

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION**

Date: October 21, 2010

SUBJECT: Deferral of Development Impact Fees and Water/Wastewater Connection Charges Until Certificate of Occupancy

SUBMITTING DEPARTMENT: Community Development Department

PREPARED BY: Richard T. Parker, Community Development Director

AGENDA LOCATION: Comments/Communications , Consent , Work/Study ,
New Business , Public Hearing , Second Reading

ATTACHMENTS: None

ARS §9-463.05(B)(3) permits Arizona municipalities to enter into development agreements deferring payment of development impact fees past the issuance of construction permits, with provision for appropriate security. In recent years, the Town has used this option with the developer of multi-unit housing in the Downtown to assist him in obtaining financing through the federal programs involved.

A developer of one of the Town's master-planned communities has now indicated that certain housing products appear to be attracting new buyers in Maricopa County, and might be successful in this area. However, it remains difficult (if not impossible) to receive bank financing for any new construction. Construction of this new housing product would likely require a developer to use cash financing. Although the Town's development impact fees and water/wastewater connection charges only represent about eighty-five hundred dollars (\$8,500) of the total cost per residential unit, paying these fees up front before there is certainty of a buyer adds to the risk involved. If that particular risk were removed, it would at least remove that deterrent from possible construction of this new residential product. Of course, the Town would take on some risk related to collection of these fees, but that risk could arguably be managed based on ultimate control over issuance of certificates of occupancy and the ability to negotiate other appropriate security.

Council is being asked if staff may move ahead with discussions with interested residential developers about possible development agreements that would provide for deferral of development impact fees and water/wastewater connection charges for specific projects, up to the time of issuing a certificate of occupancy.

OPTIONS ANALYSIS: None - Work Study

ACTION OPTION: None - Work Study

RECOMMENDATION: None - Work Study

FISCAL ANALYSIS: Typically it takes approximately three (3) months to complete construction of single-family residences in a master planned community. Based on Town Code, residential construction must typically be completed within one year after issuance of building permits. Deferring these fees to the time when a certificate of occupancy is issued for a single-family residence adds some risk of ultimate payment and results in a loss of investment income once the payment is made. However, from an

administration standpoint, the Community Development Department does have software that could help manage such a deferral policy when development agreements have been entered into.

REVIEWED BY:

Management Services Director _____

Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____