

# What is wrong with the Comprehensive Master Plan (CMP)?

Implementation of the Comprehensive Master Plan (CMP) has been debated for a while now. After speaking with numerous Villagers, I have found most are against the CMP. And, the ones who are for it either have not read it, do not understand it or were one of its authors (and are emotionally attached). I have studied the CMP (500+pages) and will give my honest assessment of its promises. -All figures used here are from the CMP.

## 1. Financial Failure - The implementation of the CMP will leaves us **\$60 million** dollars short after five years and over **\$90 million** short after ten years.

In the CMP's introduction, it says we are currently unable to pay our maintenance/service bills. Every year we have maintenance/service expenses that are \$7,000,000\* (the CMP actually states our maintenance needs as \$45,000,000 over three years with a \$10,000,000 annual shortfall) more than we generate in revenue. Up to this point, we have paid these bills by using funds from other sources or have simply delayed the maintenance.

This means that every year that we cannot increase our revenue, we end up \$7,000,000 (or more) in the hole. That makes it \$14,000,000 in the hole in two years ... \$21,000,000 the third year and so on. Add the expenditures for the implementation of the CMP (\$5,000,000\*\* per year) and we now are running a \$12,000,000 (\$7 mil + \$5 mil) per year deficit. Hence, the five year deficit estimate above of **\$60,000,000**.

The CMP suggests we can close this revenue gap in several ways.

One is **higher POA fees**. They (POA) are changing their ability to increase POA fees measured previously from a CPI index to a 5% annual increase which will now allow them to recover a small part of this deficit (we would move from a five year deficit of \$60,000,000 to maybe \$58,000,000\*\*\*). Note: This would make property owner POA fees approximately \$85 per month in five years.

Second is **special assessments**. The CMP considers using special assessments as a way to close the financing gap. This five-year deficit would cost each property owner in excess of \$6,000 in special assessment fees should the complete deficit be charged in one lump sum. And, we still would not have solved the revenue problem. Our deficit would continue to mount from there at the \$12,000,000 per year rate, year after year.

Third is applying to the state of Arkansas for an ability to **tax residents** as any city does. So we would pay POA fees, special assessments, taxes to Saline/Garland Counties, taxes to Arkansas and then taxes to the HSVPOA.

Finally, the **CMP** promises to produce revenue from its **implementation**. It suggests the development of various areas in the Village will produce the revenues to correct our financing gap. *I don't see it!*

The CMP's initial development project is the Woodlands - Town Center (WTC). Once the WTC is fully completed (five years?), HSVPOA will receive revenues from residents who move in to the condos/apartments designed around the site (rents/sales go to developer). If you assume the POA fees are similar to current levels (and rise 5% per year), about \$637,500 per year of POA fees would be generated from these condos/apartments (625 units x \$1020\*\*\*\*). This is assuming 100% occupancy and no POA fee delinquencies but still leaves us with a annual shortfall of \$11,362,500 (\$12,000,000 minus \$637,500).

But, the CMP also promises that we will get revenue from ground leases charged to the retail businesses (or developer) who operate (lease space from HSVPOA) in the WTC (we will be opening a leasing office). If you use the CMP's suggestion for retail construction in the CMP, it would create 30 retail businesses. We would have to charge each retail business over **\$378,000 per year** just to cover the annual funding deficit (\$11,362,500 / 30). ***That should really bring them in!***

Each HSV development presents the same challenges. The Woodlands - Town Center, the Carmona Center, the Coronado Center, the East Gate neighborhood and so on; all present negative deficit-generating pro formas for tackling the HSV's financial problems.

So, no matter how many neighborhoods/centers we create, **we move further into a financial hole!**

## **2. Village Deterioration – The CMP will forever change the Village as we know it.**

There are many facets of the CMP and most are designed to create revenues for the Village. However, they not only **fail** to create the revenue we need, and send us further into a financial hole, but they also completely reorganize the Village so that it will not be the Village we all came here to enjoy! I will briefly discuss some of them.

### **Open the Village to outsiders**

***Bad idea*** – Opening our retail shopping to the general public, allowing golf/tennis/recreational memberships for non-property owners, golf resorts/hotels and a myriad of other CMP proposals essentially open our gates to people who do not live here (or own property here). This is all done as a desperate move to close our revenue gap.

The end result (you can't put the toothpaste back in the tube) is a Village we do not recognize. Tee times, tennis courts, and the fitness center will be more difficult to use and obtain services. Traffic jams, sight seers, construction vehicles and others will compete with us for road space, parking and other amenities we now enjoy comfortably and peacefully. It could be also anticipated we will see an increase in the crime rate.

The CMP wants to offer housing at the WTC for construction workers and others who are working in this large re-organization of the Village. Will they care the same about the Village as we do. And, when the construction ends we are subject to large vacancy rates,

empty buildings, unpaid POA fees and collection problems.

### **Welcome to a 20-year construction nightmare.**

Most of us will spend the rest of our days in HSV in a world “under construction”, dodging orange cones. Think about just the WTC development. Along De Soto Blvd, we will be building a \$4,000,000 plaza (sound stage, etc.), condos/apartments (600+?), a grocery store, liner buildings, a hotel, a cottage court, retail malls, an expanded roadway all along this area and tons of parking. This construction will go on for years. How do you think the traffic we will be on De Soto? A trip across the Village will never be the same! ***And, what image will this create for prospective property owners?***

### **The CMP is full of unrealistic premises and promises.**

**1. More new restaurants** – The CMP states that the initial project (WTC) will need a minimum of 30 businesses to succeed. These all should be committed to leases before construction begins. These 30 businesses are referred to, in the CMP, as 10-10-10. Ten shopping stores, ten other retail businesses and 10 new eating establishments. Really? We cannot successfully manage or support the restaurants we currently have; and our plan is to add 10 more? This will hold true for each center/neighborhood we build out. How can this many restaurants survive? ***Only by opening the Village to outsiders.***

**2. Bad Marketing Strategy** – CMP and Village growth will come from changing our marketing program to target “other than retirees”. We have become an “*active lifestyle community*“. Yet, 60%+ of Village residents came here for retirement and many of those for golf and lakes. The baby boomer generation worldwide is moving into retirement and this wave isn’t even half over. There is a huge target market out there (moving towards retirement) that we will be ignoring all while trying to entice 30-somethings to move here because we have hiking trails. Really? This is a substantial marketing mistake! There are numerous problems with our marketing strategy/plan. ***What 30- or 40-year-olds wants to live in a community of 15,000 seniors?***

**3. Lot Acquisition Challenges** – building out each segment/center of the CMP will require that either we or a developer purchase lots from current property owners in these areas we plan to develop (do you really think the developer will want to do this?). Because we have no “*eminent domain*”, each lot must be negotiated individually and presents quite a massive challenge (not even discussed in the CMP). If you own the lot where the grocery store is to be built, what would you want (\$) for your lot? You, and most others, will hold on for top dollar sending the entire WTC project into years of delay and a substantial increase in costs.

Apparently, Cooper (CCI) owns all of the utility easements between all Village lots. They (CCI) would have to approve every development because we would be combining lots to handle the large acreage requirement of each development (ie WTC). Not in CMP.

The CMP states we can retrieve some lots back into our inventory (and hence available for development) by offering incentives to non-resident property owners to trade in their lots for amenity packages. So, assume if you have paid \$2,000 for an HSV lot which you then pay \$37 per month in dues. Will you give that lot back to the POA in exchange for paying \$37 per month (losing your lot) for the right to play golf here or use the other amenities (which you already receive from lot ownership)? *Why would you do that?* If we offer this non-resident lot owner a discount (say \$25 per month), we are simply increasing the \$12,000,000 per year deficit discussed in the first section.

### **The CMP was designed by a consulting firm who does this for municipalities.**

All of the examples used in the CMP (and subsequent presentations by HSV management) were for communities that are not like us.

All are considerably larger than HSV.

All are open access communities.

All have eminent domain to acquire property.

All have tax bases from which to derive revenue.

All have a large tourist component to their traffic statistics.

We have **none** of these things.

Any developer or retailer who decides to develop here in the Village will have to do so based on a population base of 15,000 people. How many reputable developers will want to do that? Any retailers or developers we attract, will have a difficult time surviving. You can see many examples in and around the Village. Retail failures are prevalent here inside the gates and out the west/east gates. The only pathway to success is to open the Village to all. ***This would be the beginning of the end!***

### **4. Litigation, litigation, litigation!**

Unfortunately, we are likely in for probable litigation from several sources.

CCI is not likely to sit back and allow us to unilaterally change the Village he developed. There are a myriad of issues/problems that could need to be settled in the courts.

Developers/retailers who make financial commitments here only to find out later the facts they were given were incorrect or over promised. Maybe from unrealistic expectations, maybe from an overzealous POA management employee, maybe from commitments we made but don't have the financial ability to provide. We will be negotiating with seasoned veterans from these development companies who do this everyday. Our talent, though well-meaning and good at other tasks, are probably over matched in the negotiating arena. This will lead to mistakes, leaving money on the table and, possibly, lawsuits. It is interesting that **one of the action items of the CMP is for the POA management and POA board to**

ensure their liability insurance is up to date and sufficient.

I could on but I think this analysis presents some of the general weaknesses of the CMP. Bottom line is that the “Enterprises Goals” set out in the CMP are simply not achieved by the CMP. As a reminder:

### **Enterprise Goals**

#### ***“Protect community wide property owner value and lifestyle”***

How can the POA promise to protect our values and lifestyle when the CMP opens the Village to outsiders, creates 20 years of construction/traffic problems and still leaves us with large financial deficit? Prospective property owners will cringe at the disruptive appearance of our Village and many existing residents will move out. This, and 625 new condo/apartments coming on line, will drive property values down and make existing homes harder to sell!

#### ***“Strengthen the financial health of the Village”***

As we spend money we don’t have, the maintenance deficit continues to grow (\$60,000,000 in five years) and we begin fending off litigation, how does this strengthen the financial health of the Village? We are heading in the wrong direction.

#### ***“Build property owner trust and support”***

With the miserable failure of enterprise goals one and two, I don’t see how this will happen.

Some have suggested we proceed ahead and see if the CMP has merit. The problem is that with this strategy, the CMP will be impossible to stop. By the time we have determined the CMP is destined to fail (it will be too late), we will have deals with developers, retail outlets and construction will be well on its way.

**Our only option is to suspend implementation of the CMP, discuss it and debate it within the Village; and then have all Villagers vote on it! STOP IT NOW!**

\* The CMP states the maintenance deficit is \$10,000,000 annually but that the two tiered POA fee system will mitigate this loss and our deficit should be only \$5 -7 million. I use \$7,000,000.

\*\* POA management has stated they will spend \$10 - 20 million for the implementation of the CMP over 3 years. I average this out to \$5,000,000 per year in CMP implementation expenditures.

\*\*\* Based upon the request for an annual increase of 5%.

\*\*\*\* This assumes a new POA fee of \$85 per month from 5 years of 5% increases.