

Birch Bay Village Marina Dock Replacement / Repair

History

The BOD and Marina Committee have known for over a decade the marina docks would need to be replaced in the near future. 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. 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 and 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 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 Marine as the selected builder. Contracts have been established.

Current Situation

The marina docks are compromised and are failing. Detailed core testing from the 2018 study provided proof of the internal rot. The risk to the community of not replacing or repairing a known problem is high. Bellingham Marina is the low cost bidder and a qualified vendor. Further, existing permits will allow the replacement of the remaining docks, those permits start to expire by the end of 2023.

The total 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.

Funding for Loan Repayment

Marina net profits, which include savings from reduced maintenance costs, will go toward the repayment of the loan, less amounts required for reserves for interim items such as dredging, fuel dock & tank replacement, and other marina reserve items.

Annual Loan Repayment (over 15 yrs)	\$351,928
Annual Net Marina Revenues	\$304,014
Additional Required Reserves funding	\$ 62,000
Annual Shortfall from Fees / Dues	\$109,915
Interest cost over 15 years	\$1,778,931
(or approximately another \$1,575,67 per lot owner)	

Option 1 – Full Assessment (with optional payment terms)

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 build up of the depleted marina reserves.

Option 2 – All Marina Fees

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%.

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

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.

Option 4 – Marina fees increase 30% and HOA 1 time assessment \$1550 per lot and ongoing HOA contribution 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.

HOA one time assessment (with optional payment terms) \$1550 per lot

If need be, 3-5 year financing could also be made available at \$50/yr financing fee and interest at the same rate the bank would charge, currently estimated at 5.89%.

HOA ongoing fee dues increase of 1.5% \$ 24.34 per lot
(providing a share of the ongoing cost to the HOA fees)

Marina average cost increase 30%

Moorage at \$38 / ft vs current rate of \$30.75/ft. Marina Usage of \$200 vs current rate of \$125. Marina Storage of \$225 vs current rate of \$120.

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.

Summary

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.