

CHALLENGING ISSUES FACING THE COMMUNITY- 3C -- 020225

INTRODUCTION

This paper has been prepared to introduce ongoing issues with the community. There are several situations we are currently facing that will cause an increase in expenses for the community.

They fall into several different categories. The following are some of those that can be readily identified.

Depending on the specific item(s), the funding for the item(s) defined in this paper can come ONLY from the Capital Fund Cash OR from Pooled Reserves. Assessments paid quarterly go to the "Operating Cash" account that by definition is used in the daily operations of the HOA to fund the expenses of the community.

Key Financial Terms and Data:

1 – Capital Fund Cash:

Cash that has been accumulated from the initial \$500 owners paid for new home purchases as well as a resale fee of \$1,210 currently (from \$1,100) paid by the buyer when homes are sold. These funds are to be used for capital improvements in our community, such as the Lake House enclosure or the repurposing of the Sales Center.

2 – Reserve Balances:

Reserve assets represent monies accumulated for use in future maintenance of our facilities.

Pooled Reserves are restricted to use for maintenance of the community buildings and amenities.

Operating Reserves funds are earmarked for use in hurricanes.

Quad Reserves are collected from the owners of the quads for power washing and painting.

Interest Reserve is an accumulation of interest on the investments of the other reserves.

Balances as of 11/30/24 (latest data available):

Capital Fund Cash -- \$1,183,379

Pooled Reserves -- \$1,202,293

Operating Reserves -- \$383,585

Quad Reserves -- \$66,050

Interest Reserves -- \$33,058

Total at 11/30/24 \$1,684,986

Issues of concern include but are not limited to:

1 – Gate House and the metal gates that periodically are inoperable leaving the community exposed to non-residents traveling throughout. The various options to repair or replace the gates and to potentially add a gate at the Hammock Creek location where currently there are only “swing arms” has begun. There is no information at this time as to costs to repair, replace and add a gate.

2 – Yardnique, the current landscape contractor was hired by the HOA (effective July 1, 2024) to perform several duties such as mowing, edging, pruning and maintaining and servicing the irrigation system.

From what was determined during the bid award process, Del Webb Lakewood Ranch would be the initial contract for Yardnique in southwest Florida.

Their overall performance has been erratic at best. It appears that Yardnique lacks competencies in many areas of their contractual obligations

3 – Castle Group, our community management company, is supposed to operate under the direction of the HOA Board. It appears that Castle is running the daily functions of the Association absent adequate and reasonable direction and oversight from the Board. The Board has apparently given too much responsibility to the General Manager and her staff and apparently does not closely monitor the General Manager and her staff.

Examples include:

- General Manager persuading the Board to disband the Building & Grounds Committee**
- Castle Group personnel working from 10AM to 2PM during the 2024 Christmas – New Year time period....a time when there is a high volume of visitors present on property**
- Poor and untimely response to Resident concerns**
- Lack of transparency on issues such as irrigation and the use of a specific type of fertilizer that is not “pet friendly”**
- General Manager and staff are “not visible”**

4 – The irrigation system has many issues – some known and some perhaps not known. It appears that Pulte may have installed a system that does not adequately furnish enough water to the furthest points throughout the 660 acres of our community. There continues to be an ongoing issue with the sprinkler heads. They get clogged up periodically with organisms living in the non-potable reclaimed water used for irrigation. Clogged sprinkler heads do not work and must be identified, cleaned and in some cases replaced. This is done on a one-by-one basis. AT THIS TIME IT IS NOT KNOWN THE BEST OPTIONS TO ADDRESS AND SOLVE THE VARIOUS IRRIGATION ISSUES NOR IS IT KNOWN THE ESTIMATED COST FOR REPAIRING, IMPROVING / MODIFYING OR REPLACING THE CURRENT IRRIGATION SYSTEM.

5 –Rimkus has conducted a Developer Transition Study (DT) on behalf of Del Webb Lakewood Ranch Homeowners Association, Inc. to assist the Association in their due diligence transition from Developer to Association control. This report was given to the Board in October 2024. The purpose of this study was to assess the construction of the property in accordance with Florida Statute Chapter 558, “Construction Defects.” Although this report may not disclose all “construction defects”, every reasonable attempt has been made to do so within the scope of work agreed upon by Rimkus and the HOA. The report has been prepared in accordance with generally accepted engineering practices and within the scope and limitations referenced in the professional service agreement between Rimkus and the HOA.

The Rimkus Report has identified numerous issues in a 429-page report that require attention and resolution. Pulte has been given this report which addresses the condition of all Association “hard assets” such as buildings and their various mechanical systems and the condition of our infrastructure at the time of the April 27, 2023 turnover from Pulte to our Association.

IT IS UNKNOWN HOW MUCH PULTE WILL AGREE TO PAY. THERE ARE ONGOING NEGOTIATIONS BETWEEN THE BOARD AND PULTE. IT IS ALMOST A CERTAINTY THAT PULTE WILL NOT COVER 100% OF THE NEEDED REPAIRS. IT WILL BE THE RESPONSIBILITY OF THE MEMBERS OF THE ASSOCIATION TO PAY THE REMAINDER OF THE REPAIR COSTS.

THIS UNKNOWN COST MAY PRESENT A SITUATION WHERE POOLED RESERVE FUNDS, THE PRIMARY SOURCE TO COVER THOSE REPAIRS, MAY BE DRAWN DOWN TO AN INADEQUATE BALANCE TO ADDRESS OTHER NEEDS.

DISCUSSION POINTS

1 – The problems that were chosen to be evaluated are those specific items that immediately appear to be evaluated by the HOA. The two items that appear

to be known by everyone are the Sales Office and Lake House. These two issues can be evaluated by attributing actual costs to them. This is a result of residents who have been involved in evaluating them and have placed approximate dollars on each of these items.

IDENTITY OF EFFORTS

A - ISSUE

- 1. Funding for “the repurposing of the Sales Center” would come from the Capital Cash Fund of \$1.183MM (Balance as of 11/30/24). Estimated costs are \$440,000.
The Sales Center may be turned over by Pulte to the community in the first quarter of this year. The Board has decided to use the Sales Center by opening various rooms for use by small groups. The maximum size of each group per room (in general) cannot exceed thirty people.**
- 2. There is a restriction on parking availability. No more than thirty-eight (38) cars can utilize the current parking lot. It is likely that parking on Alstead Circle (adjacent to the Sales Center) will need to be restricted to allow for egress and ingress on that street. That minimizes the number of people to attend anyone meeting or group gathering.**

Problem

- 1- A review of the Sales Center has been performed by an architect and presented to the Lifestyle Center Committee. The result of the study shows that there is no major construction required to turn it into a “mini-Oasis”. There will be a need to remove and rebuild some walls so that each room can be capable of seating up to thirty people. The Lifestyle Center Committee is estimating that the proposed changes would produce four meeting rooms, two offices and a conference room plus a Grand room which represents the center of the facility. The building would also require the inclusion of security devices along with furniture to fill each room.**
- 2- The Lifestyle Center Committee has also been asked to review the current use of The Oasis and determine what each room would be used for and how it would be scheduled.**
- 3- There is also a request to modify a room in The Oasis. That would require building a stage that may collapse into the wall that is adjacent to the gym. This would have an impact on the usage of AR 1.**

EXPENSES

- 1- The estimated cost to renovate the building is \$440,000.**
- 2- The cost of fixtures, furniture and some equipment is included in the \$440,000 estimated renovation cost**
- 3- Expand the parking lot (adding twenty-five spaces) is at least \$150,000. That is NOT under consideration at this time.**
- 4- No cost was identified for items like TVs, mics, speakers, etc.**
- 5- There was no estimated expense for the collapsible stage in The Oasis.**
- 6- Annual maintenance for the Sales Center is estimated at \$100,000 to \$150,000.**

CONCLUSION

- 1- The method by which the HOA chose to use the Pulte Sales Office as an expansion of The Oasis was based on an informal and non-binding survey that was performed over 18 months ago. Minimal information on the cost(s) involved to retain ownership of the Sales Office was provided in the informal survey. The number of "Units" (one vote per home legally known as a "Unit") that responded to the survey was 676. The total number of "Units" in our Association is 1,286. The votes were divided up the following way- Demolish the building 128; Offer the building and property to Manatee County 13; Sale of building/property (rezoning required) 65; Lease of Building (rezoning required) 78; Lifestyle use only/mixed usage 392. Only 30% (392) of the total "Units" (1286) in the Association voted to "repurpose the Sales Office for Resident use."
42% (284) of "UNITS" who voted wanted to dispose of the Sales Office in one form or another.
Only 52.5% of the "Units" EVEN VOTED AT ALL.**

- The survey lacked financial information as well as significant member participation so as to render the survey as "not credible." However, the Board used the survey as their primary basis for their decision to turn the Sales Office into a "mini-Oasis." There was no in-depth discussion with the community about doing this nor was there a comprehensive discussion concerning costs to

renovate and maintain the building. All of these issues should have been communicated to the community so that all Residents would better understand the issues and the potential costs involved.

2- RECOMMENDATION

The HOA must hold a series of Town Hall meetings to inform the Community on all aspects of this project. An objective and comprehensive survey that includes all options and all known costs must be developed. The Residents must be given this survey and the results divulged to the Association Members. Residents should demand that the Board allow the Residents to decide the future of the Sales Center by a “binding vote” of the Residents. The Members of the Association (Residents) should determine how / if their monies should be spent on this project. The Board has not been fully transparent with the use of our funds concerning the Sales Office. That MUST change.

B - ISSUE

The Lake House annual expenses are between \$1.2MM to \$1.3MM

Member assessment fees total \$642,500 (\$500 x 1,285 “Units”

Total 2024 revenue was \$972,00

Total 2024 deficit was \$330,000

The Lake House is now being run by an outside company. Since assuming operation of the Lake House in March 2024, the operator has failed to “break even” or to show a profit for any month. Board members apparently believe that it is acceptable to operate the Lake House at a substantial annual deficit regardless of the financial impact on the Members of the Association by increasing our annual assessments. The Board has indicated that the Lake House is considered “an amenity” and as such it is NOT a consideration nor a requirement for the Lake House to “break even” or turn a profit regardless of any deficit no matter how large or small.

Apparently having the Association Members make up the difference by virtue of increased assessments (over and above the \$500 annual restaurant assessment) is acceptable to the Board.

The stated vision of the Lake House contractor as presented in the Board packet for the January 30, 2025 Board meeting:

“a. Private Community / Amenity much like all of the other amenities

b. Need to be careful not to put financial performance ahead of everything else, which would then compromise all of the above” (“The Road Map to Achieving our 2025 Budget Projections”).

As stated, the Lake House operates at an annual loss.

The Lake House loss (deficit) was \$330,000 in 2024.

The Board is planning to spend approximately \$460,650.00 from Capital Fund Cash of \$1.183MM to enclose the outside patio with screens and possibly a heating and cooling system.

The former Board President initiated the effort to evaluate this expansion. A committee composed of Residents with both financial and restaurant management operations expertise were tasked to evaluate and determine the best options for financial viability (including expansion) for the Lake House. This commenced in early January 2023.

The number of contractors contacted by the now defunct Food & Beverage Committee was 42 in addition to contacting 3 interior designers. Only 7 contractors expressed any interest. The remaining 35 indicated they would not work with an HOA. Two (2) contractors responded to the request to visit the Lake House. One (1) quoted the job. As mentioned earlier, the estimated cost was within the \$500,000 targeted potential budget of the Board for this project.

The proposed changes are available on request.

Included with the cost determination, the Food & Beverage Committee spoke with 3 restaurant owners. One (1) submitted a Letter of Intent. This owner and the offer were rejected by the Board.

EXPENSES TO EXPAND THE LAKE HOUSE

Inside mandatory	\$6,450.00
Deck Mandatory	\$223,800.00
Subtotal	\$230,250.00
Inside Options	\$91,900.00
Deck options	\$138,500.00
To Be Determined	Not defined
Total	\$460,650.00

FUNDING TO EXPAND THE LAKE HOUSE

Would come from the Capital Fund Cash account of \$1.183MM (as of 11/30/24)

CONCLUSIONS

It is the opinion of the writer that at the end of the renewed contract with the current operator (in effect through 12/31/25) the HOA should consider approaching restaurant operators and / or restaurant management firms to lease and operate the Lake House independently thereby freeing the Association from the issues of profit and loss of the Lake House. A successful negotiation would provide additional revenue to the HOA thereby reducing expenses to the community. As best as can be determined, a local established restaurant owner and operator had submitted a Letter of Intent to take over the Lake House for a period of 10 years. The current Lake House contractor that is being paid regardless of their financial performance nor financial impact on the community and in spite of the fact that the contractor has been unable to “break even” or operate profitably in any month the contractor has operated the Lake House. The contract in effect through December 31, 2025 stipulates “the monthly fee for services shall be \$2,500 per month. In addition to the Consulting Fee, Owner shall reimburse Consultant for all reasonable travel and lodging expenses incurred, which will not exceed \$600 in any given month without Client’s prior written approval. Consultant will make every effort to minimize travel related expenses.” The loss for 2024 was \$330,000. The Board renewed the contract through December 31, 2025. Some Residents appear to enjoy the Lake House while others feel otherwise. The percentages are not known as the Board has not extensively nor consistently surveyed the Residents on the Lake House.

RECOMMENDATIONS

The Board must take seriously the impact of the ongoing and substantial annual operating loss of the Lake House in spite of the “captive and guaranteed” revenue of \$642,500 generated by the \$500 annual restaurant assessment on 1,285 “Units.”

It is past time for the Board to re-examine their current approach. It is time for the Board to re-examine the available options to obtain outside restaurant owners / restaurant management firms to operate the Lake House. This has the opportunity to reduce the expenses to the Residents and reduce that

portion of the annual assessment (exclusive of the \$500 restaurant assessment) that goes to subsidize Lake House operations and which goes to offset the annual Lake House deficit.

TOTAL RECOMMENDATIONS

It is imperative that the Board create a number of chartered committees to review each of the problems identified above.

Their recommendations should be analyzed and evaluated by the Board and communicated to the Residents. Transparency (while largely lacking at present from the Board) is paramount. Without a public commitment from the Board to act with accountability and transparency on the complex issues facing this community, there exists the potential that the Board will inadequately attempt to address these issues and will inadequately choose “band aid solutions” and / or the Board will simply take unilateral action(s) without significant and credible Resident input. A potential outcome in these circumstances are results that are not in the best interest(s) of the majority of Residents.

The overall condition of our once proud and pristine community is very concerning. The total picture is complex, compelling and troubling. Transparency, accountability and accessibility from and of Board members and Castle Group management is essential in order to begin to understand the issues. These elements have been largely lacking from the leaders of this community.

If you desire to continue to pursue your chosen lifestyle of “living in luxury”, it is time for each of us to stand up and be counted. If not, **THE VALUE OF OUR HOMES WILL BE DIMINISHED. EVERYONE WILL BE FACING A FUTURE OF SUBSTANTIALLY INCREASED HOA COSTS TO REMAIN HERE WHILE BEING BURDENED WITH UNRESPONSIVE AND OUT OF TOUCH BOARD MEMBERS.**

WE DESERVE BETTER!!