

Pinal County Extinguishment

The Future of Pinal County

Background & Impact Summary



BACKGROUND:

- Prior to 1980 groundwater users could pump water as long as it was for a beneficial use.
- The 1980 Groundwater Code promised farmers in return for paying for the Central Arizona Project that they would retain their IGR's (Irrigation Grandfather Rights) for farming and conversion rights to Type 1 non irrigation grandfathered rights for future development.
- Under these laws developers could only build on land that had water rights ie farmland. As communities grew farmers sold to developers and the IGR's were converted to Type one rights that supplied an Assured Water Supply for municipal and industrial development.
- Developers soon realized that farmland with water was much more expensive than desert land with no water so they went to the legislature and tweaked the 1980 Groundwater Code a bit. These changes led to the creation of the CGRCD Board and the Rulings like R12-15-725. (<http://www.azwater.gov/AzDWR/Watermanagement/AMAs/PinalAMA/documents/NoticeofFinalRuleMaking.pdf>)
- As of January 1, 2014, farmer's IGR's will lose their rights to be converted to Type 1 rights incrementally until in 2054 the conversion is 0. The reduction in extinguishment credits was supposed to begin in 2007 but the irrigation districts (CAIDD, MSIDD, and Hohokam) successfully argued for delay in return for signing an agreement with Arizona Department of Water Resources (DWR) not to pursue the matter further. See the Agreement. (<http://pinalcountyextinguishment.files.wordpress.com/2013/06/adwr-agreement-regarding-pinal-ama-amendment.pdf>)

IMPACT

- 85% of CAIDD alone is investor owned with lease backs to farmers. One of the largest of these investors has stated that they will convert to M&I and wait for decades if necessary rather than lose water rights. Other investors will likely follow suit taking thousands of acres out of production. Once they convert to M&I the remaining farmers will be required to pay a higher proportion of the fixed costs of the districts resulting from a loss in water sales as those costs will be divided among fewer farmers. If water costs reach a level where farming is no longer profitable remaining landowners are forced to either convert to M&I and wait or sell their farms for pennies on the dollar in one of the lowest markets of all time.

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- Proponents of the Ruling state it will have no effect on farming as farmers will have water as long as they continue to farm. While on its face that is true, it ignores the economic realities of investor owned farmland and an increasingly unstable farm economy. They also argue it is a great solution because at the end of the day farmland will be worth the same amount as desert land. Their suggestion is that landowners will be able to buy their water back for millions of dollars from the CGRCD which is an arm of the State of Arizona. An analogy would be to pass a law that all homes are now the property of Arizona and current homeowners may live their as long as they want but upon sale of that home the house becomes property of the State and the owner can only sell the land under it.
- Consider that for every square mile of farmland an average of \$500,000.00 is spent in the local economy just in the crop budget alone on everything from labor to fertilizer to nuts and bolts. Loss of farmland will soon have a detrimental impact on all of agribusiness.
- Additionally, the CGRCD and DWR will now decide who gets the water that is no longer attached to the land. That water can then be sold to the highest bidder and used anywhere in the Pinal AMA. This will be a great chance for out of county developers to use cheap desert land much closer to Phoenix to put housing developments. Land that historically and geologically had no water can then have up to a million people living there and commuting to Phoenix. Water can then be transferred to these developments that was supposed to support the growth of cities like Casa Grande and Eloy. Pinal County will then exist to serve Maricopa County and the communities that are the heart of Pinal County will literally dry up.
- If farming is extinguished and developers buy local credits for use in the northern part of Pinal County, our communities will lose the economic contributions from agriculture, related businesses, construction revenue and have a lot of dirt to look at.

The Rule

These three documents below comprise the Rule that will extinguish certain water rights in the Pinal AMA.

Pinal Extinguishment Credit Rule moratorium deal copy

(<http://pinalcountyextinguishment.files.wordpress.com/2013/06/pinal-extinguishment-credit-rule-moratorium-deal-copy.pdf>)

Notice of Final Rulemaking (Water)

(<http://pinalcountyextinguishment.files.wordpress.com/2013/06/notice-of-final-rulemaking-water.pdf>)

ADWR Agreement Regarding Pinal AMA Amendment

(<http://pinalcountyextinguishment.files.wordpress.com/2013/06/adwr-agreement-regarding-pinal-ama-amendment.pdf>)

THE RULE WOULD STEAL LAND'S VALUE BY DICK POWELL

I wish to thank managing editor Donovan Kramer and reporter Melissa St. Aude for informing the public in a very expedient manner about the planned extinguishment of grandfathered irrigation water rights in the Pinal Active Management Area (a water management area that encompasses most of the major agricultural areas of our county and many communities including Casa Grande, Coolidge, Eloy, Maricopa, Red Rock, Florence, parts of Queen Creek and Marana). This action could pose huge ramifications for all residents of the Pinal AMA. The most frightening aspect at present is most stakeholders in the AMA don't realize what is about to happen beginning next year.

During a local Farm Bureau meeting in 2012, Tiffany Shedd, a farmer and attorney, related this was going to happen. It seemed incredible to many at the time, but subsequent research proved it was indeed true. The Farm Bureau and the city of Casa Grande are sponsoring an informal meeting June 19 at City Hall. The city has no formal position at this time but felt an obligation to help inform citizens of the AMA. Hopefully future meetings will take place in neighboring communities.

The meeting will include speakers for and against extinguishment. General questions and answers will be addressed by Joe Singleton, who is a highly recognized water authority, former manager of the Pinal AMA and current director of the Pinal Water Augmentation Authority. Hopefully we will have a representative from the Arizona Department of Water Resources present. I am a city councilman for the city of Casa Grande. Any concerns or opinions I express are mine alone and in no way represent the city of Casa Grande.

- 1) Originally, developers located land with water rights (usually farmland), enabling them to achieve the required 100-year assured water supply required in the AMAs prior to issuance of building permits.
- 2) The present developer-friendly plan extinguishes water rights for agriculture without compensation but not those for municipal or industrial uses. Water credits from farmers who convert their grandfathered rights from agriculture to municipal and industrial can be sold to developers much closer to Maricopa County. Queen Creek, San Tan Valley, Apache Junction, Maricopa and north Florence are preferred locations.
- 3) Next year farmers must make a decision to continue farming or to convert their land use to M&I and receive full water credits, which then leaves the farm fallow, never more to be farmed and quite possibly never developed.
- 4) Those who farm will systemically see their land values diminish until their land is eventually of equal value to bare desert land. Again, there is no compensation for the grandfathered water rights taken. Would you want to be required to tear down your house before you sold your property? Taking the water is the same. Either scenario ultimately steals the value.
- 5) The question remains: "Do we develop where the water exists or take the water to where the developers desire?"

6) Superstition Vistas is an arid area the size of Mesa, Chandler, Gilbert and Tempe. It could ultimately be home to more than 1 million people but has no water. It is the poster child for moving water where developers desire. Luckily, under current rules it will not really affect our AMA. Salt River Project has 130,000 acre-feet of water from the Gila River Indian Community to help development there.

7) If farming is extinguished and developers buy local credits for use in the northern part of Pinal County, our communities will lose the economic contributions from agriculture, related businesses, construction revenue and have a lot of dirt to look at.

8) The goal of the Pinal AMA states: "Where a predominately agricultural economy exists, (the goal) is to allow development of non-irrigation uses and to preserve agriculture for as long as feasible, consistent with the necessity to preserve water supplies for non-irrigation uses."

What is the answer? The simple and logical answer is to eliminate the extinguishment of the grandfathered irrigation water rights. Let the market be the guide. As long as farming is feasible and profitable, the farmers will farm. When it becomes unprofitable, they will sell their land and water for other uses. Extinguishment is just a ploy to get farmers to convert their water credits sooner rather than later or lose their property values.

Dick Powell is a Casa Grande businessman and member of the City Council.

Also of Interest:

Dispute looms in Sierra Vista over housing vs. Water Rights

Yuma Stands United Behind Its Ag Industry; Mayor Leads the Charge Regarding Agricultural Water

Ehrmann/ Commonwealth Dairy to Open Dairy Plant in Casa Grande

"Initially, 110 new jobs will be created. In 2015, 250 employees will work in the dairy facility. Known for its superior infrastructure, dedicated workforce, and abundant milk supply, Casa Grande is the ideal location for the new facility."