

ORDINANCE NO. 764

AN ORDINANCE OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF PRESCOTT VALLEY, A MUNICIPAL CORPORATION OF ARIZONA, ADOPTING BY REFERENCE A DOCUMENT ENTITLED "DEVELOPMENT IMPACT FEES" (DECLARED BY RESOLUTION NO. 1776 TO BE A PUBLIC RECORD), WHICH REPEALS AND RE-ENACTS ARTICLE 7-11 "DEVELOPMENT FEES" IN CHAPTER 7 "BUILDING" OF THE TOWN CODE TO ENSURE THAT TOWN PROVISIONS FOR ENACTMENT OF DEVELOPMENT IMPACT FEES ARE IN CONFORMANCE WITH NEWLY-ENACTED STATE LAW AND WITH THE PRACTICE OF OTHER ARIZONA MUNICIPALITIES; AND PROVIDING THAT ALL OTHER ARTICLES OF CHAPTER 7 "BUILDING", NOT HEREIN REPEALED OR AMENDED, SHALL REMAIN IN FULL FORCE AND EFFECT; AND PROVIDING THAT THIS ORDINANCE SHALL BE EFFECTIVE THIRTY (30) DAYS AFTER ITS PASSAGE AND APPROVAL ACCORDING TO LAW.

WHEREAS, ARS §9-463.05 provides for imposition of development impact fees by Arizona cities and towns to offset costs associated with providing "necessary public services" to new development; and

WHEREAS, on March 22, 1995, the Town Council adopted Ordinance No. 357 establishing a procedure for adoption of development impact fees in accordance with ARS §9-463.05; and

WHEREAS, beginning with Resolution No. 624 (April 27, 1995), the Council has implemented certain development impact fees from time to time in order to provide necessary public services related to new development; and

WHEREAS, the Arizona Legislature has also, from time to time, amended ARS §9-463.05 at the behest of home builders; and

WHEREAS, most recently the Legislature has adopted SB 1525 which substantially revises ARS §9-463.05 and provides for other limitations on future application of development impact fees; and

WHEREAS, the Arizona League of Cities and Towns has prepared a model ordinance establishing procedures for adoption of development impact fees in conformance with SB 1525 and has encouraged all Arizona municipalities to adopt the same (after choosing among various options therein); and

WHEREAS, the Council desires now to repeal Town Code Article 7-11 "DEVELOPMENT FEES" and to enact a new Article 7-11 "DEVELOPMENT IMPACT FEES" in accordance with the League's model ordinance (having first selected certain of the options that are most compatible with the Town's past practice); and

WHEREAS, ARS §9-802 provides for adoption by reference of "public records"; and

WHEREAS, the document entitled "Development Impact Fees" has been declared by Resolution No. 1776 to be a "public record";

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF PRESCOTT VALLEY, AS FOLLOWS:

Section 1. That that certain document entitled "Development Impact Fees" which repeals and re-enacts Article 7-11 "DEVELOPMENT FEES" in Chapter 7 "BUILDING" of the Town Code [declared to be a "public record" by Resolution No. 1776 (and available for public inspection in the office of the Town Clerk, 7501 East Civic Circle, Prescott Valley, Arizona, 86314)], is hereby referred to, adopted, and made a part hereof as if fully set forth herein.

Section 2. That all other Articles of Chapter 7 "BUILDING", of the Town Code of the Town of Prescott Valley, not herein repealed or amended, shall remain in full force and effect.

Section 3. That this Ordinance shall be effective thirty (30) days after its passage and approval according to law.

PASSED AND APPROVED by the Mayor and Common Council of the Town of Prescott Valley, this 12th day of January, 2012.

HARVEY C. SKOOG, Mayor

ATTEST:

Diane Russell, Town Clerk

APPROVED AS TO FORM:

Ivan Legler, Town Attorney

DEVELOPMENT IMPACT FEES

SECTION 1. That Article 7-11 "DEVELOPMENT FEES" in Chapter 7 "BUILDING" of the Town Code of the Town of Prescott Valley, Arizona, be hereby repealed in its entirety.

SECTION 2. That a new Article 7-11 "DEVELOPMENT IMPACT FEES" be hereby enacted in Chapter 7 "BUILDING" of the Town Code.

SECTION 3. That a new Section 7-11-010 "Title" in Article 7-11 "DEVELOPMENT IMPACT FEES" in Chapter 7 "BUILDING" of the Town Code be hereby enacted to read as follows.

7-11-010 Title.

This Article shall be known as the "2011 Development Impact Fee Ordinance of the Town of Prescott Valley," and may be cited as such.

SECTION 4. That a new Section 7-11-020 "Legislative Intent and Purpose" in Article 7-11 "DEVELOPMENT IMPACT FEES" in Chapter 7 "BUILDING" of the Town Code be hereby enacted to read as follows.

7-11-020 Legislative Intent and Purpose.

This Article is adopted for the purpose of promoting the health, safety and general welfare of the residents of the Town by:

- A. Requiring new development to pay its proportionate share of the costs incurred by the Town that are associated with providing Necessary Public Services to new development.
- B. Setting forth standards and procedures for creating and assessing development impact fees consistent with the requirements of Arizona Revised Statutes ("A.R.S.") §9-463.05, including requirements pursuant to A.R.S. §9-463.05(K) that, on or before August 1, 2014, the Town replace its development impact fees that were adopted prior to January 1, 2012 with development impact fees adopted pursuant to the requirements of A.R.S. §9-463.05 as amended by the state legislature in SB 1525, Fiftieth Legislature, First Regular Session.
- C. Providing for the temporary continuation of certain development impact fees adopted prior to January 1, 2012 until otherwise replaced pursuant to this Article, or longer where such development impact fees were pledged to support Financing or Debt for a Grandfathered Facility as permitted by A.R.S. §9-463.05(K), (R), and (S).

- D. Setting forth procedures for administering the development impact fee program, including mandatory offsets, Credits, and refunds of development impact fees. All development impact fee assessments, offsets, Credits, or refunds must be administered in accordance with the provisions of this Article.

This Article shall not affect the Town’s zoning authority or its authority to adopt or amend its General Plan, provided that planning and zoning activities by the Town may require amendments to development impact fees as provided in Article 7-11-070 of this Article.

SECTION 5. That a new Section 7-11-030 “Definitions” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-030 Definitions.

- A. When used in this Article, the terms listed below shall have the following meanings unless the context requires otherwise. Singular terms shall include their plural.
 - 1. Applicant: A person who applies to the Town for a Building Permit.
 - 2. Appurtenance: Any fixed machinery or equipment, structure or other fixture, including integrated hardware, software or other components, associated with a Capital Facility that are necessary or convenient to the operation, use, or maintenance of a Capital Facility, but excluding replacement of the same after initial installation.
 - 3. Aquatic Center: A facility primarily designed to host non-recreational competitive functions generally occurring within water, including, but not limited to, water polo games, swimming meets, and diving events. Such facility may be indoors, outdoors, or any combination thereof, and includes all necessary supporting amenities, including but not limited to, locker rooms, offices, snack bars, bleacher seating, and shade structures.
 - 4. Building Permit: Any permit issued by the Town that authorizes vertical construction, increases square footage, authorizes changes to land use, or provides for the addition of a residential or non-residential point of demand to a water or wastewater system.
 - 5. Capital Facility: An asset having a Useful Life of three (3) or more years that is a component of one (1) or more Categories of Necessary Public Service provided by the Town. A Capital Facility may include any associated purchase of real property, architectural and engineering services leading to the design and

construction of buildings and facilities, improvements to existing facilities, improvements to or expansions of existing facilities, and associated financing and professional services. Wherever used herein, “infrastructure” shall have the same meaning as “Capital Facilities.”

6. Category of Necessary Public Service: A category of Necessary Public Services for which the Town is authorized to assess development impact fees, as further defined in Section 7-11-080(A)(1) of this Article.
7. Category of Development: A specific category of residential, commercial, or industrial development against which a development impact fee is calculated and assessed. The Town assesses development impact fees against the following categories of development: single-family housing, multi-family housing, retail, commercial/office and industrial.
8. Commercial/Office Land Use: That category of land use that includes office and commercial facilities which act as a buffer between residential and other areas and which do not typically offer materials or equipment for sale, as further defined and regulated in Article 13 of the Town Code.
9. Credit: A reduction in an assessed development impact fee resulting from developer contributions to, payments for, construction of, or dedications for capital facilities included in an Infrastructure Improvements Plan pursuant to Section 7-11-120 of this Article (or as otherwise permitted by this Article).
10. Credit Agreement: A written agreement between the Town and the developer(s) of Subject Development that allocates Credits to the Subject Development pursuant to Section 7-11-120 of this Article. A Credit Agreement may be included as part of a Development Agreement pursuant to Section 7-11-130 of this Article.
11. Credit Allocation: A term used to describe when Credits are distributed to a particular development or parcel of land after execution of a Credit Agreement, but are not yet issued.
12. Credit Issuance: A term used to describe when the amount of an assessed development impact fee attributable to a particular development or parcel of land is reduced by applying a Credit allocation.
13. Developer: An individual, group of individuals, partnership, corporation, limited liability company, association, municipal corporation, state agency, or other person or entity undertaking land development activity, and their respective successors and assigns.

14. **Development Agreement:** An agreement prepared in accordance with the requirements of Section 7-11-130 of this Article, A.R.S. §9-500.05, and any applicable requirements of the Town Code.
15. **Direct Benefit:** A benefit to an EDU resulting from a Capital Facility that: (a) addresses the need for a Necessary Public Service created in whole or in part by the EDU; and that (b) meets either of the following criteria: (i) the Capital Facility is located in the immediate area of the EDU and is needed in the immediate area of the EDU to maintain the Level of Service; or (ii) the Capital Facility substitutes for, or eliminates the need for a Capital Facility that would have otherwise have been needed in the immediate area of the EDU to maintain the Town's Level of Service.
16. **Dwelling Unit:** A house, apartment, mobile home or trailer, group of rooms, or single room occupied as separate living quarters or, if vacant, intended for occupancy as separate living quarters.
17. **Equipment:** Machinery, tools, materials, and other supplies, not including vehicles, that are needed by a Capital Facility to provide the Level of Service specified by the Infrastructure Improvement Plan, but excluding replacement of the same after initial development of the Capital Facility.
18. **Equivalent Demand Unit (EDU):** A unit of development within a particular Category of Development, defined in terms of a standardized measure of the demand that a unit of development in that Category of Development generates for Necessary Public Services in relation to the demand generated by a detached single-family Dwelling Unit. For all Categories of Necessary Public Services, the EDU factor for a detached single-family Dwelling Unit is one (1), while the EDU factor for a unit of development within another Category of Development is represented as a ratio of the demand for each Category of Necessary Public Services typically generated by that unit as compared to the demand for such services typically generated by a detached single-family Dwelling Unit. An EDU shall be a "service unit" for purposes of A.R.S. §9-463.05(T)(10).
19. **Excluded Library Facility:** Library facilities for which development impact fees may not be charged pursuant to A.R.S. §9-463.05, including that portion of any Library facility that exceeds 10,000 square feet, and Equipment, Vehicles or Appurtenances associated with Library operations.
20. **Excluded Park Facility:** Park and recreational facilities for which development impact fees may not be charged pursuant to A.R.S. §9-463.05, including amusement parks, aquariums, Aquatic Centers, auditoriums, arenas, arts and cultural facilities, bandstand and orchestra facilities, bathhouses, boathouses,

clubhouses, community centers greater than 3000 square feet in floor area, environmental education centers, equestrian facilities, golf course facilities, greenhouses, lakes, museums, theme parks, water reclamation or riparian areas, wetlands, or zoo facilities.

20. **Fee Report:** A written report developed pursuant to Section 7-11-090 of this Article that identifies the methodology for calculating the amount of each development impact fee, explains the relationship between the development impact fee to be assessed and the Plan-Based Cost per EDU calculated in the Infrastructure Improvements Plan, and which meets other requirements set forth in A.R.S. §9-463.05.
21. **Financing or Debt:** Any debt, bond, note, loan, interfund loan, fund transfer, or other debt service obligation used to finance the development or expansion of a Capital Facility.
22. **Grandfathered Facilities:** Capital Facilities provided through Financing or Debt incurred before June 1, 2011 for which a development impact fee has been Pledged towards repayment as described in Section 7-11-050(C) of this Article.
23. **General Plan:** Refers to the overall land-use plan for the Town establishing areas of the Town for different purposes, zones and activities adopted pursuant to Town Resolution 1066, as amended, and including any specific area plans adopted by Town Resolution.
24. **Gross Impact Fee:** The total development impact fee to be assessed against a Subject Development on a per unit basis, prior to subtraction of any Credits.
25. **Industrial Land Use:** That category of land use that includes manufacturing development, wholesale & commercial uses as further defined and regulated in Article 13 of the Town Code.
26. **Infrastructure Improvements Plan:** A document or series of documents that meet the requirements set forth in A.R.S. §9-463.05, including those adopted pursuant to Section 7-11-090 of this Article to cover any Category or combination of Categories of Necessary Public Services.
27. **Interim Fee Schedule:** Any development impact fee schedule established prior to January 1, 2012 in accordance with then-applicable law, and which shall expire not later than August 1, 2014 pursuant to Section 7-11-110 of this Article.
28. **Land Use Assumptions:** Projections of changes in land uses, densities, intensities and population for a Service Area over a period of at least ten (10) years as

specified in Section 7-11-070 of this Article.

29. Level of Service: A quantitative and/or qualitative measure of a Necessary Public Service that is to be provided by the Town to development in a particular Service Area, defined in terms of the relationship between service capacity and service demand, accessibility, response times, comfort or convenience of use, or other similar measures or combinations of measures. Level of Service may be measured differently for different Categories of Necessary Public Services, as identified in the applicable Infrastructure Improvements Plan.
30. Library Facilities: A Category of Necessary Public Services in which literary, musical, artistic, or reference materials are kept (materials may be kept in any form of media such as electronic, magnetic, or paper) for non-commercial use by the public in a facility providing a Direct Benefit to development. Libraries do not include Excluded Library Facilities, although a Library may contain, provide access to, or otherwise support an Excluded Library Facility.
31. Necessary Public Services: “Necessary Public Services” shall have the meaning prescribed in A.R.S. §9-463.05(T)(5).
32. Offset: An amount which is subtracted from the overall costs of providing Necessary Public Services to account for those capital components of infrastructure or associated debt that have been or will be paid for by a development through taxes, fees (except for development impact fees), and other revenue sources, as determined by the Town pursuant to Section 7-11-080 of this Article.
33. Parks and Recreational Facilities: A Category of Necessary Public Services including but not limited to parks, swimming pools and related facilities and equipment located on real property not larger than 30 acres in area, as well as park facilities larger than thirty (30) acres where such facilities provide a Direct Benefit. Parks and Recreational Facilities do not include Excluded Park Facilities, although Parks and Recreational Facilities may contain, provide access to, or otherwise support an Excluded Park Facility.
34. Plan-Based Cost Per EDU: The total future capital costs listed in the Infrastructure Improvements Plan for a Category of Necessary Public Services divided by the total new equivalent demand units projected in a particular Service Area for that Category of Necessary Public Services over the same time period.
35. Pledged: Where used with reference to a development impact fee, a development impact fee shall be considered “pledged” where it was identified by the Town as a source of payment or repayment for Financing or Debt that was identified as the

source of financing for a Necessary Public Service for which a development impact fee was assessed pursuant to the then-applicable provisions of A.R.S. §9-463.05.

36. Police Facilities: A Category of Necessary Public Services, including Vehicles and Equipment, that are used by law enforcement agencies to preserve the public peace, prevent crime, detect and arrest criminal offenders, protect the rights of persons and property, regulate and control motorized and pedestrian traffic, train sworn personnel, and/or provide and maintain police records, vehicles, equipment, and communications systems. Police Facilities do not include Vehicles and Equipment used to provide administrative services, or helicopters or airplanes. Police Facilities do not include any facility that is used for training officers from more than one (1) station or substation.
37. Private School: An institution of learning offering education for children which charges students tuition, including some or all of the grades from kindergarten through twelfth (12th) grade. The site may contain athletic, dining, assembly and recreation facilities.
38. Public School: An institution of learning offering free education for all children, including some or all of the grades from kindergarten through 12th grade. The site may contain athletic, dining, assembly and recreation facilities.
39. Qualified Professional: Any 1 of the following: (a) a professional engineer, surveyor, financial analyst or planner, or other licensed professional providing services within the scope of that person's education or experience related to Town planning, zoning, or impact development fees and holding a license issued by an agency or political subdivision of the State of Arizona; (b) a financial analyst, planner, or other non-licensed professional that is providing services within the scope of the person's education or experience related to Town planning, zoning, or impact development fees; or (c) any other person operating under the supervision of 1 or more of the above.
40. Residential Land Use: That category of land use that includes single-family and multi-family dwelling units as further defined and regulated in Article 13 of the Town Code.
41. Retail: That category of land use that typically generates transaction privilege taxes for the Town as further defined and regulated in Article 13 of the Town Code.
42. Service Area: Any specified area within the boundaries of the Town within which: (a) the Town will provide a Category of Necessary Public Services to

development at a planned Level of Service; and (b) within which (i) a Substantial Nexus exists between the Capital Facilities to be provided and the development to be served, or (ii) in the case of Library Facilities or a Park Facility larger than 30 acres, a Direct Benefit exists between the Library Facilities or Park Facilities and the development to be served, each as prescribed in the Infrastructure Improvements Plan. Some or all of the Capital Facilities providing service to a Service Area may be physically located outside of that Service Area provided that the required Substantial Nexus or Direct Benefit is demonstrated to exist.

43. Street Facilities: A Category of Necessary Public Services including arterial or collector streets or roads, traffic signals, rights-of-way, and improvements thereon, bridges, culverts, irrigation tiling, storm drains, and regional transportation facilities.
44. Storm Drainage: A Category of Necessary Public Services including but not limited to storm sewers constructed in sizes needed to provide for stormwater management for areas beyond major street projects and stormwater detention/retention basins, tanks, pump stations and channels necessary to provide for proper stormwater management, including any appurtenances for those facilities.
45. Subject Development: A land area linked by a unified plan of development, which must be contiguous unless the land area is part of a development agreement executed in accordance with Section 7-11-130 of this Article.
46. Substantial Nexus: A substantial nexus exists where the demand for Necessary Public Services that will be generated by an EDU can be reasonably quantified in terms of the burden it will impose on the available capacity of existing Capital Facilities, the need it will create for new or expanded Capital Facilities, and/or the benefit to the development from those Capital Facilities.
47. Swimming Pool: A public facility primarily designed and/or utilized for recreational non-competitive functions generally occurring within water, including, but not limited to, swimming classes, open public swimming sessions, and recreational league swimming/diving events. The facility may be indoors, outdoors, or any combination thereof, and includes all necessary supporting amenities.
48. Town: The Town of Prescott Valley, Arizona.
49. Useful Life: The period of time in which an asset can reasonably be expected to be used under normal conditions, whether or not the asset will continue to be owned and operated by the Town over the entirety of such period.

- 50. Vehicle: Any device, structure, or conveyance utilized for transportation in the course of providing a particular Category of Necessary Public Services at a specified Level of Service, excluding helicopters and other aircraft.
- 51. Warehouse: That category of land use for goods that typically are for storage and distribution as further defined and regulated in Article 13 of the Town Code.
- 52. Wholesale: That category of land use for goods that typically are not for sale to the general public and may generate TPT as further defined and regulated in Article 13 of the Town Code.

SECTION 6. That a new Section 7-11-040 “Applicability” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-040 **Applicability.**

- A. Except as otherwise provided herein, from and after January 1, 2012, this Article shall apply to all new development within any Service Area, except for the development of any public school, private school or Town facility.
- B. The provisions of this Article shall apply to all of the territory within the corporate limits of the Town.
- C. The Town manager or his/her designee is authorized to make determinations regarding the application, administration and enforcement of the provisions of this Article.

SECTION 7. That a new Section 7-11-050 “Authority for Development Impact Fees” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-050 **Authority for Development Impact Fees.**

- A. Fee Report and Implementation. The Town may assess and collect a development impact fee for costs of Necessary Public Services, including all professional services required for the preparation or revision of an Infrastructure Improvements Plan, Fee Report, development impact fee, and required reports or audits conducted pursuant to this Article. Development impact fees shall be subject to the following requirements:
 - 1. The Town shall develop and adopt a Fee Report that analyzes and defines the

development impact fees to be charged in each Service Area for each Capital Facility Category, based on the Infrastructure Improvements Plan and the Plan-Based Cost per EDU calculated pursuant to Section 7-11-080(A)(12) of this Article.

2. Development impact fees shall be assessed against all new retail, commercial/office, residential, and industrial developments, provided that the Town may assess different amounts of development impact fees against specific Categories of Development based on the actual burdens and costs that are associated with providing Necessary Public Services to that Category of Development. No development impact fee shall exceed the Plan-Based Cost per EDU for any Category of Development.
 3. No development impact fees shall be charged, or Credits issued, for any Capital Facility that does not fall within one (1) of the Categories of Necessary Public Services for which development impact fees may be assessed as identified in Section 7-11-080(A)(1) of this Article.
 4. Costs for Necessary Public Services made necessary by new development shall be based on the same Level of Service provided to existing development in the same Service Area. Development impact fees may not be used to provide a higher Level of Service to existing development or to meet stricter safety, efficiency, environmental, or other regulatory standards to the extent that these are applied to existing Capital Facilities that are serving existing development.
 5. Development impact fees may not be used to pay the Town's administrative, maintenance, or other operating costs.
 6. Projected interest charges and financing costs can only be included in development impact fees to the extent they represent principal and/or interest on the portion of any Financing or Debt used to finance the construction or expansion of a Capital Facility identified in the Infrastructure Improvements Plan.
 7. Except for any fees included on Interim Fee Schedules, all development impact fees charged by the Town must be included in a "Fee Schedule" prepared pursuant to this Article and included in the Fee Report.
 8. All development impact fees shall meet the requirements of A.R.S. §9-463.05.
- B. Costs per EDU. The Fee Report shall summarize the costs of Capital Facilities necessary to serve new development on a per EDU basis as defined and calculated in the Infrastructure Improvements Plan, including all required Offsets, and shall recommend a

development impact fee structure for adoption by the Town. The actual impact fees to be assessed shall be disclosed and adopted in the form of impact fee schedules adopted by Resolution of the Town Council by the procedures contained herein.

C. Carry-over of Previously-Established Development Impact Fees and Grandfathered Facilities. Notwithstanding the requirements of this Article, certain development impact fees adopted by the Town prior to the effective date of this Article shall continue in effect as follows:

1. Until August 1, 2014 or the date a new development impact fee is adopted for the applicable Category of Necessary Public Services in a Service Area pursuant to this Article, whichever occurs first, development impact fees established prior to January 1, 2012 shall continue in full force and effect to the extent that the development impact fee is used to provide a Category of Necessary Public Services that is authorized by Section 7-11-080 of this Article. Development impact fees collected prior to January 1, 2012, shall be expended on Capital Facilities within the same Category of Necessary Public Services for which they were collected.
2. The Town may continue to collect and use any development impact fee established before January 1, 2012, even if the development impact fee would not otherwise be permitted to be collected and spent pursuant to A.R.S. §9-463.05, as amended by the state legislature in SB 1525, Fiftieth Legislature, First Regular Session, if either of the following apply:
 - a. Both of the following conditions are met:
 - i. Prior to June 1, 2011, the development impact fee was Pledged towards the repayment of Financing or Debt incurred by the Town to provide a Capital Facility.
 - ii. The applicable Capital Facility was included in the Town's Infrastructure Improvements Plan, or other Town planning document prepared pursuant to applicable law, prior to June 1, 2011.
 - b. Before August 1, 2014, the Town uses the development impact fee to finance a Capital Facility in accordance with A.R.S. §9-463.05(S).
3. Defined terms in any previously established fee schedule shall be interpreted according to the ordinance in effect at the time of their adoption.

SECTION 8. That a new Section 7-11-060 “Administration of Development Impact Fees” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-060 Administration of Development Impact Fees.

- A. Separate Accounts. Development impact fees collected pursuant to this Article shall be placed in separate, interest-bearing accounts for each Capital Facility category within each Service Area.
- B. Limitations on Use of Fees. Development impact fees and any interest thereon collected pursuant to this Article shall be spent to provide Capital Facilities associated with the same Category of Necessary Public Services in the same Service Area for which they were collected, including costs of Financing or Debt used by the Town to finance such Capital Facilities and other costs authorized by this Article that are included in the Infrastructure Improvements Plan.
- C. Time Limit. Development impact fees collected after July 31, 2014 shall be used within ten (10) years of the date upon which they were collected for all Categories of Necessary Public Services.

SECTION 9. That a new Section 7-11-070 “Land Use Assumptions” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-070 Land Use Assumptions.

The Infrastructure Improvements Plan shall be consistent with the Town’s current Land Use Assumptions for each Service Area and each Category of Necessary Public Services as adopted by the Town pursuant to A.R.S. §9-463.05.

- A. Reviewing the Land Use Assumptions. Prior to the adoption or amendment of an Infrastructure Improvements Plan, the Town shall review and evaluate the Land Use Assumptions on which the Infrastructure Improvements Plan is to be based to ensure that the Land Use Assumptions within each Service Area conform to the General Plan.
- B. Evaluating Necessary Changes. If the Land Use Assumptions upon which an Infrastructure Improvements Plan is based have not been updated within the last five (5) years, the Town shall evaluate the Land Use Assumptions to determine whether changes are necessary. If, after general evaluation, the Town determines that the Land Use Assumptions are still valid, the Town shall issue the report required in Section 7-11-100 of this Article.

- C. Required Modifications to Land Use Assumptions. If the Town determines that changes to the Land Use Assumptions are necessary in order to adopt or amend an Infrastructure Improvements Plan, it shall make such changes as necessary to the Land Use Assumptions prior to or in conjunction with the review and approval of the Infrastructure Improvements Plan pursuant to Section 7-11-100 of this Article.

SECTION 10. That a new Section 7-11-080 “Infrastructure Improvements Plan” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-080 Infrastructure Improvements Plan.

- A. Infrastructure Improvements Plan Contents. The Infrastructure Improvements Plan shall be developed by Qualified Professionals and may be based upon or incorporated within the Town’s Capital Improvements Plan. The Infrastructure Improvements Plan shall:
1. Specify the Categories of Necessary Public Services for which the Town may impose a development impact fee, which may include any or all of the following:
 - a. Stormwater, Drainage, and Flood Control
 - b. Libraries
 - c. Street Facilities
 - d. Police
 - e. Parks
 2. Define and provide a map of one (1) or more Service Areas within which the Town will provide each Category of Necessary Public Services for which development impact fees will be charged. Each Service Area must be defined in a manner that demonstrates a Substantial Nexus between the Capital Facilities to be provided in the Service Area and the EDUs to be served by those Capital Facilities. For Libraries and for Parks larger than thirty (30) acres, each Service Area must be defined in a manner that demonstrates a Direct Benefit between the Capital Facilities and the EDUs to be served by those Capital Facilities. The Town may cover more than 1 category of Capital Facilities in the same Service Area provided that there is an independent Substantial Nexus or Direct Benefit, as applicable, between each Category of Necessary Public Services and the EDUs to be served.

3. Identify and describe the Land Use Assumptions upon which the Infrastructure Improvements Plan is based in each Service Area.
4. Analyze and identify the existing Level of Service provided by the Town to existing EDUs for each Category of Necessary Public Services in each Service Area.
5. Identify the Level of Service to be provided by the Town for each Category of Necessary Public Services in each Service Area based on the relevant Land Use Assumptions and any established Town standards or policies related to required Levels of Service. If the Town provides the same Category of Necessary Public Services in more than 1 Service Area, the Infrastructure Improvements Plan shall include a comparison of the Levels of Service to be provided in each Service Area.
6. For each Category of Necessary Public Services, analyze and identify the existing capacity of the Capital Facilities in each Service Area, the utilization of those Capital Facilities by existing EDUs, and the available excess capacity of those Capital Facilities to serve new EDUs including any existing or planned commitments or agreements for the usage of such capacity. The Infrastructure Improvements Plan shall additionally identify: (a) any changes or upgrades to existing Capital Facilities that will be needed to achieve or maintain the planned Level of Service to existing EDUs, or to meet new safety, efficiency, environmental, or other regulatory requirements for services provided to existing EDUs; and (b) those portions of Capital Facilities that will be necessary to serve any new public school, private school, or Town facility for which development impact fees will not be assessed.
7. Identify any Grandfathered Facilities and the impact thereof on the need for Necessary Public Services in each affected Service Area.
8. Estimate the total number of existing and future EDUs within each Service Area based on the Town's Land Use Assumptions and projected new EDUs in each Service Area.
9. Based on the analysis in Subsections (3)-(6) above, provide a summary table or tables describing the Level of Service for each Category of Necessary Public Services by relating the required Capital Facilities to EDUs in each Service Area, and identifying the applicable EDU factor associated with each Category of Development.
10. For each Category of Necessary Public Services, analyze and identify the

projected utilization of any available excess capacity in existing Capital Facilities, and all new or expanded Capital Facilities that will be required to provide and maintain the planned Level of Service in each Service Area as a result of the new projected EDUs in that Service Area, for a period not to exceed ten (10) years. Nothing in this Subsection shall prohibit the Town from additionally including in its Infrastructure Improvements Plan projected utilization of, or needs for, Capital Facilities for a period longer than 10 years, provided that the costs of such Capital Facilities are excluded from the calculation of the Plan-Based Cost per EDU.

11. For each Category of Necessary Public Services, estimate the total cost of any available excess capacity and/or new or expanded Capital Facilities that will be required to serve new EDUs, including costs of land acquisition, improvements, engineering and architectural services, studies leading to design, design, construction, financing, and administrative costs, as well as projected costs of inflation. Such total costs shall not include costs for ongoing operation and maintenance of Capital Facilities, nor for replacement of Capital Facilities to the extent that such replacement is necessary to serve existing EDUs. If the Infrastructure Improvements Plan includes changes or upgrades to existing Capital Facilities that will be needed to achieve or maintain the planned Level of Service to existing EDUs, or to meet new regulatory requirements for services provided to existing EDUs, such costs shall be identified and distinguished in the Infrastructure Improvements Plan.
12. Forecast the revenues from taxes, fees, assessments or other sources that will be available to fund the new or expanded Capital Facilities identified in the Infrastructure Improvements Plan, which shall include estimated state-shared revenue, highway users revenue, federal revenue, ad valorem property taxes, construction contracting or similar excise taxes and the capital recovery portion of utility fees attributable to development based on the approved land use assumptions. The Infrastructure Improvements Plan shall additionally estimate the time required to finance, construct and implement the new or expanded Capital Facilities.
13. Calculate required Offsets as follows:
 - a. From the forecasted revenues in Subsection (12) of this Section, identify those sources of revenue that: (i) are attributable to new development, and (ii) will contribute to paying for the capital costs of Necessary Public Services.
 - b. For each source and amount of revenue identified pursuant to Subsection (a) of this Subsection, calculate the relative contribution of each Category of Development to paying for the capital costs of Necessary Public

Services in each Service Area.

- c. Based on the relative contributions identified pursuant to Subsection (b) of this Subsection, for each Category of Necessary Public Services, calculate the total Offset to be provided to each Category of Development in each Service Area.
- d. For each Category of Necessary Public Services, convert the total Offset to be provided to each Category of Development in each Service Area into an offset amount per EDU by dividing the total Offset for each Category of Development by the number of EDUs associated with that Category of Development.
- e. Beginning August 1, 2014, for purposes of calculating the required Offset, if the Town imposes a construction, contracting, or similar excise tax rate in excess of the percentage amount of the transaction privilege tax rate that is imposed on the majority of other transaction privilege tax classifications in the Town, the entire excess portion of the construction, contracting, or similar excise tax shall be treated as a contribution to the capital costs of Necessary Public Services provided to new development unless the excess portion is already utilized for such purpose pursuant to this Section.
- f. In determining the amount of required Offset for land included in a community facilities district established under A.R.S. Title 48, Chapter 4, Article 6, the Town shall take into account any Capital Facilities provided by the district that are included in the Infrastructure Improvements Plan and the capital costs paid by the district for such Capital Facilities, and shall offset impact fees assessed within the community facilities district proportionally.

14. Calculate the Plan-Based Cost per EDU by:

- a. Dividing the total projected costs to provide Capital Facilities to new EDUs for each Category of Necessary Public Services in each Service Area as determined pursuant to Subsection (9) of this Section into the number of new EDUs projected for that Service Area over a period not to exceed ten (10) years, considering the specific EDU factor(s) associated with such EDUs for each Category of Necessary Public Services.
- b. Subtracting the required Offset per EDU calculated pursuant to Subsection (11) of this Section.

B. Multiple Plans. An Infrastructure Improvements Plan adopted pursuant to this Subsection

may address one (1) or more of the Town's Categories of Necessary Public Services in any or all of the Town's Service Areas. Each Capital Facility shall be subject to no more than 1 Infrastructure Improvements Plan at any given time.

- C. **Reserved Capacity.** The Town may reserve capacity in an Infrastructure Improvements Plan to serve 1 or more planned future developments, including capacity reserved through a Development Agreement pursuant to Section 7-11-130 of this Article. All reservations of existing capacity must be disclosed in the Infrastructure Improvements Plan at the time it is adopted.

SECTION 11. That a new Section 7-11-090 "Adoption and Modification Procedures" in Article 7-11 "DEVELOPMENT IMPACT FEES" in Chapter 7 "BUILDING" of the Town Code be hereby enacted to read as follows.

7-11-090 Adoption and Modification Procedures.

- A. **Adopting or Amending the Infrastructure Improvements Plan.** The Infrastructure Improvements Plan shall be adopted or amended subject to the following procedures:
 - 1. **Major Amendments to the Infrastructure Improvements Plan.** Except as provided in Subsection (2) of this Subsection, the adoption or amendment of an Infrastructure Improvement Plan shall occur at one (1) or more public hearings according to the following schedule, and may occur concurrently with the adoption of an update of the Town's Land Use Assumptions as provided in Section 7-11-070 of this Article:
 - a. Sixty (60) days before the first (1st) public hearing regarding a new or updated Infrastructure Improvements Plan, the Town shall provide public notice of the hearing and post the Infrastructure Improvements Plan and the underlying Land Use Assumptions on its website; the Town shall additionally make available to the public the documents used to prepare the Infrastructure Improvements Plan and underlying Land Use Assumptions and the amount of any proposed changes to the Plan-Based Cost per EDU.
 - b. The Town shall conduct a public hearing on the Infrastructure Improvements Plan and underlying Land Use Assumptions at least 30 days, but no more than 60 days, before approving or disapproving the Infrastructure Improvements Plan.
 - 2. **Minor Amendments to the Infrastructure Improvements Plan.** Notwithstanding the other requirements of this Section, the Town may update the Infrastructure

Improvements Plan and/or its underlying Land Use Assumptions without a public hearing if all of the following apply:

- a. The changes in the Infrastructure Improvements Plan and/or the underlying Land Use Assumptions will not add any new Category of Necessary Public Services to any Service Area.
- b. The changes in the Infrastructure Improvements Plan and/or the underlying Land Use Assumptions will not increase the Level of Service to be provided in any Service Area.
- c. Based on an analysis of the Fee Report and the Town's adopted development impact fee schedules, the changes in the Infrastructure Improvements Plan and/or the underlying Land Use Assumptions would not, individually or cumulatively with other amendments undertaken pursuant to this Subsection, have caused a development impact fee in any Service Area to have been increased by more than five per cent (5%) above the development impact fee that is provided in the current development impact fee schedule.
- d. At least thirty (30) days prior to the date that the any amendment pursuant to this Section is adopted, the Town shall post the proposed amendments on the Town website and shall provide the Advisory Committee with written notice of the proposed amendments and the basis for compliance with this Section.

B. Amendments to the Fee Report. Any adoption or amendment of a Fee Report and fee schedule shall occur at one (1) or more public hearings according to the following schedule:

1. The first public hearing on the Fee Report must be held at least 30 days after the adoption or approval of and Infrastructure Improvements Plan as provided in Subsection (A) of this Section. The Town must give at least 30 days notice prior to the hearing, provided that this notice may be given on the same day as the approval or disapproval of the Infrastructure Improvements Plan.
2. The Town shall make the Infrastructure Improvements Plan and underlying Land Use Assumptions available to the public on the Town's website 30 days prior to the public hearing described in Subsection (1) of this Subsection.
3. The Fee Report may be adopted by the Town no sooner than 30 days, and no later than 60 days, after the hearing described in Subsection (1) of this Section.

4. The development fee schedules in the Fee Report adopted pursuant to this Subsection shall become effective seventy-five (75) days after adoption of the Fee Report by the Town.

SECTION 12. That a new Section 7-11-100 “Timing for the Renewal and Updating of the Infrastructure Improvements Plan and the Land Use Assumptions” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-100 Timing for the Renewal and Updating of the Infrastructure Improvements Plan and the Land Use Assumptions.

- A. Renewing the Infrastructure Improvements Plan. Except as provided in Subsection (B) of this Section, not later than every five (5) years the Town shall update the applicable Infrastructure Improvements Plan and Fee Report related to each Category of Necessary Public Services pursuant to Section 7-11-090 of this Article. Such 5-year period shall be calculated from the date of the adoption of the Infrastructure Improvements Plan or the date of the adoption of the Fee Report, whichever occurs later.
- B. Determination of No Changes. Notwithstanding Subsection (A) of this Section, if the Town determines that no changes to an Infrastructure Improvements Plan, underlying Land Use Assumptions, or Fee Report are needed, the Town may elect to continue the existing Infrastructure Improvements Plan and Fee Report without amendment by providing notice as follows:
 1. Notice of the determination shall be published at least one-hundred-eighty (180) days prior to the end of the 5-year period described in Subsection (A) of this Section.
 2. The notice shall identify the Infrastructure Improvements Plan and Fee Report that shall continue in force without amendment.
 3. The notice shall provide a map and description of the Service Area(s) covered by such Infrastructure Improvements Plan and Fee Report.
 4. The notice shall identify an address to which any resident of the Town may submit, within sixty (60) days, a written request that the Town update the Infrastructure Improvements Plan, underlying Land Use Assumptions, and/or Fee Report and the reasons and basis for the request.
- C. Response to Comments. The Town shall consider and respond within thirty (30) days to any timely requests submitted pursuant to Subsection (B)(4) of this Section.

SECTION 13. That a new Section 7-11-110 “Collection of Development Impact Fees” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-110 Collection of Development Impact Fees.

- A. Collection. Development impact fees, together with administrative charges assessed pursuant to Subsection (A)(6) of this Section, shall be calculated and collected prior to issuance of permission to commence development; specifically:
1. Unless otherwise specified pursuant to a Development Agreement adopted pursuant to 7-11-130 of this Article, development impact fees shall be paid prior to issuance of a building permit according to the current development impact fee schedule for the applicable Service Area(s) as adopted pursuant to this Article, or according to any other development impact fee schedule as authorized in this Article.
 2. If a building permit is not required for the development, but water or wastewater connections are required, any and all development impact fees due shall be paid at the time the water service connection is purchased. If only a wastewater connection is required, the development impact fees shall be paid prior to approval of a connection to the sewer system.
 3. If the development is located in a Service Area with a Stormwater, Drainage, and Flood Control development impact fee, and neither a building permit, water, or sewer service connection is required, the Storm Drainage development impact fee due shall be paid at the time a civil or site permit is issued for the development.
 4. No building permit, water or sewer connection, or certificate of occupancy shall be issued if a development impact fee is not paid as directed in the previous Subsections.
 5. If the building permit is for a change in the type of building use, an increase in square footage, a change to land use, or an addition to a residential or non-residential point of demand to the water or wastewater system, the development impact fee shall be assessed on the additional service units resulting from the expansion or change, and following the development impact fee schedule applicable to any new use type.
 6. For issued permits that expire or are voided, development impact fees and administrative charges shall be as follows:

- a. If the original permittee is seeking to renew an expired or voided permit, and the development impact fees paid for such development have not been refunded, then the permittee shall pay the difference between any development impact fees paid at the time the permit was issued and those in the fee schedule at the time the permit is reissued or renewed.
- b. If a new or renewed permit for the same development is being sought by someone other than the original permittee, the new permit Applicant shall pay the full development impact fees specified in the fee schedule in effect at the time that the permits are reissued or renewed. If the original permittee has assigned its rights under the permits to the new permit Applicant, the new permit Applicant shall pay development impact fees as if it were the original permittee.

B. **Exceptions.** Development impact fees shall not be owed under either of the following conditions:

1. Development impact fees have been paid for the development and the permit(s) which triggered the collection of the development impact fees have not expired or been voided.
2. The approval(s) that trigger the collection of development impact fees involve modifications to existing residential or non-residential development that do not: (a) add new EDUs, (b) increase the impact of existing EDUs on existing or future Capital Facilities, or (c) change the land-use type of the existing development to a different category of development for which a higher development impact fee would have been due. To the extent that any modification does not meet the requirements of this Subsection, the development impact fee due shall be the difference between the development impact fee that was or would have been due on the existing development and the development impact fee that is due on the development as modified.

C. **Temporary Exemptions from Development Impact Fee Schedules.** New developments in the Town shall be temporarily exempt from increases in development impact fees that result from the adoption of new or modified development impact fee schedules as follows:

1. **Residential Uses.** On or after the day that the first building permit is issued for a single-family residential development, the Town shall, at the permittee's request, provide the permittee with an applicable development impact fee schedule that shall be in force for a period of twenty-four (24) months beginning on the day that the first building permit is issued, and which shall expire at the end of the first

business day of the twenty-fifth (25th) month thereafter. During the effective period of the applicable development impact fee schedule, any building permit issued for the same single-family residential development shall not be subject to any new or modified development impact fee schedule.

2. Commercial, Industrial and Multifamily Uses. On or after the day that the final approval, as defined in A.R.S. §9-463.05(T)(4), is issued for a retail, commercial/office, industrial or multifamily development, the Town shall provide an applicable development impact fee schedule that shall be in force for a period of 24 months beginning on the day that final development approval of a site plan or final subdivision plat is given, and which shall expire at the end of the first business day of the 25th month thereafter. During the effective period of the applicable development impact fee schedule, any building permit issued for the same development shall not be subject to any new or modified development impact fee schedule.
 3. Other Development. Any Category of Development not covered under Subsections (1) and (2) of this Subsection shall pay development impact fees according to the fee schedule that is current at the time of collection as specified in Subsection (A) of this Section.
 4. Changes to Site Plans and Subdivision Plats. Notwithstanding the other requirements of this Subsection, if changes are made to a development's final site plan or subdivision plat that will increase the number of service units after the issuance of a grandfathered development impact fee schedule, the Town may assess any new or modified development impact fees against the additional service units. If the Town reduces the amount of an applicable development impact fee during the period that a grandfathered development impact fee schedule is in force, the Town shall assess the lower development impact fee.
- D. Option to Pursue Special Fee Determination. Where a development is of a type that does not closely fit within a particular Category of Development appearing on an adopted development impact fee schedule, or where a development has unique characteristics such that the actual burdens and costs associated with providing Necessary Public Services to that development will differ substantially from that associated with other developments in a specified Category of Development, the Town may require the Applicant to provide the Town Community Development Director or authorized designee with an alternative development impact fee analysis. Based on a projection of the actual burdens and costs that will be associated with the development, the alternative development impact fee analysis may propose a unique fee for the development based on the application of an appropriate EDU factor to the applicable Plan-Based Cost per EDU, or may propose that the development be covered under the development impact fee schedule governing a different and more analogous Category of Development. The Town

Community Development Director or authorized designee shall review the alternative impact fee analysis and shall make a determination as to the development impact fee to be charged. Such decision shall be appealable pursuant to Section 7-11-140 of this Article. The Town Community Development Director or authorized designee may require the Applicant to pay an administrative fee to cover the actual costs of reviewing the special fee determination application.

SECTION 14. That a new Section 7-11-120 “Development Impact Fee Credits and Credit Agreements” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-120 Development Impact Fee Credits and Credit Agreements.

- A. Eligibility of Capital Facility. All development impact fee Credits must meet the following requirements:
1. One (1) of the following is true:
 - a. The Capital Facility, or the financial contribution toward a Capital Facility that will be provided by the developer and for which a Credit will be issued, must be identified in an adopted Infrastructure Improvements Plan and Fee Report as a Capital Facility for which a development impact fee was assessed; or
 - b. The Applicant must demonstrate to the satisfaction of the Town that, given the class and type of improvement, the subject Capital Facility should have been included in the Infrastructure Improvements Plan in lieu of a different Capital Facility that was included in the Infrastructure Improvements Plan and for which a development impact fee was assessed. If the subject Capital Facility is determined to be eligible for a Credit in this manner, the Town shall amend the Infrastructure Improvements Plan to (i) include the subject replacement facility and (ii) delete the Capital Facility that will be replaced.
 2. Credits shall not be available for any infrastructure provided by a developer if the cost of such infrastructure will be repaid to the developer by the Town through another agreement or mechanism. To the extent that the developer will be paid or reimbursed by the Town for any contribution, payment, construction, or dedication from any Town funding source including an agreement to reimburse the developer with future collected development impact fees pursuant to Section 7-11-130 of this Article, any Credits claimed by the developer shall be: (a) deducted from any amounts to be paid or reimbursed by the Town; or (b) reduced

by the amount of such payment or reimbursement.

- B. Eligibility of Subject Development. To be eligible for a Credit, the Subject Development must be located within the Service Area of the eligible Capital Facility.
- C. Calculation of Credits. Credits will be based on that portion of the costs for an eligible Capital Facility identified in the adopted Infrastructure Improvements Plan for which a development fee was assessed pursuant to the Fee Report. If the Gross Impact Fee for a particular category of Necessary Public Service is adopted at an amount lower than the Plan-Based Cost per EDU, the amount of any Credit shall be reduced in proportion to the difference between the Plan-Based Cost per EDU and the Gross Impact Fee adopted. A Credit shall not exceed the actual costs the Applicant incurred in providing the eligible Capital Facility.
- D. Allocation of Credits. Before any Credit can be issued to a Subject Development (or portion thereof), the Credit must be allocated to that development as follows:
 - 1. The Developer and the Town must execute a Credit Agreement including all of the following:
 - a. The total amount of the Credits resulting from provision of an eligible Capital Facility.
 - b. The estimated number of EDUs to be served within the Subject Development.
 - c. The method by which the Credit values will be distributed within the Subject Development.
 - 2. It is the responsibility of the developer to request allocation of development impact fee Credits through an application for a Credit Agreement (which may be part of a Development Agreement entered into pursuant to Section 7-11-130 of this Article).
 - 3. If a building permit is issued or a water/sewer connection is purchased, and a development impact fee is paid prior to execution of a Credit Agreement for the Subject Development, no Credits may be allocated retroactively to that permit or connection. Credits may be allocated to any remaining permits for the Subject Development in accordance with this Article.
 - 4. If the entity that provides an eligible Capital Facility sells or relinquishes a development (or portion thereof) that it owns or controls prior to execution of a Credit Agreement or Development Agreement, Credits resulting from the eligible

Capital Facility will only be allocated to the development if the entity legally assigns such rights and responsibilities to its successor(s) in interest for the Subject Development.

5. If multiple entities jointly provide an eligible Capital Facility, both entities must enter into a single Credit Agreement with the Town, and any request for the allocation of Credit within the Subject Development(s) must be made jointly by the entities that provided the eligible Capital Facility.
6. Credits may only be reallocated from or within a Subject Development with the Town's approval of an amendment to an executed Credit Agreement, subject to the following conditions:
 - a. The entity that executed the original agreement with the Town, or its legal successor in interest and the entity that currently controls the Subject Development are parties to the request for reallocation.
 - b. The reallocation proposal does not change the value of any Credits already issued for the Subject Development.
7. A Credit Agreement may authorize the allocation of Credits to a non-contiguous parcel only if all of the following conditions are met:
 - a. The entity that executed the original agreement with the Town or its legal successor in interest, the entity that currently controls the Subject Development, and the entity that controls the non-contiguous parcel are parties to the request for reallocation.
 - b. The reallocation proposal does not change the value of any Credits already issued for the Subject Development.
 - c. The non-contiguous parcel is in the same Service Area as that served by the eligible Capital Facility.
 - d. The non-contiguous parcel receives a Necessary Public Service from the eligible Capital Facility.
 - e. The Credit Agreement specifically states the value of the Credits to be allocated to each parcel and/or EDU, or establishes a mechanism for future determination of the Credit values.
 - f. The Credit Agreement does not involve the transfer of Credits to or from any property subject to a Development Agreement.

- E. Credit Agreement. Credits shall only be issued pursuant to a Credit Agreement executed in accordance with Subsection (D) of this Section. The Town Manager or Authorized Designee is authorized by this Article to enter into a Credit Agreement with the controlling entity of a Subject Development, subject to the following:
1. The Developer requesting the Credit Agreement shall provide all information requested by the Town to allow it to determine the value of the Credit to be applied.
 2. An application for a Credit Agreement shall be submitted to the Town by the Developer within one (1) year of the date on which ownership or control of the Capital Facility passes to the Town.
 3. The Developer shall submit a draft Credit Agreement to the Town Manager or authorized designee(s) for review in the form provided to the Applicant by the Town. The draft Credit Agreement shall include, at a minimum, all of the following information and supporting documentation:
 - a. A legal description and map depicting the location of the Subject Development for which Credit is being applied. The map shall depict the location of the Capital Facilities that have been or will be provided.
 - b. An estimate of the total EDUs that will be developed within the Subject Development depicted on the map and described in the legal description.
 - c. A list of the Capital Facilities, associated physical attributes, and the related costs as stated in the Infrastructure Improvements Plan.
 - d. Documentation showing the date(s) of acceptance by the Town, if the Capital Facilities have already been provided.
 - e. The total amount of Credit to be applied within the Subject Development and the calculations leading to the total amount of Credit.
 - f. The Credit amount to be applied to each EDU within the Subject Development for each Category of Necessary Public Services.
 4. The Credit Agreement shall be approved by the Town Council prior to its execution. The Town's determination of the Credit to be allocated is final.
 5. Upon execution of the Credit Agreement by the Town and the Applicant, Credits shall be deemed allocated to the Subject Development.

6. Any amendment to a previously approved Credit Agreement must be initiated within two (2) years of the Town's final acceptance of the eligible Capital Facility for which the amendment is requested.
 7. Any Credit Agreement approved as part of a Development Agreement shall be amended in accordance with the terms of the Development Agreement and Section 7-11-130 of this Article.
- F. Issuance of Credits. Credits allocated pursuant to Subsection (D) of this Section may be issued and applied toward the Gross Impact Fees due from a development, subject to the following conditions:
1. Credits issued for an eligible Capital Facility may only be applied to the development impact fee due for the applicable Category of Necessary Public Services, and may not be applied to any fee due for another Category of Necessary Public Services.
 2. Credits shall only be issued when the eligible Capital Facility from which the Credits were derived has been accepted by the Town or when adequate security for the completion of the eligible Capital Facility has been provided in accordance with all terms of an executed Development Agreement.
 3. Where Credits have been issued pursuant to Subsection (2) of this Subsection, an impact fee due at the time a building permit is issued shall be reduced by the Credit amount stated in or calculated from the executed Credit Agreement. Where Credits have not yet been issued, the Gross Impact Fee shall be paid in full, and a refund of the Credit amount shall be due when the Developer demonstrates compliance with Subsection (2) of this Subsection in a written request to the Town.
 4. Credits, once issued, may not be rescinded or reallocated to another permit or parcel, except that Credits may be released for reuse on the same Subject Development if a building permit for which the Credits were issued has expired or been voided and is otherwise eligible for a refund under Section 7-11-150(A)(2)(a) of this Article.
 5. Notwithstanding the other provisions of this Section 7-11-120, Credits issued prior to January 1, 2012 may only be used for the Subject Development for which they were issued. Such Credits may be transferred to a new owner of all or part of the Subject Development in proportion to the percentage of ownership in the Subject Development to be held by the new owner.

SECTION 15. That a new Section 7-11-130 “Development Agreements” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-130 Development Agreements.

Development Agreements containing provisions regarding development impact fees, development impact fee Credits, and/or disbursement of revenues from development impact fee accounts shall comply with the following:

- A. Development Agreement Required. A Development Agreement is required to authorize any of the following:
 - 1. To issue Credits prior to the Town’s acceptance of an eligible Capital Facility.
 - 2. To allocate Credits to a parcel that is not contiguous with the Subject Development and that does not meet the requirements of Section 7-11-120(D)(7) of this Article.
 - 3. To reimburse the developer of an eligible Capital Facility using funds from development impact fee accounts.
 - 4. To allocate different Credit amounts per EDU to different parcels within a Subject Development.
 - 5. For a single family residential Dwelling Unit, to allow development impact fees to be paid at a later time than the issuance of a building permit as provided in this Section.
- B. General Requirements. All Development Agreements shall be prepared and executed in accordance with A.R.S. §9-500.05 and any applicable requirements of the Town Code. Except where specifically modified by this Section, all provisions of Section 7-11-120 of this Article shall apply to any Credit Agreement that is authorized as part of a Development Agreement.
- C. Early Credit Issuance. A Development Agreement may authorize the issuance of Credits prior to acceptance of an eligible Capital Facility by the Town when the Development Agreement specifically states the form and value of the security (i.e. bond, letter of Credit, etc.) to be provided to the Town prior to issuance of any Credits. The Town shall determine the acceptable form and value of the security to be provided.
- D. Non-Contiguous Credit Allocation. A Development Agreement may authorize the

allocation of Credits to a non-contiguous parcel only if all of the following conditions are met:

1. The non-contiguous parcel is in the same Service Area as that served by the eligible Capital Facility.
 2. The non-contiguous parcel receives a Necessary Public Service from the eligible Capital Facility.
 3. The Development Agreement specifically states the value of the Credits to be allocated to each parcel and/or EDU, or establishes a mechanism for future determination of the Credit values.
- E. Uneven Credit Allocation. The Development Agreement must specify how Credits will be allocated amongst different parcels on a per-EDU basis, if the Credits are not to be allocated evenly. If the Development Agreement is silent on this topic, all Credits will be allocated evenly amongst all parcels on a per-EDU basis.
- F. Use of Reimbursements. Funds reimbursed to developers from impact fee accounts for construction of an eligible Capital Facility must be utilized in accordance with applicable law for the use of Town funds in construction or acquisition of Capital Facilities, including A.R.S. §34-201 et seq.
- G. Deferral of Fees. A Development Agreement may provide for the deferral of payment of development impact fees for a residential development beyond the issuance of a building permit; provided that a development impact fee may not be paid later than the fifteen (15) days after the issuance of the certificate of occupancy for that Dwelling Unit. The Development Agreement shall provide for the value of any deferred development impact fees to be supported by appropriate security, including a surety bond, letter of credit, or cash bond.
- H. Waiver of Fees. If the Town agrees to waive any development impact fees assessed on development in a Development Agreement, the Town shall reimburse the appropriate development impact fee account for the amount that was waived and shall provide notice of the waiver to the Advisory Committee within thirty (30) days.
- I. No Obligation. Nothing in this Section obligates the Town to enter into any Development Agreement or to authorize any type of Credit Agreement permitted by this Section.

SECTION 16. That a new Section 7-11-140 “Appeals” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-140 Appeals.

A development impact fee determination by Town staff may be appealed in accordance with the following procedures:

- A. **Limited Scope.** An appeal shall be limited to disputes regarding the calculation of the development impact fees for a specific development and/or permit and calculation of EDU's for the development.
- B. **Form of Appeal.** An appeal shall be initiated on such written form as the Town may prescribe, and submitted to the Director of the Community Development Department.
- C. **Department Action.** The Community Development Department Director shall act upon the appeal within thirty (30) calendar days of the filing of the appeal with the Community Development Department, and the Applicant shall be notified of the Director's decision in writing.
- D. **Appeal to Town Manager.** The Applicant may further appeal the decision of the Community Development Department Director to the Town Manager or authorized designee, who shall be in a more senior position than the Community Development Department Director, within fourteen (14) calendar days of the decision.
- E. **Action by Manager.** The Town Manager or authorized designee shall act upon the appeal within 14 calendar days of receipt of the appeal, and the Applicant shall be notified of the Town Manager or authorized designee's decision in writing.
- F. **Final Decision.** The Town Manager or authorized designee's decision regarding the appeal is final.
- G. **Fees During Pendency.** Building permits may be issued during the pendency of an appeal if the Applicant (1) pays the full impact fee calculated by the Town at the time the appeal is filed or (2) provides the Town with financial assurances in the form acceptable to the Town Manager or authorized designee equal to the full amount of the impact fee. Upon final disposition of an appeal, the fee shall be adjusted in accordance with the decision rendered, and a refund paid if warranted. If the appeal is denied by the Town Manager or authorized designee, and the Applicant has provided the Town with financial assurances as set forth in Subsection (2) above, the Applicant shall deliver the full amount of the impact fee to the Town within ten (10) days of the Town Manager or designee's final decision on the appeal. If the Applicant fails to deliver the full amount of the impact fees when required by this Subsection, the Town may draw upon such financial assurance instrument(s) as necessary to recover the full amount of the impact fees due from the Applicant.

SECTION 17. That a new Section 7-11-150 “Refunds of Development Impact Fees” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-150 Refunds of Development Impact Fees.

- A. Refunds. A refund (or partial refund) will be paid to any current owner of property within the Town who submits a written request to the Town and demonstrates that:
1. The permit(s) that triggered the collection of the development impact fee have expired or been voided prior to the commencement of the development for which the permits were issued and the development impact fees collected have not been expended, encumbered, or Pledged for the repayment of Financing or Debt; or
 2. The owner of the subject real property or its predecessor in interest paid a development impact fee for the applicable Capital Facility on or after August 1, 2014, and one (1) of the following conditions exists:
 - a. The Capital Facility designed to serve the subject real property has been constructed, has the capacity to serve the subject real property and any development for which there is reserved capacity, and the service which was to be provided by that Capital Facility has not been provided to the subject real property from that Capital Facility or from any other infrastructure.
 - b. After collecting the fee to construct a Capital Facility the Town fails to complete construction of the Capital Facility within the time period identified in the Infrastructure Improvements Plan, as it may be amended, and the corresponding service is otherwise unavailable to the subject real property from that Capital Facility or any other infrastructure.
 - c. For a Category of Necessary Public Services, any part of a development impact fee is not spent within ten (10) years of the Town’s receipt of the development impact fee.
 - d. The development impact fee was calculated and collected for the construction cost to provide all or a portion of a specific Capital Facility serving the subject real property and the actual construction costs for the Capital Facility are less than the construction costs projected in the Infrastructure Improvements Plan by a factor of ten percent (10%) or more. In such event, the current owner of the subject real property shall,

upon request as set forth in this Subsection (A), be entitled to a refund for the difference between the amounts of the development impact fee charged for and attributable to such construction cost and the amount the development impact fee would have been calculated to be if the actual construction cost had been included in the Fee Report. The refund contemplated by this Subsection shall relate only to the costs specific to the construction of the applicable Capital Facility and shall not include any related design, administrative, or other costs not directly incurred for construction of the Capital Facility that are included in the development impact fee as permitted by A.R.S. §9-463.05.

- B. Earned Interest. A refund of a development impact fee shall include any interest actually earned on the refunded portion of the development impact fee by the Town from the date of collection to the date of refund. All refunds shall be made to the record owner of the property at the time the refund is paid.
- C. Refund to Government. If a development impact fee was paid by a governmental entity, any refund shall be paid to that governmental entity.

SECTION 18. That a new Section 7-11-160 “Oversight of Development Impact Fee Program” in Article 7-11 “DEVELOPMENT IMPACT FEES” in Chapter 7 “BUILDING” of the Town Code be hereby enacted to read as follows.

7-11-160 Oversight of Development Impact Fee Program.

- A. Annual Report. Within 90 days of the end of each fiscal year, the Town shall file with the Town Clerk an unaudited annual report accounting for the collection and use of the fees for each service area and shall post the report on its website in accordance with A.R.S. §9-463.05(N) and (O), as amended.
- B. Advisory Committee. The Town shall establish an Advisory Committee to provide oversight of the development impact fee program, including review of the Land Use Assumptions, Infrastructure Improvements Plan and Fee Report.
 - 1. Advisory Committee Composition. The Town of Prescott Valley hereby establishes an Infrastructure Improvements Advisory Committee (hereinafter “Advisory Committee”), composed of six (6) members approved by the Town Council who are qualified to serve as follows:
 - a. Three (3) members who are representatives of the real estate, development or building industries. Of those 3 members, at least one (1) must be a representative of the home building industry.

- b. All members of the Advisory Committee must be residents of the County who are at least eighteen (18) years of age.
- c. No member of the Advisory Committee may be a paid employee or elected official of the Town. Persons serving on Town boards, commissions, or other official or unofficial bodies who receive no compensation for the same (but not including reimbursement of the costs of service) may serve on the Advisory Committee.
- d. The members of the Advisory Committee shall be approved by the Town Council (by majority vote) for 3-year terms. No member may serve more than two (2) consecutive terms. Any appointment is subject to the Town's appointment procedures set forth in Town Code.
- e. For purposes of this Section, a representative of the real estate, development or building industry shall include general contractors or sub-contractors, tradespersons, real estate or title agents, architects, urban planners, businessmen or women associated with the development or construction industries in other capacities such as finance or law, or anyone who is a member of a trade or professional association the membership of which has special knowledge of or interest in the construction, planning or development of municipal infrastructure or commercial or residential buildings. A representative of the homebuilding industry shall mean any of the above specifically associated with the planning, development, construction, sale, or financing of new residential development.

2. The Advisory Committee shall:

- a. Meet at least annually, with ten (10) days' prior notice to the members of the Committee of all meetings to be provided by the Advisory Committee Chairman. A special meeting of the advisory committee may be called at any time by the Advisory Committee Chairman, or upon the request of the Town Council, and shall meet as necessary to fulfill its obligations as provided in this Subsection.
- b. Review the Town's development impact fees, including the underlying Land Use Assumptions, Infrastructure Improvements Plan, Fee Report, and development fee schedules, monitor the Town's implementation of the Infrastructure Improvements Plan, and audit development impact fee expenditures. The Town shall make available to the advisory committee all supporting documentation and professional reports relied upon by the

Town to develop and implement the Infrastructure Improvements Plan and development impact fee report.

- c. Provide written comments as to whether the Land Use Assumptions upon which the Infrastructure Improvements Plan is based are current.
 - d. Review the Infrastructure Improvements Plan developed under Section 7-11-080 of this Article, and file written comments on the same. The Committee's written comments must be submitted to the Town no later than 10 business days before the public hearing on the Infrastructure Improvements Plan held pursuant to Section 7-11-090 of this Article.
 - e. File a written report by June 30 of each year that:
 - i. Summarizes the Advisory Committees recommendations over the last twelve (12) months regarding the Town's Infrastructure Improvements Plan.
 - ii. Reports any instances in which the Advisory Committee believes that the Town's development impact fees are not proportionate to the cost of providing Necessary Public Services to new development, or where the Town's development impact fee program does not fairly distribute such costs between different Categories of Development. This report shall also advise the Town if there is a need to update or revise the Land Use Assumptions, Infrastructure Improvements Plan and development fee.
3. The Advisory Committee shall serve in an advisory capacity only. Actions taken or recommendations made by the Advisory Committee are not binding upon the Town and the Town may decide the matter contrary to the recommendations or actions of the Advisory Committee. The failure of the Advisory Committee to file comments or reports as required by this Section shall not prevent the Town from adopting Land Use Assumptions, Infrastructure Improvement Plans, or development impact fees as otherwise prescribed in this Section.
4. Procedural Rules. The Advisory Committee shall follow the following procedural rules:
- a. A Committee Chair shall be designated by the Town Council.
 - b. The Committee Chair shall be in charge of scheduling all regular meetings and shall conduct all meetings whether regular or special.

- c. Five (5) members of the Advisory Committee shall constitute a quorum.
- d. All meetings shall be open for public attendance and shall be conducted in accordance with the Arizona Open Meeting Law, but the public is not entitled to participate in the meetings of the Advisory Committee.
- e. All records of the Advisory Committee shall be public records open to inspection under Arizona law.
- f. Unless otherwise prescribed by the Town, the Advisory Committee shall follow the rules for procedure established by the Town for other boards, commissions, or committees.