

Lake Forest Home Owners Association

Reserves Assessments Loan Program

Executive Summary

Lake Forest Home Owners Association (LFHOA) is a community comprised of 217 single family homes and 278 townhome style units in 72 buildings. The townhome building exteriors are constructed of CMU finished with stucco on the first floor and wood framed T-111 siding on the second floor. The roof system is comprised of asphalt shingles.

In August of 2008 LFHOA hired a firm "Reserve Advisers" to conduct a "Reserve Study" (study). LFHOA like all Home Owner Associations (HOA's) are mandated by Fl. Statutes to establish and maintain a stable and equitable reserve funding plan that allows HOA's to be in the position to replace inventory items as their useful life expires.

The study provided for Seventeen Million Dollars of assessments over a thirty year period and has a critical funding point in 2011 and 2038 due to current conditions of inventory, the expiration of useful life for some of it's inventory, and their anticipated replacement costs.

The study caused LFHOA to increase its monthly assessments to meet the requirements set forth. The assessments being collected are providing no immediate return on investment to the community nor do they provide any long term benefits. The study only makes provision for replacing some of the inventory between now and 2038. Also, it was determined there were some errors in the study as it relates to items that do or do not belong in the inventory, accuracy in the useful life and realistic replacement cost of those items.

LFHOA has initiated a Budget Review Committee (BRC) to examine the study and present to the Board of Directors any recommendations and /or changes. The BRC provided LFHOA with a revised study and also recommended the HOA consider a loan to repair all the buildings at once.

The recommendation included using systems that would provide an extended useful life and eliminate the need of constant repairs the current systems require. Additionally, the recommendation considered using the proceeds being assessed and collected as a means to pay for the loan.

Repairing the buildings with the new systems are expected to eliminate the need for excessive maintenance. The results would stabilize the assessment expenditures and provide a means of repayment of the loan in the first 15/20 years. Continued collection of assesments without any increase will establish equitable reserves and a funding plan for the replacement of the new system inventory items at the end of the fifty year cycle.

LFHOA will need to finance approximately Six Million Dollars at a rate of Eighty Five Thousand Seven Hundred Dollars per building for the installation of the new systems that would eliminate the excessive maintenance expenditures.

The new systems will consist of Lifetime Vinyl Siding over insulation board, Decra Metal Roofs over 1-1/2 inch foam insulation, painting of the first floor CMU walls and Florida friendly landscaping. The systems being installed will provide a useful life of approximately fifty years.

LFHOA decided to proceed with repairs of two of the buildings (#9 and #46) using the systems as prototype buildings. The renovation to these buildings have been completed with the outcome that was anticipated.

LFHOA is now considering a program that would also include solar panels on each of the buildings as well as small farms in certain common areas. It is anticipated adding enough solar panels to the common areas will create a long term residual income that will enhance the HOA's ability to finance the renovations and possibly mitigate the need to increase it's current and future monthly assessments to it's members.

A preliminary feasibility study to determine the quantity and the amount of energy that can be produced by installing solar panels over the roofs and in certain common areas.

LFHOA is seeking a solar panel company that is willing to partner with the HOA by assisting with the study, and in obtaining the financing required for the project.

The vision of this program is to cause the community to become more desirable and marketable by becoming a more sustainable, environmental friendly state of the art community.

It is expected by putting the proceeds currently being assessed and collected to better use the vision of the program will become a reality.