

BBV Marina Replacement of A, C, D Docks

History

- The BOD and Marina Committee have known for over a decade the marina docks would need to be replaced. The marina docks are 56-41 years old.
- In 2012 the Marina Committee recommended that the BOD begin replacing finger piers at the rate of 4 to 5 per year, this was not done.
- The 2014 marina reserve study recommended a time-line and financing plan in 2014. The reserve study pointed out the importance of a serious maintenance and repair program for extending the life of the docks.
- There have been 2 studies supporting dock replacement from 2017 & 2018
 - Marine Structures Engineering in 2017 indicated a 5-10 year life and a cost to replace the docks of over \$6M
 - Surowiecki Brothers in 2018 indicated a 5 year life (no cost estimate to replace). Their study was the most detailed to date, showing core rot in the docks.
- Marina interest lost over the last 20 years due to excess marina funds used for other BBV operating expenses is estimated at over \$1 million. The excess funds have been paid back to the marina, but not the lost interest earned.
- The board of directors is legally bound to protect the integrity of BBV capital assets under Revised Code of Washington related to the operation of Home Owner Associations under RCW 64.38.
- The BBV Board has made the decision to replace A, C, & D Docks using Bellingham Marina as the selected bidder. Contracts have been established.

The So What: The decision has been made to keep our assets safe and in good shape for the future

BBV Marina Replacement of A, C, D Docks

Current Situation

- The Total Project cost, including WSST, is \$4,529,875
- Current Marina reserves of \$1,132,468 will serve as the loan down payment (LTV – Loan to Value) and the initial outlay required.
 - **Note: No other BBV reserves are touched or impacted**
- The Bank loan terms are for a loan up to \$3.5 million dollars, payment term of 15 years, with a 7 year interest re-set. Current interest rate is 5.89% (note this rate will continue to change until locked in).
- There is no penalty for early payment, however, the loan cannot be refinanced with another banking institution.
- We evaluated waiting and the anticipated cost with inflation and time to save funds exceeded the life of the docks. It's cheaper for us to take out a loan than try to wait.
- The board (with legal counsel) approved moving forward with the replacement of A, C & D docks using a bank loan from Alliance Bank at the June 29, 2022 Special Board Meeting.
- How the community will pay for the loan is included in the options below.
- A Special Board Meeting with BBV community to discuss options to paying back the loan is planned. The selection option will be part of the 2023 budget plan

The So What: Working together for a win-win payment plan

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Funding for Annual Loan Repayment

- Marina net profits, which include savings from reduced maintenance costs, will go toward the repayment of the loan.
- Reserves will be maintained for interim items such as dredging, fuel dock & tank replacement, and other marina reserve items.
- Annual Loan Repayment (over 15 yrs) \$351,928
 - Currently interest rate of 5.89%
- Annual Net Marina Revenues \$304,014
 - Current budget income
- Additional Required Reserves funding \$ 62,000
 - Maintain other marina requirements
- Annual Shortfall from Fees / Dues \$109,915
 - Additional amount needed for loan payment
- Interest cost over 15 years \$1,778,931
 - Approximately another \$1,575.67 per owner
 - Can we agree to an early payment option and save \$\$?

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Loan Payback Funding Options

- Option 1: One-time assessment to all homeowners/parcels of \$3100
 - No Loan: Saves \$1,778,788 in loan fees over 15 years (would provide 3-5 yr financing for owners, as needed)
- Option 2: All Marina Fees increase an average of 40% to cover the loan
 - Marina users pay for it.
 - Would pay the \$1,778,788 in loan fees over 15 years
- Option 3: Shared Marina Fee increase average of 30% and HOA increase of 1.5%
 - A community asset where everyone shares the cost.
 - Would pay the \$1,778,788 in loan fees over 15 years
- Option 4: Shared Marina Fee increase average of 30%, One-time assessment to all homeowners/parcels of \$1550 and HOA increase of 1.5%
 - Would pay the loan off in 6 years, 8 months saving \$1,375,015

The So What: The Selected Option will be included in the 2023 budget Proposal

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Loan Payback Funding Option 1

Option 1 – Full Assessment

- One-time assessment to all homeowners \$3100
- Option to pay over 3 yrs or 5yrs with \$50 finance fees per year to cover admin fees and at the same interest rate as the community is paying for the bank loan. The 3 year rates would be \$1144.23 per year on January 1st 2023, 2024 and 2025 for a total of \$3432.68. The 5 year rates would be \$743.06 per year on January 1st 2023-2027 for a total of \$3715.28.
- If everyone paid up front there would be no interest **cost for a savings of \$1,778,931.**
- This would also give the community more flexibility in the event of a major emergency in other areas.
- Marina fees would still be increased by an average 30% to allow for buildup of the depleted marina reserves.

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Loan Payback Funding Option 2

Option 2 – All Marina Fees increase to cover the loan

- Note – if the budget proposal for any dues increase or one-time assessment is not approved, this option would pay the loan repayment.
- Marina fees would need to increase by 40%. This would pay the loan, but would provide very little to replenish the marina reserves.
- Interest payments would be a total of \$1,778,788 and the loan repayment is over 15 years.
- Average moorage rates would be \$41/ft vs the existing rate of \$30.75, Marina usage would be \$222 versus the current rate of \$125 and Marina storage would be \$250 versus the current rate of \$120. Note, these numbers could vary, but the overall rate will be to increase by 40%.

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Loan Payback Funding Option 3

Option 3 – Marina fees average 30% and HOA fees 1.5%

- Annual HOA fee assessment for marina of 1.5% or \$24.34 per year per lot for 15 years.
- Marina fees increases of 30% or moorage of \$38 per foot vs current rates of \$30.75, and marina usage of \$200 vs current rates of \$125, and marina storage of \$225 vs current rates of \$120.
- Payment term is 15 years. Interest payment of \$1,778.788.

The So What: Working together for a win-win payment plan

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Loan Payback Funding Option 4

Option 4 – Marina Fees Annual and HOA 1 time assessment and annual HOA fee increase of 1.5%

- HOA funding through a one time assessment at 50% of the total cost or \$1,750,000. This would be \$1550 per lot owner. We would also allow for payments over 3-5 years as needed. Financing fees of \$50 per year for administrative costs and interest at the same rate of the loan, currently estimated to be 5.89%. The 3 year rates would be \$597.10 per year on January 1st 2023, 2024 and 2025 for a total of \$1,791.30. The 5 year rates would be \$396.52 per year on January 1st 2023-2027 for a total of \$1982.59.
- Marina fees would increase by 30%. Average moorage rates would be \$38/ft vs the existing rate of \$30.75, Marina usage would be \$200 versus the current rate of \$125 and Marina storage would be \$225 versus the current rate of \$120. Note, these numbers could vary, but the overall rate will be to increase by 30%.
- HOA annual fees would increase 1.5% or \$24.34 per year per lot owner.
- This would pay the loan in 6 years, 8 months. The interest paid would be \$403,772, a **savings over the 15 year term of \$1,375,015**. This would also give the community for options financially if other areas needed additional funding.

The So What: Working together for a win-win payment plan

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Summary

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- There is the possibility of many different variations, all that would pay back the loan. While there is no right answer, paying off the loan sooner than later is good business sense. It would save us all as a community and would also allow for a replenishment of marina reserves sooner, so we don't find ourselves in this situation down the road.
- We've known of the need to replace the docks since at least 2012, over a decade. This is not a rushed decision, but we have permits that will expire in 2023, we have a bid by a known contractor that is over \$1 million less than the next bid. This contractor can install the replacement docks starting now, with material orders (think supply chain issues) and install the new replacement docks in 2023.
- The HOA dues and assessments above would need to be submitted as part of the annual budget approval process. The Marina fees will be finalized and determined by the board after the budget submittal and approval, and may need to be adjusted accordingly.

The So What: The Selected Option will be included in the 2023 budget Proposal