.5M**

LOS Attained  
Existing Debt Only

Allocations  
Changed  
Between  
Residential  
and Non-  
Residential

Reduced Growth Allocated Debt Costs \$2.8M Via  
Refinancing (from \$4.9M to \$2.1M)  
Allocated Debt Cost to Operating Budget for Portion of  
Building Used for Parks/Recreation Use

Divided By

10-Year Population Increased 17K (from 25K to 46K)

# TOWN FACILITIES

	Current Fee	Draft Fee	\$ Change	% Change
Single Family	\$470	\$76	(\$394)	(84%)
Multi-Family	\$346	\$54	(\$292)	(84%)
Retail (per 1K SF)	\$292	\$18	(\$274)	(94%)
Office (per 1K SF)	\$286	\$26	(\$260)	(91%)
Industrial (per 1K SF)	\$338	\$26	(\$312)	(92%)

**Debt Only: \$3.8M**  
Limited Under State Statute to Payoff of Existing Debt Only

Allocations Changed Between Residential and Non-Residential

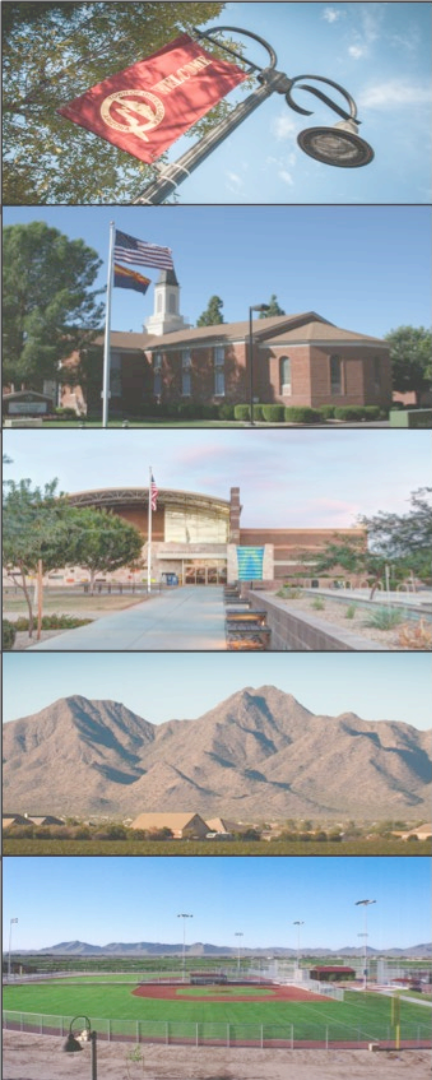
Reduced Growth Allocated Debt Costs \$2.6M Via Refinancing (from \$3.6M to \$1M)  
Included \$1.9M Beginning Cash Balance

Divided By

10-Year Population Increased 17K (from 25K to 46K)



# 4. IDENTIFY ASSOCIATED DOCUMENTS



# ASSOCIATED DOCUMENTS

1. Impact Fee Report
2. Capacity Fee Report
3. All-In Cost Comparisons
4. Report re. Effect of Impact Fees on Development Activity
5. Report re. Net Revenue Credit Requirement

# ALL-IN COST COMPARISON

- Important to Focus Group
- “All-In” Defined As:
  1. Building / Permit Fees
  2. Impact / Capacity Fees
  3. Construction Sales Tax



# ALL-IN COST COMPARISON

(CONTINUED)

## ■ Comparative Entities

1. Pinal County (5 Service Areas)
2. Gilbert (Greenfield Service Area, Existing and Draft)
3. Mesa



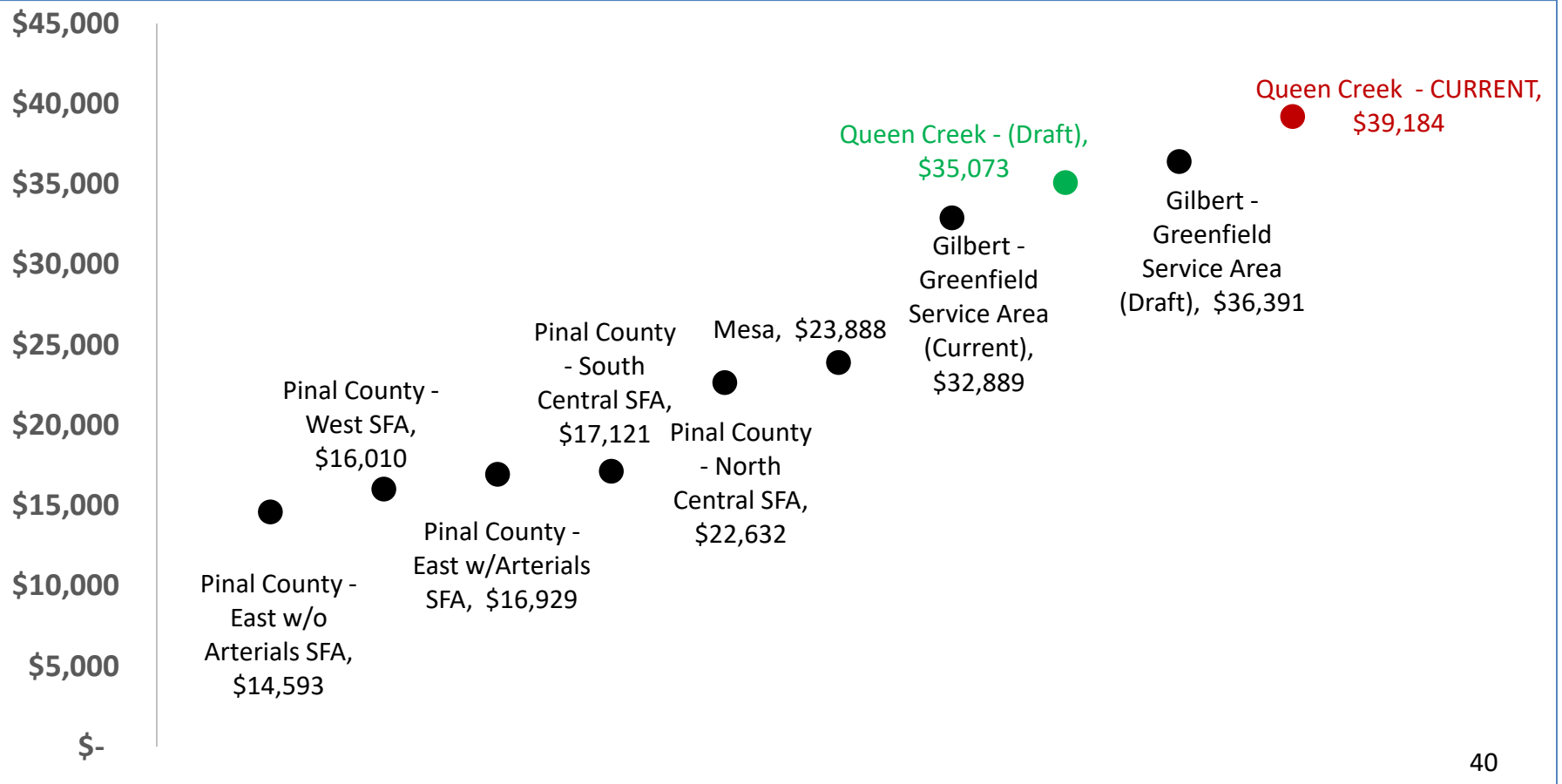
# ALL-IN COST COMPARISON

(CONCLUDED)

- Age, Infrastructure Needs of a Community
- Comparability Is Difficult as Tax Structures Vary by Community
  - Example: QC's 2% Dedicated Construction Sales Tax for New Roads
    - QC Does Not Receive 0.5% Prop 400 Dedicated Maricopa County Transportation Sales Tax

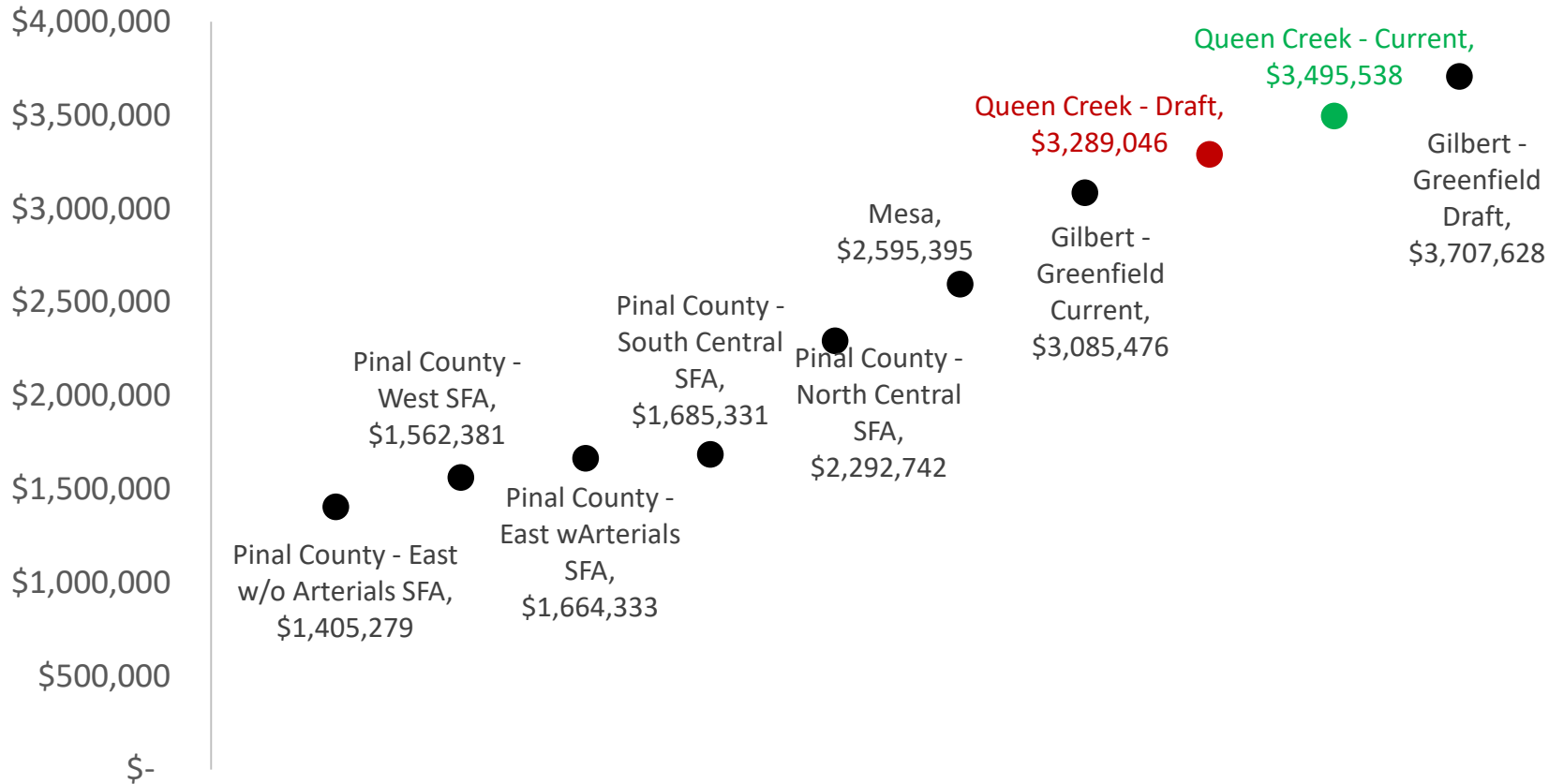


# ALL-IN-COST COMPARISON: SINGLE-FAMILY HOME

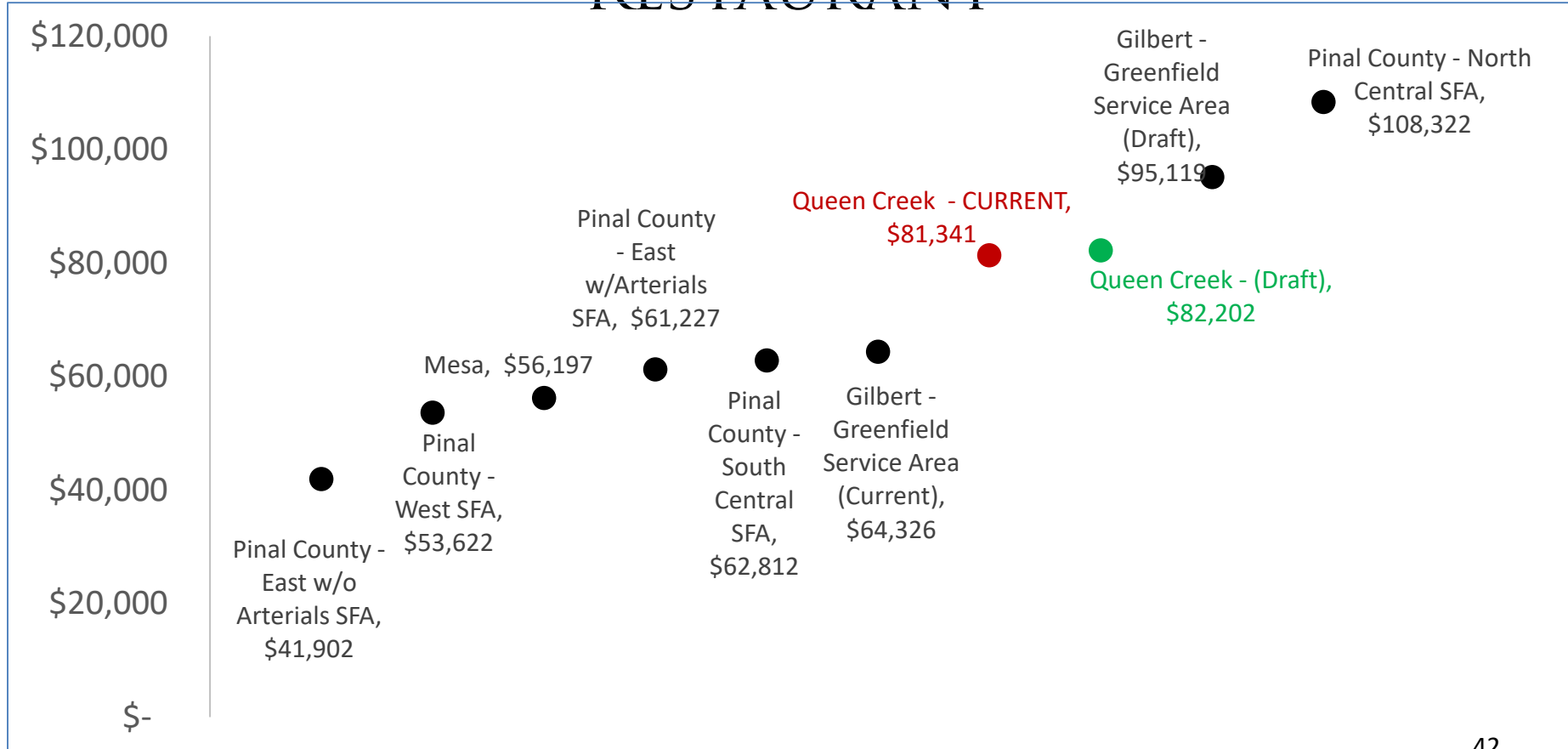




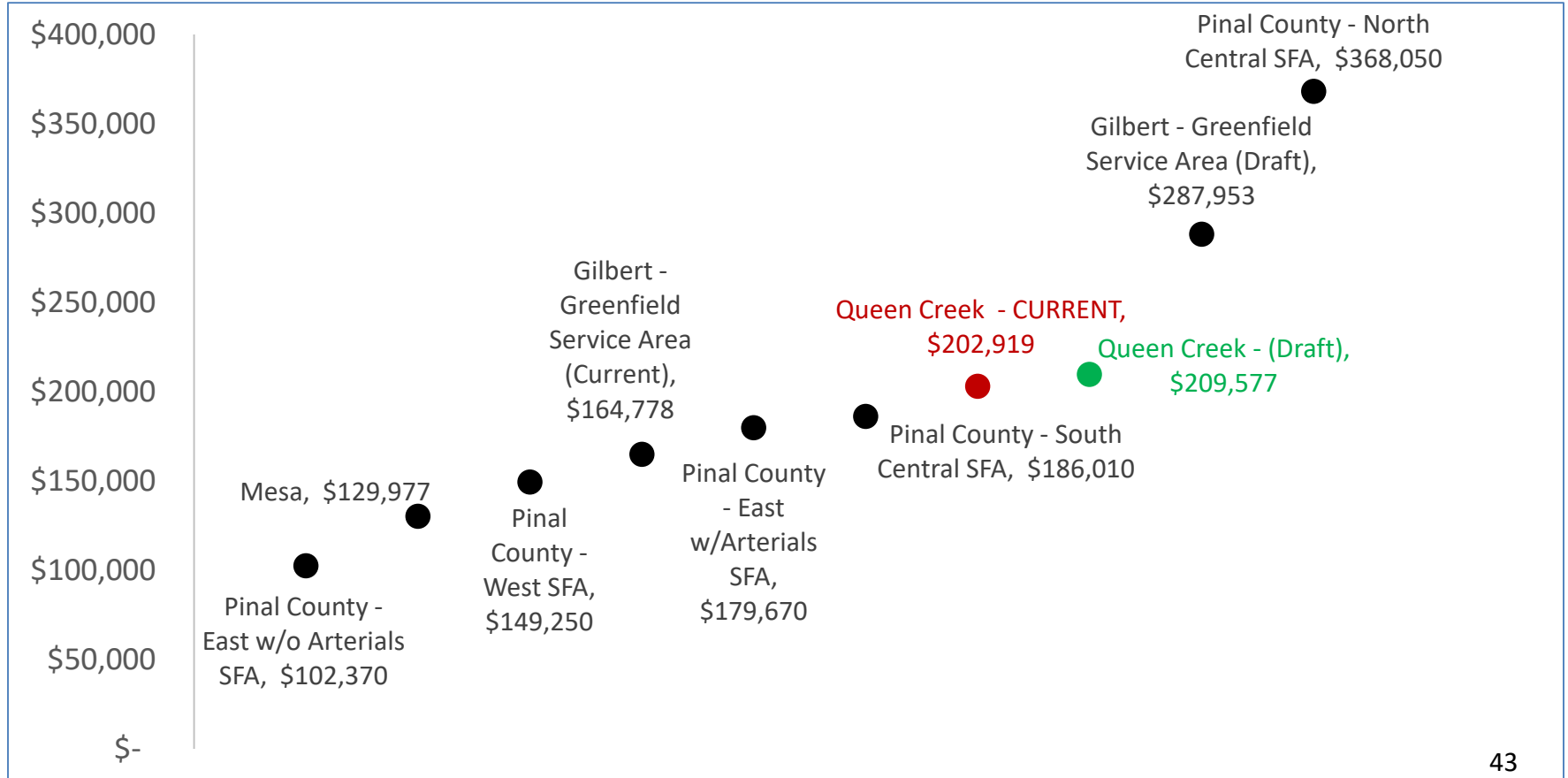
# ALL-IN-COST COMPARISON: 264 UNIT MULTI-FAMILY



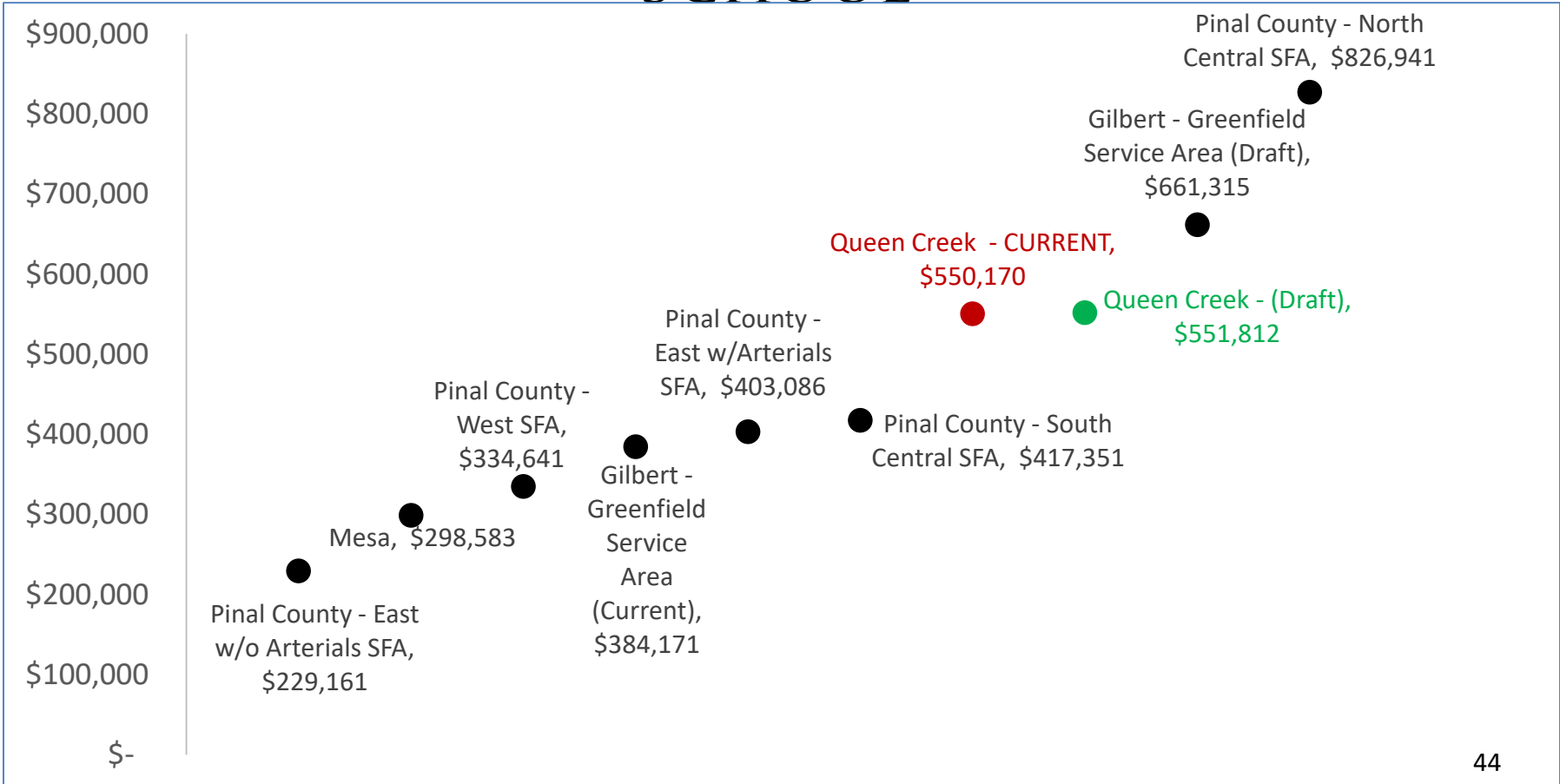
# ALL-IN-COST COMPARISON: 5K SQUARE FOOT RESTAURANT



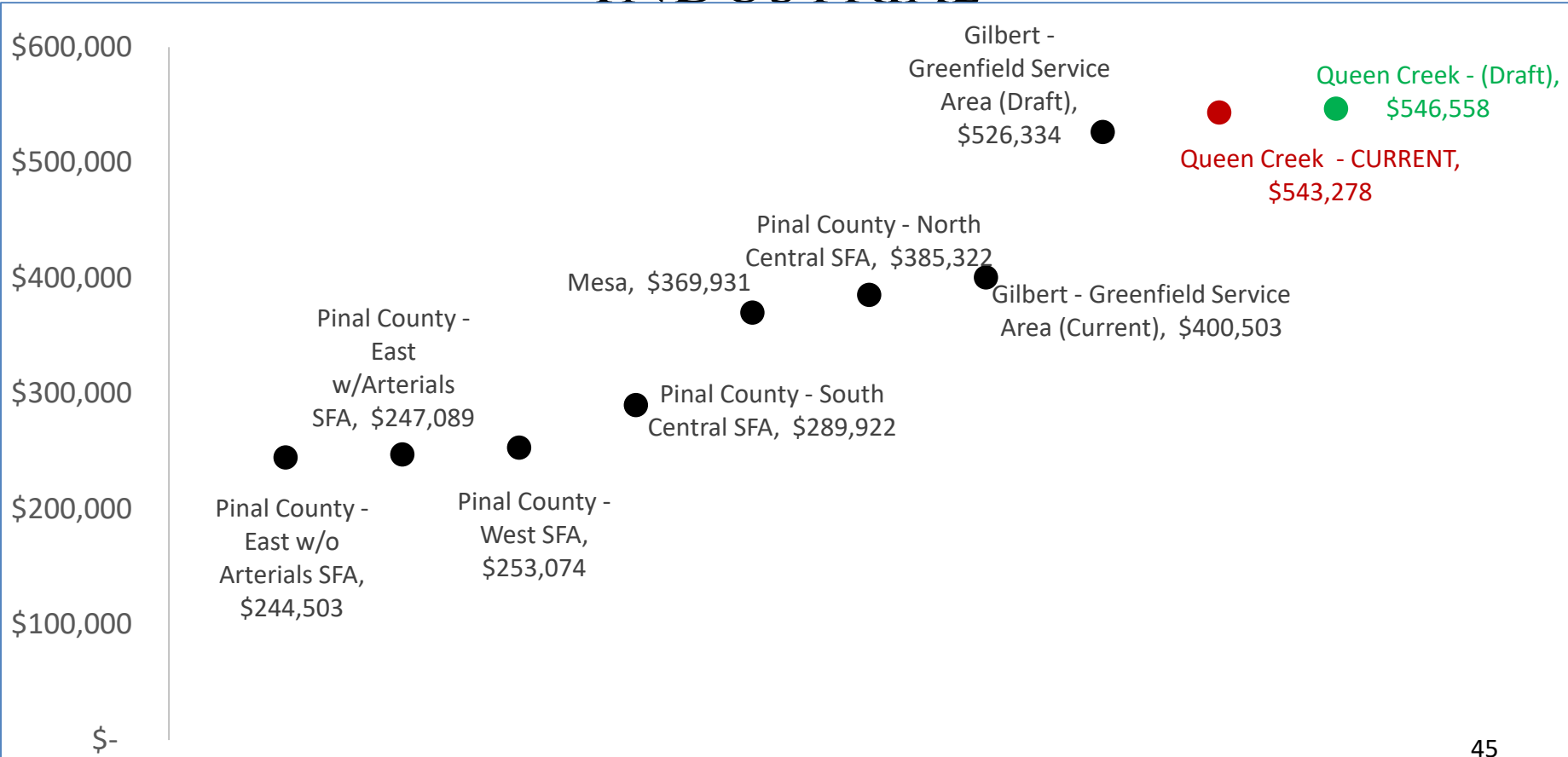
# ALL-IN-COST COMPARISON: 20K SQUARE FOOT RETAIL



# ALL-IN-COST COMPARISON: 50K SQUARE FOOT SCHOOL

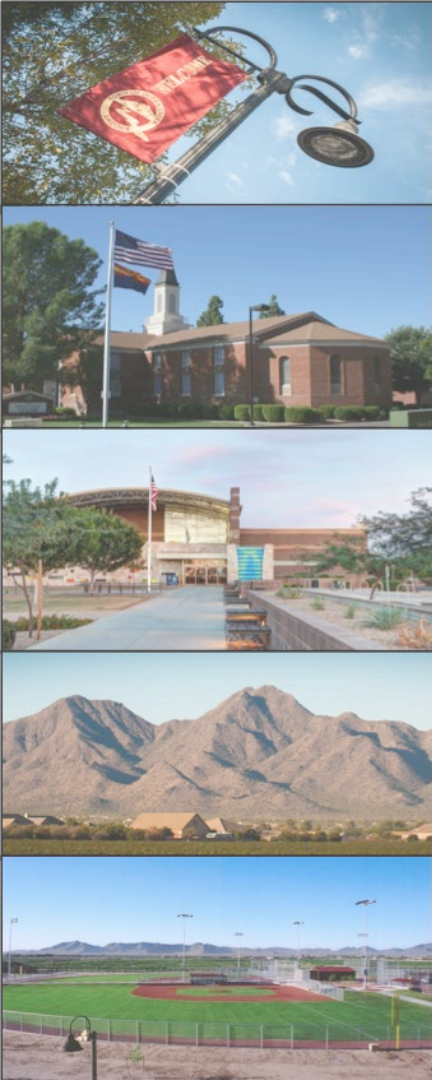


# ALL-IN-COST COMPARISON: 75K SQUARE FOOT INDUSTRIAL





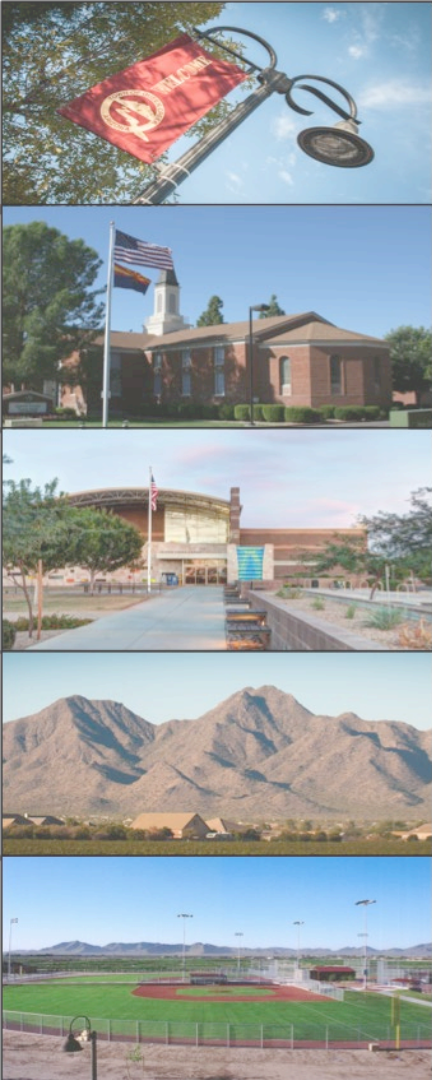
## 5. NEXT STEPS



# ACTION ITEMS

## Prior to June 5<sup>th</sup> Public Hearing

- Focus Group Meeting
- Discuss with Town's Boards and Commissions
- Additional Town Council Discussions re. Associated Documents



# ACTION ITEMS (CONCLUDED)

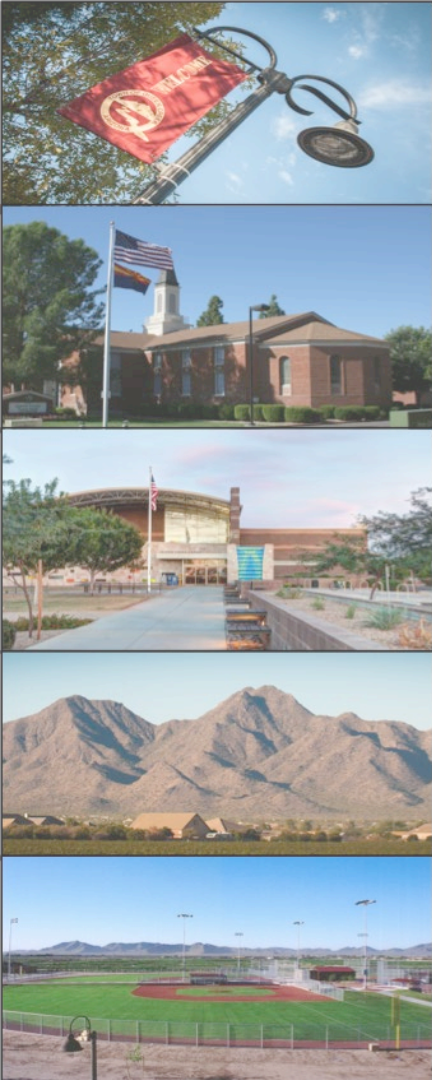
## May 2019

- Town Council to Take Action Re. Possible Reduction of Water and Wastewater Capacity Fees with an July 2019 Effective Date
  - Different State Statute



# PROPOSED CALENDAR – IMPACT FEES

Task#	Task	Date
1	Parks, Library, Public Facilities, Fire Police, Streets IIP/LUA Reviewed with Town Council	April 3, 2019
2	IIP/LUA's Published with Public Notice of Public Hearing	April 4, 2019
3	IIP/LUA Public Hearing #1	June 5, 2019
4	IIP/LUA Approved /Disapproved, Notice of Intent approved	July 17, 2019
5	Fee Study Public Hearing #2	September 4, 2019
6	Approve Impact Fee Ordinance	October 16, 2019
7	Impact Fee Effective Date	January 2020





## 6. RECOMMENDED MOTION



# RECOMMENDED MOTION

A Motion to Direct the Town Manager (or Designee) to Publish Land Use Assumptions and Infrastructure Improvement Plan and Set a Public Hearing on Those Documents for June 5, 2019



# QUESTIONS AND COMMENTS