

2014 Community Center Construction Project

April 2014 Update

Introduction

Why we Meet:

- To review our previous community center initiatives and how they relate to the current project status
- To reaffirm certain information previously communicated to members by the board
- To provide the latest information available about the project
- To preempt any incorrect, or misinformation that may be communicated to members by sources other than the board, in particular:
 - Costs for the project
 - Costs for property owners

Review of Past CC Initiatives

- In 2009 we voted on financing from BB&T to build the Taylor community center design
 - The proposed special assessment was \$440 per year for 15 years or a one time payment of \$4500
- This proposal did not receive the necessary 2/3 majority approval to borrow
 - The vote was 58% in favor, 42% opposed

2009 Community Center Vote Tally

618 property owners, 29 delinquencies (no ballot)

Ballots Mailed	589		Yes	No
Ballots Rec'd	501	Unreturned Ballots	51	37
% Returned	85%	Total Votes	340	249
Req'd to Pass	392			

	Class A Votes (589)				Class B Votes (50)	
Ballot	Yes Votes	289	No Votes	212	Yes	No
No.	% Yes Votes	58%	% No Votes	42%	50	
474				1		

Review of Past CC Initiatives

- In 2010 the board presented a new community center proposal with financing through USDA
- In that presentation the board communicated its planned dues increases for the ensuing 5 years:
 - 2011 & 2012 ---- 10%
 - 2013 ----- 7%
 - 2014 & 2015 ----- 5%
- The board has followed this plan, and 2015 will be the final year of dues increases under this plan
- This presentation can be viewed on the POA website at www.lockwoodfollypoa.org under References/Board Presentations/Community Center 2010, slide #46

Review of Past CC Initiatives

- Subsequently, in 2010 property owners voted on the USDA community center financing proposal
 - The community center special assessment proposed by the board was \$200 (homeowners) & \$150 (lot owners) for 5 years
- This proposal received 82% approval, but USDA did not award the loan and the special assessments were not enacted

2010 USDA Loan Vote Tally

618 property owners, 35 delinquencies (no ballot)

Ballots Mailed	583		Yes	No
Ballots Rec'd	468	Unreturned Ballots	94	21
% Returned	80%	Total Votes	476	107
Req'd to Pass	388			

Class A Votes (583)					Class B Votes (50)	
Ballot	Yes Votes	382	No Votes	86	Yes	No
No.	% Yes Votes	82%	% No Votes	18%	50	
E1		1				

Review of Past CC Initiatives

- With a clear majority of property owner support for a community center based on two separate financing votes, the board presented a new plan in October 2011
- At that meeting the board announced it would pass a \$350 homeowner, \$263 lot owner community center special assessment, effective for 6 years, in part to provide funds for a down payment
- The special assessment was approved by the board in November 2011

Review of Past CC Initiatives

- The board indicated that after the 6 special assessments were paid, annual assessments (dues) would be adequate to cover loan payments
- That plan remains in effect
- Three of the 6 special assessments have been billed as of 3/2014, with 3 remaining in years 2015, 2016 & 2017
- This presentation is available on the POA website at www.lockwoodfollypoa.org under References/Board Presentations/Community Center 2011 slides #15 thru #18 & #25

Authority to Assess

- ARTICLE FIVE Section 5 MDC. SPECIAL ASSESSMENTS:

In addition to the Annual Assessment authorized by this Article Five, the Board may levy in any Assessment Year a Special Assessment, no greater than 100% of the then current Annual Assessment applicable to that year only, **for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the Common Areas including the necessary fixtures and personal property related thereto, or for other purposes deemed appropriate by the Association.**

Review of Past CC Initiatives

- Immediately after announcing the 6 year, \$350 & \$263 special assessments, the board conducted an opinion survey to determine if a majority of property owners continued to support the community center project
- The results were a 2/3 majority of responding property owners indicating support
 - 177 in favor
 - 88 opposed

Evidence of Support

- During the period 2009 – 2011, POA members voted on 2 separate financing proposals, each vote demonstrating a clear majority of member support for a new community center
- Even after proposing a 6 year, \$350/\$263 special assessment, an e-survey of POA members indicated a 2/3 majority of property owners still supported a new community center
- However, there was even further evidence of overwhelming member support in 2012

Review of Past CC Initiatives

- By 2012 the financial viability of the golf course was in doubt, and bankruptcy a real possibility
- If the golf course were to go bankrupt and ownership transferred, a new owner would not likely agree to demolishing the pro shop, a requirement for the new community center
- The new owner's 50 class B votes could be used to block POA projects that require financing, in particular the community center
- In order to prevent the amenity owner from using class B votes to block POA projects, property owners passed a covenant amendment to eliminate the amenity owner's 50 class B votes

Review of Past CC Initiatives

- The amendment eliminated the 50 class B votes
- The amendment also reduced the amenity owner's POA dues from 50 times one class A homeowner dues to one class A homeowner dues
- Furthermore, in the presentation to property owners detailing the amendment change, the POA board announced its intention to purchase the community center building site from LFCC (see Equity Plan Update 12/17/2011 in References/Presentations on the POA website)
- The amendment was ratified with 85% member approval
- This vote further confirmed overwhelming member support for a new community center

2012 Articles of Inc. & Covenant Language Changes

Ballots Mailed	585		Yes	No
Ballots Rec'd	417	Unreturned Ballots	143	25
% Returned	71%	Total Votes	495	90
Req'd to Pass (S.M.)	306			
Req'd to Pass (2/3)	278			

Class A Votes					Class B Votes (50)	
Ballot	Yes Votes	352	No Votes	65	Yes	No
No.	% Yes Votes	85%	% No Votes	15%	50	
386						
442		1				

Review of Past CC Initiatives

- After 4 property owner votes with large majorities supporting the community center, members had clearly demonstrated their support for the board to commit financial resources to a community center project
- As promised, in order to guarantee the proposed building site would be available in the event of new golf course ownership, the POA board purchased the 2.3 acre site from LFCC for \$400K in February 2013

Authority to Spend

ARTICLES OF INCORPORATION LOCKWOOD FOLLY ARTICLE.II

The specific primary purposes for which the Association is formed is to carry out the functions as set out for the Association in the Master Declaration of Covenants, Conditions and Restrictions for Lockwood Folly. In furtherance of such purposes, the Association shall have the power to: (c) *Acquire (by gift, purchase or otherwise), own, hold, and improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate to public use, or otherwise dispose of real and personal property in connection with the affairs of the Association*

Review of Past CC Initiatives

- After securing the building site, the board began taking the necessary steps to reach a new financing vote:
 - 1) Nov. 2012 --- Contracted for Architect services @\$55K contract price, plus incidentals
 - Received full set of construction drawings in 12/2013
 - Spending against architectural services contract \$55,330
 - 2) Contracted for engineering services 12/2012 with estimated surveys, soil testing, septic design & services @ \$56,000, plus incidentals
 - Spending for engineering services \$56,621
 - Septic permit at state for approval
 - Will need county approval when returned from Raleigh
 - 3) Legal fees \$1,668

Why Contract for Architect & Septic Permit Before a Financing Vote?

- We needed to engage an architect in order to generate building construction drawings so contractors can supply firm bids
- We needed to engage engineering resources to design a septic system that would satisfy county & state permit requirements
- We needed septic system design drawings for contractors to bid
- Until we solicit bids and select a contractor, we can't tell property owners the final project cost
- We want to know the final cost so we can determine an exact loan amount before we ask members to vote on financing
- Therefore, to be able to present to you all the information you need to decide how to vote on financing, it was necessary to commit funds to obtain drawings & permits

Next Steps

- Upon septic permit approval we will apply for a building permit
- After bids are returned and reviewed, we will select a contractor
 - At that point we'll know the construction cost
- After a bid is selected, we'll present all details of the project to property owners
- After presentations we'll send out ballots to vote on the financing proposal

What We Know Today

- In order to get an early estimate of construction costs for planning, the board commissioned an independent cost estimate from a consulting firm in Raleigh
- This estimate was conducted by professional estimators in the same manner as contractors will cost out the project for bidding, that is, using the full set of detailed construction blueprints
- The estimate included:
 - Tear down of pro shop building
 - New septic system
 - Construction of community center
 - Storm water revisions for the parking lot
 - Reconfiguration & repaving of parking lot
- The estimate came in at \$3.5M

What We Know Today

- We are optimistic that contractor bids will be lower than this estimate, because:
 - The estimate has a 5% built in contingency that will not be in contractor bids
 - We are scaling back kitchen equipment costs
 - The estimate contains a high cost metal roof, and we plan a conventional shingle roof
 - We believe local contractors need work, and competitive pricing could be lower than the estimate

What We Know Today

However--

- Since contractor bids are not available yet, we will assume the independent cost estimate is correct with a \$3.5M construction cost
- The first 3 years of special assessments have provided funds for a \$500K down payment
- Therefore, the probable maximum loan amount will be \$3M, however, every attempt will be made to reduce costs so the loan amount will be under \$3M

What We Know Today

- We have terms sheets from 2 banks
 - 1) Maximum \$3M loan, 20 year amortization, interest rate adjustments each 5 years, 4.5% starting rate
 - 2) Maximum \$3M loan, 20 year amortization, 5 year refinance periods, 4.15% starting rate
- These banks have provided us with payment schedules, based on a maximum \$3M loan, for the first 5 year period and estimated payments for each subsequent 5 year period
 - We also have payment schedules for a \$2.7M loan

What We Know Today

- We have explained to you that our primary planning tool is a long term cash flow projection called our Strategic Plan
- The Strategic Plan projects annual cash balances based on revenues & spending
- Using payment schedules provided by the lenders for a \$3M loan, the SP is consistent with what the board has been telling members in presentations since 2010:
 - The special assessments in place today, 6 years at \$350 for homeowners and \$263 for lot owners, are the only anticipated special assessments necessary over the term of the loan
 - After the 6 special assessments are collected, your annual assessments (dues) will cover the loan payments, roads resurfacing and all other planned projects

In Summary

To Make The Facts Absolutely Clear—

- 1) The projected amount the board will borrow is \$3M or less
- 2) There are three planned \$350 homeowner (\$263 lot owner) special assessments remaining; the board will levy these assessments in each of the next 3 years
- 3) After these special assessments are paid, your annual assessments (dues) should cover the loan payments & all other planned projects
- 4) There are two remaining planned dues increases scheduled, 5% July 1st, 2014 & 5% July 1st, 2015

In Summary

- We will present to you a firm contractor bid before we vote on financing so you will know accurate project costs
- When construction costs are known, we'll tell you the amount the board will borrow
- We will choose one of the financing options and present it to you for your approval by vote of the POA membership

In Summary

- The board has presented you the facts to address any incorrect or misinformation that may come from other sources
- This presentation will be posted on the website and serves as documentation of what the board has told POA members
- If you have any questions regarding this presentation, or about information provided you by others, please contact a board member

Questions