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County plans new impact-fee analysis

It comes as builders point to soaring surcharges, taxes

By Joseph Barrios

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As county leaders call for a new study of residential impact fees, Tucson's home builders say fees and taxes on new homes have increased by 59 percent in a year.

Government-imposed impact fees, permit fees, taxes and other surcharges on new homes increased last year to an average of \$25,758 per newly built home, a \$9,592 increase, according to an analysis released last week by the Southern Arizona Home Builders Association. The analysis, compiled for SAHBA by Tucson housing analyst John Strobeck and local consultant David Nathanson, is based on costs associated with buying a median-priced, median-sized 2,388-square-foot home for \$248,804 in Pima County as of January 2006 and compared with January 2005.

Charges range from \$21,038 within the county to \$30,133 per home in Marana. Some local government officials disagree with how SAHBA's figures are calculated.

The new analysis is sure to inspire more debate about whether growth pays for itself — a debate that was punctuated by last year's SAHBA study, "The Impact of Home Building in the Tucson, Arizona MSA" (Metropolitan Statistical Area). That study argued that new housing pays for the demands it places on public infrastructure and services in Pima County within four years.

Indeed, the debate over whether growth pays for itself is so complex — and important — that the county is planning to conduct its own study this fall to determine how impact fees and taxes on new homes are collected and spent in unincorporated areas of Pima County, said County Administrator Chuck Huckelberry. The county staff will collaborate with home builders, real estate experts and economists on the study, which could take about a year, Huckelberry said.

The home-building industry most likely pays its way "in very key areas" like developing wastewater-treatment systems, Huckelberry said. But development lags behind in paying for transportation costs. Other services, like staffing government services and maintaining some infrastructure, remain unaccounted for, even in the SAHBA study. Huckelberry said the county study later this fall is not in response to that study.

Less affordable housing

"What we needed to do is get a much better marginal revenue, marginal cost analysis of how we operate as a government," he said. "Where do all the various revenues go and what services do they pay for?"

Impact fees are generally described as one-time charges on new residential construction applied by local governments. The fees are intended to help pay for providing services to new communities.

In their calculations for last year's study and the new estimates, SAHBA combined impact fees with costs for water-meter hookups, city and state sales taxes and building permits.

Government fees and taxes on home construction make affordable housing harder to find, said Ed Taczanowsky, president of SAHBA.

"We're not saying that fees are bad. They're legal in the state of Arizona, but we think that it's time for us to take a real hard look at where do we draw the line on fees," Taczanowsky said.

Last year's SAHBA study concluded that within five years of construction, every newly built home in Pima County produces an average of \$2,870 more than what local governments spend to provide basic services.

The March 2005 SAHBA study was written by Elliot Eisenberg, a staff economist for the National Association of Home Builders. SAHBA hired Eisenberg to conduct the study, which uses U.S. Census Bureau data and other public sources

to analyze government costs and revenues from home construction.

Eisenberg analyzed figures from 2004, when 9,071 new-home permits were issued in Tucson, Marana, Sahuarita, Oro Valley and unincorporated Pima County. He concluded that in the first year, local governments rack up more than \$52 million of debt at the end of the year providing services to those homes. By the end of the fourth year, all debts were paid off and by the end of the fifth year, government enjoyed an operating surplus that could be used to "finance projects, reduce taxes or decrease construction-related fees."

The national association has completed more than 360 similar studies in counties and other metropolitan areas across the country. In most cases, Eisenberg has found that growth does pay for itself in some number of years — as little as two years and as long as nine.

The study is sound, Eisenberg said, but "we're happy to have it subjected to a good solid kick in the tires."

One major flaw

Huckelberry said the study has a major flaw because it doesn't account for costs to operate the county's criminal-justice and public-health systems. The county budgeted roughly \$206 million alone for criminal justice in fiscal year 2005. That's roughly half the general fund budget for that year.

Jaret Barr, deputy director of urban planning and design for the city of Tucson, said he read through the entire study and even argued with Eisenberg when he presented the report last year at an economic forum. He said the report, while flawed, highlighted how development does contribute to paying for basic city services.

"I will give them credit for this: Growth pays for itself more than people understand. Does it pay for itself 100 percent? If that were true, then the fastest-growing city should be the one in the best shape, and that's not the case."

• Contact reporter Joseph Barrios at 573-4237 or jbarrios@azstarnet.com.

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