

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.

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

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

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

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

20      E. The director shall designate cities and towns in active  
21 management areas where an assured water supply exists. If a city or town  
22 has entered into a contract for central Arizona project water, the city or  
23 town is deemed to continue to have an assured water supply until December  
24 31, 1997. Commencing on January 1, 1998, the determination that the city  
25 or town has an assured water supply is subject to review by the director  
26 and the director may determine that a city or town does not have an  
27 assured water supply.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43      22. "Resolution" means a resolution adopted by the governing  
44 body of a city or town, by the board of directors of a private water  
45 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.

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

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

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

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

17       1. The district shall calculate a reserve target for each of the  
18 three active management areas within the district and shall identify the  
19 reserve target in the plan of operation prepared pursuant to section  
20 45-576.02. The reserve target for each active management area shall be  
21 calculated as follows:

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

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

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

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

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

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

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

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

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

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

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

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

5. The district shall use replenishment reserve charges and replenishment reserve fees collected within each active management area together with all interest earned on the charges and fees to store water in that active management area in advance of groundwater replenishment obligations for the purpose of developing long-term storage credits as 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.

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

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

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

23       48-3774. Qualification as member land

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

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

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

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

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

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

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

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

44           (c) Declares that, in order to ~~permit~~ ALLOW the delivery of excess  
45 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.

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

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

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

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

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

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

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

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

32       **2. A LESSEE OF A RESIDENTIAL LEASE COMMUNITY.**

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

35       **48-3774.01. Category 1 member lands; category 2 member lands;**  
36       fees

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

42       1. For category 1 member lands that qualified before January 1,  
43 2004, the district shall levy annual replenishment reserve charges for  
44 twenty-five years beginning in 2004.

1       2. For category 1 member land that qualifies on or after January 1,  
2 2004, a replenishment reserve fee shall be paid before issuance of a  
3 public report for each final plat within the member land as provided in  
4 section 45-576, subsection C **OR PAID IN FULL AS PROVIDED IN SECTION**  
5 **45-576, SUBSECTION M** and the district shall levy annual replenishment  
6 reserve charges against the land included within the final plat for  
7 twenty-three years beginning in the year after payment of the  
8 corresponding replenishment reserve fee.

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

11       1. The parcel of member land is or will be used as a golf course.  
12       2. The parcel of member land is not served by a water provider that  
13 has been designated by the director of water resources as having an  
14 assured water supply pursuant to section 45-576.

15       3. The owner of the parcel notifies the district in writing at the  
16 time of qualification that the parcel is to be category 2 member land.  
17 For member land that qualified under section 48-3774 before January 1,  
18 2004, **sueh** **THE** notification must be made **no** **NOT** later than January 30,  
19 2004.

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

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

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

32       **48-3779. Annual membership dues**

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

37       B. The annual membership dues shall be established annually by the  
38 district. The district shall use revenues from the annual membership  
39 dues, together with revenues from other revenue sources that are legally  
40 available to the district for those uses, solely to pay costs associated  
41 with the acquisition, lease or exchange of water or water rights and  
42 development of infrastructure necessary for the district to perform its  
43 replenishment obligations, including the payment of debt service expenses,  
44 and necessary reserves and coverage requirements, on bonds issued for  
45 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.