

**TOWN OF PRESCOTT VALLEY  
SPECIAL COUNCIL MEETING MINUTES  
January 21, 2010**

*Magistrate Court/Council Chambers  
Town of Prescott Valley  
7501 E. Civic Circle  
Prescott Valley, AZ 86314  
5:30 p.m.*

1. *CALL TO ORDER*
2. *ROLL CALL*

The meeting was called to order by Mayor Skoog at 5:30 p.m. in the Magistrate Courtroom/Council Chambers. The following Council members were present for roll call.

<i>Harvey Skoog</i>	<i>Mayor</i>
<i>Lora Lee Nye</i>	<i>Vice Mayor</i>
<i>Richard Anderson</i>	<i>Council member</i>
<i>Mike Flannery</i>	<i>Council member</i>
<i>Patty Lasker</i>	<i>Council member</i>
<i>Fran Schumacher</i>	<i>Council member</i>
<i>Harold Wise</i>	<i>Council member</i>

3. *NEW BUSINESS (FOR REVIEW, COMMENT, AND/OR POSSIBLE ACTION)*
  - a. *Consideration of granting consent to that certain Assignment and Assumption of Restated Development Agreement (Stoneridge) dated January 21, 2010*

Mr. Steve Betts President and CEO of Suncor Development Company stated he was formerly the legal counsel for the StoneRidge project therefore knows the history of the project. Suncor, a subsidiary of Pinnacle West, filed a plan of restructure with the Securities and Exchange Commission back in March 2009 announcing a plan to drop the residential side of their business and focus on the commercial and industrial side. Suncor is authorized to sell their master planned communities, home building assets, golf courses and condos. StoneRidge is one of five master planned communities they have been moving to market. They prefer to find a buyer that would keep the assets together as a package and saw the vision of these projects into the future. Shea Communities, the largest and number one home builder in the country, builds the same community and lifestyle most approximated to what Suncor has in the StoneRidge project. Assignments of key documents must be reassigned to get the project finalized with Shea Communities – the assignments of the Development Agreement and CFD Development Agreement. Mr. Betts introduced Mr. Jeff McQueen Executive Vice President of Shea Homes for further discussion of the matter.

Mr. McQueen commented that Shea Homes is the largest privately held builder in the country within the top 15 homebuilder. Their homebuilding is part of a large well-diversified conglomerate, a largely real estate focused organization dating back to 1881. Their heavy construction business also does large tunnels, office buildings, retail centers and industrial

property. On the residential side of the business, they build master planned lifestyle communities just like StoneRidge. They are headquartered in the Phoenix area and operate eleven master planned communities throughout the country (Seattle, Bay area, San Luis Obispo, southern California and Palm Desert area, Phoenix, Peoria, Queen Creek, Orlando, and Las Vegas). Shea is excited at the thought of purchasing the Suncor master planned communities and carry on their good work. Mr. McQueen introduced Brad Swisher, Josh, Mike Johnson and Larry Rinkin of the Suncor group who will be retained as a part of the Shea team.

Vice Mayor Nye commented how excited she is about this knowing the quality of Shea's products and support they offer. Because these are unusual times the Town has to be concerned about a technical default given the unknowns of the future. Mr. Betts responded that he has a long background in the Community Facilities District (CFD) area and is partially responsible for getting that law written. StoneRidge is a healthy community and this is a very healthy CFD. The CFD also has a \$3 million credit account behind it which represents 4-5 years worth of buffer. Shea will be stepping up to Suncor's position of making the payments. In the documents, Suncor made certain guarantees and adhered to the net worth covenant. Most of the assets that Suncor has remaining in this SEC restructure after selling their golf courses, condos and master planned communities, are commercial assets/land which are in a "bit of a free fall". It is quite possible that they will not hit the covenant level until their financial audits are done after the first quarter. They are in active discussion with the Town's financial advisor and bond counsel and have a couple of different strategies for how to rectify the situation.

Council member Flannery commented that Suncor has been a fantastic partner in this community and as we transition into another phase he is reminded when it began with Bill Howard coming before Council, showing them around and telling them what a fantastic project this would be. It has been a good relationship and pretty much everything that was laid on the table has been fulfilled. Council member Flannery thanked Steve Betts and his staff for overseeing this project. Council member Wise noted that during this economic downturn there were numerous properties listed in the newspaper for sale through a tax sale. Yet, Shea is willing to come into this community and invest in this community and keep something similar from happening. He stated his appreciation that Shea is coming in and that this town had the foresight to do these agreements in a way that they are just as important today as when they were initially developed. By doing it the way they have in the past Shea is able to assume these responsibilities and liabilities without a lot of redoing of the agreements.

Council member Flannery made the MOTION, seconded by Vice Mayor Nye, to grant consent to that certain Assignment and Assumption of Restated Development Agreement (Stoneridge) dated January 21, 2010. MOTION carried UNANIMOUSLY.

*b. Consideration to grant consent to that certain Assignment and Assumption of District Development, Financing Participation and Intergovernmental Agreement (Stoneridge Community Facilities District) dated January 21, 2010*

Mr. Michael Cafiso stated that Mr. Betts covered the basis of the agreement. A number of agreements are involved in the forming of any Community Facilities Agreement between the municipality and the district itself and the developer. It involves indemnification and an expense subsidy. When a CFD is initially formed there is just raw land there and the district just incurs expenses; there is really no way to pay those expenses. We levy a \$0.30

maintenance and operations tax. That tax is used to pay the expenses of the district without dipping into the Town's General Fund to pay the expenses of another political subdivision. The problem when a district is first formed, that the district is vacant or agricultural so the \$ .30 doesn't produce a lot of money until there is development. Therefore, the developers are required to step up and make good on the difference on what is put in the budget and what the tax produces so that the town does not have to come up with the difference. The other factor is that broad indemnification is included in the agreements meant to protect the Town and District. Those obligations will be assumed by the new entity taking over in the project. Other parts of the CFD Development Agreement are not as important as these two issues. The Shea people may want (in the future) additional infrastructure. We may find ourselves issuing additional debt through the CFD and those portions of the development agreement that relate to how debt is issued and how we use the money once available to reimburse or buy stuff from the developer will be applied. It is all pretty seamless. Ivan Legler has written a great agreement between the Town and CFD that no other community uses. Everything is very clear. Staff has a good process with all the CFDs in making sure the proper things are done before the purchase of infrastructure from developers.

Town Attorney Ivan Legler emphasized that we do not have all the documents in our hands at this point we don't have the agreement between Suncor and Shea which they have indicated will take over the responsibilities that Suncor has today for those annual payments and we are accepting that as a representation we can count on. Also, we don't know what kind of an entity will be created because it won't be the entire Shea organization; it will be a new Shea organization with a partner. We haven't seen that, but feel good about it given the representations that have been made. Assuming these obligations will be taken over as represented; bond holders should be paid. Not only do we have that obligation being taken over by the new Shea entity, but we also have that \$3 million available in case of a meltdown situation and we had to make payments for a couple of years. We do not have an understanding of how the Bond Covenant will be resolved or what it may result in. While the Town is not involved, the CFD is and we don't want to see a default.

Mr. Cafiso continued that different alternatives are available including reaching out to the bond holders and asking them to allow us to change bond holders. Hopefully in the near term they should have a resolution to that issue. Prescott Valley is breaking new ground, again. This is one of the larger single bond issues ever done for a developer with any Community Facilities District.

Council member Schumacher has been involved in this from the first. She has always been impressed with the concept and what would occur in the StoneRidge Development. She questioned whether they would be building a "Smart House" in StoneRidge.

Mr. McQueen commented that they do a lot of market research and stay connected to the customers interested in buying in their communities and design their product from that. They have a whole continuum of product types and certainly assess the people who have been buying or express an interest in buying at StoneRidge to determine what type of modifications, if any, need to be made to what Suncor has been offering. If it makes sense to introduce some things or come up with new ideas they are not afraid to do that.

Mayor Skoog expressed his appreciation to Mr. McQueen for stepping forward [to take over the StoneRidge Development] and commented that the Town has enjoyed a good relationship going back to the Bill Howard days, approximately 19 years.

Council member Wise made the MOTION, seconded by Council member Schumacher, to grant consent to that certain Assignment and Assumption of District Development, Financing Participation and Intergovernmental Agreement (Stoneridge Community Facilities District) dated January 21, 2010, by roll call vote. MOTION carried UNANIMOUSLY.

*c. Consideration to grant consent to that certain Assignment and Assumption of Effluent Use Agreement (StoneRidge) dated January 21, 2010*

Town Manager Larry Tarkowski stated this is part and parcel of what we have been discussing. He did not wish to repeat the history of the negotiations that we had with the Suncor people; he noted that the agreement needs to stay in place. It has been a good partnership and if Jeff can continue that partnership going forward then we will be very happy.

Vice Mayor Nye made the MOTION, seconded by Council member Schumacher, to grant consent to that certain Assignment and Assumption of Effluent Use Agreement (StoneRidge) dated January 21, 2010, by roll call vote. MOTION carried UNANIMOUSLY.

#### *4. COMMENTS FROM THE PUBLIC*

Mr. Wolfgang Mitchrich – Upon reading yesterdays paper regarding the phone survey for the proposed prison he finds it most objectionable for the simple reason that it can be manipulated. That has happened in the past. The paper said that Council may offer a sewer and water infrastructure incentive that would have to be paid by the taxpayer to which he vigorously objects. The 400 jobs promised sounds good and appreciates that you want to do something for the unemployed. I have been there and know what it is like – I have survived. This is not the answer for jobs. The population within ½ mile to within 1 ½ miles of the proposed prison Orchard Ranch 600 people – all seniors; Quailwood 600+ people living there; Prescott Country Club (County) 2,500 people; Village at Lynx Creek 800 people; Raven Ridge 130 people. You can't escape it; it will be lit up like a Christmas tree every night, all night. There are at least 4,500 people that close to the prison. IF this continues, I will start marching around and get people involved. This is not going to happen, I guarantee it for the simple reason that these are all seniors. Consider that we will all be scared stiff something will happen. His former neighbor was a prison guard and these guys [prisoners] are scheming all the time. I think this is a terrible idea. He reiterated that he will be marching if this goes too much further for the simple reason that you can not go on sacrificing our safety that would be afraid of losing value on their homes. He is worried about the people (their friends and buddies) that will come in and them scheming to get out and they are all innocent, of course.

Lisa Imburgia – I agree with the gentleman 100 percent with one exception. He said it would affect 4,000 people. It would be 40,000 people that would be affected – everyone in the Town. Everyone will see a decrease in their property values. She got that information from the National Institute of Corrections. CCA does not build very secure prisons. In Ohio, one of their prisons was built for minimum security and was supposed to house minimum offenders. They

found out that there was an extra 100 maximum security prisoners in there, but they learned about that after 4 convicted murderers escaped. Now this gentleman just said that you are going to someone that does business like that in the center of an area where a majority of the Town is seniors. CCA has not just failed in a few states in America; they have failed in various reasons in Canada, Australia, Brazil, China, Mexico, UK, France, Italy, Switzerland, Australia and New Zealand. Now I would for one of you to tell me, how they can be good for Prescott Valley.

Bill Feldmeier – I came here today to listen to the items on the agenda. I did not come to discuss this and feel the opportunity to discuss this fully will take place at the appropriate time. Tonight is not the night for that.

Tom Steele - I had the pleasure to address the Prescott Country Club Homeowner’s Association Tuesday night. I was followed by Geri Anne Kooiman who said I was lying to everybody and said that this new prison was not going to be 5,000 beds; it was not going to be high security and that a lot of Arizona residents with DUIs would be housed there. Now I haven’t gotten an answer from anybody on that yet. I have requested a statement from Andy Tobin for what the State was preparing. I would appreciate if you folks could fill me in on just exactly what is the truth.

Council member Wise asked Town Manager Larry Tarkowski, “at this time there actually is no project because the RFP has not even reached the legislature yet, right?” Tarkowski responded that is correct. Wise said the reason this is not on the agenda and the reason that there is actually not a project yet is why we cannot discuss this. Tarkowski responded we are prohibited from discussing this because it is not on the agenda and also per the rules for ‘Comments from the Public’ this an opportunity for the public to speak. Council is not to engage any of the speakers nor engage in the discussion of the subject brought up. He has received indications from PVEDF that there is an educational campaign going forward and a presentation in the Council meeting next Thursday [January 28, 2010] on the economic impacts of such a project and there will be additional opportunities to comment and learn more about this project as it evolves.

##### 5. *ADJOURNMENT*

Vice Mayor Nye made the MOTION, seconded by Council member Schumacher, to adjourn the meeting, by roll call vote. MOTION carried UNANIMOUSLY. Mayor Skoog adjourned the meeting at 6:15 p.m.

ATTEST:

APPROVED:

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Diane Russell, Town Clerk

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Harvey Skoog, Mayor

STATE OF ARIZONA)  
COUNTY OF YAVAPAI)ss:  
TOWN OF PRESCOTT VALLEY)

CERTIFICATE OF COUNCIL MINUTES

I, Diane Russell, Town Clerk of the Town of Prescott Valley, Arizona, hereby certify that the foregoing minutes are a true and correct copy of the Minutes of the Special Meeting of the Town Council of the Town of Prescott Valley, held on Thursday, January 21, 2010. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 26<sup>th</sup> day of January, 2010

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Diane Russell, Town Clerk