



MEMORANDUM

Date: December 27, 2019

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CH Huckelberry", is written over the printed name of the County Administrator.

Re: **Roadway Development Impact Fee Program Update: Draft Land Use Assumptions Report and Draft Infrastructure Improvements Plan**

As I communicated to you in a July 22, 2019 memorandum, the Arizona Legislature has adopted new requirements for the County to update its impact fee ordinance. This new process first requires that a Land Use Assumptions Report (LUAR) and an Infrastructure Improvements Plan (IIP) be prepared and adopted by the Board of Supervisors at least thirty days following a Public Hearing. Following approval of these documents, the statute then requires publication of a Fee Study to determine fee amounts and another Public Hearing on the fees. At least thirty days following the Public Hearing for proposed fees, the Board of Supervisors may then amend the Impact Fee Ordinance and approve the new fees.

Department of Transportation (DOT) staff with assistance from Psomas, Inc., has prepared the required draft LUAR and IIP for the Board of Supervisors consideration. These draft documents were made available for public review on August 12, 2019. Based on the comments received, staff made changes to several of the projects in the IIP as well as to the proposed fee amounts. The draft LUAR and revised draft IIP are scheduled for a Public Hearing at the Board of Supervisors January 14, 2020 Meeting. Draft documents are currently available on the County website and final drafts will be provided as part of the Board agenda package.

Land Use Assumptions Report

The LUAR documents the amount and location of population and employment growth that is expected to occur over the next 10 years. This is a new requirement of the statute which forms the basis for a cost-constrained impact fee program more closely tied to anticipated development. The unincorporated Pima County population is projected to grow at 0.6 percent per year over the next 10 years, or by about 23,000. This projection is based on several sources including the US Census, AZ Department of Economic Security and Pima Association of Governments. The largest areas of projected growth are in the southeast and west benefit areas. Employment is projected to grow by 0.9 percent per year, or by about 8,245 new jobs according to the University of Arizona Economic and Business Research

Center. Residential housing permits are projected at 1,000 per year, or 10,000 total over the 10-year period. These projections are based on historical permit data and economic forecasts. State statute requires that the LUAR be updated at least every five years to reflect current growth trends.

Similar to the existing impact fee program, the LUAR allocates residential and employment growth across service or benefit areas. Several existing benefit areas were combined and/or modified to reduce the total number of areas from 10 to 7, in part, to ensure that enough collections could fund needed roadway improvements in those areas within 10 years. Far western portions of the Silverbell-Tortolita and Altar Valley areas were eliminated due to inclusion within national lands or where little to no growth is projected to support a program. The proposed new service areas better align future development with necessary roadway projects.

Infrastructure Improvements Plan

Similar to the existing impact fee projects plan, the IIP determines necessary improvements to service new growth. It is based on growth assumptions and forecasts in the LUAR. Under the new statute, new impact fees cannot be used to mitigate existing roadway deficiencies and so the selected projects reflect where new development will require new roadway capacity over the next 10 years. State statute requires that the IIP be updated at least every five years to reflect current growth trends and infrastructure needs.

The IIP report includes 28 roadway projects spread throughout seven benefit areas. Similar to that of the existing impact fee program, most of the projects involve roadway widening or new roadway construction. Several of these projects are included in the RTA plan. A small portion of the projects are intersection improvements (4 percent), turn lanes (2 percent) and traffic signal technology improvements (2 percent). While smaller in scope, these minor projects are an important and cost efficient means of providing the necessary additional capacity to serve new growth. The total cost of the IIP projects is \$201 million, of which \$93 million or 46 percent is to be funded with impact fees based on the proportion allocated to projected development. The remaining 54 percent of project costs will be funded through RTA funds, County funds and other sources.

Public Comments

Beginning in June 2019, DOT has actively sought public input on the LUAR and IIP from stakeholder groups including the Southern Arizona Homebuilders Association and Metropolitan Pima Alliance. Several minor comments were received regarding the LUAR which did not require any changes. More substantial comments were received regarding the IIP. These related to the methodology used to calculate the residential fee, the type, scope, and cost of roadway projects allowed by statute, and the methodology used to calculate the proportionate share of project costs allocated to new development. Staff addressed these

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comments through several stakeholder meetings over the past four months and revised draft documents, including deleting several projects from the IIP and lowering the proposed fee by a proportional amount.

Next Steps

The draft LUAR and revised draft IIP are scheduled for public hearing at the Board of Supervisors January 14, 2020 Meeting. Following the Public Hearing, staff will finalize the LUAR and IIP for Board of Supervisors approval no sooner than the February 18, 2020 Meeting.

Following approval of the LUAR and IIP, staff will produce a draft Fee Study for a Board of Supervisors Public Hearing that may occur no sooner than 30 days after LUAR and IIP approval, followed by adoption of fees at least 30 days thereafter. Based on these timeframes, adoption of the new fee and ordinance could occur in May 2020, with an effective date of January 1, 2021 to allow for developer planning.

CHH/lab

- c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Yves Khawam, PhD, Assistant County Administrator for Public Works
Ana Olivares, Director, Transportation Department