Physical Space Task Force

Final Report & Recommendations to the HPCA Board

HPCA LONG-RANGE PLANNING COMMITTEE

January 2017
Summary

At the request of the Heritage Pines Board of Directors, the Long Range Planning Committee evaluated the clubhouse physical space issues. The Committee explored the question from all practical perspectives and identified recommendations for HPCA to address its physical space issues.

An evaluation of the needs and wants associated with the use of the clubhouse was done. The Committee defined a **need** as something that prevents or significantly impedes the conduct of Association core business or delivery of Association core services. We defined a **want** as something that is desirable and enhances or improves the conduct of Association business or delivery of services. The Committee **did not identify any validated needs** associated with the clubhouse physical space, but **did identify the following high wants**.

- Additional office space
- Additional storage space
- Additional meeting space
- Resolution of conflicts, relocations, and cancellations of resident activities

As a result of these efforts a number of options were evaluated. These included:

1. **Do nothing**
2. **Modify Clubhouse use policies and activity scheduling**
3. **Renovate the existing facility**
4. **Add new structure(s)**

The Committee recommends a two fold approach to addressing the physical space issues. First, **develop new clubhouse use policies and scheduling practices** to address adding new activities/organizations, placing limits on the accommodation of small groups, and modifying activity schedules by the use of block scheduling of rooms (i.e., mornings for activities and afternoons for meetings). Contributing to the false positive regarding limited space is the tendency for meetings to be cancelled without notifying the Administrative Office of that cancellation. Therefore, the space continues to show as occupied when in fact it is available. This contributes to waisted staff time and resources.

Second, it is strongly recommended that **HPCA contract with an external space utilization consultant to review areas within the existing clubhouse footprint** including the PAC Room, Administrative Offices, Wood Shop, Bar area, Library, and deck area outside of the PAC Room among other areas with the following goals in mind:

1. **Make recommendations for repurposing current building space**
2. **Make recommendations for multi-purposing current building space**
3. **Make recommendations for the creation of multi-purposing exterior space which can serve multiple purposes and add year round value.**

The Committee concluded the cost of adding a new building cannot be justified at this time. The cancellation of activities and lack of available space at HP were not deemed valid enough to justify the expenditure of well over $1M and there were no viable options for financing that would not necessitate raising the monthly (or requesting special) assessments. Since the size of our community is fixed, future
expansion considerations need to be limited to shifts in trends of physical and entertainment activities aimed at active in-coming residents while dealing with the needs of the existing population. It is also not reasonable to assume you could fix all the problems facing the clubhouse with a single new building expansion.

Over time, the expectation that HPCA become financially responsible for funding the personal interests of HP residents has been set. This false expectation has serious consequences and has direct correlation to escalating Association costs, placing further demands on the issues being addressed within this report including physical space, Staff resources, storage, expenses, maintenance costs, replacement costs, etc. If left un-governed, HPCA expenses will continue to eclipse its revenue opportunities in an ongoing effort to financially address the ever-expanding list of Member desires. In short: endless attempts by HPCA to satisfy personal interests will disproportionately escalate expenses without achieving proper revenue balance.

At the end of the day, it becomes a question of value. With HPCA’s limited ability to fund itself - further challenged by contraction of its current revenue streams - HPCA must closely examine how it spends it’s finances, ensuring that the collective Association is the primary beneficiary of all decisions - not individual residents or minority resident groups.

HPCA LONG RANGE PLANNING COMMITTEE
PHYSICAL SPACE TASK FORCE
Statement of Purpose

Introduction
Over many years, discussions regarding the need for additional HPCA physical space has surfaced. Each time the discussion has been presented without reaching a definitive conclusion regarding the viability or practicality of the question. As expansions to Association physical space represents one of the most significant short- and long-term investments for the Association, the Long Range Planning Committee (LRPC) was requested by the Heritage Pines Board of Directors to evaluate the use and potential expansion of the Clubhouse.

The LRPC established a Physical Space Task Force to evaluate the present use and future opportunities for Clubhouse expansion. This Task Force will explore the question from all practical perspectives and identify opportunities for HPCA to maximize its usable space and appropriately grow to meet the future needs of its Membership.

The Task Force objectives included:
1. **Delineate Want** from **Need** associated with physical space expansion and the factors which impact those wants and needs.
2. Explore the **options and changes** which would accommodate those tangible wants and needs.
3. Understand the **financial, physical and cultural factors** that could/would be affected by all considered changes.
4. Advance recommendations to the Board, which outline all considered options,
identifying: impact, risk, short-term and long-term investment, practicality, funding options, etc.

The Task Force deliverables included:
1. Submittal of a written report to the HPCA Board of Directors.
2. Providing a formal presentation of the report’s contents and recommendations to Membership if requested by the Board.

Analysis

The Task Force reviewed and evaluated the following:
- Previous committee activities/reports on clubhouse renovations/additions - 2007 & 2014
- Known issues associated with clubhouse space and use
- 2016 clubhouse use schedules
- HOA approaches to financing additional facilities - included Web searches

Clubhouse Use
Approximately 30% or 740 residents regularly use various amenities at Heritage Pines, but not all of these residents routinely participate in activities at the clubhouse. This is consistent with the national average.

The Clubhouse Utilization study, dated March 2015, reported on clubhouse daily usage by room between the hours of 8 AM and 8 PM. The overall result was that no room was utilized for more than 30% of the time with the PAC being the most scheduled at 28%.

Information on function cancellations were also evaluated during that time period. The data indicated that activity cancellations occurred between 4 and 18 percent of the time depending on activity type and time of year.

The Clubhouse Utilization study report also identified the conference room and PAC as the most used facilities and resulted in the most conflicts and cancellations of activities. The activities involved were meetings and aerobic exercises (i.e., Tai Chi, walk aerobics, etc.). Other activities such as yoga, ballroom dancing, and ping pong have been moved, cancelled or, at times, all but eliminated due to increasing demands for space.

The demands for space for games (cards, mahjong, etc.) have also spilled over into areas that were never intended or designed for these activities. All of this requires significant staff hours for setting up, taking down, or rearranging tables and chairs in the various areas of the clubhouse due to multiple and quite varied uses of the rooms. The scheduling data does not reflect setup or take down time which also factors into the availability of rooms and conflicts.

The data also shows that demands for available space for the physical and entertainment activities are bunched around morning and evening times. This is due to lifestyle demands of the residents who want to complete their exercise activities in the morning thus leaving the rest of the day open for other things, and want the entertainment activities in the early evening times to better fit their desired schedules. Blocks of
time early in the morning and dinner time are also avoided by the residents. This has an impact on scheduling and creates a more congested use of facilities or peak time usage. This is the reality of space demands for our lifestyles.

Previous committee activities/reports on clubhouse renovations/additions - 2007 & 2014

There were at least two previous evaluations of clubhouse space, one in 2007 and one in 2014. Both focused on the obvious shortcomings of the clubhouse. First, the clubhouse was not sized by the developer with future use in mind, or even accommodation of all residents/activities from a built-out community; and, secondly, there were shortfalls in office, storage and meeting/activity space. Cost was a major concern and impediment to resolution of these issues, and, therefore no action was taken on the information provided by either evaluation.

Known issues associated with clubhouse space and use

An evaluation of the needs and wants associated with the use of the clubhouse was done.

The Task Force defined a need as something that prevents or significantly impedes the conduct of Association core business or delivery of Association core services. We defined a want as something that is desirable and enhances or improves the conduct of Association business or delivery of services.

The Task Force did not identify any true needs associated with the clubhouse physical space. The Task Force did identify the following high wants on clubhouse use and space.
- Additional office space
- Additional storage space
- Additional meeting space
- Resolution of conflicts, relocations, and cancellations of resident activities

Clubhouse use schedules

A review of regularly scheduled clubhouse functions identified a 3 to 4 fold growth in demand for space for activities, clubs, groups, and meetings from 2006 to 2016. This represents a significant increase in the scheduling of rooms (as well as maintenance manpower) in the clubhouse and is due to the increased desire by residents for widely varying activities. These activities are not at the core of what HP was intentionally designed to provide, but represent the varying and changing personal interest of residents. In lies the problem - without guidelines or policies on clubhouse usage these demands will continue to outpace any building or renovation projects that the Association takes on and will demand continued major financial investments from the residents.

Options

The Task Force developed and evaluated the following options associated with Clubhouse space and use issues.

Do Nothing
This is the do nothing option associated with changes to clubhouse physical space use.
Pros - No direct financial cost to HPCA or changes to operational status quo.
**Cons** - Does nothing to alleviate the existing clubhouse use issues. Choosing this option pushes the ongoing problems into the future with no overall plan to deal with the activity cancellations, scheduling conflicts, and overall use issues.

**Modify Clubhouse use policies and activity scheduling**

This option requires (1) the development of new clubhouse use policies (i.e., strict criteria on adding new activities/organizations, limits on the accommodation of small groups, etc.), and (2) modifying activity schedules, and/or development of block scheduling of rooms (i.e., mornings for activities and afternoons for meetings) and enforceable cancellation policies.

**Pros** - Addresses the present and future unregulated growth in demands on clubhouse physical space. Significantly reduces staff time for room setup and wear and tear on furnishings. Saves substantial dollars needed to continuously add facilities (buildings) to accommodate unlimited growth.

**Cons** - Results in the exclusion of some existing or potential groups or functions. Requires shift in time of some activities for residents. Both will potentially result in substantial resistance from affected residents. Requires emphasis on understanding the varying and changing trends in resident interests and activities (utilization of long range planning).

**Renovate Existing Facility**

This option is intended to maximize the use of our existing facilities. The first step is to outline clubhouse failings and use concepts/objectives, and use professional assistance in developing a redesign to accomplish these objectives.

**Pros** - This option is less costly than a new building but could meet many of the wants identified. Could include options for delayed financing (outside event revenues applied or saving through excess monthly assessments), or immediate application of reserve funds to accomplish desired changes. Could be implemented in phases over multiple years and more easily absorbed into budgeting process.

**Cons** - May not adequately address all resident wants. Could be costly to implement and may increase operating budget and reserve fund needs if left uncontrolled.

**Add new structure(s)**

This option involves constructing one or more stand alone buildings to supplement the existing clubhouse to support expanded resident activity offerings. The following estimate has been prepared based upon D. Dalvit, August 2009 Median Cost in Major US Cities for Single Story Office Buildings $160-$170/sq. ft. - Southern cites median at $147/sq. ft. – adjusted up for cost increases to $165/sq. ft. in southern city in 2015. Conservatively, half that value was used for estimating storage area cost.

Further construction detail is located within **Attachment A** of this document.

Initial and continued cost must be acknowledged when considering new construction. The initial cost estimates for the building are as follows:

**Planning and Preparation Costs** (prior to commencement of construction):
Site exploration and development - $15,000-$25,000
Architectural and engineering prep work - $50,000
Equipment/sidewalk relocation, inspections and permitting - $15,000-$25,000

**Construction Costs:**
Upper Level - 6500 sq. ft. at $165/sq. ft. = $1,072,500
Lower Level - 1000 sq. ft. at $80/sq. ft. = $80,000
**Total Cost - $1,152,500 conservatively**

*Based upon D. Dalvit, Aug. 2009, Median Cost in Major US Cities, adjusted for inflation.*

**Continuing Maintenance Costs for Life of Building are as follows:** (continuing cost no matter how construction is funded)

Actual cost needs to be determined by staff based on present square footage maintenance costs, staff increases, added insurance coverage, and additional reserve funding.

The funding options considered are as follows (note indebtedness requires vote of residents):

Actual costs need to be determined by Staff based upon actual square footage maintenance costs, Staff increases, additional insurance coverage, additional reserve funding. This may also result in a required special assessment or increased monthly assessment fee.

The funding options considered include commercial loans and cash accumulation options (note that indebtedness requires a majority vote of residents). The commercial loan options result in down payments of nearly a quarter million dollars and increased monthly fees to achieve loan repayment. Cash options would require that a minimum of $165,000/year be set aside for 5-7 years before construction could commence.

**Commercial Loan:**

**Option 1** - Finance 80% as a commercial loan for 25 years at 5%**
- requires 20% down ($230,500)
- indebtedness to residents for 25 years at ~$63,000/year or ~$3.73/month/household in assessment increase for 25 yrs
- construction would start within a year or so

**Option 2** - Finance for 7 years at 5% with balloon payment at end of 7th year**
- requires 20% down ($230,500)
- indebtedness to residents for 7 years at ~$65,000/year or ~$3.85/month/household in assessment increase for 7 years
- balloon payment of ~$800,000 at the end of 7 years
- allows for paying off loan after 7 years
- requires savings from annual budget of $115,000/yr to make balloon payment
- construction would start within a year or so
**Cash:**

**Option 3** - Accumulate cash from savings in budget and/or use existing funds
- would require 5-7 years to accumulate adequate cash
- would require between $165,000 and $230,000 savings each year from budget or cash reserves
- construction would be delayed between 5 and 7 yrs.
- could reduce time with increased outside event profits or apply a significant amount of cash reserves to the project
- construction costs would significantly increase over the 5-7 yr delay

**Estimates - actual values would depend on loan specifications and interest rates obtained at the time of origination.**

**Conclusions and Recommendations**

**A New Structure** -
The Task Force concluded that there are wants that a new building expansion could address, but that the cost of such an expansion cannot be justified. The cancellation of activities and lack of available space at HP were not deemed significant enough to justify the expenditure of well over $1M.

There were no viable options for financing that would not necessitate raising the monthly dues or leveling a special assessment. Since the size of our community is fixed, future expansion considerations need to be limited to shifts in trends of physical and entertainment activities with a nod to both younger in-coming residents as well as the balancing the needs of the existing aging population. It is also not considered reasonable to assume you could fix all the problems facing the clubhouse with a single new building expansion.

In lieu of a new building, the Task Force recommends a two fold approach to addressing the issues at hand.

1. **Develop clubhouse use policies and scheduling strategies** to make better use of physical space and available staff time. The policy will help HPCA manage concepts to address adding new activities/organizations, placing limits on the accommodation of small groups, and modifying activity schedules by the use of block scheduling of rooms (i.e., mornings for activities and afternoons for meetings).

2. **It is strongly recommended that HPCA contract with an external space utilization consultant to review areas within the current clubhouse footprint** including the PAC Room, Administrative Offices, Wood Shop, Bar area, Library, and deck outside of PAC Room among other areas with the following goals in mind:

   1. Make recommendations for repurposing current building space
   2. Make recommendations for multi-purposing current building space
   3. Make recommendations for the creation of multi-purposing exterior space which can serve multiple purposes and add year round value.
Preparing for future HPCA needs

It is recommended that the Board establish a capital account that is funded by activities like outside event revenue, impact fees on home sales and rentals, earmarked portions of the monthly assessment, etc.

Respectfully submitted to the Board by Members of the Long Range Planning Committee.

Ron Fuller - Task Force Chair; LRPC Vice Chair
Mark John - LRPC Chair
Anthony Picardi - Secretary
Linda Myers
Carolyn Dillard
Charlie Matella
Meg Amelia
There are several areas near the clubhouse which could support possible expansion. A building located on the east side adjacent to the Clubhouse is used for the purposes of cost estimates within the example below. The new building could be connected to the existing Clubhouse with a covered walkway and sited between the Clubhouse and the existing east parking lot.

This "conceptual building" would be a single story activities center with three activity rooms and environmentally controlled storage under the southern end of the structure. Total square footage of the activities center would be 6500 sq. ft. with an additional 1000 sq. ft of lower level storage.

The following activities were considered for inclusion in this conceptual building expansion project. A disposition for each is provided as a reason for inclusion or exclusion from the project. It should be noted that even a new, large building will not fix all of the major issues facing the HOA concerning physical space.

activity rooms (aerobics, yoga, Tai Chi, etc.) - included
storage space - included but not ideal
office space - could be accommodated depending on internal arrangement
meeting rooms - included
noise at front desk - not addressed - tied with bar issues as stated below
bar issues/storage - not included - this is a stand alone issue which could be addressed with a future expansion out on the pool deck as opposed to into the lobby which would create additional noise issues and adversely affect lobby esthetics. To add a second bar (in fitness room), would significantly increase operational costs, staffing issues, inventory and storage concerns as well as access issues during inclement weather, therefore, it was not addressed. This should be the subject of a separate dedicated review.
fitness room - not included, however, one of the activity rooms was sized to accommodate a future move of this amenity once use and function of the new facility is understood
pro shop - not included, tied with fitness center and bar issues
billiard room - not included, should be left as is
craft room - not included, additional meeting rooms should alleviate pressure on this room
woodshop - not included, should be located away from other structures due to noise and dust considerations
Magnolia room - additional meeting rooms should relieve pressure on this room
basketball - could be played in larger activity room of new building, but noise is an issue for other activities and height needs may preclude inclusion
volleyball - not included - takes up valuable indoor space, is noisy, and can be cheaply added outdoors
ping-pong - included - can be played and equipment stored in the new activity rooms
pickle ball - could be played in larger room but noise is an issue for other activities, better suited for outside on a dedicated hard court
badminton - could be played in the larger activity room
shuffleboard - not included - takes up valuable indoor space and can be cheaply added outdoors
future use - rooms were sized and could be arranged to allow for adjusting to new activities needed at HP
For the purpose of this example, the following are included in the proposed building:

Upper Level:
Activity Rooms (3) - for group exercises (including Tai Chi, yoga, aerobics, etc.)
- 2 rooms at ~1200 sq. ft. each or 1 room at 2400 sq. ft. with divider
- 1 room at ~1500 sq. ft.
Meeting Rooms (3 - may be configured for office use)
- 2 at 450 sq. ft. (18x25) each
- 1 at 1000 sq. ft. (25x40)
Hallways and organizational room - ~600 sq. ft.
Lower Level:
- storage room at 1000 sq. ft.

Total square footage of building - Upper Level 6500 sq. ft. Lower Level 1000 sq. ft.