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July 16, 2006

Phoenix city officials reduce development fee after public outcry

By buffy pollock
for the Mail Tribune

PHOENIX — Following a public outcry, city officials have reevaluated a development fee hike that put the cost of starting a new business among the most expensive in the region.

"Myself, and the rest of staff and everybody else, had a lot of sticker shock when we ran the calculations and saw how high the fees would be," said Jim Wear, public works director.

"So we all put our heads together to see what it would take to have that thing lowered."

In May, the City Council imposed a temporary interchange development charge that hiked fees for new businesses anywhere from 27 to 418 percent. That and other fee changes were geared at helping fund the city's \$7.2 million share of a \$40 million rebuild of the Interstate 5 interchange at Fern Valley Road.

Even before the new fees took effect June 1, heated public testimony and frustration from council members prompted public works and city planning officials to revisit the increased rates.

Wear said a factor in determining the interchange development charge would be reduced from \$2,687 per peak-hour trip to \$957.

To make up the difference, consultants increased the overall developable area from which to assess interchange development charges to include an additional 25 percent, or 660 acres, of the city's future growth area.

"What we ended up doing was we added trips from future growth areas — growth areas we felt really comfortable would happen in the next 10 years — and we reduced the per-trip rate," Wear explained.

Despite collecting the fees in smaller increments and over a longer stretch of time, Wear said he felt confident the city could meet its contractual obligations by the deadline of 2023.

Developer and business association member Lenny Neimark, who harshly criticized the fee increases, applauded public works and planning staff for "going the extra mile to revisit the numbers."

Neimark owns 4.2 acres at Fern Valley and North Phoenix roads. Initially, he said system development charges for his property, where he'd considered building a specialty wine storage business, were estimated around \$72,000.

Changes in May could have brought total system and interchange development charges to more than \$190,000.

"I think we owe a real nod and credit to Jim Wear and (Planning Director) Jeannell Wyntergreen. They picked up the ball, realizing, I think, from all the input that it just really wasn't playing out as fairly as it should have," Neimark said.

"They were able to get the consultants to go back and look at the implications of the growth and come up with a more palatable result. That certainly puts the numbers closer to what the original estimates were."

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Si Casa Flores, which planned on opening a restaurant at The Shoppes at Exit 24, nearly pulled out of the deal because of the high cost of starting a business in Phoenix.

Si Casa Flores co-owner and manager Gregorio Rodriguez said that having paid from \$25,000 to \$40,000 in system development charges in Medford, he anticipated he'd pay less to open a restaurant in Phoenix.

"Originally they wanted over \$100,000," Rodriguez said.

"They're no Ashland and they're no Medford," he said. "They're just a little city, but when they told me how much, I said, 'No thank you.'"

The city then lowered the fees to \$77,000 and last week told Rodriguez it would be closer to \$48,000, he said.

Rodriguez said he was stunned when he realized Phoenix fees were so much higher than surrounding, larger cities.

"It looks like, at the end, it will be around Medford (fees), I guess. The thing is, they're slowing down the number of businesses that want to come to Phoenix."