

March 7, 2024



Political Recap

Governor Hobbs issued her first veto of the 2024 legislative session. On Mar. 4, Hobbs vetoed SB 1231 (state crime; illegal border crossing) stating in her veto letter the bill "does not secure our border [and] will be harmful for communities and businesses". To date, the governor has signed one bill, which the Legislature passed to address 2024 election timing issues.

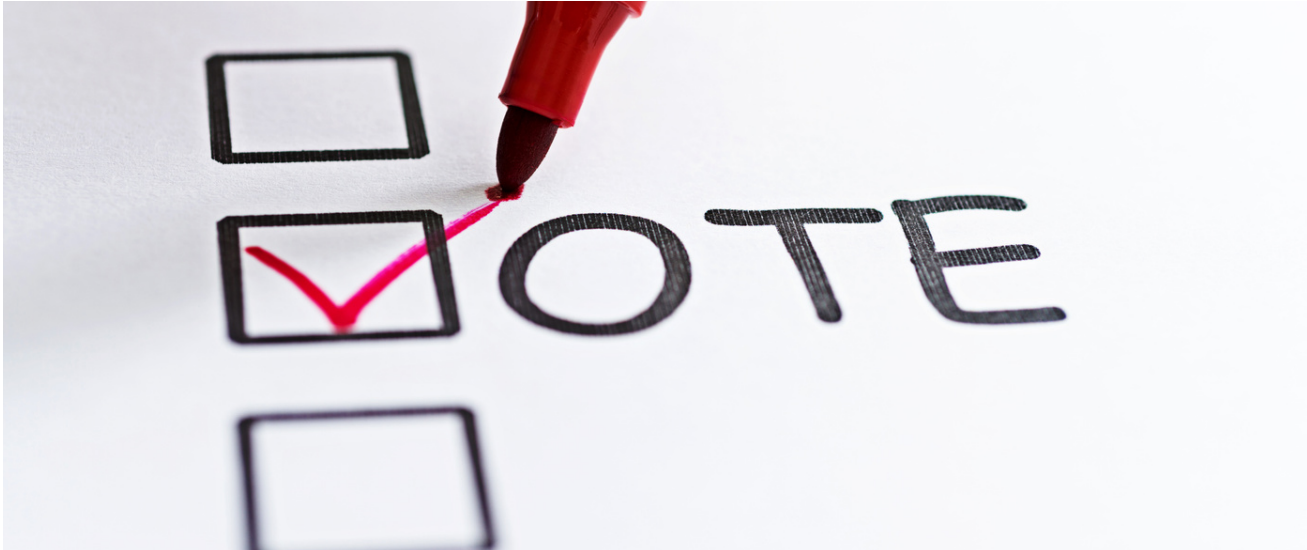
The House has passed 371 bills to date, and the Senate has passed 256. Legislators have until Mar. 22 to pass House bills out of Senate committees, and vice versa, before a bill is considered dead in the legislative process.

On Mar. 5, Senator Kyrsten Sinema announced she would not seek re-election and would be leaving the U.S. Senate at the end of her term this year. Her announcement means the 2024 race for Arizona's U.S. Senate seat remains a two-way contest between Republican and Democrat nominees.

The Maricopa County Board of Supervisors appointed Dr. Elda Luna-Najera to replace former Representative Leezah Sun (D-Avondale) to the House of Representatives. With Luna-Najera's appointment, the Legislature is once again at a full roster of 90 legislators.

A bipartisan group of 17 Arizona State Representatives are on a trip to Israel until Mar. 11. While House Committees continue to meet, there is no floor votes until the delegation returns. Before departing, the State Senate voted to deny the House's request to adjourn for more than three days, with senators voting down the request saying they support Israel but oppose an extended absence during the legislative session. Since the Senate denied the request, the House Speaker Pro Tempore will adjourn periodically until the delegation returns.

Budget discussions have stalled between legislative Republican leaders and Governor Hobbs. The governor indicated to reporters that her staff is working with legislative staff, but that they have not yet reached the negotiations stage yet. The path to solving the state's \$2.2 billion shortfall over the next two fiscal years remains unclear.



Salt River Project Board Election

The Salt River Project (SRP) Board election is on Apr. 2, 2024. If you're a property owner in the SRP service territory you can vote in the upcoming SRP Board election.

Why this matters to your business: Environmental activists are pushing to elect SRP board members who will require the utility to meet high solar energy requirements that will put stability of the grid at risk. We may lose the competitive advantage of attracting tenants and investors that rely on stable power for their properties.

REQUEST A BALLOT TODAY

- Any Qualified Elector (SRP serviced property owner) can make a verbal, written, or electronic request for an official Early Ballot to be mailed to them.
- Use the link below or call the SRP Elections Information Line: (602) 236-3048.
- Last day to request an Early Ballot: March 22.

VOTING IN PERSON

- Voting Center — SRP Administration Building: 1500 N. Mill Ave. Tempe, AZ 85288.
- Early Voting: Mar. 6 to Apr. 1, Monday – Friday, 8:30 a.m. to 5 p.m.
- Election Day Voting: Apr. 2 from 6 a.m. to 7 p.m.
- Early Ballots may also be dropped off at this location during election hours.

DROP OFF LOCATION

- On Election Day, April 2, two additional ballot drop-off only locations will be open from 6 a.m. to 7 p.m.
- SRP West Valley Service Center: 221 N. 79th Ave., Tolleson, AZ 85353
- SRP Southside Water Service Center: 3160 S. Alma School Road, Mesa, AZ 85210



Senate Finance Committee to Consider GPLET Reduction

HB 2309 (GPLET; agreement posting; abatement period) is scheduled for a hearing in the Senate Finance and Commerce Committee for Monday, Mar. 11.

The bill would effectively eliminate the GPLET program, one of the few development incentives available in Arizona.

NAIOP opposes HB 2309 and urges legislators to vote no.

Urge Senate Finance & Commerce Members to Vote NO

Water Policy



City of Phoenix New Water Ordinance

The Council adopted a new large water user ordinance on Mar. 6. The ordinance requires new large water users projected to use more than 250,000 gallons per day to submit a Water Conservation Plan to the City that must be approved by the Water Department. The plan must outline techniques and technologies that reduce consumption of water, reduce the loss or waste, and improve efficiency.

In addition to the water conservation plan requirements, new large water users projected to use more than 500,000 gallons per day users must also:

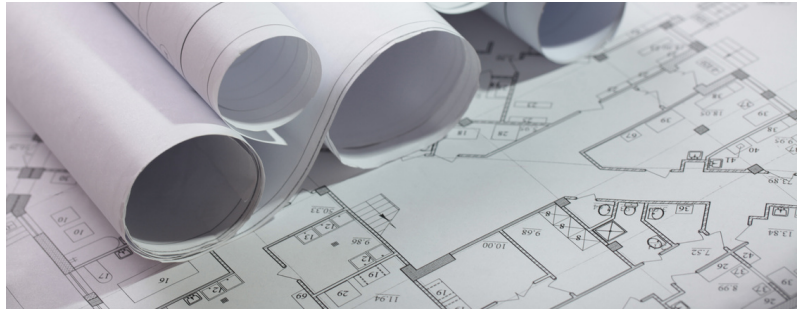
- Meet at least 30% of their consumptive water demand with recycled or conserved water;
- Fit within the City's existing Water Resource Portfolio;
- Economic benefit analysis can be considered when evaluating the 30% requirement.

Water Policy

HB 2366 (physical availability; review; designated providers) poses a threat to designated providers in the Phoenix Active Management Area and would jeopardize the assured water designation. The bill passed the House Natural Resources, Energy & Water Committee in a 5-4 vote.

SB 1172 (physical availability credits; water supply) passed the Senate 16-12. The bill introduces the concept of a "physical availability credit," which allows landowners with irrigation grandfathered rights within an Active Management Area (AMA) to permanently retire their land from irrigation and retain a credit for future non-irrigation use. The credit can be used to withdraw groundwater for non-irrigation purposes, provided certain conditions are met, such as the land having been actively farmed in three of the last seven years and the water remaining appurtenant to the original irrigation acres. The bill also outlines how the amount of groundwater that can be withdrawn annually per acre for non-irrigation use is to be calculated, with a maximum amount set. Additionally, it requires the Director of the Arizona Department of Water Resources (ADWR) to include the amount of groundwater calculated for non-irrigation use when determining the existence of an assured water supply.

HB 2201 (Harquahala non-expansion area; groundwater transportation) passed out of the House 33-23. The bill expands the list of entities eligible to transport groundwater from the Harquahala INA to include public service corporations, provided they are regulated by the Arizona Corporation Commission and hold a certificate of convenience and necessity for water service in an initial Active Management Area (AMA). These corporations must also own land in the INA that is eligible to be irrigated and must collect all costs associated with the groundwater's withdrawal, transportation, and delivery from the customers of the corporation's water district where the groundwater is used. The bill also establishes La Paz County as an authorized location to receive groundwater transported from the Harquahala INA. It requires eligible entities to comply with assured water supply program requirements, install water measuring devices, and submit monthly reports to the Arizona Department of Water Resources (ADWR) detailing the volume and destination of the transported groundwater. Additionally, the ADWR is tasked with adopting administrative rules to implement these provisions and is required to submit an annual report on the groundwater withdrawals and transportation from the Harquahala INA.



Housing & Zoning

HB 2129 (improved lot or parcel; definition) allows developers four years to complete a condominium after entering into a contract. The bill passed out of the House 58-0 and passed the out of the Senate Finance & Commerce Committee 7-0.

HB 2297 (adaptive reuse; commercial buildings; zoning) requires cities and towns to allow by-right development from a commercial property to multifamily or mixed-use. The bill was amended on the House floor. The amendment did the following:

- Change the population applicability threshold to municipalities with 100,000 or more residents.
- Clarify that developments are still subject to site plan review and approval.
- Allow municipalities to designate commercial hubs that are excluded from the provisions, but the hubs are capped at 10% of existing commercial, office or mixed-use buildings.
- Require municipalities to allow at least 10% of existing zoning to be used for redevelopment/adaptive reuse, with the following requirements:
 - Buildings are functionally or economically obsolete, have at least 50% vacancy of leasable square footage, or highest and best use is multifamily or mixed use at the time of site plan.
 - Development is on at least 1 acre but not more than 30 acres.
 - Must have a 15% increase in property value upon completion than time of site plan application.
- Further defines “low-income” and “moderate-income”.
- Adds provision that clarifies it applies to developments with dwelling units for sale or rent.

Local governments still have concerns, but are working with the sponsor, Rep. Leo Biasiucci, and stakeholders to find a compromise. The bill passed the House 36-23.

HB 2518 (municipalities; housing needs assessment; zoning) updates the requirements for housing needs assessments as well as requiring timeframes for review and decisions on building applications. The bill passed out of the House of Representatives in a 50-9 vote.

HB 2721 (municipal zoning; middle housing) requires municipalities with 75,000 residents or more to allow for duplexes and up to fiveplexes in single family zoning. The bill passed out of committee with a 5-4 vote but failed on the floor of the House in a bipartisan 28-32 vote. The sponsor, Rep. Michael Carbone, motioned to reconsider within 14 days.

HB 2734 (public hearings; voting) passed out of the House in a 41-18 vote. The bill requires municipalities to have no more than two public hearings for zoning ordinances.

HB 2815 (religious institutions; use-by-right development) passed out of the House Appropriations Committee in a 9-6 vote and out of the House 38-21. The bill allows for religious institutions to develop housing units on their land without having to go through a rezoning process.

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

ARIZONA CHAPTER



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Invest Today