



MAYOR & COUNCIL COMMUNICATION

January 5, 2021

Subject: Public Hearing: Amending Tucson Code Relating to the Creation of New Pre-Annexation Development Agreement Fees (Outside City)

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Issue – Public Hearing concerning a proposed new fee associated with Pre-Annexation Development Agreement (PADA) parcels.

City Manager's Recommendation – Following the close of today's public hearing the Mayor and Council are respectfully requested to adopt the attached ordinance, which will initiate a new PADA administrative fee.

Background – In August 2010, Mayor and Council adopted the Water Service Area Policy, establishing a water service boundary for Tucson Water. The Policy defines a Service Area within which Tucson Water is obligated to provide water service upon request, and potential service Expansion and Non-Expansion Areas, within which service may be granted under certain conditions. Requests for water service extension beyond the Service Area and within the Expansion Areas will be approved only if the parcel owner agrees to eventual annexation into the City, via participation in a PADA.

Developers of PADA parcels must pay for the extension of water infrastructure and the cost of providing water service to their parcels. The City collects no construction sales tax from development on PADA parcels and does not benefit from state shared revenues until annexation is complete. Meanwhile, the provision of water service to any parcel outside City limits significantly increases the value of that property. The City of Tucson does not currently generate any revenues from the PADA application process.

This situation presents a potential opportunity for the development of a new fee on future PADA applications. On September 22, 2020, Mayor and Council directed staff to establish a \$750 PADA administrative fee. On October 6, Mayor and Council authorized a Notice of Intention to increase water rates and fees.

Present Considerations – In addition to any new fee that Mayor and Council may choose to adopt, all new PADAs will also be required to abandon any registered, working well on the property as a condition of receiving new Tucson Water service.

Financial Considerations – Based on an average of 12 PADA applications per year during the previous five years, staff anticipates annual revenues of \$9,000 from the new \$750 PADA administrative fee.

Rate Change Implementation – Any new fee adopted by the Mayor and Council following tonight's public hearing will become effective February 8, 2021.

Legal Considerations – The Governing Body has conformed to the requirements of State law in adopting the Notice of Intention to increase rates, filing supporting materials with the City Clerk

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for public review, posting notice of proposed rates on the City's website, and scheduling and advertising today's public hearing.

Consistency with Plan Tucson – The proposed new fee is consistent with the voter approved goals outlined in Plan Tucson related to Water Resources (including WR1 & WR10) and Public Infrastructure, Facilities, & Cost of Development (including PI5 & PI6).

Respectfully submitted,

Albert Elias
Assistant City Manager

AE/kl
Silvia Amparano, Deputy Director, Tucson Water
John Kmiec, Deputy Director, Tucson Water

Attachments:
Proposed Ordinance – Amend PADA fees