2017

THE HEIGHTS

COMMUNITY DEVELOPMENT DISTRICT

MASTER ASSESSMENT METHODOLOGY REPORT

Compiled By:

Meritus Districts

June 13, 2017

PURPOSE

This 2017 Master Assessment Methodology Report ("Master Methodology Report") supersedes and replaces the Master Assessment Methodology Report originally approved for The Heights Community Development District (the "District") dated September 6, 2006. The original Master Report contained a maximum assignment of debt in the amount of $70,000,000, which included a construction cost estimate at that time in the sum of $42,785,172. The anticipated product mix at that time consisted of 1,365 residential units and 180,000 square feet of commercial/retail space. As the public project was delayed during the economic recession from 2007 through 2014, the capital improvement, land use has been substantially revised since contemplated within the original engineering report provided by Scarola and Associates, dated July 25, 2006.

This Master Methodology Report contains details of the basis of the assessment methodology and financing plan applied proportionately in accordance with the private benefiting land areas within the District. Specifically, the purpose of this Master Methodology Report is to lien the lands that benefit from the updated 2017 Capital Improvement Plan "CIP", as outlined by the updated 2017 Master Engineer's Report prepared by Landmark Engineering & Survey Company, dated June 12, 2017 (the "Engineer's Report"). The 2017 Engineer Report supersedes and replaces the original 2006 Engineer Report originally prepared as referenced above.

For purposes of the 2017 Master Methodology Report, the basis of benefit to properties within the District relates directly to the proposed CIP as described in the 2017 Engineer's Report. It is the CIP that will create the public infrastructure that enables properties within the District boundaries to be developed and improved. Without these public improvements (for example; utilities, roads, wastewater and waterway management systems) the development of private parcels within the District boundaries could not be undertaken within the current legal development standards. The main objective of this report is to quantify the benefit basis of specific projects within the CIP and the development as a whole. This report will distribute those Capital Improvement Program expenditures proportionally on properties based on allocation of benefit received through a detailed allocation methodology and finance plan contained herein.

The District will issue Bonds to finance the construction and/or acquisition of all or a portion of the Capital Improvement Plan which will provide special benefit to assessable parcels within the District. The Bonds will be repaid primarily from the receipt of annual Redevelopment Trust Fund contributions as defined in the 2015 inter-local agreement between the City of Tampa, the Community Redevelopment Agency of the City of Tampa known as the Old Tampa Police Department Site Community Redevelopment Agency ("OTPDS CRA") and The Heights Community Development District. The anticipated redevelopment trust fund cash flow from this agreement as estimated is reported in the 2017 Financial Impact Analysis report. The Financial Impact Analysis made certain assumptions regarding the total number of residential units, square footage estimates for commercial/retail space, completion dates and an escalation in assessable values for ad-valorem millage rates computations to formulate estimated TIF contributions. Each year, after the annual payment amount from the CRA Trust Fund has been determined; any shortage between such amount and the required debt service for the Bonds will be paid from special assessments on all benefiting real property according to the methodology determined in this report. Each benefiting property will secure the debt by a lien based on the amount of benefit received and allocation stated within this report. Non-ad valorem assessments will be collected each year to provide funds necessary for: the payment of any remaining Debt Service on the Bonds which are not covered by the TIF Fund contribution as well as operation and maintenance of the capital improvements and administration of the District. This report outlines the proposed financing structure and assessment methodology for the Bonds to be issued by the District.

In summary, this report was created in accordance with Chapters 170, 190, and 197 Florida Statutes, as amended, which stipulate the requirements necessary for the levying and collecting of Special Assessments based on benefits received and is consistent with our understanding and experience with case law on this subject.

PROPOSED IMPROVEMENTS

The total cost to fund the 2017 Capital Improvement Plan ("CIP") is $23,500,000 and consists of infrastructure improvements to the District including a roadway system, water and utilities, stormwater management, parks, riverwalk, recreational facilities, landscape, hardscape and security. Each infrastructure facility works as a system to provide special benefits to the lands within the district. As an example of application of benefit received by a system, the roadway system benefits each residential unit and all commercial/retail space within the development program, as all private landowners within the District benefit the same from the first few feet of pavement as they do from the last few feet. This same application can also be demonstrated by the water and utilities improvements as it is a system that is designed to protect the entire development program, thereby creating benefit for all landowners within the District. The same logic can be applied to all infrastructure improvements contained within the CIP.

The CIP infrastructure improvement categories and cost allocation, segmented by category, are detailed within Table 2. Additional information relative to the scope of development improvements comprising the CIP is contained within The Heights Community Development District Engineers Report, Dated June 13th 2017.

PROPOSED FINANCING

The District intends to finance the CIP estimated cost through the issuance of tax exempt Bonds. Bonds create funding for the CIP, establish a capitalized interest and debt service reserve fund, and cover the cost of issuance and other Bond administration costs. Table 3 provides information relative to the costs comprising the proposed Series 2017 Bonds. Supplemental Methodology Reports that reflect the actual rates and terms negotiated will be issued with each Bond Series contemplated. As the District currently assumes only one Bond issue, it reserves the right to issue in various series as this report will provide the flexibility to additional supplemental reports until such time sufficient funds are provided to complete the CIP.

DETERMINATION OF SPECIAL ASSESSMENT ELIGIBILITY

There are three main requirements for valid Special Assessments; first, improvements to Benefited Properties that the Special Assessments encompass must be for an approved and assessable purpose (F.S. 170.01). Secondly, Special Assessments can only be levied on those properties benefiting from the improvements (F.S. 170.01), and lastly Special Assessments allocated to each Benefited Property cannot exceed the proportional benefit to each parcel. (F.S. 170.02)

The District's CIP contains a "Systems of Improvements" including the construction of roadway system, water and utilities, stormwater management, parks, riverwalk, recreational facilities, landscape, hardscape, and security; all of which are considered to be for an approved and assessable purpose (F.S. 170.01), which satisfies the first requirement for a valid Special Assessment, above. Additionally, the improvements will result in certain properties in the District receiving a direct and specific benefit, thereby making those properties legally subject to assessments (F.S. 170.01), which satisfies the second requirement, above. Finally, the specific benefit to the properties is equal to or exceeds the cost of the assessments levied on the benefited properties (F.S. 170.02), which satisfies the third requirement, above.

While the first requirement for a valid Special Assessment is easily satisfied by ensuring that the improvements are allowed in the list provided in F.S. 170.01, the second and third requirements for a valid Special Assessment require a more analytical approach, as required by F.S. 170.02. This involves identifying specific benefits to the various benefiting properties and assigning value to these benefits, to ensure the value of the benefits exceed the cost of providing the improvements. The second and third requirements are the key necessities for a valid Special Assessment. A reasonable estimate of the proportion of special benefits received from the improvements is expressed in terms within Table 4.

The determination has been made that the duty to pay the non-ad valorem special assessments is fairly and reasonably apportioned because the special benefits to the property deriving from the construction of the District's CIP (and the responsibility for the payment of the allocated debt) have been apportioned to the property according to reasonable estimates of the special benefits provided consistent with each land use category. Accordingly, no acre or parcel of property within the boundary of the District will be assessed for the payment of any non-ad valorem special assessment more than the determined special benefit peculiar to that property. Property within the District that will not be subject to the Special Assessments includes publicly owned (State/County/City/CDD) tax-exempt parcels such as; lift stations, road rights-of-way, City owned parcels, waterway management systems, common areas – etc.

Due to the Inter-local Agreement which will provide substantial financial benefit to the benefiting property owners within the District, there is minimal concern that any given residential or commercial property owner after improvements will be obligated to pay a special assessment that approaches the value of the benefit received from the public improvements constructed by the District.

Existing and/or potential property owners in the District are aware through contractual disclosure from the Developer, as required by F.S. 190.035, that there are very specific costs (e.g. assessments) associated with the District, and have and/or will have consented to repay the assessments levied for the purpose of providing the improvements by ultimately purchasing property in the District. Accordingly, it is reasonable to think that by purchasing property, future owners are agreeing to this assessment due to the fact that the benefits received by the property owners from the improvements exceed the cost of the Special Assessments to be paid by the property owners.

ALLOCATION METHODOLOGY

The total cost of the services that could be funded by the assessments is allocated to each property based on the estimated special benefit received. The method of benefit allocation is based on the relative special benefit in relation to the property use. According to F.S. 170.02, the methodology by which valid Special Assessments are allocated to specifically benefited property must be determined and prorated according to foot frontage of said property, *or by such other method as the governing body of the District may prescribe* (F.S. 170.02). This alone gives the District latitude in determining how Special Assessments will be allocated to specifically benefited properties.

There are a variety of methodologies adopted by other community development districts within the State, by which Special Assessments can be allocated. The location of the District in an urban redevelopment area creates unique circumstances which require consideration of methodologies which differ from the more traditional suburban communities where a front footage or lot size approach would be appropriate. Oftentimes, it is necessary to explore two or more methodologies and benefit applications in order to allocate the Special Assessments to specifically benefited property in a fair and reasonable manner. For any particular CIP, one of these methods will more adequately reflect the true benefits received by the improvements as a whole, or any part thereof, than the others. Depending on the nature of the improvements, the various methodologies include, but are not limited to, gross acreage, average daily trip generations, surface area, front footage, equivalent benefit units and equivalent assessment units. While there is no perfect assessment methodology, it is important that assessments be implemented in a reasonable, consistent, and fair manner.

THE HEIGHTS BENEFIT ALLOCATION

It has been determined that each type of land use within the District will receive a varying level of benefit from the CIP. In this case, the method that provides the most reasonable allocation of assessments is the Equivalent Assessment Unit "EAU" allocation.

EQUIVALENT ASSESSMENT UNITS (EAU)

This methodology is used when it is determined that due to the nature of the improvements being funded; properties of different sizes and uses receive different specific benefits from the construction of the improvements. The EAU reflects an estimate of the relationship of specific benefit received by the construction of the improvements.

The EAU method was chosen for the District because of the use and nature of the improvements being funded indicates that the use of properties benefit varies from the proposed improvements. Based on our experience, we believe the use of the EAU methodology for the District satisfies the criteria for a valid assessment under Florida law described above and will result in a valid assessment being imposed by the District.

Product Type	EAU Factor
Apartment (Each)	1.00
Condo (Each)	1.25
Retail (per 1,000 sq. ft.)	1.25
Office (per 1,000 sq. ft.)	2.00
Hotel (per 1,000 sq. ft.)	1.25
Commercial (per 1,000 sq. ft.)	1.25

ASSIGNMENT OF ASSESSMENTS

It is useful to consider three distinct states or conditions of development within a community. The initial condition is the “undeveloped state”. These assessments would be calculated on an equal acre basis across the remaining net developable acreage. The Heights CDD however currently has improvements and also has designated private property owners with occupied commercial/office facilities.

The second condition is “on-going development” and is the current state of The Heights CDD. At this point the installation of infrastructure has begun. Additionally, the Development Program has started to take shape. As components of the Development Program are platted, they are assigned specific assessments in relation to the estimated benefit that each lot receives from the CIP. Therefore, each land use would be assigned a par debt assessment as prescribed in Table 4. The remaining unassigned debt would continue to reside on the balance of the net developable acreage. The remaining net developable acreage would continue to be assessed on an equal acre basis.

The third condition is the “completed development state”. In this condition, the entire Development Program has been platted, designation of use with approved/completed construction plans for apartments, retail commercial, hotel, condo etc on the private lands within the District along with the recording of condominium documents which establish a defined number of lots or units and the total par value of the bonds has been assigned as specific assessments to each of the assessable parcels within the District.

ANALYSIS OF THE HEIGHTS COMMUNITY DEVELOPMENT DISTRICT

Unlike most community development districts, the District will receive the benefits of funding from the community redevelopment trust fund in part or in whole through the duration of the 2015 inter-local agreement between the City of Tampa, the Community Redevelopment Agency of the City of Tampa known as the Old Tampa Police Department Site Community Redevelopment Agency ("OTPDS CRA") and The Heights Community Development District. agreement. These funds will be generated as property values within the redevelopment area increase. Tax Increment Financing grows proportionally as the property values continue to increase over the base year values when the Fund was created. The inter-local agreement between the District, the CRA and the City of Tampa establishes a formula for transferring a portion of this growing revenue stream to the District annually to assist in the retirement of the debt. Some of this growth will occur as a result of increased value in undeveloped land within the District and other real property within the boundaries of the CRA yet outside the District which will result from the improvement of the infrastructure built by the District. Most of the increase in value, however, will come from the placement of complete land use within developed parcels on the tax rolls upon completion. This is not an insignificant matter as the plan of finance will be structured to anticipate full funding of the debt service from the CRA Trust Fund transfers upon build-out of the development. Special Assessments will be "back-up" assessments if needed to pay for any shortfall from the TIF fund transfers during the duration of the agreement, with the District responsible for payments in whole beyond the terms of the agreement with the City of Tampa thru September 30, 2043. The challenge therefore is to devise a means to credit those units which are productive participants in the growth of the trust funds for their share of the annual transfer according to their proportional share of the active units on the tax rolls every year.

Prior to the District's Annual Budget Meeting for Assessments, the District shall determine what level of TIF revenues are to be available based on the Hillsborough County Property Appraiser's Preliminary Tax Role for the CRA. The District will then determine the amount of anticipated funding from the CRA as allowed in the Inter-local Agreement. The District will calculate a need for Special Assessment Levy and collection via the tax roll as follows:

Net Annual Debt Service

Less CRA funds from TIF per agreement

Less Interest Income

Less Capitalized Interest

Equals Net Special Assessment Levy

If the funds available from the CRA, interest income and capitalized interest are sufficient to pay the annual debt service, then no special assessment will be made for that year. If funds are insufficient, then the deficit will be proportionally applied against EAUs assigned per parcel for existing private property owners based on current use with the balance applied per net developable acre, proportionately applied against the remaining undeveloped private property.

TRUE UP MECHANISM

It is possible that changes can occur impacting the initial assessment allocations. These changes typically relate to but are not limited to 1) Amendments to the District Boundaries 2) Net developable acreage changes 3) Non-assessable public/city owned parcels conveyed to private entities or 4) A change of the planned units or square footage of various uses as contemplated to more closely reflect actual market conditions.

This will cause the need for a necessary adjustment to the assignment of assessment principal. In order to ensure sufficient revenue from such special assessments is received from the subsequent platting, approved/completed construction plans and designation of use of the private lands within the District, the District will be required to perform a “true-up” analysis which will require a periodic computation to determine the total planned Equivalent Assessment Units and the number of anticipated remaining Equivalent Assessment Units within the District.

As Equivalent Assessment Units are platted or otherwise defined, if the available funding and special assessment revenue anticipated to be generated from the sum of the current EAUS and the remaining EAUs is equal to or greater than that of the total planned EAUs, no action would be required at that time until finalization of the project. If, however, the assessment revenue anticipated to be generated from the sum of the current EAUs and the remaining EAUs when combined with a conservative estimate of reliable revenue from the inter-local funding agreement is less than that projected from the total EAUs , then the owners of the remaining net developable acreage will be obligated to immediately remit, to the Trustee, for deposit into the redemption account pursuant to the Trust Indenture, an amount equal to the Total Assessment for the difference between the Total EAUs and the sum of the current EAUs, the remaining EAUs and the conservative estimate of reliable revenue from the inter-local funding agreement in an amount that is apportioned per acre to owners of net developable acreage. Until otherwise determined to be considered a reasonable assurance of available debt service funding, a reasonable and conservative estimate is considered to be 85% of the revenue projected in the 2017 Financial Impact Analysis Report. The payment is the principal amount of the bonds allocated to each unit based on the methodology described herein plus applicable interest as shown within the report and respective bond sizing. The true-up computation will be evaluated annually with proposed budget prior to June 15th and required after achieving 25%, 50% 75% 100% of the total planned EAUs identified in Table 1.

If it is determined that property types not currently contemplated in this report are later added, then this Assessment Methodology will need to be applied to include the new land use. Perhaps more importantly, the actual assessments will be adjusted accordingly, as long as the new, revised assessments do not surpass the initial level assessments as originally adopted in this report. If any land within the District, or is added to the District that is not currently subject to assessments and receives specific benefits from this CIP, then the Assessment Methodology described in this report shall be applied by the associated benefit lien process required. As a result, the benefitting land and associated equivalent assessment units assigned will be allocated its share of assessments based on the benefits received, which will also result in any currently assessed land receiving a proportionate reduction in its assessments.

TABLE 1

THE HEIGHTS
COMMUNITY DEVELOPMENT DISTRICT
MASTER ASSESSMENT METHODOLOGY REPORT

PROJECT STATISTICS				
PRODUCT	**PER UNIT EAU [1]**		**TOTAL UNITS**	**TOTAL EAUs**
Apartments	1.00		900	900
Condominiums	1.25		620	775
Retail/Commercial (per 1,000 sq. ft.)	1.25	[2]	212	265
Office (per 1,000 sq. ft.)	2.00	[2]	278	556
TOTAL:			**2,010**	**2,496**

Notations:

[1] Equivalent Assessment Unit

[2] Unit application is based on 1 unit per 1,000 square feet of space.

TABLE 2

THE HEIGHTS
COMMUNITY DEVELOPMENT DISTRICT
MASTER ASSESSMENT METHODOLOGY REPORT

TOTAL DEVELOPMENT INFRASTRUCTURE COST DETAIL - SERIES 2017 BONDS

CAPITAL IMPROVEMENT PLAN	COSTS
Roadway System	$5,300,000
Water and Wastewater Utilities	$2,200,000
Stormwater Management	$4,500,000
Recreational Facilities	$4,100,000
Electrical Distribution	$3,500,000
Landscaping & Hardscaping	$3,900,000
Total Costs	**$23,500,000**

TABLE 3

THE HEIGHTS
COMMUNITY DEVELOPMENT DISTRICT
MASTER ASSESSMENT METHODOLOGY REPORT

LONG-TERM FINANCING INFORMATION		
Coupon Rate		5.13% [1]
Term (Years)		31
Principal Amortization Installments		30
ISSUE SIZE		**$29,115,000**
Construction Fund		$23,500,000
Capitalized Interest (Months)	27	$3,304,085
Debt Service Reserve Fund	5.07%	$1,476,432
Underwriter's Discount	2.00%	$582,300
+ Premium / - Discount		$0
Cost of Issuance		$250,000
Rounding		$2,183
	ANNUAL ASSESSMENT	
Max Annual Debt Service (Principal & Interest)		$1,476,432
Collection Costs and Discounts, 6%		$94,240 [2]
TOTAL ANNUAL ASSESSMENT		**$1,570,672**

Notations:

[1] Based on estimated interest terms, which are subject to change based on market conditions.

[2] Collection costs and discounts are included as a component of the total annual assessment levy.

TABLE 4

THE HEIGHTS
COMMUNITY DEVELOPMENT DISTRICT
MASTER ASSESSMENT METHODOLOGY REPORT

ALLOCATION METHODOLOGY - SERIES 2017 BONDS

					PRODUCT TYPE		PER UNIT	
PRODUCT	**PER UNIT EAU**	**TOTAL EAUs**	**% OF EAUs**	**UNITS**	**TOTAL PRINCIPAL**	**ANNUAL ASSMT [1]**	**TOTAL PRINCIPAL**	**ANNUAL ASSMT [1]**
Apartments	1.00	900.00	36.06%	900	$10,498,197	$566,348	$11,665	$629
Condominiums	1.25	775.00	31.05%	620	$9,040,114	$487,689	$14,581	$787
Retail/Commercial (per	1.25	265.00	10.62%	212	$3,091,136	$166,758	$14,581	$787
Office (per 1,000 sq. ft.)	2.00	556.00	22.28%	278	$6,485,553	$349,877	$23,329	$1,259
TOTAL		**2,496.00**	**100%**	**2,010**	**29,115,000**	**1,570,672**		

Notations:

[1] Annual Assessments are based on the MADS, with administration fees and early payment discounts totaling 6%.

TABLE 5

THE HEIGHTS

COMMUNITY DEVELOPMENT DISTRICT
PRELIMINARY ASSESSMENT ROLL

Preliminary Assessment Plat

The District consist of 49.188 gross acres. The initial assessments will be levied on assessable private property within The Heights Community Development District initially based on EAUs assigned on current developed parcels with the remaining assessments levied across remaining assessable parcels on a prorated basis across net developable acreage as outlined below. Annual Long Term Assessments are net of collection fees and the addition of pre-payment discounts.

PRELIMINARY ASSESSMENT ROLL		
TOTAL LONG TERM ASSESSMENT:	$	**29,115,000.00**
ANNUAL LONG TERM ASSESSMENT:	$	**1,476,431.71**
TOTAL PLANNED EAUs:		**2,496**
TOTAL LONG TERM ASSESSMENT PER EAU:	$	**11,664.66**
ANNUAL LONG TERM ASSESSMENT PER EAU:	$	**591.52**
COMPLETED EAUs:		**125.316**
REMAINING LONG TERM ASSESSMENT NOT ASSIGNED TO COMPLETED EAUs	$	**27,653,233.95**
REMAINING ANNUAL ASSESSMENT NOT ASSIGNED TO COMPLETED EAUs	$	**1,402,305.05**
TOTAL REMAINING NET DEVELOPABLE ACRES:		**26.64**
TOTAL LONG TERM ASSESSMENT PER NET DEVELOPABLE ACRE:	$	**1,038,034.31**
ANNUAL LONG TERM ASSESSMENT PER NET DEVELOPABLE ACRE:	$	**52,639.08**

FOLIO/OWNER	**USE**	**UNITS**	**EAUs**	**Net Developable Acreage**		**TOTAL PRINCIPAL**		**TOTAL ANNUAL**
Developed Parcels								
1923340010	Office	31.075	62.150	n/a	**$**	**724,959**	**$**	**36,763**
RHH 200 7TH AVE LLC 701 S. Howard Avenue, Suite 106-322 Tampa								
1911400000	Office	12.161	24.322	n/a	$	283,708	$	14,387
	Retail	31.075	38.844		$	453,099	$	22,977
					$	**736,807**	**$**	**37,364**
RIVERSIDE HEIGHTS HOLDINGS II LLC 701 S. Howard Avenue, Suite 106-322 Tampa								
SUBTOTAL DEVELOPED:			**125.316**		**$**	**1,461,766**	**$**	**74,127**
Undeveloped Assessable Parcels								
1911340000	Undeveloped			4.26	$	4,422,026	$	224,242
RIVERSIDE HEIGHTS PEARL LLC 701 S. Howard Avenue, Suite 106-322 Tampa								
1911170000	Undeveloped			3.67	$	3,809,586	$	193,185
1911360000				0.22	$	228,368	$	11,581
RIVERSIDE HEIGHTS HOLDINGS I LLC 701 S. Howard Avenue, Suite 106-322 Tampa				3.89		4,037,953.46		204,766.01
1922100000 RIVERSIDE HEIGHTS HOLDINGS III LLC 701 S. Howard Avenue, Suite 106-322 Tampa				18.49	$	19,193,254	$	973,297
SUBTOTAL UNDEVELOPED:				**26.64**	**$**	**27,653,234**	**$**	**1,402,305**
				Total Assessment Assigned	**$**	**29,115,000**	**$**	**1,476,432**

Non-Assessable/City Owned Parcels, ROWs		
1923340000	$0	$0
1923340100	$0	$0
1924250000	$0	$0
Acreage/Rights of Ways	$0	$0
CITY OF TAMPA	$0	$0