

MINUTES OF MEETING
INDIGO COMMUNITY DEVELOPMENT DISTRICT

A continued meeting of February 18, 2014 of the Board of Supervisors of the Indigo Community Development District was reconvened on Wednesday, February 26, 2014 at 10:00 a.m. at the Holiday Inn Daytona Beach LPGA Blvd., Boardroom, 137 Automall Circle, Daytona Beach, Florida 32124.

Present and constituting a quorum were:

Robert Welsh	Chairman
Don Parks	Supervisor
John McCarthy	Supervisor
Tom Leek	Supervisor

Also present were:

Jim Perry	District Manager
Jonathan Johnson	District Counsel
Katie Buchanan	Hopping Green & Sams
Kurt von der Osten	Field Operations Manager
Erin Banks	Counsel for KB Homes (by phone)
Andrew Norgart	Alsop Properties
John Auld	DR Horton
Adam Schott	DR Horton
Jamie Rountree	Team Rountree

FIRST ORDER OF BUSINESS

Roll Call

Mr. Perry called the meeting to order at 10:00 a.m.

SECOND ORDER OF BUSINESS

Audience Comments

Mr. Andrew Norgart stated I am here on behalf of Adam Krug. He couldn't make it today. I wanted to comment ahead of the reallocation discussion on the 1999C report. I think as we expressed in Hayman Woods letter, the District Manager and District Counsel's recommendation of adopting the methodology on outdated, flawed and bad information is really a disservice to you all. I worked for KB Homes two and a half years ago and if you go back and look at your January 25, 2012 minutes, I came here on behalf of KB Homes and expressed my

frustration in dealing with your counsel on the issues that KB Homes had with the assessments. I expressed the concerns and worked for six months trying to resolve those issues with your counsel. I expressed at that meeting that we would file a lawsuit if you guys could not provoke a solution and here we are two years later. All of a sudden now, there is a resolution. It took two years to resolve that problem. We have a resolution to resolve the 1999C allocation on the table that is reasonable and for some reason they are hung up on an allocation based off of a resort plan that is outdated and nothing that the market can support. We have a major problem with that. I want you guys to go back and consider the advice you are getting. We had those construction funds sitting in that account for eight years paying interest on it and nothing was ever done. There was never any advice to roll that up. You are two years down the road in a lawsuit and finally it is a great idea. As you guys go through that 1999C allocation, think about the advice you are getting.

THIRD ORDER OF BUSINESS

Discussion of Supplemental Assessment Methodology Reports

- A. Status Report 1999C and 2005**
- B. 1999C Reallocation**
- C. 2005 Reallocation**
- D. 2005 Construction Fund Closeout**
- E. Completion Report of Special Assessment Bond Series 1999C**

Mr. Perry stated at our last meeting, the board was provided with draft methodologies for a status report of the 1999C and 2005 bonds. The 1999C reallocation is based upon the England-Thims & Miller engineers report as the basis of that reallocation. The ETM report is the basis of the 2005 bond reallocation. The 2005 construction fund closeout, which was the \$6.8M, will be utilized to redeem bonds. At the last meeting you did not have a completion report for the 1999C bonds. There is approximately \$180,000 that will be utilized to redeem bonds. You were provided a draft of this by email and you have a copy in front of you. The completion report for the 1999C bonds is very similar to the 2005 bonds. We can discuss these at any level that you would wish. I have had some conversations with some supervisors. The only question that did come up in regards to some of these reports is there are references in there to true ups on the north areas in relation to the platted lots. There are various entities that are due true ups to the District. We have a number of landowners that have parcels and once they plat those lands or site plan a parcel, they should provide us the plats themselves. The only way we really know if

there has been a plat is at the end of each year when we do the assessment roll, we do a reconciliation of that assessment roll to the year before and then we will notice that there was a parcel that was one parcel I.D. and now there are 40 parcel I.D.'s related to it. If they were assigned 60 assessment units for that one parcel and they plat 40 lots, there is a true up due of 20 lots. Once we are aware of that differential, we bill those entities. As you can see there are a number of those that have not paid those true ups. Some of those entities do not exist at this time. They are taken into account in all of these reallocations because those true ups are associated with specific landowners and we are not reallocating that debt to everybody else. These reports do not take into account, the spreading of that related debt for those true ups to the undeveloped lands or the developed lands within the District. We will set a date today for April 2nd, where we will have the public hearing. Those reports will be reviewed with you in detail at that time. Also, a representative from ETM will be here to provide input to the board in regards to their report. We will have a public hearing and public input will be taken. We also will be providing mail notices to the landowners of record, in regards to the reallocations that are proposed to take place at that April 2nd hearing.

Mr. Leek asked have you made any detailed inquiries into the methodology of that allocation report? What was the thought process? Why did they continue to look at that as a 250 resort parcel type section rather than what is proposed?

Mr. Perry responded I have had some conversations with them and I know that counsel has too. I think at the end of the day when you are looking at that report, they are trying to tie it to some substantiated basis. I believe they didn't want to go down the road, where you end up asking each landowner what are you going to do and then take that as the basis for the report.

Mr. Johnson stated they will be here to provide testimony at the public hearing regarding the specifics of how they made those findings. My understanding is they have looked at permits and other publicly available documents regarding potential development capacity. We know that the landowner of the resort parcel has announced development plans. I think from staff's perspective, we don't feel that provides us an adequate methodology and protection to say what are you planning to do. We will have specifics that we will provide to you. Ultimately that is the decision of this board, in terms of what methodologies and what suggestions you find the most credible. You have flexibility under the law to adopt a reasonable methodology but we do have to deal with it as a whole.

Mr. Leek stated when you look at the thing as a whole, I understand we have a number of debt service that has to be completely paid and that has to be allocated in some way 100% but I am trying to understand is the support for the way it was done. When I look at everything in here I see some properties are reduced by a \$200,000 and others are increased by \$300,000. How do you support the methodology?

Mr. Johnson responded obviously, we couldn't get the engineer here today to provide testimony. They will be here in April but that doesn't mean we have to wait until April to get your questions answered. Remember that nothing about what you are doing today adopts any of this or sets it in stone. You are only adopting it for purposes of setting a public hearing, at which point and time, you can adopt it as presented after hearing all of the testimony and public comment. You can make changes to it. You can continue the hearing if you need further information. In the meantime, we can certainly set up a conference call with staff and the engineer and with each of you individually.

Mr. Leek stated that would be helpful to me because I see all of the numbers and they move around substantially from where we were. It is hard for me to understand why one is \$200,000 more and why others are \$200,000 less.

Mr. Johnson stated we can absolutely work through that.

Mr. Perry stated under section two, there is the ETM report. The second page of that report shows the parcel numbers. If you look at the last column on the right it says source. The key to that source is to the right of the map, like ACOE is the Army Corp. of Engineers permits. The WMD is the water management district and ESI is Environmental Services. One of the biggest things to keep in mind was related to the ESI effort. They looked at a lot of the lands within the District that were undeveloped to determine the wetland impacts, so with that, there would be a lot of shifting of numbers of units that may be assigned years ago compared to what is probably developable today. That analysis took several months for them to complete.

Mr. Parks asked is there any law in Florida, like if you use environmentally impacted land, can you restore other areas to that in lieu?

Ms. Buchanan responded yes. There is a program in Florida that if you damage wetlands then you have to pay to offset those through a mitigation bank or restore some other wetlands. We are changing our assessment methodology and because it is such a significant change as opposed to what was adopted previously, we are essentially redoing the assessment process. We

are doing exactly what we did at the establishment of the District when the assessments were first levied. Part of that process is covered by Chapter 170. Resolution 2014-02 and Resolution 2014-03 declare our intent to levy special assessments. On page two it explains the history of the project and why the District feels compelled to undertake this process. In the second whereas, you will note that we document that the original Developer abandoned the project. The mortgage holder took over and then sold it to a subsequent landowner. That landowner failed to pay their assessments and now we are in a state of default. In the process of reviewing it, the trustee has requested that ETM do the development report. They have undertaken it and we plan to use it to rely on in reallocating our special assessments. That just explains why we are doing this process. One thing you will note is that I have to very similar resolutions. One is for the 1999C bonds and one is for the 2005 bonds. This is just for record keeping purposes. They are essentially the same, so I am just going to walk through one. This resolution has a finding that it is in the best interest to continue to pay for the improvements. We obviously have this bond debt outstanding, so we want to continue to levy debt assessments to pay for that. We just need to get it fixed. When you flip to pay three, you will find some general statements that we intend to levy the reallocated assessments. The improvements stay the same. They are at the same cost that were initially anticipated. The assessment amount stays the same. We are just shifting it around. It mentions that all of our files are on file with Jim. Even though we are trying to do this reallocation process, nothing yet affects the validity of our original assessments. They are staying in place until this is done and then it essentially replaces them at that point. It also authorizes staff to fix a time and place for a hearing and publish this resolution in the newspaper, as well as mailed notices to all landowners. The intent of this is that anyone that is going to be affected by this change gets notice and has the opportunity to come to the hearing in April and state their position. Resolution 2014-04 actually sets the hearing date and time. It notes the resolution that we just discussed and then says we are going to have a public hearing on April 2nd at 10:00 a.m. at this location. Anyone that wants to come and offer comments is welcome. We are going to notice it in the newspaper and we are going to mail the notices. We will change the location of the public hearing from the Hilton to the Holiday Inn. Indigo has the "d" and the "T" reversed, so we will correct that, as well.

Mr. Johnson stated the reason we are moving forward and setting this hearing is that we finally have trustee direction to do so. Until we had the trustee's direction, which they were

unwilling to provide until they had completed the ETM report process and then Jim had completed his process. No one at this table has had any authority to do anything by way of closing the construction account, altering the assessments or considering any alteration of the assessments. We have a bond covenant with the trustee that has required us to continue to enforce the existing assessments, so it is only with that consent that we are able to move through this process. Today, we are recommending that these are suitable for approval for purposes of setting that public hearing. It doesn't mean that we are not potentially coming in with changes at the hearing or wouldn't hear what someone has to say and be prepared to make recommendations but today, your staff is recommending you move forward with this report. They are saying that they don't have any objections and that they are comfortable with us moving forward on this basis.

Mr. Leek asked so we are setting a date for the public hearing and in the meantime, will there be reviews by staff of alternate methods?

Mr. Johnson responded we have reviewed everything provided to us.

Mr. Leek asked will there be recommendations of modifications to the allocation method that is in the ETM report by staff?

Mr. Johnson responded I don't have any reason to say that there will. If there is information provided that causes us to change our recommendation then there would.

Mr. Leek asked can we get a head start on this rather than waiting until the meeting in April before we start discussing changes that we may want to make? Honestly, I am uncomfortable with it. I guess once I understand the justification from ETM as to how the report was done then the next thing is how do we fix it. I would like to get a start on that rather than wait until April.

Mr. Johnson stated we have had multiple conversations with counsel for Hayman Woods. We are telling you that we are going to do something different, therefore, you have actual knowledge and you should base your recommendations upon what we are saying as opposed to the engineering data that has been provided. We have also reviewed the draft methodology that they had their assessment consultants prepare. Jim has been through that in great detail. Having done all of that, this is the recommendation that we have today. We are absolutely open and we will continue to have those conversations.

Mr. Leek stated I am not comfortable with this one and I am also not comfortable with the one that they presented either. I think we are a little too far apart. I guess I want to understand the process because I don't think either proposal really works for the long term. I don't want to spend another couple of years trying to resolve this. I guess I want someone to work on a reconciliation between this one and that one. I don't want to wait until April before anyone does any work on it.

Mr. Johnson stated I would suggest that we have some one on one calls with the engineer and with Jim to walk through the specific concerns or questions that you have and see where we go from there.

Mr. Perry asked is your concerns solely on the resort parcel?

Mr. Leek responded no. It is overall. I think when you look at all of the numbers moving around so much and the fact that the actual number of parcels or lots or units is reduced from overall, it concerns me some. When I look at the liquidation of the one bond fund that is fine and that is going to reduce everyone's debt service but still whether we do that and don't change a methodology or change the methodology, everyone is going to get a reduction anyways. One of the last things I think we need to do is to increase the percentage of debt service on individuals and one group to the expense of another.

Mr. Parks asked and you said there would be no change in assessments for people in the north, correct?

Mr. Perry responded platted lots.

Mr. Parks asked and then in the south there would be a reduction?

Mr. Perry responded there would be no change in reallocations to any of the platted lands within the District under both methodologies. The reallocations are to undeveloped lands.

Mr. Leek stated I have to feel comfortable that we are not reducing the obligation of one group and increasing it in another. I have no problem with going ahead and setting the public hearing and passing these resolutions to do that. It just seems like we have been treading water for a long time.

Mr. Perry stated one thing that Jonathan did not mention in regards to the review of these methodologies is that the legal representatives from KB Homes had looked at them.

Mr. Johnson stated one of the reasons we have been working through this is to settle the KB litigation. KB has indicated their lack of objection and feels that this would be a basis for settlement.

On MOTION by Mr. Leek seconded by Mr. Welsh with all in favor Resolution 2014-02 was approved.

On MOTION by Mr. Leek seconded by Mr. Welsh with all in favor Resolution 2014-03 was approved.

On MOTION by Mr. Leek seconded by Mr. Welsh with all in favor Resolution 2014-04 was approved as amended.

On MOTION by Mr. Leek seconded by Mr. Welsh with all in favor Resolution 2014-05 was approved.

FOURTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There being none, the next item followed.

B. Engineer

There being none, the next item followed.

C. Manager

There being none, the next item followed.

D. Field Operations Manager

There being none, the next item followed.

FIFTH ORDER OF BUSINESS

Supervisor's Request and Audience Comments

Mr. Welsh asked has the gopher tortoise conservation been completed?

Mr. Rountree responded the machine will be back on the property on Friday. We have a small amount of clean up left. The machine had a hydraulic pump problem, so it has been down

for a bout a week and a half now. On Monday, we will begin the back section moving north.

SIXTH ORDER OF BUSINESS

Other Business

There being none, the next item followed.

SEVENTH ORDER OF BUSINESS

**Next Scheduled Meeting – 4/2/14 at 10:00 a.m.
@ Holiday Inn**

Mr. Perry stated the next scheduled meeting is April 2, 2014 at 10:00 a.m. at this location.

EIGHTH ORDER OF BUSINESS

Adjournment

On MOTION by Mr. Welsh seconded by Mr. McCarthy with all in favor the Meeting was adjourned.


Secretary / Assistant Secretary


Chairman / Vice Chairman