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December 30, 2020

Mr. Richard Files
City Attorney
City of Yuma
One City Plaza
Yuma, AZ 85364

RE: Development Impact Fee Certified Audit

Dear Mr. Files:

At your request, we have performed the Certified Audit of the City of Yuma's Development Impact Fee Accounts as defined herein for fiscal years ending June 30, 2019 and June 30, 2020 as defined in the City of Yuma, Arizona's ("City") ordinance below.

City of Yuma Ordinance O2014-38

Pursuant to City of Yuma Ordinance No. O2014-38, "Certified Audit" as used in Arizona Revised Statutes ("ARS.") 9-463.05(G) (2) does not include an audit as applied in ARS 9-481. Pursuant to this ordinance, "Certified Audit" means a review of the City's:

- (1) Land use assumptions, including determining whether the land use assumptions conform to the City of Yuma's general plan;
- (2) Infrastructure improvements plan, including evaluating the implementation of the infrastructure improvements plan, and reviewing the collection and expenditures of development fees for each project in the plan; and
- (3) Development fees, including an evaluation of any inequities in implementing the plan or imposing the development fee; conducted by one or more qualified professionals who are not employees or officials of the municipality and who did not prepare the infrastructure improvements plan.

Accordingly, and pursuant to the procedures outlined in Ordinance O2014-38, we have performed the following agreed upon procedures for the City's DIF account numbers 341, 344, 345, 346, and 348 which were established after the enactment of Senate Bill 1525.

I. Scope of Work Performed

A. Land Use Assumptions

1. Obtained the City's Development Impact Fee ("DIF") Land Use Assumptions ("LUA") and General Plan.
2. Obtained information related to the actual number of building permits issued by category in the City during the analysis period.
3. Obtained the best information available related to the growth of the City's population during the analysis period.
4. Compared the actual results of 2 and 3 above to the LUAs for reasonableness.
5. Interviewed the City Planning Director for any current and/or potential amendments to the City's General Plan.

B. Infrastructure Improvement Plan ("IIP" and/or "CIP") Review

1. Obtained the City's Infrastructure Improvement Plan ("IIP"), DIF Account Balance Report and general journals by DIF account.
2. On a test basis, selected transactions from the general journal by account and requested supporting documentation for each selected transaction.
3. Determined the appropriateness of each selected transaction by tracing the selected expenditure to the listing of eligible public facilities as outlined in the IIP or the DIF Study (as herein defined).
4. Discussed any discrepancies (if any) with the appropriate City personnel.

C. DIF Implementation Plan

1. Obtained the resolution/ordinance adopting the City's DIF program from the City.
2. Obtained the City's current DIF fee amount from the Development Services Department or its equivalent.
3. Determined that the DIF's being charged are equal to or less than that which was outline in the DIF Study as herein defined and City's ordinance.

II. Summary of Findings

Based upon the agreed upon task performed as part of this engagement our findings are as follows.

A. Update of Land Use Assumptions ("LUA") and Infrastructure Improvement Program ("IIP")

1. Pursuant to ARS 943.05 D. (3) it appears that the City has been properly updating their LUA and IIP as required by statute.

B. Land Use Assumptions

1. Building Permits – The City of Yuma's Land Use Assumptions dated February 27, 2019 ("City LUA") comparing anticipated residential building activity to actual single family ("SF"), multi-family ("MF") and commercial building activity is shown on the following page. As one will note,

SF activity has continually exceeded projections while MF construction has significantly lagged behind estimates. Actual commercial construction activity has also lagged projections. While we understand that land use assumptions are just that – assumptions; given the recent changes in the residential, multi-family and commercial markets due to the Covid-19 pandemic, ***the City should continue to monitor its residential and commercial permit activity and consider updating its LUA and IIP should MF and commercial development activity continue to lag projections.***

SF Units

Description	2018-2019	2019-2020
SF Permits Per City (1)	470	527
Estimated SF Units / Land Use Study	303	306
Difference	167	221

Source: City of Yuma Building Dept. / Land Use Study

Footnote

(1) A very small portion of residential building permits were for replacement structures.

MF Units

Description	2018-2019	2019-2020
MF Units Per City	4	14
Estimated MF Units / Land Use Study	108	109
Difference	(104)	(95)

Source: City of Yuma Building Dept. / Land Use Study

Commercial Square Footage

Description	2018-2019	2019-2020
Comm SF Per City	275,871	189,998
Estimated Comm SF / Land Use Study	344,000	350,000
Difference	(68,129)	(160,002)

2. Population – A comparison of the current population estimates to those initially included in the City LUAs is illustrated below. Given the challenges in estimating population growth, the differences in population estimates are not considered materially significant.

Population

Description	2018	2019	2020
Population Per City (1)	103,469	105,365	107,296
Population Per Land Use (2)	101,492	103,905	105,068
Difference	1,977	1,460	2,228

Footnotes

(1) 2020 population data was not available from the City or the U.S. Census Bureau during the time this review was conducted, as such the City's population increase was estimated based on the percentage of increase from 2018 to 2019.

(2) Land Use population only includes "Year-Round" totals as reflected in the TischlerBlise February 27, 2019 Land Use Assumptions report and excludes seasonal population.

3. General Plan – Based upon information obtained from the City’s Planning Director, after the previous DIF Audit, there were several amendments to the City’s General Plan. However, as the City’s LUAs and DIF Study were recently updated, such amendments were accounted for in the City LUA and IIP update. After the 2019 update there were four (4) additional amendments to the General Plan as illustrated in the table below. As the amendments were relatively small in nature or related to the approval of less intensive land uses, the amendments are not considered material enough to warrant an additional update to the City’s LUAs and DIFs.

General Plan Amendment

Plan Number	Request	Acres	Plan Type	Work Class
GP-025035-2019	Commercial to Mixed Use	19.4	General Plan Amendment	Minor Amendment
GP-026140-2019	Rural Density Residential to Low Density Residential	19.28	General Plan Amendment	Minor Amendment
GP-026567-2019	Low Density Residential, Commercial, Public/Quasi-Public and Resort, Recreation and Open Space to Low Density Residential, Medium Density Residential and Public/Quasi-Public.	315	General Plan Amendment	Major Amendment
GP-027420-2019	Medium Density Residential to Commercial	2.66	General Plan Amendment	Minor Amendment

B. IIP Review

We noted without exception that DIF’s were being collected and utilized appropriately.

C. DIF Implementation Plan

Based upon the procedures performed prior to and after the most recent Ordinance O2019-019, it appears as though the City is administering the DIF program as approved by City Ordinance 2012-06.

D. Conclusion

The City’s LUA for MF and commercial permits were noted to be lower than actual results. We recommend that the City continue to monitor construction activity within the City’s boundaries and should significant deviation continue to exist, consider updating the LUA and IIP prior to the required five (5) year update period.

Given the results of our review and the General Assumptions and Limiting Conditions of this report, it is our opinion that the City is adhering to the requirements of the ARS 9-463.05 et seq. (the “Act”).

III. General Assumptions and Limiting Conditions

Launch Development Finance Advisors, LLC (“Launch”) neither expresses nor implies any warranties of its work nor predicts results of the procedures outlined above. Launch’s work was performed on a “level-of-effort” basis; that is, the depth of our analyses and extent of our authentication of the information on which our report was predicated, may be limited in some respects due to the extent and sufficiency of available information, and other factors. Moreover, we did not examine any such information in accordance with generally accepted financial auditing or attestation standards. See ARS 9-463.05(G) (2).

This Report was based on information that was current as of December 30, 2020 and Launch has not undertaken any update of its research effort since such date. Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained herein, no warranty or representation is made by Launch that any of the results contained in this report will be achieved.

Because the analyses are based on estimates and assumptions that are inherently subject to uncertainty and variation depending upon evolving events, we do not represent these as results that will be achieved.

The professionals at Launch are not trained legal professionals and as such, we are not providing legal interpretations related to the Act.

This Report is qualified in its entirety by and should be considered considering, these assumptions, limitations, and conditions.

Sincerely,



Carter T. Froelich, CPA
Managing Principal

CTF/caj