October 20, 2020

Development Services Fee Revision

Background
Development Services is proposing a new fee ordinance that would repeal the automatic 2 percent annual fee increase that has been in place since 1997. Instead, a newly proposed methodology determines whether a fee adjustment is warranted based on the capacity for the Development Services Enterprise Fund reserve to cover the following year's tentative budget expenditures. Additionally, fee tables have been modified to simplify and reduce the number of fee items.

Fee Adjustment Methodology
The new methodology proposes to analyze the cash reserve balance each year in April. If the reserve is greater than 5 percent of the following fiscal year’s tentative budget, fees will be reduced by 5 percent. If the reserve is less than 5 percent of the following year’s tentative budget, fees will be increased by 2 percent. If the cash balance is within 5 percent of the tentative budget, no adjustment will occur. This is advantageous to the building industry that currently experiences automatic 2 percent fee increases.

Loan Repayment and Revenues
After rising sharply during the housing bubble of 2003 to 2007, the cash reserve fund quickly diminished during the Great Recession. General Fund monies were loaned to the department to help fund budget gaps while the department downsized and refined processes. Approximately $5.3 million was loaned from the General Fund over several years.

This fiscal year, Development Services was able to repay the General Fund loan in full, cover all of its renovation costs, and maintain a budget that funds 50 employees. Revenues have remained strong during the pandemic and this new fee methodology will more adequately adjust fees to the amount of funds needed to cover service costs. Development Services has held multiple stakeholder meetings on this topic and the development community is supportive of the proposed ordinance revisions which will also assist individual homeowners.

Recommendation
I recommended that the Board approve the new fee ordinance.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/mp – October 7, 2020

Attachment
September 25, 2020

Mr. Brad Johns
130 W. Congress St.
Tucson, AZ 85701

RE: Development Services Fee Ordinance Revision

Dear Chairman Johns,

The Southern Arizona Home Builders Association (SAHBA) appreciates the efforts of staff to engage the home building industry in discussions to revise the current Development Services Fee Ordinance. We ask for your support for the ordinance now under consideration.

Consistent with other regional efforts to consolidate fees, simplifying PDS fees will enhance economic development efforts in the County. More importantly, the ordinance establishes a forward-thinking approach to determining annual fee levels which will better reflect existing economic conditions levels rather than subjective or pre-determined annual increases. We hope this approach serves as a regional model.

SAHBA appreciates the Planning Commission’s continued support of County efforts to enhance Development Services. Throughout the recent global pandemic, Development Services has been the regional gold standard in ensuring our region’s economy continues to move forward during this unprecedented time.

Sincerely,

[Signature]

Shawn Cote

cc: Pima County Planning Commission, Ms. Carla Blackwell