

# COUNCIL MINUTES

January 6, 2003

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on January 6, 2003 at 4:47 p.m.

## COUNCIL PRESENT

Mayor Keno Hawker  
Dennis Kavanaugh  
Rex Griswold  
Kyle Jones  
Janie Thom  
Claudia Walters  
Mike Whalen

## COUNCIL ABSENT

None

## OFFICERS PRESENT

Mike Hutchinson  
Debbie Spinner  
Barbara Jones

### 1. Review items on the agenda for the January 6, 2003 Regular Council Meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

The following conflicts of interest were declared: 6f (Hawker).

The following items were placed on the consent agenda: 9b.

The following items were removed from the consent agenda: 6f, 7c.

The following items were deleted from the consent agenda: 6d, 7f, and 8c.

### 2. Hear a presentation on proposed impact fee issues.

Deputy Building Safety Director Jeff Welker and Clancy Mullen, Vice President of Duncan Associates, the City's consultant with respect to development impact fees, addressed the Council relative to this agenda item.

Mr. Welker provided a brief chronology regarding the issue of development impact fees within the City of Mesa. He reported that in April 2001, the City Council approved an update to Mesa's existing development impact fees; that phase one of the update evaluated the current development impact fees and contained recommendations for adjustments; that phase two

reviewed new impact fees that the City wanted to consider and also options for altering the methodology used to assess, calculate and collect impact fees; that in May 2002, the Finance Committee recommended that the Council approve the establishment of new drainage and general government impact fees, and that staff be directed to investigate the possibility of updating the City's existing park impact fees; that in June 2002, the Council not only adopted a Notice of Intention to establish new drainage and general government impact fees, but directed staff to proceed with the study to update the park impact fees; that in October 2002, in conformance with State statutes, the Council adopted a new Notice of Intention to provide for a public review and comment period, and that tonight's Regular Council Meeting is the time to conduct a public hearing and introduction of the ordinance adopting the new drainage and general government development impact fees and updating the existing park development impact fees.

Mr. Welker commented that throughout this process, staff has made a concerted effort to apprise the development community relative to this issue, including providing updates at the monthly Development Advisory Forum meetings and distributing copies of the Impact Fee Study prepared by Duncan Associates. He added that staff is also available to make presentations to any organization that requests information regarding development impact fees in the City of Mesa.

Mr. Mullen referred to the Impact Fee Study, copies of which were distributed to the members of the Council, and provided a brief overview of current and potential single-family fees, comparative single-family impact fees, and a summary of potential annual revenues generated by the new drainage and general government impact fees and updated park fees. (See Attachments 1, 2 and 3) He also reviewed, as an example, the mathematical analysis utilized by Duncan Associates to measure the manner in which the drainage impact fee was established.

In response to a question from Vice Mayor Kavanaugh, Mr. Mullen clarified that it is not unusual for communities throughout Arizona to impose impact fees for general government facilities.

Discussion ensued relative to the functional population methodology utilized by Duncan Associates to establish the general government development impact fees.

Councilmember Walters noted that the concept of "growth paying for growth" has taken off in many fast-growing communities and added that the assessment of development impact fees is an appropriate means by which Mesa can generate revenue to pay for a variety of City services.

In response to a question from Councilmember Walters, Mr. Welker clarified that staff intends to conduct an evaluation of "fee regions," which could potentially increase or decrease development impact fees in various areas of the community.

Mayor Hawker thanked Mr. Welker and Mr. Mullen for the informative presentation. He concurred with Councilmember Walters' comments and stated that he has been a long-time proponent of development impact fees.

In response to a question from Councilmember Griswold, Mr. Welker advised that the impact fee ordinance as currently written does not provide for impact fee exemptions relative to the development of infill or redevelopment areas. He added that staff is currently creating an infill policy for the City of Mesa and noted that the waiver of fees will be addressed and evaluated at that time.

3. Hear reports on meetings and/or conferences attended.

The following members of the Council provided brief updates on various meetings/conferences they attended as follows:

Councilmember Thom                      The Inauguration of the Salt River Pima-Maricopa Indian  
Community Tribal Chairman and Tribal Judges.

4. Scheduling of meetings and general information.

City Manager Mike Hutchinson stated that the meeting schedule is as follows:

Thursday, January 9, 2003, 7:30 a.m. – Study Session

Saturday, January 11, 2003, 8:30 a.m. – Opening of the Red Mountain Freeway between Val Vista Drive and Higley Road.

Thursday, January 16, 2003, 7:30 a.m. – Study Session

Thursday, January 23, 2003, 7:30 a.m. – Study Session

Thursday, January 23, 2003, 9:30 a.m. – Finance Committee Meeting

Saturday, January 25, 2003, 10:00 a.m. – Dedication of Fire Station No. 202

Monday, January 27, 2003, TBA – Study Session

Monday, January 27, 2003, 5:45 p.m. – Regular Council Meeting

4. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

5. Adjournment.

Without objection, the Study Session adjourned at 5:30 p.m.

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KENO HAWKER, MAYOR

ATTEST:

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BARBARA JONES, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 6<sup>th</sup> day of January 2003. 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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Attachments

## OVERVIEW

The City of Mesa currently assesses impact fees for water, wastewater, parks, cultural facilities, libraries, fire and police facilities. This report addresses possible additional impact fees for stormwater drainage and general government facilities. The general government facility fee includes the cost of facilities not included in other impact fees, such as city administrative buildings and fleet maintenance facilities. This report also updates the City's existing park impact fees.

## Summary

The current fees for a single-family unit are compared with the maximum potential fees calculated in this report in Table 1. The potential increase in park fees and the addition of fees for stormwater drainage and general government facilities would increase the total impact fee per single-family unit from \$3,669 to \$4,350, for an increase of 19%.

**Table 1**  
**CURRENT AND POTENTIAL SINGLE-FAMILY FEES**

<b>Facilities</b>	<b>Current Fee</b>	<b>Potential Fee</b>	<b>Increase</b>	<b>Percent Change</b>
Water	\$907	\$907	\$0	0%
Wastewater	\$1,059	\$1,059	\$0	0%
Parks	\$696	\$831	\$135	19%
Cultural Facilities	\$128	\$128	\$0	0%
Libraries	\$378	\$378	\$0	0%
Fire	\$145	\$145	\$0	0%
Police	\$226	\$226	\$0	0%
Solid Waste*	\$130	\$130	\$0	0%
Drainage (new)**	\$0	\$112	\$112	n/a
General Government (new)	\$0	\$434	\$434	n/a
<b>Total</b>	<b>\$3,669</b>	<b>\$4,350</b>	<b>\$681</b>	<b>19%</b>

\*residential development tax. not technically an impact fee but included for completeness

\*\* for lot greater than 7,000 square feet (gross density, less than 5 units per acre)

Source: Current fees per single-family unit from Mesa City Code, Chapter 17: Development Impact Fees; potential park fee from Table 38 and potential drainage and general government fees from Tables 15 and 26.

All told, the three revenue enhancements could bring in as much as \$4.3 million annually, as shown in Table 2. These revenue estimates are intended as "order of magnitude" forecasts only.

**Table 3**  
**COMPARATIVE SINGLE-FAMILY IMPACT FEES**

Facility	City of Mesa		Phoenix (Desert View N)	Scotts dale (north)	Chandler	Gilbert	Glendale	Apache Junction	Peoria (north)
	Current	Potential							
Water	\$907	\$907	\$3,832	\$2,214	\$2,109	\$2,476	\$2,370	\$921	\$4,022
Wastewater	\$1,059	\$1,059	\$1,826	\$2,668	\$2,096	\$2,448	\$1,677	\$2,000	\$1,996
Roads			\$2,404		\$1,574	\$148	\$613	\$1,485	\$4,028
Drainage		\$112							
Parks	\$696	\$831	\$2,622		\$1,106	\$945	\$1,091	\$564	\$1,361
Cultural	\$128	\$128							
Library	\$378	\$378	\$367		\$70		\$514	\$262	\$294
Fire	\$145	\$145	\$111		\$108	\$206	\$339		\$275
Police	\$226	\$226	\$86		\$163	\$362	\$359	\$133	\$186
Gen. Govt		\$434			\$237	\$357	\$660	\$83	
Solid Waste*	\$130	\$130	\$125				\$264		\$518
Equip. Repair			\$76						
<b>Total</b>	<b>\$3,669</b>	<b>\$4,350</b>	<b>\$11,449</b>	<b>\$4,882</b>	<b>\$7,463</b>	<b>\$6,942</b>	<b>\$7,887</b>	<b>\$5,448</b>	<b>\$12,680</b>

\* Residential development tax for Mesa, used for solid waste containers

Source: City of Phoenix, from City impact fee coordinator, 5/1/02 for area north of Jomax; City of Scottsdale Revised Code, Sec. 49-74, from Municipal Code Corporation web site, 4/30/02 (for 7,000-8,500 sq. ft. lot); Chandler City Code, Sec. 38-13, from City web site 4/30/02 (park fee includes \$410 park residential development tax, per impact fee coordinator, 4/30/02); Town of Gilbert development fees effective on or after June 11, 2001 from City web site, 4/30/02; City of Glendale, Municipal Code Book, Sec. 28-127, from cityweb site, 4/30/02; City of Peoria, Community Development, Building Safety Division, "Development Impact Fees," effective January 1, 2002, from City web site, 4/30/02; Apache Junction fees (other than water and wastewater fees charged by separate community facilities districts) from Duncan Associates, *Development Fee Update* Study, December 2001 (fees adopted May 7, 2002).

## Background

Impact fees are most appropriate for communities that are growing rapidly. Mesa certainly fits that description. The City's population, which grew by about nine percent annually during the 1970s and early 1980s, is now growing at over three percent annually. The regional projections suggest that the city's growth will cease to be exponential, but the current annual growth increment of about 10,000 persons is expected to continue through the end of the current decade, as shown in Table 4.

The original impact fee study was prepared in November 1997.<sup>1</sup> The ordinance adopting impact fees for water, wastewater, parks, cultural facilities, libraries, fire and police facilities went into effect on November 1, 1998 (Ordinance No. 3502, adopted July 20, 1998). Minor "clean-up" amendments to the impact fee ordinance were adopted immediately after the effective date of the ordinance (Ordinance No. 3547, adopted November 2, 1998).

Concurrent with adoption of the impact fee ordinance, the City Council passed an ordinance revising the City's residential development tax (Ordinance No. 3503, adopted July 20, 1998). This excise tax imposed on new residential development had been charged at a flat rate of \$468 per dwelling unit,

<sup>1</sup>Duncan Associates, *Development Fee Tax Review*, November 1997.

**Table 2**  
**SUMMARY OF POTENTIAL ANNUAL REVENUES**

Drainage Impact Fees	\$980,000
<u>General Government Impact Fees</u>	<u>\$2,740,000</u>
Subtotal, New Impact Fees	\$3,720,000
<u>Increase Due to Updated Park Fee</u>	<u>\$530,000</u>
<u>Total Potential Revenues</u>	<u>\$4,250,000</u>

Source: Potential drainage impact fee revenues from Table 17; general government revenues from Table 27; additional park fee revenues from Table 40.

A final issue, not covered in the remainder of this report, is how to fund the costs of administering the impact fee program. In the process of preparing this report, significant delays were experienced due to the lack of available staff resources to gather the required data. As the City expands its impact fee system, it becomes more important to increase the availability of staff resources to administer the program. In addition to the periodic updates, staff resources are required for fee determination and collection, tracking of fee payments and developer credits, earmarking funds, ensuring funds are only spent on eligible improvements, and reviewing applications for independent fee assessments and developer credits. The City of Phoenix, for example, has three full-time staff members administering their (admittedly -more complex) impact fee system, which they fund through a development review fee equal to three percent of the gross impact fee (prior to developer credits). More common is for communities to have one full-time impact fee administrator, with several other staff positions partially dedicated to impact fee administration.

### **Comparative Fees**

As part of this project, the consultant conducted a survey of development impact fees charged by other jurisdictions in the Valley. The comparative fees shown in Table 3 below are intended to represent typical development conditions. Phoenix's development fees, except for water and wastewater, apply only in growth areas, and the fees shown are for one of these areas. Scottsdale's fees are higher north of the core area, and the fees shown are for the northern growth area. It should be noted that the comparison does not include the cost of typical road exactions, and consequently the total fees shown for Mesa, Scottsdale and Gilbert are not truly comparable to the fees charged in other jurisdictions that charge road impact fees and give credit against them for developer exactions for roads.

Despite that last caveat, it is clear that Mesa's current development impact fees are lower than those of most other growing communities in the Valley. This will continue to be the case even if the fees are adopted at the maximum permitted under this study for the three facilities that are being addressed.