

**MASTER
ASSESSMENT
METHODOLOGY REPORT
VIERA EAST COMMUNITY
DEVELOPMENT DISTRICT
SERIES 2019 RECREATION
BONDS**

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Prepared for

**Board of Supervisors
Viera East Community Development District**

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**Master Assessment Methodology Report
Viera East Community Development District
Series 2019 Recreation District**

1.0 Background

The Viera East Community Development District (“VECDD”) is a unit, of special-purpose, local government, established in 1991 pursuant to Chapter 190, F.S. VECDD is planning to issue up to \$11,270,000 of its Series 2019 Bonds (“Bonds”) to fund certain improvements in its recreation facilities (“Facilities”). These Facilities will specially benefit properties (“Properties”) within the District as described in the Engineering Report for Recreational Facilities Phase II, dated May 22, 2019 prepared by Dewberry (“Engineer’s Report”).

VECDD plans to fund the annual debt service on the Bonds through Benefit Special Assessments imposed on the Properties pursuant to its authority under Chapter 190.021(2). At the date of this report VECDD encompasses approximately 2,825 acres in Brevard County, Florida. The development plan for the land in VECDD currently includes 4,204 residential units and 204.3 acres of commercial property. The Development Plan may change, and this Master Assessment Methodology Report (“Report”) will be modified accordingly.

2.0 Benefit Special Assessments for VECDD

2.1 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 in proportion to the benefits they will receive.¹

¹ City of Winter Springs v. State, 776 So.2d 255 (Fla 2003) and City of Boca Raton, v. State, 595 So.2d 25 (Fla 1992)

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 precision 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 method be overturned.

One of the leading cases concerning special assessments is *City of Winter Springs v. State of Florida*.² A number of aspects of the Supreme Court's decision bear on the benefit special assessments contemplated here. First, concerning the special benefits the Court noted, "If reasonable persons may differ as to whether the land assessed was benefitted by the local improvement, the findings of the city officials must be sustained." Second, the Court stated that "... though a court may recognize valid alternative methods of apportionment, so long as the legislative determination by the City is not arbitrary, a court should not substitute its judgment for that of the local legislative body." Third, the Court recognized the validity of the "equivalent residential unit" method for allocating cost to the specially benefitting properties.

2.2 Special Benefits and General Benefits

Development of the Facilities by VECDD will create both: (1) special benefits to the Properties and (2) general benefits to properties outside VECDD. However, as discussed below, these general benefits are incidental in nature and are readily distinguishable from the special benefits which accrue to VECDD.

Property owners in VECDD, who would be subject to the Benefit Special Assessments under this plan of finance, will receive special benefits from the Facilities. The Facilities are an integral part of the Viera East development. The Facilities were developed at the outset of development in Viera East, and they constituted the core amenities that attracted people to purchase property in Viera East, to build homes and businesses, and to accept the costs to support the Facilities. I worked with the original developers of Viera East and have personal knowledge of the effect of the Facilities in attracting builders and homeowners to Viera East.

There is no doubt that the general public, and property owners outside VECDD, benefit from the Facilities. However, these benefits are incidental. Clearly properties outside VECDD do not enjoy the same level of use and enjoyment from the Facilities compared to those properties lying inside of the boundaries of VECDD. Furthermore, the

² *City of Winter Springs v. State*, 776 So.2d 255 (Fla 2003)

redevelopment and enhancement of the Facilities are likely to preserve and to enhance property values in VECDD and unlikely to do so for properties outside VECDD.

The Florida Supreme Court has provided clear guidance concerning what constitutes a special benefit in *Lake County v. Water Oak Management*.³ “In evaluating whether a special benefit is conferred to property by the services for which the assessment is imposed, the test is not whether the services confer a “unique” benefit or are different in type or degree from the benefit provided to the community as a whole; rather, the test is whether there is a “logical relationship” between the services provided and the benefit to real property. *Whisnant v. Stringfellow*, 50 So.2d 885 (Fla.1951); *Crowder v. Phillips*, 146 Fla. 440, 1 So.2d 629 (1941)(on rehearing)... It is not necessary that the benefits be direct or immediate, but they must be substantial, certain, and capable of being realized within a reasonable time.”

Considering the Benefit Special Assessments here, it is clear that there is a logical relationship between the services provided by the Facilities and the benefit to the real property. A number of recent studies confirm that improving amenities and proximity to golf courses and parks increase property values, and that the proximity benefits extend beyond the abutting properties.⁴ The reports note that the benefits from amenities, golf courses, and parks accrue to all property types, both residential and nonresidential.

Furthermore, data on the sales of existing homes over the last year clearly demonstrate that the Facilities increase property values. As the data in Table 1 show, the average price per square foot for homes sold in two sample neighborhoods in Viera East commanded a premium of \$7 per square foot compared to comparable homes that sold in adjacent neighborhoods lying outside Viera East. Since the average home sold in the Viera sample neighborhoods was 2,155 square feet in size, the total increase in property value per home was \$15,522.

In addition, there is a positive relationship between home values and the values of nearby commercial real estate. Commercial developers value sites adjacent to or convenient to higher valued residential neighborhoods.

³ *Lake County v. Water Oak Management*, 695 So. 2nd 667 (Fla. 1997)

⁴ See PWC (2017), “Emerging Trends in Real Estate”, Urban Land Institute; National Apartment Association (2017), “Adding Value in the Age of Amenities Wars”, NAAHQ.org; Owusu et al. “Does Proximity to a Golf Course Matter?” Clemson University, 2003.

Table 1. Effect of the Facilities on Property Values in Veira East Community Development District

Areas	Average Sales Price/Square Foot
Wingate Estates	\$163
Auburn Lakes	\$158
	=====
Viera Neighborhood Average	\$160
Near By Non-CDD Properties	\$153
	=====
Viera East CDD Premium	\$7
Viera Neighborhood Average Square Foot of Homes	2,155
	=====
Viera East CDD Premium/Home	\$15,522

The sales data shown in Table 1 were compiled from the multiple listing service (“MLS”) for Brevard County through the Space Coast Association of Realtors. MLS is the most authoritative source for data on sales of existing homes. Sales were gathered for the period from October 2018 through September 2019. All homes selected for the analysis were built between 2001 and 2005. Two sample neighborhoods were selected in Viera East, Windgate Estates and Auburn Lakes. Sales outside of Viera East were drawn from the same zip code, 32955, as the Viera neighborhoods.

Therefore, it is reasonable to conclude that the Facilities increase the use and enjoyment of the Properties and enhance their property values. In addition, it is necessary for the Facilities to be enhanced, maintained, and renewed from time-to-time in order for them to be able to continue to provide the services that have enhanced property values in VECDD. The Bonds will be used to enhance, maintain, and renew the Facilities, therefore the use of the Bonds will specifically inure to the benefit of the Properties.

2.3 Special Benefit and Equitable Apportionment

As noted above, valid special assessments must meet the two-pronged test set out in *Boca Raton v. Florida* and *City of Winter Springs v. Florida*. First, the properties assessed must receive a special benefit that exceeds the burden of the debt to be imposed. Second, the assessments must be fairly allocated to the properties

being assessed in proportion to the benefits they will receive. Since the issue of special benefit was discussed in Section 2.2, this section focuses on equitable apportionment.

As noted above the Florida Supreme Court found that the precise manner used to apportion the costs are immaterial so long as the amount of the assessment is not in excess of the proportional benefits as compared to other assessments on other properties. Governments have used a wide variety of apportionment methods including front feet, property value, and trip rates. One of the most widely used allocation methods is the equivalent residential unit (“ERU”) method. As noted above, the Florida Supreme Court in the Winter Springs case concluded that the ERU method was a valid methodology.

The ERU method typically identifies a single-family home in the community as its unit of measurement, 1-ERU. Often all single-family homes are classified as 1-ERU with other property types categorized in relationship to the ERU standard.

The ERU method is particularly applicable for VECDD’s Facilities. They provide benefit to each single-family lot (most of which have one home constructed on them), to each multifamily unit and to each acre of commercial property. Variation in home size or lot size will have no material difference in the benefits received from the Facilities.

Historically, dating back to the original allocations in 1992 for VECDD’s Recreation Fee, VECDD expected that the gross residential density for single-family homes was approximately 4 units per acre. This provides support for the allocation of 4-ERU to each acre or fraction thereof for the commercial property.

By 2003 the expected development plan envisioned 4,222 residential units and 201.616 commercial acres.⁵ This development pattern is consistent with the expectations of 1992. The current tax roll for the 2020 budget year shows 4,204 residential units and 204.3 commercial acres. Thus, it remains appropriate to allocate each single-family lot 1-ERU; each multifamily unit 1-ERU; and each commercial acre or fraction thereof 4-ERU.

⁵ Resolution 2003-9.

3.0 The Financing Plan

As discussed previously, VECDD is considering issuing no more than \$11,270,000 in Series 2019 Bonds to fund the improvements outlined in the adopted Engineer’s Report. Table 1 presents the estimated costs for these Facilities.

Table 1. 2019 Estimated Project Cost

<u>GOLF COURSE</u>	
New Irrigation System	\$2,080,000
Bunker Renovation & Liners	\$1,100,000
Bulkhead replacement	\$375,000
Tee Box Renovation	\$250,000
Cart path extensions - repairs	\$175,000
Re-grass fairways and slopes	\$150,000
Maintenance Building repairs	\$40,000
Driving Range Tee - Level and enlarge	\$35,000
Golf Course Lake - Bank Augmentation	\$275,000
Rebuild #7 Green	\$65,000
Drainage #6 Left Rough	\$30,000
#11 Canal side - Rough regrade and grass	\$25,000
Fountain Aerators for #18 & #9	\$27,500
Drinking Water/Ice Stations #6 & #13	\$32,000
Irrigation Pump Station - Filter	\$35,000
Culvert Repair - #7 (2) - Butterfly Valve Irr.	\$37,500
SUBTOTAL	\$4,732,000
<u>CLUBHOUSE</u>	
Clubhouse Renovation	\$2,900,000
SUBTOTAL	\$2,900,000
<u>OTHER RECREATIONAL FACILITIES</u>	
Woodside Park Restroom Building	\$25,000
Dog Park - Woodside Park	\$55,000
Woodside Park Playground Equipment	\$45,000
Sidewalk repair and replacement	\$75,000
Picnic pavilions	\$95,000
SUBTOTAL	\$295,000
<u>OTHER COSTS</u>	
Maintenance Equipment	\$395,000
Lost Revenue - from renovation	\$287,395
Irrigation Pump Station Lease	\$163,190
SUBTOTAL	\$845,585

Contingency	\$250,000
GRAND TOTAL	\$9,022,585

Source: Engineer’s Report, Page 9.

Table 2 displays the bond sizing estimated to be needed to fund the cost of the 2019 Project. VECDD estimates that the Bonds can be sold at an average interest rate of approximately 3% with a 20-year term. The debt service reserve is sized at 50% of maximum annual debt service. The Underwriter expects that the Bonds can be insured, so that the lowest rate of interest can be obtained.

Table 2. Bond Sizing

Category	Amount
Project Fund	\$9,022,585
Debt Service Reserve	\$284,550
Capitalized Interest	\$1,024,281
Underwriter's Discount	\$169,050
Bond Insurance	\$321,068
Cost of Issuance	\$200,000
Surety Bond	\$9,959
Original Issue Discount	\$238,179
Rounding	\$328
	=====
Series 2019 Bonds	\$11,270,000

4.0 Allocation of Benefit Special Assessments

VECDD has utilized the ERU method to apportion the costs associated with its Facilities. As discussed previously, this method is particularly appropriate to apportion the costs for the Facilities among the Properties. Table 3 presents the allocations for the 2019 Benefit Special Assessments using the ERU method.

Table 3. Allocating the Costs of the Estimated Series 2019 Benefit Special Assessments

Category	Residential Units	Commercial Acres	Total
ERU/Unit	1.00	4.00	
Number of Units	4,204.00	204.30	
	=====	=====	
Total ERUs	4,204.00	817.20	5,021.20
% ERU	84%	16%	100%
Allocated Cost	\$9,435,808	\$1,834,192	\$11,270,000
Annual Debt Service	\$952,958	\$185,242	\$1,138,200
Debt/Unit	\$2,244	\$8,978	
Net Debt Service/Unit	\$226.68	\$906.72	
Gross Debt Service/Unit	\$241.15	\$964.59	

Since there are 4,204 residential units and 204.3 commercial acres, there are 5,021.2 total ERUs. The residential ERUs constitute 84% of the total, so this category of land use is allocated 84% of the estimated cost or \$9,435,808 of the estimated total cost of the Bonds with the balance of \$1,834,192 allocated to the commercial acreage. The estimated annual net debt service of \$1,138,200 is divided in an identical fashion.

The estimated annual cost per unit is \$226.68. The addition of administrative charges and the collection fees of the Brevard County Property Tax Assessor and Tax Collector push the projected total gross annual debt service per residential unit to \$241.15 per year. The commercial property projected gross annual debt service per commercial acre of \$964.59 is calculated in a similar fashion. The Special Benefit Assessment Roll for all Properties in VECDD is provided separately by the District Manager.

Finally as shown in Table 3, the estimated debt per unit from the Bonds is \$2,244 per ERU, while the average premium to the Properties provided by the Facilities is \$15,522 per ERU. Therefore, it is clear that the benefits far exceed the costs for residential. Finally, as noted above, there is a positive relationship between the value of residential properties and the value of commercial properties located nearby. Therefore, it is reasonable to conclude that the benefits to the commercial properties also exceeds the costs.