

## **FINANCE COMMITTEE MINUTES**

March 15, 2004

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 15, 2004 at 3:05 p.m.

**COMMITTEE PRESENT**

Kyle Jones, Chairman  
Rex Griswold  
Dennis Kavanaugh

**COUNCIL PRESENT**

None

**OFFICERS PRESENT**

Paul Wenbert

1. Discuss and consider adoption of the notice of intention to adjust current development impact fees, adopt new stormwater and general government development impact fees.

Deputy Building Safety Director Jeff Welker addressed the Committee and stated that he would present the staff report and the findings of the City's consultant regarding two proposed new impact fees and amendments to existing development impact fees. He advised that staff was requesting that the Committee forward the report to the full Council for consideration of adopting a Notice of Intention regarding the proposed fee changes.

Mr. Welker reviewed the history of the City's impact fees and noted that in January 2003, the City Council elected to increase the Parks' impact fee, but declined to adopt stormwater and general government impact fees.

Discussion ensued relative to the fact that the purpose of the presentation was not to request Committee or Council approval of any impact fee; that staff was requesting that the Committee move the proposal forward to the full Council for consideration of adopting the Notice of Intention in order to initiate the public comment period; and that State law mandates the City Council to formally adopt a Notice of Intention in order to provide the public with an opportunity to comment on possible fee changes.

Mr. Welker stated that City staff is directed by Council to conduct an annual review of impact fees; that staff requests input from City departments and divisions regarding the current inventory and replacement value of City facilities and infrastructure; that the data collected by staff is analyzed by the City's consultant to determine if the rationale or opportunity exists to adjust fees; that the current impact fee of \$3,804 for a single-family home is proposed to increase by 39 percent to \$5,289; that the current impact fee of \$1,397 per thousand square feet of retail space would decrease by 25 percent to \$1,046 if the proposed change in methodology is adopted; and that additional cultural facilities, higher land costs, increased replacement values of existing buildings, and new police and fire facilities contribute to the proposed fee increase for single-family homes.

Additional discussion ensued relative to the fact that the expansion of the Mesa Southwest Museum is included in the data for the current year; that the expansion of the Museum for Youth will be included in the data for next year; and that the current data does not include the new Mesa Arts Center.

In response to a question from Committeemember Griswold, Mr. Welker explained that staff is proposing to replace the retail, office and industrial land use categories with one description designated as "non-residential." He noted that the present classification system for the many variations of land use was ambiguous, and that simplification would enable employees to assess and collect the proper fees and provide customers with consistency and improved cost estimates.

Committeemember Griswold stated that the employees of new businesses create the need for additional police and government. He expressed the opinion that the costs for increased services should not be levied against businesses, and that new growth should pay for itself.

Further discussion ensued relative to the fact that the present ordinance includes an appeal process that enables applicants to substantiate that the development does not create the need for additional City facilities or services; and that the current proposal for a uniform fee per thousand square feet for retail, industrial and commercial results in a decrease for retail and an increase for industrial and commercial fees.

Mr. Welker addressed the second section of the staff report relative to Council reconsideration of adopting the stormwater and general government development impact fees that were not approved in 2003. He noted that the income generated by new impact fees could supplement the City's funds to expand stormwater and general government facilities in order to meet the demands of new development.

Mr. Welker outlined the following schedule regarding the proposed changes and amendments:

- The City Council would consider adoption of the Notice of Intent at the April 5, 2004 Regular Council Meeting.
- A sixty-day public notification time period would follow the adoption of the Notice of Intent for public meetings and solicitation of public comment.
- A public hearing and introduction of the ordinance would be scheduled for the June 7, 2004 Regular Council Meeting.
- The City Council would consider adoption of the proposed ordinance at the Regular Council Meeting on June 28, 2004.
- If adopted by the Council at the June 28, 2004 Regular Council Meeting, the ordinance would be effective 90 days later.

Mr. Welker explained that proposed amendments to the existing ordinance focused on three areas:

- Exempting water impact fees for landscape water meters in the common areas of new residential developments. Mr. Welker noted that the City normally exempts these water meters from impact fees, and the City Attorney suggested the amendment to eliminate any ambiguity.
- Defining the method of “rounding” in the determination of square footage for the purpose of calculating non-residential impact fees. Mr. Welker explained that several industry standards exist regarding this calculation, and staff members with diverse education and employment backgrounds may utilize different methods.
- Eliminating the ambiguity that exists in the assignment of “land use types” for non-residential developments.

Mr. Welker noted that the alternatives in the staff report are divided into three sections, and staff recommends the following:

- The first section addresses the development impact fees, and staff recommends that the Council adopt alternative one, which proposes to increase the fees as shown in the report. Alternative two increases the fees at a lesser amount than recommended by staff, and alternative three maintains the fees at the present level.
- The second area relates to stormwater and general government impact fees. Staff recommends that the Council adopt alternative four, which proposes to implement the two new impact fees. Alternative five would adopt one or both of the fees at a lower amount than proposed by staff, and alternative six would adopt one or none of the proposed impact fees.
- The third section addresses ordinance amendments, and staff recommends that the Council adopt alternative seven to approve the ordinances as outlined in the report. Selection of alternative eight would disapprove the proposed ordinance amendments.

Mr. Welker advised that the Financial Services Department provided assistance in calculating the projected \$5 million increase in revenue that would result if staff's recommendations were adopted. He noted that the increased revenue could be directed to Capital Improvement Projects (CIP) that have been delayed or deferred as a result of the City's financial constraints, and that using the impact fee revenue for bond debt service would assist in leveraging capital bond funds to accelerate new capital infrastructure in the CIP schedule. Mr. Welker added that pages seven through nine of the staff report lists CIP projects that could be reprogrammed in the schedule.

Additional discussion ensued relative to the fact that staff would address public concerns regarding the proposed new fees by explaining that customers and citizens are impacted due to the fact that existing buildings require expansion, replacement or remodeling in order to meet increased service demands; that the customer service demands are directly correlated to increased development and population growth; that although stormwater drainage issues occur on an infrequent basis, the problems that result are significant; that new developments in

Districts 5 and 6 have the greatest need for stormwater facilities; and that other Valley communities with similar developments have adopted this type of impact fee.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Griswold, that the item be moved forward for full Council consideration in order to initiate the public comment process.

Further discussion ensued relative to the fact that the proposed fees for the City of Mesa compare favorably with other Valley cities; that staff employs a nationally established methodology that is consistent with the practice of other Valley cities; that staff will provide the Council with a comparison chart for Valley cities that separates road fees from other development impact fees; that paying for new growth is an important topic for Council discussion; that the list of CIP projects are examples of policy changes that could occur with the additional revenues from the proposed impact fees; and that the revenues would be utilized to leverage the amount of capital bond dollars that could be moved forward.

Chairman Jones called for the vote.

Carried unanimously.

2. Adjournment.

Without objection, the Finance Committee Meeting adjourned at 3:45 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Finance Committee meeting of the City of Mesa, Arizona, held on the 15<sup>th</sup> day of March 2004. I further certify that the meeting was duly called and held and that a quorum was present.

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BARBARA JONES, CITY CLERK

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