

Subject: Re: Public Records Request (AZ-GOV-22-1072)
Date: Thursday, October 20, 2022 at 5:05:08 PM Eastern Daylight Time
From: Morgan Carr
To: AO Records
CC: Ducey Communication Team
Attachments: AmO-Comms w named individuals.pdf

EXTERNAL SENDER

Good afternoon,

Please see the attached responsive records to your request. Thank you!

--

Morgan Carr | Office of Arizona Governor Doug Ducey

Deputy Communications Director

E: mcarr@az.gov

On Wed, Oct 5, 2022 at 11:29 AM AO Records <records@americanoversight.org> wrote:

Dear Public Records Officer:

Please find attached a request for records under Arizona's Public Records Law.

Sincerely,

Eva Mayanja (she/her)

Paralegal

American Oversight

records@americanoversight.org

www.americanoversight.org | @weareoversight

PRR: AZ-GOV-22-1072

From: [Aimee Yentes](#) on behalf of [Aimee Yentes <aimee@azfree.org>](#)
To: dducey@az.gov; [Katie Ratlief](#); [Art Harding](#)
Cc: [Scot Mussi](#); [Greg Blackie](#)
Subject: Please Veto HB 2685
Date: Friday, June 24, 2022 2:05:31 PM
Attachments: [HB2685 Veto Letter.pdf](#)
[Regional Tax Fact Sheet 8.5x11 Pages 6.15.22.pdf](#)
[LightRail PolicyPaper Final\[4\]\[60\].pdf](#)

Honorable Governor Ducey,

Please see attached our letter encouraging your veto of HB 2685, the Maricopa County Prop. 400 extension.

Our organization is not opposed to responsible investments in transportation. In fact, the legislature has approved millions of dollars in funding for transportation projects in Maricopa County this session, which we have not resisted. Many of these projects arguably should be included in the Prop 400 extension "Plan." The need for so many of these projects to be appropriated separately is an indication that the plan presented to lawmakers did not properly reflect their priorities. This was duly reflected in the anemic support from Republicans in the body, with only seven Republican Senators and ten Republican House Representatives voting for the bill.

The regional transportation plan that is presented to and accepted by voters will have implications for not just Maricopa County, but the entire state for decades to come. The legislature can and should do much better than this. Please give them the opportunity to do so by vetoing HB2685.

Respectfully,

Aimee Yentes
Vice President of Government Affairs
Arizona Free Enterprise Club

June 24, 2022

Governor Doug Ducey
1700 W Washington
Phoenix, AZ 85007

Honorable Governor Doug Ducey,

We respectfully request that you veto HB2685, a 25-year extension of the Maricopa County half cent transportation excise tax, also known as Prop 400.

The first half cent transportation tax in Maricopa County was approved by the voters in 1985 for good reason, with 100% of the revenue dedicated to many of the roads and freeways that still benefit the county and state today. When the tax was first extended for another 20 years, the revenues were split into three funding buckets. For the first time, a third of the revenues were dedicated to funding public transit (14% earmarked for light rail), over half for freeways, and a tenth for arterials. That tax is in place until 2025.

The proposal before you is much worse than the current funding model. Instead of a third of the monies being dedicated to public transit (despite only 1.3% utilization from the public)¹ this second extension earmarks 40.4% for public transit. To make matters worse, the 22.2% allocation for arterial roads includes the ability to fund “regional programs.” Regional Programs, both in the bill and represented proudly on the Maricopa Association of Governments website², does not mean roads. In fact, it means anything but roads. Included in this bucket is “Active Transportation” defined as “investments in bicycle lanes, protected paths and other projects to create better connectivity and improve safety for *non-motorized transportation* users.” Investments in Arterials is advertised to have “all users” as its goal, at the cost of the movement of vehicles.

This bill provides zero assurances to taxpayers that *any* of this money will be used for arterials. Instead, over 62% of these monies is a transit and “multi-modal” slush fund that will be siphoned off to fund local initiatives like expanding bicycle paths, pedestrian walkways, streetcars and light rail. It is not an exaggeration then to anticipate that much of this money “dedicated” to roads can and will actually be used to *reduce* the number, size, and efficiency of many lane miles of road to accommodate non-motorized “transportation.” This is not what taxpayers expect from a \$36 billion investment, and it’s not what voters approved in 2004, but HB2685 retroactively turns the current arterial bucket into this regional program slush fund.

The original transportation tax did and still does benefit Maricopa County. We are not opposed to investing in transportation infrastructure. In fact, it’s *because* we support real transportation investments that we strongly oppose the proposal before you.

It has become exceedingly clear that transportation planners have as their goal not to get people from point A to point B as quickly as possible. Instead, their agenda is to force people out of their vehicles to implement their Green New Deal dreams on taxpayers and transportation users. This goal is no longer hidden, in fact President Biden recently boasted about the federal government’s \$100 billion investment in public transit to “take millions of cars off the road.”³

Transportation dollars should be used to benefit transportation infrastructure, not to fund local transit and multimodal projects dreamt up by local bureaucrats that increase congestion. This, unfortunately, began in 2005 when the light rail boondoggle made its way into the first extension and cannibalized tax revenues to rip out lane

¹ <https://azmag.gov/Programs/Maps-and-Data/Commute-and-Workforce/Workforce-Commute-Explorer>

² <https://www.ourmomentumplan.com/proposed-investment-plan>

³ <https://twitter.com/realdailywire/status/1539676685569871873?s=21&t=8nLgD7ms0e-xlfNHesWSIA>

miles and lay expensive rail to transport a fraction of the population. HB2685 obliterates the guardrails even further, costing the taxpayer billions to receive, according to MAG’s own publication, a net increase in commute times and congestion, and a decrease in the number of jobs reachable within 30 minutes by 2050. That means after spending the combined \$70 billion that makes up MAG’s 2050 MOMENTUM plan, the state of transportation for the vast majority of taxpayers will become worse, not better. That is an unacceptable failure.

The truth is that light rail has and is costing taxpayers billions to move a negligible amount of the population – and that number has been declining for a decade⁴. The decline began well before the COVID-19 pandemic, and since then has crashed, with no signs of a permanent “recovery.” Though the 2050 plan includes less light rail construction, it has turned to trollies and streetcars, which will see the same result. These projects do not bring economic development, contrary to the claims of Valley Metro, instead they decimate small business stuck in the path of lengthy construction.

Beyond the actual spending plan in the measure, HB2685 goes a step further by prescribing the language to appear on the ballot⁵. The prescribed language misleads voters by claiming it will “improve travel times” and “reduce congestion” despite their own study saying the opposite. This comes from message testing funded by tax dollars in the roads fund, which the bill allows to be used to measure public opinion.

In short, the current half cent transportation tax does not expire until 2025. An extension does not have to be on the ballot until 2024, providing time for lawmakers to put together a plan that makes sense for Arizona. Worse than just the over-prioritization of public transit, this bill will irreparably damage our transportation network by trading our enviable system for California-style transportation policy. We are certain that the Republican leaders in this state will deeply regret this decision should it be allowed to go to the voters and be approved under the misleading ballot language provided in the bill. In fact, HB2685 was supported unanimously by Democrats in the legislature, and overwhelmingly rejected by Republicans in both chambers – with 21 of the 31 House Republicans voting against it.

We respectfully request that you protect taxpayers and our transportation system, ask lawmakers to work on a Republican transportation plan that will serve the best interests of this state, and veto HB2685.

Respectfully,

Scot Mussi
President
Arizona Free Enterprise Club

⁴ See attached Maricopa County Transit Slush Fund Tax Fact Sheet page 2

⁵ HB2685 page 25, lines 3-14

VOTE NO

on Maricopa County

TRANSIT

SLUSH FUND TAX



History

In 1985, Maricopa County Voters approved a 20-year transportation tax increase that was designated exclusively to build new roads and freeways. The first extension of the tax reduced the amount spent on roads and freeways by creating three funding buckets: 33.3% for transit (14% earmarked for light rail), 56.2% for freeways and 10.5% for arterial streets and intersections.

The proposed extension being considered in 2022 is such a gross departure from the original purpose of the tax that it cannot be seriously called a regional transportation plan. The MAG Momentum Plan is nothing more than a \$70 Billion dollar local transit/pet project slush fund for cities and towns that will increase traffic congestion and lead to future tax hikes.

Reasons to Vote **NO** on the Maricopa County **Slush Fund Tax**:

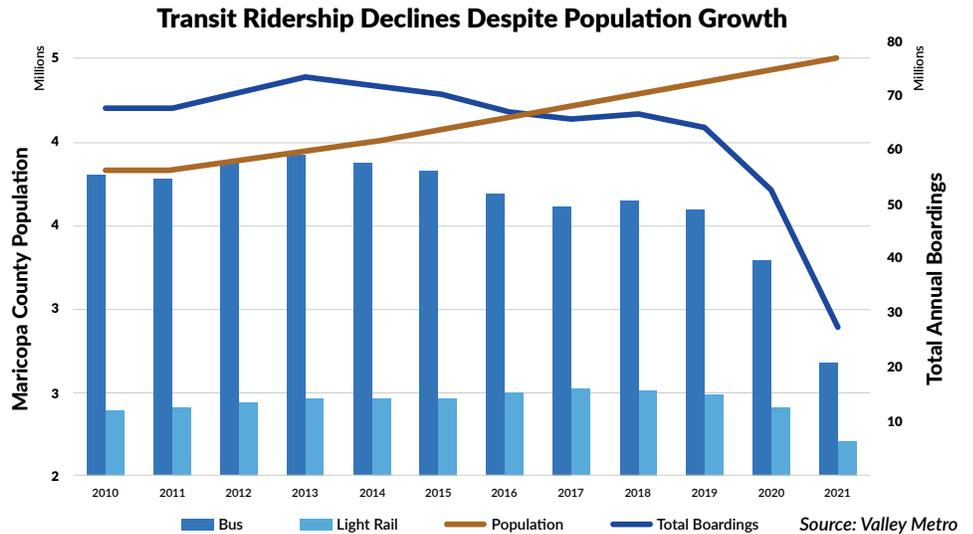
- ✓ Nearly 2/3^{RDS} of the anticipated funding in the MAG plan is dedicated to transit and a “regional program” slush fund, **NOT** roads and freeways.
- ✓ The proposed plan **DEDICATES BILLIONS TO TRANSIT PROJECTS**, despite the fact that transit ridership has been in decline for over a decade.
- ✓ The current tax is set to expire in 2025, which means there is **NO NEED** to send a tax to the ballot this year.
- ✓ **TRAFFIC CONGESTION IS PROJECTED TO SUBSTANTIALLY INCREASE** under the \$70B MAG ‘Momentum’ Plan, which proves that the plan is a failure.
- ✓ The bill **ENGAGES IN ELECTION RIGGING** by prescribing the exact ballot description and ‘yes/no’ language that will appear on the ballot, and **ALLOWS FOR THE USE OF TAXPAYER MONEY** to engage in electioneering and GOTV efforts to manipulate the outcome of the election.



TRANSIT RIDERSHIP DECLINES as Population Grows

With 33.3% of all revenues from the existing Maricopa County tax going to transit, the promise was “if we build it, they will come.” It turns out that no one came. After spending billions on transit (bus, light rail, etc) and steady population growth of over 1 million new residents, transit ridership declined from 2009 to 2019.

And when the pandemic hit in 2020, ridership fell off a cliff. Boardings are now 50% lower than in 2019, and it is not clear when (or if) we will recover to pre-pandemic levels. Yet MAG and Valley Metro are proposing to substantially increase the transit allocation in the tax, with no explanation for why people are leaving or how more money won't result in more failure.



Fixed Rail is EXPENSIVE & INCREASES TRAFFIC CONGESTION

The cost to build fixed rail have exploded over the last decade. For light rail, the average cost to build a new line in 2010 was around \$100 million per mile. Today that cost is over \$250 million per mile and continues to climb.

Here in Phoenix, the projected cost to build the 1.5 Mile NW Phoenix Light Rail extension to the defunct MetroCenter Mall was projected to be just over \$300 million dollars in 2018. . . Today, the cost has been increased to over \$400 million, and estimated daily boardings have been slashed to a paltry 5,700 trips.

In other words, for the cost to build and operate the NW Phoenix extension, **VALLEY METRO COULD BUY EVERY PERSON EXPECTED TO RIDE THE LINE 2 BRAND NEW TESLAS AND PAY FOR THE ELECTRICITY TO OPERATE THE VEHICLES—AND HAVE MONEY LEFT OVER!**

Street trolleys and streetcars are nearly as expensive as light rail, move even fewer people and increase traffic congestion.

In Tucson, the 3.5 Mile Sun Link Streetcar built in 2014 cost \$200 Million to construct and required the removal of existing lanes of traffic to accommodate the new rail line. Ridership has been such a big problem that in 2021 the City of Tucson decided to stop charging a fare to ride the Sun Link, at an expense to the city of \$10 Million annually. Yet despite offering their streetcar for free, less than 2,000 people ride the Sun Link daily.¹

¹ https://tucson.com/news/local/tucson-transit-fares-remain-free-through-2021/article_897476de-c8ba-11eb-899a-67211264884e.html



MAG is Engaging in ELECTION RIGGING

HB2598/SB 1356 allows for the use of taxpayer money to engage in electioneering to manipulate the outcome of the election. The legislation prescribes the exact ballot description, drafted by the supporters of the measure with poll tested language paid for by taxpayers, that will appear on the ballot.

Normally the ballot description and “yes”/”no” language is drafted by attorneys and election officials not affiliated with the campaign, and private citizens have a right to challenge in court if they believe it not impartial. This process has been scrapped in favor of letting a special interest group craft their own deceptive ballot language to appear on the ballot.

Even worse, HB2598/SB 1356 provides unlimited taxpayer funding (from the roadway fund) to conduct the election. This includes funding for lawyers, political consultants and Maricopa County employees for canvassing and any telecommunication costs in order to provide “information” about the tax.

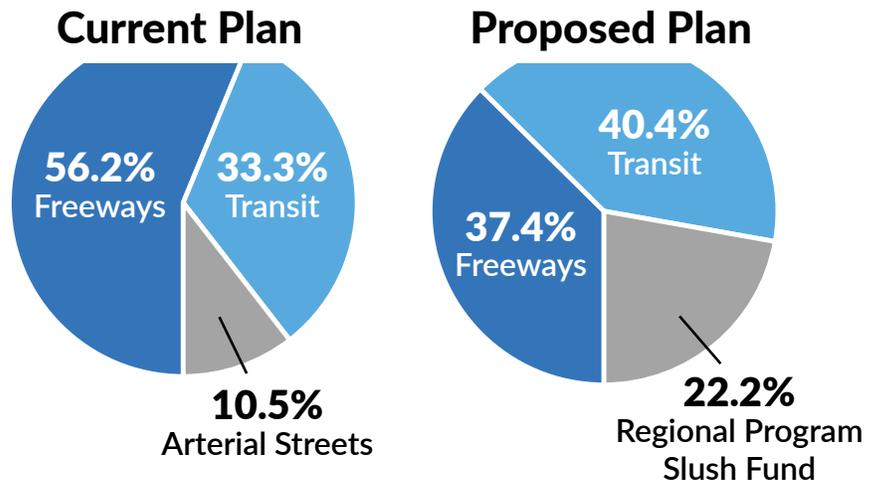
IN EFFECT, THE TAX EXTENSION WILL FUNCTION AS A MULTIMILLION-DOLLAR GOTV EFFORT, PAID FOR BY TAXPAYERS, TO DRIVE SUPPORTERS OF THE TAX TO THE BALLOT.

MAG’s \$70 Billion Transit Plan WILL INCREASE TRAFFIC CONGESTION

The published MAG 2050 “MOMENTUM” Plan on how they intend to spend the estimated \$70 Billion in revenue is a disservice taxpayers, motorists and residents of Arizona. As has been indicated by the legislation, the vast majority of spending under the proposal will go toward transit, operation and maintenance (not new capital improvements) and other undefined slush fund pet projects.

As a result, after spending \$70 Billion Dollars MAG expects congestion to increase in Maricopa County by 2050, with vehicle hours of delay expected to increase by nearly 50%.

Maricopa Tax Spending Buckets



Projected Congestion by 2050 Under MAG Plan

Congested Lane Miles

↑ 34% (2022) to 41% (2050)

Afternoon Peak Commutes

↑ 26 mins (2022) to 30 mins (2050)

Vehicle Hours of Delay

↑ 50% Increase

Jobs Reachable within 30 mins

↓ 15% Decrease

Valley Metro/MAG Economic Development Claims are **BOGUS**

When advocates of fixed-rail transit begin facing concerns over its massive cost and tiny ridership, they pivot to the supposed benefits it provides for economic development in the region. Sadly, there is no evidence that it generates any economic development.

In 2015 Valley Metro issued a report claiming that light rail generated billions in economic development. Yet after a review by the Arizona Free Enterprise Club, it was proven that Valley Metro was taking credit for projects that were “planned development,” vacant lots, projects that were heavily subsidized by other incentives like low-income housing tax credits, and many others that would have been built without light rail.

Valley Metro has since pulled that report and issued a new one, once again claiming billions of economic development as a result of light rail. Yet just like the first study, a closer inspection shows that claims of economic development are not true.



Maricopa County Sheriff Office headquarters cost taxpayers \$92 million. Is Valley Metro claiming that light rail brings so much additional crime that it spurred the need for public safety expansion?

Their new report assumes that all economic development within ½ mile of a rail line is attributable to light rail. As a result, some of the projects they claim are attributable to light rail include:

- ✓ **Gas Stations and Auto Dealerships**
- ✓ **46 different government buildings, including the Maricopa County Sheriff's headquarters, a DCS building, the Phoenix Police Forensic Lab, the Arizona Science Center and renovations to the Phoenix Suns Arena.**
- ✓ **46 University buildings, mostly located at ASU in Tempe**
- ✓ **42 projects that were subsidized through the Government Property Lease Excise Tax (GPLET)**



The Marina Heights project receives \$12 million a year in property tax abatements, a much more likely enticement for the \$530 million development than that of light rail.

Valley Metro Light Rail Economic Development Claims Fall Flat

By . Randal O'Toole

POLICY PAPER

Having opened one light-rail line, Valley Metro persuaded Phoenix voters to increase sales taxes to build more light-rail lines in 2015. Businesses along the proposed light rail expansion would be severely impacted by the construction and configuration of the new rail lines, so now a new measure is on the ballot in August 2019 that would halt further rail construction and spend the funds on road repairs and alternative transit instead.

Valley Metro's major argument in favor of rail is that rail transit stimulates economic development. The agency has compiled a list of 344 developments along the existing rail line that it says took place because of the construction of that line. In fact, this paper will show that the vast majority of these new projects would have happened anyway, happened only because they were subsidized and that the cost of rail construction exceeded any actual economic development created by light rail.

Portland's Light Rail Disaster

The claim that light rail stimulates economic development originated in Portland, Oregon. In 1986, Portland opened the first light-rail line built with federal funds. It proved to be a disaster. Before construction began, 9.9 percent of Portland-area commuters took transit to work.¹ Significant cost overruns during construction forced Portland's transit agency, TriMet, to raise bus fares and cut bus service. As a result, after the line opened, only 6.8 percent of Portland-area commuters took transit to work.²

To justify this disaster, TriMet claimed that light rail had stimulated economic development. It called this the "field of dreams" theory, after the 1989 movie whose catch phrase was "build it and they will come."³

A close look at the list of projects that TriMet claimed were built because of the light rail revealed that nearly all would have been built without it. For example, the Portland Trailblazers wanted a new basketball arena so they could sell more tickets. They built the new one right next to the old one, which happened to be near the light-rail line. The arena would have been built with or without the light rail.

Downtown Portland experienced a building boom after the light rail opened, and since the light rail went downtown, TriMet took credit for it. The agency neglected to mention that President Clinton and Oregon

Governor Barbara Roberts both signed executive orders requiring federal and state agencies to locate their offices downtown.⁴ This was a great gift to downtown property owners, and it led agencies such as the U.S. Bureau of Land Management to move from northeast Portland to downtown and the Oregon Department of Transportation to move from southeast Portland to downtown, but it had nothing to do with light rail.

The chink in TriMet's argument was revealed in 1996 when Portland's city council held hearings on vacant lands in the city that might be suitable for development. Portland city planner Mike Saba sadly testified to the council that all of the land around light-rail stations had been zoned for such development, but despite this "we have not seen any of the kind of development—of a mid-rise, higher-density, mixed-use, mixed-income type—that we would've liked to have seen" in the station areas.⁵

"We are in the hottest real estate market in the country," noted city commissioner Charles Hales, yet "most of those sites [along the light-rail line] are still vacant."⁶ Hales proposed, and the city commission agreed, to resolve this problem by heavily subsidizing projects along the light-rail route. This became a precedent for all future rail projects in Portland. Yet TriMet continued to claim that all developments, including subsidized ones, were built solely because of the rail lines.

In 1986, Portland opened the first light-rail line built with federal funds. It proved to be a disaster.

FTA Asks if Rail Creates Growth

In 1995, the Federal Transit Administration wanted a definitive answer: Does rail transit, including both light rail such as Portland's and heavy rail such as San Francisco BART, stimulate economic development? It asked UC Berkeley planning professor Robert Cervero, a strong advocate of transit-oriented development, and Portland transportation consultant and transit advocate Samuel Seskin, to study the question.

Their 55-page report concluded that rail transit does not stimulate new development. "Urban rail transit investments rarely 'create' new growth," they said, "but more typically redistribute growth that would have taken place without the investment." The main beneficiary of that redistribution, they continued, has been downtowns in "the form of redeveloped land and new office, commercial, and institutional development."

In other words, development along the rail line is a zero-sum game; more development there meant less development somewhere else in the urban area. Total tax revenues in the urban area aren't increased by light rail, except to the extent that taxes are raised to pay for it.

Their 55-page report concluded that rail transit does not stimulate new development. "Urban rail transit investments rarely 'create' new growth," they said, "but more typically redistribute growth that would have taken place without the investment."

In other words, development along the rail line is a zero-sum game; more development there meant less development somewhere else in the urban area. Total tax revenues in the urban area aren't increased by light rail, except to the extent that taxes are raised to pay for it.

Portland Subsidizes Transit-Oriented Developments

Nevertheless, transit agencies continued to claim that rail transit generated economic development. As noted above, Portland in particular decided that to get that development, it would have to subsidize it. Under Oregon law, Portland is allowed to create urban renewal districts and subsidize development in those districts. The city located all of its districts along rail transit lines and directed close to \$2 billion in subsidies to the developments along those lines.⁸

One of the rail lines was a new streetcar line built from north of downtown, through downtown, to south of downtown. This line went through four urban renewal districts that together received subsidies of around a billion dollars. Among the subsidies were parking garages built to support retailers who located near the streetcar lines.

The city then issued a report claiming that all new development along the line was due to the streetcar. Developments attributed to the streetcar included parking garages with thousands of new parking spaces, most of which were built at taxpayer expense. Significantly, the city could find almost no new development around the one part of the streetcar line that went outside of an urban-renewal district.⁹

Valley Metro Borrows Portland's Rhetoric

In 2015, to help persuade voters to fund more light-rail lines, Valley Metro decided to follow Portland's example, with an added twist. It issued a paper claiming that the region's first light-rail line had stimulated \$7 billion of new developments. Yet a close scrutiny of this paper in a study I authored and released by the Arizona Free Enterprise Club revealed that almost all of the developments fell into one of three categories: Projects that would have been built without the light rail; projects that were subsidized; and — the new twist — projects that were planned but never built.



The Phoenix Convention Center was built long before light rail tracks were ever laid in Phoenix, yet Valley Metro claims it is responsible for the \$600 million renovation in 2008.

Projects on Valley Metro's list included a \$600 million expansion of the Phoenix Convention Center and a new high school. Both of these clearly would have been built without the light-rail line. If anything, the convention center influenced the location of the light rail, not the other way around. Additionally, the convention center expansion was largely financed and paid for by the State of Arizona, not local taxpayers. Other projects were funded with low-income tax credits, but many on Valley Metro's list were never built at all and the land where they were to be located was still vacant in 2015.

For example, Valley Metro counted a \$2.6 million planned multifamily housing project called Sycamore Station in Mesa that was never built. It also counted a mixed-use development with 15,000 square feet of retail and 160

residences on 17th and Camelback that was to be called Escala on Camelback. The land it was to be built on was sold at foreclosure in 2011. Both sites remain vacant to this day; if light rail really did spur economic development, someone would have bought them and built on them.

Valley Metro's Latest Claims

Today, Valley Metro says it has weeded out uncompleted projects and added more so that it now attributes \$11 billion worth of development to light rail. Light rail is "creating economic vitality," says one Valley Metro publication. "Every \$1 invested in transit creates \$8 in economic growth."¹⁰

Valley Metro has persuaded many elected officials that light rail is the generator of economic growth. Light rail "has resulted in \$240 million of completed economic development projects" in Mesa, said Mesa Mayor John Giles earlier this year.¹¹

Proving that light rail created new economic growth would require a comparison of new development along the light-rail line with the amount of new development in the rest of the urban area. Yet Valley Metro makes no such comparison. Instead, it merely tallies all of the new development within ½ mile of a light rail line and claims, or at least implies, that such development was stimulated by the rail line.



The Talking Stick Arena was renovated for \$75 million in 2005 – three years before light rail opened.



A parking garage at the Phoenix Biomedical Campus that cost \$19 million to build. Valley Metro fails to explain how light rail leads to building more parking garages.

One of the most absurd projects on Valley Metro’s list is a 2,000-space parking garage for air travelers. The garage happens to be next to a light-rail station, so Valley Metro includes it on the list. Yet this station is the closest light rail comes to Sky Harbor Airport, so no one using the parking garage would ever use the light rail to get between the garage and the airport. Many other projects on the list similarly have nothing to do with transit.

The projects that have the most to do with light rail are classified by Valley Metro as “transit-oriented developments.” On their web page on such developments, Valley Metro admits that “The cities of Phoenix, Tempe and Mesa have taken action to encourage development near the light rail alignment.”¹² Valley Metro’s own data indicates that this “action” has included spending \$2.8 billion in taxpayer funding, all of which Valley Metro includes in its \$11 billion total. This is on top of a variety of tax breaks and tax credits for such projects. If light rail alone were able to create transit-oriented developments and other economic growth, why was it necessary for Phoenix, Tempe, and Mesa to spend billions of dollars in public money to “encourage” that growth?

Valley Metro’s Economic Development Database

The \$2.8 billion figure comes from a list of 344 projects worth \$11 billion that Valley Metro calls its “light-rail transit economic development database.”¹³ In conjunction with property tax and development data provided by the Arizona Tax Research Association, our analysis of the projects found:



Cityscape in downtown Phoenix receives generous GPLET subsidies; yet Valley Metro claims light rail is the reason for its \$320 million development.

- 42 projects worth \$2.5 billion were subsidized through a program called Government Property Lease Excise Tax (GPLET). This generous subsidy eliminates taxes on the development for up to eight years, then replaces property taxes for an excise tax that is lower than the property tax for a total of 25 years. This tax break was specifically designed to promote the kind of development and redevelopment that Valley Metro claims was stimulated by light rail.¹⁴

Valley Metro Light Rail Economic Development Claims Fall Flat



Maricopa County Sheriff Office headquarters cost taxpayers \$92 million. Is Valley Metro claiming that light rail brings so much additional crime that it spurred the need for public safety expansion?

- 46 projects worth \$2.1 billion were government buildings such as the Maricopa County Sheriff's headquarters, the Department of Child Safety building, Arizona School for the Arts, the Phoenix Children's Museum, the Arizona Science Center, the Phoenix Police Forensic Lab, the renovation of Talking Stick Arena, and the expansion to the Phoenix Convention Center. If the governments that built these projects deliberately located them on the light-rail line, it was probably more to boost rail ridership than because the rail line had stimulated their construction.



Arizona Department of Child Safety spent \$500,000 to redevelop their building. Valley Metro doesn't explain how this has anything to do with light rail.



Phoenix Forensic Lab was built in 2007, before light rail was in operation. It cost Phoenix taxpayers \$44 million.

If the governments that built these projects deliberately located them on the light-rail line, it was probably more to boost rail ridership than because the rail line had stimulated their construction.



Manzanita Hall, housing for ASU students, was built in the 1960s. ASU renovated the building for \$50 million. Is Valley Metro claiming ASU would not have renovated this building without light rail?

- 46 projects worth \$2.2 billion were university buildings, mostly at the University of Arizona in Tempe. Some of the most curious projects included were the renovations of Manzanita Hall and other student housing, renovations at Sun Devil Stadium, the Sun Devil Fitness Complex and the renovation of the Memorial Union, the ASU campus community center. This university, of course, is on the light-rail line, but it is difficult to see how the light rail would have stimulated expansion of the university. Instead, Valley Metro simply took credit for buildings that would have been built anyway.

If light rail alone were able to create economic growth, why was it necessary for Phoenix, Tempe, and Mesa to spend billions of dollars in public money to “encourage” that growth?

Some of the most curious projects included were the renovations of Manzanita Hall and other student housing, renovations at Sun Devil Stadium, the Sun Devil Fitness Complex and the renovation of the Memorial Union, the ASU campus community center.



Sun Devil Fitness Complex cost over \$32 million.



ASU's Memorial Union building cost over \$54 million to renovate.

Valley Metro Light Rail Economic Development Claims Fall Flat

- 10 projects worth \$910 million were on university property leased to private developers who were able to avoid paying property taxes because the university owns the land. The most notable example is the Marina Heights development in Tempe. Again, the university is near the light-rail line, but the property tax abatement was more likely the stimulus to these projects than the light rail.



The Marina Heights project receives \$12 million a year in property tax abatements, a much more likely enticement for the \$530 million development than that of light rail.

Proving that light rail created new economic growth would require a comparison of new development along the light-rail line with the amount of new development in the rest of the urban area. Yet Valley Metro makes no such comparison. Instead, it merely tallies all of the new development within $\frac{1}{2}$ mile of a light rail line and claims, or at least implies, that such development was stimulated by the rail line.



Wash Werks Car Wash on Broadway is located 0.7 mile from the light rail, yet Valley Metro claims its \$482,030 capital investment.

- 17 projects worth \$317 million were located more than a half mile away – in most cases, more than a mile away – from a light-rail station, and 2 more projects worth \$61 million were built several years before the light rail. These projects were probably not influenced by the light rail in any way.
- 17 projects worth \$229 million that received low-income housing tax credits. The tax credits, more than the light rail, stimulated these projects.
- 16 other projects worth \$154 million that received various other subsidies, mostly related to low-income housing.

Valley Metro says that another \$418 million worth of commercial projects were generated by light rail. With two exceptions, these don't appear to have received any subsidies, yet it is questionable whether light rail did anything more than influence the location of some of the projects, and probably didn't even do that for many of them. These projects include:



The Tesla dealership located in Tempe. It is absurd for Valley Metro to claim that light rail is the reason why Tesla decided to open their dealership at this location.

- A Tesla automobile dealership, an airport parking garage with more than 2,000 spaces, and two gas stations. The Tesla dealer and one of the gas stations are located more than a half mile from a light-rail station and shouldn't even be on the list. As previously noted, the parking garage is located next to the light-rail station that is nearest to the airport, so no one would use the light rail to get from the garage to the airport. Is Valley Metro saying that light rail has stimulated people to buy more cars and park them at the airport?



QuikTrip on Broadway Road

- 128 projects with parking garages and another 163 with surface parking for a total of well over 70,000 parking spaces. Valley Metro's list didn't include the number of spaces for about a quarter of the parking areas, so the actual total was probably closer to 90,000, roughly two thirds of which were in subsidized projects. In effect, Valley Metro is saying that light rail led to so much increased driving that developers had to build tens of thousands of new parking spaces.



Tempe City Hall Parking Garage



The City of Phoenix sold the \$350 million Sheraton Hotel for a loss last year.

- 11 hotels worth \$233 million, including the Sheraton Hotel which was taxpayer financed. While it is conceivable that the light rail influenced the location of some of these hotels, it is very difficult to see how the light rail would lead hoteliers to build more hotels than would have been built without it.
- 7 office complexes worth \$88 million. As with the hotels, the light rail may have influenced the location of some of these office buildings, but it probably didn't lead developers to build more offices than otherwise would have been built.
- 28 restaurant and retail centers worth \$57 million. Is Valley Metro saying that people in Phoenix are eating out more because it built the light rail?
- 4 healthcare centers worth \$20 million. Is Valley Metro saying that light rail is leading to more disease and injuries, thereby stimulating the construction of more healthcare centers?
- Three banks and two self-storage centers collectively worth \$15 million. Again, it is difficult to imagine what mechanism might cause light rail to lead people to need to store their goods or increase their banking.
- A \$6.9 million warehouse-industrial park built near the airport and completed two years before the light-rail line opened. Moreover, according to Valley Metro, it was financed entirely with public funds. To the extent that this was "stimulated" by anything, it was more influenced by its proximity to the airport than by light rail.

This leaves 78 residential projects worth just under \$2 billion. It is easy to imagine that the light-rail line might influence the location of residential projects. However, a review of web ads for some of these projects shows that many of them emphasize nearby restaurants, shops, and entertainment centers as amenities but fail to mention the light rail.

The Osborn, a collection of projects on Osborn and Central Avenue costing well over \$100 million, advertises that it is near the "best in night-life, dining, shopping, parks, arts, music, sports, and more." But its web page doesn't mention light rail.¹⁵ Web pages for some of the projects do mention proximity to light rail, but the fact that some don't suggests that at least some of the developers were not influenced by the light rail to locate where they did.

Furthermore, Valley Metro's economic development database shows that 60 of the projects have more parking spaces than dwelling units (only 6 have fewer and the

rest are unknown). This suggests that developers have little faith that residents would be willing to give up their cars because they lived near a light-rail station.

Census data shows that Maricopa County was growing at 3.0 percent per year in the decade before the light-rail line opened, and has grown at less than 1.6 percent per year in the decade since then, a 47 percent decline in growth rates.¹⁶ In claiming that these residential developments were built because of the light rail, Valley Metro is effectively saying that the region grew faster because of the light rail and needed more housing. Since in fact it grew slower after the light rail opened, this is a difficult claim to support.

Of course, the slowdown in growth may be partly attributable to the 2008 financial crisis. But the U.S. population growth only slowed by about 29 percent after the recession – from about 1.0 percent per year to 0.7 percent.¹⁷ What really changed was migration rates between states and urban areas. For some reason, the migration rate into the Phoenix metropolitan area slowed down. One possible explanation is the higher taxes imposed to pay for both the light rail and the subsidized developments along the light-rail line have discouraged employers from moving to the region.

A recent study of infrastructure investment found that it doesn't always lead to economic growth. If the investment is unproductive, researchers found, it can lead instead to "economic fragility."¹⁸ Considering that Valley Metro light-rail fares only covered 28 percent of the costs of operations and maintenance in 2017, it is hard to classify Phoenix light rail as a "productive investment."¹⁹

Valley Metro might be justified in claiming that the locations of some developments were influenced by the light-rail line. Still, the data Valley Metro has provided to date is not sufficient to support this claim. To confirm this, far more data would be needed, including data

Considering that Valley Metro light-rail fares only covered 28 percent of the costs of operations and maintenance in 2017, it is hard to classify Phoenix light rail as a "productive investment."

showing how many developments have been built in the region that aren't on the light-rail line, which could reveal whether the areas along the line are getting a disproportionate share of new developments. Valley Metro, however, is making the much stronger claim that these \$11 billion worth of developments happened *because of* the light rail. That is clearly untrue for the vast majority of them, and almost certainly not true for any of them.

Additionally, the economic database fails to account for the economic loss associated with the dislocation and elimination of businesses due to light rail. If Valley Metro is going to claim that certain businesses are influenced and developed as a result of light rail, then the economic destruction caused by light rail should be included in their analysis for a proper accounting of project development along rail lines.

The bottom line is that virtually all of the projects on Valley Metro's economic development list would have been built somewhere in the Phoenix metropolitan area even if no light-rail line had been built. Given the various government projects and subsidies, most of them would have been built exactly where they were built. The locations of a few projects such as hotels and apartments might have been influenced by the light rail, but it is unlikely that a single additional hotel room or apartment was built because of the light rail than would have been built without it. If anything, the high costs of light rail slowed the growth of the Phoenix metropolitan area.

Endnotes

1. 1980 *Census of Population* (Washington: Census Bureau, 1982), table 118, “means of transportation to work,” for urbanized areas.
2. 1990 *Census of Population* (Washington: Census Bureau, 1992), table P30, “means of transportation to work,” for urbanized areas.
3. G. B. Arrington, Jr., *Beyond the Field of Dreams: Light Rail and Growth Management in Portland* (Portland, TriMet, 1996).
4. William J. Clinton, Executive Order no. 12988, Civil Justice Reform, February 5, 1996, and Executive Order no. 13006, Locating Federal Facilities on Historic Properties in Our Nation’s Central Cities, May 21, 1996; Barbara Roberts, Executive Order no. 94-07, Siting State Offices in Oregon’s Community Centers, June 7, 1994.
5. Quotes from the October 23, 1996, city council meeting are taken from a videotape of that meeting made by the city of Portland, a synopsis of which is available, with links to selected portions of the video, at debunkingportland.com/transit/lightraildevelopment.htm.
6. *Ibid.*
7. Robert Cervero and Samuel Seskin, *An Evaluation of the Relationships Between Transit and Urban Form* (Washington: Transit Cooperative Research Program, 1995), p. 3.
8. *Prosper Portland: Adopted Budget FY18-19* (Portland: City of Portland, 2018), p. 20.
9. “Portland Streetcar: Development Oriented Transit,” City of Portland Office of Transportation, April 2008, p. 2.
10. “Valley Metro Rail: Creating Economic Vitality,” Valley Metro, 2016, tinyurl.com/y2ddlesu.
11. “Valley Metro Celebrates Mesa Light Rail Extension,” AZFamily.com, May 18, 2019, tinyurl.com/y65cb8rk.
12. “Transit Oriented Development,” Valley Metro, 2019, tinyurl.com/y5wvbwdo.
13. Since this list is not available on Valley Metro’s web site, I have posted it at ti.org/docs/VMEconDev.xlsx.
14. “Arizona Incentives: Lease Excise,” Arizona Commerce Authority, Phoenix, <https://www.azcommerce.com/incentives/lease-excise>.
15. “The Osborn,” Professional Equity Management, 2019, theosbornlife.com.
16. Census Bureau, “Annual Estimates of the Resident Population for Counties: April 1, 2010 to July 1, 2018,” tinyurl.com/y67394q2; “Intercensal Estimates of the Resident Population for Counties: April 1, 2000 to July 1, 2010,” tinyurl.com/y4scj52j; “Time Series of Arizona Intercensal Population Estimates by County: April 1, 1990 to April 1, 2000,” tinyurl.com/y4jospqr.
17. *Ibid.*
18. Atif Ansar, Bent Flyvbjerg, Alexander Budzier, and Daniel Lunn, “Does Infrastructure Investment Lead to Economic Growth or Economic Fragility? Evidence from China,” *Oxford Review of Economic Policy*, Volume 32, Number 3, 2016, pp. 360–390
19. 2017 National Transit Database (Washington: Federal Transit Administration, 2018), Fares, Operating Costs, and Capital Use spreadsheets. (The FTA classifies maintenance of existing facilities as a “capital use” and distinguishes it from construction of new facilities.)

The Arizona Free Enterprise Club was founded in 2005 as a free market, pro-growth advocacy group dedicated to Arizona issues and politics. Our mission is to promote policies that encourage economic prosperity and a vibrant economy for all businesses and taxpayers. The Club is a 501(C)(4) and is not affiliated with any other group or organization. For more information visit www.azfree.org

From: [Aimee Yentes](#) on behalf of [Aimee Yentes <aimee@azfree.org>](#)
To: dducey@az.gov; [Katie Ratlief](#); [Art Harding](#)
Cc: [Scot Mussi](#); [Greg Blackie](#)
Subject: Please Veto HB
Date: Saturday, June 25, 2022 9:04:19 AM
Attachments: [Hollywood Tax Credit HB2156 Veto Letter 6.24.docx](#)

Honorable Governor Ducey,

Please see attached our letter outlining our opposition of HB 2156, the film tax credit program. We encourage a swift veto of this legislation.

The way in which this legislation has arrived on your desk is reason enough to veto it. The current version of this bill was thrown together hurriedly and muscled through the body with very little discernment. Despite much of the Republican caucus in both chambers being opposed, (only 13 House Republicans voted in favor,) this bill has been prioritized at any cost.

And this bill does come at a great cost.

- Most assuredly, there will be litigation costs as this legislation violates the Arizona Gift Clause.
- There is a cost of risk and reputation for the state. It is a bad idea to lure Hollywood to our backyard, encourage investment, just to have the program struck down with potential incentive clawbacks.
- With the adopted FY23 budget not scoring this bill, this legislation will contribute to an impending budget deficit. The eventual \$125M annual tax credits are a cost to the state, as fundamentally demonstrated by the original fiscal note produced by JLBC.
- This program is likely to grow over time. Observing states across the country, it is obvious that this industry consistently and directly lobbies for an economic arms race, in the name of staying “competitive.” There is no loyalty past how much more your state is willing to subsidize the industry.
- Taxpayers will bear costs as well. This program is refundable, which means other taxpayers must pay higher taxes to subsidize the direct appropriation to other taxpayers that zero out their liability.
- There are opportunity costs. From our perspective, tax credits pose an obstacle to broader structural tax reform that benefits all taxpayers across the board. These programs create institutionalized special interests who would rather preserve their carveout at the expense of fairer tax treatment for all.
- Lastly, there are steep political costs. This industry does and will work to change the values and policies of this state. We fundamentally oppose Hollywood’s culture. This may in fact be the greatest cost of all in the long run.

We hope you will take these points under consideration and thoughtfully consider all negative costs to Arizona and Arizona taxpayers.

Respectfully,

Aimee Yentes

Vice President of Government Affairs
Arizona Free Enterprise Club

June 24, 2022

Governor Doug Ducey
1700 W Washington
Phoenix, AZ 85007

Honorable Governor Doug Ducey,

We respectfully request that you veto HB2156, a proposal to give hundreds of millions in taxpayer subsidies to Hollywood producers.

Our organization generally opposes tax credits to targeted industries and businesses. However, a bright line issue for our organization, and what should be for all Republicans, is when those credits are refundable. Refundable credits are corporate welfare, transferring out of the pockets of some taxpayers to enrich other taxpayers. This redistributive practice of picking winners and losers is wrong, and it is anathema to the Republican platform.

Comparatively, last year you led the way with historic tax cuts that benefitted all Arizonans, cutting income tax rates across the board. That was good tax policy. Proposals like HB2156 are the opposite, benefitting a few at the expense of all.

Our opposition to HB2156 is based on four primary reasons. First, we believe it is unconstitutional, violating the Gift Clause of the Arizona Constitution. Second, contrary to projections produced by proponents, analyses conducted by third parties demonstrate these tax credits are economic losers. Third, with the budget projections from JLBC, the cost of this credit would mean a structural deficit. Fourth, this proposal was rejected by a majority of Republicans in the legislature and is opposed by Republican voters.

I. HB2156 violates the Gift Clause and is Unconstitutional

A legal analysis produced by the Goldwater Institute reveals that this measure violates Arizona's Gift Clause which forbids the state from "mak[ing] any donation or grant, by subsidy or otherwise, to any individual, association, or corporation." In their analysis, Goldwater explains what distinguishes between purchases with taxpayer dollars and illegitimate gifts that violate the Clause, "state courts require that any transfer of public funds to a private entity (1) serve a public purpose and (2) reflect adequate consideration." As for adequate consideration, Hollywood Tax Credit proponent's own economic analysis shows that the state wouldn't even break even until year eight. It is after that, proponents argue, the state will receive a return in form of increased tax revenue. Ignoring that JLBC analysts disagree with this assessment, even if it were the case, expected future tax revenue as a result of increased economic activity is an irrelevant indirect benefit in the analysis of adequate consideration, therefore this taxpayer funded subsidy violates the Gift Clause.

II. Hollywood Tax Credits Have a Bad Return on Investment

Though proponents contend that Hollywood Tax Credits lead to increased economic activity which results in an increase in tax revenue, history paints a very different story. This was noted by JLBC in their Fiscal Note of the original bill¹, looking to other states who have adopted such credits. In their assessment, JLBC found that studies conducted in six states by private entities included an ROI of between 0.13 and 0.51. Worse, studies conducted by Government agencies found an ROI of just between 0.06 and 0.20. It's clear that while these programs might help wealthy producers increase their return at the box office, it underdelivers in its return, or lack thereof, to the taxpayer.

This isn't unique to JLBC's Fiscal Note. In Connecticut, a recent government study found a half billion-dollar net loss to the state under their film tax credit program.² It's a similar scene in Georgia, where studies have estimated a return of only 30 cents on the dollar, that 90 percent of their credits went to non-Georgia companies and that a majority of labor expenditures went to out-of-state residents³. In reality, states must continue to increase their credit caps to "compete" with each other and end up with hundreds of millions in unpaid credits that require straight general fund appropriations⁴ or a nearly unlimited cap, with movie producers grossing billions from taxpayers and movie goers.

III. The Cost of HB2156 Will Result in a Deficit

The FY2023 budget spreadsheets produced by JLBC show an out-year structural balance of just \$48.9 million. The JLBC Fiscal Note for the original Hollywood Tax Credit bill, which was capped at \$150 million, projected that by the budget out year, half of the credits would be claimed, or \$75 million. Though HB2156 now graduates the cap beginning at \$75 million in FY23, by the budget out year it is still set at \$125 million. Based on the JLBC analysis, and because this proposal was not included in the budget, even if just half of these credits are claimed it will take the projected \$48.9 million structural balance down to a deficit of \$13.6 million. That is not fiscally responsible.

IV. Hollywood Tax Credits Are Opposed by Republican Lawmakers and Voters.

Republican voters want their government to enact policies that represent Republican values and the party platform. HB2156 is the opposite, and that is why it garnered near universal support among legislative Democrats and was rejected by a majority of Republicans. Of all the industries for government to provide taxpayer subsidies to, Hollywood is the worst. It represents the opposite of conservative values, fighting against mainstream aspects of the Republican party platform. These subsidies will go to directly fund and import an industry that actively works against our values, and instead promotes racist ideologies like Critical Race Theory, radical gender theories, and sexualization of children. Furthermore, states that have rolled out the red carpet for the film making industry have not been inoculated from Hollywood's activism. Despite receiving lucrative subsidies, producers, actors, and even the labor unions have mobilized boycotts or called for political retribution against states like Georgia and Florida for passing policies that represent core Republican values such as supporting pro-life or election integrity.

There is a reason why many states that have adopted film tax credit subsidies in the past have begun to regret that choice. In fact, in the last decade 13 states have completely repealed their programs and many others have scaled theirs back.⁵ The reason is a lackluster performance, regardless of any flashy advertisements to the contrary.

We respectfully request that you protect the pockets of taxpayers from Hollywood millionaires, protect the state of Arizona from a taxpayer funded importation of thousands of new California voters, and veto HB2165.

Respectfully,

Scot Mussi
President, Arizona Free Enterprise Club

² <https://ctmirror.org/2022/06/09/ct-economic-development-commissioner-lehman-cutbacks-film-tax-credit/>

³ <https://www.artsatl.org/guest-essay-five-reasons-why-georgia-should-yell-cut-on-film-tax-credit/>

⁴ <https://www.wsj.com/articles/new-mexicos-filmmaking-incentive-program-may-be-too-attractive-11546171200>

⁵ <https://www.cNBC.com/2020/01/31/huge-tax-breaks-for-movie-production-are-getting-bad-reviews.html>