



Century Village of Boca Raton

2028/Recreation Facilities Buyout & Acquisition of Community Services

Action Plan/Worksheet

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Recreation Facilities



- ❑ Every owner, by taking title, is a party to a **Long-Term Lease** with the owner of the **Rec. Facilities**, which allows owners the right to use the **Rec. Facilities**.
 - ❑ Governed by **Declaration of Restrictive Covenants Re: Recreational Facilities for Century Village, Boca Raton, Florida (OR Book 3030 Pg. 1322)**,
 - ❑ The **Long-Term Lease** requires payment of **All Rent**
 - ❑ All Rent is comprised of “**Base Rent**” and “**Operational Rent**”
 - ❑ **Base Rent** varies on building, size, and age (e.g. \$62.50 for 2-1½ in Cornwall or \$67.50 for a 2-1½ in Guilford)
 - ❑ **Operational Rent-\$81.44: Paid to BOREC-The current management company responsible for day-to-day operations**
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Option Contract To Buy Rec. Facilities

- ❑ As part of the Declaration for the Rec. Facilities, there is an Option Contract for Sale and Purchase of the Rec. Facilities.
 - ❑ This guarantees the owners with right to exercise the option to purchase the Rec. Facilities at a date certain.
 - ❑ Purchase Terms
 - Notify Rec. Facilities owner between Sept. 15, 2028-Nov. 15, 2028 of intent to exercise
 - Closing to take place on Dec. 29, 2028
 - Price= the lesser of rent scheduled to be collected under the Lease in 2028 (Our interpretation is that “rent” means just the Base Rent); OR value appraised for ad valorem taxation of the lands for 2028.
 - ❑ Price is made by:
 - 1. A \$100.00 deposit upon execution of the Option Contract (which, again, takes place between Sept. 15, 2028 and Nov. 15, 2028);
 - 2: An amount equivalent to the base rent for January 2028 paid at the December 29, 2028 closing;
 - 3: Balance of the purchase price paid in 11 installments starting Feb 1. 2029 with a non-interest note on the property.
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Option Contract, cont.

- ❑ Upon Purchase, the Purchaser (Unit Owner group) has to continue to pay Seller (the current owner) any base rent collected under any Long-Term Leases that are not expired (every Unit Owner's lease has a different end date).
 - This may require obtaining a short-term gap loan, or collection of funds prior to closing.
 - ❑ Who is the "Purchaser"?: The documents indicate that Cen-West Recreational Facilities Association, Inc. is the Purchaser, which is an organization currently controlled by the Developer.
 - ❑ However, 60 days prior to the expiration of the Lease (Dec. 29, 2028), the Cen-West Recreational Facilities Association, Inc. will have an election by the Unit Owners, to elect a Unit Owner Board of Directors.
 - ❑ If the Landlord is cooperative, a better option may be an amendment to the By-Laws of their entity to provide for a representative election.
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Results

If you elect to Purchase

- Once the buyout and remaining leases are paid, the Unit Owners, collectively will save the \$4,765,200/year in Base Rent alone.
- May have other savings in operational costs.
- Unit Owners will be in control over the use/function/operations of the Recreation Facilities.

If you elect not to Purchase

- Current Owner may refuse Century Village Owners access.
- Current Owner may open the Rec. Facilities up to the public.
- Current Owner may negotiate a new lease on more favorable terms for himself.

Community Services



- These are the transportation, security, lighting, maintenance services outside of the condominiums, etc. provided within the community.
 - Each owner, upon acquiring a unit, becomes party to a Master Management Agreement, which provides that, effectively, each owner is hiring Cen-West Communities, Inc. to manage the operations of the Community Services.
 - Governed by the Declaration of Restrictive Covenants Re: Community Services and Facilities.
 - All Master Management Agreements are set to expire on December 29, 2028.
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Transition of Community Services

- ❑ Upon the expiration of the Master Management Agreement, the Cen-West Community Services and Facilities Association, Inc. automatically takes over the management of the services and facilities.
 - ❑ Cen-West Community Services and Facilities Association, Inc. is currently controlled by the Developer group. However, at least 60 days prior to the expiration of the Agreement, this Association will have a Unit Owner election and be turned over to Unit Owner control.
 - ❑ Expiration of the Agreement requires the purchase of all equipment owned by the Master Management Firm (vehicles, trams, golf carts, ladders, office equipment, etc.)
 - ❑ Price: Fair market value of the equipment as determined by the Master Management Firm
 - This may require obtaining a short-term gap loan, or collection of funds prior to closing.
 - ❑ Terms: Paid out in monthly installments over 5 years at 7% interest.
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Corporate Affairs

- ❑ **Create Century of Boca Raton Acquisition Group (“COBRA Group”) to facilitate the process of acquiring the assets.**
 - This should be a not-for-profit subsidiary of COBRUA- March/April 2022.
 - SSC to develop of Articles of Incorporation and Bylaws for new entity- March/April 2022
 - Amend the COBRUA Bylaws to the extent necessary- March/April 2022.

Funding of Professional Expenses

- ❑ **There are and will be additional professional expenses incurred throughout the process, including accountants, engineers, marketing & public relations advisors, and attorneys. Also - lender fees, title insurance and surveyors expenses.**
- ❑ **Determine the level of funding that each condominium association needs to incorporate same into its budget.**
 - 80 Months (Starting May 1, 2022- December 2028)
 - \$1.75/month/unit= \$799,680
 - We do not anticipate using the entire fund for professional expenses, so the surplus should be applied to the purchase price.
- ❑ **Funding from the condominiums should start by May 1, 2022.**
- ❑ **A \$10,000 loan will be issued from COBRUA to COBRA Group (along with a promissory note), to be paid back once funds are collected from the homeowners.**

Financing of Buyout and Acquisition

- ❑ **Once COBRA is established and operating, it should begin having conversations with its banking partners about what options may exist to finance the buyout and acquisition (which is \$13.10 million).**
 - \$4.765 million is the Purchase Price, \$8.343 million in continuing rent obligations for those Associations whose leases have not expired by the purchase date (“Runout”).
- ❑ **By 2026/2027 obtain a commitment letter from the bank for financing.**
- ❑ **Anticipated that we can use the recurring monthly revenue streams to collateralize the loan, and/or a mortgage on the recreational assets.**

Governance After Acquisition

- ❑ **Currently, the documents call for each surviving entity to be controlled by a Board of Directors elected by a popular vote of all 5712 residents. This structure would be unwieldy.**
- ❑ **Therefore, need to determine how to handle the initial governance of these entities once the acquisitions are complete.**
- ❑ **The Cen-West & Cen-West documents will need to be amended sometime before the acquisition to develop how the election process takes place, i.e., handled by each condominium association, instead of a community wide referendum.**

Due Diligence & Obtaining Approval

- ❑ **There will be a need for various experts to conduct due diligence on the acquisition property, including:**
 - Accountants to review the financial books and records.
 - Engineers to evaluate the structures and ground water.
 - Inspectors to evaluate code compliance of the facilities.
 - Title Examiners to evaluate clear title to the property.
 - Surveyor to evaluate property boundaries.
 - Marketing and Public Relations to educate the community and garner support.
 - Lawyers.

Timeline

- ❑ **Recommend ASAP to create an entity to oversee & direct the acquisition process (i.e., COBRA Group).**
- ❑ **April 2022 start collecting money for professional expenses.**
- ❑ **2026/2027 obtain loan commitment from banking partner.**
- ❑ **2028 Cen-West Board vote to authorize acquisition.**
- ❑ **2028 Start soliciting bids for management companies.**
- ❑ **Sept. 15, 2028-Nov. 15, 2028, notify Levy family of intent to exercise option. (But won't have control of the Board until October 28, 2028)**
- ❑ **On October 28, 2028, elect a Board for the Cen-West Recreational Facilities, Inc. & Cen-West Community Services, Inc.**
- ❑ **Closing on Recreation Facilities to take place on Dec. 29, 2028. Assumption of Master Management also takes place on Dec. 29, 2028**
- ❑ **Within 20 days after taking over Master Management, option to exercise option to purchase recreational equipment.**