

Residential Real Estate

## Groundwater models show West Valley has limited water resources. What's next for developers?



The Howard Hughes Corp. broke ground on Oct. 28 for a 37,000-acre master-planned community in Buckeye.  
THE HOWARD HUGHES CORP.

By [Audrey Jensen](#) and [Angela Gonzales](#) – Phoenix Business Journal  
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A new analysis by the Arizona Department of Water Resources [says there's not enough water for development](#) in the far West Valley, which relies heavily on groundwater and is one of the fastest-growing areas in the state.

The [report](#) found a total unmet demand of 4.4 million acre-feet, or about 1.4 trillion gallons, of groundwater over a 100-year period for the Hassayampa sub-basin, impacting planned development west of the White Tank Mountains and the northwest Valley.

Arizona Gov. [Katie Hobbs](#) ordered the release of the long-awaited report and [outlined water priorities](#) in her State of the State address on Jan. 9. She speculated the report was not made public because of the impacts it could have on future developments, according [to a report by ABC15](#).

As the metro is further built out, developers and homebuilders [have turned to the outskirts of the Valley](#) in Buckeye and Surprise for proposed master-planned communities with thousands of homes, large commercial centers and industrial hubs, leaving [many residents in rural communities concerned](#) about the future of their wells.

But it could take longer for developments to come online if they're unable to find a water supply or build costly infrastructure. In 2021, homebuilders in the area [received deficiency letters](#) for certificates of assured water supply applications for two projects that rely on groundwater from the Hassayampa sub-basin, indicating similar issues that developers have experienced in Pinal County, the Business Journal [reported last year](#).

Homebuilder working with ADWR on certificate process

Currently, the biggest planned project west of Phoenix is The Howard Hughes Corp.'s 37,000-acre Teravalis master-planned community, which has [landed in the national spotlight](#) due to Arizona's ongoing drought, Colorado River shortages and water concerns.

Howard Hughes (NYSE: HHC) [broke ground Oct. 28 on the first phase of the project](#) — a 3,000-acre community called Floreo. The first phase has a 100-year certificate of assured water supply, which is required for subdivisions with six lots or more, that will support 7,000 rooftops, said [Heath Melton](#), president of the Phoenix region for Howard Hughes Corp.

"We support the governor's initiative to proactively manage Arizona's future water supply and will continue to be a collaborative partner with our elected officials, civic agencies and community stakeholders to drive forward the most modern water management and conservation techniques and help ensure a prosperous and sustainable future for the West Valley, Arizona and the greater Southwest," Melton said.

He expects it to take anywhere from six to 10 years to work through the first phase, which also will include commercial development. Meanwhile, he is working with ADWR on its water analysis for the rest of the project.

"The location of our property is very ideal," he said. "We have an aquifer right below our property."

The Central Arizona Project canal also runs right through the property.

"We still have to work through the certificate process with the department of water resources," Melton said.

The development — [formerly known as Douglas Ranch and purchased for \\$600 million in October 2021](#) — will include water saving strategies. A water reuse system will treat water to be used to irrigate common spaces and recharge aquifers below ground, he said. A lake will be used to store the treated water that will be used to distribute to common spaces.

"We will make sure all plant materials on site are water conscious," he said. "Commercial properties have to use the greatest water saving technology."

Limited water could steer companies, economic development elsewhere

Many commercial developments do not require near as much water as master-planned communities, or assured water supply certificates, but a lack of promised housing and residents could steer companies to other parts of the Valley that have larger labor pools.

Depending on the region, many companies typically look at a site that has workers located within a 30 to 45-minute drive, but companies still want to be where employees don't have to travel too far due to concerns over absenteeism, tardiness and turnover, said Jay Garner, president of Atlanta-based Garner Economics LLC, a site selection company.

"If you have X, Y, Z company out in west Phoenix, and there are no residents around there, you're not going to see a company locate there, because they're going to have a harder time finding the workforce," he told the Business Journal. "That has a potential problem."

The West Valley has a lot of manufacturers but is also well known for attracting distribution, warehouse and logistics companies, which are not known for using large amounts of water and have continued to expand in cities such as Glendale, Goodyear and Buckeye due to available workforce, lower costs and new buildings.

It will be unlikely that [big water users such as data centers, food and beverage manufacturers and semiconductors](#), however, would want to locate in parts of the Valley or state that do not have secure water resources or infrastructure that are readily available.

"You have to have water," Garner said. "If it's not used for an ingredient, it's used for sanitation. Water is a common denominator on any kind of economic development initiative."

Garner said many companies and consultants conduct due diligence when scouting a site out to make sure all of their needs are met, including utilities, water and wastewater. Concerns over water resources in Arizona are also "nothing new," Garner said, adding that Arizona has a lot of strengths and that these water concerns are unlikely to detract companies from looking at the state for a site.

In addition, many cities, including those in the greater Phoenix region, let companies know if they have the capacity to support big economic development projects. The city of Buckeye and other cities in Pinal County, for example, have turned down potential projects if they know the water demand is greater than what they can supply.

State working toward a solution

Arizona's newly appointed board tasked with securing the state's water recently moved forward with a proposal to desalinate water from the Sea of Cortez in Mexico with a \$5.5 billion plant. The company behind the project said it would be the largest desalination plant in the world with eventual capacity to process 1 million acre-feet of water annually, [ABC15 reported](#).

[Cheryl Lombard](#), president and CEO of Valley Partnership, applauded the governor's water priorities and said that Valley Partnership is focused on promoting responsible economic development while maintaining the state's water resources.

"We continue to support the 100-year assured water supply requirement for future development as industry leaders continue to innovate and make advancements in water conservation and efficiency measures," Lombard said in a statement.

She said Valley Partnership has worked "closely" with developers and local, state and federal leaders on policies to address Arizona's water crisis, including federal legislation authorizing the CRIT to lease Colorado River to urban areas, the \$1 billion investment to secure Arizona's water future with conservation, augmentation, and infrastructure and authorizing and funding a statewide direct potable reuse of water program.

"But we recognize that this is not enough. Additional investments need to be made by the public and private sectors to secure and build needed infrastructure to maximize use of existing water supplies and for future water supplies," she added.