



MEMORANDUM

Date: October 9, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry,
County Administrator

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over the printed name of the County Administrator.

Re: **Rocking K Development and Valencia Road Extension, Houghton Road to Old Spanish Trail**

As you may recall, a Community Facilities District was recently authorized to provide for the construction of major arterial road construction and regional park facilities within Rocking K. Initial residential development within the Rocking K Specific Plan is now imminent. The Rocking K Development Agreement entered into between Diamond Ventures and Pima County, requires certain infrastructure improvements to be installed based on the number of residential units constructed within Rocking K.

The developer believes it is now appropriate to proceed with other roadway access improvements, specifically a new arterial highway; Valencia Road from Houghton Road to Old Spanish Trail. The relationship between the Valencia Road extension and Rocking K is shown in Attachment 1.

The developer has proposed the County finance the Valencia Road extension improvements with the assurances that all costs associated with constructing this new public arterial highway will be paid for through the development impact fees collected in the Rocking K development. If there is a shortfall in the collection of these fees versus payments for the debt service related to road improvements, Diamond Ventures will provide the difference between collected development impact fees and debt service payments for the extension of Valencia Road.

The general terms and conditions being discussed are shown in Attachment 2. These are points to be negotiated with the developer.

A number of other County-related internal issues must be resolved, such as how this expenditure can be accommodated within the County's expenditure limitation, as well as what County collateral must be pledged to act as an additional security for those that will provide this bond-related financing. It is likely the bond-related financing will take the form of Certificates of Participation that will be issued for a term no longer than 15 years.

The Honorable Chair and Members, Pima County Board of Supervisors
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The purpose of this memorandum is to alert the Board of this additional pending action to finance a developer constructed arterial highway. It should be noted this construction will cost approximately \$15 million and will add approximately three miles of new arterial public highways for mobility. For this reason, I view the investment financing as appropriate. The quality of development and economic activity related to Rocking K is also a positive step to provide quality housing for employment expansion within the region and tax base expansion..

If you have any questions regarding this proposed action, please contact me.

CHH/anc

Attachments

c: Jan Leshar, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
David Goldstein, President, Diamond Ventures

ATTACHMENT 1

ATTACHMENT 2

Valencia Road Extension Bond Financing

Pima County

- County will issue bonds to cover the estimated \$15 million in project costs.
- County will amortize repayment of the Bonds over 15 years, with interest-only payments for the first three years.
- County will collect development fees from the Rocking K development area, as and when due, at the then-current rate. Collected fees and payments will be deposited in a special revenue subfund (the "Valencia Road Fund") within the Southeast Region Impact Fee Benefit Area Fund.
- As each debt service payment is made, the County will transfer an equal amount from the Valencia Road Fund to reimburse the County for the debt service payment.
- If development fees collected exceed debt service, and the excess (over and above what is needed to fund the next payment) builds up in the Valencia Road Fund to the point that it exceeds one year's debt service, Pima County, with Developer approval, may use the additional funds to pay down the principal on the Bonds at the earliest call date after the excess is generated. *[Discuss Two Years]*

Developer/DVI

- Developer will construct the project in accordance with all Pima County requirements, comply with Title 34 procurement and bonding requirements and convey the completed road and right-of-way to the County after construction.
- Developer will pay to the County, on a quarterly basis, an amount by which County expects the next debt-service payment, plus a pro-rata share of the cost of issuing the Bonds, to exceed the available development fees in the Valencia Road Fund.
- Developer will provide the County with a first-position deed of trust on property with an appraised value at least equal to the present value of all debt-service payments on the Bonds. Developer may substitute collateral with County approval. *[Discuss Present Value vs. Principal]*
- County will release security equal to the amount of principal payments received so long as the value of the remaining security is less than the present value of the remaining debt service payments on the Bonds. *[Same comment as above]*
- Developer will provide the County with a letter of credit in the amount of the next twelve months' debt service on the Bonds and renew the letter of credit annually.
- Diamond Ventures will guarantee the Developer's obligations.