

FREQUENTLY ASKED QUESTIONS

What is a Special Assessment Improvement District (SAID)?

- A SAID is the geographic area in which the market value of real estate is enhanced due to public infrastructure improvements. The cost of the public infrastructure improvements is financed by the issuance of bonds, which are repaid by collection of the special assessments. Payment of the special assessments is secured by a lien on the benefitted property.
- The total assessment is fairly apportioned among the real property parcels within the area benefitted by the improvements to recover some or all of the costs of the public infrastructure improvements. Only the parcels that benefit from the improvements pay the annual assessments. The Town merely acts as a “pass-through,” collecting the assessments so that the bondholders can be paid.

What is the Waterstone Special Assessment Improvement District (SAID)?

- On April 8, 2013, at the request of Waterstone’s Developer, the Town of Hillsborough approved the creation of the Waterstone Special Assessment Improvement District in order to facilitate the construction of needed public infrastructure within the District.
- Completion of the public infrastructure was the Developer’s obligation pursuant to the Waterstone Master Plan approved in March 2004. When the Great Recession took hold in 2008 the Waterstone Developer, Stratford Land, approached the Town to ask for its assistance, in the form of the SAID, to help finance the completion of the public infrastructure as a substitute of institutional financing which was then no longer available.
- On June 24, 2013, the Town of Hillsborough approved the issuance of the Town of Hillsborough, Special Assessment District Revenue Bonds, Series 2013. The proceeds from the bonds have been used by the Developer to fund for the construction of certain public improvements it was required to provide pursuant to the Waterstone Master Plan. Those public improvements include Cates Creek Parkway improvements, the development of a community park and related design, engineering and transaction costs.
- In support of the bonds, the Town also approved on June 24, 2013, a Special Assessment Levy in the amount of \$6.837 million on all benefitted property in the District. The Special Assessment Levy pays for bond principal, two years of capitalized interest, interest to bondholders, administrative fees and other costs. The annual payments due from property owners, except for potential minor variability in annual administrative costs of the District, are fixed over the life of the bonds.
- Certain administrative fees for oversight and required reporting related to the SAID are included in the assessments. The SAID administration cost beginning in 2014 is \$35,000 that increases 2% per year thereafter. The administration cost is fixed over the life of the bonds by this formula.



- The County charges a fee of 3% of the debt service to cover the cost of collection and an additional 2% interest charge on the unpaid balance of the assessments. The fees are based on the cost of service and, once established, are not likely to change. Any change would come only as a result of a County request to the Town and would then be subject to Town Board approval.

How long do property owners need to pay the special assessment levy?

- The structure of the bonds calls for payment of principal and interest over 10.5 years beginning in 2014 through 2024.
- As of the date of this memo, two (2) years of principal have been paid. The total amount of principal remaining on the bonds is \$3,795,000.

How is the Special Assessment Amount for my property determined?

- The amount of assessment that a property owner pays is his/her property's share of the debt service on the bonds (principal and interest), and administration fees for the district.
- At the time the Town approved the original SAID levy in June 2013, the Special Assessment Levy of \$6.837 million was spread over the parcels in the District based on the ratio of each parcel's estimated future assessed value to the District's total estimated future assessed value.
- Since that time, the Town has approved final plats and Special Use Permits for portions of Parcels 1 and 2 of Waterstone Estates (PB112-148 and PB113-51) and Parcel 3 of Waterstone Terrace (PB112-182 and PB113-115). The recorded subdivision of those three parcels required the Town to reapportion those parcel's original 2013 Special Assessment Levy to these residential lots.
- A specific lot's annual installment payment is therefore based on how many lots an original parcel was subdivided into, thereby reapportioning the original assessment to the subdivided parcels.
- On January 27, 2015, the Town approved an ordinance and reapportioned the Special Assessment Levy to the newly subdivided lots in those recently platted parcels.

How will my property's Special Assessment obligation change from year to year?

- The annual Special Assessment Installment amount may change slightly from year to year based on prepayments or terminations of assessments and whether the Town changes the amount imposed for administrative costs.
- The principal and interest on the bonds over the 10.5 year life of the bonds is set as of the date the bonds were sold, October 23, 2013. The bond interest rate was fixed at 7.75% over the life of the bonds.
- In the first quarter of each year, the Town will update the Assessment Roll 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. Any change would be done through a public vote of the Town Board.

Where can I learn more about the Waterstone SAID and SAIDs in general?

An Overview of Special Assessment Bond Authority in North Carolina (University of North Carolina) <http://shopping.netsuite.com/s.nl/c.433425/it.I/id.414/.f>

Community and Economic Development in North Carolina (University of North Carolina)

Town of Hillsborough Special Assessments

<http://ced.sog.unc.edu/town-of-hillsborough-special-assessments-part-i/>

Town of Hillsborough Planning Department, Waterstone Project <http://www.ci.hillsborough.nc.us/dev-project/1927>

Town of Hillsborough, North Carolina Special Assessment Revenue Bonds, Series 2013 Official Statement

<http://emma.msrb.org/EP774747-EP600566-EP1001945.pdf>

Who can I contact if I have questions about my assessment?

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