

SOUTH VILLAGE  
COMMUNITY DEVELOPMENT DISTRICT

The January 5, 2015 meeting of the Board of Supervisors of the South Village Community Development District was continued and reconvened Thursday, January 21, 2016 at 6:30 p.m. at the Eagle Landing Residents Club, 3975 Eagle Landing Parkway, Orange Park, Florida.

Present and constituting a quorum were:

Gary Cross	Chairman
Grant Krueger	Vice Chairman
Richard Townsend	Supervisor
Chris Payton	Supervisor
Bobby J. Poole	Supervisor

Also present were:

Jim Oliver	District Manager
Katie Buchanan	District Counsel
Jason Merritt	Hopping Green & Sams
Keith Hadden	District Engineer
Matt Biagetti	Director of Aquatics & Recreation
Steve Andersen	Operations Manager

The following is a summary of the actions taken at the January 21, 2016 meeting. A copy of the proceedings can be obtained by contacting the District Manager.

**FIRST ORDER OF BUSINESS**

**Roll Call**

Mr. Oliver called the continued meeting to order at 6:30 p.m.

**SECOND ORDER OF BUSINESS**

**Audience Comments**

There being none, the next item followed.

**THIRD ORDER OF BUSINESS**

**Approval of the Minutes of the January 5,  
2016 Meeting**

On MOTION by Mr. Cross seconded by Mr. Krueger with all in favor the minutes of the January 5, 2016 meeting were approved as presented.

**FOURTH ORDER OF BUSINESS****Consideration of Sales & Purchase Agreement for Eagle Landing Golf Course**

Ms. Buchanan stated this is Jason Merritt with my law firm and he is the one who actually authored the purchase and sale agreement that is in your package. I had included in your package a redline that highlighted a few changes from last meeting, these are basically the addition of information that we received from due diligence inquiries there is no change to the substance and terms it is just adding things like inventory lists. At this point Jason believes it is signature ready but I wanted to give you the opportunity to discuss it if you had any additional thoughts on it or ask any questions that Jason may be able to answer.

The question is whether you want to go ahead and approve it tonight or wait until the next board meeting. We had previously discussed delaying approval until the Phase 5 sale closed and that has happened now. The only other reason we may want to consider delaying it is I think Jim and staff are still working to bring some due diligence proposals to you and we will discuss that process further. If we wanted to get a better handle on vendors for certain due diligence tasks it could be that we may want to line up the purchase and sale agreement to start at the same meeting that we get those proposals approved. Then you have a clean start date and clean end date but that is up to you.

Mr. Oliver stated if you choose to delay the approval to February 2<sup>nd</sup> that will not affect the timeline of the actual purchase and sale of the golf course because if you go forward with this bond issue you likely won't issue bonds until May. Although you were going to start your assessment process at tonight's meeting the reason that is delayed until February 2<sup>nd</sup> is that Dream Finders Homes the new owner of Phase 5, is considering asking the board to use that process to issue bonds to fund a portion of the neighborhood improvements to Phase 5. The Phase 5 landowners would pay debt service and it wouldn't affect Phases 1 through 4. They have not made a decision yet as to what they want to do, so until we have something more firm we could not start the assessment documents to provide to you. You can approve it tonight or you can delay it until February 2<sup>nd</sup> it won't affect the timing of the sale because you can't close until you have the money.

It was the consensus of the board to wait until the February 2, 2016 meeting to approve the purchase and sales agreement for the golf course.

**FIFTH ORDER OF BUSINESS****Update and Actions Regarding Series 2005  
Refunding Process and Funding of Golf  
Course Purchase****A. Discussion of Funding of Phase 5 Improvements**

Mr. Oliver stated the finance team includes the attorneys at Hopping Green, district manager, the investment bankers, bond counsel, trustee, district engineer and several others. We have a standing call every Tuesday afternoon and talk about the refunding and bond issue process. We had a Dream Finders representative on a recent call after the sale and that is when we started talking about the potential of them using this as an opportunity to fund some of the improvements they will be making to Phase 5. Once they firm up the numbers, they will make a decision whether or not they want the board to consider that funding in the bond issue you are going to start the process for on February 2<sup>nd</sup>. Once we get past this agenda item we will want to get some type of direction from the board of what you want us to do with the preparation of those documents. We will wait until after the engineer's report is discussed because that will give you a little more background on what that financing would be. I do like the fact that Dream Finders wants to move forward with the development of Phase 5 rather than just let it sit. I say that because once those lots are platted, they are charged the full O&M assessments. As you will recall one of the conditions of the purchase and sales agreement was an agreement that until those lots are platted, the landowner is billed administrative assessments only for those properties. That is a difference to the district of about \$200,000 a year in additional revenue. We can have Keith Hadden talk about the engineer's report and we can circle back for board direction regarding the preparation of the assessment documents for the February 2<sup>nd</sup> meeting.

Mr. Poole stated the infrastructure improvements for Phase 5 was about \$4 million. Who is going to fund that infrastructure cost? In our previous discussions with Jim they were asking for \$1 million.

Mr. Oliver stated the Phase 5 landowner.

Mr. Poole asked are they going to issue another set of bonds for the other \$3 million in estimate cost of infrastructure?

Mr. Oliver responded whatever their funding source would be that would not be a concern of the district whether they had traditional funding, cash on hand as some developers do, I don't know. For them to even borrow \$1 million at the type of rates they could get through a tax-exempt bond issue would result in great savings and would be to their advantage to do that. In many districts including this one, bonding was used for only a portion of the cost of the infrastructure and the rest came out of the developer's pockets.

### **B. Consideration of Revised Draft Engineer's Report**

Mr. Hadden stated the report you see tonight is in regards first to the golf course then what would be spent out of the total \$4 million for improvements at existing facilities.

The next thing is the 199 lots that are planned in Phase 5. The \$4.4 million is the actual cost to Dream Finders and these are the bids from their contractor to build that infrastructure. They are not going to be able to get \$4.4 million worth of bonds. They could ask for about \$1 million. Anything that is spent in Phase 5 has to be paid off by the folks who live in Phase 5 just like every dollar of bond money that was spent on what you have today is paid off by the existing homeowners. I just wanted you to have an idea of what it cost to build 199 lots, not counting the price of the land.

The other part of the report is the same as what you saw two weeks ago, which lists dollar amounts to go into playground expansion, athletic facility, golf course clubhouse and whatever. None of those numbers have changed. That doesn't mean you have to spend exactly that amount in each of those areas, those are estimates with the help of your staff on what needs to be done and they are really good estimates we have gotten from work that has been done in the last year at Eagle Harbor.

Mr. Oliver stated although the agenda has consideration of revised draft engineer's report let's just change that on the record to discussion of because we still don't know whether or not the Phase 5 neighborhood infrastructure would be part of this deal and we have to have some conversations with Dream Finders to nail that down.

Here is where we are in terms of assessment documents. To start the assessment process there are a couple resolutions that need to be approved, one of the resolutions require a few supporting documents one being the engineer's report, which will look very much like this with or without the Phase 5 piece. Another one will be the assessment methodology report and that

report will show the impact of a bond issue on the assessments for all the unit types within Phases 1 through 5. It is important to remember that regardless of what happens with the neighborhood infrastructure of Phase 5, Phases 1 through 5 are on the hook to pay assessments. Phase 5 has been paying admin only assessments on the general fund side, but have been paying the full debt service assessments, as every other landowner has in Phases 1 through 4. We do think from the numbers we have seen from the investment bankers that you are going to have very favorable rates when we bring that to you on February 2<sup>nd</sup> and a big reason is that Phases 1 through 4 have rooftops, there is less risk to the bondholders so there will be the senior bonds whereas the bonds for Phase 5 will be subordinate to those, they are more risky because it is just dirt right now. It is a bigger risk for the bondholders because all the risk is concentrated on that one big landowner rather than spread across a broad base of homeowners. Phases 1 through 4 will benefit from that as we go through the refunding and the new money issue.

Based on that we will look for board direction to prepare the assessment documents with the Phase 5 infrastructure improvements as part of that plan. If it falls through between now and the next meeting we will adjust and if Dream Finders is on board to move forward to ask the board to include the \$1 million in additional bond issue for Phase 5 to pay back we will have them at the meeting to make that request, explain what they are doing and then you can consider it at that point. If what you hear from them is not acceptable, then you can elect to move forward with the assessment process as originally planned, which would be the refunding and new money for the golf course and other improvements. We can always gear down the process, but we can't add after the fact. At that same meeting there will be a resolution, which would set a public hearing date and that public hearing date would be based on a February 2<sup>nd</sup> meeting and would probably be mid March because we have to have time to send mailed notice to all the landowners that requires at least 30 days mailed notice. We also have to publish notice in the newspaper. As I mentioned earlier, as we go through the entire timeline we would expect to actually issue bonds in mid May.

Mr. Krueger stated I have no objection to that other than whatever they decide to do I don't want it to hold us up.

Mr. Payton asked is Dream Finders aware that they have to be here and the 2<sup>nd</sup> is their cutoff to make a decision?

Mr. Oliver responded yes, we will make that clear to them. They were supposed to be at this meeting and we talked to them yesterday.

If there is no objection we will prepare the documents based on that scenario.

### **C. Due Diligence Process**

#### **1. Overview**

Ms. Buchanan stated I brought Jason here because he has done acquisitions similar to this and I know that last meeting we had a fair amount of discussion about what sort of due diligence we were going to undertake and how long it was going to take and what schedule we would keep. Jason is here to detail the memo that he provided to you and answer any questions you may have about the process.

Mr. Merritt stated I understand you received the memorandum I prepared that was really intended as a tool to give you an idea of some of the large items that need to be addressed in an acquisition like this. I envision this process in three steps, first we have to identify what we are buying, we need to evaluate its condition and then finally there will be a transition process assuming that everything is as we anticipated it to be how we are going to move forward and transition operations from private ownership into public ownership.

As we sit here today we can meaningfully talk about the first two steps and answer any questions you have as to how we envision that process will play itself out. Certainly it will be a collaborative process between the district as the buyer and the golf course owner and seller so we will need to cooperate with him as well as the manager of the golfing operations. Beyond identifying those tasks we also identified various areas of expertise and points of due diligence we would anticipate. Prior to this meeting district staff got together and we walked through that and made efforts to preliminarily identify potential consultants that we thought might be able to provide quotes to advance those services. A lot of this work has already been done at the time of the original development of the golf course so to the extent that work has already been prepared we can update it and it will quite possibly provide opportunities for time savings and cost savings to the district as we go through that process.

Mr. Merritt reviewed in detail the due diligence process in connection with the acquisition outlined in his memo to the board, copy of which is attached hereto and made a part hereof.

Mr. Cross asked the extra work we are going to be doing not only now but in the future will this increase our contract prices?

Mr. Oliver responded it won't increase the contract price but at the February 2<sup>nd</sup> meeting we will bring a work authorization for the folks from GMS who will be performing the work outlined on the due diligence list, particularly the inventory type work and the back office type work. We have another district manager, Dave deNagy, who is the district manager at Eagle Harbor, a district which owns a golf course. We also manage a district in Viera, Florida where the district owns the golf course and those folks will be able to help with that. As far as the IT piece in terms of point of sale systems and transition, we can have our IT person do that. Jim Perry, the managing director for GMS will be at the next meeting to present the assessment methodology and he can also present a work authorization to cover that.

**2. Consideration of NGF Consulting Proposal**

**3. Consideration of Berger Toombs Elam Gaines & Frank Audit Proposal**

Mr. Krueger stated it looks like NGF wants to do the same thing they did before. I don't mind them coming back in but is there a way to restructure that proposal?

Mr. Oliver responded there is because of the fact that we have delayed consideration of the PSA, the due diligence won't start before you approve that and we will bring back revised proposals from NGF and Berger Toombs. The accountant to do in large part is verify that the golf course financials are not overstating revenues and understating expenses. On the NGF proposal, we don't want them to rehash what they have already done, but provide any new information that we need especially in terms of operations going forward. Although there may be some flat fees involved for some of the components, we may want to use them more on an hourly basis. We will work through that and bring back a new document.

Mr. Poole stated in a transaction like this you spoke about a Phase 1 environmental survey. What would trigger any other environmental requirements?

Mr. Merritt stated generally when you receive a report there will be an executive summary that will provide an overview of the findings of the consultant and if the consultant determines there are recognized environmental conditions then they will provide an additional discussion of what those are and whether or not further evaluation is merited or required.

Mr. Poole stated that would be moving into Phase 2. The limitation on Phase 1 surveys would be what?

Mr. Merritt responded typically a Phase 1 survey is limited to a review of the applicable records, whether they are Florida Department of Environmental Protection or Federal Environmental Protection Agency. They maintain records of leaking underground storage tanks, other types such as dry cleaning facilities that have problems so all of those types of issues are tracked in a database and then your particular site is plugged in and see where you sit relative to those recognized environmental conditions.

Mr. Hadden stated 12 or 15 years ago when Eagle Landing as a block was purchased from East West there was a Phase 1 done, a very extensive Phase 1 because Eagle Landing is part of Oakleaf and Oakleaf was part of Argyle and all that at one time before World War II was a naval facility so when the Gulfstream Corporation started developing Argyle they did extensive stuff, Oakleaf followed with Mr. Hudson and East West did the same on their piece. Most of the farming operation, which would have underground tanks is well east of here. This area was not used as farming it just grew trees. Everybody knows that just south of this area they removed 1,000 dud bombs that had been dropped back there in World War II it was a bombing field. As much work that has been done in Eagle Landing if there was anything to hit it would have been hit. You are doing a Phase 1 on something that you have already developed.

Ms. Buchanan asked are there any other areas you would like us to look into?

Mr. Poole stated it would be nice if we could start to see some kind of cost estimate of all these activities as we go to a closing statement before we get to that date. Jim brought up at the last meeting that we haven't made any provisions in the budget for ongoing operations of the golf course if we purchase it. It would be nice to have coming out of all this process some information around what kind of sources of revenue would we be getting but also what kind of funds we should be having as we move into ownership and operation of a golf course.

Ms. Buchanan stated that makes sense. I went over our preliminary due diligence list with bond counsel and he felt like most of these expenses we would be able to fund through bonds. Should we not issue bonds we will be responsible for that.

Mr. Merritt stated I think it would be helpful to have a point of contact so that as matters come up or issues, which may arise that we can touch base and that person might be delegated

with limited authority to provide guidance as we move forward in between meetings of the board.

Mr. Krueger stated I can do that.

Mr. Oliver stated it wouldn't be about decision-making, it is just guidance as we work through the process. Any decision is made by the full board, not any one supervisor.

**SIXTH ORDER OF BUSINESS**

**Other Business**

There being none, the next item followed.

**SEVENTH ORDER OF BUSINESS**

**Supervisor's Requests and Audience Comments**

Mr. Krueger stated this has to do with developing a business plan for the golf course. I reached out and talked with Mike and Josh Smith and provided them the guidance that the working group put out as far as philosophy on the operation of the golf course, what the community might like. I asked them to basically come up with a business plan because in my view when you buy a business you should have a business plan going into buying the business. What Josh would like is to hold a working group meeting where all five of us can sit down with him and hash out what we would like. He suggested mid February to do that because the sooner we get that done the sooner they can develop a plan and it is set to go when we take over.

Ms. Buchanan stated we will need to pick a date because we will have to advertise it.

Mr. Oliver stated and it will be open to the public.

It was the consensus of the board to hold that working group meeting on February 18, 2016 at 6:30 p.m.

A resident asked have we reached a \$2.7 or \$2.8 million price for the golf course and how much money is being spent on the analysis that leads up to the purchase, the lawyers, environmental impact, CPA study?

Mr. Cross stated it is \$2.8 million and Jim can answer the second part.

Mr. Oliver stated we are still getting proposals but as Katie said, we checked with bond counsel and most of these fees wouldn't come out of operational funds, but would be funded with bond proceeds.

A resident asked does the sales and purchase agreement mean the golf course has been acquired?

Ms. Buchanan responded no, that means we start our due diligence period, it is 60 days and if we don't finish it we can push it out another 30 days and ultimately we don't acquire the golf course until we issue the bonds.

A resident asked is the ball in our court? Can someone come in and strip it from under us or is it pretty much in our court?

Ms. Buchanan stated I guess he could have a different offer, but we haven't heard that is the case. He has no obligation to us yet, we haven't signed anything.

Mr. Poole stated there is a clause in the contract that once we execute it and he executes it he is prohibited from having any negotiations with anybody else.

Mr. Dave Painter asked the engineering report that Keith has referred to numerous times is that available or will that be available?

Ms. Buchanan stated it is in the package.

A resident stated looking down the road when we do acquire it and I like what Grant said about a business plan obviously the intent is to outsource the management subject to Mike's involvement, but we are not going to be controlling as we are the CDD. Are we controlling the golf course or is it managed professionally?

Mr. Cross stated it will be managed professionally with oversight by the board.

A resident asked has that firm been identified?

Mr. Cross stated the management company that is there now. We have to maintain them for one year from the date that we close, as part of the PSA.

**EIGHTH ORDER OF BUSINESS**

**Next Meeting Scheduled for Tuesday,  
February 2, 2016 at 6:30 p.m. at Eagle  
Landing Residents Club**

Mr. Oliver stated the next scheduled meeting is February 2, 2016 at 6:30 p.m.

On MOTION by Mr. Cross seconded by Mr. Krueger with all in favor the meeting adjourned at 7:26 p.m.

  
Secretary/Assistant Secretary

  
Chairman/Vice Chairman