

Impact fee restructuring under way at City of Prescott

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PRESCOTT - After August 2014, new homebuilders in Prescott can expect myriad changes in the impact fees they pay to the city.

Prominent among the changes will be the likely elimination of two of the fee categories: parks and library.

And, depending on the findings of a rate study that currently is under way, the city could do away with its fire impact fee as well.

During a Tuesday workshop, [Prescott City Council](#) members learned more about the city's pending compliance with a strict new state law governing impact fees.

In order to collect an impact fee in a specific category, officials say, the law requires the city to have detailed plans for how it will use the revenue.

"Specific projects need to be included in an infrastructure improvement plan," Budget and Finance Director Mark Woodfill said.

To demonstrate that the project is real, the city must show the need for the project, as well as its ability to pay for operation of the new facility.

"If we don't feel that in the next five years that there is a validated need for a new library, fire station, or park, as a rule of thumb, we're not recommending (the fee)," City Manager Craig McConnell told the council.

Because the city has no current plans for new parks or libraries, staff members recommended leaving the two categories out of the rate study, and the council appeared to agree. After the next study in five years, the city could opt to restore the two fees, if the need exists.

Staff also recommended against including the fire impact fee in the study, but the council preferred to retain the fire fee in the evaluation.

McConnell cautioned that collecting an impact fee now for a project that might not occur in the prescribed time could have consequences.

"If a fire station is not built, all of that (impact fee) money would have to be refunded, with interest," he said.

The other danger, McConnell said, is that growth could pick up in the meantime, and the city will not be prepared.

"If, in four years from now or three years from now, growth just starts going through the roof, we will not have been collecting fees," McConnell said.

Councilman Chris Kuknyo worried that the new state law would stymie the city's planning efforts. "It seems like we'll always be behind," he said.

Councilman Len Scamardo also voiced concerns about the new law. "It's a bad bill," he said of Senate Bill 1525, which won approval at the State Legislature in 2011. "It's costing a tremendous amount of administration."

Along with requiring a detailed infrastructure improvement plan, the new law also requires the city to be split into service areas. Depending upon which improvements are necessary in the various service areas, the impact fees could differ from neighborhood to neighborhood.

Currently, the city charges average-size new homes the same impact-fee rates in several categories, including: \$715 for parks; \$525 for fire; \$253 for library; \$589 for police; \$469 for streets; \$5,389 for the water system; \$4,944 for water resources (largely the Big Chino Water Ranch); and \$1,800 for the wastewater system.

Development impact fees are one-time charges that builders pay when getting their building permits. The revenue goes to pay for projects and improvements needed to accommodate growth.

In the past, the city has devoted impact fee revenue to projects such as the new Adult Center building, public-safety radio equipment, the city hall parking lot, street improvements on Copper Basin and Iron Springs roads, and a number of water- and sewer-line improvements.

To comply with the new state law, the city approved a contract in October with Red Oak Consulting to conduct a study on impact fees.

The law requires the city to implement the new impact fees by Aug. 1, 2014. Over the next year and a half, the city will be conducting a number of public meetings on the proposed changes.