



---

# Board of Supervisors Memorandum

---

**March 15, 2016**

**Development Services General Fund Loan Repayment and Use**

**Background**

At the February 16, 2016 Board of Supervisors meeting, there was considerable discussion regarding the repayment of an approximate \$5.3 million loan made by the General Fund to the Development Services Enterprise Fund and the possible uses of the repaid funds. In addition, it was indicated that a standard two percent fee increase was scheduled to be implemented at the beginning of Fiscal Year 2016/17, as well as the use of an updated valuation table.

To assist the building industry during the recent recession, the County lent General Funds to retain the functional integrity of the Development Services Department and deferred scheduled and standard fee increases; in percentages, as well as in the use of current valuation tables.

I now believe it appropriate to consistently apply standard fee increases, as well as the use of current valuation tables. The industry has argued these should be deferred. I would likely agree with their request except for one key fact; the attached report from the Development Services Director (Page 6, Tables 7 and 8) identifies the actual building permit fees charged by Pima County and our neighboring jurisdictions. Pima County has by far the lowest fees of any jurisdiction. It has been stated that our combined two percent increase and the use of the current valuation table could add as much as \$400 to permit costs. Even if such is the case, Pima County's fees remain the lowest. More importantly, Pima County's performance is such that we issue permits within five working days; other jurisdictions charge an expedited fee for such performance, which adds substantially to permit fees. Hence, Pima County issues building permits at the lowest fees and in the quickest timeframe. Our fees are between 50 and 100 percent lower than other jurisdictions. Hence, I would not recommend delaying the current scheduled fee increase or the use of the up-to-date valuation table.

With regard to use of the repaid loan funds, the Board has expressed some concern over the equity of using County General Funds that come from every taxpayer to repair roadways in the unincorporated area. Also, the repaid funds are only a very small fraction of what is needed for road repair. Further, the Metropolitan Pima Alliance objected to the use of these funds for this purpose.

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Development Services General Fund Loan Repayment and Use**  
March 15, 2016  
Page 2

Recommendation

I recommend the Board of Supervisors earmark Development Services Enterprise Fund loan repayment monies for economic development purposes, with the specific uses of the funds to be approved by the Board. Such would benefit the building industry and the County in general.

Respectfully submitted,

  
C.H. Huckelberry  
County Administrator

CHH/lab – March 11, 2016


Attachment

c: John Bernal, Deputy County Administrator for Public Works  
Nanette Slusser, Assistant County Administrator for Policy, Public Works  
Carmine, DeBonis, Jr., Director, Development Services  
Dr. John Moffatt, Director, Strategic Planning Office



DATE: March 10, 2016

TO: C. H. Huckelberry, County Administrator

FROM: Carmine DeBonis Jr., Development Services Director 

SUBJECT: **March 15, 2016 Board of Supervisors' Discussion Regarding Development Services General Fund Support Repayment**

---

The following information is provided for the March 15, 2016 Board of Supervisors' discussion regarding Development Services General Fund support repayment.

Enterprise Fund Establishment

The Development Services Enterprise Fund was established following settlement of *Arena, et al., vs. Pima County* litigation related to building fees in 1985.

Per the settlement, the fund *"...shall be operated in a manner similar to a private business such that the intent of the governing body is that all costs are financed or recovered through user charges."*

The settlement also established provisions that any surplus of revenues over costs will be maintained in the fund and not transferred to the General Fund of Pima County or any other County Fund. The term "transfer" in the settlement does not prohibit loans to other County funds.

The settlement allows fees to be adjusted *"as necessary and appropriate; provided that, the operation of the enterprise fund will meet all audit standards and requirements established by the American Institute of Certified Public Accountants."* All applicable auditing standards and requirements have been met as reflected by independent annual financial statement audits.

Fund Balance / General Fund Support

The below table shows the fund balance for the five-year period of 2010 – 2015. The 2015 audited financial statement shows net assets of negative \$3.3 million, following implementation of Government Accounting Standards Board Number 68 requiring new disclosures about pension and requiring the restating of pension liabilities in 2014. The projected FY16 year-end cash balance based on the December 2015 financial forecast is \$2,902,033.

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 2

**Table 1**  
**Development Services Enterprise Fund Balance**

	2010 Audited Financial Statement	2011 Audited Financial Statement	2012 Audited Financial Statement	2013 Audited Financial Statement	2014 Audited Financial Statement	2014 (restated)	2015 Audited Financial Statement
<b>Revenue (Operating &amp; Non-operating)</b>	\$ 6,076,043	\$ 6,100,967	\$ 6,232,826	\$ 6,597,302	\$ 7,630,775	\$ 7,630,775	\$ 6,377,216
<b>Expenses</b>	\$ 7,944,808	\$ 7,016,789	\$ 6,964,193	\$ 6,864,173	\$ 6,796,101	\$ 6,796,101	\$ 6,887,758
<b>Operating Gain/(Loss)</b>	\$ (1,868,765)	\$ (915,822)	\$ (731,367)	\$ (266,871)	\$ 834,674	\$ 834,674	\$ (510,542)
<b>Transfer In</b>	\$ 2,000,000	\$ 694,000 <sup>1</sup>	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -
<b>Transfer (Out)</b>	\$ (55,233)	\$ (114,728)	\$ (14,676)	\$ (1,015,659)	\$ (365,633)	\$ (365,633)	\$ (71,618)
<b>Net Transfer</b>	\$ 1,944,767	\$ 579,272	\$ 985,324	\$ (15,659)	\$ (365,633)	\$ (365,633)	\$ (71,618)
<b>Fund Impact</b>	\$ 76,002	\$ (336,550)	\$ 253,957	\$ (282,530)	\$ 469,041	\$ 469,041	\$ (582,160)
<b>Pension Liability</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,105,559	\$ -
<b>Net Fund Assets</b>	\$ 3,204,399	\$ 2,867,849	\$ 3,121,806	\$ 2,839,276	\$ 3,308,317	\$ (2,797,242)	\$ (3,379,402)

<sup>1</sup> General Fund Support in 2011 totaled \$1,310,526; split \$694,000 to DSD Enterprise Fund and \$616,526 to permit system upgrade

Development Services received General Fund support totaling \$5,310,526, as follows:

**Table 2**  
**Transfers from General Fund to Development Services  
Enterprise Fund**

History of Transfers from General Fund	
Date	Amount
05/28/2010	\$ 2,000,000.00
02/17/2011	\$ 694,000.00
02/29/2012	\$ 616,526.00
06/30/2012	\$ 1,000,000.00
02/14/2013	\$ 1,000,000.00
<b>Total</b>	<b>\$ 5,310,526.00</b>

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 3

Table 3 indicates the schedule for repayment of the General Fund support per the County Administrator's July 29, 2013 memorandum.

**Table 3  
General Fund Support Repayment Schedule**

DSD Repayment Schedule		
Total Due		\$ 5,310,526.00
Scheduled Payments		
	2016	\$ (250,000.00)
	2017	\$ (500,000.00)
	2018	\$ (750,000.00)
	2019	\$ (750,000.00)
	2020	\$ (750,000.00)
	2021	\$ (750,000.00)
	2022	\$ (750,000.00)
	2023	\$ (750,000.00)
	2024	\$ (60,526.00)
		<u>\$ -</u>

A \$250,000 payment was made in July 2015. The outstanding balance is \$5,060,526.

**Table 4  
Outstanding Balance**

Repayments & Outstanding Balance		
Total Due		\$ 5,310,526.00
Repayments		
	07/30/2015	\$ (250,000.00)
Outstanding Balance		<u>\$ 5,060,526.00</u>

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 4

The Finance Department has provided confirmation that interest will not be charged to the General Fund support received by Development Services, or its repayment.

An alternate repayment schedule has been reviewed with John Bernal, Deputy County Administrator – Public Works, which reduces certain annual payment amounts to minimize the impact to the Enterprise Fund balance given current permitting volume. The proposed alternate payment schedule is as follows:

**Table 5  
Alternate Repayment Schedule**

Alternate DSD Repayment Schedule		
Total Due		\$ 5,310,526.00
Scheduled Payments		
	2016	\$ (250,000.00)
	2017	\$ (400,000.00)
	2018	\$ (650,000.00)
	2019	\$ (650,000.00)
	2020	\$ (650,000.00)
	2021	\$ (650,000.00)
	2022	\$ (650,000.00)
	2023	\$ (650,000.00)
	2024	\$ (760,526.00)
		<u>\$ -</u>

FY17 Revenue Projections and Fee Ordinance Provisions

The 2017 requested budget currently includes General Fund support repayment of \$500,000. Requested 2017 operating expenses total \$6,913,254 as of February 5, 2015, prior to any transfers, which is a 1.1% decrease from 2016. Projected 2017 revenues, are shown below for the following scenarios: 1) without the automatic 2% annual increase; 2) including the 2% annual increase effective July 1, 2016; and 3) including the 2% increase and indexing to the 2015 Building Valuation Table.

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 5

**Table 6  
Revenue Projection Scenarios**

	Without 2%	Including 2%	Including 2% and 2015 Building Table
<b>Income</b>			
Projected Operating Revenues	\$ 7,273,866.00	\$ 7,418,943.00	\$ 7,418,943.00
2015 Building ValuationTable	\$ -	\$ -	\$ 169,360.00
Total Revenue	\$ 7,273,866.00	\$ 7,418,943.00	\$ 7,588,303.00
<b>Expenses</b>			
Total Operating Expenses	\$ 6,913,254.00	\$ 6,913,254.00	\$ 6,913,254.00
Net Operating Income	\$ 360,612.00	\$ 505,689.00	\$ 675,049.00
<b>Transfers</b>			
Transfer In	\$ -	\$ -	\$ -
Transfer (Out)	\$ (515,955.00)	\$ (515,955.00)	\$ (515,955.00)
Net Transfer	\$ (515,955.00)	\$ (515,955.00)	\$ (515,955.00)
<b>Net Fund Impact</b>	\$ (155,343.00)	\$ (10,266.00)	\$ 159,094.00

As shown, the net fund impact varies for each scenario. When including the 2017 General Fund support repayment of \$500,000, as currently included in the requested budget, the revenue scenario without the automatic 2% increase and remaining on the 2010 Building Valuation Table has the greatest negative impact. If the 2% increase is applied as provided for in the fee ordinance and the 2010 Building Valuation Table remains in effect, the negative fund impact is reduced. Applying both the 2% increase and the 2015 Building Valuation Table results in a projected positive fund impact of \$159,094.

The 2% fee adjustment and indexing to the most current Building Valuation Table are authorized annual inflationary increases provided for in Ordinance 1997-46.

**Impact of Building Valuation Table Changes**

Discussions on General Fund support repayment have touched upon the topic of Development Services fees and the impact of indexing to the 2015 Building Valuation Table. Previous estimates calculated the increased cost of a building permit for a typical 2,000 square foot residence at approximately \$400.

This increase in permit fees still leaves Pima County well behind fees charged by other local jurisdictions. The tables below provide a comparison of building fees for a sample residence and a commercial office, exclusive of impact fees. The amounts were calculated by the jurisdictions based on their adopted fee schedule.

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 6

**Table 7**  
**Residential – 2,100 square feet detached residence**  
**(Includes 600 square feet of attached garage and porches)**

<b>Jurisdiction</b>	<b>Valuation Table</b>	<b>Building Permit Fee</b>	<b>Expedited Fee</b>	<b>Total</b>	<b>% Diff from County DSD</b>
Pima County	Feb-10	\$3,111.00	none	\$3,111 (5 day)	--
Tucson	Feb-15	\$3,452.39	\$1,168.00 (5 day)	\$4,620.39 (5 day)	48.52%
Marana	Feb-15	\$4,657.55	\$991.74 (5 day)	\$5,649.29 (5 day)	81.59%
Sahuarita	Feb-15	\$3,636.20	\$984.53 (5 day)	\$4,620.73 (5 day)	48.53%
Oro Valley	n/a	\$3,700.67	\$2,915.68 (7 day)	\$6,116.35 (7 day)	96.60%

**Table 8**  
**Commercial – 5,000 square foot office building**

<b>Jurisdiction</b>	<b>Valuation Table</b>	<b>Building Permit Fee</b>	<b>Expedited Fee</b>	<b>Total</b>	<b>% Diff from County DSD</b>
Pima County	Feb-10	\$6,904	none	\$6,904 (5 day)	--
Tucson	Feb-15	\$8,431.53	\$4,845.10 (5 day)	\$13,276.63 (5 day)	92.30%
Marana	Feb-15	\$11,590.95	\$2,469.35 (5 day)	\$14,060.30 (5 day)	103.65%
Sahuarita	Feb-15	\$9,044.64	\$2,449.59 (5 day)	\$11,494.23 (5 day)	66.49%
Oro Valley	n/a	\$5,406.67	\$4,259.80 (7 day)	\$9,666.47 (7 day)	40.01%

In both examples, Pima County's current fees are the lowest of any jurisdiction even before including expediting fees that are charged by the other jurisdictions to match the Pima County standard review timeframe of five business days. The difference in fees is increased significantly when the expediting fees are applied in the other jurisdictions to get down to the maximum five business day timeframe in Pima County.

#### Service Enhancements

Despite having the lowest permit fees in the region, Pima County has led the way in shortening review timeframes and achieving service enhancements while shrinking staffing levels from a peak of 183 FTE to the current count of 59 FTE.

Notable service enhancements directed at facilitating recovery of the development and construction sectors include:

- Consolidation of development review and building permitting processes eliminating months of review time.
- Establishing five day permitting goal to increase the speed in which projects are brought to market. Pima County reviews and approvals are fast, with over 80% of approvals



**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 7

occurring within five business days and an average building permit review timeframe of 1.55 days.

- Implemented electronic plan review, online credit card payment and upgraded the automated permit system to simplify permit reviews and shorten timeframes.
- Adopted adaptive reuse program for properties along key corridors to facilitate commercial redevelopment.
- Reduced parking requirements to allow redevelopment of parking lot land, adding greater land use efficiency.
- Offered remote inspections using technology such as Skype to provide just in time inspection service.
- Eased certificate of occupancy process for businesses making it quicker to begin operating.
- Implemented performance-based building code options and policies to provide greater design flexibility.
- Extended approval timeframes for commercial development plans and subdivision plats from one year to three years, and provided additional three-year extension options.

Stakeholder Input and Opportunities for Additional Enhancements

Additional stakeholder input on Development Services General Fund support repayment, permit fees and service enhancements was sought after the February 26, 2016 Board of Supervisors' meeting and has been provided from the two primary industry stakeholder organizations, the Southern Arizona Homebuilders Association and Metropolitan Pima Alliance.

Input from the Southern Arizona Homebuilders Association can be summarized as follows:

- SAHBA has not taken a position on how the General Fund repayment should be used, and indicates that it is inaccurate to assume they are not supportive of using it for roadway repair.
- SAHBA is not seeking a delay in repayment; however, SAHBA is suggesting that consideration be given to the repayment schedule and usage of funds given current permit volumes.
- SAHBA is concerned that an increase in fees makes housing less affordable and could stunt homebuilding activity, thereby reducing permit revenue.
- SAHBA supports and applauds achieved efficiencies in Development Services and would like to see enhancements related to wastewater reviews, zoning policies related to Site Analysis, trails requirements and County environmental policies, which maximize efficiencies and promote growth.
- SAHBA believes that the quickest way to repay the loan is by not adding interest charges, by lowering fees and eliminating regulations.

Metropolitan Pima Alliance input is summarized as:

- MPA opposes increasing fees and contends that any increase is counterproductive to growing revenue.
- MPA will continue to work collaboratively with jurisdictions across the region to identify

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 8

efficiencies that result in higher levels of customer service and reduced fees and regulation.

- MPA supports further process refinements to include areas related departments that are part of the development process.
- MPA requests consideration of eliminating or delaying the provision of requirements placed on the front end of the development process by the Site Analysis requirements.
- MPA encourages discussion regarding the goal of the County's environmental regulations and how to best achieve the preservation goal while not also deterring development.

In response to stakeholder input, the following policy, process and regulatory adjustment could be considered:

- Phased indexing of the Building Valuation Index Table, such that the table is adjusted to the 2012 Building Valuation Table effective July 2016; and adjusted again to the 2017 Building Valuation Table effective July 2017.
- Modify or delay repayment schedule until greater stability is achieved in permit volumes and revenue generation reaches a sustained level of \$7.5 million annually without fee increase except for the existing adopted annual inflationary adjustments.
- Adjustments to the Development Services fee schedule to reduce the cost of permits for projects that utilize the remote video inspection program, and revising the methodology for calculating commercial development plans, construction plans and subdivision plats for greater ease and equitability of application.
- Development of additional performance and form-based building and zoning code alternatives to provide greater building and site design flexibility.
- Pursue options to further streamline processes related to subdivision plats, including possibly combining tentative and final plat reviews into a single process and shortening the timeframe between staff approval and plat recording by delegating Board plat approval to the Development Services Director.
- Re-evaluate and revise rezoning Site Analysis requirements to eliminate outdated or unnecessary items, shift certain requirements to the appropriate development stage and revise the review process to shorten overall time frames.
- Evaluate the combined comprehensive plan/rezoning process for expansion of applicability to enable more projects to utilize the option.
- Update landscaping and native plant requirements to allow flexibility in plant densities and mitigation requirements for projects located outside the Conservation Land System.
- Work with other departments involved in private development-related processes to build upon already achieved successes by identifying and implementing actions to further increase efficiencies, lower costs and reduce regulatory requirements, including further consolidation of processes and transfer of certain review aspects to Development Services.

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 9

Options for Use of Repayment Funds

Options for applying repaid funds extend beyond areas involving Development Services. Others, including the Finance Department, may have input on options for use of repayment funds. Notwithstanding, options to consider from implementation projects included in Pima Prospers include:

Use of Land Chapter:

- 3.2(2) (b) - Non-traditional funding sources (in addition to Community Development Block Grant (CDBG) program grants and Brownfield program grants, etc.) for redevelopment, revitalization, infill, historic preservation, and climate adaptation.
- 3.2(3) (p) - Utilize various fund and grant sources to facilitate revitalization.
- 3.5(5) (a-d) - Homelessness Reduction: Pay for Success Social Impact Bond
- 3.2(3) (g)-Utilize demolition and clearance resources to secure unsafe properties;
- 3.2(3) (h)-Facilitate acquisition of underutilized and blighted properties for redevelopment compatible with adjacent neighborhood character.
- 3.2(3) (t)-create opportunities and incentives for energy and water efficiency improvements in low-income residential development.
- 3.4 (2) (h) Increase focus on, and identify funds and creative funding sources, for programs to eradicate buffelgrass and other invasive species.

Physical Infrastructure:

- 4.8(1-2) - Identify funds and create programs for the Loop

Human Infrastructure:

- 5.5(1-2) (a) - Arts Funding and Maintenance
- 5.1(4) (e) - Public Information on Climate related health impacts
- 5.7 (1) (h) Animal Spay and Neuter Service
- 5.8 (1-2) (b) Health Impact Assessment Prepare a health impact assessment regarding food access and identification of food deserts

Economic Development

- 6.1.3 (9) (d) - Military Resources. Sound mitigation of residential homes.
- 6.1.4 (3) (f) - Provide concept or shovel ready sites and aggressively market these to the supply chain of existing companies
- 6.1.4 (4) (a) - Add incentives to attract industry that creates or utilizes alternative energy sources
- 6.1.4 (5) (q) - Create industry attraction incentive matrix that provides a list of available support, fees, incentives and waivers from all sources to attract business
- 6.1. 6 (1-6) - Support the Port of Tucson by promoting the port, repairing roads, and supporting rail enhancements.
- 6.2.1 (a) - Tourism. Support beautification and clean-up projects
- 6.3.1 (b) - Business Climate. Develop a Business Resource One Stop Center to serve

C. H. Huckelberry, County Administrator

**March 15, 2016 Board of Supervisors' Discussion Regarding Development Services  
General Fund Support Repayment**

March 10, 2016

Page 10

business development needs

- 6.5.1(1) (a) - Roads. Identify short term funds for road repairs
- 6.7.1 (1-4) - Construction. Work with industry leaders to encourage the retrofitting and rehabilitation of our housing stock to increase energy efficiency.

Attachments

c: John M. Bernal, Deputy County Administrator – Public Works



---

# MEMORANDUM

---

Date: July 29, 2013

To: Tom Burke, Director  
Finance and Risk Management

From: C.H. Huckelberry  
County Administrator 

Re: **Preparation of the Development Services Budget for Fiscal Year 2013/14 (14/15?) and Beyond**

Given the slow recovery in the economy, development activity, while improving, is not sufficient to begin significant repayment to the General Fund of these funds advanced to support the Development Services budget over the past few years.

I do believe when preparing the budget for Fiscal Year (FY) 2014/15 the General Fund's subsidy should be eliminated; and in each fiscal year thereafter, the Development Services Department should be repaying the General Fund for the prior year advancements. It should start with \$250,000 in FY 2015/16 and increase by \$250,000 each year thereafter until it reaches \$750,000 per year, and then continue at that level until the General Fund is fully repaid the prior advancements.

CHH/dph

c: John Bernal, Deputy County Administrator for Public Works  
Carmine DeBonis, Jr., Director, Development Services

February 19, 2016



**Southern Arizona  
Home Builders  
Association**

2840 N. Country Club Road  
Tucson, Arizona 85716  
Phone: (520) 795-5114  
Fax: (520) 326-8665  
Web: www.sahba.org

**President**  
David M. Godlewski

**2016 Executive Officers**

**Chairwoman**  
Amy McReynolds  
KB Home

**1st Vice Chairman**  
Larry Hume  
Accessible Home Remodeling

**2nd Vice Chairman**  
Brent Davis  
D.R. Horton

**Secretary/Treasurer**  
Roy "Thrac" Paulette  
Cantera Real Estate

**Immediate Past Chairman**  
Josh Robinson  
Mattamy Homes

Affiliated With



Mr. Carmine DeBonis  
201 N. Stone Ave., 1<sup>st</sup> Floor  
Tucson, AZ 85701

**RE: Ongoing Discussion on Development Services Enterprise Fund (DSEF)**

Mr. DeBonis,

As discussion regarding the repayment of the general fund loan to the DSEF continues, and you prepare for the Board of Supervisors meeting on 3/15, we believe it is necessary to reiterate a few crucial points.

*Use of the Repaid Funds* – SAHBA has not taken a position on how the repaid funds should be used. It would be inaccurate to assume that we do not support using general fund dollars on road repair.

*Repayment Schedule* – We are not seeking to delay repayment. We are simply stating that the current permitting volume in unincorporated Pima County necessitates caution when considering the repayment schedule and when considering where to pledge funds.

*Concerns Over Increased Fees* – We are concerned that increasing permit costs will not only make housing less affordable but could stunt future homebuilding activity and lead to reduced permit fee revenue. If anything, the impact fee holiday in the City demonstrates lowering fees increases permitting volume.

*Support for Efficiencies and Reduced Regulations* – We recognize and support increased efficiencies in Development Services and applaud your team for their efforts and accomplishments. Yet while the quality of service has improved, obstacles to development remain (most notably the Wastewater Reclamation Department). Additionally, Pima County's zoning policies (such as the Site Analysis Checklist and Trail Master Plan requirements) and environmental policies (we're happy to discuss specifics) should be revised to achieve maximize efficiency and promote growth.

In conclusion, we believe the quickest way to repay the general fund is not by tacking on interest charges to the loan but for the Board to lower fees and eliminating regulations. We ask the County and Board of Supervisors consider these points and work with SAHBA to help restore home building as the region's economic engine.

Sincerely,

A handwritten signature in black ink that reads "David".

David Godlewski  
SAHBA President



Carmine DeBonis  
Pima County  
201 N. Stone Ave.  
Tucson, AZ 85701

March 3, 2016

Dear Mr. DeBonis,

The Metropolitan Pima Alliance is a membership based association dedicated to finding common ground between the public and private sector specific to real estate and land use decisions. We work to foster a collaborative environment for the overall benefit of the community to achieve vibrant neighborhoods and a strong quality of life for all residents.

In further review of the item as related to the Development Service Department's repayment, MPA reiterates that it strongly opposes taking any steps that create an increase in fees. While we acknowledge that the authority has already been granted to adjust fees annually in response to internal department cost increases, MPA contends that any fee increase is counterproductive in growing revenue. While we recognize that your department has led the community in striving to improve customer service, the reality is the market has still not recovered from the Great Recession and regulation and fees are a deterrent in converting unimproved or under developed land into tax revenue generating businesses. MPA cannot support any development service fee increases. However, in keeping with our mission to work collaboratively, MPA in partnership with SAHBA, is planning a public sector development services forum in which every jurisdiction will be invited to attend and discuss local best development service practices. The goal of the workshop is to identify more efficiencies within each community that result in a higher level of customer service as well as a reduction in development service fees and regulations. The request for a reduction in fees and an increase in efficiencies will be made across the region. The nature of every development service department is to create jobs and tax revenue as it processes new building permits, rezonings and other services necessary for revitalization and new development. As representatives for the building industry, we would like to grow our partnership with the County and others in collaborating to achieve this mutually beneficial goal in a way that only enhances the community benefits of responsible development.

Regarding your request for identifying additional opportunities for efficiencies, MPA would like the process implementation to be further enhanced. While the process has been streamlined, the implementation has room for improvement within individual departments under development services. On the regulatory side, Site Analysis has an extensive list of regulatory requirements placed on the front end of development. We would like to engage in a discussion to either eliminate or delay specific requirements on the list. Additionally, the 2015 MPA/SAHBA

Metropolitan Pima Alliance  
PO Box 2790  
Tucson, AZ 85702  
[www.mpaaz.org](http://www.mpaaz.org)



annual survey reflects that the County's stringent environmental regulations are a barrier to responsible development and we encourage a thoughtful discussion regarding the goal of these regulations and how to best achieve the preservation goal while not also deterring development.

MPA appreciates the partnership that has developed with the Pima County Development Services Department and we welcome your participation in the aforementioned workshop this summer. Additionally, we appreciate your request for ideas on how the department can offset any potential fee increases. Please feel free to contact me with any questions, comments or concerns at 520.878.8811.

Sincerely yours,



Amber Smith, MPA  
Executive Director  
Metropolitan Pima Alliance.







---

# MEMORANDUM

---

Date: February 17, 2016

To: Carmine DeBonis, Jr., Director  
Development Services

From: C.H. Huckelberry  
County Administrator 

Re: **Continuation of Addendum Item 4, Use of General Fund Repayment from the Development Services Enterprise Fund**

Item 4 on the Board of Supervisors February 16, 2016 Addendum was continued to March 15, 2016 to allow additional information be provided to the Board as follows:

1. The schedule of automatic fee increases that is currently codified in our ordinance, including effective dates and the annual estimated revenue from said increases.
2. Add detailed information regarding the General Fund loans to the Development Services Enterprise Fund (DSEF) and more detail regarding the repayment schedule, including the application of interest at the local government investment for long-term interest rate for the loan funds.
3. Uses that could be identified with regard to the DSEF repayments to the General Fund.

I also believe it would be a good opportunity for the Board to be briefed on the progress that has been made over the last few years with regard to the efficiency and effectiveness of the Development Services Department in providing services to the building industry. Please include additional options you have identified that, if selected by the building industry, could result in additional savings to offset any programmed automatic fee increases that adjust for inflation.

Please prepare a detailed report covering these items for the Board's consideration at their March 15, 2016 meeting. Also, provide copies of your report to the Southern Arizona Home Builders Association (SAHBA), as well as the Metropolitan Pima Alliance (MPA).

It would also be appropriate to refresh the Board's memory about the settlement of *Arena vs. Pima County* and the required use of Development Services revenues to offset service delivery by the department to the building industry.

Mr. Carmine DeBonis, Jr.

**Re: Continuation of Addendum Item 4, Use of General Fund Repayment from the  
Development Services Enterprise Fund**

February 17, 2016

Page 2

Finally, it would also be appropriate to include in your report comments on the observations made in the February 13, 2016 letter from SAHBA and the February 14, 2016 letter from MPA, both of which are attached.

CHH/lab

Attachments

c: John Bernal, Deputy County Administrator for Public Works  
Nanette Slusser, Assistant County Administrator for Policy, Public Works



**Southern Arizona  
Home Builders  
Association**

2840 N. Country Club Road  
Tucson, Arizona 85716  
Phone: (520) 795-5114  
Fax: (520) 326-8665  
Web: www.sahba.org

**President**  
David M. Godlewski

**2016 Executive Officers**

**Chairwoman**  
Amy McReynolds  
KB Home

**1st Vice Chairman**  
Larry Hume  
Accessible Home Remodeling

**2nd Vice Chairman**  
Brent Davis  
DR Horton

**Secretary/Treasurer**  
Roy "Thrac" Paulette  
Cantera Real Estate

**Immediate Past Chairman**  
Josh Robinson  
Mattamy Homes

Affiliated With



**ADDENDUM MATERIAL**  
DATE 2-16-16 ITEM NO. 4

February 13, 2016

The Honorable Sharon Bronson  
Chair, Pima County Board of Supervisors  
130 W. Congress St., 11<sup>th</sup> Floor  
Tucson, AZ 85701

RE: Development Services Repayment

Dear Chairwoman Bronson,

The Southern Arizona Homebuilders Association (SAHBA) appreciates the opportunity to provide comment on this important matter. As you can see in the attached table, the Single Family Residential permit numbers for our region in 2015 were lower than 2014 and 2013. You'll also notice in the same attachment that Pima County is losing market share of new home construction.

Given these facts it would be premature to expect continued revenue increases to the Development Services Enterprise Fund (DSEF). Further, Board action to increase construction related fees (as contemplated in the February 5 memorandum from the County Administrator) would only serve to harm our industry, our economy and reduce the likelihood of additional revenue growth to DSEF.

Overall, the Tucson metro area continues to lag dramatically in job creation compared to the rest of the country (see attached). Collectively we should focus our efforts on making Pima County more attractive to both construction and non-construction industries. We look forward to working with you to reduce costs and remove regulatory barriers which will make Pima County more attractive to growth and development. Without immediate action, we risk delaying the County's economic recovery.

Sincerely,

Shawn Cote  
Southern Arizona Home Builders Association

# SINGLE FAMILY RESIDENCE PERMITS BY ISSUING AUTHORITY TUCSON METRO AREA

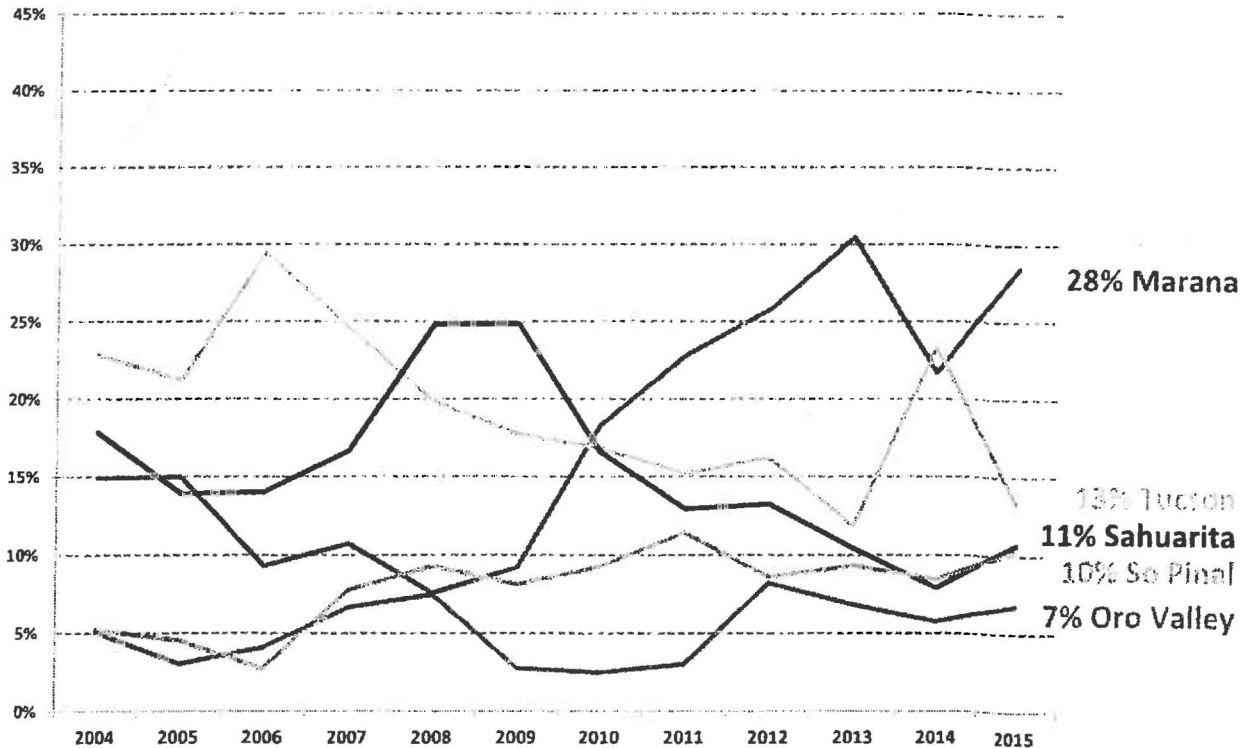
## PERMIT VOLUME

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Pima County	3,271	5,000	3,471	1,721	938	777	683	499	572	702	754	665
Marana	1,425	1,763	796	546	228	191	341	328	526	686	495	620
Tucson	2,188	2,497	2,531	1,252	598	368	314	218	330	266	532	289
Sahuarita	1,705	1,637	1,200	849	749	516	309	186	270	234	180	232
South Pinal	499	532	232	393	280	168	172	164	175	209	192	223
Oro Valley	482	354	349	337	225	57	46	43	167	153	131	147
TOTAL	9,570	11,783	8,579	5,098	3,018	2,077	1,865	1,438	2,040	2,250	2,284	2,176

## MARKET SHARE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Pima County	34%	42%	40%	34%	31%	37%	37%	35%	28%	31%	33%	31%
Marana	15%	15%	9%	11%	8%	9%	18%	23%	26%	30%	22%	28%
Tucson	23%	21%	30%	25%	20%	18%	17%	15%	16%	12%	23%	13%
Sahuarita	18%	14%	14%	17%	25%	25%	17%	13%	13%	10%	8%	11%
South Pinal	5%	5%	3%	8%	9%	8%	9%	11%	9%	9%	8%	10%
Oro Valley	5%	3%	4%	7%	7%	3%	2%	3%	8%	7%	6%	7%

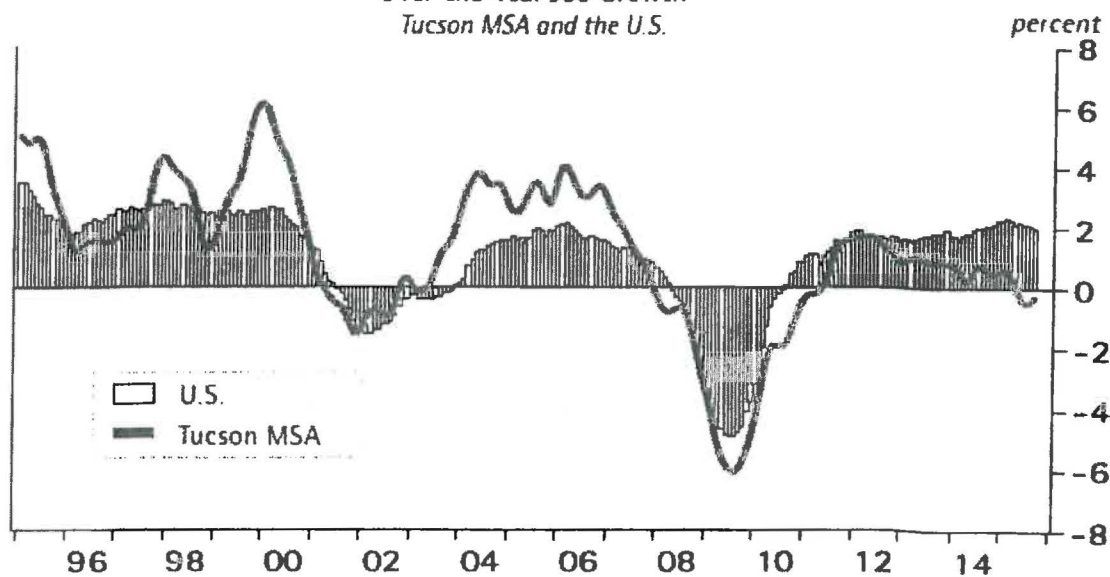
## Municipality Share of Total Annual Permit Volume



All municipalities in Pima County collected nearly \$15.5 million in permit fees for single family homes in 2015. This represented just under 52% of the total of all permit fees collected.

### Exhibit 3: Tucson MSA Job Growth Loses Steam

Over-the-Year Job Growth  
*Tucson MSA and the U.S.*





## *Metropolitan Pima Alliance*

The Honorable Sharon Bronson  
Chair  
Pima County Board of Supervisors  
130 W. Congress St., 11<sup>th</sup> Floor  
Tucson, AZ 85701

February 14, 2016

Chairwoman Bronson,

The Metropolitan Pima Alliance is a membership based association dedicated to finding common ground between the public and private sector specific to real estate and land use decisions. We work to foster a collaborative environment for the overall benefit of the community to achieve vibrant neighborhoods and a strong quality of life for all residents.

In reviewing the item as related to the Development Service Department's repayment, MPA strongly opposes taking these steps under the misguided notion that the department has reached financial stability. The nature of DSD is to create jobs and tax revenue for the County as it processes new building permits, rezonings and other services necessary for revitalization and new development. While Arizona, and specifically Pima County, remain dependent on the construction industry, when there is a decline in building activity like during the Great Recession, this department is heavily impacted. The General Fund had to slightly subsidize DSD but ultimately, during this same period, the department became more stream lined, efficient, and customer service driven as other communities remained at the status quo. The joint MPA/SAHBA 2015 survey provided information in which Pima County DSD scored the most positive scores regarding its process and customer service levels as compared to the rest of the region. To send the message that the department borrowed money from the General Fund and now must pay it back due to the efficiencies gained creates no incentive for this department and others to perform at the highest quality level. As properties change from vacant land to job creating businesses, both property and sales tax dollars grow for the benefit of the whole community increasing general fund balances. While DSD department revenue was down, the jobs performed by DSD created revenue for the General Fund. This department must retain its earnings so to be able to remain stable as this recession continues into what is predicted to be another recession in the very near future per local economists.

The MPA membership are those that meet with the mom and pop entrepreneurs working to start a new business. The engineers, planners, architects and permit expeditors meet these people first hand and they have testimonials on the effect fees have on their ability to open a business. They are extremely price sensitive and development service fees are often a surprise to these

Metropolitan Pima Alliance  
PO Box 2790  
Tucson, AZ 85702  
[www.mpaaz.org](http://www.mpaaz.org)

individuals. Pima County has taken efforts to appear business friendly to large companies like Home Goods and Worldview. This message must spread all the way through to even the smallest entrepreneurs which make up a significant portion of the volume of work within DSD.

County Administrator Chuck Huckelberry proposes shifting this payback of \$5 million over to transportation maintenance and yet he repeatedly has stated that this is a \$300-million-dollar problem and a few million dollars of investment is not effective. This continuous push to penalize the business and real estate community to carry the burden of roadway maintenance is extremely short sighted. MPA recognizes the significant funding issue associated with the need to repair our roads; however, why should those that have invested in our future be the same ones responsible for the present conditions of our roads? Impact fees are already assessed to those bringing in new construction jobs, residents and businesses. Using excess funds from this department generated by new businesses that already paid impact fees and development service fees, is overburdening businesses for a recognized community problem.

MPA is actively engaged in working to develop a community solution to our roadway maintenance funding issue. In fact, as incoming Vice-Chair of the RTA Citizens Advisory Regional Transportation committee, I am committed to driving the community discussion of this critical infrastructure problem.

MPA strongly encourages the Board to not penalize the Development Service Department for being efficient in providing a service to the community that works to bring General Fund revenue into the County. The possibility of decreased efficiencies or increased fees that inevitably would be requested to offset the cost of the \$5 million payback would create a far greater negative ripple effect than the token impact to roadway maintenance. Why would the County choose to penalize the department that directly works with those that choose to invest in our community? Please feel free to contact me with any questions, comments or concerns at 520.878.8811.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Amber Smith", with a stylized flourish at the end.

Amber Smith, MPA  
Executive Director  
Metropolitan Pima Alliance.