2011 Community Center Plan
Review

We have made two community center proposals to the POA membership

• Both proposals would place the building on land donated by LFCC
• Both proposals included a pro shop and restaurant
• Both the proposals assumed using the donated land as collateral and down payment
Review

• In 2009, we engaged Taylor Construction to design and estimate the cost of a 16,100 square foot building
• In 2010, we engaged a local architect to revise and downsize the 2009 community center design to 14,635 square feet
Review

• In 2009 we proposed financing the project with a conventional balloon loan from BB&T and an assessment of $440 to $480 per property for 15 years
• We voted on this proposal and the results were 60% in favor, 40% opposed
• The financing proposal did not meet the required 2/3 majority and was rejected
Review

• In 2010 we proposed financing the project with a fixed interest USDA loan and an assessment of $200 for homes and $150 for lots for a period of 5 years
• We voted on this proposal and the results were 82% in favor, 18% opposed
• The financing proposal was accepted by our membership, but the USDA did not approve the loan
Review

• So, we have one proposal which involved a minimum assessment of $6600 ($440 for 15 years) per member and was supported by 60% of members

• We have a second proposal which involved a $1000 ($200 for 5 years) assessment for home owners and $750 for lot owners which was supported by 82%

• Both proposals yielded a substantial majority of member support

• We believe a majority of POA members continue to strongly support a community center project, assuming the assessment costs are reasonable and acceptable to members
2011 Plan

• There are several possible options for financing the community center
• For example, we could offer promissory notes to POA members who might wish to invest several thousand dollars at higher returns than market rates or CDs
• But we have to acknowledge that some, if not all, the necessary capital must come from commercial financing
2011 Plan

• In 2009 we proposed BB&T as the lender
• That was because they hold the LFCC note, and they agreed to use the donated LFCC land as our down payment
• That agreement will not be possible with any other commercial lender
• In today’s tighter lending environment, BB&T will likely require a cash down payment, as well
• In order to ensure we qualify for a loan, we will need at least a 15% to 20% loan down payment
• That means between $450,000 - $600,000
2011 Plan

• Based on your clear support for a community center, we are committed to developing a financing proposal satisfactory to yield a 2/3 majority vote

• To accomplish this we need to accumulate funds for a down payment

• The only way to do that is to begin assessments well in advance of seeking a lender
Saving For a Down Payment

• By accumulating a large down payment before we select a lender, we can be confident that we will be able to get financing
• We will not be tied to BB&T
• We have plenty of time to search out the best loan terms available
2011 Plan

- So, our current plan is to start community center assessments 3 years prior to start of construction
- After we start assessments, we can begin investigating lenders as well as alternatives to commercial financing and make a financing proposal to the membership in about a year
- We will also work on building designs, particularly cost reductions, and get a firm cost estimate
- Within 1 year we will be able to make a comprehensive cost and financing proposal that members can vote on
- With this plan, assessments will begin in January 2012
2011 Plan

• Your early assessment dollars will be held in an escrow account separate from POA operating funds and reserve account funds
• They cannot be used for any purpose other than funding a community center
• We will track each member’s payments
• When we have a building design, cost and financing proposal, we will present it for approval
• If we do not achieve the required 2/3 member approval, we will find out why it was rejected, correct the problems, and bring up another vote
• As long as we have a clear majority of members supporting a community center project, we will continue to work for you until we achieve an acceptable financing proposal
Advantages

• Banks will be very favorable knowing we have member support for assessments

• It will convince them that our community supports the project, lowering their perceived risk

• We will have saved the down payment, therefore have to borrow less than we would if we used the land as collateral
Advantages

• We will have time to develop the most favorable financing options
• We will have time to review building plans and investigate options for cost reductions
• We will have time to develop accurate project cost estimates
• In short, the lead time allows us to develop a plan the community will endorse
Costs

• For planning purposes, we are assuming a total cost of $3M, $500K down and financing the $2.5M balance

• For our financing cost estimate we are assuming a $2.5M commercial bank loan with 5 year fixed interest periods, starting at around 5%, and continuing for 30 years
  – If we find private financing options, financing costs will be lower

• Using these estimates yields an assessment of $350 per year for homes, $263 for lots

• The assessment period would be for six years
Member Costs

318 homes @ $350 = $111,300
296 lots @ $263 = $77,848
Total 1 year assessment = $189,148
3 years assessments = $567,444

Resident cost in 6 years = $2,100
Lot owner cost in 6 years = $1,578
Costs

• We think the 6 year assessment period is a good estimate; if costs can be reduced it may go to 5 years

• These are details we will be able to pin down when the financing proposal is ready for presentation

• You will vote on the final financing proposal, so these details are not important today
Timing

Step 1: Begin assessments January 2012
Step 2: Finalize designs & costs & prepare a financing proposal in one year
Step 3: Present the full financing proposal to members first quarter 2013 for review and voting (2/3 member approval required)
Step 4: Apply for permits if approved, 12 -18 months
Step 5: Start construction mid 2014--at that time our assessments will total $567K and can be used for a construction loan/down payment
Preparation

• During 2012 we will form committees to review building design, review cost estimates and investigate financing options & lenders
• During this period we will conduct numerous reviews with members to get all the best ideas possible
• This way the community will have significant input into the final product
Community Center Design

• We will start with the latest CC design
• Recall its POA facilities included a large meeting room, workout center, library, meeting rooms and offices
• It also contains a restaurant and pro shop
• It continues the POA/LFCC agreement which provides the building site facing the IC waterway
Summary of This Proposal

1. We will start assessments January 2012
   - Homes $350, total assessment if 6 years $2,100
   - Lots $263, total assessment if 6 years $1,578

2. We will develop the final financing proposal for members to vote on within one year

3. At that time we will give you a definite assessment period, which will likely be 5 or 6 years

4. Members vote, 2/3 majority required to approve financing
   - If approved, we apply for permits
   - If not approved, we find out what member objections are, modify the plan, re-present and re-vote

5. After permits are granted we apply for our construction loan
Questions