

MINUTES OF MEETING
ROLLING OAKS COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Rolling Oaks Community Development District was held Thursday, June 8, 2017 at 1:30 p.m. at the Heritage Crossing Community Center, 7715 Heritage Crossing Way, Reunion, Florida.

Present and constituting a quorum were:

John Chiste	Chairman
Jared Bouskila	Vice Chairman by telephone
Cora DiFiore	Assistant Secretary by telephone
Deborah Simmons	Assistant Secretary
Peter Brown	Assistant Secretary

Also present were:

George Flint	District Manager
Mark Straley	District Attorney by telephone
Bruce Taylor	-----
James Bagley	Developer

FIRST ORDER OF BUSINESS

Roll Call

Mr. Flint called the meeting to order and called the roll.

SECOND ORDER OF BUSINESS

Public Comment Period

Mr. Bagley stated on behalf of the developer I would like to present to you a follow-up to something we had discussed earlier. The residential portion of the development is under a land development code that was fairly newly adopted in Osceola County mandating a certain number of parking spaces per bed count. You need an additional half parking space for every bedroom in excess of four. As the development approaches build out we will have a need for more parking spaces than we can create physically within District property. The Board had asked the developer to entertain providing parking outside the District boundary, which the developer has agreed to look at and the developer has a few proposals for the Board today to further that. One of the items in your package is a parking display, which is the developer has availability of

parking, this parking lot is in excess of 700 spaces and the proposal is that the CDD would lease from the developer access to these parking spots. There are 700 the developer can allocate at least initially to satisfy the land development code on behalf of the District lands. The District attorney and I have been in discussions on that lease. I think the lease is in most part complete other than costs and I think the developer would request that the District entertain a 20 year lease in five year installments of approximately \$300,000 annually, which I believe would fall under District O&M. That would alleviate the District's burden to provide parking inside the District lands and I think it would be a large benefit to the District, it is closely proximate to District lands and the developer is willing to commit the capital and the land to satisfy the District's needs.

Mr. Chiste asked based on the projected size of the homes of the 900+ homes, how many spaces are the shortfall?

Mr. Bagley stated the shortfall at this time is between 600 and 800 so the best this piece could absorb is around 700 and we are in the plus or minus range. Of course, the developer wouldn't know the exact number until build out advanced through the project because it is still market driven. For example you could make a four bedroom home from a six bedroom home that would alleviate the need for one parking spot. You don't fully realize your needs until the developer is near build out. The issue with waiting is you wouldn't have the land at that point to complete your development. The developer is making an accommodation to provide the District the ability to continue to operate and secure its future for a commitment today.

Mr. Flint stated I'm texting District Counsel.

Mr. Bagley stated my understanding of where we left off with District Counsel between the developer and District Counsel is that the concept of the lease there is a format of a lease that was just lacking a number and the developer has designed the parking, understands its costs it's about \$1 million in capital expenditure for the developer and he feels that an annual lease payment of \$300,000 is adequate.

Mr. Chiste stated it sounds like the initial term of this the developer is going to be paying himself because isn't he paying the shortfall for the O&M anyway.

Mr. Bagley stated in effect.

Mr. Flint stated they are paying all the O&M right now.

Mr. Chiste stated if this goes to the O&M until there are enough homes to support the O&M payment the developer is paying it, he is basically paying himself the lease payment.

Mr. Bagley stated let me amend my statement. This property is not property currently owned by the developer. The four acres that would hold 700 parking spaces the developer was able to negotiate with the owner this sale. Pursuant to the funding request the developer has an obligation to deficit fund the District at this point. Those dollars would not flow back to the developer they are to a private individual.

Mr. Chiste stated the developer has lined up this piece of property with a third party but the developer would be funding whatever the dollar amount of the lease is. It is basically \$300 annually per home once they come online.

Mr. Bagley stated that is correct it is approximately \$30 a month to the O&M.

Mr. Chiste stated until you have enough homes up and running, you as the developer, are going to be funding this outside source for this lease payment because you are funding the shortfall in the O&M.

Mr. Bagley stated in effect, the developer is Rolling Oaks Splendid that Rolling Oaks Splendid has submitted development plans to the county, the county said show me where your parking is. I have been unable as the developer to satisfy the county as to where an adequate amount of parking is. The developer secured a leased property for the District to lease from the third party that would satisfy the parking requirements within the District lands.

Mr. Chiste stated I agree with everything you said. All I'm saying is until the individual parcels, the homes are sold and the O&M burden moves to those individual homeowners the O&M requirement that the District would agree to make the lease payment to the third party is going to be the responsibility of the developer. That's all I'm saying.

Mr. Bagley stated that is correct.

Mr. Chiste stated we are not putting an extraneous burden on the early owners of the property they are going to pay their pro rata share and the developer is going to have to pay the shortfall associated with the O&M that is theoretically going to pay the lease payment to the other side.

Mr. Bagley stated said differently these individually properties are not on the roll yet so the developer has an obligation to deficit fund that as those properties go on the roll they assume an O&M obligation that will supplement that shortfall and eventually surpass that shortfall.

Mr. Chiste stated I'm saying the same thing. When the first 250 homes get closed the full burden of this \$300,000 is not on them it is their proportionate share.

Mr. Bagley stated as the Board approves an O&M budget that would be in part on the roll to their pro rata share and the developer would pick up that deficit.

Mr. Chiste stated what we are really talking about here is that eventually within the O&M budget in order to satisfy the parking requirement it appears it is going to be approximately \$25 per house per month that is going to support this particular lease payment. That is unique and new.

Mr. Bagley stated it is new, the issue is the developer has an obligation to prove adequate parking at the time of permitting because that is where the developer is now.

Mr. Chiste stated that is okay, the developer is going to have the burden of carrying this until the units are delivered.

Mr. Flint stated I assume the parking lots are not there now.

Mr. Bagley stated it is vacant land and the design at this point with surrounding adjacent utilities to accept this parking lot.

Mr. Flint asked I haven't seen the lease agreement but would the lease structure be such that when there is nothing there and there are no homes you are just paying a reservation fee to have the right to say you meet the parking requirements or is the full load of the \$25,000 a year going to be on day one before there is any parking there?

Mr. Bagley stated from the developer's perspective I need to show the municipality that I have a lease that supports parking so initially the developer would need to be funding that immediately so that the District would be able to have access to that parking even in areas that are not built. The county looks at it at the time the home is granted a C.O. do you have adequate parking but I can't get a permit without being able to prove I can park.

Mr. Chiste stated it sounds like the developer is absorbing all of the burden of this.

Mr. Bagley stated initially yes.

Mr. Chiste stated it will come on to the individual lot owners as they take on that \$25.

Mr. Bagley stated I think the District Manager's question was would the developer deficit funding begin virtually immediately and the answer is yes because the developer has to prove he has parking capacity prior to getting a permit.

Mr. Flint stated there is no infrastructure in place so the owner hasn't incurred the expense of actually constructing it.

Mr. Chiste stated it wouldn't start until this thing is built.

Mr. Bagley stated I would have to check on how the county would view that because the county may hold the developer without an approval until he can prove parking. In other words if you build a high-rise and don't have a parking deck they are not going to give you a permit to build a high-rise because you can't park.

Mr. Brown stated the owner has to tie it up from day one.

Mr. Flint stated the question is whether there is a step up fee. Initially it is just to prove that you have control.

Mr. Bagley stated from the third party's perspective he is unwilling to move, he is spending dollars in anticipation of his lease but he doesn't want to put out \$1 million in capital plus the cost of his land without having a lease commitment.

Mr. Flint asked what is the timing on this because we don't have a lease agreement on the agenda in front of the Board at this point?

Mr. Bagley stated the developer has received a lease from the District, it was some time ago but I believe the lease has been on the Board minutes previously.

Mr. Flint stated I don't remember if they delegated authority or where that was left off.

Mr. Straley joined the meeting by telephone during this discussion.

Mr. Straley stated we prepared a lease and I believe the Board has approved it. I don't know whether it has been signed by the developer.

Mr. Bagley stated that is my understanding.

Mr. Flint stated it didn't have dollars in it.

Mr. Bagley stated it didn't have dollars. I guess my request today is to have the Board approve execution of a lease in the amount of \$300,000 annually so the developer can get the third party owner to move forward and grant us the ability to receive building permits and continue with development.

Mr. Flint asked from a public purpose perspective although the developer can be carrying all those costs early on what is the basis of the calculation of the fee because ultimately the homeowners are going to be paying that and five years from now if they come back and say

where did the \$300,000 number come from do we have a good basis for saying how that was calculated, a defensible basis?

Mr. Bagley stated yes, the developer can come up with that and he can give you more support next meeting but the developer has come up with it is the third party's opportunity cost of going to sell the land, forcing the District or developer to go find additional parking somewhere else, which is not proximate to the area right now and the cost of capital to build parking stalls, storm sewer, paving, lighting, sidewalks, etc. While the District will absorb the lease it is not being asked to front the capital expenditure to do this.

Mr. Chiste asked you said the lease term would be 20 years with five year provisions?

Mr. Bagley stated correct.

Mr. Flint asked what happens at the end of 20 years if we can't meet the parking requirements if the owner of that property decides they want to build a hotel on it?

Mr. Bagley stated I didn't think through that.

Mr. Flint stated I'm not saying we are going to enter into a 99 year lease either.

Mr. Chiste stated if we move forward and 20 years from now who knows what parking requirements are going to be based on driverless cars, different types of transportation and so forth it may go the other direction we may not have the requirement we may want to go back and say we don't need that parking anymore. I think it needs to be flexible from our side too that we can have an opportunity to possibly not need this if for some reasons those restrictions are abandoned.

Mr. Bagley stated the landowner brought these points up and that is why he recommended a 20 year with five year increments so that both parties have flexibility, driverless technology, less cars, more cars, that gate swings both ways.

Mr. Chiste stated I like the five year concept as long as there is no escalation associated with the lease payment.

Mr. Bagley stated I will work on that but I can't make any promises.

Mr. Chiste stated I hear George's comment. There needs to be a measurable basis for how the \$300,000 is computed. Is it X number per spot? Did you say your shortfall could be 600 to 700 spots?

Mr. Bagley stated between 600 and 800.

Mr. Chiste stated on an annual basis you are talking about \$500 per spot, right.

Mr. Flint stated it would seem to me that you want to look at the value of the improvements and the value of the land and I know there is lost opportunity costs and they are hard to quantify.

Mr. Bagley stated the side the District should look at and we have looked at this in other developments is the District could look at going with a vertical structure but in today's rates you are talking \$15,000 a spot times 600 spots that is \$10 million. In light of the District capital spend the lease payment is affordable.

Mr. Flint asked what is the timing on this? You have monthly meetings and you have a budget hearing in September where you have to meet. Is this something that needs to be acted on today or something you want to put on the next agenda?

Mr. Bagley stated my understanding is the lease in effect was already approved lacking a number. Are we going to refine possibly the next meeting to just the approval of negotiation of a number on the lease?

Mr. Straley stated as I recall and it has been some time since we prepared that lease but I think that is all that was missing on the other hand the Board may want to take a look at the lease to make sure the term and everything for both the developer and the District to make sure the other terms are acceptable.

Mr. Chiste stated if we can agree that by the next meeting we will be able to be in a definitive position associated with this and have copies of the lease sent to all of us because it sounds like the term of the lease the five year increment concept may be different than what was in the original lease in the first place. I don't know.

Mr. Bagley stated I think that is probably true.

Mr. Chiste stated maybe in the interim the developer or the owner of the property can come back with some basis as to why they believe the \$300,000 is a reasonable number. I think that would be good and by that time we could be in a position to execute by the next meeting. I think we understand the issue.

Mr. Bagley stated I don't think I have a problem with that. The landlords can be difficult to negotiate with if the price doesn't go up.

Mr. Chiste stated I'm sure you can handle that whoever it is. Let's make sure this is on the agenda and in the interim if Counsel finds copies of the lease maybe I don't know if the

developer is helping to negotiate the lease or the property owner but somebody gives him the parameters associated with the timing and the number of spaces so it can all be in there.

Mr. Bagley stated District Counsel I will provide you the civil engineering plan for the parking depicting all these items and I can do that within a week.

Mr. Straley stated we can turn the lease around quickly. We have already prepared one.

Mr. Chiste stated that's good and some basis for the financial consideration.

Mr. Bagley stated agreed.

THIRD ORDER OF BUSINESS

Approval of the Minutes of the March 16, 2017 Meeting

On MOTION by Mr. Chiste seconded by Mr. Brown with all in favor the minutes of the March 16, 2017 meeting were approved as presented.

FOURTH ORDER OF BUSINESS

Consideration of Resolution 2017-06 Approving the Proposed Fiscal Year 2018 Budget and Setting a Public Hearing

Mr. Flint stated Resolution 2017-06 approves a proposed budget and sets the date, place and time for the public hearing and we are suggesting your September 14th meeting at 1:30 p.m. assuming we are not going to be putting assessments in place for O&M. This budget is still an administrative budget we don't have any operational expenses in here and right now there are no platted lots that I'm aware of within the boundaries of the District once contracted. The county has not provided us with any platted lots on the roll.

Mr. Bagley asked what is your proposed date for the budget?

Mr. Flint stated September 14th but that would assume that we are going to operate under a developer funding agreement versus doing assessments.

Mr. Bagley stated it is likely that there will be platted parcels by then.

Mr. Flint stated depending on the timing of that depends on whether the county picks up those platted lots and reflects them on the assessment roll.

Mr. Bagley stated just so the Board is aware we have plats pending right now at the county for approval.

Mr. Flint stated keeping in mind from the developer's perspective if you choose to actually put O&M assessments in place then based on your absorption schedule you are going to

be carrying those and you are also going to be adding 6% onto the cost because of the cost of collection and early discount. You are also going to be required to fully fund whatever we impose versus under a developer funding agreement you are only funding the actual expenses. We can do our best estimate of what the expenses are but you may end up paying more because the expenses are coming in less.

Mr. Bagley asked would there be any change to maintain developer mechanism?

Mr. Flint responded no, right now we have it as an administrative budget with the developer funding agreement and the developer funding agreement would cover any shortfalls so if you ended up having operational expenses coming online under the developer funding agreement there would be an obligation to fund those.

Mr. Chiste asked how much longer do these bonds continue to pay themselves out of the interest reserve and principal and interest?

Mr. Flint responded principal and interest is payable on 11/1 and interest on 5/1. Your capitalized interest period is up 11/1/18 so your first interest payment is going to be 5/1/18 and your first principal and interest will be 11/1/18.

Mr. Chiste asked when you say ours, is that the developer's or is that coming out of the bonds?

Mr. Flint stated the capitalized interest will be depleted I think November of 2017. There is a 5/1/17 interest payment.

Mr. Chiste stated that just got paid, right.

Mr. Flint stated yes, you have an 11/1 interest payment and you are not paying your first principal until 11/1/18. In capitalized interest we have \$791,000 left so it looks like it will carry us through November then 5/1/18 the first interest payment will be due out of assessments. When we direct bill for debt for 2018 we are going to be including May 2018 and November 1, 2018.

Mr. Chiste stated the developer has basically \$1.1 million requirement.

Mr. Flint stated yes.

On MOTION by Mr. Chiste seconded by Ms. Simmons with all in favor Resolution 2017-06 approving the proposed Fiscal Year 2018 budget and setting a public hearing for September 14, 2017 was approved.

FIFTH ORDER OF BUSINESS

Consideration of Series 2016 Requisition 1

Mr. Flint stated requisition no. 1 is construction accounting, which under our contract when the construction account is active we have an annual fee that is paid out of the construction account.

On MOTION by Mr. Chiste seconded by Mr. Brown with all in favor requisition no. 1 from the Series 2016 Bonds was approved.

SIXTH ORDER OF BUSINESS

Staff Reports

A. Attorney

Mr. Flint asked are we still waiting on the exhibits for the contraction petition? I think Peter was working on that.

Mr. Straley stated we are we are poised and ready to follow up.

Mr. Chiste asked are we also moving forward with the first funding request against the bonds from the developer?

Mr. Flint stated those are the two outstanding issues.

Mr. Brown stated we will do the request and pass it at the next meeting.

Mr. Chiste stated I can execute it and we can ratify it subsequent.

Mr. Flint stated the trust indenture requires an authorized officer and the engineer and we will put it on the next agenda for ratification.

B. Engineer

There being none, the next item followed.

C. Manager

i. Balance Sheet and Income Statement

A copy of the balance sheet and income statement were included in the agenda package.

ii. Ratification of Funding Requests 6, 7 & 8

On MOTION by Mr. Chiste seconded by Ms. Simmons with all in favor funding requests 6, 7, and 8 were ratified.

iii. Presentation of Number of Registered Voters – 0

A copy of the letter from the supervisor of elections indicating there are zero registered voters in the District was included as part of the agenda package.

iv. Designation of November 7, 2017 Landowners’ Meeting Date

Mr. Flint stated we are asking the Board to designate November 7, 2017 as the landowner meeting date. We have included sample instructions and agenda and proxy that would be used for that meeting. There will be three seats that will come up and we will get with the landowner in advance of that landowner election to make sure they have the proxy and understand the process.

On MOTION by Mr. Brown seconded by Mr. Chiste with all in favor November 7, 2017 was designated as the landowners’ meeting date.

SEVENTH ORDER OF BUSINESS

Supervisors Requests

There being none,

On MOTION by Mr. Chiste seconded by Ms. Simmons with all in favor the meeting adjourned at 2:00 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman