



# NAIOP

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION

ARIZONA CHAPTER

## Legislative Session Wrap-Up Report

# 2025

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Our advocacy mission is to positively impact legislation, regulation and policy that affects commercial real estate, and to position NAIOP as a thought leader and trusted resource in development, business attraction and economic growth among Arizona policymakers at all levels.

NAIOP Arizona is driving policies that empower development, fuel economic growth and promote Arizona as the nation's top choice for doing business. In 2025, our priorities included strengthening development tools that keep Arizona competitive, promoting innovations to water management and conservation, and championing policies to allow greater development of all housing types.



## NAIOP engages in public policy and advocacy by:

- **Public Affairs Efforts:** Working with federal, state and local governments to shape policies that encourage responsible development and economic progress. This includes addressing issues like zoning, tax policy, transportation, and infrastructure investment.
- **Legislative Monitoring:** Keeping members informed about legislative and regulatory changes that could impact the CRE industry.
- **Political Action Committee (PAC):** Supporting candidates and initiatives aligned with the interests of the industry and its stakeholders.
- **Education and Engagement:** Hosting events, forums, and workshops to educate members and policymakers on key issues affecting CRE.
- **Collaborative Partnerships:** Partnering with other business and trade organizations to amplify the voice of the commercial real estate community.



# NAIOP Successes

NAIOP Arizona advocates for policies that promote a thriving commercial real estate industry and foster economic growth across the state. As the leading organization for developers, owners, and investors of office, industrial, retail, multifamily and mixed-use real estate, NAIOP is committed to advancing the interests of its members at the federal, state and local levels.

## 2025 Priorities:

1. Strengthen development tools that keep Arizona competitive.
2. Promote innovative solutions to water management and conservation.
3. Support policies that promote sustainable energy production and grid reliability.
4. Champion policies that enable greater development of all types of housing.

## 2025 Public Policy Wins:

- ✓ Secured a veto of anti-GPLET incentive legislation.
- ✓ Supported ag-to-urban water conversion legislation, which was signed by the governor.
- ✓ Advocated for legislation cleaning up adaptive reuse statutes, which was signed by the governor.
- ✓ Defended against tax increases to carried interest at the federal level.
- ✓ Worked with national partners to stop efforts to reduce utility of 1031 exchanges.
- ✓ Championed reforms to construction defect laws to allow for more attached-wall housing.
- ✓ Strengthened relationships between CRE and local governments.

## Economic Impact of CRE in Arizona

**\$31.4 billion**  
in contributions to the state economy (GDP).

**\$10 billion**  
in wages and salaries generated.

**163,900**  
jobs created and supported.

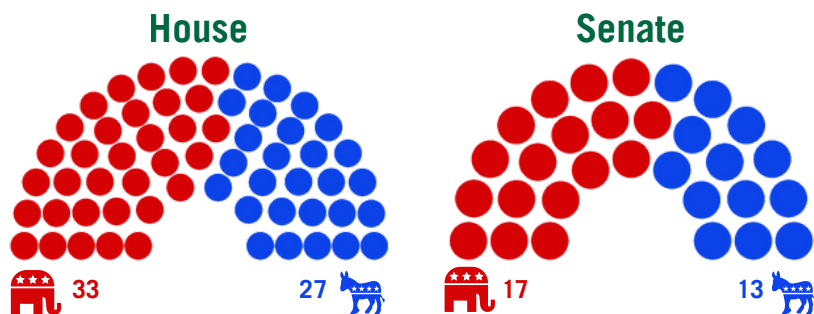


Source: Economic Impacts of Commercial Real Estate, 2025  
U.S. Edition.

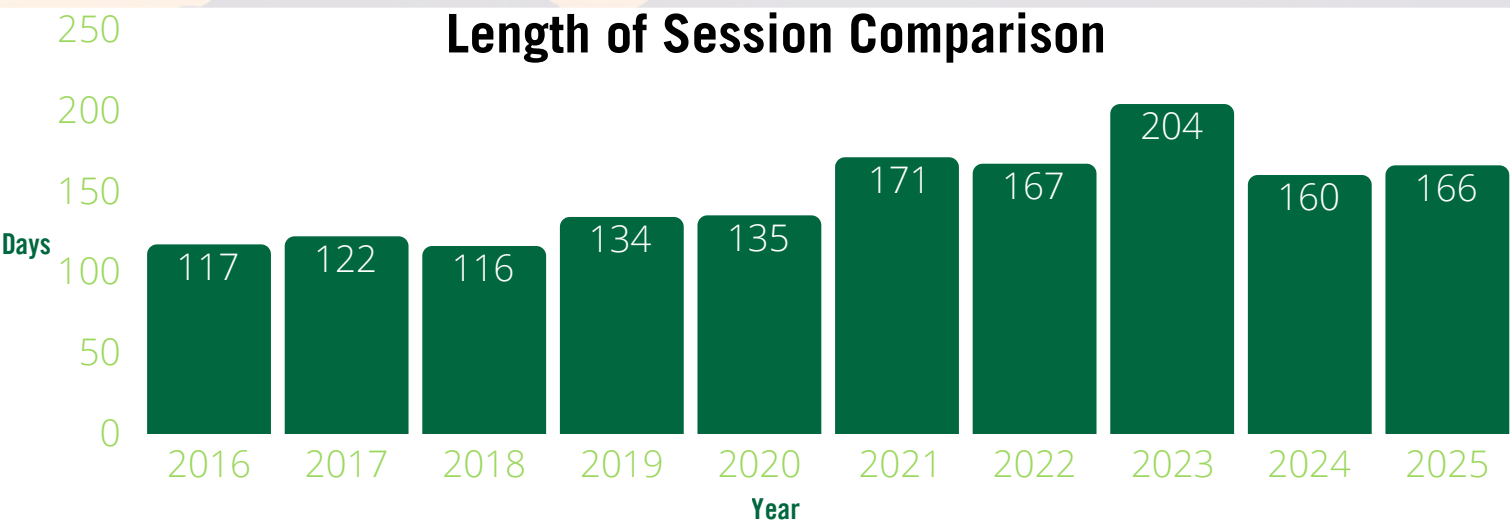
**NAIOP** RESEARCH  
FOUNDATION  
CELEBRATING 25 YEARS

# Legislative Session Stats & Figures

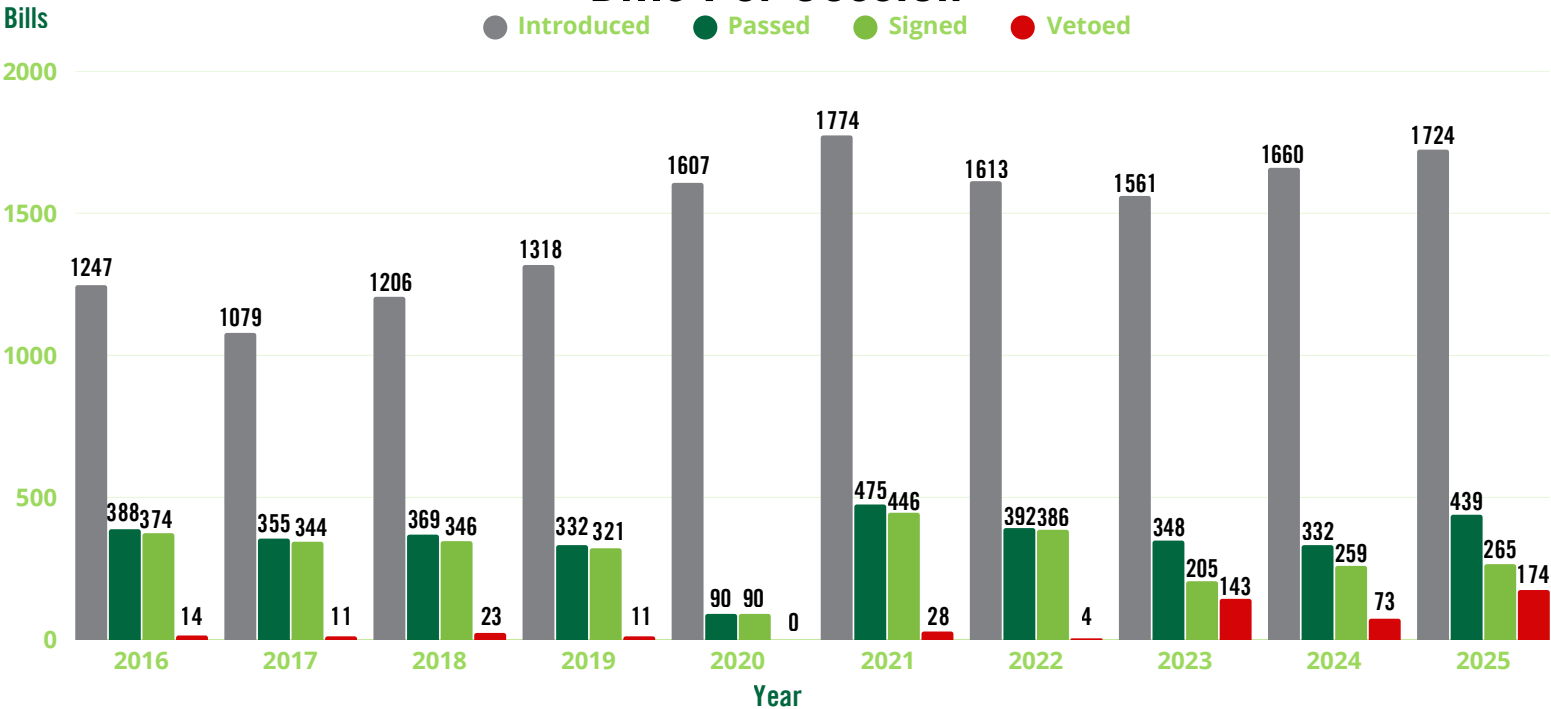
## 2025-2026 Arizona Legislature



## Length of Session Comparison



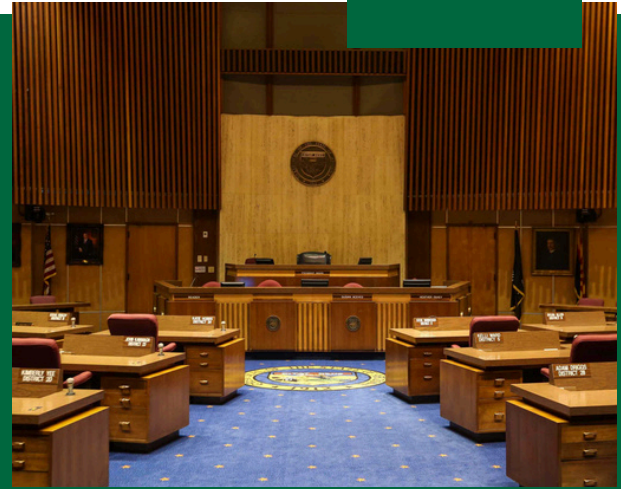
## Bills Per Session





# Legislative Session Recap

The 2025 legislative session was marked by partisan divisions, clashes over state budget priorities and water policy, and contentious debates on housing shortages. In her state of the state address, Governor Katie Hobbs emphasized affordable housing, expanding water infrastructure and child welfare funding.



The House and Senate Republican caucuses laid out their plans, emphasizing fiscal restraint, border security, deregulation and parental rights in education. As the driving force on every issue impacting commercial real estate in Arizona, NAIOP doesn't just participate in the conversation, we shape it. From start to finish, we work to influence policies and decisions that directly affect our industry and members.

The Legislature adjourned on June 27 after 166 days in session. A total of 1,854 pieces of legislation were introduced, with 439 bills passing out of the Legislature, of which Governor Hobbs signed 265 and vetoed 174.

## Key Issues in 2025

### Water

Republicans and the business community focused on incentive programs like “ag-to-urban” while Democrats pushed for conservation regulation and increased monitoring.

### Border Security & Immigration

Federal policy impacted ongoing discussions about the state's role and level of involvement in the policy area. With a Democratic governor and Republican controlled legislature, no major legislation moved forward.

### State Budget

Projections and revenue collections fluctuated throughout the year, complicating negotiations between the legislature and governor's office.

### Housing

Pro-development stakeholders pushed for policies to spur the creation of additional housing, while opponents argued against density. The divide on the issue crossed party-lines.

As Arizona entered its third year of divided government, observers and policymakers alike expected gridlock and hyper partisan divides to continue. In the 2024 election Republicans picked up two additional seats in the House, expanding their majority to 33-27, and one seat in the Senate, expanding their majority to 17-13. With the departure of Ben Toma, the House elected a new speaker, Representative Steve Montenegro, while Senator Warren Petersen retained his spot as Senate President.



With the first Democratic governor in nearly two decades, House and Senate Republicans have intensified their oversight role of the executive branch. Previously mundane tasks like confirming department directors or continuing state agencies became politically divisive topics. In 2023, Senate Republican Leadership created a new committee to handle the process of reviewing all director nominations, rather than having them sent to the subject area committees. The new committee continued to be a major point of contention between the Legislature and Governor this year, a dynamic that stymied much of Governor Hobbs's efforts at state departments. After refusing to hold hearings, the committee eventually relented and began slowly reviewing and - less often - confirming the governor's picks to run state agencies. NAIOP continues to monitor these leadership transitions, as they can affect rulemaking, permitting, and funding programs that directly impact our industry.

## 2025-2026 House & Senate Leadership



Beyond increased scrutiny of nominees and state department continuations, the session began with polarized views on the state budget. The issue was complicated by the uncertain fiscal position of the state's general fund reported by the Joint Legislative Budget Committee (JLBC). In January, the JLBC estimated \$560 million in surplus revenues available to the state. However, each subsequent month's report painted a different picture, with estimates varying widely.

Further complicating the state budgeting process was a \$122 million shortfall for the Division of Developmental Disabilities.

Lawmakers took several weeks in the middle of session to negotiate a stop-gap budgetary solution that was amenable to Governor Hobbs's administration.



A Democratic Governor and Republican controlled legislature meant **any state budget proposal was going to require bipartisan support**, which also meant bipartisan opposition. The House and Senate spent several weeks throughout April and May on extended recesses, as leadership teams negotiated with the governor's office. Despite their efforts, negotiations between the three groups fell apart, and **the House passed two Republican-only budget packages that Governor Hobbs quickly vetoed**. After six months in session and several false starts, and with only three days left before the end of the state's fiscal year, the Legislature passed a budget that Governor Hobbs was willing to sign. **The \$17.6 billion spending package included targeted investments in public safety, transportation, water and schools.**

For the third year in row, legislators and the governor included housing as a major policy priority.

**Despite bipartisan recognition of Arizona's housing shortage, most major housing bills failed to advance this session.** Several high-profile proposals sought to address zoning restrictions, streamline approvals, and increase access to missing middle housing. But entrenched opposition and political gridlock prevented passage. While most of the legislation on housing focused on single family homes, **NAIOP advocated for policies that support responsible development, reduce regulatory barriers, bring greater predictability to the development process and improve the overall housing supply.** One of these policies was to reform the construction defect laws to deter frivolous class action lawsuits that make developing condos and townhomes financially prohibitive in Arizona. Unfortunately, opposition groups were able to stall the effort in 2025. **While unsuccessful this year, we look forward to partnering with policymakers and stakeholders next year to help bring missing middle housing to Arizona.**

Meanwhile, the Arizona Department of Housing was continued for only two years after Republicans argued that the audit report from the Auditor General required additional oversight and a shorter reauthorization window. On the affordable housing front, **the Low Income Housing Tax Credit (LIHTC) program was not reauthorized, making Arizona the first state in the country to adopt and then abolish a LIHTC program.** NAIOP supported the continuation of LIHTC and will continue to push for the reauthorization of this important tool in 2026.

Despite significant policy divisions on housing, **NAIOP worked with industry partners and stakeholders to advance legislation aimed at updating city and town processes for approving plans and permits.** These bills were signed by the governor, and are positive steps in the right direction. NAIOP will continue to work with lawmakers and local leaders to identify solutions that can help municipalities across the state. In addition to statewide legislation, **we're partnering with municipalities to help bridge the divide between local government and commercial real estate to identify common sense solutions to issues facing our cities and towns that aren't one-size-fits-all.**



There were several headline grabbing bills this year, including one to address the challenges facing the Axon development in Scottsdale. The bill originally made rezoning an “administrative” act for all local governments, which would stop opponents of developments from referring projects to the ballot. This version faced constitutional concerns and was ultimately amended to apply to the large cities with a project that included a global headquarters. **The governor signed the bill, nullifying the referral of Axon’s development to the ballot.** However, shortly after doing so, opponents initiated another signature gathering effort to refer the new law itself. The city of Scottsdale also obtained legal counsel to determine what measures it could take against the bill.



Another significant bill was the measure to divert sales tax generated at the **Diamondbacks stadium** to pay for maintenance, repairs and upkeep of the facility. Earlier versions of the bill faced fierce opposition from the City of Phoenix, with Mayor Kate Gallego testifying against it in a committee hearing. **The proponents of the measure continued to negotiate with the city as well as Maricopa County, and the bill was passed with bipartisan support and signed by the governor.**

The law caps the total amount the team can recoup from sales tax, limits the type of expenditures the money could be used for, and includes a financial penalty if the team leaves the city before the termination of the agreement.

**The yearslong effort on agriculture-to-urban water rights** conversion seemed all but dead by late spring. As the effort entered its third year its prospects did not look great. But as the end of session approached stakeholders were able to come to an agreement to pass the bill and have it signed by the governor. **NAIOP was among the many stakeholders pushing for the policy change to allow for the highest and best use for water.** We applaud lawmakers, the governor and staff for their persistence and getting this significant policy win across the finish line.

The session was not without internal drama either. **Senator Eva Burch resigned** from her seat in the Senate in March, citing financial constraints, and was replaced by Sen. Kiana Sears. Later, **Senator Flavio Bravo resigned his position as Assistant Minority Leader** after disagreements in the caucus, and Senate Democrats voted in Sen. Catherine Miranda to replace him. And immediately after the Senate adjourned for the year, **Senate Republicans ousted Sen. Janae Shamp from her role as Majority Leader** in response to the budget feud between the House and Senate, and replaced her with Sen. John Kavanagh.

While 2025 was one of the longer sessions in recent years, much remains on the table for policy considerations in 2026. **Issues such as Prop. 123 education funding continuation, ESA program guardrails, federal tax legislation’s impact on the state budget, and the state’s housing shortage remain top of the list.** NAIOP is already working on our priorities for 2026 and engaging with policymakers and stakeholders. **We look forward to another successful and impactful year for commercial real estate in Arizona.**

# State Budget Highlights

## Key Provisions

### Public Safety

- \$27 million for new vehicles, equipment and building repairs for Department of Public Safety (DPS).
- 5% pay raises for all DPS officers
- One-time bonuses for correctional officers, equal to 4% of annual salary.
- 15% raises for state firefighters.

### Education & Childcare

- \$281 million for K-12 education.
  - \$183 million for school building renewal grants.
- \$54 million for Arizona Promise Program to assist low-income students attend universities.
- \$3 million for Arizona Community Colleges Promise Program.

### Transportation & Infrastructure

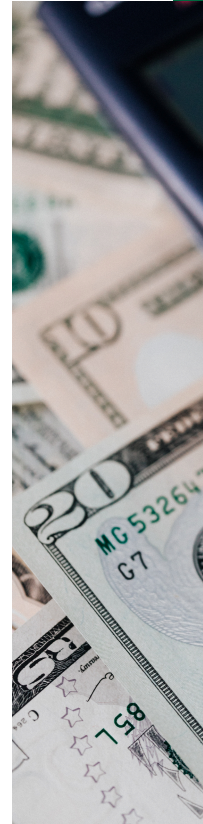
- \$113 million for transportation projects, including widening the I-10, improving State Route 347, and other projects.

### Housing & Homelessness

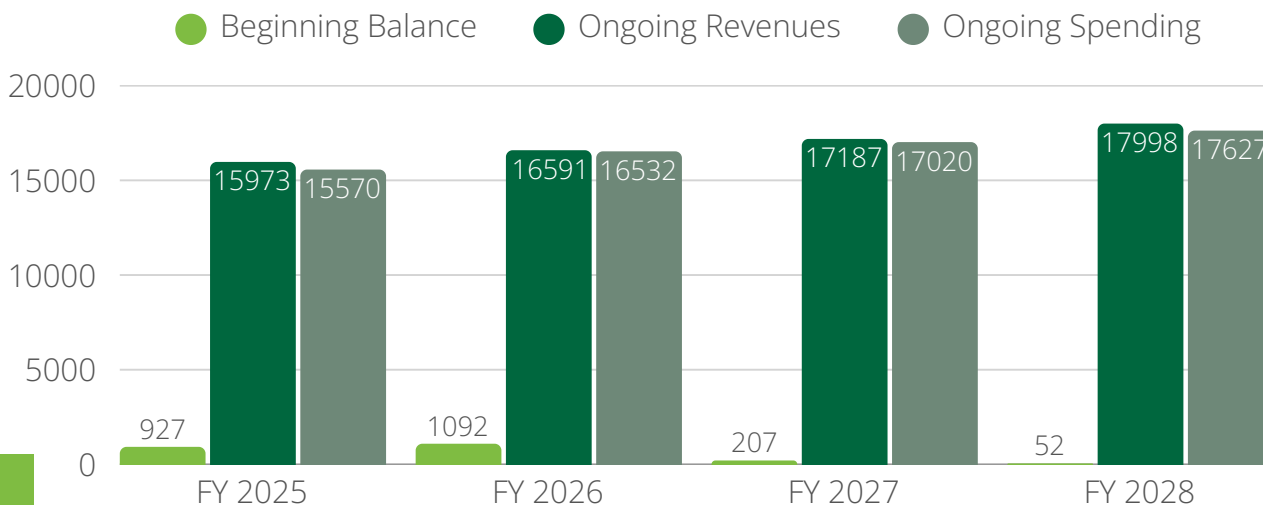
- \$16.5 million to the Department of Economic Security for coordinated homelessness services.
- \$2 million to the Governor's Homes for Heroes initiative to reduce veteran homelessness.
- 100% property tax exemption for veterans' primary residences.

### Miscellaneous

- \$3 million deposit to the Erroneous Convictions Fund.
- Increases to the business personal property tax exemption from \$200k to \$500k



## State Budget - Fiscal Year Comparison (in millions)



# 2025 Major Legislation

*1,724 Bills Introduced | 439 Bills Passed | 265 Bills Signed | 174 Bills Vetoed*

## **HB 2447 - City & Town Administrative Review**

- Requires cities and towns to authorize administrative personnel to review and approve site plans, development plans and lot adjustments without public hearing.
- Allows cities and towns to adopt ordinances for self-certification programs for architects and engineers.
- Administrative personnel must use objective standards.
- Allows applicants with demonstrated compliance with building codes and ordinances to be eligible for expedited review.
- **Signed Into Law | Effective Date: Dec. 31, 2025**

## **SB 1286 - County Administrative Review**

- Allows counties to adopt ordinances to authorize employees to approve site plans, development plans, land divisions, lot line adjustments, lot ties, assurances, preliminary plats, final plats and plat amendments without a public hearing.
- **Signed Into Law | Effective Date: Sep. 26, 2025**

## **HB 2110 - Adaptive Reuse**

- Cities and towns subject to the adaptive reuse law from 2024 must establish objective standards to allow for multifamily residential development or adaptive reuse of at least 10% of existing commercial, office or mixed-use parcels.
- Prohibits a city or town from designating specific parcels eligible for the adaptive reuse provisions.
- Prohibits a city or town from excluding specific parcels subject to the adaptive reuse provisions unless they are commercial or employment hubs.
- **Signed Into Law | Effective Date: Retroactive to Dec. 31, 2024 (Immediate)**

## **HB 2926 - Sales Tax Reimbursement for Infrastructure**

- Would have allowed reimbursement of sales tax on residential developments for the cost of public infrastructure improvements.
- Total reimbursement would have been capped at either the collected state sales tax from the project site or 80% of the total cost of the project's infrastructure, whichever was less.
- Development infrastructure cost must have been at least \$3 million to qualify.
- **DID NOT PASS**



# 2025 Major Legislation

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## **SB 1543 - Axon Development Bill**

- Requires a city or town with population between 200,000 and 500,000 to allow hotel use and multifamily residential housing as an ancillary use for land within light industrial zoning, if the ancillary use is within an international headquarters campus with 1,000 or more full time employees.
- Prohibits a city or town from unreasonably withholding a building permit or delaying an inspection or certificate of occupancy for projects subject to this law.
- **Signed Into Law | Effective Date: Sep. 26, 2025**

## **HB 2660 - Low Income Housing Tax Credit**

- Continued the Arizona LIHTC program through 2030.
- Removed the cap on the state credit, which was 50% of the federal credit.
- **DID NOT PASS**

## **SB 1182 - Construction Hours**

- Cities and towns cannot restrict construction activities between 5 AM and 7 PM, Monday through Friday, from May 1 to October 15.
- Cities and towns cannot restrict construction activities on Saturdays between 7 AM and 7 PM, from May 1 to October 15.
- **Signed Into Law | Effective Date: Sep. 26, 2025**

## **HB 2704 - Diamondback Stadium**

- Allows the Diamondbacks to recapture taxes generated by stadium operations to make upgrades and repairs to the facility and caps the total distribution of public funds at \$500 million plus 3% annual increases through 2055.
- Caps city sales tax distribution to \$3.5 million per year.
- Requires the State Treasurer to collect 82% of revenues from income taxes from resident and nonresident employees and distribute to the District Fund.
- Conveys the stadium to the City of Phoenix at the end of the deal (2055).
- Narrows the use of the funds to be used for reconstruction, equipment, repairs and maintenance to improve the stadium.
- Creates a Maricopa County Stadium District Board to oversee the District Fund.
- Imposes a \$10 million fine to the Diamondbacks if they leave Arizona before the expiration of the deal and that they pay for any outstanding debt.
- **Signed into Law | Effective Date: Jan. 1, 2026**

# 2025 Major Legislation

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## **SB 1611 - Ag to Urban**

- Allows retirement of irrigation grandfathered rights (IGRs) for groundwater savings credits (GSCs).
- The land in question must have been irrigated for 3 out of the past 5 years.
- The land cannot have a certificate of assured water supply already issued.
- Calculates the GSC with a conversion multiplier of 150 for Phoenix AMA and 100 for Pinal active management areas.
- Caps GSCs at sixty times the mean water used in the last three years with highest use.
- If GSCs are used to for certificates of assured water, it must be on the land itself or within one mile
- The applicant must prove the groundwater from the IGRs will result in 100 years of assured water from water recovered.
- **Signed into Law | Effective Date: Sep. 26, 2025**

## **HB 2713 - Construction Defect Reform**

- Reduced the statute of repose to 4 years for residential developments. Allowed up to 6 years if alleged defect is identified in the 4th year.
- Required an owners' associations to obtain an inspection by a licensed professional on the alleged defects.
- Required the licensed professional to produce a report on the alleged defects that includes maintenance and repair records of the association.
- Required the associations to hold a meeting of unit owners to review the licensed professional's report. Allows those against whom a defect is alleged to attend and present at the meeting.
- Required the owners' association to notify homeowners, the builder, and any construction professional against whom a claim is made of the meeting.
- **DID NOT PASS**

## **SB 1529 - Pre-Approved Housing Designs**

- Cities and towns must adopt standard preapproved housing design plans for single family, duplex, triplex and accessory dwelling units (ADUs).
- Starting July. 1, 2027, cities and towns must have at least three standard preapproved designs for duplexes ranging from 400 sqft to 1,000 sqft per duplex in single family zoning that allows for duplexes.
- Starting Jan. 1, 2027, cities and towns must have at least three standard preapproved designs for triplexes that are 200, 600 and 1,000 sqft per triplex in single family zoning that allows for triplexes.
- Cities and towns must accept submissions for the preapproved designs.
- Allows cities and towns to require indemnification as a condition for construction of preapproved designs.
- **Signed into Law | Effective Date: July 1, 2027 (for multifamily portions)**

# 2025 Major Legislation

*1,724 Bills Introduced | 439 Bills Passed | 265 Bills Signed | 174 Bills Vetoed*

## **SB 1050 - GPLET Reduction**

- Limited development agreements for GPLETs.
- Prohibited school district taxes from the GPLET abatement.
- Added reporting requirements for ADOR and municipalities.
- **Vetoed**

## **HB 2679 (power; public utilities; UCC; securities)**

- Allows public utilities to initiate securitization transactions.
- Outlines detailed procedures for initiating securitization, including public notice, proposal requirements, regulatory approval processes through either the utility's governing body or the Arizona Corporation Commission.
- **Signed into Law | Effective Date: Sep. 26, 2025**

## **HB 2201 (wildfire mitigation planning; utilities; approval)**

- Utilities must adopt and regularly update wildfire mitigation plans (WMPs) by May 1, 2026, and every even-numbered year.
- Plans must include: risk identification, vegetation management procedures, power shutoff protocols, infrastructure inspection and maintenance strategies, and community outreach efforts.
- Utilities complying with approved WMPs are shielded from wildfire-related liability under certain conditions: they are not liable for wildfires caused by third parties or natural events like lightning; they are not liable for vegetation or wildfire risks in areas where access was denied or delayed beyond their control; punitive damages are restricted unless clear evidence shows outrageous or intentional conduct; inverse condemnation claims (property takings without compensation) are barred.
- **Signed into Law | Effective Date: Sep. 26, 2025**

## **SB 1109 (designated countries; land ownership; prohibition)**

- Prohibits a foreign principal from a designated country from directly or indirectly purchasing, owning, acquiring by grant or devise or having a substantial interest in real property in the state.
- Exemptions for real persons owning residential property that is 2 acres or less, 50 miles from military installation or critical infrastructure, and is the sole property of the person.
- **Vetoed**

## **SB 1066 (foreign entities; land; legislative approval)**

- Prohibits land in Arizona from being conveyed to a foreign entity that is hostile to the United States.
- Prohibits a corporation or association not qualified to transact business in Arizona leasing or subleasing state lands.
- **Vetoed**



# Our Public Policy Leaders

**NAIOP**  
COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION  
ARIZONA CHAPTER

The Public Policy Executive Committee (PPEC) champions the interests of the commercial real estate industry by serving as the premier voice for advocacy and policy development. Committed to shaping a pro-business legislative and regulatory environment, we collaborate with policymakers, guide strategic priorities, and provide expert leadership to advance NAIOP's mission. Through proactive engagement, thought leadership, and actionable solutions, we strive to elevate the industry's influence, drive economic growth, and protect the future of commercial real estate in Arizona.



**Byron Sarhangian**

PPEC Co-Chair  
Snell & Wilmer



**Robert Guarena**

PPEC Co-Chair  
GO Industrial



**Chris Anderson**

Hines



**Alex Boles**

ViaWest



**Phil Breidenbach**

Colliers | NAIOP AZ Chair



**Jeff Dalton**

FCL Builders, Inc.



**Adrian Evarkiou**

The Boyer Company



**David Krumwiede**

Lincoln



**James Murphy**

Willmeng



**Todd Weiss**

ViaWest



**Jason Wood**

Quarles



# Political Action Committee

Every year, we face new legislative and regulatory challenges that can directly impact the way we do business. That's why NAIOP Arizona's Political Action Committee (PAC) is more important than ever. The PAC is our voice, ensuring that the interests of commercial real estate are heard and represented at every level of government. Your contributions to the PAC are investments in the future of our industry. Through strategic engagement and advocacy, we work to support policymakers who understand the importance of responsible development, economic growth, and a strong business climate.

NAIOP supports candidates who understand and champion the policy issues that matter to our members, the industry and the business community as a whole. The PAC is solely funded by individual investments from NAIOP members. Without your help, we can't voice the industry's support for candidates or issues.

## IN 2024

- ✓ \$52,920 Raised
- ✓ \$38,900 Contributed to Candidates
- ✓ 33 Candidates Supported Across Arizona
- ✓ 41 NAIOP Members Invested in the PAC
- ✓ 143% Increase in Contributions Since 2022
- ✓ 82% Primary Win Rate of Supported Candidates
- ✓ 91% General Election Win Rate of Supported Candidates

## 2025 PAC SUPPORTERS

### PREMIER PAC SUPPORTERS (\$5,000)

Byron Sarhangian

### PAC Visionaries (\$2,500)

Chris Anderson, Alex Boles, Jeff Dalton,  
Adrian Evarkiou, Robert Guarena, David Krumwiede,  
James Murphy, Jonathan Tratt

### PAC Champions (\$1,000-\$2,499)

Jenna Borcharding, Phil Breidenbach, Tim Chester,  
R. Craig Coppola, Derek Flottum, Jamie Godwin,  
Michael Haenel, Megan Herman, Kevin Miller,  
Mike Olsen, John Orsak,  
Steven Schwarz, Cathy Teeter, Eric Whitehurst, Korey Wilkes

### PAC Advocates (\$500-\$999)

Rusty Kennedy, Tony Lydon, Laura Ortiz,  
Bill Petsas, Danny Swancey

### PAC Supporters (\$250-\$499)

Vanessa Cruz, Francesca Miller, Margarita Efron



## NAIOP IS Commercial Real Estate

**Join NAIOP Leaders And Invest in the PAC TODAY!**



# Learn More & Support

NAIOP Arizona is more than just a voice for commercial real estate, we are a force driving smart public policy that fuels responsible growth, economic development, and job creation. From land use and taxation to housing and infrastructure, our advocacy work directly impacts the issues that matter most to our industry.

As Arizona's commercial real estate landscape continues to evolve, NAIOP is already looking ahead. Our 2026 Policy Agenda is in development and it will be bold, focused, and designed to shape the future of CRE in Arizona.

Now is the time to get involved. If you want to help shape our priorities, lend your expertise, or play a more active role in advocacy, let us know. There are opportunities to participate in policy discussions, engage with decisionmakers, and ensure the voice of CRE is heard loud and clear at every level.

Together, we'll make 2026 a year of impact.

**Stay informed. Engage. Be part of the solution.**

Learn more about NAIOP's public policy priorities and how you can get involved

[www.naiopaz.org/policy](http://www.naiopaz.org/policy)

[John@NAIOPAZ.org](mailto:John@NAIOPAZ.org)

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