

MINUTES
HERITAGE SHORES SPECIAL TAX DISTRICT
BOND ISSUE ORDINANCE
OCTOBER 9, 2014
TOWN HALL – 6:00 P.M.

I. CALL TO ORDER

The meeting was called to order at 6:00 P.M. by President Pat Correll. Present: Commissioners Sharon McDowell, Paul Kovack, Jay Mervine, Lawrence Tassone, Town Manager Jesse Savage and Town Solicitor Dennis Schrader

II. QUORUM PRESENT

President Correll reported a quorum was present to discuss the Heritage Shores Special Tax District Bond Issue Ordinance

III. OLD BUSINESS

A. Heritage Shores Developers Agreement – Addendum #4

Town Manager Savage advised before the consideration of the Bond Ordinance tonight the Commissioners must consider the Heritage Shores Developer's Agreement as it pertains to impact fees. The developer originally prepaid impact fees for 914 lots to assist in the purchase of the spray irrigation farm, in the amount of just over \$2.7 million. According to the agreement, Heritage Shores pays \$3,000 per lot for a wastewater impact fee (which is ½ the rate set by Town Code).

The Agreement Addendum before the Commissioners states that once those original 914 lots are developed and sold, the Heritage Shores developer will pay the current rate of \$6,000 per unit.

Solicitor Schrader reported when the developer comes to the Town for the 915th building permit, it will change to the \$6,000 per unit price. He added that under the original agreement, the developer was obligated to apply for a minimum of 75 building permits per year.

Per Town Manager Savage, 480 permits have currently been applied for. (458 are active or completed.) He advised the 75 per year minimum was over-ridden by the pre-payment of 914. He added that for every permit over the 914, "the sewer impact fee will be subject to change from time to time in the course of a routine rate-making process".

Commissioner Tassone made a motion to approve the 4th Addendum to the Heritage Shores Developers Agreement and enable the authorized Town officers to sign the Agreement when it is fully prepared. Commissioner Kovack seconded the motion; motion carried 5 to 0.

IV. NEW BUSINESS

A. Heritage Shores Bond Ordinance #2014-F

1. Discussion

Mr. John Stalfort from Miles and Stockbridge is serving as Bond Counsel for the proposed second bond issue for the Heritage Shores development. Mr. Stalfort advised a previous Workshop took place on August 13th concerning the upcoming bond issue where they explained special taxing districts, the history of the Heritage Shores development and the original bond issue. Minutes are available.

The Bond Ordinance before the Commissioners tonight approves the issuance of an additional \$16 million in bonds. \$65 million in bonds were originally authorized through the Town in 2005. The bonds do not constitute any obligation to the Town; the obligation is only on the Special Tax District. They do not impact the Town's credit rating and do not impact the existing homeowners who are in the Special Tax District. This Bond Ordinance will authorize the execution of documents to take to the Bond Market before the end of this calendar year or possibly in January.

Commissioner Kovack questioned the interest rate. Mr. Keenan Rice anticipates a 5.5 – 6.0% interest rate. Previous Heritage Shores bonds were 5.45% and 5.125%. Mr. Stalfort added they are not going to the general market, but to investment funds.

Commissioner Tassone doesn't understand the "cost factor" (amount paid vs. amount received). There is an approximate \$3 million difference. He believes 30% is a high rate to pay on \$16 million. Mr. Stalfort advised that is a rough estimate; the cost could be less. The money goes for capitalized interest, debt service, a debt service reserve fund (10% of new bond issue) and the cost of issuance (25-30%). He recommended contacting Municap for more details concerning this issue.

Mr. Rice suggested there are 3 components that determine how much money you have for construction costs vs. the amount of bonds to issue. 1) Cost to issue bonds – approx. 5%. The underwriter will take 2% and money goes to attorney fees. 2) Interest costs – 5-6%. 3) Debt Service Reserve Fund – not a real cost. It doesn't get spent, but comes back and pays off the bonds. A reserve is needed to mitigate risk.

Per Mr. Stalfort, in 2005 they issued approximately \$27-28 million and spent approximately \$22 million on construction. More information will be forthcoming as the documents are generated.

Commissioner Mervine questioned any impact on current Heritage Shores homeowners. Mr. Stalfort advised there will be no changes for them. It was clarified that new homeowners may pay more or they may pay less Special Tax than current homeowners.

Commissioner Mervine believes the original bonds were for the entire development. He asked if the Phase 3 homeowners will pay for any of that. Mr. Stalfort advised it is somewhat complicated; however, the simple answer is that the new residents are paying for the new development.

2. Public Hearing

The Public Hearing was opened at 6:20 P.M.

Ms. Susan Hyatt from 18 Blue Heron Court questioned the bonds. Mr. Stalfort advised the bond issue was \$27 million; she is paying on the \$27 million, not the \$22 million. She understood the next phase was only going to take out \$14 million; however, now she is hearing it will be \$16 million. Mr. Stalfort advised \$16 million is the maximum amount they have requested; there is generally a cushion built-in. Ms. Hyatt believes that only leaves \$8 million for Phase 4.

It was clarified that in 2005 \$65 million in bonds was authorized. Approximately \$27 million were issued in 2005 and they are asking for \$16 million now, which equals \$43 million. That will leave \$22 million in bonds available, if there are enough costs to require the money.

It was also clarified the approximately \$46-47 million was related to the construction costs, which were anticipated when the bonds were initially issued. The amount of bonds was \$65 million and every homeowner is paying their share of the \$47 million, regardless of what phase their property is in.

Town Manager Savage added the difference on what the homeowners pay is dependent upon how much of a prepayment the developer made. That's where the tax varies for each homeowner.

Heritage Shores developer Ms. Dottie Harper advised in the past the developer elected to pre-pay a portion; therefore homeowners have had a slightly different amount to pay than others. The figures were also different for attached/detached units. The future will be based on whether or not Brookfield elects to continue to pre-pay.

Commissioner Tassone questioned Ms. Harper as to whether she believes the unspent \$17 million from the original agreement will take care of phases 4 & 5. Ms. Harper advised the phases so far have been amenity-heavy (i.e. clubhouse/fitness center/tennis courts/pool/market, etc.). They are getting to the point in the development where the emphasis will be on infrastructure (water/sewer) and streets.

Commissioner Kovack commented \$65 million was originally authorized. What would happen if the developer ran into money trouble 5-10 years from now? Could the developer ask for a re-issuance of former bonds? It was clarified that is not possible.

Mrs. Jacqueline Vogle from 124 Widgeon Way commented that when she bought her home during Phases 1 & 2, there were purchases made for the Town, library, etc. from that money that was paid by homeowners in Phases 1 and 2. What obligations are future phases going to have toward things that are not inherent in the infrastructure of Heritage Shores? If there are no future obligations, then Phases 1 and 2 paid higher proportions than later phases.

Town Manager Savage advised the special tax on each lot is apportioned for the entire \$65 million; therefore, every lot is going to pay for the \$1.6 million. Early homebuyers are paying for it first, however, the entire amount is being shared.

Mrs. Vogle was under the impression that the bonds were in lieu of impact fees. It was clarified that the two have nothing to do with each other.

Town Manager Savage advised the Town collects impact fees on capacity improvements, not on supply. There is no impact fee for water because Heritage Shores supplied a well and a tower.

Mr. Bill Atwood from 113 Emily's Pintail Dr. commented, with the prior agreement, the developer would only have paid \$3,000 in impact fees. That is true. Town Manager Savage advised at the time of the original agreement, \$3,000 was a lot more than the going rate (\$1,080.) The impact fee quickly increased to \$7,500; however, Heritage Shores was locked in at \$3,000. Since that time, our new agreements are no longer locked into a static fee.

Mr. Atwood asked if they know the special tax rates that Phase 3 will be paying. Mr. Rice advised the rates will likely be higher, as earlier rates were incentive-directed. As time goes on, they would prepay less.

Town Manager Savage advised there have been some partial releases on the first few lots in Phase 3.

Mr. Atwood reported he had asked 5-6 years ago if the Special Tax District expenses were audited. Mr. Rice advised they are not audited and it wasn't that they didn't care to audit, but because there is a very strict control process in place, which Mr. Rice delineated in some detail. The bond-holder's trustee only can release monies, which is a 3rd party – M&T Bank.

Commissioner Mervine asked what MuniCap's responsibilities are. Mr. Rice advised

- 1) They prepare the yearly budget of how the special taxes will be levied; they set the rules and prepare written documentation of the expenses and how the special taxes were used.
- 2) They provide continued disclosure – reports to bondholders – how the money is being spent and project development. They disseminate quarterly disclosure to the financial market. They prepare calculations required by the IRS.
- 3) Once the bond is issued, the company administrates the Tax District.

The Public Hearing was closed at 6:39 P.M.

3. Possible Adoption

Solicitor Schrader read the Ordinance title in its entirety (attached).

Commissioner Tassone made a motion to adopt proposed Ordinance 2014-F, AN ORDINANCE TO ISSUE, SELL AND DELIVER ITS SERIES OF ADDITIONAL SPECIAL OBLIGATION BONDS NOT TO EXCEED \$16,000,000...and rename the adopted Ordinance #14-6.

Commissioner Kovack seconded the motion; motion carried with a vote of 5 to 0.

V. ADJOURNMENT

Motion to adjourn – Kovack; 2nd – McDowell; the meeting was adjourned at 6:43 P.M.

Respectfully submitted:

Lawrence Tassone, Commission Secretary

Peggy Smith, Transcriptionist

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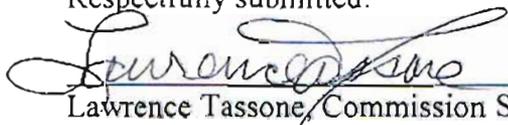
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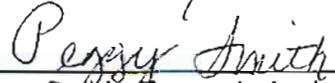
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