MERCATUS CENTER
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POLICY SPOTLIGHT

Streamlining Housing Permitting in Arizona

Reform in three areas will help Arizona to produce homes faster

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Home prices in Arizona are 50 percent higher now than they were in January 2020. Builders have kept prices in check by adding about 1 percent to the state's housing stock each year, a faster rate than in 40 states. But other states, including Nevada and Texas, have outshined Arizona, adding more new homes and calming price growth somewhat. One drag on the rate of home production in Arizona is an increasingly difficult permitting process.[1]

To better understand how the permitting process works and how it might be improved, we interviewed 22 local practitioners, consultants, and land use lawyers. Our main takeaway is that the permitting process works, but it relies too much on individuals at too many points in the process. That reliance places unrealistic burdens on officials and creates uncertainties for applicants. We offer reforms in three categories to reduce uncertainty, speed up existing procedures, and give property owners clearer development rights in the long term.

1. Streamlining the Entitlement and Exactions Process

- **Relax the shot clock.** Arizona's shot clock legislation, an attempt to force quick permitting decisions, backfired when, in response, the City of Phoenix added procedures without shortening timeframes for granting permits for housing. Lawmakers should review whether there are ways to relax the shot clock while still streamlining the process.
- **Ensure that development permits proceed in a reasonable order**. Many Arizona cities put permitting steps in the wrong order, which leads to duplicative work. Cities should align permitting steps with best practices and simplify application processes.

[1] See Salim Furth, Manjula Vaz, and Cameron Artigue, "How to Streamline Housing Permitting in Arizona" (Mercatus Policy Spotlight, Mercatus Center at George Mason University, November 2025). Scan the QR code below for the full analysis, including sources.

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- **Limit the area of study for traffic impact assessment.** Lawmakers should limit the distance or number of intersections considered in traffic studies or exactions.
- **Encourage cities to adopt presumptive traffic exaction formulas in place of repetitive traffic studies.** For routine projects, the legislature should allow cities to use formulaic fees based on basic project characteristics such as square footage or parking, rather than spending additional time and money on a traffic study.
- **Allow a nonprofit or trade association to sue a city for multiple cases of illegal exactions.**
- **Narrow the protest petition.** In Arizona, a small minority of the property owners adjacent to a proposed rezoning can derail such proposals by protesting, which triggers a requirement for a supermajority of a city council to approve the project. This provision should not apply to adjacent owners, but only to property owners directly subject to rezoning.
- **Do not allow a city to require hearings before more than two municipal bodies**. Multiple rounds of hearings cause delays. The state should cap at two the number of city bodies that can hold separate hearings on a project.

2. Reforming Staff Review and Development Permit Processes

- **Fund ongoing training for reviewers and inspectors.** Elected officials and public managers should guide staff not to impose their personal preferences on development. The legislature should consider funding legal training for plan reviewers and inspectors.
- **Statutorily define site plan review.** The legislature should clearly and narrowly define site plan review as covering technical issues such as traffic flow, not subjective issues such as aesthetics and interior design.
- **Put guardrails on published design requirements.** The legislature should ban design requirements, limit them to specific "design districts," or require that they be specific and objective.
- **In reviews of design requirements, curtail personal preference.** Prohibit personal preference in technical reviews by reinforcing that decisions must be strictly technical. Enforcement mechanisms could include fee refunds for applicants who are forced to adopt nontechnical aesthetic or design choices and professional consequences for reviewers for repeated violations.

3. Establishing Long-Term Clarity in Rights

- **Clarify the rights of property owners in PADs**. Phase out Planned Area Developments (PADs) as long-term tools by requiring eventual rezoning to underlying districts, ensuring no nonconformities, and defaulting PADs to the most similar conforming zoning district after 10 years post-occupancy if no action is taken.
- **Allow subdivisions without homeowners associations**. Prevent cities from indirectly requiring HOAs through mandating elements in development design that require HOAs for maintenance.
- **Affirmatively renew HOA deed restrictions.** To restore the voluntary character of HOAs and to allow the gradual evolution of land use in future generations, the state should require that all HOA deed restrictions recorded after 2026 be written to expire automatically unless the owners vote to renew them every 30 years.

Arizona builders continue to provide a steady flow of new houses and apartments, but supply has still not kept pace with demand, and home prices have risen steeply. As part of a long-term commitment to keeping homes within reach for Arizonans, cities and legislators should work together to restore quick, clear processes for permitting new homes.