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# MEMORANDUM

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Date: March 13, 2019

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

From: C.H. Huckelberry  
County Administrator 

Re: **Valencia Road Extension Improvements to the Rocking K Development - Houghton Road to Old Spanish Trail**

Recently, a number of unfounded statements have been made regarding the Community Facilities District (CFD) that was formed by Rocking K for development of major internal public streets as well as the extension of Valencia Road, between Houghton Road and Old Spanish Trail. These inaccurate statements need correction.

Regarding the CFD, it is a separate transaction from the extension of Valencia Road and is authorized by Arizona law. A CFD is a process extensively used by the Towns of Marana and Sahuarita. In a CFD public improvements are financed using the value of the property being developed. A property tax, separate from any county property tax is levied over the land included within a CFD to finance the improvements. This occurs with all CFDs within Pima County, now under municipal jurisdiction. Hence, the future owner within the Rocking K development will fund these improvements through a separate property tax levy on only the developed property.

The Valencia Road extension is part of the arterial highway system within the region and is a public highway improvement. Valencia Road is perhaps one of our longest east/west arterial highways stretching from Old Spanish Trail to Ajo Way, for a total of 27 miles. This last segment, between Houghton and Old Spanish Trail, is being financed by development impact fees from the Rocking K development, which simply means it is a public highway on the arterial system and is being built exclusively by a developer. In almost all other cases, the arterial highway systems are either built by a municipality or the County through public revenue sources such as Highway User Revenue Funds (HURF), bonds or local impact fees. This is the first case where the cost of developing an arterial highway has been exclusively paid for by developer impact fees.

In the past, the now heavily-traveled public arterial roadway through La Paloma, known as Sunrise Drive, was built through an improvement district where the developer contributed half of the cost and the other half was paid by the public through County HURF.

The Honorable Chairman and Members, Pima County Board of Supervisors

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The County chose to assist in the capital investment for Valencia Road by issuing Certificates of Participation of up to \$16 million. Hence, the County is financing this public highway improvement in the unincorporated area of the County and using Rocking K impact fees to pay for the improvement.

As security to ensure the public is not at any financial risk in this transaction, the County has secured the repayment through the following:

- a) pledge of impact fees from the developer for those fees that occur with the development;
- b) contractual agreement to pay any difference between the debt service requirement in any particular year by Diamond Ventures, which is secured by;
- c) a letter of credit issued by a banking institution which can be drawn upon by the County if Diamond Ventures fails to pay any difference when due, and;
- d) a lien by the County on a significant portion of the property owned by Diamond Ventures and Rocking K.

These levels of credit and financial protection ensure County taxpayers will not have to pay anything for the cost of improving a public arterial highway, Valencia Road, even though in almost all other instances those costs have been paid for by the public in the past for roadway extensions and capacity improvements.

CHH/anc

- c: Tom Burke, Deputy County Administrator for Administration  
Carmine DeBonis, Jr., Deputy County Administrator for Public Works  
Ana Olivares, Director, Transportation Department