Board of Supervisors Memorandum

November 15, 2005

Roadway Development Impact Fees
Direction and Discussion Regarding Changes to the
Current Impact Fee Ordinance

Recommendation

On June 7, 2005, the Board of Supervisors adopted amendments to the Pima County Roadway Development Impact Fee Ordinance which in part added two land use categories: Mega Shopping Center and Mega "Big Box" Retail-Freestanding. The Board requested staff to review the adequacy of the fees adopted for these uses. In addition, the Board discussion raised questions regarding the adequacy of the fees being assessed as they related to non-residential development in general. Additionally, I directed staff to consider alternatives to the Consumer Price Index (CPI) used as an escalator in the current ordinance. Transportation staff has reviewed these specific issues along with other areas of concern. Per your direction, staff reviewed the following issues with technical assistance from Curtis Lueck and Associates and presents conclusions for your consideration and direction.

- Investigate basing the future fees escalator increases on the Construction Cost Index (CCI) instead of the Consumer Price Index-Urban (CPI-U). Staff concludes that the Engineering News Record-Construction Cost Index (ENR-CCI) is a more accurate measure of roadway construction costs and should be used. This change must be incorporated into an ordinance amendment for implementation.

- Review the adequacy of the non-residential fees with emphasis on large regional-scale shopping centers and "Big Box" establishments. Staff concludes that the fees adopted on June 7, 2005 are appropriate and recommends no change.

- Consider increasing the roadway impact fees to match the fee amounts of other local jurisdictions. Staff concludes that Pima County fees for residential and non-residential development are within the range of other local jurisdictions; however, a strong argument can be made for raising the fees based on current information documenting increased roadway construction costs. Staff recommends that the Board support increasing the base residential fee from $3,692 to $4,400 and direct staff to bring an ordinance amendment to the Board as soon as possible after the statutory 120-day period following the Board's direction. Staff further recommends no change in the non-residential impact fee be implemented at this time in view of their fairly recent adoption (2003). These are still subject to the annual escalator.

- Review the current established Benefit Area boundaries. Staff concludes that further legal analysis is required before any action is taken to modify the benefit area boundaries originally adopted by ordinance in 1996.

- Examine the timing for payment of the impact fee in regards to non-residential developments. Staff concludes the existing payment schedule at time of issuing building permits is appropriate and recommends no change.

Further discussion of each issue is summarized below and a report from the consultant, Curtis Lueck and Associates, is included as Attachment A. If the Board directs that the recommendations to increase the base residential roadway fee be brought back for consideration at the required public hearing, then this memorandum and the attached technical report will be the "report to the public" required by A.R.S. 11-1102(C)(2).

Report

1. Investigate Basing the Future Fees Escalator Increases on the Construction Cost Index Instead of the Consumer Price Index-Urban

Beginning in July 2004, Pima County has increased both residential and non-residential impact fees to account for inflation in costs of roadway construction based on changes in the Consumer Price Index-Urban (CPI-U). This national inflation index is a measure of the average change over time in the prices paid by urban consumers for a "market basket" of consumer goods and services. Another widely accepted inflation index is the Engineering News Record-Construction Cost Index (ENR-CCI). This national index measures inflation in construction costs, which includes labor and materials costs averaged for twenty cities in the United States. Both indices are well-established measures of inflation and are readily available for calculating the annual July increase as set forth in Pima County Ordinance 2005-40. However, the ENR-CCI should more accurately measure costs related to roadway construction because it measures items that directly effect construction costs: construction labor and common materials (e.g. cement, structural steel, lumber) as opposed to the CPI-U, which covers a broad range of goods and services. It should be noted that changes in costs of construction are more volatile than those in consumer goods and the ENR-CCI would reflect these changes, which could result in potentially substantial increases in the impact fee on a year-to-year basis.

On average, however, the annual increases are only slightly higher in the ENR-CCI than those in the CPI-U. From 1991 to 2005, the average annual increases for the ENR-CCI was 3.05 percent compared to 2.67 percent for the CPI-U.

Staff concludes that the ENR-CCI is a more accurate measure of inflation in roadway construction costs and should be used.

2. Review the Adequacy of the Non-Residential Fees with Emphasis on Large Regional-Scale Shopping Centers and 'Big Box' Establishments

Pima County's methodology for calculating the roadway impact fee schedule for non-residential development considers the number of trips generated by different categories of land use, the average length in miles of these trips, the time of day trips are generated (peak and off-peak periods) and the cost of roadway construction. It appears that no specific data exists in transportation literature on trip lengths for Large Shopping Centers and Large "Big Box" as a subset of retail centers. Proprietary data does exist and has been used in market area, financial analysis and Traffic Impact Assessment for new development, but is closely held by private parties. However, there is a general professional consensus that trip lengths are longer for these land use categories. Staff has reviewed two sources of relevant information pertinent to this issue:

- La Encantada Shopping Center - La Encantada is a large, regional upscale fashion shopping center located on the northwest corner of Skyline Drive and Campbell Avenue. As part of the development plan process and development agreement a Traffic Impact Analysis was prepared, which included an assessment of the market area and the source for shopping trips to the center. Trip generation rates and lengths were part of the analysis for this specific large retail center. The travel generation data were used in assessing a "fair share" contribution to the improvement of the adjacent roadways, especially Skyline Drive. The roadway contribution was $1.4 million in 2001. Applying the County's current mega shopping center fee would result in an impact fee of $1.1 million. Therefore, we conclude that, at least in this specific case, the mega impact fee is an adequate and appropriate amount.

- City of Phoenix Retail Shopping Center - Staff researched the Development Impact Fee Ordinance for the City of Phoenix. Phoenix classifies retail centers by total size into 13 groups, from 12,500 square feet of gross floor area (GFA) to 700,000 square feet. Phoenix's ordinance assigns EDU (Equivalent Demand Unit) factors on a declining scale until 350,000 square feet, when the factor begins increasing. The change in the factor reflects the unique trip "attractiveness" of large centers. The effect of factor, trip rate and base fee on retail centers for Phoenix's North Village is illustrated in Exhibit 1 (page 4 of this report). As shown, Pima County's Mega Shopping Center fee rate would result in a total fee of approximately $1.2 million at 300,000 square feet, while Phoenix's North Village fee for the same size center would be $1.3 million. Pima County's fee is therefore comparable to that of Phoenix.

Pima County could also consider providing an option for an independent fee analysis to be completed by a developer for developments that fall in the mega-size categories. The City of Phoenix requires an independent impact analysis for developments 900,000 square feet or greater, and the City of Tucson includes a provision for this as well.

Based on the available literature and these two examples, staff concludes that these current Mega-development fees are appropriate and recommends no change.

3. Consider Increasing the Fees to Match the Fee Amounts of Other Local Jurisdictions

In 1995, staff recommended that the Roadway Development Impact Fee be set at approximately $3,200 for a single-family residence. This amount was derived from household-based travel and the cost of roadway capacity improvements at that time. The impact fee was adopted in 1996 by Board action at a rate of $1,550 per residential dwelling unit. In 2003, the fee per residential dwelling was increased to $3,500 and non-residential fees were adopted. The residential fee increase brought the County's fee more in line with other local jurisdictions, however, the current residential fee of $3,692 is significantly lower than the average residential fee of local jurisdictions (Marana, Oro Valley, Tucson), which is $4,953.

For non-residential development, Pima County's fees are both higher and lower than other jurisdictions in the state, depending on the specific classification. On average, Pima County is lower than or comparable to seven of the eleven jurisdictions in Maricopa County (see Exhibit 14, page 19 in consultant's report). The highest fees are in Peoria North and Phoenix North (Black Canyon).

Staff re-examined the basis for calculating the non-residential fee amount. In 2003, when non-commercial fees were established, roadway construction costs were analyzed and a Net Cost per unit of roadway capacity was determined to be $154. Roadway projects constructed since then have been much more expensive and yield a Net Cost of $405 per unit, more than two and one-half times higher. If this new Net Cost is applied to the non-residential fee schedule, impact fees more than double and become among the highest in the state. Based on cost inflation alone, a strong argument can be made for raising roadway fees and there exists room to do so when comparing to other fees statewide.

Staff recommends that the Board consider raising the base fee for residential development from $3,692 to $4,400 to more closely match other local jurisdictions. The current reductions for higher density and retirement community development in the ordinance would be retained, as would the County's Affordable Housing Waiver for low-income families.

Staff recommends delaying any increases to non-residential fees for another year due to the relatively recent adoption of fees for these uses.

4. Review the Current Established Benefit Area Boundaries

The existing ten benefit areas were originally created in 1995. Seven of those areas started collecting fees in 1996 and the other three areas in 2003. Various geographical features, jurisdictional boundaries and other benefit areas bound each of these benefit areas. The original benefit areas were intended to encompass the then defined planning areas in the Pima County Comprehensive Plan. However, some of the benefit areas are no longer contiguous as they have become disconnected through annexation. It would make sense to redefine the disjointed benefit areas, however, an unofficial review by the County Attorney's office deems this to be more than just a technical issue and would require further legal analysis. State statutes are mute on disbanding or combining benefit areas and the subsequent distribution of fees collected therein.

Due to statutory uncertainty, staff concludes that further legal analysis is required before any action is taken to modify benefit area boundaries.

5. **Examine the Timing for Payment of the Impact Fee in Regards to Commercial Developments**

Dan Cavanagh of the Southern Arizona Builders' Alliance has suggested that the payment of the impact fee for non-residential development be deferred to the issuance of the Certificate of Occupancy. This suggestion is based on a payment provision in the City of Tucson Impact Fee Ordinance that allows for non-residential impact fees to be paid prior to or at the time of the Certificate of Occupancy. This was a City of Tucson policy decision and not a requirement by statute.

Arizona Revised Statutes (11-1102(B)(3) require that the "developer of residential dwelling units shall be required to pay the fees when construction permits for dwelling units are issued." No such provision exists for the timing of non-residential impact fee payment.

Since the inception of the non-residential impact fee, Pima County has required payment of all impact fees at the time of building permit issuance. This is the most opportune time during the development process to collect the impact fee. Research by staff finds that jurisdictions currently assessing non-residential fees do in fact collect the impact fee at the time of building permit issuance. Staff finds no compelling reason to change the current policy.

Staff concludes the existing payment schedule is appropriate and recommends no change.

Summary Recommendation

I would recommend that the Board direct staff to:

1. Change the price escalator from the CPI to the CCI;

2. Increase the base residential impact fee to $4,400 per unit; and

3. Request a regional jurisdictional review of all residential and commercial impact fees through the Regional Transportation Authority, with the goal of improving regional uniformity in fee amounts and ensuring that the uses of said fees contribute to regional mobility needs caused by urban growth.

Staff will make necessary ordinance changes and follow statutory provisions related to adoption, which will call for a public hearing on the base residential fee increase to occur on March 21, 2006.

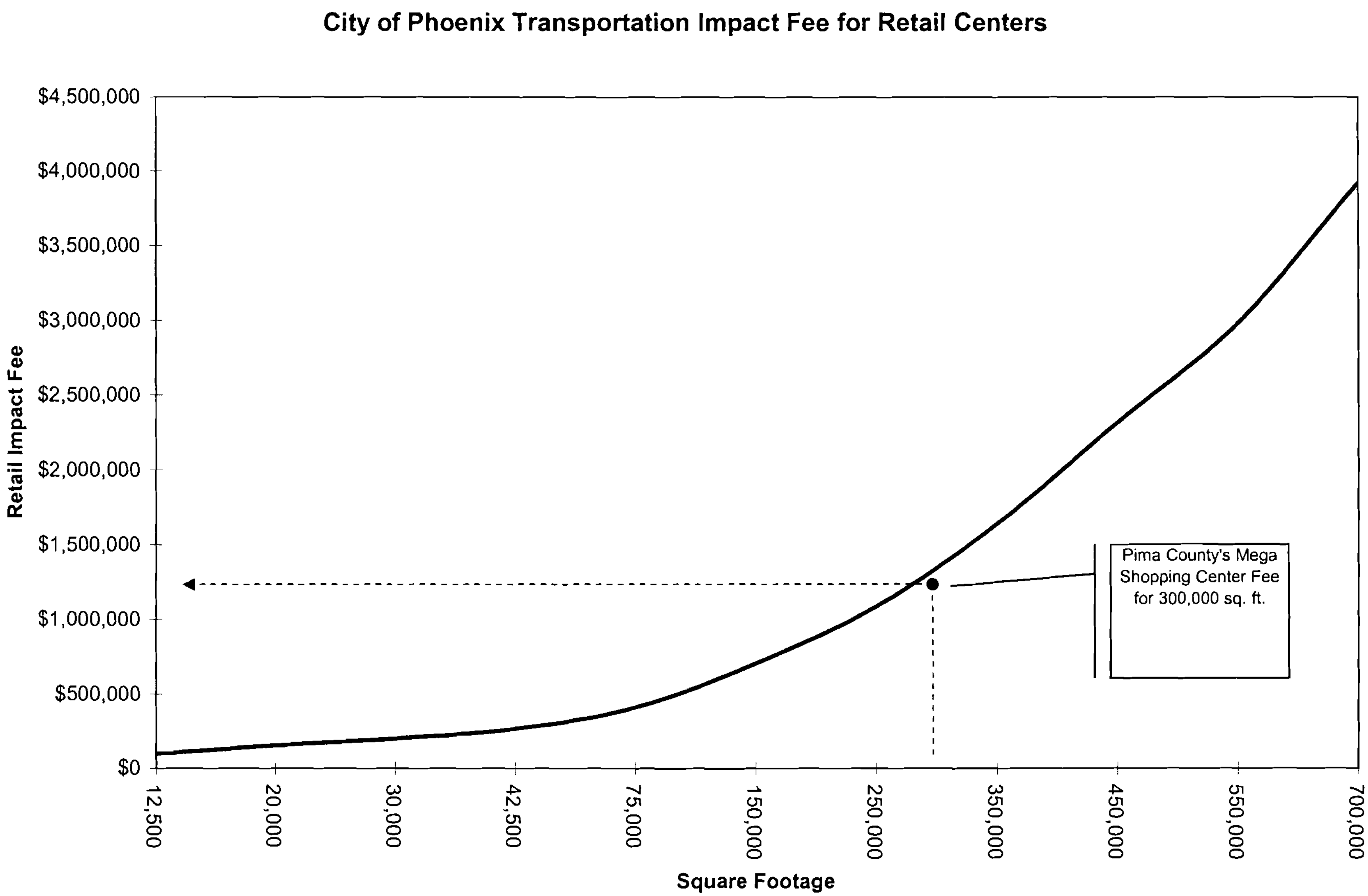
Respectfully submitted,

C. Huckelberry

C.H. Huckelberry
County Administrator

CHH/jj (October 26, 2005)

Attachments


City of Phoenix Transportation Impact Fee for Retail Centers
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
Retail Impact Fee
12,500
20,000
30,000
42,500
75,000
150,000
250,000
350,000
450,000
550,000
700,000
Square Footage
Pima County's Mega Shopping Center Fee for 300,000 sq. ft.

ATTACHMENT A

PIMA COUNTY ROADWAY IMPACT FEE SPECIAL ANALYSIS

Prepared for

Pima County Department of Transportation

5460 West Four Barrel Court
Tucson, AZ 84743

October 7, 2005

PIMA COUNTY ROADWAY IMPACT FEE
SPECIAL ANALYSIS

Prepared for

Pima County Department of Transportation

Prepared by

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CLA Project # 2005.41

October 7, 2005

This report does not constitute a specification or standard.

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Introduction

This report documents research and response to five areas of special concern relative to Pima County's Roadway Development Impact Fee program. Given the technical nature of the study, the writers assume that the readers have sufficient knowledge about impact fees in general, and the County's program in particular, that a discourse on the existing ordinance and County practices is unnecessary. Readers without this familiarity should refer to the County's web site at www.dot.pima.gov/transsys/impactfees/ prior to reading the report.

Project Tasks

The scope of the analysis includes the following tasks and project approach, each of which is addressed in a separate section of this document.

Task 1: Investigate basing future fees escalator increases on Construction Cost Index (CCI) instead of Consumer Price Index (CPI).

Review past and future trends in both the CCI and CPI for relevance to the types of construction associated with the Roadway Impact Fee. Describe how the two indices are derived, by whom, and how the data are accessible for implementing ordinance requirements.

Findings: We recommend Engineering News-Record's CCI as being more advantageous to Pima County.

Task 2: Review adequacy of the commercial fees with emphasis on large regional-scale shopping centers and "Big Box" establishments.

Conduct a literature search of traffic impacts of these kinds of uses and compare with what is in the current ordinance. The research will emphasize professional publications from the Institute of Transportation Engineers, Urban Land Institute, American Planning Association, and similar organizations. Using available traffic counts from PAG and others, determine local trip rates, if feasible.

Findings: It is difficult to determine justification for significantly higher fees on a generalized basis suing a singular trip generation rate. We note that there is great variation in trip rates for this type of land use. Accordingly, individual analysis of Big Box development on a case by case basis considering the development's market area and anticipated trip generation rate appears very logical and justifiable.

Task 3: Consider increasing the fees to match the fee amounts of other local jurisdictions.

Through internet search and phone follow-up, determine the fee structure of up to 10 other local jurisdictions in Pima County and Maricopa County. This will include residential and non-residential roadway impact fees only, plus a notation of other infrastructure fees collected by each. Provide a summary chart comparing the rates of Pima County with the other jurisdictions.

Findings: The County's fees are less than many local jurisdictions and an increase to create parity should be considered.

Task 4: Review the current established Benefit Area boundaries.

Using on-line GIS mapping and other available resources, evaluate the reasonableness of each benefit area's boundaries. This will emphasize physical barriers and regulatory issues such as the County's Comprehensive Plan.

Findings: We recommend realigning the benefit area boundaries and eliminating one benefit area, which is integrated into two other areas.

Task 5: Examine the timing for payment of the impact fee in regards to commercial developments. In particular, can the payment of fees be deferred to the issuance of Certificate of Occupancy, as suggested by the Southern Arizona Builders' Alliance?

We review the state legislation governing impact fees relative to this matter and provide our interpretation. We also consider administrative issues regarding fee collection and similar matters.

Findings: Based on our research, we recommend that County continue collecting the fee at the time of permitting. There is no compelling reason to do otherwise.

Acknowledgements and Disclaimer

This project was managed for Pima County by Ben Goff, P.E., Deputy Direct PCDOT, and Nicole Burdette, Impact Fee Program Manager. Work was conducted by James T. Barry, Ph.D., Marcos Esparza, P.E., (both Senior Associates), Cheryl Rader (Senior Planner Analyst), and Curtis Lueck, Ph.D., P.E., AICP (Principal).

The findings and recommendations herein are those of the authors and are not necessarily supported by Pima County.

Task 1: Investigate Basing Future Fees Escalator Increases on Construction Cost Index instead of Consumer Price Index

The question to be addressed is whether the Consumer Price Index-Urban or a Construction Cost Index is the better measure of inflation in costs of roadway construction and, therefore, more appropriate as the measure for automatically increasing roadway impact fees.

Background

Both Pima County and the City of Tucson have provisions in their development impact fee programs for automatically adjusting the fees to account for inflation.[1]

The Board of Supervisors amended Title 19 of Pima County Code to add Section 19.030 (D), "Roadway Impact Fee Adjustments Based on Consumer Price Index."[2] Starting on July 1, 2004 and on each successive July 1st, roadway impact fees are automatically increased based upon the Consumer Price Index – Urban (CPI-U), published by the United States Bureau of Labor Statistics.[3]

The City of Tucson recently enacted an impact fee program also provides for an automatic annual increase in fees. Starting on January 15, 2008 and then on each successive January 15, the fee will automatically be adjusted, based upon a "construction cost index" published by Engineering News - Record (ENR-CCI).[4]

While both indices are accurate and authoritative measures of inflation, a review of the CPI-U and ENR-CCI suggests that the ENR-CCI is the more appropriate of the two indices for measuring inflation in roadway construction costs.[5].The ENR-CCI directly measures construction costs, while the CPI-U directly measures increases in the costs of consumer goods. Increases in the costs of construction are more volatile than those of consumer goods and the ENR-CCI more directly catches this volatility, which sometimes would occasion larger increases in development impact fees than would the CPI-U. And, the ENR-CCI is as readily available and timely as the CPI-U.

The ENR-CCI is a Better Measure of Inflation in Roadway Construction Costs

The **ENR-CCI** is a national index that is a combined measure of labor costs and materials costs, the two primary drivers of roadway construction costs.[6] The ENR-CCI is based

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[1] A review of ten other development impact fee programs of jurisdictions in Pima County and Maricopa County found no other instances of automatic adjustments for inflation, measured by either the CPI or CCI. Most jurisdictions provide for reports and reviews of their programs, providing for amendment of fees by legislative action of the governing body. None of the other codes reviewed specified grounds for how fee adjustments would be determined or justified.

[2] Ordinance No. 2003-40

[3] The full title of the index is "Consumer Price Index – Urban; U.S. City Average, All Items, 1982-1984 + 100; Not Seasonally Adjusted."

[4] Tucson City Code, Chapter 23A, Development Compliance Code, Article III, Impact Fees, § 23A-81(2), Annual fee adjustment."

[5] The U.S. Army Corps of Engineers publishes a "Civil Works Construction Cost Index System," which reported inflation in civil works projects, and in particular for roadway construction, that generally tracked that of the ENR-CCI. The ENR-CCI is a preferred alternative to the Corps publication, because it is updated monthly and is more readily available. See www.usace.army.mil/inet/usace-docs/eng-manuals/em1110-2-1304/toc.htm,

[6] The information on the ENR-CCI has been taken from "Using ENR's Indexes" (see http://enr.construction.com/features/conEco/subs/indexFAQ.asp)

upon 1913 = 100 and is updated monthly.7The national index is constructed based upon averages for union wage rates and material costs in twenty cities.8 ENR has "price reporters" in each of the twenty cities who check prices and union wage rates locally.

The ENR-CCI uses 200 hours of common labor multiplied by the 20-city average rate for local union wage rates (wages and fringe benefits). Material costs are based upon 25 cwt of fabricated standard steel at the 20-city average price; 1.128 tons of bulk portland cement priced locally; and 1,088 board feet of 2 x 4 lumber, also priced locally. The prices represent those paid by contractors for a specified large order. The ENR-CCI is a measure of how much it costs to purchase this hypothetical package of goods, compared to the previous week, month, or year.

The **CPI-U** is published by the U.S. Bureau of Labor Statistics, which provides the following official definition: "The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services."[9] The CPI-U is based upon 12982 to 1984 = 100. "Urban consumers" represents about 87% of the total U.S. population. The CPI-U measures the cost of purchasing a hypothetical market basket by a hypothetical average household.

The current CPI-U is based upon a "market basket" of goods and services developed from detailed expenditure on actual purchases by families and individuals between 2001 and 2002. The "market basket" includes 200 categories arranged into eight major groups: food, housing, apparel, transportation, medical care, recreation, education and communication, and other goods and services.

The BLS collects actual prices for these goods and services on a monthly basis. The BLS employs data collectors (known as "economic assistants") who visit or call visit or call thousands of retail stores, service establishments, rental units, and doctors' offices across the United States, recording the prices of about 80,000 items. This recorded information is sent to the national BLS office, where it is checked for accuracy by "commodity specialists."

The ENR-CCI should more accurately measure costs of constructing roadways than the CPI-U, because it focuses exclusively on the items that most effect construction costs: labor and materials, as opposed to the CPI-U's far more extensive coverage of goods and services. On the other hand, the methodology and data bases employed by the CI-U are far more extensive and rigorous than a twenty city sample of selected suppliers and union wage rates. Both indexes have limitations in methodology and data, but, on balance, the ENR-CCI appears to be more appropriate for the purposes of adjusting roadway impact fees to account for inflation in the costs of constructing roadways.[10]

[7] ENR-CCI rotates the materials on which it reports prices weekly. Week One is 21 products covering asphalt, cement, and associated products. Week Two is for 20 pipe products. Week Three is for 18 products covering lumber, plywood and associated products. Week Four is for 16 products covering structural steel, reinforcing bar, and associated products.

[8] The twenty cities are: Atlanta, GA; Baltimore, MD; Birmingham, AL; Boston, MA; Chicago, IL; Cincinnati, OH; Cleveland, OH; Dallas, TX; Denver, CO; Detroit, MI; Kansas City, MO; Los Angeles, CA; Minneapolis, MN; New Orleans, LA; New York, NY; Philadelphia, PA; Pittsburgh, PA; San Francisco, CA; Seattle, WA; St. Louis, MO.

[9] The information on the CPI-U is taken from "Frequently Asked Questions, published by the Bureau of Labor Statistics (see "http//:stats.bls.gov/cpi/cpifaq.htm")

[10] It is worthwhile noting that McGraw Hill, the publisher of ENR includes a disclaimer that it does not guarantee the accuracy y of the data in ENR and will not acknowledge responsibility for errors, omissions, or results from using the data. The Bureau of Labor Statistics, however, also acknowledges that its data is subject to sampling and non-sampling errors. Of equal weight, ENR states that it has sometimes revised a previously published index, most recently in March 2004, while there is no evidence that the BLS has ever revised a published monthly CPI-U. The County might wish to establish a policy of how to handle a situation of ENR revising a CCI upon which the automatic inflation adjustment was based. .

Comparison of Yearly Increases in the ENR-CCI and CPI-U

On balance, the data would suggest that the CCI increases at a faster rate than the CPI-U. The CPI-U increase for July 1, 2004 to July 1, 2005 was 3.1% and the County's impact fees were adjusted accordingly. ENR-CCI increased from the first week of July 2004 to July 2005 by 4.2%. Exhibit 1 shows the effect of adjusting the impact fee for Low and Medium Density Residential/Standard on July 1, 2005 using the CPI-U and ENR-CCI estimates of inflation. This fee was increased from $3,581 to $3,692, the 3.1% increase using the CPI-U and would have been $3,731 if the ENR-CCI 4.2% increase were used, an increase of $111 per unit for the CPI-U and $150 per unit for the ENR-CCI. Using the ENR-CCI would have increased the fee by an additional $39 over the CPI-U adjustment. This difference in the size of the increases is not great on a per unit basis, but cumulatively, over all units and fees and over successive years, the differences in revenues generated by using a variation of the CCI to measure inflation would be significant.

Exhibit 1 Alternate Impact Fees Depending Upon Measure of Inflation

		Fee on July 1, 2005	
		CPI-U Adjustment	ENR-CCI Adjustment
	Fee on July 1, 2004	3.10%	4.20%
	$3,581	$3,692	$3,731
Increase over July 1, 2004		$111	$150
ENR-Cci Increase - CPI-U Increase		$39	

Exhibit 2 provides a comparison of increases in the ENR-CCI and the CPI-U over the period 1991 to 2005. Over this period, the ENR-CCI averaged annual increases that were larger than those for the CPI-U, 3.05% per year compared to 2.67%. In nine of these fifteen years, the increase in the ENR-CCI was higher than the CPI-U; in the other six years, the CPI-U increase was larger than for the ENR-CCI. Since Fiscal Year 2003, the ENR-CCI increased significantly more than the CPI-U: 6.4% in 2004 and 4.2% in 2005, compared to 2.7% in 2004 and 3.1% in 2005.

Exhibit 2 Increase in ENR-CCI and CPI-U from 1991 to 2005

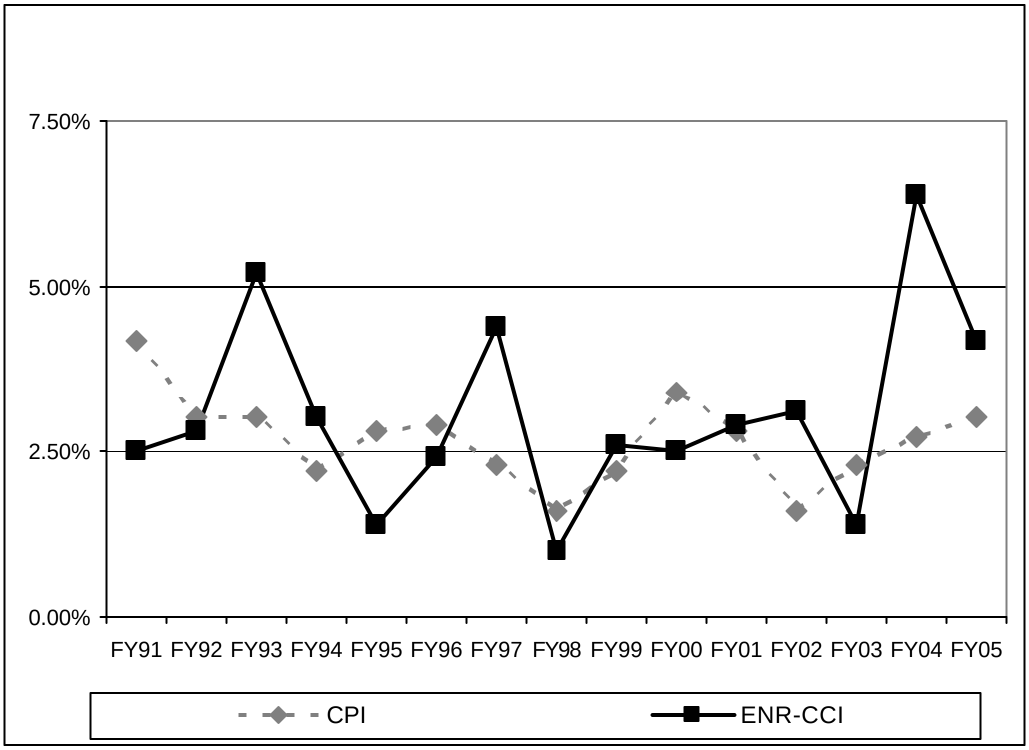


Exhibit 2 demonstrates that, while changes in the ENR-CCI and CPI-U tend to move in the same direction, the ENR-CCI is considerably more volatile, especially at the higher end of annual increases. In a number of years, utilizing the ENR-CCI to adjust the County's impact fees would have resulted in significantly higher increases than if the CPI-U for the same period were utilized.

Timing of Data and Accessibility of ENR-CCI and CPI-U Data

The County's development impact fee ordinance establishes that the automatic inflation adjustment will be effective as of July 1 of each year, corresponding to the start of the County's fiscal year. Presumably, increases in the ENR-CCI or CPI-U through June 30th of each year would be the appropriate benchmark for a July 1 inflation adjustment. Both ENR-CCI and CPI-U are updated monthly. The questions to be asked are how readily available and when are the ENR-CCI and CPI-U available.

Both indexes are readily available. The ENR-CCI, published weekly, is available at the Main Branch of the Tucson-Pima Public Library and is also available, for free, on line at "http;//enr.construction.com/features/coneco/subs/recentindexes." The CPI-U, published monthly, is also available on line at "[http://www.bls.gov/news.release/pdf/cpi.pdf.](http://www.bls.gov/news.release/pdf/cpi.pdf)"

The monthly CPI-U is published at the mid-point of the succeeding month. For example, the CPI-U for June 2005 would have been published on July 15, 2005. The ENR-CCI, while published weekly, is only reporting a monthly index in each of those four weeks, presumably the index for the previous month. Therefore, both indexes through the end of the previous June should be available by no later than the middle of the month of July in each year.

Task 2: Review Adequacy of the Commercial Fees with Emphasis on Large Regional-Scale Shopping Centers and "Big Box" Establishments

Summary of Current Non-Residential Development Fee Derivation

In 2003, the Pima County Board of Supervisors adopted Ordinance 2003-40 which modified County Code Chapter 19.03 relating to roadway development impact fees by, in part, establishing new fees for non-residential land uses. This ordinance was adopted following a County sponsored study by Curtis Lueck & Associates that determined a fee structure for typical retail, commercial and other services land uses. The Board of Supervisors originally implemented roadway development fees in 1996, although these fees were for new residential developments only.

The impact fees are based on the projected impact of the land use on the arterial roadway system. By statute, the fees must help fund capital improvements on the arterial system within Pima County. Because roadways classified as local roads and collectors are usually built or improved by the developers of a project, only the roadways that are classified as arterials (minor and major), and those of higher classifications (parkways, freeways) are considered for improvements to be funded by development impact fees.

On June 7, 2005, the Pima County Board of Supervisors adopted Ordinance 2005-50. This ordinance updated ordinance 2003-40 to, in part, add two land use categories: Mega Shopping Center > 300,000 square feet gross floor area (sfgfa), and Mega "Big Box" retail-freestanding > 150,000 sfgfa. The ordinance also added the provision of a developer agreement to pay the fees for these two land uses over time. The new ordinance adds, "…by mutual agreement, the provisions of 19.03.040 B may be replaced by a Transportation Development Agreement entered into by the Developer/Owner and Pima County. Such Agreement will specify the terms of the development fee payment, the interest rate, and the form of the payment schedule. Other indemnifications will also be incorporated."

In Pima County, most roadway impact fees are calculated based on several factors: (1) the average trip length associated with the land use, (2) trip rates from the Institute of Transportation Engineers (ITE) Trip Generation document for daily and peak hour trip rates, (3) an assumption of "primary trips" to/from the land use and the percentage of the travel demand associated with the land use on the arterial network (local streets and collector streets are not included). However, the two recent additions in the updated ordinance are based on factors other than the Pima County methodology for calculating fees for other land uses. For typical land uses, other than the "Mega" categories, the following describes each factor in the calculation for fee derivation by land use.

Average Trip Length

The average trip length for a particular land use is based on trip length data from the 2001 National Household Travel Survey (NHTS), the nation's inventory of daily and long-distance travel. The survey includes demographic characteristics of households, people, vehicles, and detailed information on daily and longer-distance travel for all purposes by all modes. NHTS survey data are collected from a sample of U.S. households and expanded to provide national estimates of trips and miles by travel mode, trip purpose, and a host of household attributes.

The daily travel surveys were conducted in 1969, 1977, 1983, 1990 and 1995. This data series provides a rich source of detailed information on personal travel patterns in the U.S. Longer-distance travel was collected in 1977 and 1995. The 2001 NHTS collected both daily and longer-distance trips in one survey. The next survey is scheduled for 2008.

ITE Trip Rates

The ITE Trip Generation document contains data sets in graphical format of trip rates per unit of land use measurement for over 150 land uses. The current ITE Trip Generation is the 7th Edition and was produced in 2003. The current Pima County development fee ordinance includes fees per (common) land use derived from average trip rates included in the 6th Edition of the ITE Trip Generation document, although the calculation of fees for unlisted non-residential land uses are to be based on the trip rates from the current edition of the ITE Trip Generation. The trip rates for non-mega "big box" retail facilities is based on Land Use Code 815, Free-Standing Discount Store, and the rates for regional shopping centers are from Land Use Code 820, Shopping Center.

Primary Trips

Primary trips are those trips to and from a land use for which the driver intended to make without consideration to other stops along the way. Drivers may also divert their path from their primary purpose to another land use. These diverted trips are called "pass-by" trips if the secondary trip destination is along the arterial network the driver intended to traverse on their way to their primary trip, or a "diverted trip" which would divert the driver from his/her path to the primary destination.

Ratio of Trip Rates: Sum of Peak Hour Rates to Daily Rates

The fee derivation considers the impact of a land use's trips on the arterial network. The number of trips is more greatly felt during the roadway's morning and evening peak hours, typical the two hours in the day where the transportation system experiences the highest volumes. The ratio of the sum of the peak hour trip rates to the daily trip rates is applied in the fee derivation formula to account for this impact.

Travel Demand on the Arterial System

Only trips on the arterial system are considered in the derivation of the impact fee amounts. An assumption of 80% trips on the arterial system (and accordingly, not the estimated 20% on the local and collector system) for all land use types is applied in the fee derivation formula.

Adequacy of Commercial Fees and Large Regional-Scale Shopping Centers and Big Box Establishments

The justification for the fees for the two new additions in the new ordinance is to account for large retail facilities that have a larger market reach, thus assuming that these would have longer trip lengths than non-"mega" shopping centers and big boxes. Because trip length is a variable in the calculation of the roadway fee, the higher fee implies that this is the justification in the increase of the fees. However, the fee for the Mega Shopping Center is not based on the Pima County methodology for deriving roadway impact fees as described above, but is taken from the City of Tucson's fee for "Shopping Center/Retail". The fee is $3.976/square feet, which is over three times as much as the Pima County fee for "Shopping Center" ($1,294/square feet).

City of Tucson Roadway Impact Fees

The chart below shows the City of Tucson's current fees.

Exhibit 3 Full fee adopted by the City of Tucson Mayor and Council

Land Use Type	Unit	Roads	Parks
Residential	Sq. ft.	$2.00	$0.80
Mobile Home Park	Per Unit	$2,553	$0.00
Motel/Hotel	Room	$1,203	$0.00
General Retail/Commercial			
Shopping Center/Retail	Sq. ft.	$3.976	$ 0.00
Office/Institutional			
General Office	Sq. ft.	$4.724	$0.00
Industrial			
Industrial/warehousing	Sq. ft.	$2.039	$0.00

Source: http://www.ci.tucson.az.us/impact/faq.html

The City of Tucson calculates the roadway impact fees using a significantly different method than what Pima County uses. The City of Tucson estimates the fee through historical local data in vehicle miles traveled (VMT) on the arterial system by land use and the cost of producing a unit mile of vehicle-capacity based on local construction project cost data. The fee also accounts for credits for outstanding debts from recent road improvements from bond authorizations and revenue received from fuel tax and vehicle license fees generated from new developments and used to make capital improvements. The development impact fee calculation for the City of Tucson is shown below.

Exhibit 4 Calculation of City of Tucson Roadway Impact Fees

FEE = VMT x NET COST/VMT

Where:

VMT	=	TRIPS x % NEW x LENGTH ÷ 2
TRIPS	=	Trip ends generated by the development during the PM peak hour
% NEW	=	Percent of trips that are primary trips, as opposed to passby or diverted-link trips
LENGTH	=	Average length of a trip on major road system
÷ 2	=	Avoids double-counting trips for origin and destination
NET COST/VMT	=	COST/VMT - CREDIT/VMT
COST/VMT	=	COST/VMC x VMC/VMT
COST/VMC	=	Average cost to create a new VMC based on historical or planned improvements
VMC/VMT	=	The system-wide ratio of capacity to demand in the major road system
CREDIT/VMT	=	Credit per VMT, based on revenues to be generated by new development

The Pima County fee for the Mega Big Box land use ($4,360) is calculated by taking the ratio of the regular Big Box fee to the regular Shopping Center Fee ($1,419/$1,294) and multiplying by the Mega Shopping Center/Retail fee ($3,976).

Literature Search – Traffic Impacts of Mega Big Box and Mega Shopping Center

We conducted a literature search to research historical information on the traffic impacts of Big Box and Shopping Center facilities. Several professional industry groups in transportation engineering and planning were researched for information on this topic. The following is a summary of information found from these sources.

Institute of Transportation Engineers (ITE)

ITE is a professional transportation engineering and planning organization that publishes trip generation rates for about 150 different land uses. Big box retailers and Shopping Centers have documented trip rates associated with the size of their leasable areas within the ITE Trip Generation document.

The following are descriptions of the Big Box land use (Free-Standing Discount Store), the Mega Big Box land use (Free-Standing Discount Superstore) and the Shopping Centers land use from the ITE Trip Generation document:

Free Standing Discount Store (ITE Land Use Code 815) – The discount stores in this category are free-standing stores with off-street parking. They usually offer a variety of customer services, centralized cashiering and a wide range of products. They typically maintain long store hours 7 days a week. The stores included in this land use are often the only ones on the site, but they can also be found in mutual operation with a related or unrelated garden center and/or service station. Free-standing discount stores are also sometimes found as separate parcels within a retail complex with their own dedicated parking. Free-standing discount superstore (Land Use 813) is a related use.

Free Standing Discount Superstore (ITE Land Use Code 813) – The discount superstores in this category are similar to the free-standing discount stores described in Land Use 815, with the exception that they also contain a full service grocery department under the same roof that shares entrances and exits with the discount store are. Te stores usually offer a variety of customer services, centralized cashiering and a wide range of products. They typically maintain long store hours 7 days a week. The stores included in this land use are often the only ones on the site, but they can also be found in mutual operation with a related or unrelated garden center and/or service station. They also are sometimes found as separate parcels within a retail complex with their own dedicated parking area. Free-standing discount store (Land Use 815) is a related use.

Shopping Center (ITE Land Use Code 820) – A shopping center is an integrated group of commercial establishments that is planned, developed, owned and managed as a unit. A shopping center's composition is related to its market area in terms of size, location and type of store. A shopping center also provides on-site parking facilities sufficient to serve its own parking demands. Specialty retail center (Land Use 814) and factory outlet center (Land Use 823) are related uses.

Ranges of rates for each of these land uses are shown below. Ranges of gross floor areas from studied land uses in each of these categories are also shown.

Exhibit 5 Trip Rates

Pima County DIFO Land Use Description	Associated ITE Land Use Category	ITE Land Use Code	[Range of Daily Trip Rates] (Average Trip Rate)	[Range of AM Peak Hour Trip Rates] (Average Trip Rate)	[Range of PM Peak Hour Trip Rates] (Average Trip Rate)	Range of GFA (1,000) in ITE data	Size of Land Use with Average Daily Rate
Big Box Retail-Freestanding	Free Standing Discount Store	815	[25.53 - 106.88] (56.02)	[0.51 - 1.34] (0.84)	[2.48 - 9.23] (5.06)	91 - 116	No Equation
Mega Big Box > 150,000 sf gfa	Free Standing Discount Superstore	813	[29.65 - 64.03] (49.21)	[0.97 - 2.83] (1.84)	[2.48 - 5.21] (3.87)	122 - 210	160
Shopping Center	Shopping Center	820	[12.50-270.89] (42.94)	[0.10 - 9.05] (1.03)	[0.68 - 29.27] (3.75)	10 - 1500	357
Mega Shopping Center > 300,000 sq. ft.	No separate ITE Land Use category						

**Peak Hour of Adjacent Street Traffic, One Hour Between 7 and 9 a.m. for AM and One Hour Between 4 and 6 p.m. for PM*

Other Professional Sources

Other professional sources were researched to review studies that may have been done on trip rates of Large Shopping Centers and Large Big Box Retail Centers. Little to nothing was found on the American Public Works Association, American Planning Association or the Urban Land Institutes websites regarding the trip characteristics of large shopping centers and large big boxes.

Other Sources

In 2004, the City of San Diego conducted a study to review the trip generation of Big Box type facilities in the City.

The following ITE land uses which were grouped as Big Boxes were reviewed:

- Free-Standing Discount Superstore
- Free-Standing Discount Store
- Discount Supermarket
- Discount Club
- Home Improvement Superstore

As part of the final report, which was to be presented to the City's Planning Commission, the following observation was included:

> Big Box store spacing varies by type, but they tend to be spaced farther apart and serve a larger catchment area than smaller local stores. Therefore, the average trip length to a big box store is likely to be longer than the average trip length to a smaller, more locally-serving store. Similarly, the frequency of trips to big box stores varies by type, but is likely to be less than the frequency of trips to alternative local stores. We have not found any study that measures and compares the trip length and trip frequency for big boxes to those of smaller local stores.

CLA also reviewed possible sources for trip lengths and frequency data for big box stores and was equally unsuccessful.

Task 3: Consider Increasing the Fees to Match the Fee Amounts of Other Local Jurisdictions

Background

The question is whether Pima County has latitude to increase its base fees. County staff has already demonstrated that the current impact fees are below the full cost of recovery for roadway improvements. The analysis examines the County's impact fees against those assessed by other jurisdictions in Pima County and then by jurisdictions in Maricopa County. There are three jurisdictions in Pima County that also impose development impact fees: Marana, Oro valley, and recently the City of Tucson. According to a January 2002 report issued by the Maricopa Association of Governments, there are twenty-two jurisdictions in the County imposing development impact fees, but only eleven include fees for transportation.

Comparison of impact fees across jurisdictions is made difficult by significant differences in how jurisdictions structure their programs. For example, Pima County is unusual in assessing development impact fees only for transportation, while Maricopa County jurisdictions typically set separate fees for several public facilities, including public safety, parks and open space, water, and sewage and sanitation. Some jurisdictions only assess fees for residential development, while others set fees for residential and non-residential development. And, some jurisdictions set different fee structures for different geographical areas or benefit areas.

This analysis will look first at comparisons among Pima County jurisdictio9ns and then compare Pima County to Maricopa County jurisdictions that assess transportation impact fees. Second, the analysis will compare Pima County's roadway impact fees directly to roadway impact fees assessed by the other Pima and Maricopa County jurisdictions. At the same time, Pima County and Marana are unique in assessing impact fees only for transportation. The City of Tucson also collects a fee for parks, while Oro valley also assesses a fee for water. All of the eleven Maricopa County jurisdictions that assess transportation impact fees also assess a wide range of other fees. Therefore, it is useful to compare Pima County's total impact fees against the total impact fees of these other jurisdictions.

Comparisons of Jurisdictions in Pima County

In Pima County, only the County currently assesses fees for both residential and non-residential development.[11] The City of Tucson has set fees for non-residential development in ordinance, but delayed their collection until (1) January 2008 when 50% of the fee will be assessed and (b) January 2011, when the entire fee will be assessed. Further, the City of Tucson distinguishes between single family and multifamily residential development, while Pima County distinguishes residential development based upon density and distinguishes between standard residential and retirement community residential development.

The analysis here will first compare residential impact fees for transportation only; then compare Pima County's fee against total impact fees assessed by the City of Tucson and Oro Valley; and then compare the non-residential fees assessed by Pima County and the City of Tucson.

Residential Impact Fees for Transportation

There are differences in how the four jurisdictions structure their residential impact fees.

[11] It is important to note that the Town of Marana also collects a construction sales tax for transportation that is assessed against non-residential development, as does the Town of Sahuarita. The Town of Oro Valley also addresses the costs of commercial development through other mechanisms than impact fees.

Pima County distinguishes between Low And Medium Density (less than six residence per acre) and High Density (more than six residences per acre) development, as well as whether the development is in a Retirement Community or outside such as community (Standard). As of July 1, 2005, the County's lowest residential impact fee was $2,067 for Hgh Density/Retirement Community, while the highest fee was $3,296 for Low-Medium Density/Standard.

The City of Tucson residential, single family residential impact fees are assessed on a square foot basis, at $1.54/s.f. in the Central benefit area and $2/s.f in the remainder to the city. In the Central area, the average house size is 1,500 square feet, resulting in an average impact fee of $2,310. In the remainder of the City, the average residence is 1,875, resulting in an average impact fee of $3,750 (Exhibit 6).

Marana has a unified residential impact fee, which is set at different levels in the Town's two benefit areas: at $2,435 in Marana South and $5,941 in Marana North. The Town of Oro Valley has a unified, Townwide Transportation Impact Fee, set at $2,920 (Exhibit 6).

Exhibit 6 Comparison of Residential Impact Fees for Transportation

Jurisdiction	Lowest Fee	Highest Fee
Pima County	$2,067	$3,692
Marana	$2,435	45,941
Oro Valley	TBD	TBD
Tucson	$2,310	$3,750

In general, at both the lowest fee and highest fee, the range of residential impact fees collected by Pima County are lower than those in Marana and Tucson and comparable to those in Oro Valley. The comparison between the County's and Tucson's impact fees are more complicated than between the County, Marana, and Oro Valley, because the City is assessing the fee on a square foot basis. Exhibit 7 converts the County's three residential impact fees into equivalent fees per square foot, assuming the County's feet schedule was applied on residential development inside the City, of 1,500 square in the Central area and 1,875 for the remainder of the City.

In the Central area, the County's lowest fee of $2,067 (High Density/Retirement Community) is the equivalent of a fee of $1.38/s.f. for a 1,500 square foot residence in the Central area, but would be higher in this area for the middle and highest fees. In the remainder of the City, the County's equivalent fees per square foot are lower than the City's $2/s.f. fee, but just barely below the City's assessment at the highest level.

Exhibit 7 Comparison of Fees per Square Foot for the County and Tucson

	Central Area (1,500 square feet)		Remainder of City (1,875 square feet)	
County Impact Fees	Pima County	Tucson	Pima County	Tucson
Lowest ($2,067)	$1.38	$1.54	$1.10	$2.00
Middle ($2,768)	$1.85	$1.54	$1.48	$2.00
Highest ($3,692)	$2.46	$1.54	$1.97	$2.00

Another comparison of the County and Tucson impact fees is to divide the County's four fee levels by $2 to determine the size of residence that would be covered by the City's rate of $2/s.f. (Exhibit 8). At $2/s.f., the highest County fee of $3,692 (Low-Medium Density/Standard) would cover an 1,846 square foot residence, while the lowest fee of $2,067 (High Density/Retirement Community) would cover a residence of only 1,034

Exhibit 8 Size of Residence Covered at Pima County Fees, at $2/Square Foot

Location	Density	Pima County Fees	Size of Residence at $2/s.f
Standard	High	$2,768	1,384
	Low/Medium	$3,692	1,846
Retirement Community	High	$2,067	1,034
	Low/Medium	$2,768	1,384

In other words, at $2/s.f., any residence larger than those shown in the table would generate impact fees higher than those charged by the County. For example, a 2,100 square foot residence, at $2/s.f., would generate an impact fee of $4,200. This fee would be double the fee currently assessed against High Density/Retirement Community and $508 higher than the current fee for Low-Medium Density/Standard.

It should be noted that the City caps its impact fees at 3,000 square feet, which would be $6,000, compared to the County's highest fee of $3,692.

Total Impact Fees in Pima County, Tucson, and Oro Valley

The City of Tucson also assesses an impact fee of $0.80/s.f. for regional parks, applying the fee uniformly across the City and only for residential development. The Town of Oro Valley also assesses impact fees for water under a separate section of its impact fee ordinance.

Exhibit 9 compares Pima County's total impact fees against the total impact fees assessed by Tucson and Oro Valley (namely the range of transportation fees reported above plus the additional fees assessed for regional parks or water). In the aggregate, the range of Pima County's residential impact fees is lower than those assessed by both the City of Tucson and Oro Valley.

Exhibit 9 Total Impact Fees for Pima County, Tucson, and Oro Valley

Jurisdiction	Lowest Total Fee	Highest Total Fee
Pima County	$2,067	$3,692
Tucson	$3,234	$4,600
Oro Valley	TBD	TBD

Non-Residential Impact Fees in Pima County and Tucson

Pima County's non-residential impact fees are set per 1,000 square feet of development, while Tucson's continues to be set per square foot. Exhibit 10 converts Tucson's rate to the fees per 1,000 square and compares impact fees for Retail, Office, and Industrial between Pima County and the City of Tucson. Under Retail, Pima County has an impact fee of $13,235 per 1,000 square feet for Convenience Store/Gas Station, which is much higher than anything assessed by the City of Tucson. The County also assesses fees per 1,000 square feet of $8,067 on Banks with Drive Thru and $5,431 for Fast Food with Drive Thrus, which are also higher than the City's top fee. With these three uses excluded, then the County's range of Retail Fees is $1,112 to $2,359, which is considerable lower than the City's fees. The County's fees for Office Development and Industrial Development are also lower than those in the City.

Exhibit 10 Comparison of City and County Non-Residential Development Fees

	Retail Development		Office Development		Industrial Development	
Jurisdiction	Lowest Fee	Highest Fee	Lowest Fee	Highest Fee	Lowest Fee	Highest Fee
Pima County	$1,112	$13,235	$1,339	$1,339	$1,063	$1,697
Tucson	$3,061	$3,976	$3,637	$4,724	$1,570	$2,039

Comparison of Pima County with Other Jurisdictions in Maricopa County[12]

Eighteen jurisdictions in Maricopa County impose impact fees, for a variety of public facilities, including public safety, parks and open space, general government, water,

12 The data in this section is drawn from a report of the Maricopa Association of Governments, "Development Impact Fees, Best Practices Paper #3: Growing Smarter Implementation Project." The Pima County Department of Transportation also performed a statewide survey of impact fees in 2002, "An Assessment of the Adequacy of the Roadway Development Fee." Because of differences in methodology, this analysis relied only on the MAG study.

wastewater, and sanitation, as well as for transportation.[13] Of these jurisdictions, only eleven jurisdictions, however, include a transportation fee in their development impact fee programs. No jurisdiction assesses an impact fee only for transportation. If the comparison is drawn only for transportation impact fees, then Pima County's fees are generally higher than transportation fees imposed by these eleven jurisdictions. If the comparison is drawn, however, between total impact fees imposed, then Pima County's fees are lower than several of these jurisdictions.

Comparison of Transportation Impact Fees

The eleven jurisdictions that impose transportation impact fees also assess impact fees for several other public infrastructure needs. Exhibit 11 reports on the transportation impact fees and total impact fees for these jurisdictions. Transportation impact fees as a percent of total impact fees range from a low of 2% in Gilbert and 3% in Goodyear to a high of 32% in Peoria North, revealing differences in priorities placed upon supplementing available transportation revenues in these jurisdictions. One likely explanation of the lower priority placed upon transportation impact fees is the role played by the regional half-cent sales tax in providing needed transportation improvements to Maricopa County residents. By way of contrast, Pima County as a jurisdiction is reliant on impact fees as its major local transportation funding source and general obligation bonds for providing other public infrastructure needs...

Exhibit 11 Fees in Eleven Maricopa County Jurisdictions

Jurisdiction	Single Family Residential Fee Transportation	Total Single Family Residential Fee	Transportation Fee as % of Total Fee
Apache Junction (In Maricopa)	270	1,006	27%
Avondale	400	6,545	6%
Cave Creek	250	2,945	8%
Chandler	1,537	8,178	19%
Fountain Hills	638	3,275	19%
Gilbert	148	6,946	2%
Glendale	542	9,360	6%
Goodyear	148	4,896	3%
Peoria North	4,028	12,680	32%
Phoenix High (North Black Canyon)	2,700	12,160	22%
Tolleson	644	3,114	21%

Exhibit 12 compares Pima County's transportation impact fees to those transportation impact fees reported in the MAG study for eleven jurisdictions that collect fees, for both residential and non-residential development. In each case, residential impact fees are per unit, while the non-residential fees are based upon 1,000 square feet.

[13] Some jurisdictions impose different impact fees, depending upon the benefit area, for example in Phoenix and Peoria. The information from the MAG study provided examples of benefit area impact fees and this analysis only used the highest benefit area impact fees reported in the MAG study.

Exhibit 12 Comparison Impact Fees with Jurisdictions in Maricopa County

Jurisdiction	Single Family Residential	Retail	Office	Industrial
Apache Junction (in Maricopa)	270	846	469	197
Avondale	400	1,879	732	385
Cave Creek	250	250	250	250
Chandler	1,537	3,880	2,260	1,630
Fountain Hills	638	2,020	580	580
Gilbert	148	550	200	140
Glendale	542	50	1,440	398
Goodyear	148	418	168	48
Peoria North	4,028	16,645	5,586	2,934
Phoenix High (North Black Canyon)	2,700	5,508	4,266	552
Tolleson	644	2,182	2,182	384
Pima County	2,067 to 3,692	$1,112 to $13,235	1,339	1,063 to 1,697

In terms of residential transportation fees, Pima County's fees are considerably higher than those charged by every jurisdiction but Peoria North and Phoenix North Black Canyon. On the non-residential transportation fees, however, several Maricopa County jurisdictions charge larger, sometime substantially larger, fees. Peoria, in its North Benefit Area, charges retail fees that are even larger than what Pima County charges for Convenience Stores/Gasoline Stations. In fact, if the top three categories of retail fees in Pima County are set aside, the range is from $1,122 to $2,359, which is lower than for three jurisdictions and comparable to another two. The County's Office Development fee is lower than five of these jurisdictions. The Industrial Development Fee is lower than one jurisdictional fee and comparable to another. In all other instances, Pima County's transportation impact fees are substantially higher than those charged by Maricopa County jurisdictions.

Comparison of Pima County Impact Fees to Total Impact Fees Collected in Maricopa County Jurisdictions

Exhibit 13 compares Pima County's residential impact fees with total fees charged by the eleven Maricopa County jurisdictions that collect transportation impact fees. Seven jurisdictions have total impact fees per residential unit that are higher than those charged by Pima County and in the case of Phoenix, Peoria, Glendale, Chandler, and Avondale these fees are substantially higher.

Exhibit 13 Comparison of Total Impact Fees Collected For Residential Property

Jurisdiction	MAG Data January 15, 2002 Single Family Residential Impact Fees
Apache Junction (in Maricopa)	1,006
Avondale	6,545
Cave Creek	2,945
Chandler	8,178
Fountain Hills	3,275
Gilbert	6,946
Glendale	9,360
Goodyear	4,896
Peoria North	12,680
Phoenix High (North Black Canyon)	12,160
Tolleson	3,114
Pima County	2,067 to 3,692

Exhibit 14 compares Pima County and the eleven Maricopa County jurisdictions for Retail Development, Office Development, and Industrial Development fees, using only the MAG data. Across all three development categories, the Peoria North fees are much higher than those charged by Pima County. Also, excepting the top three fees under Retail Development, Pima County's fees are lower than or comparable to seven jurisdictions. The County's Office Development fee is lower than nine jurisdictions and slightly higher than two jurisdictions. Finally, the County's Industrial Development fees are lower than four jurisdictions and comparable to another three jurisdictions.

Exhibit 14 Comparison Impact Fees Collected For Non-Residential Property

Jurisdiction	Retail	Office	Industrial
Apache Junction (in Maricopa)	1,374	802	385
Avondale	3,505	2,281	1,640
Cave Creek	2,945	2,945	2,945
Chandler	4,780	3,160	2,530
Fountain Hills	2,350	910	910
Gilbert	2,049	1,699	1,639
Glendale	2,049	4,367	2,247
Goodyear	2,110	1,929	1,052
Peoria North	18,648	7,357	4,224
Phoenix High (North Black Canyon)	5,927	4,739	1,310
Tolleson	3,162	1,505	864
Pima County	$1,112 to $13,235	1,339	1,063 to 1,697

Task 4: Review the Current Established Benefit Area Boundaries

Purpose of Task Report

In this report we review the current benefit area boundaries and provide recommendations for modifying the boundaries of the existing benefit areas. It should be noted that these recommendations are based on a visual determination of "what makes sense" in realigning the boundaries. We did not review the roadway project costs for each benefit area based on the expected development in each area, or what the projected revenues from the exaction of the roadway development impact fees (DIF) for these developments would be by benefit area. This would seem to require a separate exercise to determine the adequacy of the roadway DIF revenue source to provide funding for improvements to the roadway system in the modified benefit areas, and should be conducted by Pima County upon the adoption of the 2030 RTP and, if passed by the voters, the approved Regional Transportation Authority (RTA) list of projects.

Evolution and Purpose of Roadway Development Impact Fee Benefit Areas

The concept of benefit areas to organize residential impact fee projects was developed and structured by Pima County in the mid-1990's. The first development fee area proposed and established was the current Cañada del Oro benefit area, in north-central Pima County. Another nine benefit areas have been established by Pima County ordinance (2003-40) since then. Recently, this ordinance was updated (2005-50), although the number and boundaries of the benefit areas did not change. The purpose of establishing benefit areas was to ensure that roadway development impact fees collected in a certain area would help fund arterial projects in that area. For instance, fees collected from a residential development project in the Canada del Oro benefit area could be used to fund roadway improvements only within that area. An excerpt from the current ordinance regarding benefit areas follows:

> **19.02.030**
> **Roadway benefit area plan.**
> Before assessment of a new development fee for roadways, the Pima County department of transportation shall create a benefit area plan for the geographic area in which development fees will be applied ("benefit area"). Each benefit area plan shall comply with the following requirements:
> A. Each benefit area plan shall determine the extent of capital roadway improvements needed or existing (see Section 19.03.060) to serve the anticipated future development of the benefit area, considering the Pima County comprehensive plan, the metropolitan transportation plan, the Pima Association of Governments transportation improvement program, the Pima County transportation needs assessment, and the CIP.
> B. Each benefit area plan shall determine the actual public facilities capital costs or reasonable estimates of capital costs incurred or to be incurred on projects any portion of which are to be funded with development fees.
> C. Pima County shall determine the extent to which the costs determined in Section 19.02.030B will be funded from sources other than roadway development fees.
> D. Reserved.

E. Each benefit area plan shall project the total number of lane miles of the improvements set forth in Section 19.02.030B.
F. Each benefit area plan shall use a projected daily average capacity per lane of eight thousand vehicles for the facilities identified in the benefit area plan.
G. Each benefit area plan shall determine the projected VMT attributable to each EDU within the benefit area.
H. Each benefit area plan shall determine the projected number of vehicle trips attributable to each EDU within the benefit area.
I. Each benefit area plan shall include an estimate of the timing of capital roadway improvement construction to be constructed with roadway development fees within the benefit area. The estimate shall be related to the rate of new development projected to occur within the benefit area.
J. The benefit area plan identifies the public facilities Pima County finds will bear a reasonable relationship to the needs created by development within the benefit area covered by the benefit area plan. (Ord. 2003-40 § 1 (part), 2003; Ord. 1996-9 § 1 (part), 1996)

Each of the benefit areas is bounded by existing physical or jurisdictional elements such as roadways, rivers, other geographical features, jurisdictional boundaries and other benefit areas. For instance, the Rincon Valley Benefit Area is bounded to the west by the City of Tucson, to the south by I-10, to the east by Cochise County, and to the north by the Coronado National Forest and Saguaro National Park. Most of the Benefit Areas are in whole areas, that is, they are contiguous. Some, however, such as the Silverbell-Tortolita benefit area are comprised of unconnected areas. The Silverbell-Tortolita benefit area is broken up into 8 pieces, separated by jurisdictions.

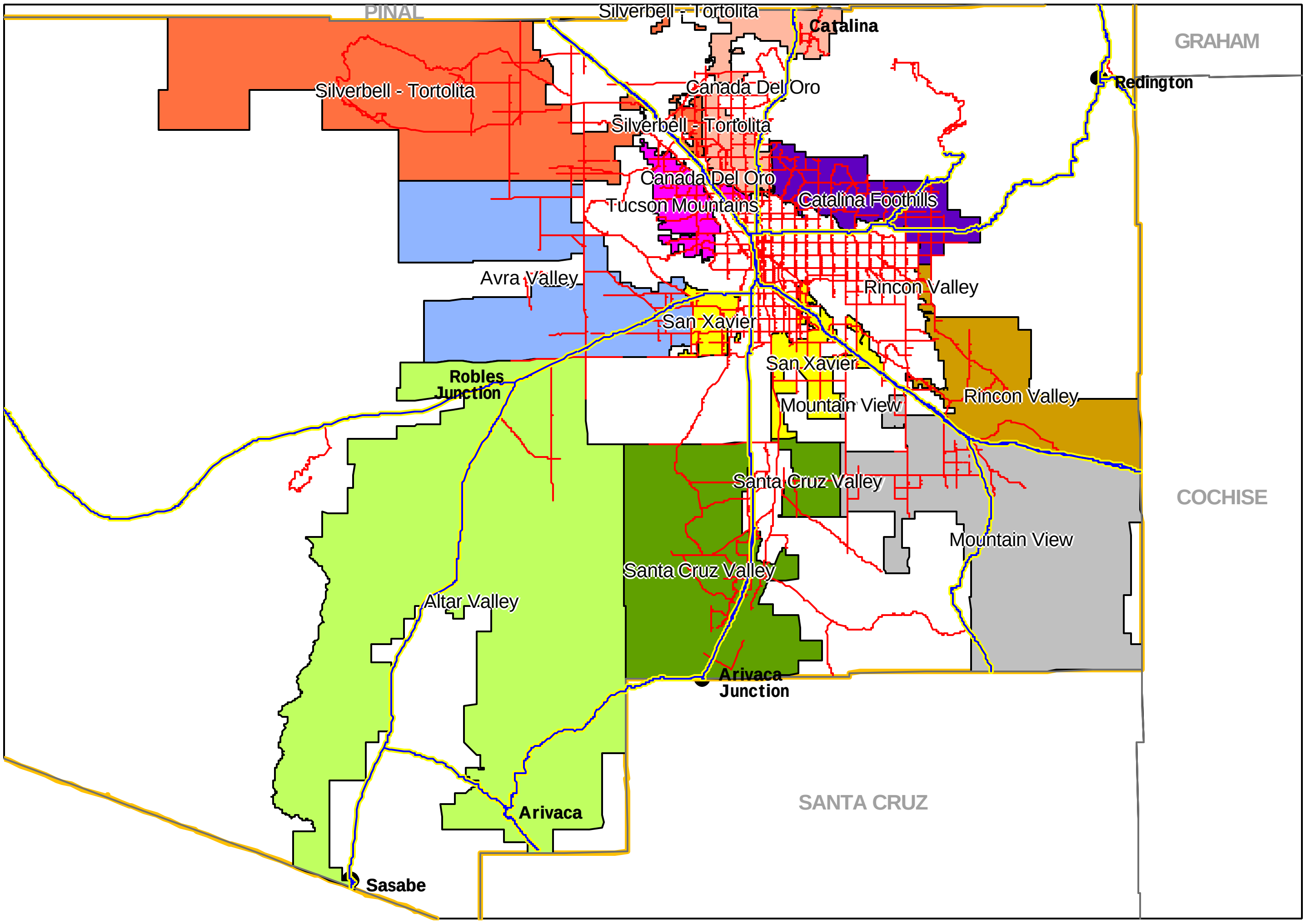
Existing Benefit Areas

The existing benefit areas identified in the current roadway development impact fee ordinance are shown in Exhibit 15. The current list of arterial projects that can be funded with roadway development impact fees in Pima County is in the appendix.

The current benefit areas are:

1. Altar Valley
2. Avra Valley
3. Cañada del Oro
4. Catalina Foothills
5. Mountain View
6. Rincon Valley
7. San Xavier
8. Santa Cruz Valley
9. Silverbell-Tortolita
10. Tucson Mountains

Exhibit 15 Roadway Development Impact Fee Benefit Areas in Pima County



A list of projects, the Capital Improvement Plan (CIP) Development Fee projects, is updated periodically by Pima County. Projects are grouped into their respective benefit areas. The most recent list is effective as of July 7, 2003, and contains some projects that have been completed. It is believed that this list will be updated with the adoption of the 2030 Regional Transportation Plan and the projects that will make up the plan. The estimated cost of projects within each benefit area is shown in Exhibit 16.

Issues with Existing Benefit Area Boundaries

Several existing benefit areas are not contiguous, as shown in Exhibit 16. For instance, the Silverbell-Tortolita benefit area is comprised of 8 different pieces, generally separated by other jurisdictions. Other fragmented benefit areas include San Xavier, Santa Cruz Valley, Tucson Mountain and Mountain View.

Another concern by Pima County staff is the separation of the same benefit area by topographical or physical features. For example, most of the Tucson Mountains benefit area is located west of I-10. A small portion of this benefit area is east of I-10, bounded to the north by the Canada del Oro benefit area. It is unclear why this section of Tucson Mountain benefit area is not part of the Canada del Oro benefit area.

Exhibit 16 Cost of CIP Development Impact Fee Projects (as of July 7th 2003)

Project	*2002 Cost (x $1,000)*
Altar Valley	***$54,000***
Avra Valley	***$180,800***
Cañada del Oro	***$143,736***
Catalina Foothills	***$115,459***
Mountain View	***$82,000***
Rincon Valley	***$72,669***
San Xavier	***$87,220***
Santa Cruz	***$41,769***
Silverbell – Tortolita	***$58,240***
Tucson Mountains	***$95,699***
TOTALS	***$931,592***

Source: Pima County

Recommendations for New Boundaries to the Benefit Areas

Recommended revisions to the benefit area boundaries are described as follows and are illustrated in Exhibit 2. Exhibit 2 also shows the location of the benefit areas within the City of Tucson (West, Central, East, Southeast, and Southlands).

1. ***Mountain View*** – Absorb the separate northeastern section of the Santa Cruz Valley benefit area and the eastern San Xavier area. Infrastructure would benefit from fees collected from developments in the Pima County section of the Southlands area. The Houghton Road corridor connection with the Sahuarita Corridor and the Swan Road extension will be located within this revised area. Currently I-19 separates the respective separate areas of the Santa Cruz Valley and San Xavier Benefit Areas.
2. ***Rincon Valley*** – Remain the same.
3. ***Catalina Foothills*** – Remain the same.
4. ***Cañada Del Oro*** – Absorb the portions of the Silverbell-Tortolita and Tucson Mountain benefit area fragments that are east of I-10.
5. ***Tucson Mountains*** – Reduce the size of the benefit area to include only the area west of I-10.

6. ***Silverbell-Tortolita*** - Reduce the size of the benefit area to include only the area west of I-10.
7. ***Avra Valley*** – Absorb the portion of the San Xavier benefit area west of I-19.
8. ***Altar Valley*** – Remain the same.
9. ***Santa Cruz Valley*** – Reduce the size of the benefit area through the absorption of the northeast area to the revised Mountain View Area.

With the recommended boundary changes, the existing San Xavier benefit area would be absorbed into other benefit areas.

Implications of Benefit Area Boundary Changes

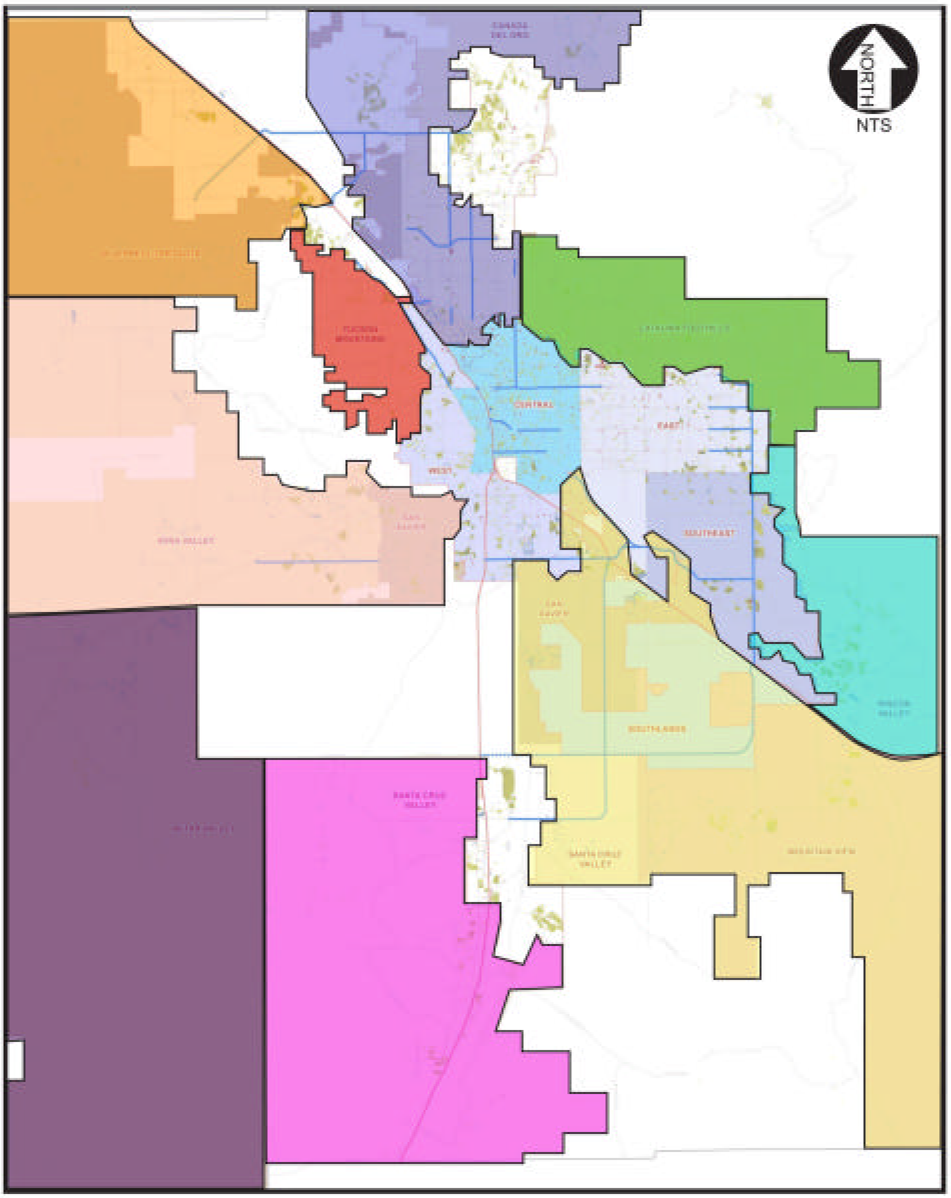
Some roadway projects that are associated with existing benefit areas would shift into other benefit areas. Because of this, there may be less potential money for roadway projects within a benefit area. On the other hand, some benefit areas that would absorb portions of other benefit areas would now have the burden of funding the additional lane miles of projects.

For areas such as the emerging community in the Southlands area (which would be encompassed in the expanded Mountain View area), there will be future arterial connections with other jurisdictions, primarily the City of Tucson and the Town of Sahuarita. The future Pima Mine Road connection to Houghton Road, and the Helmut Peak Road connection to the Swan Road extension would travel through both Pima County and City of Tucson areas. However, within Pima County, these major arterial projects would be within one, larger, benefit area rather than through two each.

All of the revised benefit areas would be contiguous, promoting better relationships, or nexuses, with the projects within them. Future annexations would likely have fewer implications for benefit area fragmentation with the recommended boundaries, than under the current layout of benefit areas.

Exhibit 17 shows the comparison in total project cost per benefit area based on the recommended modifications. Mountain View adds the most project cost as a result of the recommended changes. The development of the Southlands area and the area encompassed in the recent Southeast Arterial Study, which is in the revised Mountain View Benefit Area may, have the highest level of development in the near future, which would provide a major revenue source in the way of residential and commercial impact fees in this area to pay for the projects in this area.

Exhibit 17 Recommended Benefit Areas in Pima County



LEGEND

- Mountain View (Revised)
- Rincon Valley (Same)
- Catalina Foothills (Same)
- Cañada Del Oro (Revised)
- Tucson Mountains (Revised)
- Silverbell-Tortolita (Revised)
- Avra Valley (Revised)
- Altar Valley (Same)
- Santa Cruz Valley (Revised)

Exhibit 18 Comparison of Costs per Benefit Area (existing vs. proposed)

Project	*Existing Benefit Areas 2002 Cost (x $1,000)*	*Proposed Benefit Areas 2002 Cost (x $1,000)*	*Change (x $1,000)*
Altar Valley	*$54,000*	*$54,000*	$0
Avra Valley	*$180,800*	*$220,708*	$39,908
Cañada del Oro	*$143,736*	*$206,388*	$62,652
Catalina Foothills	*$115,459*	*$115,459*	$0
Mountain View	*$82,000*	*$146,312*	$64,312
Rincon Valley	*$72,669*	*$72,669*	$0
San Xavier	*$87,220*	*$0*	($87,220)
Santa Cruz	*$41,769*	*$24,769*	($17,000)
Silverbell – Tortolita	*$58,240*	*$36,387*	($21,853)
Tucson Mountains	*$95,699*	*$54,900*	($40,799)
TOTALS	*$931,592*	*$931,592*	*$0*

Task 5: Examine Timing for Payment of the Impact Fees for Commercial Development

The question has been raised about whether non-residential impact fees can collected at with the issuance of Certificates of Occupancy, rather than at the time building permits are issued. ARS § 11-1102(B)(3) requires that the "developer of residential dwelling units shall be required to pay the fees when construction permits for dwelling units are issued."[14] The statutes contain no similar requirement about when non-residential impact fees are to be paid. The timing of non-residential impact fees, therefore, is a policy matter to be decided by the local jurisdictions.

This analysis found no instance of a jurisdiction making any distinction on when residential and non-residential impact fees must be paid. It would seem the primary policy issue on the timing of payment of non-residential impact fees is one of leverage: what is the timing of the latest public action in the development process in which the jurisdiction still has leverage to enforce collection of impact fees. The consensus among Arizona jurisdictions is that the issuance of construction permits is the most opportune time to require payment of development impact fees, regardless of the type of development.

[14] The language in state statutes for municipal impact fees is exactly the same, at ARS § 9-463.05(B)(3).