



Homestead
Perimeter Fence:
Information Session
for Summer 2023
Special Assessment
Vote



Why we are here?

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Why we are here?

- Current cedar fence was originally built in 1998 (now 25 years old)
- Over the last 8 years we've spent \$325,000 on repairs and maintenance.
- In each 2020 and 2021, ~5% (\$50k) of our total dues went to fence maintenance (replacing about 70 posts each year). Currently over 100 posts need replacement; untold baseboards have failed; and the entire fence needs scraping, sanding and painting. The posts alone are approximately \$60,000.
- An early 2023 vote for a special assessment received 50% approval from voting homeowners. We need 60%.
- We have listened to feedback and gathered more detailed information to provide interest and landscape estimates which allows for a reduced special assessment amount over one additional year.

Material Considerations



- Brick (~10M or \$11,136/homeowner)
- Alan Block (~6M or \$6,681/homeowner)
- **Trex (~2.8M or \$3100/homeowner)**
- Wood (strongly advised against given the poor quality of wood right now)

Trex Winchester Grey (<https://trexfencing.com/colors/>) was selected for its longevity and affordability – the most cost-effective option with the most value for our neighborhood.

Bids



- Obtained 3 bids for TREX material and considered the following in our decision criteria:
 - Reputability / Reliability / Years in Business
 - Service Levels and Customer Satisfaction
 - Pricing
 - Scope of Work (Traffic Control, Post Hole Drilling, etc)
 - Price Guarantee Timeline
 - Availability of Material

Split Rail Fence was selected for their ability to excel in each area of criteria

Demographics of 898 homeowners



- Original owners, some of whom are on fixed incomes.
- Young owners who paid in the millions for their home.
- Everyone in between.
- Homeowners who are staying “forever”.
- Homeowners who are moving when last kid graduates from CC schools.
- Everyone in between.
- The board cannot please everyone but is hopeful to find a majority of support.

Opinions of 898 homeowners



- It is impossible to create a direct relationship per homeowner between the cost of the assessment and the value received.
- Each homeowner has their own opinion of the purpose and value of interest charges over long periods.
- Each homeowner has their own opinion of the direct impact/value to them of the perimeter fence of this neighborhood.
- Most homeowners do subscribe to the opinion, shared by realtors, that their home value is directly impacted by the overall aesthetic and financial stability of the HOA of the neighborhood.
- Regardless of how long a homeowner intends to live here, their sales price will be impacted by the overall aesthetic and financial stability of the HOA of the neighborhood.
- Whether a homeowner uses the pools, tennis courts, greenbelts, or has a perimeter fence, if any of those amenities are in a state of disarray, their home value is impacted.

Board intentions



- The Board has a fiduciary responsibility to maintain the perimeter fence owned by the HOA.
- The Board has no intention to over-assess and hold extra funds for projects other than the fence.
- The Board is not going to put anymore funds into the existing fence.
- Our governing documents require a community vote for a special assessment or to secure a loan (line of credit or similar).
- They do not require a community vote to choose TREX in consultation with the ACC (tasked with maintaining the aesthetic of the neighborhood) as the replacement product.
- They do not require a community vote to begin replacing the worst sections with TREX.

Board intentions



- The Board will begin using existing fence reserves to replace a section of fence along Easter where one homeowner fence was taken out by a car. (driver insurance funds will go toward this).
- The next section to be replaced will be along the Parkway. (the oldest section that was constructed with the least quality wood at the time).
- If this special assessment vote fails, more sections will be constructed as funds are available which will take a long time.
- This hodge-podge approach will impact the overall aesthetic of the neighborhood.

Financing Methods - Loan



- A 20-year loan at current interest rates would result in homeowners paying as much as \$3000 in interest over the life of the loan, not to mention an additional \$305.39 a year for 20 years.
- The 2024 dues would be \$1,411+\$132 (future fence) + \$154 annual dues increase + \$305 (loan) = \$2,002

Financing Methods - General Improvement District



- Would take 1-5 years, not feasible without significant deterioration to fence, or continuing to waste money on a 25 yr old fence
- Need someone working on the GID full time
- Would need to change governing documents to allow for new board to manage GID
- City of Centennial does not create new GIDs in even years. We likely could not get a GID on the ballot with required changing of governing documents, which puts us into 2025, which is too far away.
- Any interest savings would likely be eaten by cost of changing governing documents and interim required maintenance on fence
- A GID loses us control of the fence, including construction and upkeep



Financing Method – Special Assessment

- A one-time assessment of up to \$3100 payable in six payments over three years (\$516.67 per payment)
- Allows us to lock in price of material
- No high interest loan
- Keep dues lower
- Any extra funds will result in less annual dues or a return of funds to homeowners via cancellation of a portion or all of the final payment (refund to anyone paying in full up front)



How Did We Get to \$3,100

Financing Method – Special Assessment

Fence Bid	\$2,147,660
Do not Exceed Costs	\$275,000
Interest at Current Rates for Line of Credit	\$235,300
Landscaping Cost	\$50,000
Total	\$2,707,960
Special Assessment	\$2,783,800
Contingency/Cushion	\$75,840



Financing Method – Special Assessment

Is the contingency/cushion necessary?

- All construction projects budget for contingencies. Typically, 10-15%.
- We have done everything we can to have no change orders and have received not to exceed bids.
- We must ensure we have enough funds to cover the fence and pay the interest on LOC. Stopping the project in the middle would leave homes and the neighborhood accessible for unknown period.
- Not all homeowners pay their dues on time, and it takes time and money to initiate the collection and lien process.

The Fence Reserve Fund



- Currently the FENCE reserve fund totals \$301,000. We have an additional \$175,000 in reserves that is not allocated to the fence.
- The Board wants to put in place measures to ensure the next fence will be paid for without a loan and/or special assessment.
- In 30 years, a \$2,700,000 fence will cost \$8,265,791 at current inflation. In order to have this amount of money we need the \$300,000 in reserves plus an additional fence payment made each year of approximately \$125 per homeowner.
 - Inflation was calculated at 3.8%, ROI was 4%.

Owner Feedback from last Special Assessment Vote



The googled cost of a fence is cheaper than the quote we got, why?

- Figures found on google do not take into account other aspects of this project:
 - Traffic Control
 - Utilities
 - Landscaping
 - Interest expense on the construction loan
 - Temporary Fences
 - Removal of old fence



Owner Feedback from last Special Assessment Vote

Can we extend the payment terms? What happens if there are leftover funds?

- Yes! This new vote allows payments to be spread over three years instead of two.
- The board will do everything in its power to minimize the cost of the project and the interest paid to the bank. If there are left over funds, the board will do one of the following:
 - Reduce or cancel the final payment
 - Return unused funds to homeowners via decreased dues the following year.



Owner Feedback from last Special Assessment Vote

Question: Can we get a loan and then refinance when rates drop?

- Some homeowners have suggested getting a loan and then refinancing when rates get lower. However, any refinance would require a new vote and additional costs to the HOA in legal and administrative fees.
- We also do not know when rates will come down, not to mention if they do go down, when do we pull the trigger to start a new vote to replace the existing loan.
- Refinancing is time consuming and expensive
- The volunteer homeowner board turns over every three years. Strapping each newly seated board with the details and collection issues of a 15-20 year loan will greatly reduce their capacity to address all the issues the neighborhood faces during a term.



Owner Feedback from last Special Assessment Vote

The Board are money grabbers and want to take your money for themselves

- As a reminder, all board members are VOLUNTEER positions
- Leftover money will be returned to the homeowner via lower dues, refund, or smaller final payment
- We are also having to pay these increased dues, assessment, etc. so we are equally motivated to keep costs down.
- We have open board meetings, and all financial statements are always available in the Business Office and audited yearly.



Proposal



- Special Assessment for up to \$3100 in 6 payments over three years collecting each 6 months. Payments will be collected April 1, 2024, October 1, 2024, April 1, 2025, October 1, 2025, April 1, 2026 and October 1, 2026
- A line of credit will be secured to pay the fence company and other vendors involved during the 8-10 month construction process vs the three year collection of special assessment payments.
- The existing fence will be replaced with a composite Trex material (<https://trefencing.com/>). The fence is expected to last 30 years and likely longer. 8 foot around perimeter (Holly, Quebec, Arapahoe, Dry Creek), existing height elsewhere unless strong homeowner preferences exist for certain sections.
- The color will be a similar gray color (Winchester Gray). Example projects can be view at:
 - Example can be found on Costilla about 2/3 down heading east toward Pkwy
- The fence will be installed by Split Rail Fence Company over the course of 8-10 months (<https://www.splitrailfenceco.com/>)

The Board Recommends:



There will be two votes: special assessment and loan (line of credit or similar).

- Voting yes on the Special Assessment and yes on the Loan (line of credit or similar) to fund the cash flow.
- This will allow us to save money on fence repairs, quickly replace the fence and minimize the interest expense to homeowners while maintaining the aesthetic of the neighborhood.