

MINUTES OF THE SPECIAL MEETING OF THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, held at Chandler City Hall, 5th Floor, Mayor's Conference Room, 175 S. Arizona Avenue, on Wednesday, December 21, 2011, at 4:30 p.m.

THE MEETING WAS CALLED TO ORDER BY MAYOR JAY TIBSHRAENY.

The following members were present:

Jay Tibshraeny	Mayor
Trinity Donovan	Vice-Mayor
Kevin Hartke	Councilmember
Rick Heumann	Councilmember
Matt Orlando	Councilmember
Jack Sellers	Councilmember
Jeff Weninger	Councilmember

Also in attendance: Rich Dlugas, City Manager; Pat McDermott, Assistant City Manager; Mary Wade, City Attorney; Marla Paddock, City Clerk; Teri Killgore, Downtown Redevelopment Manager; Christine Mackay, Economic Development Director.

1. INTERCREDITOR AGREEMENT: Desert Viking / San Marcos Townhomes Res. #4565

Background:

In August 2004, the City entered in to a Development Agreement with Desert Viking DV Town Homes, L.L.C., with a First Amended and Restated Development Agreement signed in August 2006. The Phase I Development Agreement allowed for the City's Deed of Trust to be subordinated to a deed of trust in favor of Wells Fargo Bank, National Association that secured repayment of a loan to San Marcos Townhomes, Inc., for construction financing for the townhomes.

The Phase I Development Agreement for San Marcos Commons called for the construction of 79 townhomes and supporting infrastructure at the three blocks of the southwest corner of Chandler Boulevard and Arizona Avenue. Construction began on the units in 2007 and so far 57 townhomes have been built, with only six not sold. Desert Viking and the lending institution, Wells Fargo, have agreed to a new loan allowing some refinancing of the existing construction loan with enough new monies to enable the construction of the final 22 units.

The developer and lender expect that the new loan will be sufficient to finish the remaining units. Staff concurs given the utilities and foundations were previously installed and only vertical construction and some site improvements remain. The signing of the new Intercreditor and Subordination agreements would place the City in the 3rd lien position behind the two Wells Fargo loans. The overall financial risk to the City is nominal. The completion of these remaining 22 units would represent a completion of the construction requirements in the Phase I Development Agreement.

Desert Viking has represented that the subordination and intercreditor agreements will allow work to begin on the remaining townhomes before the end of 2011.

Discussion:

Downtown Redevelopment Manager TERI KILLGORE explained that the agreement and was necessary in order for Desert Viking to complete construction of the San Marcos Commons townhomes. She stated that there are a total of 79 townhomes and Desert Viking had built 57 with 22 still needing completion. This transaction would give the developer an ability to create a new loan and the City would move to third position.

COUNCILMEMBER ORLANDO asked what the time frame for the additional 22 units would be.

MS. KILLGORE replied that she was unsure of an exact time frame; however, she believed it would not pass 6-8 months. She added that the item would be brought back to Council for approval. In addition, she expected the processes to be a quick build as utilities were already present in the area.

MOVED BY COUNCILMEMBER SELLERS, SECONDED BY COUNCILMEMBER HARTKE, TO APPROVE RESOLUTION NO. 4565 AUTHORIZING THE EXECUTION OF A NEW SUBORDINATION AGREEMENT AND INTERCREDITOR AGREEMENT FOR SAN MARCOS COMMONS PHASE I.

In response to comments and questions from MAYOR TIBSHRAENY and COUNCILMEMBER HARTKE, Ms. Killgore explained that the developer benefited from the agreement because it would enable the developer to lock in current processing rates, as rates for drywall and other materials were expected to increase.

THE MOTION CARRIED UNANIMOUSLY (7-0).

Adjournment: The meeting was adjourned at approximately 4:35 p.m.

ATTEST: _____
City Clerk

Mayor

Approved: January 12, 2012

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special meeting of the City Council of Chandler, Arizona, held on the 21st day of December 2011. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this _____ day of January 2012.

City Clerk