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FEB 22 2007

MEMORANDUM

Management Services Memo No. 07-117

**DATE:** FEBRUARY 21, 2007

**TO:** MAYOR AND COUNCIL

**THRU:** W. MARK PENTZ, CITY MANAGER RD  
RICH DLUGAS, ASSISTANT CITY MANAGER RD

**FROM:** PAT WALKER, MANAGEMENT SERVICES DIRECTOR

**SUBJECT:** ADDITIONAL QUESTIONS FROM CAPITOL CONSULTING,  
REPRESENTING THE ARIZONA MULTI-FAMILY HOUSING  
ASSOCIATION

On Thursday, February 15, 2007, Emily Ryan from Capitol Consulting spoke to Julie Buelt, Senior Financial Analyst, and to both of us on February 20, 2007 about the following questions. Listed after each of the questions was our response.

**Question 1)** *What is the current increase in construction costs used to calculate the impact fee increase?*

**Answer:** A straight cost increase percentage was not used to calculate the increases in the impact fee update. Cost increases were calculated depending on the type of project and its components, using past actual cost data. An example is the park projects. Instead of just a straight construction cost increase, an average per acre cost for land acquisition and park land development was used based on actual costs. In the 2006 Impact Fee study update, the average park land cost was \$135,154 per acre. For the current 2007 Impact Fee study update, the average park land cost per acre is estimated to be \$240,228. This is a 78% increase from the 2006 update. Also in the 2006 update, the average cost per acre for park *development* was \$108,800 and for the current 2007 update, the average cost per acre is \$150,540. This is a 38.4% increase. This is the same cost estimation process that has been used by staff for over a decade.

In addition, as we have explained in prior memos, a satellite recreation center in the amount of \$6.2 million was added to Mesquite Groves Park to satisfy the increased recreational demands for Southeast Chandler due to growth. This also added to the increase in fees as did payback of loans and bonds to accelerate park projects.

*Primarily, it is important to note that as the number of housing units remaining to be constructed until build-out decreases, the fee will increase accordingly if the projects are not completed.*

**Question 2)** *What time frame was used to calculate the percentage increase in construction costs?*

**Answer:** The costs were updated in the fall of 2006.

**Question 3)** *What land use category do condos/townhomes fall under for impact fee purposes?*

**Answer:** Condos are under the multi-family category and townhomes are under the single-family category.

**Question 4)** *How are mixed-used projects categorized for impact fee purposes?*

**Answer:** They are divided by their land use in each of the categories.

They also requested the number of single and multi-family housing units estimated to be constructed to build out. This information had previously been provided to them in the 2006 update and various memos sent out over the last few months, but we pointed out the page number in the 2006 update and faxed them another copy of this information in the 2007 update. If you have any further questions, please let me know.

cc: Pat McDermott, Assistant City Manager  
Suzanne Gilstrap, Capitol Consulting  
Emily Ryan, Capitol Consulting  
Mark Eynatten, Community Services Director  
Mickey Ohland, Park Development and Operations Manager  
Dave McDowell, Assistant Community Services Director



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**MEMORANDUM                      Management Services Memo No. 07-114**

**DATE:**            FEBRUARY 21, 2007

**TO:**                MAYOR & COUNCIL

**THRU:**        *W.* W. MARK PENTZ, CITY MANAGER *RD*  
                     RICH DLUGAS, ASSISTANT CITY MANAGER *RD*

**FROM:**          PAT WALKER, MANAGEMENT SERVICES DIRECTOR *Walker*

**SUBJECT:**      FULTON HOMES CORPORATION IMPACT FEE MEETING ON  
                     FEBRUARY 16, 2007

City staff met with Norm Nicholls, President, and Tom Abraham, Controller, of Fulton Homes Corporation on February 16, 2007 to discuss their concerns regarding Arterial Street Impact Fees. City staff walked through the various components of the Arterial Street System Development Fee calculation, noting that Proposition 400 projects are included in the details of the calculation and the expected reimbursement is then subtracted out in a lump sum.

Over the past several years, Public Works staff has met with Norm Nicholls and others from Fulton Homes Corporation to explain how the City calculates credits for Arterial Street System Development Fees. Additionally, representatives from Public Works and Fulton Homes Corporation met December 21, 2006 to discuss several items, including the status of the annual System Development Fee update. Public Works and Fulton Homes Corporation representatives meet on a regular basis to discuss the status of their open projects. City staff did not hear anything from Fulton Homes Corporation concerning the fee update until we received his letter on January 24, 2007.

The representatives from Fulton Homes Corporation acknowledged that they had not had an opportunity to put together an impact fee analysis specific to the Fulton Ranch development and discuss it with Public Works staff prior to this meeting, and also acknowledged that at this point all of their costs may or may not be reimbursable by the City. The next step towards receiving the available arterial street fee credits is for Fulton Homes Corporation to submit the warranty bonds to the City. The City then issues a Letter of Final Acceptance, and then Fulton Homes Corporation can submit the application to receive their credit. As a result of this step not completed, it is premature to assume that the credits will not cover the majority of his costs for developing streets.

The concept of the arterial street fee area was discussed (see attached map), with staff noting that all building permits pulled in the fee area pay a fee to support the entire system of arterial streets. The fee is intended to repay the parcel's share of the overall system, not simply the street(s) adjacent to the parcel. Staff informed the representatives from Fulton Homes Corporation that if the amount of the credit was not fixed, any increase in the amount of credit calculated would also have to be added into the fee calculation resulting in even higher fees.

Fulton Homes Corporation has entered into joint development agreements with several developers in order to recoup the arterial street fee credits. They questioned how they would be able to recoup the credits for the 64 custom lots to be built within the subdivision, and were advised by staff that they could enter into an assignment agreement with each landowner and file the paperwork with the City. Action was taken by Public Works to get a sample form to Mr. Abraham.

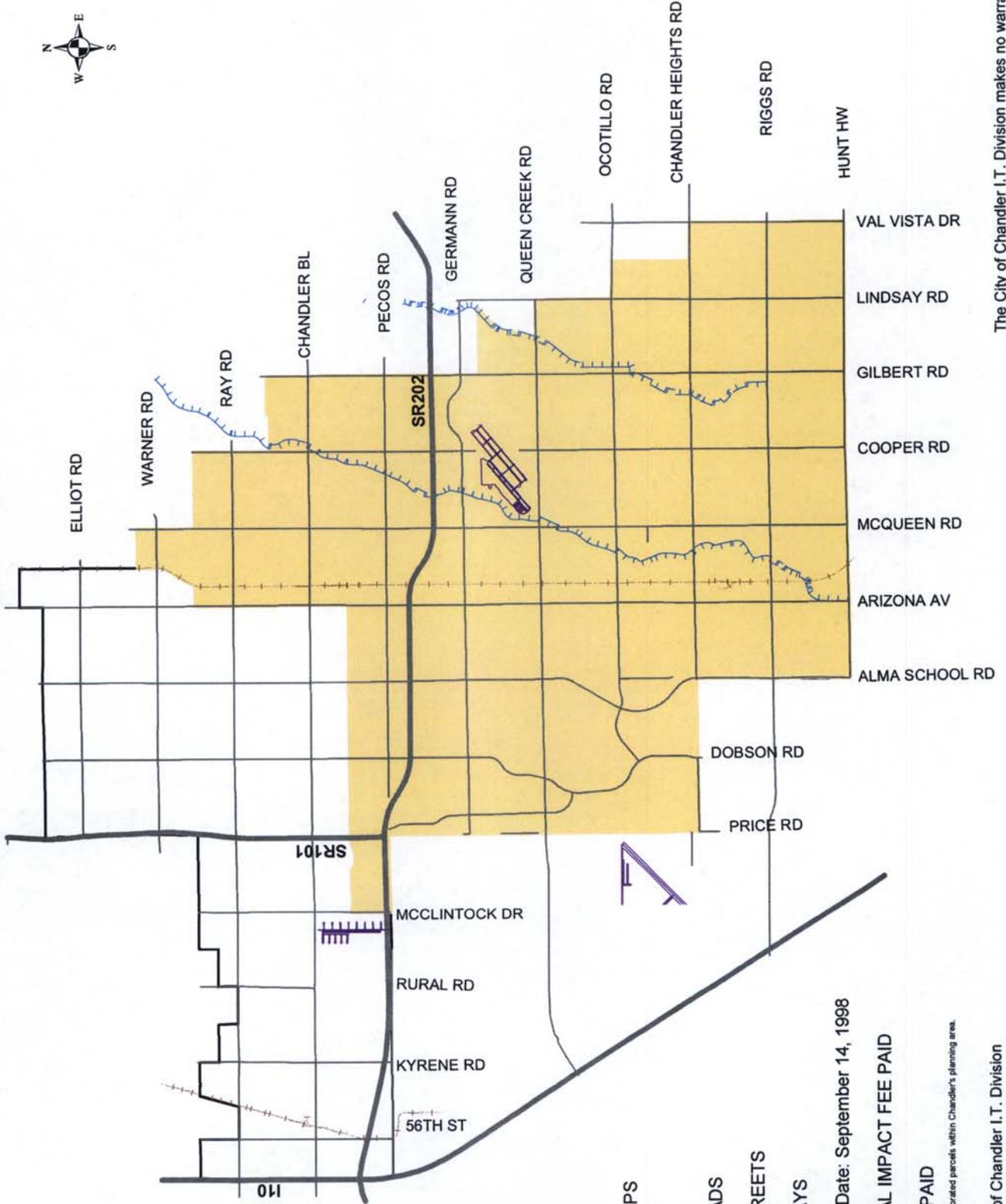
In summary, it appeared that all of Mr. Nicholl's questions were answered and that staff would continue to work with them to determine the amount of their arterial street credits. Staff informed Mr. Nicholls and Mr. Abraham that this memorandum would be provided to the Mayor and Council in advance of the final adoption of Ordinance No. 3880 to update System Development Fees.

cc: Norm Nicholls, Fulton Homes Corporation  
Tom Abraham, Fulton Homes Corporation  
Pat McDermott, Assistant City Manager  
O. D. Burr, Assistant Management Services Director  
Julie Buelt, Senior Financial Analyst  
Dan Cook, Acting Public Works Director  
Sheina Hughes, Public Works Engineer

Attachment: City of Chandler Arterial Street Impact Fee Area Map



# CITY OF CHANDLER ARTERIAL STREET IMPACT FEE AREA MAP



- AIR STRIPS
- CANALS
- RAILROADS
- MILE STREETS
- FREEWAYS

Effective Date: September 14, 1998

ARTERIAL IMPACT FEE PAID

NO FEE PAID

Note: Does not include unincorporated parcels within Chandler's planning area.

Map Produced By City of Chandler I.T. Division  
 Source: GIS Enterprise Database Map Date: 01/2006  
 .\GIS\Maps\ARTERIAL\_Streets.mxd

The City of Chandler I.T. Division makes no warranties, written or implied, regarding the information on this map.



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FEB 22 2007

**MEMORANDUM**                      **Management Services Memo No. 07-113**

**DATE:**            FEBRUARY 21, 2007

**TO:**                MAYOR & COUNCIL

**THRU:**            W. MARK PENTZ, CITY MANAGER <sup>RD</sup>  
                         RICH DLUGAS, ASSISTANT CITY MANAGER <sup>RD</sup>

**FROM:**            PAT WALKER, MANAGEMENT SERVICES DIRECTOR *Pat Walker*

**SUBJECT:**        HOME BUILDERS ASSOCIATION OF CENTRAL ARIZONA SYSTEM  
                         DEVELOPMENT FEE MEETING ON FEBRUARY 16, 2007

At the request of the Home Builders Association of Central Arizona (HBACA), City staff met with them again to discuss their concerns regarding the Neighborhood Parks and Community Parks System Development Fees on February 16, 2007. Prior meetings between the HBACA and City staff occurred on November 28, 2006 and February 2, 2007, along with the presentation made at the December 11, 2007 Home Builders Advisory Meeting.

Lauren Barnett, Deputy Director of Municipal Affairs for HBACA, had several questions regarding park acreage and the types of parks historically included in System Development Fee calculations. During this discussion, staff brought to her attention that regional parks and “special use” parks are not funded through System Development Fees.

At this meeting, Ms. Barnett stated that for park planning and funding purposes, the Homebuilder’s felt that the City should perform a level of service calculation for parks using park acreage and population. However, when asked what other City uses this calculation for park planning purposes, they do not know of any other municipality that uses that measure. As noted in prior memorandums and Council presentations, the City’s goal has been to provide a neighborhood park-size facility (typically 10 acres) within every square mile of residential development, while community parks are meant to serve residents within a two-mile radius of the park site. This has always been the City’s measure and has not changed. Attached please find maps noting the existing and planned park development using these planning philosophies.

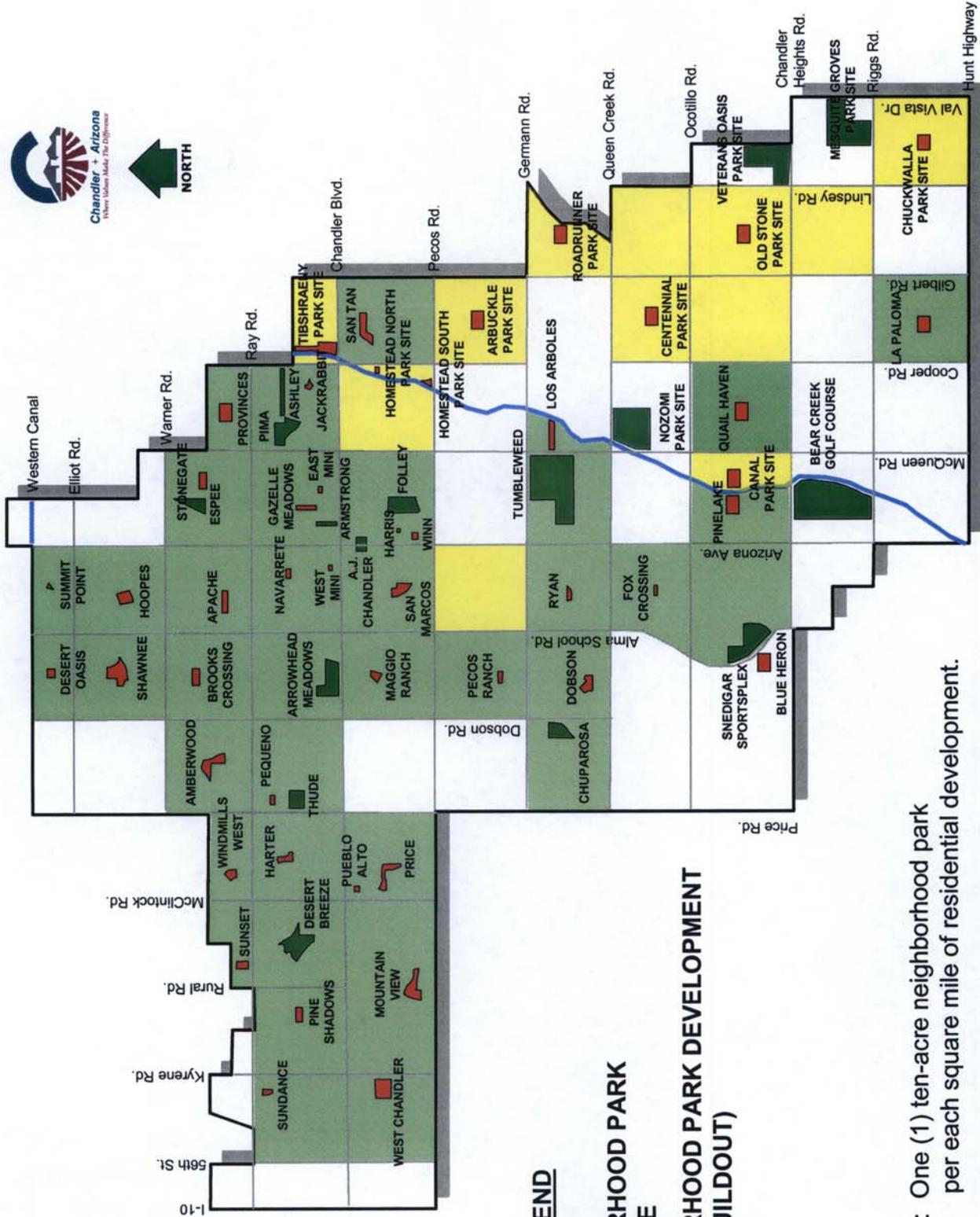
One of the problems in using the HBACA’s calculation lies in the timing of establishing the benchmark level of service. Every year, the City’s population grows and the park acreage (both developed and undeveloped) changes. Strictly looking at park acre per capita doesn’t address the location, demographics or quality of parks that Chandler has provided it’s citizens. Additionally,

park development typically lags behind residential development in order to allow for community input into park amenities.

At the conclusion of the meeting, City staff indicated that the current qualitative park planning philosophy had been in place for several years, and feel that strictly using a mathematical calculation does not address the quality park services we have delivered in the past and the level we want to continue for our future parks. Staff informed Ms. Barnett that this memorandum would be provided to the Mayor and Council in advance of the final adoption of Ordinance No. 3880 to update System Development Fees.

cc: Lauren Barnett, Home Builders Association of Central Arizona  
Pat McDermott, Assistant City Manager  
Mark M. Eynatten, Community Services Director  
David E. McDowell, Assistant Community Services Director  
Mickey Ohland, Park Development and Operations Manager  
Julie Buel, Senior Financial Analyst

Attachments: Neighborhood Park Development  
Community Park Development

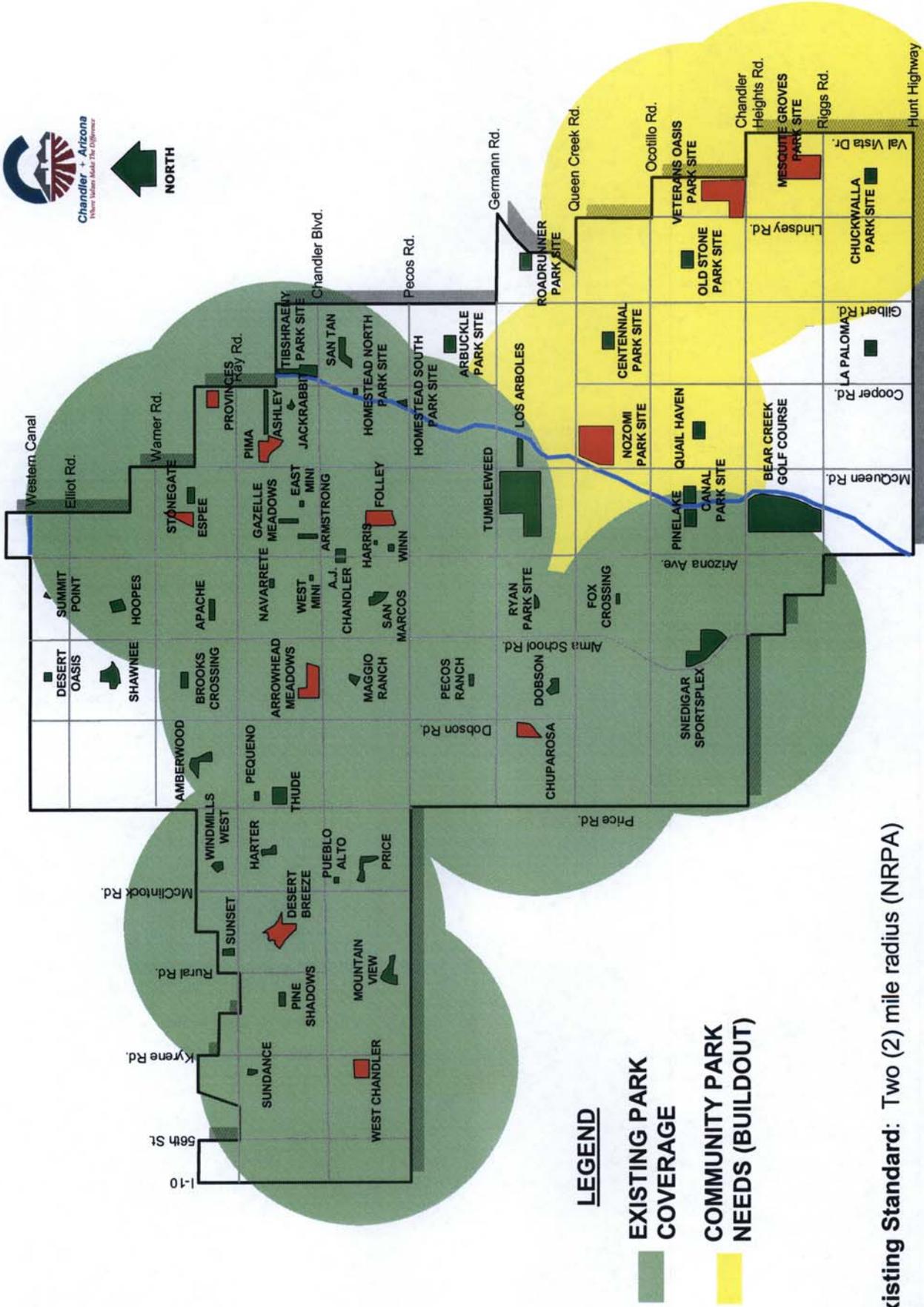


**LEGEND**

- EXISTING NEIGHBORHOOD PARK COVERAGE
- NEIGHBORHOOD PARK DEVELOPMENT NEEDS (BUILDOUT)

Existing Standard: One (1) ten-acre neighborhood park per each square mile of residential development.

# Neighborhood Park Development



# Community Park Development

ORDINANCE NO. 3880

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AMENDING SECTION 38-13 OF THE CODE OF THE CITY OF CHANDLER TO UPDATE SYSTEM DEVELOPMENT CHARGES.

WHEREAS, new development imposes increased and excessive demands on City facilities and infrastructure needed to provide necessary public services; and

WHEREAS, City staff has provided an update to the previous fee studies which show the level of fees/charges needed to generate sufficient funds to provide public facilities and infrastructure to serve new development; and

WHEREAS, the City projects new development to continue which will place ever-increasing demands on the City to provide public facilities and infrastructure to serve new developments; and

WHEREAS, to the extent that new development places demands upon public facilities and infrastructure, those demands should be satisfied by shifting the responsibility for financing such public facilities and infrastructure from the public to the development creating the demands; and

WHEREAS, development fees/charges collected pursuant to this Chapter 38 of the City Code may not be used to cure existing deficiencies in public facilities and infrastructure.

BE IT ORDAINED by the City Council of the City of Chandler, Arizona that Section 38-13 of the Code of the City of Chandler, Arizona is hereby amended to read as follows:

**38-13. Current development fees/charges.**

System development charges/fees are hereby established as follows:

*Water System Development Charges:*

Single-family (per dwelling unit) . . . . . \$3,959.00

Multi-family (per dwelling unit) . . . . . 1,998.00

Commercial/industrial . . . . . (See Table A)

*Water Resource System Development Charges:<sup>(1)</sup>*

Single-family (per dwelling unit) . . . . . 745.00

Multi-family (per dwelling unit) . . . . . 407.00

Commercial/industrial . . . . . (See Table A)

*Wastewater System Development Charges/Trunkline:<sup>(2)</sup>*

Single-family (per dwelling unit) . . . . . 285.00

Multi-family (per dwelling unit) . . . . . 167.00

Commercial/industrial . . . . . (See Table A)

*Wastewater System Development Charges/Treatment:<sup>(2)</sup>*

Single-family (per dwelling unit) . . . . . 2,281.00

Multi-family (per dwelling unit) . . . . . 1,343.00

Commercial/industrial . . . . . (See Table A)

*Reclaimed Water System Development Charges:<sup>(2)</sup>*

Single-family (per dwelling unit) . . . . . 1,336.00

Multi-family (per dwelling unit) . . . . . 787.00

Commercial/industrial . . . . . (See Table A)

*Fire Fees:<sup>(6)</sup>*

Residential (per dwelling unit)<sup>(3)</sup> . . . . . 564.00

Commercial (per square foot) . . . . . 0.33

Industrial (per square foot) . . . . . 0.33

*Police Fees:<sup>(6)</sup>*

Residential (per dwelling unit)<sup>(3)</sup> . . . . . 241.00

Commercial (per square foot) . . . . . 0.14

Industrial (per square foot) . . . . . 0.14

*Library Fees:*

Single-family (per dwelling unit) . . . . . 0.00

Multi-family (per dwelling unit) . . . . . 0.00

Commercial (per square foot) . . . . . 0.00

Industrial (per square foot) . . . . . 0.00

*Arterial Street Fees:*<sup>(4)</sup>

Single-family (per dwelling unit) . . . . . 2,896.00

Multi-family (per dwelling unit) . . . . . 1,904.00

Retail (per square foot)<sup>(5)</sup> . . . . . 6.93

Office (per square foot) . . . . . 4.26

Industrial (per square foot) . . . . . 3.07

Public/quasi-public<sup>(6)</sup> . . . . . 0.86

*Community Parks Fees:*

Single-family (per dwelling unit) . . . . . 4,175.00

Multi-family (per dwelling unit) . . . . . 2,402.00

Commercial (per square foot) . . . . . 0.00

Industrial (per square foot) . . . . . 0.00

*Public Building Fees:*<sup>(6)</sup>

Residential (per dwelling unit)<sup>(3)</sup> . . . . . 573.00

Commercial (per square foot) . . . . . 0.33

Industrial (per square foot) . . . . . 0.33

*Neighborhood Parks Fees:*

Single-family (per dwelling unit) . . . . . 2,483.00

Multi-family (per dwelling unit) . . . . . 1,429.00

Commercial (per square foot) . . . . . 0.00

Industrial (per square foot) . . . . . 0.00

- (1) Assessed in off-project areas and nonmember areas only.
- (2) No reclaimed water or wastewater fees for water-only connections (landscape).
- (3) Residential includes both single-family and multi-family.
- (4) Assessed in any area south of Frye Road, east of McClintock Road, and north of Frye Road, east of Arizona Avenue, except property which is both north of Knox Road and west of the Southern Pacific Railroad tracks.
- (5) City will contribute an additional six dollars and ninety-three cents (\$6.93) per square foot for retail space for a total of thirteen dollars and eighty-six cents (\$13.86) per square foot for retail. For retail space that generates < 3 trips per 1,000 square foot of retail space at PM peak according to the ITE Trip Generation Manual, the fee will be three dollars and forty-six cents (\$3.46) per square foot, with the City contributing ten dollars and forty cents (\$10.40) per square foot of retail.
- (6) Pursuant to ARS 9-500.18, the fire, police and general government fees shall not be collected from a school district or charter school. In addition, arterial street impact fees shall not be collected from a school district.

TABLE A

COMMERCIAL/INDUSTRIAL SYSTEM CHARGES

| Meter Size, inches | Type     | Water System | Water Resource <sup>(1)</sup> | Wastewater System Trunkline | Wastewater System Treatment | Reclaimed Water <sup>(2)</sup> |
|--------------------|----------|--------------|-------------------------------|-----------------------------|-----------------------------|--------------------------------|
| 5/8 x 3/4          | Disc     | \$3,959.00   | \$951.00                      | \$285.00                    | \$2,281.00                  | \$1,336.00                     |
| 3/4                | Disc     | 5,939.00     | 1,455.00                      | 427.00                      | 3,420.00                    | 2,005.00                       |
| 1-0                | Disc     | 9,898.00     | 2,320.00                      | 711.00                      | 5,701.00                    | 3,341.00                       |
| 1 1/2              | Disc     | 19,795.00    | 6,254.00                      | 1,422.00                    | 11,401.00                   | 6,680.00                       |
| 2-0                | Disc     | 31,672.00    | 10,717.00                     | 2,275.00                    | 18,241.00                   | 10,688.00                      |
| 3-0                | Compound | 63,343.00    | (3)                           | 4,549.00                    | 36,482.00                   | 21,375.00                      |
| 4-0                | Compound | 98,973.00    | (3)                           | 7,107.00                    | 57,002.00                   | 33,398.00                      |
| 6-0                | Compound | 197,946.00   | (3)                           | 14,214.00                   | 114,004.00                  | 66,796.00                      |
| 8-0                | Compound | 316,712.00   | (3)                           | 22,743.00                   | 182,406.00                  | 106,873.00                     |
| 2-0                | Turbine  | 31,672.00    | 14,254.00                     | 2,275.00                    | 18,241.00                   | 10,688.00                      |
| 3-0                | Turbine  | 69,282.00    | (3)                           | 4,975.00                    | 39,902.00                   | 23,379.00                      |
| 6-0                | Turbine  | 247,431.00   | (3)                           | 17,768.00                   | 142,505.00                  | 83,495.00                      |
| 8-0                | Turbine  | 356,301.00   | (3)                           | 25,586.00                   | 205,206.00                  | 120,232.00                     |

- (1) Assessed in off-project areas and nonmember areas only.
- (2) No reclaimed water or wastewater fees for water-only connections (landscape).

For meters eight (8) inches and larger, the water system, wastewater system and reclaimed water development charges shall be based on the following formula:

$$\text{Development Charge} = (5/8 \times 3/4 \text{ Charge}) \times (\text{Safe Maximum Operating Capacity})$$

(GPM)/20(GPM))

<sup>(3)</sup> The water resource charge fee for meters three (3) inches and larger shall be determined based on the City Engineer's projected water use using the following formula:

Development Charge = (Single-family Water Resource Charge) × Average Projected Water Use (GPD)/417 (GPD)

INTRODUCED AND TENTATIVELY approved by City Council of the City of Chandler, Arizona, this \_\_\_ day of \_\_\_\_\_, 2007.

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
MAYOR

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona, this \_\_\_\_ day of \_\_\_\_\_, 2007.

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
MAYOR

**CERTIFICATION**

I HEREBY CERTIFY that the above and foregoing Ordinance No. 3880 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on \_\_\_\_ day of \_\_\_\_\_, 2007 and that a quorum was present thereat.

\_\_\_\_\_  
CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY ATTORNEY