

**STONERIDGE COMMUNITY FACILITIES DISTRICT
REQUEST FOR BOARD ACTION
Date: August 18, 2011**

SUBJECT: Assignment of StoneRidge CFD Obligations to Univest-StoneRidge, LLC

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) CFD Development Agreement Assignment, b) Amendment to CFD Development Agreement, c) Series 2001 Payment Agreement Assignment, d) Series 2001 Deposit Accounts Assignment, e) Series 2001 Standby Contribution Agreement Assignment, and f) General Assignment of CFD Documents

SUMMARY/BACKGROUND: At a meeting held on July 28, 2011, the StoneRidge Community Facilities District Board considered a number of approvals needed to facilitate an assignment by SunCor Development Company of its interests in the StoneRidge development to a new developer. That new developer was a single purpose entity created by the M3 Companies. Since then, M3 has determined not to close on that assignment, citing concerns about the StoneRidge Golf Course and the economic picture coming from Washington, D.C. M3 had been unwilling to accept assignment of the Golf Course with the rest of the development. However, another interested party has now stepped forward and indicated it will pick up where M3 left off. This party (Univest) has indicated a willingness to accept the Golf Course with the rest of the development. Univest recognizes that there are, indeed, national and global economic uncertainties ahead. However, it has previously purchased one of SunCor's other developments and believes that StoneRidge will be another good investment over the long term. Univest has indicated to SRCFD/Prescott Valley staff that it will essentially use the same documents that the SRCFD Board and Prescott Valley Town Council approved back on July 28, 2011 for the proposed M3 assignment.

As the SRCFD Board recalls, on November 20, 2001 it approved the sale of General Obligation Bonds, Series 2001, in the aggregate principal amount of \$14,800,000.00 to finance certain initial public improvements for StoneRidge under ARS §§ 48-709(F) and 48-719. StoneRidge was very successful for a number of years and grew rapidly. Unfortunately, as a consequence of the worldwide economic downturn SunCor and its related single-purpose entity (StoneRidge-Prescott Valley, LLC...together "SunCor") began to have economic difficulties similar to those of other residential and commercial developers. Eventually, SunCor began taking steps to withdraw from residential development and initially proposed to sell its remaining interests in the StoneRidge development to a single-purpose entity being formed by Shea Homes. On January 21, 2010, the SRCFD Board and Town Council took steps to approve the assignment and assumption of the underlying development agreements to that entity. However, the sale was never completed. Instead, in June of that year SunCor representatives informed SRCFD legal counsel that on-going sale of SunCor assets had resulted in SunCor no longer complying with a Net-Worth Test found in the development documents. Then, in September of that year

SunCor representatives informed SRCFD/Town staff that SunCor was pursuing a process of total liquidation that would likely include bankruptcy.

Over the intervening year, SunCor representatives have worked with SRCFD/Town staff and officials to find a resolution that would allow SunCor to liquidate while mitigating the negative impacts on SRCFD, the Town, and StoneRidge residents. In the process, the SRCFD Board hired bankruptcy counsel and consulted with the counsel who had assisted in creating SRCFD and issuing the Bonds. SRCFD Board members and staff met on numerous occasions with StoneRidge residents. The StoneRidge HOA hired its own legal counsel and began to take an active part in the discussions. And, SunCor continued to look for a purchaser of its interest in StoneRidge.

Eventually, the focus settled on resolving the problem with the Net Worth Test, ensuring continued developer standby contributions to avoid increases in actual resident ad valorem taxes, and ensuring resident control of the StoneRidge Community Center. A number of approaches were considered. Finally, on June 2, 2011, the SRCFD Board held a special meeting to approve a lease agreement involving the Center. In relation thereto, the Center would be conveyed to SRCFD by SunCor for the remaining term of the Bonds (2026), with a reverter to the StoneRidge HOA after that term. In the meantime, the HOA would lease the Center from SRCFD and would be solely responsible for its management and maintenance. Monthly rental payments (approximately \$168,000 total each year) would be irrevocably deposited into the same account that ad valorem taxes from residents are paid into for Bond payments. In return for this arrangement, the SRCFD Manager would make a favorable determination by letter for SunCor (and any successor-in-interest) with regard to the Net Worth Test. The final letter was issued by the SRCFD Manager on June 24, 2011. Throughout the negotiation of this arrangement, care was taken to ensure that it did not modify or conflict with any obligations of any party under the Bonds.

Two single-purpose entities are now being proposed by Univest: Univest-StoneRidge, LLC and Univest-StoneRidge Golf, LLC. Between them, these entities will purchase SunCor's remaining interest in StoneRidge and, in the process, accept assignment of the underlying development agreements (with some minor amendments...the same as those negotiated with M3). Since the actions taken by the SRCFD Board and Town Council back on July 28th were contingent on M3 closing with SunCor, the same actions must be taken again by the Board and Council (as well as consenting to a new assignment of the Effluent Use Agreement between SunCor and the Town needed for the Golf Course).

OPTIONS ANALYSIS: The SRCFD Board may consent to all or some of the various assignments and/or approve the proposed amendment, OR decline some or all consents and/or the approval. [Note: there is no request for any consent to the General Assignment of CFD Documents between SunCor and Univest-StoneRidge LLC]

ACTION OPTION: (a) Motion to approve the Consent to CFD Development Agreement Assignment between SunCor and Univest-StoneRidge, LLC, OR Motion not to approve this Consent to Assignment. **VOTE.**

(b) Motion to approve the Amendment to CFD Development Agreement among Univest-StoneRidge, LLC, First American Title Insurance Co., the Town of Prescott Valley, and SRCFD, OR Motion not to approve this Amendment to Agreement. **VOTE.**

(c) Motion to approve the Consent to Series 2001 Payment Agreement Assignment between SunCor and Univest-StoneRidge, LLC, **OR** Motion not to approve this Consent to Assignment. **VOTE.**

(d) Motion to approve the Consent to Series 2001 Depository Accounts Assignment between SunCor and Univest-StoneRidge, LLC, **OR** Motion not to approve this Consent to Assignment. **VOTE.**

(e) Motion to approve the Consent to Series 2001 Standby Contribution Agreement Assignment between SunCor and Univest-StoneRidge, LLC, **OR** Motion not to approve this Consent to Assignment. **VOTE.**

RECOMMENDATION: Staff recommends approving the requested consents and amendment.

FISCAL ANALYSIS: These assignments and amendment will result in a new party voluntarily taking responsibility for future standby contributions toward Bond payments in order to avoid increases in actual ad valorem tax payments by StoneRidge residents. In conjunction with the earlier arrangement SunCor, SRCFD and the StoneRidge HOA, it is expected that placing the annual rental payments for the Center into the Bond account will help ensure that such future standby contributions are manageable and that the StoneRidge development will be successful. The success of all such master-planned communities in Prescott Valley has direct and indirect fiscal impacts on the community as a whole

REVIEWED BY:

StoneRidge CFD Treasurer _____

StoneRidge CFD Clerk _____

StoneRidge CFD Legal Counsel _____

StoneRidge CFD Manager _____

BOARD ACTION:

Approved Denied Tabled/Deferred Assigned to _____