

# Accelerate Opportunity **NOW**

RESIDENTIAL | COMMERCIAL | OFFICE

Take advantage of Avondale's

**\$2 Million**

development incentive program



1 Year Program\*



\$2 Million Available



20% Discount on  
Development Impact Fees



Funds Available on First-  
come First-served Basis

\*Available only FY 2015-16

## DEVELOPMENT IMPACT FEE SAVINGS

Typical Single Family Residential Example	100%	80%	60,000 SF Commercial Example	100%	80%
Totals	\$17,707	\$14,166		\$505,554	\$404,442
<b>Residential Savings</b>		<b>\$3,541</b>	<b>Commercial Savings</b>		<b>\$101,112</b>

Residential calculation is based on a 3/4" water meter. These are examples only, for more detail, please contact the City of Avondale, Development and Engineering Services. Development Fees reduction and calculation include those for: Fire Facilities, General Government, Library, Parks and Recreation, Police, Sewer, Transportation and Water Development.

**Call now to accelerate YOUR project**

**Tracy Stevens, Director of Development & Engineering Services**  
(623) 333-4012 | [tstevens@avondale.org](mailto:tstevens@avondale.org)

**Dan Davis, Director of Economic Development**  
(623) 333-1411 | [ddavis@avondale.org](mailto:ddavis@avondale.org)

**Avondale**

Aspiring. Achieving. Accelerating.

[www.avondale.org](http://www.avondale.org)

*"Avondale is committed to working with the development community to spur new growth and economic development in the city."*

– Mayor Kenn Weise, City of Avondale

*"As the largest homebuilder in Avondale we recognize the value of having a good working relationship. The City has made great strides to connect with the business community and we are excited to be a part of building Avondale's future."*

– Brian Mings, Courtland Communities



## CITY COUNCIL AGENDA

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**SUBJECT:**

Resolution 3256-615 - Development Impact Fee Incentive Program

**MEETING DATE:**

6/1/2015

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**TO:** Mayor and Council

**FROM:** Kevin Artz, Assistant City Manager

**THROUGH:** David Fitzhugh, City Manager

**PURPOSE:**

Staff recommends the City Council adopt Resolution 3256-615 approving a Development Impact Fee Incentive Program in the amount of \$2.0M for FY2015-16. Council will take appropriate action.

**BACKGROUND:**

On May 19, 2014, Council approved resolution 3189-514, which adopted the City's 2014 development fees. The development fees, which are based upon the City's land use assumptions and infrastructure improvement plan, were adopted at the maximum justifiable fee, in the amount of \$17,707 (single family residential with a ¾ inch water meter).

On May 4, 2015, Staff presented options to Council to reduce the burden of development impact fees, in an effort to spur residential and commercial growth. Council directed staff to bring forward a resolution that would create a \$2.0M DIF Incentive Program and appropriate funds in the City's FY 2015-16 budget. The tentative budget adopted on May 18, 2015 includes the \$2.0M incentive program.

**DISCUSSION:**

The proposed Resolution creates a Development Impact Fee Incentive Program in the amount of \$2.0M. Any property for which a building permit is issued after June 1, 2015, is eligible to receive a 20% discount on the development fee amount otherwise due. The discount is available on a first come basis. The 20% discount does not apply to property eligible for a discount under the City's previously adopted Infill Incentive Program.

The Resolution also directs the City Manager and Finance Director to include funding for the \$2.0M DIF Incentive Program in the City Manager's Recommended Budget for the next three fiscal years. The City Council will make the final determination if the DIF Incentive Program is included in the City's adopted budget for each fiscal year.

Staff has received numerous correspondence from the development community in support of the DIF Incentive Program and applauding the City for being proactive and creative. Preliminary feedback from the development community indicates that the Program has created significant discussion and that Avondale is well positioned to see new residential and commercial growth.

Two residents spoke in opposition to the Program when the options were presented to Council on May 4, 2015, and one followed up with an email directly to City Council outlining the reasons she opposed the item.

**BUDGET IMPACT:**

The City's tentatively adopted FY 2015-16 budget includes the DIF Incentive Program in the amount of \$2.0M. It is anticipated that the Incentive Program will generate new development activity, that will in turn generate new revenue from construction sales tax and building permits that will fund the DIF Incentive Program.

The DIF Incentive program will be evaluated each year during the City's annual budget process.

**RECOMMENDATION:**

Staff recommends Council adopt a Resolution approving a Development Impact Fee Incentive Program in the amount of \$2.0M for FY 2015-16.

**ATTACHMENTS:**

**Description**

Resolution 3256-615 - Development Impact Fee

DIF Program supporting correspondence

**RESOLUTION NO. 3256-615**

A RESOLUTION OF THE COUNCIL OF THE CITY OF AVONDALE, ARIZONA, APPROVING A DEVELOPMENT IMPACT FEE INCENTIVE PROGRAM FOR THE CITY.

**WHEREAS**, a change in State Law required all Arizona municipalities, including the City of Avondale (the "City"), to adopt new development impact fees ("DIF") under the new statutory scheme prior to August 1, 2014; and

**WHEREAS**, the City conducted the necessary fee study and adopted its required changes by Ordinance 3189-514 on May 19, 2014, resulting in an increase in its DIF from \$16,298 (single family residence, assuming a 3/4" water meter) to \$17,707; and

**WHEREAS**, the recessionary period in the latter part of the 2000s severely impacted the Arizona homebuilding industry, which resulted in a sharp drop in the number of net residential building permits in Avondale; and

**WHEREAS**, as the recessionary period came to a close, homebuilding showed signs of a modest rebound, with net residential building permits rising considerably from the recessionary low points; and

**WHEREAS**, while net residential building permits have increased in recent years, Avondale has lagged behind other neighboring communities in terms of the overall rate of increase; and

**WHEREAS**, the City's current growth rate (i) stifles capital investment in the City's infrastructure due to insufficient increases in the amounts of property tax, transaction privilege taxes from new construction and transaction privilege taxes from retail sales that would be otherwise generated from new residents in Avondale, and (ii) places the City at risk for a reduction in State-shared revenues if the City's population grows at a slower rate than other Arizona communities; and

**WHEREAS**, the development community has consistently stated that the City's DIF are a significant factor when considering whether to build new homes in Avondale; and

**WHEREAS**, market experts have indicated Avondale would experience additional growth in residential development if its DIF were more competitive with neighboring communities. Such additional residential growth is also expected to generate additional

commercial growth; and

**WHEREAS**, at the January 10, 2015, Council of the City of Avondale (the “City Council”) visioning retreat, City staff was directed to present to the City Council options to help spur new development; and

**WHEREAS**, at the May 4, 2015, City Council meeting, staff presented options for consideration, including an incentive program that would create a City-funded component of the current DIF program in an amount sufficient to effectively lower City DIF by 20%, from \$17,707 to \$14,166 (single family residence, assuming a 3/4” water meter); and

**WHEREAS**, City staff estimates that an additional \$3,500 to \$4,000 in revenue would be generated per new home from building permits and transaction privilege taxes charged on new construction; and

**WHEREAS**, the City Council is empowered by ARIZ. REV. STAT. § 9-500.11 to expend funds for the purpose of economic development.

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF AVONDALE** as follows:

SECTION 1. The recitals above are hereby incorporated as if fully set forth herein.

SECTION 2. The City Council finds and determines it is in the City’s best interest to create an incentive for new development to increase City tax revenues and to ensure the City’s population grows in relative proportion to its neighbors.

SECTION 3. The City Council finds and determines that consideration of a multi-year allocation of City revenues to provide a 20% DIF incentive is in the City’s best interests and is a proper expenditure under ARIZ. REV. STAT. § 9-500.11.

SECTION 4. The Avondale DIF Incentive Program (the “Program”) is hereby created, as follows:

1. Any property for which a building permit is issued after June 1, 2015, is eligible to receive a 20% discount on the DIF amounts otherwise due, subject to available funding and the following:
  - a. The discount will be made available on a first-come basis according to the date a complete application for building permit is received for each property and all other applicable fees are paid in full. Requests for the 20% discount shall be denied if the Program funds for that fiscal year have been completely expended for Program activities; provided, however, an applicant denied a discount due solely to a lack of available funding may re-apply in the following fiscal year.

- b. The maximum funding available to the Program in each fiscal year shall be the amount set forth in the City's annual budget, unless otherwise modified by the City Council.
- 2. The 20% discount shall not apply to property already eligible for reduced DIF under the City's adopted Infill Incentive Program.

SECTION 5. The City Manager and the City Finance and Budget Director are hereby authorized and directed to (i) include for City Council consideration an expenditure of \$2,000,000 in the City Manager's recommended budgets for FY 2015-16, 2016-17, and 2017-18 to be used to fund the City's contribution to the Program, (ii) provide the City Council with an annual analysis of the Program impact for the prior fiscal year and a forecast for the upcoming fiscal year and (iii) ensure that any amounts allocated pursuant to the Program are transferred from the City's General Fund to the appropriate development impact fee fund.

SECTION 6. The Mayor, the City Manager, the City Clerk and the City Attorney are hereby authorized and directed to take all steps necessary to carry out the purpose and intent of this Resolution.

**PASSED AND ADOPTED** by the Council of the City of Avondale, June 1, 2015.

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Kenneth N. Weise, Mayor

ATTEST:

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Carmen Martinez, City Clerk

APPROVED AS TO FORM:

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Andrew J. McGuire, City Attorney