

**SUPPLEMENTAL
ASSESSMENT
METHODOLOGY REPORT
LAKEWOOD RANCH
STEWARDSHIP DISTRICT
NORTHEAST SECTOR
(BOND ANTICIPATION NOTES,
SERIES 2017)**

September 8, 2017

Prepared for

**Board of Supervisors
Lakewood Ranch Stewardship District**

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Supplemental Assessment Methodology Report Lakewood Ranch Stewardship District Northeast Sector

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.

On September 8, 2017 the District approved its master assessment report describing the 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”).

This report describes the District’s plan to fund the initial phase of the CIP using a revolving line of credit (“Note”) from Florida Community Bank, NA (“Bank”) in an amount not-to-exceed \$45,000,000. The Note will be used to fund the CIP in phases. The District plans to issue Series 2018 Bonds in the future to repay the initial draws upon the Note, which will allow additional draws on the Note to be used to fund the second phase of the CIP.

For ease of exposition and to provide context the development plan for the Sector is shown in Table 1.

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		
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Total	3,853		8,175

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.

2.0 Assessment Methodology

2.1 Overview

As described in the master assessment report, 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 each property receives. At the outset, the District has based its CIP on the projected land uses the Landowner currently 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 2 below. The Engineer estimates a total project cost of \$84,680,481. The CIP estimate excludes financing costs and interest expenses.

**Table 2: 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
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Total	\$44,420,394	\$40,260,087	\$84,680,481

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 3 provides a summary of the financing program needed to fund this project in the Sector. Bonds or other indebtedness (collectively, “Bonds”) totaling approximately \$98,300,000 are needed to fund the CIP.

Table 3: 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
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Total	\$51,550,000	\$46,750,000	\$98,300,000

2.3 Allocation to Benefiting Properties – The Master Methodology

The master assessment report allocated \$98,300,000 over the Properties. The Properties consist of the 3,853 gross acres in the Sector less the 120 acres identified for the school sites which are not assessed leaving a net of 3,733 gross acres of the Properties. Therefore, the cost per gross acre of Properties in the Sector is \$26,333 on a debt financed basis.

When Properties are sold by the Landowner to new landowners along with the entitlements, the debt per gross acre on new landowner’s Property will be refined to reflect the allocation of the entitlements conveyed using the equivalent residential unit (“ERU”) methodology described in the master assessment report. The ERU uses a standard single-family residential unit as the basis for measurement, and it is assigned 1 ERU. All other land uses are assigned an ERU in relationship to the single-family home. Table 4 presents the ERU methodology approved by the District for Properties in the Sector.

Table 4. 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
	=====		
Total	\$98,300,000		

To illustrate how this process is designed to work, consider the proposed sale of Parcel F to Kolter. Parcel F is 260 gross acres. The initial allocation on an acreage basis at \$26,333 per gross acre totals \$6,846,504. The sale transfers 659 residential units of various types resulting in an expected allocation of \$7,662,699 of debt when the sale closes.

2.4 True Up Mechanism

The true up mechanism provides a critical safeguard in the assessment process preventing a buildup of debt on undeveloped property. 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 in the Sector.

By way of illustration, if the District issues \$51,550,000 in 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 3,853 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 5. 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 Financing the Initial Phase of the CIP with the Notes

3.1 Financing Plan

The District plans to utilize the Note to fund a portion of the initial phase of the CIP. The District anticipates selling its Series 2018 Bonds sometime during the first half of 2018 depending upon market conditions and the timing of land sales. The Notes provide the District with a cost effective and flexible mechanism to fund the CIP in phases. Table 6 illustrates how the Note could be used to fund the initial phase of the CIP with a sale of the Series 2018 Bonds in May, 2018.

Table 6. Hypothetical Financing Plan for Phase 1 of the CIP Using the Notes and Bonds

Date	Beginning Balance	Draw	Ending Balance	Interest
Sep-17	\$0	\$2,662,500	\$2,662,500	\$0
Oct-17	\$2,662,500	\$2,000,000	\$4,662,500	\$0
Nov-17	\$4,662,500	\$2,000,000	\$6,662,500	\$31,083
Dec-17	\$6,662,500	\$2,000,000	\$8,662,500	\$0
Jan-18	\$8,662,500	\$2,000,000	\$10,662,500	\$0
Feb-18	\$10,662,500	\$2,000,000	\$12,662,500	\$0
Mar-18	\$12,662,500	\$2,000,000	\$14,662,500	\$0
Apr-18	\$14,662,500	\$2,000,000	\$16,662,500	\$0
May-18	\$16,662,500	\$2,000,000	\$18,662,500	\$194,375
June-18	\$0	\$0	\$0	

The Series 2018 Bonds would be used to pay down the Note and to fund the remainder of the estimated \$44,420,394 cost of phase 1 of the CIP. As noted above, the timing of the Series 2018 Bonds may vary and the draws on the Note may also vary from the illustration shown in Table 6; provided, however, that the draws on the Note shall not exceed \$45,000,000.

3.2 Assessment Allocations for the Note

As noted above, the District has allocated \$98,300,000 in assessments on the 3,733 gross acres of the Properties in the Sector for a maximum debt per gross acre of \$26,333. The Note will initially have a lien on all of the assessments.

As sales of the Properties occur and entitlements are conveyed, the allocation of debt per gross acre will be refined to reflect the entitlements conveyed using the ERU methodology. Nevertheless, until the initial series of bonds is sold, which is expected to occur in 2018 (but may change based on market conditions), the Notes retain their lien on all of the assessments.

When the initial series of bonds is sold, which is the Series 2018 Bonds based on the District's current plan, the Note would be paid down. The lien on assessments under the Note would be extinguished at that time. The Series 2018 Bonds would then have a lien on assessments payable from the sold Properties. If the assessments from the sold Properties is insufficient to fund the debt service on the Series 2018 Bonds, then the Series 2018 Bonds would also have a lien on all of the remaining gross acres of Properties in the Sector. However, if the assessment revenue from the sold Properties is sufficient to fund the debt service on the Series 2018 Bonds, then the remaining unsold Properties would not be subject to a lien from the Series 2018 Bonds since sufficient Properties would have been sold generating the necessary revenues for debt service on the Series 2018 Bonds.

Assuming that the debt service for the planned Series 2018 Bonds is supported by sold Properties, and therefore the Series 2018 Bonds have no lien on the unsold Properties, the next draw on the Note would be supported by assessments on all of the remaining unsold Properties. As these Properties are sold, their lien would be refined from the gross acreage basis to the entitlements and ERU basis. Nevertheless, until such time as an additional series of bonds are sold and the Note balance is paid off, the Notes would continue to have a lien on all of the assessments that are not pledged to the Series 2018 Bonds.

Finally, in all cases the true up tests would be applied to assure that debt is not building up on the unsold Properties.

4.0 Tax Roll

For completeness and ease of exposition, Table 7 provides the tax roll for the Sector. The benefitted parcels are identified by parcel numbers at this juncture. When the Property Appraiser assigns tax identification numbers, the District will update the tax roll accordingly. The annual assessment amount relative to the Note is calculated based on an interest rate of 4% and a term of 5-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	\$9,499,062	\$379,962	\$33,040	\$413,003
Parcel A2	281	\$3,387,356	\$135,494	\$11,782	\$147,276
Parcel B	596	\$7,184,570	\$287,383	\$24,990	\$312,373
Parcel E	308	\$3,712,832	\$148,513	\$12,914	\$161,427
Parcel F	260	\$3,134,208	\$125,368	\$10,902	\$136,270
Parcel C	20	\$241,093	\$9,644	\$839	\$10,482
Parcel D	229	\$2,760,514	\$110,421	\$9,602	\$120,022
Parcel G	260	\$3,134,208	\$125,368	\$10,902	\$136,270
Parcel H	379	\$4,568,711	\$182,748	\$15,891	\$198,640
Parcel I	351	\$4,231,181	\$169,247	\$14,717	\$183,964
Parcel J	70	\$843,825	\$33,753	\$2,935	\$36,688
Parcel K	48	\$578,623	\$23,145	\$2,013	\$25,158
Parcel L	58	\$699,170	\$27,967	\$2,432	\$30,399
Parcel 1 - south of SR 64	20	\$241,093	\$9,644	\$839	\$10,482
Parcel 2 - east of Lorraine Rd	20	\$241,093	\$9,644	\$839	\$10,482
Parcel 3 - west of Uihlein Rd	15	\$180,820	\$7,233	\$629	\$7,862
Parcel 4 - north of SR 70	20	\$241,093	\$9,644	\$839	\$10,482
Parcel 5 - south of SR 64	10	\$120,546	\$4,822	\$419	\$5,241
High School	80	\$0	\$0	\$0	\$0
K-8 School	40	\$0	\$0	\$0	\$0
	=====	=====	=====	=====	=====
Total	3,853	\$45,000,000	\$1,800,000	\$156,522	\$1,956,522