

State of Arizona
Senate
Forty-fifth Legislature
Second Regular Session
2002

CHAPTER 204

SENATE BILL 1274

AN ACT

AMENDING SECTIONS 37-284, 37-322.01 AND 37-322.03, ARIZONA REVISED STATUTES;
RELATING TO STATE LAND LEASES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 37-284, Arizona Revised Statutes, is amended to
3 read:

4 37-284. Conflicting lease applications; preference rights

5 A. A conflicting application for an existing lease shall be filed at
6 least two hundred seventy days but not more than one year before the
7 expiration date on the lease. When the department receives a conflicting
8 application, the department shall give the existing lessee thirty days'
9 notice to file an application for renewal pursuant to this section.

10 B. If two or more applicants apply to lease the same land, the
11 department shall approve the application of the one who, after investigation
12 or hearing, appears to have the best right AND EQUITY to the lease. The
13 order of filing shall not be a controlling factor in deciding who is entitled
14 to the lease. If it appears that none of the applicants has any right or
15 equities superior to those of another that would outweigh an offer of
16 additional rent, and if it is in the best interest of the trust, the
17 department may, at a stated time and after due notice to all applicants,
18 receive bids submitted in accordance with rules of the department. If one of
19 the competing applicants is the existing lessee who has a preferred right of
20 renewal pursuant to section 37-291, the department may extend the preferred
21 right of renewal to the existing lessee if the existing lessee offers a bid
22 matching the highest bid. The department shall approve the application of
23 the bidder who in all respects is eligible to receive a lease upon the land
24 and will pay the highest annual rental ~~therefor~~, or the department may reject
25 all bids.

26 C. BEFORE THE DEPARTMENT ISSUES A LEASE TO THE SUCCESSFUL BIDDER, THE
27 SUCCESSFUL BIDDER SHALL PAY ONE FULL YEAR OF RENT AND, UNLESS ALL PARTIES
28 AGREE TO AN EXTENDED PAYMENT SCHEDULE, THE APPRAISED VALUE OF ANY
29 NONREMOVABLE IMPROVEMENTS PURSUANT TO SECTION 37-322.01. IF THE SUCCESSFUL
30 BIDDER DOES NOT PAY ONE FULL YEAR OF RENT OR THE VALUE OF ANY NONREMOVABLE
31 IMPROVEMENTS WITHIN THIRTY DAYS AFTER THE DEPARTMENT REQUESTS PAYMENT, THE
32 DEPARTMENT MAY OFFER THE LEASE TO THE NEXT BEST BIDDER. A LEASE THAT IS
33 ISSUED PURSUANT TO THIS SECTION SHALL REQUIRE THE LESSEE TO PAY ANNUAL RENT
34 THAT IS EQUAL TO THE AMOUNT OF ANNUAL RENT BID, UNLESS A REAPPRAISAL OR
35 RENTAL ADJUSTMENT REQUIRES A HIGHER AMOUNT.

36 ~~B.~~ D. Any person residing upon contiguous land for which the person
37 has an allowed United States homestead entry or for which the person has
38 received a patent from the United States upon a homestead entry shall, upon
39 application, have a preferred right to lease the amount of contiguous state
40 land necessary for personal use.

41 ~~C.~~ E. Any person lawfully occupying any lands, the title to which is
42 acquired by the state by operation of law, shall have a preference right to
43 lease the occupied land provided application to do so is made within thirty
44 days from and after written notice by the ~~state land~~ department to such
45 occupant of the acquisition of title.

1 Sec. 2. Section 37-322.01, Arizona Revised Statutes, is amended to
2 read:

3 37-322.01. Reimbursement by succeeding lessee of lands not
4 subject to auction for nonremovable improvements:
5 failure to pay; penalty

6 A. A lessee of state lands that are not subject to lease by auction
7 shall be reimbursed by a succeeding lessee for improvements placed on the
8 lands which are not removable.

9 B. If the retiring lessee and the new lessee do not agree upon the
10 value of the improvements, or if there is no amortized value established for
11 the improvements, either party may file with the state land department an
12 application for appraisal of the improvements. If a lease is granted
13 pursuant to section 37-284, a request for an appraisal shall be made more
14 than ninety days before the expiration of the lease. Thereafter an appraisal
15 of the improvements shall be made pursuant to section 37-322.

16 C. Upon making the appraisal, the department shall give notice of the
17 amount by certified mail to each person interested in the appraisal. The
18 notice shall require that the new lessee pay to the department for the prior
19 lessee the entire amount of the appraisal ~~within thirty days from the date of~~
20 ~~the~~ BEFORE issuance of the lease unless all parties agree to an extended
21 payment schedule. If the improvements were placed on state lands subject to
22 a commercial lease and if the commissioner determines that the value of the
23 improvements is so great that it inhibits the commissioner's ability to lease
24 the property at fair market value, the commissioner may require reimbursement
25 of the improvements pursuant to a payment schedule of not more than five
26 years.

27 D. If the improvements are not paid for as ~~required in the notice~~
28 AGREED IN AN EXTENDED PAYMENT SCHEDULE, the succeeding lessee shall not be
29 permitted to sell, assign or transfer his lease nor sell, assign or remove
30 any improvements whatever from the land until the entire amount of the
31 appraised value of the improvements has been paid. Upon default ~~he~~ THE
32 SUCCEEDING LESSEE shall be subject to the same penalties and liabilities as
33 provided by section 37-288 for failure to pay rents, including a cancellation
34 of the lease.

35 Sec. 3. Section 37-322.03, Arizona Revised Statutes, is amended to
36 read:

37 37-322.03. Improvements on state lands; taxation; disposition
38 on termination of lease; statement of improvements

39 A. A LESSEE OF STATE LAND SHALL MAINTAIN ALL IMPROVEMENTS THAT ARE
40 PERTINENT TO THE LEASE IN SERVICEABLE CONDITION FOR THE TERM OF THE LEASE AND
41 SHALL NOT REMOVE ANY IMPROVEMENT WITHOUT WRITTEN AUTHORIZATION FROM THE
42 DEPARTMENT EXCEPT AS PROVIDED BY SUBSECTION B. All improvements placed upon
43 state land shall, until they become the property of the state, be subject to
44 assessment for taxes in the name of the owner, as other property.

45 B. A lessee of state lands, within sixty days prior to or ninety days
46 following the expiration of his lease, may remove from the land the removable

1 improvements belonging to him, the removal of which will not injure the land.
2 Wells, embankments or dams designed for development, storage or conservation
3 of water shall not be taken away, destroyed or injured, but shall remain as
4 appurtenant to the land and shall be removed, destroyed or altered only by
5 authority of the department.

6 C. The retiring lessee may, with written authority from the
7 department, and within the time for removal, sell his improvements to the
8 succeeding lessee.

9 D. At the commissioner's request, a lessee shall file with the
10 department a sworn statement setting forth the character of the improvements
11 and their actual cash value.

APPROVED BY THE GOVERNOR MAY 09, 2002.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 09, 2002.