



THE RITZ-CARLTON

The Tower Residences Condominium
Association of Coconut Grove, Inc.
BUILDING REFRESH FINANCIAL PLAN

January 27, 2021

BUDGET OBJECTIVES

1. Fund Building Refresh Project. Note: This is the first complete building refresh in the 20 years since original construction.
2. Maintain healthy Association financial position following project completion
3. Structure Association member payments in manner most desired by unit owners
4. Provide financing alternatives for unit owners who wish to make payments over time.
5. Plan for future capital needs, such as painting building exterior

Building Refresh Budget

RITZ CARLTON, Coconut Grove
Ritz Residential Tower
PROGRAM CONTROL BUDGET

Date:	1/20/2021	Notes
PROFESSIONALS FEES		
1	Architect/Engineering	20,000
1.1	ID & Purchasing fee	118,500
2	Food Service Design	1,200
3	Project Manager	195,000
6	Design Consultants	36,000
PROFESSIONALS FEES SubTotal		370,700
CITY/COUNTY & MISC.		
9	Permit Fees allowance	30,000
10	Builder's Risk Insurance	4,000
CITY/COUNTY & MISC. SubTotal		34,000
OWNER PURCHASED		
11	Furniture & upholstery	652,000
12	Decorative lighting fixtures	150,000
13	Casework Greatroom; Mia Cucina	<i>in construction</i>
14	Appliances Great room	<i>in construction</i>
15	Energy conservation	186,767
16	Landscape/Irrigation	50,000
17	Artwork	25,000
18	BBQ Station	12,000
OWNER PURCHASED SubTotal		1,075,767
20 General Construction phases		
20.1	Interior common area renovations	1,017,276
20.2	Lower Main Lobby	112,140
20.3	Card Room	183,612
20.4	Upper Lobby Great Room	254,418
20.5	Pool Deck	511,004
20.6	Arrival court	307,144
20.7	Pedestrian Access	65,000
21 CONSTRUCTION COST		2,450,594
24 PROJECTS CONTROL BUDGET		3,931,061
22	Contractors Contingency 5%	122,530
23	Owner Contingency 10%	393,106

- ✓ ~\$3.93 million project cost plus an additional \$516k in “contingencies”
- ✓ ~\$216k should be available from current reserves
- ✓ ~\$4.23 million would be required from Special Assessment (\$), \$28,635 for our most common unit size.
- ✓ Project will begin in April or May. We will need to secure funds beginning in April, either from unit owners or from other financing source

Anticipated Project Cash Flow

RITZ CARLTON, Coconut Grove
Ritz Residential Tower
PROGRAM CONTROL BUDGET

Cash Flow Projection: 13 months

Date:		1/20/2021		Notes	2022														
					May '21	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May '22		
PROFESSIONALS FEES																			
1	Architect/Engineering	20,000	Permit documentation/insp.		10000		5000	2500	2500									20,000	
1.1	ID & Purchasing fee	118,500			25000	12500	12500	6850	6850	6850	6850	6850	6850	6850	6850	6850	6850	118,500	
2	Food Service Design	1,200	DEI											1200				1,200	
3	Project Manager	195,000	Gaudet Assoc.		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	195,000	
6	Design Consultants	36,000			36,000													36,000	
PROFESSIONALS FEES SubTotal		370,700																370,700	
CITY/COUNTY & MISC.																			
9	Permit Fees allowance	30,000					3000											30,000	
10	Builder's Risk Insurance	4,000			4000													4,000	
CITY/COUNTY & MISC. SubTotal		34,000																34,000	
OWNER PURCHASED																			
11	Furniture & upholstery	652,000	Incl. Tax, freight, recv'g/install, fees			325000				127000	100000			100000				652,000	
12	Decorative lighting fixtures	150,000				75000								75000				150,000	
13	Casework Greatroom; Mia Cucina		in construction																
14	Appliances Great room		in construction	Wine, beverage storages, ice maker															
15	Energy conservation	186,767	LED lamp replacement							26681	26681	26681	26681	26681	26681	26681		186,767	
16	Landscape/Irrigation	50,000	Allowance							12500	12500	12500	12500					50,000	
17	Artwork	25,000	Allowance															25,000	
18	BBQ Station	12,000	DEI								12000							12,000	
OWNER PURCHASED SubTotal		1,075,767																1,075,767	
20 General Construction phases																			
20.1	Interior common area renovations	1,017,276			250000	100000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	167276	1,017,276
20.2	Lower Main Lobby	112,140			22428	22428	22428	22428	22428										112,140
20.3	Card Room	183,612			30602	30602	30602	30602	30602	30602									183,612
20.4	Upper Lobby Great Room	254,418			42403	42403	42403	42403	42403	42403									254,418
20.5	Pool Deck	511,004				150000	60000	60000	60000		60000	61004							511,004
20.6	Arrival court	307,144				100000	30000	24000	24000	24000	34000	24000	57144						307,144
20.7	Pedestrian Access	65,000					16,250	16,250	16,250										65,000
21 CONSTRUCTION COST		2,450,594																2,450,594	
24 PROJECTS CONTROL BUDGET		3,931,061			435,433.00	872,933.00	314,183.00	270,033.00	270,033.00	411,286.00	307,031.00	196,035.00	168,175.00	274,731.00	123,531.00	98,531.00	189,126.00	3,931,061	
22	Contractors Contingency 5%	122,530																	
23	Owner Contingency 10%	393,106																	

Current Reserve Status

- ✓ The Association currently has the following reserves as of December 31, 2020:

- Pool and Fountain	\$ 53,000 x
- Restoration	\$ 135,000 x
- Mechanical (HVAC, cooling towers)	\$ 305,000
- Painting (exterior)	\$ 55,000
- Paving	\$ 28,000 x
- Elevators	\$ 194,000
- General Reserves	<u>\$1,110,000</u>
TOTAL	\$1,880,000

- ✓ \$21,320 is being put aside into reserves each month from the collected HOA fees
- ✓ Last reserve study was performed in 2019, prior to roof replacement. Studies are done to assist the Board in determining a strategy to fund future capital requirements.
- ✓ A reserve study and a separate useful life study are being performed by Association Reserves (reserve specialists) and SGM (mechanical engineering firm), results will be known in Q1.
- ✓ Reserve study results could adjust future HOA fees (up or down) or require future assessments.....

USING \$216,000 (sum of X's) OF CURRENT RESERVES IS PROPOSED FOR THE BUILDING REFRESH PROJECT. THESE 3 BUCKETS MUST BE USED FOR SPECIFIC WORK, AND SUCH WORK IS PART OF THE REFRESH PROJECT. WE WOULD NOT USE THE CURRENT "GENERAL RESERVE"

Special Assessment Amount

- ✓ The Project Budget (\$3.91 million), plus contingency (\$516k) less reserves used (\$216,000), yield a required \$4,231,000 Special Assessment

- ✓ Special Assessments will be communicated to you by staff but would approximate:
 - Most common unit size (1530 sf) \$28,635 per unit
 - Average Assessment \$32,798 per unit
 - Largest units \$94,491 per unit
 - Smallest units \$19,721 per unit

- ✓ If Contingency is NOT needed (\$516k), it will be refunded, applied to future projects or to reserve requirements.

RECENT COMPARATIVE ASSESSMENTS

Our Special Assessment is substantially lower than assessments at two other Coconut Grove luxury condominiums

Coconut Grove Special Assessment Inquiry						
<u>Property</u>	<u>Special Assessment</u>	<u>When?</u>	<u>Total Assessment?</u>	<u>Average per unit</u>	<u>What did it cover</u>	<u>Notes</u>
RC, Exec Residences	YES	2018	\$787,000	~\$9,000	Working capital, Irma repairs	N/A
Yacht Harbour	YES	2013	\$7 Million	\$32k / \$47k / \$63k 1BR / 2BR / 3BR	40 year recertification (structural/electrical)	Unit owner can pay over 7 years, ending in 2020
Grove at Grand Bay	YES	2018 2019	\$250,000 (2018) \$250,000 (2019)	~\$2,500 (2018) ~\$2,500 (2019)	558 Claim (perform repairs) 558 Claim (pursue claim)	N/A
Grove Towers	YES	2018 2019	\$01.1M (2018) \$11.2M (2019)	\$10,900 (2018) \$110,900 (2019)	Hurricane Irma Ins. Deduct. 40 year recertification	N/A
The Munity	No	N/A	N/A	N/A	N/A	N/A
Park Grove	No	N/A	N/A	N/A	N/A	N/A

PAYMENT STRUCTURES

Substantial funds are required in the first few months of the project.

Two payment alternatives for the Board to consider:

1. 100% payment in April. Possible home equity loans available from Grove Bank.
2. Payment over 18 months. Association takes April loan from Grove Bank which gets paid back over 18 months, as unit owners makes special assessment payments. Only feasible if a significant number of owners prefer this option.
3. If say half the owners preferred option 1 and half preferred option 2, option 2 owners would have installment payments that reflect an interest rate of 5%.

Home Equity Loan Program

- ✓ If the Board decides to require Special Assessment payments up front, Grove Bank has proposed financing programs for interested Association members
- ✓ The programs are NOT guaranteed or sponsored in any way by the Association
- ✓ Owners would be 100% responsible, individual loans would require underwriting using bank's requirements
- ✓ Loans available for up to 60% of Condo assessed equity value
- ✓ 20-25 Year term (10 year draw period) at 2.5% for first three years, tied to prime rate thereafter; \$50 annual fee. Credit of up to \$2,000 towards closing costs available. Other terms exist.

Condo Association Financing

- ✓ If the Association decides to require Special Assessment payments over 18 months, the Association would borrow up to \$4.23 million, to be repaid as the Special Assessment payments from unit owners come in. We have secured a loan proposal for this financing from Grove Bank.
- ✓ This would enable the Special Assessment to be paid over 18 months, while allowing the Building Refresh Project to start immediately.
- ✓ Closing costs, interest and origination fees would apply. The estimated \$4.23 million Special Assessment would have to include an interest component to cover these costs (5%).
- ✓ Unit owner feedback is requested as to whether this is a preferred approach to alleviate upfront assessment payments. Please email Jorge to provide feedback.

Future Assessment Possibility

- ✓ Discussions are on-going regarding the maintenance needs for the building exterior.
- ✓ The Association is generally responsible for 44% of costs to maintain the exterior of the complex and two towers
- ✓ The owner of the building (HERSHA) has completed a review and believes the building's capital needs through 2022 include a patch, repaint and seal project costing ~\$2.3 million. The BOD has been working to review and direct these potential costs.
- ✓ So heads up the Association may have to absorb an estimated \$1 million charge in 2022, with funding from reserves or an assessment depending on the final cost of the exterior work, the final cost of the building refresh project and the results of the reserve study.

THANK YOU



THE RITZ-CARLTON