

Minutes of Meeting
Armstrong Community Development District

The August 2, 2017 meeting of the Board of Supervisors of the Armstrong Community Development District was continued and reconvened August 17, 2017 at 3:30 p.m. at the Eagle Landing Sales Center, 3973 Eagle Landing Parkway, Orange Park, Florida.

Present and constituting a quorum were:

Roger Arrowsmith	Chairman
Marilyn Ayers	Vice Chairperson
Mike Taylor	Supervisor
Grady Miers	Supervisor (by telephone)

Also present were:

James Perry	District Manger
Katie Buchanan	District Counsel
Jennings Cooksey	Hopping Green & Sams
Keith Hadden	District Engineer
Peter Dame	Bond Counsel
Dean Vincent	Armstrong Ventures
Jennifer LaRocco	Gray Robinson (by telephone)
Greg Kern	Greenpointe (by telephone)

FIRST ORDER OF BUSINESS

Roll Call

Mr. Perry called the reconvened meeting to order at 3:30 p.m.

SECOND ORDER OF BUSINESS

Public Comment

There being none, the next item followed.

THIRD ORDER OF BUSINESS

Organizational Matters

A. Acceptance of Resignation Letter from Keith Jones

On MOTION by Mr. Taylor seconded by Ms. Ayers with all in favor Keith Jones' resignation was accepted.

B. Appointment of New Supervisor to Fill the unexpired Term of Office (11/2020)

Mr. Perry stated we have an open supervisor seat with a term that expires in November 2020. Are there any nominations for that seat at this time?

On MOTION by Mr. Taylor seconded by Mr. Arrowsmith with all in favor Grady Miers was appointed to fill the unexpired term of office.

C. Oath of Office for Newly Elected Supervisor

Mr. Perry stated we will swear him in at some point in time.

D. Election of Officers, Resolution 2017-13

Mr. Perry stated this resolution will keep your current slate and add Grady Miers as an assistant secretary.

On MOTION by Mr. Taylor seconded by Ms. Ayers with all in favor Resolution 2017-13 adding Grady Miers as an assistant secretary was approved.

FOURTH ORDER OF BUSINESS

Consideration of Greyhawk Phase I Construction Services

Mr. Perry stated item four is consideration of Greyhawk Phase 1 construction services.

Ms. Buchanan stated similar to how we did this when we considered proposals for Tynes Boulevard we can have Mike Taylor make his recommendation to the board and at that point you can decide if you want to revise his recommendation and update it with your own opinions or whether you would like to adopt it in whole.

Mr. Taylor stated we received six bids all of which are listed on the sheet in front of you and we evaluated everybody on that ranking criteria, personnel, experience, scope of work, schedule and price. It is my recommendation that we move forward with Jr. Davis as the lowest qualified bidder. If anyone has questions on the methodology of how the district engineer and I reviewed the bids I am open to questions.

Mr. Arrowsmith asked is this for all of the lots or just for Phase 1?

Mr. Taylor responded it is just for Phase 1, 200 lots.

Ms. LaRocco joined the meeting by telephone at this time.

Mr. Kern joined the meeting by telephone at this time.

Mr. Arrowsmith stated along the same lines that we have always done before I don't have any issue with it from my standpoint.

Ms. Buchanan stated I think we have already talked about this but just to let you know that should there be a challenge they have 72 hours from the district's decision to file that notice of protest. If there is a challenge then they have seven days after that to file a formal protest and at that point we would decide how we are going to proceed, whether disputing it or rebidding it. What I suggest is if there are no other discussion items that we adopt the rankings as Mr. Taylor recommends, authorize district staff to put out a notice of intent and rankings and negotiate the initial form of contract

On MOTION by Ms. Ayers seconded by Mr. Arrowsmith with all in favor the rankings recommended by Mr. Taylor were adopted district staff was authorized to put out a notice of intent and rankings and negotiate the initial form of contract for Greyhawk Phase 1.

FIFTH ORDER OF BUSINESS

Public Hearing on Imposition of Special Assessments

Ms. Buchanan stated this is something that we are doing in connection with the financing we are undertaking as we do traditionally.

Mr. Miers joined the meeting by telephone at this time.

Ms. Buchanan stated as we traditionally do we will initially levy a master lien and that will be in the amount of the entire improvement plan, which was just shy of \$24 million. Once we move forward and actually figure out the amount of bonds that we are issuing, the interest rates, the terms and things like that we will come back formally adopt the supplemental assessment resolution and bring that down to what is the anticipated amount will be and users will pay. Today we are going to adopt the master lien and discuss the drafts of the supplemental engineer's report and supplemental assessment methodology to give you an idea of where we are heading and we are also going to approve the delegation resolution that Peter is going to present. The preliminary offering statement will be used to inform potential purchasers of the proposed bonds and related matters.

On MOTION by Mr. Arrowsmith seconded by Mr. Taylor with all in favor the public hearing was opened.

A. Consideration of Engineer's Report

Ms. Buchanan stated Keith has previously presented his master engineer's report and if anyone has any questions on the master they can ask them now otherwise we will have Jim update the board on changes he made to his initial master report.

B. Consideration of Special Assessment Allocation Report

Mr. Perry stated you have the current draft and it does reflect all comments I have received to date the biggest thing is the terminology. We have an assessment report for the single-family assessment area, which is like a master report for the 500 single family units that will be eventually developed or planned to be developed. This report reflects the total amount of capital improvement plan of approximately \$24 million and I know there was some discussion that some of those numbers may change so we would ask the board to consider this in substantial form but materially I don't think there is going to be that much of a change in this report. The only other thing is in regard to Table 7 we will have a description of those lands added. As far as the amounts and so forth they are substantially accurate depending upon the minor tweaks to the engineer's report.

Mr. Arrowsmith stated the only thing I would ask from a district standpoint is as we always do be sure that everything is being done properly to protect the tax-exempt status of the bonds of the district.

Ms. Buchanan stated right, Peter will walk you through the documents and there are various certificates that our firm, bond counsel, the engineer and assessment methodology consultant all have to attest to verify that the information and the law we are relying on is true and correct. Generally you have to get a few questions on the record of these assessments hearings for the master methodology. For context we always want to make sure that these assessments are valid, which means we want to make sure the land receives a benefit from the improvements and that the special assessments are reasonably apportioned among the lands subject to the special assessments.

Mr. Perry stated the lands do receive benefit and it is spelled out in the methodology.

Ms. Buchanan asked and they are reasonably apportioned?

Mr. Perry responded they are.

Ms. Buchanan asked it is reasonable, proper and just to assess the cost of the CIP in accordance with your methodology?

Mr. Perry responded it is.

Ms. Buchanan asked do you believe the benefit they receive is equal to or in excess of the amount of the assessments?

Mr. Perry responded it is.

Ms. Buchanan asked do you believe it is in the best interests of the district that the assessments be paid and collected?

Mr. Perry responded most definitely.

Ms. Buchanan stated Keith, you are the one who authored the engineer's report. Is it also your opinion that the improvements contained in the engineer's report provide special benefit to the single-family assessment area?

Mr. Hadden responded yes.

Ms. Buchanan asked and you believe the plan is feasible for construction and the costs that you have included are proposed to be fair and reasonable?

Mr. Hadden responded yes.

Ms. Buchanan stated unless there are any questions or comments from the public I suggest we go ahead and move forward with the resolution.

Mr. Taylor asked on table 4 is the interest rate just an estimate at this time?

Mr. Perry responded it is. Keep in mind that on Table 4 to give you some flexibility we typically add a higher interest rate than you will probably end up with and what the bonds will be issued as. It also provides on that an estimate of 18 months capitalized interest and that can vary too as to where you end up with your bonds.

C. Consideration of Resolution 2017-09 Equalizing and Levying Special Assessments

Ms. Buchanan stated the assessment resolution is 2017-09. I will briefly go through the sections of the resolution and let me know if you have any questions. Section 1 identifies the board's authority to adopt the resolution and section 2 makes certain findings based on the steps taken to date as well as the evidence presented at today's hearing. Section 3 approves the master project and section 4 approves the costs of the project and the costs to be paid by special

assessments. Section 5 equalizes, approves, confirms and levies the special assessments and Section 6 provides for the allocation and collection of the same. Section 7 provides for prepayment and the method of collection of the special assessments. Section 8 specifically provides for the application of true-up payments. Section 9 provides that certain property owned by government and property owner associations will be exempt from special assessments and section 10 provides for the reporting of the assessment notice in the property records. Sections 11, 12, and 13 are more administrative in nature and I'm happy to answer any questions you may have about the resolution.

If we wrap this up and we have essentially put the master lien in place so that is the end of the first of our financing project. Are we comfortable with the umbrella lien we have discussed and ready to move on to the next?

Mr. Arrowsmith stated yes.

Ms. Buchanan stated I will ask for a motion to adopt Resolution 2017-09.

On MOTION by Mr. Taylor seconded by Ms. Ayers with all in favor Resolution 2017-09 was approved.

On MOTION by Mr. Arrowsmith seconded by Mr. Taylor with all in favor the public hearing was closed.

SIXTH ORDER OF BUSINESS

Consideration of Matters Related to Project Finance

A. Consideration of Supplemental Engineer's Report

Mr. Hadden stated what you have is dated August 17th and we just updated it for the two other lots and we had to put money in for the amenity areas and contingencies. Because we have already bid the project we have real numbers.

Mr. Taylor stated the amenity area and neighborhood parks that number \$3.5 million that is inclusive of all the stuff that was on the concept plan that we reviewed.

Mr. Hadden stated correct.

Mr. Taylor stated which includes a pool, tennis court, playground and parking.

Mr. Hadden stated yes.

Ms. Buchanan stated the first three categories, stormwater management, roads and utilities are all drawn from the contract that was just awarded. We have professional services as

well as contingency to give us a total project cost of approximately \$9.8 million for the 2017 project. You will note that we do need to fill in the permit status and dates but those things exist as they are and we will add them and make sure they are incorporated in the final record. Today I would like you to approve the use of this report and the inclusion of the PLOM and if we have any adjustments we will certainly bring back a final copy at the meeting we have prior to closing.

On MOTION by Mr. Taylor seconded by Ms. Ayers with all in favor the supplemental engineer's report was approved.

B. Consideration of Supplemental Assessment Methodology Report

Mr. Perry stated you have in front of you a supplemental special assessment methodology report anticipating a Series 2017A and B capital improvement bonds and it is going to be referred to as Assessment Area 1 and that is going to be comprised of 200 single-family lots. The numbers in regards to the financing at this point in time and the structure are estimates, they are not final numbers and once this is priced and the terms have been completed we will come back with a report that will say final numbers and that will be reflective of the bonds that are going to be issued. At this point in time it will yield a little over \$5.4 million in construction funds, it does provide for a capitalized interest period of about 13 ½ months and the way the bonds are set up are in tranches so that the average coupon rate right now for the A and B Bonds is 5.25%. Again this is only going to be applicable to the 200 lots and we also have attached to this the legal description of Parcel A and Parcel B. The only other thing to note is it is on an ERU basis so there is some differentiation in regards to the size of the lot and debt that is assigned and the assessments.

Mr. Arrowsmith asked what is the designation of the A's and B's?

Mr. Perry stated the A's are going to be over a 30 year term and the B's are going to be over possibly a 12 year term, that is still floating.

Mr. Taylor stated I believe the legal that is attached to the supplemental was based on the recorded plat. Is that correct?

Ms. Buchanan stated it is, we tweaked it a little bit to pick up that first paragraph starting with the second paragraph and we will change the plat reference.

Mr. Taylor stated this is dated August 17th, the one in the binders is August 16th. Is this to be substituted?

Mr. Perry responded yes.

Ms. Buchanan stated we would request that this document be approved in substantial form and authorize its use in the preliminary offering memorandum with the understanding that we will bring back the final form at our next board meeting.

On MOTION by Ms. Ayers seconded by Mr. Arrowsmith with all in favor the supplemental assessment methodology report was approved in substantial form.

C. Consideration of Resolution 2017-10 Authorizing the Issuance of Special Assessment Revenue Bonds, Series 2017

- 1. Exhibit A – Supplemental Indentures**
- 2. Exhibit B – Bond Purchase Contract**
- 3. Exhibit C – Preliminary Limited Offering Memorandum**
- 4. Exhibit D – Disclosure Documents**

Mr. Dame stated the next item in front of you is a resolution to authorize the issuance of the bonds. You have heard the discussion of what the project is, what the assessments are going to be, now we get to the point of how we are going to borrow the money to finance it.

This resolution does a number of things. The bonds will be issued by the district, they are payable only through special assessments to be collected in the Assessment Area 1. The resolution authorizes various documents to be used in connection with the financing. As you will remember back in January we authorized bonds, we went to court to validate them, they were validated so the big master indenture is done and this has the supplemental details just for this bond issuance. The supplemental indenture that is attached and approved in substantial form to this resolution actually will set out the terms of the interest rates and other details of the bonds once they determine the pricing. This document also authorizes the finalization of the preliminary offering memorandum and subsequently a final offering memorandum, which is used to market the bonds to investors. A form of that is available that was attached in the agenda package for the meeting before, which was continued and it has not been particularly changed insofar as the district details go. We have more details available and we have an updated version here at the table, details about the developer and the development have been added those are really signed off by the developer and the district. The form you had that deals with the district is still substantially correct. The resolution also approves the form of

the bond purchase contract with the underwriters and authorizes the chairman to finalize that and to go out and allow the underwriter to market the bond, it delegates to the chairman the authority to accept and agree upon the actual interest rates, maturities and other details of the bonds. In section 5 of this resolution there are some parameters that are set forth to limit that delegation and discretion to the chairman and make sure that the details of the bonds come in within those parameters. I think it is helpful to look at those parameters and be sure. These are the upside limits they are above what I think we really anticipate that they will come in but they do provide a cap on what the chairman is authorized to do. The principal amount of the bonds is limited to an aggregate of \$10 million, the interest rate doesn't seek the maximum rate permitted by Florida Statutes, which for this month if we market the bonds this month, which I think we are anticipating we may is 6.52% that is the maximum rate, that is reset every month so if we market in September it will go up or down a little bit. The underwriter's discount is not more than 2% of the principal amount of the bonds and that is the compensation to the underwriters. The bonds will be subject to optional redemption not later than 2033, that is sort of driven by the market but it is normally 10 years or thereabout, the final maturity of the bonds not later than 2049, again that is the final maturity. The document also approves the form of the continuing disclosure agreement, which is how the district going forward will make disclosures to bondholders on an ongoing basis. It broadly authorizes the officers and staff of the district to go forward and do other actions necessary to finalize the marketing of the bonds, to issue the bonds and to close the bonds once all those details are attended to. I'm happy to answer any questions about this or the details of any of the various exhibits and documents.

Mr. Taylor asked the next step after this, what takes place?

Mr. Dame responded the next step after this is we will finalize the preliminary offering memorandum, get it sent to investors and then the underwriter will market the bonds. The next step for the board is to sign the bond purchase agreement and then a week or two after we sign the bond purchase agreement we will actually close on delivery of the bonds.

On MOTION by Mr. Arrowsmith seconded by Mr. Taylor with all in favor Resolution 2017-10 was approved.

D. Consideration of Developer Agreements

1. Acquisition Agreement

Ms. Buchanan stated next is what we generally call developer agreements and something that I think most of you are familiar with. In addition to the special assessments we do request the developer to sign several agreements to shore up the terms of the deal. First would be the acquisition agreement and this is between Greyhawk Venture and the district and it relates to the terms by which the district will acquire work products, real property or improvements. In this instance we are strictly limiting it to work product and improvements. These forms are similar to what we typically prepare in these deals. I request that the acquisition agreement be approved in substantial form to allow for any modifications the developer's counsel might request between now and the next board meeting. We can always bring it back for final approval at the next board meeting I just want to make sure we discussed this.

Mr. Arrowsmith stated you are saying work product but doesn't the CDD own the land that the recreation facilities will be on?

Ms. Buchanan stated we don't yet but we will. If there is an instance in which Greyhawk has requested Hadden Engineering to prepare plans and they wanted the district to acquire those plans that would be an example.

Mr. Taylor asked has developer's counsel reviewed this document?

Ms. Buchanan stated no that is why I requested it be approved in substantial form.

Mr. Perry stated this document is consistent with other documents of its kind.

Ms. Buchanan stated this will only relate to the 2017 Project, which is serving 200 lots.

On MOTION by Mr. Taylor seconded by Mr. Arrowsmith with all in favor the acquisition agreement was approved in substantial form.

2. Collateral Assignment Agreement

Ms. Buchanan stated next is the collateral assignment and assumption of development rights. Typically when there is a default in the district the district has the ability to foreclose the special assessments and take the dirt, the land. The collateral assignment ensures the district is also entitled to private development rights that run along with the project. All of these rights are listed in subsection 2 and they span from the covenants of the HOA, engineering plans, plats, architectural plans, permits, contracts, and any other related matters. Although this agreement is recorded immediately in connection with the bond issuance it basically lies inactive unless and

until there is a default. As the landowner sells property to builders or end users it falls off. It is not intended to cloud a title it should have no affect on that. I would like to request that it be approved in substantial form to make sure the developer's counsel doesn't have any additional modifications. I will point out that these are similar to other forms that we have used in the past.

On MOTION by Mr. Ayers seconded by Mr. Taylor with all in favor the collateral assignment agreement was approved in substantial form.

3. Completion Agreement

Ms. Buchanan stated next is the completion agreement, generally we all acknowledge and are aware that the 2017 Project is valued at approximately \$9 million to \$10 million and it is unlikely that proceeds will cover the full value of the project. This completion agreement will require the landowner to move forward and complete all the projects included in the 2017 Project with one big exception. The amenity center will be required to be completed but it will be eligible for reimbursement from future bond issuance. Generally the completion obligation relates only to the infrastructure necessary to complete the 200 lots in the 2017 Project with the exception that the amenity center will be eligible for reimbursement from future bond proceeds.

Mr. Arrowsmith asked does that mean the amenity does not need to be built now?

Mr. Taylor stated it will be scheduled to be built as soon as we get it designed and as part of our purchase agreements with our builders we have to show commitments that we have it funded. As soon as we complete the engineering and design we intend to start fairly soon after that.

Mr. Arrowsmith asked would new bonds be issued to do that?

Mr. Taylor stated not on the initial start up of the amenities but it might be needed to get other issuance to get reimbursed.

Ms. Buchanan stated the long-term plan is not to have overlapping bonds or have separate assessment areas.

Mr. Arrowsmith asked everyone pays for the amenities?

Mr. Taylor responded yes, everyone pays. Where does it talk about the amenity center?

Ms. Buchanan stated section 2 subparagraph f.

On MOTION by Mr. Taylor seconded by Ms. Ayers with all in favor the completion agreement was approved in substantial form.

4. True-Up Agreement

Ms. Buchanan stated we covered generally how we acquire improvements from the developer, we covered what happens if we don't have sufficient proceeds to finish the improvements, we also covered what happens if there is a default on the bonds. This agreement deals with what happens if the development plan changes. Right now the assessments are anticipated to be allocated over 200 units and every unit bears an assessment assigned via the methodology. If somehow that product mix changes or the number of units decreases then it is possible that the district within the confines of the methodology wouldn't be able to collect sufficient money to repay bonds. This agreement requires the landowner to true-up that difference if there is a change in the allocation or the number of units. Every time a plat is filed it would be provided to GMS and Jim and Keith would go through and do a calculation and compare the gross acres and compare the maximum set in the methodology to the balance of the bonds left to be assigned and if there is a difference that true-up amount is necessary to be paid. It runs with the land and is also a recorded document so it would affect potential purchasers.

Mr. Taylor asked can someone tie in the \$30 million aggregate principal on page one?

Ms. Buchanan stated that is what we validated. There are three levels, what we go to court to get permission for, what we issue and then there is a third one and that is to the dime what we issue bonds for.

Mr. Dame stated the true-up agreement ties to the assessment methodology so that the amount you see eventually ends up with the final assessment methodology numbers and that will dictate what the actual true-up is.

On MOTION by Mr. Taylor seconded by Ms. Ayers with all in favor the true-up agreement was approved in substantial form.

E. Consideration of Dissemination Agent Agreement

Ms. Buchanan stated next is the dissemination agent agreement and we generally suggest that the district enter into an agreement with your manager to ensure that the disclosure requirements in the indenture and PLOM are complied with. The developer will accumulate

information provide it to GMS they will package it and distribute it to bondholders the district will do the same so this is an agreement with GMS to provide those services.

On MOTION by Mr. Taylor seconded by Mr. Arrowsmith with all in favor the dissemination agent agreement with GMS was approved.

F. Consideration of Notice of Series 2017A Special Assessments

G. Consideration of Notice of Series 2017B Special Assessments

Ms. Buchanan stated the last two are informational only once we do finalize the bond issuances and our supplemental assessments we will report in the official record notice of assessments. That way when someone does take title to the property it will show up in their title report that these are subject to assessments levied by the CDD.

On MOTION by Mr. Taylor seconded by Ms. Ayers with all in favor the notice of the series 2017A special assessments was approved.

SEVENTH ORDER OF BUSINESS

Staff Reports

A. District Counsel

There being none, the next item followed.

B. District Engineer

There being none, the next item followed.

C. District Manager – Discussion of Meeting Schedule

Mr. Perry stated the only thing I have is discussion of meeting schedule for next fiscal year. We do have a proposed schedule but we don't have to act on it today if you want to check your calendars we can do this at the next meeting.

Mr. Arrowsmith asked what is reasonable as far as the number what we think we will have to have?

Ms. Buchanan stated you are going to have bond issues, requisitions and change orders that will likely have to be approved for the project as well as potential change orders and items at

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the time. At this point I suggest we keep our monthly schedule and we can cancel if there is no business to be conducted.

Mr. Perry stated we will put this on the next agenda.

EIGHTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

There being none, the next item followed.

NINTH ORDER OF BUSINESS

Next Scheduled Meeting – 09/06/17 at 3:30 p.m. at the Eagle Landing Sales Center

Mr. Perry stated the next meeting is scheduled for September 6, 2017 at 3:30 p.m. in the same location.

On MOTION by Ms. Ayers seconded by Mr. Taylor with all in favor the meeting adjourned at 4:12 p.m.


Secretary/Assistant Secretary


Chairperson/Vice Chairperson