



MEMORANDUM

Date: December 19, 2017

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

From: C.H. Huckelberry
County Administrator 

Re: **Valencia Road Extension, Houghton Road to Old Spanish Trail**

As I have previously advised, Rocking K developer, Diamond Ventures, desires an arterial road extension for Valencia Road, Houghton Road to Old Spanish Trail of approximately 2.6 miles. Diamond Ventures has agreed to pay the full cost of this arterial roadway extension, now estimated at \$15 million. The extension includes a major bridge structure across the Pantano Wash. The developer has also agreed to pay the County's annual debt service obligations to finance these improvements using County Certificates of Participation. The developer will pay all principle and interest through impact fees or direct payments should impact fees be insufficient to pay the annual debt service requirements associated with the County's Certificate of Participation bonding for this arterial roadway improvement.

To keep the Board of Supervisors apprised of activities related to this matter, I am attaching a December 13, 2017 letter regarding the primary principles and project financing under discussion with the developer, Diamond Ventures.

It should be noted, the cost of this arterial roadway improvement is being paid entirely by the developer. No County Highway User Revenue Funds or other County funds will be used to complete this public highway improvement.

CHH/anc

Attachment

c: Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Nanette Slusser, Assistant County Administrator for Public Works
Ana Olivares, Interim Director, Transportation Department
Michael Racy, Racy Associates, Inc.

DIAMOND VENTURES

December 13, 2017

Mr. C.H. Huckelberry
County Administrator
Pima County Governmental Center
130 W. Congress St., 10th Floor
Tucson, AZ 85701-1317

Dear Mr. Huckelberry:

In coordination with our efforts to move forward with developing the first phase of the Rocking K Ranch, we have been processing all permits, engineering and State Land easements and rights of way for the extension of Valencia Road from Houghton Road to Old Spanish Trail. We have worked with Pima County staff to bring the road project to the status of "shovel ready". This regional road extension is supported by groups including the Vail Unified School District, UA Tech Park, Davis-Monthan Air Force Base and the residents of the Rincon Valley.

By this letter, Rocking K Development, Inc. is requesting that Pima County finance this arterial roadway with repayment from roadway impact fees. The debt will be secured by unencumbered land at the Rocking K Ranch and any shortfall between impact fees collected and annual debt service will be paid by Rocking K. We will work with County staff to identify specific acreage and location of land to be used for security. Additional details related to this financing are covered in the outline attached.

We look forward to making the Valencia Road extension a reality.

Sincerely,
Rocking K Development Co.



David Goldstein
Vice President

DG.1519/dl
Enclosures

c: Nanette Slusser, Assistant County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Michael Racy, Racy Associates, Inc.

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.