

CDD Fee?

What the heck is that?



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# What the Heck is a CDD Fee?

Confused about CDD fees?

Is it different from an HOA fee?

Is a CDD fee a tax or an assessment?

Who manages it and how is it used?

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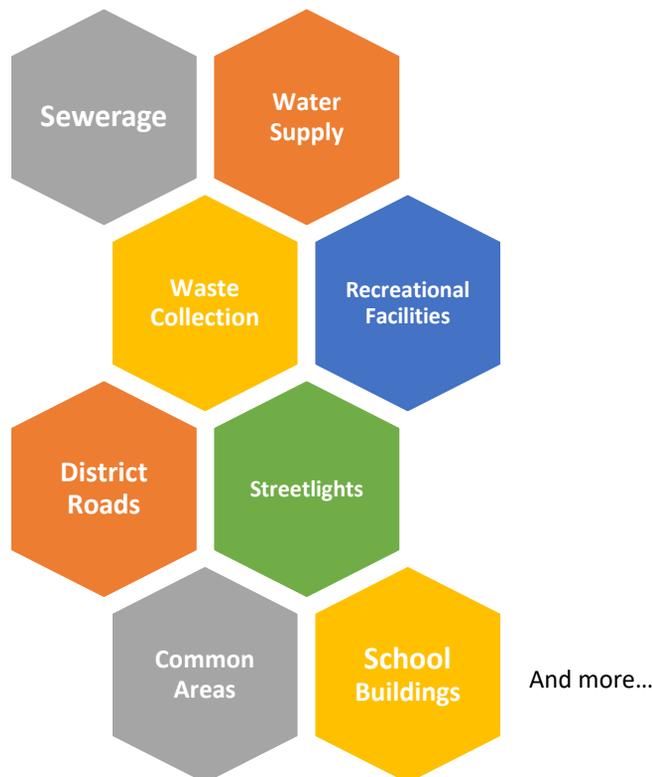
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# What the Heck is a CDD Fee?

## What the Heck is a CDD Fee?

Are you confused by CDD fees? What are they and to whom are they paid? Is it a tax? Hopefully this brief summary article will help you to understand CDDs.

A ***Community Development District*** or CDD is a unit of government authorized by Chapter 190 of the Florida Statutes. The CDD's primary purpose is to finance, construct, operate and maintain the infrastructure of a community for the benefit of the residents. Some of the facilities and services that may be managed by a CDD include:



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## How do they work?

The CDD is controlled by a board of 5 supervisors initially elected by the landowners of the district. The board then elects one supervisor as chairperson, names a secretary and a treasurer who need not be board members, and hires a district manager, who will be responsible for daily operations of the CDD.

After six years, the power must begin to transition from the landowners to the residents. CDD operation must be consistent with the regulations and procedures of local governments, including state ethics and financial disclosure laws for CDD supervisors. All meetings and records must comply with the Florida Sunshine Law, and an annual audit is also required.

When a developer begins a new project, the creation of a CDD allows a tax-free bond to be issued instead of using their own money for the creation of the infrastructure. This also benefits residents in that the initial price of their property should be lower because of the deferred development costs. In addition to the bond taken out for the creation of the infrastructure, the ongoing maintenance and operations is often covered by the CDD.

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## **So what is a CDD fee?**

The cost to operate a CDD is borne by the residents that enjoy the benefits of the infrastructure. There can be 2 parts to the CDD fee:

### **Part 1 – Bond Repayment**

This is usually a 10 – 30 year loan and is generally a fixed cost. However, it is possible that a new bond may be taken out. For example, the community residents could decide to put in a new pool and finance the construction through a new bond. An action such as this would require a vote of the neighborhood residents.

### **Part 2 – Maintenance and Operations Assessment**

This part of the fee has nothing to do with the repayment of the bond and is ongoing throughout the life of the community. It is similar to HOA fees. This portion is not fixed cost and can vary based on price changes and the addition of new community amenities.

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## **Is it a tax?**

No, more correctly it is an assessment. In Florida, the tax bill is a combination of real estate taxes based on property value (ad valorem) and non-ad valorem assessments such as CDD fees.

## **Benefits**

The theory of CDDs is that decisions involving the services and facilities are in the hands of the landowners/residents (by means of the elected board) not the developer.

Residents enjoy high quality infrastructure facilities and services with the comfort and assurance of knowing that the standards of the community will be maintained long after the developer is gone.

With a CDD, residents maintain control over the quality and scope of their infrastructure and services.

# What the Heck is a CDD Fee?

## Can a community have both a CDD and an HOA?

Depending on the community you can have one or the other...or both. If you have just one it will cover the maintenance of all of the common areas. If you have both, then the CDD will generally cover the bigger items like roads, lights, sewer, etc.

An HOA has an additional role that covers the monitoring of community policies and restrictions such as vehicle restrictions, parking policies, messy properties, etc.

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Hopefully this short summary has helped you to understand CDD fees. If you have any questions, please feel free to call or email me and I will be happy to talk to you.



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For the full text of Chapter 190, Community Development Districts, visit the following web page:

<http://www.ccfj.net/FS190CDD.html#190.012>

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