



TO: HONORABLE MAYOR AND TOWN COUNCIL

FROM: SCOTT MCCARTY, FINANCE DIRECTOR

THROUGH: BRUCE GARDNER, TOWN MANAGER

**RE: MOTION TO DIRECT THE FINANCE DIRECTOR
TO PUBLISH THE LAND USE ASSUMPTIONS
AND INFRASTRUCTURE IMPROVEMENT PLANS
ASSOCIATED WITH THE TOWN'S
DEVELOPMENT IMPACT FEES IN ACCORDANCE
WITH ARIZONA REVISED STATUTES § 9-463.05
AND SET A PUBLIC HEARING ON THOSE
DOCUMENTS FOR MAY 15, 2024**

DATE: MARCH 6, 2024

Staff Recommendation

Approve a motion to 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 to set a public hearing on those documents for May 15, 2024.

Relevant Council Goal(s)



Effective Government: KRA Financial Management, Internal Services & Sustainability



Superior Infrastructure - Capital Improvement Program

Proposed 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 to set a public hearing on those documents for May 15, 2024.

Discussion

Development impact fees are an integral part of the Town's ability to build the necessary infrastructure associated with new development. These fees are paid by new development (not existing residents and businesses) and are intended to offset the cost of capital improvements related to growth. The accurate assessment of these fees is critical to the Town's financial sustainability by ensuring costs are fairly paid by both existing and new residents and businesses. The objective is to prevent existing taxpayers from subsidizing the cost of growth, while ensuring developers pay no more than their fair share (i.e. "growth pays for growth").

The Town has four impact fees (police, fire, transportation and parks / trails) that must be updated at this time. State law is very prescriptive regarding the process to update development impact fees. State law requires the Land Use Assumptions (LUA) and Infrastructure Improvement Plans (IIP) be updated at least every five years. The Town last updated its LUA and IIP on July 17, 2019. As such, we are on a tight timeline to complete this update before the fifth year is up. Approval of the updated LUA and IIPs is scheduled for the June 19, 2024 Town Council meeting.

Town staff and the consultant have worked diligently on this fee update up to this point. However, we are not yet a point where we can calculate the fees due to a major issue that we have not had to deal with in the past – the allocation of the 2% dedicated construction sales tax. As such, we are unable to provide draft development impact fees at this time but expect to do so at the May 15, 2024 public hearing.

The posting of LUA and IIP marks the formal beginning of the process which will take the rest of the calendar year before any new fees will be effective. The effective date of the fees has not yet be determined but we would expect it to be around January, 2025.

The first attachment summarizes the proposed 7-month schedule which allows for numerous opportunities for both Town Council and stakeholder input before any decisions are made about the fees. This includes input on the allocation of the dedicated tax and the method to allocate the project costs between existing and new residents and businesses.

The purpose of tonight's presentation is threefold:

1. Introduce the total infrastructure costs of \$751M related to these four areas;
2. Provide foundational information core to the impact fee calculations such as growth projections (i.e. population, commercial, etc.) and infrastructure needs to meet these growth projections; and

3. Review the proposed calendar, including receiving stakeholder input using a Focus Group (as we did last time we updated the fees).

The draft LUA and IIP report is attached for reference.

Fiscal Impact

None at this time. This action of providing the providing the LUA and IIP and setting the public hearing does not directly have any impact of the fee amounts – those will be finalized during the roughly 9-month process as defined by state law.

Alternatives

None at this time. As we move through the process, alternatives will likely be developed as the Town Council and stakeholders provide feedback and input.

Attachments:

1. Proposed Calendar to Update Development Impact Fees
2. Presentation: Impact Fees: Beginning the Update Process
3. Draft Report: Land Use Assumptions and Infrastructure Improvement Plan (dated February 28, 2024)