

**Town of Marana, Arizona  
Development Fee Update**

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**Streets Facilities  
Development Fee Report**

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**Public Report**

**FINAL**

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**As adopted by Mayor & Council  
APRIL 6, 2014**



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## Introduction

The Town of Marana collects development fees to offset some of the infrastructure costs associated with growth. The Town currently charges fees for street facilities and parks, and intends to continue doing so. In order to continue the fees, the Town must comply with Arizona Revised Statute (ARS) §9-463.05. In so doing, the Town will be preparing new development fee studies, project lists, fee schedules, and municipal ordinance.

The statute, which codifies Senate Bill 1525, includes major changes in development fee assessment procedures and programs. The statute limits the types of “necessary public services” which fees can fund. A municipality must develop two preliminary products prior to calculating the fees for each service category: a set of land use assumptions and an infrastructure improvements plan (IIP). These documents were adopted by the Town Council on February 11, 2014.

As described in the Streets Facilities Infrastructure Improvements Plan (Streets IIP), the Town has three service areas for street improvements. See Exhibit 1. This Development Fee Report defines terminology and identifies the maximum recommended fees to be collected to fund the Streets IIP.

## Streets Facilities Fee Categories

Streets facilities fees are assessed based on a development’s size, type, and service area. The fees are divided into eight categories including residential, retail, high traffic retail, industrial, general office, medical facilities, institutional, and recreation. Residential development and retail/service uses are further refined in subcategories. Definitions for these categories and subcategories are provided here, based on commonly used definitions and definitions found in ITE’s *Trip Generation* publication (ITE).

**“Single Family Residence” (SFR)** refers to all detached or attached residential structures characteristic of a primary residence, even if the residence is subsequently rented. Duplexes, Triplexes, Condominiums, Townhomes, as well as mobile homes and manufactured homes on individual parcels are assessed at the SFR rate. See also ITE Land Use Category 210.

**“Multi-Family Residence”** refers to development where more than a single residential unit occurs on a single lot. This includes apartments, student housing, and mobile home parks. See also ITE Land Use Category 220.

**“Age Restricted Residential”** refers to communities that restrict residents to 55-years or older with no one in the household under age 18. See ITE Land Use Categories 251 and 252.

**“Hotel/Motel”** refers to temporary lodging facilities including hotels, motels, time shares/fractional shares, and recreational vehicle parks. See ITE Land Use Categories 310 and 320.

**“Congregate Care”** refers to group housing that is typified by a central eating facility, smaller rooms, and a higher level of care for its tenants. This includes nursing homes, group homes, prisons and other similar uses. See ITE Land Use Category 620.

**“Retail Services”** include myriad land uses providing retail sales, discount sales, and related services. See ITE Land Use Categories 800-899.

**“High Traffic Retail”** includes, but is not limited to, fast food restaurants, service stations, convenience stores, and high-turnover restaurants. See ITE Land Use Categories 900-999.

**“Industrial”** uses include all light and heavy industry, industrial parks, manufacturing, warehousing, mini-storage, and utilities. See ITE Land Use Categories 100-199.

**“General Office”** includes all office uses, office parks, corporate headquarters, governmental offices, business parks, and research and development (R&D) parks. Doctor, dentist, and veterinary offices fall under this category instead of medical facilities. See ITE Land Use Categories 700-799.

**“Medical Facilities”** includes hospitals, urgent cares, clinics, and veterinary hospitals/clinics. See ITE Land Use Categories 600-699.

**“Institutional”** includes churches, schools, colleges, and universities, cemeteries, libraries, fraternal lodges, and day care centers. See ITE Land Use Categories 500-599.

**“Recreational”** includes parks, camp grounds, golf courses, bowling alleys, movie theaters, racetracks, skating rinks, tennis courts, health/fitness clubs, and community recreational centers. See ITE Land Use Categories 400-499.

**“Equivalent Demand Unit (EDU)”** is the demand for streets infrastructure created by a typical single family residence, or SFR. The average vehicle miles of travel created by a SFR on the arterial/major collector network is one service unit, or EDU. The demand for streets infrastructure for other land uses is the ratio of its demand compared to that of a SFR, expressed in EDU. For example, the EDU/unit for multifamily housing is 0.7 EDU. This definition differs from the Park Fee study, which uses the ratio of household size instead.

**“Service Unit”** means a standardized measure of consumption, use, generation or discharge attributable to an individual unit of development calculated pursuant to generally accepted engineering or planning standards for a particular category of necessary public services or facility expansions. In this Fee Report, the terms service unit and EDU are interchangeable.



## **Streets Facilities and Fundable Improvements**

A list of proposed streets improvements to be funded between 2014 and 2023 is shown in Exhibit 2 of the Streets IIP. That exhibit, Titled “Necessary Streets Facilities, Existing and For New Development” is hereby incorporated by reference. The list includes projects in each of the three service areas, and total costs of improvements is \$148,268,739. The total capacity of these projects is greater than that needed by new development, which totals \$65,047,338, as shown in Exhibit 2 of this report, below. The exhibit shows the gross fee per EDU, prior to applying offsets for construction sales tax (CST) and Highway User Revenue Fund (HURF) payment toward capital projects. The exhibit also reflects the exemption of Dove Mountain from the Northeast Benefit Area.

These facilities are eligible pursuant to the definitions of necessary public services in A.R.S. §9-463.05(7)G. The costs of the Streets Facilities Development Fee Study, estimated at \$100,000, is being funded by current revenues.

<b>Exhibit 2</b>		<b>Gross Fee by Service Area</b>	
<b>Service Area</b>	<b>Estimated EDUs by Service Area</b>	<b>Total Project Costs by Service Area</b>	<b>Gross Streets Fee Per EDU</b>
Northwest	4,133	\$24,798,294	\$6,000
Northeast*	638	\$5,298,590	\$8,305
South	5,270	\$34,950,454	\$6,632
	<b>Total</b>	<b>\$65,047,338</b>	

\* Northeast area reduced by 850 EDU and associated costs for Dove Mountain exemption. See text.

## **Development Fees for Streets Facilities**

The analysis of maximum recommended fees for the various land use categories, as applied to the three service areas takes into consideration numerous factors. These include the trip generation rates, percent of primary trips, length of travel on the major collector/arterial system, and the current expected cost of roadway capacity. These factors are inherent in the summary matrix provided in Exhibit 3, which defines the recommended maximum base fee for each combination of land use and service area. (Additional detail is provided in Appendix B.) This table also includes offsets for the CST and HURF, which were detailed in the IIP, as appropriate. The CST credit described in the Streets IIP is split between the Streets Fee and the Parks Fee. The Parks fee credit is \$525 per residential unit; the remainder is credited to the Streets Fee.

As examples, the recommended maximum base development fees for single family residences are \$3,294 for the Northwest service area, \$5,599 for the Northeast service area, and \$3,926 for the South service area. The recommended maximum fees for other uses are

proportional to their relative EDU factors and allowable offsets. Note that fees for the “Retail and Services” category are assessed on a build-up basis. For example, a 150,000 square foot development in the South service area would be charged \$550,896 for the first 75,000 square feet plus \$7,372 times 75 for the remaining 75,000 square feet, for a total base fee of \$1,103,796.

Fees are assessed not only for new capacity, but also for available capacity already built by the Town in anticipation of new development. Called “Legacy Capacity Projects”, their value is factored in to the analysis on a pro rata basis of construction costs and the utilization of these facilities by an expanded population and business net. These projects include portions of Cortaro Road, Silverbell Road, and Thornydale Road, as shown in the Appendix B.

The fees shall be determined by the Town utilizing the land use intensity factors contained in the fee tables, i.e., number of dwelling units or 1000s of square feet of building area. Portions of a development that do not generate traffic impacts may be excluded from the calculation of fees at the discretion of the Town. Examples of such ancillary uses include maintenance and storage facilities on a golf course or an outdoor car wash at an auto dealership.

Fees shall be assessed to governmental uses including school districts, fire districts, water companies, and public utilities. The Town of Marana is exempt from streets facilities development fees.

The Dove Mountain development is removed in its entirety from the Streets Facilities development fee northeast benefit area due to a prior agreement between the Town and the developer which exempts Dove Mountain from development (impact) fees. This exemption does not alter the technical analysis or the resulting fee calculation. The fee study considers the exemption of approximately 833 dwelling units and 20 acres commercial uses representing about 850 EDUs anticipated in the Land Use Assumptions for Dove Mountain over the next ten years. The subtraction of these EDUs does not change the result of the fee analysis in Exhibit 2 because the reduction in demand for street capacity is equally offset by the reduced fee collection. The Town of Marana is obligated to provide any Streets Facilities IIP project funding otherwise payable by Dove Mountain but for the exemption. For purposes of the streets development fee, the traffic from Dove Mountain will be treated similar to extraterritorial traffic in Marana from nearby jurisdictions.

The streets fees should be reviewed, and if necessary adjusted, every two years, concurrent with the mandatory biennial audit. At a minimum, upon consideration by the Mayor and Council, adjustment should be made for the Construction Cost Index, which shall not exceed a five percent increase in the fee.

## **Guidance on Special Fee Studies**

### ***Need for Special Fee Studies***

In some cases, there will be a need for a special impact fee study because the routine application of the fee table is deemed unfair to either the developer or the Town. This might occur if the projected traffic from a proposed development has a significantly different trip generation rate or trip length, or if there is no strong nexus between the land use and the funded facilities. Examples include a student housing project where vehicle use is low, alternate modes are provided, and trip distances are short. Conversely, an industrial use might overburden a

roadway structural section so that roadway design basis used in the fee calculation is exceeded. Then, additional structural capacity is needed for the proposed loading rather than adding travel lanes. For these examples, either the developer or the Town would request a special impact fee study be conducted. The study could be conducted on behalf of the developer, or by Town staff. The Town remains the final decision maker on these matters, including both the need for a special study and its ultimate approval resulting in a modified fee.

### ***Timing of Special Fee Studies***

Special fee studies may be initiated by a developer or by the Town. In the case of developer-initiated studies, the developer shall submit to the Town a letter of justification prior to conducting a special fee study. The letter shall state the reasons why a special study is necessary. If staff determines that a special study is justified, staff will then decide if the study will be conducted in-house at no cost to the developer, or by a mutually agreed upon third party at the expense of the developer. The Town shall render a determination on the request within two weeks of submittal. Special fee studies must be justified, prepared, submitted, and approved (if appropriate) prior to the time when streets facilities development fees are due. Special studies may not be conducted retroactively or after development fees have been paid to the Town. Requests for full or partial refunds after payment of the fees are not allowed.

In cases where the Town initiates a special fee study, the Town shall notify the developer in writing not later than four weeks after a developer submits a tentative plat in the case of a subdivision, development plan, or building permit request. The Town shall conduct a special fee study and make a modified fee determination prior to the time fees are due. A developer may appeal the Town's findings to the Town Council in a manner prescribed by Town ordinances and codes. The Town may not conduct a special study or modify fees retroactively or after development fees have been paid to the Town.

In no case shall special fee studies be conducted due to simple disagreement with the Town's cost estimates, ITE trip generation rates, or projects defined in the Infrastructure Improvements Plan for Streets Facilities. Developer-initiated fee studies will generally be disallowed if the project can readily be reused for other more intense purposes.

### ***Persons Preparing Special Fee Studies***

Due to the highly technical nature of development fee calculations, special fee studies shall be prepared by qualified professional(s), as defined by statutes. For studies conducted by a third party on behalf of the developers, the Town shall approve the selection of the person preparing the study in advance of the study's submittal to the Town.

### ***Content of Special Fee Studies***

Special fee studies may be prepared as a freestanding report or as a supplement to a traffic report required by the Town as a precondition of development approval. Special fee studies shall include the following elements:

- *Introduction* describing the project location, land use, and intensity. State the assigned Marana case number.

- *Justification for the Study*, which may be a reiteration of the approved letter of request.
- Technical analysis of the elements of fee basis, resulting in a new or revised EDU calculation used to estimate the impact fee. The technical analysis may consider the existing uses of the site.
- Detailed cost estimate of proposed development to determine construction cost credit. This cost estimate may ultimately be utilized by the Town for building permitting use.
- Recalculation of the proposed Streets facilities development fee to be paid by the developer, based on the revised EDU calculation. The fee recalculation may also consider credits for prior Streets facilities development fee payments to the Town and existing uses on the site.
- Summary of findings, briefly restating the contents of the study.
- Appendices, providing any supporting information such as field data, technical publications, and market information. Include copies of letter of request for a special study, and approval of the request.
- Seal of professional registrant as required by R4-30-304, Use of Seals, Arizona State Board of Technical Registration.

## Guidance on Fee Credits

Fee credits are allowed under three circumstances:

*Credit for Prior Fees.* If a streets facilities development fee has been paid previously to the Town for an approved development on the same site, the Town shall adjust the amount of the new impact fee due by subtracting the previous payment amount, uninflated, from the total due.

*Credit for Existing Uses.* The demand for roadway capacity from a conforming developed site may be subtracted from the impacts of a proposed new use or reuse in a special fee study. Replacement of existing conforming uses of the same type and scale (number of EDU) will have no fee assessed. Credit shall not be given for nonconforming existing uses under any circumstances.

*Credit for Improvements in the IIP.* A developer may be credited for making improvements contained in the IIP at an amount not greater than the estimated cost contained in the most current IIP, which includes right-of-way costs. Partial improvements shall be credited on a pro rata basis as determined by the Town. Dedications-of-rights of way only shall be credited based on the presumptive right-of-way unit costs used in the preparation of the Streets IIP, which is \$30,000 per acre.

**Exhibit 3 Recommend Maximum Street Facilities Fee**

Land Use Category	Unit	EDUs per Unit	Gross Fees*			Offsets		Base Fees***		
			Northwest	Northeast	South	Construction Sales Tax**	HURF Credit	Northwest	Northeast	South
<b>Residential Category</b>										
<i>Single Family Residential</i>	Dwelling Unit	1.00	\$ 6,000	\$ 8,305	\$ 6,632	\$ 2,374	\$ 332	\$ 3,294	\$ 5,599	\$ 3,926
<i>Multi-Family</i>	Dwelling Unit	0.70	\$ 4,200	\$ 5,814	\$ 4,642	\$ 838	\$ 221	\$ 3,141	\$ 4,755	\$ 3,583
<i>Hotel/Motel</i>	Rooms	0.50	\$ 3,000	\$ 4,153	\$ 3,316	\$ 862	\$ -	\$ 2,138	\$ 3,291	\$ 2,454
<i>Congregate Care</i>	Dwelling Unit	0.20	\$ 1,200	\$ 1,661	\$ 1,326	\$ 655	\$ -	\$ 545	\$ 1,006	\$ 671
<i>Single Family Residential (age restricted)</i>	Dwelling Unit	0.30	\$ 1,800	\$ 2,492	\$ 1,990	\$ 2,374	\$ 332	N/A	N/A	N/A
<i>Multi-Family Residential (age restricted)</i>	Dwelling Unit	0.20	\$ 1,200	\$ 1,661	\$ 1,326	\$ 838	\$ 221	\$ 141	\$ 602	\$ 267
<b>Retail and Services Category****</b>										
< 3,000 sf	1000 sf	0.80	\$ 4,800	\$ 6,644	\$ 5,306	\$ 1,250	\$ -	\$ 3,550	\$ 5,394	\$ 4,056
3,001 to 15,000 sf	Total fee for first 3,000 sq ft:							\$ 10,650	\$ 16,182	\$ 12,168
	1000 sf	0.90	\$ 5,400	\$ 7,475	\$ 5,969	\$ 1,250	\$ -	\$ 4,150	\$ 6,225	\$ 4,719
15,001 to 75,000 sf	Total fee for first 15,000 sq ft:							\$ 60,450	\$ 90,882	\$ 68,796
	1000 sf	1.40	\$ 8,400	\$ 11,627	\$ 9,285	\$ 1,250	\$ -	\$ 7,150	\$ 10,377	\$ 8,035
75,000 to 200,000 sf	Total fee for first 75,000 sq ft:							\$ 489,450	\$ 713,502	\$ 550,896
	1000 sf	1.30	\$ 7,800	\$ 10,797	\$ 8,622	\$ 1,250	\$ -	\$ 6,550	\$ 9,547	\$ 7,372
>200,000 sf	Total fee for first 200,000 sq ft:							\$ 1,308,200	\$ 1,906,877	\$ 1,472,396
	1000 sf	1.10	\$ 6,600	\$ 9,136	\$ 7,295	\$ 1,250	\$ -	\$ 5,350	\$ 7,886	\$ 6,045
<b>High Traffic Retail</b>	1000 sf	3.30	\$ 19,800	\$ 27,407	\$ 21,886	\$ 1,699	\$ -	\$ 18,101	\$ 25,708	\$ 20,187
<b>Industrial</b>	1000 sf	0.30	\$ 1,800	\$ 2,492	\$ 1,990	\$ 1,699	\$ -	\$ 101	\$ 793	\$ 291
<b>General Office</b>	1000 sf	1.00	\$ 6,000	\$ 8,305	\$ 6,632	\$ 1,699	\$ -	\$ 4,301	\$ 6,606	\$ 4,933
<b>Medical Clinic</b>	1000 sf	2.20	\$ 13,200	\$ 18,271	\$ 14,590	\$ 3,610	\$ -	\$ 9,590	\$ 14,661	\$ 10,980
<b>Institutional</b>	1000 sf	0.70	\$ 4,200	\$ 5,814	\$ 4,642	\$ 1,850	\$ -	\$ 2,350	\$ 3,964	\$ 2,792
<b>Recreation</b>	1000 sf	0.30	\$ 1,800	\$ 2,492	\$ 1,990	\$ 1,901	\$ -	N/A	\$ 591	\$ 89

\*Gross fees are the development fees before construction sales tax and HURF credits are applied

\*\* Construction sales tax credit for single family residential, multi-family, single family (age restricted) and multi-family (age restricted) have been reduce by \$525 to account for that portion of the CST credit applied to the Parks and Recreational Facilities fee.

\*\*\*Base fees are the gross fees minus the offsets for construction sales tax and HURF.

\*\*\*\*Retail developments will pay the total fee for the first 3,000-200,000 sq ft (as applicable) plus the Base fee for their category for each additional square foot of building area. For example, the impact fees for a 150,000-sq ft development in the South benefit area would be \$550,896 for the first 75,000 sf plus (\$7,372 x 75) for the remaining 75,000 sf, for a total Base fee of \$1,103,796.

# **APPENDICES**

## **Appendix A**

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