

**Vacancy Report – Bayshore Windmill Village Co-Op
February 2018**

Shareholders,

There has been an increased interest in park owned units recently. It's the one variable that can really affect shareholders and renters alike. Our vacancy numbers are high and should be addressed. I have always, and will continue to consult with Crown Capital Group, Inc., who services our loan and I have included their input in this report. I hope you will find this to be informative and will help everyone to understand the vacancy issue beyond the superficial exterior of a park owned unit.

Please don't hesitate to ask more questions or offer solutions and ideas, in writing, so they can be properly answered or considered. They can be delivered to the office, the Secretary or President.

As of 2/20/2018

Park Owned Units (POU)

A3	B6	D19	H16	HA21	HA22
I9	J5	J15*	J17	J18*	L3
R16	S12				

POU Currently for Sale

J5	H10
----	-----

In Legal Process

A19	I10	Q14	R10	R14 (<i>pending sale</i>)
-----	-----	-----	-----	-----------------------------

Available Lots

A4	A6	C5	C14	F3 (<i>reserved</i>)	G2
G18	I17	J8	J10	K6	K15
M4	M6	N1 (<i>reserved</i>)	N5	P4	R13
S7	S11(<i>legal process</i>)		S17	HA24	HA27

**Demolition advised*

Shareholder Communication History – Regarding Vacancy

Special Meeting, February 2016

- Presentation by Stacy Brown regarding the empty lots and bringing in new homes.
 - Shareholders decided that new homes should not be purchased until park owned units were sold first
 - Stacy to attempt sale of new homes by display and brochures
 - Concern regarding a need for brochure and website.

Special Meeting, September 2016

- Presentation by Stacy Brown regarding BWV Market Study
 - 25 parks within 3 miles
 - Importance of being gated
 - Renovate POU to a higher standard
 - BWV had the highest vacancy rate
 - Widen the gap between maintenance fee and lot rent
 - Need for an inventory new home
 - *As a reminder, the Market Study is still posted on our website under the OFFICE tab.*

Annual Meeting, January 2017

- Presentation by Stacy Brown
 - Reported 13 POU with annual lost revenue of \$79,740
 - Reported 23 empty lots with annual lost revenue of \$146,280
 - Proposed the need for outside contractor

Annual Meeting, January 2018

- Presentation by Stacy Brown
 - 13 POU with 6 at high risk
 - New home ordered at approximate cost of \$65K plus \$39K set up

Overview

Seven (7) of this POU inventory was here when I arrived to BWV. Some should have been reported as POU but we're just swept under the rug. A3 for instance was bank owned and had been sitting for eight years without legal action taken. I found HA22 title in a drawer that had been turned over to the park but never transferred, J15 owners had been dead for two years without legal action taken. In fact, I'm still finding issues where title and share transfers were never completed and we are left with disputes increasing our legal costs, my time researching and obtaining old documents, lengthy DMV appointments and court appearances.

Most POU are due to eviction for non-payment but also death, aging and kids that just don't want to deal with it. The lower the investment, the easier it is to walk away.

Why do we take title in the first place? Overall, the saving on legal fees make it a good policy and it is quite common practice in MH communities.

With the park owned unit renovations under my scope of management, I began to report on the issue of park owned units and empty lots six months after my hire.

Initially, my direction was to complete a bare minimum renovation, sell the unit as inexpensively as possible and get the unit collecting rent. These units were often sold at just \$500 per unit. While I understand this in theory, this practice created a cycle of eviction, renovate, and repeat. It also built a reputation of low income housing that harbored drugs, prostitution and occupants without any concern of property image.

My first year and a half consisted of dealing with those occupants and the eviction process. In total, we had 5 homes with significant problems. (B20, L3, K13, L5 and Q11)

By raising the standard of renovation and the cost of units, we have reduced the cycle of eviction, improved the reputation and overall appearance of the park but at the cost of a slower turnaround time for renovation and higher vacancy overall.

A great example is K13. This was a much higher-end renovation and although it is a smaller doublewide (1 bedroom/1 bathroom) I sold the unit with an inventory share for over \$40k and in turn we have new shareholders and great community members. L5 also bought an inventory share. Hopefully, you have had the opportunity to see H10 which was just put on the market last week with an inventory share listed at \$48K.

Although only 3 POU were sold in 2017, by being your in-house realtor/dealer, I often sell units before I put them in the parks inventory. As a dealer, I can hold units for resale in the dealership name (much like a car dealership) without you owning them. I network with investors who might have an interest in these types of projects to get them sold. Examples are S6, L5, U5, G15 and three that I personally bought; R12, Q18 and K9. These units have now been substantially renovated, back rent paid and avoided ever being park inventory.

Overall, shareholders home value has increase by 50% in the past two years. Granted, some is just market growth, but I'm sure that raising our standards contributed. A doublewide unit in 2015 was averaging \$50K and we are now averaging \$75K.

New Homes – Empty Lots

We have a significant number of empty lots to fill. The board approved the purchase of a new unit that was ordered in early January. We expect delivery in May.

“That is very exciting about a new unit, we typically see other renters and shareholders start either replacing homes or bring in new homes on vacant lots as well, once the owners (the Co-op) bring in one or two new units.”

“For new units I recommend the same, try to break even or sell for a small loss. As long as the lot can accommodate a double wide, I would place a DW on the lot, not a single.” Erich Hauck, Crown Capital Group, Inc.

Renovation

When a unit is completed I decide, based on current inventory, which unit that will get a renovation and to what level. With H10 completed, we will move on to HA21 where the renovation will be minimal. The unit is in fair condition and should be a quicker turnaround. Fortunately, we have a talented maintenance person in Ramon. He can do carpentry, plumbing, electric and more.

As a reminder, I have a maintenance staff of one. Ramon has several daily and routine items to be performed. There is general repair and maintenance of the clubhouse, library, and shuffleboard court area, pool area, laundry, maintenance barn, and mailbox area, streets, parking area, fences and landscape beds. Some of his daily work includes cleaning the parking area and outdoor common area, watering, trash, recycle, lightbulbs, ceiling tile, pressure washing, paint maintenance, filling ground levels, etc. Then we have the unplanned work, like hurricanes, floods, eviction clean up, etc. that takes priority over routine and renovation plans. Typically, when a renovation is completed, or a big project within the renovation, Ramon will take a week or two and perform general clean up on POUs. Such is the time now, having just finished H10 last week, he has moved to landscaping on POUs. Then he will move to pressure washing where needed, then, start on a new unit.

As a side note, because I’m often asked, I do not have Ramon do trailer T plumbing for a few reasons. One, our pipes are old and require a professional; two, it’s not his best area of expertise; three, it is a more important use of his time to keep him, when possible, on POUs.

“It is concerning the Park Owned Unit inventory continues to rise. Those are very big numbers which should certainly drive some incentive to renovate the homes as quickly as possible and place new homes on the vacant lots based upon sales and demand. Our recommendation is to renovate the homes that can be, if the home is too far gone then removing it may be your only option. As much as the Board may not want to hear it, selling a home for a loss while gaining another lot renter is more beneficial to the long term financial health and stability of the community than sitting on a vacant lot or POU. Each lot renter generates \$6,480/yr, if you put in \$30,000 to renovation and sell it for \$20,000, it only takes 19 months to recoup that cost but immediately improves the appearance of the community with a renovated home, increases other sales through word of mouth, and increases the value of the community.” Erich Hauck, Crown Capital Group, Inc.

Contractor

I told shareholders in January 2017 that one guy can’t keep up with the inventory on these units. The repairs are too substantial and there are too many units. The estimates I received for vinyl siding was approximately \$8,000* and an interior renovation, including labor, approximately \$25,000*. These units are in bad shape. They are more than just outdated. The floors are soft, roofs leak, termite infested (yes, we tent), panel peeling, and more. The quotes are fair but, at the time, the board and I questioned whether it is worth it or not. It is also very difficult to find contractors that want the work. Most don’t understand the differences in mobile homes. The contractor who quoted \$25K ended up buying and renovating a unit and is now uninterested in doing others.

I just recently received an additional quote to paint the exteriors so we can at least have a more presentable POU on the exterior. The price is based on doing all units, considering that some are large and some small; \$1,000 per unit including paint and with Ramon pressure washing in advance. This will need a board vote. **Copies of these quotes are available upon request.*

Short Term Rental

Why not rent the units, at least short-term? Valid question. First, we don't have any that are livable. None, except for H10, has the standard to put someone in it. Then, you need furniture, dishware, TV, utilities etc. The cost of furnishing a unit may not be too much, but, the goal is to sell the unit. Occupied units take longer to sell and a sub-renter has no incentive to keep it show-ready. We would also need to collect and pay sales tax, the tourism tax and increase our insurance. You would also need to take into consideration the additional time for maintenance and office staff. As I understand it, this has been tried in the past and found to not be a viable endeavor.

Selling POU As-Is Through a Contractor Program

Even though the POUs are not completed and 'for sale', I do list them on our website and on the sales flyer. In addition, they have a 'for sale' sign at the unit. On our flyer, we have a disclaimer noting that they are not in livable condition but are available with strict conditions. The POU in our inventory are currently all homes without a share and therefore cannot be shown or sold through a REALTOR or listed on the MLS. H10 is an exception as it is being sold with an inventory share.

In the past, we have sold POUs to remodelers that get in over their head and end up leaving a job incomplete or with subpar standards. In response, I've put together a comprehensive program that has board approval to take to our attorney. It is currently being reviewed. In short, we would hold funds in escrow and rebate them if the job is completed on time. There are a lot of checks and balances including the park holding title as lienholder. Once the program is approved in its entirety, I will inform you all and start to promote it.

This is a way to have experienced rehabbers do the renovating at their expense with the idea that they make money too. However, there is no way to forecast whether we will sell many units through this program.

Volunteer Programs

As I understand it, there was a time when groups of residents, shareholders and homeowners alike, volunteered to renovate, landscape or paint these POUs. Keeping in mind our age demographic and consider about 70% of our residents are snowbirds, I don't know what the level of interest might be. Smaller things, like the painting or landscaping could be achievable. If there is an interest, please notify the office. I'll compile a list for the President to determine if it has enough interest to form a committee that would be headed up by a Board member.

Recommendation to the Board and Shareholders

My position is to collect the data and present it. As decisions are made by the board or shareholders, I manage the process to accomplish the goal. I have been presenting this information to you all since early 2016, and it is up to you. It is a growing problem and remains a concern to our mortgage lender. My recommendation is to hire the professional painter so that the exteriors are presentable. A volunteer committee would be beneficial, especially in the summer months for landscaping and general clean up and to keep Ramon on remodeling vs weeding. Further, we need additional quotes from a contractor that has a track record with mobile homes, if one can be found. A committee chair could definitely help in that effort. I would suggest that a POU be scheduled for completion in late summer and a continual schedule thereafter. Combined with the units that Ramon can accomplish, we double our efforts.

In addition, we will need to be competitive in our new and resale homes. Whether it is selling at a loss, offering incentives or both.

Respectfully,

Stacy Brown, LCAM