

EXPLORER

NEWS

Town considers higher impact fees

[Print Page](#)

Developers oppose move; increase could affect home prices

By Patrick McNamara, The Explorer

Published:

Wednesday, May 7, 2008 2:09 AM CDT

The results of an Oro Valley-commissioned study on possible increases to the town's impact fees have many in the development community on edge.

The study calculates a "maximum supportable" schedule of new and renamed impact fees that total \$6,203 for every new house. That total is in addition to existing impact and building fees.

"An impact fee is just another hidden tax on people who want to buy a house," Sue Hayes said.

Hayes and husband Tom Hayes run Thomas Hayes Construction, a custom home company that's been in Oro Valley for 20 years.

The Hayes' said because most of the homes they build are larger, custom-built houses ranging up to \$1 million, their customers could probably absorb the added fees. Still, they said it's not uncommon for clients to ask why building costs in Oro Valley far outstrip those in other areas of southern Arizona.

"It costs like 20 percent more to build in Oro Valley," Sue said.

According to the Southern Arizona Home Builders Association, Oro Valley's impact fees, building permits and taxes tack on an additional \$29,067 to the cost of a new house.

In addition to current fees, the study recommends creating four new categories of fees and increasing roadway development fees under the larger category of transportation fees.

The new fees would benefit library, police, parks and recreation and government facilities.

By this budget year's end, Oro Valley leaders estimate seeing more than \$2 million in impact fee revenue flow into town coffers.

While not a paltry amount, the number represents but 3 percent of the town's total revenue. Still, talks of increasing those fees invariably spark heated debate among townspeople, the building community and town officials.

The town currently charges roadway development, water resource and potable water impact fees. For governments it's an important tool to pay for infrastructure needs. In Oro Valley, leaders hope to strengthen that tool.

But for many homebuilders, the cost to build in Oro Valley already is too high.

The Hayes, who also live in Oro Valley, said they see the need for certain impact fees but think town leaders should consider the effect that ever-increasing fees will have on people in the market to buy new — especially first-time buyers.

"I don't think that they should put this on home buyers," Tom said.

Town leaders say the state legislature has forced their hand on impact fees.

"This is really a reaction to some legislation," Councilman Terry Parish said.

A bill that has already passed the state senate and has begun to move through the house, town officials say, would fundamentally change the way a town assesses and collects impact fees.

Specifically, the law would prohibit governments from raising existing impact fees or levying new ones on approved developments for 24 months.

Fearing that if the bill became law it would limit the town's control over fees, leaders want to create increases now before the legislature enacts the changes.

Even impact fees the council previously raised could suffer under the proposed new law.

In September, the council increased two categories of water impact fees. Working with the development community to reach an amicable rate, officials decided to phase in the increased fees over five years.

Now town officials think those scheduled increases would not be permitted if the law succeeds.

"Because it's a new fee that's being charged, a straight interpretation would be that the new fee can't be implemented for two years," Mayor Paul Loomis said.

According to the law, Loomis said, annual increases of fees would have to be pegged to a recognized construction cost index.

Town leaders would likely seek to forego the annual increases and skip directly to the peak rate, which is scheduled for 2011, before January 1 when any new law would take effect.

SAHBA, a group that champions the interests of homebuilders, supports the proposed legislation. Not surprisingly, group leaders also oppose town plans to increase fees.

"There's not a lot of growth, and I don't see a need for the fees at this time," SAHBA President Ed Taczanowski said.

He thinks town leaders misinterpret the legislation and as such are trying to outrun the impending changes.

"If there's a need for fees is one thing, if they're trying to beat state legislation is another," Taczanowski said.

Mayor Loomis denies the SAHBA's chief's suggestion that the town wants to slip in fee increases, especially the water fees, before time runs out.

"We're not trying to do an end run," the mayor said. "We've had this (water impact fee schedule) in place, we've justified the amount and accommodated SAHBA."

As for the impact fee study, Loomis said it stands as a framework for the council to work with when considering new impact fees. That framework would be especially important if a proposed annexation of State Trust Land north of town becomes a reality.

"Oro Valley has infrastructure needs, and those infrastructure needs have to be paid for," Parish said.

At Wednesday's council meeting, council members are scheduled to vote on a notice of intent to raise impact fees. The measure is a necessary move when a municipality intends to raise fees.

If the council accepts the notice, a public hearing will be scheduled for Wednesday, July 16.

[x] Close Window