



A.R.S. Section 9-461.05

D.4 – Cost of Development Element

A cost of development element that identifies policies and strategies that the municipality will use to require development to pay its fair share toward the cost of additional service needs generated by new development, with appropriate exceptions when in the public interest. This element shall include:

- 1. A component that identifies various mechanisms that are allowed by law and that can be used to fund and finance additional public services necessary to serve the development, including bonding, special taxing districts, development fees, in lieu fees, facility construction, dedications and service privatization.*
- 2. A component that identifies policies to ensure that any mechanisms that are adopted by the municipality under this element result in a beneficial use to the development, bear a reasonable relationship to the burden imposed on the municipality to provide additional necessary public services to the development and otherwise imposed according to law.*

8 – Cost of Development

8.1 INTRODUCTION

The Cost of Development Element of the Quartzsite General Plan is a required general plan element. Arizona State planning law defines the cost of development element as follows: “A cost of development element that identifies policies and strategies that the municipality will use to require development to pay its fair share toward the cost of additional service needs generated by new development, with appropriate exceptions when in the public interest.” The cost of development element outlines the various methods by which public infrastructure is paid for and how new development participates in the provision of needed services.

This element includes an analysis of the Town’s existing infrastructure financing methods. Also included is an evaluation section which discusses the legal methods and requirements for public infrastructure construction, and identifies a variety of preferred options for the Town of Quartzsite taking into account unique community needs. The Goals, Objectives, and Policies section identifies community goals and objectives to ensure developers participate in the cost and construction of new infrastructure. The implementation section outlines a list of projects with a general timeline to meet the identified goals.

8.2 EXISTING CONDITIONS

The Town of Quartzsite currently has very limited resources available to construct new public infrastructure. Construction of new streets and roadways is currently limited due to the expensive costs involved with constructing new asphalt roadways. The existing roadways within the Town are in many cases substandard and in need of maintenance. The Town uses its State Highway User Revenue Funds (HURF) funds to pay for street maintenance and street personnel costs within the public works department. When new infrastructure facilities are constructed, they must be maintained for the foreseeable future by the Town. When discussing a fair share contribution



by developers for new development projects, the fair share allocation must include a review of Town resources dedicated to future maintenance and operation of the infrastructure facilities.

8.3 CONSTRUCTION OF NEW INFRASTRUCTURE

The Town of Quartzsite should establish a policy that new development projects participate in the provision of new infrastructure and services required for the particular development involved. The Town of Quartzsite, through this general plan element, establishes three methods to accomplish this as follows:

- ❑ Direct Developer Construction
- ❑ Developer Impact Fees in lieu of direct developer construction
- ❑ Payment of pro-rata share for construction of required infrastructure

In addition to infrastructure, having an adequate supply of affordable housing to accommodate future workers is very important. Employers interested in locating facilities in Quartzsite need to be assured that their workers and families will be able to find affordable housing. The housing element of the general plan includes programs which can increase the supply of affordable housing within the community.

8.4 DIRECT DEVELOPER CONSTRUCTION

The first method of participation involves direct developer construction of all necessary infrastructure, both on-site within the project boundaries and off-site facilities, such as a sewer lift station, needed for the project. For new subdivisions, the developer would be responsible for all interior improvements, including paved streets, water and sewer lines, fire hydrants, and storm drains. In addition, the developer would be responsible for construction of new infrastructure or upgrading connecting infrastructure for access and utility services to the project. This would include collector or arterial streets, water transmission and distribution lines, and sanitary sewer collection lines. Construction of public water and sewer facilities that are above and beyond those required for the particular development may allow the developer originally installing the infrastructure to be reimbursed when later developers connect to Town water and sewer mains or utilize a sanitary sewer liftstation for their particular project.

8.5 DEVELOPER IN-LIEU FEES (IMPACT FEES)

The second method developed by the Town is payment of developer impact fees in lieu of direct developer construction. Under this method, the Town Engineer determines the overall cost of installing infrastructure within a defined area. Developer impact fees are then established to help defray the costs for installing the



water transmission lines, sanitary sewer collection mains, and other required infrastructure. As new development occurs, the impact fees are assessed on a per unit basis for residential or on a lineal street frontage basis for commercial and industrial projects. Property owners and developers pay the impact fees at the time of building permit issuance. This method allows developers to pay for the cost of public infrastructure over a period of time.

8.6 PRO-RATA SHARE METHOD

The third method is the pro-rata share method. Under this method, several developers undertaking projects within a defined infrastructure construction area share the cost based upon the impacts of their particular development projects upon water, sewer, storm drainage and other required infrastructure. Housing developers would be assessed a pre-determined development impact fee for the required infrastructure on a per housing unit basis. Therefore, a developer building 100 single family homes would pay twice the amount for infrastructure as a developer building 50 single family homes. Other types of projects, such as commercial and industrial would be assessed on a per acre basis. The assessment of the pro rata costs would be accomplished through adoption of Specific Infrastructure Financing Plans by the Town Council. These plans identify specific transportation and recreation facilities that will be needed within the Town as the area develops, and allocates the costs of those facilities among all the landowners and developers in the area who will benefit from the public improvements. The assessment of the fees applies to all properties that are planned to go through an increase in use and density. Additional transportation and recreation infrastructure will be needed to support new development projects. The methodology for fee assessment is determined as follows:

- ❑ The per acre fee is determined by the cost of the facility and the size, in acres, of the benefit area. The cost per acre of each facility is calculated by dividing the cost of constructing the facility by the number of acres in the benefit area. The benefit area is the adjacent area where users of the infrastructure facility will live and work.
- ❑ The per housing unit fee is determined by dividing the total cost of the infrastructure facility, such as a sanitary sewer lift station, and the number of individual housing units depleting the total capacity of the facility. The benefit area is the adjacent area where homeowners will reside.
- ❑ The individual preliminary per acre fees, for individual property owners, are determined as the property develops in accordance with the allowable zoning, with a specific per unit fee assessed when the exact number of dwelling units or structures becomes known. The per unit fees are paid at the time of building permit issuance.

Dedication of land to the Town for specific infrastructure purposes, such as a sewer lift station, or water storage tank, will be credited to the owner's or developer's fair share monetary participation in that facility's development. The monetary credit is



determined using the average appraised land values for raw acreage within the financing plan area. In specific cases, where a property owner has overpaid for their fair share cost of a facility, a payback agreement may be necessary to reimburse the owner or developer for their overpayment. When the Town collects pro-rata fees for that facility from subsequent development projects, the original property owner will be compensated for those costs in excess of their fair share.

8.7 PUBLIC INFRASTRUCTURE FINANCING SOURCES AND MAINTENANCE

Direct developer construction, in-lieu impact fees, and payment of pro-rata share costs are the three methods by which new development helps pay for needed new infrastructure improvements in the Town of Quartzsite. While revenue from the above outlined sources pays for most of the costs for infrastructure construction attributed to new development projects, the on-going maintenance costs to operate and maintain the facilities is another issue. A new sanitary sewer main, or water main, for example, will serve other users within the Town, due to the fact the sewer and water systems are interconnected.

In order to operate and maintain its water and sewer infrastructure, the Town must establish monthly user fees that are sufficient to pay for the costs of maintaining and operating the facilities. Some of these facilities, such as the wastewater treatment plant, Town owned water wells, and water and sewer mains, serve the entire community. Therefore, the entire community pays for the costs of operation and maintenance of these facilities. Other infrastructure, such as transportation facilities (Town streets and roads) are maintained using HURF (Highway User Revenue Funds). The Town receives HURF funds from the State on an annual basis.

Financing new infrastructure construction can be accomplished in a number of ways depending upon the type of infrastructure involved. Some types of facilities such as sewer and water can be partially financed with State and Federal grants. Other facilities, such as a Town airport, can be built using 90% grant funds from the Federal Aviation Administration.

For Transportation projects such as streets and roads, Federal TEA-21 funds may be available for specified routes in addition to the HURF funds. The Federal TEA-21 funds pay for approximately 87% of the costs for constructing specified transportation improvements, to include new and upgraded major transportation routes such as Highway 95 and Kuehn Street. The specific transportation route must be designated by the Federal Highway Administration as being eligible to receive Federal Highway Funds, and must be included in the Regional Transportation Improvement Plan.

New development contributes revenue to the provision of the Town street system through the construction of applicable sections of arterial and collector roadways



necessary for the development, including local access roadways for individual homes and businesses.

Traffic signals are constructed and financed using a variety of sources. Developer impact fees for traffic signal construction are applied on an area wide basis as building permits are issued for new construction. In addition, the pro-rata share method can be utilized for large development projects and smaller owner built projects. Another method of transportation facility financing is through a fair share contribution applied to specific properties where a traffic signal is anticipated at the section line or mid-section line street intersections. This fair share method is applied area wide. The amount applied for the project is equivalent to a per acre share of the cost of and installation of the traffic signal. The funds collected are kept in a reserve fund until sufficient funds are available to construct the traffic signal.

8.8 WATER AND SEWER INFRASTRUCTURE FINANCING

Water and Sewer infrastructure within the Town of Quartzsite is currently being financed through a combination loan/grant from the Federal government through the Rural Development Agency. This Agency is funding approximately 50% of these infrastructure costs through a very low interest 40 year loan. A grant from this Agency is funding the remainder of the water and sewer infrastructure. Combination loans/grants will be available through Rural Development in the foreseeable future. Therefore, it is anticipated this Agency will continue funding improvements to the water and sewer infrastructure facilities within the Town of Quartzsite over the next 5 years. In addition to the Federal funding, State funding through WIFA is also available to the Town for water and sewer infrastructure financing. The following water system improvements are anticipated to be completed over the next 5 years using Federal and State grant funds:

- ❑ Construction of a new Town owned water well and 2 million gallon water storage tank on the west side of the Town, west of Kofa Avenue.
- ❑ Construction of a new water main along Main Street between Riggles Road and Quartzsite Blvd.
- ❑ Completion of construction of a backbone looped water main system along Riggles Road, Plymouth Avenue, Tyson Street, and Kofa Avenue.

In addition to the above outlined water system improvements, sanitary sewer system improvements will also be completed over the next 5-10 years. The following sanitary sewer system projects should be priorities for serving new and existing businesses and industries:

- ❑ Construction of a sanitary sewer main along the entire length of Main Street (Business Loop 10), between Riggles Road and Quartzsite Blvd.
- ❑ Construction of a new sewer main between Quail Trail and Main Street along Riggles Road.



- ❑ Construction of a new sewer main along Kuehn between Riggles Road and Quartzsite Blvd.

Like the water system improvements, the sanitary sewer system improvements will be partially financed by Federal and State grant /loan funds.

8.9 STORMWATER CONTROL FACILITY FINANCING

Regarding stormwater control facilities, La Paz County currently does not have a flood control district. Therefore, there is no Agency available to construct regional flood control facilities in the Town of Quartzsite. The Army Corps of Engineers can fund some flood control structures, primarily on major drainage courses such as Tyson wash. However, the Corps of Engineers budget for localized flood control and drainage structures is limited. Financing from FEMA (Federal Emergency Management Agency) would be available to repair roads and other infrastructure damaged by severe flooding during 100 year and other storms.

8.10 PUBLIC SAFETY (POLICE AND FIRE)

The Quartzsite Police Department is currently funded by the Town general fund. The existing Police facility is currently located within the Town Hall building located at 465 North Plymouth Avenue. Within the next 5 years, it is anticipated that the police department will outgrow its current facility. Therefore, new police department building will be needed. It is not anticipated that new development projects will finance the construction of a new police building. A potential financing source for a new police building would be Community Development Block Grant (CDBG) funds. However, these funds are currently limited. The Town of Quartzsite already receives approximately \$250,000 every three years from this funding source.

The Town of Quartzsite receives fire protection services from the Quartzsite Fire District. The Quartzsite Fire District is a special district, and is not under the control of the Town of Quartzsite. The Quartzsite Fire District is supported by general property tax revenue through La Paz County.

8.11 PARKS AND RECREATION FACILITIES

Since new development contributes to the need for new or expanded park and recreation facilities, it is anticipated that a development impact fee for parks will be assessed on all new development projects. The park impact fees will be assessed on a pro-rata basis under a Specific Infrastructure Financing Plan. This plan will include specific improvements to the park and recreation facilities within the designated plan area. As the area develops, park and recreation improvements will be made within the Town on an area-wide basis. Each developer or individual owner will pay the park impact fee at the time of building permit issuance.



8.12 POLICIES FOR INFRASTRUCTURE FINANCING

- ❑ The Town of Quartzsite will make all assessments for infrastructure construction financing on a fair and equitable basis for all property owners and developers involved.
- ❑ The Town of Quartzsite will utilize three methods for infrastructure construction: direct construction by developer, in-lieu fees (Impact Fees), and
- ❑ The Pro Rata share method.
- ❑ The Town of Quartzsite will utilize State and Federal Grants and loans to the maximum extent possible to reduce overall costs of infrastructure construction
- ❑ In lieu developer impact fees and pro-rata share fees will be paid at the time of building permit issuance.

8.13 EVALUATION AND ANALYSIS

Several options for funding methodologies are available to Arizona cities and towns for infrastructure construction. As allowed under the Arizona Revised Statutes, the funding mechanisms range from direct developer construction to improvement districts and bonding for facilities. Outlined below is a brief overview of these mechanisms:

8.13.1 TAXES

The Town general fund is the primary fund utilized to operate general Town government. The primary sources of general fund revenue include fees paid, the 2% sales tax, State shared income and other taxes, business license and building permit fees, fines and similar governmental fees. There is a very limited amount of general fund revenue available to fund infrastructure construction. Other funding sources potentially available include special taxing districts approved by the voters (Assessment Districts), and local voter approved increases in the Town sales tax rate.

8.13.2 DEVELOPMENT IMPACT FEES

As previously outlined, the Town can collect developer in-lieu fees and pro-rata share fees to help pay for the construction of new infrastructure improvements. These fees are paid at the time of building permit issuance. These fees help defray the costs for construction of water/sewer system improvements and other infrastructure improvements. The pro-rata share method of fee assessment requires the completion of a Specific Infrastructure Financing Plan. Through this method, new development pays for a portion of the cost of new infrastructure construction. Currently, the Town of Quartzsite collects impact fees for water and sewer infrastructure. Additional



development fees the Town may want to consider in the future include public safety fees for police services, and a regional stormwater control fee.

8.13.3 BOND FINANCING

REVENUE BONDS

These bonds act as a mechanism by which the Town borrows money by selling a bond issue for the construction of general use public facilities, such as a police station, new Town library, arterial street, or Town medical clinic. The bond issue is paid off over a number of years, typically 20-30 years. Bond financing of public infrastructure allows the Town to complete major infrastructure projects now, and repay the costs of construction over extended periods of time. The revenue used to pay off the bond is derived from the asset being improved. This is typically through user fees, or in the case of a medical building, through lease payments to the Town from the doctors operating the medical clinic.

GENERAL OBLIGATION BONDS

This type of bond is issued for financing of public infrastructure improvements and is paid off using secondary property tax revenue. The bond funds are used to construct a specific infrastructure project, such as a police station, and voter approval is required. General obligation bonds, like revenue bonds, are paid off over an extended period of time. These bonds are backed by the Town general fund and have the full faith and credit of the Town of Quartzsite behind them.

SPECIAL ASSESSMENT BONDS

These are secured by a tax levied against properties within a special district. The bond proceeds from special assessment bonds are used to fund infrastructure projects that directly benefit taxpayers within that special district. Special assessment bonds require voter approval in Arizona.

MUNICIPAL PROPERTY CORPORATION BONDS

These are issued by a non-profit corporation that is wholly owned by a political subdivision of the State, such as a city or town. Proceeds from the bond sale are used to build or acquire government projects or buildings that can then be leased back to the governmental entity. Revenues or lease payments guarantee these bonds. These types of bonds do not require voter approval and they are relatively easy to issue for financing some types of infrastructure projects.

8.13.4 LEASE FINANCING



Towns in the State of Arizona may utilize two methods of lease financing for infrastructure improvements. The first method is the certificate of participation. These are multi-year leases that would usually be considered long term debt. They are not considered such, however, because the annual lease payments are not guaranteed and they are subject to cancellation if the annual payment is not provided or appropriated. These types of instruments can be used for projects such as wastewater treatment plant construction and construction of a new police station. The COP does not require voter approval. The second method of lease financing is the lease purchase. Lease purchase agreements can be used for almost every type of capital expenditure. A typical use would be to lease purchase a new library building for the Town.

8.13.5 SPECIAL TAXING DISTRICTS

Arizona State Law allows for the formation and use of assessment or improvement districts for new infrastructure facility construction, or for facility maintenance. These special taxing districts are used to construct and maintain smaller infrastructure projects such as a paved public parking facility in the downtown central business district area. Under this type of project, the benefiting downtown business owners would pay a special assessment on their property tax bills to fund the district, and to construct and maintain the parking lot improvements. The cost of the improvements within the defined assessment area is shared by all benefiting property owners. This infrastructure funding method should be used with caution in largely undeveloped subdivisions. A problem can arise if the area does not fully develop, thus placing an undue heavy cost burden on the existing few property owners living in the development. The few property owners may be faced with significant costs, which they may be unable to support. This issue may result in some owners defaulting on their loans. If this occurs, the Town may become responsible for the cost of the infrastructure, thereby transferring the cost of a developer responsibility to all the taxpayers in the Town.

8.13.6 IN LIEU PAYMENT FOR FACILITIES

In Lieu payments are another method of having new development projects assist with public infrastructure funding. This method is applied to a specifically defined area, and does not consider the development impacts on an area wide basis. As previously mentioned, in-lieu fees are collected from the developer in-lieu of the developer constructing the infrastructure facility. This method is utilized when several development projects will share in the cost of a major infrastructure improvement, such as a bridge over a waterway or major drainage course like Tyson wash. The funds paid by several developers are accumulated over time, and the facility is then constructed by the Town when growth conditions dictate the facility is needed. This method assures that new development helps finance infrastructure improvements needed because of new development and growth in the Town. The overall cost to taxpayers in the Town is thus minimized.



8.13.7 DIRECT INFRASTRUCTURE CONSTRUCTION

This financing method involves direct developer construction of all infrastructure needed for a new development project, including all on-site and off-site facilities. This is the main method to be used by the Town of Quartzsite which requires developers to participate in the cost of new infrastructure. The disadvantage to this method of infrastructure financing is that it is project specific, and does not take into account neighborhood or areawide infrastructure facility needs.

8.13.8 LAND DEDICATION

Part of the cost of infrastructure construction is acquiring the land needed for the project. For infrastructure projects such as streets, stormwater retention areas, and sewer lift stations, land is needed. The preferred method for the Town of Quartzsite to utilize in acquiring land for these types of facilities is the land dedication method. Under this method, the developer dedicates the land to the Town free of charge when the subdivision is approved. Thus, the public street system is established by land dedication at the time of recordation of the final subdivision map.

8.13.9 PUBLIC/PRIVATE INFRASTRUCTURE FINANCING METHODS

There are a number of infrastructure financing methods which involve public/private partnerships. These include low interest loans, and government grants for specific projects. The following infrastructure financing sources involving a joint effort of the Town of Quartzsite and private developers are available:

- ❑ The Federal Government (USDA Rural Development and Federal Economic Development Administration) provides grants for water and sewer infrastructure.
- ❑ The Federal Aviation Administration provides grants for airport construction.
- ❑ Federal Enterprise Community and Empowerment Zones provide infrastructure improvement grants and Tax incentives for private businesses.
- ❑ The La Paz County Industrial Development Authority issues bonds for construction of specified infrastructure by private business.
- ❑ The Arizona Enterprise Zones encourages new private investment in infrastructure in economically depressed areas.
- ❑ The Greater Arizona Development Authority assists local governments, such as the Town of Quartzsite, in obtaining low interest financing for infrastructure projects.
- ❑ The Water Infrastructure Financing Authority (WIFA) is authorized to issue Water Quality Bonds on behalf of the Town of Quartzsite for water and wastewater infrastructure financing needs. Loans are available to private developers and public entities for drinking water infrastructure through the drinking water revolving fund and to public entities such as Quartzsite for wastewater projects through the clean water revolving fund.



- ❑ The Federal Transportation Efficiency Act (TEA-21) provides federal funds to construct new streets on designated eligible routes.
- ❑ Tax Increment Financing of Infrastructure Improvements are currently not available within Quartzsite, but may be an option for infrastructure financing in the future.

8.14 GOALS, OBJECTIVES AND POLICIES

Goal: Develop infrastructure funding mechanisms to pay for the costs of new development and ensures that an unreasonable financial burden is not placed on the entire Quartzsite community.

Objective: Require developers to pay for their fair share of new infrastructure construction.

Policy: The Town shall prepare, adopt, and implement a comprehensive development impact fee ordinance that includes annual fee adjustments for rising construction costs and rising land values.

Policy: The Town shall explore all funding sources for infrastructure construction, with a particular emphasis on low interest government loans and grants.

Policy: Invest Town funds received for infrastructure construction in interest bearing accounts, which maximize the funds available for infrastructure projects.

Objective: Develop appropriate public/private partnerships for development of Town infrastructure.

Objective: Maximize the use of HURF and WIFA funding to leverage the development impact fees received to the maximum extent possible.

Objective: Obtain maximum utilization of existing infrastructure capacity.

Policy: Encourage new development in areas with existing excess infrastructure capacity.

Goal: Complete an engineering analysis of infrastructure needs over the next 10 years.

Objective:	Prepare a five (5) and a ten (10) year capital improvement budget.
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Objective:	Ensure that the cost of new infrastructure is properly allocated between new development and existing uses, and develop a reasonable nexus between the proposed development projects and the infrastructure facility requirements.
Policy:	New development shall only be required to pay its fair share portions of infrastructure costs, utilizing the pro-rata share method or other reasonable infrastructure cost allocation methods.

8.15 ACTION PLAN

Phase	Project	Responsible Agency/ Department	Funding Source
1 -5 years	Create an engineering analysis of infrastructure needs over the next 10 years. Analysis to include engineering cost estimates for specific infrastructure projects.	Town of Quartzsite/ Public Works	Town of Quartzsite
	Develop and adopt detailed 5 and 10 year capital improvement budgets.	Town of Quartzsite	Town of Quartzsite
6 + years	Work with private developers in a cooperative effort to complete the needed Town infrastructure improvements as new development occurs.	Town of Quartzsite	Town of Quartzsite

8.16 SUMMARY

This general plan element outlines and summarizes the various methods and resources available to fund public infrastructure improvements. Private developers will pay for and construct a significant amount of the needed public infrastructure as required by new development and growth in the Town. The Town of Quartzsite will assist by applying for available grants and low interest loans from government agencies. Developers will only be required to pay for their fair share costs for new infrastructure as determined by one of the infrastructure financing methods outlined in this document.