

Cost of Development

Element 7



INTRODUCTION

Developers are responsible for paying for infrastructure costs within their developments. Additionally, new development creates impacts beyond the development site itself. These impacts include a greater use of transportation infrastructure, police and fire services, and parks. This Cost of Development Element requires the City to identify the impacts associated with new development, assess the appropriate costs, and allocate the funds derived in a manner most reflective of the impact itself.

BACKGROUND

The City's professional consultant, *TischlerBise (Fiscal, Economic & Planning Consultants)*, completed a report in May 2009, and updated it in February 2011, identifying infrastructure improvements and development fees for necessary public services pursuant to Arizona Revised Statutes (ARS) 9-463.05. This report and resulting fee schedule was subsequently approved by City Council. Per City Ordinance, every three years the City updates the development fees charged. Additionally, each year in which the City does not conduct an update, the City may adjust the amount of each development fee to account for construction cost increases.



Development fees are a tool used by cities, including Sierra Vista, to ensure that new growth pays its *fair share* of public infrastructure and facilities. New development creates the need for new public infrastructure and demand for services. Development fees may only be used for construction, acquisition, or expansion of public facilities and infrastructure.

Developers pay the cost of constructing new infrastructure associated with their project and then the public assumes the cost of maintaining the infrastructure.

The City Council's policy specifies that Development Fees can pay for the following:

- Community or large city park and recreation facilities
- Police Facilities
- Fire Facilities
- Streets Facilities

The City's park development fee helps cover the costs of acquiring land and developing new regional parks. In lieu of paying Park Development Fees, a developer can also dedicate land for parks or pay for the construction of parks, trails, or other recreational facilities.

Development fees do not apply to renovation. And, in the case of building replacements, fees are reduced proportionally by the previous structures square footage.

GOALS AND STRATEGIES

Goal 7-1 Update the analysis determining the fiscal and capital cost-revenue impact of new development

The City Council adopted new Development Fees on December 10, 2020. TischlerBise was the consultant on the Plan. The basic method for calculating the development fees includes Cost Recovery (past improvement), Incremental Expansion (concurrent improvements), and Plan-Based (future improvements). Attached is a link to the new impact fees.

<https://www.sierravistaaz.gov/wp-content/uploads/2021/08/devfees.png>

- Strategies**
1. Continue, or revise as necessary, the City's level of service (LOS) standards for services and facilities.
 2. Evaluate services and facilities affected or required by growth, when necessary.
 3. Identify the cost to expand City services and facilities to maintain service level expectations.

4. Identify the level of cost recovery for each of the affected services and facilities.
5. Identify and assess developers' proportionate share.

STATE LAW REQUIREMENTS

Arizona Revised Statutes, Section 9-461.05-9 D 4

“Cost of development element that identifies policies and strategies that the municipality will use to require development to pay its fair share toward the cost of additional public service needs generated by the new development, with appropriate exceptions when in the public interest. This element shall include:

(a) A component to identify various mechanisms that are allowed by law and that can be used to fund and finance additional public services necessary to serve the development, including bonding, special taxing districts, development fees, in lieu fees, facility construction dedications and service privatization.

(b) A component that identifies policies to ensure that any mechanisms that are adopted by the municipality under this element result in a beneficial use of the development, bear a reasonable relationship to the burden imposed on the municipality to provide additional necessary public services to the development and otherwise are imposed according to law.”

ATTACHMENTS

None

REFERENCES

Development Fees, December 21, 2011, TischlerBise: Fiscal, Economic & Planning Consultants

