



**ARIZONA DEPARTMENT OF
REVENUE**
Property Tax Division

GUIDELINE

RESIDENTIAL COMMON AREAS

Issued: March 31, 2000

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**RESIDENTIAL COMMON AREAS
(A.R.S. §§ 42-13401 through 13404)**

INTRODUCTION

The purpose of this guideline is to provide procedures for the identification and valuation of residential common areas as defined in A.R.S. § 42-13402. For purposes of this guideline, the 1999 legislative enactment excluded common areas of condominium properties and golf courses from consideration as residential common areas.

IDENTIFICATION

A review of the subdivision documentation, CC&R's, and conveyance documents from the Arizona Department of Real Estate, the County Recorder's Office, or the homeowner's association will assist in determining if the common area of a residential development is qualified under A.R.S. §§ 42-13401 through 42-13404. Refer to the Appendix of this guideline to review the text of Title 42, Chapter 13, Article 9 which contains A.R.S. §§ 42-13401 through 42-13404 and a copy of Senate Bill 1251 amending A.R.S. § 42-13402.

The physical configuration of property cannot be relied on as evidence of the type or extent of the property ownership. Improved property could be multi-story, single level with minimal common walls, or free standing with no common walls at all.

The most effective way to differentiate between qualifying and non-qualifying residential common area is to determine how the common area is owned. The difference in valuation requirements between condominium property and property in residential developments with common area qualified under A.R.S. § 42-13402 can be determined by the way the common area is deeded.



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Descriptions of condominium property usually use the terms "condominium" and include a Declaration of Horizontal Regime. In these cases the property is a condominium (A.R.S. Title 33, Chapter 9 "Uniform Condominium Act") and is not qualified residential common area property (Planned Unit Development common area or PUD common area) as described in A.R.S.§ 42-13402.

In the case of condominium ownership, the common area property is held by the owners with an UNDIVIDED interest in the common area. Since the owner's interest is UNDIVIDED the value of the common area resides in the individual unit and the common areas may not be separately valued and taxed as their value is already represented in the value of the individual unit. If the property is not described as a condominium but the common area is deeded to the owners of the individual units with an UNDIVIDED interest in the common area, the value of the common area also resides in the individual unit values and should not be valued separately.

Residential (PUD) common area is qualified under A.R.S. § 42-13402 for separate valuation. In these cases the common area is owned and operated by a non-profit homeowner's association, community association, or corporation. The property owners must be members of the association or corporation, or must be obligated to pay mandatory assessments to maintain and manage the common area. The rights to use the common area property must be appurtenant to and pass with the title to each lot and parcel. Since the common areas are separately titled they must be valued as separate parcels.

Golf courses are not eligible for consideration as residential common area.

Qualified residential common area must be intended for use by its owners, residents, and invited guests. The common area must be owned by a nonprofit homeowner's association or



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corporation and operated to provide management of the common area property. Also, common areas must be deeded to a homeowner's association or non-profit corporation.

Deed restrictions limiting the property's use as a common area must be recorded and a copy filed with the assessor. Any change in use to qualified residential common area property that violates its recorded restrictions will result in a reclassification and valuation of the property according to standard appraisal methods and techniques.

VALUATION

Each qualified common area parcel, whether improved or unimproved, is valued at \$500.00. The value can be split between the improvement and land but the value of the parcel cannot exceed \$500.00. If the common area parcel is subject to mixed use, the parcel must be valued at market, using standard appraisal methods, the value of the unqualified use determined, and a split use assessment ratio calculated. The balance of value remaining for qualified use must be set at \$500.00.

If requested by the homeowner's association, residential common area parcels in the same tax district may be consolidated. The assessor assigns an identification number to the list of parcels to be consolidated. The consolidated parcels retain their individual legal descriptions but valuation notices and tax bills are issued under the consolidated identification number. The number acts as an umbrella that preserves the parcel identity and consolidates the sum total of their values. Each parcel is valued at \$500.00 and assessed at 10%.

The classification of common areas as Legal Class 6 property is retroactive beginning with the 1999 valuation year. As of January 1, 2000 common area property will be identified as Legal Class 4, Subclass 7 property assessed at 10% of value.

APPENDIX

ARTICLE 9. COMMON AREAS

Added by Laws 1999, Ch. 314, Sec. 2 (S.B. 1372)

Retroactively Effective as of 1-1-1999

Renumbered (from Article 8 to 9 and from sections 42-13351 through 42-13354 to 42-13401 through 42-13404) by the Legislative Council 8-5-1999.

42-13401. Exclusive method of identifying and valuing common areas

This article establishes the exclusive method for identifying and valuing common areas.

42-13402. Identifying common areas

Amended by Laws 2000, Ch. 196, Sec. 1 (S.B. 1251)

Retroactively Effective from 1-1-1999, per Sec. 2 (S.B. 1251)

- A. The county assessor shall identify common areas for valuation under this article.
- B. In general, common areas consist of improved or unimproved real property that is intended for the use of owners and residents of a residential subdivision or development and invited guests of the owners or residents and include common beautification areas. Areas that do not qualify as common areas shall be valued using standard appraisal techniques . The following are not considered to be common areas:
 - 1. Common elements of a condominium, as defined in section 33-1202.
 - 2. A golf course, as defined in section 42-13151 and valued pursuant to article 4 of this chapter.
- C. Property must meet all of the following requirements to be considered a common area:
 - 1. The property must be owned by a nonprofit homeowner's association, community association or corporation.
 - 2. The association or corporation must be organized and operated to provide for the maintenance and management of the common area property.
 - 3. All residential property owners in the development must be required to be and must actually be members of the association or corporation, or must be obligated to pay mandatory assessments to maintain and manage the common areas.
 - 4. All members of the association or residential property owners in the development, their immediate families and, if provided by rules of the association or corporation, guests must have a right to use and enjoy the common areas. This right must be appurtenant to and pass with title to each lot and parcel. The association or corporation may assess fees for particular uses of individual common areas.
 - 5. The common areas must be deeded to the association or corporation.

42-13403. Computing valuation

- A. Subject to section 42-13404, values for common areas shall be made on the assumption that no other property use is possible.
- B. Land, buildings and improvements used for common areas shall be valued at five hundred dollars per parcel. The county assessor may divide the assessment amount per parcel to depict an assessment for land and an assessment for buildings and improvements provided that the total assessment for the parcel does not exceed five hundred dollars.

42-13404. Deed restriction on common area use

- A. As a condition for valuation under this article, the subdivider of a residential subdivision, on approval of the subdivision by the state real estate department pursuant to title 32, chapter 20, article 4, or the community or homeowner's association that owns the common area shall record a deed restriction with the county recorder and file a copy of the restriction with the county assessor restricting the property to use as a common area.
- B. If the property is converted to a different use in violation of the restrictions, the assessor shall change the classification and revalue the property according to standard appraisal methods and techniques.
- C. The county assessor may consolidate parcel combinations within the same taxing district if requested by the community or homeowner's association. A community or homeowner's association may provide a one-time list of common area tracts by parcel number to the assessor, in a form prescribed by the department of revenue.