



**MASTER ASSESSMENT
METHODOLOGY
POINCIANA COMMUNITY
DEVELOPMENT DISTRICT
AND POINCIANA WEST COMMUNITY
DEVELOPMENT DISTRICT
RECREATION FACILITIES
CONSTRUCTION & ACQUISITION**

December 13, 2017

Prepared for:

Members of the Board of Supervisors,
Poinciana Community Development District

Prepared by:

Fishkind & Associates, Inc.
12051 Corporate Boulevard
Orlando, Florida 32817

**MASTER ASSESSMENT METHODOLOGY
POINCIANA COMMUNITY DEVELOPMENT DISTRICT
AND POINCIANA WEST COMMUNITY DEVELOPMENT DISTRICT
RECREATION FACILITIES CONSTRUCTION & ACQUISITION**

December 13, 2017

1.0 Introduction

1.1 Purpose

This "Master Assessment Methodology" dated December 13, 2017 ("Methodology") provides a system for the allocation of non-ad valorem special assessments securing the repayment of bond debt planned to be issued by the Poinciana Community Development District ("PCDD") to fund the Recreational Facilities Construction and Acquisition ("RFA") for the PCDD and Poinciana West Community Development District ("PWCDD") and collectively the "Districts". The recreational, cultural, and educational facilities include but are not necessarily limited to the following: clubhouses, pools, fitness facilities, tennis courts, pickleball courts, performing arts center, etc...

The Methodology described herein has two goals: (1) identifying the special benefit received by properties within the Districts as a result of the acquisition, renovation and addition of the recreational facilities, and (2) reasonably allocating the costs incurred by the Districts to provide these benefits to benefitted properties in the Districts. The Districts plan to fund the acquisition and renovation of the existing recreational facilities as well as the construction of additional recreational facilities through bond debt financing. This bond debt will be repaid from the proceeds of non-ad valorem special assessments levied by the PCDD and by the PWCDD via an inter-local agreement between the Districts. This Methodology is designed to conform to the requirements of Chapters 170, 190, and 197 of the Florida Statutes with respect to special assessments and is consistent with our understanding of the case law on this subject.

1.2 Background

The PCDD includes approximately 3,240 acres and is projected to include 3,945 residential units and 128,000 square feet of non-residential structures. The PWCDD encompasses approximately 949 acres of land which will include 1,650 single family detached residential units developed over seven (7) phases and 19,000 square feet of non-residential structures. Avatar Properties, Inc. ("Developer") plans to develop 5,595 residential units in aggregate within the Districts, combined. Three (3) units within the development are not within the PCDD and as a result are not subject to the debt assessments associated with the RFA.

1.3 Requirements of a Valid Assessment Methodology

Improvements undertaken by the Districts create both special benefits and general benefits to property owners located within and surrounding the Districts. However, the general benefits to the public at large are incidental in nature and are readily distinguishable from the special benefits which accrue to property located within the Districts.

For special assessments to be valid under Florida law, there are two requirements. First, the properties assessed must receive a special benefit from the improvements paid for via the assessments. Second, the assessments must be fairly and reasonably allocated to the properties being assessed.

If these two characteristics of valid special assessments are adhered to, Florida law provides some latitude to legislative bodies, such as the Districts' Board of Supervisors, in approving special assessments. Indeed, Florida courts have found that the mathematical perfection of calculating special benefit is likely impossible. Only if the Districts' Board was to act in an arbitrary, capricious, or grossly unfair fashion would its assessment methods be overturned.

2.0 Plan of Finance

2.1 Recreational Facilities Existing and New Improvements

The Engineer's Report and the eighth amendment to the Purchase and Sale Agreement ("PSA") set forth the amounts necessary for the acquisition and construction of the RFA. Table 1 summarizes those amounts.

Table 1. Recreational Facilities Total

Purchase Price (Existing Recreational Facilities)	\$72,900,000
New and Reconstructed Improvements	\$11,185,543
Total	\$84,085,543

Source: PSA Agreement, dated December 5, 2016

2.2 Existing Development Within PCDD and PWCCD

As discussed in Section 1.2, the majority of the PCDD and PWCCD are developed with residential units. Table 2 provides a summary of the neighborhoods/phases within the development.

Table 2. Neighborhood/Phase and Unit Counts

Phase	Name	Planned Units
1B	Rainbow Lakes	401
2A, 2B	Candlewood	271
1D-1	Bella Vista	24
1D-2	Bella Vista	41
1E	Lago Vista	84
2C, 2D	Terra Vista	422
4A	Portofino	92
4B-1	Capri	19
4B-2	Capri	147
5F & 5F Unit 1	Montelena	170
1C	Treviso	36
1F Unit 1 55'	Oak Hammock	42
1F Unit 1 65'	Oak Hammock	33
1F Unit 2 55'	Oak Hammock	60
1F Unit 2 65'	Oak Hammock	35
1G 25' TH		32
1H (40'-45' LOTS)	Lago Vista	23
1H (50'-65' LOTS)	Lago Vista	16
3A, 3B	Venezia	507
4C	Flora Vista	370
4D	Flora Vista	70
5A,B		251
5C		242
5E(S)		66
5E(W)		77
5H		165
5I 80'	Portofino	22
5J 80'	Portofino	8
6A (55' & 65' LOTS)*	Bella Viana	118
6B (80' LOTS)*	Bella Viana	101
Poinciana Total		3,945
7A	Valencia	259
7B	Vizcaya	446
7C	Portofino	202
7D	Mira Vista	203
7E (65' LOTS)	Alta Vista	77
7E (65' LOTS)	Alta Vista	88
7F 40'		92
7G1	Volare	5
7G Unit 1	Volare	97
7G2 (55' & 65' LOTS)	Verona	181
Poinciana West Total		1,650
Totals		5,595

Source: Avatar Properties, Inc. (2017); *2 units in Phase 6A and

1 unit in Phase 6B are not included in the PCDD

2.3 Bond Requirements

The PCDD intends to finance the acquisition of the recreation facilities by issuing bonds. A number of component funds and expenses comprise the total principal of the bonds to be issued by the PCDD. These funds and expenses may include, but are not limited to, acquisition and construction, capitalized interest, a debt service reserve, underwriter's discount, and issuance costs. An estimate of the bond issuance associated with the RFA is found in Table 3. The construction/acquisition funds raised by the PCDD's bonds will fund the acquisition, construction and/or reconstruction of the RFA.

Table 3. Series 2017 Bonds for PCDD RFA

<u>Description</u>	<u>Series 2017 Bonds</u>
Construction/Acquisition Fund	\$84,085,543
NET OID	\$1,423,770
Capitalized Interest	\$1,132,359
Debt Service Reserve	\$2,650,713
Costs of Issuance	\$4,794,816
Underwriters Discount	\$1,432,800
Rounding	<u>\$0</u>
Maximum Bond Principal	\$95,520,000

2.4 Special Benefits and General Benefits

In general, capital infrastructure improvements within a Capital Improvement Plan ("CIP"), inclusive of the existing recreational facilities and proposed new facilities, create both: (1) special benefits to the Districts and (2) general benefits to properties outside the Districts. However, as discussed herein, these general benefits are incidental in nature and are readily distinguishable from the special benefits which accrue to the Districts.

There is no doubt that the general public, and property owners outside the Districts, benefit from the provision of the Districts' CIPs. However, these benefits are incidental to the CIPs, which is designed solely to meet the needs of the Districts. Lands outside the Districts do not depend upon the CIP to obtain, or to maintain, their development entitlements. This fact alone clearly distinguishes the special benefits which developable property in the Districts receive compared to those lying outside of the boundaries of the Districts.

The total cost of the RFA as financed is \$95,520,000. There are 5,595 assessable planned residential units within the PCDD and PWCDD. The maximum annual debt service ("MADS") associated with the financing is \$5,297,963 (\$946.91 per unit annually), which results in a MADS monthly assessment of \$78.91. Debt service special assessments will be levied, imposed, and collected on an annual basis. The MADS monthly assessment amount is for illustrative purposes only.

It is important to note that the fully financed costs include a provision for the development of additional recreational amenities in the amount of \$11,185,543. Therefore, to properly evaluate the RFA's benefits to its estimated costs, it is important to note that the RFA "monthly assessments" include both the existing as well as proposed improved and additional recreational amenities.

3.0 Assessment Methodology

3.1 Assessment Foundation

The assessment methodology associated with the RFA is a three-step process. First, the PSA determined the purchase price for the recreational facilities and the Engineer's Report determined the amount necessary for the construction of new improvements and reconstruction of certain existing improvements. Second, an estimate of the amount of bonds required to finance the RFA is calculated. Third, the as-financed costs of the infrastructure and related improvements are allocated to the benefited properties.

In allocating special assessments to benefited property, Florida governments have used a variety of methods including, but not limited to, front footage, area, trip rates, equivalent residential units (ERUs), dwelling units, and acreage. Fishkind & Associates, Inc. has determined that an assessment methodology based on ERUs is appropriate. The use of ERUs to estimate the benefit derived from the RFA is recognized as a simple, fair, and reasonable method for apportioning benefit. ERUs are a commonly accepted method for calculating special benefit assessments in Florida.

Here, an ERU is defined as a single-family unit, townhome unit, condominium unit and/or any other residential unit, regardless of the size of the unit. The Districts' recreational facilities are designed to serve as an amenity to the Districts' residents, which benefit from the use of the facilities. The properties within the Districts receive a special benefit from the RFA in the form of the following including but not necessarily limited to:

1. Ownership and control of the existing facilities by the residents
2. Additional recreational facilities in the amount of an estimated \$11.2 million
3. The Districts are not burdened by most private ownership costs (e.g. federal income tax, state sales tax, local property taxes)
4. The Districts provide low cost tax-exempt financing
5. The RFA results in a bond debt assessment which is not subject to future increases
6. The bond debt assessments can be refinanced resulting in potential additional savings to residents
7. Elimination of Club Fees
8. Payoff of assessment debt in 30 years compared to perpetual Club Fees
9. Increased use and enjoyment
10. Reduced need for personal recreation facilities and equipment
11. Developer's payment of CDD debt and O&M assessments on their lands, which fees it is currently not required to pay under the Club Plan, which reduces need to assess other benefitted properties to fund those amounts
12. The limitation of Solivita Grande passes to non-residents which is currently not limited by the Club Plan and which results in 1) increased use and enjoyment of the benefitted properties 2) reduces amount of O&M assessments to be levied on benefitted properties, by limiting overcrowding, overuse, etc.
13. The fact that the amenity facilities are not subject to foreclosure as they are if privately owned and mortgaged, which ensures continual operation of the facilities which protects property values within the community
14. The eventual resident ownership and operation of the Sales and Administration Building which ensures the manner in the which this facility will be utilized, protecting property values within the community from a non-conforming use of the facility
15. The establishment of a capital reserve fund without materially increasing amounts paid, where no fund has currently been established, which results in a reduced O&M assessment lien on the benefitted properties to fund the same

3.2 Assignment of Assessments

The RFA costs and terms are outlined in Table 1. The estimated amount of bonds necessary to fund the RFA has been calculated and is shown in Table 3. The bond principal and related annual debt service assessments will then be equally divided among the number of residential units planned for the Districts. The resulting maximum bond principal and annual assessments for each unit planned for the Districts are shown in Table 4. As the vacant land for residential units within the Districts is platted, the specific bond debt service assessments will be assigned to the individual platted lots as shown in Table 5.

Table 4. Summary of Series 2017 Assessments (1)

	Units	% of ERUs	Max Annual Assmt. per Category	Est. Net Annual Assmt./Unit	Est. Gross Annual Assmt./Unit (2)	Est. 2017 Bonds	Series 2017 Bond Principal/Unit
PCDD & PWCDD	5,595	100.00%	\$5,297,963	\$946.91	\$1,018.18	\$95,520,000	\$17,072.39
Total	5,595	100.00%	\$5,297,963			\$95,520,000	

(1) Preliminary, subject to change, based on the final pricing details of the 2017 Bonds.

(2) Gross Assessment includes 7% gross up to account for fees for Property Appraiser and Tax Collector and statutory early payment discount (statutory maximum is 8%)

3.3 True-Up Mechanism

In order to assure that the Districts' debt will not build up on the unplatted land within the PCDD, the PCDD shall conduct the following true-up test at the time of the approval of each plat and/or site plan. No true-up obligation is applicable to PWCDD because it is completely platted. The test is that the debt per acre remaining on the unplatted land or site plan is never allowed to increase above the initial maximum debt per acre level. Initially, the maximum level of debt per acre is calculated as the par amount of the bonds issued divided by the total number of planned units within the Districts, which is \$17,072.39 per unit. This principal per unit was then multiplied by the remaining 833 units planned for the 197-remaining net developable unplatted acres, which results in a principal assessment per remaining unplatted developable acre of \$72,189.

The allocation of the 197-remaining net developable unplatted acres among the parcels listed in Table 5 is based upon the best information available at this time and is subject to change over time as development proceeds within the PCDD. However, the Series 2017 Bonds true-up calculation will always be based on the total 197 remaining unplatted developable acres. As outlined in Table 5, there are 833 planned units remaining to be developed within these 197 acres. As also shown in Table 6, this produces a remaining unit per unplatted developable acre count of 4.2 and an initial Series 2017 Bonds principal assessment per remaining unplatted developable acre of \$72,189.

Table 5. True-Up Threshold

Unassigned Units	833
Total Net Unplatted Acres	197
Units/Net Acre	4.2
Maximum Bonds Principal/Net Acre	\$72,189.33

The developable property that currently remains unplatted will be the subject of a true-up analysis for the Series 2017 Bonds principal assessment assignment. An examination of the remaining unplatted developable properties is found in Table 6.

Table 6. Unplatted Parcels Within District – Initial Net Developable Acreage Assessments*

<u>Parcel ID</u>	<u>Developable Unplatted Acres*</u>	<u>% of Rem. Undev. Dev. Acres</u>	<u>Bond Principal Assessment per Parcel</u>
28-27-14-933530-001000	75.9	38.5%	\$5,479,170
28-27-14-933530-042000	93.9	47.7%	\$6,778,578
28-27-14-933541-004050	3.0	1.5%	\$216,568
28-27-14-933541-004170	20.0	10.2%	\$1,443,787
28-27-14-933543-001730	<u>4.2</u>	<u>2.1%</u>	<u>\$303,195</u>
Totals	197.0	100.0%	\$14,221,298

*Vacant lands are located in the PCDD; Poinciana West has fulfilled the platting of all its residential units

Thus, each unplatted developable acre will be assigned a Series 2017 Bonds principal assessment of \$72,189 at the time of the adoption of this Methodology. As outlined above, the assignment of Series 2017 Bonds assessments to the 197 unplatted developable acres within the PCDD will convert from an acreage to an ERU basis when some or all the acreage has been included in a plat or approved site plan. Units assigned an assessment by the PCDD to a parcel pursuant to one of these two steps will be subtracted proportionately from the remaining unplatted developable acreage.

Future plats and site plans for the remaining 197 unplatted developable acres must absorb at least 4.2 units per acre. Plats or property transfers which reduce the unit density on the remaining unplatted developable land below 4.2 units per acre shall trigger a true-up payment. However, a true-up payment may be suspended at the PCDD's sole discretion if the property owner can demonstrate to the PCDD, and the PCDD finds in its sole discretion, that all necessary land use approvals, including applicable zoning, can reasonably and economically support a density higher than 4.2 units per remaining unplatted developable acre.

If additional land, not currently subject to the debt assessments, is developed in such a manner as to receive special benefit from the Districts' RFA, it is contemplated that this Methodology will be re-applied to include such new parcels. The additional land, as a result of applying this Methodology, will be allocated an appropriate share of the special assessments, while all then-assessed parcels will receive a relative adjustment in their assessment levels.

4.0 Assessment Roll

The legal description of the parcels and undeveloped land within the District is found in Exhibit "A."

EXHIBIT "A"
Assessment Roll

