

ELEMENT 12: COST OF DEVELOPMENT

Introduction The Growing Smarter legislation requires municipalities to include a Cost of Development Element as a part of the *General Plan*. The Cost of Development Element establishes the framework for developing implementation strategies that will result in public-private cost sharing of capital facilities needed to serve new development. These strategies clarify the roles of the public and private sectors, both of which will be critical to success in meeting the City's goals.

The purpose of this element is to identify policies and strategies that the City of Tucson will use to require development to pay its fair share toward the cost of additional public service needs generated by new development, with appropriate exceptions when in the public interest.

The Cost of Development Element contains three key components. The first is a definition of "fair share." Growing Smarter legislation does not define fair share, which allows each community to define the term in the way that is most appropriate based on the unique needs and resources of that community. The second key component is the establishment of a measure of fairness. The fairness measure guarantees that costs borne by development result in a benefit to the development. It also ensures that there is a reasonable relationship between the cost to the development and the burden imposed on the municipality to provide additional necessary public services to the development. The third key component identifies various mechanisms that will be used to fund and finance additional public services necessary to serve development.

The city of Tucson, like many rapidly growing communities, has significant infrastructure and service needs that are not met by current revenues. These needs are evident not only in newly developing areas of the city, but also in aging and redeveloping areas. As Tucson works to meet its infrastructure needs, it also strives toward preserving and enhancing neighborhoods, encouraging quality development, and meeting the diverse needs of its population.

The City has many goals relating to the environment, land use, economic development, and quality of life issues. These goals must be balanced to address needs across the community. For example, a balance must be struck between the City's goals of encouraging infill and reinvestment rather than urban sprawl, providing open space and recreational opportunities throughout the city, and encouraging economic development activities. The Cost of Development Element addresses meeting community needs for infrastructure and services in an equitable and reasonable manner, which contributes to balance in meeting the various goals and objectives of the City.

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Background The Cost of Development Element is related to the other elements of the *General Plan* and works with the other elements to meet the diverse needs of the city in a balanced way. No element or policy in the *General Plan* stands alone.

Policy 1: Integrate the goals and policies of the Cost of Development Element with the goals and policies of the City of Tucson General Plan.

- Supporting Policies***
- 1.1 Ensure the goals and policies of the Cost of Development Element are integrated with the required Growth Areas and Population Element and with the Housing Element, which include standards for housing quality, variety, and affordability.
 - 1.2 Ensure the goals and policies of the Cost of Development Element are integrated with the required Circulation Element and Growth Areas and Population Element to provide for efficient multimodal forms of transportation and to improve air quality.
 - 1.3 Integrate the Cost of Development Element with all other appropriate elements of the *General Plan*.

Background Infrastructure and service needs vary throughout the city. The cost of growth for each new development must be determined based on factors specific to the proposed development and the specific location. However, it is necessary to establish a methodology to ensure that costs are assessed consistently for each new development.

Policy 2: Develop a methodology for determining the need and assessing the costs of new facilities and services required to serve new development.

- Supporting Policies***
- 2.1 Recover costs for the following facilities: transportation, parks and recreation, water resources and distribution, drainage, operations, police, fire, solid waste, libraries, and other facilities and services as deemed appropriate.
 - 2.2 Establish Level of Service (LOS) standards for each facility type identified for cost recovery.
 - 2.3 Establish the benefit area for each public facility and determine the facility needs and costs for the benefit area, based upon the established LOS standards.
 - 2.4 Develop a responsive time frame for cost recovery of the facilities identified in each benefit area.
 - 2.5 Identify costs of expansion of City operations and facilities to maintain service level expectations.

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2.6 Conduct periodic analyses of LOS standards and adjust the standards as necessary to meet the City's service goals and obligations.

2.7 Employ technological and programmatic innovations to enhance productivity in order to reduce capital and/or operations and maintenance costs.

Background Maintaining a menu of legally available financial mechanisms allows the public and private sectors to work together to find the best cost recovery approach for each new development. It also allows for flexibility in the event that one or more mechanisms become unavailable or if additional methods are made available.

Policy 3: Identify all legally available financial mechanisms to recover the cost of public facilities and services required to serve new development.

Supporting Policies 3.1 Use the best methods to fund and finance new public facilities and services, such as bonding, special taxing districts, development fees, in lieu fees, facility construction dedications, service privatization, and consolidation of services.

3.2 Maintain the definition of "legally available" as those legal mechanisms which are not prohibited by law, in the state of Arizona, at the time the project is approved.

3.3 Develop a process to apply the fair share cost recovery policies to all new development, regardless of zoning.

Background Assessing a fair cost covers the impacts of the new development while freeing up revenues that can be used to address existing deficiencies in infrastructure and services. Achieving this balance furthers the goal of meeting infrastructure and service citywide, which provides benefits to the residents throughout the city and to the new development as well.

Policy 4: Balance public and private interests to achieve fairness in allocating the costs of new development. The public interest is established by the goals and policies of the *General Plan*.

Supporting Policies 4.1 Recover fair share costs, which are defined as the total capital cost (facilities and equipment) minus developer credits and funds dedicated to a project as set forth in the City's approved Capital Improvements Program.

4.2 Establish, and regularly review, a weighted measure which will be applied consistently to assign a greater share of cost to new developments as they move away from areas of existing services, increase in size, and absorb a greater portion of the benefits and services necessitated by the development.

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4.3 Establish development incentive areas or other incentives, such as Infill Incentive Districts, which may allow reduced cost recovery obligations for projects to foster development activity within those areas.

Background The fair share cost of new development is intended to cover only the additional impact of the new development on infrastructure and services. It is not intended to cover the impacts of previous development or maintenance decisions.

Policy 5: **Provide that the fair share charged to a project includes only those costs associated with that project and does not require the developer to improve service levels of existing deficiencies in public facilities.**

Supporting Policies 5.1 Provide that the identified benefits of the new public facilities and services are received by the development charged with paying for them.

5.2 Provide that a development is charged only for its proportionate share of the benefits received by the new public facilities and services.

5.3 Conduct studies to determine future benefits associated with new revenues generated from the Growth Areas, as defined in the Growth Areas and Population Element.

Background New development can have an impact on infrastructure and services in several jurisdictions. This is particularly true when new development occurs near jurisdictional boundaries or involves regional systems, such as transportation. Regional cooperation is necessary to ensure that resources are available to address the impacts of development on regional systems.

Policy 6: **Seek local and regional cooperation to pursue new or enhanced revenues for regional infrastructure.**

Supporting Policies 6.1 Conduct regional studies to determine if, and how, operations and maintenance costs of capital facilities can be assessed and allocated on a fair share basis.

6.2 Join with the League of Cities and Towns and/or other communities to seek new or additional revenue-sharing opportunities from the state of Arizona, such as a state gasoline tax adjusted for inflation.

6.3 Increase efforts to obtain new or additional revenue-sharing opportunities to more equitably offset the cost of growth and new development.

6.4 Pursue legislation that would facilitate the inclusion of urban areas into incorporated boundaries to obtain additional revenue-sharing funds for the region.

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Appendix: Existing Methods of Cost Recovery Matrix

Class of Infrastructure:	Existing Methods of Capital Financing												
	Impact Fees	Develop. Agreement	Excise Tax	Ad Valorem Tax	Prop. Lease Excise Tax Incentive	Gen. Oblig. Bonds	CFD's & Improvement Districts	Revenue Backed Bonds	Hwy User Revenue Funds *	System Revenue Bonds	Excise Tax Bonds	Certificate of Participation	Sales Tax Incremental Bonds
Water		c,0				c	c	c					N/A
Police	c	c,0	c	c,0	c	c	c	c		c	c	c	N/A
Fire	c	c,0	c	c,0	c	c	c	c		c	c	c	N/A
Transportation	c	c,0	c	c,0	c	c	c	c	c,0	c	c	c	N/A
Operations	c	c,0	c	c,0	c	c	c	c		c	c	c	N/A
Parks & Rec	c	c,0	c	c,0	c	c	c	c		c	c	c	N/A
Solid Waste	c	c,0	c	c,0	c	c	c	c		c	c	c	N/A
Library	c	c,0	c	c,0	c	c	c	c		c	c	c	N/A
All other	c	c,0	c	c,0	c	c	c	c		c	c	c	N/A

o = Operation and Maintenance
 c = Capital Improvements
 * Includes all monies which come to the City of Tucson for Transportation.