COMMON SENSE INSTITUTE ARIZONA

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BUILDING FASTER; BUILDING SMARTER.

DATA-DRIVEN LESSONS FROM ARIZONA'S *PERMIT FREEDOM ACT*

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ABOUT THE AUTHORS

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ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Arizona's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Arizonans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Arizonans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modelling to evaluate the potential impact of these measures on the Arizona economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Americans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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INTRODUCTION

Obtaining permission to build a home is a long and onerous process. Planning starts long before the first permit application, and the consequences of early-stage decisions are reflected in those permit applications, ultimately impacting the number and cost of houses that ultimately see construction. According to national studies, the regulatory process and design requirements adds more than $100,000 to the cost of a new home.

Today, housing is more expensive than ever, and, thanks to high interest rates, owning a home has never felt less attainable to first-time and lower-income buyers. In the past, these people would have bought existing homes, as older homeowners used their equity to trade up - for newer, more expensive, and higher quality housing. That market has dried up, though. The result: Buyers are starved for housing - 56,000+ more homes are needed than are available in Arizona alone, and that number is growing. This poses new challenges; it's a lot easier to absorb $100,000 in regulatory and compliance costs on a million-dollar home than a $350,000 starter home. To try to address this problem, in 2023 the Arizona Legislature passed – and Governor Katie Hobbs signed – the *Permit Freedom Act* - an idea concocted and championed by the Goldwater Institute. The Act limited the scope and length of regulatory review for housing permits.

Using data on permit applications from across Arizona gathered by the Goldwater Institute, and shared with the Common Sense Institute, this report is the first attempt to quantify both how long it really takes to build a house in Arizona.

Key Findings

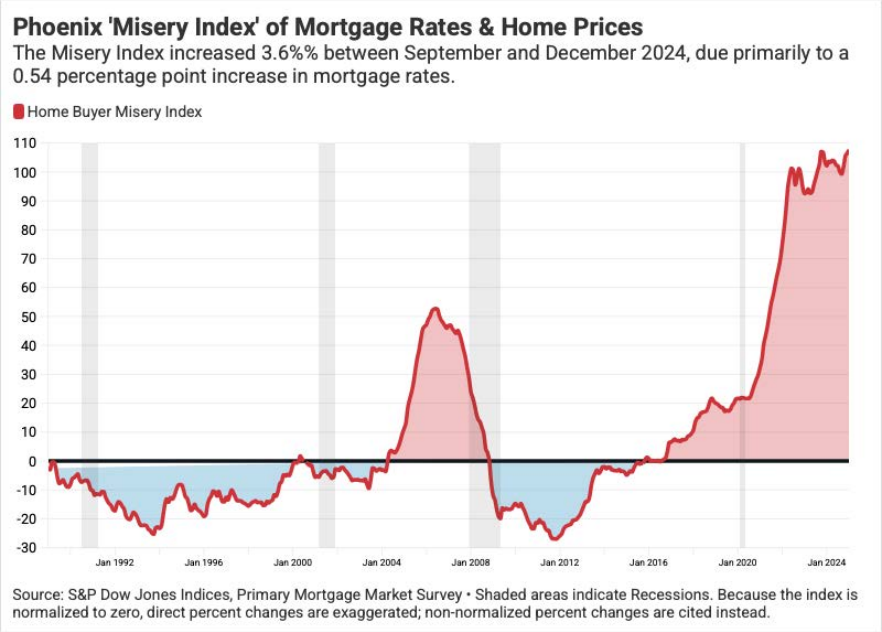
- **Public policy has an enormous influence on the cost, number, and characteristics of new housing in Arizona.** Local and federal regulations impose all manner of restrictions on what kind of housing gets built, and complying is costly.
  - While bringing housing to market might take up to 4 or 5 years, actual construction – going from dirt lot to finished house – typically takes 1-2 years. A lot of that time consists of permitting, inspections, and other compliance.
  - On average, permitting, development, and final inspection for new housing projects in Arizona take over 300 days, according to CSI's review of 100,000 permit applications from across Arizona and over the past five years.
- **Fewer houses being built, and costly requirements being included in design approvals and permitting requirements, contribute to the high cost of housing.** It is especially difficult for affordable housing to be built in a regulatory environment that requires expensive upgrades on all new homes.
  - Economic research and national experience – including results highlighted in CSI's prior housing research – link zoning, permitting, and other regulatory requirements to the housing supply.
  - More homes being built lowers prices – on average, evidence suggests a 10% increase in the number of homes lowers average prices by 4%.
- **The *Permit Freedom Act* has reduced permitting and development times by between 7.1% and 17.7% in Arizona.** Evidence from late-2023 and 2024 permit applications is consistent with development times going down.
  - Across the seven jurisdictions reviewed by CSI, it took 126 days for residential building permits to be closed out last year – down from 200 in 2022.
- **This process improvement will increase housing output, lower new home prices, and support economic growth in Arizona.**
  - CSI projects that by 2035, the Permit Freedom Act will lead to about 3,800 more housing units being built every year and a **5% reduction in housing prices**, relative to no reform.

THE HOUSING CRISIS IN ARIZONA

Housing costs in Arizona are at an all-time high. The last time prices rose this fast was in 2006, and that was quickly followed by three years of price declines and then a decade of moderate price and supply growth. When home prices in Arizona rose 60% in two years during the pandemic, expectations for some kind of price correction were high, especially when mortgage rates doubled in 2022, as the United States began struggling with record inflation. Unfortunately for would-be homebuyers, this didn't happen. Although real estate price growth moderated, prices today remain about 4% higher than they were when 30-year mortgage rates were below 3%. Now, the average interest rate on a new mortgage is nearly 7%.

Given that interest costs can be half or more of the total cost of purchasing a home for most buyers (even with the share of cash-buyers at long-term-highs, two-thirds of home buyers today are taking out a mortgage[i]), the result of high prices and high interest rates is a uniquely miserable market environment. In 2019, the monthly payment on a typical home in the state was $1,014; by the end of 2024, it had more than doubled to $2,202. The "typical home," though, looks about the same.

FIGURE 1



What caused the current price spiral?

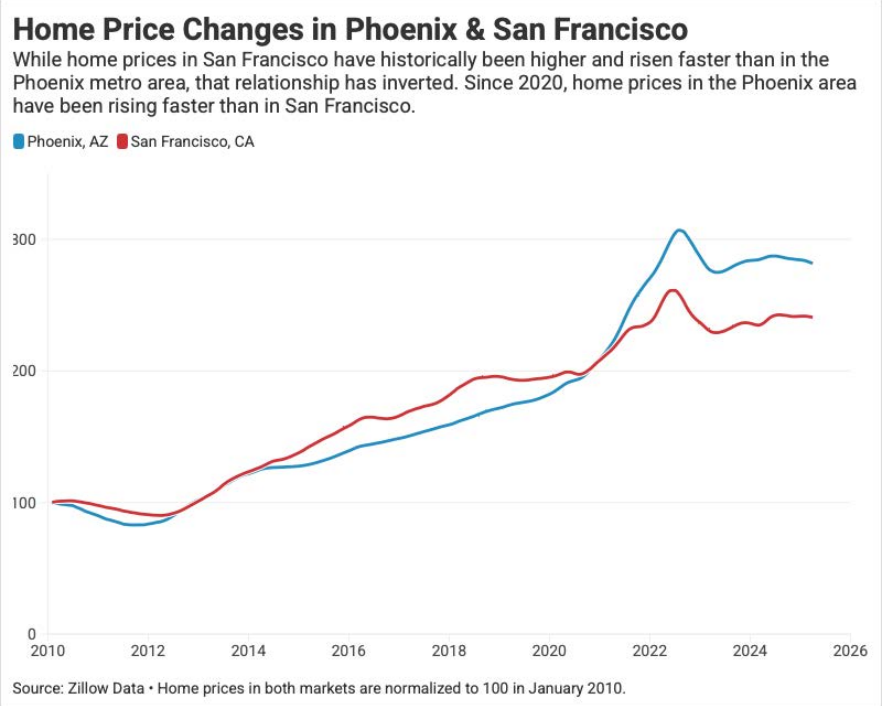
Accusations of "overbuilding"[ii] during and after the Great Recession led policymakers to tighten housing development standards throughout the 2010's. This depressed home construction in the United States after the Great Recession, including in Arizona. At peak in 2005, Arizona permitted nearly 90,000 new homes to be built; by 2019, it was permitting about half that (just over 45,000)[iii]. And the cost of those

new homes was rising rapidly. **The average *new* home price rose about a third over this period,[iv] even as the average home saw its price only increase by about 10%.**[v,1] There is little evidence for the argument that the basic physical characteristics of the housing units themselves were driving the cost increases; for instance, according to U.S. Census data, the average square footage of new homes in the Western region was virtually unchanged over the 2005-2019 period. But new home costs were clearly outpacing the housing market generally. Perhaps not coincidentally, this period coincided with increasing demands from new homes by federal[vi] and local governments.[vii]

As a result, going into the pandemic, Arizona already had too few homes to meet rapid population growth and rising demand. The unprecedented public policy interventions during and after the pandemic led Americans to spend more time at home, increasing the demand for housing, especially in states like Arizona, Georgia, and Florida, where health-related restrictions were fewer. **In 2020 alone, 100,000 Americans moved to Arizona from other states (mostly California), the highest rate of domestic in-migration since before the Great Recession.** Those new residents were often working from home, and many brought the equity from the sale of homes in California, where homes were highly priced, to the more affordable market of the Phoenix metro area. At the same time, mortgage rates were plummeting (thanks in part to an unprecedented loosening of monetary standards by the Federal Reserve) from over 3.5% in early 2020 to about 2.7% by the end of the year.

This widened divide between supply and demand fueled the fastest increases in Arizona home prices ever, dwarfing the 2005-2006 "housing boom." Given the contribution of low borrowing costs to the run-up in prices, some observers expected at least some price rebound after mortgage rates rose rapidly in 2022,[viii] but that has not happened.

FIGURE 2



[1]This general and historical result – that, in a "normal" housing market, new homes are more expensive than existing, and their prices tend to increase faster on average – is central to understanding how different the current housing environment is.

What's keeping prices elevated?

As CSI Arizona has highlighted in its Quarterly Housing Reports, the demand for housing in Arizona has indeed slowed (from over 120,000 sales annually in 2020 and 2021 to about 64,000 per year today).[ix] However, when considering the housing market, one must remember that **typically most home buyers are also home sellers.** This insight is central to understanding what has happened to the housing market since 2022, not just in Arizona, but nationwide. Typically, about 80% of the homes available to buyers are *existing* homes being sold by current owners (who, in turn, are typically buying another home). Today, CSI estimates that only about half of the homes on the market in the United States are *existing* homes, while the overall supply of homes for sale is down about a third.

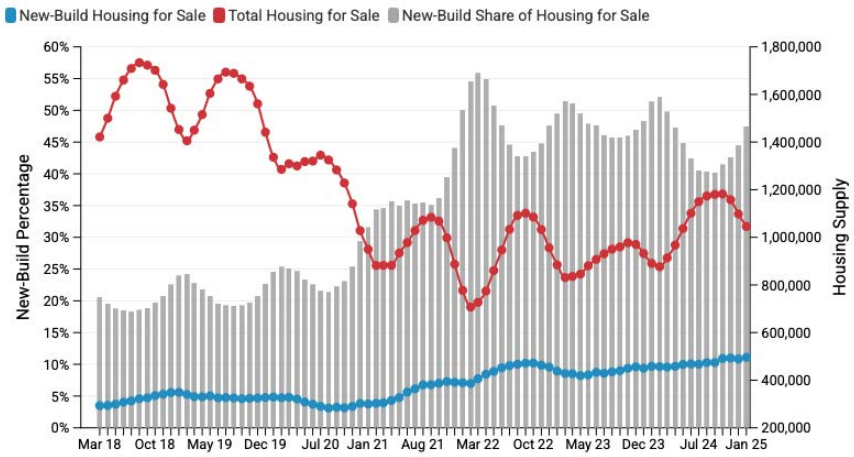
The delta is being made up by new housing. Builders are bringing homes to market at their fastest pace in a decade, and the prices of *new* homes are falling much faster than for the average home.[x] But the pace of this new supply is still insufficient either to offset the loss of existing homes in the market, or to fill the existing gap created by lagged home construction over the years since the Great Recession. Housing construction is also slowing down again.[xi]

According to CSI's latest analysis of Arizona's housing market at the end of 2024, the state was short between 56,000 and 100,000 total units, and at the current pace of permitting and building, it would take over a decade to resolve that deficit. In Maricopa County specifically

FIGURE 3

The Changing Contribution of New & Existing Units to the Housing Supply

While the overall supply of homes for sale has declined 5% from its mid-2022 peak, the supply of new homes is up 5% - and today new homes are nearly half of all homes for sale.



Source: Zillow, U.S. Census Bureau • Zillow provides estimates for the total number of housing units for sale in the United States through 2018; at that time, based on the number of new homes for sale reported by the Census Bureau, 20% of all supply was new construction.

Changing Characteristics of New Housing in the Western United States

-8.0%
Decrease in Median New Home Lot Size (2019-2023)

-6.7%
Decrease in Median New Home Square Feet (2019-2023)

+37.8%
Increase in Median New Home Sale Price (2019-2023)

+56.4%
Increase in Median Existing Home Sale Price (2019-2023)

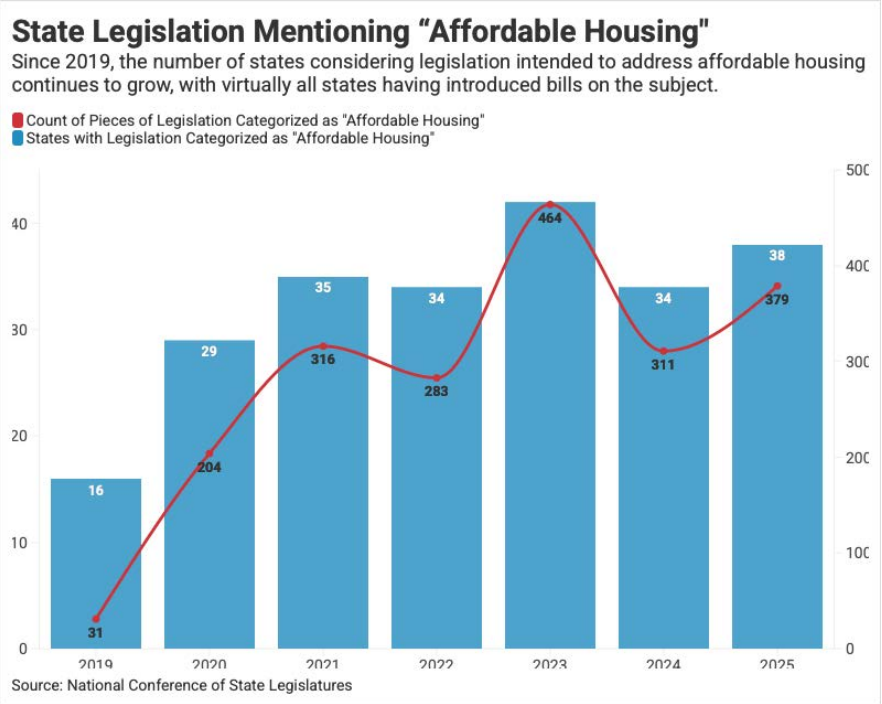
– the state's largest and home to the Phoenix metro area – the slowing pace of permitting in late 2024 has dramatically reduced its short-term housing prospects. Whatever recovery was happening may be coming to an end.

In summary: low demand from high prices and interest rates is being offset by low supply. Ironically, this is due partly to those same high prices and high rates, and partly to the cost and time of bringing new homes to market. Home builders have been struggling to keep pace, often being driven far out into exurban parts of the greater Phoenix area in their efforts to provide housing that's still attractive to buyers.[xii]

Why has new home construction struggled to meet changing demand?

Policymakers, developers, and consumers all recognize that the housing market is suffering from some form of cost and supply crisis. According to a database on legislation related to housing kept by the National Conference of State Legislature (NCSL),[xiii] the number of pieces of legislation between 2019 through 2025 that mentioned "housing" totaled 6,252, while the number of pieces of legislation categorized as "housing development" grew from 25 to 1,895 in 2025, and the number of pieces of legislation with "housing affordability" as a search term grew from 0 to 61. Over the last two years, the Arizona Legislature deposited more than $200 million into its "housing trust fund" to subsidize the construction of new and affordable housing – the equivalent of twenty years' worth of average annual contributions.[xiv]

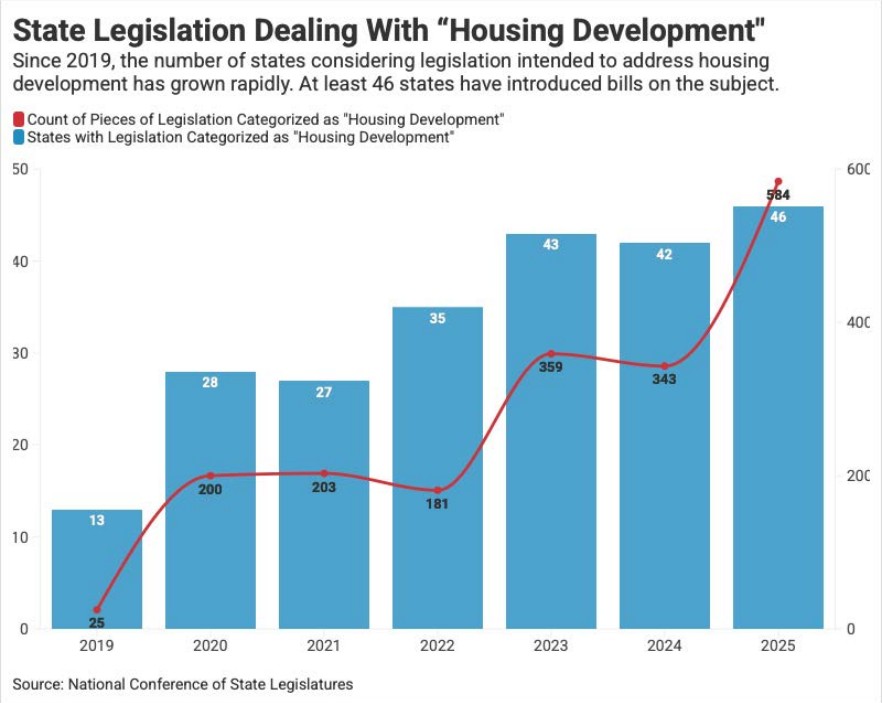
FIGURE 4



Despite those efforts, Arizona home development – as measured by the pace of permitting and the change in total housing units reported by the Census Bureau – peaked in 2022 and slowed dramatically in the second half of 2024. If there are 56,000 potential households in Arizona that would like to own a home, and would likely purchase one given the opportunity and affordability, why can't they? One likely culprit is government-imposed barriers to construction. While there are factors influencing the cost of new home construction that are outside the direct influence and control of housing industry regulators, including the costs of labor, [xv] material, land, and financing (high interest rates), clearly a significant part of the answer lies in the costs imposed by design and building regulations. These barriers make it risky for developers to build, especially at the lower end of the market.

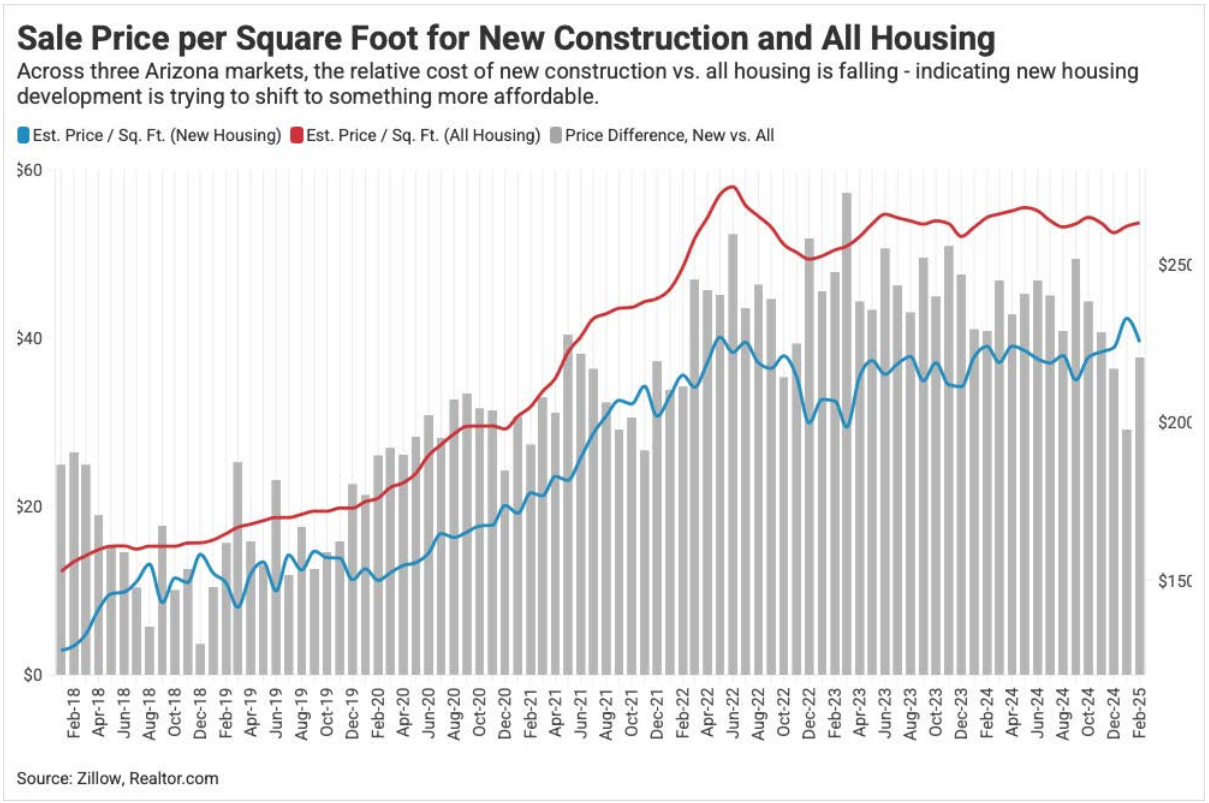
The data tell us that builders have been attempting to lower design and construction costs of new housing, presumably with the goal of meeting demand gaps created by the loss of existing housing in this market. However, regulatory factors outside the developers' and builder's control are likely preventing them from achieving sufficient progress on costs to meet current demand. Consider **Figure 6** - the estimated list price per square foot for single-family homes in Arizona, and the sale price of new construction in Lake Havasu City, Phoenix, and Tucson.[xvi] Subject to data availability and technical issues the graphic clearly illustrates the widening gap between the per-foot price of new and existing housing.

FIGURE 5



Or, relative to where estimated prices were in 2018, the gap between new and existing home prices is 50% larger today. Again, we repeat the question raised throughout this paper: why, then, isn't even more and even cheaper housing being built?

FIGURE 6



POLICY AND REGULATION

While every production and manufacturing industry in the United States is subject to regulation throughout its development process, housing is arguably unique: every new house a developer and builder wants to bring to market must be pre-planned with, and pre-approved by, the local government in which the housing unit is to be built. Imagine if an automobile manufacturer needed permission from local regulators in every local car market to change what it produced in response to new market conditions or changing consumer preferences, and then needed individual permission to manufacture each new car - and follow-up permission to sell that car once production was finished? Whatever reasons might justify such rules (e.g., protecting consumers, managing neighborhood traffic and congestion, etc.), it's at least clear that they would make the automobile market much slower to adapt and riskier - that is, more costly – for producers and *consumers*. Such rules would push consumers into the *used car* market (especially first-time and price-conscious consumers), given its relatively more *laissez-faire* regulatory standard. And what would happen to today's car market if the supply of used automobiles dried up virtually overnight?

This analogy, while imperfect, is illustrative. According to the National Association of Home Builders, regulatory costs added $94,000 to the cost of an average new home in 2021, a number that is nearly a quarter of total construction costs.[xvii] Since then, homes have become more expensive. Of course, the characteristics of homes have also changed; there's little reason to assume that housing regulatory costs scale linearly in the price of a home, and economists often assume many regulatory costs are fixed.[xviii] After adjusting for inflation, today's regulatory cost figure would be $110,700 for every new home. Assuming this cost is fixed and independent of the price of the home, **over a third of the cost of a $300,000 new starter home in Arizona today is the cost of regulatory compliance.** Assuming another third is land costs, that leaves less than $100,000 available for all other aspects of development, construction, and sales costs.

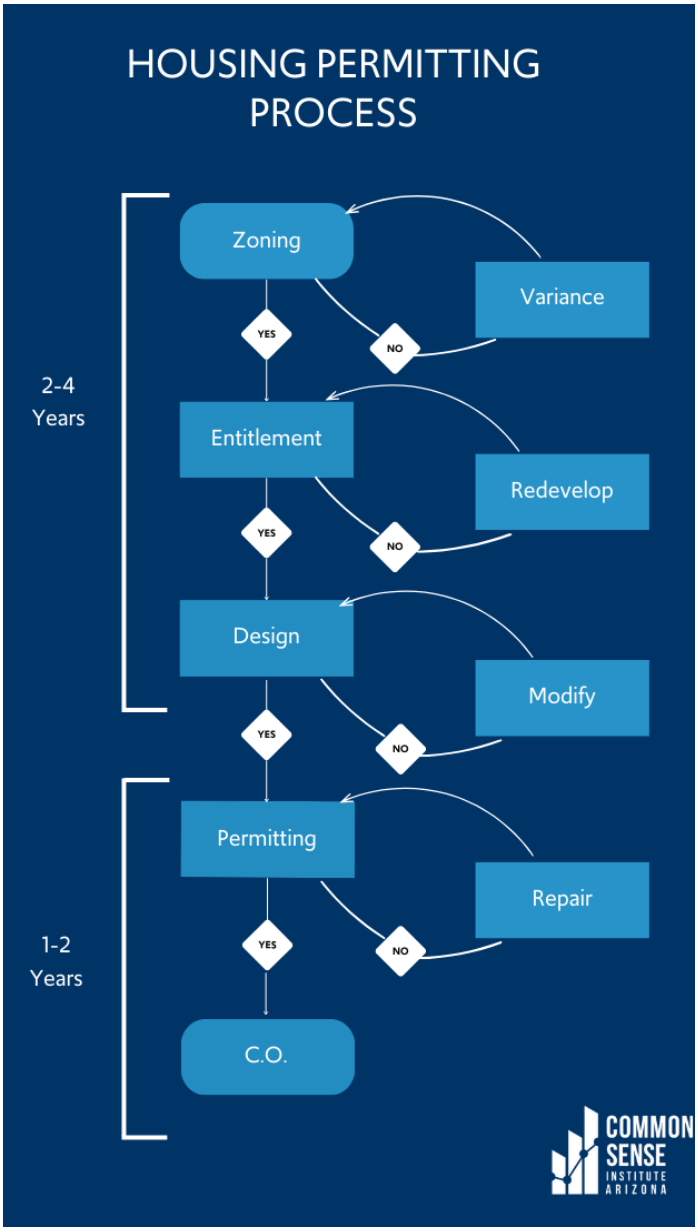
Naturally, the problems of increased regulatory costs are most pronounced at the affordable end of the housing market, the segment preferred by most first-time homebuyers. These buyers are younger and typically have lower budgets. They usually can afford smaller down payments because they lack equity from the sale of an existing home. Traditionally this segment of demand has been mostly satisfied by other homeowners selling their existing homes when they move, often into something larger and newer. But that option has largely evaporated in the current environment. And although public policy interventions have focused on providing subsidies and other financial incentives to increase supply at this end of the market, developers face significant challenges. The reason is that policy is pushing in different directions: subsidies and incentives require housing to meet affordability criteria, but zoning, permitting, and construction standards require that housing meet costly quality constraints. For example, CSI estimates that nationally, new multi-family housing – an easy way to increase affordability, but a type of housing often disfavored by local regulators - has increased since 2019, but only slightly: from about 35% of all new housing in 2019 to about 40% today.[xix]

The current paradigm of high-cost but highly subsidized "affordable" housing is unlikely to ever reach the scalability and sustainability needed to resolve current shortfalls.[xx]

OBTAINING PERMISSION TO BUILD A HOUSE

Virtually everywhere in the United States, a complex process governs how, where, and when one can build a house. The process begins at land acquisition: does the law even allow a house to be built on this property? If the answer is yes, the next question is whether one is "entitled" to build housing on it. The answer here is complex: it means making sure the zoning is current and that any necessary variances are approved; that the site meets community, municipal, state, and federal requirements for vertical development (does it have road, water, and utility access; does it meet environmental standards; is it level; is there a general building and layout plan; etc.).

Next, the developer designs what the individual housing units will look like (typically, there will be several models which a given development or subdivision will host). Sometimes a local government must sign off on those designs before proceeding, which can involve costly delays in discussions over what the design looks like. After further government reviews of plans, and sometimes expensive "impact fees" and other costs are paid, the developer can obtain permission to build a house – literally a "building permit"– but this only allows the builder to start building. The builder also needs a "Certificate of Occupancy" – the final seal of approval from the local governing body that the unit meets all our building requirements. This process must be undertaken for each individual unit.



In Arizona alone, there are 91 cities and towns, and 15 county governments – each of which manage these permissive processes for all new residential development within their jurisdictions. And while there are common elements across these jurisdictions, each also has its own nuances, requirements, and expectations. In significant part, these requirements are driven by how permissive current residents and their local officials want to be regarding growth and development.[xxi]

Unsurprisingly, according to the Home Builders Association of Central Arizona, **navigating this dizzying process in the Phoenix metro area today can take four or five years.** Before the pandemic, it typically took just two; and according to one developer and current State Legislator, two decades ago it could be done in just six months.[xxii]

Zoning & Land Acquisition

Nearly all buildable land in America's urban and suburban areas is subject to zoning restrictions of some kind, meaning the first question is whether the property can legally host a housing unit at all. In most buildable parts of Arizona, and especially the greater Phoenix metropolitan area, land is generally zoned for either:

- **Residential:** Areas including single-family (where traditional suburban family housing is dominant), multi-family (areas specifically set aside for higher-density housing, often apartments or condominiums), and mixed-use areas (which allow for varied residential uses and limited commercial uses within the same neighborhood).
- **Commercial:** Areas focusing specifically on business and retail activities. While there are office and retail corridors set aside for larger commercial facilities, many residential neighborhoods feature smaller-scale neighborhood commercial development as well.
- **Industrial:** Traditionally located in more isolated or distant parts of the area, these zones are intended for the support of manufacturing, warehousing, and other production-related business operations.
- **Agricultural/Rural:** On the outer edges of the developed metro area, one can still find open undeveloped land actively used for agriculture, grazing, or recreational activities. Most high-density residential, commercial, or industrial development is prohibited here.
- **Urban Mixed-Use:** On the other end of the spectrum, in the urban core can be found "mixed-use zones" intended to accommodate residential, commercial, and light-industrial uses within a single, compact area.

While the precise classifications can vary by jurisdiction, this general framework applies.[xxiii] Of the zoned municipal land, about two-thirds is earmarked specifically for residential uses. Of that two-thirds, traditionally about three-quarters is set aside exclusively for single-family (accomplished generally through a combination of minimum lot sizes and limits on the number of housing units per acre). About 10% of Residential Zones are set aside specifically for multi-family development or higher density housing. The balance (~15% of all Residential Zones) allows for mixed-use development (e.g., some neighborhood-level combination of single-family, light apartments, and/or townhomes).

In practice, this means about half of all buildable land in the metro area has probably been set aside for single-family residential construction, and while the exact requirements vary by jurisdiction, this classification is subject to the strictest oversight and review by municipal planners and regulators. It ends up hosting some of the most expensive housing options in the Valley. For example, **in Paradise Valley, the smallest possible residential lot size is 10,000 square feet, and the vast majority (~85%, by visual estimate) of land set aside for housing development requires 1 acre or larger minimum lot sizes.** Nearby Scottsdale has some of the state's strictest and most complex lot-development standards, including an "optional" design consultation process that sees the city proposing costly and time-consuming aesthetic and design standards on new development – regulating everything from landscaping and paint colors to detailed documentation demonstrating how a building's shape, proportions, and use of light and shadow are in keeping with Scottsdale's standards.[xxiv]

As observers around the state discovered recently - when a large, established Scottsdale landowner was threatened with loss of permission to build affordable apartment-style housing on its corporate campus on the northern edge of the city and adjacent to a major highway - these standards can be subjective in their application, and can be used to explicitly constrain affordability.[xxv] And increasingly in Arizona, these development decisions are subject to a "hecklers veto".

Land Entitlement & Site Planning

Once land is properly-zoned parcel and the builder has done due diligence to understand the general design standards and requirements imposed by the relevant local government, it's time to begin the basic site planning and land development necessary to obtain approval for residential development.

While each jurisdiction has its own process for approving site plans and establishing the legal entitlement to later construct housing on a site, this process is uniformly foundational, meaning that without it there is no legal right to move forward with a housing project. This process is also distinct from the permitting process. As we will discuss later, the practical scope of our data review was limited to the *permitting* phase of this process.

The site plan phase of residential building requires a basic building layout, and construction of required roads, utilities, and other necessary infrastructure (each of these requires its own separate form of government approval). Within the scope of this phase, a developer will engage architects and engineers to design the housing units ultimately intended to occupy the land. In other words, there may be considerable overlap with the next phase of development.

The 2021-2022 *Greenbelt 88* apartment project in Scottsdale is illustrative of the regulatory issues which can postpone or stop projects early in the zoning or entitlement phases. That project faced nearly two years of delays due to battles with neighbors over its height and density. In response to neighbors' concerns, developers repeatedly scaled down and revised their plans – reducing units, lowering building heights, and adding public space.[xxvi] Additionally, even after approval, opposition groups may turn to referendums and lawsuits to slow or stop projects that have already been approved. All of these stops, and all of this risk, increases the market price of housing.

Design Review

Technically and generally, the design review phase does not require the explicit pre-approval of a local government before a developer can proceed. While there is an explicit review and approval of site plans during the entitlement phase, and explicit review and approval of individual residential building permits during the final phase of vertical construction, developers can privately produce their own plans for what they will ultimately build.

However, a developer is obligated to comply with all local building codes, including design and aesthetic standards (whose interpretation is often subjective) and any conditions required by the previous entitlement approvals. Thus, developers may be pressured to agree to certain stipulations about the character of housing in exchange for legal entitlement to build.

Because of this requirement, and the riskiness associated with proceeding to the permit and vertical construction phase without regulatory certainty, developers often engage in a "voluntary" process of design review with the local government. That review will typically include municipal input on things like materials used in construction, the size and shape of the housing, color and landscape schemes, etc. Given the subjectivity of these aesthetic standards, obtaining design approval can often be a time-consuming and frustrating process, in which permission to build hinges on the personal architectural tastes or even color preferences of government officials. Again, this subjectivity and the associated delays increases the final cost of every housing unit.

Building Permit & Vertical Construction

When the final design is ready, the developer typically submits detailed plans to the regulating jurisdiction as part of the building permit application. In practice this is often a formality for commercial residential developers; successful navigation of the entitlement and design phases requires an ongoing back-and-forth with the city, so that by this stage of the process, the finalized plans already enjoy practical approval by the time of submission.

Because of this, an applicant can often go from initial permit application to an approved/issued permit relatively quickly. Last year, it took about 40 days on average in Arizona, based on CSI's review of the data it obtained for this report. However, every stage of the process, and all of the repeated interactions with officials to obtain inspections, follow-up permits, and a certificate of occupancy, adds time and cost to the production process – costs which are obscured if one focuses only on the time between a (complete and accepted) permit application and its date of approval or issuance.

Intrinsic to these interactions in this phase of the project are the requirements imposed by the jurisdiction during the entitlement and design review phases.

A Note on Classifications

Local governments do things differently, sometimes. This can sometimes make it hard to generalize about how development projects are handled. CSI's review of permit data from various Arizona jurisdictions revealed that while each one appeared to categorize and record permits distinctly, based on their own

definitions and processes – but that all are generally using common systems and language. For example, they typically assigned some combination of "Application," "Issued," "Approved," "Expired," and "Finaled" dates to their permit applications. In general, once an application is received and processed to determine if it is "Complete," jurisdictions track the application with an "Applied" date. Although CSI and the Goldwater Institute all permit applications and the associated status-change dates, including the statuses of "Complete," "Accepted," "Incomplete," and "Missing required fees," among others, upon review of the data received by CSI, it appears that many jurisdictions either do not track all applications consistently, or that the relevant records were not provided. For example, over the five years of data (26,000 permit records) provided by Yuma County, only two records were recorded as "Incomplete," and these had an "Application" and "Expired" date, but no other relevant information. Many other jurisdictions provided no "Incomplete" application data.

Assuming an application is ultimately completed to the satisfaction of the jurisdiction, the general process seems to go from "Applied" to "Approval" and "Issued" (some jurisdiction report/record both, some only one or the other), and finally to "Finaled" (which CSI assumes means generally completed to the satisfaction of the jurisdiction, or for the subset of applications that require further interaction or review by the permit office after issuance) or "Expired." Many of these conditions can reflect positive or negative outcomes (e.g., a "Finaled" or "Expired" application may have been denied or rejected). In practice, and consistent with the perspective shared by the Home Builders Association of Central Arizona and others in the development community, the permit process itself seldom seems to lead to negative outcomes for new residential construction projects specifically. This suggests that most design and project issues are resolved (or rejected) during the zoning, entitlement, and design phases, before projects reach the permit phase.

AN ANALYSIS OF REAL-WORLD PROJECT & PERMITTING TIMELINES IN ARIZONA

In 2023, Arizona lawmakers passed – and Gov. Hobbs signed – HB 2019 of the 2023 First Regular Session, known as the "Permit Freedom Act."[xxvii] Among other things, the Act requires jurisdictions issuing building permits to limit the scope of their reviews and meet strict timelines in making an up-or-down decision on permit issuance.[2] It also requires that the criteria for the grant or denial of a permit be "clear and unambiguous," meaning that an applicant can know precisely what is required for a permit to be issued, as opposed to vague requirements such as "just cause." The Act's timeline requirement specifies that a jurisdiction must grant or deny a permit within 60 days of the application, or the application is legally deemed granted. Jurisdictions can increase the 60-day period, but only by specifying an alternative period within which the applicant will get an answer.

Last year, CSI and the Goldwater Institute (which drafted the Act) partnered to examine the results: with the Act now in place, how long does it take to move through the permitting and development phase of residential construction? Has the Act improved the process?

To that end, the Goldwater Institute requested all new residential building permit records from ten regulating jurisdictions in Arizona for the past five years (2019-2024). A sample of such a request is included in Appendix B of this report. Ultimately, records were requested from ten jurisdictions (nine cities and towns, and one county). Seven responded. Those responses were shared with CSI, which cleaned, organized, and standardized the data in such a way as to produce consistent,

FIGURE 7

Housing Permits and Projects in CSI's Sampled Data

On average, the permit dataset reviewed by CSI for this analysis captures about a third of statewide permit activity, including from rural, urban, and suburban jurisidcitions.

Year	Total Permits in Sample (CSI)	Residential Projects in Sample (CSI)	Approved Residential Units (HUD)	Est. Share of All AZ Permits in the Dataset, by Year	Share of Permit Apps, Duration >= 1 Year
2019	7,756	6,462	14,270	30.6%	13.9%
2020	17,158	13,732	19,364	32.1%	17.2%
2021	21,351	14,313	19,761	30.2%	36.4%
2022	20,848	11,713	20,661	33.9%	37.1%
2023	17,206	11,193	20,207	34.6%	16.1%
2024	16,537	10,282	14,829	25.0%	5.0%

Source: Local data requests, Department of Housing and Urban Development

[2]The Act also required municipalities to disclose via ordinance specific timelines for complete permit application decisions, subject to a default for failure to comply. Based on a sample of 21 Arizona cities and towns, over half have to-date failed to comply.

meaningful, and comparable residential project timelines across the entire scope of the project. Considering population, housing supply, and building permit data, these responses cover about a third of the state, and jurisdictions were specifically chosen to represent both urban/metropolitan, suburban, and rural parts of Arizona. Tucson was included in the data request in an effort to capture what was happening in southern Arizona and in the state's only major metropolitan area outside of greater Phoenix. Unfortunately, Tucson did not provide data for this report. Interestingly, while the responding jurisdictions represent over 40% of the state's population, they only represent about a third of the state's residential building permits over the last five years – and that share fell to just 25% last year. This reflects the shifting politics of growth, the changing costs of residential development, and the drive by developers to find new, smaller, but fast-growing markets where it is still possible to obtain affordable land and permission to build on it.

For perspective, after cleanup, our dataset included 100,732 permit *applications* (~17,000/year). We identified 100,856 total *permits* (not all captured permits included clear application data; correspondingly not every application had clear conclusion data) issued to 67,695 *unique addresses* (or an average of about 1.5 permits per address). Some of our otherwise complete and useful permit data did not include an address; in these cases, we could not match the permit to a project, so each such instance was treated as a "unique address." Also, for perspective, according to survey data collected by the U.S. Department of Housing, there were 109,092 new housing unit authorized by building permits within these jurisdictions over this period.

Statewide Results

FIGURE 8

Housing Permits and Project Times (Arizona)

According to CSI's Housing Report Card and HUD surveys of permit activity, homebuilding peaked in 2021. Our permit data confirms that. However, project and permit times have declined since then. On average, new housing projects in Arizona are being completed between 13% and 22% faster today than they were prior to 2023.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	3,076,048	46,580	7,756	6,462	209	355	C
2020	3,107,366	60,342	17,158	13,732	209	347	C-
2021	3,138,685	65,334	21,351	14,313	199	337	C-
2022	3,186,554	60,994	20,848	11,713	200	296	D
2023	3,239,474	58,433	17,206	11,193	192	276	D+
2024		59,306	16,537	10,282	126	304	D+

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.

As a statewide average, CSI's analysis found that over the last five years, the typical new residential building *permit* took between 189 and 217 days to go from its initial interaction with a permit office to its final interaction with the permit office (meaning permit issuance or some subsequent event such as inspection, revocation, etc.). **The typical new residential building project (permits matched by jurisdiction and address) took approximately 319 days to complete permitting, vertical construction, and final inspection.**[xviii]

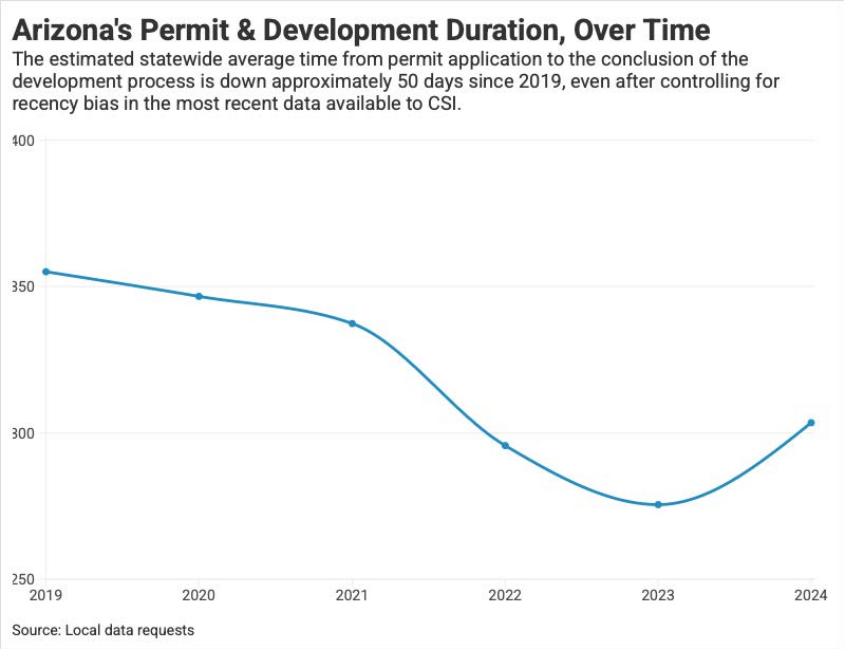
According to surveys by the U.S. Census and the U.S. Department of Housing and Urban Development (HUD), Arizona's new residential housing construction approvals peaked in 2021, at over 65,000 units. This implies significantly more housing construction in the state in recent years than had occurred in the decade between the pandemic and the Great Recession. Similarly, our permit data confirms the survey results – the jurisdictions we surveyed issued more permits in 2021 than in other years.

The decline in permit issuances in our dataset between 2021 and 2024 (-23%), and new residential housing projects (-28%) is much greater than the statewide decline in surveyed housing unit approvals (-9%). But this is likely an artifact of what jurisdictions were targeted by CSI and Goldwater in the public records request – in general, they were selected based on size, geographic location (some rural, urban, and suburban were selected by design), and their performance in the *CSI Housing Report Card*. Part of our goal was to determine whether there was a correlation between performance in this quarterly report, actual permit volumes and times, and the *Permit Freedom Act*. The data may reveal that correlation in this post-2021 decline. Indeed, the HUD-reported housing approval decline for the jurisdictions we surveyed (-25%) is consistent with our findings, and more than double the statewide average decline.

Homebuilding activity in Phoenix, Mesa, Chandler, Glendale, Yuma County, Flagstaff, and Sedona has slowed dramatically relative to homebuilding rates statewide. The slow pace of relative housing unit growth correlates with the growth rate of these cities overall; excluding Tucson (which was not part of this project's scope) and Scottsdale (which did not respond), cities in this review are the state's largest (and the largest in Maricopa County). But none of them are among the state's *fastest growing* cities.

Our analysis suggests that 2023's *Permit Freedom Act* had a statistically significant effect on both permit and complete residential development project timelines in Arizona. Though enacted in mid-2023, HB 2019 only became effective in October; therefore, it is difficult to say with certainty whether the full effect of this change is manifest in our dataset, and, obviously, other factors affect home construction and pricing, too (e.g., the slowing pace of home construction after 2021). Correspondingly, because some projects take a long time to reach a conclusion, there is some downward bias in our dataset for the most recent data (2024 especially, but also for some 2023 projects). **Nevertheless, we estimate that the Permit Freedom Act has reduced new residential development timelines in Arizona by between 7.1% and 17.7%.**

FIGURE 9



These timelines and changes reflect only the permitting and vertical-construction phase of residential building development. As described, the cost, complexity, and timing of the approval process depends in part on the entitlement and design review phases, but data limitations prevent our including the scope of those impacts here. HB 2019 also focused its reforms almost exclusively on the *permitting and development* phase of the project pipeline. But further reforms– particularly to the earlier and potentially more burdensome entitlement and design phase – could yield significant additional improvements for Arizona's homebuilding pipeline.

Residential Permitting in Phoenix

FIGURE 10

Housing Permits and Project Times (Phoenix)

Arizona's largest city, Phoenix is home to 22% of the states population and 20% of its housing units. However, after approving over 21% of its new housing units in 2019, the share of all permits being approved in Phoenix has fallen to just 15% in 2024. Project times also haven't seen the same improvement in Phoenix as in other responding jurisdictions.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	637,511	9,898	570	558	211	348	
2020		11,647	4,373	3,975	210	346	
2021	644,625	11,492	7,367	4,319	199	347	
2022	657,235	14,598	6,619	3,229	210	318	
2023	667,691	14,468	4,659	3,567	211	287	
2024		8,997	4,055	2,743	151	354	C

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.

On average, CSI's analysis found that over the last five years, the typical new residential building *permit* in Phoenix took between 199 and 232 days to go from its initial interaction with a permit office to its final interaction with the permit office. **The typical new residential building *project* took approximately 334 days to complete permitting, construction, and final inspection.**

The statewide housing permitting peak occurred in 2021, but according to HUD, permitting in Phoenix peaked the following year. And relative to its peak, new building permits in Phoenix fell much faster (-38%) than either the statewide average or the average for jurisdictions included in this dataset. This is interesting, because Phoenix performs relatively well in CSI's Quarterly Housing Report card – it earns a "C" letter grade for the pace and volume of permitting relative to its projected housing deficit and growth-driven future need, compared to a "D+" statewide average. In part, this is because Phoenix's *historically* strong performance in homebuilding has left it with a relatively small housing shortfall relative to its large size. If current trends persist, however, that may change.

The specific technical adjustments and assumptions made to estimate the statistical effect of the Permit Freedom Act on permit timelines were applied to the aggregated data and on a statewide basis. The same summary finding cannot be reported for each individual jurisdiction. However, CSI did review average

permitting timelines before and after the Act and by jurisdiction. We find that **in Phoenix, housing project development timelines declined by between 5.7% and 12.6% following enactment of the *Permit Freedom Act.*** This is a smaller decline than our formal statewide estimate and is more sensitive to the effect of recency bias on the data. Specifically, because of Phoenix's relatively long permit and project times, our estimate considers the effect of projects taking over 1 year on its most recent data. **But the finding is overall consistent with the *decline* in the city's recent performance relative to the average Arizona jurisdiction.**

Residential Permitting in Mesa

FIGURE 11

Housing Permits and Project Times (Mesa)

Mesa is Arizona's third largest city, and is about a third the size of Phoenix - but it builds houses at about one sixth Phoenix's rate. This earns it an F grade in our Quarterly Report card. But, our review of its permit data reveals dramatic improvements in development and approval timelines in recent years.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	215,150	1,985	5,851	4,975	213	300	
2020		4,484	6,005	4,619	214	273	
2021	221,995	4,635	6,308	4,676	210	254	
2022	218,778	3,668	6,166	4,260	177	211	
2023	226,455	2,162	5,290	3,467	123	172	
2024		2,735	6,502	4,050	85	172	F

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.

We find that over the last five years, the typical new residential building *permit* in Mesa took on average between 170 and 186 days from initial interaction with a permit office to final interaction with the permit office. **The typical new residential building *project* took approximately 230 days to complete permitting, construction, and final inspection.**

While Mesa's development timelines are competitive, it has struggled to permit and build enough housing. New housing units approved for construction peaked in 2021, but at only 4,600 units. Since then, approvals have been cut nearly in half. This leads to poor performance on CSI's local report card; Mesa earns an "F" for its pace of home permitting. This contrasts with the dramatic improvement in the pace of issuing, approving, and finalizing building permits and housing projects in the city.

As noted above, the specific technical adjustments and assumptions made to estimate the statistical effect of the *Permit Freedom Act* on permit timelines were applied to the aggregated data and on a statewide basis, and the same summary finding cannot be reported for each jurisdiction. But employing our assumptions, we find that **housing project development timelines in Mesa declined by between 33% and 49% following enactment of the *Permit Freedom Act* – a significantly larger decline than our statewide estimate.** Some caution regarding this data is warranted, however, because CSI's review

identified too many housing projects in the more recent data provided by the city relative to its responses to HUD housing unit approval surveys. That suggests the intermingling of permits and projects unrelated to new residential housing construction, and that can bias the more recent results relative to the historical results. With that caution in mind, **our finding is overall consistent with procedural and process-related improvements in the city since 2022-23, even if the overall volume of housing approvals is lagging.**

Residential Permitting in Chandler

FIGURE 12

Housing Permits and Project Times (Chandler)

Like statewide, residential permitting in Chandler peaked in 2021. However, the pace of the decline there since is massive - just 300 units were approved for construction in 2022. The low volume of building permits in recent years makes the reliability of the post-2023 development timelines questionable.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	101,859	1,033	12	12	127	505	
2020		1,901	868	822	122	483	
2021	112,136	2,083	626	616	99	428	
2022	113,092	327	230	228	78	373	
2023	109,863	760	151	146	50	321	
2024		1,020	127	116	26	251	F

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.

In Chandler, CSI's analysis found that over the last five years, the typical new residential building *permit* took between 84 and 125 days between initial and final interaction with a permit office). **The typical new residential building *project* took approximately 394 days to complete permitting, construction, and final inspection.**

Chandler has struggled with both the length of its permit and development timelines and the volume of new housing it is approving. While its 2021 new residential building authorizations peak of 2,083 units was in line with statewide trends (at about 2% of total housing stock), the pace of housing development collapsed the following year, to barely more than 300 units approved, according to HUD. Consistent with this federally reported decline in housing authorizations, CSI captured few permit data in 2023 and 2024 – fewer than 300 permits and only about 250 housing projects over the past two years. This is consistent with the city's "F" grade in CSI's housing report card.

Here, too, our normal disclaimers apply: the adjustments and assumptions made to estimate the statistical effect of the *Permit Freedom Act* on permit timelines were applied to aggregated data on a statewide basis, so the same summary finding cannot be reported for each jurisdictions. But CSI did review average permitting timelines before and after the Act and by jurisdiction. In **Chandler, housing project development timelines declined by between 36% and 64% following enactment of the *Permit Freedom Act*** – a significantly larger decline than our statewide estimate.

Even more than in Mesa, we use and report this data cautiously. In general, and relative to its overall size, there are few building permits being issued in Chandler, and even fewer permit and project data were identified by CSI for use in this project. For perspective, Chandler is the fourth largest city in Arizona – home to over 100,000 housing units and over 280,000 people. The anemic number of permits in this data and the federal survey results is striking.

Our findings here are consistent with Chandler's poor performance in the CSI report card; also of note, as of 2024 the city was not compliant with some of the requirements in the *Permit Freedom Act* itself. Observers need both additional data about its current permitting processes and pipeline and about permitting and construction activity in that city generally, to more robustly report on the health of its development timelines after the *Permit Freedom Act*.

Residential Permitting in Glendale

FIGURE 13

Housing Permits and Project Times (Glendale)

Glendale was much slower to see its housing approvals peak than other places in Arizona, and subject to some uncertainty in permit vs. project times, has seen both the pace and volume of housing development accelerate since 2023.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	87,188	583	60	58	192	289	
2020		548	493	490	192	287	
2021	95,584	713	585	577	186	286	
2022	92,871	1,445	497	487	159	272	
2023	94,454	1,813	906	892	116	256	
2024		1,377	958	942	43	283	D

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.

In some ways, our findings with respect to Glendale are like those in other cities, but in other ways, they differ. On average, over the last five years, the typical new residential building *permit* took between 148 and 178 days from initial to final interaction with a permit office. **The typical new residential building *project* took approximately 279 days to complete permitting, construction, and final inspection.**

Whereas new housing units approved for construction peaked statewide in 2021, in Glendale that peak wasn't reached until 2023, and while HUD estimates report a decline in 2024, those are preliminary numbers subject to revision. The permit data used by CSI for this report follow the same trend but show no such decline last year; in fact, on a project basis, Glendale reported more housing projects in its 2024 data than in 2023. Although Glendale's recent performance in homebuilding approvals has been strong, its slower improvement relative to the state and other cities (who peaked more quickly after the pandemic), combined with its historical underperformance, hold it back in CSI's grading. Glendale still outperforms many of its large, urban peers, but earns a "D" in our latest report card.

Our usual disclaimers apply: the specific adjustments and assumptions we made were applied to aggregated data on a statewide basis, so the same summary finding cannot be reported for each jurisdiction. But **in Glendale, housing project development timelines declined by between 5% and 56% following enactment of the *Permit Freedom Act* – a large range driven by the significant difference in permitting times relative to project times.** That difference also means that any conclusion about project development timelines and changes in Glendale is sensitive to the robustness of our address-matching approach versus reviewing each permit individually. **Overall, though, this data is consistent with improvements in both the pace and volume of housing development in Glendale after 2023.**

Residential Permitting in Yuma County

Over the last five years, the typical new residential building *permit* in Yuma County took between 133 and 139 days from inception to finality. **The typical new residential building *project* took approximately 286 days to complete permitting, construction, and final inspection.**

FIGURE 14

Housing Permits and Project Times (Yuma County)

Yuma County notably provided a large and robust dataset, but likely included residential permits unrelated to new construction. Still, its permit and project times - and there changes over time - are reasonable and indicative of improvement since 2023.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	94,648	244	623	477	146	371	
2020		136	4,023	2,920	145	364	
2021	93,797	123	4,961	3,157	141	313	
2022	95,448	102	5,863	2,514	130	255	
2023	96,567	101	4,883	1,996	123	207	
2024		110	4,057	1,754	115	205	F

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.
Note while efforts have been made to specifically track data from unincorporated Yuma County (and subject to the jurisdiction of the Yuma County government), not all Census data (like housing unit counts) is available.

Yuma County was the only *County* government included in this survey. It was also one of the earliest and most thorough respondents, whose early and comprehensive data helped inform how CSI and Goldwater interacted with other jurisdictions later, and how CSI analyzed the data internally. In Arizona, the fifteen county governments have statutory responsibility to issue building codes and approve building permits for construction in unincorporated areas. Being a rural area, the unincorporated share of Yuma County's total population is relatively high – CSI estimates that about a third of the regions total population is subject to County jurisdiction, which would imply that there are about 30,000 housing units in unincorporated areas. This makes HUD's reporting of housing permits (~100 units annually) appear relatively low, which factors into the poor performance in CSI's quarterly report. On the other hand, CSI's estimate of annual housing projects is significantly higher and indicates a much healthier development environment. But the data also may reflect the intermingling of permits and projects other than new construction.

With our usual disclaimers in place, we find that **in Yuma County, housing project development timelines declined by between 15% and 36% following enactment of the *Permit Freedom Act* – a healthy and plausible improvement.** On the other hand, the number of permits being issued for construction in unincorporated Yuma County either never recovered to pre-pandemic levels (let alone experiencing a post-pandemic building boom as in Arizona generally) or peaked in 2021 (similarly to Arizona overall).

Residential Permitting in Flagstaff

In Flagstaff, over the last five years, the typical new residential building *permit* took approximately 356 days from its initial to final interaction with a permit office. **The typical new residential building *project* took approximately 389 days to complete permitting, construction, and final inspection.**

FIGURE 15

Housing Permits and Project Times (Flagstaff)

Flagstaff stands out - while the volume of permitting in this dataset and in federal surveys is healthy (controlling for size and growth), the pace of permitting is quite slow - though there has been improvement since 2023.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	29,713	472	107	1	381	473	
2020		588	492	487	378	420	
2021	32,601	657	635	530	381	413	
2022	32,374	460	523	459	355	374	
2023	33,089	874	550	491	331	346	
2024		562	543	480	313	310	A

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.

Flagstaff is an usual jurisdiction. It earns an "A" grade in CSI's quarterly reporting, making it a standout both relative to other jurisdictions within this report and relative to Arizona's statewide average . As a reminder, the quarterly report considers only the volume of home permitting relative to need (the projected deficit) and *expected growth* (driven by population change and household formation), and relies exclusively on HUD- and Census-reported results from the Building Permits Survey. This project directly reviews summary local permitting data, mostly using responses provided by the jurisdictions, but also employing data culled from online and publicly accessible databases. Both sources confirm a relatively robust level of building approvals, given the size and expected growth of the area. However, this analysis provides new information about the *pace* of the permitting and development timelines within these jurisdictions. And here, **Flagstaff stands out as being the only respondent whose analysis by CSI suggests an average new housing project development time longer than one year.** Some of this may be due to the regional and geographic complexities of building in Flagstaff relative to the Valley, but it is indicative of a burdensome process in terms of *time*, even if it is relatively permissive in terms of *volume*.

Keeping in mind our usual disclaimers, we find that **in Flagstaff, housing project development timelines declined by between 13.8% and 21.9% following enactment of the *Permit Freedom Act* – a plausible result consistent with our statewide estimates.** This suggests that while it is time-intensive to complete the development of new housing in Flagstaff compared to the typical Arizona jurisdiction, the process has improved since 2023 – and some of that improvement may be attributable to the *Permit Freedom Act*. For example, the city has publicly committed to acting on residential permits within 45 days, though according to Goldwater Institute this hasn't been formally adopted in ordinance as required by law.

Residential Permitting in Sedona

Finally, in Sedona, we find that the typical new residential building *permit* took between 155 and 176 days to go from initial to final interaction with a permit office. **The typical new residential building *project* took approximately 270 days to complete permitting, construction, and final inspection.**

FIGURE 16

Housing Permits and Project Times (Sedona)

Unlike nearby Flagstaff, Sedona stands out for how few housing units it authorizes for construction, according to federal sources. While the number of projects implied by the data reviewed by CSI is higher, it still suggests a market in need of more housing to keep pace with demand.

Year	ACS Housing Units (Total)	HUD Approved Housing Units (New)	CSI Reviewed Permits	Implied Housing Projects	Avg. Permit Time	Avg. Project Time	CSI Housing Letter Grade
2019	5,709	55	639	381	186	355	
2020		60	858	419	181	305	
2021	5,737	58	897	438	178	263	
2022	5,766	61	956	536	144	204	
2023	5,766	29	740	634	91	222	
2024		28	256	197			F

Source: Local Public Records Requests, Quarterly Housing Reports, American Community Survey • While project timelines are adjusted in 2023 and 2024 to account for some recency bias putting downward pressure on timelines (e.g., the projects which take the longest would still be open in our dataset), permit times as reported here are not.

Sedona stands out in the state's ongoing housing debate. The pace of home construction is sclerotic; **over the past five years fewer than sixty new housing units have been added** to the local inventory, according to the American Community Survey. This change is consistent with the number of new housing units authorized for construction according to HUD, and although our data suggests more housing projects, this is probably indicative of data quality issues. Historically Sedona has been one of the slowest-moving jurisdictions in the data reviewed by CSI; although the timing of developments and approvals has apparently improved following the *Permit Freedom Act*, Sedona also stands out for a lack of usable data in 2024.

In general, it appears that Sedona strongly advocates for local control over housing supply issues, with the explicit goal of limiting density, and increasing the average quality of new homes, which necessarily implies a higher per-unit cost.[xxix, xxx, xxxi] For example, the Sedona Land Development Code requires features like two-car garages and sprinklers in new development. The city attributes its housing supply and cost

woes to issues of *use* – especially the short-term-rental market – as opposed to the traditional economic explanation of supply and demand. While this analysis does not directly address the magnitude of the price impact of use on local housing markets, our data do suggest that improvement in the quality – that is, in the pace and volume of home construction– could meaningfully impact the cost of housing there. Such a conclusion would be consistent with basic economic principles.

In addition to our usual disclaimers regarding our statistical methods, data reliability issues also prevented CSI from using any of Sedona's 2024 permit data in this analysis, limiting both the number of permits in post-reform treatment analysis and the robustness of these results. Nevertheless, we find that i**n Sedona, housing project development timelines declined by between 30% and 35% following enactment of the *Permit Freedom Act*.** Future analysis given additional data may be needed, particularly given Sedona's outsized importance in Arizona's housing reform discussions and debate about the cause of both the housing shortfall and high cost of housing since the pandemic.

THE ECONOMIC IMPORTANCE OF REFORM

In general, regulation - be it through licensing or in this case permitting - slows the supply of any product or service. Housing development is heavily regulated relative to other sectors, and much of that regulation is implemented locally. This makes it relatively unique; generally, commercial regulation starts at the federal and state levels, with local governments playing a relatively smaller regulatory role. Unlike other products, housing is produced locally, and all construction requires permission from the local government. Extensive research confirms that these regulatory requirements add to the cost of housing, and that improving the regulatory environment can contribute to both more housing development, and lower housing costs.[xxxii, xxxiii, xxxiv, xxxv, xxxvi, xxxvii, xxxviii]

Arizona's 2023's *Permit Freedom Act* attempted to expedite production of new housing by limiting the scope of some permit reviews and requiring jurisdictions to make up-or-down decisions within (generally) 60 days. As discussed in the technical process section of this paper, permitting and vertical development are the terminal phase of housing production in Arizona. However, the scope, cost and complexity of this phase depends in part on the scope of requirements imposed in the design review, entitlement, and zoning phases. Therefore, both processes feed on each other – improvements in the efficiency of these earlier phases or limitations on the scope of their requirements should lead to faster permitting and development times, and, conversely, limits on the scope or improvements in the efficiency of the permitting and development phases may necessitate improvements on the other end.

The Economic Impact of Expediting Development Times

-12.4%
Expected Impact of HB 2019 (2023) on Development Times (Full Implementation)

+3,800
Annual Increase in Housing Production (2035)

-5.5%
Net Change in Housing Prices (2035)*

+$2.5B
Induced Net Change in Gross State Product (2035)

* Note the net change in housing prices is relative to what price would have been in 2035 absent reform, not relative to prices today

For purposes of this paper, CSI assumed the primary causal impact of the 2023 Act would be a reduction in the permitting and development timelines of new residential housing projects occurring from and after mid-to-late-2023. Research cited above establishes the general link between development regulation and housing cost and supply, but Gabriel and Kung (2025) found a direct link between local regulatory permit approval and vertical development times on the rate of housing production in Los Angeles. Their study on multifamily permits in L.A. suggested that reductions of 25% in duration and uncertainty of approval times would increase the rate of housing production by 13.5%, and this happens simply by pulling forward in time the completion of proposed and already-started projects.[xxxix] Because the change is permanent, the effect becomes ongoing, and we can exploit this finding to estimate:

- The estimated impact of the 2023 reform on permitting and development timelines, given permit data provided by responsive Arizona jurisdictions,
- The expected change in the volume of new housing units being authorized for construction due to those improvements,
- And finally, the expected change in the supply and cost of housing in Arizona, due to the increased volume of approvals (and, therefore, housing starts).

In addition to relying on the relationship between permitting and development timelines in Gabriel and Kung (2025), CSI estimated a price elasticity of housing with respect to supply of approximately -0.4 (that is to say, we assume that if the supply of housing in Arizona increases by 10%, prices would fall by 4%). This value is consistent with the findings of prior research cited in this report.

To show the net economic impact of both an increased rate of housing production and lower hosing costs, CSI relied on Regional Economic Models Incorporated's (REMI) Tax PI+ system.[xl] This is a dynamic input-output model which uses the calibrated relationships between macroeconomic variables over time to estimate the effect of changes to local economic conditions. Because of uncertainty over the true impact of the 2023 reform given our data, two scenarios (a "high" or upper-bound estimate, and a "low" or conservative lower-bound estimate) are reported herein. Our baseline results summarized at the beginning of this section represent the midpoint between the two values.

The Economic Simulation

Our summary results at the beginning of this section represent a baseline estimate and the mid-point between two scenarios – a "high" estimate and a "low" estimate which reflect the uncertainty around the true and ongoing impact of the 2023 reform.The full details of the results of these individual scenarios as modeled by CSI using the findings in our permit dataset are presented below. For clarity, our model assumes the following impacts of a reduction in permit and development timelines (in terms of input variables to the model):

- A permanent increase in the rate of housing production, modeled as new residential investment spending in Arizona;
- A reduction in housing prices, assuming a supply elasticity of -0.4;

- A permanent increase in the optimal residential capital stock, implied by the increase in production induced;
- An increase in investment demand by Arizona's construction sector, commensurate with the expected increase in housing production.

While our model assumes the improvement in housing throughput is ongoing, it does allow for some one-time effects as the economy immediately restructures around a permanently larger residential housing and construction market. This effect declines over the next decade until achieving a new steady-state equilibrium on/around 2035.

Scenario 1: Timeline Improvement of 7.1% (Low Estimate)

The figure below provides detailed results given an ongoing 7.1% increase in residential housing production for the years 2025, 2030, and 2035. Overall, the state should expect to see an approximately 0.66% increase in Gross State Product by 2035, relative to what it would have been otherwise. After accounting for the increased demand induced by the increase in economic activity and population and employment growth, the net change in housing prices would be a drop of 3.1% relative to current projections. Additional economic impacts include:

- The number of jobs is 13,376 higher than under the alternative (no-reform) scenario;
- Construction sales (Output) are initially $1.6 billion higher than without the reform;
- Personal income is $2.5 billion above the alternative projection;
- Over 26,000 additional new homes are built over the next 10 years, reducing prices by 3% (net of new demand).

FIGURE 17

Scenario 1: Economic Impact of a 7.1%-Reduction in Development Timelines

By reducing the development and permitting timelines for Residential construction in Arizona by 7.1%, the Permit Freedom Act would result in 13,376 more jobs; 3% lower housing prices; and 26,000 more housing units after ten years.

Year	Population	Housing Prices	Housing Supply	Total Employment	Gross Domestic Product	Construction Output	Personal Income	State & Local Tax Revenue
2025	11,234 (+0.17%)	-3.38%	4,345 (+0.14%)	17,654 (+1.01%)	$1.57B (+0.91%)	$1.01B (+2.87%)	$1.46B (+0.75%)	$1.23B (+0.22%)
2030	39,093 (+0.63%)	-3.15%	15,207 (+0.49%)	14,826 (+0.83%)	$1.44B (+0.75%)	$0.79B (+1.89%)	$2.06B (+0.85%)	$1.84B (+0.42%)
2035	49,230 (+0.76%)	-3.07%	26,069 (+0.85%)	13,376 (+0.73%)	$1.39B (+0.66%)	$0.53B (+1.18%)	$2.52B (+0.85%)	$2.29B (+0.41%)

Source: REMI Tax-PI

Scenario 2: Timeline Improvement of 17.7% (High Estimate)

The figure below provides detailed results given an ongoing 17.7% increase in residential housing production for the years 2025, 2030, and 2035. Overall, the state should expect an approximately 0.66% increase in Gross State Product by 2035, relative to what it would have been otherwise. After accounting for increased demand induced by the rise in economic activity, and population and employment growth, the net change in housing prices would come down 7.6% relative to current projections. Additional economic consequences include:

- The number of jobs is 33,973 higher than under the alternative (no-reform) scenario;
- Construction sales (Output) are $1.3 billion higher than without the reform;
- Personal income is $6.4 billion above the alternative projection;
- Over 65,000 additional new homes are built over the next 10 years, reducing prices by 8% (net of new demand).

FIGURE 18

Scenario 2: Economic Impact of a 17.7%-Reduction in Development Timelines

By reducing the development and permitting timelines for Residential construction in Arizona by 17.7%, the Permit Freedom Act would result in 33,973 more jobs; 8% lower housing prices; and 65,000 more housing units after ten years.

Year	Population	Housing Prices	Housing Supply	Total Employment	Gross Domestic Product	Construction Output	Personal Income	State & Local Tax Revenue
2025	28,318 (+0.37%)	-8.37%	10,897 (+0.35%)	44,326 (+1.01%)	$3.95B (+0.91%)	$2.77B (+2.68%)	$3.67B (+0.74%)	$0.30B (+0.54%)
2030	99,248 (+1.24%)	-7.81%	38,138 (+1.24%)	37,478 (+0.83%)	$3.63B (+0.74%)	$1.98B (+1.77%)	$5.23B (+0.85%)	$0.62B (+1.05%)
2035	125,390 (+1.52%)	-7.61%	65,379 (+2.12%)	33,973 (+0.73%)	$3.53B (+0.66%)	$1.34B (+1.16%)	$6.42B (+0.85%)	$0.64B (+1.05%)

Source: REMI Tax-PI

Moving Forward

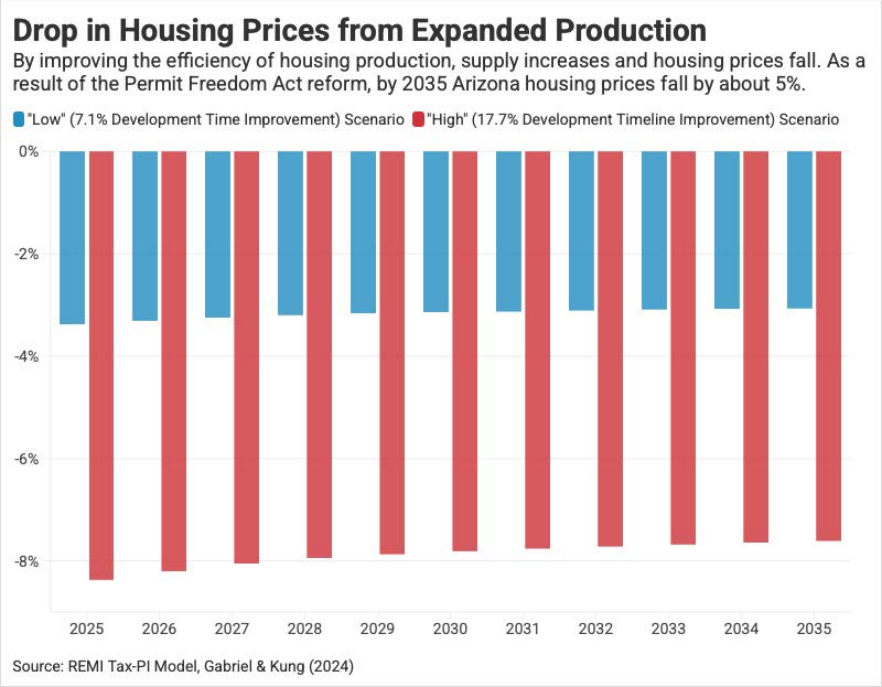
While the enacted version of the *Permit Freedom Act* appears to have improved the process of obtaining building permits and completing the vertical development of new residential housing in Arizona, the process remains costly, onerous, and time-intensive. On average, and after the 2023 reform, CSI estimates that **it still takes between 150 and 290 days to complete the permitting and vertical development phases of housing production in this state.** From conversations with stakeholders, we have learned that it can take years to complete the earlier zoning and entitlement phases, depending on jurisdiction and project type. Requirements and timelines appear to be especially burdensome for multifamily projects.

One reform that would be extraordinarily helpful would be standardization in the treatment and tracking of zoning, entitlement, and permit applicants. This would provide clarity not just to researchers, but also to policymakers and, most importantly, the regulated community itself. Policymakers should consider creating uniform and clear reporting requirements so that jurisdictions must provide helpful and timely guidance to the public about the number and duration of permit requests and development timelines. For example, it may not be particularly helpful to know that "plan reviews" are turned around in 30 days by the city of Phoenix,[xli] if housing development is taking a year and the entitlement and design phases (in total) may be taking much longer still.

In performing our analysis, it became clear how challenging it is to obtain timely and complete information about the number of new residential building applications, the number being approved versus denied, rejected, or otherwise turned away as incomplete or non-actionable, and the time necessary to complete processing and development. In general, it took several months for the Goldwater Institute to receive complete and actionable responses from many jurisdictions. Some never responded at all. Discrepancies in how jurisdictions interpreted the records requests, or tracked and catalogued permits, further complicated the task.

Further improvement need not come from legislation targeting the project permitting phase. The design and entitlement phases remain opaque and potentially more burdensome. But improvements to those phases should result in shorter development timelines, since the requirements these phases impose result in longer build-times for housing (for example, by imposing more complex and costly design requirements, or mandating enclosed garages).

FIGURE 19



SCENARIO 3: ADDITIONAL TIMELINE IMPROVEMENT OF 25%

As a hypothetical, CSI presents Scenario 3: the potential additional improvement (relative to the 2019 *Permit Freedom Act* reform) of a 25% reduction in the permitting and vertical development times for new residential housing construction in Arizona. In general, this scenario provides a further 1% increase in Gross State Product by 2035, relative to what it would have been otherwise. After accounting for rising demand caused by the increase in economic activity, population, and employment, the net change in housing prices would be down 10.8% relative to baseline projections. Additional economic results include:

- The number of jobs is 48,800 higher than under the alternative (no-reform) scenario;
- Construction sales (Output) are $1.9 billion higher than without the reform;
- Personal income is $9.2 billion above the alternative projection;
- 95,000 additional new homes are built over the next 10 years, reducing prices by 11% (net of new demand).

FIGURE 20

Scenario 3: Economic Impact of a 25%-Reduction in Development Timelines

Relative to Permit Freedom alone, a further reduction to 25% of development timelines in Arizona would result in 48,828 more jobs; 11% lower housing prices; and 95,000 more housing units after ten years.

Year	Population	Housing Prices	Housing Supply	Total Employment	Gross Domestic Product	Construction Output	Personal Income	State & Local Tax Revenue
2025	40,411 (+0.52%)	-11.87%	15,776 (+0.51%)	62,677 (+1.43%)	$5.59B (+1.28%)	$3.91B (+10.17%)	$5.20B (+1.06%)	$0.33B (+0.77%)
2030	142,650 (+1.78%)	-11.10%	55,179 (+1.79%)	53,482 (+1.18%)	$5.18B (+1.06%)	$2.82B (+6.73%)	$7.48B (+1.22%)	$0.66B (+1.51%)
2035	181,070 (+2.19%)	-10.82%	94,593 (+3.07%)	48,828 (+1.05%)	$5.08B (+0.95%)	$1.91B (+4.25%)	$9.25B (+1.24%)	$0.67B (+1.52%)

Source: REMI Tax-PI

THE BOTTOM LINE

Permitting and development is just one stage of a long and arduous process through which new housing can be brought to market. Based on CSIs findings in this report, the Permit Freedom Act made improvements in Arizona's housing development pipeline by limiting the scope of permit reviews and expediting up-or-down decisions on permit applications, which has significant implications for housing prices and overall economic growth. But housing development begins much earlier than permitting – the zoning, entitlement, and design processes continue to add costs and slow progress. We believe this report highlights both the value of improvement and the need to do more.

APPENDIX A: METHODOLOGY

Data

We submitted public records requests seeking information from fall 2024 to early 2025, to 10 municipalities in the state. These requests sought data regarding the timeline of each housing permit from 2019 to 2025, including:

Permit applications

a. Submission dates

b. Application numbers

c. Project address

d. Intermediate decision dates (including administrative completeness review, substantive review, requests for additional information, other relevant dispositions)

e. Final determination date, if any (approval, denial, rejection for incomplete, etc.) (if none leave blank)

f. Current status of application (open, closed, etc.)

g. **For permit applications:** Date of certificate of occupancy issuance for the project, if any

The administrative completeness review and substantive review time frames for the jurisdiction, and relevant code/ordinance reference

Applicable administrative completeness and substantive review checklists, if any.

Contacted Jurisdictions

Requests were sent to the following jurisdictions: Phoenix, Tucson, Mesa, Chandler, Gilbert, Glendale, Scottsdale, Flagstaff, Sedona, and Yuma County.

Seven of these jurisdictions responded: Phoenix, Mesa, Chandler, Glendale, Flagstaff, Sedona, and Yuma County.

We received usable information for all seven jurisdictions. Because Yuma County's permits appeared to have every piece of information in its released data – including initial permit applications that go no further – it acted as the exemplar.

In addition to the information from Yuma County, we received information from the cities of Glendale, Flagstaff, Chandler, Sedona, Mesa City, and Phoenix. In the case of Chandler, we scraped information from the city's building permits reporting website.

The information was sent to us in PDF and/or Excel format. We converted the information from the PDF files to Excel. Details of the data processing steps for each jurisdiction is in the Processing the Data section below.

Challenges with the Data

In the exemplar case of Yuma County, the data we received was well-structured and easily transformable into a structure for evaluating the change in the permitting timeline, including having information on permits that were not approved.

What Data is Missing

To varying degrees, we received information on the date of application, the date of issuance, the date of approval, the date of finalization, and the date of expiration for each address (parcel I.D.) across the past five years. When submitting our information requests, we considered the request to be easily fillable based upon the assumption that jurisdictions keep detailed databases of their activity, like the way private companies use Customer Relationship Management tools. But each city proved to treat information differently; not only with respect to what information they keep on file, but also how they store the information, and how they share the information.

While entitlement data was within the scope of the request, in general, the data received back was of inconsistent quality and difficult to correctly map to later permits and vertical projects.

What Remains Unknown

Given that our data is a sample of jurisdictions in the state, it remains unknown how representative our sample is of the broader practice of permitting across all jurisdictions. We assume that most new residential construction is going to require multiple building permits (and permit applications) and multiple interactions with a permit office, before construction can be completed and a final certificate of occupancy issued. The timeline for any individual permit application may be relatively short. However, the total project timeline may be much longer, and more indicative of the true scope of the development timeline. This report assumes that any permit pulled for the same site address within five years and relating to a new project is the same "new project" and therefore one development cycle.

Although the data request was structured in such a way to ensure that all relevant permits were captured over the entire development pipeline and that there would be sufficient data to match different permits together given a single project, it is impossible to be certain that our dataset is exhaustive or that there is some indication if it is not. It is also possible that the same site address could have multiple independent permit-requiring projects within the five-year span, unrelated to the new initial new construction, though this issue is likely de minimis in practice.

Adjustments

Jurisdictions keep, and release in response to requests, different types of information. For instance, Yuma County provided information on permits that did and did not make it through the entire process. Other jurisdictions only provided data for permits that were issued and/or had approval dates, meaning that permits that were abandoned or denied or not given an approval/issue date were excluded from the information we were provided. We adjusted for this factor by estimating the percentage of permits "missing" and the days added to the timeline for "missing" permits.

Processing the Data

The following Error! Reference source not found. discusses the process of gathering, structuring, and analyzing the data.

Entity	Process/Description
Chandler	The raw data was scraped from the Chandler City website (https://developmentpermits.chandleraz.gov/clics/Default.aspx). The scraped data comprised eight columns (Parcel_ID, Date, Record_Number, Record_Type, Module, Short_Notes, Project_Name, and Status). From these raw data points, the rows and columns were transformed whereeach row represented a PARCEL_ID and each column represented the Status. Each value in the resultant table was the Date of occurrence. From this structure, the values for the applicable status types were structured into
Flagstaff	We received from Flagstaff a PDF with columns for Permit No., Classification, Parcel, Address, Business, Valuation, Square Ft., Description, Submit, Issue, Expired, Final, Issue CO, Status, and Subdivision. We converted the data contained in the 169-page PDF to an Excel file and from that file deciphered the relevant applied, approved, issued, finaled, and expired dates. Of note, there were no permits without an applied date. We excluded any information outside of the timeframe.
Gilbert	No response
Glendale	We received three PDF documents from Glendale. The first detailed the target turnaround times for plan reviews. The second and third PDFs were PDFs of applications, with an A/P number, address, A/P type, processed date, issue date, final date, COO date, and status. These two PDF documents were exported to Excel. The columns were matched as follows: APPLIED = PROCESSED DATE, APPROVED = no clear alignment for most (but there were a few with an alignment), ISSUE DATE= ISSUED, and FINALED = Final Date.
Mesa	We received an Excel spreadsheet with the following column headers: RowID, Permit Number, Property Address , Street Number, Street Direction, Street Name, Street Type, Unit Number, Council District, Issued Date, Issued Year, Issued Month, Finaled Date, Finaled Year, Finaled Month, Permit Year, Status, Description, Value, Permit Type, ICC Value, Type of Work, Contractor Name, Contractor Address, Change of Occupancy, Date, Parcel Number, Total Sq Ft, Applicant, Number of Dwellings, Number of Dwelling, Units, New Residential Permit, Latitude, Longitude, and Location. From this information, we aligned the status, issued, and finaled columns into the three standard columns used for the other jurisdictions: APPLIED, ISSUED, and FINALED.

Entity	Process/Description
Phoenix	We received two Excel files from the City of Phoenix. The first contained the following column headings: Permit Number, Permit Type, Permit Work Type, Status, Address, APN, Submitted Date, Issue Date, and Completion Date. The second column contained the following column headers: Permit Type, Permit Number, Permit Status, Address, Address Alias, APN, Permit Enter Date, Permit Issue Date, COFO Permit Type, COFO Permit Number, COFO Permit Status, and COFO Permit Issue Date. We ensured no duplication between the two files and aligned the information to the APPLIED, ISSUED, and FINALED columns. There did not appear to be information for APPROVED or EXPIRED dates. We also trimmed the dataset to exclude any information for 2025.
Scottsdale	No response
Sedona	The City of Sedona supplied a wealth of information on each project, including visuals and reviews performed. The city also provided Excel files for the years 2019 through 2023 with column headers for: Permit Number, Description, Permit Status, Service Address, Contractor Last Name, Business Phone, Tax Lot, Customer Last Name, Date Issued, Application, Completion, Project Cost, County, Class, and Permit Description. From these pieces of information, we derived dates (when non-null) for APPLIED, ISSUED, FINALED, and EXPIRED. We did not find a date for the APPROVED date. For the 2024 information, we were directed towards the city's website, where we extracted monthly reports from January through December with pieces of information. The information on the website did not contain the exact date of a given action. Because of this, the last day of each month was assigned a given action, whether it was APPLIED, ISSUED, FINALED, or EXPIRED dates.
Tucson	No response
Yuma	In addition to routing and other explanatory documents, two Excel files were received by Yuma with residential permit applications from 10-21-2019 to 10-21-2021 and from 10-22-2021 to 10-21-2024. These two Excel files have information for APPLICATION DATE, APPROVED DATE, ISSUED DATE, FINALED DATE, and EXPIRED DATE, although there is not a date for each of the five dates for each address.
Summary file	From the seven constructed jurisdictional files, we created a summary file with estimates from 2019 through 2024 for: total applications, total number of projects, the percentage of applications approved/issued, the average timeline by permit by year, the average timeline by project by year, the number of applications ever completed by year, the share of applications completed by year, the number of applications ever completed that took longer than one year, the share of applications completed that took longer than one year, the average completion time for applications that took longer than one year, the average permit timeline for permits that took longer than one year that had an approved/issued/finaled and/or finaled date, and the average timeline for projects by year that had a finaled/expired date and took longer than one year. We matched these pieces of information with the estimated number of permits for each jurisdiction by year, as produced by HUD. We also calculated the share of Arizona permits captured in our data. When processing the data, we de-duplicated any permits and when calculating values for the project level dates, we ensured that the APPLIED, ISSUED, APPROVED, FINALED, and/or EXPIRED dates accounted for the fact that many projects have multiple permits prior to finalization.

APPENDIX B: EXAMPLE OF PUBLIC RECORDS REQUEST

As a representative example of how permit data was requested from the issuing jurisdictions identified in this report, the following letter sent to the Town of Gilbert is provided without edits (although names of individuals are withheld).

October 10, 2024

Sent Via Online Portal

<Recipient redacted>

Subj: Public Records Request: Entitlement and Permit Applications

Dear Records Custodian:

Arizona law and public policy require open and transparent government.To that end, Arizona has broad public records laws favoring disclosure of records made and kept by government agencies.See ARIZ. REV. STAT. § 39-121.01(A)(2).

Pursuant to Arizona Revised Statutes § 39-121 et seq., we respectfully request the following public records in your custody:

Copies of records that pertain to the processing timelines for both entitlement and permit applications processed by the Planning and Development Department. We request the following information for all submitted new residential building permit and entitlement applications within the last five years:

(1) Entitlement applications

1. **Submission dates**
2. **Application numbers**
3. **Project address**
4. **Intermediate decisions dates ((including administrative completeness review, substantive review, requests for additional information, other relevant dispositions)**

5. **Final determination date, if any (approval, denial, rejection for incomplete, etc) (if none leave blank)**
6. **Current status of application (open, closed, etc)**

(2)Permit applications (equivalent data)

1. **Submission dates**
2. **Permit/application numbers**
3. **Project address**
4. **Intermediate decision dates (including administrative completeness review, substantive review, requests for additional information, other relevant dispositions)**
5. **Final determination dates, if any (approval, denial, rejection for incomplete, etc)**
6. **Current status of application (open, closed, etc)**
7. **Date of certificate of occupancy issuance for the project, if any**

(3) Copies of any City Ordinance, Code, or policy that sets forth an approval time frame for permit applications pursuant to A.R.S. § 9-843(B).

(4) Copies of records indicating criteria or checklist information for a permit application to be deemed "administratively approved" within the meaning of A.R.S. § 9-843(B).

Electronic production of records and information is preferable and acceptable.We request your response as soon as possible.If responsive records cannot be produced within ten (10) business days, please contact me with your progress and expected completion date.

This request is for non-commercial purposes.

We are willing to pay $100.00 for copies of the public records requested.Please note, however, an agency may not charge a fee for any search costs incurred when producing public records.See A.R.S. 39-121.01(D)(1); *Hanania v. City of Tucson, 128 Ariz. 135* (App. 1980).

Additionally, if some records are available prior to the production of other records, please provide on a rolling or continuing basis as the records are available.

Should you have any questions regarding this request, please do not hesitate to contact me at (602) 462-5000 or jriches@goldwaterinstitute.org.

Thank you for your prompt attention to this matter.

Sincerely,

<Sender Redacted>

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