



Assurance Agreements

Discussion and Direction

Board of Supervisors
August 13, 2013



Once Upon a Time in Arizona....

- ◆developers sold subdivision lots, but never completed infrastructure, leaving buyers in the lurch
- ◆ AZ Legislature passed the law requiring county approval of subdivisions



Definition

- ◆ ARS 11-821.C requires some form of Security to ensure subdivision improvements:
 - “Boards of supervisors of counties shall prepare specifications and make orders, inspections, examinations and certificates as may be necessary to protect and complete the provisions and make them effective. The regulations shall require the posting of performance bonds, assurances or such other security as may be appropriate and necessary to ensure the installation of required street, sewer, electric and water utilities, drainage, flood control and improvements meeting established minimum standards of design and construction.”
- ◆ Cochise County Subdivision Regulations allow those improvements to be secured by:
 - Assurance Agreements
 - Security Bonds
 - Cash
 - Letter of Credit



What is an Assurance Agreement?

- ◆ A contract between the Board and the Developer in which:
 - Land is placed in a 3rd Party Trust.
 - Lots are platted on Assessor Maps.
 - Lots can't be sold until infrastructure improvements are completed.
 - Assurance Agreement is recorded.
 - A time limit is placed on the development of the Subdivision through the Assurances.
 - If improvements are not completed in the specified time, County can unilaterally abandon the plat.



Assurance Agreements

- ◆ Advantages of Assurance Agreements:
 - Unlike bond/cash/letter of credit, no cost to developers
 - If improvements are not completed, County does not have to get involved in completing the improvements (unlike bond/cash/letter of credit)
 - Fairly simple



Extending Time on Assurance Agreements

◆ Benefits:

- ◆ Retaining the plat means:
 - ◆ Higher land value for the developer
 - ◆ Developer retains investment in engineering
 - ◆ Market might turn around
 - ◆ Higher tax rate on subdivisions than raw land
 - ◆ Avoid lot splitting
- ◆ Plat abandonment can be time-consuming for staff (developer is unlikely to do it)



Extending Time on Assurance Agreements

◆ Disadvantages:

- ◆ After many years with no development, the plat might no longer be realistic (but that's not really the County's problem)
- ◆ If taxes aren't paid, taxes are sold on individual lots of a subdivision that will never be developed – a mess (Bachmann Springs)
- ◆ But mostly, no downside – lots still can't be sold, and the parcel can't be lot split



Staff Time to Abandon a Plat

- ◆ Drafting time: 14 to 40 hours.
- ◆ Report and Presentation: 4 – 8 hours.
- ◆ Assessor's Cartographer must re-draw Assessor maps.
- ◆ Record the Abandonment Plat.



Discussion

- ◆ Discussion and direction to Staff.