Board of Supervisors Memorandum

May 15, 2018

Valencia Road Extension, Houghton to Old Spanish Trail

Background

On December 19, 2017 and again on March 9, 2018, I apprised the Board of Supervisors of discussions regarding the construction and financing of an extension of Valencia Road. Those memos are attached. The extension will connect Houghton Road to Old Spanish Trail bridging the Pantano Wash. The existing development agreement with Rocking K requires that the road be constructed prior to a certain number of lots being developed. The construction costs are to be reimbursed by transportation impact fees collected primarily from the Rocking K development.

This arterial roadway is identified on the 2045 Regional Mobility and Accessibility Plan (RMAP) established through the Pima Association of Governments (PAG) to help meet the region's transportation needs. However to date, no Regional Transportation Authority (RTA) funding or other means of financing have been available to initiate this project. Diamond Ventures has agreed to cover all principle and interest payments on Certificates of Participation to be issued by Pima County in order to initiate the construction of this important arterial roadway. No County Highway User Revenue Funds or other County funds have or will be used. Upon completion of construction, the improvements will be dedicated to the County.

On May 15, two items pertaining to this extension of Valencia Road construction will be on the Board of Supervisors' agenda. The first item will authorize the sale of Certificates of Participation (COPs) where up to $16,000,000 of the proceeds will fund the construction of the road and bridge. The second item amends the development agreement to secure repayment of the COPs through transportation impact fees and other direct payments from the developer, as needed. It also requires the developer to provide collateral to secure that payment obligation; the County will have a first position deed of trust on land within the Rocking K development.

Recommendation

It is recommended that the Board of Supervisors approve the resolution for Certificates of Participation, and if approved also approve the amended and restated Development

Agreement. The new agreement will replace the current development agreement and contains implementation mechanisms for the construction, acceptance and repayment for the roadway.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/mp- May 4, 2018

c: Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis Jr., Deputy County Administrator for Public Works

MEMORANDUM

Date: March 9, 2018

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

From: C.H. Huckelberry
County Administrator

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

The County continues to review appropriate development and infrastructure construction agreements with Diamond Ventures regarding the construction of an arterial roadway improvement from Houghton Road, along the Valencia Road alignment to Old Spanish Trail, including a bridge structure over the Pantano Wash. The anticipated total costs will be approximately $15 to $17 million.

Based on continuous financial review by County staff, it is likely a development agreement for these improvements will be placed on the Board of Supervisors Agenda as early as May 2018. The development agreement will provide a financing mechanism wherein the improvements are initially financed by the County through Certificates of Participation and will be entirely repaid by development impact fees associated with the Rocking K development. If development impact fees are not available to repay the debt, the developer will repay the debt. Land owned by the developer of equal or more value than the outstanding debt will be held in trust for the County as collateral for the debt.

In my opinion, this proposal is a no lose proposition for the County since the County is receiving an approximate $15 to $17 million investment in our arterial highway system at no cost to the taxpayers. The improvements will be paid for by development impact fees assessed on the future Rocking K development or directly by the developer.

This memorandum is to alert the Board of Supervisors of the ongoing activities of staff regarding negotiations and discussions with the developer regarding appropriate development and other agreements associated with financing of these public improvements.

CHH/anc

c: Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Julie Castañeda, Clerk of the Board
Ana Olivares, Director, Department of Transportation
Keith Dommer, Finance, Finance and Risk Management

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.

2200 EAST RIVER ROAD SUITE 115 TUCSON, ARIZONA 85718-6586
520/577-0200 phone • 520/299-5602 fax • www.diamond-ventures.com

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.