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Cave Creek impact-fee hike puts builder's plan in peril

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CAVE CREEK - The town's decision to double impact fees to \$20,000 per home could kill the highly touted Cave Creek Resort & Casitas project.

"It looks like selective tax sodomy," developer Bob Kite told the Cave Creek Town Council. "If you think I have an extra 3 to 5 million for this fee increase, forget it."

The council voted 5-2 Tuesday to increase development fees to \$20,000 per residential unit from \$10,000.

Voting in favor were council members Ernest Bunch, Gilbert Lopez, Thomas McGuire, Grace Meeth and Mayor Vincent Francia.

Councilwoman Kim Brennan and Vice Mayor Dick Esser opposed the measure.

The new increase will go into effect Sept. 5.

In April, the Town Council approved the site plan and preliminary plat for Kite's 252-unit project that would be built just north of the U.S. Post Office, northwest of School House and Cave Creek roads.

Kite bought this property in the center of town 22 years ago.

Kite said his Canadian partners and developers in this project are telling him they are no longer sure they can build it with such an increase in development fees.

The project has been highly praised by the Town Council.

Development fees, also called impact fees, are one-time fees that are paid by builders to help offset the cost of future growth for building municipal infrastructure.

Since 2004, Cave Creek's impact fees have increased from \$3,000 per construction unit to more than \$20,000 per home. This makes Cave Creek's development fees among the highest in Arizona, and seven times higher than neighboring Carefree.

In Kite's case, he would be required to pay the fee for each of his 252 units.

Kite said he didn't feel it was fair to build a commercial project in a commercial area and have to pay a residential tax. He asked the council if it was possible for Cave Creek to have an impact-free zone.

Temporary Cave Creek Town Attorney Gary Birnbaum said the state requires non-discrimination regarding impact fees. But the possibility of easing Kite's tax burden was enough to persuade Brennan to vote against the increase. She opted to continue the issue so more options could be studied.

Esser also voted against the increase because it was based on future growth predictors, such as a major annexation that has yet to materialize.

But Councilwoman Grace Meeth said the town was simply "catching up" because Cave Creek had initially opted for the lowest possible development fee after its incorporation in 1986.

Meeth warned the council that if Cave Creek didn't stay ahead of the curve on growth it could wind up like Mesa, which recently had to cut \$50 million out of its budget due to faltering revenues. Last month, Mesa tried to pass a property tax, which failed.

"When you grow, you need a lot of new services," Meeth said. "New roads and a new wastewater treatment plan are mandatory, not a wish list."

Councilman Gilbert Lopez said materials for road improvement alone have doubled in the last year.

Francia said Cave Creek would also need a property tax if development fees were not sufficient.

Town Manager Usama Abujbarah said the fee increase is necessary because the town's residents have chosen a lifestyle that emphasizes open space.

Abujbarah said Cave Creek's low housing density - often only one house per 5 acres - has made the town's infrastructure cost per capita the highest in Arizona.

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