

Embattled water district an economic boon for Arizona, homebuilders' study says

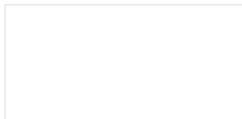
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The Central Arizona Groundwater Replenishment District triggered the building of 350,000 homes in three counties that otherwise wouldn't have been built since 1995, says a homebuilders' report.

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A district that recharges renewable water supplies to allow new housing development brings in about \$13.4 billion a year in



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economic benefits, says a study written for a homebuilders' group.

The three-county Central Arizona Groundwater Replenishment District has been a major economic boon, triggering the building of 350,000 homes in Pima, Pinal and Maricopa counties that otherwise wouldn't have been built since 1995, says the report done for the Home Builders Association of Central Arizona.

The report goes against the grain of recommendations made over the years by academics, environmentalists and others to limit enrollment of new subdivisions in the district, saying that could cause a major economic setback for the state.

The report also raises the strong likelihood that any effort to overhaul the district's practices or the water laws underlying its operations could trigger major conflicts between homebuilders that benefit from the district, and environmentalists and others who say its operations amount to unsustainable water management. The report was written by Elliott Pollack and Co., a leading, Phoenix-based economic and real estate consulting firm that has done work for both private and public clients.

The district, a part of the Central Arizona Project, buys and recharges renewable CAP water into basins throughout the three

counties. CAP water is Colorado River water brought to the counties via canals.

Under a 1993 state law, the recharge compensates for groundwater pumping for all new subdivisions that are members of the replenishment district.

Without the district's legal ability to recharge CAP water into basins away from the areas where pumping occurs for these new homes, the homes would likely not have been built, jeopardizing much of the economic growth in Pima, Pinal and Maricopa counties, says the report.

By contrast, a recent report from Arizona State University researchers indirectly questioned this assumption, saying it doesn't take into account the possibility that some or many of these homes would have been built elsewhere if the district didn't exist.

The water district "is not the only way growth can happen," the Kyl Center report said. "It does allow growth where land is cheaper, instead of in areas where renewable water supplies and infrastructure are already in place."

A homebuilders association official, Spencer Kamps, says those concerns aren't valid. The Kyl Center report mistakenly assumes there is a market for additional housing within the urban areas closer to renewable water supplies, said Kamps, a vice president and lobbyist for the homebuilders' group. Cities such as Tucson have CAP allocations, for instance.

Because the homes would cost far more if built near inner cities, "we know for affordability reasons that wouldn't be the

case,” Kamps said.

“The outlying areas served by the replenishment district are the affordable market,” Kamps said.

Another reason these homes wouldn't have been built without the district is that without it, “water providers or landowners would have to buy or store a 100-year water supply up front at prohibitive expense,” says the homebuilders' study, which was released in December 2017 but not previously reported on outside of business publications.

The Arizona Daily Star is reporting on it now to present the homebuilders' views of the district's economic benefits, because of the environmental and fiscal concerns raised about the district's operations in the recent ASU report.

The ASU report said it's uncertain where much of the renewable supplies needed to backstop future subdivisions' pumping is coming from. That uncertainty is based in part on the strong possibility of future shortages in CAP supplies from the Colorado River due to drought and climate change. The report also criticized as environmentally unsustainable the practice of subdivisions in the district pumping groundwater for household use and recharging renewable CAP supplies elsewhere.

But the homebuilders report said the development caused by the replenishment district has generated “enormous benefits in terms of job creation and additional tax revenues to the state of Arizona, its counties and municipalities from construction and the spending of new residents which has supported new industry.”

The homebuilders' report listed the following benefits:

- New residents who moved into areas covered by the replenishment district spend nearly \$10 billion a year on purchases of goods and services from the local economy. By 2016, these residents' spending was generating, each year, about 118,000 jobs, nearly \$5 billion in wages and \$13.4 billion in total economic activity.
- Construction work for the new homes has created about 37,000 new jobs, \$1.5 billion in annual wages and more than \$4.3 billion in annual economic output.
- Home construction on lands served by the replenishment district has generated \$5.4 billion in state and local tax revenues, including \$2.6 billion from construction sales taxes alone.
- State and local governments have collected nearly \$15 billion in income, sales and property tax revenues from people living in subdivisions whose residents have signed up to belong to the replenishment district. Those residents also pay annual assessment fees to the district to cover its operating costs.

“Continued responsible operation of the CAGRDR will likely result in continued economic development comparable to that which we have seen over the past 20 years,” the report said, referring to the Central Arizona Groundwater Replenishment District.

Both before and after this report came out, various researchers have advocated considering limits on the number of subdivisions that can enroll in the replenishment district.

In 2007, for instance, a report from four researchers including two from the University of Arizona advocated that limits should be explored on the number of new members in the district, or the amount of water that the district would be obligated to replenish in the future. Its authors included UA Law Professor Robert Glennon and Sharon Megdal, director of UA's Water Resources Research Center.

“Perhaps water considerations should not drive growth policy, but sound water policy is essential to Arizona’s long-term economic vitality,” the 2007 report said.

Last month, ASU’s Kyl Center’s report urged the replenishment district to deny new memberships if it runs into trouble finding enough water for future recharge activities.

But the homebuilders’ report said that could have an even more severe economic impact on the state “if the narrative reaching national financiers and developers reflects a problem with water availability and sustainability within Arizona.”

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