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West Valley leaders oppose moratorium on impact fees

by **Alia Beard Rau and Edythe Jensen** - Jun. 10, 2009 11:16 AM
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Arizona home builders say a proposed three-year moratorium on development impact fees will stimulate development and reduce housing costs. But West Valley leaders fear it will mean even less money for communities and is a move away from the philosophy that growth should pay for itself.

The moratorium is part of the state budget approved by the Legislature but not yet sent to Gov. Jan Brewer.

Development fees, one-time payments made by a builder to a municipality, pay for infrastructure such as new parks, fire stations or water treatment plants.

Surprise City Manager Randy Oliver called the potential suspension of the cities' ability to levy impact fees "short-sighted." He was unable to quantify how much money the city would lose out on during the three years because it would require predicting construction rates.

"That's very difficult to do," he said.

Tolleson had planned to improve and renovate a wastewater treatment plant with impact fees and other funding sources. The moratorium could put an end to that, said City Manager Reyes Medrano Jr.

"It would hurt everything, not just this but everything," he said. "It would bring development to a halt, which contradicts the assignments we've been given by our citizenry, to provide job opportunities and retail opportunities, while maintaining our small-town character. Without impact fees, we're dead in the water."

Avondale City Manager Charlie McClendon said an impact fee moratorium raises an equity issue.

"The impact fees, the biggest thing they go for is new water wells, so we can provide service to growth areas, and expansion of the wastewater treatment plant," he said. "People who have already bought houses here have paid their share of that. So as additional houses sell, and they don't pay their share, then it becomes a question of who does pay, because we've already incurred the costs."

Jessica Blazina, intergovernmental program director for Glendale, said a moratorium on impact fees would be "completely devastating" to Glendale. She said the city has library and street projects that it wouldn't be able to finish.

Many Arizona cities this year voted to raise water, sewer and wastewater rates, hike program fees and increase taxes to cover budget shortfalls. The moratorium could require even more cuts and hikes, local officials said.

"If we can't have growth pay for itself anymore, it shifts the burden to the rate payers," said Bridget Schwartz-Manock, Scottsdale's government-relations manager.

Spencer Kamps, vice president of legislative affairs with the Home Builders Association of Central Arizona, said the moratorium helps everybody.

It lowers the cost of building and buying new homes, creates new construction jobs that lead to increased sales-tax revenues for cities, and jump-starts construction on about 50,000 lots with infrastructure that sit empty in neighborhoods across Maricopa County, he said.

Kamps said cities continued to increase impact fees even as home construction slowed, making costs prohibitive and contributing to the slowdown.

"If impact fees are solely designed to pay for the burden of new growth and there is no growth, this shouldn't be a problem," he said.

Karen Peters, Phoenix's intergovernmental-relations director, said home builders are "shooting themselves in the foot."

"When the recovery comes to the home-building industry, we will be further in the hole because we couldn't collect these fees," she said.

Republic reporters David Madrid, Lily Leung and Scott Wong contributed to this article.