

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue, creating a modern and professional aesthetic.

**Town of Bridgeville, Delaware  
(Heritage Shores Special Development District)  
Special Obligation Refunding Bonds  
Series 2020  
Homeowner Refunding Presentation**

# Special Taxing Districts – General Overview

## ▶ **Background**

- Special taxing districts are formed to fund public improvements in a defined district through the issuance of special obligation bonds
- Special taxes are charged only on properties in the district which derive benefit from the projects financed
- Bonds are issued to finance capital projects, as well as capitalized interest, reserve funds, and costs of issuance
- Capital projects financed are owned by a governmental entity
- Special taxes equal to annual debt service and annual administrative expenses of the district are levied on the properties in the district and collected by the County along with regularly collected real estate taxes

## ▶ **Benefits to Residents**

- High quality improvements and make available amenities to the residents
- Assessments are disclosed in marketing materials and sales contracts
- Residents have the option to prepay at any time without penalty
- District outlives Developer
- Liability for special taxes limited to individual parcels

## ▶ **Benefits to Town**

- Practical tool to finance development in limited areas
- No use of general fund money
- Potential to encourage infrastructure development and increase tax base

# History of Special Obligation Bonds at Heritage Shores

- ▶ In March 2005, the Commissioners of Bridgeville (“Town”) created an area known as the Heritage Shores Development District (“District”) under the provisions of the Delaware Special Development District Act.
- ▶ The Heritage Shores Development District consists of 745 acres of contiguous land within the southern portion of the Town limits (annexed into the Town in October 2001).
- ▶ In July 2005, the Town issued two series of bonds - \$19,847,000 (Series 2005A) and \$8,600,000 (Series 2005B) (collectively, the “2005 Bonds”) - to finance certain public improvements for the benefit of the District and the Town. The 2005B Bonds have been paid in full.
- ▶ Public improvements included public road, water and sewer improvements, town water management improvements, a Town library and certain equipment. No private improvements were financed.
- ▶ In November 2020, the Series 2005 Bonds were refunded with the Series 2020 Bonds.
- ▶ The 2020 Bonds are secured by the proceeds of a Special Tax levied by the Town on all taxable parcels of land within the boundaries of the District.
- ▶ Special Taxes are not levied on property that is outside of the District.

# History of Special Obligation Bonds at Heritage Shores (continued)

- ▶ The terms of the Series 2020 Bonds are as follows:
  - ▶ Special Taxes are paid annually by property owners at the same time and in the same manner as real estate taxes.
  - ▶ Principal and interest on the 2020 Bonds are due semi-annually on January 1 and July 1 each year with principal paid as of July 1.
  - ▶ The 2020 Bonds mature in 2035 and are subject to annual sinking fund repayments.
  - ▶ The Series 2020 Bonds bear an average interest of 3.91% compared to a prior rate of 5.45%
  - ▶ The reduction resulted in a net present value savings of 13.85%
- ▶ The outstanding principal amount of the 2020 Bonds is \$12,175,000 as of October 1, 2021.
- ▶ The outstanding 2005A Bonds were fully repaid by the Series 2020 Bond proceeds.
- ▶ The 2005B Bonds were fully repaid from the Special Taxes on undeveloped and developed property, and from prepayments made at settlements, a significant portion of which was paid by the Developer.

# Special Tax Calculation

- ▶ Bonds are repaid from special taxes levied on property within the Heritage Shores special taxing district. It is this property that benefits and is able to utilize the improvements financed by the bonds. Special taxes are collected from two categories of property:
  - ▶ Developed property which is property for which a building permit has been issued and is fully utilizing the bond financed improvements, and
  - ▶ Undeveloped property which is property that is not yet developed and not fully utilizing the improvements.
- ▶ As outlined in the Rate and Method of Apportionment (the “RMA”), developed property is billed at set rates for varying classes of property. The rate levied on developed property is referred to as the assigned special tax rate and represents a property’s share of costs of the improvements financed by the bonds. This rate increases annually by 2% per year.
- ▶ Undeveloped property pays special taxes in an amount equal to the difference between what is due each year to pay the bonds and assigned special tax revenues collected from developed property. The amount due each year to pay the bonds is referred to as the special tax requirement in the RMA.

# The Series 2020 Refunding

## ▶ Impacts on the Special Tax

- ▶ Initially, the refunding will reduce the amount of undeveloped property special taxes as these properties are not able to fully utilize the improvements and these parcels will be paying for a longer period than the developed property (developed property only pays for thirty years or through the repayment of the bonds).
- ▶ At such time as all bonds have been issued or the Public Improvements have been completed, the full amount of special taxes will not be required and the assigned special tax rates can be reduced.

## ▶ Final Year of Collection

- ▶ Pursuant to the RMA, special taxes shall not be levied on a parcel after the earlier of (i) the repayment or defeasance of the bonds or (ii) the thirtieth fiscal year in which such parcel was taxed as developed property. For example, if a property was classified as developed (i.e., a building permit was issued) after 2005, the final year that a special tax will be billed to the property is fiscal year 2034-2035, unless additional bonds are issued.

# Special Tax Administration

- ▶ The levy and collection of the Special Taxes is administered by MuniCap, as the administrator for the District, in conjunction with the Town and Sussex County.
- ▶ Notice of the Special Taxes is filed in the land records of Sussex County.
- ▶ Notice of the Special Taxes is included in all purchase contracts between the homebuilders and prospective residents of the District.
- ▶ Delinquent Special Taxes are collected in the same manner as delinquent ad valorem real property taxes.
- ▶ The Special Taxes are secured by liens with the same priority for payment as real property tax liens.

# Contact Information

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