

GHI HOMES IMPROVEMENT PROGRAM
SCRIPT: FINANCIAL INFORMATION MEETINGS

Thursday, September 24, 2015, 7:30pm

Sunday, September 27, 2015, 2:00pm

Steve Skolnik, GHI Board President

Welcome, to another in a series of public meetings designed to inform GHI members about our Homes Improvement Program. Today we're going to be talking about the fascinating and riveting matter of financing. In other words, how we are going to pay for all this work!

(Introduction of GHI Board members, GHI staff)

I would like to thank our friends at the Greenbelt Volunteer Fire Department and Emergency Medical Services, who have again offered this fine hall for our use today.

Our agenda for this afternoon includes:

- a) A brief status report on our crawlspaces.
- b) A financing plan for the community-wide crawlspace improvements
- c) A financing plan for member optional improvement items
- d) A brief discussion of a possible fee-deferral program
- e) An update on planning activities prior to upcoming 2016 HIP construction work
- f) Questions from members

Here's an update on the crawlspace work GHI has accomplished so far (in addition to the pilot program):

- a) Inspected all crawlspaces to identify general conditions and areas of ground water incursion.
- b) Permanently sealed all steam tunnels in frame home crawlspaces with masonry and mortar.
- c) Inspected all yards to identify ground water drainage problems needing correction to eliminate incursion into crawlspaces.
- d) Specified alternate design for frame building crawls to create "partially-conditioned" crawlspaces (no use of spray foam).
- e) The Board of Directors established a test program of crawlspaces in four buildings. This work was contracted and is almost complete.
- f) GHI staff is preparing to install lighting and exhaust fans in test program crawlspaces.
- g) Home Innovation Research Labs (H.I.R.L.) Building Science consultants to install temperature and humidity monitoring equipment in test program crawlspaces.

AFTER UPGRADES

Masonry Row



Repaired Wall Insulation

New Vapor Barrier

Frame Row



Section of Reinforced vapor barrier for worker access

Financing Plan for the Crawlspace Improvements Bill Jones, Board Member, Finance Committee Member

The improvements in the crawlspaces will be finished in the very near future. In the past year, GHI staff has inspected all of the frame crawlspaces and we have done some important work. We plan to do all the rest of the necessary work over the coming five years. Also, we have constructed test program improvements to the crawlspaces in four buildings.

1. How much will it cost? About \$4.2 million for the frames and masonry units. However, we have \$1.4 million on hand, previously earned by the co-op that we can spend on crawlspaces. That leaves \$2.8 million to be paid off over the coming 11 years.
2. How will members be able to afford this? Next year, the co-op fee will be an extra \$4-\$6 a month higher than it would have been without crawlspace improvements. The following year, the co-op fee will be an extra \$8 to \$12 higher than it would have been. For each of the nine years after that, the co-op fee will be about \$12 to \$18 higher each month than it would have been without crawlspace improvements.

Estimated Monthly Charges for Crawlspaces (Frame)			Estimated Monthly Charges for Crawlspaces (Masonry)		
Year	Low	High	Year	Low	High
2016	\$4.82	\$6.09	2016	\$3.86	\$6.33
2017	\$9.64	\$12.17	2017	\$7.72	\$12.67
2018-2026	\$14.46	\$18.26	2018-2026	\$11.58	\$19.00

3. GHI will decide who pays how much by using the standard formula already in place to determine Operating Charges and Replacement Reserves for the monthly co-op fee. These vary with the square footage of the original structure. For instance, 1-bedroom middle frames pay 79% of the Operating Charges that 3-bedroom frames pay, and 79% of the Replacement Reserves that 3-

bedroom frames pay, so they will pay 79% of the crawlspace charges that 3-bedroom frames pay.

4. Some members have asked whether they can pay off up front the cost of the crawlspace work for their unit. That is not possible. You don't have an individual crawlspace; you share one with other units in your row. And GHI does not have an exact cost for each row's crawlspace. In fact, GHI saves a lot of money in staff costs by not breaking out the costs for separate rows. Besides, the costs do not have any interest charges. So even if you could pay a separate cost right now, it would not be any less than what you will pay over the coming 11 years.
5. The Board will spend \$1.4 million of GHI money for frames and masonry homes. But that does not deprive the 29 larger homes out of their share. GHI will put \$26,100 in the Replacement Reserve fund for the larger homes. That dollar amount is proportional to the \$1.4 million amount for frame homes and masonry homes. Note that we will track frame and masonry crawlspace costs separately.
6. Does GHI have to borrow from a bank to get the money to pay off the crawlspace work before all of the money is collected? Probably not. The \$1.4 million plus what is collected in co-op fees should cover costs through 2017. We will have big budget deficits in 2018, 2019 and 2020, but we should have the cash on hand to cover them. This plan pays for all of the needed crawlspace work without a bank loan. That will save all members a lot of money by avoiding loan origination fees and interest payments (estimated at around \$200,000).
7. If you can't afford the extra \$12 to \$18 on the monthly charges, the GHI Board is working on a fee deferral program.

Thank you for listening!

**Finance Plan for the Optional Home Improvements
Chuck Hess, Board Treasurer**

The membership approved a motion at the annual meeting to allow GHI to lend members money for making optional improvements in our homes. These can be for smaller items such as insulation for the attic, or a programmable thermostat for baseboard heaters, or for larger items such as a heat pump. The purpose of this loan program is to encourage members to upgrade our homes with such items.

The membership motion stated that this loan program will not cost anything for the members who get their own financing or who pay for items outright. The program also will not cost anything for members who do not choose any options.

You will be told your cost for optional items several months before installation. You may pay some or all of it within 30 days after installation. Ten percent (10%) will be added as a financing fee for whatever is financed, and you will start payments the next January.

1. For example, say your bill is \$5,000 for your optional items, and the work is done at the end of August. Then in September, you can pay the \$5,000. Or if you wish, you can finance it, in which case your balance due will be \$5,500 as of the following January 1. Your payments on a \$5,500 loan will be \$66 per month until GHI obtains a loan. We expect that GHI will need a loan around the end of the year 2018. Your interest rate for the rest of the 10 year term will depend on the rate for such a loan.
2. Why so much of a financing fee? A portion is for the interest amount from the date of installation until the following January 1. A further portion is for the closing costs of the

commercial loan that GHI will probably need. And another portion is for the cost of the additional workload for GHI's Finance Department.

3. You probably want to know how much you can borrow from GHI, and what the interest rate will be. Most members will be loan-qualified. That means they will have had no fee delinquencies over two months in the past three years, and they will have equity in the unit of at least twice the amount of the loan they want. These members can borrow up to \$15,000 for optional home improvements at what will probably be over 6% interest.
Some members do not meet those conditions. Maybe they haven't paid their co-op fees regularly, or maybe they are underwater. Such members can still qualify for up to \$2,000 in loans. This is enough for a programmable wall thermostat and either a bath exhaust fan or some insulating of the attic. Their interest rate will probably be closer to 8%.
4. Why is the interest rate higher than banks offer? A bank lends you money that costs the bank only the 1% that it pays on Certificates of Deposit. GHI has to lend you money that is currently earning around 3% in bond investments. And later, GHI will lend you money that it borrows from a bank at maybe 5% or more. That is, banks have cheaper money to lend than GHI has, so they can charge less.
5. Actually it would be better for most of you if you financed through a bank or credit union. And a home improvement loan may be tax-deductible, but GHI's loans are not.
6. You may want to know if you can make extra payments of \$50 or \$100 on the GHI loan from time to time. No, you cannot. You can pay off the entire balance at any time. In fact, you have to pay off the entire balance if you sell your unit or refinance. But you cannot make any partial payments. This is because a commercial loan does not allow pre-payments when the loan is to a corporation.

Fee-Deferral Program
Steve Skolnik, Board President

The Board of Directors is currently working on a possible fee-deferral program for those members who are on a limited, fixed income and may have trouble with affording the crawlspace or optional improvement loans. We will share the details of this as soon as they are available.

Update on Planning Activities for the HIP
Tom Sporney, Director, Homes Improvement Program

As discussed at the workshop on April 25th, the Homes Improvement Program is planned to be a 5-year program to improve over 1500 GHI homes. To that end, 326 homes in 31 courts were randomly chosen to participate in the 2016 version of HIP. The intention is to perform the improvement work within a full court at the same time for the purposes of efficiency. The work includes replacements of components for additions on the Addition Maintenance Program, and crawlspace improvements for masonry homes.

		GHI Homes Improvement Program			
		Five Year Work Cycle			
		2015		2016	
		Q3 Jul-Sep	Q4 Oct-Dec	Q1 Jan-Mar	Q2,3,4 Apr-Dec
1/5th frame block brick units	reserve items	members select optional items	Request for Proposal (RFP)		construction
	crawlspace improve- ments				
	opt-ins			member contract	

In April 2015, the Architectural Review Committee recommended to the Board door configurations, window manufacturers, & siding colors to be selected. The Buildings Committee made

recommendations for opt-out conditions for windows, doors & heaters. All of these recommendations were approved by the Board.

A member choice survey form was drafted in June, reviewed in July and August by staff and the Communications Committee, and subsequently distributed in August to the 326 members participating in the 2016 phase of the HIP.

Staff inventoried windows and doors from July to August, and started their inventory of baseboard heaters and additions in August.

We've begun developing specifications and Requests for Proposals (RFP) since July.

The Board extended the deadline to October 15th for members to return survey forms, and the deadline for members to request variances from guidelines that have been established for replacement of components, was extended to October 29th. We intend to resolve variance requests in November, in order to complete the scope of work for the RFP, which will be sent out to contractors sometime in December.

