

News

Loss of impact fee money would hurt Mesa residents

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Mesa residents will pay higher-than-expected water and sewer bills in the future if the state slaps a three-year moratorium on development impact fees.

The ban is included in a pile of bills passed late last week as the Legislature approved its budget for the 2010 fiscal year. Gov. Jan Brewer has threatened to veto the package.

If the impact-fee ban becomes law, Mesa will lose millions of dollars that must come from the pockets of existing residents to subsidize new growth, city officials say.

Arizona homebuilders asked the Legislature to impose the moratorium, asserting that if the fees are waived, houses will become more affordable and the new-home market will be revived. It is contained in a bill sponsored by Sen. Russell Pearce, R-Mesa.

"It doesn't do anything to help the state," said Bryan Raines, the deputy city manager who oversees Mesa's finances. "It's really just more of a way to help a specific industry, and it's going to impact the entire existing population of the city."

Impact fees are based on complex formulas that weigh what it costs a city to supply new developments with infrastructure on par with that of existing areas.

The fees vary by city; Mesa's are among the lowest in the Southeast Valley.

Mesa adjusts its rates every three years, and the last increase, in 2007, brought the fee for a single-family home to \$8,321. The fee for an apartment is \$5,261. Developers pass the fees on to homebuyers or renters.

"Those are monies that are either going to pay for new facilities in the future or debt service on ones we recently have completed," Raines said.

He added, "If we don't get those impact fees in, somebody else has to pay for that debt service. Growth doesn't pay for it; existing residents get to pay for it."

The economy already has slammed Mesa's ability to pay for the water and sewer plants, fire stations and other facilities necessitated by growth.

In the booming 2005-06 fiscal year, Mesa collected about \$13.3 million from impact fees. This fiscal year, with the construction industry in collapse, that has dropped to an estimated \$7.5 million. Next year's estimate: \$5.5 million, according to budget director Chuck Odom.

With impact fees plummeting, Mesa residents already were on notice that utility rates would rise this summer, partly to pay growth-related bond debt. The higher fees for water, sewer and gas service are on the City Council's June 22 agenda.

But suspending the impact fees altogether could cause those rates to climb even faster in the future. "We'll continue to look at what this loss means to us over time," Raines said.

Mesa and other Arizona cities already have dodged one impact-fee bullet this year.

In May the Legislature floated a proposal that would have "swept" \$210 million that cities have collected from impact fees into the state treasury to help balance Arizona's budget.

Cities cried foul and the plan died.