



MEMORANDUM

DATE: January 30th, 2009

TO: Mayor and Council

FROM: Rodney Glassman *RG*
Ward 2 Council Member

SUBJECT: Creating jobs, stimulating the Tucson economy, and promoting in-fill

Tucson, Arizona, and indeed our entire nation face an unprecedented economic crisis which will fundamentally change the way that government functions at all levels. Many of us have been asking throughout the community, "What can we do to immediately generate jobs for Tucsonans?"

Recently, our office began exploring how the City can jumpstart the construction industry in the City of Tucson in order to create jobs, and help spur sales tax revenues which our City desperately needs to provide vital City services to help fill our ballooning budget deficit.

A suspension of impact fees would promote development within City limits, encouraging urban infill, and leveraging the use of already existing infrastructure. Additionally, residential infill development would be closer to jobs in the city, meaning less time in cars on the roads. Higher density development due to infill would also encourage the use of public transit.

By law, impact fee revenues are maintained separate from the General Fund. According to the City Manager's office, suspending these fees will have little or no effect on the general fund. Because building permit activity is currently low due to the housing market and general state of the economy, suspending impact fees may have a positive benefit to the general fund if it spurs construction and retail development (which both benefit the General Fund) that might otherwise not occur in this market.

I am requesting the following topic for discussion at Mayor and Council Study Session on February 10th.

Consideration of temporarily suspending residential and commercial impact fees (excluding public safety) for a period of twelve months.

cc: Mike Hein, City Manager
Mike Rankin, City Attorney
Ernie Duarte, Development Services
Christina Parisi, Agenda Coordinator

February 5, 2009

Tucson Mayor and City Council

Honorable Tucson Mayor and Councilmembers,

The proposal before you to suspend the City's impact fee program for 12 months is a unique opportunity to build a broader coalition of interests needed to adapt to the emerging economic realities.

As a longtime impact fee activist who has devoted hundreds of hours in both the 2001 Cost of Growth General Plan Element Taskforce and the 2004 Impact Fee Stakeholders Committee, to help move the City towards full cost recovery for development, I now see that this suspension would do much more good than harm and would help position the community politically to take on some of the tougher challenges ahead.

The proposal's goals of generating jobs, stimulating sales tax and construction sales tax revenues, and incentivizing infill and downtown redevelopment during this one year period are results we all want to see. Cooperation now among the development and sustainability communities will serve us well as we face even greater challenges to manage the unreliability of growth to base our future prosperity.

It is clear that Councilman Glassman is learning his lesson the hard way that vetting among the Council should occur prior to any release of a proposal to the press. Nonetheless, this is a good idea which should be valued and owned by the larger community and supported by our elected officials.

This letter is to register full support for the Council to move forward and approve this proposal to suspend impact fees for one year.

Sincerely,

QuickTime™ and a
TIFF (Uncompressed) decompressor
are needed to see this picture.

Bob Cook, Sustainable Tucson Co-Founder and Core Team Member

George Miller
2701 E. Allen Rd.
Tucson, Arizona 85716

February 4, 2009

Dear Mayor and Members of the City Council,

As a longtime Tucsonan, I am deeply committed to the importance of ensuring that working families in our community have jobs, and of the considerable role that the construction industry plays in creating private sector jobs.

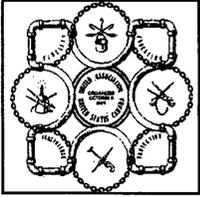
Personally, and as a former elected official, I also understand and appreciate the need for impact fees and the idea that growth should pay for itself. However, because of the present extraordinary economic pressures, I support Councilman Glassman's proposal to suspend impact fees for twelve months.

New home and office construction, and retail development anywhere in the City means more jobs for the working families of our community. The sales tax dollars generated by new businesses, as well as by the paychecks of construction employees, will increase sales for retail stores, restaurants, and tourism. Revenue generated by increased construction through the suspension of impact fees will enable the city government to fully fund vital social services, including Schools-Plus-Jobs and Job Path. These proven programs have been instituted to build and support a skilled job force, and to promote the economic growth and the quality of life in Tucson.

Former Mayor,

A handwritten signature in black ink that reads "George Miller". The signature is written in a cursive, flowing style.

George Miller



U.A. LOCAL UNION 469

2475 E. Water Street • Tucson, AZ 85719 • 520-323-9476 • Fax 520-323-7069
Web Site: www.ualocal469.org

February 3, 2009

Dear Councilman Glassman,

Creating and maintaining quality, good paying and sustainable jobs for the working families of Southern Arizona is the mission and goal of our organization. We are committed to advocating for quality pay, training, and access to healthcare for all employees in the construction industry. The Plumbers and Pipe Fitters Union Local #469 has projected that 2009 will be one of the slowest construction periods our community has seen in decades, anything that the Tucson City Council can do to create jobs and stimulate the economy is something we feel should be explored.

We have taken the time to consider the City's newest proposal to "suspend all City impact fees (except for public safety) for a period of 12 months" in order to create jobs, stimulate the economy, and promote infill development. This is a concept we wholeheartedly support.

With 2009/2010 impact fees projected to be collected at all time low levels, now is the time for the City to give a "pause" to these necessary revenues for new infrastructure and instead focus on the working men and women of Tucson. While we are advocates for impact fees and the need for growth to "pay for itself", dire times call for urgent measures. We recognize that these are not normal times in our community and a twelve month suspension will provide developers, homebuilders and business owners in our community with true incentive to get their projects moving, shovels in the ground, and our men and women to work.

Once again, the Plumbers and Pipe Fitters respectfully request that the Tucson City Council support the concept of suspended impact fees within the City of Tucson (except for public safety), without additional burdens put in their place, for a period of twelve months. We believe it is in the best interest of our members, our City, and the working families of Southern Arizona.

Thank you!

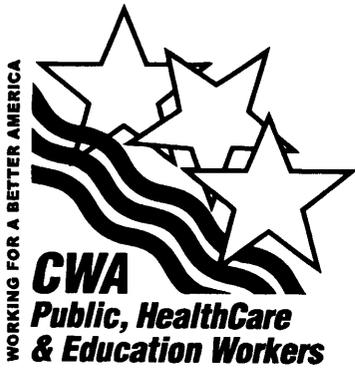
Jay Tripp

Business Agent

U.A. Local 469

Cc: Honorable Tucson City Council

COMMITTED TO EXCELLENCE



Communications Workers of America AFL-CIO, CLC Local 7000

877 S. Alvernon Way, Suite 100 • Tucson, AZ 85711

Office: 520.323.0700 • Fax: 520.323.0711

February 5, 2009

Honorable Rodney Glassman
Tucson City Council
7575 E Speedway Blvd
Tucson, Az 85710

Dear Councilman Glassman,

The Communication Workers of America Local 7000 fully supports your proposal to suspend impact fees in the City of Tucson for a twelve month period (except for public safety). We believe facilitating construction and development during a time of great economic recession is not only sound, but the formula which is being offered is reasonable and will create a win win situation for the community. While the CWA Local 7000 is not directly involved in construction many of our members are compensated through the City of Tucson's General Fund so we are interested in exploring ideas that would generate increased sales tax revenue.

We are confident that the proposal by Councilman Glassman will create jobs and stimulate the Tucson economy. A suspension of impact fees for twelve months will motivate construction projects currently budgeted for 2010 and possibly 2011. With 2009/2010 projected impact fees to be collected at all time low levels now is the time for the City to give a pause to these necessary revenues for new infrastructure and instead focus on the working women and men of Tucson. While we are strong supporters of impact fees and the need for growth to pay for itself but dire economic times call for creative measures.

CWA Local 7000 respectfully requests that the Tucson City Council support the suspension of impact fees within the City of Tucson for a period of twelve months. For the sake of stimulating Tucson economy we believe it is in the best interest of our members, the City and working families of Southern Arizona.

Sincerely,

Linda Hatfield
Linda Hatfield, President
CWA Local 7000

Cc: Honorable Tucson City Council





A PROMISE OF OPPORTUNITY

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VA Tucson

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Snell & Wilmer

February 4, 2009

Dear Mayor and Council Members:

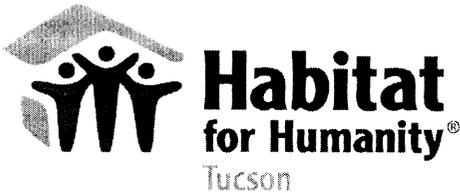
Chicanos Por La Causa (CPLC) fully supports the proposal to suspend impact fees for twelve months. CPLC has been providing affordable infill housing throughout the City since 1987 for families of four members who are low-to-moderate income, earning the maximum amount of \$ 44,000.00. During these last two years it has been very difficult to provide the opportunity for these families to become first time homebuyers. One of the main reasons for this has been that housing construction costs have not dropped.

CPLC truly believes that if we are able to eliminate some costs we can assist our community, as well as create jobs by having more homes under construction. This is one of the main factors to help stimulate the economy and promote infill housing in the City. We are aware that by suspending the impact fees for twelve months may impact a source of revenue for the City, however it will help increase the construction of infill housing and create sources of revenues such as sales taxes, building permits, and property taxes during this period of hardship.

We appreciate your favorable consideration to this matter which will make a tremendous difference to our families and the economy of our City.

Sincerely,

Noemi Navarro
Vice President of Community and
Economic Development



February 4, 2009

Dear City Council Members:

Habitat for Humanity Tucson supports the proposal to suspend impact fees for twelve months.

Excluding the public safety impact fee, the aggregate of the other City impact fees are 10% of Habitat's direct construction costs to produce an affordable home for a low-income family in our community.

As you know, Habitat serves working households in our community - often immigrant families - who work in our community's social-service, education, medical, retail, hospitality, call-center, and light manufacturing industries. These families earn between \$19,000 and \$48,000 per year depending upon the size of their family. They would not be able to own a home through any other conventional means, even with the median home price dropping dramatically over the course of the last year. And these families represent just a fraction of the estimated 1/3rd of Tucson households who are still priced out of the opportunity of the American dream of homeownership, a dream which not only strengthens the socioeconomic health and wealth-building of families but also of entire neighborhoods.

We do not pass on the full cost of our homes to our homeowners through our zero-interest mortgage program. Consequently a 10% reduction in our costs enables us to directly serve 10% more households.

In addition to increasing the inventory of affordable infill homes produced by nonprofit homebuilders like Habitat and other Community Development Housing Organizations (CHDOs) within our community (whether new homes or the rehabbing of existing homes), the potential suspension of the majority of the City's impact fees would also put more of our local subcontractors to work. As some of our subcontractors told me just this week, that the work that Habitat provides their businesses is allowing them to keep their workforce gainfully employed through a very difficult economic time. A recent independent audit of Habitat Tucson's economic return-on-investment to the community shows a minimum 168% return on a dollar invested in Habitat. This return includes the

economic impact of Habitat hiring subcontractors to install some of the systems within our homes. In 2008 Habitat outsourced some \$1,000,000 to local land-development and home construction subcontractors. The suspension of impact fees enables Habitat and other CHDOs (as well as our local for-profit homebuilding partners) the opportunity to increase our economic stimulus of the local subcontractor industry, which employs thousands of skilled construction workers who we'd like to retain in our growing community.

Habitat deeply appreciates both the City's annual investment in our work to produce affordable homeownership opportunities for low-income households and the mutuality of our partnership. In 2008 the City provided Habitat Tucson with a little under \$500,000 in HUD funds (or 10% of Habitat's annual budget) to produce 17 homes and some 90 future lots for our homebuilding activities. In addition, Habitat served an additional 100 families with other services independent of any HUD dollars. In addition to helping the City achieve its General Plan's affordable homeownership goals and being able to leverage 10 times the City's investment in our work from other capital resources (most notably local charitable dollars), Habitat was also able to provide the City (because of our financial leverage capability and our community volunteer service hours) with half the matching dollars or value required by HUD's HOME program. Consequently the City did not need to utilize General Fund dollars for its 25% match requirement for these much needed federal funds' support of local affordable homebuilding efforts. And finally, in addition to the impact fees that Habitat routinely pays, we also contribute directly to the infrastructure development of our neighborhoods, including the development of City-approved streets, drainage systems, common-areas, and parks. Upon completion, many of these infrastructures become City assets. In summary, then, the mutual investment and partnership between the City and Habitat (as well as its partnership with all the local CHDOs) provides win/win outcomes for the hardworking people of our community.

During a time in which revenue is difficult to come by, creative ways to reduce costs (while not gutting capability or capacity beyond the point of future recovery) *and* simultaneously increase service arguably creates another win/win. Such is the case with the proposal to suspend City impact fees for twelve months. It will increase the community's inventory of affordable homes and taxpaying homeowners, it will provide a stimulus to the local construction industry and keep skilled people gainfully employed, and it will bolster organizations' capability to continue their win/win partnerships with the City.

Habitat appreciates your thoughtful consideration of the proposal to suspend impact fees.

Respectfully yours,



Michael McDonald
Executive Director



February 5, 2009

Councilman Rodney Glassman
Northeast Ward Two
7575 E. Speedway
Tucson, Arizona 85710

Dear Councilman Glassman:

I would like to congratulate you and your fellow Council members on your recent proposal to temporarily suspend impact fees to promote development during these tough economic times. I applaud your willingness to get creative, even if these proposals prove to be controversial. As a developer, it might be obvious that I would support such an initiative, but it does not negate the real impact on the economics of our new developments and our ability to move some of our projects forward in the current economic environment. It certainly does not negate the fact that jobs will be preserved and created in the construction field.

As an example, we are currently working on a \$30 million multihousing project that would be ready to break ground tomorrow if we decided to do so. While we have our financing in place, we have put this project on hold because we are nervous about the relative value of the new construction versus existing product that continues on a path of depreciation. However, the removal of the impact fees in our financial model would make this a very viable project for us. Impact fees represent almost 7% of the overall construction costs. The waiver of impact fees would propel us to greenlight the project. Of course, the bigger story is that our subcontractors would be put back to work and help reverse the trend of job losses that we have experienced in the region. It is our estimate that this project alone would employ an average of 200 workers for a period of 20 months.

Unfortunately, this specific project happens to be in unincorporated Pima County just north of the City of Tucson limits, but the implementation of an impact fee waiver program would compel us to explore an annexation into the city. Indeed, I see the annexation of developments outside of the city limits as an additional benefit to your proposal.

I know that this proposal is not a magic bullet. It will not fix the capital markets and will not singlehandedly fix our economy. However, it will increase the feasibility of sound projects that are in the financial cusp, and even if only one project were to move forward because of this proposal, that project equates to new jobs that we simply do not have today.

Thank you again, and please contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Omar Mireles', written in a fluid, cursive style.

Omar Mireles
Executive Vice President

KS COMPANIES
4605 N. CAMPBELL AVE.
TUCSON, AZ 85718

February 4, 2009

Mayor Bob Walkup and Members of the City Council
City of Tucson
City Hall
255 West Alameda Street
Tucson, Arizona 85701

Dear Mayor and Members of the Tucson City Council:

Please accept this note as written confirmation of our full support for the proposal to place a temporary, 12-month waiver, on certain components of residential and commercial Impact Fees in the City Of Tucson.

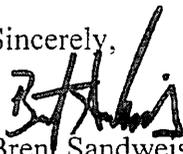
In the spirit of Mayor Walkup's recent comments regarding the importance of, and his focus on, "jobs, jobs, jobs," this proposal recognizes that thousands of Tucsonans are out of work. Not only will this proposal generate IMMEDIATE jobs, but, it will not reduce the General Fund. To the contrary, new jobs & productivity will increase the General Fund.

We agree that 40% of employment in Tucson is Construction/Professional Services related. The consequences of our current & growing unemployment are economically devastating to our community. As a community, we cannot risk doing nothing when thousands of our neighbors are out of work. Bold & decisive action is temporary, measurable and verifiable. It's not some vague, hard to understand economic stimulus based on shopping or complex financial manipulation. Rather, it's a low-risk proposal that brings the immediate benefit of new employment and getting the wheels of productivity rolling again. Passage of this measure will establish the right business tone for Tucson.

To that end, if this measure passes the KS Companies pledge to begin construction as soon as possible on a multi-million dollar urban infill apartment project, Tanque Verde Valley Casitas, that has been on hold since last year due to the challenges posed by the economy and credit markets. This measure will prompt action on our part that will result in the rapid generation of hundreds of jobs while leveraging existing infrastructure.

Thank you for your consideration!

Sincerely,


Brent Sandweiss
KS Companies

o: 520-299-1344 x3

f: 520-299-1548

email: brents@trh.net



Southern Arizona Home Builders Association

**Southern Arizona
Home Builders
Association**

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Fax: (520) 326-8665
Web: www.sahba.org

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January 29, 2009

Councilman Rodney Glassman
City of Tucson – Ward 2
7575 E. Speedway Blvd.
Tucson, AZ 85710

Dear Rodney,

As you are aware, the residential home building industry historically has provided jobs for working-class families in Tucson. Due to the current economic conditions, some 4,800 construction jobs just in the city have evaporated and home building in Tucson has ground to a halt.

In the last six months of 2008, the City of Tucson produced 220 new home permits. Bright Future Consultants predicts the first six months of 2009 to produce 110. This is a dismal outlook facing many hard working construction workers. This means less employment for them and an increase in social services for the City.

I talked to three builders who have projects in the city. One said if capital facility fees were waived, he would reduce his prices accordingly, thus being able to sell more homes to a wider clientele. Also, he would build more homes because of a larger buying segment. The second builder said it would encourage him to build in the city. The third said it would make the difference between building in the city or using his capital elsewhere.

The concept of deferred rather than a complete waiver of fees has been discussed. Because deferral of fees can only be done by development agreement, this would not be effective for existing subdivisions. It would not provide an economic stimulus.

I believe if the council would act to waive capital facility fees for a determinate length of time for all classes of building, Tucson would reap several benefits. First, it would signal that the city is serious about economic stimulus and providing jobs for existing business construction. Second, it would be concrete action, not a proposal. That has not happened in any other municipality in this area. Third, it would show a great act of understanding in how this local economy functions.

This letter outlines SAHBA's position, reaction and some recommended solutions to these devastating economic times. Any consideration is appreciated that the council take action to do something positive to turn the tide.

Sincerely,

Ed Taczanowsky
President, SAHBA