



Board of Supervisors Memorandum

August 4, 2009

Roadway Development Impact Fees Recommendations for New Southwest Benefit Area and Fees

Background

On December 11, 2007, the Board of Supervisors endorsed the first phase of the Southwest Infrastructure Plan Final Report (SWIP). This report addresses all needed Pima County infrastructure to accommodate planned growth and development within the Southwest study area including roads, wastewater collection and treatment, flood control, Sheriff's facilities, parks, and libraries. The Board also directed staff to proceed with an implementation plan which identifies specific projects, project timelines, costs and funding mechanisms.

The SWIP Recommended Implementation Plan (Implementation Plan) was completed on December 22, 2008. The Board directed that this implementation plan be incorporated into the County's existing Capital Improvements Program for project tracking and funding purposes.

At the May 6, 2008 Board hearing, the Board of Supervisors adopted Resolution 2008-109. As required by Arizona Revised Statutes, this Resolution gave public notice of the Board's intent to consider increasing the County's development impact fee within a newly established Southwest benefit area. This fee proposal is limited to Pima County roadways, and it is a modification to the existing Roadway Development Impact Fee Program contained in Title 19 of the Pima County Code.

As required by Arizona Revised Statutes, a public report was prepared documenting the recommended transportation improvements for the Southwest area as detailed in the Implementation Plan. This report, Roadway Development Impact Fee Program for the SWIP Area and technical memoranda 1, 2 and 3 and collectively known as the "Public Report," was released to the public on January 20, 2009. This report documented the extensive analysis done to determine the necessary roadway network and improvements needed to meet the demand of future growth. In this analysis all components of roadway construction costs were considered and roadway development impact fees were identified as the primary source of funding for these projects.

Public participation and stakeholder involvement has been an ongoing task throughout the SWIP project. Public workshops, meetings and presentations have all been a part of the public outreach process. In addition, all SWIP reports and associated technical memorandums have been made available online.

With the release of the final public report, staff held three public information meetings that included the major stakeholders and the general public. These meetings provided details of the projects, the associated costs, recommended impact fee structure, and future plans for other benefit areas. These meetings were publicized in the Arizona Daily Star and the Tucson Citizen.

In response to stakeholder requests, staff held additional meetings with stakeholders to solicit additional comments and discuss implementation strategies. In response to the input from these meetings and written comments, staff revised the SWIP Public Report and Technical Memorandum No.1 "Cost Estimates for SWIP Roadway Capacity Improvement Projects and Roadway Life Cycle Costs," and reissued the documents to the public on July 8, 2009.

Based on the findings in the July 8, 2009 Revised Public Report, staff recommends the following actions be taken by the Board of Supervisors:

1. Establish a new Southwest Benefit Area and redefine the Avra Valley and San Xavier Benefit Areas - The Southwest Infrastructure Plan area is generally bounded by Tucson Mountain Park to the north, Mission Road to the east, Sandario Road to the west, and the Tohono O’odham Nation-San Xavier District and Pascua Yaqui Pueblo to the south. This area encompasses portions of the current Avra Valley and San Xavier Benefit Areas. A new Southwest Benefit Area (Attachment 2) should be delineated and the Avra Valley and San Xavier Benefit Areas should be redefined to show new boundaries for these two benefit areas (Attachments 3 and 4).
2. Establish a project list for each benefit area - On January 6, 2009, an ordinance was adopted to define the roadway projects in each benefit area that are eligible for impact fee funding. It will be necessary to amend this ordinance to include the addition of the Southwest Benefit Area projects and the estimated costs. The project list for Avra Valley and San Xavier would also be modified to identify remaining projects for each area. Current projects and encumbered funds from these benefit areas, which are located within the Southwest Benefit Area, will be transferred to the new area with the ordinance amendment.

The Public Report identifies eleven separate roadway projects for the SWIP area (Table 1). Various factors were used to calculate the estimated costs of these improvements. Construction cost per lane-mile, design cost, construction administration cost and right-of-way acquisition cost are accounted for in the estimates.

It is recommended these projects be added to Ordinance 2009-02, Subregional Benefit Area Projects.

Table 1

Recommended Southwest Benefit Area Roadway Improvements (2008 Dollars)

<u>Project Description</u>	<u>Total Project Costs (Rounded)</u>
Ajo Highway; three grade separated intersections	\$79,100,000
Joseph Road/Mark Road; Ajo Highway to Los Reales Road	\$43,400,000
Irvington Road; Ajo Highway to Mission Road	\$48,100,000
Drexel Road extension; Ajo Highway to Mark Road	\$37,600,000
Vahalla Road extension; Valencia Road to Drexel Road	\$17,700,000
Valencia Road; Ajo Highway to Mission Road	\$94,500,000
Wade Road; Ajo Highway to Los Reales Road	\$18,300,000

San Joaquin Road; Ajo Highway to Sandario Road	\$48,300,000
Los Reales Road; Ajo Highway to Mark Rd	\$88,100,000
Airline Road; Los Reales Road to Valencia Road	\$8,500,000
Bopp Road; San Joaquin Road to Kinney Road	<u>\$20,300,000</u>
Grand Total	\$503,900,000

3. Amend Pima County Code Title 19 to Establish Residential and Non-Residential Impact Fees for the Southwest Benefit Area - Pima County's Roadway Development Impact Fee Ordinance, Title 19 of the Pima County Code, will need to be amended to include the Southwest Benefit Area. In order to create a fee structure and policies that are specific to the Southwest Benefit Area, staff recommends amending the Code with a separate section for the Southwest Benefit Area fee schedules and policies.

Residential Roadway Impact Fee

The residential roadway impact fee for the Southwest Benefit Area was calculated using a different methodology than the one currently used in the other benefit areas. The methodology for the residential Southwest Benefit Area fees (Table 2) was derived from 1) the total project costs, 2) deducting for through traffic and estimated non-residential fees, and 3) taking the remaining dollar amount and dividing it by the number of estimated new residences in the Southwest Benefit Area which results in a fee per residential dwelling unit or equivalent dwelling unit (EDU). Further reductions are calculated for retirement, high density, and high density retirement.

Table 2

Residential Fee Structure (2008 Dollars)

<u>Item</u>	<u>Amount</u>	<u>Factors</u>	<u>Source of Data</u>
Total Project Costs	\$503,900,000		Public Report Revised Technical Memorandum #1, Exhibit 8
Deduct for through traffic	\$50,390,000	10.00%	CLA Select-Link Analysis
Deduct Non-Residential Fee Revenue	\$29,730,100	5.90%	Public Report Technical Memorandum #3, Exhibit 1
Project Costs Ascribed to Residential Uses	\$423,779,900		
Number of New Dwelling Units	44,622		Public Report Exhibit 2
Transportation fee per EDU (Residential)	\$9,497		
Transportation fee per EDU (Residential, Rounded)	\$9,500		

Recommended roadway impact fees for residential dwellings within the Southwest Benefit Area are presented in Table 3. The determination of EDU for residential development is contained in current code at Section 19.03.010(A).

Table 3

<u>SWIP Residential Fees (2008 Dollars)</u>	<u>Proposed Fee per Unit</u>
Standard Residential (1.00 EDU)	\$9,500
Retirement Community (0.75 EDU)	\$7,125
High Density Residential (0.75 EDU)	\$7,125
High Density Retirement (0.56 EDU)	\$5,320

Non-Residential Roadway Impact Fee

The methodology used to calculate the non-residential roadway impact fees for the Southwest Benefit Area is based on estimated capacity consumption and estimates of the unit cost of capacity in the Southwest Benefit Area for each non-residential land use category for which the County assesses impact fees. This same method is currently used to calculate non-residential impact fees Countywide. The non-residential fees for the Southwest area have been updated to reflect the unit cost of capacity within the Southwest Benefit Area and recent changes in data for vehicle trip rates and primary trip percentage factors as documented in the Institute of Transportation Engineers (ITE) Trip Generation, 8th edition.

Recommended roadway impact fees for non-residential land uses within the Southwest Benefit Area are presented in Table 4. Land uses and assessment units are the same as in current code at Section 19.03.010(C).

Table 4

SWIP Non-Residential Fees (2008 Dollars)

<u>Land Use Category</u>	<u>Unit</u>	<u>Proposed Fee per Unit</u>
General Commercial/Retail	1000 sf	\$5,122
Shopping Center	1000 sf	\$3,478
Supermarket	1000 sf	\$8,332
Convenience Store w/Gas Pumps	1000 sf	\$18,893
Restaurant	1000 sf	\$15,489
Fast Food with Drive Thru	1000 sf	\$29,444
Fast Food without Drive Thru	1000 sf	\$24,997
Bank with Drive Thru	1000 sf	\$13,348
"Big Box" retail - freestanding, > 100,000 sf	1000 sf	\$5,175
Home Improvement Superstore	1000 sf	\$1,959
General Office	1000 sf	\$2,901
Medical Office	1000 sf	\$6,367
Light Industrial	1000 sf	\$3,601
Heavy Industrial	1000 sf	\$2,268
Hotel/Motel	Room	\$2,189
Motor Vehicle Sales	1000 sf	\$2,797

Phased Implementation of Impact Fees for the Southwest Benefit Area

Under previous major fee increases in 2003 and 2006, staff recommended and the Board adopted a phased increase with a specific schedule. The recommended base residential impact fee in the SWIP area is \$9,500, which is 93 percent more than the current fee amount of \$4,934. In view of the magnitude of the increase and the current, very slow pace of new development, staff recommends that the increase be phased in over three years. Staff also recommends that the purchasing power of the increase be maintained as well; therefore, the annual increment should be adjusted by changes in the Construction Cost Index (CCI).

Below is an example of how the residential fee would be implemented, assuming the Board adopts the actual fee ordinance in September and the CCI increases at an annual rate of 3 percent.

September 8, 2009	Board adopts ordinance amendments
December 8, 2009	Fee ordinance goes into effect after 90 days, SWIP fee remains at current amount - \$4,934
July 1, 2010	Base fee increases by 3 percent, plus one third of the increment also increased by 3 percent: $(\$4,934 \times 1.03) + (\$4,566 \times 1.03)/3 = \$5,082 + \$1,568 = \$6,650$
July 1, 2011	Base fee increases by 3 percent, plus one half of the remaining increment increased by 3 percent: $(\$6,650 \times 1.03) + (\$3,135 \times 1.03)/2 = \$6,850 + \$1,615 = \$8,465$
July 1, 2012	Base fee increases by 3 percent, plus the remaining increment also increased by 3 percent: $(\$8,465 \times 1.03) + (1,615 \times 1.03) = \$10,382$

If single-family permits in unincorporated Pima County do not exceed 1,500 permits (double the projected permits for calendar year 2009), the implementation date will be delayed six months until January 1, 2011. All subsequent implementation dates will also be delayed by six months to January 1, 2012 and January 1, 2013.

The difference between the \$9,500 recommendation and the final \$10,382 is due to three years of annual CCI increases. The actual annual CCI increase (or even decrease) will result in different amounts than shown in the example. However, this approach allows the increase to be spread out over a period of years without losing the proportional purchasing amount imbedded in the original fee calculation. This approach can be applied to a different time period as well. Note that the fee amounts would be the same even if the SWIP increment was to be implemented six months later, i.e. on January 1 of 2011, January 1 of 2012, and January 1 of 2013.

The non-residential fee increases would also be phased in on the same schedule as the residential fees.

Major Streets and Scenic Routes Plan

The SWIP proposes a revised arterial network system in order to meet future transportation demand in the southwest area. In order to maintain consistency between the various Pima County planning documents, it is necessary to revise the Major Streets and Scenic Routes Plan. The following changes are proposed:

1. Add Drexel Road as a Major Route from State Road 86 (Ajo Way) east to Joseph Avenue.
2. Add Los Reales Road and Yedra Road as a Major Route from State Road 86 (Ajo Way) east to Yedra Road in the Star Valley Subdivision.
3. Add Vahalla Road as a Major Route from Valencia Road north to the proposed future alignment of Drexel Road, just east of SR 86 (Ajo Way).
4. Add Airline Road as a Major Route from Valencia Road south to the proposed Los Reales Road alignment.
5. Realign San Joaquin Road as a Scenic Route around the Bureau of Reclamation Mitigation Lands located east of Sandario Road.
6. Delete Sandario Road as a Major Route south of Ajo Way.
7. Delete Hermans Road as a Major Route from Sandario Road to Mission Road.
8. Delete Los Reales Road as a Major Route from Mark Road to Cardinal Road.
9. Delete Mark Road as a Major Route from Los Reales Road to Hermans Road.
10. Delete Cardinal Avenue as a Major Route from Los Reales Road to Hermans Road.
11. Delete Valencia Road as a Major Route from Sandario Road to Ajo Way.
12. Increase the planned right-of-way width for Kinney Road south of Ajo Way from 80 feet to 150 feet.

Summary of Recommended Actions for the Southwest Benefit Area

In summary, the following actions are recommended to proceed with implementing the Southwest Infrastructure Plan as documented in the Revised Public Report:

1. Adopt a new Southwest Benefit Area.
2. Redefine the existing Avra Valley and San Xavier Benefit Areas.

3. Amend Ordinance 2009-25 to include projects that are eligible for impact fee funding in the Southwest Benefit Area.
4. Amend the Major Streets and Routes Plan.
5. Amend Pima County Code Title 19 to establish residential and non-residential impact fees for the Southwest Benefit Area and to establish a phased implementation schedule.

Further Actions for Consideration by the Board of Supervisors

1. **Countywide Impact Fee Increase** - Staff recommends an interim impact fee increase for all of the unincorporated areas outside of the proposed Southwest Benefit Area. Based on the increased costs of roadway construction as documented in the SWIP Public Report, and the current overcrowded conditions on many County roads, a Countywide impact fee increase is warranted. Various methodologies will be reviewed using current cost of roadway construction and new trip generation data in determining the new recommended fees.

These interim impact fees would be assessed in all the benefit areas outside of the Southwest Benefit Area until further area-wide infrastructure studies, similar to SWIP, can be completed. A phase-in schedule will also be recommended for these Countywide fee increases.

Staff recommends that the Board state its intent to increase impact fees Countywide. This action allows staff to proceed with the required documenting process for increasing impact fees. A public report would be provided to stakeholders and public meetings will be held to solicit comments and recommendations. Staff will provide the public report and a memorandum with recommendations to the Board at a future public hearing for consideration and direction. At that public hearing, if directed to proceed, staff will draft an ordinance amendment increasing Countywide residential and non-residential impact fees and bring it back to the Board for action.

2. **Future Area-wide Infrastructure Needs Studies** - In conjunction with the Countywide impact fee increase, it is recommended that a systematic effort be undertaken to study, provide cost estimates and establish new development impact fees for the remaining benefit areas, similar to what was done for SWIP. These studies are required to more accurately define the infrastructure needs and costs and determine the fees for each benefit area.

Recommendations

It is recommended the Board of Supervisors direct staff to:

1. Prepare an ordinance to amend Title 19 of the Pima County Code to establish the Southwest Benefit area, fee schedules, and policies and to redefine the San Xavier and Avra Valley benefit areas as discussed in this report and return to the Board for ordinance adoption no sooner than September 8, 2009.
2. Amend Pima County Ordinance 2009-02 to provide a new project list for the Southwest Benefit Area and revised lists for the Avra Valley and San Xavier benefit areas.

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3. Prepare an ordinance to modify the Major Streets and Scenic Routes Plan to be consistent with the SWIP.
4. Prepare and release a public report documenting the need to increase impact fees Countywide, except for the Southwest Benefit Area, and direct staff to return to the Board of Supervisors with recommendations for fee increases at the conclusion of stakeholder input.
5. Undertake infrastructure studies in the remaining benefit areas to better define future growth, needed projects, project costs, and required impact fees.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/jj (July 21, 2009)

Attachments