

Capital Needs Assessment - Highlands at Ocean Point

Yesterday, Today
and Tomorrow



Vision Statement

- **Highlands at Ocean Point Condominiums** is a premier year round ocean front community known to every Real Estate Professional on the South Shore. When people are looking for a place to live, every conversation should be met with a standard response of “have you looked at The Highlands at Ocean Point?”

Goals and Objectives

- Evaluate the current and long term condition of the buildings and the site
- Present a thorough assessment that educates all owners regarding the current and long term needs of our facility.
- Bring the property back to a standard of safety, insurability and owner value and return on investment
- Why is this necessary and how does it make sense?
 - Financial institution perspective
 - Insurance industry perspective

Today's Situation

- **Highlands at Ocean Point Condominiums** is a 74 unit, condominium property that was built in phases, starting in 1996. The property has substantive capital needs anticipated in the coming years; a number of systems and components are at or approaching the end of their useful lives.

How Did We Get Here?

- On-Site Insight, a Real Estate Advisory Company, performed a complete and thorough inspection of the buildings and grounds in 2011.
- A capital reserve analysis was also performed to determine the ability of the community to meet these needs.
- Future capital actions are based on useful life expectations and assume continued effective maintenance and physical management.
- Circumstances prohibited the association's ability to budget sufficiently up until the present.

Available Options

- Use this report as a basis to review the overall community needs both immediate and long-term.
- Come together as a community to implement a capital plan that the BOT will manage and be held accountable to complete in a predetermined time frame.
- Do nothing and continue to watch the development deteriorate and property values struggle, annual operating and maintenance costs increase, as well as a decline in overall marketability.

Project Scope Development

- Defined four (4) categories to bucket the work into
 - Category 1– corrects safety issues, resolves compliance issues, or negates potential liabilities
 - Category 2 – project is necessary to properly maintain the property and protects the owner’s property value
 - Category 3 - lower operational costs for all, solve a problem, address consistent look of the property, and increase property values
 - Category 4 - 8 years out and must be planned for in the future by building the capital reserves accordingly
- High level pricing was solicited from two local contractors to develop a scope of work and cost estimate

How Will We Pay for this Effort?

- BOT and Lorell Management worked with 3 local banks on securing a 10 year loan.
- After thorough review of terms and conditions, Rockland Trust was the successful lender.
- HOP has 18 months to draw down on an amount **“not to exceed”** \$1.25MM.
- Once we have drawn down those funds required to perform the work, the loan will be closed. HOP will be required to pay off the total amount borrowed in 102 consecutive months (8.5 years) or less
- We do not have to use all the funds. HOP can determine that the loan amount will be less than the \$1.25MM.

Loan Details

- During the draw down period, HOP is only required to pay interest on the amount borrowed.
- The interest rate is fixed at 4.5%.
- HOP home owners may prepay their share of the loan
- Rockland Trust will re-amortize the loan amount twice annually; i.e. owners will be able to pay down their share twice a year if they so desire.
- The loan will be paid through an increase in assessment / fees based upon a home owner's individual proportionate share.

Loan Details

- In 2018 budget cycle, condo fees will be raised to cover the anticipated interest payments.
- In 2019 budget, the loan will be finalized and unit owners will have a special assessment based upon the percentage of ownership.

What Does it Mean to Me?

Loan Amount	Monthly Payment	Owner's Share @ .856	Owner's Share @ 1.3859	Owner's Share @ 1.9157
\$500,000	\$5,908	\$51	\$82	\$113
\$650,000	\$7,680	\$66	\$106	\$147
\$800,000	\$9,453	\$81	\$131	\$181
\$950,000	\$11,226	\$96	\$156	\$215
\$1,100,00	\$12,997	\$111	\$180	\$249
\$1,250,000	\$14,770	\$126	\$205	\$283

Next Steps

- BOT has prepared a detailed spreadsheet of every project to be considered as part of a capital plan.
- Please review the embedded file in the addendum to familiarize yourself with the magnitude of work that has gone into developing a capital plan by the BOT.
- Please come this Saturday, Oct 21st at the predetermined time to discuss your thoughts and any particular concerns.
- After receiving owner's input, the board will put the work out to bid to qualified local general contractors in order to solicit best pricing.

Conclusion

- BOT is committed to revitalizing our community and property values.
- While we are very sensitive to the financial position of many of our residents, a 5% investment in our community should provide everyone a handsome return on their property value.
- We will all feel secure in knowing that our community is well maintained and the buildings and grounds will not be a maintenance burden in the years to come.

Gutters and downspouts			\$ 5,000		\$ 78,870	\$ 78,870			
ROOF SYSTEMS TOTAL COST...			\$ 5,000		\$ 305,412	\$ 278,971	\$ 78,870	\$ -	\$ -
INTERIOR HALLS, CEILINGS, AND STAIRWELLS									
Heating	20				\$ 220			\$ 220	
Floors	8	3,360sf							
Finish emergency stairwell in Bldg 24 to include installation of one way fire door		1 - Bldg 24			\$ 9,800	\$ 9,800			
Walls & Ceilings	8	9,440sf	\$ 53,000				\$ 53,000		
Ceilings	8	23,328 sf							
Hand Railings	20								
Floors - square feet	1	3,360							
Lighting	15								
INTERIOR FINISHES TOTAL COST...			\$ 53,000		\$ 9,800	\$ 9,800	\$ 53,000	\$ 220	\$ -
ON-GOING 2017 EXISTING CAPITAL PROJECTS									
Repair foundation crack at rear of Unit #404					\$ 25,000	\$ 25,000			
Regrade rear of Bldg 4 property to alleviate drainage issues towards the building and fix sinkhole									
Bldg 25 Roof - replace rubber membranes and shingles					\$95,000	\$95,000			
Storage areas to be constructed in Bldg 4					\$ 4,900	\$ 4,900			
2017 CAPITAL TOTAL COST...			\$ -		\$ 124,900	\$ 124,900	\$ -	\$ -	\$ -
2017 UNBUDGETED COSTS INCURRED TO DATE AND BORROWED FROM RESERVES									
Public Adjuster fees for 2016 February insurance event			\$ 34,397		\$ 34,397				
2016/2017 Deck Staining balance			\$ 17,750		\$ 17,750				
Yankee Anti Freeze			\$ 8,355		\$ 8,355				
Insurance premium increase			\$ 25,000		\$ 25,000				
March '17 Bldg 29 insurance deductible common area			\$ 10,000		\$ 10,000				
Feb '16 Insurance claim shortfall			\$ 15,930		\$ 15,930				
Jan - June 2017 Reserve Contributions			\$ 18,834		\$ 18,834				
2017 CAPITAL TOTAL COST...			\$ 130,266		\$ 130,266				
OPMT PROJECTS									
Waste Water Treatment Plant (OPMT)	5								\$ 2,022
Well and Landscape irrigation system	20								
TOTAL COSTS			\$ 1,316,059		\$ 1,214,849	\$ 590,340	\$ 499,128	\$ 296,220	\$ 32,625