POINCIANA COMMUNITY DEVELOPMENT DISTRICT

AMENDMENT TO THE MASTER ASSESSMENT METHODOLOGY REPORT AND SUPPLEMENTAL ASSESSMENT METHODOLOGY REPORT, SERIES 2012A SPECIAL ASSESSMENT REFUNDING BONDS (REMAINING UNDEVELOPED LANDS)

December 23, 2014

Prepared for:
Board of Supervisors,
Poinciana Community Development District

Prepared by:
Fishkind & Associates, Inc.
12051 Corporate Blvd.
Orlando, Florida 32817

AMENDMENT TO THE POINCIANA COMMUNITY DEVELOPMENT DISTRICT MASTER ASSESSMENT METHODOLOGY REPORT AND SUPPLEMENTAL ASSESSMENT METHODOLOGY REPORT, SERIES 2012A SPECIAL ASSESSMENT REFUNDING BONDS (REMAINING UNDEVELOPED LANDS)

1.0 Introduction

1.1 Background

The Poinciana Community Development District ("District") is an independent special-purpose unit of local government established on November 1, 1999 by the Florida Land and Water Adjudicatory Commission in order to provide public infrastructure facilities and services to the property owners located within the District. The District is governed by a five member Board of Supervisors and has retained Severn Trent Management Services to serve as its District Manager. The District provides public infrastructure and related services to the Solivita master-planned community ("Solivita").

The District has previously issued its $27,315,000 Series 2000A Special Assessment Bonds ("Series 2000A Bonds") to fund a portion of its public infrastructure capital improvement program ("CIP"). The proceeds of the District's Series 2000A Bonds helped fund a portion of the costs of the acquisition, construction, installation and equipping of stormwater management facilities, roadway improvements, and irrigation-related infrastructure providing a special benefit to properties located within the District. The allocation of the District's Series 2000A Bond debt to benefiting properties within the District has been governed by the assessment methodology framework outlined in the District's Assessment Methodology Report - Poinciana Community Development District, dated February 16, 2000 ("Master Methodology") and refinements outlined in the Supplemental Assessment Methodology – Poinciana Community Development District, dated April 17, 2000 ("Series 2000A Supplemental Methodology") and Supplemental Assessment Methodology – Poinciana Community Development District, dated July 18, 2008 ("2008 Supplemental").

In 2012, the District refinanced its remaining outstanding Series 2000A Bonds via the issuance of its Series 2012A Special Assessment Refunding Bonds

("Series 2012A Bonds"). The details of the assessments securing the repayment of the Series 2012A Bonds are outlined in the Supplemental Assessment Methodology Report, Series 2012A Special Assessment Refunding Bonds, adopted April 18, 2012 ("2012A Supplemental"). The 2012A Supplemental replaced the Series 2000A Supplemental and 2008 Supplemental as the source of details on the bond debt service assessments assigned to properties located within the District.

1.2 Purpose of 2014 Amendment

This amendment to the Master Methodology and 2012A Supplemental ("2014 Amendment") is proposed due to changes to the projected land use plan for the remaining undeveloped developable lands located within the District. Specifically, Avatar Properties, Inc. (hereinafter the "Developer") currently intends to replace a portion of the multifamily units planned for this undeveloped land with single-family detached residences. This change, if implemented, would result in fewer and different individual residences/units being constructed within these undeveloped lands. The Developer has requested that District staff examine the possibility of revising the District's applicable assessment methodologies to allow for flexibility in the construction of the most suitable residential product for the remaining undeveloped developable lands. Fully allocating the remaining Series 2012A Bonds assessments to the fewer units planned for the remaining undeveloped lands would require an increase in the assessment level per unit outlined in the 2012A Supplemental.

Fishkind & Associates, Inc. has examined the assessment allocation structure applicable to the undeveloped lands within the District and recommends that the Series 2012A Bonds assessments for the units/residences planned for the undeveloped lands within the District be increased (as outlined in more detail in Sections 2 and 3 below) to: a) reflect the increased benefit received by the units planned for the undeveloped lands relative to the current Series 2012A Bond assessment for those same units, b) provide flexibility to the Developer in constructing the product type(s) most suitable for Solivita, and c) reflect increased construction costs over the course of development within the District, which have created more benefits for future planned units. It is also important to note that the total amount of the Series 2012A Bonds assessments for the remaining undeveloped developable land within the District will not be affected by the 2014 Amendment.

The assessments outlined in this 2014 Amendment (as well as the 2012A Supplemental) are based upon the principles and allocation formulas found in the District's Master Methodology, with the exception of the annual longterm assessment caps outlined in the Master Methodology. These assessment caps found within the Master Methodology have become outdated and it is recommended that these caps be adjusted for the District's undeveloped lands to reflect the increased benefit received by units from the District's CIP and to match current market norms. The assessments outlined in this 2014 Amendment will be levied on and collected from the same undeveloped lands encumbered by the Series 2012A Bond assessments. A complete list of the undeveloped developable parcels that will be affected by this 2014 Amendment is found in Table 5 in Section 4.0 below. The report is designed to conform to the requirements of Chapter 190 and Chapter 170, F.S. with respect to special assessments and is consistent with our understanding of the case law on this subject.

1.3 Justification for 2014 Amendment

Fishkind & Associates, Inc. recommends that the District's Board of Supervisors modify the Series 2012A Bond assessment allocation methodology outlined in more detail in Sections 2 and 3 below. This recommendation is made for a number of reasons, including the following:

A) As shown below, the benefit received by each of the future planned units from the District's CIP is equal to or greater than the Series 2012A Bond assessment to be paid by each unit.
B) The Developer has indicated that the increased Series 2012A Bond assessments for future planned units will not inhibit the marketability or sale of the same units.
C) The 245 undeveloped acres contain sufficient development potential to support the construction of the 711 units necessary to fully absorb the Series 2012A Bond assessments assigned to these acres, as outlined below.
D) The Series 2012A Bond assessment increase will permit the Developer to construct the most marketable product within the undeveloped lands, helping ensure the continued success of the Solivita community.
E) The proposed reduction in units will allow a reduction in the density of development within the District, which will result in less wear and tear on the District's (and other community) facilities.

F) The Series 2012A Bond assessment modification reflects increased construction costs over the course of development within the District, which have created more benefits for future planned units.
G) There is no change in the amount of Series 2012A Bond assessments for the undeveloped land; rather it is only a change in how the current assessment is ultimately allocated when the land is developed.

1.4 Scope of the 2014 Amendment

The 2014 Amendment is intended solely to affect the remaining 245 unplatted developable acres located within the District. Series 2012A Bond assessments for this undeveloped land within the District will be adjusted as outlined herein, provided the District's Board of Supervisors approves such an assessment adjustment after providing notice and an opportunity to be heard on the matter to the owner of the unplatted developable land within the District, and subject to the consent of the majority bondholders.

The Series 2012A Bond assessments for existing residences, commercial structures, and platted lots will <u>not</u> be affected by this 2014 Amendment. <u>To the extent that a parcel within the District contains commercial or residential structures or has been the subject of a plat as of the date of the 2014 Amendment, that parcel's Series 2012A Bond assessments remain unchanged from that set forth in the 2012A Supplemental</u>. Series 2012A Bond assessments for developed properties outlined in the 2012A Supplemental remain valid and unchanged and so are not restated in detail in this 2014 Amendment.

1.5 Requirements of a Valid Assessment Methodology

Valid special assessments under Florida law have two requirements. First, the properties assessed must receive a special benefit from the improvements paid for via the assessments. Second, the assessments must be fairly and reasonably allocated to the properties being assessed.

If these two characteristics of valid special assessments are adhered to, Florida law provides some latitude to legislative bodies, such as the District's Board of Supervisors, in approving special assessments. Florida courts have found that the mathematical perfection of calculated special benefit is probably impossible. Only if the District's Board was to act in an arbitrary, capricious, or unfair fashion could its assessment methods be overturned if challenged. The

Master Methodology, the Series 2012A Supplemental, and this 2014 Amendment were specifically designed to fairly and reasonably allocate assessments to the District's assessable properties receiving a special benefit from the implementation of the District's CIP.

2.0 Benefit Analysis of Proposed Increase in Series 2012A Bond Assessments for Undeveloped Developable Units

Fishkind & Associates, Inc. conducted a revised benefit analysis (summarized in Table 1 below) based upon the District's Second Supplemental Engineering Report, dated March 13, 2013 ("2013 Engineering Report"). This 2013 Engineering Report indicated that the cost of the District's CIP totaled $81,335,751. Dividing this cost among the total units planned for the District (as outlined in the 2013 Engineering Report) indicates that each planned unit receives a benefit of at least $18,889 from the District's CIP.

Table 1. District CIP Benefit Analysis

Engineer's CIP Costs, through 2011*:	$66,788,229
Engineer's Future CIP Costs*:	$14,547,522
Engineer's Total Required CIP Costs, through 2019*:	$81,335,751
Total Planned Units*:	4,306
Total CIP Costs per Unit:	$18,889
Series 2000A Bond Principal per Unit Certified for Collection:	$6,346
Series 2012A Bond Principal per Unit Certified for Collection:	$5,051

*Second Supplemental Engineering Report, dated March 13, 2013

As noted above, developed units within the District have previously been assigned bond principal assessments of $6,346 (for the Series 2000A Bonds) and $5,051 (for the Series 2012A Bonds). As shown in Table 1, both of these bond principal assessment values are much lower than the $18,889 demonstrated minimum benefit provided by the CIP to each unit.

3.0 Bond Debt Service Assessment Revision

3.1 Series 2012A Bond Details

Table 2 below outlines the initial details of the Series 2012A Bonds.

Table 2. Series 2012A Bond Details

Detail	Value
Par Value	$21,285,000
Debt Service Reserve	$858,366
Average Coupon Rate	4.86%
Maximum Annual Debt Service	$1,716,731
Date of Maturity	2031

*Includes a 7.0% gross-up to account for the statutory early payment discount and the fees and costs charged by the county property appraiser and tax collector.

As shown in Table 2, the maximum net annual assessment revenues required to amortize the Series 2012A Bonds is $1,716,731. This represented a reduction from the previous Series 2000A Bond net annual debt service requirement of $2,156,663. As indicated, the Series 2012A Bonds had a par value at issuance of $21,285,000, an average coupon rate of 4.86%, and a final maturity of May 1, 2031. The maturity date of the Series 2012A Bonds remains unchanged from that of the Series 2000A Bonds. The details of the Series 2012A Bonds will not be affected by this 2014 Amendment.

3.2 Senior-Subordinate Series 2012A Bond Structure

As outlined in the Second Supplemental Trust Indenture, dated April 1, 2012, the District's Series 2012A Bonds are actually comprised of two separate series of bonds, the Senior Special Assessment Refunding Bonds, Series 2012A-1 ("Senior Bonds"), and the Subordinate Special Assessment Refunding Bonds, Series 2012A-2 ("Subordinate Bonds") (the term "Series 2012A Bonds" refers to the collective total of both the Senior Bonds and Subordinate Bonds). Both series of bonds are payable from and secured by District bond debt service assessment collections. However, the pledge of Series 2012A Bond debt assessment collections to the Series 2012A-2 Subordinate Bonds is, as provided in the Supplemental Indenture, subordinate and inferior to the pledge thereof to the Series 2012A-1 Senior Bonds.

Although the Senior Bonds are first in priority in regards to the pledge of bond debt service assessments, this difference is irrelevant from an assessment perspective. Bond debt service assessments for either the Senior Bonds or Subordinate Bonds are not solely assigned to any specific parcel or parcels within the District. Rather, debt service assessments for both the Senior and Subordinate Bonds are spread on an equal proportionate basis across all lands assessed to secure the Series 2012A Bonds. Thus, this 2014 Amendment, and the accompanying District assessment resolutions, will only address the collective Series 2012A Bond debt service assessments to properties within the District without distinguishing between Senior Bond and Subordinate Bond debt service assessments.

District staff will periodically collect and transmit Series 2012A Bond debt service assessment collections to the District's bond trustee. Such collections will not be earmarked as either Senior Bond or Subordinate Bond debt service by District staff. Thus, the Senior Bond and Subordinate Bond distinctions are relevant to the District's bond trustee and bondholders and such distinction will govern the distribution of bond debt service assessments to bondholders by the trustee. However, the Senior Bond/Subordinate Bond distinction will not typically be material to District staff or District property owners, is not relevant to the apportionment of Series 2012A Bonds assessments, and so is not addressed in detail in this 2014 Amendment.

3.3 Series 2012A Bond Assessments for Platted Properties

Series 2000A Bonds (and subsequently, Series 2012A Bonds) assessments were allocated to all Equivalent Residential Units ("ERUs") planned for the District. One ERU represents each planned platted residential lot, multi-family residence, and 1,774 square feet of commercial space planned for the District. The Series 2012A Bonds principal and annual assessments assigned to properties within the District were all proportionate reductions from the previous Series 2000A Bond debt service assessments for those same properties. As a result of the refunding transaction, the Series 2012A Bonds debt service assessments, which are outlined in Table 3 below, replaced the corresponding Series 2000A Bonds debt service assessments.

Table 3. Original Series 2012A Bonds Assessments

Land Use	ERUs Assessed to Secure the Series 2012A Bonds*	Series 2012A Bonds Gross Annual Assmt./ ERU**	Series 2012A Bonds Total Gross Annual Assmt.**	Series 2012A Bonds Principal Assmt./ERU	Series 2012A Bond Principal Assmt. - All ERUs
Platted Residential ERUs***	2,745	$438.05	$1,202,450	$5,051	$13,865,051
Town Center Comm. ERUs	72	$438.05	$31,540	$5,051	$363,673
Unplatted Planned ERUs****	1,397	$438.05	$611,957	N/A	$7,056,276
Total			**$1,845,948**		**$21,285,000**

*One ERU is equal to each platted single-family lot, multi-family residence, or 1,774 square feet of commercial space.

**Includes a 7.0% gross-up to account for the statutory early payment discount and the current fees of the county tax collector and property appraiser.

***The Series 2000A Bonds debt service assessment originally assigned to 92 platted lots/ERUs has been prepaid and extinguished. This count does not reflect Series 2012A Bonds assessments.

****The unplatted planned unit count represents the planned land use plan provided by the Developer as of the date of the issuance of the Series 2012A Bonds. Such land use plan has now changed, as outlined herein.

3.4 Timing of Assignment of Series 2012A Bonds Assessments to Undeveloped Developable Lands within the District

As indicated in Table 3 above, 2,745 individual platted residential units/lots and 72 town center commercial ERUs (contained within four parcels, as outlined in Exhibit "A") have been assigned specific Series 2012A Bonds debt service assessments. Assessments for the balance of the development planned for the District at the time of the issuance of the Series 2012A Bonds (estimated at 1,397 units in the 2012A Supplemental) have been allocated on an equal net developable-acreage basis among the remaining 245 unplatted developable acres remaining in the District. Rather than allocate the final assessment amount on the undeveloped lands based on ERUs, a separate assessment area is being created and final assessment allocations on such area will be on a "per-unit" basis. The assignment of Series 2012A Bonds assessments to these 245 unplatted developable acres will convert from an acreage to a per-unit basis at the earlier of the following two occurrences: 1) when some or all of the acreage has been included in a plat, or 2) when some or all of the property has transferred ownership from the Developer to a third party and both parties have agreed that Series 2012A Bonds assessments corresponding to the development entitlements for the transferred property should be assigned at the time of the transfer.

3.5 Change in Anticipated Land Use Plan for Undeveloped Developable Lands within the District

The Developer has notified District staff that the land use plan for the remaining 245 undeveloped developable acres within the District has changed from what was outlined in the 2012A Supplemental. Although the 245 undeveloped developable acres are still planned to contain solely residential development, the number and type of units planned for this land has changed as a result of market conditions. As outlined in Table 3 above, the undeveloped developable acres within the District were originally planned by the Developer to contain 1,397 ERUs. As outlined in Table 4 below, the remaining undeveloped lands are now scheduled to contain 711 units.

As a result of the change in the development plan for the undeveloped developable acres, full absorption of the Series 2012A Bond assessments by the units planned for the District will require that the revised count of 711 planned units remaining to be developed amortize the same amount of Series 2012A Bond principal allocated to the undeveloped developable land within the District. Such a required Series 2012A Bond assessment increase for each of the 711 units now planned for the unplatted developable acreage within the District is also outlined in Table 4 below. Table 4 also provides an overview of the currently planned allocation of Series 2012A Bond assessments to all development existing and planned for the District.

[Table 4 is found on the following page.]

Table 4. Series 2012A Bond Assessments Required to Fully Absorb the Assessments Assigned to 245 Undeveloped Developable Acres within the District

Parcel Description	Status	Unit Count*	Series 2012A Bond Debt per Unit	Series 201A2 Bond Debt, all Units	Series 2012A Bond Gross Ann. Assmt./ Unit**	Series 2012A Bond Gross Ann. Assmt., all Units**
Platted Residential (2012)	Developed	2,745	$5,051	$13,865,051	$438.05	$1,202,450
Developed Commercial	Developed	72	$5,051	$363,673	$438.05	$31,540
Parcel 1C, 1H***	Developed	75	$5,051	$378,827	$438.05	$32,854
Subtotal, Developed	**Developed**	**2,892**		**$14,607,551**		**$1,266,844**
Parcel 5A/B	Undeveloped	432	$9,392	$4,057,184	$814.49	$351,860
Parcel 5E(W)	Undeveloped	120	$9,392	$1,126,996	$814.49	$97,739
Parcel 1G	Undeveloped	24	$9,392	$225,399	$814.49	$19,548
Parcel 1F	Undeveloped	135	$9,392	$1,267,870	$814.49	$109,956
Subtotal, Undeveloped	**Undeveloped**	**711**		**$6,677,449**		**$579,104**
Grand Total		**3,603**		**$21,285,000**		**$1,845,948**

*One unit is equal to each platted single-family lot, multi-family residence, or 1,774 square feet of commercial space.
**Includes a 7.0% gross-up to account for the statutory early payment discount and the current fees of the county tax collector and property appraiser.
***The 75 units located within Parcels 1C and 1H represent a portion of the 1,397 units planned at the time of the issuance of the Series 2012A Bonds.

As shown above, in order to absorb the District's current bond debt service requirements, the current Series 2012A Bond principal assessment per future planned ERU of $5,051 must be increased to $9,392 per unit on the undeveloped lands. This increase will require that these 711 future units, and all existing units, receive a benefit from the CIP that is equal to or greater than the $9,392 in proposed Series 2012A Bonds principal assessment. As indicated in Table 1 herein, each unit will receive a benefit of at least $18,889 from the implementation of the District's CIP. This demonstrated benefit from the District's CIP of at least $18,889 per unit clearly exceeds the Series 2012A Bonds principal assessment of $9,392 per unit planned for the undeveloped lands. Thus, the benefit received by each future unit exceeds the Series 2012A Bonds assessment levels for the units planned to be developed in the remaining 245 undeveloped acres within the District.

Following the approval of the Series 2012A Bond assessments for future planned development of the undeveloped lands as outlined in Table 4, these assessments will begin to be assigned to units identified within the remaining unplatted developable acreage within the District. Refinement of the Series 2012A Bonds assessments for these 245 unplatted developable acres will also be subject to Section 3.6 and the true-up provision outlined in Section 4.0 below.

3.6 Fixed Assignment of Series 2012A Bonds Assessment to Unplatted and Undeveloped Properties

The $6,677,449 in Series 2012A Bonds principal assessments that will be assigned to the remaining unplatted and undeveloped properties for the District will be fixed with the District Board's approval of this 2014 Amendment. The 245 acres identified in Table 5 below, which contain the remaining unplatted and undeveloped property within the District, will as a result of the approval of this 2014 Amendment, form a new and separate Series 2012A Bond assessment tract. Thus, any reduction in units from the planned 711 outlined in Table 4 will result in a required true-up payment, as addressed in Section 4.0 below. Additionally, any increase in the unit count for these 245 acres over and above the planned 711 units outlined in Table 4 will result in an equal proportionate reduction in assessments for these units, such that each unit is subject to an equal share of the $6,677,449 in Series 2012A Bonds principal assessed to the 245 acres within the District.

4.0 True-Up Calculation and Initial Assessment Roll for Unplatted and Undeveloped Properties

The developable property that currently remains unplatted will still be the subject of a true-up analysis for the Series 2012A Bonds principal assessment assignment. An examination of the remaining unplatted developable properties is found at Table 5 below.

[Table 5 is found on the following page.]

Table 5. Unplatted Parcels – Initial Net Developable Acreage Assessments

Parcel ID	Developable Unplatted Acres*	% of Rem. Undev. Dev. Acres	Bond Principal Assessment per Parcel
28-27-14-933530-001000	75.9	31.0%	$2,067,829
28-27-14-933530-042000	93.9	38.3%	$2,560,325
28-27-14-933540-001000	9.0	3.7%	$244,204
28-27-14-933541-004030	39.0	15.9%	$1,062,941
28-27-14-933541-004050**	3.0	1.2%	$81,765
28-27-14-933541-004170	20.0	8.2%	$545,098
28-27-14-933543-001730	4.2	1.7%	$115,288
Totals	**245.0**	**100.0%**	**$6,677,449**

*The parcel location of the 245 total developable unplatted acres is subject to change over time as development proceeds.

**Parcel ID 28-27-14-933541-004050 is planned to contain residential units in addition to its existing commercial units. Thus, it will be assessed both for its existing commercial units and on a net acreage basis along with the other unplatted parcels for its proportionate share of the planned future residential units.

The allocation of the 245 total remaining net developable unplatted acres among the parcels listed in Table 5 is based upon the best information available at this time and is subject to change over time as development proceeds within the District. However, the Series 2012A Bonds true-up calculation will always be based on the total 245 remaining unplatted developable acres. As outlined in Table 6, there are 711 planned units remaining to be developed within these 245 acres. As also shown in Table 6 below, this produces a remaining unit per unplatted developable acre count of 2.9 and an initial Series 2012A Bonds principal assessment per remaining unplatted developable acre of $27,255.

Table 6. True-Up Threshold

Unassigned Units	711
Total Net Unplatted Acres	245
Units/Net Acre	2.9
Bonds Principal/Net Acre	$27,255

Thus, each unplatted developable acre will be assigned a Series 2012A Bonds principal assessment of $27,255 at the time of the adoption of this 2014 Amendment. As outlined above, the assignment of Series 2012A Bonds assessments to the 245 unplatted developable acres within the District will convert from an acreage to a per-unit basis at the earlier of the following two occurrences: 1) when some or all of the acreage has been included in a plat, or 2) when some or all of the property has transferred ownership from the Developer to a third party and both parties have agreed that Series 2012A Bonds assessments corresponding to the development entitlements for the transferred property should be assigned at the time of the transfer. Units assigned by the District to a parcel pursuant to one of these two steps will be subtracted proportionately from the remaining unplatted developable acreage.

Future plats and property ownership changes for the remaining 245 unplatted developable acres must absorb at least 2.9 units per acre. Plats or property transfers which cause the unit density on the remaining unplatted developable land to exceed 2.9 units per acre shall trigger a true-up payment. In addition, if debt is assigned by the District at the transfer of ownership of a parcel, a true-up payment may become due for that parcel if ultimate platting involves fewer units than were assigned at the initial property transfer. However, a true-up payment may be suspended at the District's sole discretion if the property owner can demonstrate to the District, and the District finds its sole discretion, that all necessary land use approvals, including applicable zoning, can reasonably and economically support a density higher than 2.9 units per remaining unplatted developable acre.