Stakeholder Perspectives on the Economic Impact of the Sonoran Desert Conservation Plan:

What Does the Business Community Think?
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By Mark Muro
Senior Research Analyst
Morrison Institute for Public Policy

With Special Assistance From
Rob Melnick
Morrison Institute for Public Policy
Rick Heffernon
Morrison Institute for Public Policy

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Executive Summary

A series of 51 individual “stakeholder” interviews and two focus groups conducted with members of the Pima County business community in fall, 2001, documented significantly divided opinion about the likely economic impacts of the county’s Sonoran Desert Conservation Plan (SDCP).

The results of the stakeholder inquiries were striking. Only one major finding reflected consensus, while several others revealed sharp differences of opinion in the business community about the potential economic impacts of the SDCP and associated initiatives.

In summary, the stakeholder interviews on the SDCP showed that:

- **Costs are a major concern**
  Nearly half the interviewed stakeholders expressed pessimism about the economic impacts of the SDCP and related initiatives, and their leading concern was that the plan would impose large new costs on the region without providing adequate offsetting relief from the regulatory burdens of ESA compliance.

- **Most business people believe housing affordability will be reduced**
  A majority of stakeholders believed the combined plans will increase home prices and reduce housing affordability.

- **Business stakeholders are divided on whether the SDCP will bring “predictability” to the development scene**
  Nearly a quarter of those interviewed believed the SDCP package with its Section 10(a) habitat conservation plan (HCP) will facilitate further growth by providing a more predictable regulatory framework for development than currently exists. But nearly as many were skeptical or unsure.

- **Some stakeholders believe “quality of life” gains will boost the economy**
  More than a third of business stakeholders, at the same time, believed the economic benefits of implementing the SDCP and related programs will outweigh the costs, mostly because they think the plan’s open space protections will enhance the area’s “quality of life” and reputation for environmental quality. For these stakeholders the SDCP and related programs offer a framework for protecting a regional competitive asset they believe critical in the competition for corporate and household relocations.

- **Expectations vary widely from sector to sector**
  Significant differences in outlook exist between and among business groups. Large-scale, higher-end developers were more positive than smaller-scale developers who provide moderate-priced residential products. Stakeholders in “knowledge” or high-tech businesses expressed more enthusiasm about the plan than others.
Introduction

The preparation by Pima County of its Sonoran Desert Conservation Plan (SDCP) in recent years has prompted significant concern about the plan’s economic implications.

Interest in the creation of a more rational framework for the region’s growth and resource stewardship has been tempered by anxiety about the potential implications of such a complex and large-scale undertaking.

Some interests contend large economic and “quality of life” benefits will arise from the program; others allege the plan will distort land and housing markets, burden the region with heavy expenses and increase housing costs.

At the same time, the broad reach and complexity of the conservation plan and its associated parts have led to uncertainty in some quarters.

In this regard, the SDCP’s comprehensive vision of protecting the Sonoran Desert, guiding growth and rationalizing land development in the metro Tucson region places more than just a “vision” of change on the public agenda. It also informs two other large-scale initiatives — the most recent county comprehensive plan update and a regional habitat conservation plan.

The county’s 2001 Comprehensive Plan Update, adopted in December 2001, is intended to guide the future development of the county while conserving its natural resources in keeping with the SDCP.

And currently in 2002, the county is moving — also under the aegis of the SDCP — to prepare a multispecies habitat conservation plan (HCP) to square the needs of the region’s development community with those of numerous vulnerable species on an area-wide basis.

The HCP, under preparation now, will take the form of an application under Section 10(a) of the Endangered Species Act (ESA) to the U.S. Fish and Wildlife Service to allow the “incidental take” of threatened or endangered species or their habitats resulting from otherwise lawful activities such as construction.

Taken together, these separate but related and interdependent habitat planning and growth management programs — each of them ambitious in its own right — represent a major alteration of “business-as-usual” in Pima County. It is not surprising that anxiety persists in the community about the programs’ collective impact on the regional economy.

What does the business community think?

Responding to such anxieties about the economics of the county package requires first understanding those concerns, and one way to do that is simply to consider the views of local business people themselves.

By definition, business people have an interest in any significant policy change that could alter the size or structure of the regional economy. At the same time, business people — by dint of their immersion in their enterprises — may offer both important information and noteworthy sentiment relevant to the design and implementation of policy.

Business stakeholders can be said to be leading authorities on the operation of the economy. Moreover, their opinions can themselves become an important factor in the implementation and effectiveness of policy. Perceptions shape reality, afterall.
In eastern Pima County the views of business stakeholders appear especially pertinent as the county develops its conservation plan.

Some business stakeholders own property, for example, the value of which may be directly affected by the SDCP, which proposes to designate an extensive system of habitat reserves near metro Tucson entailing thousands of acres of private land. These property owners could see their land values and economic possibilities affected, whether by outright or nearby fee-simple reserve acquisitions, mitigation ratios for disturbances or other land-use regulations associated with habitat protection.

More broadly, direct impacts on development and private property may also trigger indirect impacts on the regional economy, as implementation of the planning initiatives affects, whether positively or negatively, the region’s overall development activity, tax base and tax rates; its housing costs; its efficiency; its quality of life and its reputation.

About these and other open questions Pima County business people have important views worth considering.

This inquiry

To probe how county business leaders, especially developers, view the SDCP and its associated planning initiatives, a series of stakeholder interviews and several focus groups were held in Tucson during October and November 2001.

These formally structured conversations were designed to solicit informants’ personal views of the anticipated economic impacts of the county’s conservation plans, so far as their outlines were known at the time. In these interviews, when questioners inquired about “the plan” they were asking about the integrated, interconnected package of conservation and planning programs that includes the SDCP itself and the Sec. 10(a) permit application now in development. At the time of the interviews the related 2001 Comprehensive Plan Update had yet to be adopted, though many interviewees seemed to have a feel for its outlines.

Fifty one individual, confidential interviews were conducted, mostly in person but sometimes by telephone. A full list of those who were interviewed appears in Appendix A. Appendix B profiles the interviewees by industry sector. Interviewers asked stakeholders a consistent series of prepared questions (see Appendix C). In addition, several dozen more stakeholders participated in two focus groups held in Tucson. In attendance were members of the Tucson 30, a regional business leaders’ forum, and the Southern Arizona Home Builders Association, an industry association.

As a group, the stakeholders interviewed were deemed a representative selection of Pima County’s business leadership (see Appendix B). Most were leaders of key private-sector enterprises in the region. Others spoke as leaders of key local economic development concerns or industry associations.*

Participants, beyond that, were chosen through a non-scientific, iterative process driven by consultation with government officials, environmental activists and especially local business organizations. Due representation was afforded to leaders of the development community, some of whom may be more directly impacted by plan implementation than anyone else. But efforts were also made to talk to representatives of at least five other segments of the economy: natural resources-based enterprises, the general business sector, the resorts and tourism cluster, professional services providers and so-called “knowledge” or high-technology industry. Both the list of sources interviewed and the profile of contacts by industry sector suggest the range of opinion documented.

*Important Note: This study was designed to record sentiment about Pima County’s Sonoran Desert Conservation Plan (SDCP) among key business and development community stakeholders. The inquiry was neither intended to sample broader public opinion, nor do the interviewees as a whole constitute a scientifically representative random sample. However, this research does record the views of 51 leaders of the community that may be especially affected by the plan’s implementation.
The Findings

Major findings

Five major findings emerged from this inquiry’s battery of stakeholder interviews. Each of these connected to additional details and nuances of opinion about the economic implications of the SDCP.

- **Costs are a major concern about the SDCP**

*Nearly half the interviewed stakeholders expressed pessimism about the economic impacts of the SDCP and related initiatives, and their leading concern was that the plan would impose large new costs on the region without providing adequate offsetting relief from the regulatory burdens of ESA compliance.*

Business community stakeholders were divided over whether the SDCP package would benefit or harm the local economy.

Nearly half of the stakeholders were downbeat on the plan’s likely economic impacts; more than a third were positive about the plan’s implications; the rest were undecided.

In all cases, stakeholder sentiment reflected individuals’ differing views of the trade-off between the programs’ costs and the degree of regulatory relief it will afford.

Those who thought the plan would help the economy overall expressed little concern over the project’s cost and some confidence that it would yield a more stable and predictable development regime. They saw the county’s programs as a good deal for the region.

By contrast, a larger number of stakeholders contended the plan would negatively impact the local economy. These business people almost unanimously worried about implementation costs and doubted that the plan would provide compensatory regulatory relief or greater predictability for developers.

This finding is noteworthy because a key promise of regional habitat planning is that its costs will be offset by the benefits of a more streamlined regulatory framework for development. However, this study found that for most Pima County business people the presumed high costs of plan implementation outweigh the regulatory gains they anticipate.

**Costs**

More than half of the stakeholders worried about the economic impacts of paying for the implementation of the SDCP, the HCP and various planning designations.

Many stakeholders anticipated “huge” or “significant” costs will be incurred by the public to establish the SDCP’s reserve system. These informants tended to believe hundreds of millions of dollars will be needed to apply the county’s conservation design to private lands near the county’s existing mountain parks or across parcels of school trust and ranch land designated for reserve status.
Most interviewees seemed to assume that conservation reserves would be assembled largely through fee-simple land acquisitions or condemnations (though county plans seem to envision little of that). “Five hundred million dollars” was a frequently cited cost figure for the land set-asides, though some informants suggested higher pricetags. These observers pointed to what they said were the high costs of land management, scientific monitoring, adaptive management activities and plan administration. Only a few interviewees believed implementation costs could be substantially reduced through the use of “softer” approaches to reserve protection such as land-use rules, on-site mitigation, conservation easements, or purchases or transfers of development rights.

Additional concerns involved funding mechanisms. “How will they pay for this?” was another common refrain of stakeholders, and again virtually all SDCP skeptics — about half of all interviewees — foresaw problems. Few believed either the state or the federal government would advance substantial funds to support the plan. That being the case, numerous stakeholders questioned whether the county could afford the SDCP.

Specifically, they worried that the SDCP would either strain the existing tax base or result in big new tax increases. One stakeholder predicted the SDCP “will suck up resources that are vital for resolving more pressing problems: like our traffic crisis, or the schools mess.” A large number of interviewees predicted tax increases — especially a shift of new burdens onto an already high business property tax. For their part, finally, sources in the development community questioned the fairness, and wisdom, of the county defraying the plan’s costs by collecting “mitigation payments” from property owners, expanding its impact fee authority or assessing a real estate transaction surcharge or new development fee on projects. “If the funding for this comes mostly out of fees on development it will have a staggering impact,” predicted one provider of professional services to developers. “If it comes out of the entire tax base it won’t be so bad.”

Regulatory relief?
On the regulatory side, many stakeholders doubted that the SDCP would actually smooth the development process enough to be worth it (see discussion on “predictability” on page 10). Once again, while many of the third of interviewees who foresaw benefits from the plan believed it would yield a more stable development climate, few of the plan’s critics did.

Critics tended instead to doubt that the plan would reduce the burden of endangered species regulations on developers. A number of skeptics doubted a county-administered SDCP would streamline the permitting process. Others said they would reserve judgement until they saw the final descriptions and implementation details of any programs.

Costs without benefits?
In summary, a sizable portion of the greater Tucson business community represented in this study felt the costs of SDCP policies outweigh their likely benefits. Largely consisting of developers and establishment business leaders, this bloc of stakeholders tends to believe the costs of the project will be great and its benefits modest, in terms of rationalizing ESA regulation in the region. Given that calculus, they remain skeptical of the SDCP concepts, particularly when they factor in fears that its plans will cause job losses in the development industry, increased labor costs and scare away corporate relocations.
• Most business people believe housing affordability will be reduced
  A majority of stakeholders believe the plan will increase home prices and reduce housing affordability.

Regardless of their other disagreements, stakeholders largely agreed the county’s plans would reduce home affordability. Many, in fact, named the possibility of affordability declines as their top concern about the plans. And they discounted the possibility that SDCP-informed policies would deliver enough added housing stock through central-area density increases or other market shifts to offset capacity reductions in sensitive areas near the urban periphery.

Stakeholders’ anxiety centered on the widespread expectation that the SDCP will drive up housing prices by restricting the supply of new land, adding to construction costs or increasing the relative demand for all kinds of shelter.

Land supply constraints
Most commonly, stakeholders declared it self-evident that implementation of the SDCP would restrict the supply of land for new development in eastern Pima County, increase raw land prices and so lead to higher housing prices and lower home ownership rates.

For these observers, the law of supply and demand predicts the future. These stakeholders deem the supply of developable land in the area “finite,” as one real estate broker put it. Few of them express much confidence that SDCP-informed programs will deliver enough new density or developable parcels to offset development cures elsewhere. They predict therefore that the SDCP will exacerbate a “capacity crunch” in Pima County, to quote another real estate source, by reducing the developability of much private land. Such a crunch, in these sources’ opinion, will cause demand to outstrip the supply of new homes, which will cause prices to inflate.

Construction costs
Stakeholders also named other factors that could elevate prices. Skeptics who anticipated little regulatory relief from the plan tended to believe additional planning costs and administrative delays would increase home costs. Developers frequently predicted that the imposition of new development impact fees, “mitigation payments” or real estate transaction surcharges to fund the conservation projects would inflate the cost of new construction. And others, especially proponents of the SDCP, suggested that the “amenity value” of new open space reserves in the region might itself push land and housing prices up, either by enhancing the desirability of adjacent real estate, or adding to the desirability of the entire region. “Real estate values should go up simply because you’re making this a better place,” said one SDCP-sympathetic developer. In sum, stakeholders expressed a rough consensus that the plan would increase housing prices.

Lost home affordability?
Stakeholders also largely agreed about the implications of such price increases: They foresee a broad reduction in home affordability in the region.

Most interviewees were quite sure implementation of the SDCP will drive housing costs to levels high enough to affect the accessibility of housing to low- and moderate-income families in eastern Pima County. In this regard, the business community expects housing cost increases will affect all price ranges, but its concerns focus on the mid-price and low-end housing markets.
Considering the middle range of the housing market, stakeholders expressed concern that price inflation would reduce the housing choices available to middle-class workers and so reduce a regional advantage in economic development efforts. Currently, salaried employees enjoy a range of affordable choices when they search for housing in the metropolitan Tucson area, stated several local employers. Such a range, suggested stakeholders, helps employers attract and retain good workers, and helps the region attract and retain desirable employers. However, numerous interviewees said they feared the SDCP may erode that local competitive advantage. “For businesses, home affordability is not a competitive issue now — we do pretty well on that score,” commented one local investor. “But if we start seeing 15 percent appreciation every year that would be a real negative for business development.” Added a top executive of one of the region’s largest employers: “If housing creeps up, that hurts us — it cuts our recruiting advantage over the East or Southern California.”

Turning to the lower end of the market, numerous interviewees fretted about the potential social impacts of price increases they believed would prevent many low-income families from purchasing housing, especially given the region’s historically low wage structure. “The entry level is disappearing,” said one homebuilder of the difficulty of pricing new residential product in the low $100,000s given increased land and other costs. And several real estate brokers stated that the plan would “price many buyers right out” of buying homes. Said one source: “At the high end this will be OK. [But] for the low-end homebuyer [the plan] will be disastrous. What’s $40,000 to someone buying a $400,000 home? Not much. But if you add $10,000 to a $100,000 house that’s going to price thousands of people right out of a house.”

Many stakeholders also pronounced themselves troubled by the broader implications of such potential affordability problems. Several spoke of the region being “bifurcated,” as one investor put it, into a community of “haves” and “have-nots.” A developer who was otherwise quite upbeat about the SDCP package put his opinion into even starker terms: “The social aspect is a definite concern. You could skew who can afford to come here so we have affluent members of the baby boom only and few viable alternatives for folks under 40 who want to come and work.”

• Business stakeholders are divided on whether the SDCP will bring “predictability” to the development scene

Nearly a quarter of those interviewed believed the SDCP package with its HCP will facilitate further growth by providing a more predictable regulatory framework for development than currently exists. But nearly as many were skeptical or unsure.

One of the main rationales for implementing a regional HCP, according to academic research on the plans, is the opportunity to provide greater stability to the development process.

And sure enough, when asked, about a dozen Pima County business stakeholders said they believed the HCP and associated programs would deliver a more predictable development environment. However, just as many interviewees were skeptical or unsure whether the programs would smooth the development process.

On this topic, most stakeholders who offered their views cautioned that much would depend on specific, as-yet-unavailable regulatory and program-implementation details. Perhaps because of that, the interviews revealed much uncertainty and significant disagreement.

Stakeholders who saw gains ahead saw two likely ways the SDCP could reduce the complexity, costs and confusion of ESA compliance in Pima County: They felt it would clearly map buildable and sensitive areas in the region, and more clearly define regulatory compliance.
About a half-dozen favorable interviewees, including several developers and several plan critics, expected that SDCP and associated changes to land-use rules will make it much more clear where development can and cannot go forward. “This should improve things by removing the uncertainty of developers in regard to where they can build,” commented one developer. For their part, a similar-sized group of stakeholders believed the regional HCP being prepared under the SDCP would provide predictability by streamlining ESA and other regulatory burdens. These stakeholders assumed the county would succeed in obtaining a Section 10(a) ESA incidental take permit, which would allow limited destruction of species and habitats by development in exchange for comprehensive habitat planning. They expected the county’s programs would result in a simpler, speedier and less unpredictable process for project development. “‘Just settle the rules,’ is the one thing I hear, and presumably this will do that,” said one real estate broker. A planner concurred: “This should tell developers exactly what they can and can’t do so they can better predict their costs and profit.”

At the same time, though, another half dozen interviewees rejected the notion that the county’s initiatives would offer significant regulatory relief or greater predictability for developers. And others were doubtful or unsure.

These skeptics doubted Pima County would be able to craft an expeditious, smooth-running and simple permitting process. Several questioned whether a true “no surprises” regulatory pathway could be developed. And at least two developer-stakeholders disbelieved that the county would even obtain a Sec. 10(a) permit in the end. Concluded one company leader: “I’ve been hearing [about a more predictable development environment] for years but I don’t believe it. The permitting process will not likely speed up because of the conservation plan.”

• Some stakeholders believe “quality of life” gains will boost the economy

More than a third of business stakeholders believe the economic benefits of implementing the SDCP and related programs will outweigh the costs, mostly because they think the plan’s open space protections will enhance the area’s “quality of life” and reputation for environmental quality. For these stakeholders the SDCP and its related initiatives offer a framework for protecting an asset they believe critical in the competition for corporate and household relocations.

Notwithstanding many business people’s skepticism, a substantial minority of business people remained upbeat about SDCP concepts because they believed the plans’ open space protections and land-use changes would enhance the area’s “quality of life” and reputation for environmental quality.

These stakeholders — more than a third of the interviewees — did not minimize the plan’s potential costs in terms of land protection costs, new taxes and fees or housing price inflation. Instead, they argued that the “quality of life” benefits of proceeding with the plans would outweigh the likely costs.

“The plan will help maintain the underlying health and attractiveness of this community,” observed one senior member of the region’s business establishment, “but I do believe it will also lead to a more stable, healthy business climate.” And an in-city developer added: “This could stimulate growth by making this a better place.”

Nor were these benefits described only in “soft” or abstract terms. Other members of the business community cited more precise economic arguments about the potential benefits of what they see as a practical, far-sighted framework for balancing the region’s economic vitality and “quality of place”.
Property value increases
Some business people emphasized the direct wealth benefits that could result from the plan’s potential impacts on property values. These stakeholders noted that many Tucsonans will benefit from the same price inflation due to land supply restrictions and amenity-benefits that may reduce home affordability for others.

Several of these contacts noted that properties near open spaces defined by the plan would go up in value. Others pointed out that real estate appreciation could be more widespread as the entire region becomes more desirable. As one provider of professional services to the development industry observed: “Land values will go up so everybody gets an immediate jump in their net worth. If you can pay the taxes you’ll have more value. So that creates wealth.”

Amenity-driven economic development
Other stakeholders agreed the plans would enhance the regional economy but for a different reason: They contended that implementation of the SDCP would “lock in” significant environmental assets that would spur the region’s economic development by enhancing its desirability to individuals and companies.

Tourism gains
A number of supporters, to begin with, viewed the protection of large amounts of open space as a direct investment in the well-being of a critical industry in metro Tucson — the resort, travel and eco-tourism sector. “Lots of money flows into Tucson because of nature-related activities,” observed one stakeholder. “Many people who visit Tucson and spend money here” do so “solely because of the air, the vistas, the birding, the hiking, the rock-climbing.” In that light, preserving accessible natural areas and attractive desertscape through the SDCP appeared to a number of business people as a desirable move to protect a key business input of a key industry. These stakeholders saw the SDCP and related initiatives as direct action to protect the most important “raw material” of greater Tucson’s tourism industry.

A spur to population growth
A few stakeholders, including several plan critics, named large-scale open space set-asides as a critical prerequisite for the region continuing to maintain fast population growth. These informants spoke in terms of raw numbers, and suggested the plan would help maintain the region’s historic appeal to retirees and other relocating households. “If we become more desirable that gives me and us an edge,” said one developer. “Clearly, the gorgeous mountains and the greenery of this desert are very desirable selling points to keep people moving here,” he added.

An attractor of talent
Another belief expressed by many plan supporters was that the SDCP and associated programs would attract in particular the most advantageous sorts of in-migrants: educated and well-off individuals.

This view was most often expressed by stakeholders representing professional and technical businesses; as a group, these business people placed the attraction of well-educated workers and higher-end economic activity at the center of their economic agenda.

In the first instance, several developers thought the plan would add to the region’s appeal to well-educated, well-off baby boomers. “If it’s done right you will draw the affluent, and they’re not just retirees,” said one commercial developer. “They’re the entrepreneurs, they’re the capital, they’re the educated who may create new value here,” he said.
At the same time, a dozen or so interviewees foresaw a boon for the region’s efforts to retain and recruit highly skilled “knowledge workers.” These stakeholders noted that “smart growth” policies and high-quality natural amenities appeal strongly to the well-educated, whether they be well-educated young professionals, world-class scientists or top executive talent. They argued accordingly that the SDCP would boost the region’s standing with the most talented natives and footloose professionals. “We need smart people to want to live here — so bike paths, open spaces, trails, attractive vistas must be central elements of our economic development,” said one investor. And several top executives seconded the thought with reference to their own efforts to recruit talented workers. “It will help hiring by making this a nicer place,” said the CEO of one manufacturing concern. And the CEO of a local technology company had a similar take. “The science-oriented workers we need want to live where they want to live, and they look for a good environment, so the conservation plan is one of the only things we’re doing that will help me hire people,” he declared.

*An attractor of companies*

Some of the same business people and others further argued that the SDCP would spur business relocations, particularly in higher-end sectors. “Desirable businesses will be attracted to the protection of natural beauty, just as well-educated people will,” observed one developer. And a number of stakeholders — including some plan critics — likewise felt SDCP-informed programs would prove especially helpful in the recruitment of the high-paying technology or “knowledge” companies that pay the best wages. Said one provider of professional services whose clients include numerous technology firms: “The effect of environmental quality and quality of life on high-tech business location is subtle but important. It doesn’t determine everything. But it gets them to look here for location. It acts as a pre-filter for composing a list of possible locations. Getting on that list by maintaining our quality of life is important.”

*Image-making*

A final economic benefit cited by several proponents of implementing the plans was that it would serve as a powerful marketing tool for metro Tucson.

These stakeholders argued that implementing high-profile conservation and growth management plans would significantly embellish the region’s reputation. One professional suggested that implementation would send the message that metro Tucson is a “special place with control over growth, a good quality of life and close links to the Sonoran Desert.” A planner spoke similarly of sharpening Tucson’s “brand” as a “destination with great environmental assets.” “Parks, recreation, resorts: That’s our natural brand, our competitive advantage, and the SDCP supports that,” he observed. And a corporate CEO continued the theme by commenting that the SDCP would help differentiate Tucson’s product as a region. “Being different can be a competitive advantage, and we need the courage to be different,” the CEO explained. “What does ‘different’ mean? It means protecting the landscape, protecting our plants, our colors. That can be our advantage — being more natural, more relaxed, greener, more creative.” “We should seek that advantage,” the stakeholder concluded.

• *Expectations vary widely from sector to sector*

Significant differences in outlook exist between and among business groups. Large-scale, higher-end developers were more positive than smaller-scale developers providing moderate-priced residential product. Meanwhile, stakeholders in “knowledge” or high-tech businesses expressed far more enthusiasm about the plan than others.

Regional habitat planning holds out the potential for forging consensus among diverse interest groups on difficult issues. So far, however, consensus about the SDCP and associated initiatives remains elusive in Pima County’s business community, according to the stakeholder interviews.
Significant differences in opinion persisted between and among stakeholder groups in the interviews. To be sure, the small sample size of the stakeholder inquiry requires caution in identifying divergences of outlook. Nevertheless, fault lines were clearly discernable. As already noted about half the stakeholders deemed the plan an economic negative while a third or so saw it as a positive. What is more, the differences corresponded to blocs of stakeholders representing particular segments of the metro Tucson economy.

**Divides in the development community**

Developers, not surprisingly, tended to doubt the economic benefit of the plan. They were markedly more likely to predict that the plan’s implementation would cost too much, deliver little regulatory certainty and hurt the overall economy. Yet within that aggregate community, significant differences of outlook emerged. These differences tracked with interviewees’ particular business size, “stake” and sense of *individual* self-interest.

Larger-scale developers, for example, seemed to feel far less threatened by the SDCP than did smaller-scale operators, who complained they lacked big players’ banked supplies of buildable land, have less ability to bid in state land auctions and are less able to absorb regulatory delays and costs. Likewise, developers of higher-end residential product acknowledged they might *benefit* from the SDCP, even though they said they opposed the plan, while producers of entry-level stock saw no upside. Here the divide was stark. Lower-end developers were highly concerned that land-cost inflation would price their “starter” homes above what their market could bear.

By contrast, the higher-end developers shared little of that concern for their businesses, since they sell to an affluent market with less price sensitivity, often control substantial reserves of “banked” land and anticipate sizable “up-value” on their properties from open space amenities created by the plan. Another divergence of outlook set in-fill and urban commercial developers apart from those operating at the urban edge. “In-fill” developers, unlike the others, saw opportunity for their businesses in the SDCP, with its potential channeling of future development into already-urbanized areas. A final note about views of developers: While most of them were downbeat about the impact of the plan on the regional economy, a majority were actually *positive* about its impacts on their individual businesses.

**Greater support in technology and “knowledge” sectors**

The other noteworthy divergence in group-responses found technology and “knowledge”-industry stakeholders far more optimistic about the SDCP than other groups. These business people emphasized that advantage in their industries derives far more from the skills of highly educated workers than from low costs or land values. Consequently, most of these employers looked forward to the implementation of programs many believed would markedly enhance metro Tucson’s “quality of place.”

“We depend on our ability to hire highly educated employees, and this plan no doubt will appeal to them,” said one CEO. And a technology-oriented investor declared: “The bottom line is smart people. Protecting the environment and boosting quality-of-place helps in recruiting them.” In this fashion, most high-tech and “knowledge”-sector interviewees were quite positive about the conservation plan’s potential impacts on the economy, particularly as they relate to the human dimension of the knowledge economy.

**Secondary findings**

A number of other subthemes ran through the stakeholder interviews. These currents did not always bear directly on the SDCP’s economic impact, but they may bear indirectly. In any event, they surfaced frequently enough to merit mention.
Questions of scope
Substantial divisions of opinion surrounded what many stakeholders deemed the “growth management” dimensions of the SDCP and associated initiatives like the 2001 Comprehensive Plan Update. Both proponents and critics believed the combined package would incorporate both ESA compliance provisions and growth management traits. They differed on the desirability of that. Proponents called it “critical” and “imperative” that the SDCP effort rationalize, plan and channel future growth in the region. Critics, particularly developers, branded the plan’s growth management implications inappropriate “mission creep” and contended the county should instead be crafting a more limited plan to obtain a Sec.10(a) permit, preserve species habitat and reduce the burdens of the ESA on developers.

Population and capacity for growth
Stakeholders were also unsure whether the conservation plan would constrain overall population growth or Pima County’s capacity to accommodate future growth. About population, most stakeholders held that “people will keep coming — no matter what,” as one commercial home developer put it. However, a notable minority of business people contended the plan’s alterations of development patterns would slow population growth in the county. Several of these stakeholders feared added business costs would depress job-creation, but more of them felt the SDCP would slow growth by creating a “lack of capacity to accommodate growth,” as one real estate broker put it. “This will constrain population growth,” said that source. “At some point somebody’s going to have the last lot in Tucson. So I see a capacity crunch — and build out.”

In-fill versus sprawl
Another area of mixed opinion concerned the plans’ potential impact on the metro region’s urban form.

Most stakeholders believed the SDCP as expressed in the HCP and the supporting comprehensive plan update would spur in-fill development, promote greater urban densities and reduce development in the urban fringe of the county. Many felt the plan would boost incorporated cities in eastern Pima County, since it would shift development to the core from the periphery, providing opportunities for urban revitalization, densification and more efficient tax base enhancement and service build-out.

However, a diverse minority of stakeholders added another factor to the discussion. They warned that by reducing the supply (and raising the cost) of available land for development within eastern Pima County the conservation plan could propel a new round of farther-out fringe development just beyond the county borders — for example in Pinal County toward Oracle. In that sense a number of stakeholders, both proponents and critics, worried that the plan could ironically “drive sprawl” as well as contain it.

Regional versus individual interest
A final interesting wrinkle in the stakeholder interviews was a significant gap between stakeholders’ estimation of the personal and regional economic impacts of the SDCP.

Nearly half the interviewees were bearish when asked their opinion on the plan’s implications for the broader county economy, as has been noted. However, only about a fifth of all stakeholders felt the plan would harm their particular business. Even developers were positive or neutral about their individual fortunes when asked to separate their individual interests from their broader-gauge opinions. Business stakeholders, in short, offer much more negative opinions about the plan’s impacts on the overall economy than they do about its impacts on their own businesses. They are quite positive about their own prospects.
Conclusion

Conservation literature and popular views frequently lump developers, business interests, economic development officials and property owners together into an undifferentiated hostility toward habitat conservation. Business “is said to be simply against [conservation],” as one recent discussion had it.

In eastern Pima County last fall, however, that was not quite how it looked according to this series of interviews in the business community. To be sure, the interviews summarized here revealed much suspicion in the region about the SDCP, its supporting HCP and the related 2001 Comprehensive Plan Update. However, the conversations also revealed a more complex, sometimes conservation-friendly cluster of views than traditional expectations might have forecasted.

In metro Tucson, virtually all the business-community stakeholders consulted said they favored some form of regionalized conservation plan. Moreover, more than a third of those on an interview list oriented toward developers and business establishment “players” spoke favorably about the ambitious habitat protection design being prepared by Pima County. Several developers, particularly ones serving urban in-fill niches, even endorsed the county’s plan. In sum, business people’s own direct comments reveal a more nuanced body of opinion in the county than either local media accounts or generalized academic discussions have reflected. Many Tucson business people do in fact recognize the advantages of HCPs and the open space and other benefits they may confer. This sensitivity bodes well for the community’s efforts to square its desire for high-quality growth with its responsibility to conserve its environment.

At the same time, stakeholder interviews documented sharp differences of opinion about the current plan for achieving that balance.

HCPs, in this regard, are supposed to be about reaching consensus on habitat conservation and ESA compliance questions. However, the only issue on which the stakeholder interviews on the SDCP located strong consensus (beyond vaguer assent to the general notion of a regional plan) turned out to be housing affordability — about which virtually all the interviewees were worried. Apart from that, big differences of opinion prevailed on numerous issues, ranging from the acceptability of the plan’s likely costs and the prospects for regulatory savings to the plan’s overall economic impact. Such differences could complicate implementation of any substantial conservation plans. They suggest the community may struggle to reach consensus, or even compromise, when it comes to implementing the kinds of biologically justifiable land use controls called for in SDCP-informed policies, such as restricting land uses within designated study areas, biological cores, corridors and buffers.

On several of the contested issues, finally, stakeholder interviews underscored the importance of another factor: that of information and research. Disagreement on this topic frequently resulted from stakeholders’ varying answers to a number of what remained at the time essentially open questions:

- What, precisely, is “the plan?”
- How, exactly, will it be implemented?
- What will it cost?
- Will the plan leave intact sufficient development capacity to accommodate growth, or will it constrain population growth?
- Will the plan reduce the costs to developers of satisfying federal endangered species requirements?

The extent to which stakeholders’ anxieties about these questions can be assuaged could well make a big difference in Pima County’s ability to craft an effective and sustainable habitat conservation program.
Appendix A: Business Community Stakeholders Interviewed

A total of 51 business community stakeholders were individually interviewed for this study. In addition, focus groups were conducted with members of: The Tucson 30 and Southern Arizona Home Builders Association.

Loren Acker
SEBRA

Larry Aldrich
Tucson Community Ventures, LLC

Alex Argueta
Remington Group

Bill Arnold
Genesis Real Estate

Dave Baker
Summit Hut

Frank Bangs
Lewis and Roca, LLP

Jack Camper
Tucson Metropolitan Chamber of Commerce

Roger Canchola
The Canchola Group Inc.

Bill Carroll
Stantec Consulting

Don Chatfield
Primavera Builders

Jim Click
Jim Click Automotive

David Cohen
Beach, Fleischman & Co., P.C.

Arlan Colton
Southern Arizona Tech Council

Joe Coyle
Raytheon Missile Systems

Bill Davis
Long Realty

Charlie Dean
Planners Ink

Harry George
Solstice Capital

Donald Diamond
Diamond Ventures

Mac Donaldson
Empire Ranch

Tom Doucette
Doucette Homes, Inc.

Brad Feder
Leapscape

David Goldstein
Diamond Ventures

Tom Grogan
Ventana Medical Systems

Bob Hagen
Southern Arizona Tech Council

Bill Hallinan
Cottonwood Properties

Mike Hard
Bank One

Duff Hearon
Ashland Group

Larry Hecker
Hecker & Muehlebach, PLC

Joe Herrick
Tucson Utility Contractors Assn.

Robert Johnston
Southern Arizona Leadership Council

Terry Klinger
New World Homes

Paul Lindsey
Coldwell Banker Success Southwest

Wayne Lundeberg
Catalina Tool and Mold, Inc.

Steve Lynn
UniSource Energy Corp. and Tucson Electric Power

Edward Manuel
Tohono O’odham Nation

Andrew McGibbon
Santa Rita Ranches

Michael McNulty
Brown & Bain

Paula Mead
Pulte Homes

Frank Naughton
Naughton Plumbing Sales Company

Rick Neale
ChemRx Advanced Technologies

Stephen E. Quinlan
Long Realty

Don Semro
J.L. Investments

Steve Shalit
Westin La Paloma Resort

Chris Sheafe
C. Sheafe Co.

William Valenzuela
W.G. Valenzuela Drywall, Inc

Keith Walzak
Entranco

Tom Warne
J.L. Investments

Steve Weathers
Greater Tucson Economic Council

Bruce Wright
University of Arizona

Duane Yantorno
Asarco, Inc.

Michael Zimet
Vanguard Cos.
Appendix B: Industry Profile of Stakeholders Consulted

As a group, the consulted stakeholders were deemed a representative selection of Pima County’s business leadership. This breakdown displays their profile by industry sector.

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Number of Interviews</th>
</tr>
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<tbody>
<tr>
<td>Business Establishment</td>
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<tr>
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<td>Knowledge Industries</td>
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<td>Professional Services*</td>
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<td>General and Small Business</td>
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<tr>
<td>Resort/Tourism</td>
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</tr>
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</table>

*Accountants, attorneys, land-use consultants, etc.
Appendix C:  
The Survey Instrument:  
Interview questions for the business community (Fall, 2001)

As you may know, Morrison Institute for Public Policy at Arizona State University has been retained by Pima County to conduct several economic assessments on the ongoing habitat conservation planning process here.

This work will consist of a number of inquiries. But a crucial part of the study depends on a series of “stakeholder” interviews designed to gauge and document sentiment in the business community about the plan. For that work we are interested in your views on this topic as a key economic stakeholder.

We greatly appreciate you participation.

NOTE: While we plan to note that you provided views to the study team, we assure you your particular individual responses will be kept strictly confidential.

SECTION I: Identification

1. Name, company name, title (properly spelled)
2. Please describe as precisely as possible your company or organization’s specific “stakes” in the regional economy. How do you describe your main business enterprise?
3. If in real-estate/development, please identify specific location of main interests and describe them.
4. Please describe your familiarity with the ongoing process in Pima County to design a Sonoran Desert Conservation Plan to address endangered species issues in the region by imposing land-use controls in some areas while designating “development” reserves elsewhere.
5. Are you involved in Endangered Species Act compliance activities or enforcement difficulties now?  
   (If so, add third module of questions)

SECTION II: Views of SDCP

Individual impacts

6. Based on your knowledge of the SDCP, what impacts on your particular businesses do you foresee from implementation of one or another of the proposed aspects of the species plan?  
   Be as specific as possible.
7. What are the main negative impacts on your enterprise you anticipate?  
   a. Will the plan restrict your business? If so, how?  
   b. Will it add to your costs? If so, how?
8. What possible benefits do you foresee?
   a. Will the plan improve the environment for your individual business in any way?
   b. Will it provide opportunities of any sort?

General

9. How do you characterize the current Endangered Species Act-compliance atmosphere as it applies to business and development?

10. What is your understanding of the purpose of the SDCP?

11. Based on your knowledge of the SDCP in its current form, what impacts on the economy and development scene in eastern Pima County do you foresee from implementation of one or another of the proposed aspects of the plan? Again, be as specific as possible.

12. What are the main negative economic impacts of the plan you anticipate?
   a. Are you worried about its costs and new tax burdens?
   b. Are you worried about foregone economic activity and job losses?
   c. Are you worried about population constraints?
   d. Are you worried about impacts on home affordability?

13. What possible economic benefits do you expect?
   a. Might there be enhancements of real estate values?
   b. Might this create a more predictable development platform?
   c. Might the plan improve the region's fortunes in recruiting top employees and business relocations?
   d. Might it save the region money by reducing sprawl, with its higher costs for the delivery of services?

SECTION III. For those with ESA compliance issues

Individual impacts

14. Please describe projects of yours involved in ESA compliance (name, location, type, site area, number of units)

15. Has the ESA interfered with your plans to develop your property?

16. Please describe project impacts on biological resources (areas of habitat affected, protected species affected, etc.)

17. What type of permits were sought?

18. Has a permit been issued?

If permit(s) has been issued:

19. How long did it take from 1) inception (initial contact with agency) to 2) submission of application to 3) issuance of permit?
20. What is the estimated direct cost expended in preparing and processing the permit application? (Include, for example, biological consultants, in-house project management, application fees; however, mitigation cost should be separate)

21. What was required mitigation for impacts (e.g. land acquisition, restoration/vegetation, other)? What is the cost of mitigation?

22. What is current cost of mitigation land in your area?

*If permit(s) have not been issued:*

23. When was the initial contact made and what is the expected time to permit issuance?

24. What is the expected mitigation program and cost?

*If permit(s) were not sought:*

25. Is it anticipated that federal (or state) permits will be necessary?

26. What is the expected time required from contacting the responsible agency to permit issuance?

27. What are the expected costs of processing the permit application and of satisfying mitigation requirements?

*General*

28. How would you describe the current state of ESA administration in Pima County, from your experience?

29. How do you expect SDCP to affect this process and these costs?

30. Do you expect it to speed, or slow, your project development?

31. Do you expect it to lower your costs, or increase them?
Morrison Institute for Public Policy conducts research which informs, advises, and assists Arizonans. A part of the School of Public Affairs (College of Public Programs) at Arizona State University, the Institute is a bridge between the university and the community. Through a variety of publications and forums, Morrison Institute shares research results with and provides services to public officials, private sector leaders, and community members who shape public policy. A nonpartisan advisory board of leading Arizona business people, scholars, public officials, and public policy experts assists Morrison Institute with its work. Morrison Institute was established in 1981 through a grant from Marvin and June Morrison of Gilbert, Arizona and is supported by private and public funds and contract research.