

December 7, 2020

TO: White Bluff Property Owners
FROM: Your Board of Directors
RE: Special Assessment

In the Open Board Meeting held on Saturday, 12/05/2020, the WBPOA Board approved a Special Assessment applicable to all Property Owners. The proposal was presented and discussed in the Town Hall Meeting that was held prior to the Board Meeting. Property Owners were allowed unlimited time to ask questions, make comments and voice opinions. Property Owners in attendance at the Open Board Meeting were also given the opportunity to address this issue during the Open Forum.

The purpose of this email is twofold- 1) to explain the Special Assessment, and 2) answer pertinent questions regarding the Special Assessment.

The Special Assessment

The Assessment is a three-year assessment.

The Assessment is effective 01-01-2021 and will be billed in March and September and payable by the end of April and October. This cycle was established so that property owners could more easily fulfill their obligations for the payment of Maintenance Fees (which have not been increased) and payment of the Special Assessment.

Homeowners will be assessed \$1,000 per year (payable at \$500 semi-annually) for three years.

Lot Owners will be assessed \$300 per year (payable at \$150 semi-annually)

Homeowners who own more than one lot will be assessed \$300 per year for each additional lot (payable at \$150 semi-annually for each additional lot). If a home sits on two lots, the Homeowner will be assessed for the home (\$1,000) and for the extra lot (\$300)

Legal Clarification Questions

Prior to structuring the specifics of a proposed, formal Special Assessment, the Board requested a legal opinion from our association Law Firm, Riddle & Williams. This request included specific questions that we asked to be addressed. The following is a summary of those questions and the attorney's responses:

1. *"Is the Board granted the authority to make **assessments?**"*

Answer- The Declaration provides the Board with the authority to allocate to "homeowners and non-homeowners any special assessment." Dec. Art. Three, Sec. 2

2. *"May an **assessment** be different for homeowners and lot owners?"*

Answer- A special assessment may be based on "the respective use and benefits to be derived by the homeowners and non-homeowners."

3. *"Is the Board required to give notice of a **special assessment** to property owners?"*

Answer- The Texas Property Code requires the Board give notice to property owners before voting on a special assessment at an open Board meeting. "Open Meeting" means the property owners have the right to attend, but not speak, at said board meetings. **NOTE- The Board published the required notice in excess of 30 days prior to the meeting; the Board published the agenda inclusive of the Special Assessment; the Board Held a Town Hall Meeting prior to the open Board Meeting in which all specifics of the assessment were discussed; all attendees were allowed to speak without a time limit, all property owners were allowed to submit email questions in advance of the meetings; all property owners were given the opportunity at the Board meeting to address the Board and ask the Board any question they wished.**

Responses to other Questions

1. *What will the funds derived from the assessment be used for?"*

The POA owes Double Diamond \$3,550,000 for the amenities it acquired. The Board felt it was imperative that the association eliminate this debt (our only debt) as soon as possible. The balance of the funds received will be placed in the Reserve Account and used for Capital Improvements as deemed necessary at the time they become available.

2. *How is the debt to Double Diamond structured?*

The POA has been paying interest only for the first two years of the note at the rate of 5%. This means that from October 1, 2018 through September 30, 2020 we paid Double Diamond \$14,792/month or a total of \$177,500 each year.

Beginning October 1, 2020 the debt of \$3,550,000 was amortized on a 20-year amortization, and the POA began making principle and interest payments. Very little of the payments will be going toward the principle sum owed; as in any "mortgage" the vast majority of monthly payments during the early years goes toward interest.

There is a Balloon Payment due for the full balance owed at the end of eight years beginning 10/01/2020. If we were to continue to make principle and interest payments for the next eight years, we would owe Double Diamond almost \$2,500,000- payable in a single sum. PLUS, during the eight-year period we would have paid almost \$1,400,000 of interest charges.

3. *Why is it important to eliminate the debt to Double Diamond?*

There are two reasons.

First, the earlier we pay off Double Diamond the sooner we stop the interest payments, and those funds can be channeled toward other needs like the roads.

Second, we would simply be delaying the inevitable of having to come up with the money to pay Double Diamond.

3. *What happens if we don't have the money to pay Double Diamond in eight years?*

Double Diamond would foreclose on the note and take over the amenities and improvements we have made. We would lose White Bluff.

4. *Why can't we use the special assessment money to fund the replacement of the roads?*

While everyone is fully aware that the roads need to be addressed, doing so in lieu of getting out from under the debt to Double Diamond makes no sense at all. We replace/repair the roads, in eight years we can't pay of the note, and Double Diamond forecloses and gets all the amenities AND the roads WE repaired.

5. *Is there a long-term plan for addressing the roads?*

Yes, there is. Once we have Double Diamond paid off we will be totally debt free, and we will be in the position of going to a commercial lender and secure financing for the replacement of all of the roads.

6. *Why didn't the property owners get to vote on the special assessment?*

Our governing documents do not allow this. The elected Board is specifically granted the authority and responsibility to make a special assessment.

7. *Why weren't property owners allowed to give input?*

They were. A state required 30-Day Notice was sent out on 11/02/2020. It specified that the Special Assessment was on the agenda of the Open Board Meeting. Additional communications specified how to give input and/or ask questions about anything on the agenda. These avenues included:

Emailed questions to the Board President.

Questions, comments or opinions expressed at the announced Town Hall Meeting.

Questions, comments or opinions during the Open Forum at the beginning of the Open Board Meeting.

Questions, comments or opinions during the Ask The Board session in the Open Board Meeting.

It should be noted that every emailed question or comment to the Board President was individually and fully addressed in the Town Hall Meeting. Every additional concern or issue from any property owner in attendance was addressed in the Town Hall Meeting. The Special Assessment was fully explained and every question, comment or opinion addressed with no time limit; this part of the Town Hall Meeting lasted for almost two hours.

8. *Double Diamond owned thousands of lots and only paid \$1 in Maintenance Fees for each lot over five lots. Will all lot owners be required to pay the assessment in full for each lot they own with no multi-lot discount?*

Yes. The multi-lot discount applies only to Maintenance Fees and not the Special Assessment.

9. *When will the first Special Assessment bill go out?*

Semi-annual billing will be done in March and September with respective payments due by the end of the month in April and October.

10. *May I pay the three-year assessment in a single payment?*

Yes, you can.

11. *This is way too expensive for what we get at White Bluff.*

Actually, it is not. The “cost” of living in White Bluff is a fraction of what other gated communities charge for similar or less amenities. People looking at White Bluff are constantly and consistently amazed at how little is paid for so much-

- 24/7 gated Security
- 4 swimming pools
- 36 comped rounds of golf per year
- 2 Championship Golf courses
- Mulligan’s Restaurant
- Marina
- Soon to open Fitness Center
- Tennis Courts
- Pickle Ball Courts
- Children’s Playground
- Meeting facilities
- Discounted lodging facilities
- Camp grounds
- RV parks
- Catch and Release lakes
- Baseball field
- Numerous community activities
- Incredible Volunteer Fire Department
- White Bluff Chapel

12. *What happens if I sell my property?*

The unpaid assessment will be passed on to the purchaser. If the billed assessment is delinquent, this delinquency must be satisfied before transfer of the property.

13. *It was stated at the Annual Meeting that the debt to Double Diamond was being taken care of with our current Maintenance Fees. Then, why am I being assessed?*

That was not said at the Annual Meeting. What was said was that we consistently stay one month AHEAD in payments. It was also stated that our OPERATIONAL BUDGET was adjusted with cost savings that will probably give us a small surplus for 2020.

14. Why can't we just make the payment to Double Diamond out of cash flow from Maintenance Fees and amenities revenue?

We deal with two budgets. The first is an Operational Budget, that hopefully breaks even. Any surplus (which is minimal) goes into the Reserve Account. The second is the Capital Expense Budget, that pays for things like getting the Fitness Center open, the repairs to the Lighthouse Restaurant, repairs to the interior and exterior of the Conference Center, and repairs to the exterior of the Fitness Center, Spa, Salon complex. By far the biggest thing in the Capital Expense Budget is the \$3,550,000 debt. There is no money available to meet this debt except through an assessment.

Property Owners should understand that the Board is charged with protecting and enhancing the assets of the association.

The Special Assessment is a major step toward PROTECTING our assets. It addresses protecting our resort from foreclosure by creating funds that will get us totally out of debt well before the balloon payment is due to Double Diamond in less than eight years. It frees up funds to go toward addressing the roads situation, funds that would otherwise go toward interest payments. And, it allows us to address other Capital Expense items as the need exists once the debt is paid off.

We hear constantly about what our property owners want to see at White Bluff, without a thought as to how what they want will be paid for. The Board must carefully weigh priorities and available funds. Right now the overwhelming priority is to eliminate the only debt we have as soon as we can and then move on with prudence past that blessed occasion!

Your Board takes their responsibility very seriously, and we did not make this decision without proper research, discussion, calculations, input, and addressing all alternatives. To those who look at what has been done with what we had, where we have come from and where we are going, must realize that all we want is what our property owners want and that is a financially sound and well-run resort and community.