

Daphne Gillyard

To: Chuck Adams
Subject: RE: Halpin answer to DeSantis

----- Original Message -----

From: Larry Halpin

To: jandgdavidson@embarqmail.com ; 'Bill Hollister' ; jmerittsw@embarqmail.com ; jstrec@embarqmail.com

Cc: dndsantis@comcast.net

Sent: Saturday, October 16, 2010 5:47 PM

Being that I am not a Supervisor of the The Brooks CDDs, I can address this to several of you without crossing in to SunShine issues. I am copying DeSantis on this as a courtesy.

I wish to address points of issue raised in the DeSantis email of October 7, 2010 which he was kind enough to share with apparently everyone having a residence in the subdivisions noted in the 'To:' section of his email. My intent was to make this a short response but I quickly found that there were a few more words involved than I had originally intended. My Apologies !!

I am a licensed Realtor in the State of Florida with about 17 years experience and a full time resident of Shadow Wood. The vast majority of my sales transactions have been in gated communities where there is either a Community Development District (CDD) or a Municipal Service Tax Unit (MSTU). To the best of my knowledge, Pelican Bay, the majority of which is not gated, has never had a CDD simply because the concept of the CDD was not brought in to play until after Pelican Bay was an entity. At a later date, the presence of an MSTU was voted in to existence in Pelican Bay as a necessity to cover common expenses for the community in general. I would say that I am very knowledgeable when it comes to the concept of a CDD / MSTU but that should not infer that I am knowledgeable as to specific financial issues within the Shadow Wood CDDs.

DeSantis reports that the existence of a CDD is a deterrent to real estate sales, especially resales. I have never had a client choose to purchase either a new construction or resale residence in a community where there was a CDD because of the fact that there was a CDD or MSTU in that community. I disagree 100% with DeSantis' comment that the more informed perspective Buyer in Florida is avoiding communities that include CDD assessments. He couldn't be further from the truth if the Buyer has the opportunity to receive the correct input concerning CDDs.

I feel it is important to discuss how the concept of a CDD came about. It was devised initially as a means to 'reduce' the cost of new construction passed along by a builder / developer to a Buyer. The cost of 'infrastructure' was normally buried in the cost to build the residence. And typically prior to the advent of the CDD concept, the Buyer assumed one capital lien at closing, that being the mortgage. Under the umbrella of a CDD, the cost of the infrastructure was taken out of the construction costs and financed through state issued Community Development District bonds. When the Buyer closed on a new residence, that Buyer now assumed two capital liens, one being the aforementioned mortgage, and the second being a capital bond through the CDD. One way or another (mortgage or CDD bond) the new owner is going to pay the cost of infrastructure and the annual O&M as well. This is not a gravy train, you don't get something for nothing. The bond can be paid off at any time but it was designed to run the life of the bond, typically 20 or 30 years. It was designed to pass on through subsequent resales from the Seller to the next owner. It has been my experience that while an owner has every right to pay off the outstanding balance on the bond, that owner, when he becomes a Seller, will not recapture the monies 'invested' to pay down his taxes.

People who do not understand the rationale behind the concept of a CDD, might be easily misled in to feeling that if there is a CDD, there is an increase in tax dollar expense albeit the CDD portion being non-advalem. Actually, the CDD does increase an owner's total tax dollars but it does so while decreasing the master HOA fees in that same community. A line item expense is a line item expense be it an expense in a CDD or an expense in HOA fees. To use the

phrase again, ... One never gets anything for nothing. If one of my clients and I are in a new construction sales office and the 'Seller's Agent ... i.e., the site sales person, states that this community is not a CDD community, I will intentionally stop the conversation and ask them to explain that statement and confront them with the true picture. They do not question me because they know I am right.

CDDs cover common expenses to a master development such as 24 hour gated security, underground utilities and / or utilities above ground such as stop lights, care and maintenance of common areas such as major avenues through the master community, care and maintenance of the waterways in and through the community, etc. Each CDD can be different in what infrastructure items are covered by the district. Whether it be through the concept of a CDD or through a master association HOA, an owner in the master community is going to have to pay these expenses. It is a way to insure that the quality of life that one bought in to when they purchased in the community will be maintained. DeSantis states that at last two nearby communities have advertised "No CDD Assessments". The communities he lists are Rapallo and West Bay Club. I would add The Vineyards to this list of communities publicizing that they do not have a CDD expense. I would ask anyone wishing to research this issue in these communities, that the expense line items typically shown in a CDD O&M annual statement would therefore be expensed through the master HOA. It is the same tiger stripe, just a different expense statement.

My first experience with a CDD was in Pelican Marsh. It was so early in Pelican Marsh's history that people did not understand the concept and, true, certain builders were brought to bear because they failed to disclose the existence of the CDD. This was on new construction sales, not resales ... it was too early for a resale in Pelican Marsh. But it wasn't the CDD that was at fault, it was the dishonesty of one particular builder and one particular developer who were successfully sued. I worked with Chuck Adams when I was the 1st President of the Pelican Marsh Owners Association for two years. (I raised my hand at the wrong time!) Being the President of a master HOA ... or a CDD, is a thankless time consuming obligation. Although it has been 5 – 7 years since I have spoken to Chuck, I know from experience he does his job very well and is not in cahoots with the Board of Supervisors. And as to \$200 a meeting? I wasn't aware of this but for the time spent in preparation and meetings, what a great deal for the CDD !!!

DeSantis states that while first time Buyers be notified if a community includes a CDD, he erroneously states there is no such requirement for a resale. He further states that the advertisements of these communities were probably prompted by real estate agents who are familiar with the outrageous spending of the Brooks CDDs. I suggest that DeSantis is truly misinformed. I would wager a strong guess that these advertisements use this language as prepared by the developers in these communities and not by individual Realtors. If there are individual Realtors using this language in MLS, it is marketing language and marketing language only. How many times do we see these same Realtors use specific come-on words describing the property when, in the eyes of most, these words are not to be the case. True, they may not be CDD communities but that doesn't say that those expenses aren't line-itemed elsewhere. If Buyer's are working with informed Realtor's, 'informed' being a Realtor who understands CDD involvement, this is a non-issue. And I think it is a fair statement that while the majority of owners living in a CDD environment do not understand the concept (or read their tax bills!), a good percentage of professional Realtors probably couldn't intelligently discuss the subject. They know there has to be disclosure but that doesn't mean they understand it.

When DeSantis states that CDD disclosure is not required by the real estate community on resales, I question where he is getting his information. It is certainly not from an informed source. And as I digest his email, DeSantis is representing himself as an informed source. I attach to this email several forms: (1) the sales contract format used by the (NABOR) Naples Area Board of Realtors ... page 2 which specifically provides disclosure that the residence does or does not exist in a CDD / MSTU. # 1 pertains to the sales contract. If one were to check the listing agreement, they would find disclosure of the CDD / MSTU on line 176; (2) further disclosure documentation, not only stating that there is a CDD / MSTU but the amount owed; and (3) the CDD / MSTU disclosure format used by the Florida Association of Realtors. If I, as a licensed Realtor, were to participate in a closing whereby the existence of a CDD / MSTU did exist but it was not disclosed / acknowledged (and signed off on) by both parties, the Buyer could really take me to task, both legally and financially. I could lose my license. Now if a Buyer purchases a property directly from a Seller without Realtor participation, that Seller may not be under the same disclosure requirements. This transaction would commonly be referred to as a For Sale By Owner (FSBO) and then the old adage ... Let the Buyer Beware ... comes in to play.

I suggest that if DeSantis feels so strongly about his CDD feelings, he should run for the position of Supervisor. If he can convince enough voters to buy in to his way of feeling then he would be successfully elected. He would certainly not have my vote.

Sincerely,

Larry Halpin
10060 Northridge Ct.
Bonita Springs, FL 34135
239-513-1414
LHalpin@comcast.net