

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION**

Date: August 18, 2011

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

SUBMITTING DEPARTMENT: Management

PREPARED BY: Larry Tarkowski, Town Manager

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

ATTACHMENTS: a) Restated Development Agreement Assignment, b) Amendment to Restated Development Agreement, (c) CFD Development Agreement Assignment, d) Amendment to CFD Development Agreement, e) Effluent Use Agreement Assignment, and f) General Assignment of CFD Documents

SUMMARY/BACKGROUND: On July 28, 2011, the Town Council 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 (Uninvest) has indicated a willingness to accept the Golf Course with the rest of the development. Uninvest recognizes that there remain national and global economic uncertainties. However, it has previously purchased one of SunCor's other developments and believes that StoneRidge will be another good investment over the long term. Uninvest has indicated to Town staff that it will essentially use the same documents that the Council and the StoneRidge Community Facilities District Board approved back on July 28, 2011 for the proposed M3 assignment.

As the Council may recall, back in 1999 and 2000 it entered into a number of agreements with SunCor and StoneRidge-Prescott Valley, LLC (together "SunCor") to develop the StoneRidge development south of SR 69. In accordance with the agreements, the Council eventually formed SRCFD in order to issue and sell general obligation bonds to provide money for public infrastructure purposes in StoneRidge. On November 20, 2001, the SRCFD Board approved 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.

As a consequence of the worldwide economic downturn, SunCor eventually had economic difficulties similar to those of other residential and commercial developers. 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 Council and the SRCFD Board took steps to approve the assignment and assumption of the underlying development agreements to that entity. Unfortunately, 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 Town/SRCFD staff that SunCor was pursuing a process of total liquidation that would likely include bankruptcy.

Over the intervening year, SunCor representatives have worked with Town/SRCFD staff and officials to find a resolution that would allow SunCor to liquidate while mitigating the negative impacts on the Town as an entity, SRCFD, and StoneRidge residents. In the process, the Town Council/SRCFD Board hired bankruptcy counsel and consulted with the counsel who had assisted in creating SRCFD and issuing the Bonds. Town Council/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.

Univest proposes to form two single-purpose entities (Univest-StoneRidge, LLC and Univest-StoneRidge Golf, LLC.) to purchase SunCor's remaining interest in StoneRidge (including the Golf Course). In the process, SunCor and Univest have negotiated assignment and assumption documents for (and certain amendments to) the underlying development agreements. Since the actions taken by the Council and the Board back on July 28, 2011, were contingent on SunCor and M3 closing their deal, those actions must now be taken again. In addition, there is a need to assign the Effluent Use Agreement to the new Univest-StoneRidge Golf, LLC.

OPTIONS ANALYSIS: The Town Council may consent to all or some of the assignments and/or approve the proposed amendments, **OR** decline some or all consents and/or some or all approvals. [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 Restated 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 Restated Development Agreement between and among the Town, First American Title Insurance Co., and Uninvest-StoneRidge, LLC, **OR** Motion not to approve this Amendment to Agreement. **VOTE.**

(c) Motion to approve the Consent to CFD Development Agreement Assignment between SunCor and Uninvest-StoneRidge, LLC, **OR** Motion not to approve this Consent to Assignment. **VOTE.**

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

(e) Motion to approve the Consent to Effluent Use Agreement Assignment between SunCor and Uninvest-StoneRidge Golf, LLC, **OR** Motion not to approve this Consent to Assignment. **VOTE.**

RECOMMENDATION: Staff recommends approving the requested consents and amendments.

FISCAL ANALYSIS: These assignments and amendments 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:

Management Services Director _____

Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____