



MEMORANDUM

Date: November 7, 2017

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

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over the typed name and title.

Re: **Loss of Transportation Impact Fees Due to Annexation**

As you know, transportation impact fees have been assessed and collected since 1997 and have substantially contributed to capacity improvements of the County arterial and collector roadway system. These impact fees can only be collected on development that occurs within the unincorporated area of Pima County. Upon annexation by a city or town, the County is no longer eligible to collect impact fees.

The attached report by the Interim Transportation Director highlights the fiscal impact for constructing capital capacity expansion of the transportation system in the unincorporated area due to annexations. Over time, between the period of 1996 and 2004, these annexations resulted in a loss of over \$62 million in potential impact fee collections. Between 2005 and the present, another \$11 million in potential impact fee collections have been lost due to annexation.

Annexation also transfers mileage and maintenance responsibility of the annexed territory to the respective jurisdiction. Over this this same timeframe, between 1996 and the present, a total of 326 miles of roadway have been annexed out of County responsibility, with an average annual maintenance cost of approximately \$2.8 million.

When first formulated in 1997, transportation impact fees were a significant revenue source for the unincorporated area, and later, for the Regional Transportation Authority (RTA) projects. Over time and through annexations and economic Great Recession, impact fees collected have been substantially below the forecasted RTA expectation.

Transportation impact fees are \$1,990 per residential unit in Oro Valley, \$5,599 in Marana and \$4,838 in the City of Tucson. The current impact fee for Pima County is \$6,189. Sahuarita and South Tucson do not collect impact fees.

Attachment

c: Farhad Moghimi, Executive Director, Pima Association of Governments
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Ana Olivares, Interim Director, Transportation Department

1996-2004:

City of Tucson: Between 1996 and 2004, the City of Tucson approved 37 annexations. Of these, 21 annexations represent areas where potential impact fee revenues were lost. Most notably, annexation 8655 incorporated the area including the La Estancia Specific Plan. Approximately \$13 million in lost impact fees can be attributed to this single annexation. The Starr Pass Resort and conference facilities along with the Riverwalk development are other notable annexations that could have generated a significant amount of impact fees for Pima County. In total, the potential lost revenue from annexations approved by the City of Tucson amounted to **\$25,220,988**. Total roadway miles annexed out of Pima County equaled **90.48** miles with an average annual maintenance cost of **\$769,080**.

Marana: Between 1996 and 2004, the Town of Marana approved 35 annexations. Of these, 12 annexations represent areas where potential impact fee revenues were lost. Notably, annexation 97.24 incorporated the Tangerine Vista subdivision and the Tangerine Crossing development. The commercial and platted residential areas in this single annexation would have generated approximately \$3.4 million. Several additional single-family residential subdivisions contributed to the total lost impact fee revenue. In total, the potential lost revenue from annexations approved by the Town of Marana amounted to **\$7,785,823**. Total roadway miles annexed out of Pima County equaled **65.96** miles with an average annual maintenance cost of **\$560,660**.

Oro Valley: Between 1996 and 2004, the Town of Oro Valley approved 16 annexations. Of these, five annexations represent areas where potential impact fee revenues were lost. Notably, annexation (O)03-09 incorporated much of the commercial area in the vicinity of Oracle Road and Magee Road including the Oracle Crossing development, the Sunrise office park, and several small residential development. This single annexation would have generated approximately \$1.6 million. In total, the potential lost revenue from annexations approved by the Town of Oro Valley amounted to **\$4,428,267**. Total roadway miles annexed out of Pima County equaled **32.17** miles with an average annual maintenance cost of **\$273,445**.

Sahuarita: Between 1996 and 2004, the Town of Sahuarita approved nine annexations. Of these, four annexations represent areas where potential impact fee revenues were lost. Notably, the Rancho Sahuarita area was annexed in 1997 and the Quail Creek area was annexed in 2000. Annexation 2000.1 incorporated 9600 acres including Quail Creek and this annexation alone could have generated over \$8 million. Another notable annexation was 1999.03, which annexed the Madera Highlands development and would have generated another \$8-\$9 million. In total, the potential lost revenue from annexations approved by the Town of Sahuarita amounted to **\$24,982,048**. Total roadway miles annexed out of Pima County equaled **82.78** miles with an average annual maintenance cost of **\$703,630**.

2005-Present

City of Tucson: Between 2005 and the present, the City of Tucson approved 33 annexations and 1 deannexation. Of these, 13 annexations represent areas where potential impact fee revenues were lost. Notably, annexation 10988, approved in 2012, could have generated approximately \$3.5 million of impact fee revenue. The annexation included the Valencia Crossing Specific Plan development. Also in 2012, the Rio Verde Village development at River and Craycroft was annexed accounting for over \$700,000 in impact fees and in 2014 the Empire Vista subdivision accounting for over \$900,000 in impact fees. In total, the potential lost revenue from annexations approved by the City of Tucson since 2005 amounted to **\$8,443,433**. Total roadway miles annexed out of Pima County equaled **35.35** miles with an average annual maintenance cost of **\$300,475**.

Marana: Between 2005 and the present, the Town of Marana approved 12 annexations. Of these, only one annexation represents an area where potential impact fee revenues were lost. Annexation 2009.09 incorporated the area developed in 2011-2012 as the Quick Trip gas station on Cortaro Farms Road. In total, the potential lost impact fee revenue from annexations approved by the Town of Marana amounted to **\$106,500**. Total roadway miles annexed out of Pima County equaled **5.27** miles with an average annual maintenance cost of **\$44,795**.

Oro Valley: Between 2005 and the present, the Town of Oro Valley approved seven annexations. None of these annexations represented area where potential revenue was lost. These annexations included large washes, right-of-way and previously developed sites. Total roadway miles annexed out of Pima County equaled **13.57** miles with an average annual maintenance cost of **\$115,354**.

Sahuarita: Between 2005 and the present, the Town of Sahuarita approved three annexations, all of which would have generated impact fee revenue. Most of the land annexed during this time frame was GR-1 zoned land and the lost revenue was based off the existing zoning. Therefore, the impact fee revenue lost is a conservative estimate as these areas will likely rezone before they are developed. In total, these three annexations amounted to **\$2,685,276** of potentially lost impact fee revenue. Total roadway miles annexed out of Pima County equaled **0.86** miles with an average annual maintenance cost of **\$7,310**.

Regional Totals:

In summary, between 1996 and 2004, a total of **\$62,417,126** of potential impact fee collections were transferred to incorporated jurisdictions. A total of **271.39** miles of roadway was annexed out of Pima County. The average annual maintenance cost for the roadways that were annexed out of Pima County totaled **\$2,306,815**.

Between 2005 and the present, a total of **\$11,235,219** of potential impact fee collections was transferred to incorporated jurisdictions. A total of **55.05** miles of roadway was annexed out of Pima County. The average annual maintenance cost for the roadways that were annexed out of Pima County totaled **\$467,925**.

C.H. Huckelberry, County Administrator
SUBJECT: White Paper on Annexation
October 30, 2017
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The above information is summarized in Exhibit 1. Also attached are two Excel spreadsheets showing the details of the above calculations.

If you need any further information, please let us know.

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Attachments

c: Carmine DeBonis Jr., Deputy County Administrator for Public Works
Yves Khawam, Chief Deputy Director
Rick Ellis, Deputy Director