The POA BULLETIN

The Property Owners' Association of The Villages

Champions of Residents' Rights Since 1975

September, 2002

POA CALLS FOR MORATORIUM ON FACILITY SALES TO THE CDDs BY THE DEVELOPER

The POA is calling for a moratorium on the sale to the Villages Central Community Development District (VCCDD) of common property and facilities by The Villages developer.

This moratorium would be in effect until the Section 190 Law that created the CDDs is clarified on the issue of appraisals and resident approvals or until a voluntary plan addressing these issues is adopted by the developer of The Villages.

The POA is calling for this moratorium after the VCCDD voted, at its August, 2002, meeting to start validation proceedings on three bond issues amounting to $240 million. This includes $120 million for Recreation Revenue Bonds, $100 million for Utility Revenue Bonds, and $20 million for Solid Waste Revenue Bonds.

This $240 million bond issue, when added to previous bond issues for similar facilities, brings the total for these bonds to over $400 million.

The VCCDD did not clarify the details, since this was just a preliminary notice, but

the POA believes that the $120 million Recreation Revenue Bonds are probably earmarked for purchase of a variety of recreation facilities, including in Marion county the two new executive golf courses, recreation buildings, pools, entrance facilities, landscaping beds, courts, etc. Along with the facilities would come assignment to the VCCDD from the developer of monthly fees paid by residents in various areas.

Newspaper articles over the past year or so have claimed that the Section 190 law that created Community Development Districts (CDDs) is being abused by developers who compel their own hand-picked boards to buy developer property at inflated prices, without market-based appraisals, and without the approval of residents whose monthly fees will be pledged to pay off the 20- and 30-year bonds issued to purchase these facilities. This practice is facilitated by a combination of advisors, bankers, attorneys, and other operatives who are exempt from state conflict-of-interests laws in their dealings with developers.

In the case of The Villages, all five supervisors of the VCCDD are either employees or business associates of the developer and are appointed by the developer. There is no chance of Village residents ever voting for or electing these supervisors. These supervisors make all the big decisions in The Villages as to the use of the monthly fees. The POA calls this an example of taxation without representation.

The Orlando Sentinel's award-winning series of articles in October, 2000, pointed out that in the mid-1990s Villages property valued at $8.8 million was sold by The Villages developer to The Villages VCCDD for $84 million. The property consisted of, among other things, retention ponds, guard shacks, landscaping areas, executive golf courses, recreation facilities, etc.

Another example of how this process works is the sale of recreational facilities, including the Savannah Center, to the VCCDD for $36 million last year. If the previous valuation pattern was repeated, these facilities (recreation complex, maintenance facilities, golf courses, entry features, guardhouses, parks, the Savannah center, etc.) were probably on the developer's books for about $4-$8 million. Yet the price to Village residents was $36 million. That looks like an unreasonable profit extracted from the pockets of all residents in The Villages.

The recreation bonds issued to pay for these facilities are serviced through the monthly maintenance fees paid by residents. The POA estimates that only about half of the monthly maintenance fee of up to $105.00 now paid by residents is required for maintenance. Most of the remainder is used for bond service. Thus, had the inflated $84 million been held to the $8.8 million appraised value as estimated by the Orlando Sentinel, the POA thinks that the $105.00 monthly fee could be lowered by perhaps more than a third – roughly a $35.00 to $50.00 per month reduction.

Clarification of the Section 190 law can be handled in two ways:

First, the Florida state legislature should amend the law to eliminate the problem provisions. However, this may take an extended period of time to accomplish.

Second, the developer of The Villages could decide to voluntarily abide by an agreement with the POA to have any facility sale to VCCDD appraised with a market-based approach rather than the income-based technique now used. This appraisal would have to be completed by an independent appraiser not associated with the developer in any way. Furthermore, residents should vote on any debt assumption for facilities purchase in excess of, for example, $3 million per year in the aggregate.
If this plan is put into effect, it might be possible to reduce the $105.00 monthly

fee now charged residents.

The point needs to be made, however, that the POA does not begrudge The Villages developer the opportunity to make a reasonable profit on the sales of facilities to the VCCDD. The developer must have an incentive to continue developing the many beautiful facilities that it has completed in the past. But, we as the residents who pay off the bonds used to acquire these facilities should not be saddled with improperly inflated valuations. The situation of $84 million for property valued at $8.8 million must not be repeated. A reasonable profit, yes; an inflated and exorbitant profit, no.

In summary, Mr. Villages Developer, please, no more inflated sales of facilities to Village residents, without their approval. When a reasonable system is in place, with a reasonable valuation technique, then let's get back to building the best and most beautiful active adult community in the world. And, we won't mind approving and paying for reasonable development.

POA Position on Highway 466 Growth Issue is Clarified

The POA position on The Villages development south of highway 466 has been interpreted as meaning that the POA is against growth and all the advantages that come with growth of our community.

On the contrary, the POA supports a program of intelligently planned growth that is based on good science, proper planning, and coordination on a regional basis. Our objection to the development south of highway 466 centers on the issue of water resources needed for that growth.

The Villages is proposing over 30,000 homes at the minimum, roughly 55,000 people in the development south of highway 466. This comes on top of development north of highway 466 amounting to an eventual 40,000-50,000 people. The total population of The Villages over the next decade could top 100,000 people – roughly 70,000 more than we have right now.

Will there be enough water for the needs of all these people?

Consider these facts:

1. The Southwest Florida Water Management District (SWFWMD) forced the Hillsborough County (Tampa area) commissioners on June 25, 2002, to ban all outdoor irrigation for established residential lawns. SWFWMD also governs the underground water resources in our area of central Florida. Are we next?

2. Lake County Water Authority Board Member Joe Hill voiced his conclusion in early July, 2002, that Lake County will have to import water from outside the county to meet local needs. Imported water could come from rivers like the St. Johns (which may have to be purified) or from the ocean (which would require expensive desalination plants).

3. The Orlando Sentinel, in its Chapter 3 report on Florida's Water Resources published May 5, 2002, noted that "Spring flow (in Central Florida) during the next 8 years is expected to decline" by an average of 16.4%. "Continued pumping and drought conditions," it went on to say, "have had a major impact on Central Florida's water supply."

4. The glossy insert to the Daily Sun newspaper published a few month ago justified the “two-line” water pipe system planned for south of highway 466 based on a re-charge rate of 7.5 inches a year. This is to match what it said was this historical re-charge rate for undeveloped land. However, other studies have suggested a re-charge rate of between 6 inches and 21 inches a year. An average here would be about 14 inches a year – or roughly double the figure used by The Villages to justify the system. Thus, planned re-charge may understate the historical average by about half. This is a significant shortfall. Furthermore, the two-line plan only addressed outside-the-house use. Inside-the-house water use for laundry, bathing, and cooking was not detailed and adequate water supply was just assumed to be there.

5. Rivers and streams in central Florida have not yet recovered from the recent drought in spite of near record rainfall over the past three months.

In conclusion, the POA supports carefully planned growth. But, on some vitally important questions, most notably the water supply, the POA feels that the critical issues have not been satisfactorily explained.

And, if The Villages developer rushes ahead with plans to bring another 70,000 people to our community, we, the residents, may suffer terrible consequences of severely limited water and grossly inflated prices somewhere down the road.

So, ask yourself one of the key questions: What if Farnsworth is right on the water issue?

Shouldn’t we insist on good science to explain and resolve these issues before 70,000 more people move here?

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