
MEMORANDUM

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

THRU: J. CRYSTAL DYCHES, CITY MANAGER

FROM: ROBERT NILLES, DEPUTY CITY MANAGER

SUBJECT: EXECUTIVE SUMMARY – DEVELOPMENT IMPACT FEE STUDY

DATE: DECEMBER 12, 2025

The ten-year Infrastructure Improvements Plan (IIP) identifies approximately \$29.4 million in capital needs for Fire, Police, Parks and Recreation, and Streets, plus an additional \$5.0 million for wastewater expansion, totaling \$34.4 million. If the maximum legally allowable development impact fees (DIFs) were adopted, new development would fund approximately \$14 million of these needs.

The remaining \$17.2 million for General Fund categories and \$3.2 million for wastewater would be the responsibility of the City.

Police and Streets improvements are fully funded under the DIF model, driven by significant projected nonresidential development in the Land Use Assumptions. Fire and Parks and Recreation would require substantial City contributions even with DIFs in place. Adoption of DIFs also triggers long-term operational commitments that may require expanded staffing and recurring costs not included in the current five-year forecast. Existing developer credits for Microsoft and TI Cold will reduce Streets fee revenue in the early years of implementation.

Council may either direct staff to begin the statutory adoption process or conclude the evaluation based on the financial, operational, and competitiveness considerations outlined in this memo. This assessment does not recommend either outcome. Its purpose is to present the implications of each path, supporting informed policy direction.

CAPITAL FUNDING OUTCOMES

Fire

Fire represents the highest expenditure of the General Fund. A second station and apparatus also create new staffing requirements not included in the forecast.

- Capital need: \$18.6 million
- DIF projected revenue: \$3.9 million
- City funding required: \$14.7 million
- DIF share: 21 percent

Parks and Recreation

The youth center component carries a significant General Fund commitment and ongoing operational expenses. The park amenity component can be adopted independently and requires no General Fund capital.

- Capital need: \$3.5 million
- DIF projected revenue: \$0.93 million

- City funding required: \$2.56 million
- DIF share: 27 percent

Police

Capital improvements are fully funded by new development, but personnel required for new patrol units and facilities create recurring General Fund costs.

- Capital need: \$4.4 million
- DIF projected revenue: \$4.4 million
- City funding required: \$0
- DIF share: 100 percent

Streets

This category uses the buy-in method. Eligible projects will need to be identified. Developer credits from Microsoft and TI Cold may reduce early-year collections.

- Capital need: \$2.87 million
- DIF projected revenue: \$2.87 million
- City funding required: \$0
- DIF share: 100 percent

Wastewater

The equalization basin is funded through the adopted rate plan. Implementing the fee may allow future rate adjustments.

- Capital need: \$5.0 million
- DIF projected revenue: \$1.8 million
- Utility funding required: \$3.2 million
- DIF share: 36 percent

Across the General Fund categories, DIFs cover approximately 41 percent of capital needs. The remaining 59 percent would require City funding over the ten-year period.

OPERATIONAL AND PERSONNEL IMPACTS

Capital construction is only part of the long-term cost. Full implementation of Police, Fire, and Parks components could require as many as 50 additional employees, including firefighters, sworn officers, recreation, and support staff. These recurring costs are not included in the current five-year forecast. Property tax revenue from new development will not significantly offset these obligations.

ADMINISTRATIVE OBLIGATIONS

If adopted, DIFs require ongoing compliance with ARS 9-463.05. The City must track each fee category, manage reimbursements, apply developer credits, publish required reports, spend funds within statutory timelines, and monitor project delivery. The City must also construct the IIP projects within legally required timeframes, regardless of whether fee collections fully materialize. These responsibilities may require additional staff capacity.

COMPETITIVENESS CONSIDERATIONS

Commercial and industrial development in the West Valley is increasingly competitive. DIFs ranging from \$440 to \$6,094 per 1,000 square feet may influence site selection decisions relative to neighboring cities. Wastewater fees apply only in the northern service area, resulting in uneven application across the City and potential impacts on specific locations where infill development is desired. The following table provides

projected cost of DIFs on recent or planned developments. Most commercial developments in the city’s wastewater territory would need a two-inch water meter (\$6,058 wastewater DIF) while most residential developments would use a ¾ inch water meter (\$1,137 wastewater DIF).

Residential Fees per Development Unit								
Development Type	Fire	Street	Parks & Recreation	Police	Proposed Fees per	Development Size (Sq. Ft.)	Subtotal Fee	
Single Family								
1,250 to 1,999	\$2,814	\$1,105	\$2,387	\$1,492	\$7,798	1800	\$7,798	

Nonresidential Fees per Development Unit (1,000 Sq Ft)								
Development Type	Fire	Street	Parks & Recreation	Police	Proposed Fees per 1,000 Sq. Ft.	Development Size (Sq. Ft.)	Subtotal Fee	
Industrial – Data Center	\$137	\$120	\$21	\$162	\$440	200000	\$88,000	
Commercial – Restaurant	\$1,951	\$1,702	\$135	\$2,306	\$6,094	5000	\$30,470	
Office & Other Services - Clinic	\$866	\$756	\$206	\$1,024	\$2,852	20000	\$57,040	
Institutional – Hospital, Church	\$861	\$752	\$181	\$1,018	\$2,812	10000	\$28,120	

PROS AND CONS OF PROCEEDING

Pros

- Growth contributes directly to the cost of growth.
- DIFs fully fund Police and Streets capital needs.
- Establishes a structured and legally compliant growth-based capital planning framework.
- May reduce wastewater rate pressure.

Cons

- City contributions exceed DIF revenue in several categories.
- Most DIFs require service expansion to maintain level of service.
- Operational costs for new facilities and vehicles fall entirely on the General Fund.
- Administrative requirements add ongoing workload and complexity.
- Potential competitiveness impacts for commercial and industrial development.
- Fire and Parks fees cover a small share of project costs.

DECISION OPTIONS FOR COUNCIL

Option 1: Proceed with the statutory adoption process

This initiates the required timeline under ARS 9-463.05. If Council elects to proceed, staff will return with the formal Land Use Assumptions, Infrastructure Improvements Plan, and draft fee schedule to begin the adoption process.

Option 2: Conclude the evaluation

Under this option, the City would continue to fund capital needs through traditional means such as developer-provided infrastructure, the General Fund, existing rate plans, grants, and prioritization within the Capital Improvement Plan.

Both options are viable. The distinction is whether Council prefers a growth-based cost-sharing model that brings both capital benefits and capital and operational obligations, or a traditional model that preserves flexibility but places a larger share of capital costs on the City.

NEXT STEPS

Two questions need to be answered:

1. Which, if any of these improvements/projects (including operational costs) do you want constructed?
2. Do you want to see growth pay for any portion of the improvements/projects you want constructed?

If the answer to these questions is no, staff requests Council guidance to suspend the evaluation process at this point.

If the answer is yes to any part of these questions, staff requests Council guidance to proceed with the statutory steps required to implement development impact fees under ARS 9-463.05