



Impact of Home Building Oro Valley, Arizona

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SAHBA Communications

Objective

This NAHB report estimates the costs (current and capital expenses) that new homes impose on local jurisdictions, compared to the revenue generated. This section follows the same economic principles as described in the Tucson, Arizona MSA *Overview* and *Method Used to Estimate Costs*. From the perspective of a local government, the results answer the question whether residential development pays for itself.

Government Costs Compared to Revenue: Single-Family Construction

The core economic assumptions include: property taxes, construction-related fees, and sales taxes. The NAHB model has local governments financing their capital investment by borrowing at the current municipal bond rate. In a given year, the difference between revenues and current expenses is **“operating surplus.”**

2004 Market data

New home permits issued: 482

Average price per home: \$185,274

Average value of raw land: \$20,700

Average fees (impact, permit, etc.) paid to government: \$1,898

Average annual property tax paid to government: \$2,779

The estimated one-year impact of building 482 new single-family homes in Oro Valley include:

- ▶ \$6.3 million in taxes and other revenue for local governments

The additional, ongoing Annual impact of these homes include:

- ▶ \$3.6 million in taxes and other revenue for local governments

Conclusion

Oro Valley is part of the Tucson MSA. In the Tucson MSA, all government debt incurred by investing in services, infrastructure and equipment can be **entirely paid off by the end of the fourth year**. After that, the operating surplus from home building is available to finance other projects, reduce taxes or decrease construction-related fees.