

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: December 8, 2011**

SUBJECT: Development Impact Fees Resolution Per SB 1525

SUBMITTING DEPARTMENT: Town Manager's Office

PREPARED BY: Ryan Judy, Deputy Town Manager

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

ATTACHMENTS: a) Original Resolution No. 1461, and b) Amending Resolution No. 1775

SUMMARY/BACKGROUND: Development Impact Fees (DIFs) are one-time charges applied to new development in order to alleviate its "impact" on current public improvements and services. The intent is to ensure that "growth pays for growth" and that existing residents are not unduly burdened to pay for new improvements and services needed to accommodate growth. DIFs have been assessed by the Town of Prescott Valley since adoption of a recreation fee by Resolution No. 624 on April 27, 1995. DIFs were most recently revised by Resolution No. 1461 on September 14, 2006.

When DIFs were revised by Resolution No. 1183 on May 8, 2003, the Town Council adopted the recommendation from a citizen's advisory committee that the Circulation System, Public Safety and Civic fees applicable to non-residential development be suspended for a period of three (3) years in order to incentivize the commercial and industrial base of the Town. This suspension was subsequently extended by Resolution No. 1431 (May 25, 2006), Resolution No. 1461 (Sep 14, 2006), Resolution No. 1590 (Jun 26, 2008), and Resolution No. 1712 (Jul 22, 2010). In the meantime, on Nov 9, 2006, the Homebuilders Association of Central Arizona (HACA) filed suit against the Town and the City of Prescott for this practice. Over time, the two communities were successful in court in defending the practice both at the local level (Summary Judgment May 4, 2009) and on appeal (Memorandum Decision Sep 28, 2010), based on an argument that non-residential development provides other benefits to the Town in the form of transaction privilege taxes (TPT) ad valorem taxes for jurisdictions that apply them, (i.e. school district, fire district), and new employment. However, HACA decided to carry its arguments to the Legislature. Over several sessions, HACA effectively lobbied for new limits on the ability of cities and towns to collect DIFs. Particularly sweeping changes were adopted by the Legislature during the most recent session through Senate Bill 1525.

Among other things, SB 1525 now prohibits cities and towns from waiving any fees for non-residential development. It also removes certain categories of growth impacts from those available for application of DIFs, while recognizing that municipalities may have issued bonds or other financial obligations based on such DIFs and, therefore, allowing such DIFs to continue to be collected until the financial obligations have been met.

Therefore, staff now proposes to adopt Resolution No. 1775 adjusting the Town's DIF structure to rescind the assessment of the Civic Fee and discontinue application of any Fees to schools (as of January 1, 2012), reconfirm assessment of the Library Fee until such time as the Town's Certificates of Participation, Series 2007 (related to financing of the Joint Facilities Building), have been paid in full, and extend the suspension of assessment of the Circulation System and Public Safety Fees against non-

residential development until August 1, 2014 (or adoption of new fees in accordance with SB 1525, whichever is sooner).

OPTIONS ANALYSIS: The Town Council may adopt Resolution No. 1775 amending Resolution No. 1461 as described, suggest amendments prior to adoption of Resolution No. 1775, or decline to adopt Resolution No. 1775 at this time.

ACTION OPTION: Motion to authorize the Mayor (or, in his absence, the Vice-Mayor) to sign Resolution No. 1775 amending Resolution No. 1461 to rescind assessment of the Civic Development Impact Fee and discontinue application of any Development Impact Fees to schools (as of January 1, 2012), reconfirm assessment of the Library Fee until such time as the Town's Certificates of Participation, Series 2007, have been paid in full, and extend the suspension of assessment of the Circulation System and Public Safety Development Impact Fees against non-residential development until August 1, 2014 or adoption of new fees in accordance with SB 1525 (whichever is sooner), **OR** Motion not to approve Resolution No. 1775. **VOTE.**

RECOMMENDATION: Staff recommends adoption of Resolution No. 1775.

FISCAL ANALYSIS: DIFs have played an important role in the Town's fiscal picture since 1995. It is expected that as Arizona slowly emerges from the current recession, that Prescott Valley (like other Arizona cities and towns) will need to be prepared to have effective DIFs that recover costs for needed public improvements and services for the next round of growth, without stifling that growth. There will be a substantial cost to update the DIF study and any new rates will likely bear little resemblance to the existing rates due to reduced capital outlay.

REVIEWED BY:

Management Services Director _____

Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____