



# MAYOR & COUNCIL COMMUNICATION

February 9, 2021

Subject: Initiation of a Pre-Annexation and Development Agreement Fee:  
Adoption of a Notice of Intention (Outside City)

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**Issue** – Adoption of the Notice of Intention to create a new fee of \$1,000 per Equivalent Dwelling Unit (EDU) for all new Pre-Annexation and Development Agreements (PADAs).

**City Manager's Office Recommendation** – The Mayor and Council are respectfully requested to review the following proposal for a new PADA EDU Fee, and to initiate the legal process to establish the fee by:

- Adopting, by resolution, the Notice of Intention to create a new PADA EDU fee;
- As required by State law, filing this Communication and all attachments with the City Clerk as the report supporting the new PADA EDU fee; and
- Establishing April 20, 2021, as the public hearing date on the recommended PADA EDU 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.

Since the regular use of PADAs began in 2009, 94 agreements representing 1,400 acres have been recorded (15 acres average size; 4 acres median size). Of the 94 approved PADAs, 22 parcels totaling 541 acres have been annexed into the City of Tucson.

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 has historically generated no revenues from the PADA application or development process. A separate PADA application fee of \$750 will take effect at the beginning of FY 2022, pursuant to Mayor and Council approval at the Public Hearing held on January 20, 2021.

On January 5, 2021, Mayor and Council discussed additional opportunities to develop new service fees on future PADA developments and directed staff to schedule a Notice of Intent to establish a \$1,000 per EDU fee on all new PADAs.

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**PADA EDU Fee Adoption Process, Next Steps** – The following key actions will complete the fee initiation process:

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| <b>Today</b>                                  | If Mayor and Council adopt the Notice of Intention to create a new PADA EDU Fee, the report supporting the rate increase (this Communication and all Attachments) will be filed with the City Clerk, and a public hearing will be scheduled for April 20, 2021. |
| <b>March 19, 2021</b>                         | Tucson Water will publish notice of the public hearing in a local newspaper and on the City's website.  |
| <b>April 20, 2021</b><br><i>(anticipated)</i> | Public hearing, after which the Mayor and Council votes on the proposed PADA EDU Fee.   |
| <b>July 1, 2021</b>                           | If approved, the PADA EDU Fee will become effective on the first day of FY 2022, which is July 1, 2021.   |

**Plan Tucson Considerations** – Adoption of a PADA EDU Fee would be consistent with Plan Tucson sections regarding Water Resources (including WR1-11); and the Built Environment policies associated with Public Infrastructure, Facilities, & Cost of Development (including PI1 & 4-7).

**Financial Considerations** – Projected new revenues for the proposed PADA EDU Fee would be \$27,500 per year, based on staff review and analysis. The use of any funds generated by the potential new fee would be determined by Mayor & Council.

**Legal Considerations** – The attached Notice of Intention conforms to the requirements of State law, including A.R.S. Section 9-511.01.

Respectfully submitted,



Timothy Thomure, P.E.  
Interim Assistant City Manager

TT/JK/kl

John Kmiec, Interim Director, Tucson Water

Attachment: Resolution