



# DEVELOPMENT IMPACT FEES: BEGINNING THE FEE UPDATE PROCESS

Town Council Meeting

March 6, 2024

# PURPOSE OF PRESENTATION

1. Overview of Infrastructure Needs and Funding
2. Discuss Development Impact Fee Program
  - Discuss Land Use Assumptions and Infrastructure Improvement Plans
  - Introduce Policy Issue: Allocation of 2% Dedicated Construction Sales Tax
  - Next Steps and Calendar
  - Recommended Motion



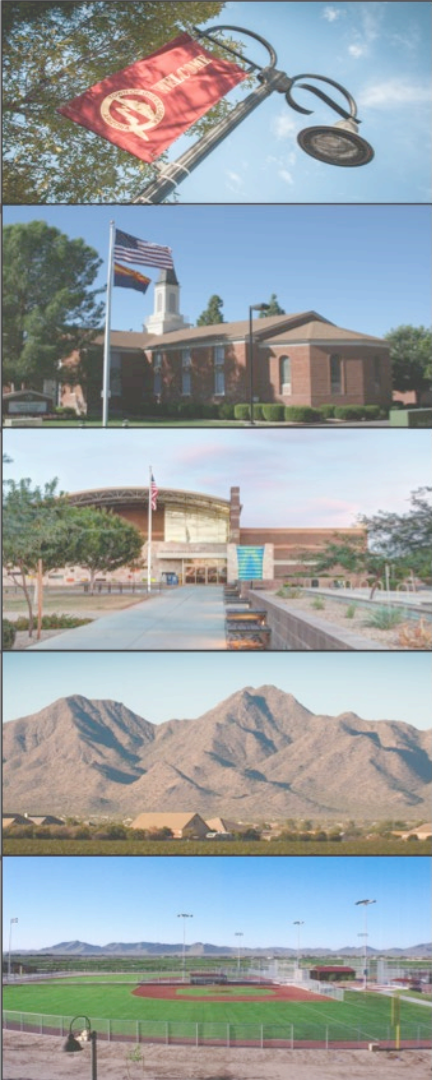


# 1. OVERVIEW OF INFRASTRUCTURE NEEDS AND FUNDING

# INFRASTRUCTURE FUNDING: RELATED QUESTIONS

1. **How Much** Does It Cost?
2. **What** is Being Built?
3. **When** is It Being Built
4. **Why** is It Being Built?
  - Existing Needs vs. Needs from Growth
5. **How** is It **Paid For (Financed)**?
6. **Who** Will Pay For It?
  - Existing Needs: Operating Budget
  - Needs from Growth: Impact Fees and 2% Dedicated Construction Sales Tax





# INFRASTRUCTURE FUNDING: HOW MUCH? \$731M

	10-Year Cost
1. Parks and Trails	\$305M
2. Streets *	\$202M
3. Police	\$153M
4. Fire / Medical	<u>\$71M</u>
<b>TOTAL</b>	<b>\$731M</b>

\* Transportation Master Plan update currently underway and costs are expected to increase as a result of the update.



# INFRASTRUCTURE FUNDING: WHO PAYS?



	10-Year Cost
Paid by New Development (2 Funding Sources)	\$257M
1. 2% Dedicated Construction Sales Tax: \$146M	
2. Impact Fees: \$117M	
Town (Operating Budget) *	<u>\$474M</u>
<b>TOTAL</b>	<b>\$731M</b>

\* Town **Does Not** have a Voter Approved, Secondary Property to pay for infrastructure



## 2. DISCUSS DEVELOPMENT IMPACT FEE PROGRAM

# DEVELOPMENT IMPACT FEES

- **One-Time Payments** Assessed to **New Development** to Help **Pay their Proportionate Share** of Infrastructure Costs Caused by New Development
- “Growth Pays for Growth”
- Existing Residents and Businesses **DO NOT** Pay Impact Fees
- **9-Month** Process to Set and Update Fees (per State Law)
  1. 10-Year Planning Period
  2. Set Land Use Assumptions (LUA) and Infrastructure Improvement Plan (IIP)
  3. Calculate “Maximum Supportable Fee”





# DEVELOPMENT IMPACT FEES

## (CONCLUDED)



- Must be Updated at Least Every 5 Years
  - Last Updated: February, 2020
  - *More Frequent Updates Expected in the Future*
- Critical Funding Source for Our Infrastructure
  - Town's Tax Structure Would Likely Be Different Without this Program (i.e. No Voter Approved Property Tax for Infrastructure)

# ROLES AND RESPONSIBILITIES



## Staff and Consultant

- Land Use Assumptions (LUA)
- Infrastructure Improvement Plan (IIP)
- Calculate Maximum Allowable Fees

## Town Council

- Determine Allocation of 2% Dedicated Construction Sales Tax
- Set Development Impact Fee Amounts

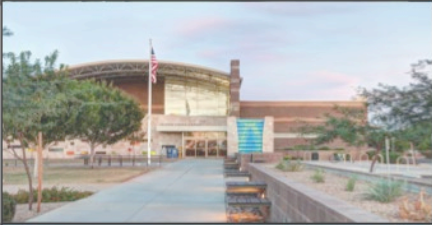
# DEVELOPMENT IMPACT FEES

## ■ 4 Impact Fees Require Updating

1. Police
2. Fire / Medical
3. Streets
4. Parks and Trails

## ■ 2 Impact Fees Have Been Eliminated

1. Town Facilities
2. Library



# QC'S IMPACT / CAPACITY FEES

EXAMPLE: SINGLE FAMILY HOME



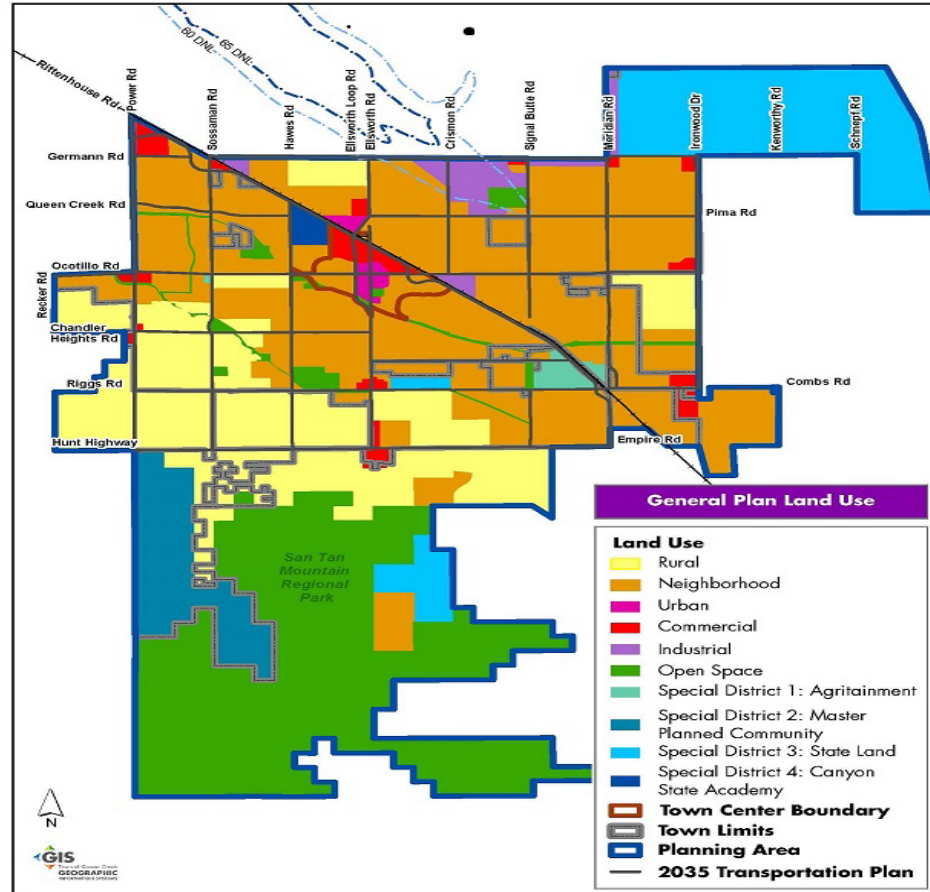
Fee Type	Current Fee
1. Parks and Recreation	\$3,189
2. Streets	\$2,118
3. Fire	\$1,175
4. Police	<u>\$640</u>
<b><i>Subtotal – Impact Fees</i></b>	<b><i>\$7,122</i></b>
5. Water	\$2,382
6. Wastewater	<u>\$2,901</u>
<b>TOTAL</b>	<b>\$12,405</b>



*DISCUSS LAND USE  
ASSUMPTIONS (LUA)  
AND INFRASTRUCTURE  
IMPROVEMENT PLANS  
(IIP)*



# 2021 GENERAL PLAN



# SIGNIFICANT GROWTH EXPECTED OVER THE NEXT 10 YEARS

Land Use Category	FY 23-24	FY 32-33	10-Year Increase	10-Year % Increase
1.Single Family Homes	23,387	35,503	11,916	50%
2.Multi-Family (Units)	2,879	6,968	4,089	142%
3.Commercial (Square Feet)	4.6M	6.9M	2.3M	50%
4.Office (Square Feet)	1.4M	2.2M	0.7M	50%
5.Industrial (Square Feet)	0.6M	0.9M	0.3M	50%

# 10-YEAR POPULATION ESTIMATE

Population is Expected to increase 66% over the Next 10 Years

FY 2023-24

76.5K

FY 2032-33

128.3K

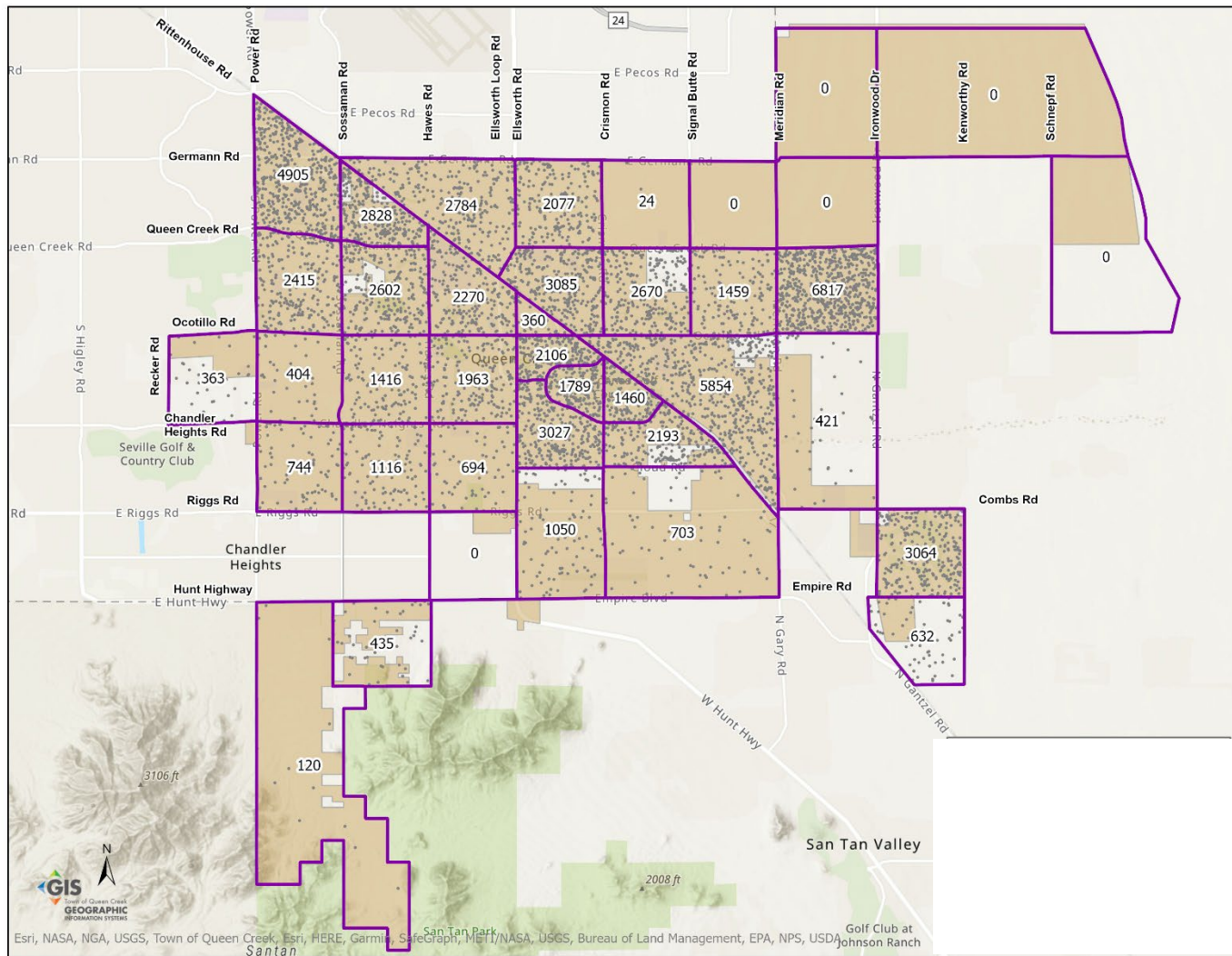
Increase

51.8K



# 2023

## Population 76,500

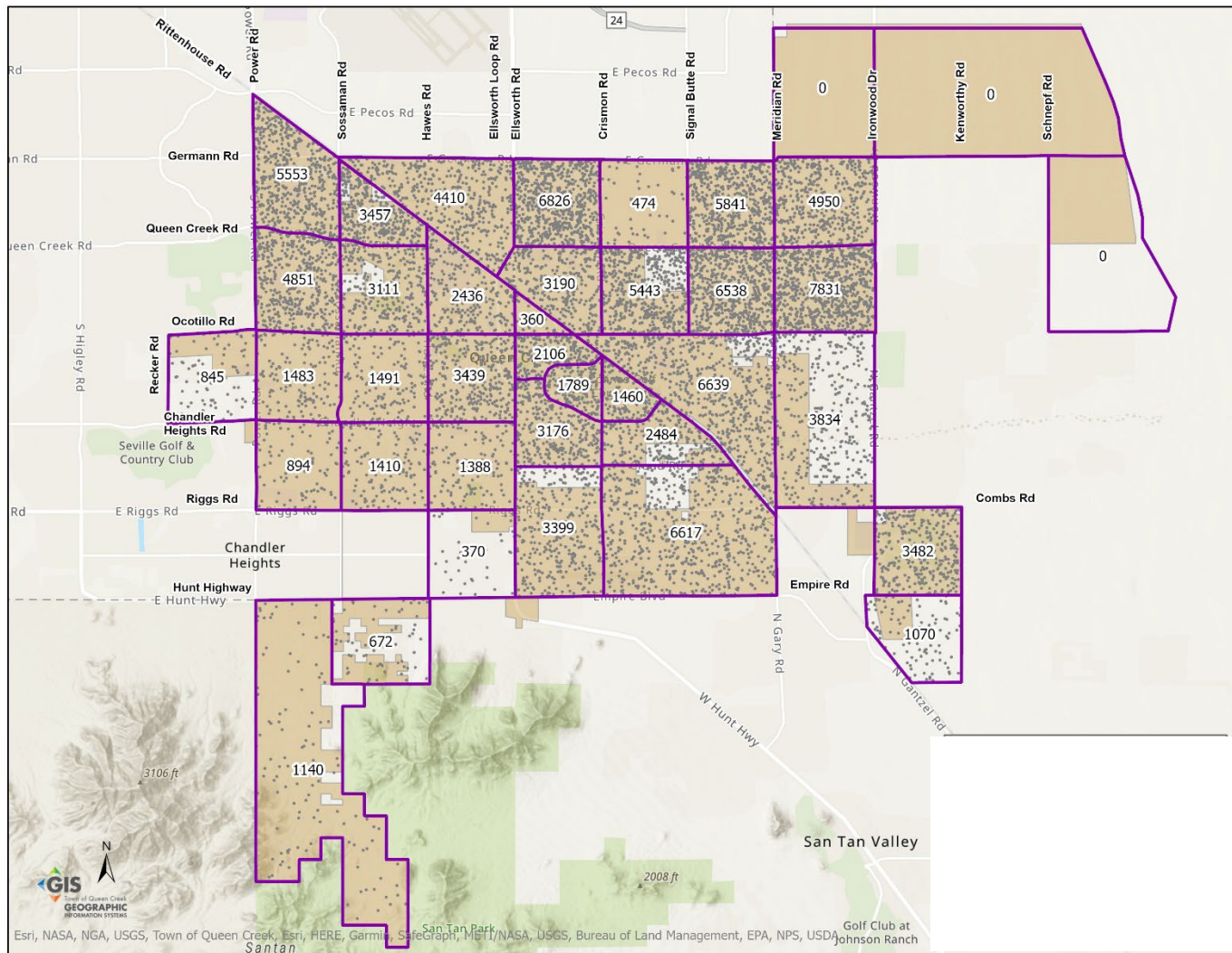




# 2033

## Population 128,300

### +66%

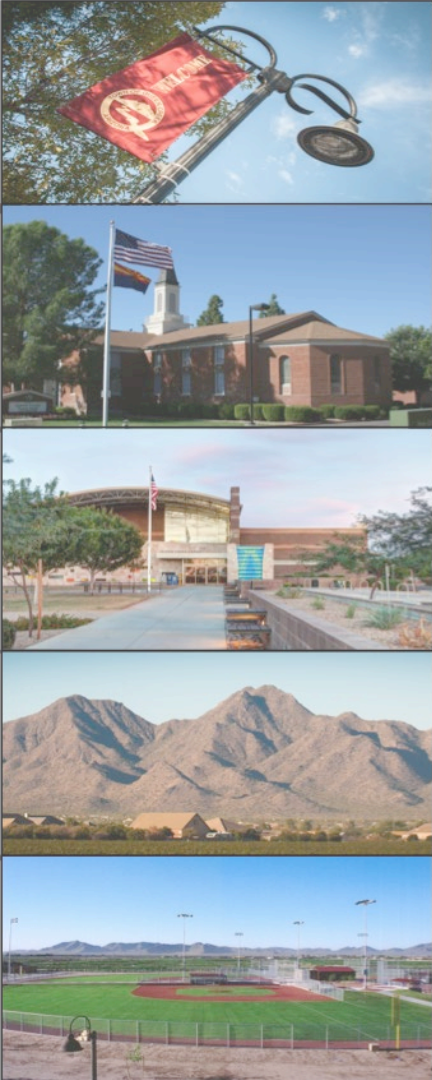






# INFRASTRUCTURE IMPROVEMENT PLANS

- 10-Year Project List Needed to MAINTAIN THE SAME LEVEL OF SERVICE
  - Includes Debt Costs
  - Includes Inflation Estimates
- Costs are Allocated Between Existing and New Residents / Businesses

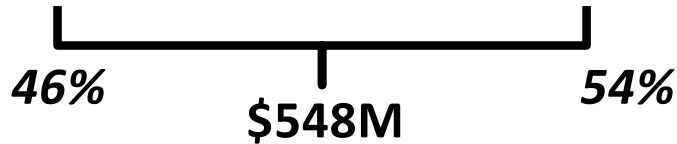


# HOW ARE COSTS ALLOCATED?

- Applied Only to Impact Fee Eligible Projects: \$548M (*Not the \$731M Total*)
- The Cost Allocation Method Varies by Fee Type
  1. Police, Fire and Parks: “Persons Served” per Equivalent Dwelling Unit (EDU)
    - Single-Family Home = 1 EDU
  2. Streets: Average Daily Trips
- **CURRENT RESULT: \$257M (46%) of Impact Fee Eligible Project Costs are Allocated to Growth**
  - *Allocation Could Change as Update Process Continues*

# INFRASTRUCTURE FUNDING: \$731M

	10-Year Cost	Growth Costs	Town Share of Impact Fee Eligible Costs	Costs Not Impact Fee Eligible *	Town Costs
1. Parks and Trails	\$305M	\$62M	\$72M	\$171M	\$243M
2. Streets	\$202M	\$98M	\$104M	-	\$104M
3. Police	\$153M	\$66M	\$78M	\$9M	\$87M
4. Fire / Medical	<u>\$71M</u>	<u>\$31M</u>	<u>\$37M</u>	<u>\$3M</u>	<u>\$40M</u>
<b>TOTAL</b>	<b>\$731M</b>	<b>\$257M</b>	<b>\$291M</b>	<b>\$183M</b>	<b>\$474M</b>



\*For Parks and Trails, the amount represents park sites greater than 30 acres and the recreation and aquatic centers. For police and fire, the amount represents training facilities.



*INTRODUCE POLICY  
ISSUE: ALLOCATION OF  
2% DEDICATED  
CONSTRUCTION SALES  
TAX*

# DEDICATED 2% CONSTRUCTION SALES TAX

## Background

- 10-Year Revenue Estimate: \$146M
- Effective Date: September 2005
- Purpose: “to pay for growth-related needs of a fast-growing community”
  - Historically Used for New Roads because the Town Does Not Receive the Maricopa County Voter Approved Gas Tax
- December 2022: Resolution 1506-22 Adopted Initiating a Review of Other Uses for the Tax
  - Tax Amount is Too Large to Use Solely for New Streets





# DEDICATED 2% CONSTRUCTION SALES TAX

## 10-YEAR ESTIMATE: \$146M



# HOW DOES THE TAX EFFECT THE DEVELOPMENT IMPACT FEE CALCULATION?



- Per State Statute, the Revenues from Amount of the Tax Rate in Excess of the Town's Standard Tax Rate Must Be Used to Reduce the Amount Collected from Impact Fees
  - Standard Sales Tax Rate: 2.25%
  - Construction Sales Tax Rate: 4.25% (+2% Dedicated)
- It is a Direct Reduction from the Project Costs Used to Calculate Development Impact Fees
- Results in a \$146M (57%) Reduction to Impact Fees
- 2% Dedicated Sales Tax + Development Impact Fees = Growth IIP

# HOW DOES THE TAX EFFECT THE DEVELOPMENT IMPACT FEE CALCULATION? (CONTINUED)

## *Allocation of the Construction Sales Tax is Complex*

The Impact Fee Amounts Will Be Effected By:

1. How Much of the Construction Sales Tax is Allocated to Each Impact Fee
  - Pro Rata Reduction of All Fees (Recommended) or Target Specific Fees
2. The Timing of When the Construction Sales Tax is Used (Cash Flow)
  - Example: Use to Fully Fund a Police Project in Year 1 and a Fire Project in Year 2 (Rather than a portion of both in both years)



# HOW DOES THE TAX EFFECT THE DEVELOPMENT IMPACT FEE CALCULATION? (CONCLUDED)

	Growth Costs	% of Total
1. Streets	\$98M	37%
2. Parks and Trails	\$62M	25%
3. Police	\$66M	25%
4. Fire	<u>\$31M</u>	13%
TOTAL	\$257M	
Less Construction Sales Tax	<u>\$146M</u>	55%
<b>Amount From Impact Fees</b>	<b>\$111M</b>	43%



# *NEXT STEPS AND CALENDAR*



# NEXT STEPS

## Prior to May 15<sup>th</sup> Public Hearing

- Calculate Updated Impact Fees
  - Factors Impacting the Fee Amount
    - Project Costs
    - Method to Allocate Costs Between Existing vs. New Residents and Businesses
    - Allocation of 2% Dedicated Construction Sales Tax
    - Timing of Project Construction / Need to Issue Debt



# NEXT STEPS (CONCLUDED)

## Prior to May 15<sup>th</sup> Public Hearing

- Town Council Review of Project Lists (At Budget Committee Meeting)
- Stakeholder Outreach
  - Focus Group Meetings
  - Presentations to Town's Boards and Commissions

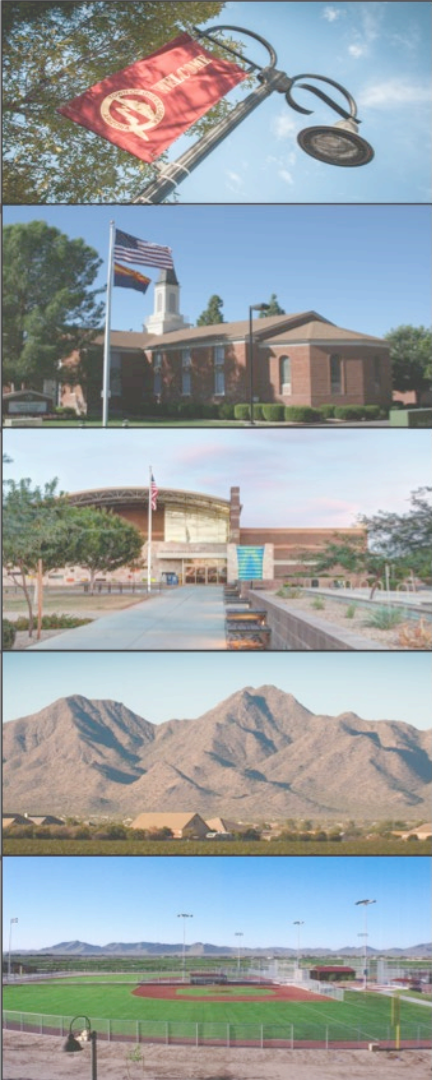


# PROPOSED CALENDAR FOR FEE UPDATE

Step #	Step	Date
1	<b>Review Land Use Assumptions and Infrastructure Improvement Plan</b>	<b>March 6, 2024</b> <b>Town Council Meeting (1 of 5)</b>
2	Publish Land Use Assumptions and Infrastructure Improvement Plan	March 7, 2024
	60-Day Notice Period (Public Outreach and Collaboration Period) Focus Group, Town Boards and Committees	
3	<b>Public Hearing #1 RE. Land Use Assumptions and Infrastructure Improvement Plan</b>	<b>May 15, 2024</b> <b>Town Council Meeting (2 of 5)</b>
	30 to 60-Day Waiting Period	
4	<b>1. Approve Land Use Assumptions and Infrastructure Improvement Plan</b> <b>2. Approve Notice of Intent to Assess Development Impact Fees</b>	<b>June 19, 2024</b> <b>Town Council Meeting (3 of 5)</b>
5	Publish Notice of Intention to Adopt Development Impact Fees	June 20, 2024
	30-Day Notice Period	
6	<b>Public Hearing #2 RE. Development Impact Fee Study</b>	<b>August 7, 2024</b> <b>Town Council Meeting (4 of 5)</b>
7	<b>1. Adopt Development Impact Fee Study</b> <b>2. Adopt Economic Market Alignment Study</b>	<b>September 18, 2024</b> <b>Town Council Meeting (5 of 5)</b>
	75-Day Notice Period	
8	Development Impact Fee Effective Date	<b>TBD</b>



# *RECOMMENDED MOTION*



# RECOMMENDED MOTION

Direct the Finance Director to publish the Land Use Assumptions and Infrastructure Improvement Plans associated with Town's Development Impact Fees in accordance with Arizona Revised Statutes § 9-463.05 and set a Public Hearing those documents for May 15, 2024





# QUESTIONS AND COMMENTS

# COSTS NOT IMPACT FEE ELIGIBLE

Infrastructure	Total Acres	Not Impact Fee Eligible Acres	Not Impact Fee Eligible Cost
1. Mansel-Carter Park Phase 2 (Construction Only)	13	13	\$11M
2. Family Frontier Park (Construction Only)	90	60	\$23M
3. Southeast Park Site (Construction Only)	77	47	\$34M
4. New Park (Land and Construction)	52	22	\$36M
5. New Park (Land Only)	<u>36</u>	<u>6</u>	<u>\$3M</u>
Subtotal - Parks	Land: 162 Construction: 229	Land: 72 Construction: 139	\$107M
Recreation and Aquatic Centers			\$64M
Police – Training Facilities			\$9M
Fire – Training Facilities			<u>\$3M</u>
TOTAL			\$183M