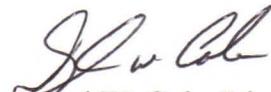




MEMORANDUM

DATE: June 17, 2014

TO: Council Member Regina Romero
Ward 1, City of Tucson

FROM: 
Daryl W. Cole, Director
Department of Transportation

SUBJECT: Responses and Clarifications to Information Presented by Broadway Coalition

Please find below information to address issues brought to your attention by members of the Broadway Coalition via email (Attachment 1).

- 1) **No Diminishment of Functionality:** Immediately after adopting the RTP, the Board adopted its Resolution No. 2005-02, which approved policies for implementation of the RTP. Among these policies was item 2, which read:

“Functionality Not to Be Diminished - The Technical/Management Committee as well as the Citizens Advisory Committee had specific capacity and/or performance improvements in mind when recommending highway improvement projects as well as transit improvements. This functionality should not and cannot be diminished. The voters, in approving the expenditure plan, are relying on the planned improvements actually being implemented.”

To paraphrase, it is not whether the functionality of the existing roadway is preserved, but rather that the functionality as originally envisioned for the project scope included in the RTA Plan is not diminished. This means that whatever project design modifications are proposed must perform at least as well or better than the project scope originally approved. In the case of Broadway, this means that a modified project scope must perform as well as widening Broadway “arterial to 6-lane, plus 2 dedicated bus lanes, bike lanes, and sidewalks.”

Traffic modeling to date has shown that a six-lane cross section is likely to meet RTA’s functional requirement, and that a four-lane section or a four-lane plus two dedicated transit lanes (the 4+2T) definitely will not. We continue to work with the 4+2T to see if we can improve its performance, and if we can envision a circumstance in the future where a six-lane could be converted to a 4+2T.

- 2) **\$7 Million Expenditures Repayment:** In the event that the Broadway project stops, repayment to the RTA and Pima County would need to occur. The handout provided to you by the Broadway Coalition focuses only a spreadsheet developed in December 2012 that lists

out details about the City-owned properties in the project area. These documents can be found online, and are attached for ease of reference:

http://www.tucsonaz.gov/files/projects/broadway/2012_12-20_Bway-COTPropsMap.pdf

http://www.tucsonaz.gov/files/projects/broadway/2012_12-20_Bway-COTPropsList.pdf

Actual total expenditures since 2006 range include not only acquisition, but also environmental, utilities, project management, and planning/design/engineering. As of May 30, 2014, \$6,921,280 has been expended – approximately \$1.3 Million is Pima County funding and roughly \$5.3 Million is RTA funding. The overall expenditures are captured in a monthly report provided online at, and a copy of the current report is attached for reference:

<http://sahuaro.tucsonaz.gov/downtown-projects/projects/project/E241008D-B2E9-85B0-990B0D2D1BBBF7F9>

- 3) **Net Project Costs:** It is important to note that the Citizens Task Force and community have requested that costs be one of the performance measures to assess the alternatives under consideration. Yet, it is still too early to know exactly how much money will spent on acquisition. That will ultimately only be known at the point in time construction concludes.

For example, the Grant Road intersection project at Oracle Road estimated that acquisition would cost \$21 Million when it was at 30% design (meaning, the constructions drawings were only 30% complete). At the conclusion of the construction, only \$9.6 Million was spent. Additionally, the remaining properties the City acquired have been put on the private market for sale. Revenues received from sale will reduce the overall net project costs.

The Broadway Project is currently at less than 5% design. There is time and still many opportunities to reduce acquisition costs as we continue to move forward with design refinements. In some of the variations we have been exploring, we have already seen the potential to reduce property impacts and acquisition costs by varying the alignment and judiciously narrowing median, landscape, and sidewalk widths at sensitive locations.

- 4) **Acquisition and Relocation Costs:** The only acquisition estimates reported so far for the project that do not include relocation and demolition are those reported in the ‘Sidewalk Only’ scenario. Every other estimate provided for with our process so far includes all aspects of acquisition costs, including demolition, environmental, architectural documentation, and relocation costs (see attached bar graph presented to the 4/30/14).

The Task Force is in the process of reviewing alignment variations, and the related estimates will continue to be provided. These estimates will vary for the duration of the project, all the way up until all acquisition – and construction of the improvements – is complete (see Grant Road example in Item 3, above).

Impacted property owners, businesses and tenants are eligible for relocation benefits, including:

- **Relocation Advisory Services:** Residential Assistance, Business, Farm, and Nonprofit Organization Assistance
- **Individuals, and Families:** Moving Costs, Replacement Housing - Purchase Supplement, Replacement Housing - Rental Assistance, Replacement Housing - Downpayment Assistance,
- **Business, Farm, and Nonprofit Organization Assistance:** Moving Costs Reimbursement, Related Eligible Expenses, Reestablishment Expenses, Fixed Payment for move and related expenses

A full overview of the acquisition and relocation services is included online at the project web site. Myrlene Francis of Tierra Right of Way gave an overview to the CTF on Dec. 13, 2012: http://www.tucsonaz.gov/files/projects/broadway/2012_12-13_TierraROW_RealEstateAcquisition.pdf

- 5) **Sales Tax Revenue Impacts:** The way in which the issue of sales tax impacts is raised suggests that it is presumed that acquisition and relocation takes away sales tax revenues from the City. This is an incorrect assumption, particularly in instances where businesses choose to relocate within the City to new locations; the time between closure of a business and reopening in a new location varies but, typically, the goal of the business is to minimize this time and therefore any potential loss of sales tax revenue. When properties are reused, and when infill occurs providing new densities, new space for new businesses are created, bringing with it the generation of new sales taxes. Construction activities that occur with infill or revitalization also generate sales taxes.
- 6) **Size of Remnant Properties:** Variations of the alignment are still under review, and the size of remnant properties is a factor that is being considered. However, in general, the remaining lots for the various configurations of the 4-lane, 4+2T/6-lane are developable. At the Feb-March 2014 Charrette #3, a summary sheet was shared that approximated how many properties would be left, within certain ranges of depths. This can be found online in the Charrette #3 Workbook, as part of Performance Measure 8a., Change in Economic Potential (accessed at <http://www.tucsonaz.gov/files/projects/broadway/BroadwayPerfMeasureBookletFINAL.pdf>), on numbered page 64 of 71.

80' lot depth and shallower are developable, but have more challenges with smaller uses and result in lower density developments or residential uses. There are other factors beyond just the depth that impact usability such as their width and the presence of an alley for access or adjacent vacant property. Within the current 4+2T/6-lane variations there are only a few areas that fall below this 80' threshold.

- 7) **Property Tax Impacts:** Questions have been asked about whether the widening will reduce the amount of taxable land – both in number because the City assumes ownership, and in size because the land becomes part of the new roadway – and how that will impact our local revenues. To answer this appropriately, it is important to understand the process used to assess property taxes on an annual basis.

Annual Process of Setting Property Tax Rates. Property taxes are the product of multiplying a property's Assessed Value by the Tax Rate for each taxable property within a jurisdiction. Each taxing authority (e.g., Pima County, the City of Tucson, Fire Districts, School Districts) develops its own annual budget, including what revenues levels are needed to balance the budget. The governing entities calculate their jurisdictional tax rates factoring all available taxable land within the jurisdiction, how much revenue is needed, and what the tax rates need to be in order to achieve the targeted revenues. The tax rate may increase or decrease, depending on the revenue needed. The rates are set by the governing bodies at public hearings, and are implemented for the next tax year, upon approval.

The effect of removing properties from Broadway from the overall tax rolls generating the revenue is small. The amount of taxable real property potentially reduced by the Broadway project is very minute as a fraction of the total taxable assessed value within the City. For example, assuming only for this example that the 96 tax parcels on the north side of Broadway were acquired to complete the project:

Combined 2014 Assessed Value of 96 Broadway properties = \$5,154, 548

Combined 2014 Assessed Value of 175,650 parcels in Tucson limits = \$3,932,006,710

The assessed value of the 96 Broadway properties is roughly **0.13109%** of the City's total overall assessed values. This difference in potential collections, which is very small, will simply be shifted to other taxpayers. The next year, based on remaining taxable land, the annual process to set the tax rate will begin again, and the burden will be shifted to other taxable properties.

In contrast, the City's primary property tax rate adopted for tax year 2009 was \$0.3144. For 2013, it was set at \$0.4213. This equates to a **34%** increase in the last 5 years.

Government-owned Parcels. It has been noted that the properties acquired for the project by the City do not collect any taxes. That statement is correct; Government owned property is taken off the taxable rolls, as of the next tax year's roll and will not pay property tax from that point forward. The tax rolls are further reduced when improvements (the buildings) are acquired.

However, the reduction in taxable property should be reversed once the project is complete and when any remnant properties not required for the public purpose roadway project can be sold back to the private market. These properties can then be redeveloped and put to productive use, and generate new property taxes as well as sales taxes.

Positive Property Tax Impacts from Revitalization Opportunities. After the project is complete opportunities will be created for combining remnant parcels, and potentially, for new infill construction. New development may be more intense than before - such as building a couple of stories rather than only 1 story. Improvements to the road can be expected to increase both the value of property and the amount of redevelopment along Broadway. This increase in values will help rebuild property tax revenues to make up for loss in taxable land area and improvements.

Commercial Historic Property Tax Break Incentives. If a historic district is created, property tax break incentives are available to owners of qualifying contributing properties to the district. Contributing commercial properties that choose to improve their properties appropriately [to Secretary of Interior's standards] can apply for a 10-year tax abatement that has the effect of limiting the amount their assessed value can go up by 1%, per year. Restated, the assessed values of the improvements made are subject to a cap of 1% increase, per year, for up to 10 years.

Conclusions. Bottom line, investments in roadway improvements can result in investments in the properties adjacent to the roadway following construction, and higher property values and property taxes down the line. It should be expected that there will be new businesses, and new mixed uses and infill that come into the area. This will bring new employment, new population, sales tax revenues, and additional property taxes that will benefit the community. Additionally, a more multimodal street can help to create an environment that encourages more shopping and dining at restaurants which would help increase sales tax generation.

- 8) **Maintenance and Operation Costs:** The total 20-year capital operations and maintenance costs related to a newly constructed Broadway asphalt are estimated at approximately \$2 million for a 4-lane roadway and \$3 million for a 6-lane roadway.

We do not have estimates yet for what landscape, lighting, signals, transit, or other maintenance would cost. That will come with the design refinements, and would likely not change much between a 4-lane and 6-lane (i.e.; extent and size of landscape areas within medians and the along the sides of the street will be very similar between the 4-lane and 6-lane design alternatives).

If new construction does not occur on Broadway, and the City's future maintenance requires rehabilitating the existing roadbed, the costs will range from \$23-30 Million for reconstruction of the asphalt, addition of sidewalks, and acquisition from the 226 properties adjacent to both sides of the street to add the sidewalks.

9) **Roadway Dimensions:** A map is online that shows the existing dimensions throughout the project area. http://www.tucsonaz.gov/files/projects/broadway/03_Table_Map.pdf

10) **Preserving Right of Way for Transit:** The entire 11-mile Broadway corridor is the highest ridden bus route in the region. Preserving enough Right of Way now that would allow for 2 dedicated lanes for future mass transit – whether it is Light Rail, Bus Rapid Transit, or even streetcar – is important to allow for future conversion when the funding is found. In the meantime, incremental enhancements to a roadway that has that room is highly recommended. This is not accomplished in the widths of the existing roadway, nor in the 4-lane design.

DWC/JB/rw

cc: Honorable Mayor Rothschild
City Council Members
Mayor and Council Aides
Jennifer Burdick, TDOT Project Manager

Attachments: 1) 6/10/14 Email from Laura Dent, subject: 'Thank you and more information'
1a) '3 Million not 7 Million' handout from Broadway Coalition
1b) 'Potential Acquisition Costs' handout (4/30/14) from Broadway Project team
2) City Project #107 – Broadway: Euclid to Country Club
3) Broadway: Euclid to Country Club – City Owned Parcels, Indexed Map and Properties List (Dec., 2012)