

**MINUTES OF MEETING
PALERMO
COMMUNITY DEVELOPMENT DISTRICT**

The Regular Meeting of the Board of Supervisors of the Palermo Community Development District was held on Friday, June 18, 2021, at 8:30 a.m., at the offices of Lennar Homes, LLC, 10481 Six Mile Cypress Parkway, Ft. Myers, Florida 33966.

Present:

Russell Smith	Chairperson
Scott Edwards	Assistant Secretary
Dalton Drake	Assistant Secretary
David Negip	Assistant Secretary

Absent:

Steve Gabor	Vice Chairperson
-------------	------------------

Also present were:

James P. Ward	District Manager
Greg Urbancic	District Attorney
Steve Sanford	Bond Counsel

Audience:

All resident's names were not included with the minutes. If a resident did not identify themselves or the audio file did not pick up the name, the name was not recorded in these minutes.

**PORTIONS OF THIS MEETING WERE TRANSCRIBED VERBATIM. ALL VERBATIM PORTIONS
WERE TRANSCRIBED IN *ITALICS*.**

FIRST ORDER OF BUSINESS

Call to Order

District Manager James P. Ward called the meeting to order at approximately 8:30 a.m. He conducted roll call; all Members of the Board were present save Supervisor Gabor, constituting a quorum.

SECOND ORDER OF BUSINESS

Consideration of Minutes

March 19, 2021, Regular Meeting Minutes

Mr. Ward asked if there were any additions, corrections, or deletions to the Regular Meeting Minutes; hearing none, he called for a motion.

On MOTION made by Mr. Russell Smith, seconded by Mr. Dalton Drake, and with all in favor, the March 19, 2021, Regular Meeting Minutes were approved.

THIRD ORDER OF BUSINESS

Consideration of Resolution 2021-9

Consideration of Resolution 2021-9, a Resolution of the Board of Supervisors of the Palermo Community Development District amending the date of the Public Hearing on the Fiscal Year 2021 and Fiscal Years 2022 Proposed Budgets

Mr. Ward: Resolution 2021-9 amends your public hearing date to today for consideration of your Fiscal Year 2021 and 2022 Budgets. If you have any questions on the Resolution, I will be happy to answer them. We are only changing it because we missed our May meeting. He asked if there were any questions; hearing none, he called for a motion.

On MOTION made by Mr. Dalton Drake, seconded by Mr. Scott Edwards, and with all in favor, Resolution 2021-9 was adopted, and the Chair was authorized to sign.

FOURTH ORDER OF BUSINESS

PUBLIC HEARING

Mr. Ward discussed basic public hearing proceedings.

FISCAL YEARS 2021 & 2022 BUDGETS

I. Public Comment and Testimony

Mr. Ward called for a motion to open the Public Hearing.

On MOTION made by Mr. Russell Smith, seconded by Mr. Dalton Drake, and with all in favor, the Public Hearing was opened.

Mr. Ward asked if there were any members of the public present via audio or video with comments or questions with respect to the Fiscal Year 2021 or 2022 Budgets; hearing none, he called for a motion to close the public hearing. He noted there were no members of the public present in person.

On MOTION made by Mr. Russell Smith, seconded by Mr. Dalton Drake, and with all in favor, the Public Hearing was closed.

II. Board Comment

Mr. Ward asked if there were any Board comments or questions. He noted both Budgets were funded for the District pursuant to an agreement with the developer; the developer would fund the Budgets up to the amount contained in the Budgets.

III. Consideration of Resolution 2021-10 adopting the annual appropriation and Budget for Fiscal Year 2021

Mr. Ward called for a motion to adopt Resolution 2021-10.

On MOTION made by Mr. David Negip, seconded by Mr. Scott Edwards, and with all in favor, Resolution 2021-10 was adopted, and the Chair was authorized to sign.

IV. Consideration of Resolution 2021-11 adopting the annual appropriation and Budget for Fiscal Year 2022

Mr. Ward called for a motion to adopt Resolution 2021-11.

On MOTION made by Mr. David Negip, seconded by Mr. Dalton Drake, and with all in favor, Resolution 2021-11 was adopted, and the Chair was authorized to sign.

FIFTH ORDER OF BUSINESS

Consideration of Resolution 2021-12

Consideration of Resolution 2021-12, a Resolution of the Board of Supervisors of Palermo Community Development District declaring Special Assessments; indicating the location, nature and estimated cost of those improvements which cost is to be defrayed in whole or in part by the Special Assessments; providing the portion of the estimated cost of the improvements to be defrayed in whole or in part by the Special Assessments; providing the manner in which such Special Assessments shall be made; providing when such Special Assessments shall be made; designating lands upon which the Special Assessments shall be levied; providing for an Assessment Plat; adopting a Preliminary Assessment Roll; providing for a public hearing to consider the advisability and propriety of said Assessments and the related improvements; providing for notice of said public hearing; providing for publication of this Resolution

Mr. Ward: Items five and six are companion items. It is the start of the process to levy special assessments for the Palermo Community Development District for any future Master Assessment Programs that we will have. This Resolution does a couple of things: one is it approves the Engineer's Report prepared by Banks Engineering with respect to the master levy of the special assessments, and two, it will approve the master assessment methodology that I have prepared for you with respect to that. If you would like, Dave and I can take a minute or two and go through each of the reports briefly with you and then we will consider the resolution and move on to the public hearing.

Mr. David Underhill: This report prepared for Palermo provides a description of the community, the development. The development is located in North Ft. Myers. It is approximately 385 acres in size and is

planned to contain 1,232 residential units in a mix of primarily single-family units with 264 townhomes. The developer is CL Ventures. They are the property owner and developer who is a wholly owned subsidiary of Lennar Homes. The report provides a breakdown of the land use areas within the District. They include residential areas, roadways, lakes, amenities and preserves. It also provides a breakdown of units; a unit mix on the project. The purpose of the report is to provide a description of the District, the capital improvements to be constructed and financed by the District, and then the estimated cost of the capital improvements. The report also provides a description of the existing infrastructure to serve the development. Continuing on page 5 it provides a summary of the proposed District infrastructure. The infrastructure that will comprise the District project includes irrigation, stormwater management, water and wastewater, mitigation, professional services and also a contingency. The irrigation systems provide irrigation water to the land uses within the District. That system will consist of an irrigation pump house with pump stations and irrigation mains. It will not include any of the irrigation services on the private properties. The District will ultimately own and maintain the irrigation system. The stormwater management system consists of stormwater management, lakes, pipes, catch basins and stormwater outfalls. No improvements to private properties will be financed by the District. None of the excavation or the transporting or the placing of the materials on the private property will be included as part of the project. Water and wastewater facilities consist of the potable water mains and the sewer mains that serve the development. These facilities will be acquired by the district and then transferred to Lee County who provides water service, and FGUA is the utility that provides sewer service. Ultimately Lee County and FGUA will be responsible for the ownership and maintenance of the water and wastewater facilities and none of the lateral lines on private property will be financed by the District. Mitigation, there is an 18-acre wetland preserve and some filter marsh creation areas that are part of the mitigation within the development. These areas will be part of the District project and ultimately owned and maintained by the District. The professional services are the engineering, testing, design, and construction services associated with the construction of the District project. The contingency is approximately 10% of the cost of the Infrastructure. The Report provides an opinion of the costs of the infrastructure. Total project cost is approximately \$20 million dollars. It is broken down in the report. The District will pay the lesser of the actual cost or the fair market value of the public improvements. All the public infrastructure comprising the project will be on land owned by or subject to permanent easements in favor of District or other governmental entity. Public improvements comprising the project benefit the District and the estimate of the probable cost is less than the benefit the assessed property will receive as a result of construction of the project. The Report also includes a description of the permits. Permits are in place for the first few phases of the project and the rest of the permitting is expected to be obtained in due course. This really summarizes the report.

Mr. Ward asked if there were any questions. There were none.

Mr. Ward: My report is intended to develop and provide to you a road map which lays out in detail each step for use by the District of the Board of Supervisors to impose non ad valorem special assessments on the property. The capital improvement program that Dave outlined for you is in the amount of \$19,922,655 dollars is what we will be financing. The issuance of one or more series of tax-exempt bonds to be repaid on property from non-ad valorem special assessments levied by the District on all assessable properties within the District itself. Methodology has basically two goals, one is to determine the special and peculiar benefits that flow to the property as a logical connection from the public infrastructure systems and facilities, constitute enhanced use and increased enjoyment of the property, and secondarily to apportion those benefits on a basis that is fair and reasonable to all properties within the District. This report conforms with the requirements of the private constitution, chapters 170, 190 and 197 respectively, with respect to the assessments consistent with my understanding of the case law

and the subject itself. As Dave had mentioned to you, there are a number of land use plan elements for the Master Development, all of which are primarily residential in nature, constituting a projected number of 1,232 units within the District. That is the number of units that will fund the capital program of the \$19.9 million dollars in capital infrastructure. When you do a financing of this nature there are a number of other elements that compose the additional financing sources necessary to fund the \$19.9 million dollars that include capitalized interest. That carries the District for a certain period of time before it needs to levy assessments theoretically and most practically through the construction period. A debt service reserve account is intended to be used to pay principal and interest on bonds in the event of a default and then delivery expenses which include the underwriters fee for the issuance of bond and cost of issuance for the professionals necessary to do that. For purposes of this Master Report, I am using an average coupon rate of 6.5% which in this market is extraordinarily high, but over time that may go down and as we prepare supplemental reports will pare that number down to what the market interest rate will be, which in today's market is about 3.7% for bonds of this nature. The plan of financing does permit the developer to buy down or opt out as the case may be, assessments on any particular project. As you move forward through this process itself it does provide for true-up of payment for any debt reductions that the developer may choose to make to achieve certain target levels of assessments that is desired with respect to this particular project itself. When we consider the assessment program itself, we take a look at the conditions of the states of development. Initially all land is what we call an unplatted state which means the land has not been platted for particular housing developments that may come on from there. The second is what we call an approved state which is where a developer has received approval for a site development plan, the land has been platted, or a condominium has been recorded on any of the land. Condominiums in Florida, as you know, are more used for attached units, either horizontal or vertical attached units. In this project I see we do have townhouses which may be attached units at some point in time as this development occurs. Those assignments of assessments are based on the types of land uses characterized within here and based upon the mix of the residential land uses and accepted methods for allocating the costs of the public infrastructure. For purposes of this particular methodology, I have assigned an equivalent residential unit factor based primarily on the size of the lot. Lot sizes run from 30 to 39, 40 to 49, upwards to 75 to 79 footers. The ERU factor is based on the front foot of the lot itself. Those are the equivalent residential unit factors based on essentially the front footage of the lot itself for this property. Once they enter a developed state, we assign the unplatted per acre debt on all lots to the platted lots within the property. Within this particular project, some of them are platted already and as such have already been assigned the master assessment for this particular project as you go through this process. As you know, property taxes in Florida, and specifically in Community Development Districts, we levy non-ad valorem special assessments pursuant to Statute. We do not levy ad valorem taxes and as such these are fixed assessments on property and the annual debt service associated with these fixed assessments are born out with a fixed amount that is on tax bills by property appraisers each year. There are a few pages in here with respect to the benefit analysis. I'll just make them a part of the record and not repeat them into the record itself. The one other point that I want to make to you is I think I started out, the developer does have the ability to prepay assessments in full as does any property owner along the way. Once a piece of property is sold, if he or she does desire to prepay the assessment in full they may do so at any time during the lien process which would be for 30 years. Those prepayments must be in full. We do not provide for partial prepayments, and we do have what we call an inventory adjustment determination that basically says if, and to the extent that, we issue bonds and the developer changes the land use plan during the development of the District, with respect to that particular bond issue, then we go through and do an inventory adjustment. That means we assign the remaining debt to the new product types that are here and if that debt assignment does not carry enough of the debt, then the developer will be required to make a prepayment for the differential between the lot mix was and what the lot mix turns out to be. It's not often that this

happens. This project has a master capital improvement special assessment bond at \$28,415,000 dollars. The assessment levels for each product type will run between \$15,320 dollars a unit and \$30,641 dollars and they generate an assessment between \$1,240 dollars a unit a year and \$2,500 dollars a unit a year. These are generally, for purposes of the Master Report, on the high side. They will be lowered as we move into the supplemental assessment proceeding as we move forward. He asked if there were any questions.

Mr. Negip: On the description of the townhouses, we have 30 to 39 feet in there in parentheses, and we really are about 20 to 29 feet. I don't know if that matters.

Mr. Smith: We are actually at 20 feet.

Mr. Ward: Okay, we will make the change. We will make them 20 to 29 feet.

Mr. Urbancic: We do this in a two-step process. Step one today is in Resolution 2021-12, what Jim and Dave just outlined in their respective reports, and basically is the first step in the assessment process. What we are doing in this Resolution is declaring the assessments, describing the project by incorporation of Dave's Engineer's Report that he just described, with a total estimated cost of the improvements of \$19,922,655 dollars, and that would defer a total assessment of \$28,415,000 dollars. As described by Jim in his summary and his report, we are declaring the method in which they are going to be paid and we are adopting a preliminary assessment, this is the main gist. We are going to be going through both a mailed notice and a newspaper publication of both this resolution and notice as required by law. The second Resolution will be 2021-13 which will set this for a public hearing which we can talk about when we get there to confirm the date.

Mr. Ward asked if there were any questions; hearing none, he called for a motion to adopt the Resolution with two changes: One is to conform the Engineer's Report cost estimate with the Report and the Master Assessment Methodology and to authorize the change in the Master Methodology for the townhouse products to a 20-to-29-foot product line which will change the assessments across the board that are contemplated in here, in my (Mr. Ward's) report, or the master report.

On MOTION made by Mr. Dave Negip, seconded by Mr. Dalton Drake, and with all in favor, Resolution 2021-12 was adopted as amended, and the Chair was authorized to sign.

SIXTH ORDER OF BUSINESS

Consideration of Resolution 2021-13

Consideration of Resolution 2021-13, a Resolution of the Board of Supervisors of Palermo Community Development District setting a Public Hearing to be held on August 13, 2021 at 8:30 A.M. at the offices of Lennar Homes, 10481 Six Mile Cypress Parkway, Fort Myers, Florida 33966 for the purpose of hearing public comment on imposing special assessments on certain property within the District generally described as the Palermo Community Development District in accordance with Chapters 170, 190 and 197, Florida Statutes

Mr. Ward: What this does is set the public hearing date for August 13, 2021, at 8:30 a.m., here at the offices of Lennar Homes, LLC, 10481 Six Mile Cypress Parkway, Ft. Myers, Florida 33966. This date will

trigger two things, one is a mailed notice to all property owners within the District and a series of legal ads of these resolutions noticing the public hearing dates. He asked if there were any questions; hearing none, he called for a motion.

On MOTION made by Mr. Dalton Drake, seconded by Mr. Scott Edwards, and with all in favor, Resolution 2021-13 was adopted, and the Chair was authorized to sign.

SEVENTH ORDER OF BUSINESS

Consideration of Resolution 2021-14

Consideration of Resolution 2021-14, authorizing the Issuance of not to exceed \$30,000,000 aggregate principal amount of Palermo Community Development District Special Assessment Bonds, in one or more Series, to pay all or a portion of the design, acquisition and construction costs of certain Public Infrastructure Improvements, including, but not limited to, Roadway Improvements; Stormwater Management and Control Facilities, including, but not limited to, related Earthwork; Water and Wastewater Systems including connection fees; roadway improvement including impact fees; and related incidental costs, including professional fees (collectively, the "Project"), pursuant to Chapter 190, Florida Statutes, as amended; providing for the appointment of a Trustee; approving the form and authorizing the execution and delivery of a Master Trust Indenture and Supplemental Trust Indenture in substantially the forms attached hereto; providing that such Bonds shall not constitute a debt, liability or obligation of the Palermo Community Development District (except as otherwise provided herein), Lee County, Florida, the State of Florida or of any other political subdivision thereof, but shall be payable solely from Special Assessments assessed and levied on the property within the District benefited by the project and subject to assessment; providing for the judicial validation of such Bonds

Mr. Steve Sanford, Bond Counsel: For Community Development Districts, any time they issue bonds that have a maturity of more than 5 years you have to validate the bonds and the security for the bonds in the circuit court. In order to get into the circuit court, the District Board has to authorize an issuance of bonds for a particular purpose. This resolution is a necessary condition to get into the validation that Greg and I will handle. We are authorizing a principal amount of bonds not to exceed \$30 million. That does not bind the Board to issue that amount of bonds, but it provides enough cushion to provide for whatever unforeseen events occur. The validation process is a bit long. It is at least 45 days, so you don't want to have to go through that process again. This Resolution does a couple things. As I said, it authorizes the bonds to finance in one or more series and to finance the capital improvements described in more terms in Dave's report, but it is laid out also in the Resolution. This Resolution appoints US Bank to serve as your bond trustee. There are two exhibits to this Resolution. One is a Master Trust Indenture between the District and US Bank as the Trustee. That's the primary document that would govern all issues of bonds by the District Board. Every time we do a series of bonds there would be a separate document, supplemental indenture, and that's the other exhibit. That's also between the District and the Trustee. The supplemental indenture will be specific to the particular bond issue. It will spell out the redemption provisions, the interest rate, the maturities, and the like. Whereas the Master Trust Indenture is more generic, and it talks about the rights and remedies of the bond holders, the security of the bond holders, the duties, and obligations of the Trustee. Both of these documents we are asking the Board only to approve in substantial form, and they would be an exhibit to this resolution as well as be part of the validation process. Lastly, this Resolution authorizes the validation of the bonds.

Mr. Ward asked if there were any questions; hearing none, he called for a motion.

On MOTION made by Mr. Dalton Drake, seconded by Mr. David Negip, and with all in favor, Resolution 2021-14 was adopted, and the Chair was authorized to sign.

EIGHTH ORDER OF BUSINESS

Consideration of Resolution 2021-15

Consideration of Resolution 2021-15 designating dates, time, and location for regular meeting of the Board of Supervisor's for Fiscal Year 2022

Mr. Ward: This Resolution sets the dates, times, and location for next Fiscal Year, the same, date, time, and location as we have now, other than they have been updated for Fiscal Year 2022 which is 8:30 a.m. at the Offices of Lennar Homes, the third Friday of every month. He asked if there were any questions; hearing none, he called for a motion.

On MOTION made by Mr. Dalton Drake, seconded by Mr. Scott Edwards, and with all in favor, Resolution 2021-15 was adopted, and the Chair was authorized to sign.

NINTH ORDER OF BUSINESS

Consideration of Interlocal Agreement

Consideration of Interlocal Agreement between Palermo Community Development District and the Lee County Tax Collector regarding Non-Ad Valorem and/or Special Assessments. (This agreement is currently being drafted by the Tax Collectors office)

Mr. Ward: In Lee County each year, there are two agreements contemplated as a result of special assessments; action one is an agreement with the Property Appraiser, and one is an agreement with the Tax Collector. I have received the Uniform Collection Agreement from the Property Appraiser's office and we are one from the Tax Collector. This simply allows us to do that. You will see that other agreement at some point in the future. He asked if there were any questions; hearing none, he called for a motion.

On MOTION made by Mr. Dalton Drake, seconded by Mr. Scott Edwards, and with all in favor, the Interlocal Agreement was approved.

TENTH ORDER OF BUSINESS

Consideration of Interlocal Agreement

Consideration of the Interlocal Agreement between Palermo Community Development District and the Lee County Property Appraiser regarding Non-Ad Valorem and/or Special Assessments

Mr. Ward: We don't have this one yet. (No action was taken or required. This Item was continued.)

ELEVENTH ORDER OF BUSINESS**Consideration of Amendment****Consideration of Amendment and substitution of party to agreement regarding the acquisition of certain work product, infrastructure, and real property**

Mr. Greg Urbancic: The Acquisition Agreement had listed US Home as the party with whom the District contracted. Once we figured out when we saw the plat that CL Venture was the actual entity and US Home was a member of that entity, what we are doing is an amendment to substitute the party. When we did this Acquisition Agreement anyway, it was obviously before we had the Engineer's Report which we adopted today. We always contemplated that we would come back for an amendment and restatement. We will be doing that likely at the time of issuance, but for now we wanted to do this amendment to clarify the proper party, CL Ventures, as the entity instead of US Homes. We ask that you approve this Amendment.

Mr. Ward asked if there were any questions; hearing none, he called for a motion.

On MOTION made by Mr. Dalton Drake, seconded by Mr. Russell Smith, and with all in favor, the Amendment to the Acquisition Agreement was approved.

TWELFTH ORDER OF BUSINESS**Staff Reports****a) District Attorney**

No report.

b) District Engineer

No report.

c) District Manager**I. Report of Registered Voters as of April 15, 2021**

Mr. Ward: It is a requirement of Statute to report on the number of registered voters within the District. You have a whopping zero registered voters as of April 15, 2021. It will become a factor when you hit two thresholds. One is six years from the date of establishment, which this District already hit.

Mr. Russ Smith: If you have a renter, who gets to cast the vote? The owner of the house or the renter?

Mr. Ward: As long as the renter is a registered voter within the boundaries of the District, the renter would vote in a qualified elector election, but not in a landowner election.

Mr. Smith: So, if you own it, but you have a renter, the renter gets to vote instead of you in a qualified elector election.

Mr. Ward: Correct. So, when you hit 250 qualified electors within the District, you will begin to transition two of the five seats to qualified elector basis at the next general election. No action is required of the Board at this time. This information is provided as a matter of law.

THIRTEENTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

Mr. Ward asked if there were any Supervisor's requests; there were none. He asked if there were any audience comments; there were none.

Mr. Ward asked the Board to put August 13, 2021, at 8:30 a.m. on their calendars as attendance was required for public hearings.

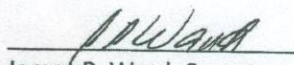
FOURTEENTH ORDER OF BUSINESS

Adjournment

Mr. Ward adjourned the meeting at approximately 9:15 a.m.

On MOTION made by Mr. Dalton Drake, seconded by Mr. Scott Edwards, and with all in favor, the Meeting was adjourned.

Palermo Community Development District


James P. Ward, Secretary


Russell Smith, Chairperson