
Memorandum

To: Scott Thayer, Senior Vice President, Castle & Cooke, Inc.
Cc: Laura Whitaker, President, Castle & Cooke, Inc.
From: Sunit Patel, Principal
Date: January 5, 2017
Re: **Saddle Creek Community Services District – Proposed Revised Special Tax Rate**

Per your request, we have prepared this memorandum to provide a summary of our comments and recommendations relating to the proposed revised special taxes of the Saddle Creek Community Services District as described in the “Proposed Special Tax Rate Structure” letter report prepared by NBS dated December 16, 2016 (the “NBS Report”).

Our primary concerns and recommendations with respect to the NBS Report are as follows:

Sport Club Property:

The NBS Report states the following “...the assigned benefit factor for the sports club property must take into consideration that the Saddle Creek sports club is exclusive to property owners of Saddle Creek and guests staying at the Lodge Bungalows. To recognize the limited benefit from capital improvements and services, from non-homeowner guests of the sport club, the calculated benefit factor of 1.50 has been adjusted to 25% of the calculated rate.”

In our opinion, the Sports Club Property should be exempt from the special tax as it is an exclusive amenity solely for the benefit and enjoyment of residents of Saddle Creek. Any use of the Sports Club Property by guests of homeowners or the Lodge Bungalows (which are currently taxed as Residential Lots and will continue to be subject to the Residential Lot special tax) is simply a by-product of direct use by residential (or Lodge Bungalow) property and does not warrant attributing any specific benefit factor to the Sport Club Property for use by the general public.

Golf Course Property:

The NBS Report states the following “The Saddle Creek Golf Club is not a private course that is exclusive to the residents of only Saddle Creek, but is a public golf course that is open to everyone...it is recognized that there are some golfers who may also be homeowners within the Saddle Creek development. To account for those golfers who may also be homeowners within



Saddle Creek, and to provide a comparison, the calculated benefit factor for the golf course property has been adjusted to 75% of the calculated rate”.

We agree with the approach used by NBS of adjusting the benefit factor in order to capture only the share of the Golf Course Property used by the general public, however, the 75% ratio appears to be significantly overstated. Based on information reported by Castle & Cooke, the proportion of Golf Course Property used by the general public is approximately 40%. Accordingly, we recommend revising the Assigned Benefit Factor for Golf Course Property from 37.50 (50 x 75%) to **20.0** (50 x 40%).

Additionally, given that the majority of the CSD operating budget is related to street maintenance, landscape maintenance, and other functions directly benefitting the residential areas, we recommend further adjusting the special tax applicable to Golf Course Property based on only those components of the operating budget which are allocable to the general public’s use of the Golf Course Property. For example, with respect to streets, only the segment of Saddle Creek Drive from the entry gate to the Saddle Creek Lodge would be used by the general public.

Below is a comparison of the special tax rate (fiscal year 2017-18), benefit factors, and revenue breakdown as currently proposed and as proposed herein (except for the additional budget-based reduction to the Golf Course Property allocation as noted in the immediately preceding paragraph):

CURRENTLY PROPOSED:

Special Tax per Benefit Unit ==>>>						\$ 1,703
	Taxable Units/Acres	Calculated Benefit Factor per Unit/Acre	Benefit %	Assigned Benefit Factor	Benefit Units	Special Tax Revenue
Residential Lots ¹	560.00	1.00	100.0%	1.00 per unit	560.00	\$ 953,680
Undeveloped Large Lot	265.93	1.68	25.0%	0.42 per acre	111.69	\$ 190,209
Golf Course	1.00	50.00	75.0%	37.50 per GC	37.50	\$ 63,863
Sports Club	3.15	1.50	25.0%	0.375 per acre	1.18	\$ 2,012
Total					710.37	\$ 1,209,763

¹ Includes Lodge Bungalows (17 Lots).

PROPOSED REVISION:

Special Tax per Benefit Unit ==>>>						\$ 1,749
	Taxable Units/Acres	Calculated Benefit Factor per Unit/Acre	Benefit %	Assigned Benefit Factor	Benefit Units	Special Tax Revenue
Residential Lots ¹	560.00	1.00	100.0%	1.00 per unit	560.00	\$ 979,437
Undeveloped Large Lot	265.93	1.68	25.0%	0.42 per acre	111.69	\$ 195,346
Golf Course	1.00	50.00	40.0%	20.00 per GC	20.00	\$ 34,980
Sports Club	3.15	1.50	0.0%	- per acre	-	\$ -
Total					691.69	\$ 1,209,763

¹ Includes Lodge Bungalows (17 Lots).

As you know, our comments and recommendations set forth herein are based on review of a limited amount of information available as of the date of this memorandum, and therefore such comments and recommendations are subject to change based upon review of additional information and further analysis.

Please do not hesitate to call me with any questions or comments.