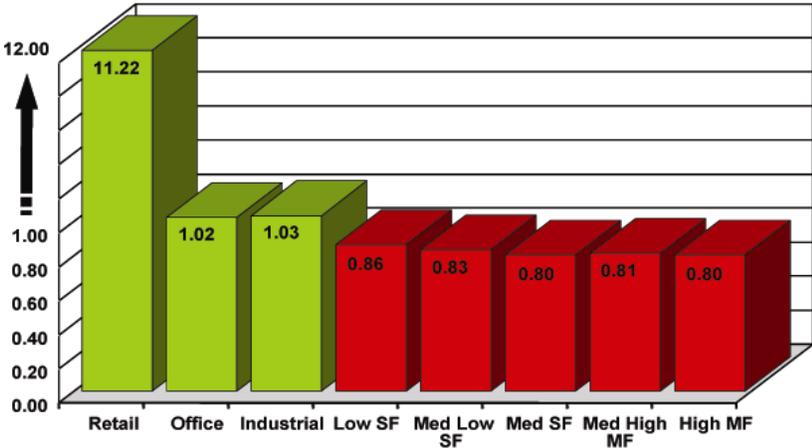


COST OF DEVELOPMENT TOWARD BUILD-OUT

The 'cost of development' in Chandler has significantly greater implications as the community approaches build-out. The Cost of Development Element is typically associated with fair share apportionment of new infrastructure costs. However, cost of development concerns in Chandler over the next two decades must also focus on wise use of remaining land resources.

Selectivity is crucial. Municipal expenditures -- costs -- vary based on the use of land. Residential land uses, whether low density suburban or high density multi-family housing, cost more to provide services to than the revenue they generate as illustrated in Figure 18, below. In seeking fiscal sustainability for the City and quality employment opportunities for its residents, the reservation of remaining land should be for those employment uses supporting a positive revenue-to-expenditure ratio, including commercial retail, office and industrial developments. Except in areas where additional residential is needed to balance and support commercial and employment uses such as in downtown and similar mixed-use settings, the continued commitment of remaining lands to residential uses robs the City of its ability to achieve fiscal stability and a desired jobs-to-housing balance.

Figure 18 Ratio of Revenues to Expenditures by Land Use



Source: Fiscal Impacts of Alternative Land Uses conducted by Applied Economics for the City of Chandler Jan 2003

The Cost of Development Element addresses these 'opportunity costs' of land use decisions along with more traditional infrastructure funding and financing needs as focus shifts from geographic expansion to system completion and strategic capacity upgrades. The Element is closely integrated with and may be considered a bridge between the planning principles included in the Land Use Element and the issues identified in the Public Services and Facilities Element.

Citizen participants in the General Plan process recognized the importance of achieving a balance among residential and employment land uses while expecting new development to pay its fair share of new infrastructure costs. Goals focus on recognition of long-term fiscal realities and responsible decision-making aimed at ensuring a sustainable Chandler.

GOAL: RELATE INFRASTRUCTURE INVESTMENT AND LAND USE DECISIONS TO MUNICIPAL ECONOMIC SUSTAINABILITY.

Objective: Recognize long term municipal revenue implications of land use decisions.

Objective: Support desired levels of public services and fiscal stability by promoting revenue generating land uses.

GOAL: ENSURE NEW DEVELOPMENT PAYS ITS FAIR SHARE FOR PUBLIC SERVICES FOR WHICH IT CREATES A NEED.

Objective: Update funding mechanisms regularly such as impact fees for public services.

Objective: Verify development fees are reasonably related to the burden imposed on the City for new services.

Objective: Support selective exceptions to the 'fair share' policy when public infrastructure financing or funding is in the public's best interest.

GOAL: MITIGATE FISCAL AND CAPITAL IMPACTS FROM DEVELOPMENT.

Objective: Identify and respond to fiscal impacts, such as operation and maintenance costs, associated with expanded City services including development intensification in identified growth areas.

Objective: Develop plans, including the Capital Improvement Plan, to identify and prioritize needed improvements.

Existing Conditions

Chandler has long required developers to construct streets, sewers, water mains, drainage facilities and other facilities needed to support their developments. Development fees that offset City expenses have been in place since the 1980's.

The City has enacted a variety of additional development fees to pay for the capital costs of new water resources, reclaimed water systems, arterial streets, community parks and other general governmental needs. The City and/or recognized experts in the field of public finance have established system development charges and fees through detailed analysis. Fee schedules have been updated periodically to ensure fairness and to reflect updated capital improvement programs.

In addition to system development fees, the City uses a wide variety of financing mechanisms to fund public services and improvements necessary to serve new development. These mechanisms include:

- Bonded debt that is comprised of general obligation bonds, revenue bonds, certificates of participation notes and municipal property corporation bonds. Bonded debt is used to finance public projects that are too large to fund on a "pay as you go" basis. Development fees, user fees, property taxes and similar sources are used to repay the bonds over time.
- Special taxing districts, such as improvement districts, have been used by the City to finance various street and utility improvements. These districts can be used to accelerate capital improvements in newly developing areas of the City or where the City lacks funds to undertake the improvements. Property owners are largely responsible for repaying bonds associated with special taxing districts through property tax assessments.

- Facility construction by developers and landowners is also a common mechanism. Developers receive credit toward development fees or other City charges for the value of the improvements constructed or enter into repayment agreements.
- Dedication of land is frequently used to widen streets or reserve land for open space or parks. Landowners making such dedications may receive credits against City development fees or charges.

Assets. Existing infrastructure capacity is an asset. Further, the City's ability to strategically expand key systems such as water and wastewater, position Chandler well to employ more efficient land utilization associated with build-out.

Necessary future revenue streams can be supported through wise use of the City's remaining land inventory. Re-use and redevelopment of older sites -- where infrastructure is already in place -- will play an increasingly important role in the City's development picture.

City development fee policies are an important revenue source in balancing the Capital Improvement Plan and ensuring new development pays its fair share for City services.

Challenges/Issues. Completing infrastructure systems is important in maximizing efficiency and returns on public investments. Infrastructure, particularly water and wastewater systems, should be sized for build-out. System enhancements need to coincide with areas targeted for development intensification such as transit corridors and the downtown area.

Funding for system expansions needed to accommodate build-out is undetermined. Allocating who pays and when, is a challenge to be met sooner than later in order to promote desired development in the City. Employment expansion, investment in redevelopment areas and commercial development can be guided by infrastructure availability.

Ongoing operation and maintenance costs will require sound fiscal management. Economically-sustainable development such as employment and commercial uses, are needed to assure long-term stability.

Opportunities. The City can guide growth by providing value (reducing costs) to developers through infrastructure availability in growth areas. Additional incentives can be utilized including fee adjustments, development intensity bonuses and preferential review processes.

The City can gain advantages by following Smart Growth principles as outlined in the Governor's Scorecard for Smart Growth. Many Scorecard criteria for sustainable communities align with the City's goals and strategies for build-out as articulated in the General Plan. Plan implementation will position the City to receive discretionary benefits from State agencies for Smart Growth practices.

Build-Out Policies

Preparation for build-out represents a time of change to the way Chandler develops. Successful strategies depend on disciplined decision-making. They should be based on long-term goals of fiscal sustainability and high living quality for all residents.

Relevant policies include:

- ◆ Calibrate the Capital Improvement Plan (CIP) to support development of preferred land uses in identified growth areas and innovation zones. (See Growth Areas Element).
- ◆ Encourage private investment by securing infrastructure capacity in identified growth areas.
- ◆ Adjust development fees and utilize other incentives to support water and wastewater system completion and needed capacity enhancements.
- ◆ Design and install wet utilities and other systems with operation and maintenance costs in mind.
- ◆ Discourage land uses that cost more to service than the revenues they generate in future employment/growth areas.

Implementation Recommendations

Infrastructure availability and financing play an important role in Chandler's build-out planning. Selectivity in land use is vital to securing future revenues and promoting economic sustainability for the community. Development costs can be used to guide the form and location of new development. Citizens strongly prefer that new development pays its fair share for City services while recognizing City policy should not act as a disincentive to desired development types.

Tie Land Use Decisions to Economic Sustainability. Recognition of the relationship between land use and municipal costs and revenues is essential for Chandler during build-out. Historic residential development patterns need to be replaced by non-residential growth. While not all remaining land should be developed as non-residential, the City should strive for a balance of land uses that may require additional residential in some areas. One thing is clear, however, that business as usual can not be acceptable if Chandler wants to achieve community goals of sustainability.

Recommendation: In support of municipal economic sustainability and securing needed revenue streams to fund City services, discourage residential land uses that have a negative revenue-to-expense ratio and do not provide direct support for adjoining commercial and employment areas.

Understand Costs-Benefits of infrastructure timing and design. Infrastructure investment and development projects are closely linked. In some cases, the City may extend infrastructure or make other expenditures in support of growth with capture of later revenues in mind. Other times a developer may offer to construct infrastructure well ahead of actual need, with intended, eventual dedication of the improvements to the City. Cost of Development strategies encourage full understanding of short and long-term costs and benefits of infrastructure commitments.

Recommendation: Whether a commitment by the City to construct or consideration of acceptance of developer-built improvements, cost-benefit analyses should be conducted to understand both long and short-term fiscal implications, including operation, maintenance and expansion costs, of infrastructure systems.

Design for the long haul. As the City matures and infrastructure systems are extended and upgraded, the City is faced with substantial, ongoing operation and maintenance costs. These costs can vary widely depending on system design, quality of construction and quality of materials utilized.

Recommendation: Employ designs and materials in infrastructure construction and system enhancements that are engineered for the long term. In order to reduce operation and maintenance costs and extend the serviceable life of the improvement, the City should avoid materials and designs that have lower initial costs but create problems associated with shorter life spans or higher operation and maintenance costs.

Calibrate the Capital Improvement Plan. The Capital Improvement Plan (CIP) is one of the City's primary implementation tools of the General Plan and where the 'rubber meets the road' in expanding and enhancing infrastructure systems. Priorities in the CIP determine what capital improvements get built and when. Logically, the timing of infrastructure projects has a significant impact on the location, timing and intensity of development.

Recommendation: Annually evaluate the CIP to ensure its consistency with infrastructure and development objectives for the City's preferred growth areas. Capacity upgrades and replacement needs should receive high priority in the downtown and other areas identified for growth.