



Cape Haze

Clubhouse Renovation Project Briefing Package

***Go or No Go? – Your Vote is Needed***

Our Clubhouse Today:



Architect's Rendering of the Renovated Clubhouse:



# Proposed Cape Haze Clubhouse Renovation Project

## - Briefing Package -

### **Briefing Package Contents:**

- Why Renovate?
- Design Elements for the Renovated Clubhouse
- Construction Timetable
- Cost Projections
- Funding Proposal
- Frequently Asked Questions
- The Proposed Motion for the May 20, 2006 Special Meeting
- Casting Your Very Important Vote – By Proxy or In Person

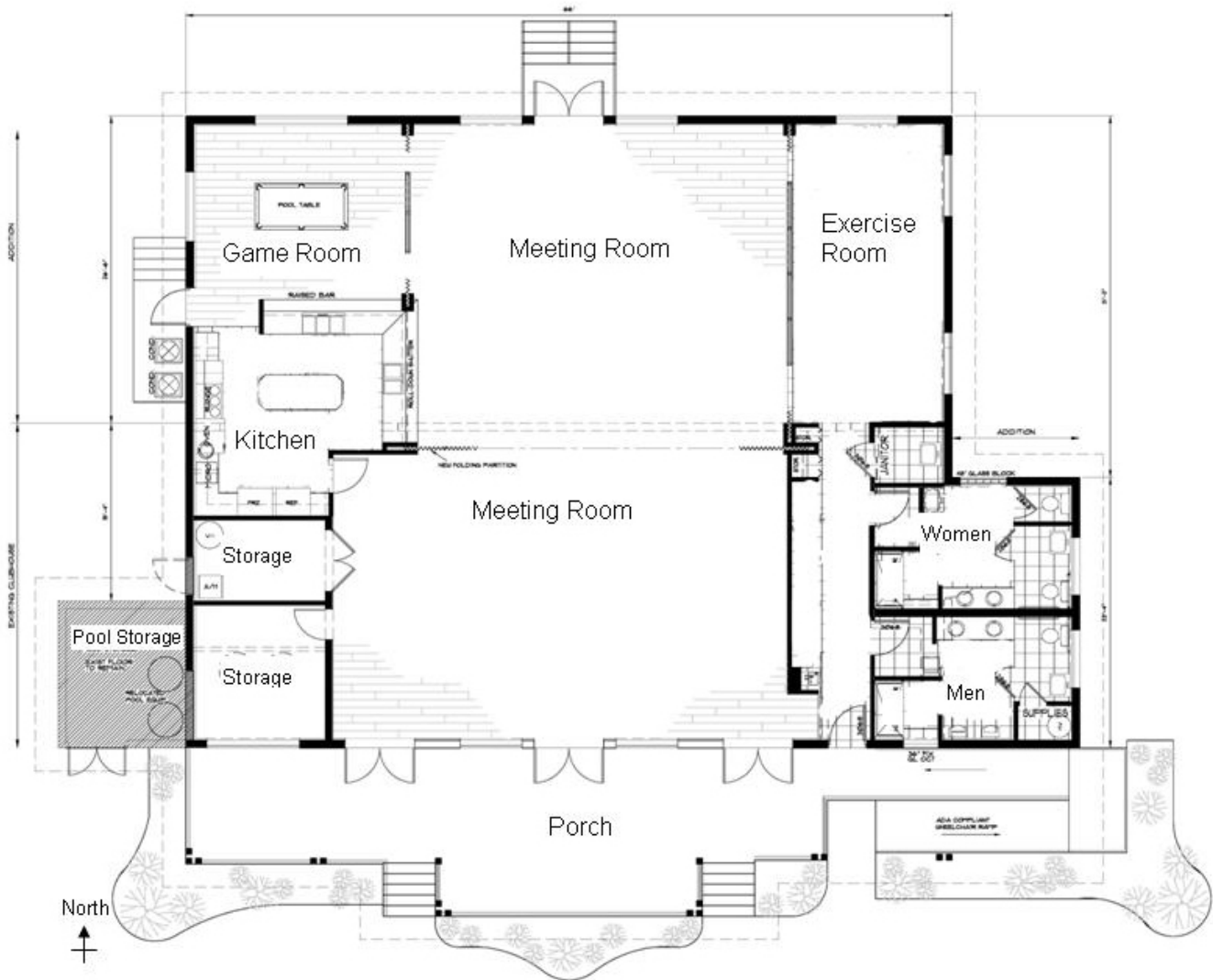
### **Why Renovate?**

In 2005, our CHPOA membership authorized the funding to develop a proposal for renovating our clubhouse. There are several key reasons for the proposed renovation:

- Based on our membership survey, our members desire new features and more space for our clubhouse.
- The current clubhouse, built in the 1960s, is aging. If we do not elect to pursue this renovation, we will incur increasing costs over time to maintain the existing building. Many members feel that the current clubhouse lacks appeal as a fun place to come and socialize.
- We anticipate that a renovated clubhouse will serve as a catalyst to attract new CHPOA members among more of our current eligible residents.
- While local real estate professionals and builders can't quantify specifically how much the new clubhouse will add to our community, there is general agreement that the renovated building will enhance our property values and be a positive selling point for buyers considering moving into our community.

## Design Elements for the Renovated Clubhouse

Here's a preliminary drawing of the renovated clubhouse prepared by our architect, T. A. Krebs. (Please note that we are likely to make some changes and refinements to this plan as we move from preliminary design to the full construction drawings.)



### The Overall Design

- Incorporates key features prioritized by our clubhouse questionnaire.
- Starts with the footprint of the current clubhouse.
- Doubles our current space, to roughly 3,800 square feet (under air).
- Raises the elevation of the entire clubhouse by approximately 3.5 feet to comply with flood zone regulations.
- Complies with Americans with Disabilities Act (ADA) requirements, including a ramp for accessing the building and ADA compliant restrooms.
- Meets current hurricane construction codes.

## **The Porch**

A new porch will face our existing pool area. It is shown at the bottom of the floor plan drawing above and in the architect's rendering on the cover of this brochure.

- The porch provides a shaded seating area for the pool.
- It connects to the meeting room for easy party flow and is large enough for tables and chairs.
- A ramp to the porch provides wheelchair access to the clubhouse.
- The front edge of the porch will be about 11 feet from the pool edge.

## **The Meeting Room**

The area of our current meeting room will be incorporated into the new meeting room space and the new meeting room area will extend an additional 26 feet past the rear wall of our current building.

- It will expand our current meeting room space by 70%
- Folding partitions can be used to divide the space to allow two concurrent meetings
- Each half of the meeting room will have access to the kitchen and restrooms without disturbing an event in the other area.
- Other clubhouse rooms can be closed-off from the meetings rooms via partitions/doors.

## **The Exercise Room**

A new exercise room measuring approximately 25 feet by 13 feet is included on the right rear side of the new design.

- The exercise room will house equipment for aerobic and weight training.
- It will be accessible by hallway from the porch without passing through the meeting room.

## **The Kitchen**

The new kitchen is shown on the left side of the floor plan. It will begin in the general area of the current clubhouse ladies room.

- The kitchen will be designed for improved flow and functionality, with specific appliances and other features determined by a "kitchen design committee" during the development of the construction drawings.
- A rolling partition will open to the meeting room for buffet service.
- A raised bar will connect to the new game room.
- An exterior door will facilitate catering service access and party preparations.

## **The Game Room**

On the rear left side of the new design is a game room.

- At 15 feet by 18 feet, it is large enough to hold a pool or ping-pong table.
- Or, we may put in card tables and comfortable seating to use it as a relaxing area for social gatherings.
- The book shelves to house our library can also be placed in this room.

## Construction Timetable

Now that we've covered the key design elements, let's look at the proposed construction timetable.

Architect Completes Construction Plans	45 - 60 days
Construction Bids, Financing Bids and Vendor Selections	45 - 60 days
Obtain Permits	30 - 90 days
Construction	120 - 210 days
<i>Totals</i>	<i>240 - 420 days (8 - 14 months)</i>

If we have the required 90 votes to reach a "go" decision on this project at our May special meeting and we collect the initial member assessments, we anticipate that we could complete the renovation project sometime between the first quarter of 2007 and August 2007.

## Cost Projections

To date, we have spent \$6,000 to survey our lot and complete the preliminary renovation design drawings. Those expenses have been handled within our CHPOA budget. Working with our architect and local contractors, we have developed the following estimated costs to complete the renovation:

Architect's Fees for Construction Drawings	\$ 19,500
Construction Contract	350,000
Permits	5,000
New Septic System	15,000
Contingency Funds	35,500 to 70,500
<i>Total</i>	<i>\$425,000 to 460,000</i>

Once completed, we anticipate that the renovated facility will also introduce some additional ongoing expenses for our association, including taxes, insurance, and utility fees. We estimate these ongoing expenses could add \$10,000 per year to our CHPOA annual budget.

## Funding Proposal

We are proposing to fund the clubhouse renovation with a two-part approach.

- Part 1: The Capital Improvement Fund.  
A one-time assessment from each current (and future) CHPOA member.
- Part 2: Annual Dues Increase  
An ongoing increase to our annual dues beginning in 2007.

### Part 1: The Capital Improvement Fund

The Capital Improvement Fund will be created by a one-time assessment per property.

For our current CHPOA members, the assessment will be \$1,000 with \$500 due upon project funding commitment at the May special meeting and the remaining \$500 due when construction begins.

Credit for payment of the Capital Improvement assessment passes to any future owner of your property and can be featured in the marketing of your property for sale.

If the assessment has not been paid for a property, future new members will pay a higher assessment amount to be set by the Board of Directors. We anticipate that it will increase each year, perhaps linked to the cost of the financing that we undertake to complete this project. We will inform all current property owners of this plan and hope that it will serve as an incentive for joining CHPOA now rather than in the future.

### Part 2: Annual Dues Increase

We propose to finance the remaining project costs not covered by payments to the Capital Improvement fund. Beginning in 2007, we will need to raise our CHPOA dues to cover the project financing costs, as well as the ongoing expenses (estimated at \$10,000 per year) associated with the new building.

If we go to the external marketplace to borrow money, we anticipate that we can obtain a 20 year mortgage at 8% (5 year Treasury rate +3%).

- The annual principal and interest on our loan would be approximately \$10,000 per \$100,000.
- The amount we would need to borrow depends on the number of members who pay the Capital Improvement assessment and the overall project cost. In the most expensive scenario (90 members with a \$460,000 project cost) we may need to borrow \$370,000 with annual payments of \$37,000.

With these assumptions the potential annual CHPOA dues increase varies from a high scenario of \$522 per member to a low scenario of \$250 per member as shown in the table below.

	<u>\$425,000 Project</u>	<u>\$460,000 Project</u>
– At 90 members:	\$483	\$522
– At 110 members:	\$377	\$409
– At 130 members:	\$304	\$331
– At 150 members:	\$250	\$273

### Reducing Our Financing Costs through Member Involvement

If the membership approves the renovation project, the Board will explore member funding sources that could help reduce our financing expenses below the levels previously described.

The Board will only incorporate these sources into our project financial plans when we have funds “in hand”.

Options include:

- Member Clubhouse “Sponsors”
  - Donations to the Clubhouse Building Fund
  - Special permanent recognition on Clubhouse wall for sponsors
- Prepaid Dues
- Bonds Sold to Members

## **Frequently Asked Questions**

Q1: Why call a special May meeting to decide on this project rather than waiting until our November meeting?

A1: A “go” vote in May allows us to begin implementing the project over the summer and it allows us to lock in construction costs and financing before rates increase.

Q2: Why should only CHPOA members pay for the clubhouse renovation when it increases value for the entire community?

A2: As previously discussed, we recommend undertaking this project now. Under the funding proposal, the clubhouse renovation will be funded by our members, who will benefit by using it.

If a different, mandatory Cape Haze community funding structure is approved in the future, we can transition the ongoing payments for the asset into that structure.

If we decide not to do this project because everyone in Cape Haze isn’t paying into it, then the project will fail and to use an old phrase, “we’d be cutting off our nose to spite our face”.

Q3: What about the last CHPOA dues increase (from \$200 to \$400), why aren’t we applying some of that increase to this project?

A3: We have used part of that increase to cover the \$6,000 in expenses incurred to create the preliminary clubhouse plans. It is possible, that we may be able to use portions of the current \$400 dues payment to reduce clubhouse debt in the future.

However, for planning purposes, we assumed that the existing dues would be used to cover other current and potential club expenses.

Q4: Why not just implement the \$28,000 clubhouse expansion design that was proposed in 1990?

A4: The proposed renovation is considerably larger and more comprehensive than previous proposals. The older plans do not meet several of the key requirements

identified by the membership in our clubhouse renovation questionnaire.

The old designs would require significant modification to be built today in order to comply with current codes and laws, including ADA compliance. An architect would need to revise the plans to obtain permits.

Q5: How will we fund the interior furniture and fixtures for the renovated clubhouse?

A5: We are proposing that the Women's Club take the lead role in raising the required funds.

Q6: Could we do the renovation in stages so we can spread out the expenditures?

A6: With the design our architect has proposed, a staged approach to the renovation is not feasible. We will be raising the floor and changing the rooflines. Separating the project into stages would require significantly increased overall costs.

Q7: How do we attract new members to share the costs?

A7: We anticipate involving our current members in helping with this project by inviting potential members to social nights and other events in our new facility.

Q8: Will we be able to use the clubhouse during the construction phase?

A8: No. During the actual construction cycle, we will need to make alternate arrangements for activities normally held in the clubhouse.

Q9: Aren't we taking a big risk with this project? What happens if our membership drops off in the future and we can't make the loan payments?

A9: This is a big commitment for our voluntary organization and it does have risks. That's one of the key reasons we want at least 90 members to say yes to this project and to pay the Capital Improvement Fund assessment to confirm their initial commitment.

When we acquire financing, the lender will be likely to require us to pledge CHPOA assets to secure the loan. Those assets would be exposed if we were to default on our payments. However, we believe that even if the membership levels decreased in the future it is highly unlikely that the remaining members would allow us to get into a default situation.

Q10: If the vote does not pass at the May 20 special meeting, what happens to the \$500 check for the Capital Improvement Fund that I am sending in with my "yes" vote?

A10: If the clubhouse renovation is not approved, your check will be returned.

Q11: If the clubhouse proposal, including the special assessment passes, can you remain a CHPOA member and choose not to pay the assessment?

A11: No, if a special assessment is approved by our membership, our bylaws require that all CHPOA members must pay the assessment. As previously noted, in this case, we are requiring 90 “yes” votes for the assessment to pass.

## **The Proposed Motion for the May 20, 2006 Special Meeting**

Here is the text of the motion on the clubhouse renovation that we propose to introduce for vote, in person or by proxy, at the May special meeting:

The CHPOA Board of Directors is authorized to proceed with detailed planning and construction for the CHPOA clubhouse renovation, with the following elements and restrictions:

- A positive vote of at least 90 CHPOA members is required to pass this motion.
- A special assessment of \$1,000 per CHPOA member is authorized, to be applied to the Capital Improvement Fund. \$500 of this assessment is due immediately and \$500 will be due when construction begins.
- If, through the construction bidding process, it becomes apparent that the project costs will exceed \$460,000 the Board will not continue the project without further vote of the membership.
- If, in the financing acquisition process, the Board determines that it cannot obtain financing at an acceptable rate, the Board will cease investment in the project pending an additional vote of the members.
- As part of this authorization, we understand that our CHPOA dues will increase beginning in 2007, with the exact amount to be determined based on project costs and membership levels.

## **Casting Your Very Important Vote – In Person or By Proxy**

Your vote, yes or no, on this proposal is key. Please don't sit back and think that you'll let other members vote for you.

We currently have 129 CHPOA members. If you and at least 89 of our fellow CHPOA members do not take the time to vote “yes” by proxy or in person at the May special meeting, the proposal to begin now on the clubhouse renovation project will fail.

So, please vote! And, remember, that if you are sending your “yes” vote by proxy, we ask that you send your initial \$500 check for the capital improvement fund (made out to CHPOA) along with your proxy form.

Thank you in advance for your consideration!

*The CHPOA Board of Directors*