

# RatingsDirect®

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## Country Walk Community Development District, Florida; Special Assessments

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# Country Walk Community Development District, Florida; Special Assessments

Credit Profile		
Country Walk Comnty Dev Dist SPCLASMT		
<i>Long Term Rating</i>	A-/Stable	Upgraded
East Pk Comnty Dev Dist SPCLASMT		
<i>Long Term Rating</i>	BBB+/Stable	Affirmed
Heritage Park Comnty Dev Dist spl assessment bnds		
<i>Long Term Rating</i>	A-/Stable	Affirmed
Waterlefe Comnty Dev Dist cap imp rfdg bnds		
<i>Long Term Rating</i>	BBB+/Stable	Affirmed
<b>Mediterra South Comnty Dev Dist cap imp</b>		
<i>Long Term Rating</i>	A-/Positive	Affirmed

## Rationale

S&P Global Ratings has raised its long-term rating on Country Walk Community Development District (CDD) Fla.'s series 2015A-1 special assessment bonds. At the same time, S&P Global Ratings has affirmed its underlying ratings (SPURs) and long-term ratings on four other Florida CDDs secured by a pledge and lien on special assessments. The outlook on all ratings is stable, with the exception of Mediterra South, which we have affirmed with a positive outlook. In addition, we are withdrawing our rating on Country Greens CDD series 2003 bonds, as they were refunded in 2016. (See list of rating actions below.)

Special assessments are levied to match debt service payments with very limited excess cash flow; therefore, the debt service reserve (DSR) is an important security feature that provides additional liquidity if assessments are not received in full or on a timely basis. The five obligors in this review all maintain DSRs, funded at varying levels through varying investment-grade surety bond providers. In our opinion, the investment-grade credit quality of the DSR provider provides comfort regarding the availability of this liquidity should it be needed to make debt service payments and stabilizes a security feature we consider essential to maintaining investment-grade ratings on these bonds.

The bonds are secured by 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.

The upgrade on Country Walk CDD reflects further development within the district, which resulted in decreased assessment payer concentration, higher overall market value, and higher value-to-lien ratios.

We raised the rating on the following bond series:

- Country Walk CDD, series 2015A-1 to A-/Stable from BBB+/Stable.

We affirmed the ratings on the following bond series:

- East Park CDD, series 2013A: BBB+/Stable
- Heritage Park CDD, series 2013: A-/Stable
- Mediterra South CDD, series 2012: A-/Positive
- Waterlefe CDD, series 2012: BBB+/Stable

## Outlook

The stable outlook reflects our belief that special-assessment collections will be sufficient to pay debt service on the bonds over the two-year outlook horizon. We believe the bonds' narrow revenue streams and the districts' lack of revenue-raising flexibility limit the upward rating potential. Given the stable outlooks, we do not anticipate changing the ratings over the two-year outlook horizon.

### Upside scenario

Factors that we would consider for a higher rating include improved direct and overall value-to-lien ratios relative to those of higher-rated peers, continued growth in market values and the local economy, and greater assessment payer diversity.

### Downside scenario

Should market values in the districts decline and result in lower overall value-to-lien ratios, should assessment payer concentration increase, or should delinquencies rise and demand for tax certificates fall, we could consider lowering the ratings.

## Community Development Districts

### Country Walk CDD

Primary credit strengths include the district's very strong cash flow with annual debt service coverage of 1.4x; ability to cover the loss of its top 10 assessment payers for the life of the bonds; and good overall value-to-lien ratio of 17 to 1. The bonds are secured by special assessments levied on certain residential parcels within the development (890 units, 85 of which have pre-paid) that encompass 491 acres in Pasco County. The district is located in an area known as Wesley Chapel, about 23 miles north of Tampa. Based on the most recent assessment roll, the CDD's market value is \$154.4 million, with a median market value of \$206,506. The assessment base is moderately concentrated, with the leading 10 payers accounting for 22.5% of the total assessment levy. This is primarily due to the fact that some of the parcels are still owned by the district itself or the builder and are not fully developed. The upgrade reflects substantial further development within the CDD since our last review, which resulted in decreased assessment payer concentration, as well as higher overall market value and higher value-to-lien ratios.

### East Park CDD

East Park is located in Orange County in the southeastern portion of the City of Orlando. Composed of 880 single-family and triplex residential units--in addition to roughly 383,000 square feet of commercial space--the district has very strong debt service coverage of 1.6x, corresponding with a senior-subordinate structure. Also among its

strengths, the CDD has the ability to cover the loss of the top 10 payers through maturity, and can lose 41% of assessments annually and cover debt service through maturity, which we consider strong. The district has a direct value-to-lien ratio of 45 and an overall value-to-lien ratio of 31, with a total assessed value of \$175.7 million in 2017. Offsetting weaknesses for East Park include a high level of undeveloped residential and commercial exposure, with 27% of the assessment area remaining undeveloped. Assessment payer concentration is very high, with the top 10 payers representing 30% of total assessments, and the single largest payer, Lake Nona Medical Center, representing 17% of assessments. The medical center was previously billed directly by the district but is now included in the tax roll, and as a result, largely contributes to the CDD's high delinquency rates, which averaged 20% over the past three years. The median home value for the district is low at \$175,791.

### Heritage Park CDD

Primary credit strengths include the district's good overall value-to-lien ratio of 19 to 1 and diverse, built-out residential assessment base. The bonds are secured by special assessments levied on certain residential parcels within the development (703 units), which encompass 392 acres in unincorporated St. Johns County near the City of St. Augustine. All residential units have been sold to end users. Based on the most recent assessment roll, the district's market value is \$108.8 million, with a median market value of \$150,630. The assessment base is not concentrated, as the leading 10 payers account for only 4.36% of the total assessment levy.

### Mediterra South CDD

Primary credit strengths include the district's very strong overall value-to-lien ratio of 84 to 1; strong cash flow position, which allows the district to cover the loss of its top 10 assessment payers for 13 out of 14 years remaining for the life of the bonds; and diverse, built-out residential assessment base. The bonds are secured by special assessments levied on certain residential parcels within the development (733 units), which encompass 1,675 acres within Collier County. The CDD is located 7 miles north of the City of Naples and 25 miles south of the City of Fort Meyers. Based on the most recent assessment roll, the district's overall market value is \$745.8 million, and the median market value is \$782,903, which is a relatively high home value for Florida. The assessment base is not concentrated, as the leading 10 payers account for 5.9% of the total assessment levy.

### Waterlefe CDD

Primary credit strengths include the district's very strong overall value-to-lien ratio of 48 to 1 and diverse, built-out residential assessment base. The bonds are secured by special assessments levied on certain residential parcels within the development (588 units), which encompass 458 acres in Manatee County. The district is located about 20 minutes northeast of Sarasota and 15 minutes east of Bradenton. All units have been sold to end users. Based on the most recent assessment roll, the CDD's market value is \$183.2 million, with a median market value of \$286,915. The assessment base is not concentrated, as the leading 10 payers account for 6.95% of the total assessment levy.

## Ratings Detail (As Of April 28, 2017)

Country Greens Community Development District sr spl assess rev rfdg bnds

Long Term Rating

NR

Withdrawn

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