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Complaints by builders spur review of impact fee

by **Erin Zlomek** - Jul. 9, 2008 06:40 AM
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Surprise officials will renegotiate a developmental impact fee imposed by the city last year after builders complained that the fee makes their projects unprofitable during an economic downturn.

In July 2007, the City Council approved a "roads of regional significance" fee on top of its developmental impact fee, causing the amount of city fees paid by developers to jump more than 300 percent in some cases.

Developmental impact fees charged to builders typically cover the cost of infrastructure needed to service their projects, such as sewer plants and road improvements.

However, a large percentage of Surprise's general planning area is raw desert with no infrastructure.

Because the cost to build infrastructure would be greater in those areas than in developed areas, officials suggested an additional fee for developers building in those barren pockets.

The "roads of regional significance fee" was passed specifically to pay for future six-lane parkways that would be needed in undeveloped parts of the city. Peoria and Phoenix charge the same special fee in their raw desert areas, said Sintra Hoffman, Surprise deputy city manager.

"The fee's purpose is so (that) . . . growth pays for itself," Hoffman said.

But with a spike in home foreclosures and a surplus of commercial real estate properties across the city, the value of developers' projects has plummeted. A few have spoken to the City Council about lowering the new impact fee to match overall real estate deflation.

For example, Barclay Group wants to build a Fry's grocery store in the undeveloped northeast portion of the city. Before July 2007, the development impact fee for such a project was \$361,752. Today, that fee is \$1,381,065.

"Overall, (developers) have said the fee is just too high to make their projects viable at this time. . . . We have a lot of (home) foreclosures, and we don't want our commercial projects under foreclosure," Hoffman said.

City staff will meet with developers such as Barclay Group on July 16 to discuss possible compromises.

Hoffman said she would likely suggest criteria that would make development projects eligible for a price break on the fees. Even with those criteria, she said compromises would be determined on a case-by-case basis.



