

REFERENCE TITLE: **assisted living; refunds; escrow accounts**

State of Arizona  
House of Representatives  
Fifty-sixth Legislature  
Second Regular Session  
2024

## **HB 2505**

Introduced by  
Representatives Gress: Biasiucci, Blattman, Bliss, Carbone, Contreras P,  
Dunn, Martinez, Payne, Peña, Willoughby, Wilmeth; Senators Borrelli,  
Shamp

AN ACT

AMENDING SECTION 20-1804, ARIZONA REVISED STATUTES; RELATING TO LIFE CARE  
CONTRACTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 20-1804, Arizona Revised Statutes, is amended to  
3 read:

4 20-1804. Entrance fee escrow

5 A. As a condition for the issuance of a permit pursuant to section  
6 20-1803, the director shall require that the provider establish an escrow  
7 account with a licensed agent which provides that all of any entrance fee  
8 received by the provider ~~prior to~~ BEFORE the date the resident is  
9 ~~permitted~~ ALLOWED to occupy his or her living unit in the facility or the  
10 date the contract holder is to begin receiving services in his or her  
11 private residence be placed in escrow with a bank, trust company or other  
12 escrow agent approved by the director, subject to the condition that such  
13 funds may be released only as follows:

14 1. If the entrance fee applies to a contract holder who will be  
15 receiving services in his or her private residence, the entrance fee shall  
16 be released to the provider at such time as the life care contract  
17 commences.

18 2. If the entrance fee applies to a living unit ~~which~~ THAT has been  
19 previously occupied in the facility, the entrance fee shall be released to  
20 the provider at such time as the living unit becomes available for  
21 occupancy by the new resident.

22 3. If the entrance fee applies to a living unit ~~which~~ THAT has not  
23 previously been occupied by any resident, the entrance fee, or that  
24 portion of the entrance fee not to be held in escrow pursuant to section  
25 20-1806, shall be released to the provider at such time as the director is  
26 satisfied that all of the following conditions exist:

27 (a) Construction or purchase of the facility has been substantially  
28 completed and an occupancy permit covering the living unit has been issued  
29 by the local government having authority to issue such permits.

30 (b) A commitment has been received by the provider for any  
31 permanent mortgage loan or other long-term financing described in the  
32 statement of anticipated source and application of funds submitted by the  
33 provider as part of its permit application, and any conditions of the  
34 commitment ~~prior to~~ BEFORE disbursement of funds thereunder have been  
35 substantially satisfied.

36 (c) Aggregate entrance fees received or receivable by the provider  
37 pursuant to binding life care contracts, plus the anticipated proceeds of  
38 any first mortgage loan or other long-term financing commitment are equal  
39 to not less than ninety ~~per cent~~ PERCENT of the aggregate cost of  
40 constructing or purchasing, equipping and furnishing the facility plus not  
41 less than ninety ~~per cent~~ PERCENT of the funds estimated in the statement  
42 of anticipated source and application of funds submitted by the provider  
43 as part of its permit application, to be necessary to fund start-up losses  
44 and assure full performance of the obligations of the provider pursuant to  
45 life care contracts.

1           B. If the funds in an escrow account required to be established  
2 under subsection A **OF THIS SECTION** are not released within such time as  
3 provided by rules and regulations issued by the director, ~~then~~ such funds  
4 shall be returned by the escrow agent to the persons who had made payment  
5 to the provider.

6           C. An entrance fee held in escrow may be returned by the escrow  
7 agent to the person or persons who had made payment to the provider at any  
8 time ~~upon~~ **ON** receipt by the escrow agent of notice from the provider that  
9 such person is entitled to a refund of the entrance fee.

10           **D. THE ENTRANCE FEE, MINUS DEDUCTIONS FOR EXPENSES OR OTHER FEES**  
11 **PURSUANT TO THE LIFE CARE CONTRACT, SHALL BE RETURNED TO THE CONTRACT**  
12 **HOLDER WHEN THE RESIDENT'S OCCUPANCY TERMINATES WITH THE FACILITY AND THE**  
13 **RESIDENT'S FORMER LIVING UNIT IS INHABITED BY A NEW RESIDENT OR WITHIN ONE**  
14 **YEAR, WHICHEVER IS SHORTER.**

15           ~~D. E. Nothing in~~ This section ~~shall be interpreted as requiring~~  
16 **DOES NOT REQUIRE** the escrow of any nonrefundable application fee,  
17 designated as such in the permit application required by section 20-1802,  
18 received by the provider from a prospective resident or contract holder.