



Development Fee Work Session

City of El Mirage, AZ

February 4, 2025

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40-year consulting practice serving local government nationwide

- Impact fees/infrastructure financing strategies
- Fiscal/economic impact analyses
- Capital improvement planning
- Infrastructure finance/revenue enhancement
- Real estate and market feasibility

Apache Junction	Avondale	Buckeye	Casa Grande
Cave Creek	Coolidge	Eloy	El Mirage
Flagstaff	Florence	Fountain Hills	Gilbert
Glendale	Goodyear	Kingman	Maricopa
Nogales	Oro Valley	Payson	Peoria
Pinetop-Lakeside	Queen Creek	Safford	Sedona
Show Low	Sierra Vista	San Luis	Somerton
Surprise	Tempe	Tucson	Wellton

Yuma

- Three integrated products
 - » Land Use Assumptions (at least 10 years and approved by elected officials)
 - » Infrastructure Improvements Plan (IIP) limited to 10 years (no build out analysis)
 - » Development Fees part of broader revenue strategy
- Based on same Level-of-Service (LOS) provided to existing development
- Limitations on Necessary Public Services
 - » 3,000 square feet recreational facilities
 - » No regional training facilities for public safety
- Refunds can be requested if improvements are not built

Legal and Methodology

- One-time payment for growth-related infrastructure, usually collected at the time buildings permits are issued
- Can't be used for operations, maintenance, or replacement
- Not a tax but more like a contractual arrangement to build infrastructure, with three requirements
 - » Need (system improvements, not project-level improvements)
 - » Benefit
 - Short range expenditures
 - Geographic service areas and/or benefit districts
- Proportionate

Offsets

- Site specific
 - » Developer constructs a capital facility included in fee calculations
- Debt service
 - » Avoid double payment due to existing or future bonds
- Dedicated revenues
 - » Property tax, local option sales tax, gas tax

■ Buy-In Approach (past)

- » New growth is “buying in” to the cost the community has already incurred to provide growth-related capacity
- » When applicable
 - Near build-out
 - Community has oversized facilities in anticipation of growth
- » Other common names
 - Recoupment
 - Cost-recovery

- Consumption-Based Approach (present)
 - » Formula-based approach based on existing levels of service
 - Park acres per capita
 - Square feet per student station
 - » Fee is based on the current cost to replicate existing levels of service (i.e., replacement cost)
 - » Provides flexibility
 - » Other Common Names
 - Replacement cost
 - Level of service approach

Fee Methodologies

- Plan-Based Approach (future)
 - » Usually reflects an adopted CIP or master plan
 - » May offer more “bang for the buck”
 - Growth-related costs are more refined
 - » Will be scrutinized more closely by development community

Fee Methodology Considerations

- Available data to support the methodology
 - » No adopted facility plans or “iffy” CIP
 - Incremental expansion
 - » Long-term capital improvement plan or adopted facility master plans
 - Plan-based approach

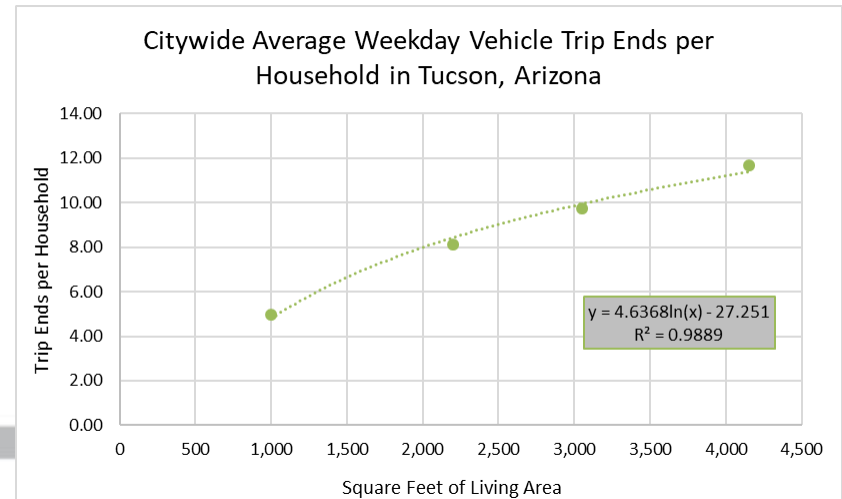
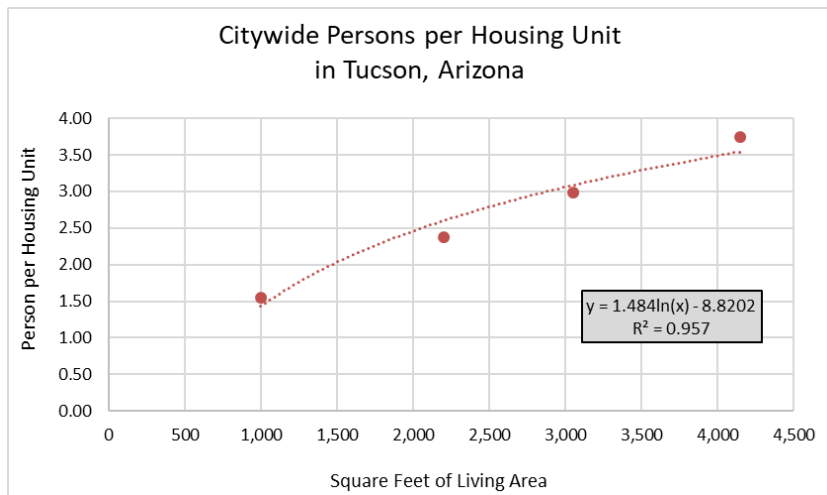
- LOS of service reflected in capital plan?
 - » Current LOS versus desired/adopted existing LOS
 - » Is it financially feasible?
 - » How will existing deficiencies be funded?

Better Proportionality

- Progressive residential fee structure
 - » Improves proportionality
 - » Can promote housing equity/affordability

Actual Averages per Housing Unit			Persons per Housing Unit by Size	
Bedrooms	Square Feet	Persons	Sq Ft Range	Persons
0-2	1,000	1.55	750 or Less	1.00
3	2,200	2.38	751 to 1,250	1.61
4	3,050	2.99	1,251 to 1,750	2.15
5+	4,150	3.74	1,751 to 2,250	2.55
			2,251 to 2,750	2.86
			2,751 to 3,250	3.12
			3,251 to 3,750	3.34
			3,751 or More	3.53

Actual Averages per Household			Fitted-Curve Values	
Bedrooms	Square Feet	Trip Ends	Sq Ft Range	Trip Ends
0-2	1,000	4.96	750 or Less	3.44
3	2,200	8.12	751 to 1,250	5.33
4	3,050	9.76	1,251 to 1,750	7.03
5+	4,150	11.70	1,751 to 2,250	8.27
			2,251 to 2,750	9.25
			2,751 to 3,250	10.06
			3,251 to 3,750	10.75
			3,751 or More	11.35



Previous El Mirage Fees

- SB1525 enacted since suspension
- Previous development fees studied
 - » Water
 - » Wastewater
 - » Parks
 - » Police
 - » Fire
 - » General Government (currently prohibited)
 - » Transportation

El Mirage Situation

- 200K-900K square feet of commercial/industrial development annually
- Limited residential starts
- Development fees are feasible
 - » Buy-in to recoup past investment
 - » Planned investment would drive methodologies for some fees
 - » Second fire station
 - » Police station expansion
 - » Service area (no development fees in older areas?)
 - » Policy decision

