



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



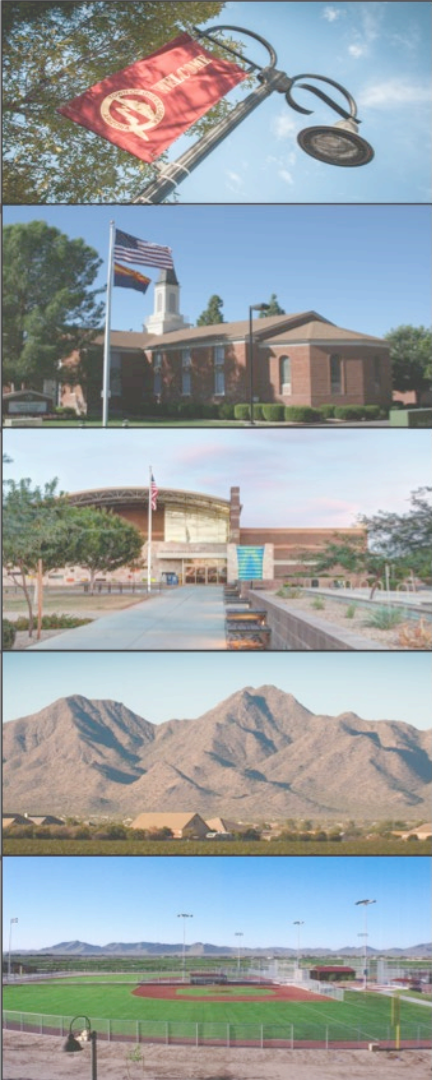


1. OVERVIEW OF INFRASTRUCTURE NEEDS AND FUNDING

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>
TOTAL	\$731M

* 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>
TOTAL	\$731M

* 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

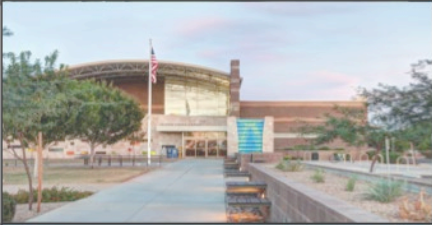
DEVELOPMENT IMPACT FEES

■ 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

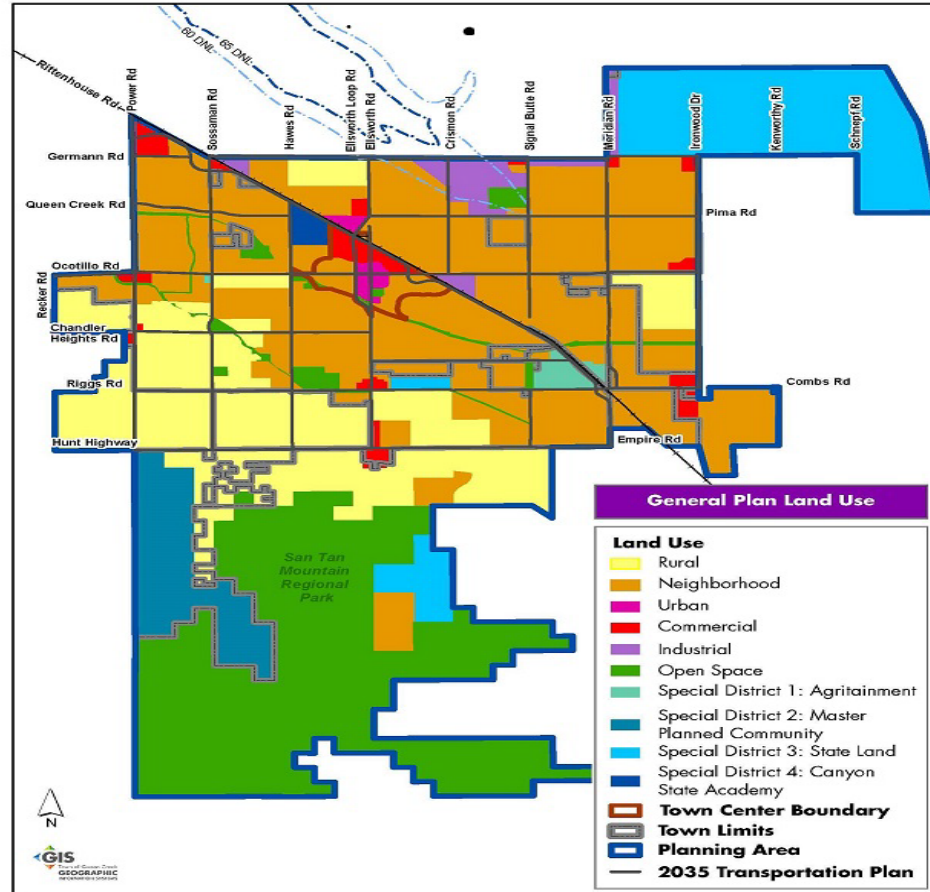


Fee Type	Current Fee
1. Parks and Recreation	\$3,189
2. Streets	\$2,118
3. Fire	\$1,175
4. Police	<u>\$640</u>
<i>Subtotal – Impact Fees</i>	<i>\$7,122</i>
5. Water	\$2,382
6. Wastewater	<u>\$2,901</u>
TOTAL	\$12,405



*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

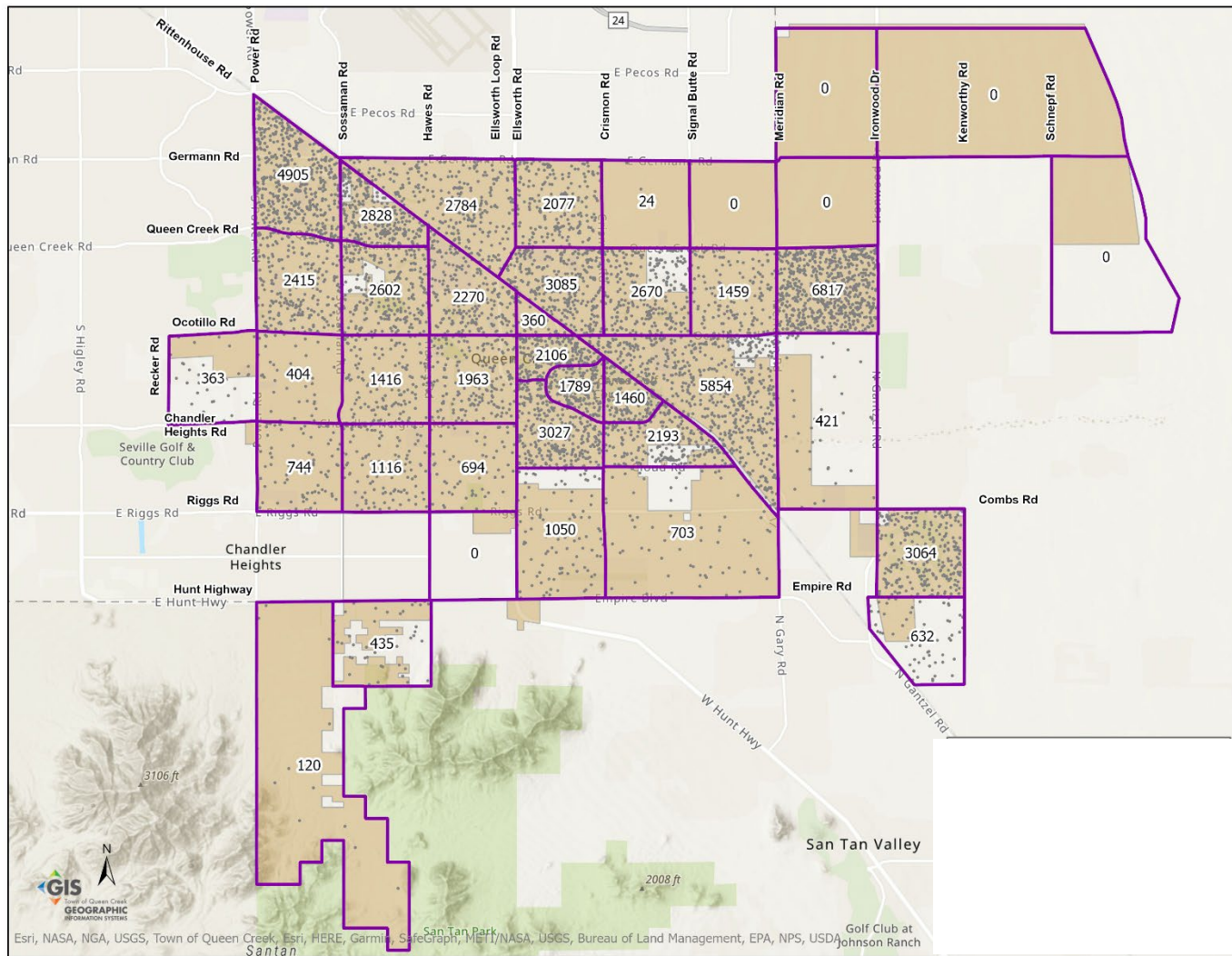
Increase

51.8K



2023

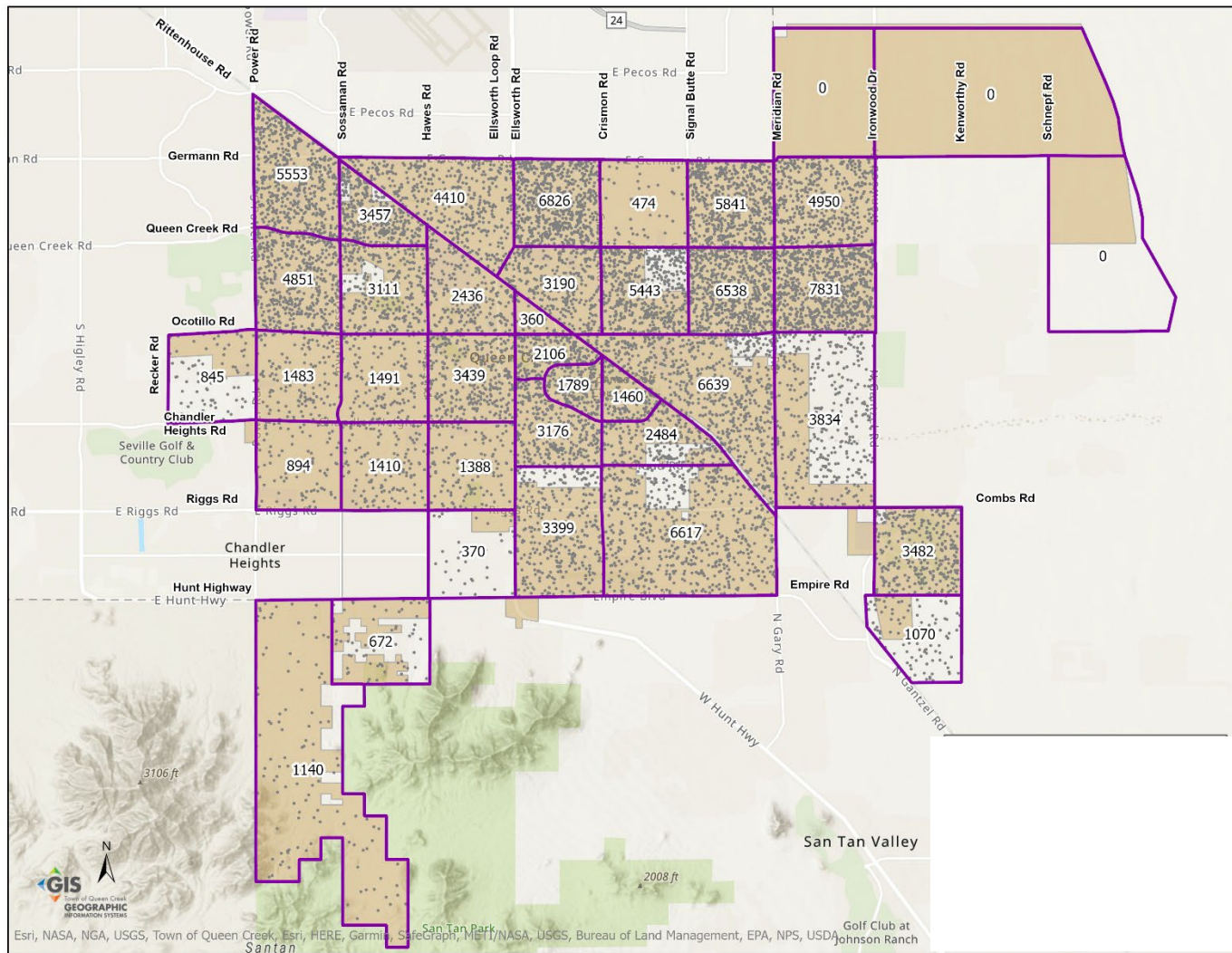
Population 76,500



2033

Population 128,300

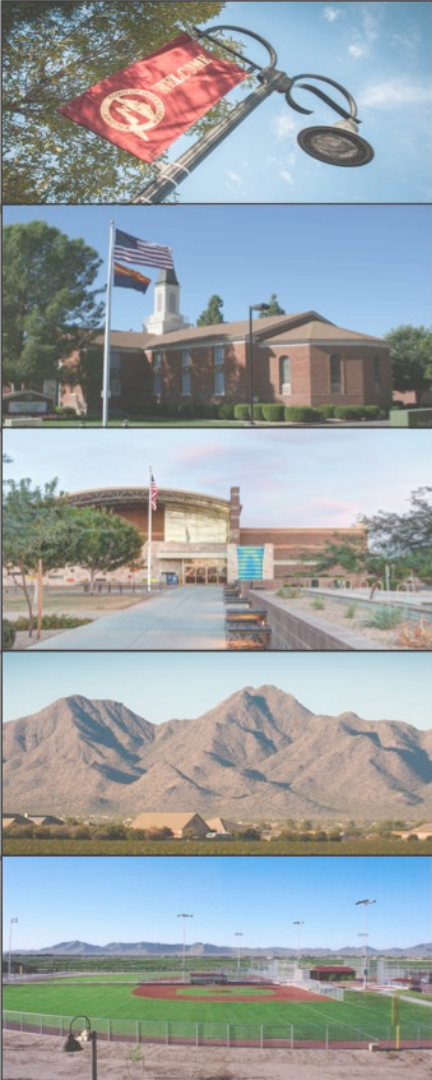
+66%





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

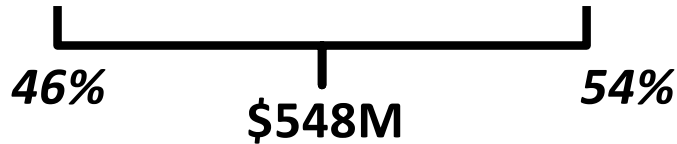


HOW ARE COSTS ALLOCATED?

- 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>
TOTAL	\$731M	\$257M	\$291M	\$183M	\$474M



*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%
Amount From Impact Fees	\$111M	43%



NEXT STEPS AND CALENDAR

NEXT STEPS

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



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