

**MASTER  
ASSESSMENT  
METHODOLOGY REPORT  
LAKEWOOD RANCH  
STEWARDSHIP DISTRICT  
NORTHEAST SECTOR**

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**Prepared for**

**Board of Supervisors  
Lakewood Ranch Stewardship District**

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## Master Assessment Methodology Report Lakewood Ranch Stewardship District Northeast Sector

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### 1.0 Background

The Lakewood Ranch Stewardship District (“District”) was created on June 17, 2005. The District encompasses approximately 23,255 acres in Manatee and Sarasota Counties. The District plans to initiate its capital improvement plan (“CIP”) for the Northeast Sector (“Sector”). The Sector encompasses +/- 3,853 gross acres planned for 8,175 residential units, 85 acres of commercial space, a public high school, and a K-8 public school. Table 1 and the District Engineer’s report of August, 4, 2017 (the “District Engineer’s Report”) provides a description of the area and a location map.

This master assessment report provides a methodology to allocate the debt over the approximately 3,853 gross acres in the Sector, less the 120 acres planned for school sites, leaving a net of 3,733 gross acres that will receive a special benefit from the proposed CIP to be installed in the Sector (“Properties”). It is the District’s debt-funded capital infrastructure improvements that will allow the development of the Properties in the Sector. By making development of the Properties within the Sector possible, the District creates benefits to these Properties.

The methodology described herein allocates the District’s debt to the Properties based upon the benefits each receives from the infrastructure program. In this case the Properties receiving benefit are some 3,733 acres of land within the Sector portion of the District. This report is designed to conform to the requirements of Chapter 170, F.S. with respect to special assessments and is consistent with our understanding of the case law on this subject.<sup>1</sup> In addition, this report is consistent with the assessment methodologies that the District has used for all of its other financings in all sectors of the District.

### 1.2 Projected Land Use Plan for the Sector

The Sector is located in Manatee County. The Sector is bounded on the North by SR 64, on the South by SR 70 on the West by Lorraine Road, and on the East by Bourneside Road which will be constructed as part of the CIP. Table 1 summarizes the land use development plan.

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<sup>1</sup> See for example *Indian Creek Country Club v. Indian Creek Village* 439 So. 3d (Fla. 2017) and *City of Boca Raton v. State*, 595 So. 2d 25 (Fla. 1992)

**Table 1: Projected Land Use Plan for Total Acres in The North East Sector**

Parcel	Gross Acres	Land Use	Volume
Parcel A1	788	SF	1,275
Parcel A2	281	SF	425
Parcel B	596	SF/MF	1,412
Parcel E	308	SF	639
Parcel F	260	SF/MF	659
Parcel C	20	Apartments	200
Parcel D	229	SF	398
Parcel G	260	SF	503
Parcel H	379	SF	885
Parcel I	351	SF	815
Parcel J	70	Apartments	700
Parcel K	48	SF	120
Parcel L	58	SF	145
Parcel 1 - south of SR 64	20	Commercial	
Parcel 2 - east of Lorraine Rd	20	Commercial	
Parcel 3 - west of Uihlein Rd	15	Commercial	
Parcel 4 - north of SR 70	20	Commercial	
Parcel 5 - south of SR 64	10	Commercial	
High School	80		
K-8 School	40		
	=====		=====
<b>Total</b>	<b>3,853</b>		<b>8,175</b>

Source: The Landowner

As noted above, the proposed development program for the Sector’s +/- 3,853 gross acres includes: 8,175 residential units of various types, 85 acres of commercial space, a public high school, and a K-8 public school. All of the proposed land uses described in Table 1 are expected to be fully entitled by December 1, 2017. The Landowner has entered into contracts with Taylor Morrison, Lennar, Kolter, and DR Horton to purchase certain lands within the Sector. These future landowners, along with others, will develop the Sector over time based on market conditions.

At the outset, the CIP is based on the projected land uses the Landowner plans for the lands comprising the Sector (as shown in Table 1). However, until either: (a) parcels of land along with their development entitlements are sold by the Landowner to the new landowner and entitlements conveyed or (b) plats are filed, the precise land uses are unknown.

Therefore, the District initially will impose assessments (“Assessments”) on a per gross acre basis on the unsold and unplatted Properties within the Sector based on the land use plan outlined in Table 1 (or in any updates issued from time to time), and on any sold or platted Property in accordance with its actual land use or contractual entitlement as transferred to the new landowner from the Landowner.

The numerical analysis provided below is illustrative of the assessment methodology. Since actual costs may vary from the estimates, the actual figures may change as information becomes available. However, the information provided here is the best available at this time.

There is one important proviso. The debt per acre on the Property that remains unplatted in the Sector is not allowed to increase above its Ceiling Amount. The Ceiling Amount is set whenever the District issues debt. It is calculated by dividing the unplatted acres of the Properties in the Sector into the debt allocated to the unplatted Properties. In addition, this requirement will be tested at four intervals based upon the percentage of total acres that are developed. The intervals are at 25%, 50%, 75% and 100% of the gross acres.

### 1.3 Requirements of a Valid Assessment Methodology

Valid special assessments under Florida law require two things. First, the properties assessed must receive a special benefit from the improvements paid for via the assessments that exceeds the burden of the debt placed upon them. 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 wide latitude to legislative bodies, such as the District’s Board of Supervisors in approving special assessments. Indeed, Florida courts have found that mathematical perfection is probably impossible, but if reasonable people disagree the assessment will be upheld. Only if the Board was to act in an arbitrary, capricious or grossly unfair fashion would its assessment methods be overturned.

#### 1.4 Special Benefits and General Benefits

New capital Infrastructure improvements included in the CIP create both: (1) special benefits to the Sector and (2) general benefits to properties outside the Sector. However, as discussed below, these general benefits are incidental in nature and are readily distinguishable from the special benefits which accrue to the Sector.

The CIP described in the District Engineer's Report enables the Sector to be developed. Without the CIP, there would be no infrastructure to support development of the Sector.

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

Finally, as shown below, the estimated cost of the CIP is \$84,680,481. The District plans to issue bonds to fund these costs, and the estimated total bond size is \$98,300,000. Therefore, the cost per gross acre for the 3,733 total acres of the Properties in the Sector is \$26,333 on a debt financed basis. According to data from the Manatee County Property Appraiser ("PA") the fair market value of the land in the Sector is \$50,826 per acre. Therefore, as illustrated in Table 2, the total cost of the land with the proposed improvements is at least \$76,339 per acre.

Based on the land development plan, and market research by the District's Financial Advisor ("FA"), the average value for a single-family home to be developed in the Sector is \$350,000. The typical relationship between the total price of a new home and its finished lot is 20%. So, the average home lot in the Sector is expected to have a retail value of \$70,000.

The land use plan anticipates a gross residential density of 1.97 units per gross acre. Therefore, the average value per acre for properties developed into residential lots is \$138,245. Thus, the net special benefit to the Properties is \$61,906. In other words, the installation of the CIP will increase the market value of the Properties far in excess of the cost of the Assessments.

**Table 2. Demonstration of Special Benefit for Properties in the Sector**

Category	Amount
Total Bonds to Fund CIP	\$98,300,000
Gross Acres in Sector	3,853
	=====
Cost Per Gross Acre	\$25,513
Value of Raw Land/Acre	\$50,826
	=====
Total Cost of Land as Improved	\$76,339
Average Value of Homes	\$350,000
Value of Lot @ 20%	\$70,000
Gross Density/Acre	1.97
Value of Finished Lots/Acre	\$138,245
	=====
Net Benefit from CDD Improvements	\$61,906

**2.0 Assessment Methodology**

2.1 Overview

The assessment methodology is a process by which the District will allocate the costs associated with its improvement program to properties in the Sector area of the District benefiting from the improvements. The allocation is based upon the benefits that the Properties receive. At the outset, the District has based its CIP on the projected land uses the Landowner plans for the Sector portion of the District as outlined in Table 1.

2.2 The District’s Capital Improvement Plan for the Assessment Areas and the District Engineer’s Estimate of Cost

Based upon the projected land use plan for the Sector created by the Landowner summarized in Table 1, the District Engineer has developed the CIP for the Sector. These cost estimates are summarized in Table 3 below. The Engineer estimates a total project cost of \$84,680,481. The improvements are the backbone infrastructure for the Sector including, but not limited to: roadways, utilities, and stormwater drainage systems. The CIP is anticipated to be installed in two phases. The CIP estimate excludes financing costs and interest expenses.

**Table 3: District Engineer’s Estimated Costs for The District’s Capital Improvement Program for the Sector**

Project	2018-19	2020-21	Total
Uilein	\$20,925,060		\$20,925,060
44th Avenue	\$21,993,195		\$21,993,195
Rangeland		\$21,070,125	\$21,070,125
Bourneside		\$14,142,010	\$14,142,010
Post Road		\$3,686,500	\$3,686,500
Contingency and Professional Fees	\$1,502,139	\$1,361,452	\$2,863,591
	=====	=====	=====
<b>Total</b>	<b>\$44,420,394</b>	<b>\$40,260,087</b>	<b>\$84,680,481</b>

Source: Stantec (August 4, 2017), “Lakewood Ranch Stewardship District Master Engineer’s Report for Northeast Sector at Lakewood Ranch Infrastructure Improvements”

Based on the District Engineer’s estimated cost for the Sector, the Financial Advisor has designed a financing program to provide the construction funds needed for the CIP. Table 4 provides a summary of the financing program needed to fund this project in the Sector. Bonds totaling approximately \$98,300,000 are needed to fund the CIP.

**Table 4: Estimated Size of the Bonds for the Sector**

Category	Series 2018	Series 2020	Total
Construction Fund	\$44,420,394	\$40,260,087	\$84,680,481
Debt Service Reserve @ 75%	\$2,808,789	\$2,547,252	\$5,356,041
Capitalized Interest	\$3,093,000	\$2,805,000	\$5,898,000
Cost of Issuance	\$200,000	\$200,000	\$400,000
Underwriter's Discount	\$1,031,000	\$935,000	\$1,966,000
Rounding	-\$3,182	\$2,660	-\$522
	=====	=====	=====
<b>Total</b>	<b>\$51,550,000</b>	<b>\$46,750,000</b>	<b>\$98,300,000</b>

The debt service reserve account is set initially at the lesser of maximum annual debt service, 10% of the proceeds of the bonds, or 125% of average annual debt service. The bond sizing includes one year of capitalized interest.

We estimated the underwriter’s discount at 2.0%. This allowance pays the underwriter for taking the risks involved in purchasing the District’s bonds. The cost of issuance pays for the trustee, financial advisor, district counsel and other costs associated with issuing the District's bonds.

### 2.3 Allocation to Benefiting Properties – The Master Methodology

The discussion offered below illustrates the process by which this report will allocate Assessments levied to pay indebtedness incurred to support the CIP. As described above, until such time as either: (a) Properties are sold along with their entitlements or (b) plats are recorded; the specific land uses in the District are not known with certainty. Therefore, at the outset, the debt is allocated on an acreage basis across all benefited acres in the District totaling approximately 3,733 acres. As the sale and platting process unfolds, the District will more finely articulate the allocation of debt to benefiting Properties based on their land uses.

As noted above, as long as two basic principles are adhered to, Florida law allows the Board of the District great latitude in determining the appropriate methodology to allocate the costs of the CIP to benefiting properties within the Sector. The two principals are: (1) the properties being assessed must receive a special benefit from the CIP and (2) the assessments allocated to each property must be fairly and reasonably apportioned among the benefiting properties. In allocating special assessment costs to benefiting property Florida governments have used a variety of methods including, but not limited to, front footage, area, trip rates, equivalent residential units, dwelling units, acreage, and value.

As shown in Table 1, the development plan for the Sector anticipates construction of 8,175 residential units along with 85 acres of commercial development.

The CIP for the Sector encompasses the installation of the master infrastructure for the Sector including its major roadways, utilities, and drainage system. These improvements are installed simultaneously with the construction of the major roadways. The utilities and drainage improvements are constructed in the rights of way or nearby, in the case of the drainage improvements. Therefore, the District's usual articulation of the improvements by type is not appropriate for these master infrastructure improvements for the Sector.

Furthermore, at this time the land use development program is known in general terms, that is to say the volume of residential units is known with some certainty. However, as is always the case as platting occurs there may result some variation in the number of units. In addition, it is likely that as development and platting occurs, the new landowners will refine the types of units offered – lot sizes and unit types will be refined and expanded from the general categories listed in Table 1.

The assessment methodology is designed in anticipation of these changes over time. As platting occurs, the methodology is designed to be supplemented to accommodate variation in the residential and nonresidential land uses from the general categories outlined in Table 1.

In light of these facts, the allocation methodology will be based on the equivalent residential unit (“ERU”) method. A standard single-family residential unit will be the basis for measurement and assigned 1 ERU. All other land uses will be assigned an ERU in relationship to the single-family home. Table 5 presents the ERU methodology.

The age-restricted residential units are assigned an ERU of 0.9 per unit, because this land use generates fewer trips per unit than a standard single-family home. Apartments are assigned an ERU of 0.6 per unit, because they generate fewer trips and consume lower amounts of utilities than a standard home or an age-restricted unit.

Commercial uses are allocated 1 ERU per 1,000 square feet of building, because of their traffic generation rates and utility usage. Based on the 85 gross acres of commercial space and an estimate floor area ratio of 0.15, the total volume of commercial square feet is estimated at 555,390.

The high school and k-12 school are not allocated an assessment for two reasons. First, the District cannot enforce the collection of assessments on another unit of government without their consent. The School Board has not given consent, and our experience is that they will not do so. Second, the schools are uses that benefit the developable parcels.

**Table 5. ERU Allocations by Land Use in the Northeast Sector**

Land Use	ERU/Unit	Volume	ERUs
Single-family standard	1.000	6,616	6,616
Single-family age restricted	0.900	659	593
Apartments	0.600	900	540
Commercial (square feet of building)	0.001	555,390	555
			=====
			8,304

Using the ERU methodology shown in Table 5, Table 6 shows the resulting allocation of the cost of the CIP on a fully funded basis using the estimates from Table 4. Debt per standard single-family unit is \$11,837. The estimated annual debt service is \$859.94 per year using an estimated interest rate of 6% without administrative charges. The other land uses are allocated their pro rata share of the cost of the CIP as funded using the ERU methodology.

**Table 6. Allocation of the Cost of the CIP as Funded to The Properties in the Northeast Sector**

Land Use	Par Debt	Par Debt/Unit	Debt Service
Single-family standard	\$78,313,394	\$11,837	\$859.94
Single-family age restricted	\$7,020,507	\$10,653	\$773.95
Apartments	\$6,391,964	\$7,102	\$515.97
Commercial (square feet of building)	\$6,574,135	\$12	\$0.86
	=====		
<b>Total</b>	<b>\$98,300,000</b>		

2.4 True Up Mechanism

The true up mechanism provides a critical safeguard in the assessment process preventing a buildup of debt on undeveloped Properties. The mechanism has two parts: (1) establishment of the Ceiling Amount and (2) application of the test to assure the Ceiling is not exceeded. The Ceiling Amount is established by dividing: (a) the debt that is not allocated to platted Properties in the Sector by (b) the number of unplatted acres of Properties in the Sector.

By way of illustration, if the District issues \$51,550,000 in Series 2018 Bonds, then the Ceiling Amount would be set at \$13,809 per gross acre (\$51,550,000/3,733 acres representing the gross acres of 3,733 less the school acres which are not assessed).

The second part of the process is the application of the test to assure that a plat does not cause the debt on the remaining unplatted acres to exceed the Ceiling Amount. The test is conducted at the platting thresholds of 25%, 50%, 75% and 90% based on gross acreage. Table 7 displays the timing for these tests.

At each threshold the District would calculate the remaining unallocated debt per unplatted acre. If the remaining debt per unplatted acre is below the Ceiling Amount, then no further action is needed. However, if the remaining debt were to be above the Ceiling Amount, then the Landowner would be obligated to make a True Up payment to bring the debt per unplatted acre down below the Ceiling Amount.

**TABLE 7. STAGE OF DEVELOPMENT FOR TRUE UP TEST**

Category	25%	50%	75%	90%
Cumulative Acres	963	1,927	2,890	3,468
Unallocated Acres	2,890	1,927	963	385

### 3.0 Tax Roll

Table 8 presents the tax roll for the Sector. The benefitted parcels are identified by parcel numbers at this juncture. When the PA assigns tax identification numbers, the District will update the tax roll. The annual assessment amount is calculated based on an estimated interest rate of 6% and a term of 30-years. The administrative charges include charges of 2% for the Manatee County Property Tax Assessor, 2% for the Manatee County Property Appraiser, and a 4% collection allowance for early payment of property taxes.

**Table 8. Tax Roll**

Parcel	Gross Acres	Par Debt	Annual Assessment	Administrative Charges	Total Annual Assessment
Parcel A1	788	\$20,750,174	\$1,487,027	\$129,307	\$1,616,334
Parcel A2	281	\$7,399,491	\$530,272	\$46,111	\$576,383
Parcel B	596	\$15,694,294	\$1,124,706	\$97,801	\$1,222,506
Parcel E	308	\$8,110,474	\$581,224	\$50,541	\$631,765
Parcel F	260	\$6,846,504	\$490,643	\$42,665	\$533,308
Parcel C	20	\$526,654	\$37,742	\$3,282	\$41,024
Parcel D	229	\$6,030,190	\$432,144	\$37,578	\$469,721
Parcel G	260	\$6,846,504	\$490,643	\$42,665	\$533,308
Parcel H	379	\$9,980,096	\$715,207	\$62,192	\$777,399
Parcel I	351	\$9,242,781	\$662,369	\$57,597	\$719,966
Parcel J	70	\$1,843,290	\$132,096	\$11,487	\$143,583
Parcel K	48	\$1,263,970	\$90,580	\$7,877	\$98,457
Parcel L	58	\$1,527,297	\$109,451	\$9,517	\$118,969
Parcel 1 - south of SR 64	20	\$526,654	\$37,742	\$3,282	\$41,024
Parcel 2 - east of Lorraine Rd	20	\$526,654	\$37,742	\$3,282	\$41,024
Parcel 3 - west of Uihlein Rd	15	\$394,991	\$28,306	\$2,461	\$30,768
Parcel 4 - north of SR 70	20	\$526,654	\$37,742	\$3,282	\$41,024
Parcel 5 - south of SR 64	10	\$263,327	\$18,871	\$1,641	\$20,512
High School	80	\$0	\$0	\$0	\$0
K-8 School	40	\$0	\$0	\$0	\$0
	=====	=====	=====	=====	=====
<b>Total</b>	<b>3,853</b>	<b>\$98,300,000</b>	<b>\$7,044,508</b>	<b>\$612,566</b>	<b>\$7,657,074</b>