

RESOLUTION NO. 28
STONERIDGE COMMUNITY FACILITIES DISTRICT

A RESOLUTION OF THE DISTRICT BOARD OF THE STONERIDGE COMMUNITY FACILITIES DISTRICT, A COMMUNITY FACILITIES DISTRICT OF ARIZONA, APPROVING A FINAL BUDGET FOR FISCAL YEAR 2012-2013 PURSUANT TO ARS §48-716; ORDERING THAT AN AD VALOREM TAX BE FIXED, LEVIED AND ASSESSED ON THE ASSESSED VALUE OF ALL THE REAL AND PERSONAL PROPERTY WITHIN THE BOUNDARIES OF THE DISTRICT IN AMOUNTS SPECIFIED IN THE FILED STATEMENTS AND ESTIMATES; PROVIDING FOR CERTIFIED COPIES OF THIS RESOLUTION AND ORDER TO BE DELIVERED TO THE YAVAPAI COUNTY BOARD OF SUPERVISORS AND THE ARIZONA DEPARTMENT OF REVENUE; AND PROVIDING THAT THIS RESOLUTION SHALL BE EFFECTIVE AFTER ITS PASSAGE AND APPROVAL ACCORDING TO LAW.

WHEREAS, on July 26, 2001, the Common Council of the Town of Prescott Valley ("Town") adopted Resolution No. 1031 creating within Sections 22, 26, 27 and 35, R1W, T14N, G&SRB&M of the Town, the StoneRidge Community Facilities District ("SRCFD"), a community facilities district in accordance with ARS §48-701 et seq. (see Exhibit "A" attached hereto and expressly made a part hereof); and

WHEREAS, SRCFD is a special purpose district for purposes of Article IX, Section 19, Constitution of Arizona, a tax-levying public improvement district for the purposes of Article XIII, Section 7, Constitution of Arizona, and a municipal corporation for all purposes of Title 35, Chapter 3, Articles 3, 3.1., 3.2, 4 and 5, Arizona Revised Statutes, as amended, and [except as otherwise provided in §48-708(B), as amended] is considered to be a municipal corporation and political subdivision of the State of Arizona, separate and apart from the Town; and

WHEREAS, a primary purpose for creating SRCFD was to finance construction and maintenance of certain public improvements needed for the StoneRidge development through assessment of ad valorem taxes on all real and personal property within the development; and

WHEREAS, in accordance with ARS §§48-719 and 48-723, a special election was held on November 13, 2001 wherein the qualified electors of SRCFD voted to issue general obligation bonds in the maximum amount of thirty-three million dollars (\$33,000,000) to cover costs of constructing required public improvements, and to levy and collect an annual ad valorem tax at a rate not to exceed thirty cents (30¢) per one hundred dollars (\$100) of assessed valuation for SRCFD operation and maintenance expenses; and

WHEREAS, by Resolution No. 3 (dated November 20, 2001) the SRCFD Board authorized the sale of up to fourteen million eight hundred thousand dollars (\$14,800,000) aggregate principal amount of general obligation bonds, Series 2001 ("2001 Bonds") to fund initial public improvements for the development; and

WHEREAS, SRCFD also entered into agreements with StoneRidge - Prescott Valley, L.L.C., a limited liability company of Arizona ("StoneRidge"), and with SunCor Development

Company, an Arizona corporation (“SunCor”) with respect to the 2001 Bonds whereby StoneRidge and SunCor (as developers of the development) would (a) make annual payments to SRCFD in order to maintain the tax rate at no more than three dollars (\$3) per one hundred dollars (\$100) of secondary assessed valuation for debt service, given the tax base of SRCFD in each tax year, (b) deposit twenty percent (20%) of the bond principal to supplement tax revenues if amounts available under the annual payments were insufficient, and (c) pay up to forty-five thousand dollars (\$45,000) annually in the event an additional ad valorem tax of 30¢ per \$100 to pay costs to operate and maintain the public improvements was insufficient (until July 1, 2017 or July 1 after the 2,518th building permit was issued, whichever is earlier); and

WHEREAS, after initial success with the development, StoneRidge/SunCor eventually had economic difficulties as a consequence of the worldwide economic downturn and began taking steps to withdraw from residential development. It initially proposed to sell its remaining interests in the development to a single-purpose entity to be formed by Shea Homes and, on January 21, 2010, the Town Council and SRCFD Board approved assignments and certain amendments to various agreements (including the agreements described above) to that entity. Unfortunately, the sale was never completed; and

WHEREAS, in June of 2010, representatives of StoneRidge/SunCor 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 agreements. However, StoneRidge/SunCor had made (and indicated it would continue to make) the annual payments under the agreements described above; and

WHEREAS, in September of 2010, representatives of StoneRidge/SunCor informed Town/SRCFD staff that it would now pursue a liquidation that would eventually include bankruptcy. Negotiations then ensued to find a resolution that would allow StoneRidge/SunCor to liquidate while mitigating the negative impacts on the Town, SRCFD and residents of the development. The Town and SRCFD hired bankruptcy counsel and council/board members met (along with staff) with development residents. Eventually, the focus settled on resolving the problem with the Net Worth Test, providing for continued annual payments in order to avoid increases in resident ad valorem taxes, and ensuring resident control of the StoneRidge Community Center; and

WHEREAS, on June 2, 2011, the SRCFD Board approved a lease agreement involving the Center. In relation thereto, the Center would be conveyed to SRCFD by StoneRidge/SunCor for the remaining term of the 2001 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 one hundred sixty-eight thousand dollars (\$168,000) each year) would be irrevocably deposited into the same account that ad valorem taxes from residents are paid into for 2001 Bond payments. In return, the SRCFD Manager would make a favorable determination by letter for SunCor (and any successor-in-interest) with regard to the Net Worth Test. Said letter was issued by the SRCFD Manager on June 24, 2011; and

WHEREAS, on July 28, 2011, the Town Council and SRCFD Board approved assignments and certain amendments to various agreements (including the agreements described above) to a single-purpose entity created by the M3 Companies. Unfortunately, M3 did not close on its deal with StoneRidge/SunCor; and

WHEREAS, on August 18, 2011, the Town Council and SRCFD Board approved assignments and certain amendments to various agreements (including the agreements described above) to two single-purpose entities (Univest-StoneRidge, LLC and Univest-StoneRidge Golf, LLC) created by Univest. Univest subsequently closed on its deal with StoneRidge/SunCor. That deal involved an unconditional assignment by StoneRidge/SunCor and acceptance by the Univest entities of all benefits and obligations under the agreements. However, the consent by the Town and SRCFD to the assignments expressly did not release StoneRidge/SunCor from any of its liabilities and obligations to the Town, SRCFD and the 2001 Bonds trustee under said agreements; and

WHEREAS, reductions in property values in the development had resulted in steady increases in the annual contributions under the above-described agreement. Because potential successors under the agreements had identified the uncertainty of the amount of this obligation as the chief impediment to growth within the development, the SRCFD Board increased the tax rate to approximately three dollars and ninety cents (\$3.90) per \$100 as part of its FY 2011-2012 budget (Resolution No. 26, June 23, 2011) in an effort to maintain the actual collection amount at the level of the previous year; and

WHEREAS, on February 24, 2012, StoneRidge/SunCor filed a petition for Chapter 11 bankruptcy protection in U.S. Bankruptcy Court, District of Arizona (2:12-bk-03429-RTB); and

WHEREAS, on March 1, 2012, the SRCFD Board heard a presentation from representatives of the StoneRidge HOA about results of a series of meetings with Univest and the development residents to consider possible terms for refinancing the 2001 Bonds, and subsequently directed staff to explore the potential for such refinancing (and for removing any possibility of issuing additional bonds in the future based on the 2001 vote); and

WHEREAS, going forward it is understood that the SRCFD Board will make decisions about SRCFD tax rates based on any annual payments by successors-in-interest to the above-mentioned agreements, any amounts available under the deposit, and/or any refinancing of the 2001 Bonds; and

WHEREAS, by Resolution No. 27 (dated May 24, 2012), the SRCFD Board (a) approved a Tentative Budget for Fiscal Year 2012-2013, (b) filed required statements and estimates of SRCFD's operation and maintenance expenses, and the amount of all other expenditures for public infrastructure and enhanced municipal services proposed to be paid from the tax levy and of the amount to be raised to pay SRCFD general obligation bonds, (c) set a date of July 12, 2012 for a public hearing on the Tentative Budget and, particularly, on the portions of the statements and estimates not relating to debt service on general obligation bonds, and (d) provided for notice of the filing and of the public hearing date; and

WHEREAS, at the conclusion of the public hearing, the SRCFD No. 1 Board voted to adopt the Final Budget for Fiscal Year 2012-2013 by this Resolution No. 28, and ordered the fixing, levying and assessment of the amounts to be raised by ad valorem taxes;

NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD OF THE STONERIDGE COMMUNITY FACILITIES DISTRICT, AS FOLLOWS:

1. That that certain proposed budget prepared by the SRCFD Treasurer for Fiscal Year 2012-2013, attached hereto and expressly made a part hereof as Exhibit "B", is hereby finally adopted.

2. That it is hereby ORDERED that, in Fiscal Year 2012-2013, an ad valorem tax be fixed, levied and assessed on the assessed value of all the real and personal property within the boundaries of SRCFD in the amounts set forth in the statements and estimates attached hereto and expressly made a part hereof as Exhibit "C".

3. That certified copies of the Resolution and Order be delivered by U.S. Mail to the Yavapai County Board of Supervisors and to the Arizona Department of Revenue on or about July 16, 2012 (inasmuch as the tax levy must be filed by the Yavapai County Board of Supervisors on or before the third Monday in August).

4. That if any provision in this Resolution is held invalid by a Court of competent jurisdiction, the remaining provisions shall not be affected, but shall continue in full force and effect.

5. That this Resolution shall be effective after its passage and approval according to law.

RESOLVED by the District Board of the StoneRidge Community Facilities District this 12th day of July 2012.

Harvey Skoog, Chairman, District Board
StoneRidge Community Facilities District

ATTEST:

Diane Russell, District Clerk
StoneRidge Community Facilities District

APPROVED AS TO FORM:

Ivan Legler, Legal Counsel
StoneRidge Community Facilities District

EXHIBIT "A"

SRCFD Map and Legal Description

EXHIBIT "B"

FY 2012-2013 SRCFD Budget

EXHIBIT "C"

SRCFD Statements and Estimates on Auditor General Forms