

The Refuge Community Association

FAQ's

The following FAQ's were developed in response to the many great questions from the 170 POA Members that participated in the Association's Town Hall Meetings, held on August 25th, 27th and 28th. Your Board of Directors sincerely appreciates your valuable time in participating in these important discussions.

8/31/2021 rev1 - Final

Ladies and gentlemen,

This is not about "golfers vs. non-golfers" or any "us vs. them" scenario. This is about us as a Community, coming together to preserve an asset and maintain our neighborhood as the premier neighborhood in Lake Havasu. You're all smart people and understand that we all benefit from a beautiful, well maintained golf course inside our gates as well as a vibrant country club and the amenities it offers. Regardless of where your property is located in the Community, we ALL benefit. From enhanced property values to having access to all of the facilities, we ALL benefit. Conversely, if the golf course goes fallow and returns to desert, we all share in the pain, primarily with a significant reduction in property value and no amenities within our gates.

This process is in the spirit of absolute transparency. As property owners you have a voice, and it deserves to be heard. Your questions deserve answers to the best of our ability. At the end of the day, we (Board) have an obligation to the Community to act in the best interest of the Community. It would be foolish and naive to believe that we can please 100% of the people 100% of the time. In matters such as this, the needs of the many outweigh the needs of the few. We as a Community must act for the betterment of the Community. As owners and neighbors, let's please keep that in mind as we move forward.

John Crombach, Board Member

CC&R's 6.2 Purpose of Assessments. The Assessments levied by the Association shall be used to promote the recreation, health, safety, and welfare of the Owners, to enhance the quality of life within the Property, to preserve the value of the Property, and to pay the costs of the administration of the Association and all other Common Expenses.

1. When are 2/3rd votes required for Regular Assessments under the CC&R's?

- If the Regular Assessments are increased beyond 20% in any one year (CC&R's 6.3.4), a full vote of the Membership is required only for Regular Assessments
- 2. What authority does the Association have to make a purchase of the golf course Assets?**
 - There are no restrictions under the CC&R's or any other governing documents restricting the Association's authority to acquire the Assets of the golf course
 - The Association's Counsel has reviewed the CC&R's and confirmed that the Association does indeed have the authority to purchase golf course assets without Membership approval
 - 3. What authority does the Association have to borrow funds?**
 - There are no restrictions under the CC&R's 5.2.1 to borrow funds
 - Association's Counsel has confirmed the Association's authority to borrow funds
 - 4. If a vote of the Membership is not required under the CC&R's, how will the Board conduct a survey to gauge the willingness of its Membership to support acquiring the golf club assets?**
 - The Board intends an outreach to all Members via, Zoom & Live Town Hall meetings; Newsletters; discussions or presentations from 3rd Parties; Board Meetings; and verbal communications
 - The Board will also conduct a survey of interest
 - 5. Will the CC&R's require amendments or a complete rewrite?**
 - If the golf course were to be acquired, a complete rewrite of the CC&R's will be needed to merge the golf course into the community, as well as establishing CC&R's for the golf course, which currently do not exist
 - A 2/3rd vote is required for changes to the CC&R's
 - Most likely the CC&R's would be rewritten after an acquisition since this is lengthy process
 - 6. Will the golf course become a Common Area of the Community under the CC&R's?**
 - A preliminary assessment indicates that the golf course would become a part of the Common Areas of the Association
 - 7. What provisions under the CC&R's permits the Board of Directors to raise dues or assessments without a Membership vote?**
 - There are a number of provisions under the CC&R's that provides a series of mechanisms to raise dues and assessments without Membership votes:
 - CC&R's 5.2.6 – Special Use Fees
 - CC&R's 6.3.4 – Regular Assessments may be increased up to 20% in any one year
 - CC&R's 6.6 – Capital Improvement Assessment
 - CC&R's 6.7 – Neighborhood Assessment
 - CC&R's 6.10 – Transfer Fee

8. How much capital is required to purchase the golf course assets and make improvements to the infrastructure?

- The GCA Committee has determined that \$5,000,000 in capital would be required for an acquisition of the assets and to address the deficiencies of the golf course and clubhouse
- The purchase of the Assets is approximately \$2,800,000
- The remaining balance of \$2,200,000 will be earmarked for capital improvements of the golf course and clubhouse, including covering items like professional expenses, operating losses, liquor license purchase, contingency costs, etc.

9. How was it determined that \$5,000,000 in capital would be required?

- The GCA Committee spent several months conducting a due diligence of the golf course, clubhouse & irrigation system infrastructure. The initial findings indicated a cost to the Association of approximately \$7,854,150 to address the overall deficiencies of the entire infrastructure. These monies also included an allowance of \$2,500,000 to replace the Event Tent with a permanent structure in the future. There is also \$600,000 to cover any operating losses for the first year, during temporary closing & construction work in progress
- In addition to the above costs for the infrastructure, approximately \$2,800,000 would be allocated for the purchase of assets

10. Would commercial borrowings be an option for the Association?

- At this time the GCA Committee does not feel that commercial borrowing is an option due to the length of time that would be needed to search for a lender that would be willing to lend \$5,000,000 to an Association
- Any required down payments would also prohibit the Association from commercial borrowing. Generally, commercial lending requires a 20-25% down payment

11. What sources of capital funding are available to the Association?

- There are multiple funding sources available:
 - Special Assessments to all 360 property owners (requires 2/3rds Membership vote)
 - Borrowing of funds from the POA Members
 - Limited borrowing from firms that specialize in lending to associations, e.g., Mutual of Omaha
 - Leasing firms for equipment...golf carts, pump house equipment, lawn maintenance equipment, restaurant & kitchen equipment, etc.

12. What recommendation is the GCA Committee making for capital needs?

- The GCA Committee is recommending that \$5,000,000 in capital be raised from POA Member borrowings. A request for funds would be completely voluntary. The funds would be loaned to the Association with terms that would benefit the Community as a whole
- To date, the GCA Committee has received verbal support from many of its POA Members to assist in financing the needs of the Association

13. Why not just do a one-time assessment on all 360 lots to raise the capital?

- While this is definitely a possibility, the GCA Committee does not wish to burden any of its POA Members with such a large assessment

14. Are other avenues of funding available that would minimize capital?

- Yes, the Golf Course Advisory Committee is considering recommending that parcels of property along the edges of the roughs be parceled off to the adjacent property owners fronting the golf course, as a possible source of capital. London Bridge Golf has successfully sold properties to adjacent property owners

15. How much of the golf course property could be sold off?

- There are approximately 147 properties that front the golf course. Depending on the location of each lot, parcels as deep as 5' to 12' would be considered reasonable. In some cases, the property could extend to the cart paths
- One golf course property owner acquired golf course property to expand their building envelope from Sienna/Zenn a number of years ago. The process was relatively simple
- Design Guidelines to address the added property would need to be in place prior to allowing any sale of golf course property

16. How much would the parcels cost the lot owners?

- This is currently being assessed by the Committee. It is understood that London Bridge sold parcels ranging from \$12 to \$15 per sq foot

17. What are the zoning designations of the golf course and residential lots?

- Golf course property is zoned CRE – Commercial Recreational
- Residential Lots are R-O – Single Family Residential

18. Does the GCA Committee have any preliminary numbers for monthly Dues?

- Yes. The Committee has determined that the monthly Dues (or assessments) will need to increase approximately \$215 per month. This number cannot be finalized until there is an understanding of the full funding sources that will be in place, and the terms of such borrowings. The GCA Committee is anticipating that the monthly Dues will be phased in two steps. The preliminary allocation of funds will be allocated as follows:
 - \$100 towards the golf course general fund
 - \$115 toward dining or golf credits

19. What would be the total quarterly or monthly Dues?

- Currently the quarterly Dues are \$408, or \$136 per month
- During year 1 of the golf course operation, the Dues would increase to \$708 per quarter, or \$236 per month
- During year 2 of the golf course operation, the Dues would increase to \$1,053 per quarter, or \$351 per month. However, \$115 per month will be credited back to the POA Member as a dining or golf credit

20. How would the dining credits work?

- The dining credits could be subject to change once everything is finalized
- Each lot would be assessed a fee equal to \$115 per month that could be used towards dining or golf activities. It hasn't been determined whether this fee will be assessed on a monthly basis or collected at the beginning of each year as a lump sum payment of \$1,380. This would be a... *use it or lose it fee*
- The annual dining credit would need to be used annually
- There would be a grace period at the end of the year to use any remaining credits. This grace period has not been determined
- Each Property Owner will receive a discount on dining & bar beverages
- Property Owners that are not able to utilize their dining credits, will be able to pool their credits into a 'pot'. Other Property Owners will be able to purchase these credits at a 20% discount

21. Will there be an additional monthly assessment for residents wishing to play golf?

- Yes. For active golf residents there will be a monthly fee. This fee is estimated to range from \$150 - \$200 per month. A daily fee will also be available

22. Can the Association impose different assessments on lot or homes located on the golf course, or within other areas of the Community?

- The short answer is NO. CC&R's 6.1 specifically defines the type of assessments or dues that can levied within the community. There's no provision for any type of a golf course property assessment
- The only exception is a Neighbor Assessment to support a special feature located within a specific area

23. Has the GCA Committee prepared a 5-year cash flow proforma?

- Yes. The GCA Committee has developed a preliminary cash flow proforma. It will not be completed until the total borrowings are determined, interest rate, terms and final monthly assessment charges. Further, there are some revenue and expenses that needs further clarification from the golf course owners
- The initial cash flow proforma shows a positive cash flow for both the golf course and clubhouse operations
- The GCA Committee intends to share its financial 5-year proforma results no later than September 13th

24. How will the Association improve on the existing GC/Clubhouse operating expenses?

- There are a number of areas where reduction of expenses can be achieved:
 - Reduction of overall maintenance expenses by replacement of equipment, e.g., HVAC systems; lawn equipment; kitchen & bar equipment; pump house equipment; rebuilding of irrigation infrastructure;
 - Reduction of general operating expenses – insurance coverages; property taxes; elimination of subscription services and dues; eliminate late fees and penalties; reduction of lending interest rates;
 - Inventory control
 - Leveraging the GC Maintenance Crew to take over the Association's Common Area maintenance

25. How will the Association operate the golf course differently to increase revenues?

- There are a number of areas where revenue gains can be achieved:
 - Support from 360 Property Owners
 - A complete redesign of the restaurant & bar for a new look and feel, with increased revenues coming from Refuge Membership and general public
 - Rename restaurant
 - Operating the restaurant & bar 7 days per week
 - New lighted monument signage along London Bridge Rd
 - Rethink Arnold Palmer roadway from London Bridge Rd to clubhouseopen gates for better accessibility, landscaping appearance & lighting
 - Give the golf course a fresh look by means of a major landscape maintenance program and increasing the number of rounds overall
 - Completely restock the Pro Shop with golf and logo merchandise
 - Provide food & beverage Pool Service during summer months
 - New marketing campaigns for both golf and restaurant
 - Targeted marketing to Special Events, e.g., Desert Storm, Hot Air Balloon, Car Shows, Boat Shows, Pyrotechnics, etc.
 - Obtain a PGA rating for tournaments

26. How will the golf course and restaurant be marketed to generate revenues?

- To name a few, there are a number of avenues that can be explored:
 - Social Media
 - Local publications
 - Radio/TV
 - Direct mailers
 - Billboards
 - Handout literature/brochures at high volume locations, e.g., Channel, Walmart, etc.
 - RV Parks
 - Private FBO's at the Lake Havasu City Airport
 - Special golf packages for Snowbirds or local residents with AZ DL or AZ ID
 - Monument signage along London Bridge Rd and Arnold Palmer

27. Does the golf course currently have a PGA rating?

- No

28. Will the Arnold Palmer identity return to the golf course?

- At this time there has been no effort to explore the idea or cost of returning the Arnold Palmer name to the golf course
- Rebranding the Arnold Palmer name would be a Community decision in the future, once more information is available

29. What are the plans for the Event Tent?

- At this time the GCA Committee has not expended any efforts in evaluating potential revenues from the Event Tent vs the cost of repairs to replace the damaged fabric panels and other possible upgrades
- Plans for a permanent structure to replace the existing Event Tent, would be a Community decision in the future

30. What will happen to the RV Pads?

- The plan is to either remove or cover the RV Pads

31. What are the historical operating losses?

- There have been continued operating losses for each year since 2014

32. What are the historical number of golf rounds?

- Historical Rounds of Golf
 - 2016 = 22,372
 - 2017 = 19,911
 - 2018 = 18,932
 - 2019 = 20,310 (missing 1 month)
 - 2020 = ?
 - 2021 = ?
- The GCA Committee has not been provided any documentation to support the number of rounds for 2021. However, RGCC did indicate that they hoped to reach 25,000 rounds for 2021
- If the 25,000 rounds is a good number, then the Association's goal should be 30,000 within the first 2-3 years

33. Has an improvement plan been developed by the Committee?

- Yes. A preliminary 5-year Capital Improvement Plan has been developed to address the needs of the golf course and clubhouse. This Plan will be finalized once all funding sources & assessments have been determined
- The GCA Committee intends to release the Capital Improvement Plan with the Financial Proforma

34. What are the key infrastructure areas that will be improved first?

- The immediate areas for improvements include, but not limited to:
 - Pump House and Irrigation system & software
 - Clubhouse & Parking Lot landscaping & lighting
 - Front 9-holes & ponds
 - Remove all debris, brush and overgrowth
 - Arnold Palmer roadway landscaping & lighting
 - Replace all major GC Maintenance Equipment

35. How will the work be accomplished?

- The initial planning suggests that the clubhouse and front 9-holes be closed immediately. The back 9-holes will remain open for limited play.
- It is anticipated that the clubhouse could be closed for 4 – 5 months for renovation. The front 9-holes approximately 3 months

36. How will the golf course and clubhouse be operated?

- There are a few options available to the Association as to how to management the properties:
 - Outside Management Firm to operate both course and restaurant
 - The Association hires a management team to operate both course and restaurant
 - The Association splits the two operations and contracts and/or leases the restaurant out to a local operator
 - The Association manages the golf course operations

37. What does a Management Firm cost?

- The preliminary range is \$120,000 - \$150,000 per year, plus add-ons

38. What arrangements are in place for the golf course water supply?

- Currently there is a Reclaimed Water User Agreement in place with the Lake Havasu City. The Committee intends to engage a Water Rights Attorney to advise the Association with all matters relating to the supply of water. The Committee also intends to explore further the 2 water wells located on the golf course property that was originally the water supply source for the developer Sienna/Zenn

39. Will there be a Reserve Fund in place for the golf course/restaurant that's similar to the Association's?

- Yes. A Reserve Fund will be established to generally mirror the Association's. Funding the Reserves will be a part of the annual budget. There will also be a flat fee on all property sales to help fund the Reserves

40. What type of entity will the golf course fall under?

- The Association's CPA firm, Butler Hansen is recommending that the Association folds the golf course assets under the Association's non-profit entity

- The outside CPA firm will be providing advice and guidance to the Association in maintaining its non-profit status

41. How will the finances be administered?

- The financial administration of the golf course and restaurant will be very similar to how the Association's is handled:
 - Finance Committee oversight
 - Expand Finance Committee by one additional member
 - Annual Budgets
 - Semi-Annual Finance Committee meetings
 - Monthly P&L Statements

42. How much does it cost to maintain the golf course and greens?

- The information regarding the current cost of maintenance is not complete. However, it appears to be a minimum of \$764,000 per year and does not include the over-seeding. Keep in mind the golf course has only receive minimal maintenance
- Information online indicates a range of \$500,000 to over \$1,000,000 to maintain a golf course properly
- This cost will increase under the Association's as it intends to do a better job in maintaining the entire course, roughs and return two water pond features to active use

43. Would it be possible to close down the golf course and convert the property to a park like setting?

- The cost to maintain 166 acres in a park like setting would be enormous. In addition, the critical water storage issues impacting the west coast could severely curtail water supplies to infrastructure considered as 'greenbelt or parks'

44. Could other amenities, features or uses be added to the golf course or clubhouse?

- Yes. Tennis Court(s), Pickleball and/or Horseshoes could be added as a feature for the Refuge Property Owners
- Added uses to the clubhouse could be a cigar lounge; a private dining room as a couple of examples

45. What is the cost of over-seeding the golf course?

- The GCA Committee understands that the cost would be around \$100,000 for seed, fertilizer and the extra watering

46. Can the Association step in and pay for the cost of over-seeding?

- The costs of over-seeding not only includes the seeds, but extensive water and utility usage
- The Association's counsel advises against paying for this responsibility that lies with the current ownership

- Further, there are no assurances that the Association will end up with ownership of the golf course

47. Is there a way to protect RGCC's current liquor license?

- No. The license held by RGCC is only a 'Series 14 Private Club License'. The price of this license was \$2,225 in 2020 and is not transferable
- If the Association acquires the assets of the golf course, it will acquire a 'Series 6 License' for a public establishment. The market cost of a Series 6 license in 2020 was about \$135,000

48. Will the Association provide any special benefits to the existing POA Property Owners that are members or Shareholders of the RGCC?

- The Association has no obligations to any of the current members or Shareholders of RGCC/Information Solutions

49. Is the RGCC located in an economic Zone?

- Yes. The RGCC is located in the Mohave Opportunity Zone Map. At this time the GCA Committee has no information as to whether there would be any special financial benefits available to the Association in the event of a purchase of RGCC's assets

50. Would the increased \$215 in monthly dues impact the value of our properties?

- In reality the real increase is ***only \$100 per month***...the remaining \$115 will be used by the Property Owner as a dining or golf credit and perceived as a value
- What do you get for \$100 per month....a Community golf course, clubhouse, swimming pool, gym facilities and whatever future amenities that will be added in the future
- Most likely our property values ***will increase!***

**If there are any other questions or comments that you would like to forward to the Board, please forward to:
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