

COST OF DEVELOPMENT ELEMENT

Queen Creek has enjoyed significant growth over the last 15 years and is forecasted to maintain this growth trajectory into the future. With the expected influx of new residents, long-term financial sustainability is a key focus for the community. The demands of growth include not only the capital facilities needed to serve new residents (streets, parks, public safety and water and wastewater services), but also the ongoing operations and maintenance of those facilities.

The purpose of this Cost of Development Element is to identify goals and strategies that require new development to contribute its fair share toward the cost of public services needed to serve new development. State law requires that any costs imposed by a community on new development must result in a beneficial use to that new development and be in proportion to the burden imposed on the community.

Queen Creek's total primary property tax levy fell by 37% between FY2010 & FY2014

The Great Recession caused harm to the financial health of cities across Arizona. In addition to declines in sales tax revenue, property tax valuations also dramatically decreased. As a result of the recession, Queen Creek's primary property tax levy fell by 37% between FY2010 and FY2014 while the Town held the tax rate at \$1.9500 for each \$100 of assessed value. The levy, reserved for emergency services, declined from \$5.6 million in FY2010 to \$3.6 million in FY2014. A decline in valuation of this magnitude can cause a reduction in services and delay of capital improvements. At the same time, new legislation and the approval of Proposition 117 modified the way in which impact fees are assessed and the manner in which taxable property values are calculated.

Queen Creek takes a conservative approach to financial sustainability, which has led to a financial surplus over the last four years as a result of the Town's thorough budgeting process. While the Town levies a primary property tax for public safety, Queen Creek does not have a secondary property tax levy. The Town depends on several major sources of revenue to contend with the growing population. Those sources include:

- Sales tax, the largest source of revenue
- Property tax (primary tax levy only dedicated to emergency medical services, no secondary levy)
- State shared revenues
- Development impact fees

Development impact fees are one of the major resources used to finance infrastructure related to new growth. However, they cannot be used for the repair, maintenance or operation of any existing or new facilities. In addition, under State law an additional 2% construction or contracting sales tax charged by Queen Creek must be reserved as a direct reduction to impact fees and used for capital improvements.

The Town of Queen Creek uses a conservative approach to financing infrastructure, often relying on a pay-as-you-go philosophy through the use of general fund resources such as sales taxes and state shared revenues. Development impact fees are the primary component of paying for growth-related infrastructure needs along with the 2% contracting sales tax.



Some of the financing mechanisms that assist in providing infrastructure improvements include the following.

- **Development Agreements (DA):** Development agreements are an important element of the development approval process, outlining the responsibilities of both public and private parties to construct improvements.
- **Community Facilities Districts (CFDs):** This important financing mechanism is used in many communities to construct major public facilities. The districts are created upon petition by property owners and managed by the Town. CFD debt, however, is not a liability of the Town. CFD debt is assessed against the real property that benefits from the improvements. CFDs are used for large master planned communities and may not be feasible for smaller subdivisions and residential projects typically found in Queen Creek.
- **Improvement Districts (IDs):** These districts provide for the construction of public infrastructure (water, sewer and streets). Property owners are assessed a special assessment lien by the Town for repayment of the improvement bond. In the case of default by property owners, the Town is responsible for any delinquencies and must institute foreclosure proceedings.
- **Street Light Improvement Districts (SLIDs):** These districts have been required in new subdivisions in Queen Creek to pay for the maintenance and operation of street lights through a property tax.
- **Financing Authorities:** Arizona has two authorities that assist in the financing of water and sewer infrastructure, streets and drainage improvements, municipal buildings and other Town improvements. The Arizona Water Infrastructure Finance Authority (WIFA) and Greater Arizona Development Authority (GADA) are designed to provide borrowers below market interest rates on loans and lower issuance costs.

Planning Considerations

Infrastructure to support new residential and commercial development

The provision of infrastructure to support new residential and commercial development is a critical element of the Town's economic development efforts. Adequate water and sewer service, transportation access, public safety services, and parks and recreation amenities all contribute to an enhanced quality of life and the ability of Queen Creek to attract new businesses and provide for the demands of its residents. Infrastructure improvements are prioritized to provide the most benefit for the community.

Diversity of financial mechanisms

Queen Creek uses a variety of financial resources to improve and maintain its infrastructure assets. It is important that the Town promote a variety of housing options and mix of commercial and employment uses in its planning efforts to grow those revenue sources over time and ensure the financial sustainability of the community.

The Town needs to monitor development impact fee revenue and update impact fees on a routine basis to ensure that new development continues to pay for its fair share of growth-related impacts.

Goals, Strategies, & Actions

GOAL 1:
MAINTAIN A CONSISTENT LEVEL OF HIGH QUALITY SERVICES FOR ALL QUEEN CREEK RESIDENTS

Strategy 1.A: Ensure that new development pays its fair share of public improvements and facilities under current State law.

Action 1.A.1: Evaluate and update development impact fees on a regular schedule.

Action 1.A.2: Employ development agreements in the entitlement process in order to formalize responsibilities for the provision of capital improvements.

Action 1.A.3: Consider the use of Improvement Districts or CFDs for major public investments.

Strategy 1.B: Update the Town's Capital Improvement Program (CIP) on a regular basis.

Action 1.B.1: Use the Town's CIP as an input to the development impact fee program.

Action 1.B.2: Use the CIP to prioritize public investment in connection with economic development projects that produce high-wage jobs.

Action 1.B.3: As part of the CIP process, identify the ongoing annual cost of operations and maintenance for all new public facilities.

Action 1.B.4: Pursue available grants and loans from State, County and Federal sources to assist with the development of new and existing infrastructure projects.

Strategy 1.C: Identify costs related to new economic development projects that may be waived or reimbursed as part of an incentive package.

Action 1.C.1: Consider the reimbursement of permit fees, sales taxes and other Town fees for qualified economic development projects that produce employment in the community, subject to any restrictions in state law.

Action 1.C.2: Provide expedited plan review for qualified economic development projects.

Strategy 1.D: Consider the use of revenue and cost sharing agreements with adjacent communities.

Action 1.D.1: Where mutually beneficial, establish revenue and cost sharing agreements with adjacent jurisdictions for projects that will generate net revenue to Queen Creek and promote economic development.