



ARIZONA STATE SENATE
Fifty-Seventh Legislature, Second Regular Session

AMENDED
FACT SHEET FOR H.B. 2999

municipal improvement districts; technical correction
(NOW: infrastructure finance districts)

Purpose

Allows real property owners to petition the Arizona Finance Authority (AFA), until June 30, 2036, to establish a state affordability infrastructure district (district) that is managed by a district board comprised of real property owners and allows a district to issue and sell bonds and levy taxes and assessments. Outlines procedures for district formation petitions, elections, financing, public hearings, governance, powers, dissolution, property disclosures and public infrastructure project review.

Background

Special taxing districts are usually created to fill a need and to enable the provision of services in an area that might otherwise be limited from receiving those services for various reasons, including size, location, financial limitations or unavailability of other government support. The formation of a special taxing district creates a funding stream to pay for the desired or needed services by placing the responsibility on those who benefit from that service.

Statute allows and outlines the process for the formation of 36 types of special taxing districts including fire districts, irrigation districts, hospital districts, pest abatement districts, power districts and community facilities districts. Although the specific process depends on the type of district created, the formation in many cases requires the submission of petitions to the county board of supervisors, followed by a public hearing. Statute also prescribes mechanisms for the dissolution of districts and methods for changing district boundaries ([A.R.S. Title 48](#)).

A municipality or county may assess development fees to offset costs associated with providing necessary public services to a development, including the costs of infrastructure, improvements, real property, engineering and architectural services, financing and professional services. The payment schedule for development fees must be provided by the municipality or county. Based on the cost identified in the infrastructure improvements plan, the municipality or county must provide a development fee credit or reimbursement for the dedication of public sites, improvements and other necessary public services or facility expansions included in the infrastructure improvements plan and for which a development fee is assessed, to the extent the public sites, improvements and necessary public services or facility expansions are provided by the developer (A.R.S. §§ [9-463.05](#) and [11-1102](#)).

The Arizona Prompt Pay Act governs the timing of payments in construction contracts by requiring general contractors to pay subcontractors and suppliers within specific timeframes after receiving payment. A contractor may suspend performance under a construction contract or terminate a construction contract for failure by the owner to make timely payment. A subcontractor

may suspend performance under a construction contract or terminate a construction contract if the owner fails to make timely payment for the subcontractor's work and the contractor fails to pay the subcontractor for the certified and approved work. The state and political subdivisions are exempt from the prompt pay requirements (A.R.S. Title 32, Chapter 10, Article 5).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

District Petition and Formation

1. Allows, until June 30, 2036, a district to be formed by petition of all individuals and entities having fee-title ownership of all real property in the proposed district and requires the petition to be submitted to the AFA.
2. Allows a district to include contiguous or noncontiguous property, provided that all noncontiguous property is located in the same county and lies within five miles of the boundary of other property within the district.
3. Stipulates that, if any portion of a district is located within the corporate limits of a municipality, the entire district must at all times be located within the corporate limits or within the adopted planning area of that municipality.
4. Prohibits a district from being formed if any portion of the land within the district is already included within the boundaries of a community facilities district or a revitalization district.
5. Requires the formation petition to be filed with the AFA and to contain:
 - a) a metes and bounds description and a map of the district boundaries;
 - b) the proposed name of the district;
 - c) a general plan setting out a general description of the public infrastructure for which the district is proposed to be formed and for which bonds may be issued, the general areas to be improved and the estimated costs of constructing or acquiring the public infrastructure;
 - d) a general description of the estimated cost of engineering services, legal services, administrative services and other major expenses related to organizing and initially operating the district;
 - e) an engineer's estimate of the costs of the public infrastructure for which the district is proposed to be formed and for which bonds may be issued;
 - f) the maximum authorized tax rate, the maximum aggregate principal amount of general obligation bonds and the maximum aggregate assessment amount, if any;
 - g) the maximum secondary property tax rate levied to pay the expenses of operating, maintaining and administering the district and the public infrastructure financed by the district as approved by the district in its budget, if any;
 - h) a preliminary financing plan that includes the anticipated sources and uses of monies for the public infrastructure;
 - i) if the district proposes to issue assessment bonds, an appraisal indicating the aggregate as-is market value of real property in the district and the projected market value of the real

- property and improvements in the district after completion of the public infrastructure proposed to be financed with the assessment bonds;
- j) if the district proposes to issue general obligation bonds, a third-party market study that includes projections of the limited property value of real property in the district for each year in which general obligation bonds are proposed to be outstanding together with information demonstrating that debt service on such bonds can be supported within the maximum authorized tax rate;
 - k) a statement of all fee title holders of real property in the district, the initial board members and the initial board, clerk and treasurer terms;
 - l) a statement of bond counsel indicating that the petition complies with statutory requirements;
 - m) a copy of any existing and applicable development agreement or other agreement with the municipality or the county that relates to public infrastructure and that is recorded against the land included within the boundaries of the district and a certification by the petitioner that the formation of the district will not violate any such agreement;
 - n) a written statement, signed by an engineer, certifying that the estimated cost of the public infrastructure to be constructed in the proposed district exceeds \$5,000,000;
 - o) a summary of the anticipated community benefits of forming the district, including expected impacts on public infrastructure timing, housing attainability and economic development, together with a description of any material risks associated with district formation and implementation of the general plan, including potential tax, assessment and fiscal impacts on owners of real property in the district;
 - p) a formation order in substantially final and recordable form; and
 - q) a description of the petitioner, including specified information.
6. Allows public infrastructure, other than personalty, to be located only in or on lands owned by the state or a county, municipality or the district or dedicated or otherwise designated as public roadways, highways, streets, thoroughfares, easements or rights-of-way, whether in or out of the district or a municipality.
7. Allows the projects to be constructed or acquired as shown in the general plan to be financed from the following revenue sources:
- a) proceeds received from the sale of district bonds;
 - b) monies of a municipality or Indian tribe or community that are contributed to the district;
 - c) assessments;
 - d) ad valorem taxes;
 - e) private contributions;
 - f) user, landowner and other fees and charges
 - g) proceeds of loans or advances; and
 - h) any other monies available to the district by law.
8. Requires the formation petitioner to provide written notice of the filing to each affected municipality and, if the district is located in an unincorporated area, to the county and requires the notice to state:
- a) that the district will be formed between 30 days and 60 days after submitting the petition, subject to approval by the AFA; and
 - b) that the municipality or the county, as applicable, may submit to the AFA within 30 days after the filing a written notice that identifies a basis for denying the petition.

9. Grants the formation petitioner, if the AFA determines that the petition is incomplete or deficient, 60 days after written notice of the deficiencies to submit corrections.
10. Stipulates that, if the corrections of the deficiencies are not submitted to the AFA within 60 days after notice or do not correct the deficiencies, the AFA may reject the petition.
11. Requires a district to be formed only on the issuance of a formation order by the AFA and requires the AFA to review the petition and accompanying materials to evaluate the following:
 - a) whether any appraisal or third-party market study provided in connection with the petition is complete;
 - b) whether the description of the proposed public infrastructure in the general plan appears complete on its face and does not contain obvious errors, without any independent engineering investigation, analysis or verification;
 - c) whether the preliminary financing plan includes the anticipated sources and uses of monies for the public infrastructure;
 - d) whether the district is reasonably expected to have the financial ability to discharge its proposed indebtedness within the maximum authorized tax rate and maximum aggregate assessment amount; and
 - e) whether formation of the district will violate any existing and 0 applicable development agreement or other agreement with the municipality or the county that relates to the land included within the district boundaries.
12. Requires the AFA to approve district formation and issue the formation order within 60 days if the AFA finds that the following occurred:
 - a) all required documents have been properly submitted;
 - b) the proposed district meets all statutory eligibility and boundary requirements;
 - c) the notice to each affected municipality and, if applicable, county has been provided;
 - d) the district has, or will have, the financial ability to discharge its proposed indebtedness within the maximum authorized tax rate and maximum aggregate assessment amount.
13. Limits the AFA's district formation review to confirmation of the statutory requirements and allows the AFA to deny a petition only upon a written finding of one of the following:
 - a) the petition is incomplete;
 - b) the submitted financial information is incomplete or illustrates that the district will not have the financial ability to discharge its proposed indebtedness within the maximum authorized tax rate and maximum aggregate assessment amount;
 - c) the proposed district violates a statutory prohibition or boundary rule and the petitioner failed to submit proposed corrections of the deficiencies within 60 days; and
 - d) the formation of the proposed district will materially violate any existing and applicable development agreement or other agreement with the municipality or the county that relates to public infrastructure and that is recorded against the land included within the boundaries of the district.
14. Require a district formation order to include specified information.
15. Requires the AFA, if a formation order is not issued within 60 days after submission of a complete petition, to provide a written basis for not adopting the formation order and to identify the specific changes that are needed for the petition to be approved.

16. Requires a district, on issuance of the formation order, to record the order in the county in which the district is located and send a copy to the Arizona Department of Revenue (ADOR), county assessor, county board of supervisors and any municipality in which the district is located.
17. Requires, before recording a formation order, a district's general plan to be recorded with the county recorder that sets out a general description of the improvements for which the district is proposed to be formed and the areas to be improved.
18. Requires a district board, on formation of the district, to implement the general plan for the public infrastructure of the district.
19. Caps the fees and other charges assessed by the AFA in connection with the submission and consideration of a formation petition at \$15,000.
20. Stipulates that, if a petition is denied, the AFA may not assess a fee or other charge in connection with submitting and considering a substantially similar petition that is submitted within 90 days after the denial.
21. Terminates the district formation period on June 30, 2036, which does not:
 - a) affect the continued existence, powers or operations of any district formed on or before June 30, 2036; or
 - b) impair the validity or enforceability of any bonds or other obligations issued or incurred by a district formed on or before June 30, 2036, or any pledge of taxes, assessments or other revenues made to secure those bonds or obligations.

District Formation Order Amendment

22. Allows the owners of at least 50 percent of the land in the district, after the formation order is issued, to petition the AFA to amend the formation order to modify the powers or financial parameters of the district, including any maximum authorized tax rate, maximum authorized aggregate principal amount of general obligation bonds, maximum aggregate assessment amount or maximum operations and maintenance tax rate.
23. Requires an amendment petition to:
 - a) describe the proposed amendments to the formation order and general plan;
 - b) include updated financial information; and
 - c) demonstrate that the proposed amendments do not violate any applicable statutory eligibility or boundary requirements or any development agreement or other agreement with the municipality or county relating to the land within the district.
24. Requires the AFA to review and act on an amendment petition as prescribed and, if approved, issue and cause to be recorded an amended formation order reflecting the approved changes.
25. Requires any petition to amend the formation order that increases the maximum authorized tax rate or maximum aggregate assessment amount to be signed by all owners of all real property in the district.

26. Allows areas to be added or deleted from a district's boundaries after district formation, if the district board and property owners approve the change and meet other outlined requirements.

District Governance

27. Requires a district to be governed by a district board that consists of three directors whose initial appointments must be set forth in the petition and formation order.
28. Requires each board director to either hold a fee title to real property within the district or be an individual who is designated or appointed by a holder of a fee title to real property within the district.
29. Requires a board director to resign if at any time during the term the director, or the person who appointed the director, is no longer an owner of real property within the district.
30. Requires the term of the initial directors to begin on the date of the formation order and prescribes initial term lengths.
31. Requires subsequent board directors to serve three-year terms and be elected at large by the district's qualified electors who are property owners.
32. Requires a district board to develop bylaws for district operation and comply with statutes governing public meetings and proceedings.
33. Requires a district board to:
- a) adopt and amend the district's general plan;
 - b) authorize and approve the issuance of bonds of the district;
 - c) levy ad valorem taxes and assessments, subject to the prescribed limitations and election requirements;
 - d) manage and administer the affairs of the district;
 - e) adopt annual budgets, statements and estimates for the district;
 - f) administer district elections or enter into intergovernmental agreements with the county and other qualified public entities to administer district elections; and
 - g) perform all other acts that are necessary or convenient to carry out statutory purposes.
34. Requires any ad valorem tax and any assessment that is levied by a district to be shown on each property tax bill as a separate line item that includes prescribed information.
35. Requires a district board vacancy to be filled by appointment made by the remaining board directors within 30 days of a vacancy and to provide written notice to the AFA that the vacancy has or had not been filled within 30 days of the appointment or vacancy.
36. Requires a board director that is appointed by the remaining directors to hold office for the remainder of the unexpired term until the director's successor is elected.
37. Prohibits a board director from being an elected official of a municipality in which the district is located or an Indian tribe or community or an employee or agent of a municipality or Indian tribe or community but may be a director of more than one district.

38. Specifies that district board members are not eligible to receive compensation.
39. Prescribes procedures for a district board appointment in a circumstance where there are no real property owners within the district who are willing to fill the vacancy.
40. Requires a district clerk to maintain the following records that are open to public inspection:
 - a) minutes of all district board meetings;
 - b) all resolutions;
 - c) accounts showing all monies received and disbursed;
 - d) the annual budget; and
 - e) all other records required to be maintained by law.
41. Prohibits fees and other charges assessed by a district in connection with administering the district, including the issuance and sale of bonds, from exceeding the actual expense incurred by the district for staff and consultant services and support facilities supplied by the district or the financial, legal and administrative costs that are not reimbursed from proceeds of the bonds or other district revenue.

District Powers

42. Allows a district, in furthering the district's general plan implementation, to:
 - a) enter into contracts and expend monies for any public infrastructure purpose with respect to the district provided that a district may not be the contracting party on any construction contract for public infrastructure and the district's role with respect to the construction of the public infrastructure is limited to acquiring or reimbursing the costs;
 - b) enter into intergovernmental agreements with the state or a county, municipality or other public agency authorized by law to enter into intergovernmental agreements for the planning, design, inspection, ownership, control, maintenance, operation or repair of public infrastructure;
 - c) enter into intergovernmental agreements with a county, municipality or qualified public entity for the administration of district elections;
 - d) sell, lease or otherwise dispose of district property if the sale, lease or conveyance is not a violation of the terms of any contract, bond resolution or trust indenture of the district;
 - e) operate, maintain and repair public infrastructure that is owned or operated by the district;
 - f) establish, charge and collect user fees, rates or other charges for the use of any service or public infrastructure of the district other than streets, roads or highways;
 - g) employ or contract for staff, counsel and consultants to assist with district and board administration, financing and election matters;
 - h) incur and repay loans, advances or other obligations for any public infrastructure purpose;
 - i) enter into agreements with landowners and with a municipality or county for the collection of fees and charges from landowners for public infrastructure purposes, for the advance of monies by landowners for public infrastructure purposes or for the granting of real property or interests in real property by a landowner for public infrastructure purposes, and to recognize, assign, confirm or consent to the assignment by such landowners of their rights to receive any reimbursements or payments from the district for public infrastructure costs;
 - j) by resolution, levy and assess the costs of any public infrastructure purpose on any land that is benefited in the district, subject to statutory limitations and election requirements;
 - k) pay the district's financial, legal and administrative costs;

- l) enter into contracts, agreements and trust indentures to obtain credit enhancement or liquidity support for its bonds and to provide for the issuance, registration, transfer and payment of its bonds and for the disbursement and investment of bond proceeds;
 - m) enter into agreements with persons outside the district to provide services to persons and property outside the district and to receive compensation for those services; and
 - n) use public easements and rights-of-way in or across public property, roadways, highways, streets or other thoroughfares and other public easements and rights-of-way, whether in or out of the geographical limits of the district, a municipality or a county, subject to applicable law, permitting restrictions and the rights of the public.
43. Allows an agreement with landowners for financial purposes to include agreements to repay all of part of any advances, fees and charges from the proceeds of bonds, if issued, or from advances, fees and charges collected from other landowners or users or those having a right to use any infrastructure.
44. Specifies that a person does not have authority to compel the issuance or sale of district bonds or the exercise of any taxing power of the district to make repayment under any agreement.
45. Specifies that a construction contract for public infrastructure is a private construction contract between an owner and the contractor for purposes of Arizona's Prompt Pay Act.
46. Specifies that any person furnishing labor, professional services, materials, machinery, fixtures or tools has mechanics' and materialmen's lien rights and is subject to the statutory requirements and limitations for such liens.
47. Requires a contracting owner, for a construction contract for public infrastructure, to provide financial assurances acceptable to the contractor as agreed in the construction contract, which may include a payment bond, guaranty, letter of credit, deed of trust, proof of monies or other comparable security.
48. Allows a district to:
- a) contract;
 - b) enter into intergovernmental agreements;
 - c) adopt and change a seal;
 - d) sue and be sued; and
 - e) enter into development agreements.
49. Requires a district treasurer, by July 15 each year, to prepare a proposed budget for the ensuing fiscal year to be submitted to the district board for approval.
50. Requires the district board to indicate its approval of the budget by resolution.
51. Allows participating entities to review the proposed annual budget and submit written comments to the district board for its assistance and information.
52. Requires a district board to formally adopt the budget before October 1 each year.
53. Requires a district to submit an annual report to the AFA that includes prescribed information.

District Election

54. Allows only real property owners in the district and their designated representatives to vote in an election regarding an ad valorem tax levy election, an assessment election, an O/M tax election, an election for the district board and a dissolution election.
55. Specifies that corporations, partnerships and other business entities are eligible to vote as property owners, but only one vote may be cast for each one-seventh of an acre of real property in the district.
56. Specifies that a majority of the acreage, as represented by the votes cast at an election that is conducted solely under this acreage system, determines the result of the election.
57. Requires a district election to be held as a special election and be noticed, called, conducted and canvassed by the district board as prescribed.
58. Allows a district board to enter into intergovernmental agreements with the county, a municipality or another public entity for election administration.
59. Requires the maximum authorized tax rate to be indicated in the formation petition and order and be approved at a district election and prescribes a maximum authorized tax rate formula.
60. Allows a district board to call a general obligation bond election to submit to the property owners or, if applicable, the qualified electors the question of authorizing the board to issue district general obligation bonds to provide monies for any public infrastructure purposes consistent with the general plan and the question of authorizing an ad valorem tax to be levied.
61. Requires election notices to be posted in public at least 20 days before an election and mailed to property owners or posted in a newspaper or online.
62. Requires an election notice to include whether the election is a bond election, ad valorem tax levy election or an assessment levy election.
63. Allows a district that receives a consent to waiver signed by owners of all land in the district to waive any or all requirements of posting, publication, mailing, notice, hearing and landowner election otherwise required in connection with assessments or assessment bonds.
64. Allows a district, on receipt of a consent to waiver, to levy the assessment and issue assessment bonds without being required to comply with the provisions for posting, publication, mailing, notice, hearing or landowner election.
65. Prescribes election procedures and requirements.

O/M Tax Election

66. Defines *O/M tax* as a secondary property tax levied to pay the expenses of operating, maintaining and administering the district and the public infrastructure financed by the district, including legal expenses and expenses associated with insurance coverage, as approved by the district in its budget.

67. Allows a district board to call an election to submit to the persons who are eligible to vote in the district the question of authorizing the board to levy an O/M tax on the net limited assessed property valuation of property in the district at a rate or rates that do not exceed the maximum rate or rates specified in the ballot.
68. Requires the maximum rate specified in the original ballot to be approved by a majority of the persons who are eligible to vote in the district, voting in a regular or special election at least every seven years after the date of the initial imposition, if an election is not required to levy an O/M tax at the rate determined by the board to be necessary to maintain the district's facilities and improvements and ensure repayment of the district's outstanding bonds and obligations.
69. Requires a district board, before the date a municipality or county is required to certify its annual budget, to fix, levy and assess the amounts to be raised by O/M taxes and cause certified copies of the order to be delivered to the county board of supervisors and ADOR.
70. Requires all O/M taxes to be used for the operation and maintenance expenses of the district and prescribes a maximum rate.
71. Allows a district board, by simple majority vote, to reduce or eliminate any portion of the O/M tax imposed by the district that the board determines is not necessary to maintain the district's facilities and improvements.
72. Stipulates that, if no bonds or obligations remain outstanding, a district may not levy an O/M tax in any year following completion of all work performed under the district's general plan.
73. Outlines district board requirements relating to O/M annual statements, estimates and notices.

District Assessments and Assessment Bonds

74. Allows a district board, after approval of an assessment at an election, to levy by resolution an assessment of the costs of any public infrastructure purpose or any operation and maintenance of public infrastructure on any land in the district that is based on the benefit determined by the board to be received by the land.
75. Allows an owner of land on which an assessment has been levied to seek judicial review of whether the land is benefited by the proposed public infrastructure, on the merits, by special action filed with the court of appeals, within 30 days after the effective date of the resolution.
76. Allows a district, before issuing assessment bonds, to enter into a written agreement with a landowner as to the manner in which the assessment is to be allocated if the land is to be divided into more than one parcel.
77. Allows a district board, after adopting the resolution levying an assessment on property in the district, to issue and sell assessment bonds, at a maximum term of 30 years.
78. Allows an assessment to be based on estimated costs and amended to reflect actual costs and specifies that the preparation of plans and specifications and the awarding of the contract are not a prerequisite to the levying of the assessment.

79. Allows a district and the county treasurer to:
- a) enter into an agreement for the county treasurer to collect the district's assessments; and
 - b) provide for the payment of the county treasurer's collection expenses directly related to the levy of the assessment and, if so provided, the levy of the assessment may include an amount for compensation of the county treasurer directly related to the collection of the assessment.
80. Allows a county treasurer to impose and collect a fee for collecting the district assessments and deposit the fee in the county's taxpayers' information fund.
81. Allows a district board to also issue and sell bond anticipation notes, as prescribed, and allows a district to issue and sell refunding bonds to refund any assessment bonds of the district, with a maximum term of 30 years.
82. Determines that an assessment is a first lien on the property assessed subject only to general property taxes and prior assessments.
83. Prescribes procedures to collect assessments in advance and to collect delinquent assessments.
84. Allows a district to adopt procedures for prepayment and provisions for payment and reallocation of assessments.

District Revenue Bonds

85. Allows a district board to hold a hearing on the question of authorizing the issuance of revenue bonds to provide monies for any infrastructure purposes consistent with the general plan.
86. Allows a district board, after approval by resolution, to issue and sell revenue bonds, at a maximum term of 30 years.
87. Allows a district board to pledge payment of its revenue bonds by any district revenues or revenues to be collected by a municipality or county in trust for the district.
88. Prescribes procedures for a district board relating to revenue bonds.

District General Obligation Bonds

89. Caps the total aggregate outstanding amount of general obligation bonds and any other indebtedness for which a district's ad valorem taxes may be pledged at 60 percent of the aggregate of the projected market value of the real property and improvements in the district plus the value of the public infrastructure owned by the district and to be constructed or acquired by the district with the proceeds of such general obligation bonds.
90. Prohibits ad valorem tax that is levied to pay the debt service on all district general obligation bonds of the district from exceeding the maximum authorized tax rate.
91. Precludes the AFA from otherwise restricting the maximum authorized tax rate, the maximum assessment assessed by a district or the maximum aggregate amount of bonds issued by a district except as expressly provided by law.

92. Allows a district board, if general obligation bonds are approved by eligible voters, to issue and sell district general obligation bonds, at a maximum term of 30 years.
93. Allows a district to issue and sell refunding bonds to refund any district general obligation bonds, at a maximum term of 30 years.
94. Specifies that, if general obligation bonds are issued to refund any district general obligation bonds, a bond election is not required.
95. Requires a district bond to enter in its minutes a record of the bonds sold and their numbers and dates and to annually levy and cause an ad valorem tax to be collected, at the same time and in the same manner as other taxes, to pay debt service on the bonds when due.
96. Caps the annual levy at the net amount necessary to meet annual payments of principal and interest, projected payments of principal and interest on new debt planned for the ensuing year, a reasonable delinquency factor and any expenses and fees required in conjunction with the authorization.
97. Requires the levy to be the net of all cash in excess of 10 percent of the annual payments of principal and interest in the current fiscal year from the previous year that remain in the applicable fund or funds.
98. Specifies that monies derived from the tax levy constitute funds to pay the debt service on the bonds and requires such monies to be kept separately from other funds of the district.
99. Specifies that amounts levied for debt service on bonds payable from the secondary tax are considered special district revenues, must be kept in a special, segregated fund, and may not be used for any other district purpose.
100. Specifies that all general obligation bonds are secured by a lien on all revenues received pursuant to the ad valorem tax levy and the lien arises automatically without the need for any action or authorization by the district or district board.
101. Deems the lien valid and binding from the time of the issuance of the general obligation bonds.
102. Specifies that the revenues received pursuant to the levy are immediately subject to the lien and the lien attaches immediately to the revenues and is effective, binding and enforceable against the district.

All District Bonds

103. Requires a district board, with respect to any bonds, to prescribe the bond denominations, size and form and to establish maturities, interest payment dates and rates.
104. Allows the bonds to be sold by competitive bid or negotiated sale for public or private offering at, below or above par and outlines requirements for bonds sold below or above par and net premiums.

105. Requires sale proceeds to be deposited with the district treasurer, or with a trustee or agent designated by the district board, to the credit of the district to be withdrawn for designated purposes.
106. Allows sale proceeds to be invested as determined by the district.
107. Allows bonds to contain terms, conditions, covenants and agreements as the district board deems proper.
108. Allows bonds to be payable from any combination of ad valorem taxes, revenues or assessments and as specified in the bonds if all applicable requirements are met.

Public Infrastructure Project Review by the AFA

109. Requires a district board, before constructing or acquiring any public infrastructure, to order a study of the project's feasibility and benefits that must be prepared by engineers and other qualified persons and include:
 - a) a description of the public infrastructure and other pertinent information;
 - b) a map showing the location of the project;
 - c) an estimate of the cost to construct, acquire, operate and maintain the project;
 - d) an estimated schedule for completion of the project;
 - e) a map or description of the area to be benefited by the project; and
 - f) the financing plan for the project.
110. Requires a district board, before holding the public hearing, to cause the study of the feasibility and benefits of the project to be provided to the AFA.
111. Requires a district board, in addition to the study of the feasibility and benefits of the project, provide the following information to the AFA:
 - a) the proposed maximum principal amount of bonds to be issued, the maximum interest rate and a preliminary debt service schedule for the bonds;
 - b) if the public infrastructure to be constructed or acquired is proposed to be financed with the proceeds of general obligation bonds, a report indicating the projected market value of the real property and improvements in the district after the public infrastructure to be constructed or acquired by the district with the proceeds of such bonds is completed plus the value of the public infrastructure owned by the district and to be constructed or acquired by the district with the proceeds of such bonds;
 - c) if the public infrastructure to be constructed or acquired is proposed to be financed with the proceeds of general obligation bonds, a third-party market study that includes projections of the limited property value of real property in the district for each year in which general obligation bonds are proposed to be outstanding, together with a projection of the ad valorem tax rate that is required to support debt service on the general obligation bonds, which projected rate does not exceed the maximum authorized tax rate;
 - d) if the public infrastructure to be constructed or acquired is proposed to be financed with the proceeds of assessment bonds, an appraisal indicating the aggregate as-is market value of real property in the district and the projected market value of the real property and improvements in the district after completion of the public infrastructure proposed to be financed with such assessment bonds;

- e) if the public infrastructure to be constructed or acquired is proposed to be financed with the proceeds of assessment bonds, the maximum aggregate assessment and the maximum per-lot assessment to be levied in connection with the assessment bonds;
 - f) the anticipated build-out schedule and associated valuation increases;
 - g) the currently outstanding aggregate principal amount of all district bonds and the current ad valorem tax rate of the district, if any;
 - h) the proposed financing team;
 - i) a certification as to the reasonableness of assumptions that are used in the market value and growth projections; and
 - j) a certification that the construction or acquisition of the public infrastructure, as applicable, will not conflict with any existing and applicable development agreement or other agreement with the municipality or the county that relates to the land included within the district boundaries that was submitted to the AFA in connection with the petition.
112. Requires the AFA to review the submitted information to confirm, solely on the basis of the information and without any independent determination of feasibility or value, that all required information has been submitted and that the construction or acquisition of the public infrastructure, or both, complies with the formation order and the general plan and does not otherwise violate the law.
113. Requires the AFA, within 30 days after receiving the submitted information, to provide written deficiency notice to the district if the information is incomplete or if the submitted information indicates noncompliance.
114. Requires a district board, within 60 days after receiving the feasibility report, to hold a public hearing on the report and provide notice of the hearing by mail and in a newspaper.
115. Prohibits a district board from holding the public hearing until 30 days has elapsed since the information submittal and the district has not received a deficiency notice.
116. Allows a district board, within 60 days after the hearing, to reject, amend or approve the feasibility report.
117. Requires a new hearing to be held within 60 days if the feasibility report is substantially amended.
118. Requires a district board, if the feasibility report is approved, to adopt a resolution that identifies the public infrastructure of the project, the areas benefited, the expected method of financing and an appropriate system of providing revenues to operate and maintain the project.
119. Requires a district board to execute the provisions of the feasibility report within the time frames identified in the approved report.
120. Caps the fees and other charges that are assessed by the AFA in connection with the information review at \$30,000 for each submission.

District Succession and Dissolution

121. Determines that a district has perpetual succession except that the district may be dissolved and, if the district has no outstanding bonds, the district is automatically dissolved 10 years after the formation date, unless the AFA by resolution extends the district by an additional period of 10 years.
122. Requires a district board to adopt a resolution dissolving the district if the following conditions exist:
 - a) the district no longer owns any real or personal property;
 - b) the AFA verifies that the district has no outstanding bonds or obligations; and
 - c) the AFA approves the dissolution order on receipt of a dissolution petition executed by the owners of a majority of the real property in the district.
123. Specifies that all property within a district, except federal, state, county and municipal property, remains subject to the lien for the payment of ad valorem taxes levied.
124. Dissolves a district automatically in the year that is five years after completion of all work to be performed under the district's general plan, as long as the AFA has verified that no bonds or obligations remain outstanding.
125. Requires the AFA to issue a dissolution order if the district meets the outlined requirements
126. Outlines procedures to dissolve a district with outstanding obligations, if monies are held by a third party and pledged to pay the obligations.

Local Involvement

127. Specifies that a district has no zoning, subdivision, building code, permitting or other use or development approval authority.
128. Specifies that all land use regulation, development planning, platting, permitting, inspection and code enforcement authority within district boundaries remains exclusively with the applicable municipality or county and that all development within a district is subject to the same general plans, specific or area plans, zoning ordinances, subdivision regulations, engineering standards, building and fire codes and other applicable laws, standards and procedures as comparable development outside a district.
129. Determines that a municipality or county retains full authority to adopt, amend, administer and enforce its general plan, specific or area plans, zoning ordinances, subdivision and development regulations, engineering and design standards, building and fire codes and any other regulations governing development within its jurisdiction, without regard to whether the land is located within a district.
130. Allows a district to finance, construct or acquire public infrastructure that is intended to be conveyed to and owned, operated or maintained by a municipality or county only if the public infrastructure is designed and constructed in accordance with the generally applicable plans, ordinances, codes, standards, regulations and standard-form agreements for comparable public infrastructure in the jurisdiction.

131. Allows a municipality or county to accept or reject any public infrastructure in accordance with the municipality's or county's generally applicable ordinances, codes, standards, regulations, standard-form subdivision or improvement agreements or other written instruments and is not required to accept public infrastructure that the municipality or county is not otherwise required to accept under applicable law.
132. Prescribes additional requirements that preserve a municipality's or county's authority as it relates to district operation.
133. Deems the AFA's issuance of a district formation order a governmental determination of statewide financial compliance that does not constitute zoning, planning or land-use approval.
134. Specifies that a district does not have the power of eminent domain and does not have the power to enact zoning ordinances.
135. Specifies that a district is not empowered to exercise land use or zoning authority and may not adopt, amend or enforce zoning ordinances or similar land use regulations.

District Website and Seller Disclosures

136. Requires a district board to establish and actively maintain an official website that contains a comprehensive database of district contracts, public notices, meeting minutes, resolutions and accounts showing, on an aggregate and summary basis, all monies received and disbursed, the annual budget and other required records.
137. Requires a district board to provide the database link to outlined entities and outlines information prohibited from inclusion on the website.
138. Outlines additional information that must be included on the website, including the district's purpose, budget, financial information, staff, meetings, reports and benefits.
139. Prescribes a *district disclosure notice* that must be made available on a district's website.
140. Allows a seller of property located in a district who is required to provide a district disclosure to a purchaser to satisfy any requirement to describe the district's purposes, powers, tax rates or indebtedness by:
 - a) providing the purchaser with a current copy of the standardized district disclosure notice; and
 - b) identifying in writing the district's website address on or before the date the purchaser signs a binding contract to acquire the property.
141. Requires the seller of residential real property within a district to provide a district disclosure notice, at minimum, to each prospective purchaser before the purchaser becomes obligated to acquire the property.
142. Outlines additional disclosures to prospective buyers that satisfy the seller's disclosure obligation.

AFA Executive Director

- 143. Deems any action of the AFA or the Executive Director of the AFA the exercise of an administrative function involving the determination of fundamental governmental policy.
- 144. Specifies that all certifications, determinations, approvals, findings and actions relating to a district that are required to be made by the AFA must be made by the Executive Director of the AFA.
- 145. Exempts any certification, determination or action taken by the Executive Director of the AFA from approval, resolution or vote of the AFA Board of Directors and deems any action taken by the Executive Director relating to a district is deemed an action of the AFA.

Miscellaneous

- 146. Requires a city, town or county to credit or reimburse development fees if the public sites were provided by a district or community facilities district.
- 147. Considers, except as otherwise provided, a district to be a municipal corporation and political subdivision, separate and apart from any municipality or county in which the district is located.
- 148. Specifies that on recording the formation order the district is established as a political subdivision and is considered a special purpose district, a tax levying public improvement district and a municipal corporation for constitutional and statutory purposes.
- 149. Specifies that a district that distributes or sells groundwater is a private water company only for specified purposes.
- 150. Specifies that any financial burden of a district is borne solely by the district and is not borne by the AFA, the state or any municipality, county or other political subdivision.
- 151. Specifies that any liability, judgment or claim against a district is the sole responsibility of the district and does not constitute a liability, judgment or claim against the AFA, the state or any municipality, county or other political subdivision.
- 152. Requires a district to file and record with the county recorder the formation order, the district's general plan, the canvass of any general obligation bond election and any assessment levied by the district and requires copies of all documents to be provided to the Arizona Department of Real Estate.
- 153. Contains a purpose statement and a statement of legislative findings.
- 154. Designates this legislation as the *State Affordability Infrastructure District Act*.
- 155. Defines terms.
- 156. Makes technical and conforming changes.

157. Becomes effective on the general effective date.

Amendments Adopted by Committee

1. Terminates the district formation period on June 30, 2036.
2. Specifies that a construction contract for public infrastructure is a private construction contract between an owner and the contractor for purposes of Arizona's Prompt Pay Act.
3. Specifies that and any person furnishing labor, professional services, materials, machinery, fixtures or tools has mechanics' and materialmen's lien rights and is subject to the statutory requirements and limitations for such liens.
4. Requires a contracting owner, for a construction contract for public infrastructure, to provide financial assurances acceptable to the contractor as agreed in the construction contract, which may include a payment bond, guaranty, letter of credit, deed of trust, proof of monies or other comparable security.
5. Prohibits the AFA from charging an additional fee to review a substantially similar district petition submitted within 90 days after petition denial, rather than one year.
6. Increases the cap on the fees and other charges assessed by the AFA in connection with an infrastructure project information review to \$30,000, rather than \$15,000.
7. Modifies the definition of *public infrastructure*.

House Action

COM 2/17/26 DPA/SE 8-1-1-1
3rd Read 3/17/26 32-21-6-0-1

Senate Action

FIN 3/23/26 DPA 6-1-0

Prepared by Senate Research

March 25, 2026

MG/hk