# MEMORANDUM

Date: June 26, 2025

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

From: Jan Lesher
County Administrator

Re: **Additional Information for the Board of Supervisors July 1, 2025 Meeting – Item #57 Hearing for Impact Fee Ordinance**

## Background

Arizona Revised Statute (A.R.S.) §11-1102 requires that Pima County update its Roadway Development Impact Fee Land Use Assumptions Report (LUAR) and Infrastructure Improvement Plan (IIP) at least every five years. The Board of Supervisors approved the updated LUAR and IIP on February 18, 2025.

A required Public Hearing was held by the Board of Supervisors for the draft Streets Facilities Development Fee Study on May 6, 2025. The final action required by the Board is approval of the Streets Facilities Development Fee Study (Attachment 1) and Phase-In Schedule (Attachment 2), which are scheduled for consideration at the July 1, 2025, Meeting.

## Fee Study

The Fee Study is the third and final report required by A.R.S. §11-1102 to implement roadway development impact fees. The Fee Study establishes the recommended fees for residential and non-residential development for the ten-year IIP. As a result of increased roadway construction costs for unbuilt projects approved in the 2020 IIP, as well as needed additional projects identified in the 2025 IIP, increased roadway development fees are recommended.

Details of the proposed fees and methodology are outlined in my May 2, 2025 memorandum. The recommended single-family detached residential fee is proposed to increase from $8,523 to $11,654. Non-residential fees vary by land use and would increase similarly.

## Public Involvement

Staff held regular meetings with stakeholders including Southern Arizona Home Builders Association (SAHBA), Metropolitan Pima Alliance, and Arizona Multi-Housing Association (AMA) throughout the update process. The land use assumptions, infrastructure improvements plan, and fee study were posted to the county website during the process. No public comments have been received to date other than from the development industry.

As part of the May 6, 2025, Public Hearing on the draft Fee Study, letters were received from SAHBA and AMA who requested lower fees and a longer phase-in period for the new fees, among other concerns (Attachment 3). Staff continued to meet with SAHBA after the public hearing to address their concerns about the new fees and implementation schedule. Written responses were provided to SAHBA and AMA (Attachment 4).

<u>Responses to Input from Development Industry Stakeholders</u>

During the May 6, 2025, Public Hearing, Supervisor Scott requested that staff prepare information on the "implications of adopting SAHBA's recommendations." SAHBA recommended a lower fee, longer phase-in, creating incentives that support mixed-use and middle housing, and they expressed concerns about the methodology and assumptions used.

The following information is staff's input in these areas and the written response to SAHBA is attached to this memorandum.

- Lower Fees

  The implication of adopting a lower fee is that less revenue would be collected over the 10-year plan, and projects in the already approved IIP would be underfunded. The County would have to make up the difference to complete these projects, or risk returning collected impact fees to the individuals and developers who have paid those fees by the time the project is scheduled to be constructed. Adopting a lower fee would be inconsistent with the methodology applied for the adopted 2020 impact fees.

- Longer Phase-In Period

  The implication of extending the phase-in means less revenue would be collected. The originally proposed three-year phase-in results in reduced total collections by approximately $4 million compared to not having a phase-in period. A five-year phase-in reduces collections by approximately $8 million compared to no phase-in. After careful analysis, DOT has determined that the program can support a five-year phase-in period and recommends its adoption.

- Incentives for Mixed-Use / Middle Housing

  Impact fees charged to multi-family housing are lower, by almost half, than single-family housing. Pima County does not charge a unique fee for mixed-use projects but simply applies the residential and non-residential fees to the applicable components of mixed-use developments. A mixed-use development impact fee could be evaluated for future consideration.

  Regarding middle housing and less expensive smaller homes, Arizona Revised Statute does not allow counties to charge different impact fee rates based on housing size or number of rooms, even though cities are allowed to do so. Pima County has recently adopted code changes that incentivize infill development and additional incentives could be considered in the future for middle housing or mixed-use developments.

- Legal and Procedural Concerns

  DOT had several follow-up meetings with SAHBA regarding their concerns about Level of Service, Proportional Cost Allocation, Non-Construction Cost Assumptions, and Use of the Consumption Model. The written response to SAHBA addressed these topics by indicating how the applied methodologies and assumptions were consistent with Arizona Revised Statute and the adopted 2020 impact fee program.

Responses to Other Board Questions

During the May 6, 2025, Board of Supervisors Meeting, questions were asked by Supervisor Christy and Supervisor Cano. The following are responses to these inquiries.

- Supervisor Christy - Question on the Name of the Fee Study

  Supervisor Christy asked why the "Streets Facility" Development Fee Study was being used, and not just "Roadway" Development Impact Fee Study. The fee study report uses the "Street Facility" nomenclature used in State statute. Informally, DOT refers to our impact fee study as the "Roadway" Development Impact Fee Study.

- Supervisor Cano - Question on Affordable Housing Subsidy

  Supervisor Cano inquired about an affordable housing subsidy. Consistent with Pima Prospers Plan and the Prosperity Initiative, DOT and Community Workforce Development (CWD) are working on an affordable housing roadway impact fee subsidy program. Creation of a subsidy program is one of the ways the County can help reduce the cost of affordable housing in unincorporated Pima County.

  Pima County was awarded $1,000,000 from the HUD PRO Housing Grant to establish this program. The grant funding would cover one staff position and the impact fees subsidies. Staff anticipate presenting the subsidy program to the Board in the fall of 2025.

Additional County Efforts on Housing Affordability

As you are aware, impact fee discussions have surfaced concerns about overall housing affordability. This topic was also reflected in recent County wastewater rate increase conversations, as well as during various interactions about amendments to requirements related to development. In each instance, County staff and I have remained keenly aware of the potential impacts that new costs and regulations can have on housing affordability.

Aligned with significant investments by the Board of Supervisors to increase the supply of affordable housing, including the recent allocation of $8.5 million in Fiscal Year 2025/26, the County has made numerous development-related process improvements, code enhancements and fee structure adjustments to relieve some of the pressures of rising development costs. Notable examples include:

- *Short review and permitting timeframes* – Pima County Development Services timeframes are the shortest in the region with a 5-day review target for nearly all major plan categories.

- *Reduced planning, building and site fees* – The Pima County Development Services fee schedule includes an automatic 5 percent fee reduction when the reserve fund cash balance exceeds 105 percent of the requested tentative budget. The 5 percent fee reduction for FY 2025/26 will be the fifth consecutive reduction.

- *Expanded allowance for guest houses* – Consistent with the efforts by the Pima County Regional Affordable Housing Commission, the County Zoning Code was amended to allow guest houses on more residential properties by reducing the required minimum lot size, setbacks and parking requirements, and increasing the amount of allowable lot coverage.

- *Housing along arterial corridors without rezoning* – A transit-oriented code amendment was approved allowing development of multi-family housing in commercial and transitional zones along arterial roadway corridors that have sufficient traffic capacity and are on transit routes without requiring a rezoning. Allowance are provided for increased building height and reduced setbacks.

Building on these efforts, the County has continued to work with development industry stakeholders to identify other areas of potential improvements to help with overall housing affordability, including the following:

- *Increasing the amount of permit fee reductions* – To help further offset the cumulative effect of development-related fees, the County will separately process an amendment to the Development Services fee schedule to increase the amount of the possible annual reduction from 5 percent to 7.5 percent.

- *Administrative approval of subdivision plats* – In May 2025, the Planning and Zoning Commission approved initiating a plan amendment to allow for administrative approval of subdivision plats upon verification that applicable requirements have been met. Currently plats require approval by Board of Supervisors, but the Board is not able to deny a plat that meets all adopted requirements. Allowing administrative approval will shorten the approval process by up to 3 months.

- *Updating Subdivision and Development Street Standards* – DOT is preparing to review and update the Subdivision and Development Street Standards. This process will include development industry stakeholder participation and provides an opportunity to refresh outdated requirements and make enhancements that could potentially help mitigate development cost impacts.

- *Flexibility when avoiding flood areas* – Conceptual discussions have occurred with development industry stakeholders and County staff on possible ways to provide greater site flexibility to help offset residential development costs. Conversations have included the potential for allowing a transfer of unit densities away from high-value natural resource flood areas to other locations within a property or to other properties. These discussions are in the very early stages and further consideration will involve outreach to development industry and other community stakeholders.

- *Lot slope requirement* – SAHBA membership has highlighted an opportunity to potentially reduce grading costs related to the amount of required lot slope. Requirements currently impose a 1 percent grade slope which affects the amount of grading, balancing grade cuts and filling, and relative placement of the streets, curbs and the building foundation. It has been suggested that reducing the slope to 0.5 percent could reduce the amount and cost of grading on most projects without negatively affecting drainage. Preliminary discussions have begun to evaluate the merits of this potential change.

- *Accessory Dwelling Units* – During the 2025 Legislative Session, State statute was amended to require counties to allow Accessory Dwelling Units (ADU) in residential zones excluding environmentally sensitive areas effective January 1, 2026. On June 25, 2025, the Planning and Zoning Commission initiate a code text amendment to comply with this requirement. County staff will prepare a draft code amendment to allow these additional units under existing zoning, which will expand options for the construction of housing units. A draft will be distributed for stakeholder and community input prior to required public hearings for adoption.

The items outlined above reflect the County's ongoing commitment to helping reduce the impact of our processes, requirements and fees on housing affordability. Staff will continue to work with SAHBA and other development industry stakeholders to identify, and act upon, other opportunities to keep costs as low as possible and expand housing stock in the region.

Recommendation

Pima County has adhered to Arizona Revised Statute (A.R.S.) §11-1102 in developing its Roadway Development Impact Fee Land Use Assumptions Report (LUAR), Infrastructure Improvement Plan (IIP), and Streets Facility Development Fee Study. Based on input from development industry stakeholders, a five-year phase-in of the new impact fee rates is proposed with an effective date of October 1, 2025. Pima County will continue to work with stakeholders on initiatives to increase access and affordability of housing.

I recommend approval of the Streets Facility Development Fee Study and the Phase-In Schedule as presented.

JKL/anc

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Chris Poirier, Director, Development Services Department
Kathryn Skinner, Director, Department of Transportation
Dan Sullivan, Director, Community and Workforce Development

# ATTACHMENT 1

**Pima County, Arizona**

**Impact Fee Update**

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# Street Facilities

# Development Fee Study

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## Final Report

Prepared by

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Prepared for

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**June 3, 2025**

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Dr. Matt Heinz – District 2

Jennifer Allen – District 3

Steve Christy – District 4

Andrés Cano – District 5

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## LIST OF EXHIBITS

# 1. INTRODUCTION

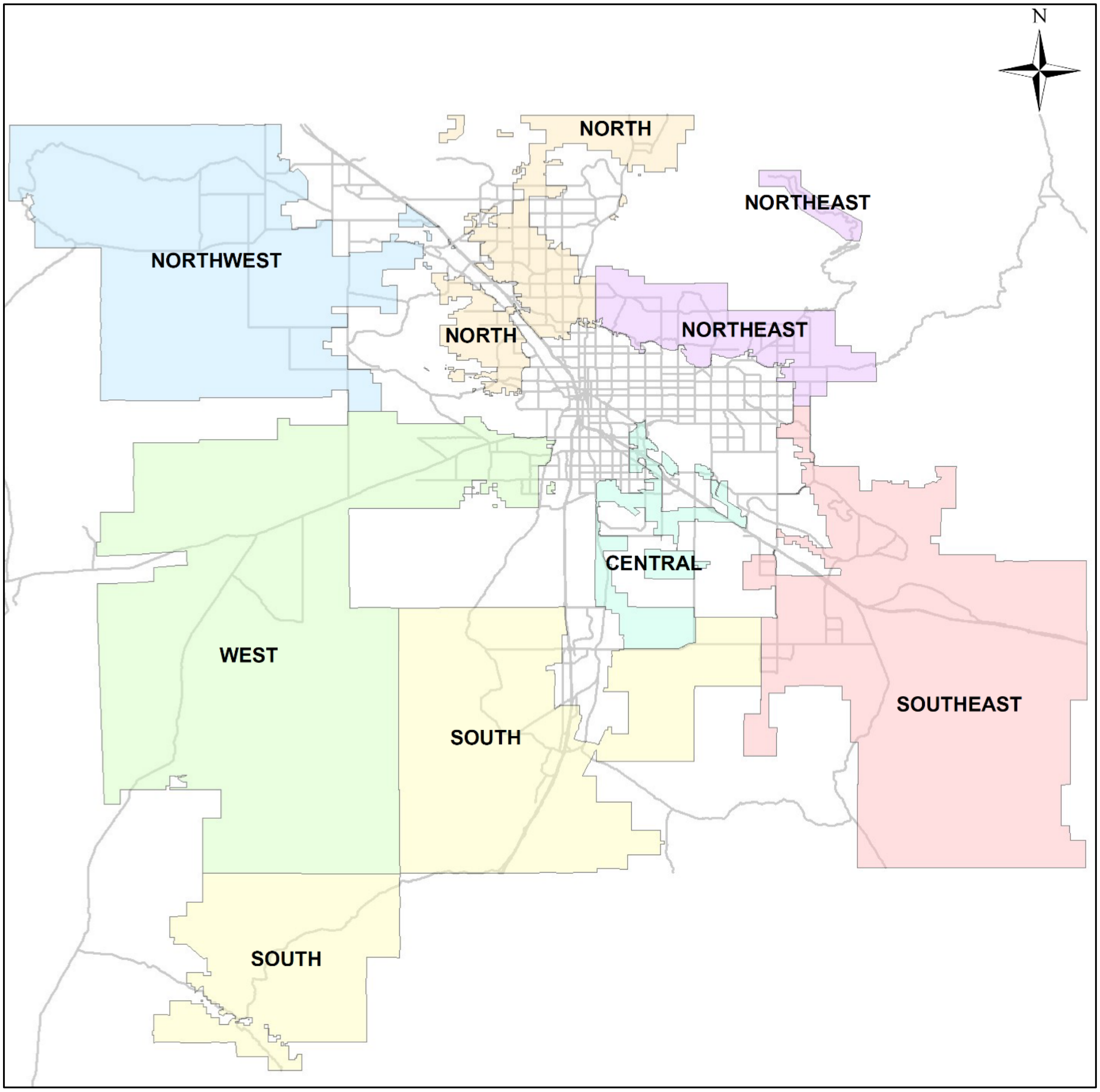
The Street Facilities Development Impact Fee in unincorporated Pima County is assessed for new developments to offset some of the infrastructure costs associated with growth. The County currently charges development impact fees for street facilities. To continue assessing and collecting fees, the County must update its program to comply with the new state statute ARS §11-1102. The update of the Street Facilities Development Impact Fee program includes preparation of new development impact fee studies, project lists, fee schedules, and county ordinance.

The statute prescribes in detail development fee assessment procedures and programs and limits the types of "necessary public services" which the fees can fund. A county must develop two preliminary products prior to calculating the fees for each service category: a set of land use assumptions and an infrastructure improvements plan (IIP). These documents were presented for public hearing on January 7, 2025, and were adopted by the County Board of Supervisors on February 18, 2025.

The Land Use Assumptions Report and Street Facilities Infrastructure Improvements Plan (Street Facilities IIP) define seven service areas for street improvements, shown in Exhibit 1.

This Development Fee Report defines land use categories subject to the fee and identifies the maximum recommended fees to be collected to fund the Street Facilities IIP.

***Exhibit 1. Streets Service Areas***



## 2. DEVELOPMENT IMPACT FEE CATEGORIES

Roadway development impact fees are assessed based on a development's size and type. Pima County defines eight major land use categories: residential, commercial/retail, industrial, hospital/clinic, recreational, office, public schools, and charter/private schools with subcategories for residential, retail/services, and office (Exhibit 2). Category definitions are based on commonly used land use descriptions in the Institute of Transportation Engineers' *Trip Generation Manual* (ITE).

***Exhibit 2. Land Use Categories and Descriptions***

| Category | Description | ITE Code |
|---|---|---|
| Single Family Residential (SFR) | Single family homes not age-restricted, not mobile homes | 210 |
| Multi-Family Residential | Apartments and townhomes | 220 |
| Senior Housing (Residential) | Age-restricted housing, single family detached and attached/multi-family units | 251 |
| Assisted Living/ Congregate Care | Nursing homes, group homes, and housing with centralized amenities and/or some level of medical services or medical care | 253 |
| Mobile Home | Mobile/manufactured homes and mobile home parks | 240 |
| Hotel/Motel | Hotels, motels, recreational vehicle parks, temporary lodging | 310,320 |
| Retail | General commercial/retail including grocery, big box, home improvement/superstores, factory outlets, discount clubs, nurseries, automobile sales, pharmacies | 821, 823 |
| Services | Restaurants, auto repair centers, car washes, day cares, banks | 932, 942 |
| High-Traffic Retail/Services | Fast food, coffee shops, gas stations, convenience stores and other similar high traffic generators | 930, 934, 945 |
| Industrial | All industrial uses, manufacturing, warehouses, and self-storage facilities (i.e. mini-warehouses) | 110, 130, 140, 150, 151 |
| Hospital/Clinic | Hospitals, clinics, labs, pharmacies, veterinary hospitals/clinics | 610, 630 |
| Recreational | Athletic, health, fitness, racquet, tennis clubs | 492 |
| General Office | All non-medical/dental/veterinarian offices | 710 |
| Medical/Dental/ Vet Office | Medical, dental, and veterinarian offices | 720 |
| Public Schools | Public schools, all grades | 520, 525 |
| Charter/Private Schools | Charter/private schools, all grades | 530, 532, 536 |

## 3. STREET FACILITIES AND COSTS ATTRIBUTABLE TO DEVELOPMENT

The Streets Facilities IIP included a list titled "Necessary Streets Facilities" (Exhibit 2 in that document) of 28 projects to be partially funded with impact fees between 2025 and 2034. That exhibit, also included in the following pages as Exhibit 4, includes projects in each of the seven service (or benefit) areas, the total cost of improvements, and the cost attributable to new development. A summary of the IIP projects by service area and amount attributable to development is shown below in Exhibit 3. The total cost of improvements is $286,231,361. Of that total, a little less than half, or $133,874,882, is attributable to new development. The remainder is not attributable to new development and will be funded through other sources such as RTA, RTA Next, federal or local funds.

***Exhibit 3. Total Roadway Needs and Cost Attributable to Development***

| Service Area | Total Roadway Needs 2025-2034 | Cost Attributable to Development | % of total |
|---|---|---|---|
| Central | $ 3,750,000 | $ 3,545,887 | 95% |
| Southeast | $ 133,687,861 | $ 59,304,152 | 44% |
| North | $ 66,185,500 | $ 20,892,705 | 32% |
| Northeast | $ 6,500,000 | $ 6,500,000 | 100% |
| Northwest | $ 12,300,000 | $ 3,994,341 | 32% |
| South | $ 5,800,000 | $ 5,800,000 | 100% |
| West | $ 58,008,000 | $ 33,837,797 | 58% |
| **TOTAL** | **$ 286,231,361** | **$ 133,874,882** | **47%** |

The amount attributable to new development varies by service area depending on how much new growth is anticipated relative to total roadway needs and the amount of funding which can be committed via impact fees. For example, most (84%) of the capacity to be added in the West service area is due to the substantial anticipated growth during the next 10 years. However, federal grant funding was secured by the County for the Valencia Road, Camino de la Tierra to Mission Road project, reducing the cost burden on new development to 58% for the West service area. Overall, the total percent of roadway capacity needs in the IIP attributable to new development is 47%. Additional detail about the development of the total costs and the cost attributable to development can be found in the Street Facilities IIP.

***Exhibit 4. Necessary Streets Facilities***

| Service Area | Project No. | Project | Limits | | Project Description | # of Lanes | Length /Units | Total Cost | % Used by Development | Cost Attributable to Development |
|---|---|---|---|---|---|---|---|---|---|---|
| CENTRAL | 1 | Country Club Road | Milber Street | Michigan Street | Widening | 4 | 0.2 | $1,350,000 | 85% | $1,145,887 |
| | 2 | Swan Road/Los Reales Road | N/A | N/A | Intersection Improvements | N/A | 1 | $2,400,000 | 100% | $2,400,000 |
| | | | | | | | **Central Service Area Total** | **$3,750,000** | **N/A** | **$3,545,887** |
| SOUTHEAST | 3 | Houghton Road | 0.2 mi south of Golf Links Road | Escalante Road | Widening | 6 | 0.8 | $21,600,000 | 41% | $4,162,206 |
| | 4 | Houghton Road | I-10 | Andrada Polytech | Legacy Improvement | 4 | 2.9 | $35,087,861 | 38% | $5,500,000 |
| | 5 | Mary Ann Cleveland Way | Vista Del Lago | Colossal Cave Road | Widening | 4 | 1.6 | $28,800,000 | 32% | $9,269,879 |
| | 6 | Old Spanish Trail | Valencia Road | Rocking K Ranch Loop North | Widening | 4 | 2.3 | $20,000,000 | 100% | $20,000,000 |
| | 7 | Valencia Road | Houghton Road | Old Spanish Trail | Legacy Improvement | 2 | 2.6 | $16,000,000 | 51% | $8,172,067 |
| | 8 | Colossal Cave Road - Up to 2 Locations | Mary Ann Cleveland Way | Camino Loma Alta | Intersection Improvements | N/A | 2 | $7,000,000 | 100% | $7,000,000 |
| | 9 | Old Spanish Trail/ Camino Loma Alta | N/A | N/A | Signal/Turn Lanes | N/A | 1 | $3,500,000 | 100% | $3,500,000 |
| | 10 | Sahuarita Road - Up to 2 Locations | Wentworth Rd | Davidson Rd | Turn Lanes | N/A | 2 | $1,700,000 | 100% | $1,700,000 |
| | | | | | | | **Southeast Service Area Total** | **$133,687,861** | **N/A** | **$59,304,152** |

***Exhibit 4 (cont'd). Necessary Street Facilities***

| Service Area | Project No. | Project | Limits | | Project Description | # of Lanes | Length /Units | Total Cost | % Used by Development | Cost Attributable to Development |
|---|---|---|---|---|---|---|---|---|---|---|
| NORTH | 11 | Orange Grove Road | Corona Road | Oracle Rd | Widening | 4 | 1.7 | $27,304,000 | 30% | $4,681,000 |
| | 12 | Sunset Road | I-10 | River Road | New Construction | 3 | 0.3 | $11,381,500 | 61% | $2,301,991 |
| | 13 | Thornydale Road | Cortaro Farms Road | Overton Road | Widening | 4 | 1.0 | $20,000,000 | 32% | $6,409,714 |
| | 14 | Linda Vista Road - Up to 6 Locations | Hartman Road | Camino de Oeste | Turn Lanes | N/A | 6.0 | $5,100,000 | 100% | $5,100,000 |
| | 15 | Linda Vista Road/Shannon Road | N/A | N/A | Intersection Improvements | N/A | 1.0 | $2,400,000 | 100% | $2,400,000 |
| | | | | | | | **North Service Area Total** | **$66,185,500** | **N/A** | **$20,892,705** |
| NORTHEAST | 16 | River Road - Up to 2 Locations | Alvernon Way | Sabino Canyon Road | Turn Lanes | N/A | 2.0 | $1,700,000 | 100% | $1,700,000 |
| | 17 | Houghton Road/Catalina Highway | N/A | N/A | Intersection Improvements | N/A | 1 | $2,400,000 | 100% | $2,400,000 |
| | 18 | Tanque Verde Road/Soldier Trail | N/A | N/A | Intersection Improvements | N/A | 1 | $2,400,000 | 100% | $2,400,000 |
| | | | | | | | **Northeast Service Area Total** | **$6,500,000** | **N/A** | **$6,500,000** |
| NORTHWEST | 19 | Twin Peaks Road | Twin Peaks Road | Saguaro Highlands | Widening | 4 | 0.6 | $9,900,000 | 37% | $1,594,341 |
| | 20 | Sandario Road/Picture Rocks Road | N/A | N/A | Intersection Improvements | N/A | 1 | $2,400,000 | 100% | $2,400,000 |
| | | | | | | | **North Service Area Total** | **$12,300,000** | **N/A** | **$3,994,341** |

***Exhibit 4 (cont'd). Necessary Street Facilities***

| Service Area | Project No. | Project | Limits | | Project Description | # of Lanes | Length /Units | Total Cost | % Used by Development | Cost Attributable to Development |
|---|---|---|---|---|---|---|---|---|---|---|
| SOUTH | 21 | Sahuarita Road - Up to 4 Locations | Alvernon Way | Sycamore Springs Trail | Turn Lanes | N/A | 4 | $3,400,000 | 100% | $3,400,000 |
| | 22 | Harrison Road/Sahuarita Road | N/A | N/A | Intersection Improvements | N/A | 1 | $2,400,000 | 100% | $2,400,000 |
| | **South Service Area Total** | | | | | | | **$5,800,000** | **N/A** | **$5,800,000** |
| WEST | 23 | Camino Verde | Copper Leaf Drive | Bilby Road | Widening | 3 | 0.8 | $10,800,000 | 98% | $10,603,079 |
| | 24 | Valencia Road | Camino de la Tierra | Mission Road | Widening | 6 | 1.3 | $35,100,000 | 74% | $11,126,718 |
| | 25 | Camino Verde/Valencia Road | N/A | N/A | Intersection Improvements | N/A | 1 | $3,200,000 | 100% | $3,200,000 |
| | 26 | Irvington Road - Up to 2 Locations | Ajo Way | Mission Road | Intersection Improvements | N/A | 2 | $4,108,000 | 100% | $4,108,000 |
| | 27 | Kinney Road/Irvington Road/Joseph Avenue | N/A | N/A | Intersection Improvements | N/A | 1 | $2,400,000 | 100% | $2,400,000 |
| | 28 | Valencia Road/Vahalla Road | N/A | N/A | Intersection Improvements | N/A | 1 | $2,400,000 | 100% | $2,400,000 |
| | **West Service Area Total** | | | | | | | **$58,008,000** | **N/A** | **$33,837,797** |
| **TOTAL** | | | | | | | | **$286,231,361** | **N/A** | **$133,874,882** |

# 4. DEVELOPMENT FEES FOR STREET FACILITIES

Roadway development impact fees are based on the cost to provide roadway capacity for new development. The Infrastructure Improvements Plan (IIP) identified the roadway improvements that will be needed as a result of anticipated development over the next 10 years. The IIP also identified the travel demand and the equivalent demand per unit (EDU) for each land use type. The methodology for calculating travel demand and impact fees is described in more detail below.

## 4.1. TRAVEL DEMAND CALCULATION

Several factors are used to calculate fees, including the amount of traffic generated by a residential unit or non-residential development (trip generation), the percent of primary trips, the distance traveled on the roadway network (impact/consumption), and the cost to provide the roadway capacity needed to serve that development/land use. The explanation of these variables and associated references can be found in the Appendix. The travel demand for a single family residential (SFR) unit is shown in the calculation below:

**<u>Vehicle-Miles Traveled per Dwelling Unit</u>**

| | | |
|---|---|---|
| Trips per Dwelling Unit (ITE Trip Generation) | = | 0.94 trips in peak hour |
| Trip Length (US Census, N.H.T.S.) | = | 12.6 miles |
| Vehicle-Miles Traveled (VMT) in peak hour = 0.94 x 12.6 miles | = | 11.8 miles |
| Travel in Unincorporated Pima County = 50% x 11.8 miles | = | 5.9 miles |
| **Travel on Arterial Roads Only = 80% x 5.9 miles** | **=** | **4.7 miles** |

## 4.2. FEE CALCULATION

The impact fee for a single family dwelling unit is calculated by multiplying the number of vehicle miles travelled (VMT) as calculated above by the cost to construct one unit of roadway capacity (one lane mile). The roadway unit cost is calculated by dividing the cost per lane mile of newly constructed roadway ($4.5M) by the hourly vehicle capacity per lane mile (1,180 vehicles per hour). Adjustments are made to account for non-residential and multi-purpose trips and to allow credits for taxes paid toward those roadway improvements included in the Regional Transportation Authority (RTA) plan and the proposed RTA Next plan.

The RTA credit calculations are included as an appendix; note that the calculations included in this document supersede those in the IIP. A summary of the fee calculation for one SFR unit is shown below. Note that the numbers shown are rounded.

**<u>Single Family Residential Fee Calculation</u>**

| | | |
|---|---|---|
| Cost per lane mile of capacity | = | $4,500,000 |
| Capacity per lane mile (peak hour) | = | 1,180 vehicles per hour (vph) |
| Cost per vehicle miles travelled ($4,500,000/1,180vph) | = | $3,814/vph |
| Base fee (4.7 miles x $3,814) | = | $18,038 |
| Residential Factor (accounts for non-residential trips) | = | 65% |
| Raw fee (base fee x residential factor) | = | $11,725 |
| Fee credits for RTA taxed paid | = | $71 |
| **Net Fee per residential unit** (raw fee – RTA credit) | **=** | **$11,654** |

The term "Equivalent Demand per Unit (EDU)" is a measure of demand for street infrastructure crated by a typical single family residence (SFR). The average VMT created by one SFR on the arterial network is considered to be one EDU. The demand for roadway improvements for other land uses is the ratio of its demand compared to that of an SFR, expressed in EDUs. The EDUs were established in the IIP and are included in Exhibit 4.

Non-residential fees (as well as residential fees for non-SFR units) are calculated in the same manner as SFR fees, starting with the base fee calculated in the SFR fee calculation (4.7 VMT x $3,814 cost for one lane mile for one VMT) and then multiplying that product by the applicable EDU. The example below is for retail development, and one retail unit is 1,000 square feet.

**<u>Retail Fee Calculation (per 1,000 sq. ft.)</u>**

| | | |
|---|---|---|
| Base fee (4.7 miles x $3,814) | = | $18,038 |
| Equivalent Demand per Unit (per 1,000 sq. ft.) | = | 1.10 |
| Factored Base Fee (base fee x EDU) | = | $19,822 |
| Non-Residential Factor (65% are residential trips) | = | 35% |
| Raw fee (base fee x non-residential factor) | = | $6,938 |
| Fee credits for RTA taxes paid | = | $30 |
| **Net Fee per Retail Unit (raw fee – RTA credit)** | **=** | **$6,908** |

Other fees are calculated similarly and are summarized in Exhibit 5, which defines the recommended maximum base fee for each land use. The fees are calculated in proportion to the relative EDU factors and RTA credits, which are detailed in the IIP. The fees are assessed per number of dwelling units for residential uses, per room for hotels, and per 1,000 square feet of gross building area for all other non-residential uses.

***Exhibit 5. Recommended Maximum Roadway Development Fee***

| Land Use Category | Unit | EDUs | Raw Fee* | RTA Credit** | Recommended Fee*** |
|---|---|---|---|---|---|
| **Residential** | | | | | |
| *Single Family Detached* | Dwell. Unit | 1.00 | $ 11,725 | $ 71 | $ 11,654 |
| *Attached Residential/Multi-Family* | Dwell. Unit | 0.54 | $ 6,361 | $ 33 | $ 6,328 |
| *Senior Housing* | Dwell. Unit | 0.32 | $ 3,742 | $ 71 | $ 3,671 |
| *Assisted Living/Congregate Care* | Dwell. Unit | 0.19 | $ 2,245 | $ 17 | $ 2,228 |
| *Mobile Home Park* | Dwell. Unit | 0.62 | $ 7,234 | $ 27 | $ 7,207 |
| **Commercial/Retail** | | | | | |
| *Hotel/Motel* | Rooms | 0.51 | $ 3,190 | $ 21 | $ 3,169 |
| *Retail* | 1000 sf | 1.10 | $ 6,938 | $ 30 | $ 6,908 |
| *Services* | 1000 sf | 2.54 | $ 16,059 | $ 30 | $ 16,029 |
| *High-Traffic Retail/Services* | 1000 sf | 5.30 | $ 33,449 | $ 45 | $ 33,404 |
| **Industrial** | 1000 sf | 0.34 | $ 2,150 | $ 45 | $ 2,105 |
| **Hospital/Clinic** | 1000 sf | 1.45 | $ 9,168 | $ 88 | $ 9,080 |
| **Recreational** | 1000 sf | 1.88 | $ 11,861 | $ 40 | $ 11,821 |
| **Office** | | | | | |
| *General Office* | 1000 sf | 1.21 | $ 7,634 | $ 45 | $ 7,589 |
| *Medical/Dental/Vet Office* | 1000 sf | 3.14 | $ 19,796 | $ 45 | $ 19,751 |
| **Public Schools** | 1000 sf | 0.45 | $ 2,825 | $ 44 | $ 2,781 |
| **Charter/Private Schools** | 1000 sf | 1.09 | $ 6,894 | $ 44 | $ 6,850 |

*Raw fees are the development fees before RTA credits area applied.

** RTA credits were calculated based on estimated construction costs. Details of the calculations are in the IIP.

***Recommended fees are the raw fees after applying the RTA credits.

**APPENDIX**

- **List of Preparers**
- **Updated RTA Credit Calculations**
- **Fee Calculation**
- **EDU Table**

# List of Preparers

**Staff Participants**

Kathryn Skinner, P.E., Transportation Director

Paul Casertano, AICP, Transportation Deputy Director

Jonathan Crowe, Planner III

**Psomas**

Alejandro Angel, PhD, P.E., PTOE, RSP2I

Darlene Danehy Yellowhair, P.E., PTOE, RSP2I, ENV SP

## Updated RTA Credit Calculations

| Land Use Category | ICC Building Group | ICC Construction Type | ICC Cost per sq ft | Average | Typical sq ft | Cost per Unit | Taxable Cost Per Unit (65%) | RTA Sales Tax (0.5%) | RTA Sales Tax Credit Factor | RTA Sales Tax Credit per Unit | RTA Sales Tax Credit per Unit, Rounded |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Residential** | | | | | | | | | | | |
| *Single Family Detached* | R3 - residential one and two family | VB | $167.37 | $167.37 | 2,000 | $360,680 | $234,442 | $1,172.21 | 6.0% | $70.33 | **$71.00** |
| | U - utility (garage) | VB | $64.85 | $64.85 | 400 | | | | | | |
| *Attached Residential/ Multi-Family* | R2 - residential multi-family | VB | $149.80 | $149.80 | 1,115 | $167,027 | $108,568 | $542.84 | 6.0% | $32.57 | **$33.00** |
| *Senior Housing* | R3 - residential one and two family | VB | $167.37 | $167.37 | 2,000 | $360,680 | $234,442 | $1,172.21 | 6.0% | $70.33 | **$71.00** |
| | U - utility (garage) | VB | $64.85 | $64.85 | 400 | | | | | | |
| *Assisted Living/ Congregate Care* | I2 - institutional, nursing homes | VA | $238.82 | $247.20 | 350 | $86,518 | $56,237 | $281.18 | 6.0% | $16.87 | **$17.00** |
| | R4 - care/assisted living | IB | $255.57 | | | | | | | | |
| *Mobile Home Park* | R2 - residential multi-family | VB | $149.80 | $149.80 | 900 | $134,820 | $87,633 | $438.17 | 6.0% | $26.29 | **$27.00** |
| | | | | | | | | | | | |
| **Commercial/Retail** | | | | | | | | | | | |
| *Hotel/Motel* | R1 - residential hotels | VB | $192.64 | $192.64 | 550 | $105,952 | $68,869 | $344.34 | 6.0% | $20.66 | **$21.00** |
| *Retail* | M - mercantile | IIIB | $151.25 | $151.25 | 1,000 | $151,250 | $98,313 | $491.56 | 6.0% | $29.49 | **$30.00** |
| *Services* | M - mercantile | IIIB | $151.25 | $151.25 | 1,000 | $151,250 | $98,313 | $491.56 | 6.0% | $29.49 | **$30.00** |
| *High-Traffic Retail/Services* | B - business | IIIB | $229.40 | $229.40 | 1,000 | $229,400 | $149,110 | $745.55 | 6.0% | $44.73 | **$45.00** |
| | | | | | | | | | | | |
| **Industrial** | B - business | IIIB | $229.40 | $229.40 | 1,000 | $229,400 | $149,110 | $745.55 | 6.0% | $44.73 | **$45.00** |
| | | | | | | | | | | | |
| **Hospital/Clinic** | I2 - institutional, hospitals | IB | $449.45 | $449.45 | 1,000 | $449,450 | $292,143 | $1,460.71 | 6.0% | $87.64 | **$88.00** |
| | | | | | | | | | | | |
| **Recreational** | A3 - museums, libraries | IIIB | $200.06 | $200.06 | 1,000 | $200,060 | $130,039 | $650.20 | 6.0% | $39.01 | **$40.00** |
| | | | | | | | | | | | |
| **Office** | | | | | | | | | | | |
| *General Office* | B - business | IIIB | $229.40 | $229.40 | 1,000 | $229,400 | $149,110 | $745.55 | 6.0% | $44.73 | **$45.00** |
| *Medical/Dental/Vet Office* | B - business | IIIB | $229.40 | $229.40 | 1,000 | $229,400 | $149,110 | $745.55 | 6.0% | $44.73 | **$45.00** |
| | | | | | | | | | | | |
| **Public Schools** | E - educational | IIIB | $221.55 | $221.55 | 1,000 | $221,550 | $144,008 | $720.04 | 6.0% | $43.20 | **$44.00** |
| **Charter/Private Schools** | E - educational | IIIB | $221.55 | $221.55 | 1,000 | $221,550 | $144,008 | $720.04 | 6.0% | $43.20 | **$44.00** |

# Fee Calculation

| | Type of Calculation | Proposed | Data Source/Calculation |
|---|---|---|---|
| 1 | Number of Trips per DU in Peak Hr | 0.94 | ITE Trip Generation Manual, 11th Edition |
| 2 | Trip Length | 12.6 | 2022 NHTS - Table 3-3, all. New presentation, https://nhts.ornl.gov/assets/2022/pub/2022_NHTS_Summary_Travel_Trends.pdf |
| 3 | Peak Hr VMT/DU | 11.8 | =1*2 |
| 4 | % travel in Unincorporated PC | 50% | Estimated based on location of trip generators and destinations within the County and adjacent jurisdictions |
| 5 | % of travel on Arterials | 80% | AASHTO |
| 6 | % of travel on Unincorporated PC Arterials | 40% | =4*5 |
| 7 | Peak Hr VMT/DU in PC Arterials | 4.7 | =3*6 |
| 8 | Cost per Ln-Mi | $ 4,500,000 | IIP Appendix |
| 9 | Peak Hr Capacity/Ln | 1,180 | =19,530 (Daily capacity veh/day)*.11 (% travel in peak hour)*55% (% travel in peak direction) |
| 10 | $/VMT | 3,814 | =8/9 |
| 11 | Base Fee | $ 18,038 | =7*10 |
| 12 | Residential/Non Residential Factor | 65% | Factor used to ensure trips are not double counted (since each trip has two ends). Standard adjustment would be 50/50 splits between residential and non-residential, but because non-residential include a significant percentage of non-primary (i.e. pass-by) trips, a higher percentage of trip ends are associated with residential uses. |
| 13 | Raw Fee (Residential) | $ 11,725 | =11*12 |
| 14 | Credits/offsets (RTA)* | $ 71 | Fee Study appendix (see previous page) |
| 15 | Credits/offsets (HURF) | $ - | The County uses HURF monies for maintenance. Therefore, no credit is given because Impact Fees cannot go to maintenance (and therefore, there is no double-charging). |
| 16 | Net Fee (Residential) | $ 11,654 | =13-14-15 |

## EDU Table

| Land Use Category | Unit | % Primary Trips | Peak Hour Rate per Unit | Average Trip Length (mi) | % Travel within Unincorporated PC | % Travel on Arterials | % Travel Demand on PC Arterial Network | Vehicle Miles of Travel Demand per Unit - Peak Hour | Representative ITE Category | Proposed EDUs |
|---|---|---|---|---|---|---|---|---|---|---|
| **Residential** | | | | | | | | | | |
| *Single Family Detached* | Dwelling Unit | 100% | 0.94 | 12.6 | 50% | 80% | 40% | 4.7 | 210 | **1.00** |
| *Attached Residential/Multi-Family* | Dwelling Unit | 100% | 0.51 | 12.6 | 50% | 80% | 40% | 2.6 | 220 | **0.54** |
| *Senior Housing* | Dwelling Unit | 100% | 0.30 | 12.6 | 50% | 80% | 40% | 1.5 | 251 | **0.32** |
| *Assisted Living/Congregate Care* | Dwelling Unit | 100% | 0.18 | 12.6 | 50% | 80% | 40% | 0.9 | 253 | **0.19** |
| *Mobile Home Park* | Dwelling Unit | 100% | 0.58 | 12.6 | 50% | 80% | 40% | 2.9 | 240 | **0.62** |
| | | | | | | | | | | |
| **Commercial/Retail** | | | | | | | | | | |
| *Hotel/Motel* | Rooms | 100% | 0.48 | 12.6 | 50% | 80% | 40% | 2.4 | 310, 320 | **0.51** |
| *Retail* | 1000 sf | 60% | 3.74 | 5.8 | 50% | 80% | 40% | 5.2 | 821, 823 | **1.10** |
| *Services* | 1000 sf | 66% | 6.34 | 7.2 | 50% | 80% | 40% | 12.1 | 932, 942 | **2.54** |
| *High-Traffic Retail/Services* | 1000 sf | 23% | 37.89 | 7.2 | 50% | 80% | 40% | 25.1 | 930, 934, 945 | **5.30** |
| | | | | | | | | | | |
| **Industrial** | 1000 sf | 70% | 0.43 | 13.4 | 50% | 80% | 40% | 1.6 | 110, 130, 140, 150, 151 | **0.34** |
| | | | | | | | | | | |
| **Hospital/Clinic** | 1000 sf | 60% | 2.28 | 12.6 | 50% | 80% | 40% | 6.9 | 610, 630 | **1.45** |
| | | | | | | | | | | |
| **Recreational** | 1000 sf | 75% | 3.45 | 8.6 | 50% | 80% | 40% | 8.9 | 492 | **1.88** |
| | | | | | | | | | | |
| **Office** | | | | | | | | | | |
| *General Office* | 1000 sf | 75% | 1.43 | 13.4 | 50% | 80% | 40% | 5.7 | 710 | **1.21** |
| *Medical/Dental/Vet Office* | 1000 sf | 75% | 3.93 | 12.6 | 50% | 80% | 40% | 14.9 | 720 | **3.14** |
| | | | | | | | | | | |
| **Public Schools** | 1000 sf | 25% | 5.17 | 4.1 | 50% | 80% | 40% | 2.1 | 520, 525 | **0.45** |
| **Charter/Private Schools** | 1000 sf | 25% | 7.39 | 7.0 | 50% | 80% | 40% | 5.2 | 530, 532, 536 | **1.09** |

# ATTACHMENT 2

**Pima County Development Impact Fee Rate Schedule, 2025-2030**

| Land Use Category | Current Fee | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Phase 5 |
|---|---|---|---|---|---|---|
| | | Oct 2025 - Sept 2026 | Oct 2026 - Sept 2027 | Oct 2027 - Sept 2028 | Oct 2028- Sept 2029 | Oct 2029- Sept 2030 |
| Single Family Residential | $8,523 | $9,149 | $9,775 | $10,401 | $11,028 | $11,654 |
| Multi-Family Residential | $4,827 | $5,127 | $5,428 | $5,728 | $6,028 | $6,328 |
| Senior Housing | $2,535 | $2,762 | $2,989 | $3,217 | $3,444 | $3,671 |
| Assisted/Congregate Care | $1,545 | $1,682 | $1,818 | $1,955 | $2,092 | $2,228 |
| Mobile Home/Park | $3,965 | $4,613 | $5,262 | $5,910 | $6,559 | $7,207 |
| Hotel/Motel | $2,269 | $2,449 | $2,629 | $2,809 | $2,989 | $3,169 |
| Retail | $5,442 | $6,070 | $6,698 | $7,326 | $7,954 | $8,582 |
| Services | $14,635 | $14,914 | $15,193 | $15,472 | $15,750 | $16,029 |
| High-Traffic Retail/Services | $27,365 | $28,573 | $29,781 | $30,988 | $32,196 | $33,404 |
| Industrial | $1,307 | $1,467 | $1,626 | $1,786 | $1,945 | $2,105 |
| Hospital/Clinic | $6,448 | $7,091 | $7,734 | $8,376 | $9,019 | $9,662 |
| Recreational | $12,843 | $12,639 | $12,434 | $12,230 | $12,026 | $11,821 |
| General Office | $4,594 | $5,295 | $5,995 | $6,696 | $7,397 | $8,098 |
| Medical/Dental/Vet Office | $13,785 | $15,230 | $16,674 | $18,119 | $19,564 | $21,008 |
| Public Schools | $2,496 | $2,553 | $2,610 | $2,667 | $2,724 | $2,781 |
| Charter/Private Schools | $5,604 | $5,853 | $6,102 | $6,351 | $6,600 | $6,850 |

# ATTACHMENT 3

SAHBA
the community builder
Southern Arizona Home Builders Association

Southern Arizona Home Builders Association

2840 N. Country Club Rd.
Tucson, AZ 85716
P: 520.795.5114
www.sahba.org



**SENT VIA ELECTRONIC MAIL**

May 2, 2025

The Honorable Rex Scott
Chair, Board of Supervisors
Pima County
130 W. Congress
Tucson, AZ 85701

***RE: 5.06.2025 Meeting Agenda, Item #70, Impact Fees Hearing - Street Facilities Development Fee Study - Draft Report***

Chair Scott,

Housing affordability is one of the most urgent and consequential challenges facing Pima County today. According to the County's own Housing Needs Assessment[1], we must add 116,000 housing units by 2045 to meet the needs of our growing population. Yet, this goal becomes increasingly difficult when just 14% of County land is privately owned, and the cost of government regulation already contributes nearly $94,000, roughly 24%[2], to the price of a new home.

At a time when housing is becoming increasingly out of reach for working families, the County's Draft Development Impact Fee Report proposes a 37% increase in residential impact fees—adding approximately $3,131 to the cost of a new home. This comes on top of an already growing list of expanded policies and regulatory mandates including: floodplain related requirements, changes to Pima Prospers, proposed building code changes and more. These cumulative burdens are making homeownership unattainable for thousands of local families.

We recognize the importance of impact fees as a tool for funding infrastructure. But a tool that must be used with precision—not blunt force. A 37% increase undermines our shared goals of housing access

According to a National Association of Home Builders study (*see Appendix A*), every $1,000 added to the cost of a new home prices out 444 families from being able to afford it. The proposed increase alone could disqualify over 1,200 households in our community. These are real families, with real needs, at a time when the market is already pulling back—permits are down over 30% year over year. If we are serious about confronting the housing crisis, then every policy—including infrastructure financing—must reflect that urgency. We must lower barriers to homeownership, not raise them.

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[1] Eco Northwest. Pima County Housing Study, *Needs Assessment*. 4 Feb. 2025, https://pima.legistar.com/View.ashx?M=F&ID=13739072&GUID=C427C0B3-569C-472E-80FC-208574E12DB8. PPT.

[2] National Association of Home Builders. (2021, May). *Government regulation in the price of a new home*. https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf

**To that end, we respectfully urge the Board to:**

1. **Adopt a fee below the proposed amount.** Reducing the proposed fee would mitigate the impact on affordability while still supporting infrastructure needs.
2. **Longer phase-in period.** Given today's volatile housing environment, we strongly recommend a five-year implementation to soften the blow and allow the market to gradually adjust.
3. **Create an incentive program that supports housing goals.** The County should develop an impact fee waiver program for mixed-use projects, missing middle housing and a waiver program for homes priced below the area's median income, similar to Houston's model [3].
4. **Unresolved Legal and Procedural Concerns:** Several of our questions and comments from the Report/IIP remain, and the responses we received from staff merit further consideration. These issues, informed by our legal counsel, reflect ongoing concerns that we are working to address without escalating further action.
    a. **Level of Service Concerns:** Many proposed improvements—such as roundabouts, shoulders, turn lanes, as well as pedestrian and bicycle infrastructure – represent a higher level of service than what exists today. According to A.R.S. § 11-1102(V)(7)(c), such improvements cannot be funded by development if they enhance existing service levels.
    b. **Lack of Proportional Cost Allocation:** Several widening and intersection improvement projects are assigned 100% of their cost to new development, despite clearly benefiting existing residents. Arizona law requires proportionality.
    c. **Non-Construction Cost Assumption:** Pima County uses a lane mile cost of $4.5m as to determine the Cost Per Residential Unit. Of the $4.5m, $3m is "construction cost" and $1.5m is "non-construction cost". The non-construction costs include: Environmental Permitting, Right of Way, Planning and Design and Construction Management. The Study does not, however, provide detailed cost breakdowns for these items and instead relies on salary escalators, house price indexes or regional studies. Without this information, it impedes the ability to justify the 50% non-construction cost allocation. Furthermore, A.R.S. § 11-1102(B)(5)(f) clearly references that impact fees may not be used for "Administrative, maintenance or operating costs". The aforementioned items appear to be consistent with administrative and operating costs.
    d. **Inappropriate Use of the Consumption Model:** The application of the consumption-based methodology fails to align with statutory requirements. For example, the removal of three projects from the IIP without any fee reduction suggests the fees are not tied to projects reasonably necessary to serve specific new development. This approach implies that certain improvements would proceed regardless of growth, and it undermines the proportionality requirement by not clearly distinguishing between the needs of new development and existing users.

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[3] City of Houston. (2025, April 1). *Certification: Impact fee exemption for low and medium cost housing*. Houston Permitting Center. https://www.houstonpermittingcenter.org/media/2346/download

We share the County's vision of investing in safe, efficient infrastructure to support a thriving community. But that vision must be grounded in legal compliance, fiscal accountability, and a clear commitment to solving our housing crisis.

If adopted as proposed, this fee increase would have serious unintended consequences—fueling the very crisis we're trying to fix. We therefore urge the Board to delay final action and direct staff to engage further with stakeholders to resolve the issues outlined above. We remain committed to working together in good faith to achieve a balanced solution that serves both our infrastructure and housing needs.

Thank you for your thoughtful consideration.

BT Lyons

Brendan Lyons, MPA
Director of Government Affairs
Southern Arizona Home Builders Association

## *APPENDIX A:*

**Tucson, AZ MSA Households Priced Out of the Market by Increases in House Prices, 2024**

| Area | Mortgage Rate | House Price | Monthly Mortgage Payment | Taxes and Insurance | Minimum Income Needed | Households That Can Afford House |
|---|---|---|---|---|---|---|
| Tucson, AZ | 6.50% | $423,000 | $2,592 | $313 | $124,476 | 100,356 |
| Tucson, AZ | 6.50% | $424,000 | $2,598 | $313 | $124,770 | 99,912 |
| Difference | | $1,000 | $6 | $1 | $294 | -444 |

Calculations assume a 10% down payment and a 73 basis point fee for private mortgage insurance.
A Household Qualifies for a Mortgage if Mortgage Payments, Taxes, and Insurance are 28% of Income

| Tucson, AZ MSA Household Income Distribution for 2024 | | | | |
|---|---|---|---|---|
| Income Range: | | | Households | Cumulative |
| $0 | to | $10,240 | 27,951 | 27,951 |
| $10,241 | to | $15,361 | 16,897 | 44,848 |
| $15,362 | to | $20,481 | 17,153 | 62,001 |
| $20,482 | to | $25,602 | 18,142 | 80,143 |
| $25,603 | to | $30,722 | 19,840 | 99,983 |
| $30,723 | to | $35,843 | 22,604 | 122,586 |
| $35,844 | to | $40,963 | 18,743 | 141,330 |
| $40,964 | to | $46,084 | 17,455 | 158,784 |
| $46,085 | to | $51,204 | 18,613 | 177,397 |
| $51,205 | to | $61,445 | 32,738 | 210,136 |
| $61,446 | to | $76,807 | 42,208 | 252,343 |
| $76,808 | to | $102,409 | 57,194 | 309,537 |
| $102,410 | to | $128,012 | 38,631 | 348,168 |
| $128,013 | to | $153,614 | 28,225 | 376,393 |
| $153,615 | to | $204,819 | 34,148 | 410,541 |
| $204,820 | to | More | 32,647 | 443,188 |

AMA
Arizona Multihousing Association

May 5, 2025

Chairman Rex Scott and Members
Pima County Board of Supervisors
130 W. Congress St.
Tucson, AZ 85701

VIA ELECTRONIC MAIL

Dear Chairman Scott and Members of the Board:

The Arizona Multihousing Association is the largest organization in Arizona representing multifamily developers, owners and managers. I am corresponding with you today to express our concern over the proposed 31 percent increase in Streets Facilities Development Fees.

There is consensus that our region is experiencing a housing affordability crisis. The fact that you have another item on your May 6 agenda to add three cents to the primary property tax rate to help pay for affordable housing confirms you recognize the current challenge.

The issue is one of basic economics; we need to increase inventory in order to reduce costs. Raising the cost of building new apartments undermines our shared goal of building more residential units which Pima County residents can afford. Studies have shown that government fees and regulations already comprise a significant portion of the costs of building new housing. While we cannot control factors like the cost of building materials, we as a community do have the power to mitigate regulatory costs.

While we very much appreciate a phased approach in order to allow the market to adjust, please consider an impact fee increase smaller than the proposed 31 percent.

We stand ready to work with your offices and Pima County staff to work toward solutions to this crisis.

Respectfully,

Ben Buehler-Garcia
AZ Multihousing Association

Cc: Carmine DeBonis

1415 N 7th Ave | Phoenix, AZ 85007 | Phone (602) 296-6200 | Fax (602) 296-6178

# ATTACHMENT 4

June 18, 2025

Brendan Lyons, MPA
Government Affairs Director
Southern Arizona Homebuilders Association
2840 N. Country Club Road
Tucson, AZ 85716

**Subject: Your Letter Dated May 2, 2025, regarding Impact Fees**

Dear Mr. Lyons,

This letter responds to your May 2, 2025, letter to Pima County Board of Supervisors Chair Rex Scott and Board members regarding impact fees and your comments at the May 6, 2025, public hearing. We understand the concerns you have raised on behalf of SAHBA and its members and appreciate the opportunity to discuss these issues.

Your comments highlight housing affordability, so we will address that issue first. The Pima County Board of Supervisors has discussed housing affordability at many of their recent meetings. At the June 3, 2025, meeting, the Board approved $3.5 million of additional funding for affordable housing, increasing it from $5 million to $8.5 million in fiscal year 2026. Additionally, the Transportation Department and the Community and Workforce Development Department are working together to create an affordable housing subsidy that can be used on qualifying affordable housing projects to cover the cost of impact fees. This program is further discussed in response 3 below.

The following responses address the other requests and points you raise in your letter.

1. **Lower Fee**. We acknowledge your request for a lower fee, but as we've stated, the amount is derived from the same formula we used in 2020. The increase is primarily due to the cost of roadway construction, which has increased 80% since 2020. For this reason, we are proposing a residential fee that will increase by approximately 7.4% per year over five years.

2. **Longer Phase-In Period**. We initially proposed a three-year phase-in period as was adopted by the Board of Supervisors in 2020. After further consideration, and due to the magnitude of the increase, we agree to your proposal for a five-year phase-in. Although the longer phase-in period will result in a shortfall for which the County will have to find additional funding, this change will lessen the impact of the increase to your members while still providing certainty to both the development community and county.

3. **Housing Incentive Program**. The Transportation Department has been working with the Community and Workforce Development Department to create an affordable housing subsidy program. This program would provide direct assistance to housing providers whose tenants and homeowners meet income thresholds. This program would provide much needed relief to those in

need and help to ensure housing affordability. We agree with your suggestion for additional measures to support mixed-use projects and middle housing.

4. **Level of Service.** We have discussed this concern and believe that our program complies with A.R.S. 11-1102. The statute requires improvements to be capacity-related; therefore, roundabouts, turn lanes, and other improvements that increase capacity are eligible uses of impact fees. The intent of the improvements is to only build needed capacity improvements required for new development, not improve outstanding capacity needs of existing users. Therefore, it is expected that the level of service (LOS) will not change. For example, if a roadway operates at LOS D today but would degrade to LOS E or lower as a result of new development, the new capacity improvements would be intended to accommodate this additional traffic at the end of the 10-year IIP period but retain LOS D performance.

5. **Proportionality.** The projects with 100% costs attributable to new development are only intersection and turn lane projects. These projects will only add the necessary capacity needed to accommodate new growth. If we provide additional improvements not attributable to new development, other funds would be used – that is how we satisfy the proportionality requirement.

6. **Non-Construction Costs.** When we last met, we provided non-construction costs for recent projects that support the 50% cost allocation. These include right-of-way, planning and design, and construction management which are all allowable expenses of impact fees per state statute. Maintenance and operating costs and general county administrative costs are not allowable, so they are not included in the calculation.

7. **Consumption Model.** We support the consumption-based methodology which is identical to the method used for the 2020 update. The fees are primarily tied to construction costs, not the number of the projects or the individual costs of each project. Only projects needed by new growth are included in the IIP, and the use of the consumption methodology results in a fiscally constrained program. Proportionality is satisfied by allocating project costs to new development. The total cost of all IIP projects is $286,231,361, but only 46.8%, or $133,874,883, is attributable to new development. The remaining costs are paid by the county with other funding sources.

We hope this information helps to explain the proposed fees, but we understand you may still have concerns. We trust that extending the phase-in period will provide some mitigation. Please let us know if you have any further questions or would like to discuss these issues further.

Sincerely,

Kathryn Skinner, P.E.
Director

c: Pima County Board of Supervisors
Clerk of the Board
Jan Lesher, County Administrator
Carmine DeBonis, Jr., Deputy County Administrator

PIMA COUNTY
TRANSPORTATION

June 18, 2025

Ben Buehler-Garcia
Arizona Multihousing Association
1415 N. 7th Avenue
Phoenix, AZ 85007

**Subject: Impact Fees Hearing May 6, 2025**

Dear Mr. Buehler-Garcia,

Thank you for your letter of May 5, 2025, to Pima County Board of Supervisors Chair Scott regarding impact fees. We understand your concern regarding the proposed increase to the Streets Facilities Development Fees and we share your concern for housing affordability.

As you mentioned, we cannot control factors like the cost of building materials, or in this case the cost of roadway construction. Because impact fees are tied directly to roadway costs, we have no other option than to increase those fees proportionally. Roadway impact fees for multi-family housing are currently $4,827 per unit, or 43% less than the single-family housing rate of $8,523. We are proposing to increase the multi-family rate by 31% to $6,328 and the single-family housing rate by 37% to $11,654. These rates are determined by formula based on the amount of traffic generated by new developments and the cost of new roadway construction.

To lessen the impact on homeowners and developers, we are proposing to phase in the increased fees over five years. This would provide a predictable and gradual increase year to year, until the higher fee is achieved. Under this plan, the multifamily rate would increase by just over 6% in 2026, and then 6% per year until 2030.

As you note, the Pima County Board of Supervisors has discussed affordable housing at many of their recent meetings, and at the June 3, 2025, meeting approved $3.5 million of additional funding for affordable housing. Previously, the Board on December 5, 2023, adopted Policy E.36.2 Reducing Generational Poverty and Improving Individual and Community Wealth. This policy seeks to increase the supply of housing, provide affordable housing options, improve housing stability, increase homeownership, and develop more affordable housing.

The Transportation Department has been working with the Pima County Community and Workforce Development Department to create an affordable housing subsidy program. This program would provide direct assistance to housing providers whose tenants and homeowners meet income thresholds and will provide much needed relief to those in need and help to ensure housing affordability. The Transportation Department will continue to look for opportunities to support housing affordability.

Please let us know if you have any questions or would like to discuss these issues further.

Sincerely,

Kathryn Skinner, P.E.
Director

c: Pima County Board of Supervisors
Clerk of the Board
Jan Lesher, County Administrator
Carmine DeBonis, Jr., Deputy County Administrator