



DEVELOPMENT FEES QUESTIONS AND ANSWERS

Town of Queen Creek, Arizona

The Town of Queen Creek currently has seven development impact fees: Wastewater; Parks, Trails and Open Space; Library; Town Facilities and Equipment; Public Safety; Transportation; and Fire development fees.

Development fees are charged only to new development. Fees collected pay for new public facilities in the Town. To ensure development fees keep pace with public facility construction costs, the Town Council adopted a policy in 2005 to review the development fees annually.

Here are some answers to common questions about development fees.

What are development fees?

Development fees are sometimes called “impact fees.” They are collected from new development to help pay for the “impact” of growth on public facilities and infrastructure (including vehicles and equipment). The fees ensure that new growth pays to build the public facilities that the new growth requires. The fees may also be used to purchase vehicles and equipment to ensure the Town is able to maintain current levels of service as new growth occurs.

For example, every new home or business creates additional demand on the Town’s wastewater system as well as public safety resources. Every new home means there are more people who will use the library, parks and open space. Because new development creates the need for more library space and books, parks, etc., the new development can be charged to help pay for those facilities.

When are development fees paid?

All development fees are collected at the time building permits are issued. Should new fees be adopted and go in effect between the time of building permit application and building permit issuance, the fees in effect at the time of building permit issuance will be charged.

Who pays the development fees?

What constitutes new development is clearly defined in Town Code. Development fees not only apply on the construction of new homes and businesses, but also when an existing structure’s use is changed or modified in such a way that there is increased demand placed on the Town’s infrastructure.

Not everyone building a new house or business in Queen Creek will be required to pay all of the fees. Homes built on large lots in the low-density areas outside of the sewer district are not required to connect to the Town sewer system and are not charged a wastewater development fee. Businesses and industry are not charged for libraries, parks, recreation or open space. The amount of the fees differs depending on the size or type of business or industry.

Can I get an estimate of the development fees prior to permit issuance?

The Town's Permitting staff provides all applicants with development fee estimates. For projects going through the Town Council approval process, estimates will be provided following the post-Council meeting with Town staff. For custom home projects that do not go through the Town Council approval process, Permitting staff will provide estimates no later than at the time of building permit application. As a reminder, this is just an estimate and if there are changes to the project (examples may be changes in water meter size or square footage for non-residential uses) or new fees go into effect, the fees assessed at the time of building permit issuance may be different than those provided in the estimate.

What are development fee offsets and exemptions?

In certain circumstances a developer may opt to dedicate land to the Town or pay for a portion of the construction of a public facility. In these instances, if the land or the public facility is included in the calculation of the development fee, the developer may be eligible for an offset or exemption to their development fees. Requests for offsets or exemptions to development fees are submitted to the Town Council for review and approval. If a developer thinks a project may be eligible for an offset or exemption, they should contact Pam Weisshaar in the Community Development Department at 480-358-3021.

Per Arizona State Statute, public schools and charter schools are exempt from all development fees with the exception of the Wastewater development fee.

Does every city and town collect these fees?

Many cities and towns collect development fees, but they vary from state to state. In California, where Proposition 13 froze property taxes a number of years ago, some cities charge development fees of more than \$30,000 per new house. Most cities in the central part of Arizona charge some development fees. However, many councils vote not to charge the full cost, and instead the city or town subsidizes the new growth by helping pay for new public facilities with other public funds, such as sales tax, property tax or utility fees.

The Town does collect a 2 percent sales tax, and while there are many new commercial and retail businesses scheduled to open in the near future, at this point the Town does not collect as much sales tax as other cities. The Town also receives state-shared revenues, but that is based on population. Since the Town's population is relatively small, its share of state-shared revenues is small. The Town uses sales tax and state-shared revenue to pay for day-to-day operations. This includes such things as the contract with the Maricopa County Sheriff's Office for law enforcement, recreation programs, youth sports and summer day camp, maintenance of Town parks and buildings and open space, Town staff and contracts, utility bills, and the matching of grant money when the Town receives grants.

Who decides what amount the development fees should be?

The Town Council decides based on careful study of data and its analysis. Since 1999, the Town has worked with TischlerBise, Inc. a well-known consultant that specializes in such studies. In 2006, the Town entered into a multi-year contract with TischlerBise to complete annual reviews of the development fees. State laws and the courts require that the studies to set fees be done in a certain way to ensure the fees adopted are justifiable and fair.

The first step in reviewing and updating the fees is to have staff work with the consultant to prepare a thorough study, looking at the wastewater system, existing parks, library, Town facilities and other public facilities. The cost of building the facilities, as well as necessary vehicles and equipment required to maintain

current levels of service is calculated. Then the consultant studies adopted Town plans to determine what other public facilities must be built to serve new population from new development. The cost of adding and expanding new public facilities is calculated, and then the total is divided to determine the fee so that each new building pays a fair share of the costs. The adopted ordinances also allow for annual inflationary adjustments to development fees; per State Statute, the Town may adjust fees without a public hearing after issuing a public notice at least 30 days in advance of the effective dates of the revised fees.