



MEMORANDUM

December 7, 2020

Subject: **Development of a \$750 Pre-Annexation and Development Agreement (“PADA”) Application Fee; Report as Required by Arizona Revised Statutes Section 9-511.01(A)(1).**

Page: 1

Issue – This Memorandum and its Exhibit—which is a Communication to the City of Tucson Mayor and Council predated to January 5, 2021—summarize the City of Tucson’s intention to adopt a \$750 PADA application fee to cover staff costs of reviewing and processing PADA’s, including their eventual adoption by the Mayor and Council at a public hearing to be held on January 5, 2021.

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, based on staff’s estimate that processing such applications requires an average of 10 hours of staff time, at a cost of (salary and benefits) of approximately \$750. The PADA application fee is intended to be a recover the City’s costs of service. On October 6, Mayor and Council authorized a Notice of Intention to increase water rates and fees.

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 the January 5, 2021 public hearing will become effective until on or after February 8, 2021.

Additional Information: Due to the COVID-19 Pandemic and its associated emergency orders, Tucson City Hall and the Tucson City Clerk’s Office is currently closed to outside visitation. Requests for information regarding this report or for an electronic or paper copy thereof can be directed to the Office of the Tucson City Attorney at (520) 791-2661; or Avery.Christopher@tucsonaz.gov.

