

**STONERIDGE COMMUNITY FACILITIES DISTRICT
REQUEST FOR BOARD ACTION**

Date: June 2, 2011

SUBJECT: Conveyance and Lease of StoneRidge Community Center

SUBMITTING DEPARTMENT: District Management Office

PREPARED BY: Larry Tarkowski, District Manager

AGENDA LOCATION: Comments/Communications , Consent , Work/Study ,
New Business , Public Hearing , Second Reading

ATTACHMENTS: a) Resolution No. 25, b) Special Warranty Deed, and c) Lease Agreement

SUMMARY/BACKGROUND: The StoneRidge Community Facilities District is authorized by A.R.S. §§ 48-709(F) and 48-719 to issue and sell general obligation bonds to provide money for public infrastructure purposes. On November 20, 2001, as previously authorized by vote of the property owner, the SRCFD Board authorized sale of General Obligation Bonds, Series 2001, in the aggregate principal amount of \$14,800,000.00 to finance construction of public infrastructure improvements for the StoneRidge subdivision.

On January 21, 2010, after discussions with SunCor representatives, the SRCFD Board and the Prescott Valley Town Council took steps to allow assignment and assumption of underlying agreements related to the StoneRidge subdivision in order to facilitate an anticipated sale of the development. Unfortunately, that sale was never completed. Instead, some time around June 2010 SunCor representatives informed legal counsel that sale of SunCor assets had resulted in SunCor no longer complying with a net-worth test in the bond documents. This information was then passed on to the bond trustee. No action was taken at the time because SunCor was current with annual contributions required under the bond documents.

On September 29, 2010, SunCor representatives informed staff that SunCor continued to be unable to find a suitable buyer and was pursuing a process of liquidation, including possible bankruptcy. This began a series of meetings with SunCor representatives in an effort to put the matter in as favorable a posture as possible before any bankruptcy filing by SunCor. Bankruptcy counsel was hired by the District. The law firm which assisted in creating SRCFD and issuing the bonds was consulted. And, SRCFD Board members and staff met on several occasions with StoneRidge residents. On March 22, 2011, SunCor representatives made a proposal that eventually involved making a separate contribution towards bond payments (\$1,000,000.00, minus the Standby Contribution of \$161,579.32 that SunCor expected to make towards the April 2011 bond payment), and conveying to SRCFD the StoneRidge Community Center so that SRCFD could collect rent thereon and irrevocably deposit that rent into the same bond account that ad valorem taxes from residents are paid into for bond payments. In time, this became a conveyance to SRCFD only for the period of the bond payments, with a future interest going to the StoneRidge HOA. And, during the period of time that ownership was held by SRCFD, the HOA would rent the Center

and be solely responsible for its management and maintenance. In return for this arrangement, the SRCFD Manager would make a favorable determination for SunCor in relation to the net worth test.

The parties have now worked out the necessary documents for this arrangement (including the HOA which has been represented by legal counsel). The SRCFD Manager has issued a letter making the requested determination, and SunCor will cause a related entity which it controls to convey the StoneRidge Center by special warranty deed (attached). This deed initially transfers a fee simple determinable interest in the Center to SRCFD, and a future fee simple interest to the StoneRidge HOA. The future interest will revert to the HOA upon final payment of the bonds (around 2026). In the interim, SRCFD is leasing the Center to the HOA under an agreement that provides for exclusive use and management of the Center by the HOA so long as the HOA pays approximately \$168,000.00 a year which SRCFD will then deposit in the bond account. The HOA will also have full responsibility for all Center costs.

It is intended and understood that this arrangement does not modify or conflict with any obligations of any party under the bonds. SunCor (and any successor-in-interest) will remain responsible for current contribution obligations under the bond documents, and SRCFD will continue to be obligated to set ad valorem taxes at rates required to make bond payments (after taking into account any other moneys available for bond payments). It also is not known what impact, if any, a subsequent bankruptcy filing by SunCor may have. All parties retain their legal rights going forward.

We appreciate the efforts of all parties, including counsel for SunCor, the HOA, and SRCFD in attempting to reach this arrangement.

OPTIONS ANALYSIS: The SRCFD Board may approve Resolution No. 25 accepting the conveyance of the StoneRidge Community Center and entering into the Lease Agreement with the HOA, or decline to approve Resolution No. 25.

ACTION OPTION: Motion to authorize the Chairman (or, in his absence, the Vice Chairman) to sign Resolution No. 25 accepting conveyance of the StoneRidge Community Center and entering into the Lease Agreement with the HOA, **OR** Motion not to approve Resolution No. 25
VOTE.

RECOMMENDATION: Staff recommends authorizing signature of Resolution No. 25

FISCAL ANALYSIS: It is believed that the deed and Lease Agreement have been drafted in such a way that SRCFD will not have additional financial liability (aside from minor one-time escrow costs and some administrative oversight costs of ensuring that rent payments are transferred to the bond trustee in a timely fashion). These rental payments should provide certain annual assistance towards payment of the SRCFD bonds, in addition to any continuing contributions that may be made by SunCor or any successor(s)-in-interest, and annual ad valorem tax revenues from StoneRidge residents.

REVIEWED BY:

StoneRidge CFD Treasurer _____

StoneRidge CFD Clerk _____

StoneRidge CFD Legal Counsel _____

StoneRidge CFD Manager _____

BOARD ACTION:

Approved Denied Tabled/Deferred Assigned to _____