

**MAYOR'S ADVISORY COMMITTEE
ON IMPACT FEE ALTERNATIVES
MINUTES**

**GENERAL MEETING
MARCH 23, 2009
PRESCOTT, ARIZONA**

MINUTES OF THE GENERAL MEETING OF THE MAYOR'S ADVISORY COMMITTEE ON IMPACT FEE ALTERNATIVES Held On MARCH 23, 2009 In The PRESCOTT CHAMBER OF COMMERCE CONFERENCE ROOM LOCATED AT 117 WEST GOODWIN ST., Prescott, Arizona.

Members:

Gary Hudder, Chair	A	Councilman, Jim Lamerson	P
Malcolm Barrett Jr., Co Chair	P	Dave Maurer	A
Steve Conrad	A	Vic Pereboom	P
Sandy Griffis	P	Mr. Mark Woodfill	P
Tom Haley	P		

(P=Present: A=Absent)

Others Present:

None

2.1 Call to order & roll call:

The meeting was called to order at 2:05 pm by Co-Chairman, Mr. Malcolm Barrett.

2.2. Public Comment:

None

2.3 Review of Cost Sharing Alternatives by Mark Woodfill:

The question was raised, as to the amount of property tax needed to be increased to fund the needed system capacity for new development instead of increasing impact fees to cover the cost of growth. Mr. Woodfill's response was that a Secondary Property Tax would have to be increased 77.8% or 0.2797 which would be \$84 per year on a home with an assessed value of \$300,000. The "proposed" secondary property tax would have to be a "bond issue" and would have to be approved by the Voters. Assuming the City does not increase current impact fees, City Council would have to increase water, waste-water user rates which would be significant on the larger users. The question was raised by Ms. Griffis that the rate increase was at the "highest" possible level and could those rates be "rolled back"? Mr. Woodfill discussed that if the rates were lowered it would create a "shortfall" because you are selling capacity for less than it would cost to build. Capital plan calls for "X" amount of capacity to create capacity for ten homes, a thousand homes, etc. it's going to cost "X" and you divide the

amount of homes by “X” that gives you the impact fee or the cost to create that capacity for each home. Mr. Barrett stated that the impact fee increases have been determined as to be what is required to expand the existing capacity to accommodate each new development or home as it comes up. If no further impact fees are collected, do we have any system capacity now? It was Mr. Woodfill’s understanding that the Engineers have stated “no” and that we are in fact at 100% capacity looking at the system as a “whole”. Mr. Woodfill to invite an Engineer to next meeting to discuss capacity usage.

- 2.4 **Review of alternative processes to help off-set recommended increases:** Councilman Lamerson brought some studies from Mr. Bradshaw from other communities that have had success and we may want to look into those studies further for different alternatives. Councilman Lamerson believes Facilities Districts offers an alternative and could be a viable source especially when you consider the annexation aspects of areas where major growth is going to take place. Mr. Woodfill offered the following comment, “the way a Community Facilities District would work on a impact fee type of situation are used to help Developers finance extractions that are required for their annexations”. Assessments are placed on the property and the property comes in with a lower price on it because there is an assessment background that has a 20-25 year debt on it. Those work relatively well for 1,000 acre or more. However, this puts a small developer at a disadvantage as they still need to accommodate for capacity and cannot form a C.F.D. and therefore required to pay impact fees. Mr. Woodfill further clarified, a C.F.D. is a financing option, it’s not an alternative. Alternatives are extractions or making the developer put the infrastructure in to serve their development, a C.F.D. is just a way to help him finance that. What you want is for developments of a large size to create additional capacity to serve themselves, not left up to the City. An alternative would be for large annexations to build their own capacity as a reduction to impact fees. Mr. Barrett stated that the impact fee increases are designed to increase capacity, is capacity extending the lines to the service area? Mr. Woodfill stated that you have to look at the system as a “whole” whether or not the main is there, you still need to upgrade the whole infrastructure to handle additional usage for each new house or subdivision.

ALTERNATIVES:

- A) Large annexations to build their own capacity.
- B) General Obligation Bonds: This may be an alternative and will be discussed in detail at next meeting.
- C) User Fees: Increasing everyone’s user fee would be a legitimate option.
- D) Infill Incentives: To be discussed further in next meeting.
- E) Taxes – Construction Sales Tax & General Sales Tax: Construction Sales Tax would be a viable option. Developers wouldn’t have to pay it when they built it, they would pay it when they sold it. Need to look into this option further and as to what percentage would be needed to cover increase of impact fees (1%??).

2.5 **Action Items:**

Mark Woodfill

Mr. Woodfill to invite an Engineer to the next meeting to discuss overall capacity and if we are currently at 100% capacity. Mr. Woodfill to verify the annual percentage of increase to construction sales tax only as an alternative to cover increase of impact fees. It was discussed that a 1% to construction sales tax would be needed. Mr. Woodfill to discuss with Dan Jackson on what do the rate scenarios on Page 63 mean to the larger commercial type areas. The committee has asked Mr. Woodfill if he could do a review of three large rate payers.

2.6 **Next Meeting** – April 6th, 2009; 2:00 pm at Prescott Chamber of Commerce, Conference Room located at 117 West Goodwin Street, Prescott, AZ

2.7 **Adjourn:**

Meeting adjourn @ 3:25 p.m.

GARY D. HUDDER, Chairman

SUSAN ESPER, Author