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State's growth is fueled by jobs, tourism, housing

By Tony Davis

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More-affordable housing, better wages, more state spending on tourism and economic development, and a huge influx of Californians.

Those are the major factors that pushed Arizona's growth rate over Nevada's for the first time in nearly 20 years, experts say.

Nevada, long the country's fastest-growing state, came in second to Arizona in both 2005 and 2006, the U.S. Census Bureau reported recently.

Our state's pace of growth accelerated in recent years and in 2005 and 2006 hit its highest rate in a decade. Nevada's growth rate sagged in the same period, settling at 3.5 percent last year, census figures show.

Next week, Gov. Janet Napolitano will release a plan for managing the state's growth when she issues her proposed state budget and gives her annual State of the State address.

"The governor fully appreciates that growth has at least two sides to the issue," said Jeanine L'Ecuyer, Napolitano's spokeswoman. "We certainly understand that people want to come here and that we can't put up a fence and keep them out. We need to think through how to effectively manage that growth so that we have the infrastructure we need to support what we believe in — schools, effective transportation and good use of land and water."

For years, population growth has been the way many Arizonans measured how successful the state was, said Grady Gammage Jr., a Phoenix real estate attorney.

Now, "we've sort of come to the realization in the last few years that we need to get beyond seeing raw population growth as the be-all and end-all. But we're still in the mind-set that the economy is driven by population and cheap housing," he said.

"Everyone is conscious that it isn't quite the cause for celebration as it once was," because of concerns about traffic, disappearing desert and wages that are lower than the national average, Gammage said.

One reason for Arizona's growth is the increase in Californians moving here to flee their state's expensive housing and traffic congestion. The flight of Californians has long been a major source of newcomers for both Arizona and Nevada. But Arizona has gained from that flight at a far faster clip than Nevada in this decade.

While housing prices have skyrocketed in both states since the start of this decade, Nevada's housing has become far less affordable than Arizona's. Its home prices have also risen because the Las Vegas area is running out of privately owned developable land.

"It was not until 2004 that Las Vegas had more expensive housing than us, then they zoomed past us," said Elliott Pollack, a Phoenix economist. "It is not as attractive a place when housing is expensive."

While both states are creating new jobs at about the same pace, Arizona's economy and population growth have benefited because virtually all sectors of this state's economy are thriving, while Nevada remains heavily dependent

Sources for captions: National Association of Home Builders, Arizona Motor Vehicle Division, Nevada Department of Motor Vehicles, Nevada Tourism Commission, Arizona Department of Economic Security, University of Arizona Economics and Business Research Department, and Nevada Department of Employment, Training and Rehabilitation.

on gambling, said Don Wehbey, an Arizona Department of Economic Security economist, and Kent Ennis, director of research for the Arizona Department of Commerce.

A slowdown in Las Vegas' hotel market, a centerpiece of Nevada's gambling-driven economy, also apparently hampered that state's growth, said Keith Schwer, director of the University of Nevada-Las Vegas' Center for Business and Economic Research.

Las Vegas added nearly 30,000 hotel rooms from 1995 to 2000 for a total of about 124,000. It has added fewer than 9,000 since then, probably because of the post-Sept. 11 tourism tailspin, said Jeff Hardcastle, Nevada's state demographer. It will rebound, Nevada boosters say.

Arizona spends more to promote growth and tourism than Nevada. This state's government outspends Nevada's on efforts to recruit businesses and jobs by a four to one ratio: \$2.25 million to \$515,000 in fiscal year 2006-'07.

It outspent Nevada on tourism promotion — \$18.3 million to \$13.2 million — in fiscal year 2005-'06. Arizona's annual spending on tourism promotion has doubled from \$10.5 million to \$20.3 million in the past six years.

Such spending helps population growth by luring jobs and bringing in tourists who later move here after falling in love with the state's mild winters and gorgeous scenery, said Wehbey and Marshall Vest, director of the University of Arizona's Department of Economic and Business Research.

"Our tourism seasons are incredible," Wehbey said. "We had for the last two years record levels of employment in tourism industries."

Vest added that even if these programs were cut back or eliminated he doesn't think that would have a major, immediate effect on growth because the state has such a wide array of factors producing growth.

But critics still see such state spending as a subsidy for growth. "We're still acting like we need to open up the West and settle the West," said Sandy Bahr, Arizona Sierra Club lobbyist. "It's a very inviting atmosphere at least for the short term. We market the state for people to come here."

Las Vegas' water problems may also be slowing the area's growth, Gammage said, as the city is bumping up against the limit of its Colorado River supply and seeking to pump groundwater in the state's rural areas to keep supplying growth.

Schwer and others disagreed, however, pointing out that Las Vegas has not imposed growth restrictions because of water.

Arizona, by contrast, has more water available from the Central Arizona Project as well as the Salt and Verde rivers.

"Nevada is hitting the wall in terms of its water supply. They are beyond their sustainable supply. We are not," Gammage said.

Sources for captions: National Association of Home Builders, Arizona Motor Vehicle Division, Nevada Department of Motor Vehicles, Nevada Tourism Commission, Arizona Department of Economic Security, University of Arizona Economics and Business Research Department, and Nevada Department of Employment, Training and Rehabilitation.

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