

What is a CDD fee?

"Community Development District Fee"

1. What is it?
2. Parts to CDD Fees
3. HOA vs. CDD or Both?
4. Can it change?
5. Is it a tax?
6. Do all neighborhoods have it?

1. What is it?

A CDD is a Community Development District. This is a special purpose government entity that provides valuable community infrastructure (roads, utilities, and amenities) generated by growth and allows a developer to finance those costs with a CDD via tax-free municipal bonds. The bonds pay for not only roads and utilities, but also amenities such as clubhouses, pools, tennis courts and golf courses, etc.

A CDD fee is a payment structured by the developer and the County Commissioners prior to the development of the land designed to pay for the infrastructure and/or maintenance of the community. Instead of the developer coming out of pocket to pay for roads, utilities, amenities, etc. a tax-free municipal bond is used to pay for that. In other words, a type of loan/mortgage to the developer. Since this is essentially a loan, the CDD fee is the repayment of that loan.

2. Parts to CDD Fees

The CDD fee can be more than the just the repayment of the bond. It can be two parts: Part 1) Capital Bond Assessment & Part 2) Operations & Maintenance Assessment.

Part 1: The Capital Bond Assessment is the repayment portion of the loan. It is usually a range of 10-30 year loan depending on the term of the bond. However, don't cross out the possibility that a new bond can be taken out or the existing one refinanced (so to speak). If the community as a whole decides to put in a new pool, sports field, etc. A new bond may be issued with approval. But when this happens the neighborhood will be involved in the voting and hearing of the decision-making process.

Part 2: Operations & Maintenance Assessment is not related to the repayment of the bond and is ongoing to the life of the community. This is similar to what the HOA fees cover for smaller neighborhoods. Common amenities such as pools, parks, sports fields, tennis courts, landscaping, etc. This is not a fixed cost and can rise

according to price fluxuations or additions of new amenities that need to be maintained.

3. HOA vs. CDD or Both?

Depending on the neighborhood you can have one or the other...or both. If you have just one or the other, they are going to cover pretty much the same function such as maintenance of the common grounds and amenities. However, a HOA also has a policing/monitoring role that ensures that the neighbors are not violating any of the restrictions (i.e. messy yard or vehicle restrictions such as not having a boat or trailer in front of the house).

In the case where you have both, which will most likely be in much larger communities, the local HOA will cover a certain portion of the immediate common grounds & amenities where the CDD might over the bigger items like the pools, nature trails, main club house, etc.

4. Can a CDD fee change?

Yes. Both parts. the Capital Bond Assessment and the Operations & Maintenance can be updated according to price or budget increase. When it does happen, each homeowner should receive a notice in the mail and if it a budget related issue where a vote/hearing will be held, that information should be included so that proper participation can take place. Further Details were explained in Question #2.

5. Is it a tax?

No, it is not a tax. Technically, it is an "assessment". Although it is included in your property tax bill, it is technically not a property tax. The reason it is included in your tax bill is that the tax collector may be contracted out to collect it for the CDD (Community Development District). In a sense, it is a budgeted community fee, like a HOA, but now with a new name.

These assessments are in addition to county and all other taxes and assessments and will appear on the annual real estate tax bill for each owner and will be payable directly to the County Tax Collector.

6. Do all neighborhoods have it?

No, it is something that is setup from the developmental stages of the community, during the planning stages which is prior to groundbreaking. It is something that you don't see in the older neighborhoods and is more familiar in newer communities and developments.