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Summary:

Ratings On Four Florida Community Development Districts Affirmed; Special Assessments

Primary Credit Analyst:

Kimberly Barrett, Centennial (1) 303-721-4446; Kimberly.Barrett@spglobal.com

Secondary Contact:

Randy T Layman, Centennial 303-721-4109; randy.layman@spglobal.com

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Heritage Landing Comnty Dev Dist SPCLASMT		
Long Term Rating	BBB/Stable	Affirmed
Turnbull Creek Comnty Dev Dist SPCLASMT		
Long Term Rating	BBB/Stable	Affirmed
Turnbull Creek Comnty Dev Dist SPCLASMT		
Long Term Rating	BBB/Stable	Affirmed
Waters Edge Comnty Dev Dist SPCLASMT		
Long Term Rating	BBB+/Stable	Affirmed
Dupree Lakes Comnty Dev Dist		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

S&P Global Ratings affirmed its underlying ratings (SPURs) and long-term ratings on four Florida community development districts (CDDs), one of which has two separate assessment areas and associated series of bonds. A pledge and lien on special assessments secure all the bonds. The outlook is stable.

We affirmed the ratings on the following bond series:

- Dupree Lakes CDD, series 2015 (BBB+/Stable);
- Heritage Landing CDD, series 2015 (BBB/Stable);
- Turnbull Creek CDD, series 2015A-1 and 2015B-1 (BBB/Stable); and
- Waters Edge CDD, series 2015A-1 (BBB+/Stable).

Special assessments are levied to match debt service payments with very limited excess cash flow, so the debt service reserve (DSR) is an important security feature that provides additional liquidity if assessments are not received in full or on time. The four obligors maintain DSRs, funded with different combinations of cash or bond proceeds and investment grade surety bond policies. In our opinion, the DSR provider's investment-grade credit quality mitigates the risk regarding the liquidity's availability should it be needed for debt service payments, and stabilizes a security feature we consider essential to maintaining investment-grade ratings on these bonds.

Securing the bonds are non-ad valorem special assessments imposed and levied on benefited land parcels within each CDD and collected by the respective county in which each district is located.

Dupree Lakes CDD

The district is in Pasco County, just north of Tampa, which is easily accessible via Interstate-75 and the Suncoast Parkway. Securing the bonds are 664 residential parcels within the 465 acre development. The CDD's cash flow is adequate, with net collections providing 1.0x annual debt service coverage. The district can sustain the permanent loss of 3.3% of payers per year and still cover debt service through maturity. Its primary credit strengths are its good overall VTL ratio of 16-to-1 and the fully-developed status of its residential assessment base. Based on the most recent assessment roll, the CDD's market value is \$144.9 million, with a median home market value of \$200,081. The assessment base is not concentrated, because the leading 10 payers account for 3.7% of the total assessment levy.

Heritage Landing CDD

Heritage Landing is on 597 acres in northeast St. Johns County, approximately 37 miles southeast of downtown Jacksonville and three miles north of St. Augustine. We consider St. John's county economic metrics strong, with a median household effective buying income of 121.6% of the U.S and unemployment is 3.7%. Composed of 1,154 fully-developed units (1,106 of which the series 2015 debt service assessments are levied on), the district has a sufficient debt service coverage of 1x MADs. The CDD can cover the loss of the top 10 assessment payers for five years and only lose 2.6% of assessments annually and cover debt service through maturity, which we consider weak. The district has a direct VTL ratio of 14-to-1, and an overall VTL of 13-to-1, with a total assessed value of \$189.87 million in 2017. Assessment payer concentration is moderate, with the top 10 payers representing 10.2% of total assessments. The median home value for the district is low at \$167,353.

Turnbull Creek CDD

The series 2015A bonds have a senior-subordinate structure, but we rate only the 2015A-1 senior bonds. Securing the bonds are special assessments levied on 725 residential parcels (excluding one pre-payment) within the development, which encompasses 499 acres in St. Johns County. The district is roughly 28 miles southeast of Jacksonville, and 11 miles northwest of St. Augustine. Primary credit strengths include the assessment area's very strong cash flows and annual debt service coverage of 1.27x--consistent with the senior-subordinate cash flow structure. This allows the CDD to sustain the loss of the top 10 assessment payers, as well as the permanent loss of 24.2% of payers annually, and still cover debt service through maturity, which we consider very strong. Its overall VTL ratio--inclusive of overlapping county and school district debt--is adequate, in our view, at 12-to-1. The assessment area is 96% vertically developed, with 32 parcels remaining undeveloped in our view, characterized by a VTL ratio under 5-to-1. Based upon the most recent tax roll, the 2015A assessment area's market value is \$170.6 million, with a median home market value of \$236,027. The assessment area has low concentration, in our opinion, with the leading 10 payers accounting for just over 8% of the total levy. Delinquency rates have remained low in recent years, averaging 0.8% over the past three years, with no unsold tax certificates.

The series 2015B bonds also have a senior-subordinate structure; we rate only the 2015B-1 bonds. Securing the bonds are special assessments levied on all 957 residential parcels (excluding two pre-payments) within the development. Primary credit strengths include the CDD's very strong cash flow, with annual debt service coverage of 1.25x, consistent with the 2015B senior-subordinate cash flow structure and allowing the district to cover the loss of the top 10 assessment payers through maturity. In addition, the district can sustain the permanent loss of 25.4% of payers annually and still cover debt service through maturity, which we consider very strong. Its overall VTL ratio is

adequate, in our view, at 12-to-1. The district is 97% vertically developed overall, with the 32 parcels representing all undeveloped exposure. Based upon the most recent tax roll, its market value is \$221.6 million, with a median home market value of \$232,129. The assessment area has low concentration, in our opinion, with the leading 10 payers accounting for 7.8% of the total levy. Delinquency rates have remained low in recent years, averaging 0.8% over the past three years, with no unsold tax certificates.

Waters Edge CDD

The district is in Pasco County, near New Port Richey, close to State Road 52 and the Suncoast Parkway, which provides easy access to Tampa. Securing the bonds are 1,067 residential parcels (excluding two pre-payments) within the 702 acre development. The district's cash flow is relatively strong, with net collections providing 1.05x annual debt service coverage. The CDD can sustain the permanent loss of 7.9% of payers annually and still cover debt service through maturity. Other credit strengths include the district's good overall VTL ratio of 14-to-1 and the fully-developed status of its residential assessment base. Based on the most recent assessment roll, the district's market value is \$197.4 million, with a median home market value of \$191,112. The assessment base is moderately concentrated, as the leading 10 payers account for 9.06% of the total assessment levy.

Outlook

The stable outlook reflects our belief that special-assessment collections will be sufficient to pay debt service on the bonds during the two-year outlook horizon. We do not expect to raise or lower the ratings over the two-year outlook horizon.

Upside scenario

Factors that we would consider for an upgrade include improved direct and overall value-to-lien (VTL) ratios, continued growth in market values and the local economy, and greater assessment payer diversity. However, we believe the bonds' narrow revenue streams and the districts' lack of revenue-raising flexibility limit the upward rating potential.

Downside scenario

If market values in the district decline and result in lower overall VTL ratios, assessment payer concentration increases, or delinquencies rise and demand for tax certificates fall, we could consider lowering the rating.

Related Research

Special Assessment Bond Ratings Are Trending Up As The U.S. Economic Recovery Continues, March 28, 2016

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