

REFERENCE TITLE: water; residential lease communities

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HB 2697

Introduced by
Representative Bliss

AN ACT

AMENDING TITLE 9, CHAPTER 4, ARTICLE 6.4, ARIZONA REVISED STATUTES, BY ADDING SECTION 9-470.01; AMENDING TITLE 11, CHAPTER 2, ARTICLE 9, ARIZONA REVISED STATUTES, BY ADDING SECTION 11-325; AMENDING SECTIONS 45-576, 48-3701, 48-3772, 48-3774, 48-3774.01 AND 48-3779, ARIZONA REVISED STATUTES; RELATING TO BUILDING PERMITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 9, chapter 4, article 6.4, Arizona Revised
3 Statutes, is amended by adding section 9-470.01, to read:

4 9-470.01. Residential lease communities; building permits;
5 water supply; applicability; definition

6 A. THE LEGISLATIVE BODY OF A MUNICIPALITY MAY NOT APPROVE A
7 BUILDING PERMIT FOR ONE OR MORE DETACHED RESIDENTIAL DWELLING UNITS THAT
8 ARE LOCATED IN A RESIDENTIAL LEASE COMMUNITY WITHIN AN INITIAL ACTIVE
9 MANAGEMENT AREA UNLESS BOTH OF THE FOLLOWING APPLY:

10 1. THE RESIDENTIAL DWELLING UNITS HAVE OBTAINED A CERTIFICATE OF
11 ASSURED WATER SUPPLY FROM THE DIRECTOR OF THE DEPARTMENT OF WATER
12 RESOURCES OR A WRITTEN COMMITMENT OF WATER SERVICE FROM A CITY, TOWN OR
13 PRIVATE WATER COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER
14 SUPPLY.

15 2. THE APPLICANT HAS PAID ALL APPLICABLE FEES PURSUANT TO SECTIONS
16 48-3772 AND 48-3774.01 AND HAS ATTACHED TO THE BUILDING PERMIT APPLICATION
17 PROOF THAT THE APPLICABLE FEES HAVE BEEN PAID.

18 B. THE LEGISLATIVE BODY OF THE MUNICIPALITY SHALL NOTE ON THE FACE
19 OF THE BUILDING PERMIT THAT THE APPLICANT HAS COMPLIED WITH SUBSECTION A
20 OF THIS SECTION OR IS EXEMPT FROM THIS SECTION PURSUANT TO SUBSECTION C OF
21 THIS SECTION.

22 C. THIS SECTION DOES NOT APPLY TO AN EXISTING RESIDENTIAL LEASE
23 COMMUNITY OR PLANNED RESIDENTIAL LEASE COMMUNITY THAT APPLIED FOR OR THAT
24 RECEIVED ZONING ENTITLEMENTS ON OR BEFORE SEPTEMBER 30, 2025.

25 D. FOR THE PURPOSES OF THIS SECTION, "RESIDENTIAL LEASE COMMUNITY"
26 MEANS SIX OR MORE DETACHED RESIDENTIAL DWELLING UNITS ON ONE OR MORE LOTS,
27 PARCELS OR FRACTIONAL INTERESTS, WITHOUT REGARD TO THE ZONING
28 CLASSIFICATION OF THE LOTS, PARCELS OR FRACTIONAL INTERESTS, THAT ARE
29 INTENDED TO BE OFFERED FOR THE PURPOSE OF LEASE, WHETHER IMMEDIATE OR
30 FUTURE, WITHOUT REGARD TO THE LEASE TERM, UNDER A COMMON PROMOTIONAL PLAN
31 AS DEFINED IN SECTION 32-2101.

32 Sec. 2. Title 11, chapter 2, article 9, Arizona Revised Statutes,
33 is amended by adding section 11-325, to read:

34 11-325. Residential lease communities; building permits;
35 water supply; applicability; definition

36 A. THE BOARD OF SUPERVISORS MAY NOT APPROVE A BUILDING PERMIT FOR
37 ONE OR MORE DETACHED RESIDENTIAL DWELLING UNITS THAT ARE LOCATED IN A
38 RESIDENTIAL LEASE COMMUNITY WITHIN AN INITIAL ACTIVE MANAGEMENT AREA
39 UNLESS BOTH OF THE FOLLOWING APPLY:

40 1. THE RESIDENTIAL DWELLING UNITS HAVE OBTAINED A CERTIFICATE OF
41 ASSURED WATER SUPPLY FROM THE DIRECTOR OF THE DEPARTMENT OF WATER
42 RESOURCES OR A WRITTEN COMMITMENT OF WATER SERVICE FROM A CITY, TOWN OR
43 PRIVATE WATER COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER
44 SUPPLY.

1 2. THE APPLICANT HAS PAID ALL APPLICABLE FEES PURSUANT TO SECTIONS
2 48-3772 AND 48-3774.01 AND HAS ATTACHED TO THE BUILDING PERMIT APPLICATION
3 PROOF THAT THE APPLICABLE FEES HAVE BEEN PAID.

4 B. THE BOARD OF SUPERVISORS SHALL NOTE ON THE FACE OF THE BUILDING
5 PERMIT THAT THE APPLICANT HAS COMPLIED WITH SUBSECTION A OF THIS SECTION
6 OR IS EXEMPT FROM THIS SECTION PURSUANT TO SUBSECTION C OF THIS SECTION.

7 C. THIS SECTION DOES NOT APPLY TO AN EXISTING RESIDENTIAL LEASE
8 COMMUNITY OR PLANNED RESIDENTIAL LEASE COMMUNITY THAT APPLIED FOR OR THAT
9 RECEIVED ZONING ENTITLEMENTS ON OR BEFORE SEPTEMBER 30, 2025.

10 D. FOR THE PURPOSES OF THIS SECTION, "RESIDENTIAL LEASE COMMUNITY"
11 MEANS SIX OR MORE DETACHED RESIDENTIAL DWELLING UNITS ON ONE OR MORE LOTS,
12 PARCELS OR FRACTIONAL INTERESTS, WITHOUT REGARD TO THE ZONING
13 CLASSIFICATION OF THE LOTS, PARCELS OR FRACTIONAL INTERESTS, THAT ARE
14 INTENDED TO BE OFFERED FOR THE PURPOSE OF LEASE, WHETHER IMMEDIATE OR
15 FUTURE, WITHOUT REGARD TO THE LEASE TERM, UNDER A COMMON PROMOTIONAL PLAN
16 AS DEFINED IN SECTION 32-2101.

17 Sec. 3. Section 45-576, Arizona Revised Statutes, is amended to
18 read:

19 45-576. Certificate of assured water supply; designated
20 cities, towns and private water companies;
21 exemptions; definition

22 A. Except as provided in subsections G and J of this section, a
23 person who proposes to offer subdivided lands, as defined in section
24 32-2101, for sale or lease in an active management area shall apply for
25 and obtain a certificate of assured water supply from the director before
26 presenting the plat for approval to the city, town or county in which the
27 land is located, where such is required, and before filing with the state
28 real estate commissioner a notice of intention to offer such lands for
29 sale or lease, pursuant to section 32-2181, unless the subdivider has
30 obtained a written commitment of water service for the subdivision from a
31 city, town or private water company designated as having an assured water
32 supply pursuant to this section.

33 B. Except as provided in subsections G and J of this section, a
34 city, town or county may approve a subdivision plat only if the subdivider
35 has obtained a certificate of assured water supply from the director or
36 the subdivider has obtained a written commitment of water service for the
37 subdivision from a city, town or private water company designated as
38 having an assured water supply pursuant to this section. The city, town
39 or county shall note on the face of the approved plat that a certificate
40 of assured water supply has been submitted with the plat or that the
41 subdivider has obtained a written commitment of water service for the
42 proposed subdivision from a city, town or private water company designated
43 as having an assured water supply pursuant to this section.

C. Except as provided in subsections G and J of this section, the state real estate commissioner may issue a public report authorizing the sale or lease of subdivided lands only on compliance with either of the following:

1. The subdivider, owner or agent has paid any activation fee required under section 48-3772, subsection A, paragraph 7 and any replenishment reserve fee required under section 48-3774.01, subsection A, paragraph 2 and has obtained a certificate of assured water supply from the director.

2. The subdivider has obtained a written commitment of water service for the lands from a city, town or private water company designated as having an assured water supply pursuant to this section and the subdivider, owner or agent has paid any activation fee required under section 48-3772, subsection A, paragraph 7.

D. The director shall designate private water companies in active management areas that have an assured water supply. If a city or town acquires a private water company that has contracted for central Arizona project water, the city or town shall assume the private water company's contract for central Arizona project water.

E. The director shall designate cities and towns in active management areas where an assured water supply exists. If a city or town has entered into a contract for central Arizona project water, the city or town is deemed to continue to have an assured water supply until December 31, 1997. Commencing on January 1, 1998, the determination that the city or town has an assured water supply is subject to review by the director and the director may determine that a city or town does not have an assured water supply.

F. The director shall notify the mayors of all cities and towns in active management areas and the chairmen of the boards of supervisors of counties in which active management areas are located of the cities, towns and private water companies designated as having an assured water supply and any modification of that designation within thirty days ~~of~~ AFTER the designation or modification. If the service area of the city, town or private water company has qualified as a member service area pursuant to title 48, chapter 22, article 4, the director shall also notify the conservation district of the designation or modification and shall report the projected average annual replenishment obligation for the member service area based on the projected and committed average annual demand for water within the service area during the effective term of the designation or modification subject to any limitation in an agreement between the conservation district and the city, town or private water company. For each city, town or private water company that qualified as a member service area under title 48, chapter 22 and THAT was designated as having an assured water supply before January 1, 2004, the director shall report to the conservation district on or before January 1, 2005 the

1 projected average annual replenishment obligation based on the projected
2 and committed average annual demand for water within the service area
3 during the effective term of the designation subject to any limitation in
4 an agreement between the conservation district and the city, town or
5 private water company. Persons proposing to offer subdivided lands served
6 by those designated cities, towns and private water companies for sale or
7 lease are exempt from applying for and obtaining a certificate of assured
8 water supply.

9 G. This section does not apply in the case of the sale of lands for
10 developments that are subject to a mineral extraction and **METALLURGICAL**
11 processing permit or an industrial use permit pursuant to sections 45-514
12 and 45-515.

13 H. The director shall adopt rules to carry out the purposes of this
14 section. ~~On or before January 1, 2008,~~ The rules shall provide for a
15 reduction in water demand for an application for a designation of assured
16 water supply or a certificate of assured water supply if a gray water
17 reuse system will be installed that meets the requirements of the rules
18 adopted by the department of environmental quality for gray water systems
19 and if the application is for a certificate of assured water supply, the
20 land for which the certificate is sought must qualify as a member land in
21 a conservation district pursuant to title 48, chapter 22, article 4. For
22 the purposes of this subsection, "gray water" has the same meaning
23 prescribed in section 49-201.

24 I. If the director designates a municipal provider as having an
25 assured water supply under this section and the designation lapses or
26 otherwise terminates while the municipal provider's service area is a
27 member service area of a conservation district, the municipal provider or
28 its successor shall continue to comply with the consistency with
29 management goal requirements in the rules adopted by the director under
30 subsection H of this section as if the designation was still in effect
31 with respect to the municipal provider's designation uses. When
32 determining compliance by the municipal provider or its successor with the
33 consistency with management goal requirements in the rules, the director
34 shall consider only water delivered by the municipal provider or its
35 successor to the municipal provider's designation uses. A person is the
36 successor of a municipal provider if the person commences water service to
37 uses that were previously designation uses of the municipal provider. Any
38 groundwater delivered by the municipal provider or its successor to the
39 municipal provider's designation uses in excess of the amount allowed
40 under the consistency with management goal requirements in the rules shall
41 be considered excess groundwater for purposes of title 48, chapter 22.
42 For the purposes of this subsection, "designation uses" means all water
43 uses served by a municipal provider on the date the municipal provider's
44 designation of assured water supply lapses or otherwise terminates and all
45 recorded lots within the municipal provider's service area that were not

1 being served by the municipal provider on that date but that received
2 final plat approval from a city, town or county on or before that date.
3 Designation uses do not include industrial uses served by an irrigation
4 district under section 45-497.

5 J. Subsections A, B and C of this section do not apply to a person
6 who proposes to offer subdivided land for sale or lease in an active
7 management area if all the following apply:

8 1. The director issued a certificate of assured water supply for
9 the land to a previous owner of the land and the certificate was
10 classified as a type A certificate under rules adopted by the director
11 pursuant to subsection H of this section.

12 2. The director has not revoked the certificate of assured water
13 supply described in paragraph 1 of this subsection, and proceedings to
14 revoke the certificate are not pending before the department or a court.
15 The department shall post on its website a list of all certificates of
16 assured water supply that have been revoked or for which proceedings are
17 pending before the department or a court.

18 3. The plat submitted to the department in the application for the
19 certificate of assured water supply described in paragraph 1 of this
20 subsection has not changed.

21 4. Water service is currently available to each lot within the
22 subdivided land and the water provider listed on the certificate of
23 assured water supply described in paragraph 1 of this subsection has not
24 changed.

25 5. The subdivided land qualifies as a member land under title 48,
26 chapter 22 and the subdivider has paid any activation fee required under
27 section 48-3772, subsection A, paragraph 7 and any replenishment reserve
28 fee required under section 48-3774.01, subsection A, paragraph 2.

29 6. The plat is submitted for approval to a city, town or county
30 that is listed on the department's website as a qualified platting
31 authority.

32 K. Subsection J of this section does not affect the assignment of a
33 certificate of assured water supply as prescribed by section 45-579.

34 L. On or before December 31, 2023, the director shall study and
35 submit to the governor, president of the senate and speaker of the house
36 of representatives a report on whether and how a person that seeks a
37 building permit for six or more residences within an active management
38 area, without regard to any proposed lease term for those residences,
39 should apply for and obtain a certificate of assured water supply from the
40 director before presenting the permit application for approval to the
41 county in which the land is located, unless the applicant has obtained a
42 written commitment of water service for the residences from a city, town
43 or private water company designated as having an assured water supply
44 pursuant to this section.

1 M. EXCEPT FOR APPLICATIONS SUBMITTED ON OR BEFORE SEPTEMBER 30,
2 2025, BEFORE PRESENTING A PERMIT APPLICATION FOR APPROVAL TO THE
3 LEGISLATIVE BODY OF A MUNICIPALITY OR THE BOARD OF SUPERVISORS OF THE
4 COUNTY IN WHICH THE LAND IS LOCATED, A PERSON THAT SEEKS A BUILDING PERMIT
5 FOR ONE OR MORE DETACHED RESIDENTIAL DWELLING UNITS THAT ARE LOCATED IN A
6 RESIDENTIAL LEASE COMMUNITY AS DEFINED IN SECTIONS 9-470.01 AND 11-325
7 WITHIN AN ACTIVE MANAGEMENT AREA SHALL:

8 1. UNLESS THE APPLICANT HAS OBTAINED A WRITTEN COMMITMENT OF WATER
9 SERVICE FOR THE RESIDENCES FROM A CITY, TOWN OR PRIVATE WATER COMPANY THAT
10 IS DESIGNATED AS HAVING AN ASSURED WATER SUPPLY PURSUANT TO THIS SECTION,
11 APPLY FOR AND OBTAIN A CERTIFICATE OF ASSURED WATER SUPPLY FROM THE
12 DIRECTOR.

13 2. PAY ALL APPLICABLE FEES PURSUANT TO SECTIONS 48-3772 AND
14 48-3774.01 AND ACCOMPANY THE BUILDING PERMIT APPLICATION WITH PROOF THAT
15 THE APPLICABLE FEES HAVE BEEN PAID.

16 N. EXCEPT FOR APPLICATIONS SUBMITTED ON OR BEFORE SEPTEMBER 30,
17 2025, A CITY, TOWN OR COUNTY MAY ONLY APPROVE A BUILDING PERMIT FOR ONE OR
18 MORE DETACHED RESIDENTIAL DWELLING UNITS THAT ARE LOCATED IN A RESIDENTIAL
19 LEASE COMMUNITY AS DEFINED IN SECTIONS 9-470.01 AND 11-325 AND WITHIN AN
20 ACTIVE MANAGEMENT AREA IF THE DETACHED RESIDENTIAL DWELLING UNITS HAVE
21 OBTAINED A CERTIFICATE OF ASSURED WATER SUPPLY FROM THE DIRECTOR OR A
22 WRITTEN COMMITMENT OF WATER SERVICE FOR THE RESIDENCES FROM A CITY, TOWN
23 OR PRIVATE WATER COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER
24 SUPPLY PURSUANT TO THIS SECTION.

25 ~~M.~~ 0. For the purposes of this section, "assured water supply"
26 means all of the following:

27 1. Sufficient groundwater, surface water or effluent of adequate
28 quality will be continuously available to satisfy the water needs of the
29 proposed use for at least one hundred years. Beginning January 1 of the
30 calendar year following the year in which a groundwater replenishment
31 district is required to submit its preliminary plan pursuant to section
32 45-576.02, subsection A, paragraph 1, with respect to an applicant that is
33 a member of the district, "sufficient groundwater" for the purposes of
34 this paragraph means that the proposed groundwater withdrawals that the
35 applicant will cause over a period of one hundred years will be of
36 adequate quality and will not exceed, in combination with other
37 withdrawals from land in the replenishment district, a depth to water of
38 one thousand feet or the depth of the bottom of the aquifer, whichever is
39 less. In determining depth to water for the purposes of this paragraph,
40 the director shall consider the combination of:

41 (a) The existing rate of decline.

42 (b) The proposed withdrawals.

43 (c) The expected water requirements of all recorded lots that are
44 not yet served water and that are located in the service area of a
45 municipal provider.

1 2. The projected groundwater use is consistent with the management
2 plan and achievement of the management goal for the active management
3 area.

4 3. The financial capability has been demonstrated to construct the
5 water facilities necessary to make the supply of water available for the
6 proposed use, including a delivery system and any storage facilities or
7 treatment works. The director may accept evidence of the construction
8 assurances required by section 9-463.01, ~~11-823~~ 11-822 or 32-2181 to
9 satisfy this requirement.

10 Sec. 4. Section 48-3701, Arizona Revised Statutes, is amended to
11 read:

12 48-3701. Definitions

13 In this chapter, unless the context otherwise requires:

14 1. "Active management area" means an active management area
15 established under title 45, chapter 2, article 2.

16 2. "Board" means the board of directors of a multi-county water
17 conservation district.

18 3. "Contract replenishment obligation" means an amount of
19 groundwater that the district contracts to replenish in a year on behalf
20 of a municipal provider pursuant to a contract authorized under section
21 48-3772, subsection B, paragraph 9.

22 4. "Credits" means any groundwater in addition to the amount of
23 groundwater that may be used at a member land or delivered within a member
24 service area for use within the member service area pursuant to the
25 applicable assured water supply rules adopted by the department of water
26 resources.

27 5. "Declaration" means an instrument recorded against real property
28 and conforming to the requirements prescribed by section 48-3774,
29 subsection A, paragraph 5.

30 6. "District" means a multi-county water conservation district
31 organized under the authority of this chapter.

32 7. "Excess groundwater" means an amount of groundwater equal to
33 that amount of groundwater delivered to a member land in a calendar year
34 or delivered within a member service area by the municipal provider for
35 that member service area in a calendar year in excess of the amount of
36 groundwater that may be used at the member land in that calendar year or
37 that may be delivered by the municipal provider for use within the member
38 service area in that calendar year and consistent with the applicable
39 assured water supply rules adopted by the department of water resources
40 for the active management area where the member land or the member service
41 area is located.

42 8. "Excess groundwater increment" means the amount by which excess
43 groundwater reported for a member service area under section 48-3775,
44 subsection B in any year exceeds the maximum amount of excess groundwater
45 reported for that member service area in any prior year.

9. "Groundwater replenishment obligation" means, for each active management area in which member lands or member service areas are or may be located, the total of the cumulative parcel replenishment obligation of all parcels of member land in that active management area for a particular calendar year plus the cumulative service area replenishment obligation of all member service areas in that active management area for a particular calendar year.

10. "Member land" means any real property that meets the requirements of section 48-3774.

11. "Member service area" means the service area of a municipal provider that qualifies as a member service area under section 48-3780, including any additions to or extensions of the service area.

12. "Multi-county water conservation district" means a district composed of three or more counties that have joined together for the creation of a district.

13. "Municipal provider" means a city, town or private water company or an irrigation district that supplies water for non-irrigation use.

14. "Parcel of member land" means any portion of member land for which the tax assessor for the county in which the member land is located has issued a separate county parcel number.

15. "Parcel replenishment obligation" means, with respect to any particular parcel of member land, an amount of groundwater that is equal to the amount of groundwater delivered to the parcel of member land in a calendar year multiplied by the percentage that the excess groundwater of the applicable member land for that year bears to the total amount of groundwater delivered to the applicable member land during that year.

16. "Population" means the population determined in the most recent United States decennial census.

17. "Private water company" has the same meaning prescribed in section 45-402.

18. "Projected replenishment obligation" means for each active management area, the district's total projected annual groundwater replenishment obligation for each of the one hundred years following submission of the district plan of operation.

19. "Replenish" means to increase the amount of groundwater in an aquifer through water storage pursuant to title 45, chapter 3.1 for the purpose of meeting the obligations of article 4 of this chapter.

20. "Reserve target" means the volume calculated for each active management area as prescribed by section 48-3772, subsection E.

21. "RESIDENTIAL LEASE COMMUNITY" HAS THE SAME MEANING PRESCRIBED IN SECTION 9-470.01 OR 11-325, AS APPLICABLE.

~~21.~~ 22. "Resolution" means a resolution adopted by the governing body of a city or town, by the board of directors of a private water company that is a corporation, by the general partners of a private water

1 company that is a partnership or by the individual owners of a private
2 water company that is individually owned.

3 ~~22.~~ 23. "Secretary" means the secretary of the interior of the
4 United States of America.

5 ~~23.~~ 24. "Service area" has the same meaning prescribed in section
6 45-402.

7 ~~24.~~ 25. "Service area replenishment obligation" means, with
8 respect to any particular member service area, the excess groundwater of
9 that member service area in a particular calendar year reduced by the
10 replenishment credits, if any, applied by the municipal provider with
11 respect to the member service area under section 48-3772, subsection H.

12 ~~25.~~ 26. "Water storage" has the same meaning prescribed in section
13 45-802.01.

14 Sec. 5. Section 48-3772, Arizona Revised Statutes, is amended to
15 read:

16 48-3772. Duties and powers of district regarding
17 replenishment; definition

18 A. The district shall:

19 1. Establish annually the costs and expenses to replenish
20 groundwater pursuant to this article with respect to all parcels of member
21 lands and all member service areas located in each active management area,
22 including capital expenses, debt service expenses, the operation,
23 maintenance, replacement and administrative costs and expenses of the
24 district, replenishment reserve costs and expenses as provided in
25 subsection E of this section and reasonable reserves. Separate
26 calculations of costs and expenses shall be made for each active
27 management area in which member lands or member service areas are located
28 and for each membership category. Costs and expenses attributed by the
29 district to contract replenishment obligations shall not be included in
30 these calculations.

31 2. Provide for the payment of all costs and expenses to replenish
32 groundwater pursuant to this chapter and the payment of operation,
33 maintenance, replacement and administrative costs and expenses and debt
34 service expenses of the district.

35 3. Levy an annual replenishment assessment against each parcel of
36 member land pursuant to section 48-3778 and an annual replenishment tax
37 against each municipal provider that has a member service area pursuant to
38 section 48-3781 to pay the district's costs and expenses as established
39 pursuant to paragraph 1 of this subsection.

40 4. Levy a contract replenishment tax against municipal providers
41 that are parties to contracts authorized under subsection B, paragraph 9
42 of this section to pay the district's costs and expenses to replenish
43 groundwater based on contract replenishment obligations.

44 5. Establish and maintain reserve accounts in amounts as may be
45 deemed necessary to perform the district's obligations under this article.

1 6. Fulfill all obligations under resolutions adopted pursuant to
2 subsection B, paragraph 10 of this section.

3 7. Levy an activation fee as follows:

4 (a) For subdivisions within member lands and member service areas
5 that are enrolled before May 6, 2004 and that had not been issued a public
6 report before August 12, 2005, the district shall levy a onetime
7 activation fee against each housing unit to be constructed within the
8 subdivision.

9 (b) For subdivisions within member lands and member service areas
10 that are enrolled on or after May 6, 2004, the district shall levy a
11 onetime activation fee against each housing unit to be constructed within
12 the subdivision.

13 (c) FOR RESIDENTIAL LEASE COMMUNITIES WITHIN MEMBER LANDS AND
14 MEMBER SERVICES AREAS THAT ARE ENROLLED ON OR AFTER JANUARY 1 2026, THE
15 DISTRICT SHALL LEVY A ONETIME ACTIVATION FEE AGAINST EACH DETACHED
16 RESIDENTIAL DWELLING UNIT TO BE CONSTRUCTED WITHIN THE RESIDENTIAL LEASE
17 COMMUNITY.

18 ~~(c)~~ (d) The activation fee shall be paid to the district according
19 to ~~either~~ ONE of the following schedules, whichever the ~~subdivider~~ PAYOR
20 elects:

21 (i) Paid in full before issuance of a public report for each real
22 estate subdivision identified in subdivision (a) or (b) of this paragraph.

23 (ii) One-half paid before issuance of a public report for each real
24 estate subdivision identified in subdivision (a) or (b) of this paragraph
25 and the remaining amount paid no later than one year after the issuance of
26 the public report. The total amount of the activation fee must be the
27 amount of the activation fee in effect at the time of the initial payment.
28 Payment of the initial one-half of the activation fee pursuant to this
29 item constitutes sufficient payment of applicable fees for notice of
30 intent to subdivide as prescribed in section 32-2181, subsection C and for
31 issuance of a public report as prescribed in section 32-2183, subsection G
32 and section 45-576, subsection C, except that on failure to pay the
33 remaining amount, the commissioner shall suspend the public report for
34 that subdivision pursuant to section 32-2183.

35 (iii) PAID IN FULL FOR A RESIDENTIAL LEASE COMMUNITY AT THE TIME OF
36 ENROLLMENT TO SHOW COMPLIANCE WITH SECTION 9-470.01 OR 11-325, AS
37 APPLICABLE.

38 ~~(d)~~ (e) The activation fee shall be established annually by the
39 district. The amount of the activation fee to be paid to the district
40 under subdivision ~~(c)~~ (d) of this paragraph must be the amount of the
41 activation fee in effect at the time of payment. Revenues from the
42 activation fee together with revenues from other sources that are legally
43 available to the district for those uses shall be used by the district to
44 acquire, lease or exchange water or water rights and develop

1 infrastructure necessary for the district to perform its replenishment
2 obligations.

3 8. For any year, set all of its rates and charges associated with
4 the acquisition, lease or exchange of water or water rights and
5 development of infrastructure necessary for the district to perform its
6 replenishment obligations, other than the annual membership dues
7 established pursuant to section 48-3779, so that the total projected
8 revenues from revenue sources other than the annual membership dues, that
9 are legally available to the district in that year to pay costs associated
10 with the acquisition, lease or exchange of water or water rights and
11 development of infrastructure necessary for the district to perform its
12 replenishment obligations, shall be at least three times the total
13 projected revenues from the annual membership dues in that year. For the
14 purposes of this paragraph, costs associated with the acquisition, lease
15 or exchange of water or water rights do not include the annual costs
16 associated with delivery of water for replenishment purposes.

17 B. The district may:

18 1. Acquire, develop, construct, operate, maintain, replace and
19 acquire permits for water storage, storage facilities and recovery wells
20 for replenishment purposes.

21 2. Acquire, transport, hold, exchange, own, lease, store or
22 replenish water, except groundwater withdrawn from an active management
23 area, subject to the provisions of title 45, for the benefit of member
24 lands and member service areas.

25 3. Acquire, hold, exchange, own, lease, retire or dispose of water
26 rights for the benefit of member lands and member service areas.

27 4. Require municipal providers to provide such information, in such
28 form and within the time limits prescribed by the district, as may be
29 necessary to carry out the purpose of this chapter.

30 5. Levy and collect assessments, fees, charges, taxes and other
31 revenues as are provided in this chapter for the financing of
32 replenishment activities.

33 6. Contract for or perform feasibility studies of water storage,
34 storage facilities and recovery wells for replenishment purposes.

35 7. Acquire real and personal property for water storage, storage
36 facilities and recovery wells for replenishment purposes by purchase,
37 lease, donation, dedication, exchange or other lawful means.

38 8. Use any facilities and any excess storage capacity of any state
39 demonstration projects undertaken pursuant to title 45, chapter 3.1 for
40 water storage for replenishment purposes.

41 9. Subject to subsection G of this section, contract with any
42 municipal provider having a member service area to replenish groundwater
43 on behalf of the municipal provider and with respect to the member service
44 area in an amount in excess of the sum of the service area replenishment
45 obligations applicable to the member service area for all years in which

1 the district has not completed the replenishment of the groundwater
2 replenishment obligation for the member service area.

3 10. Adopt resolutions granting water availability status to a member
4 service area of a city, town or private water company and committing to
5 replenish a specified average annual volume of water in a location where
6 the city, town or private water company may physically access the water
7 for service to its customers, if all of the following apply:

8 (a) The district has reviewed its requirements for transportation
9 of central Arizona project water, its contracts, subcontracts, letter
10 agreements, excess water contracts and other contractual obligations and
11 its member service area and member land requirements and has determined
12 that the district can meet those obligations and that capacity remains in
13 the central Arizona project to meet the obligations undertaken through the
14 resolution.

15 (b) The resolution acknowledges that the commitment to replenish
16 the specified average annual volume of water in the location cited in the
17 resolution shall be a permanent obligation of the district, unless one of
18 the following applies:

19 (i) A permanent substitute supply of water is found for the city,
20 town or private water company and the substitution is approved by the
21 director of water resources, thus terminating the water availability
22 status of the member service area.

23 (ii) The requirements of section 45-576.07, subsection A are not
24 met, and thus the director of water resources does not issue an order
25 granting or maintaining the city, town or private water company as having
26 an assured water supply based in whole or in part on section 45-576.07.
27 If no order is issued within two years of the district adopting the
28 resolution, the resolution may be repealed, and the district shall be
29 relieved of all obligations under the resolution.

30 (c) The average annual volume of water specified in the resolution,
31 when added to the average annual volume of water specified in all other
32 resolutions adopted pursuant to this paragraph, does not exceed twenty
33 thousand acre-feet.

34 (d) The district has entered into an agreement with the city, town
35 or private water company under which the city, town or private water
36 company will hold for the district's future use, and provide to the
37 district when needed, sufficient water to meet the obligations undertaken
38 by the district through the resolution.

39 (e) The district determines that the obligations undertaken by the
40 district through the resolution will not increase annual replenishment
41 assessment rates or costs to central Arizona project contract and
42 subcontract holders and its member service areas and member lands.

43 (f) The director of water resources has found, pursuant to section
44 45-576.07, subsection H, that the district has the capability to grant
45 water availability status to member service areas.

1 11. Provide in resolutions adopted pursuant to paragraph 10 of this
2 subsection that the district may fulfill its obligations under the
3 resolution in any year by directly delivering to the city, town or private
4 water company the water that otherwise would have been replenished
5 pursuant to the resolution, if all of the following apply:

6 (a) The district has reviewed its requirements for transportation
7 of central Arizona project water, its contracts, subcontracts, letter
8 agreements, excess water contracts and other contractual obligations and
9 its member service area and member land requirements and has determined
10 that the district can meet those obligations and that capacity remains in
11 the central Arizona project to make direct deliveries pursuant to this
12 paragraph.

13 (b) The district determines that the delivery will not increase
14 annual replenishment assessment rates or costs to central Arizona project
15 contract and subcontract holders, its member service area and member
16 lands.

17 12. Enter into agreements with a city, town or private water company
18 that will have water made available to it through a resolution adopted
19 pursuant to paragraph 10 of this subsection and under which the city, town
20 or private water company compensates the district for the costs and fair
21 value of the water supply provided by the district.

22 13. Issue revenue bonds pursuant to article 3 of this chapter to
23 fund the costs and expenses of the district for the acquisition, lease or
24 exchange of water or water rights and the development of infrastructure
25 necessary for the district to perform its replenishment obligations
26 subject to the following:

27 (a) The principal of, interest and premiums, if any, on revenue
28 bonds issued pursuant to article 3 of this chapter to acquire, lease or
29 exchange water or water rights and develop infrastructure necessary for
30 the district to perform its replenishment obligations are not payable from
31 any revenues of the district other than revenues generated or collected
32 pursuant to this article that are legally available to the district for
33 those purposes and revenues from the investment of the proceeds of the
34 bonds.

35 (b) The district may not use the proceeds of the bonds to acquire
36 or lease:

37 (i) Groundwater, as defined in section 45-101, except as expressly
38 authorized in sections 45-547, 45-553 and 45-554.

39 (ii) Surface water, as defined in section 45-101, that is the
40 subject of a general adjudication pursuant to title 45, chapter 1,
41 article 9.

42 (c) ~~Nothing in~~ Subdivision (b) of this paragraph ~~prohibits~~ DOES NOT
43 PROHIBIT the district from acquiring or leasing central Arizona project
44 water.

14. Except as provided in section 48-3780.01, subsection B, in addition to any other assessments, fees, charges or taxes levied and collected under this chapter, or under any declaration, contract or agreement entered into under this chapter, charge annual dues for membership pursuant to section 48-3779 against each parcel of member land and each municipal provider that has a member service area.

C. The functions of the district under subsection B, paragraph 1 of this section may be performed on behalf of the district by other persons under contract with the district.

D. The capital costs of the facilities of any state demonstration projects used by the district pursuant to subsection B, paragraph 8 of this section shall not be included in the capital costs and expenses established by the district under subsection A, paragraph 1 of this section.

E. The district shall establish and maintain a replenishment reserve as follows:

1. The district shall calculate a reserve target for each of the three active management areas within the district and shall identify the reserve target in the plan of operation prepared pursuant to section 45-576.02. The reserve target for each active management area shall be calculated as follows:

(a) For each active management area, add together the projected replenishment obligation for each of the one hundred years following submission of the plan of operation. For the purposes of this subdivision, each active management area's projected replenishment obligation does not include replenishment obligations under resolutions adopted pursuant to subsection B, paragraph 10 of this section or replenishment obligations for category 2 member lands.

(b) Subtract from the sum of the active management area's projected replenishment obligation over the one hundred-year period the sum of the following volumes of water derived from sources identified in the plan as water that the district plans to use to meet its replenishment obligations for that active management area:

(i) The annual volume of each nondeclining, long-term municipal and industrial subcontract for central Arizona project water multiplied by one hundred.

(ii) The annual volume of water under leases or contracts that can be made physically and legally available to the district consistent with the rules adopted pursuant to section 45-576, subsection H, multiplied by the number of years, not to exceed one hundred, in which the water is to be made available to the district. The water need not be continuously available to be included in this item. A lease or contract shall not be considered under this item if the water to be made available under the lease or contract is for a term of less than twenty years.

1 (iii) The total volume of groundwater that the district plans to
2 transport to the active management area during the next one hundred years
3 as allowed by title 45, chapter 2, article 8.1.

4 (iv) The total volume of all sources of water not identified in
5 items (i), (ii) or (iii) of this subdivision that will not be held by the
6 district under a lease or contract. Volumes to be included under this
7 item must be consistent with the rules adopted by the director pursuant to
8 section 45-576, subsection H.

9 (c) Multiply the result from subdivision (b) of this paragraph by
10 twenty percent. The result is the reserve target for the active
11 management area.

12 2. The reserve target for an active management area may be adjusted
13 by the district, subject to the approval of the director of water
14 resources, based on changes in either of the following:

15 (a) The active management area's projected replenishment
16 obligation.

17 (b) The volumes of water identified in the plan of operation
18 prepared pursuant to section 45-576.02 as water that the district plans to
19 use to meet its replenishment obligations for that active management area.

20 3. The district shall include a replenishment reserve charge in the
21 annual replenishment assessment levied against all parcels of category 1
22 member land as provided in section 48-3774.01 and in the annual
23 replenishment tax levied against all municipal providers that have member
24 service areas as provided in section 48-3780.01. The replenishment
25 reserve charge for each active management area is established annually by
26 the district based on the reserve target for that active management area.

27 4. The district shall levy a replenishment reserve fee against
28 category 1 member lands pursuant to section 48-3774.01 and against member
29 service areas pursuant to section 48-3780.01. For category 1 member lands
30 the fee is equal to twice the applicable replenishment reserve charge
31 multiplied by the total projected average annual replenishment obligation
32 for the member lands as reported by the director of water resources
33 pursuant to section 45-578, subsection F. For member service areas the
34 fee is equal to twice the applicable replenishment reserve charge
35 multiplied by the excess groundwater increment. With the approval of the
36 district and the director of water resources, long-term storage credits as
37 defined in section 45-802.01 may be assigned to the district's
38 replenishment reserve subaccount in lieu of paying the replenishment
39 reserve fee.

40 5. The district shall use replenishment reserve charges and
41 replenishment reserve fees collected within each active management area
42 together with all interest earned on the charges and fees to store water
43 in that active management area in advance of groundwater replenishment
44 obligations for the purpose of developing long-term storage credits as
45 defined in section 45-802.01 that shall be credited to the replenishment

1 reserve subaccount for that active management area as provided in section
2 45-859.01.

3 6. Beginning on January 1, 2030 or earlier, on approval of the
4 director of water resources pursuant to section 45-859.01, subsection K,
5 the district may transfer credits from a replenishment reserve subaccount
6 to a conservation district account as provided in section 45-859.01 to
7 satisfy its groundwater replenishment obligations.

8 7. If the district transfers credits from the replenishment reserve
9 subaccount for an active management area pursuant to section 45-859.01,
10 subsection E, the district shall include in the annual replenishment
11 assessment levied against all parcels of category 1 member land in that
12 active management area and, except as provided in section 48-3780.01,
13 subsection B, in the annual replenishment tax levied against all municipal
14 providers that have member service areas in that active management area a
15 reserve replacement component to fund the replacement of the transferred
16 credits. The district shall use all monies from the reserve replacement
17 component collected within an active management area together with all
18 interest earned on the monies to develop long-term storage credits as
19 defined in section 45-802.01 within that active management area to be
20 credited to the replenishment reserve subaccount for that active
21 management area as provided in section 45-859.01.

22 8. For the purposes of establishing and maintaining the
23 replenishment reserve, the district shall have access to excess central
24 Arizona project water equivalent to but not more than the access the
25 Arizona water banking authority has for the purposes specified in section
26 45-2401, subsection H, paragraph 2.

27 F. Groundwater replenished by the district pursuant to a contract
28 to replenish groundwater under subsection B, paragraph 9 of this section
29 shall not be credited to a replenishment reserve subaccount established
30 under section 45-859.01.

31 G. The district shall not enter into a contract authorized under
32 subsection B, paragraph 9 of this section unless the district has
33 determined that the contract will not adversely affect the district's
34 ability to fulfill its obligations under this chapter. For each contract
35 entered into under subsection B, paragraph 9 of this section, the district
36 shall perform its contract replenishment obligations in the active
37 management area in which the service area of the municipal provider that
38 is the party to the contract is located.

39 H. If the district replenishes groundwater on behalf of a municipal
40 provider pursuant to a contract to replenish groundwater under subsection
41 B, paragraph 9 of this section, the amount of groundwater so replenished
42 shall be a replenishment credit to the municipal provider that may be
43 applied by the municipal provider on notice to the district to reduce the
44 service area replenishment obligations applicable to the municipal
45 provider.

I. In the Phoenix active management area, the district, to the extent reasonably feasible, shall replenish groundwater in the east portion of the active management area and in the west portion of the active management area in the approximate proportion that the groundwater replenishment obligation attributable in a particular year to member lands and member service areas located in the east portion of the active management area bears to the groundwater replenishment obligation attributable in that year to member lands and member service areas located in the west portion of the active management area. For the purposes of this subsection, the boundary between the east Salt river valley subbasin and the west Salt river valley subbasin is the boundary between the east and west portions of the active management area.

J. The costs and expenses charged by the district to an active management area water district established under chapter 28 of this title for delivery of surplus central Arizona project water to such active management area water district for replenishment purposes shall not exceed the costs and expenses for delivery of such water that are or would be included by the district in the costs and expenses of replenishment for member lands and member service areas within the active management area in which such active management area water district is situated.

Sec. 6. Section 48-3774, Arizona Revised Statutes, is amended to read:

48-3774. Qualification as member land

A. Real property qualifies as member land only if all of the following apply:

1. The real property is located in an active management area in which a part of the central Arizona project aqueduct is located.

2. The real property is not in a member service area or in a groundwater replenishment district under chapter 27 of this title.

3. The real property is not a water district member land or a parcel of water district member land, or in a water district member service area established under chapter 28 of this title.

4. The conditions stated in section 45-576.01, subsection B, paragraphs 2 and 3 are satisfied with respect to the district at the time of the qualification.

5. The owner of the real property, or other person or entity, such as a property owners' or homeowners' association, if the person or entity has proper authority, records a declaration that has been approved by the district against the real property in the official records of the county where the real property is located that:

(a) Contains the legal description of the real property.

(b) Declares the intent of the owner that the real property qualify as member land under this chapter.

(c) Declares that, in order to ~~permit~~ ALLOW the delivery of excess groundwater to the real property, each parcel of member land thereafter

1 established at the real property is subject to a parcel replenishment
2 obligation and to a replenishment assessment to be determined by the
3 district.

4 (d) Declares that qualifying as member land and subjecting the real
5 property to the parcel replenishment obligation and the replenishment
6 assessment directly benefits the real property by increasing the potential
7 of the property to qualify for a certificate of assured water supply
8 issued by the department of water resources pursuant to title 45, chapter
9 2, article 9, thereby allowing the development, use and enjoyment of the
10 real property.

11 (e) Contains a covenant that is binding against the real property
12 and each parcel of member land thereafter established at the real property
13 to pay to the district a replenishment assessment based on the parcel
14 replenishment obligation in an amount determined by the district pursuant
15 to section 48-3772, subsection A.

16 (f) Declares that the district may impose a lien on the real
17 property and each parcel of member land thereafter established at the real
18 property to secure payment of the replenishment assessment and any
19 applicable replenishment reserve fee.

20 (g) Declares that the covenants, conditions and restrictions
21 contained in the declaration run with the land and bind all successors and
22 assigns of the owner.

23 B. The declaration may contain covenants, conditions and
24 restrictions in addition to those prescribed by this section. The
25 declaration may be an amendment or supplement to covenants, conditions and
26 restrictions recorded against developed or undeveloped land.

27 C. Notwithstanding subsection A of this section, no real property
28 qualifies as member land unless the municipal provider that will provide
29 water to the real property that is subject to the declaration records in
30 the official records of the county where the real property is located an
31 agreement between the district and the municipal provider that contains
32 both of the following:

33 1. The legal description of the real property and the tax parcel
34 numbers for the real property.

35 2. An agreement by the municipal provider to submit to the district
36 by March 31 of each year after the recordation of the instrument the
37 information prescribed by section 48-3775, subsection A and such other
38 information as the district may reasonably request.

39 D. Real property previously accepted as member land pursuant to
40 subsection A of this section terminates its member land status only if all
41 of the following apply:

42 1. No lot or parcel of ~~subdivided~~ land within the real property has
43 been sold or leased to a retail purchaser or lessee.

44 2. The state real estate commissioner has not issued a public
45 report for the real property.

3. If lot or parcel boundaries were previously recorded for the real property, the planning agency having planning authority over the real property has approved a plat vacating the lot or parcel boundaries that were previously recorded for the real property.

4. The owner or owners of the real property or other person or entity, such as a property owners' or homeowners' association, if the person or entity has proper authority, records a declaration that has been executed by the district and the director of water resources against the real property in the official records of the county where the real property is located AND that:

(a) Contains the legal description of the real property that is substantially similar to the legal description of the real property included in the declaration recorded pursuant to subsection A, paragraph 5 of this section.

(b) Declares that the covenants, conditions and restrictions previously recorded pursuant to subsection A, paragraph 5 of this section are revoked.

5. The agreement recorded pursuant to subsection C of this section has been revoked by mutual agreement of the parties to that agreement and the municipal provider has recorded notice of the revocation in the official records of the county where the real property is located.

6. If the department of water resources has issued a certificate of assured water supply for the real property, the director of water resources has revoked the certificate pursuant to a written agreement for revocation entered into between the holder of the certificate and the director.

E. For the purposes of subsection D of this section, ~~a~~ "retail purchaser or lessee" means EITHER OF THE FOLLOWING:

1. A purchaser or lessee of a lot or parcel of subdivided lands that is entitled to receive a public report from the seller or lessor pursuant to section 32-2183, subsection I.

2. A LESSEE OF A RESIDENTIAL LEASE COMMUNITY.

Sec. 7. Section 48-3774.01, Arizona Revised Statutes, is amended to read:

48-3774.01. Category 1 member lands; category 2 member lands;
fees

A. Except as provided in subsection B of this section, all real property that qualifies under section 48-3774 shall be category 1 member land. The district shall levy annual replenishment reserve charges and ~~one-time~~ ONETIME replenishment reserve fees for category 1 member lands as provided in section 48-3772, subsection E and as follows:

1. For category 1 member lands that qualified before January 1, 2004, the district shall levy annual replenishment reserve charges for twenty-five years beginning in 2004.

2. For category 1 member land that qualifies on or after January 1, 2004, a replenishment reserve fee shall be paid before issuance of a public report for each final plat within the member land as provided in section 45-576, subsection C **OR PAID IN FULL AS PROVIDED IN SECTION 45-576, SUBSECTION M** and the district shall levy annual replenishment reserve charges against the land included within the final plat for twenty-three years beginning in the year after payment of the corresponding replenishment reserve fee.

B. A parcel of member land shall be a category 2 member land if all of the following apply:

1. The parcel of member land is or will be used as a golf course.

2. The parcel of member land is not served by a water provider that has been designated by the director of water resources as having an assured water supply pursuant to section 45-576.

3. The owner of the parcel notifies the district in writing at the time of qualification that the parcel is to be category 2 member land. For member land that qualified under section 48-3774 before January 1, 2004, ~~such~~ **THE** notification must be made ~~no~~ **NOT** later than January 30, 2004.

C. The district shall not levy replenishment reserve fees, replenishment reserve charges or a reserve replacement component against category 2 member lands.

D. The district shall not use credits from a replenishment reserve subaccount established under section 45-859.01 to satisfy its groundwater replenishment obligations for category 2 member lands. If as a result the district incurs additional costs and expenses in meeting its replenishment obligations for category 2 member lands, those additional costs and expenses are attributed solely to category 2 member lands for **THE** purposes of section 48-3772, subsection A, paragraph 1.

Sec. 8. Section 48-3779, Arizona Revised Statutes, is amended to read:

48-3779. Annual membership dues

A. On or before the third Monday of August of each year ~~beginning in 2011~~, the district may charge annual membership dues on all parcels of member lands, **ON EACH DWELLING UNIT WITHIN A RESIDENTIAL LEASE COMMUNITY** and on all municipal providers having a member service area.

B. The annual membership dues shall be established annually by the district. The district shall use revenues from the annual membership dues, together with revenues from other revenue sources that are legally available to the district for those uses, solely to pay costs associated with the acquisition, lease or exchange of water or water rights and development of infrastructure necessary for the district to perform its replenishment obligations, including the payment of debt service expenses, and necessary reserves and coverage requirements, on bonds issued for replenishment purposes.

1 C. For any year in which the district has, or expects to have, any
2 revenue bonds outstanding that were issued for replenishment purposes
3 pursuant to section 48-3772, subsection B, paragraph 13, the annual
4 membership dues shall be established in an amount determined by the
5 district to be sufficient to provide, with other revenues legally
6 available to the district for those purposes, and taking into account the
7 requirements of section 48-3772, subsection A, paragraph 8, for the
8 payment of all debt service expenses, including necessary reserves and
9 coverage requirements with respect to the bonds.

10 D. When the district has determined the amount of revenues to be
11 raised through the annual membership dues, the district shall allocate the
12 amount to be raised between member lands and member service areas prorated
13 on the basis of the following two volumes:

14 1. Total current and projected annual replenishment obligation of
15 all member lands as identified in the most recent plan of operation
16 determined by the director of water resources to be consistent with
17 achieving the management goal for the active management areas pursuant to
18 section 45-576.03, subsection M, O or R.

19 2. Total planned annual service area replenishment obligations for
20 all member service areas. The planned annual service area replenishment
21 obligation for a member service area is the lesser of:

22 (a) The annual service area replenishment obligation, as determined
23 by the district, associated with the current and committed water demands
24 projected within the member service area as of December 31 of the year
25 following the year in which the district is required to submit its next
26 plan under section 45-576.02, subsection C.

27 (b) The maximum amount of excess groundwater that may be reported
28 to the district as delivered by the municipal provider within the member
29 service area in any year as established in an agreement executed between
30 the municipal provider and the district.

31 E. The total amount allocated to member lands in any year, as
32 calculated pursuant to subsection D of this section, shall be prorated
33 among the Phoenix, Pinal and Tucson active management areas based on the
34 current and projected annual replenishment obligation of all member lands
35 in that active management area as identified in the most recent plan of
36 operation determined by the director of water resources to be consistent
37 with achieving the management goal for the active management area pursuant
38 to section 45-576.03, subsection M, O or R. The prorated amount within
39 each active management area shall be further prorated among all parcels of
40 member land AND ALL DWELLINGS WITHIN A RESIDENTIAL LEASE COMMUNITY located
41 within that active management area based on a uniform fee ~~per lot~~ levied
42 against the total number of residential, commercial and common area lots
43 AND ALL DWELLINGS WITHIN A RESIDENTIAL LEASE COMMUNITY included, or
44 intended to be included, in each parcel of member land. These dues are a
45 lien on each parcel of member land and shall be certified, collected and

1 enforced with respect to member land in the same manner as the annual
2 assessment pursuant to section 48-3778. However, any parcel of member
3 land that is included in the service area of a municipal provider that has
4 been designated as having an assured water supply under section 45-576 is
5 not subject to the annual membership dues.

6 F. The total amount allocated to member service areas in any year,
7 as calculated pursuant to subsection D of this section, shall be prorated
8 among all member service areas based on a uniform fee per acre-foot levied
9 against the member service area's dues volume. The dues volume for a
10 member service area is the greater of:

11 1. The planned annual service area replenishment obligation as
12 established pursuant to subsection D, paragraph 2 of this section for the
13 member service area.

14 2. Five ~~per cent~~ PERCENT of the service area's annual estimated
15 water demand to be satisfied with excess groundwater as identified in the
16 service area's most recent designation order issued by the director of
17 water resources. If the service area's most recent designation order
18 issued by the director of water resources does not identify the annual
19 estimated water demand to be satisfied with excess groundwater, the
20 service area's annual estimated water demand to be satisfied with excess
21 groundwater shall be calculated consistent with the rules adopted by the
22 director pursuant to section 45-576, subsection H.

23 G. Except in the first full year following the year in which the
24 director makes a determination that the district's most recent plan of
25 operation is consistent with achieving the management goals of the active
26 management areas pursuant to section 45-576.03, subsection M, for any year
27 in which the dues volume for a member service area, as determined pursuant
28 to subsection F of this section, exceeds the previous year's dues volume
29 for the member service area, a makeup charge shall be added to the annual
30 membership dues allocated under subsection F of this section to the member
31 service area. The makeup charge shall become part of the member service
32 area's annual membership dues for that year and is the sum of:

33 1. The difference between the current year's dues volume and the
34 previous year's dues volume, in acre-feet, multiplied by the sum of the
35 uniform fees per acre-foot established pursuant to subsection F of this
36 section for each year since the later of:

37 (a) The first full year following the year of the director's
38 determination that the district's most recent plan of operation is
39 consistent with achieving the management goals of the active management
40 areas pursuant to section 45-576.03, subsection M.

41 (b) The year in which the service area qualified as a member
42 service area pursuant to section 48-3780.

43 2. Interest on the amount established in paragraph 1 of this
44 subsection calculated at an interest rate determined by the district.

1 3. The amounts established in paragraphs 1 and 2 of this subsection
2 multiplied by ten ~~per cent~~ PERCENT.

3 H. The annual membership dues become an obligation of each
4 municipal provider that has a member service area and shall be stated,
5 collected and enforced with respect to the municipal provider in the same
6 manner as the annual replenishment tax pursuant to sections 48-3781 and
7 48-3782.

8 I. Annual membership dues collected by the district shall be
9 deposited in a special fund established by the state to be spent by the
10 district only for the purposes authorized by this article, including:

11 1. The payment of debt service expenses and funding reserves for
12 bonds issued for replenishment purposes.

13 2. The payment of the costs of acquiring, leasing or exchanging
14 water or water rights and development of infrastructure necessary for the
15 district to perform its replenishment obligations.

16 J. Amounts collected may be transferred to a bank or trust company
17 to be held in trust and spent with respect to bonds issued for
18 replenishment purposes.