

Community Center Cost & Financing Proposal

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Contractor Selection

- Bid solicitations went public on January 6th
- A meeting with 7 General Contractors was held on site on January 16th to review the project
- 2 General Contractors submitted bids
 - Taylor Construction, Wilmington
 - Graka Construction, Whiteville

Contractor Selection

- Taylor (Wilmington)
 - contractor with a variety of successful example projects
 - Winding River Community Center
- Graka (Whiteville)
 - Family owned General Contractor in business since 1985
 - Impressive list of commercial buildings
 - BB&T bank branch in Shallotte

Scope of Bids

- Scope of bids included:
 - New septic system installation
 - Demolish existing Pro Shop
 - Construction of the new Community Center
 - New parking lot
 - Irrigation & landscaping
- Scope of bids did not include:
 - Kitchen equipment
 - Furnishings
 - Security system

Second Bid Meeting

- On February 16th separate meetings were held with the 2 contractors to review suggestions for potential cost savings
- Both contractors presented an impressive list of possible value engineering ideas
- Taylor & Graka were asked to review their sub-contractor quotes & cost reductions in order to submit final bids

Final Bid Amounts

- After value engineering suggestions, which we plan to accept, the final bids are:
 - Taylor \$3,058,055
 - Graka \$2,899,285
 - Graka was selected as our general contractor based on the final bids

Note: All contractors are required to carry a performance bond equal to the total contract price. Only tested & reliable contractors are able to obtain such coverage from a bonding company.

Additional Costs

- Kitchen equipment & installation \$150,000
 - a kitchen consultant designed the permitted kitchen layout & will supply equipment
- Furnishings \$200,000
 - We have a list of items & prices
- Security & Miscellaneous \$50,000
- Testing \$35,000

Building Costs

General contractor	\$2,899,285
Kitchen & furnishings	350,000
Testing	35,000
Security & misc.	50,000
Contingency	<u>50,000</u>
Total Building Costs	\$3,384,285

Payment Plan

- Funds in the Special Assessments Account will be used for the initial construction costs
- The remaining balance will be paid through a construction loan from our preferred lender

Financing

- The Board is requesting your approval to pledge POA assets to secure financing for the Community Center
 - a preferred lender has been identified & negotiations are continuing
 - loan amount, up to \$3 million, will be amortized over 20 years
 - 3.75% fixed rate for 10 years & can be refinanced at the end of the term
 - construction loan at 3.75%; payments are 'interest only' during the construction period
 - Collateral securing the loan is a first lien deed of trust on the proposed community center and adjoining property located in the Lockwood Folly S/D

Encumbered Assets

- Our preferred lender requires collateral to support the loan:

“A first lien deed of trust on the proposed community center and adjoining property located in the Lockwood Folly Sub-Division”

Member Costs

- Your costs for the Community Center have not changed since the Board rolled out the plan in 2011
- In 2011 the Board proposed a special assessment of \$350 for homeowners and \$263 for lot owners, effective for 6 years
- Four special assessments have been levied -- 2012, 2013, 2014 & 2015
- There are two more planned special assessments remaining; the board will levy these assessments in March 2016 & March 2017
- No other Special Assessments are planned

Member Costs

- There is one remaining 5% annual assessment (dues) increase that will become effective July 1, 2015
- No other annual assessment (dues) increases are planned for at least 5 years
- Your annual assessments (dues) will cover the loan payments & all other planned projects
- All additional operating costs (utilities, insurance, etc.) associated with the new community center will also covered by the annual assessments (dues)

Strategic Cash Flow Plan

- The board many times has addressed our long term “Strategic Plan”
- This is a cash flow projection that we have used to be certain that we have the funds needed to meet the community’s needs in the future
- We once again extend our offer to share the plan with any member or members who have an interest in the plan

Strategic Cash Flow Plan

- Based on the projections, the revenue produced through fiscal year 2020/2021 from the Annual Assessment (dues) & the two Special Assessments will provide sufficient funds for the following needs:
 - Community Center construction costs
 - Associated Community Center costs (furniture, fixtures, security, etc.)
 - Community Center loan payments
 - Operating expenses associated with the Community Center including increases based on assumed inflation
 - Operating expenses related to every-day POA activity

Strategic Cash Flow Plan

- Additionally, the revenue produced through fiscal year 2020/2021 from the Annual Assessment (dues) and two Special Assessments will provide sufficient funds for the following projects:
 - Resurface all roads beginning this year and completed by fiscal year 2018/2019
 - Upgrade the POA irrigation system
 - Renovate the existing Club House (pool house)
 - Other miscellaneous projects
 - Park Amenities
 - Dock Repairs and/or Replacement
 - Boat Ramp Repairs and/or enhancement

Strategic Cash Flow Plan

- We have tried to anticipate every possible cost during the period. We have built in contingencies. In other words, we have taken a very conservative approach in the Strategic Plan
- After all this, we continue to project our Reserve Account balance through fiscal year 2020/2021 to be in excess of \$300,000

Sequence of Events

- Septic system installation
- LFCC will establish a temporary Pro Shop
- Demolish the existing Pro Shop
- Site preparation
- Construction of building
- Remove, pave the redesigned parking lot
- Install irrigation & landscaping
- Time from start of construction until completion is anticipated to be 12 – 14 months

Voting Process

- Ballots will be mailed on or near March 25th
- You will have 30 days to vote
- No ballots will be accepted after the due date
- NC statute requires you sign & date your ballot
- A public counting will be conducted
- Per the Articles of Incorporation Amendment, approval requires a 'yes' vote by 2/3rd of the ballots cast or a majority of property owners, whichever is less

Summary

- The Contractor will be Graka
- The Community Center bid, including all POA provided items (furnishings, etc.) is \$3,384,285
- Up to \$3 million will be financed with a 10 year, 3.75% loan amortized over 20 years with sufficient collateral to satisfy the preferred lender
- The Board is requesting approval to pledge POA assets for the loan
- Member costs are limited to the 2 remaining planned \$350 (or \$263 lot owner) Special Assessments, after which Annual Assessments (dues) will cover the loan payments & future project costs
- A final scheduled 5% annual assessment (dues) increase will be effective July 2015
- No Annual Assessment (dues) increases are planned for a least 5 years
- No other Special Assessments are planned

QUESTIONS