

Position: Ensure Growth Pays for Growth



CWAG POSITION SUMMARY

CWAG requests the City of Prescott establish a new and detailed procedure to ensure residential growth in annexation areas will pay the full costs of water supplies, including water and wastewater infrastructure. This procedure should be completed no later than the development of the new long-term water management policy or initiation of a sizable annexation.

BACKGROUND and BASIS

The City of Prescott General Plan states: “It is also a fundamental principal that growth and development should pay for the impacts created by that growth.” The present policy of the City attempts to abide by the General Plan by requiring that new homes pay the prevailing impact fees at the time of construction. The City policy is intended to have growth pay the full and fair costs for the infrastructure.

On the surface, the use of impact fees appears satisfactory. However, because the state can and has placed freezes on the amount of an impact fee or may impose other limitations, Prescott cannot be assured that future impact fees will cover the full costs of the infrastructure to serve each new home.

Furthermore, the amount of impact fees that can be assessed by law cannot exceed the calculated portion of expected City expenses to provide services to new homes. Consequently, unexpected or uncalculated expenses, incurred after construction, cannot be assessed once the impact fee has been paid.

An important example concerns the likely mitigation expenses for the adverse environmental impacts of the Big Chino pipeline. If mitigation expenses are incurred years after water is imported and homes constructed, the new growth would not have fully paid for their service, and could not then be required to pay for the additional costs. In such a case, the public would be forced to subsidize the costs associated with growth.

ANALYSIS and ACTION NEEDED

In order to ensure the public will not have to subsidize City water and wastewater services for new growth, a new procedure is needed.

One possibility is to have future annexation agreements require the property owners to guarantee all appropriate costs for the City to provide associated water sources and water and wastewater infrastructure.

This procedure could easily be applied since most of the prospective lands that may be annexed by Prescott are owned by only two large landowners: Deep Well Ranch and Cavan Properties. The landowners of these properties could provide their guarantees by property liens or the City could have a first position versus other encumbrances (like a first mortgage would on a home). This procedure would not prohibit the City from providing subsidies to any particular annexation area. But it would help assure that there are no unintended subsidies for water or wastewater infrastructure.

Annexation into the City of Prescott makes properties much more valuable for several reasons. For instance, while in the County, the properties would likely remain at a density of one home per two acres. After annexation, an increased density to three homes per two acres could be expected. Therefore, a guarantee from the landowners would be a reasonable business investment that can be expected to pay off for the owners. Although agreeing to guarantee future costs of serving their property puts the owners at risk, the risk should be borne by the advantaged property owner and not the public.

Other ways to assure that growth in annexation areas pays for their growth include improvement areas, reimbursement areas, community facilities districts, development agreements, and other methods as outlined in section 6 of Prescott's General Plan of 2004.

The new procedure should be developed with sufficient public input and involvement of City staff and Council and completed no later than the development of the new long-term water management policy or initiation of a sizable annexation.

The CWAG position described herein is consistent with and complements the existing CWAG policy:

“Water impact fees or other fees on new growth in the City of Prescott should cover the full and fair costs of obtaining water sources for that growth and for providing necessary infrastructure for that growth. Water rates on existing customers should not cover any of those costs for new growth.” (BD 3/07)

Adopted on July 5, 2010 Board of Directors