

**WATERSTONE SPECIAL ASSESSMENT  
DISTRICT**

**TOWN OF HILLSBOROUGH, NORTH CAROLINA**

**ASSESSMENT METHODOLOGY REPORT**



ORANGE COUNTY, CA  
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# WATERSTONE SPECIAL ASSESSMENT DISTRICT TOWN OF HILLSBOROUGH, NORTH CAROLINA ASSESSMENT METHODOLOGY REPORT

## SECTION 1 - INTRODUCTION

On April 8, 2013, (the “**Creation Date**”) the Town of Hillsborough, North Carolina (the “**Town**”) approved that certain “Petition for the Creation of a Special Assessment District (the “**District**”)” which authorized the creation of the Waterstone Special Assessment District (“the District”) to finance the Actual Costs for the benefit of certain property in the District, all of which is located in the Town.

Articles 10 and 10A of Chapter 160A of the North Carolina General Statutes, as amended (collectively, the “Assessment Act”), and Article 5 of Chapter 159 of the North Carolina General Statutes, as amended, also referred to as the State and Local Government Revenue Bond Act (the “Revenue Bond Act” and together with the Assessment Act, the “Act”), governs the creation of Special Assessment Districts for the financing, construction and/or acquisition of eligible public infrastructure improvements (“Authorized **Improvements**”) pursuant to the terms of the Act. This Assessment Methodology Report (the “**Report**”) has been prepared in accordance with the Act.

Assessments (as defined herein) shall be imposed upon real property within the District and collected from the owners thereof through the application of the procedures described herein and pursuant to the Act. The Assessments shall be effective upon the initial issuance of the SAD Bonds (as defined herein). The Town shall make all determinations provided for in this Report unless stated otherwise. Each capitalized term used and not otherwise defined herein shall have the meaning given to such terms in Section 2 of this Report

## SECTION 2 - DEFINITIONS

Capitalized terms shall have the meanings ascribed to them as follows:

**“Act”** means Articles 10 and 10A of Chapter 160A of the North Carolina General Statutes, as amended (collectively, the “Assessment Act”), and Article 5 of Chapter 159 of the North Carolina General Statutes, as amended, also referred to as the State and Local Government Revenue Bond Act (the “Revenue Bond Act”).

**“Actual Costs”** means, with respect to an Authorized Improvement, the amount provided for in the “Contract for Eligible Infrastructure” as defined in the Special Assessment Implementation Agreement between the Town and SLF II NC-Waterstone, LLC.

**“Administrative Expenses”** means the following actual or budgeted costs, as applicable, directly related to the administration of the District: the costs of computing the Annual Installments; the costs of collecting the Annual Installments (whether by the Town or otherwise); the costs of remitting the Annual Installments to the Trustee; the costs of Administrator and Trustee (including legal counsel) in the discharge of their duties; the costs of the Town of complying with arbitrage rebate requirements; the costs of the Town of complying with securities disclosure requirements; and any other costs of the Town in any way related to the administration and operation of the District, including, without limitation, the costs of legal counsel and other consultants and advisors, and costs related to commencing foreclosure and pursuing collection of delinquent Annual Installments, including contingencies and reserves for Administrative Expenses as deemed appropriate by the Town.

**“Administrator”** means the official or designee of the Town who shall be responsible for determining the Annual Revenue Requirement and such other responsibilities as provided herein.

**“Annual Installment”** means, with respect to each Assessed Property, each annual payment of: the Assessment, as shown on the Assessment Roll attached hereto as Appendix A, or in an Annual Update, and calculated as provided in Section 6 of this Report.

**“Annual Revenue Requirement”** means, for any year, the sum of: (1) regularly scheduled debt service on the Bonds and amounts necessary to replenish the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement; (2) annual interest of 2 percent applied to the balance of the unpaid Assessment as authorized in Section 160A-233(a) of the North Carolina General Statutes and as specified in Resolution No. 20130624-5A; (2) periodic costs associated with the Bonds, including, but not limited to rebate payments and credit enhancement, if any, on the Bonds; and (3) Administrative Expenses (as defined herein); less (a) the Assessment expected to be available to apply to the Annual Revenue Requirement that year, (b) any other funds available pursuant to the Bond Ordinance to apply to the Annual Revenue Requirement, such as capitalized interest and interest earnings on any account balances, less any contingencies for the Annual Revenue Requirement, and (c) any other funds available to the District that may be applied to the Annual Revenue Requirement.

**“Annual Update”** has the meaning set forth in Section 7 of this Report.

**“Assessed Property”** means, for any Assessment Year, parcels within the District other than Non-Benefited Property.

**“Assessment”** means the assessment of \$6,837,920 as specified in the Resolution No. 20130624-5(A) levied against a Parcel imposed pursuant to the Finance Plan and as shown on the Assessment Roll only, subject to (a) reallocation upon the subdivision of such Parcel or (b) reduction according to the provisions hereof and the Act.

**“Assessment Ordinance”** means the ordinance of the Town Board correcting or confirming the Assessment Roll, as it may be amended, modified, or supplemented from time to time.

**“Assessment Roll”** means, the Assessment Roll attached hereto as Appendix A, as the same may be amended from time to time, listing the Assessment by Tax Parcel Number or any other Assessment Roll in an amendment or supplement to this Report or in an Annual Service Plan Update.

**“Assessment Year”** means the annual cycle, commencing on January 1 of each year, in which the Annual Installments are determined for each Parcel, which revenues are applied to the payments of the Bonds on April 1 and October 1 of each year.

**“Authorized Improvements”** mean those public improvements permitted under the Act and designed, constructed, and installed in accordance with the Act and as described in this Report.

**“Bond Ordinance”** means the ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended and/or supplemented from time to time.

**Bonds** means those certain Town of Hillsborough, North Carolina Special Assessment Revenue Bonds, Series 2013 (Waterstone Special Assessment District) that are secured by Assessments levied on the Assessed Property, including any bonds issued to refund such bonds, not exceeding a principal amount of \$4,630,000 outstanding at any one time.

**“Debt Service Reserve Fund”** means the funds held by the Trustee for the benefit of the Bonds and calculated as the Debt Service Fund Requirement.

**“Debt Service Reserve Fund Requirement”** means an amount equal to the least of (a) the maximum principal and interest due on the Bonds in the current or any future Fiscal Year, (b) ten percent of the original stated principal amount of the Bonds (or ten percent of the issue price of such Bonds if required by the Code), or (c) 125 percent of the average annual principal and interest due on the Bonds in the current or any future Fiscal Year.

**“Delinquent Collection Costs”** mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

**“District”** means the Waterstone Special Assessment District created by the Town pursuant to Resolution No. 20130408-10.E.

**“Equivalent Unit”** means an allocation of the Estimated Assessed Value (as defined herein) among each Parcel (as defined herein) by estimated number of units and/or square feet so as to calculate the Assessment on a pro-rata basis across the various land uses.

**“Estimated Assessed Value”** means an estimate by the Owners of the future assessed value of a Parcel or a group of Parcels upon completion of the Improvements and based upon such factors as land use, density, location, market conditions, historical sales, discussions with homebuilders/developers, and any other factors that may impact build-out value and any other information available to the Owners.

**“Estimated Assessed Value Method”** means an approved method for allocating Assessments across the Parcels in which the allocated amount is determined by spreading the entire Assessment across all of the Parcels based on the ratio of each Parcel’s Estimated Assessed Value to the total Estimated Assessed Value within the District.

**“Finance Plan”** means that “Finance Plan for the Establishment of the Waterstone Special Assessment District” dated June 18, 2013 and prepared and submitted by Stratford Land.

**“Indenture”** means the ”Trust Indenture by and between the Town and Regions Bank, as Trustee, dated August 1, 2013.

**“Lot”** means a tract of land described as a “lot” in a subdivision plat recorded in the Official Public Records of Orange County, North Carolina.

**“Lot Type”** means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the Town Board. In the case of single family residential Lots, the Lot Type shall be further defined by classifying the residential lots by the estimated final Lot value for each Lot as of the date of the recorded subdivision plat, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact Lot value, as determined by the Administrator and confirmed by the Town Board.

**“Master Plan”** means the Waterstone Master Plan as approved by the Town on March 8, 2004, as amended.

**“Non-Benefited Property”** means (a) property, real property, right of way and easements located within the boundaries of the District that is owned by or irrevocably offered for dedication to the federal government, the State of North Carolina, Orange County, North Carolina, the Town, a school district, a public utility provider or any other political subdivision or public agency, whether in fee simple, through an exclusive use easement, or through a public utility easement and (b) Owner Association Property.

**“Owner(s)”** means Waterstone NC Residential, LLC and SLF II NC Waterstone, LLC, both Texas limited liability companies. Pursuant to the Finance Plan, the Owners acknowledged that Stratford Land has the authority to act on behalf of the Owners with respect to matters related to the District.

**“Owner’s Association”** is an organization of homeowners the purpose of which is to oversee maintenance, repairs and improvements on common property, and to enforce deed restrictions among owners and residents.

**“Owner Association Property”** means property within the boundaries of the District that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, an Owner’s Association established for the benefit of a group of homeowners or property owners within the District.

**“Parcel”** means a parcel identified by either a tax map identification number assigned by the Orange County Tax Assessor for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Orange County.

**“Prepayment Costs”** means interest and expenses to the date of prepayment, plus any additional amounts due pursuant to the Indenture related to the Bonds and allowed by law, if any, reasonably expected to be incurred by or imposed upon the Town as a result of any prepayment of an Assessment and the Bonds secured by such Assessment.

**“Principal Portion of the Assessment”** means, as of the date of calculation thereof the then outstanding portion of the Assessment. The Principal Portion of the Assessment shall be allocated to Assessed Property in proportion to the outstanding Assessment for each Parcel as set forth in the Assessment Roll.

**“Public Property”** means any real property located within the District which is owned by the Town, the State of North Carolina or any other public entity.

**“Report”** means the Assessment Methodology Report as prepared herein, as the same may be amended from time to time in accordance with Section 10C of this Report.

**“Tax Parcel Number”** means the unique number assigned to each Parcel by the Orange County Tax Assessor.

**“Town”** means the Town of Hillsborough, North Carolina.

**“Town Board”** means the Town Board of the Town.

**“Trustee”** means the trustee as specified in the Indenture, including any successor trustee.

**“Waterstone” or “Project”** means the approximately 209.9 acres of land located in the Town planned for development as a mixed-use master planned community including single family residential, multi-family residential, office, retail and restaurant, and hotel uses.

### **SECTION 3 – PROPERTY INCLUDED IN THE DISTRICT**

The area constituting the District is depicted and described by metes and bounds on Exhibit A to Resolution No. Resolution No.20130408-10.E adopted by the Town Board. The Project is located within the Town's boundaries. The District contains approximately 209.9 acres. A map of the property and legal descriptions for all Parcels within the District are included in **Appendix D**.

At completion, the District is expected be developed to include single-family and multifamily residential, office, hotel, and retail uses, as well as parks, entry monuments, and associated rights-of-way, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the District. The estimated number of Lots and the classification of each Lot are based upon the Master Plan.

## **SECTION 4 – AUTHORIZED IMPROVEMENT OVERVIEW**

Pursuant to North Carolina General Statutes Chapter 160A, Article 10, “any Town is authorized to make special assessments against benefited property within its corporate limits for:

- Constructing, reconstructing, paving, widening, installing curbs and gutters, and otherwise building and improving streets;
- Constructing, reconstructing, paving, widening, and otherwise building or improving sidewalks in any public street;
- Constructing, reconstructing, extending, and otherwise building or improving water systems;
- Constructing, reconstructing, extending, or otherwise building or improving sewage collection and disposal systems of all types, including septic tank systems or other on-site collection or disposal facilities or systems; and,
- Constructing, reconstructing, extending, and otherwise building or improving storm sewer and drainage systems.

After analyzing the public improvement projects described in Exhibit A to the Finance Plan, the Town has determined that the Authorized Improvements described in Section 5 of this Report should be undertaken by the Town.



## SECTION 5 – DESCRIPTION AND ESTIMATED COSTS OF AUTHORIZED IMPROVEMENTS

The Bonds will fund Authorized Improvements as follows:

### A. Cates Creek Parkway Completion

Cates Creek Parkway is the connection between the traffic circle and a second northern intersection of Old NC86. This roadway will provide additional access to the Town’s busiest thoroughfare, access to the community park and additional exposure and accessibility to the residential component of the Project.

### B. Community Park Completion

Remaining work for completion of the community park includes playground installation, completion of the parking lot, and the installation of landscaping and restroom facilities. The community park will provide an irrigated soccer field, recreation destination and greenway trails for the Project and surrounding communities.

A summary of the cost estimates for the Authorized Improvements is presented below as Table 5A:

**Table 5A**  
**Waterstone Special Assessment District**  
**Estimated Public Improvement Costs Eligible for Special Assessment Financing**

ELIGIBLE PUBLIC INFRASTRUCTURE	Estimated Cost	Eligible for SAD Financing	Allocation of Net Bond Proceeds	Anticipated Funding Mechanism
Hard Costs:				
Cates Creek Parkway	\$2,105,000	Y	\$2,105,000	Net Bond Proceeds
Community Park	298,000	Y	298,000	Net Bond Proceeds
<b>Total Hard Costs</b>	<b>\$2,403,000</b>		<b>\$2,403,000</b>	
Soft Costs	353,000	Y	353,000	Net Bond Proceeds
Contingency (10%)	324,000	Y	324,000	Net Bond Proceeds
<b>TOTAL</b>	<b>\$3,080,000</b>		<b>\$3,080,000</b>	

Source: Stratford Land, 2013

## SECTION 6 – ASSESSMENT

### A. Introduction

The Act requires the Town Board to determine a project's total estimated cost. In addition to the costs allowed under North Carolina General Statutes Chapter 153-A, Article 193, the costs may include any expenses allowed under North Carolina General Statutes Chapter 159, Article 84. A preliminary assessment roll may be prepared before the costs are incurred based on the estimated cost of the project.

The Act further requires the Town Board to establish an assessment method that will most accurately assess each lot or parcel of land according to the benefits conferred upon it by the project for which the assessment is made. In addition to the bases upon which assessments may be made under North Carolina General Statutes Chapter 160A, Article 218, the Town Board may select any other method designed to allocate the costs in accordance with benefits conferred.

### B. Special Benefit

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format on Table 5A to this Report) and the costs of issuance and payment of costs incurred in the establishment of the District shown in Table 7A are authorized by the Act.

Each of the Owners of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the Owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

The Owner has ratified, confirmed, accepted, agreed to and approved: (i) the determinations and findings by the Town Board as to the special benefits described in this Report and the Assessment Ordinance; (ii) the Report and the Assessment Ordinance, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Assessment Plan and as authorized by the Master Plan requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs through the District has been determined by the Town Board to be the most beneficial means of doing so. As a result, the Assessment results in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the Town Board.

### **C. Allocated Assessment, Assessment Methodology and Annual Installments**

The costs of the Authorized Improvements will be allocated to the property contained within the boundaries of the District based upon the benefit determined to have been received by such property on the basis of the Estimated Assessed Value method and such method of allocation will result in the imposition of equal shares of the costs related to the District on any Parcels similarly benefited. The Estimated Assessed Value method is applied by spreading the entire Assessment across all Parcels based on the ratio of each Parcel's Estimated Assessed Value to the total Estimated Assessed Value within the District. The Estimated Assessed Values shown in Table 6A are projections provided by the Owners, based on factors such as land use, density, location, market conditions, historical sales, discussions with homebuilders/developers, and any other factors that may impact build-out value and any other information available to the Owners.

Upon subsequent divisions of any Parcel, the Assessment applicable to it is then apportioned pro rata based on the Estimated Assessed Value of the newly created parcels. The result of this approach is that each final Parcel with the same Estimated Assessed Value has the same Assessment, and Parcels with higher Estimated Assessed Values will have higher Assessments.

For residential Lots, when final residential building sites are platted, the Assessment will be apportioned proportionately among each Lot Type based on the ratio of the Estimated Assessed Value for the Lot Type at the time the residential Lots are platted to the total Estimated Assessed Value of residential Lots in the platted Parcel, as determined by the Administrator. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar Estimated Assessed Values will have the same Assessment, with more valuable Lots having a proportionately larger share of the Assessment than less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the Town Board has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption and larger, more expensive homes are likely to be built on larger, more valuable lots.

Presented in Table 6A below is the Assessment for each Parcel as identified by its Tax Parcel Number.

**Table 6A**  
**Waterstone Special Assessment District**  
**Assessment Allocation by Tax Parcel Number**

Tracts	Tax Parcel #	Tract #	Use	Gross Acres	Gross Acres	Units	Square Feet	Estimated Future Assessed Value	Total Assessment	Average Annual Principal Installments
1	9873371133	472233	Single Family	15.4		38		\$13,300,000	\$297,821	\$27,075
2	9873371133	472233	Single Family	36.3	51.7	91		31,850,000	713,202	64,837
3	9873360026	472235	Townhomes	24.4	24.4	122		24,400,000	546,378	49,671
4	9873260889	473451	Park	5.2						
5	9873260889	473451	Park	10.8	16.0					
6	9873251980	473542	Multifamily	21.3	21.3	270		50,490,000	1,130,599	102,782
8	9873240292	473543	Office/Retail	5.1			60,000	17,040,000	381,569	34,688
9	9873240292	473543	Restaurant	7.4			8,000	2,272,000	50,876	4,625
	9873240292	473543	Hotel - 170 Rooms		12.5		85,000	24,140,000	540,556	49,141
10	9873142180	472882	Office/Retail	8.9			60,000	12,000,000	268,710	24,428
11	9873142180	472882	Office/Retail	4.4	13.3		50,000	10,000,000	223,925	20,357
14	9873336269	472879	Park	1.1						
15	9873336269	472879	Office/Retail	22.0			240,000	48,000,000	1,074,842	97,713
			Business							
17	9873336269	472879	Park/Multifamily	25.0		302		56,474,000	1,264,596	114,963
19	9873336269	472879	Office/Retail	3.0			37,000	7,400,000	165,705	15,064
20	9873336269	472879	Fire/Police	3.5						
21	9873336269	472879	Office/Retail	4.5	66.1		40,000	8,000,000	179,140	16,285
			Open Space	11.6						
			<b>Totals</b>	<b>209.9</b>	<b>209.9</b>	<b>823</b>	<b>580,000</b>	<b>\$305,366,000</b>	<b>\$6,837,920</b>	<b>\$621,629</b>

Source: Stratford Land, Noell Consulting Group, DPGF, 2013

Presented in Table 6B below is the Assessment by Lot Type and the average Annual Principal Installments per unit or square foot constructed.

**Table 6B**  
**Waterstone Special Assessment District**  
**Assessment Allocation By Land Type**

Land Use	Units or Square Feet	Estimated Future Assessed Value	Total Assessment	Total Assessment Per Unit/SF	Average Annual Principal Installment Per Unit/SF
<b>Residential Units</b>	<b>Units</b>				
Single Family	129	\$45,150,000	\$1,011,023	\$7,837	\$712.49
Townhouses	122	\$24,400,000	\$546,378	\$4,479	\$407.14
Multifamily	572	106,964,000	2,395,196	\$4,187	\$380.67
Total/Average Residential	<u>823</u>	<u>\$176,514,000</u>	<u>\$3,952,597</u>	<u>\$4,803</u>	<u>\$436.61</u>
<b>Commercial Square Feet</b>	<b>Square Feet</b>				
Office/Retail	427,000	\$85,400,000	\$1,912,323	\$4.48	\$0.41
Retail and Restaurant	68,000	19,312,000	432,445	\$6.36	\$0.58
Hotel	85,000	24,140,000	540,556	\$6.36	\$0.58
Total/Average Commercial	<u>580,000</u>	<u>\$128,852,000</u>	<u>\$2,885,323</u>	<u>\$4.97</u>	<u>\$0.45</u>
<b>Total</b>		<u><u>\$305,366,000</u></u>	<u><u>\$6,837,920</u></u>		

Source: Stratford Land, Noell Consulting Group, DPF, 2013

Presented in Table 6C is the Assessment by Equivalent Unit.

**Table 6C**  
**Waterstone Special Assessment District**  
**Assessment Allocation by Equivalent Unit**

Tracts	Tax Parcel #	Tract #	Use	Gross Acres	Gross Acres	Units	Square Feet	Estimated Future Assessed Value	Estimated Future Assessed Value per Unit/SF	Equivalent Unit Formula in \$ (1)	Total Equivalent Units	Total Assessment	Assessment per Equivalent Unit
1	9873371133	472233	Single Family	15.4		38		\$13,300,000	\$350,000	\$1,000	38.0	\$297,821	\$7,837
2	9873371133	472233	Single Family	36.3	51.7	91		31,850,000	\$350,000	\$1,000	91.0	713,202	\$7,837
3	9873360026	472235	Townhomes	24.4	24.4	122		24,400,000	\$200,000	\$0.571	69.7	546,378	\$7,837
4	9873260889	473451	Park	5.2									
5	9873260889	473451	Park	10.8	16.0								
6	9873251980	473542	Multifamily	21.3	21.3	270		50,490,000	\$187,000	\$0.534	144.3	1,130,599	\$7,837
8	9873240292	473543	Office/Retail	5.1			60,000	17,040,000	\$284	\$0.811	48.7	381,569	\$7,837
9	9873240292	473543	Restaurant	7.4			8,000	2,272,000	\$284	\$0.811	6.5	50,876	\$7,837
	9873240292	473543	Hotel - 170 Rooms		12.5		85,000	24,140,000	\$284	\$0.811	69.0	540,556	\$7,837
10	9873142180	472882	Office/Retail	8.9			60,000	12,000,000	\$200	\$0.571	34.3	268,710	\$7,837
11	9873142180	472882	Office/Retail	4.4	13.3		50,000	10,000,000	\$200	\$0.571	28.6	223,925	\$7,837
14	9873336269	472879	Park	1.1									
15	9873336269	472879	Office/Retail	22.0			240,000	48,000,000	\$200	\$0.571	137.1	1,074,842	\$7,837
			Business										
17	9873336269	472879	Park/Multifamily	25.0		302		56,474,000	\$187,000	\$0.534	161.4	1,264,596	\$7,837
19	9873336269	472879	Office/Retail	3.0			37,000	7,400,000	\$200	\$0.571	21.1	165,705	\$7,837
20	9873336269	472879	Fire/Police	3.5									
21	9873336269	472879	Office/Retail	4.5	66.1		40,000	8,000,000	\$200	\$0.571	22.9	179,140	\$7,837
			Open Space	11.6									
			<b>Totals</b>	209.9	209.9	823	580,000	\$305,366,000			872.5	\$6,837,920	\$7,837

Source: Stratford Land, Noell Consulting Group, DPF, 2013

Table 6D reflects the annual debt service on the Bonds.

**Table 6D**  
**Watestone Special Assessment District**  
**Annual Debt Service on Bonds**

Year	Period Ending	Principal	Coupon	Total Annual Interest (1)	Outstanding Balance	Debt Service
					\$4,630,000	
1	2/1/2014	\$415,000	7.750%	\$97,680	\$4,215,000	\$512,680
2	2/1/2015	420,000	7.750%	326,663	\$3,795,000	746,663
3	2/1/2016	315,000	7.750%	294,113	\$3,480,000	609,113
4	2/1/2017	340,000	7.750%	269,700	\$3,140,000	609,700
5	2/1/2018	365,000	7.750%	243,350	\$2,775,000	608,350
6	2/1/2019	390,000	7.750%	215,063	\$2,385,000	605,063
7	2/1/2020	420,000	7.750%	184,838	\$1,965,000	604,838
8	2/1/2021	455,000	7.750%	152,288	\$1,510,000	607,288
9	2/1/2022	490,000	7.750%	117,025	\$1,020,000	607,025
10	2/1/2023	525,000	7.750%	79,050	\$495,000	604,050
11	2/1/2024	495,000	7.750%	38,363	\$0	533,363
	Totals	<u>\$4,630,000</u>		<u>\$2,018,133</u>		<u>\$6,648,133</u>

(1) Interest is paid semi-annually.

Source: Stifel Nicolaus, DPF, 2013

As shown in Table 6E, the Annual Installments totaling \$6,837,920 exceed \$6,809,230, the amount needed to fund bond debt service and Administrative Expenses. The excess amount of \$28,690 will be available for other eligible District costs.

**Table 6E**  
**Waterstone Special Assessment District**  
**Schedule of Annual Bond Debt Service and Administrative Expenses Compared to Total Assessment Installments**

Year	Period Ending	Debt Service	Debt Service Reserve		Net Debt Service	Less Reserve Fund Earnings (2)	Plus Orange County Administrative Expenses (3)		Plus Other Administrative Expenses (4)	Total Annual Administrative Expenses	Bond Debt Service Plus Administrative Expenses (5)	Annual Installments Based on Assessment Authorized by Town Resolution (6)	Excess Available for Other Eligible District Costs
			Reserve Fund (1)	Capitalized Interest Fund									
1	2/1/2014	\$512,680		\$97,680	\$415,000	(\$2,315)	\$12,000	\$35,000	\$47,000	\$459,685	\$467,450	\$7,765	
2	2/1/2015	746,663		326,663	420,000	(2,315)	13,000	35,700	48,700	466,385	468,150	1,765	
3	2/1/2016	609,113		0	609,113	(2,315)	18,000	36,414	54,414	661,212	663,048	1,836	
4	2/1/2017	609,700			609,700	(2,315)	18,000	37,142	55,142	662,527	663,588	1,061	
5	2/1/2018	608,350			608,350	(2,315)	18,000	37,885	55,885	661,920	663,113	1,193	
6	2/1/2019	605,063			605,063	(2,315)	18,000	38,643	56,643	659,391	663,623	4,232	
7	2/1/2020	604,838			604,838	(2,315)	18,000	39,416	57,416	659,939	664,015	4,076	
8	2/1/2021	607,288			607,288	(2,315)	18,000	40,204	58,204	663,177	663,238	61	
9	2/1/2022	607,025			607,025	(2,315)	18,000	41,008	59,008	663,718	664,292	574	
10	2/1/2023	604,050			604,050	(2,315)	18,000	41,828	59,828	661,563	665,023	3,460	
11	2/1/2024	533,363			533,363	(2,315)	16,000	42,665	58,665	589,713	592,380	2,667	
	Totals	\$6,648,133	\$0	\$424,343	\$6,223,790	(\$25,465)	\$185,000	\$425,905	\$610,905	\$6,809,230	\$6,837,920	\$28,690	

(1) The special assessment bonds are anticipated to have a maximum maturity of 10 years if the reserve fund is not exhausted prior to maturity and 11 years if the reserve fund is exhausted prior to maturity.

(2) Reserve Fund assumed to earn 0.5 percent annually.

(3) Orange County administrative expenses assumed to equal 3 percent of collections. Subject to annual adjustment.

(4) Assessment Consultant, Trust Fund Accounting, Dissemination Agent, Trustee Fees, Arbitrage Rebate Report, and Continuing Disclosures. Subject to annual adjustment. Assumed 2 percent annual increase.

(5) The average annual assessments over 11 years are \$621,629.

(6) Total project cost and assessments as specified in the Town Board's resolution 20130624-5(A), as adopted on June 24, 2013.

Source: Stifel Nicolaus, DPF, 2013

Table 6F provides the estimated Annual Revenue Requirements.

**Table 6F**  
**Waterstone Special Assessment District**  
**Annual Revenue Requirements**

Year	Period Ending	Annual Installment	Interest (1)	Annual Revenue Requirement	Unpaid Assessment Balance
					\$6,837,920
1	2/1/2014	\$467,450	136,758	\$604,208	\$6,370,470
2	2/1/2015	468,150	127,409	595,559	\$5,902,320
3	2/1/2016	663,048	118,046	781,094	\$5,239,272
4	2/1/2017	663,588	104,785	768,374	\$4,575,684
5	2/1/2018	663,113	91,514	754,627	\$3,912,571
6	2/1/2019	663,623	78,251	741,874	\$3,248,948
7	2/1/2020	664,015	64,979	728,994	\$2,584,933
8	2/1/2021	663,238	51,699	714,937	\$1,921,695
9	2/1/2022	664,292	38,434	702,726	\$1,257,403
10	2/1/2023	665,023	25,148	690,171	\$592,380
11	2/1/2024	592,380	11,848	604,227	\$0
		<u>\$6,837,920</u>	<u>\$848,872</u>	<u>\$7,686,792</u>	

(1) Interest rate of 2 percent

**D. Administrative Expenses**

The cost of administering the District and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be included in the calculation of and collected as part of the Annual Installments in the amounts shown on the Assessment Roll, which may be revised based on actual costs incurred in Annual Updates.

## SECTION 7 – ANNUAL UPDATE

The Town shall update the Assessment Roll each year to reflect (i) the current Parcels in the District, (ii) the Assessment as allocated for each Parcel, (iii) the Annual Installments to be collected from each Parcel for the current year, (iv) any changes in the Annual Installments, (v) prepayments of the Assessment, and (vi) termination of the Assessment.

The estimated Actual Costs for the Authorized Improvements plus costs related to the issuance of the Bonds and payment of expenses incurred in the establishment, administration and operation of the District is \$4,630,000 as shown in Table 7A.

**Table 7A**  
**Waterstone Special Assessment District**  
**Sources and Uses of Funds**

<b>SOURCES:</b>	
Bond Proceeds:	
Par Amount	\$4,630,000
<b>USES:</b>	
Project Fund Deposits:	
Project Fund	\$3,080,000
Other Fund Deposits:	
Debt Service Reserve Fund	\$463,000
Capitalized Interest Fund	424,343
	\$887,343
Delivery Date Expenses:	
Cost of Issuance/Additional Proceeds	\$523,407
Underwriter's Discount	115,750
Deposit to Administrative Expense Fund	23,500
	\$662,657
<b>TOTAL USES</b>	<b>\$4,630,000</b>

Source: Stifel Nicolaus, DPF, 2013



## SECTION 8 - TERMS OF THE ASSESSMENT

### A. Amount of Assessment and Annual Installments for District Parcels

The Assessment and the average Annual Installments for each Assessed Property located within the District is shown on the Assessment Roll and no Assessment shall be changed except as authorized by this Report and the Act. The Annual Installments for each Parcel shall be collected in an amount sufficient to pay principal and interest on the Bonds, interest of 2 percent on the unpaid balance of the Assessment, and to cover the Administrative Expenses of the District allocated to that Parcel.

### B. Reallocation of the Assessment for District Parcels

#### i. *Upon Division Prior to Recording of Subdivision Plat*

Upon the division of any Assessed Property (without the recording of subdivision plat), the Administrator shall reallocate the Assessment for the Assessed Property prior to the division among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

A = the Assessment for the new divided Assessed Property

B = the Assessment for the Assessed Property prior to division

C = the Estimated Assessed Value of the new divided Assessed Property

D = the sum of the Estimated Assessed Value for all of the new divided Assessed Properties

Prior to the division of any Assessed Property (without the recording of subdivision plat), the Owners shall provide the Town an estimated build-out value for each newly created Parcel, as of the date of the division of the Parcel, considering factors such as land use, density, location, market conditions, historical sales, discussions with homebuilders/developers, and any other factors that may impact build-out value and any other information available to the Owners. The calculation of the estimated average build-out value for a Parcel shall be performed by the Administrator based on the information described above. The sum of each Assessment for all newly divided Assessed Properties shall equal the Assessment for the Assessed Property prior to subdivision. The calculation shall be made separately for each newly divided Assessed Property. Any reallocation pursuant to this section shall be reflected in an update to this Report approved by the Town Board.

A hypothetical example of how assessments are reallocated upon division prior to the recording of a subdivision plat is attached as **Appendix B**.

*ii. Upon Subdivision by a Recorded Subdivision Plat*

Upon the subdivision of any Assessed Property based on a recorded Subdivision Plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots according to the following formula:

$$A = [B \times (C \div D)]/E$$

Where the terms have the following meanings:

A = the Assessment for the new subdivided Lot

B = the Assessment for the Parcel prior to subdivision

C = the sum of the Estimated Assessed Value of all new subdivided Lots with same Lot Type

D = the sum of the Estimated Assessed Value for all of the new subdivided Lots excluding Non-Benefitted Property

E = the number of Lots with same Lot Type

Prior to the recording of a subdivision plat, the Owners shall provide the Town an estimated build-out as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat considering factors such as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, discussions with homebuilders, and any other factors that may impact a Lot's build-out value and any other information available to the Owners. The calculation of the estimated average Lot build-out value for a Lot shall be performed by the Administrator based on information provided by the Owners, homebuilders, third party consultants, and/or the Official Public Records of Orange County, North Carolina regarding the Lot.

The sum of each Assessment for all newly subdivided Lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Assessed Property. Any reallocation pursuant to this section shall be reflected in an update to this Assessment Plan approved by the Town Board.

A hypothetical example of how assessments are reallocated upon subdivision by a subdivision plat is attached as **Appendix C.**

*iii. Upon Consolidation*

Upon the consolidation of two or more Assessed Properties, the Assessment for the consolidated Assessed Property shall be the sum of each Assessment for the Assessed Properties prior to consolidation. Any reallocation pursuant to this section shall be calculated by the Administrator and reflected in an update to this Report approved by the Town Board.

**C. Voluntary Prepayment of Assessment**

Each owner of Assessed Property will have the option to voluntarily prepay the Assessment. The amount to be paid upon such prepayment will be calculated as follows:

Principal Amount Outstanding (at time of prepayment)  
Plus: Accrued Interest through the Next Interest Payment Date  
Plus: Prepayment Penalty (if any)  
Plus: Town Administration Fee  
Less: Pro-rata Share of Reserve Fund Balance  
Equals: Prepayment Amount

Upon payment of the amount calculated above to the Town, the Town shall forward such amount, less the expenses related to the prepayment of the Assessment, to the Trustee. Upon the payment of such amounts to the Town, the obligation to pay the Assessment for the Parcel shall be deemed to be permanently satisfied, the Assessment with respect to the Parcel shall be reduced to zero, the Annual Installments for such Parcel shall not be collected thereafter, and the Town shall promptly provide to each owner of a Parcel for which an Assessment has been prepared a recordable document (or provide for the recordation of such document) evidencing the termination of the imposition and collection of the Assessment.

**D. Mandatory Prepayment of Assessments**

If Assessed Property or portion thereof is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel or portion thereof to become Non-Benefitted Property, the owner of such Parcel or portion thereof shall pay to the Administrator the full amount of the Assessment, plus all Prepayment Costs, for such Parcel or portion thereof prior to any such transfer or act; provided, however that such mandatory prepayment of assessment shall not be required for portions of a Parcel that are dedicated for use as internal roads, parks and other similar, public improvements prior to the recording of the plat for a Parcel that has been subdivided, in which case the Assessment that was allocated to that certain Parcel in which the public improvement is located will be reallocated to similarly benefitted Parcels, as more fully provided in Section 8B of this Report.

### **E. Reduction of an Assessment**

If after all Authorized Improvements to be funded with Bonds have been completed, including any additional Authorized Improvements and Actual Costs for such Authorized Improvements are less than the Actual Costs used to calculate the Assessment securing the Bonds, resulting in excess Bond proceeds being available to redeem Bonds, then the Assessment securing such Bonds for each Assessed Property shall be reduced by the Town Board pro-rata such that the sum of the resulting reduced Assessment for all Assessed Properties equals the actual reduced Actual Costs and such excess Bond proceeds shall applied to redeem Bonds. The Assessment shall not be reduced to an amount less than the related outstanding debt service obligations for the Bonds.

If the Authorized Improvements to be funded with the Bonds, including any additional Authorized Improvements, are not undertaken by the Town, resulting in excess Bond proceeds being available to redeem Bonds, the Assessment securing such Bonds for each Assessed Property shall be reduced by the Town Board to reflect only the Actual Costs that were expended and such excess Bond proceeds shall be applied to redeem Bonds. The Town Board shall reduce such Assessment for each Assessed Property pro-rata such that the sum of each resulting reduced Assessment equals the Actual Costs with respect to such Authorized Improvements that were undertaken. The Assessment shall not be reduced to an amount less than the principal of and interest on the related outstanding Bonds.

## **F. Payment of Assessment**

### **i. Payment in Annual Installments**

The Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the Act authorizes the Town to collect interest and collection costs on the outstanding Assessment. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown in the Assessment Roll, which includes interest on the outstanding Assessment and Administrative Expenses.

The Annual Installments as listed on the Assessment Roll have been calculated assuming a weighted average interest rate on the Bonds of 7.75 percent. The Annual Installments may not exceed the amounts shown on the Assessment Roll except as provided pursuant to any amendment or update to this Report.

The Annual Installments shall be reduced to equal the actual costs of repaying the related series of Bonds and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The Town reserves and shall have the right and option to refund the Bonds in accordance with the Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installments so that total Annual Installments of the Assessment will be produced in annual amounts that are required to pay the refunding Bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding Bonds, and such refunding Bonds shall constitute “Bonds” for purposes of this Report.

## **G. Collection of Annual Installments**

No less frequently than annually, the Administrator shall prepare and submit to the Town Board for its approval, an Annual Update to allow for the billing and collection of Annual Installments. Each Annual Update shall include an updated Assessment Roll and a calculation of the Annual Installments for each Assessed Property. Administrative Expenses shall be allocated among Assessed Properties in proportion to the amount of the Annual Installments for the Assessed Property. The Annual Installments shall be reduced by any credits applied under the Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, and existing deposits for a prepayment reserve. Annual Installments may be collected by the Town (or such entity to whom the Town directs) in the same manner and at the same time as ad valorem taxes. Annual Installments shall be subject to the penalties, procedures, and foreclosure sale in case of delinquencies as set forth in the Act. The Town Board may provide for other means of collecting the Annual Installments to the extent permitted under the Act. The Assessment shall have lien priority as specified in the Act.

Any sale of Assessed Property for nonpayment of the delinquent Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such

Assessed Property and such Assessed Property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such Assessed Property as they become due and payable.

The Annual Installments shall be assessed on September 1 and shall be due on October 1 of that year. The Annual Installments, together with interest thereon, shall be delinquent if not paid prior to February 1 of the following year.

#### **H. Surplus Funds Remaining in Bond Account**

If proceeds from the Bonds still remain after all of the Authorized Improvements are constructed and accepted by the Town, the proceeds may be utilized to finance other Authorized Improvements that specifically benefit the Assessed Property.

## SECTION 9 – THE ASSESSMENT ROLL

### A. The Assessment Roll

Each Parcel within the District has been evaluated by the Town Board (based on the Master Plan, developable area, proposed Owner Association Property and Public Property, the Authorized Improvements, best and highest use of land, and other development factors deemed relevant by the Town Board) to determine the amount of Assessed Property within the Parcel.

The Assessed Property will be assessed for the special benefits conferred upon the property because of the Authorized Improvements. Table 9A summarizes the \$4,630,000 in special benefit received by the Assessed Property from the Public Improvements that benefit the Assessed Property, the costs of the District formation, and Bond issuance costs.

**Table 9A**  
**Waterstone Special Assessment District**  
**Estimated Assessed Property Special Benefit**

<b>ELIGIBLE PUBLIC INFRASTRUCTURE</b>	Estimated Cost	Eligible for SAD Financing	Allocation of Net Bond Proceeds	Anticipated Funding Mechanism
Hard Costs:				
Cates Creek Parkway	\$2,105,000	Y	\$2,105,000	Net Bond Proceeds
Community Park	298,000	Y	298,000	Net Bond Proceeds
<b>Total Hard Costs</b>	<b>\$2,403,000</b>		<b>\$2,403,000</b>	
Soft Costs	353,000	Y	353,000	Net Bond Proceeds
Contingency (10%)	324,000	Y	324,000	Net Bond Proceeds
<b>TOTAL</b>	<b>\$3,080,000</b>		<b>\$3,080,000</b>	
Debt Service Reserve Fund	463,000	Y	463,000	Net Bond Proceeds
Capitalized Interest Fund	424,343	Y	424,343	Net Bond Proceeds
Cost of Issuance/Additional Proceeds	523,407	Y	523,407	Net Bond Proceeds
Underwriter's Discount	115,750	Y	115,750	Net Bond Proceeds
Deposit to Administrative Expense Fund	23,500	Y	23,500	Net Bond Proceeds
<b>TOTAL</b>	<b>\$4,630,000</b>		<b>\$4,630,000</b>	Gross Bond Proceeds

Source: Stratford Land, 2013

The principal amount of the Bonds is \$4,630,000, and as such the total Assessment for all Assessed Property within the District is \$6,837,920 calculated as the sum of the principal amount of the Bonds of \$4,630,000 plus the interest expense associated with the Bonds at an assumed interest rate of 7.75 percent and the annual Administrative Expenses. The Assessment for each Assessed Property within the District is calculated based on the allocation methodologies described in Section 6C of this Report. The Assessment Roll is attached hereto as **Appendix A.**

## **B. Annual Assessment Roll Updates**

The Administrator shall prepare, and shall submit to the Town Board for approval, annual updates to the Assessment Roll to reflect the following matters, together with any other changes helpful to the Administrator or the Town and permitted by the Act: (i) the identification of each Parcel (ii) the Assessment for each Assessed Property, including any adjustments authorized by this Report or in the Act; (iii) the Annual Installments for the Assessed Property for the year; and (iv) payments of the Assessment, if any, as provided by Section 8E of this Report.

Once Bonds are issued, the Assessment Roll shall be updated, to reflect any changes resulting from the issuance of the Bonds. This update shall reflect the actual interest on the Bonds on which the Annual Installments shall be paid, any reduction in the Assessments, and any revisions in the Actual Costs to be funded by the Bonds and Owner funds.



## **SECTION 10 – MISCELLANEOUS PROVISIONS**

### **A. Administrative Review**

The Town may elect to designate a third party to serve as Administrator. The Town shall notify the Owners in writing at least thirty (30) days in advance before appointing a third party Administrator.

To the extent consistent with the Act, an owner of an Assessed Property claiming that a calculation error has been made in the Assessment Roll, including the calculation of the Annual Installments, must send a written notice describing the error to the Town no later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. If an owner fails to give such notice, such owner shall be deemed to have accepted the calculation of the Assessment Roll (including the Annual Installments) and to have waived any objection to the calculation. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Property owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Parcel owner, such change or modification shall be presented to the Town Board for approval, to the extent permitted by the Act. A cash refund may not be made for any amount previously paid by the Assessed Parcel owner (except for the final year during which the Annual Installments shall be collected), but an adjustment may be made in the amount of the Annual Installments to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the Town Board for determination. Any amendments made to the Assessment Roll pursuant to calculation errors shall be made pursuant to the Act.

### **B. Termination of Assessment**

Each Assessment shall terminate on the date the Assessment is paid in full, including payment of any unpaid Annual Installments and Delinquent Collection Costs, if any. After the termination of an Assessment, and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the Town shall provide the owner of the affected Parcel a recordable “Notice of the District Assessment Termination.”

### **C. Amendments**

Amendments to this Report can be made as permitted or required by the Act and under North Carolina law.

#### **D. Administration and Interpretation of Provisions**

The Town Board shall administer (or cause the administration of) the District, this Report, and all Annual Updates consistent with the Act, and shall make all interpretations and determinations related to the application of this Report unless stated otherwise herein or in the Indenture, such determinations shall be conclusive.

#### **E. Severability**

If any provision, section, subsection, sentence, clause or phrase of this Report, or the application of same to an Assessed Parcel or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Report or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the Town Board in adopting this Report that no part thereof, or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Report are declared to be severable for that purpose.

If any provision of this Report is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Report and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the Town.

# APPENDIX A

## ASSESSMENT ROLL

### Waterstone Special Assessment District Assessment Allocation by Tax Parcel Number

Tracts	Tax Parcel #	Tract #	Use	Gross Acres	Gross Acres	Units	Square Feet	Estimated Future Assessed Value	Total Assessment	Average Annual Principal Installments
1	9873371133	472233	Single Family	15.4		38		\$13,300,000	\$297,821	\$27,075
2	9873371133	472233	Single Family	36.3	51.7	91		31,850,000	713,202	64,837
3	9873360026	472235	Townhomes	24.4	24.4	122		24,400,000	546,378	49,671
4	9873260889	473451	Park	5.2						
5	9873260889	473451	Park	10.8	16.0					
6	9873251980	473542	Multifamily	21.3	21.3	270		50,490,000	1,130,599	102,782
8	9873240292	473543	Office/Retail	5.1			60,000	17,040,000	381,569	34,688
9	9873240292	473543	Restaurant	7.4			8,000	2,272,000	50,876	4,625
	9873240292	473543	Hotel - 170 Rooms		12.5		85,000	24,140,000	540,556	49,141
10	9873142180	472882	Office/Retail	8.9			60,000	12,000,000	268,710	24,428
11	9873142180	472882	Office/Retail	4.4	13.3		50,000	10,000,000	223,925	20,357
14	9873336269	472879	Park	1.1						
15	9873336269	472879	Office/Retail	22.0			240,000	48,000,000	1,074,842	97,713
			Business							
17	9873336269	472879	Park/Multifamily	25.0		302		56,474,000	1,264,596	114,963
19	9873336269	472879	Office/Retail	3.0			37,000	7,400,000	165,705	15,064
20	9873336269	472879	Fire/Police	3.5						
21	9873336269	472879	Office/Retail	4.5	66.1		40,000	8,000,000	179,140	16,285
			Open Space	11.6						
<b>Totals</b>				<b>209.9</b>	<b>209.9</b>	<b>823</b>	<b>580,000</b>	<b>\$305,366,000</b>	<b>\$6,837,920</b>	<b>\$621,629</b>

Source: Stratford Land, Noell Consulting Group, DPGF, 2013

## APPENDIX B

### Reallocation of Assessment Assuming Subdivision of Parcel Prior to Recording of Subdivision Plat

**(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)**

Reallocation of Assessments Assuming Subdivision of Parcel Prior to Recording of Subdivision Plat  
**(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)**

The table below summarizes a hypothetical scenario in which \$2,000,000 in assessments levied against Parcel A, which consists of 40 acres, are reallocated when Parcel A is subdivided into 3 smaller Parcels (but prior to recording of a subdivision plat). The scenario assumes 2 parcels totaling 36 acres are classified as Assessable Property, while 1 Parcel consisting of 4 acres is classified as Non-Benefitted property.

Prior to Subdivision					
Parcel	Acreage	Total Assessment			
Parcel A	20	\$ 2,000,000			

  

After Subdivision					
Parcel	Assessable or Non-Benefitted Property?	A = B x (C ÷ D)	B	C	D
		Assessment for the New Subdivided Parcel	Assessment for the Parcel Prior to Subdivision	Estimated Buildout Value of the Newly Subdivided Parcel Excluding Non-Benefitted Property	Sum of Buildout Values for All New Subdivided Parcels Excluding Non-Benefitted Property
Parcel A-1	Assessable Property	\$1,179,487	\$2,000,000	\$ 23,000,000	\$ 39,000,000
Parcel A-2	Assessable Property	\$820,513	\$2,000,000	\$ 16,000,000	\$ 39,000,000
Parcel A-3*	Non-Benefitted Property	\$0	\$2,000,000	\$ -	\$ 39,000,000
		\$2,000,000		\$ 39,000,000	

\* Parcel A-3 consists of 4 acres of Non-Benefitted Property, therefore the value of Parcel A-6 excluding Non Benefitted Property is \$0.

## **APPENDIX C**

### **Reallocation of Assessments Assuming Subdivision by a Recorded Subdivision Plat**

**(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)**

Reallocation of the Assessment for Parcel  
 Assuming Subdivision by a Recorded Subdivision Plat  
**(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)**

The table below summarizes a hypothetical scenario in which a \$250,000 Assessment levied against Parcel A, which consists of 5 acres, are reallocated when Parcel A is subdivided by a Recorded Subdivision Plat into 12 residential lots subsequently improved as 12 single family Homes. The scenario assumes the Homes will be classified into two home types.

**Prior to Subdivision**

Parcel	Acres	Total Assessment
Parcel A	5	\$ 250,000

**After Subdivision**

Home Types	Estimated Home Price Range for Home Type
1	< \$200,000
2	> \$200,000

Parcel	Estimated Home Price	Home Type	$A=(B \times (C+D))/E$				
			Assessment for New Subdivided Lot	Assessment for the Parcel Prior to the Subdivision	Sum of Estimated Home Prices for All Homes in Home Type	Sum of Estimated Home Price for All Homes	Number of Homes with Same Home Type
A-1	\$ 185,000	1	\$ 19,365	\$ 250,000	\$ 945,000	\$ 2,440,000	5
A-2	\$ 190,000	1	\$ 19,365	\$ 250,000	\$ 945,000	\$ 2,440,000	5
A-3	\$ 195,000	1	\$ 19,365	\$ 250,000	\$ 945,000	\$ 2,440,000	5
A-4	\$ 190,000	1	\$ 19,365	\$ 250,000	\$ 945,000	\$ 2,440,000	5
A-5	\$ 185,000	1	\$ 19,365	\$ 250,000	\$ 945,000	\$ 2,440,000	5
	<u>\$ 945,000</u>		<u>\$ 96,824</u>				
A-6	\$ 205,000	2	\$ 21,882	\$ 250,000	\$ 1,495,000	\$ 2,440,000	7
A-7	\$ 210,000	2	\$ 21,882	\$ 250,000	\$ 1,495,000	\$ 2,440,000	7
A-8	\$ 220,000	2	\$ 21,882	\$ 250,000	\$ 1,495,000	\$ 2,440,000	7
A-9	\$ 225,000	2	\$ 21,882	\$ 250,000	\$ 1,495,000	\$ 2,440,000	7
A-10	\$ 220,000	2	\$ 21,882	\$ 250,000	\$ 1,495,000	\$ 2,440,000	7
A-11	\$ 210,000	2	\$ 21,882	\$ 250,000	\$ 1,495,000	\$ 2,440,000	7
A-12	\$ 205,000	2	\$ 21,882	\$ 250,000	\$ 1,495,000	\$ 2,440,000	7
	<u>\$ 1,495,000</u>		<u>\$ 153,176</u>				
<b>Total</b>	<u>\$ 2,440,000</u>		<u>\$ 250,000</u>				

## **APPENDIX D**

### **Legal Descriptions for Parcels Within the District**

#### **TRACT 100 (PIN 9873-33-6269)**

BEING ALL OF TRACT 100, CONTAINING APPROXIMATELY 68.37 ACRES, AS SHOWN ON THE PLAT ENTITLED "WATERSTONE: EXEMPT SUBDIVISION PLAT, TOWN OF HILLSBOROUGH, ORANGE COUNTY, NORTH CAROLINA" DATED OCTOBER 25, 2006, LAST REVISED NOVEMBER 8, 2006, PREPARED BY JOSEPH N. GRADY, JR., PLS NO. L-4163 OF THE JOHN R. MCADAMS COMPANY, INC. AND RECORDED IN PLAT BOOK 100, PAGES 184 AND 185, ORANGE COUNTY REGISTRY.

#### **TRACT 300 (PIN 9873-26-0889)**

BEING ALL OF TRACT 300, CONTAINING APPROXIMATELY 22.05 ACRES, AS SHOWN ON A PLAT ENTITLED "WATERSTONE EXEMPT SUBDIVISION PLAT", RECORDED IN PLAT BOOK 100, PAGE 184, ORANGE COUNTY REGISTRY,

LESS AND EXCEPT APPROXIMATELY 5.41 ACRES LABELED "AREA RECOMBINED TO HUGH AND CAROLYN D. MOREN IN EXCHANGE FOR 60' PRIVATE ACCESS EASEMENT", AS SHOWN ON A PLAT ENTITLED "WATERSTONE RECOMBINATION AND PRIVATE ACCESS EASEMENT PLAT", RECORDED IN PLAT BOOK 101, PAGE 136, ORANGE COUNTY REGISTRY.

#### **TRACT 400 (PIN 9873-25-1575)**

BEING ALL OF TRACT 400, CONTAINING APPROXIMATELY 33.81 ACRES, AS SHOWN ON THE PLAT ENTITLED "WATERSTONE: EXEMPT SUBDIVISION PLAT, TOWN OF HILLSBOROUGH, ORANGE COUNTY, NORTH CAROLINA" DATED OCTOBER 25, 2006, LAST REVISED NOVEMBER 8, 2006, PREPARED BY JOSEPH N. GRADY, JR., PLS NO. L-4163 OF THE JOHN R. MCADAMS COMPANY, INC. AND RECORDED IN PLAT BOOK 100, PAGES 184 AND 185, ORANGE COUNTY REGISTRY.

#### **TRACT 500 (PIN 9873-14-2180)**

BEING ALL OF TRACT 500, CONTAINING APPROXIMATELY 13.30 ACRES, AS SHOWN ON THE PLAT ENTITLED "WATERSTONE: EXEMPT SUBDIVISION PLAT, TOWN OF HILLSBOROUGH, ORANGE COUNTY, NORTH CAROLINA" DATED OCTOBER 25, 2006, LAST REVISED NOVEMBER 8, 2006, PREPARED BY JOSEPH N. GRADY, JR., PLS NO. L-4163 OF THE JOHN R. MCADAMS COMPANY, INC. AND RECORDED IN PLAT BOOK 100, PAGES 184 AND 185, ORANGE COUNTY REGISTRY.

TOGETHER WITH A NONEXCLUSIVE EASEMENT AND RIGHT OF INGRESS, EGRESS AND REGRESS FOR THE PURPOSES OF PEDESTRIAN AND VEHICULAR ACCESS, INGRESS, EGRESS AND REGRESS AND UTILITIES INSTALLATION AND USE OVER, ACROSS AND UNDER THE SERVIENT LANDS OWNED BY SLF II NC-WATERSTONE, LLC, WHICH SERVIENT LANDS ARE THOSE AREAS DESIGNATED AS FOLLOWS: (A) "WATERSTONE DRIVE 95' R/W", CONTAINING 3.11 ACRES, AS SHOWN ON PLAT OF SURVEY RECORDED IN PLAT BOOK 97, PAGE 67 AND CORRECTED IN PLAT BOOK 98, PAGE 23, ORANGE COUNTY REGISTRY; (B) "COLLEGE PARK ROAD, 60' PUBLIC R/W", CONTAINING 4.26 ACRES, AS SHOWN ON PLAT OF SURVEY RECORDED IN PLAT BOOK 99, PAGE 138, ORANGE COUNTY REGISTRY; AND (C) "CATES CREEK PARKWAY, 60' PUBLIC R/W", CONTAINING 3.17 ACRES, AS SHOWN ON PLAT OF SURVEY RECORDED IN PLAT BOOK 99, PAGE 138, ORANGE COUNTY REGISTRY. PROVIDED THAT THE FOREGOING EASEMENT(S) SHALL AUTOMATICALLY TERMINATE UPON DEDICATION AND ACCEPTANCE OF SAID SERVIENT LAND FOR PUBLIC USE AND MAINTENANCE AS A PUBLICLY MAINTAINED RIGHT OF WAY (AFFECTS ALL TRACTS).

**NEW TRACT 1 (PIN 9873-37-1133)**

BEING ALL OF NEW TRACT 1, CONTAINING APPROXIMATELY 51.69 ACRES, AS SHOWN ON THE PLAT ENTITLED "MINOR SUBDIVISION OF WATERSTONE: SUBDIVISION, RECOMBINATION, EASEMENT AND RIGHT-OF-WAY DEDICATION PLAT, TOWNSHIP OF HILLSBOROUGH, ORANGE COUNTY, NORTH CAROLINA" DATED MARCH 1, 2006, LAST REVISED MARCH 14, 2006, PREPARED BY ROBERT C. BAUMGARTNER, PLS NO. L-4531 OF THE JOHN R. MCADAMS COMPANY, INC. AND RECORDED IN PLAT BOOK 99, PAGE 138, ORANGE COUNTY REGISTRY.

**NEW TRACT 3 (PIN 9873-36-0026)**

BEING ALL OF NEW TRACT 3, CONTAINING APPROXIMATELY 24.40 ACRES, AS SHOWN ON THE PLAT ENTITLED "MINOR SUBDIVISION OF WATERSTONE: SUBDIVISION, RECOMBINATION, EASEMENT AND RIGHT-OF-WAY DEDICATION PLAT, TOWNSHIP OF HILLSBOROUGH, ORANGE COUNTY, NORTH CAROLINA" DATED MARCH 1, 2006, LAST REVISED MARCH 14, 2006, PREPARED BY ROBERT C. BAUMGARTNER, PLS NO. L-4531 OF THE JOHN R. MCADAMS COMPANY, INC. AND RECORDED IN PLAT BOOK 99, PAGE 138, ORANGE COUNTY REGISTRY.

TOGETHER WITH A NONEXCLUSIVE EASEMENT AND RIGHT OF INGRESS, EGRESS AND REGRESS FOR THE PURPOSES OF PEDESTRIAN AND VEHICULAR ACCESS, INGRESS, EGRESS AND REGRESS AND UTILITIES INSTALLATION AND USE OVER, ACROSS AND UNDER THE SERVIENT LANDS OWNED BY SLF II NC-WATERSTONE, LLC, WHICH SERVIENT LANDS ARE THOSE AREAS DESIGNATED AS FOLLOWS: (A) "WATERSTONE DRIVE 95' R/W", CONTAINING 3.11 ACRES, AS SHOWN ON PLAT OF SURVEY RECORDED IN PLAT BOOK 97, PAGE 67 AND CORRECTED IN PLAT BOOK 98, PAGE 23, ORANGE COUNTY REGISTRY; (B) "COLLEGE PARK ROAD, 60' PUBLIC R/W", CONTAINING 4.26 ACRES, AS SHOWN ON PLAT OF SURVEY RECORDED IN



PLAT BOOK 99, PAGE 138, ORANGE COUNTY REGISTRY; AND (C) "CATES CREEK PARKWAY, 60' PUBLIC R/W", CONTAINING 3.17 ACRES, AS SHOWN ON PLAT OF SURVEY RECORDED IN PLAT BOOK 99, PAGE 138, ORANGE COUNTY REGISTRY. PROVIDED THAT THE FOREGOING EASEMENT(S) SHALL AUTOMATICALLY TERMINATE UPON DEDICATION AND ACCEPTANCE OF SAID SERVIENT LAND FOR PUBLIC USE AND MAINTENANCE AS A PUBLICLY MAINTAINED RIGHT OF WAY (AFFECTS BOTH TRACTS).

**NEW LOT 3: (PIN 9873-25-9462)**

BEING ALL THAT 1.15 AC. TRACT SHOWN AS "NEW LOT 3" ON THAT CERTAIN PLAT OF SURVEY ENTITLED "WATERSTONE TRACT 200 SUBDIVISION NEW LOTS 1 & 2", WHICH PLAT IS FILED OF RECORD IN PLAT BOOK 104, PAGE 169, ORANGE COUNTY REGISTRY.



**Waterstone**  
Mixed-Use Development

**MASTER PLAN**  
Proposed Revisions – Parcels 6•15•18•22  
September 2005  
Revised June 2011

