

The Long-Awaited Public Infrastructure Financing Solution for Development in Arizona

by Brad Wright

Every developer who has taken raw Arizona ground to a finished project knows the largest upfront cost other than the land price is almost always the cost to install the public infrastructure. Water, sewer, stormwater, streets, dry utilities, and the fiber backbone all have to be in the ground before a single lot closes or a building opens. That capital is deployed early and generates no return for years. For decades the standard workaround has been the Community Facilities District (CFD). That tool has grown materially harder to use, for reasons cited below, and House Bill 2999, signed in June 2026 and now codified as Chapter 40 of Title 48, is Arizona's response.

Some Background

I have spent a good part of my career on the other side of this problem. In the 1990s and early 2000s I served as general counsel of SunCor Development Company, one of Arizona's most active master-planned community developers, where we used Community Facilities Districts to finance hundreds of millions of dollars of major infrastructure across Arizona in cities such as Goodyear, Phoenix, Tempe, Litchfield Park, and Prescott Valley. For its time the CFD was an effective structure, and a great deal of what is now on the ground in those communities was financed with this tool.

Unfortunately, CFDs have over time become considerably harder to use. Successive legislative amendments have layered on tax-rate ceilings, homebuyer disclosure obligations, and added procedural steps. Another drag on the use of CFDs is that formation of them runs through the municipality, where approval can turn as much on local politics as on the merits of a project. Developers now routinely are asked to absorb delay and uncertainty that a project's economics cannot support, which is a large part of why Arizona has fallen behind Colorado, Texas, and Utah in getting infrastructure financed. A better tool was needed, and Chapter 40 is it.

How a SAID Improves on a CFD

A State Affordability Infrastructure District (SAID) keeps what worked about the CFD: tax-

Related People

- Brad Wright

Related Capabilities

- Real Estate & Land Use

exempt, property-secured, non-recourse infrastructure financing — while shedding much of what made the CFD cumbersome. Its principal advantages over a traditional CFD:

- **Administrative formation.** A SAID is formed by the Arizona Finance Authority against fixed statutory criteria, through a yes-or-no compliance review on a sixty-day clock, rather than through the discretionary approval of a city council or a board of supervisors.
- **Insulation from municipal politics.** Because formation is a state-level compliance determination, a meritorious project is far less exposed to local political headwinds than it is under the CFD process.
- **Landowner control of the board.** A SAID is governed by a board of the landowners — appointed at formation, then elected on an acreage basis. In a typical municipal CFD, the city council sits as the district board; here, the developer controls governance.
- **Advance funding of impact fees.** A SAID can use bond proceeds to advance-pay municipal development impact fees, unlike CFDs, removing one of the largest upfront cash burdens in a project.
- **A uniform, statewide process.** The criteria are the same regardless of jurisdiction, replacing the municipality-by-municipality variation that has made CFD outcomes hard to predict.
- **Flexible boundaries.** A district may include noncontiguous parcels in the same county within five miles of one another, which fits phased and multi-tract development.
- **Capped cost and a fixed timeline.** Authority fees to form a district are capped at \$15,000, and a complete petition must be acted on within sixty days.
- **The full range of bonds.** A SAID may issue general obligation, special assessment, revenue, and refunding bonds, secured solely by district property and creating no obligation for any other taxpayer.

What is a SAID

A SAID is a special taxing district that the owners of a development form to finance public infrastructure with tax-exempt bonds: general obligation bonds, special assessment bonds, and revenue bonds. The bonds are secured only by the property inside the district and are repaid over the long term, with terms up to 30 years. They do not affect the credit of the city, the county, or the State, and they create no obligation for any taxpayer outside the district. In practical terms, a SAID lets you finance horizontal infrastructure over the life of the asset instead of writing the check at the front end. The maximum ad valorem rate securing general obligation bonds is capped by statute at \$5.00 per \$100 of net assessed limited property valuation, with a limited step-up to cover a debt-service shortfall.

SAIDs Work for Commercial as Well as Residential Development

The SAID bill drew most of its press as a housing-affordability measure, and it appears to be a strong one. It is the first Arizona district statute to let bond proceeds advance-fund municipal development impact fees, which pulls one of the largest upfront cash burdens off a homebuilder's pro forma. But the statute's eligible infrastructure categories apply with equal force to commercial, industrial, and mixed-use projects. An industrial or logistics project can finance roads, rail crossings, sidings, and grade separations. A life-

sciences or technology campus can finance its water, sewer, roads, and broadband the same way a subdivision can. Read Chapter 40 as a general-purpose infrastructure finance platform, not a subdivision-only device.

How Formation Works

A SAID is formed administratively by the Arizona Finance Authority. The Authority reviews the petition for compliance with the statute; it is a yes-or-no review against fixed criteria, not a discretionary negotiation with a city council or a board of supervisors, and it runs on a sixty-day clock once a complete petition is filed. Formation requires the written consent of 100% of the landowners in the proposed district and an engineer's certification that public infrastructure costs will exceed \$5 million. The district may include noncontiguous parcels so long as they lie in the same county and within five miles of the district's other property, which accommodates phased and multi-tract development; if any part of the district sits inside a municipality, the whole district must stay within that municipality's limits or planning area. The Authority's fees to form a district are capped at \$15,000. Issuing bonds requires a district election.

Governance Simplified

A SAID is run by a three-member board. The initial directors are named in the petition; after that, directors are elected by the landowners on an acreage basis as ownership diversifies. Board service runs with ownership; a director must either hold fee title inside the district or be an individual designated by a fee-title owner; and corporations, partnerships, and other entities may hold that ownership, vote as owners, and designate the individual who serves. A district has no power of eminent domain and no zoning authority, and directors may not be officials or employees of the municipality in which the district sits.

What a SAID Does Not Do

It finances; it does not entitle. Zoning, platting, rezonings, use permits, and the specialized approvals a manufacturing or life-sciences facility may need all remain with the local jurisdiction and proceed on their own track. The financing and entitlement timelines should be coordinated with formation of the SAID, but they are separate processes. Two substantive limits are worth flagging at the planning stage. First, electric power is largely outside the tool: the statutory definition of public infrastructure does not reach power generation or transmission, and broader energy infrastructure was removed from the bill during the Senate amendments. A power-intensive user should not assume a SAID will carry its electrical load. Second, where water, sewer, or wastewater facilities fall within a regulated utility's certificated service territory, the district cannot build or own them without the utility's written consent and must convey them to the utility upon completion.

Our Take

For most master-planned residential work, and for a wide range of commercial and industrial development, a SAID will be the most efficient infrastructure-financing structure

Arizona has offered. The right time to evaluate it is early in the acquisition and pre-development process, while the capital stack, the development agreement, and the entitlement strategy are still being set. Once the district's boundaries, general plan, and financing parameters are set, it is cumbersome at best to bring those into conformance later.

Our Dorsey team has begun advising our developer clients on SAID formation on residential, commercial, and industrial projects statewide. If you would like us to assess whether a SAID fits a project you are working on, please reach out.