

Silver Point Condominium Association

Draft Proposal for Review and Comment

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2016

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Purpose: To Provide a Framework for the Future Viability and Success of Silver Point.

Goals: The primary goal of this proposal is to make this massive project affordable to all owners, provide payment options to fit individual situations, and provide a cost-effective legal, professional and financial framework for success, with full accountability and transparency to avoid any new litigation that could interrupt the project.

Presented: For Owner Feedback and Discussion Prior to the 2016 AGM, Where it will be presented for Approval by the Owners. A YES vote will direct the Board of Directors to implement the plan in its entirety. You are not voting on a final number, but rather a framework for success. Final bids and proposals will be presented for owner approval at an EGM later, but estimates are provided to give owners enough information to make an informed decision about how best to move forward with turning around Silver Point.

Why Now? Silver Point has been on a downhill spiral since 2008. With dues at a level that barely covers basic operating expenses, no reserve fund, and no special assessments or dues increases in nearly a decade, Silver Point now faces a critical juncture. Several maintenance items are very overdue and without any funding of any kind, they have been neglected for a long time. Most importantly, the building is facing moderate to severe spalling issues that are accelerating and our workmen cannot keep up.

The Grand Bahama Port Authority in 2015 and the independent study in 2012 by Keystone Engineering and Construction agree that the spalling issues must be addressed in order to ensure the safety of residents and viability of Silver Point. Also in vital need of renovation are the elevators, parking lot and the overall financial plan. This proposal seeks to provide a framework for rectifying each of these financial and maintenance issues both now and for the long-term future before it is too late.

Duration: This plan will take approximately 3 years to fully implement and consists of 3 Phases.

Phase I: Preparation and Planning – February thru April, 2016
Phase II: Building Restoration and Sustainability Plan – April 2016 thru March 2018
Phase III: Elevators and Parking Lot – April 2018 thru October 2018

Cost: The total cost of this project is approximately \$2.5 Million, according to the Board, and no reserve fund exists. With this plan, assessments should be limited to roughly \$350-\$400 per month for a 1 Bedroom and \$500-\$550 per month for a 2 Bedroom (plus VAT).

Limitations: This proposal is prepared by an individual owner rather than the Board of Directors. Therefore due to access limitations, to some extent the proposal must depend on estimates provided by the Board without independent verification. The numbers included herein are estimates provided by banks, contractors, and others, and will need refreshed and approved by the owners at an EGM but provide a good estimate for all owners to make an informed decision.

Key Points of this Proposal

- ✓ Hiring an Expert to Conduct a Reserve Study to construct a long-term financial plan and financial framework for the property.
- ✓ Hiring an Expert to Create a Glazing Plan to ensure both the structural viability, attractiveness and uniformity of the property during construction and beyond.
- ✓ Realistic and Workable Financing Terms of the Project to keep it affordable with an option to pay in advance for those who want to avoid interest.
- ✓ Transferrable Financing to Minimize Short-Term Costs for Owners Trying to Sell.
- ✓ Competitive Bids for the Construction Portion of the project – the major part. The Minor part – Cathodic Protection - to be done by the experts in this very specialized field.
- ✓ Transparent Auditing and On-Site Management of the Project to Ensure Integrity and Efficiency.
- ✓ Specialized American Expertise coupled with Skilled Bahamian Labor to Streamline Work Permits, Create Local Employment, and Minimize Costs.
- ✓ A Legal Framework to Respect the Rights of Individual Owners and Avoid Legal Tangles to Keep the Project on Track.
- ✓ Modernizing the Rental Guidelines to Afford Owners More Opportunity to Gain Income from Our Units and Offset These Costs while Still Maintaining a Residential Feel.
- ✓ Streamlining the EGM Notification Requirements and Modernize the Voting and Information Process to Keep the Project on Track, Improve Communication and Avoid Delays.
- ✓ A Staging Plan to Minimize Impact on Residents During the Project
- ✓ A Marketing Plan to Help Owners Sell or Rent our Units and Turn Our Property Valuations Around.
- ✓ Frees Up Our Maintenance Staff to Do Other Tasks and Saves \$50,000/yr. in Spalling Repair
- ✓ The End of Daily Jackhammering, Major Special Assessments and a Nearly Spalling-Free, Well-Maintained, Beautiful and Structurally Sound Building for Decades to Come.
- ✓ New Modern Elevators, a New Parking Lot, New Paint of the Proper Type, New Surfacing of Walkways and Balconies, and a Property that is once again the pride of Grand Bahama.

Phase I: Preparation. Jan 16, 2016 thru April 1, 2016

1. Contract an Expert to Conduct a Reserve Study

- a. Lays out a Roadmap and Financial Plan for Current and Future Maintenance Needs.
- b. Ensures Funding for Future Maintenance without Major Special Assessments.
- c. Ensures We Can Maintain the Property When It Needs Done – Not Years Later.
- d. A Reserve Fund is Required by Law in Florida, Ontario, and Many Other Jurisdictions.
- e. See Complete Proposals by Association Reserves Inc. and Delta Engineering
- f. See Sample Reserve Study for a High Rise Condominium
- g. See Proposal to the Board of Directors Dated April 13, 2015

Approx. Cost Per Unit: 1 BR: \$60.00 2 BR: \$83.00

Begin Work No Later Than: February 1, 2016

Approx. Time Frame to Complete: 8 Weeks

2. Obtain an Updated Proposal from Cathodic Protection Technologies Inc.

- a. Obtain an Updated Proposal for Jim Emory P.E. to be Project Engineer
- b. Obtain an Updated Proposal for Cathodic Protection Installation and Maintenance
- c. The Only Proven Way to Stop or Severely Inhibit Corrosion of Beachfront Condominiums
- d. CPT Pioneered This Technology for Use in Beachfront Condominiums
- e. CPT Is the Recognized Leader in this Specialized Field
- f. CPT Has Won Several Awards for Their Work and References are Excellent
- g. This is Not an Area Where Costs Can be Cut. We Need It Done Right.
- h. See Full Structural Report for Information on Cathodic Protection Technology.
- i. See www.CathodicProtectionTech.com for References and More Information.

Approx. Cost Per Unit: None

Begin Work No Later Than: February 1, 2016

Approx. Time Frame to Complete Proposal: 2 Weeks

3. Streamlining the EGM Notification Process to Keep the Project On Track

- a. Revoke the 21-day EGM Notification Requirement and Revert to the Statutory 7 days.
- b. An EGM is not an AGM. It is Held for One Stated Purpose Only.
- c. Several EGMs will be Necessary to Authorize Funding, Update Owners, etc.
- d. We Can't Hold up the Project for 21 Days Every Time We Need to Vote or Authorize.
- e. With Email, Internet and Modernized Voting, there is No Need for More Notice for EGM
- f. The Condominium Act Specifies 7 Days for a Reason – Things Need to Get Done.

Approx. Cost Per Unit: None

Begin Work No Later Than: Effective Immediately. Yes Vote Reverts to Statutory 7 Days.

4. Contract an High-Rise Condominium Expert to Conduct an Architectural Glazing Study

- a. Lays out a Road Map for Uniformity and Structural Integrity of Doors and Windows
- b. Ensures an Architecturally Pleasing Window Design Appropriate for our Building.
- c. Windows and Doors May Be Damaged During Construction and Need Replaced.
- d. The Study Allows us to Do It Right and End up with a Beautiful Modern Building.
- e. Structural Analysis of the Condition of the Walls, Connections and Waterproofing
- f. Analysis of the Suitability for Hurricane Windows and What Type is Most Appropriate.
- g. Provide a Rendering of the Building to See What it Will Look Like When Done.
- h. Provide a Proposal for Full and Partial Replacement of Windows, Doors, Shutters.
- i. Giovanni Monti of GMP Glazing in Miami is the “Go To Guy” for High Rises in Miami.
- j. Has Designed the Windows for Several Condos in The Bahamas.
- k. Referred by Several Architects – This is the Guy Everyone Uses for High Rise Condos.
- l. See Proposal to the Board of Directors Dated May 9, 2015 (No Action Taken)

Approx. Cost Per Unit: 1 BR: \$76.00 2 BR: \$105.00

Begin Work No Later Than: February 1, 2016

Approx. Time Frame to Complete: 8 Weeks

5. Modernize the Voting and Information Process

- a. Necessary to Keep the Project on Track, Improve Communication and Avoid Delays.
- b. Implement Absentee Voting to Improve Owner Involvement and Democratic Process.
- c. Implement Online Voting, Online Proxy Assignment, and Streaming General Meetings.
- d. All Proxy Forms, Where Appropriate, will Include Absentee Ballot to vote for/against.

Approx. Cost Per Unit (Except Online): None.

Approx. Cost Per Unit (Online Options): Obtain Quotes but Cost is Minimal.

Begin Work No Later Than: February 1, 2016. “D” above effective immediately.

Approx. Time Frame to Complete: 2 Weeks Except “C” above – See Marketing Plan Below.

6. Modernizing the Rental Guidelines

- a. Affords Owners More Opportunity to Gain Income from our Units
- b. Allows Owners to Offset the Costs of This Turnaround Plan
- c. Improves Marketability and Value of Rentals and Sales of Units
- d. We Must Realize the Ownership of Silver Point and Freeport Has Changed
- e. **Resolution:** Revise Minimum Rental Period to 1 Month Minimum.
- f. **Resolution:** Board Approval Required for Leases of 3 Months or More.
- g. **Resolution:** Management Fee of 5% Collected on Rentals to Offset Expenses.
- h. Will Maintain the Residential Feel but Streamline the Process and Increase Income
- i. This is Similar to Riviera Towers and They Have Had Success with This.

Approx. Cost Per Unit: None
Begin Work No Later Than: Effective Immediately

7. Set the Right Track Toward Beautification, Uniformity and Increased Value

- a. Satellite Dishes Not Allowed. Existing 2-3 Dishes Removed at Condominium Expense.
- b. Hurricane Shutters To Remain Open From November through May.
- c. New Window and Door Installations Must Adhere to Glazing Study Recommendations.
- d. Hurricane Shutters to Remain Intact and Uniform Until Glazing Study Implemented.
- e. Silver Point to offer Optional Shutter Opening/Closing Service for \$25.00 Per Event.

Approx. Cost Per Unit: None
Begin Work No Later Than: Effective Immediately

8. Marketing Plan to Help Owners Sell or Rent Units and Turn Our Property Valuations Around.

- a. Contract Web Designer to Build and Host New Silver Point Website
- b. Website to List Units for Rent/Sale, Promotional Material About Silver Point
- c. Website to Include Owner-Only Section for Access to Documentation, Voting, etc.
- d. Website to Include Online Payment Option of Dues Including Automatic Payments.
- e. Beachside Sign at Edge of Property Indicating Units Available for Rent/Sale with Contact
- f. Market Silver Point to Florida Residents Including Yacht Clubs, Realtors, etc.
- g. Advertise Silver Point in "What's On" Magazine Used by Tourists.
- h. Arrange a Commission-Share Agreement with Local Realtor so Silver Point gets a Cut of the Commission of Each Direct Referral to Cover Marketing Costs and More.

Approx. Cost Per Unit: Quote but Minimal. Est. \$100.00 Then Commission will Offset Costs.
Begin Work No Later Than: February 1, 2016.
Approx. Time Frame to Complete: 20 Weeks

Total Est. Cost of Phase I:

Reserve Study	\$ 5,400.00 (Per Association Reserves Proposal)
Glazing Study	\$ 7,400.00 (Per GMP Glazing Proposal)
Web Development	\$ 5,000.00 (Rough Estimate)
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	\$17,800.00

Est. Cost Per Unit to Complete Phase I:

1 BR: \$180.00 2 BR: \$250.00 PH: \$570.00

Payable as a 1-Time Special Assessment, on April 1 Dues.

Phase II: Building Restoration and Sustainability Plan (April 1, 2016 to March 31, 2018)

1. Preparation of Structural Engineering and Construction Plans

- a. EGM Held for Owners to Approve Project Engineer and Cathodic Protection Proposals.
- b. Project Engineer to Prepare Construction Plans Including Staging Plan
- c. Project Engineer to Contract an Architect to Recommend Surfacing Colors/Types for Walkways and Balconies to Ensure Beautification of the Building.
- d. EGM Held for Owners to Vote to Approve Glazing Plan, Surfacing Recommendations.
- e. Project Engineer to Coordinate Approval of Plans by GBPA
- f. Plans to Include Glazing Plan and Surfacing Recommendations.

Approx. Cost Per Unit: See Part III: Costs and Financing

Begin Work No Later Than: March 1, 2016.

Approx. Time Frame to Complete: Pending Proposal by Emory/CPT.

2. Competitive Bidding Process for Building Restoration (Construction Portion)

- a. Project Engineer to Manage Bidding and Contracting
- b. Project Engineer to Evaluate a Minimum of 3 Bids from Bahamian Contractors.
- c. Project Engineer to Ensure Qualifications and Verify Capabilities of Bidders.
- d. Project Engineer to Verify Scope of Work for Equality and Completeness.
- e. Bids to Include Known Quantities and Exclude "Unknowns".
- f. Bids to Include Time and Materials Rates for any Out of Scope Services.
- g. Bidding for Construction Portion of the Project Only. Not Engineering or CPT.
- h. Engineer to Evaluate On-Island Equipment Availability vs. Importing from Florida.
- i. Project Engineer to Present Recommendations to Board of Directors.
- j. Board of Directors to Present all Bids at EGM for Owner Approval.
- k. Project Engineer to Team with SP Legal Counsel to Prepare Contracts.
- l. Project Engineer to Coordinate Work Permits and Building Permits as Required.

Approx. Cost Per Unit of Phase II: 1 BR: \$20,000 2 BR: \$28,500 (See Appendix 1 – Costs)

Begin Work No Later Than: Within 14 Days of Approval of Plans by GBPA.

Approx. Time Frame to Complete: Pending Proposal by Emory/CPT.

3. Restoration Project Details

- a. Project Engineer and On-Site American Project Manager Manage Day-to-Day.
- b. Progress Reports issued Weekly by Project Engineer to Board and Passed to Owners.
- c. Extras Under \$20,000 Approved Without EGM. Over \$20,000 Requires EGM Approval.
- d. Monthly Report Issued to Owners by BoD Updating Progress.
- e. Construction to Begin April 1, 2017 and Complete within an Estimated 12 Months.
- f. All Steps Taken to Finish Jackhammering/Obtrusive Work by November 1, 2017.

Financing Outline for Phase II:

- ✓ Scotiabank Has Offered a Rate of LIBOR + 3% (3.7% as of 5/2015) over 15 Years
- ✓ Proposed Financing for \$1.3M (65%) of Phase II Cost.
- ✓ 20% Down Payment Required with 15% Due at Completion (Not Financed).
- ✓ Security Is Assignment of the Association's Right to Collect Assessments from Owners
- ✓ No Mortgage or Physical Collateral Required
- ✓ Financing Makes Low Near-Term Costs for Owners Wishing to Sell their Units
- ✓ New Unit Owners Given Option to Pay Assessment in Full or Assume Payments
- ✓ Owners Can Pay Assessments in Advance to Avoid Interest Payments
- ✓ Owners Can Vote to Increase Payments Later to Shorten Time Horizon
- ✓ Payments to be Included in Quarterly Dues
- ✓ If You Want to Finance, You Can. If You Want to Pay as You Go, You Can. Flexibility!
- ✓ See Full Financing and Assessment Details

Phase III: Elevators and Parking Lot Renovation (April 2018 – October 2018)

1. Elevators and Parking Lot

- a. Full Elevator Restoration Including Car Upgrades To Start Upon Completion of Phase II.
- b. Cost Per Bid by Caribbean Elevator is approx. \$315,000 Including Car Modernization.
- c. Full Parking Lot Renovation to Be Done Simultaneously With Elevator Repair
- d. Cost Per Board of Directors Estimate \$44,000
- e. Implement Full Renovation of Elevators and Parking to Appear Modern
- f. To Be Completed Approximately 6 Months After Start
- g. Voting YES approves Caribbean Elevator Proposal and Funding for Parking Lot
- h. 3 Bids Taken for Parking Lot by Board of Directors and Approved by Owners at AGM.
- i. Special Assessment to be Spread over 3 Billings (4/1/18 to 10/1/18)
- j. See Complete Proposal by Caribbean Elevators

Approx. Cost Per Unit: 1 BR \$3600 (\$400/mo) 2 BR: \$5000 (\$550/mo).

Begin Work No Later Than: Immediately Upon Completion of Phase II

Approx. Time Frame to Complete: 6 Months

Appendix I: Financing Details of Silver Point Turnaround Plan

Disclaimer: These costs are based on estimates provided by the Board of Directors based on discussions with Keystone Engineering & Construction/Cathodic Protection Inc. Actual Costs Will Vary, but This Gives us a Framework to Work Within and Anticipate.

Estimated Costs of Phase II: Building Restoration and Sustainability Plan*

Bahamian Labor:	\$550,000.00	
U.S. Labor:	\$300,000.00	(Incl. Housing, Engineering)
Equipment/Supplies:	\$850,000.00	(Incl. Concrete, Jackhammers, Staging, Tools, Supplies & Paint)
Cathodic Protection:	\$300,000.00	
	\$2,000,000.00	(Estimated)

Financing and Payment Dates:*

65% Financed Amount at LIBOR +3% (3.7%)	\$1,300,000	Per Scotiabank Quote 5/2015
20% Down Payment Due by April 1, 2017	\$ 400,000	Per Emory Estimate
15% Remaining Balance Due by April 1, 2018	\$ 300,000	Final Payment to Keystone/CPT

Assessment Schedule (5 Years Renewable Amortized over 15 Years), Added to Quarterly Dues:

<u>Term</u>	<u>Est. Pymt 1 BR</u>	<u>Est. Pymt 2 BR</u>
4/1/2016 – Phase I: Preparation	\$180*	\$250*
4/1/2016 to 1/1/2017 (12 mo.) (For 20% Down Payment)	\$4120* (\$345/mo.)	\$5800* (\$485/mo.)
4/1/2017 to 1/1/2018 (12 mo.)** (First Year of Financing Payments Plus 15% Balance by End of Construction)	\$4250* (\$360/mo.)	\$5985* (\$500/mo.)
4/1/2018 to 10/1/2019 (9 mo.) (Elevators, Parking Lot)	\$3600* (\$400/mo.)	\$5000* (\$550/mo.)
4/1/2018 to 3/1/31 (14 yrs.) (Owners Can Vote to Pay off the Financing at the End of 5 Years or Continue Another 5 Years)	\$97 Per Month*	\$135 Per Month*

* Estimates Exclude VAT, Legal Advice, Auditing, Damage Replacements and Any Unforeseen Extras.

** IMPORTANT NOTE: After this, we will save also \$50,000+ per year that we now spend on spalling repair so we can spend that on other things like improving the property and its amenities.

Appendix II – Accountability

- The Board of Directors Shall Appoint an Independent Auditor for the Project
- Choice of Auditor Shall be Approved by the Owners at an EGM
- Auditor Shall Issue Quarterly Report Which Will be Provided to the Owners
- Quarterly EGM Shall Be Held to Update Owners on Progress and Provide a Forum
- Board of Directors Shall Provide Monthly Newsletter Updates by Email
- Board of Directors Shall Provide Any Owner with Any Document Upon Request Except Sensitive Private Documents of Owners or Contractors
- EGMs Shall be Recorded by Video for Recordkeeping Purposes.
- Board of Directors Must Adhere to the Schedule and All Procedures Contained Herein Unless Owners Give Approval at an EGM for Variance
- A 3-Owner Independent Accountability Panel Shall be Appointed by the Owners at the 2016 AGM. Said Panel will be Tasked with Supervising the Board of Directors to Ensure Compliance, Issuing Compliance Reports and Advising Owners of Adherence Issues and Recommendations.
- The Board of Directors Shall Give the Auditor and Accountability Panel Full Access Including Presence at Board Meetings.
- Anytime a Question of Legality or Owners Rights Arises, the Board of Directors Shall Seek Legal Advice from Silver Point Counsel and Provide That Advice to All Owners.
- The Board of Directors Must Receive Approval of the Owners at a GM for Extras over \$20,000

Appendix III: Minimum EGM Approvals

- Quarterly EGM to Give Updates, Discuss Progress, Issues That Arise
- Approve Implementing Recommendations of Reserve Study and Glazing Study
- Approve Engineering and Cathodic Protection Proposals and Proceed
- Approve Winning Construction Bid and Proceed
- Approve Final Financing Proposal from Scotiabank and Proceed
- Approve Auditors Reports and Completion of the Project
- Approve Parking Lot Bid and Proceed