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Arizona House Reverses Course, OKs Bill Aiding Developers.

PHOENIX (AP) – The Arizona House reversed course after an initial rejection and approved a bill Thursday that will give developers more power to issue municipal bonds and levy taxes to pay for public infrastructure in communities they are building.

The change came after an hours-long effort by House Speaker David Gowan to garner support for his proposal.

The legislation will allow developers and land owners to automatically set up special taxing districts run by boards with powers similar to governments, including the ability to tax homeowners.

Supporters say it will help bring jobs to the state, while opponents call the legislation a power grab by developers.

The initial vote remained open for nearly an hour as Gowan attempted to corral votes. Eight Republicans broke ranks to reject House Bill 2568 on a 28-32 vote Thursday.

Late Thursday, Gowan succeeded in gathering support, and on a reconsideration vote it passed with no votes to spare, 31-26.

Republican Rep. Warren Petersen of Gilbert was among several who changed their votes. He initially said developers should be using private financing rather than municipal bonds to pay for things such as public roads, water and sewer systems in planned communities.

Petersen said the special taxing districts, known as community facility districts, confuse homebuyers who don't initially realize they have to pay additional property taxes to live in those communities.

"They distort the market. They distort prices," he said. "Until I can be convinced otherwise to see the value in this, I just don't see why we are going to use property taxes as a tool for this."

He said he changed his mind after Gowan assured him a follow-up bill will add accountability and transparency requirements.

Gowan said that banks have been reluctant to provide private financing for large developments since the recession. He said the bill would spur business growth, especially in his legislative district in the southeastern part of the state.

"It helps putting people back to work by building houses," he said.

The Landowners For Arizona's Economic Development Coalition is the primary group backing the legislation. They say they represent about 200,000 acres of land set aside for master planned communities, though it would likely take decades to develop it. The coalition includes at least 11 developers, including El Dorado Holdings Inc. and Diamond Ventures Inc.

Gowan has received nearly \$5,000 from owners or employees of developers El Dorado Holdings and

Diamond Ventures to fund his congressional campaign and was seen sitting with Diamondbacks co-owner Mike Ingram, who founded El Dorado Holdings, for the team's opening day.

Stephanie Grisham, Gowan's spokeswoman, said he and Ingram only met briefly and did not know each other when the bill was crafted.

The measure would have a significant impact on the growth of master planned communities across Arizona as developers would be more likely to take advantage of the public financing available through the special taxing districts. That would include an area in Gowan's legislative district where El Dorado Holdings Inc. is developing a 28,000-home community featuring an 18-hole golf course and a park.

The proposal also will change the makeup of the governing board behind these districts to include two members chosen by the landowners, two members selected by the closest municipality and one member chosen by the municipality from a short list provided by landowners.

To date, about 75 of these districts have been established in Arizona.

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By RYAN VAN VELZER

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