

Requesting Department:

Town Manager's Office



TO: HONORABLE MAYOR AND TOWN COUNCIL

**THROUGH: JOHN KROSS
TOWN MANAGER**

**FROM: PATRICK FLYNN
ASSISTANT TOWN MANAGER/CFO**

**TRACY CORMAN
ASSISTANT TO THE TOWN MANAGER**

**SAMANTHA MCPIKE
BUDGET ADMINISTRATOR**

**RE: PUBLIC HEARING AND POSSIBLE APPROVAL OF RESOLUTION 997-14
DECLARING AS A PUBLIC RECORD THE 2014 DEVELOPMENT FEE
ORDINANCE; ORDINANCE 547-14 ADOPTING A DEVELOPMENT FEE
PROCEDURE; AND RESOLUTION 998-14 ESTABLISHING THE
DEVELOPMENT FEE SCHEDULE**

DATE: MAY 7, 2014

Staff Recommendation:

Staff recommends approval of Resolution 997-14 declaring the 2014 Development Fee Ordinance a public record; Ordinance 547-14 adopting the Development Fee procedural Ordinance; and Resolution 998-14 establishing the development fee schedule.

Relevant Council Goal(s):

KRA 1: Capital Improvement Program; KRA 4: Environment; KRA 5: Financial Management, Internal Services & Sustainability; KRA 8: Land Use & Economic Development; and KRA 9: Public Safety

Proposed Motion:

1. Move to approve Resolution 997-14 declaring the 2014 Development Fee Ordinance a public record, and Ordinance 547-14 adopting the 2014 Development Fee procedural Ordinance.
2. Move to approve Resolution 998-14 establishing a development fee schedule.

Discussion:

On your May 7 agenda items 9 and 10 are related, and are part of the process for the adoption of the updated development fees. Agenda item 9 adopts the procedures for implementation of the new development fees, and agenda item 10 adopts the new development fee schedule. Each item needs separate action, and both are public hearings.

The May 7 Council meeting is the final scheduled public hearing for the adoption of updated development fees to bring the Town into compliance with new State statute. If the updated development fees are adopted at this meeting, they will become effective on August 1, 2014.

Background

Development fees are one-time payments made at the time of building permit issuance. Current residents have already paid development fees if they built a new home in Queen Creek, and will not pay them again unless they pull a permit to construct another new home within Queen Creek.

Development fees are based upon new growth's proportionate share of infrastructure costs. They have been a tool used by Arizona municipalities to insure that new growth pays for its fair share of the infrastructure needed to serve it, and the burden of paying for this infrastructure is not shifted to existing residents. Development fees are based on calculations included in a development fee study that contains an Infrastructure Improvement Plan (IIP) and Land Use Assumptions (LUA). This study analyzes planned infrastructure improvements, land uses, established levels of service, population and development projections, including trip generation and jobs in the community. It demonstrates the nexus between new growth and necessary infrastructure. Development fees must meet the requirements detailed in Arizona Revised Statutes (ARS) § 9-463.05.

The Town currently assesses development fees in the following categories: wastewater, libraries, parks, recreation and open space, town facilities and equipment, public safety, transportation, and fire. The development fee amounts differ based on the type of residential or non-residential land use and the size of the water meter.

Recent changes to development fee programs

Over the last few years there have been major changes to the state statutes regulating the calculation and collection of development fees by cities and towns. The current update to the Town's development fee program is part of a series of implementation steps that began in 2011 to bring the Town's development fees into compliance with the new law. Because this process has been so lengthy, staff felt it would be helpful to provide a brief review of the changes and how they affect the Town's development fees.

In 2009, the state legislature passed a three year moratorium on increasing existing development fees and establishing new development fees. During the 2010 legislative session this moratorium was extended by an additional year. Due to this moratorium the Town's development fee studies have not been updated for several years. The Town was also in the process of establishing a water development fee when the moratorium went into effect.

In 2011, the Governor signed SB1525 into law which significantly changed the calculation, collection, and use of development fees. This legislation fundamentally moved away from the principle of new growth paying for itself, and shifted the burden of paying for this infrastructure on to existing residents and businesses. In addition, city and town councils previously had the ability to determine what constitutes "necessary public services" for their communities, the new bill now narrowly defined what these were allowed to include. The law took effect on Jan. 1, 2012 and included a series of implementation dates, with a requirement that all development fee programs become fully compliant by Aug. 1, 2014.

Beginning on Jan. 1, 2012, only development fees that met the new definitions of "necessary public services" could be collected. However, there was a provision that allowed existing

development fees to continue to be collected if they were pledged to repay debt service for infrastructure items financed before Jun. 1, 2011, and if the necessary public services were also included in the municipality's Infrastructure Improvement Plan (IIP) prior to June 1, 2011. The Town had several projects that met the above criteria including the Municipal Services Building, Horseshoe Park and Equestrian Centre, and the library. In order to comply with this deadline, the Town Council passed Resolution 881-11 on May 18, 2011 to affirm that the Town had pledged development fees toward the repayment of debt services incurred to construct these facilities.

An interim update to the development fee schedule was also adopted by the Town Council on Dec. 21, 2011 to bring the fees not pledged to pay for debt into compliance with the new definitions. At this time there were no recommended changes to the Fire, Public Safety, and Library development fees. There were minor changes to the Wastewater and Transportation fees, and comprehensive changes to the Parks, Recreation and Open Space fee and the Town Facilities and Equipment fee. The interim fee schedule resulted in a decrease in average residential development fees by approximately 19%, and average commercial development fees by 18%.

2014 Development Fee Update

The current development fee update is being undertaken to bring the Town's development fee program fully into compliance with SB 1525 by the Aug. 1, 2014 deadline. This includes a full update to the Infrastructure Improvement Plan (IIP) and the Land Use Assumptions (LUA) with all of the provisions under the new law. Following the new adoption process, after two public hearings the draft IIP and LUA was approved on Feb. 19, 2014. The second half of the process includes two public hearings on the proposed development fee schedule. The first public hearing was held on April 2, 2014. The second, and final scheduled public hearing, will be held on May 7, 2014. The proposed development fee schedule is included in **Exhibit A** Executive Summary from the Infrastructure Improvements Plan and Land Use Assumptions.

This update includes the following necessary public services: Parks and Recreation Facilities; Library Facilities; Town Facilities; Streets Facilities; Police Facilities; and Fire Facilities. Attached to this staff report, **Exhibit B** shows the changes in the Town's development fees since 2007, and **Exhibit C** is a summary of what components are allowed under the new development fee law compared to the previous statutes. The new legislation has resulted in a substantial net decrease in the draft 2014 development fees. The proposed new fee for a single family detached resident totals \$6,794, compared to the current fee of \$8,941, resulting in a 24% decrease in the total fee. (Neither of these figures include the current wastewater fee due to the proposed shift towards capacity charges.)

As mentioned above, the new law shifts the burden of paying for infrastructure disproportionately to existing residents (either through the higher development fees they already paid, or through other revenue streams such as sales tax, other fees, etc.). According to the Arizona League of Cities and the Town's contracted development fee attorney, the Town will not be required to refund existing residents who paid the higher development fees in the past. This is a broad state policy change that compels the Town to make the required updates to our development fee program. This is a fairness issue that was brought up with our state legislators prior to the adoption of the new law.

A complete copy of the Development Fees, Infrastructure Improvements Plan, and Land Use Assumptions is available on the Town website, and on the Council's Google site.

Water and Wastewater Capacity Charges

In the draft 2014 development fee study, a new water development fee is no longer being recommended. This is because the Town recently purchased the H2O, Inc. water company, and the Town's water service area extends beyond the Town's incorporated boundaries. The development fee legislation only allows for services areas within municipal boundaries. With the Council's recent approval of water and wastewater capacity charges to pay for the proportionate share of costs for needed utility infrastructure attributable to the new growth, staff is recommending discontinuing the collection of wastewater development fees.

Capacity charges are different than development fees, and are regulated by a different section of state statutes. Like development fees, capacity charges are one-time charges paid at the time of building permit issuance. Capacity charges are not included in any monthly fee payments, and existing residents would never be required to pay them unless they pulled a building permit to construct a new home in Queen Creek.

The existing fund balance in the Wastewater Development Fee fund may still be utilized to pay for wastewater capital costs until it is fully expended, following state statute requirements for development fees.

Public Outreach/Comments

The draft Development Fees, Infrastructure Improvements Plan, and Land Use Assumptions study was mailed to local homebuilders and developers and posted on the Town's website. Notice of the update was also posted at the Municipal Services Building front counter, on the Town website, and published per state requirement in the Arizona Republic.

Since the last public hearing, the Town received questions for clarification on how the Town will handle the construction sales tax differential from Jackson Moll of the Home Builders Association of Central Arizona located at 7740 N. 16th Street, Suite 385, Phoenix, AZ 85020 and Tom Abraham from Fulton Homes located at 9140 S. Kyrene, Suite 202, Tempe, AZ 85284. In response to these questions, Tischler Bise has updated the study with more detailed explanation of this issue. The updated study, dated May 7, 2014, includes an analysis in Appendix A on the construction sales tax differential (**Attachment D**), and was sent to both Mr. Moll and Mr. Abraham and posted on the Town's website.

Required Offset for Construction Sales Tax Differential

According to ARS 9-463.05.B.12, beginning August 1, 2014 if a municipality charges a construction contracting sales tax above the percentage amount of the transaction privilege tax, the entire excess portion of the construction contracting tax shall be treated as a contribution to the capital costs of necessary public services provided to development for which development fees are assessed. In order to meet this new requirement, The Town will set aside a portion of the Town's construction sales tax revenue to be used exclusively for the capital costs of necessary public services. In Queen Creek, the construction contracting tax rate is 4.25% and the general privilege tax rate is 2.25%. In FY12/13, the excess portion (i.e. 2%) of taxable construction sales yielded approximately \$3.6 million.

Each year, Queen Creek will allocate 47% (i.e. 2 divided by 4.25) of construction sales tax revenue to a separate fund that will be used for the capital costs of the necessary public services, including the debt service for those capital costs. The proposed development fees already include reductions, such as revenue credits, to ensure that new development does not pay more than its proportionate share for growth-related infrastructure. A more detailed

explanation of the reductions to each fee is included in **Attachment D** (Appendix A of the Infrastructure Improvements Plan, Land Use Assumptions, and Development Fees study).

Fiscal Impact

Development fees are used by the Town to pay for a proportionate share of infrastructure needs caused by new growth. Development fees and capacity charges represent a significant revenue source for the Town, especially with the current building uptick that is occurring. In total, given the current housing projections these fees generate millions of dollars for the Town, but as this report states, these fees pay only a portion of the costs of growth within the Town. With the reduction in the amount of the updated development fees, the anticipated build-out of the Town with the addition of another 20,000 homes, represents a decrease of revenue in the amount of \$42 million to be used to pay for the cost of growth.

Alternatives

1. The Council may choose not to approve the updated development fee schedule. This would mean on August 1, 2014 the existing Town development fees would become out of compliance with State statute, and could no longer be charged until they are brought into compliance.

Attachments

Attachment A: Executive Summary from the Infrastructure Improvements Plan, Land Use Assumptions, and Development Fees study

Attachment B: Changes to Town development fees since 2007

Attachment C: Comparison of allowable development fee components 2007 vs. 2010

Attachment D: Appendix A from the Infrastructure Improvements Plan, Land Use Assumptions, and Development Fees study

Attachment E: Resolution 997-14 Declaring a Public Record

Attachment F: Ordinance 547-14 Adopting a Development Fee Procedure

Attachment G: Resolution 998-14 Establishing the Development Fee Schedule

Attachment A:

**Executive Summary from the Infrastructure
Improvements Plan, Land Use Assumptions, and
Development Fees study**

EXECUTIVE SUMMARY

Under authority of Arizona Revised Statutes (ARS) 9-463.05, municipalities in Arizona may assess development fees to offset infrastructure costs to a municipality associated with providing necessary public services to development. The development fees must be based on an Infrastructure Improvements Plan (IIP). This update of the IIP and development fees includes the following necessary public services:

- Parks and Recreation
- Libraries
- Town Facilities
- Streets
- Police
- Fire

The Town of Queen Creek hired TischlerBise to document land use assumptions, prepare an Infrastructure Improvements Plan (IIP), and update development fees to comply with ARS 9-463.05. The IIP for each type of infrastructure is in the middle section of this document and the land use assumptions may be found in Appendix C.

Development fees are one-time payments used to construct system improvements needed to accommodate new development. The fee represents future development's proportionate share of infrastructure costs. Development fees may be used for infrastructure improvements or debt service for growth-related infrastructure. In contrast to general taxes, development fees may not be used for operations, maintenance, replacement or correcting existing deficiencies.

Arizona Development Fee Enabling Legislation

During the state legislative session of 2011, Senate Bill 1525 was introduced which significantly amended the development fee enabling legislation. This update of the Town's development fees complies with all of the requirements of SB 1525. Key changes included:

- Amending existing development fee programs by January 1, 2012
- Abandoning existing development fee programs by August 1, 2014
- Development fees based on adopted land use assumptions and IIP
- Revised adoption procedures
- Definitions such as "necessary public services"
- Time limitations for fee collections and expenditures
- Requirements for credits, "grandfathering" rules, and refunds.

Necessary Public Services

According to Arizona's development fee enabling legislation, fees may be only used for construction, acquisition, or expansion of public facilities that are necessary public services. "Necessary public service" means any of the following categories of facilities that have a life expectancy of three or more years and that are owned and operated on behalf of the municipality: water, wastewater, storm water, drainage and flood control facilities, library, streets, fire and police, neighborhood parks and recreational facilities. Additionally, a necessary public service includes any facility that was financed before June 1, 2011 and that meets the following requirements:

- Development fees were pledged to repay debt service obligations related to the construction of the facility

- After August 1, 2014, any development fees collected are used solely for the payment of principal and interest on the portion of the bonds, notes, or other debt service obligations issued before June 1, 2011 to finance construction of the facility.

Infrastructure Improvements Plan

Development fees must be calculated pursuant to an Infrastructure Improvements Plan (IIP). For each necessary public service that is the subject of a development fee the IIP shall include:

- A description of the existing necessary public services in the service area and the cost to update, update, improve, expand, correct or replace those necessary public services to meet existing needs and usage and stricter safety, efficiency, environmental or regulatory standards, which shall be prepared by qualified professionals licensed on this state, as applicable.
- An analysis of the total capacity, the level of current usage and commitments for usage of capacity of the existing necessary public services, which shall be prepared by qualified professionals licensed in this state, as applicable.
- A description of all or the parts of the necessary public services or facility expansion and their costs necessitated by and attributable to development in the service area based on the approved land use assumptions, including a forecast of the costs of infrastructure, improvements, real property, financing, engineering and architectural services, which shall be prepared by qualified professionals licensed in the state, as applicable.
- A table establishing the specific level or quantity of use, consumption, generation or discharge of a service unit for each category of necessary public services or facility expansions and an equivalency or conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial and industrial.
- The total number of projected service units necessitated by and attributable to new development in the service area based on the approved land use assumptions and calculated pursuant to generally accepted engineering and planning criteria.
- The projected demand for necessary public services or facility expansions required by new service units for a period not to exceed ten years.
- A forecast of revenues generated by new service units other than development fees, 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 and a plan to include these contributions in determining the extent of the burden imposed by the development.

Qualified Professionals

Qualified professionals must develop the IIP using general accepted engineering and planning practices. A qualified professional is defined as “a professional engineer, surveyor, financial analyst, or planner providing services within the scope of the person’s license, education, or experience.”

TischlerBise is a fiscal, economic, and planning consulting firm specializing in the cost of growth services. Our services include development fees, fiscal impact analysis, infrastructure funding, user fee and cost of service studies, capital improvement plans, and fiscal software. TischlerBise has prepared over 800 development fee studies over the past 30 years for local governments across the United States.

Summary of Current and Proposed Development Fees

Development fees for necessary public services must be based on the same level of service provided to existing development in the service area. There are three general methods for calculating development fees. The choice of a particular method depends primarily on the timing of infrastructure construction

(past, concurrent, or future) and service characteristics of the facility type being addressed. Each method has advantages and disadvantages in a particular situation, and can be used simultaneously for different cost components. Reduced to its simplest terms, the process of calculating development impact fees involves two main steps: (1) determining the cost of development-related capital improvements and (2) allocating those costs equitably to various types of development. In practice, though, the calculation of development fees is complicated due to many variables involved in defining the relationship between development and the need for facilities within the designated service area. The following bullet points summarize three basic methods for calculating development fees and how those methods can be applied.

- Cost recovery is used in instances when a community has oversized a facility or asset in anticipation of future development. This methodology is based on the rationale that new development is repaying the community for its share of the remaining unused capacity.
- Incremental expansion method documents the current level of service for each type of public facility. The intent is to use revenue collected to expand or provide additional facilities, as needed to accommodate new development, based on current infrastructure standards.
- Plan-based method utilizes a community's IIP and/or other adopted plans, or engineering studies, to determine capital improvements needed to serve new development.

Regardless of the methodology, a consideration of "credits" is integral to the development of a legally defensible development fee. There are two types of "credits" that should be addressed in development fee studies and ordinances. The first is a revenue credit due to possible double payment situations, which could occur when other revenues may contribute to the capital costs of infrastructure covered by the development fee. This type of credit is integrated into the fee calculation, thus reducing the fee amount. The second is a site-specific credit or developer reimbursement for dedication of land or construction of system improvements. This type of credit is addressed in the administration and implementation of the development fee program. For ease of administration, TischlerBise normally recommends developer reimbursements for system improvements.

Figure 1 summarizes the methods and cost components for each type of infrastructure included in Queen Creek's IIP and development fee update. When cost recovery is combined with other methods, infrastructure with growth-related debt service is not counted in existing levels of service.

Figures 1-4 in the Executive Summary do not address the need for water and wastewater infrastructure. Following the recent approval of voters to acquire a private water company, the Town of Queen Creek will be providing water service to customers located outside the municipal boundaries. According to Arizona's Development Fee Act [see ARS 9-463.05.T (9)] a service area must be within the boundaries of a municipality. Given this inconsistency, Queen Creek will implement capacity charges for water and wastewater utilities under ARS 9-511.01.

Figure 1 – Development Fee Methods and Cost Components

Type of Fee	Cost Recovery* (past)	Incremental Expansion (present)**	Plan-Based (future)**
1. Parks & Recreation	Debt Service (\$6.0 million)	Park Improvements (\$15.5 million) Trails (\$3.6 million)	
2. Library	Debt Service (\$5.0 million)		
3. Town Facilities	Debt Service (\$3.6 million)		
4. Streets	Debt Service (\$3.3 million)		Lane Miles of Arterials, Intersection Improvements, and RR Crossing (\$6.5 million)
5. Police		Buildings, Vehicles and Equipment (\$1.3 million)	
6. Fire		Fire Stations & Apparatus (\$3.3 million)	

* Dollars are growth share of principal and interest payments over the next ten years.

** Dollars are growth share based on ten-year IIP.

A simplified version of Queen Creek’s current development fee schedule is shown in Figure 2, excluding the current fee for wastewater. Due to changes in U.S. Census Bureau methods, TischlerBise recommends consolidation of residential fees into two categories. Residential fees for “Mobile Home” and “All Other Housing” are not calculated in the updated development fees.

TischlerBise also recommends deleting size thresholds from the development fees. An unintended consequence of the previous approach was an increase in fees for smaller businesses that tend to be locally owned and operated. Many communities are switching to fewer and more general categories like the three used throughout this draft.

Figure 2 – Current Development Fees

Current Residential Fee per Housing Unit							
Type	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	TOTAL
Single Family Detached	\$4,325	\$1,370	\$1,218	\$631	\$704	\$693	\$8,941
Multi-family	\$2,846	\$901	\$801	\$415	\$463	\$456	\$5,882
Current Nonresidential Fee per 1,000 Square Feet of Floor Area							
Type	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	TOTAL
Light Industrial	\$0	\$0	\$823	\$668	\$39	\$190	\$1,720
Commercial 100,001 Sq Ft	\$0	\$0	\$791	\$3,063	\$180	\$869	\$4,903
Office 100,001 Sq Ft	\$0	\$0	\$1,193	\$940	\$55	\$267	\$2,455

Proposed development fees are shown in Figure 3, excluding capacity charges for water and wastewater infrastructure. A separate study (prepared by TischlerBise, engineering consultants, and Town staff) recommends proposed capacity charges within Queen Creek's water and sewer service areas.

Figure 3 – Proposed Development Fees

Proposed Residential Fee per Housing Unit							
Units per Structure	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	TOTAL
Single Unit	\$3,681	\$723	\$470	\$1,263	\$167	\$490	\$6,794
2+ Units	\$2,710	\$532	\$346	\$882	\$123	\$361	\$4,954
Proposed Nonresidential Fee per 1,000 Square Feet of Floor Area							
Type	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	TOTAL
Industrial	\$650	\$128	\$338	\$429	\$56	\$335	\$1,936
Commercial	\$563	\$111	\$292	\$1,569	\$229	\$290	\$3,054
Office & Other Services	\$552	\$109	\$286	\$679	\$90	\$285	\$2,001

Differences between current and proposed fees are shown in Figure 4. For all types of development except industrial, there would be a decrease in fees if the proposed amounts were implemented without further revision.

Figure 4 – Increase or Decrease in Proposed Fees

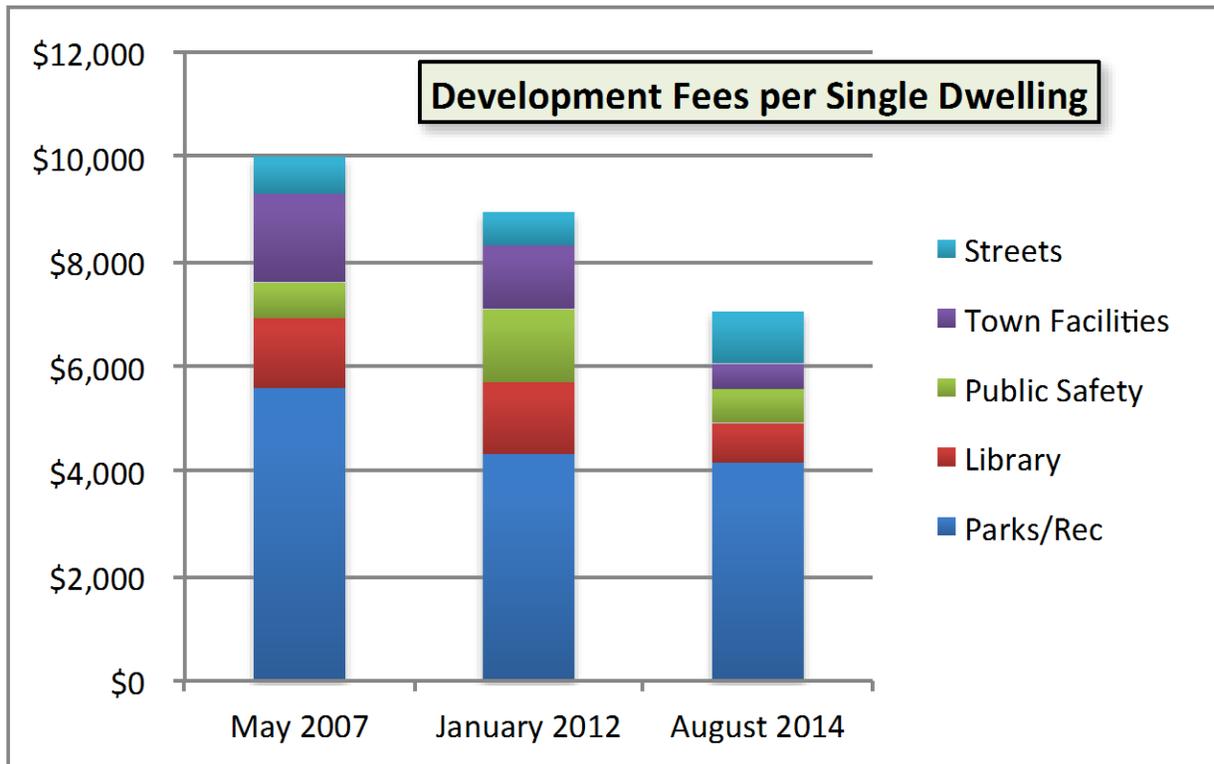
Residential Fee Increase / (Decrease)								
Units per Structure	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	TOTAL	% Change
Single Unit	(\$644)	(\$647)	(\$748)	\$632	(\$537)	(\$203)	(\$2,147)	-24%
2+ Units	(\$136)	(\$369)	(\$455)	\$467	(\$340)	(\$95)	(\$928)	-16%
Nonresidential Fee Increase / (Decrease)								
Type	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	TOTAL	% Change
Industrial	\$650	\$128	(\$485)	(\$239)	\$17	\$145	\$216	13%
Commercial	\$563	\$111	(\$499)	(\$1,494)	\$49	(\$579)	(\$1,849)	-38%
Office & Other Services	\$552	\$109	(\$907)	(\$261)	\$35	\$18	(\$454)	-18%

**Attachment B:
Changes to Town development fees since 2007**

Exhibit B Changes to Town development fees since 2007

Single Family Detached Residential Unit

	<i>Parks/Rec</i>	<i>Library</i>	<i>Public Safety</i>	<i>Town Facilities</i>	<i>Streets</i>
May 2007	\$5,579	\$1,336	\$687	\$1,687	\$709
January 2012	\$4,325	\$1,370	\$1,397	\$1,218	\$631
August 2014	\$4,161	\$761	\$651	\$475	\$1,003



**Attachment C:
Comparison of allowable development fee components 2007
vs. 2010**

Exhibit C
Comparison of allowable development fee components
2007 vs. 2014

Infrastructure Type	2007 Cost Components	Preliminary 2014 Costs
Parks & Recreation	Larger Parks (land + improvements)	Maximum 30-acre Parks (unless direct benefit)
	Open Space	excluded
	Trails	Trails
	Large Recreation, Aquatic, and Equestrian Centers	excluded
	Vehicles & Equipment	excluded
Library	Planned Cost of Land & Building (78% growth share)	Debt Service (48% growth share)
	Collections	excluded
Town Facilities	Planned Public Works Yard	excluded
	Town Hall	Debt Service
	Vehicles & Equipment	excluded
Streets	20-Year Plan for Six Railroad Crossing	10-Year Plan for One Railroad Crossing
	20-Year Plan for 11 Bridges	Arterial Lane Miles & Intersection Improvements
	Vehicles & Equipment	excluded
Public Safety	Planned Facilities	Existing LOS
	Vehicles & Equipment	Vehicles & Equipment

**Attachment D:
Appendix A from the Infrastructure Improvements Plan,
Land Use Assumptions, and Development Fees study**

APPENDIX A – QUEEN CREEK REVENUES

ARS 9-463.05.E.7 requires “A forecast of revenues generated by new service units other than development fees, 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, and a plan to include these contributions in determining the extent of the burden imposed by the development as required in subsection B, paragraph 12 of this section.”

Revenue projections for Queen Creek, from page 41 of the Town’s FY13-14 budget, are shown in Figure A1. Because the Town has no General Obligation Bonds, ad valorem property taxes are not used for infrastructure.

Figure A1 – Revenue Projections

Forecasted Major Revenue Sources (000)’s

Major Revenue	FY14 Projection	FY15 Projection	FY16 Projection	FY17 Projection	FY18 Projection
Town Sales Tax *	13,119	13,755	13,907	14,061	14,216
State Sales Tax	2,278	2,392	2,511	2,637	2,769
Income Tax	2,941	3,098	3,301	3,499	3,639
Motor Vehicle Tax	879	896	914	932	951
Development Fees	6,984	4,670	4,483	4,520	4,520
Building Related Revenue	2,461	2,510	2,585	2,663	2,743
Property Tax	3,629	3,919	4,233	4,444	4,667
HURF	1,487	1,532	1,578	1,625	1,674
Water	9,850	10,026	10,218	10,415	10,616
Sewer	3,920	4,394	4,925	5,520	6,127
Solid Waste	1,714	1,747	1,860	1,973	2,087

*Includes all Town sales tax and construction sales tax

ARS 9-463.05.B.12 requires “The municipality shall forecast the contribution to be made in the future in cash or by taxes, fees, assessments or other sources of revenue derived from the property owner towards the capital costs of the necessary public service covered by the development fee and shall include these contributions in determining the extent of the burden imposed by the development. Beginning August 1, 2014, for purposes of calculating the required offset to development fees pursuant to this subsection, if a municipality imposes a construction contracting or similar excise tax rate in excess of the percentage amount of the transaction privilege tax rate imposed on the majority of other transaction privilege tax classifications, 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 development for which development fees are assessed, unless the excess portion was already taken into account for such purpose pursuant to this subsection.”

The sections quoted above are among the most difficult to interpret, resulting in a range of approaches by municipalities. Set forth below is the method TischlerBise utilized to comply with its understanding of the statutory sections.

Section B.12 modifies and restricts the forecast of contributions to “revenue derived from the property owner.” However, contractors paying the construction excise tax are not typically the long-term property owners. TischlerBise recommends that a practical method for Queen Creek to comply with the requirements in Sections E.7 and B.12 is to set aside a portion of the Town’s construction sales tax

revenue to be used exclusively for the capital cost of necessary public services. In Queen Creek, the construction contracting tax rate is currently 4.25% and the general privilege tax rate is 2.25%. Therefore, the excess portion is 47% of the total construction sales tax revenue (i.e. 2 divided by 4.25). If Queen Creek annually deposits the excess portion into a separate fund, only using the money for the capital cost of necessary public services, and takes into account the reserved amounts when calculating development fees, the Town will ensure compliance with Arizona's enabling legislation.

As specified in the last phrase of Section B.12, TischlerBise maintains that Queen Creek does not need to further reduce development fees because "the excess portion was already taken into account for such purpose" as documented by the following attributes of the Town's 2014 development fee study.

First, because the existing library was debt financed and meets the requirements in Section R, Queen Creek is permitted to retain the current development fee schedule for library facilities. The current library development fee of \$1,370 for a single detached residential unit has already been reduced to a proposed fee of \$723 by applying a 49% growth share factor to the Town's remaining principal and interest payments for the Queen Creek library. TischlerBise also allocated 5% of the growth cost to nonresidential development, as required by Section B.13 in ARS 9-463.05. By applying the growth share factor to the existing debt, the library development fee has already been lowered to account for contributions in the future from the property owner.

Second, Queen Creek has already taken a conservative approach by restricting street development fees to improvements of arterials, even though improvements to collector streets are also allowed by ARS 9-463.05.T.7 (e). Also, development fees will only pay for 49% of the street facilities IIP and 52% of the debt service for existing street facilities that were oversized to accommodate future development. Thus the future revenues to be derived from the property owner are already factored into the streets development fees such that further reduction under Section B.12 is not required.

Third, public safety development fees are conservatively based on existing infrastructure standards, even though Queen Creek is in the process of updating the master plan for the municipal campus. The preliminary plan anticipates a fire station on the municipal campus, which may require additional property. The Town's on-going analysis includes a more detailed needs assessment for a public safety building to house a full-service law enforcement department. This master plan will go to the Town Council for consideration by the end of FY13-14. After approval of the public safety improvements, development fees can be updated with Queen Creek switching to a plan-based method, if non-impact fee funding is available to cover existing development's share of the cost.

Fourth, Queen Creek currently has debt for growth-related park and recreation improvements that meet the requirements of Section R. The Town is permitted to continue collecting a parks and recreation fee of \$4,325 for a single detached residential unit. Instead, the proposed development fees are limited to a 53% growth share for debt service. Also, the proposed development fees for parks and recreation exclude parks over 30 acres, community centers, and swimming pools. Accordingly, the future revenues to be derived from the property owner are already factored into the recreation development fees such that further reduction under Section B.12 is not required.

Fifth, Queen Creek currently collects a development fee for Town Facilities, with the revenue being used for debt service. Section R permits continuation of the current fee, which is \$1,218 for a single detached residential unit. Instead, Queen Creek has documented a 52% growth share and already reduced the proposed Town Facilities development fee to \$470 per single unit. Again, future revenues have already been included pursuant to Section B.12.

**Attachment E:
Resolution 997-14 Declaring a Public Record**

RESOLUTION NO. 997-14

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT TITLED "2014 DEVELOPMENT FEE ORDINANCE OF THE TOWN OF QUEEN CREEK, ARIZONA."

WHEREAS, Arizona Revised Statutes § 9-802 provides a procedure whereby a municipality may enact the provisions of a code or public record by reference, without setting forth such provisions, provided that the adopting ordinance is published in full.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA:

Section 1: That the document attached hereto as Exhibit "A" and titled "2014 Development Fee Ordinance of the Town of Queen Creek, Arizona", is hereby declared to be a public record.

Section 2: That three (3) copies of Exhibit "A" are ordered to remain on file with the Town Clerk.

PASSED AND ADPTED BY THE Mayor and Council of the Town of Queen Creek, Arizona, this 7th day of May, 2014.

Gail Barney, Mayor

ATTEST:

APPROVED AS TO FORM:

Jennifer Robinson, Town Clerk

Dickinson Wright/Mariscal Weeks
Town Attorneys

**Attachment F:
Ordinance 547-14 Adopting a Development Fee Procedure**

ORDINANCE NO. 547-14

AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AMENDING CHAPTER 7 OF THE TOWN CODE, "BUILDINGS AND BUILDING REGULATIONS" BY DELETING ARTICLE 7 PERTAINING TO DEVELOPMENT FEES AND ADOPTING IN ITS PLACE AND MAKING A PART OF THE QUEEN CREEK TOWN CODE THAT CERTAIN DOCUMENT TITLED "2014 DEVELOPMENT FEE ORDINANCE OF THE TOWN OF QUEEN CREEK, ARIZONA" AND DECLARED TO BE A PUBLIC RECORD BY RESOLUTION NO. 997-14.

WHEREAS, Arizona Revised Statutes § 9-802 provides a procedure whereby a municipality may enact the provisions of a code or public record by reference, without setting forth such provisions, provided that the adopting ordinance is published in full; and

WHEREAS, the Mayor and Town Council of the Town of Queen Creek adopted Resolution No. 997-14 declaring that document titled "2014 Development Fee Ordinance of the Town of Queen Creek, Arizona" a public record; and

WHEREAS, the Mayor and Town Council have determined that the adoption of a new development fee ordinance is required by state law, and is in the best interest of the residents of the Town.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Council of the Town of Queen Creek, Arizona as follows:

Section 1: That certain document titled "2014 Development Fee Ordinance of the Town of Queen Creek, Maricopa County, Arizona" which document was made public record by Resolution No. 997-14 of the Town of Queen Creek, Arizona, is hereby referred to, adopted, and made a part of the Queen Creek Town Code as if fully set out herein.

Section 2. Chapter 7, Sections 7-7-1 through 7-7-14 of the Town Code are deleted, effective August 1, 2014. Any other provision of the Town Code or other Town law or regulation that conflicts with the 2014 Development Fee Ordinance of the Town of Queen Creek, Arizona, is hereby declared to be overruled to the extent of such conflict, and effective August 1, 2014 is of no further effect.

Section 3: If any section, subsection, sentence, clause, phrase or portion of this Ordinance or any part of this addition adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 4. The Town Clerk is hereby directed to publish this adopting ordinance in full.

PASSED AND ADOPTED BY the Mayor and Council of the Town of Queen Creek, Arizona, this 7th day of May, 2014.

Gail Barney, Mayor

ATTESTED:

APPROVED AS TO FORM:

Jennifer Robinson, Town Clerk

Dickinson Wright/Mariscal, Weeks,
Town Attorneys

PHOENIX 53749-1 135442v2

PHOENIX 53749-1 135442v2

**2014 Development Impact Fee Ordinance of the
Town of Queen Creek, Arizona**

Article 7-7 - DEVELOPMENT IMPACT FEE ORDINANCE

- Sec. 7.7-1. Title
- Sec. 7.7-2. Legislative intent and purpose
- Sec. 7.7-3. Definitions
- Sec. 7.7-4. Applicability; Repeal of Previous Ordinances
- Sec. 7.7-5. Authority for Development Impact Fees
- Sec. 7.7-6. Administration of Development Impact Fees
- Sec. 7.7-7. Land Use Assumptions
- Sec. 7.7-8. Infrastructure Improvement Plan
- Sec. 7.7-9. Adoption and Modification Procedures
- Sec. 7.7-10. Five-year validity of the Infrastructure Improvements Plan and the Land Use Assumptions
- Sec. 7.7-11. Collection of Development Impact Fees
- Sec. 7.7-12. Development Impact Fee Credits and Credit Agreements
- Sec. 7.7-13. Development Agreements
- Sec. 7.7-14. Appeals
- Sec. 7.7-15. Refunds of Development Impact Fees
- Sec. 7.7-16. Oversight of Development Impact Fee Program

Appendix – Fee Schedule Forms

Sec. 7.7-1. - Title.

This Article shall be known as the “2014 Development Impact Fee Ordinance of the Town of Queen Creek,” and may be cited as such.

Sec. 7.7-2. - 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,

Subsection 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, Subsections 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 Section 7.7-7 of this Article.

Sec. 7.7-3. - Definitions.

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.

Applicant: A person who applies to the Town for a Building Permit.

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.

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.

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.

Capital Facility: An asset having a Useful Life of three or more years that is a component of one 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.”

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 7.7-8(A)(1) of this Article.

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: Industrial, Commercial, Office/Other Services, and Residential categories.

Commercial Land Use: Retail business and service establishment, professional and governmental offices, and developed recreational uses.

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 7.7-12 of this Article (or as otherwise permitted by this Article).

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 7.7-12 of this Article. A Credit Agreement may be included as part of a Development Agreement pursuant to Section 7.7-13 of this Article.

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.

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.

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.

Development Agreement: An agreement prepared in accordance with the requirements of Section 7.7-13 of this Article, Section 9-500.05, Arizona Revised Statutes, and any applicable requirements of the Town Code.

Direct Benefit: A benefit to an a Service Unit (as described below), resulting from a Capital Facility that: (a) addresses the need for a Necessary Public Service created in whole or in part by the Service Unit; and that (b) meets either of the following criteria: (i) the Capital Facility is located in the immediate area of the Service Unit and is needed in the immediate area of the Service Unit 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 Service Unit to maintain the Town’s Level of Service.

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.

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.

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.

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 three thousand 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.

Fee Report: A written report developed for the Town pursuant to Section 7.7-9 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 Service Units calculated in the Infrastructure Improvements Plan, and which meets other requirements set forth in A.R.S. § Section 9-463.05.

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.

Fire Protection: A Category of Necessary Public Services that includes fire stations, fire Equipment, fire Vehicles and all Appurtenances for fire stations. Fire Protection does not include Vehicles or Equipment used to provide administrative services, or helicopters or airplanes. Fire Protection does not include any facility that is used for training firefighters from more than one station or substation.

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 7.7-5(C) of this Article.

General Plan: The comprehensive plan for development of the Town establishing areas of the Town for different purposes, zones and activities, adopted pursuant to Arizona Revised Statutes Title 9, Article 4, Article 6, as amended, including specific area plans, if any, and including any part of such plan separately adopted and any amendment to such plan, or parts thereof.

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.

Industrial Land Use: Storage, processing, and shipping of agricultural or timber products; minerals extraction and production, storage, processing, shipping or conversion to energy; fabrication, assembly, servicing, manufacture, storage or warehousing of other products.

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 7.7-9 of this Article to cover any Category or combination of Categories of Necessary Public Services.

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 7.7-11 of this Article.

Land Use Assumptions: Projections of changes in land uses, densities, intensities and population for the Town over a period of at least ten years as specified in Section 7.7-7 of this Article.

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 the Town, 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.

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.

Multi-Family Dwelling: A structure arranged, designed and intended to be the residence of more than one family, with each family having independent cooking and bathing facilities.

Necessary Public Services: “Necessary Public Services” shall have the meaning prescribed in A.R.S. 9-463.05, subsection T, paragraph 5.

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 7.7-8 of this Article.

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 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.

Plan-Based Cost Per Service Units: 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 the Town for that Category of Necessary Public Services over the same time period.

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.

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 station or substation.

Private School: An institution of learning offering education for children which charges students tuition, including some or all of the grades from kindergarten through 12th grade. The site may contain athletic, dining, assembly and recreation facilities.

Public School: Elementary schools, middle schools, high schools, accommodation schools, accommodation schools and charter schools, which are owned and operated by a school district pursuant to Arizona Revised Statutes, Title 15.

Qualified Professional: Any one 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 one or more of the above.

Residential Land Use: Includes single and multi-family dwellings, hotels, motels, dormitories, and mobile homes.

Service Area: The Town has only one Service Area, which encompasses all of the land with the Towns corporate boundaries, as they may be expanded or otherwise amended.

Service Unit: 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 Service Unit factor for a detached single-family Dwelling Unit is one (1), while the Service Units 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.

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.

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.

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 7.7-13 of this Article.

Substantial Nexus: A substantial nexus exists where the demand for Necessary Public Services that will be generated by a Service Unit 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.

Town: The Town of Queen Creek, Arizona.

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.

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.

Sec. 7.7-4. – Applicability

- A. Except as otherwise provided herein, from and after August 1, 2014, this Article shall apply to all new development within the Town, provided, however, that only the Street Development Fee shall be applied to public and private schools.
- 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.

Sec. 7.7-5. – 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 the Town for each Capital Facility Category, based on the Infrastructure Improvements Plan and the Plan-Based Cost per Service Unit calculated pursuant to Section 7.7-8(A)(12) of this Article.
 - 2. Development impact fees shall be assessed against all new commercial, 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 Service Unit 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 of the Categories of Necessary Public Services for which development impact fees may be assessed as identified in Section 7.7-8(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 Town. 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 Schedule, all development impact fees charged by the Town must be included in a “Fee Schedule” prepared pursuant to this Article, included in the Fee Report, and adopted by the Town by resolution.
 8. All development impact fees shall meet the requirements of A.R.S. § 9-463.05.
- B. *Costs per Service Units.* The Fee Report shall summarize the costs of Capital Facilities necessary to serve new development on a per Service Unit 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.
- 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 the Town 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 7.7-8 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 Senate Bill 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, Subsection (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.

Sec. 7.7-6. – 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.
- 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, 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 years of the date upon which they were collected for all Categories of Necessary Public Services.

Sec. 7.7-7. – Land Use Assumptions

Sec. 7.7-7. – Land Use Assumptions

The Infrastructure Improvements Plan shall be consistent with the Town’s current Land Use Assumptions for the Town and each Category of Necessary Public Services as adopted by the Town pursuant to A.R.S. § 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 conform with 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 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 7.7-10 of this Chapter.
- 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 7.7-10 of this Chapter.

Sec. 7.7-8. – 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 will 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. Fire Protection
 - e. Police
 - f. Parks
 2. Define and provide a map of the Service Area that demonstrates a Substantial Nexus between the Capital Facilities to be provided in the Service Area and the Service Units to be served by those Capital Facilities. For Libraries and for Parks larger than 30 acres, the Service Area must be defined in a manner that demonstrates a Direct Benefit between the Capital Facilities and the Service Units to be served by those Capital Facilities. The Town may cover more than one 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 Service Units to be served.
 3. Identify and describe the Land Use Assumptions upon which the Infrastructure Improvements Plan is based.
 4. Analyze and identify the existing Level of Service provided by the Town to existing Service Units for each Category of Necessary Public Services.
 5. Identify the Level of Service to be provided by the Town for each Category of Necessary Public Services based on the relevant Land Use Assumptions and any established Town standards or policies related to required Levels of Service.
 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 Service Units, and the available excess capacity of those Capital Facilities to serve new Service Units including any existing or planned commitments or agreements for

the usage of such capacity. The Infrastructure Improvements Plan shall additionally identify any changes or upgrades to existing Capital Facilities that will be needed to achieve or maintain the planned Level of Service to existing Service Units, or to meet new safety, efficiency, environmental, or other regulatory requirements for services provided to existing Service Units.

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 Service Units based on the Town's Land Use Assumptions and projected new Service Units.
9. Based on the analysis in paragraphs (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 Service Units in the Service Area, and identifying the applicable Service Units 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, as a result of the new projected Service Units, for a period not to exceed ten 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 ten years, provided that the costs of such Capital Facilities are excluded from the calculation of the Plan-Based Cost per Service Unit.
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 Service Units, 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 Service Units. 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 Service Units, or to meet new regulatory requirements for services provided to existing Service Units, 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 by
 - a. Setting aside a portion of the Town's construction sales tax to be used exclusively for the capital costs of necessary public services (the "Excess Portion").
 - b. Calculating the Excess Portion, which shall be the portion of any construction contracting, or similar excise tax rate that exceeds the percentage amount of the transaction privilege tax rate that is imposed on the majority of other transaction privilege tax classifications in the Town.
 - c. Depositing the Excess Portion into a separate fund, the proceeds of which shall be used only for the capital cost of necessary public services.
 - d. Taking into account the reserved amounts when calculating development fees.
 14. Calculate the Plan-Based Cost per Service Unit by dividing the total projected costs to provide Capital Facilities to new Service Units for each Category of Necessary Public Services as determined pursuant to Subsection (9) of this Section into the number of new Service Units projected over a period not to exceed ten years, considering the specific Service Units factor(s) associated with such Service Units for each Category of Necessary Public Services and taking into account the reserved amounts calculated pursuant to Subsection 13 of this Section.
- B. *Multiple Plans.* An Infrastructure Improvements Plan adopted pursuant to this Subsection may address one or more of the Town's Categories of Necessary Public Services in the Town's Service Area. Each Capital Facility shall be subject to no more than one Infrastructure Improvements Plan at any given time.
- C. *Reserved Capacity.* The Town may reserve capacity in an Infrastructure Improvements Plan to serve one or more planned future developments, including capacity reserved through a Development Agreement pursuant to Section 7.7-13 of this Article. All reservations of existing capacity must be disclosed in the Infrastructure Improvements Plan at the time it is adopted.

Sec. 7.7-9. – 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 paragraph 2 of this Subsection, the adoption or amendment of an Infrastructure Improvement Plan shall occur at one 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 7.7-7 of this Article:
 - a. Sixty days before the first 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 Service Units.
 - 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 above the development impact fee that is provided in the current development impact fee schedule.

- d. At least 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.

B. *Amendments to the Fee Report.* Any adoption or amendment of a Fee Report and fee schedule shall occur at one 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 Paragraph (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 Paragraph (1) of this Subsection.
4. The development fee schedules in the Fee Report adopted pursuant to this subsection shall become effective 75 days after adoption of the Fee Report by the Town.

Sec. 7.7-10. –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 years the Town shall update the applicable Infrastructure Improvements Plan and Fee Report related to each Category of Necessary Public Services pursuant to Section 7.7-9 of this Article. Such five-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 180 days prior to the end of the five-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 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 30 days to any timely requests submitted pursuant to Paragraph 4 of Subsection (B) of this Section.

Sec. 7.7-11. - Collection of Development Impact Fees

- A. *Collection.* Development impact fees, together with administrative charges assessed pursuant to Paragraph (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 Section 7.7-13 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 Town, 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. 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 paragraphs.
 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 Service Units, (b) increase the impact of existing Service Units 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 paragraph, 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 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 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 commercial, 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 paragraphs 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 Director of Development Services 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 Service Unit factor to the applicable Plan-Based Cost per Service Unit, or may propose that the development be covered under the development impact fee schedule governing a different and more analogous Category of Development. The Director of Development Services 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 7.7-14 of this Article. The 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.

Sec. 7.7-12. - Development Impact Fee Credits and Credit Agreements

- A. *Eligibility of Capital Facility.* All development impact fee Credits must meet the following requirements:
1. One 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 7.7-13 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. *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 Service Unit, the amount of any Credit shall be reduced in proportion to the difference between the Plan-Based Cost per SU and the Gross Impact Fee adopted. A Credit shall not exceed the actual costs the Applicant incurred in providing the eligible Capital Facility.
- C. *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 Service Units 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 7.7-13 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 Service Unit, 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.

D. *Credit Agreement.* Credits shall only be issued pursuant to a Credit Agreement executed in accordance with Subsection C 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 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 Service Units 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 Service Unit within the Subject Development for each Category of Necessary Public Services.
 4. 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 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 7.7-13 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 paragraph (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 Paragraph (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 7.7-15(A)(2)(a) of this Article.
5. Notwithstanding the other provisions of this Section 7.7-12, 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.

Sec. 7.7-13. - 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 Subparagraph (D)(7) of Section 7.7-12 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 Service Unit 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 7.7-12 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 Service Units, 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- Service Units 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-Service Units 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 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.
- 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.

Sec. 7.7-14. - 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 Service Units 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 Development Services Department.
- C. *Department Action.* The Director of Development Services shall act upon the appeal within 30 calendar days of the filing of the appeal with the Development Services 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 Director of Development Services to the Town Manager, within 14 calendar days of the Director's decision pursuant to Sec. 7.7-14.C. The Town Manager may designate the Assistant Town Manager to hear such appeals.
- E. 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 decision in writing.
- F. *Final Decision.* The decision of the Town Manager (or Assistant Town Manager) 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 clause (2) above, the Applicant shall deliver the full amount of the impact fee to the Town within ten 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.

Sec. 7.7-15. – 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 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 other than Water or Wastewater Facilities, any part of a development impact fee is not spent within ten years of the Town's receipt of the development impact fee.
 - d. Any part of a development impact fee for Water or Wastewater Facilities is not spent within 15 years of the Town's receipt of the development impact fee.

- e. 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 10% or more. In such event, the current owner of the subject real property shall, upon request as set forth in this Section 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.

Sec. 7.7-16. – 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, Subsections N and O, as amended.
- B. *Biennial Audit.* In addition to the Annual Report described in Subsection A of this Section, the Town shall provide for a biennial, certified audit of the Town’s Land Use Assumptions, Infrastructure Improvements Plan and development impact fees.
 - 1. An audit pursuant to this Subsection shall be conducted by one or more Qualified Professionals who are not employees or officials of the Town and who did not prepare the Infrastructure Improvements Plan.
 - 2. The audit shall review the collection and expenditures of development fees for each project in the plan and provide written comments describing the

amount of development impact fees assessed, collected, and spent on capital facilities.

3. The audit shall describe the Level of Service in each Service Area, and evaluate any inequities in implementing the Infrastructure Improvements Plan or imposing the development impact fee.
4. The Town shall post the findings of the audit on the Town's website and shall conduct a public hearing on the audit within 60 days of the release of the audit to the public.
5. For purposes of this Section a certified audit shall mean any audit authenticated by one or more of the Qualified Professionals conducting the audit pursuant to paragraph (1) of this Subsection.

**Attachment G:
Resolution 998-14 Establishing the Development Fee
Schedule**

RESOLUTION 998-14

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, ESTABLISHING DEVELOPMENT FEES FOR NECESSARY PUBLIC SERVICES, INCLUDING PARKS AND RECREATION, LIBRARY FACILITIES, TOWN FACILITIES, STREETS, POLICE FACILITIES, AND FIRE FACILITIES, WHICH FEES ARE ESSENTIAL TO THE OPERATION OF THE TOWN.

WHEREAS, the Town is authorized by the provisions of Arizona Revised Statutes § 9-463.05 to assess and collect development fees to offset costs to the Town to provide necessary public services to new developments in the Town; and

WHEREAS, the legislature amended Arizona Revised Statutes § 9-463.05 to require the Town to undertake certain studies; to formulate and adopt Land Use Assumptions and an Infrastructure Improvements Plan; and to adopt new development fees to be effective August 1, 2014; and

WHEREAS, the Town has undertaken significant infrastructure projects funded by bonds duly authorized by the voters of the Town, and the debt service (principal and interest) on said bonds is to be paid with the proceeds of development fees assessed against new development that will benefit from said infrastructure improvements; and

WHEREAS, Arizona Revised Statutes § 9-463.05 authorizes the Town to continue to collect development fees that were pledged to pay debt service obligations for the construction of facilities, where such funds were pledged prior to June 1, 2011; and

WHEREAS, the Town has undertaken the required studies; has adopted a Notice of Intent to assess development fees, has held public hearings on the Land Use Assumptions and Infrastructure Improvements Plan, and on the proposed development fees, and undertaken all of the acts required for the adoption of development fees.

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the Town of Queen Creek, Arizona, as follows:

1. Exhibit "A" titled "Town of Queen Creek Development Fees" attached hereto is hereby incorporated into this Resolution by reference.
2. The Development Fees set forth on Exhibit "A" are hereby approved and adopted, to be assessed commencing on August 1, 2014.
3. That the development fees adopted or continued by Resolution 892-11 are repealed as of August 1, 2014.

4. That this Resolution shall be in full force and effect from and after August 1, 2014.

PASSED AND ADOPTED by the Mayor and Council of the Town of Queen Creek, Arizona, this 7th day of May, 2014.

Gail Barney, Mayor

ATTEST:

Jennifer Robinson, Town Clerk

APPROVED AS TO FORM:

Dickinson Wright Mariscal, Weeks
Town Attorneys

Appendix A

Development Fee Schedule Forms

Residential Fees per Housing Unit

Units per Structure	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	Total
Single Unit	\$3,681	\$723	\$470	\$1,263	\$167	\$490	\$6,794
2+ Units	\$2,710	\$532	\$346	\$882	\$123	\$361	\$4,954

Non-Residential Fee per 1,000 Square Feet of Floor Area

Type	Parks and Recreation	Library	Town Facilities	Streets	Police	Fire	Total
Industrial	\$650	\$128	\$338	\$429	\$56	\$335	\$1,936
Commercial	\$563	\$111	\$292	\$1,569	\$229	\$290	\$3,054
Office & Other Services	\$552	\$109	\$286	\$679	\$90	\$285	\$2,001