

Frequently Asked Questions

Updated 6/21/10

The LHOA Board of Directors supports the purchase and management of the facilities currently owned by the Lochmere Swim and Tennis Club. The final decision will be made by our homeowners.

Residents have raised many questions that must be considered. Following are answers to those we have frequently been asked.

We want to hear from you. If you have questions, please send them along by clicking on the Contact Us tab or emailing to stronger@lochmerehoa.org. Also, you will have an opportunity to express your opinions at neighborhood meetings prior to the voting date.

The FAQs are categorized by subject: The Assessment, Financial Issues, Legal Issues, Managing the Facilities, and The Vote.

THE ASSESSMENT

QA1. If the Lochmere Homeowners Association acquires the swim and tennis facilities, will homeowners be assessed additional dues to pay for purchasing and running the facilities?

A. Yes. The Board believes that a reasonable increase in homeowner dues would be a small price to pay for maintaining property values.

QA2. What will the dues increase be?

A. \$260 per year which covers all costs, the acquisition, reserves, debt service and operating costs. This universal dues increase will allow all homeowners within Lochmere to use the facilities if they are acquired. The dues cannot be increase further other than by the cost of living without a vote of the membership.

QA3. How did they come up with this number?

A. The HOA has spent a year doing due-diligence including getting a professional appraisal, having reserve fund study performed and obtaining many years of operating financial history from the current club ownership.

QA4. Is it appropriate for homeowner dues to be used to run swim and tennis facilities?

A. Yes. The Association already manages amenities that add to the value of our homes and community: lakes, boating, fishing, trails, landscaping, playgrounds, park benches, and soon to come, new social activities including the Spring and Fall Festivals. Our Master Covenant provides for the annexation of other property.

QA5. Why will I have to pay additional dues since I don't have kids and don't use the facilities?

A. The purpose of the purchase would be to benefit all homeowners, not just those who use the facilities. The Board believes that loss of this important amenity would likely have an adverse effect on everyone's property values. That's because most homebuyers are looking for homes in communities with swim and tennis facilities. In addition, vacant property is often an eyesore and can be a target of vandalism as well as undesirable activity. The Board feels that acquiring the facilities would help maintain the value of everyone's home. As a community, all 2000 properties in Lochmere have benefited from the swim and tennis amenities for two and a half decades. Just like the lakes, trails, buffers and playgrounds, the opportunity to use them and advertise them as amenities when selling your home adds great value to each and every Lochmere Owner.

QA6. How much will homeowners be assessed to purchase and maintain the facilities?

A. See answer QA1 above. The Board intends to keep our overall dues in line with other neighborhoods with similar facilities.

QA7. What do other neighborhoods pay for their HOA dues and what do they include?

There is competitive information on the StrongerLochmere website. Our HOA+Pool+Tennis will be highly competitive with other neighborhoods. Our facilities are nicer than most neighborhoods. It is clear that Lochmere HOA has provided and will continue to provide the best price-point in Cary. With the preservation of the amenities, Lochmere will continue to deliver the best set of amenities at the most competitive price point - - this will give Lochmere homeowners a lifestyle advantage as an owner and a marketing advantage as a seller some day.

QA8. I thought LHOA annual fees already covered maintaining the pool.

Where does our money go?

A. The LSTC is a separate corporation with no legal or financial ties to the LHOA. LHOA does not own or finance the pool. For an explanation of where your current assessment goes, please see your assessment notice.

QA9. If LHOA takes over, will the swim team be included in the assessment?

A. Currently, the swim team is self-funding. Families pay additional special fees to belong to the team and the team conducts substantial fundraising activities. Our proposed financial projections would continue those financial arrangements.

QA10. How do we make sure that the dues increase goes to running the facilities?

A. Each year's budget is based on the financial requests by our committees. The committees are then responsible for spending their portion of the budget. This would apply to a swim and tennis committee. Essentially, they would request an amount funded by the additional dues and manage the expenses accordingly.

QA11. If a new level of dues or additional dues are passed by the homeowners, when would they begin to be paid?

A. This would depend on the timing of an acquisition. Assuming the facilities are acquired in the 4th quarter of 2010, the most likely timing of a dues increase would be a partial payment due in the 4th quarter and the full new annual dues amount due in 2011.

QA12. Since the dues will be higher, will we be able to pay monthly instead of annually?

A. The Board has the authority to revise the payment schedule for homeowner assessments. If there is enough interest in alternative payment plans, the Board will consider a quarterly or monthly payment schedule.

QA13. I think it would be fair to have everyone pay a “base” assessment to include the swim and tennis community center in our amenities package, but to have heavy users who enjoy the swim or tennis facilities frequently pay a higher usage fee. Is this being considered?

A. The Board has considered this option. This is known as “tiered pricing” or “usage fees”. The Board is currently planning on a universal dues increase for all homeowners and all homeowners would have equal access to the facilities (universal access). Administering tiered pricing presents significant logistical and budgetary challenges. For the first year of operation, the Board is planning on universal dues and universal access. In subsequent years, the Board would consider a well-thought out proposal to institute a more complex business model such as tiered pricing. This does not mean the overall cost pool would go up, but there might be some increases for heavy users and reductions for light users.

QA14. How do we know the dues won’t go up after the first year unexpectedly?

A. The Board cannot raise dues by more than the cost of living index in any year - unless that raise is approved by a vote of the homeowners. This is the same as the current policy.

FINANCIAL ISSUES

QF1. Is the LHOA committed to the purchase of LSTC?

A. The Board supports the purchase and maintenance of the facilities. The final decision is up to the homeowners. (Technically, LHOA would be purchasing the facilities not the Club. The Club is a separate corporation which will likely go out of business.)

QF2. How much value will my property lose if the facilities close?

A. There’s no definitive data available that would enable us to calculate the exact loss. But real estate people tell us what is intuitively obvious. Homebuyers are willing to pay a premium for houses in communities with swim and tennis amenities. When you put your house up for sale, you’ll be competing with those houses. A recent survey of 30 realtors by the HOA Board found most realtors believe a 5-8% price reduction at sale could be experienced if the community does not have swim and tennis facilities. There is also less interest in looking at houses in a community without these features.

QF3. Would the LHOA consider keeping the LSTC afloat by infusing funds?

A. No. We will not “bail out” the LSTC. Our legal counsel has told us we are prohibited from providing aid because the Club is not part of our common property nor is it owned by us.

QF4. Will LHOA takeover guarantee that Highlands will be opened or at least maintained?

A. Yes. Current financial projections include running the Highlands facility. Negotiations with Wachovia are focusing on all of the facilities.

QF5. Does LHOA have enough in reserves to purchase the tennis and swim facilities or will a loan be required?

A. LHOA has no current budget for this purchase so we will have to borrow money to buy the facilities.

QF6. What is the ongoing maintenance cost so that LHOA does not have to take out a major loan to repair the facilities as LSTC did in 2007?

A. A. Based on financial data from LSTC, the Board will project an overall budget. The Board has commissioned and just received a completed professional Capital Reserve study conducted by a licensed engineering firm. Required capital reserves have been projected for 20 years. Our projected budgets and assessment adjustments take into account the results of this study. There should be no surprises.

QF7. If LSTC couldn't sustain the facilities, what makes you think that LHOA can?

A. The Lochmere Swim and Tennis Club has been a vibrant part of the community since it was constructed in 1985. It was originally operated successfully by the developer, MacGregor Development Company. Upon purchase by the members of the Club in 1998, it has operated for another 10 years rather successfully. That is 23 years of operation! Recent changes in demographics (many children are grown) and market conditions (a major recession and significant competition from private health clubs) have changed the financial picture for the Club. Under the LHOA, the financial structure would be completely different with a broader base of support and guaranteed funding from all the homeowners.

QF8. Why has it taken so long to decide what to do?

A. There are a multitude of complex legal and financial issues, as you can see by reading these FAQs. Lochmere has never faced an opportunity to acquire this much common property at once. The issue is also controversial. The HOA Board has been proceeding cautiously and prudently to frame the issues and understand the risks. A public vote on the matter is being held this summer.

QF9. LSTC has said that they negotiated an interest-only payment to Wachovia which enabled them to open in 2009. What is the arrangement for 2010 or will Wachovia foreclose?

A. The Club has announced that they made an arrangement with Wachovia allowing them to operate the Lochwood facility through September, 2010. The club will be open

to its paying members this summer while the HOA pursues the acquisition on a parallel path.

QF10. What is the purchase price for the Lochwood and Highland facilities?

A. That will be determined in negotiations between Wachovia and LHOA.

LEGAL ISSUES

QL1. When is the LHOA planning to acquire the properties?

A. We'll be able to move forward when Wachovia has the property for sale, hopefully by the end of the summer of 2010. Wachovia has not yet taken possession of the property.

QL2. If LHOA does not purchase LSTC, is there an alternative plan for LSTC?

A. Not to our knowledge. The LSTC tells us that developers, swim and tennis organizations and the Town of Cary are not actively pursuing acquisition of the facilities. This, of course, could change.

QL3. Can the LHOA confirm that this will indeed be a neighborhood (Lochmere residents only) pool and not a pool used by residents of nearby neighborhoods without pools? We've heard that the current non-resident members would be "grandfathered."

A. The facilities would be part of the Lochmere common property and, as such, would be accessible only by residents. Currently our Master Covenant prevents us from allowing non-residents to use common property. The Board is continuing to review this with our attorney to ascertain if any other possibilities exist.

QL4. Will LSTC certificate members get their money back?

A. That's a matter between them and the LSTC. The Lochmere Homeowners Association would not consider burdening homeowners with any of the Club's obligations.

QL5. In light of the horrible incident of the child drowning at North Hills Club and resulting lawsuits, what is the liability of the homeowners in case of a similar situation?

A. Homeowner liability is an issue that needs to be determined by legal counsel. LHOA currently carries liability insurance on its common property.

QL6. Will the property be covered by Lochmere covenants?

A. Yes, because it will become LHOA common property.

QL7. How do we prevent a noise lawsuit from neighbors of the pool? There were already 2 lawsuits and we don't want to pay again.

A. This was a unique situation in history, and that neighbor has left the community. Recent judicial rulings have been in our favor.

QL8. Why not donate the properties to the Town of Cary and utilize as public pool/tennis facilities?

A. The Town of Cary does not have a budget for taking over these properties, nor do they have the desire. We do not favor broad city access to our neighborhood facilities.

MANAGING THE FACILITIES

QM1. Will the pool open next summer? And will the tennis courts be operational so that they can be used for league play?

A. That depends on if and when the LHOA purchases the facilities.

QM2. How will new club management differ from existing club management?

A. The facilities will be managed by the LHOA Board of Directors who will set up a swim and tennis committee to direct operations. The Board will determine the best day to day management approach, including staffing and/or outside service providers. This approach to managing the club facilities and operations is the same way we manage other domains that report to the Board. We have an individual Committee Chair responsible for the overall work that must be accomplished. A committee of dedicated homeowners staffs the committee (e.g. the Facilities Committee) and reports to the LHOA Board. When we do not have the internal expertise or time to do that work, we seek outside help or staff.

We recognize that the operation of a club is a year-round effort with a strong emphasis on customer relations. The LHOA Board has historically been representative of the community and quite fiscally prudent in its management of the common property of the Association. We are committed to community involvement in the governance of the club facilities, professional management of day to day operations, fiscally responsible management of the asset, and robust communications with the HOA members.

QM3. Why can't the facilities be used for other recreational activities: bunko night, bridge clubs, poker night, etc.?

A. That's on the drawing board. In addition to current uses, the Social Committee anticipates utilizing the facilities.

QM4. How will 1900+ families be able to utilize facilities that have catered to less than 500 families?

A. The Swim and Tennis Club reports that they had 800+ member families at its apex and that there was never an inability to serve its clientele. Overcrowding occurred rarely – mostly on July 4 and people brought their own chairs. The tennis courts are of greater concern. The Club currently has an automated scheduling system and capacity management would most likely be under continual review in the first couple years of acquiring the facilities.

QM5. What is the maximum capacity at each facility? The club has never had 1900 members in all these years. Wouldn't we face over-crowding?

A. Those experienced with these facilities believe the greatest capacity issues would arise for tennis, not swimming. There are 10 tennis courts - 8 lighted courts at Lochwood (available from 7AM-10PM daily) and 2 unlighted courts at Highlands (available from 7AM to 7PM daily). The courts are thus available for 15 and 12 hours respectively each day. For doubles usage, that equals 4032 hours per week of available tennis person-hours. For singles, it equals 2016 hours per week of available tennis person-hours. Obviously, some times during the week are more popular than others. The club uses an industry-standard on line court scheduling system to manage court reservations.

With regard to the pools, an informal calculation was prepared according to North Carolina Building code. For the Lochwood facility, the maximum number of people allowed in the 2 pools is approximately 220, while the maximum number who can be on the decks is approximately 1240. For Highlands, the maximum number of people allowed in the pool is approximately 67, while the maximum number who can be on the deck is approximately 480. This is a total of 287 people in the water and 1720 on the decks for both facilities.

QM6. Will our kids still be able to work as lifeguards at the pool?

QM7. Will non-residents be allowed to play tennis matches?

A. These are good questions that won't be addressed until the purchase has been approved by the homeowners.

QM8. What has HRW advised LHOA to do?

A. The LHOA Board has not asked HRW, its management company, for their opinion on this matter. HRW has provided us with data on request regarding other properties they manage that have recreational facilities.

THE VOTE

QV1. When will the LHOA publish a proposal for us to evaluate? And when will there be a vote?

A. We expect to publish a proposal and announce the time and manner for a vote no later than June, 2010. The ballot was mailed out June 1, 2010 and is due back on July 20, 2010.

QV2. What kind of vote is required to add the facilities to LHOA?

A. Voting will be in accord with the By-Laws and the Declaration of Master Covenants. In these governing documents it is specified that a quorum must be present and that on matters related to annexation and dues increase, a 2/3 vote of those voting is required to acquire property or raise dues.

QV3. How do we prevent a developer from taking over the LSTC property?

A. The first step would be to make sure your Town council representatives do not entertain a motion to change the PUD requirements, which is a very lengthy task. The next step would be by voting to authorize purchase by our homeowners association.

QV4. Who can I contact to have my opinion heard?

A. LHOA wants to hear your questions and opinions. This official website of the LHOA is dedicated to providing you with information. For questions, email to stronger@lochmerehoa.org. For opinions, you will have a chance to exchange thoughts at neighborhood meetings and several larger meetings that will be scheduled this spring.

OTHER QUESTIONS

QO1. How come it seems like the Club members are pushing for this amenity acquisition/preservation the most?

A. Club members "know" the value of the club. Many have been members for years whether they have active kids or not. Existing and prior members realize how valuable the club is from a lifestyle and recreation perspective - - so they may be the most visible to many of you. But you will find that task force members, neighborhood meeting hosts, and the HOA elected board are comprised of a typical demographic mixture of club members and non-members as well as Real Estate Professionals who are on the frontline when it comes to marketing, pricing, and selling Lochmere homes. All of these groups have studied the facts and have acknowledged that the preservation of these amenities for current residents and future buyers is critical for maintaining and maybe advancing home values in Lochmere. Lochmere home sellers will sell homes faster and make more money if Pool & Tennis is included at this price-point. Our Annual dues will still be at a very competitive price-point compared to other neighborhoods - - the Lochmere HOA dues will continue to be very competitive and will not hurt sales, whereas the loss of these amenities will.

QO2. What protection do the homeowners have if there is an injury, death or lawsuit related to the pools?

A: For years the HOA has maintained substantial liability insurance coverage. We believe that the lakes in Lochmere pose a greater potential risk than a well-managed, professionally guarded pool which is run according to regulatory standards. As a non-profit corporation, the members of Lochmere are protected from direct liability for any judgment or damage suit by virtue of the corporate structure. While the corporation "Lochmere Association" could incur liabilities, the individual homeowners are not personally liable.

The insurance coverage the HOA maintains currently is \$1 million per occurrence, \$4 million aggregate. These levels have been deemed appropriate for years by the Board and our insurance agents. They are consistent with recommendations from our management company, HRW and levels generally recommended in North Carolina.

Our budget for the pool adds substantial additional premium money. While the club facilities will be rolled under our general liability policy, we could allocate these budget moneys to increasing our liability coverage if it is determined that that is prudent. The Board will evaluate our coverage levels if the club initiatives pass before closing on the facilities and beginning operations under the HOA.

