

# **Strategic Restoration Plan Overview**

## **Barnes Lake Park Owners' Association**

### **April 2019**

The purpose of this document is to provide homeowners with a high level overview of the strategic direction the Board of Directors (Board) is taking to restore the 12 buildings within Barnes Lake Park (Park). This document will also outline how the Board plans to finance this Strategic Restoration Plan.

In 2012, homeowners rejected paying a lump sum special assessment to restore the buildings within the Park. As a result of the homeowner's decision to reject a lump sum special assessment, the Board established a monthly special assessment to fund the restoration work. The total amount of regular and special assessments available for reconstruction is about \$250,000 per year, which means for the original \$4.5M restoration project estimate in 2012 it would take a minimum of 18 years to accomplish all repairs. The Board started work in 2013 to address the most urgent problems in our 12 buildings. By 2018, major deck and structure repairs were completed on two buildings, and 3 buildings had new roofs.

Collecting a monthly special assessment to fund major restoration work was insufficient to keep up with the deterioration of the building's roofs within the Park. As a direct result the Board requested that homeowners amend the association's CC&Rs to allow the Board to obtain loans. Homeowners approved this request in January 2018 and the Board pursued and secured a loan to finish the re-roofing of the buildings within the Park. This action taken by the Board prevented additional water intrusion damage from the roofs.

The Board has established an eight year strategic restoration plan (Plan) that has three phases and when fully implemented will address the vast majority of the needed repairs to our 12 buildings.

Funding for this Plan will be from the monthly regular and special assessments for the first six years, but will require another loan in the seventh year of this Plan to complete restoration work in the eighth year of the Plan. Debt service payments on any loan will be paid from regular and special assessments revenue.

### **Funding the Plan**

As previously stated this Plan will be funded from monthly regular and special assessments. The following outlines regular and special assessments revenue the Board anticipates will be collected through September 30, 2024 to help fund this Plan.

- Year Two: Revenue identified to fund the Plan through 9/30/19 \$419,500
- Year Three: Projected revenue 10/1/2019 through 9/30/2020 \$162,360
- Year Four: Projected revenue 10/1/2020 through 9/30/2021 \$162,360

- Year Five: Projected revenue 10/1/2021 through 9/30/2022 \$162,360
  - Year Six: Projected revenue 10/1/2022 through 9/30/2023 \$162,360
  - Year Seven: Projected revenue 10/1/2023 through 9/30/2024\* \$162,360
- Total Anticipated Funds \$1,231,300

\*During year seven the Board will need to obtain another loan to complete phase three restoration work on our buildings.

## Implementing the Plan

Barnes Lake Park Owners' Association is in the second year of implementing this Plan to restore our 12 buildings that house 66 condominium units. This Plan started in 2018 with the completion of re-roofing of all 12 buildings. There are three phases to this Plan:

- Phase 1: Re-roofing of all 12 buildings (**completed**)
- Phase 2: Repair decks and associated repairs to the back sides of buildings 3, 8, 1, and 2.
- Phase 3: Siding, window and other repairs as necessary

### **Phase 2**

#### Repair decks and associated repairs to the back sides of buildings 3 and 8:

With the completion of phase one the Board is now in the position to start the second phase of the Plan. Revenue has been identified to start deck and associated repairs to the back sides of buildings 3 and 8. This phase should start during late spring of 2019 and barring any major cost overruns both buildings should be completed during 2019.

The Board anticipates that work on buildings 1 and 2 will be completed between the spring of 2020 and the fall of 2023. This timeline is based on the collection of regular and special assessments revenue between the spring of 2020 and the fall of 2023.

### **Phase 3**

#### Siding, window and other repairs as necessary:

It is anticipated that planning for phase three work will begin in the fall of 2024 with work beginning in the spring of 2025, the eighth and final year of the Plan. Phase three will consist of addressing major dry rot issues to our building's siding and window replacement as necessary. This phase will also include other repairs as necessary (such as repaving the driveway). Funding for phase three will require the Board to obtain another loan.

## Acquiring second loan to complete phase three

The amortization schedule the Board received from the bank projects that the balance on our current 10 year loan will be about \$372,000 in October 2024 when it is anticipated the Board will begin planning for phase 3. The Board will need to obtain a second loan in the estimated

amount of \$800,000 to complete phase 3. The new bank loan would need to be in place by February 2025 so that phase 3 restoration work could start in late spring of 2025.

The Board is assuming for planning purposes that the second loan would be for 10 years at a 6% interest rate. The debt service payments on the second loan would be about \$8,882 a month. Currently the regular and special assessments reserve revenue available (less monthly debt service payments on the current loan) for building restoration work is about \$13,530 a month. After the debt service payment of \$8,882 on the second loan there would be about \$4,648 a month or \$55,780 a year that could go to our reserve fund.

The anticipated monthly reserve revenue to fund the second loan would come from the following sources:

- Monthly reserve contributions from regular dues \$5,530
- Monthly reserve contributions from special assessments \$8,000
- Total \$13,530

The amortization schedule the Board received from the bank for the first loan of \$800,000 also projects that debt service payment on the first loan will end October 1, 2028. After the first loan is paid off, it would free up monthly about \$8,686. Starting in November 2028 there would be about \$13,334 a month going into the reserve fund

**Conclusion**

This Plan is the Board’s road map to completing major restoration of the 12 buildings within the Park. Completing this Plan is contingent on not having any major cost overruns and obtaining a second loan in 2024. This plan also assumes the collection rate of regular and special assessments will continue at the current almost 100% collection rate. If there are no major cost overruns, the collection rate remains the same, and a second loan is obtained, the Board will be able to complete the vast majority of restoration work to our 12 buildings.

Once this plan is completed, currently projected in 2025, the Board will be able to assess the need for the current ongoing special assessment and the funding level of our regular assessment. The funding level of the future regular assessment will take into consideration the level at which we should contribute to our reserve fund on an ongoing basis.

