

2020 Gainey Ranch Estate Club Project

Why do we need a new Estate Club?

A club is defined as 'a gathering place for people with shared interests'. Currently the Gainey Estate Club is meeting only limited homeowner needs. Even with past remodels the original Gainey Arabian Horse Ranch house (became Gainey Ranch Estate Club in 1985) which was built in the 1950's is still a 70-year-old building made up of a cluster of small spaces. WE hope you agree that a modern club is necessary to keep up with the present and future lifestyles of our varied community of owners and prospective buyers who are looking for more amenities in comparable communities. The current Estate Club is outdated, too small, does not meet homeowner expectations or provide a positive image to prospective buyers.

What are the plans for the new Estate Club?

The GRCA Board and GRCA staff have been involved in ongoing extensive site and plan study which indicates that the new facility should be around ~~20,000-sq.ft.~~ 14000 sq.ft.. For reference the current Estate Club is ~~5400-~~ 6145 sq. ft., the bath houses are ~~600~~ 1200 sq. ft. and the admin offices are 1600 sq.ft. Owner feedback and visiting other clubs were most helpful to the planning process. The following was determined as unmet needs at Gainey Ranch.

- Increasing the workout/fitness equipment/class space (currently members are turned away because of class sizes)
- Keeping the building footprint while expanded, but not removing the lawn area at the rear of the club.
- Remaining in place the tennis courts and pool will be integrated with the new building.
- Create a dedicated space for card games
- Increasing the social space to accommodate events regardless of the weather
- Creating social areas poolside and courtside, adding an area for larger events such as club wide parties, private celebrations, concerts and lectures.
- Including more changing rooms and restrooms that are ADA compliant.
- Adding 4 pickle ball courts.
- Adding a commercial kitchen to support catered events.
- Increasing parking to meet current and future needs
- Adding adequate administrative offices to better serve our owners.
- The current admin office space is 1600 sq.ft., but needs to be expanded to 2000 sq.ft. to allow for an adequate conference room and is being reviewed to determine cost effective solution whether within the new Club or leasing office space.

How do we pay for a new facility?

The Gainey Ranch Board of Directors is proposing to increase the Enhancement Fee to fund the new Club. Historically the Enhancement Fee has provided funding for the improvements in the 640-acres making up Gainey Ranch. In 2010 the Enhancement Fee (Transfer Fee) of .5% was approved for various projects without increasing owners monthly fee. Projects that have been completed using these funds are:

- Landscaping and infrastructure improvements along the Loop Road, East, West, and North gates, Doubletree, and Scottsdale Road.
- Updating the entrances to Gainey from all directions.
- Adding new automated access systems for owner cars entering Gainey Ranch.
- Creating a new Security key control system at West Gate for owner keys and notifying owners when guests or vendors are arriving.

The plan would be to increase the Enhancement Fee (Transfer) from .5% to .75%. **While this fee can be negotiable between buyer and seller**, this fee is traditionally paid by the buyers who will then enjoy the lifestyle improvements along with present owners. Increasing the fee rather than increasing monthly assessments or doing a capital assessment is thought to be a much fairer method for all the varied satellite

2020 Gainey Ranch Estate Club Project

homeowners. The fee change would not take effect until January 1, 2020 to allow owners currently selling their home to keep listings unchanged.

The fee increase would allow GRCA to refinance the current loan with Mutual of Omaha, rolling in the current balance \$1270,000 and increasing the loan to pay for a new Estate Club. The new loan is anticipated to be a 20 year loan that will allow the capital funding from the Enhancement fee revenues and owner's present capital member dues of \$10 per month to service the loan requirements.

When will homeowners see the proposed plans?

The GRCA Board is committed to providing an opportunity for all homeowner to comment on architectural rendering, site plans, elevations and mockups of the new club, in fall/wiinter 2019.

Will service be available while the new Club is being built?

During the construction the pool and tennis facilities will remain functional. Additionally, GRCA management will be pursuing nearby option for cardio equipment and fitness classes for Gainey owners during the construction period.

Will a new Club help increase or maintain Gainey Ranch property values?

A new club is necessary to remain competitive with other communities having larger and more modern clubs. Many of those communities continue to invest annually in improvements for one simple reason- to attract new homeowners. Recently brokers specializing in Gainey properties were invited to hear about plans to build a new club. The brokers reported those prospective buyers are disappointed when they are shown the current Estate Club.

Gainey Ranch enjoys a great location and a terrific reputation, a real 'Oasis in the Desert'. Gainey Ranch's Board of Directors stays focused to improve all aspects of Gainey Ranch to maintain property values. This focus has resulted in tremendous improvements to entrances and landscape all over the Ranch. The Board is asking owners to consider and support the initiative for a large, modern club.

If the transfer fee initiative does not pass, what will be the impact to Estate Club planning?

If the Enhancement fee does not receive a minimum of **75% approval votes** of the **required quorum of member votes**, the **project financing would need to be reconsidered**. The current GRCA improvement loan with Mutual of Omaha is scheduled to be paid off in 2024, which could **delay the ability to improve the Estate Club until 2025 or later**.

Will any of the Daniel C. Gainey home be preserved in the new construction?

The actual home site will not be preserved, but ideas are being considered as to how this unique bit of history could be honored.

2020 Gainey Ranch Estate Club Project

What about Debt Risk expressed by members?

To address this concern a review of future debt payments to capital revenue is a reasonable question. To best evaluate the assumptions included in the current analysis are important.

The current planning utilizes 80 property sales per year.

10 year average –Between 2009- 2018 an average of 72 sales per year.

10 year average –Between 1999 -2008 an average of 106 sales per year

20 year average -Between 1999- 2018 an average of 89 sales per year

The current planning utilizes \$ 3000 revenue per sale.

The current .5% enhancement from 2013 – 2018 average revenue of \$ 3131 per sale.

- Current .5% enhancement fee
 $\$ 3000 \times 80 \text{ sales} = \$ 240,000$ + member present capital assessment of \$ 165,960 = \$ 405,960
Current annual payment on Mutual of Omaha loan = \$ 305,000 (8 year loan) (Interest rate 4.25%)
Payment on loan from GRCA reserve 2012 – 2017 = \$ 100,000 per year
 $\$ 405,960 - \$ 305,000 - \$ 100,000 = \$ 960$
- Proposed .75% Enhancement fee would increase average sale revenue to \$ 4500 per sale
 $\$ 4500 \times 80 \text{ sales} = \$ 360,000$ + member present capital assessment of \$ 165,960 = \$ 525,960
Proposed annual payment on Estate Club loan \$ 525,000 (20 year loan) (current rate 4.8%)
 $\$ 525,960 - \$ 525,000 = \$ 960$ revenue available.
- If real estate sales decline by 50% what is the default risk.
 $\$ 4500 \times 40 \text{ sales} = \$ 180,000$ + annual capital assessment of \$ 165,960 = \$ 345,962
 $\$ 345,962 - \$ 525,000 = - \$ 179,038$
 $-179,038 / 1035 \text{ members} / 12 \text{ months} = \14 per month
\$14 per month/\$ 168 per year assessment increase

In conclusion; as shown Gainey Ranch has paid its capital debt for the last five years from the current transfer fee and capital assessment cash flow without raising dues and without a special assessment. By raising the transfer fee, restructuring the loan and maintaining the existing capital assessment, the cash flow will cover the new payment. As shown if a real estate sale downturn occurs sufficient enough to require additional homeowner cash; the impact to monthly assessment is moderate.

2020 Gainey Ranch Estate Club Project

What about the concern expressed related to the number of members that use the Club?

Gainey Ranch has 1035 residential units

- 845 members have used the Club access card in the last year from 1 to 100+ times
Resulting in over 18,933 Club uses between Nov. 2018 – April 2019
- 330 members use the fitness center after hours
Resulting in over 2000 Club uses between Nov. 2018 – April 2019
- Welcome Back, Holiday, Spring Fling and the Gainey Night light music events
Resulting in over 700 Club member uses
- Classes, Seminars, Book Club and Annual Satellite meetings
Resulting in over 1085 member uses
- Homeowners rented the Estate Club 20 times for private party from Nov 2018 to April 2019,
with 50 to 125 guests per party.

What are the projected Estate Club operating costs for the new building?

The plan when presented to homeowners in the fall 2019, will include estimates for utility and other building maintenance expenses for the new facility.

Current staffing of the Estate Club; Estate Club Director, contract Tennis Instructor, contract Fitness Instructor, a fulltime maintenance staff member, and reception desk personal. The new Estate Club would be designed to have a central desk entry area not requiring additional staff hours unless an increase in activity levels in the afternoon and evenings. This would a minimal impact to annual budgets.

Use of the contract fitness and tennis contractor would result in increased revenue to the Club. Additionally, the new Estate Club would attract more homeowners to lease the Club and could generate additional revenue offsetting utility and staffing costs.

- Information highlighted in red was updated from original document release.