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Master Plan Key Learning's

• Why new community center?
  – An investment in a master planned community center will attract new families provided that the annual cost are competitive to other competing subdivisions.

<table>
<thead>
<tr>
<th>New Community Center</th>
<th>Renovate Existing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher investment cost but lower operating costs</td>
<td>Lower investment cost but higher operating costs</td>
</tr>
<tr>
<td>Enhanced functionality for meetings and fitness users.</td>
<td>Poor functionality for meetings and fitness users.</td>
</tr>
<tr>
<td>Life expectancy 30 plus years</td>
<td>Life expectancy past 30 years with known defects</td>
</tr>
<tr>
<td>Attractive to new home buyers</td>
<td>Not a selling point or deciding factor</td>
</tr>
</tbody>
</table>
Master Plan Key Learning's

• Why new community center?
  – Providing cost effective amenities increases marketability of the neighborhood.
  – Home values increase based on the home and other perceive value within the community like schools and recreational centers.

Home Value + Community Value = Increase Sale Probability

- Poor Home + Poor Community = Recipe for disaster
- Poor Home + Excellent Community = Possible Sale
- Excellent Home + Poor Community = Possible Sale
- Excellent Home + Excellent Community = No Brainer!
Master Plan Key Learning's

• Why new community center now?
  – Low construction costs
  – Low interest rates
  – Other strategic investments underway in the community adding value
    • Klein High School
    • Doerre Intermediate School
    • Theiss Elementary
    • Other business investments (shopping, offices, community college)
Master Plan Key Learning's

• Why two new pools?
  – Constructing two new pool cost nearly the same as renovating the existing pool, but without the structural integrity risks.
  – Two new pools have less water volume than the existing pool reducing energy and chemical consumption thus lower operating costs.
  – An 8 lane competition pool will greatly enhance our swim team and the efficiency of the meets.
  – The recreational pool provides fun for all ages.
Master Plan Key Learning's

• Why a pavilion by the pool?
  – Exterior restrooms and pump house were required to support the pools. Extending the roof over these structures (by adding a pavilion) is an economical way to increase functionality of outdoor activities.
  – Multifunctional capability:
    • Swim meets
    • Membership Socials
    • Outdoor meetings
Master Plan Key Learning's

- What drove the location of the clubhouse?
  - Far away from the pipeline easement and not to disturb existing children's playground.
  - Prevailing winds provide better ventilation.
  - Building orientation provides reduced solar exposure thus energy costs.
  - Location optimizes and preserves the tennis court investments.
  - Maximum visual experience of all community center activities viewed from the clubhouse or from the street.
Master Plan Key Learning's

• What drove the shape and size of the clubhouse?
  – One story preferred to improve accessibility for our aging population and disabled within the community.
  – One story preferred to minimize overall operating costs.
  – The square footage of the new clubhouse is slightly less because the new layout is more efficient.
  – The same interior functionality preserved: office, meeting rooms, kitchen, fitness, etc.
Construction Phasing

- There are three phasing options for the master plan and can be accomplished in the following sequence:
  - Fitness competition pool construction (Phase 1)
  - Clubhouse construction (Phase 2)
  - Recreational pool construction (Phase 3)

- There are known construction site drainage/elevation risks that may require special engineering between Phases 1 & 2. Completing detailed construction drawings would determine the impact and at what cost to mitigate this risk.
Phase 1 Fitness/Competition Pool

**Demolition**
1. Large footprint of pool
2. Pump house relocation
3. Site electrical relocation

**Phase 1 complete**
1. Tennis parking & entrance
2. Pump house relocations/Pavilion, Pool
Phase 2 Clubhouse

- Demolition
  (1) Clubhouse

- Phase 2 complete
  (1) New Clubhouse
Phase 3 Recreational Pool

- Demolition
  (1) Very little

- Phase 3 complete
  (1) New Recreation Pool
Construction Phasing Issues

• The cost of “Phasing” is higher than “All at Once.”
  – Phasing increases overall costs by extending construction duration (Example: longer equipment rental, more temporary facilities, etc.)
  – Cost escalation between phases increases cost

• Project Fundamentals

All-at-Once

Pools 6 - 8 months
Clubhouse 10 - 12 months

Total construction duration 10 – 12 months

Three Phases

Pool 6 - 8 months
Clubhouse 10 - 12 months
Pool 6 months

Cost escalation of Phase 2
Cost escalation of Phase 3

Phase 1
Phase 2
Phase 3

Total construction duration 22 – 26 months
Construction Phasing Issues

• There will be higher homeowner frustration experienced with multiple construction phasing
  – Dirt, debris, noise, construction personnel in/out of subdivision three different times
  – Site security concerns.
  – Limited parking or access to existing facilities like tennis courts and playground.
  – Safety concerns may force closures periodically.
  – It will feel like this will never end.
Construction Phasing Issues

- Construction cost are higher for mobilizing and demobilizing contractors when using multiple phasing approach.
- There is additional cost to the contractor when protecting existing assets near demolition and construction areas.
- Construction cost escalation risk increase with the number of phases and when overall construction duration extends.
- Phasing negates the benefit “economy of scale” purchasing power; more scope greater discount.
- Financing rates are lowest now; future rates uncertain.
Project Estimates

• Complete project cost are estimated between $2.5 million and $3.1 million based on the Master Plan

• Master Plan estimates are “Rough Order Magnitude Cost.”
  – Estimates may be as much as 30% higher than the final design cost.

• Creating detail construction documents is the only way to obtain firm pricing form contractors.
  – Plans showing exactly what to build plans and elevation drawings.
  – Written specifications defining the quality of materials and workmanship expected on the project.
Project Financing

• Memorial Northwest Homeowners Association currently has $700,000 in total cash reserves.

• The current practice of the Association is to run at least a $300,000 operating reserve to ensure cash flow covering anticipated expenses.

• Based on current assessment of $400 per lot, the Association saves about $50,000 per year to put towards capital reserves.
Project Financing

• Considering operating reserves and capital reserves, there is no viable way to phase or implement the master plan without raising the necessary capital through a homeowner “special assessment.” Eventually, there will be a major failure of the clubhouse or pool that will drain the reserves.

THE BOTTOM LINE

Based on our annual expenditures, we don’t save enough money for capital reserves to make any meaningful investment in our community center.
# Project Financing

- One Time “Special Assessment” or,
- Financing at 5.25% fixed for 10 years “Special Assessment”

<table>
<thead>
<tr>
<th></th>
<th>Low Estimate</th>
<th>July Estimate</th>
<th>High Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Cost</td>
<td>$ 2,100,000</td>
<td>$ 2,500,000</td>
<td>$ 3,100,000</td>
</tr>
<tr>
<td>Capital Reserve (down payment)</td>
<td>$ 400,000</td>
<td>$ 400,000</td>
<td>$ 400,000</td>
</tr>
<tr>
<td>One Time Special Assessment</td>
<td>$ 882</td>
<td>$ 1,096</td>
<td>$ 1,417</td>
</tr>
<tr>
<td>Loan Amount</td>
<td>$ 1,650,000</td>
<td>$ 2,050,000</td>
<td>$ 2,650,00</td>
</tr>
<tr>
<td>Loan Annual Payment</td>
<td>$ 212,400</td>
<td>$ 264,000</td>
<td>$ 341,2000</td>
</tr>
<tr>
<td>Homeowner Cost Monthly</td>
<td>$ 8.99</td>
<td>$ 11.20</td>
<td>$14.44</td>
</tr>
<tr>
<td>Homeowner Cost Annually</td>
<td>$ 114</td>
<td>$ 141</td>
<td>$ 183</td>
</tr>
</tbody>
</table>

Assumptions: 1,969 homes at 95%
**Recommendation**

- Move forward with an “all-at-once” project.
  - Increase marketability of the Subdivision.
  - Lowest cost and risk compared to phasing.
  - Save operating expenses while in construction.
  - Homeowners may enjoy new facilities in about a year from start.
  - Cost to the homeowners is less than the cost per month to “add a phone” plus the “unlimited text plan” for one child.
  - Owners planning to sell within next 10 years pass the investment cost to new owners.
Recommendation

• Develop a homeowners proposition for a “special assessment” to VOTE to raise capital for an “all-at-once” project.
  – Proceed with construction documentation, bid, contract award and construction provided:
    • The Treasurer is successful in negotiating favorable fixed rate financing of less than 6% for no more than 10 years.
    • The special assessment expires when the debt is paid off early or at 10 years.
    • Total project/contract cost plus a reasonable contingency does not exceed the $12.50 per month per lot.