
7. COST OF DEVELOPMENT ELEMENT

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7.a INTRODUCTION

As the town grows there will be a continuing need to provide more services and facilities for the public. Road improvement projects, sewer lines, waste water treatment plants, police and fire protection, parks and recreation programs, libraries, schools, general municipal administration and maintenance programs all must be financed through some source of funding. Although increases in property taxes generated by new residential development do provide some amount of additional funding, those gains are typically more than offset by increased demands for services and facilities. Property taxes alone do not provide adequate funding to cover the increased demand for services and improvements. Funding of new capital improvement projects generally requires substantial up front financing to be assembled prior to project initiation. The purpose of the Cost of Development Element is to identify the scope of impacts that are generated by new development and methods for providing funding for these new services and facilities.

7.b LEGISLATIVE REQUIREMENTS

ARS § 9-461.05.C.4. requires the following:

A 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 new development, with appropriate exceptions when in the public interest. This element shall include:

- (a) A component that identifies 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 to 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.

7.c FINANCING ALTERNATIVES

Growth causes a range of public service needs to be generated both within new developments and at a town-wide level. Various infrastructure requirements can be addressed within new subdivisions and planned developments through the development application process but this only addresses a portion of new development in the town. Even with considerable responsibilities placed on the developer to address their own impacts, there will be additional impacts to town-wide systems that have to be addressed by other means. Typically new residential development must be subsidized by other revenue sources since property taxes only pay for a fraction of costs generated by that development. Infrastructure and service upgrades, such as sewer and water systems, street circulation facilities, fire and police protection, recreational facilities and general town administration, must all be addressed as the town grows unless people are willing to settle for reduced services. A number of financing alternatives are available to address the cost of development. A partial list includes the following:

General Fund. Current revenues, consisting of local sales tax and property tax, state-shared revenues, and various grant sources can be used to pay for all or part of service expansions. This is typically limited to smaller amounts due to competing interests with general operating expenses. General fund revenues can be used where a cash match is required for grant requests and funds can be set aside over a number of years to build up revenues.

Transaction Privilege (Sales) Tax. Sales of products and services to the end user are subject to retail sales tax. Sales tax includes state and local portions.

Specialty Industry Tax (Restaurants, Bars, Hotels). Many jurisdictions place a tax on certain types of specialty uses, such as restaurants, bars and hotels. Typically, these taxes are targeted towards uses that primarily depend on non-residents. The tax collected may be directed towards specific uses that also benefit those businesses being taxed, such as recreational, cultural or street improvement projects. The tax rate may be relatively small at 1-2%. Such tax would be required to be approved by a vote of the electorate.

Revenue Bonds. Funds borrowed to finance public service expansion that are paid back through future revenues pledged to the bond issuer. This is generally from sales tax and Highway User Revenue Funds (HURF) that come to the town from state fuel taxes. Must be approved by public vote.

General Obligation Bonds. Funds borrowed to finance public service expansion, such as sewer, water and parks, that are paid back through future property tax revenues. Typically, the Town could borrow for up to 20 percent of its secondary assessed valuation with an additional 6 percent available for special projects. Must be approved by public vote.

Municipal Property Corporation Bonds. Funds borrowed for improvements to municipal facilities, such as Police and Library facilities, requires pledge of all Town's excise tax revenues. Excise taxes include local and state-shared taxes, franchise taxes, licenses, permits and fines collected, and state revenue sharing. No election is required.

Improvement District Bonds. Typically used to finance local sewer, water or street improvements, or to acquire an existing water operation. An assessment is determined for each

parcel in the district based on the share of benefit to be derived. The assessment district may be defined as the entire town or as a specific area to be determined. Assessments may be paid by property owners up front in cash or financed through issuance of bonds. This allows the contractor to be paid in full for work completed while a schedule of payments is assessed to properties to be paid over a number of years. Bonds are secured by lien on property. Requires at least 51% of property owner approval of the affected area through a petition process.

Community Facility District Bonds. Allows financing of a range of public infrastructure projects through general obligation bonds, revenue bonds or assessment bonds within an improvement district. The property owners in the district and not the Town bear liability if default should occur. Water and wastewater projects, street improvements, downtown redevelopment and public facilities may be financed through issuance of Community Facility District Bonds.

Development (Impact) Fees. Municipalities may impose development fees on landowners in a benefit area to pay for a proportionate share of the public facilities required to serve a development. The statute applicable to municipalities allows development fees to be assessed for necessary public services, which has been interpreted to include parks and open space areas. A “benefit area” is a geographic area in which public facilities are of direct benefit to development within the area. For a development fee to be imposed, three standards must be met:

1. There must be a reasonable relationship between the cost of the public facilities for which the development fee is assessed and the service demands of the benefit area.
2. The development fees assessed must not exceed a proportionate share of the costs incurred or be incurred in providing a public facility.
3. Development fees must be used and expended for the benefit of the area that pays the development fee.

Development fees are typically assessed at the time of issuance of a building permit, if the open space or planned park is not located near and proposed development, then the development fees will not be a viable mechanism for the funding of that park or open space.

User Fees. User fees are assessed for the specific use of a service or activity. A user fee can be utilized to defray a portion or the total cost of the entire project. One advantage of the user fee is that it is incurred by the person using the specific service.

Grant Sources. Grants are available for most public service expansion, including transportation related projects, water and sewer expansion, historic building renovation, economic development projects, police and fire vehicles, and public facility improvements. Grant sources may be federal, state, corporate or private funds. Grants may require matching funds through cash match or from in kind sources. Grants are typically competitive and can not be expected as a guaranteed source.

Community Development Block Grant (CDBG) Every four years the CDBG program provides direct grants to the Town of Clarkdale for a range of programs and facility improvements, including street and infrastructure upgrades. These grants are dispersed through the Arizona Department of Commerce. Public Hearings are held on the projects to be selected and rigorous criteria must be met and adhered during the expenditure of these funds. Potential projects must qualify through identification of meeting community needs and assisting low to moderate income areas.

Service Privatization. Various public services can be provided by municipal or private sources. Currently the Town water system and waste collection services are provided by private sources.

Fees are then charged directly to the end user. Upgrades and service expansion is the responsibility of the private provider unless other agreements are arranged for joint development of infrastructure or service systems.

7.d FINANCING AUTHORITIES

Greater Arizona Development Authority (GADA) Through the GADA Fund, bonds to finance infrastructure can be issued. Additionally, they provide a range of professional assistance in securing financing for infrastructure development and construction.

Rural Economic Development Initiative (REDI) Arizona Department of Commerce program provides direct assistance to rural communities for economic development programs. Qualified programs can be recognized through accreditation. REDI provides technical and matching grant assistance.

Water Infrastructure Financing Authority (WIFA) An independent entity authorized to finance water, wastewater, reclaimed water and other water projects. WIFA offers Water Quality Bonds which allows municipalities to borrow money at lower interest rates and lower financing costs for water-related infrastructure development. Typically they offer 20 year terms with simple interest payments. There is a limited state-wide loan pool and requests are competitive.

USDA Rural Development (USDA/RD) U.S. Department of Agriculture program provides assistance to rural towns in the form of direct grants, technical assistance, guaranteed loans, research and educational materials to address water, sewer and waste disposal, electricity, housing and business development.

7.e COST OF DEVELOPMENT GOALS, OBJECTIVES AND POLICIES

GOAL 7-A EQUITABLY ASSESS AND MANAGE THE FISCAL AND CAPITAL IMPACTS RESULTING FROM NEW DEVELOPMENT.

Objective 7-A. a.

Identify methods to measure the impacts of development on existing services so as to determine reasonable requirements imposed on the cost of development.

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| Policy | Maintain annual traffic counts on major roadways throughout the Town as a baseline for traffic impact studies for new development projects. |
| Policy | Support regional transportation planning programs that provide funding sources for roadway improvements that impact the Town of Clarkdale. |
| Policy | Support efforts to annually update the wastewater master plan to measure the impacts of growth on the Town sewer system and wastewater facility. |

Objective 7-A. b.

Maintain community development standards for public services and facilities.

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| Policy | Establish minimum level of service standards to address various areas of the Town. |
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- Policy Encourage new development to be located in areas already served by existing infrastructure. (Infill development)
- Policy Develop policies and guidelines for street and sidewalk development rules and regulations for all new commercial development including multi-family residential.

Objective 7-A. c.

Ensure that any mechanisms that are adopted by the municipality under this element result in a beneficial use to 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.

- Policy Require new subdivisions, planned developments and major new commercial development to adequately assess the fiscal and capital impacts resulting from that new development.
- Policy If additional capacity is needed at any municipally owned utility due to a new subdivision or planned area development, the developer shall be assessed a monetary amount equal to the amount determined for the upgrade.
- Policy Support the development of a fee structure to develop parks, trails, and other recreational opportunities for any new planned area development or subdivision within the benefit area.
- Policy Encourage local volunteers for maintenance of parks, trails, other recreational facilities.

7f. Cost of Development Implementation Strategies

Description of Implementation Measures

1. Develop a Streets and Sidewalks Development Rules and Regulations document to address street improvements for all new commercial development including multi-family dwelling units.

Planning Department	General Fund
Town Engineer	
0-3 years	

2. Develop program and methodology for annual traffic counts on major roadways in Clarkdale.

Public Works Department	General Fund, HURF
0-2 years	

3. Establish a fee structure, for any Town owned utility, for new development to compensate for any additional costs of upgrades facilitated by the new development.

Town Council	
Finance Department	General Fund
1-3 years	

4. Draft a set of Development Fees for park development, trails and other recreational facilities for all new Planned Area Developments and Subdivisions.
 Parks and Recreation Commission General Fund
 Town Clerk
 2-4 years

Cost of Development Implementation Measures

Implementation Measure	Department or Program	Time Frame (Years)	Possible Funding Source
1. Develop a Streets and Sidewalks Development Rules and Regulations document to address street improvements for all new commercial development including multi-family dwelling units.	Planning Department Town Engineer	0-3 years	General Fund
2. Develop program and methodology for annual traffic counts on major roadways in Clarkdale.	Public Works Department	0-2 years	General Fund, HURF
3. Develop a fee structure, for any new development to compensate for any additional costs of upgrades facilitated by the new development.	Finance Department Town Council	1-3 years	General Fund
4. Draft a set of Development Fees for park development, trails and other recreational facilities for all new Planned Area Developments and Subdivisions.	Parks and Recreation Commission Town Clerk	2- 4 years	General Fund