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Builders' query has SV rechecking fees report

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HERALD/REVIEW

SIERRA VISTA — On Dec. 1, the city will respond to a local contractor group's critique regarding possible new development-impact fees, Assistant City Manager Mary Jacobs said.

The Southeastern Arizona Contractors Association, which is the local chapter of the Southern Arizona Home Builders Association, hired a private consultant to analyze the estimations provided recently for Sierra Vista by a different private consultant, TischlerBise.

The evaluation by the consulting firm for SACA, called DPFPG, arrived at a lesser estimate for a maximum-supportable fee for the Sierra Vista real estate than did TischlerBise.

DPFG last week provided SACA with four general reasons why the maximum-supportable fees recommended for the city by TischlerBise are, in their opinion, too high.

City officials are double-checking its information in response to SACA's critical perspective, and will present their findings and any adjustments at a Dec. 1 City Council-city staff work session at City Hall.

One criticism returned by DPFPG included off-setting revenue sources in the city budget, which SACA said TischlerBise didn't include in their formula for maximum-supportable development-impact fees.

A recent donation to the city from a private estate, for example, for a new animal-control facility in Sierra Vista was not included in the TischlerBise report.

The donation was a surprise to the city and came after the consulting firm was under way with its analysis.

That change will be accommodated for, as will any others necessary, Jacobs said.

"We're looking through all the projects, and we're going to adjust them accordingly," the assistant city manager said.

As Arizona Revised Statute prescribes, development-impact fees can be used by municipalities to uphold current levels of city service through public infrastructure.

The state laws specifically also forbid cities to provide an increase in the level of municipal service through development-impact fees.

The consultant for SACA also said TischlerBise fee estimations were in part based on facilities that haven't yet been constructed, therefore causing "a distortion of the existing level of service, and subsequently results in increased fees being charged to new development," according to a letter from the DPFPG firm addressed to SACA President Tom Heckendorn. "It is our opinion that the fee calculations should be based upon the level of service in existence as of the date of the study's preparation, not a level of service at some point in the future as there is no guarantee that the planned improvements will actually be constructed."

The formulas used by the city's consultant "ensures residents who are existing also pay their fair share," Jacobs said Friday. These projected levels of service accurately match those levels existing for current city population, she added.

The TischlerBise formulas used to estimate maximum-supportable fees accommodate for conservative population growth percentage of about 3 percent annually by adding partial funding future infrastructure, via the city's general fund, Jacobs said.

The combination of the general fund appropriation, in addition to estimated development-impact fee revenue, would fund new public infrastructure such as a third fire station and a second police station.

“It has to be a proportionate and fair share” for anticipated new infrastructure, she said, a balance between existing residents and new residents contributing to the current growth trend.

The city of Maricopa, for example, had to base virtually its entire development-impact fee schedule on projected growth and development and had to base its research completely on growth projections, Jacobs said.

That was found to be in accordance with state law.

Municipal development-impact fees under consideration here, in Maricopa and throughout the real estate market are “en vogue” these days, the SACA executive director said.

Heckendorn said a good alternative to these new fees in Sierra Vista, which could accommodate the local growth for several more years, would be a slightly increased city sales tax.

The SACA consultant said estimates used by the city had calculated levels of service based entirely on current replacement costs for equipment, instead of being partially based on depreciated costs of old or broken equipment.

“That’s simply a complete disagreement in philosophy,” Jacobs said. Replacement costs were necessarily used in calculating the maximum supportable fees, as real potential costs, she said.

“Our construction costs are based on the city’s actual expenses in terms of construction as well as recent cost estimates in the area,” Jacobs said.

The approach used by TischlerBise to calculate their estimates is available on the city’s Web site.

Jacobs reiterated that city staff is examining the submission by SACA, will study it and will take it into consideration.

For a new single-family home, the maximum-supportable fee for the local market according to the city’s consultant is the one-time fee of about \$6,200.

The consultant for SACA gives a maximum estimate closer to \$4,700.

Development-impact fees typically trickle down to the home buyer, though developers fear it would negatively affect the Sierra Vista market.

An estimate of the actual impact in the current local market, according to Jackie Draves, branch manager for Charter Funding in Sierra Vista, is “each \$1,000 would add approximately \$6 to \$7 to a monthly payment,” for a 6.5 percent, 30-year, fixed-rate loan.

Proposed fee schedules increase in amount with a developments size.

Development-impact fees apply to commercial development, too.

Before any readjustment, the maximum-supportable fee for various non-residential fees in the summary of the city consultant’s study are, as originally presented to the city by TischlerBise, \$920,000 for a new 250,000-square-foot shopping center.

For a 6,000 square-foot restaurant, the maximum fee would be \$36,000. For a 28,000 square-foot retail store, that fee would be \$158,760.

Parks and recreation fees, library fees and animal control fees wouldn’t be applied to non-residential development in any proposed fee schedule.

However, city government must consider the higher traffic impact for non-residential development or with high-density residential developments such as apartments.

Former SACA President Mike Rutherford said there is a “tremendous demand for low-cost housing,” but meeting that demand could be more difficult if the cost of newer housing and apartments in Sierra Vista increases.

Sample fees in the original estimates by TischlerBise showed a maximum increase for a 100-unit apartment complex from the current fee, from \$193,785 to \$476,485.

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