

**REPSONSE TO RESIDENT QUESTIONS RELATIVE TO NEW TOWN
NEIGHBORHOOD IMPROVEMENT DISTRICT**

Note from City Staff: The answers to these questions were obtained from a review of the Neighborhood Improvement District Act, Sections 67.453 through 67.475 of the Revised Statutes of Missouri and the New Town at St. Charles Neighborhood Improvement District Ordinances and supporting documents on file in the City Clerk's office. Questions are verbatim as received from residents. Some questions may be similar or repetitive.

1. QUESTION: "What does G.O. mean and how do they work?"

ANSWER: G.O. means general obligation. The NID obligation is a limited GO obligation which is backed by the full faith and credit of the City but not by the taxing power.

2. QUESTION: "Are the NID assessments for the increased development costs of our amenities, such as lake borders, wider sidewalks, aluminum streetlights, pump stations, etc as opposed to "standard" assessments? If so, how were standard assessment costs determined?"

ANSWER: The annual NID assessment is equal to the annual principal and interest payment on the NID obligation. Each property owner's assessment is based on the square footage of the lot. The NID obligations finance certain statutorily defined improvements. See Section 67.453(5) RSMo. Examples include streets, sidewalks, sewerage system, water system and street signs. The NID improvements provide amenities and enhancements generally not available in most developments and to finance these at the reduced interest rates available from GO bonds. Better product financed at a reduced interest rate.

3. QUESTION: "Who is liable for the maintenance of these amenity upgrades...our general property tax revenue?"

ANSWER: Maintenance responsibility for NID financed public infrastructure improvements which are dedicated and accepted by the City are the City's responsibility. Until an infrastructure improvement is dedicated and accepted, maintenance responsibility remains with the developer or homeowner's association.

4. QUESTION: "Please lay out the time line of when a bond is drawn up, applied for, issued, interest established, paid for, etc., along with the involvement of Whittaker homes

and the homeowners.”

ANSWER: A time line for the NID process can be determined from a review of the ordinances and financing documents which are summarized in the attachment to this memo.

5. QUESTION: “I assume Whittaker is responsible for the NID payments for all unsold properties. Is this true?”

ANSWER: The owner of the property is responsible for the NID assessment. If Whittaker owns the property, Whittaker is responsible for the assessment.

6. QUESTION: “The bond is for 20 years. I’ve seen 19 years (Phase 1) and 18 years (Phases 2 &3) mentioned. What are the discrepancies for? Do they reflect the first and first two years respectively in the repayment process... which must have been paid for by Whittaker? Does this mean that Whittaker may be paying for many of the NID payments of long range Phases such as Phase 8 or does the clock for these phases begin only when land development starts?”

ANSWER: NID bonds have a maximum term of 20 years. The terms of 20, 19 and 18 years reflect the repayment period of bonds actually issued. Bonds and improvements are tied to each NID phase.

7. QUESTION: “Assuming a Phase runs over the predetermined allocation set for it; does Whittaker eat the overage costs? Contrary to this, what happens to any unused allocation, such as the apparent \$700,000 unused allocation for Phase 1? \$4,000,000 was allocated, but only \$3,300,000 was used.”

ANSWER: See the Development Finance Agreement, paragraph 4. attached.

8. QUESTION: “How many and which houses in the Theater District pay, not the Phase I NID, but the Phase II NID?”

ANSWER: This can be determined by reviewing the boundaries of the Theater District and the area of Phase II. Descriptions of the boundaries of each are available in the City Clerk’s office.

9. QUESTION: “Does the NID follow the NT Phases or Districts?”

ANSWER: The NID district phases generally follow the New Town development phases.

10. QUESTION: “If WBI doesn’t use the full NID or the amount budgeted out for the year, does that reduce the amount that the homeowner is liable for?”

ANSWER: The bonds are based on the cost of improvements for the individual phase. A

property owner is responsible for the NID assessment. The assessment is determined for each lot based on the square footage of the lot multiplied by the square foot assessment rate. The assessment rate is determined by the level of debt service required to amortize the NID bonds issued for a particular NID phase. Debt service consists of principal and interest. Principal is the face amount of the bond which is issued. NID eligible costs determine the amount of bonds issued. If eligible costs are less than the amount of bonds authorized to be issued, then less bonds are issued.

11. QUESTION: "On what figure was the original NID assessment for each phase based, the amount budgeted or the amount actually spent?"

ANSWER: See 10 above.

12. QUESTION: "If the final expenditures are less (or more) than the original allocation for any phase, how will the difference be allocated?"

ANSWER: See 10 and also see 7 above.

13. QUESTION: "My understanding is that Phase I assessment was determined on the amount originally budgeted, but the amount actually spent thus far on Phase I infrastructure (which should be almost complete) has actually been quite a bit less than what was anticipated – and less than the allocated bond amount. Will our assessed charge per square foot be reduced, and will we be credited with any overpayments in some equitable manner?"

ANSWER: If there are surplus funds in the project fund, they will be transferred to the bond fund. If there are excess bond funds at the end of the term in the bond fund, the final assessment will be reduced or eliminated.

14. QUESTION: "How was the budgeted amount for each phase arrived at? Who submitted them?"

ANSWER: The budgeted amounts were based on engineering estimates provided by the developer.

15. QUESTION: "Who pays the NID on the common grounds for each phase?"

ANSWER: Common ground does not pay a NID special assessment.

16. QUESTION: "Have bonds been issued, who has issued them, and what is the interest rate on each?"

ANSWER: Bonds have been issued by the City. They have varying interest rates based upon market conditions when issued. See bond ordinances and bonds for actual amounts and interest rates.

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17. QUESTION: "Why exactly was the Phase I payment set at 10 cents...raised to 25 cents...and lowered back down to 10 cents?"

ANSWER: It changed based upon changes to the square footage available in the phase for assessment.

18. QUESTION: "Why is it that not everyone in Phase I is paying the same 10 cents/ft?"

ANSWER: The square footage available for assessment per lot was changed by the developer. As per the NID Act, the per lot assessment dollar amount remains the same resulting in a higher assessment per square foot for those lots.

19. QUESTION: "EXACLTY...what infrastructure is covered by the NID?"

ANSWER: See the Development Finance Agreement, Schedule 1. The types of infrastructure available for NID financing are set out in Section 67.453(5) RSMo.

20. QUESTION: "What is the term of each phase's NID? In what year will the last payments be made?"

ANSWER: See bond documents for the term of the bonds and phases benefited.

21. QUESTION: "What governments are involved and how? City, County, State?"

ANSWER: The NID act is a state law. A NID district is formed by enactment of an ordinance by the City Council. Bonds are issued by the City.

22. QUESTION: "Property owners can vote to establish NID, can they ever vote to cancel or modify it?"

ANSWER: State law does not contain a provision permitting cancellation or modification of the District.

23. QUESTION: "What disclosure is required to potential buyers when selling a home subject to the NID?"

ANSWER: There is no disclosure requirement in the NID Act. There is a disclosure requirement in the Development Finance Agreement, section 5.1 which requires disclosure in sale contracts and deeds.

24. QUESTION: "Why is the NID not on pro-rated on sale?"

ANSWER: This is a business decision between buyer and seller. The NID Act does not require pro-ration.

25. QUESTION: "Can the NID increase, decrease or change term and if so, how or why?"

ANSWER: The term will not change.

26. QUESTION: "How long do residents pay the NID?"

ANSWER: Until the bonds are paid in full.

27. QUESTION: "Will the NID amount ever change?"

ANSWER: The dollar amount of the assessment per lot cannot change, but the rate per square foot can change if there is an increase or decrease of square footage of that lot.

28. QUESTION: "What options are available to change the "due" date of payments to allow movement from the end/beginning of the year when all other taxes are due?"

ANSWER: There are no options to change the payment date. The NID Act requires the special assessments be collected and paid over in the same manner as real property taxes. See, Section 67.563.5 RSMo.

29. QUESTION: "Is the NID only being applied in New Town? Are all new developments in St. Charles also being charged NID?"

ANSWER: New Town has a NID. A NID can be applied in other locations. New Town is the only location in the City with a NID.

30. QUESTION: "When you purchase a new home, why isn't the NID pro-rated for the partial calendar year from your date of purchase on?"

ANSWER: See number 24 above.

31. QUESTION: "Why was there such a drastic increase in the NID "per square foot" figure from the NT Phase I figure to when Phase II homes were built?"

ANSWER: Three factors influence the assessment per square foot: the number of square feet, the amount of costs and the interest rate.

32. QUESTION: "Is the current NID figure likely to increase at any point during the next 18 years?"

ANSWER: No.

33. QUESTION: "Is the original NID figure grand-fathered for future owners of any home? That is, will Phase I homes always be 10 cents per square foot and Phase II homes always

be 25 cents per square foot for the entire 20 years?"

ANSWER: Yes, the special assessment rate is lot specific. A transfer of ownership does not effect the assessment.

34. QUESTION: "What exactly are the NID funds paying for?"

ANSWER: NID assessments pay for interest and principal on the bonds. The principal is determined by the cost of infrastructure improvements in the phase.

35. QUESTION: "Does Whittaker pay the NID on unsold lots?"

ANSWER: Yes.

36. QUESTION: "If you move from one house to another within the same district, do you as an individual pay the NID for 20 years, or is the 20 years assigned to each new residence?"

ANSWER: NID assessments are lot and phase specific. Moving from one location to another in NT means the assessment amount can change and the years to pay can change.

37. QUESTION: "Do G.O. bonds have level debt service payments? If not, assessments are based on maximum debt service. During years when debt service is lower, aren't the assessments higher than what they should be?"

ANSWER: NID bonds are generally required to have level debt service payments.

38. QUESTION: "Does the annual assessment get reconciled to the actual amount of NID improvement costs for each phase?"

ANSWER: Yes.

39. QUESTION: "Who pays the assessments on properties that are not sold yet?"

ANSWER: The property owner pays the special assessment.

40. QUESTION: "Since the bonds mature over 18-20 years, does a new homeowner that does not purchase a house until after the commencement of the debt service pay only the remainder of the bond term?"

ANSWER: Yes.

41. QUESTION: "Are lot square footages based on final surveyed plots?"

ANSWER: The square footage is determined based upon the description on the plat.

42. QUESTION: "Many of the NID improvements cover expenses that are normally recovered by City property taxes. Since New Town residents continue to pay normal property taxes, aren't we paying twice?"

ANSWER: No. In a new development such as New Town, the NID improvements are normally required to be paid by the developer.

43. QUESTION: "What's the purpose of the NID ?"

ANSWER: A Neighborhood Improvement District is a District authorized pursuant to sections 67.453 through 67.475 of the Revised Statutes of Missouri. A Neighborhood Improvement District is an area of a city or county with defined limits and boundaries which is created by vote or petition and which is benefited by an improvement and subject to special assessments against the real property therein for the cost of the improvement. To provide amenities and enhancements generally not available and to finance these at the reduced interest rates available from GO bonds. Better product financed at a reduced interest rate.

44. QUESTION: "How do I see where my money is being spent? Checks and balances."

ANSWER: The City ordinances approving the issuance of NID obligations and authorizing disbursement of funds have schedules attached which describe the improvement and the cost thereof.

45. QUESTION: "Do NT residents have a say in how this money is spent and on what?"

ANSWER: Those are governed by the Development Finance Agreement, schedule 1.

46. QUESTION: "How long do NT residents have to pay into this NID?"

ANSWER: Until the NID obligation is paid, which is 20 years.

47. QUESTION: "Where did the idea for this NID come from?"

ANSWER: The Developer of New Town requested the City approve it.

48. QUESTION: "How is it determined what a NT resident pays?"

ANSWER: The annual NID assessment is equal to the annual principal and interest payment on the NID obligation. Each property owner's assessment is based on the square footage of the lot.

49. QUESTION: "Will this amount change as new homeowners move into NT?"

ANSWER: No.

50. QUESTION: "Do Charlestowne residents have to pay into a NID?"

ANSWER: No. Charlestowne is not in the District.

51. QUESTION: "How long do Charlestowne residents have to pay into their NID?"

ANSWER: There is no NID for Charlestowne.

52. QUESTION: "How is it determined what a Charlestowne resident pays?"

ANSWER: There is no NID for Charlestowne.