

650 ISLAND WAY CONDOMINIUM ASSOCIATION

# Funding the Completion of the Building Restoration

Special Meeting of the Board of Directors

June 10, 2026



# Three different topics from emails over the last week

**1**

## **Project status and budget**

Where the project stands, what we have spent, where the money came from, what work and what costs remain, and what the Board is voting to approve today. The read-ahead as well as this presentation covers this topic.

**2**

## **Operating budget and Condo Owners Association fees**

The 2026 operating budget, current COA fee levels, and any adjustments under consideration. John DeFlumeri, the Association Treasurer will speak to this after the project status.

**3**

## **Bookkeeping questions**

Reserve fund accounting, transaction questions, and any financial records questions. These are managed and come from Ameritech. John and Darcy review and approve transactions regularly. Owners are welcome to set up an appointment and review the books with AmeriTech if you have detailed questions about how transactions are being managed and reported..

# Why we are here

We had to begin building repairs and restoration very soon after significant damage was incurred by Hurricanes Milton and Helene as it was incumbent upon us to complete damage mitigation immediately (partly to ensure our Insurance coverage would not be at risk). We are completing the restoration now even though insurance has not yet paid — as the building must be finished either way.

## The damage

Hurricane Milton and Helene caused major damage to the building; the Association filed an insurance claim with Citizens. We hired Strategic Claims Consultants to represent us in the matter of the claims.

## The insurer

Citizens has not paid the amounts needed to complete the repairs. The Association has retained counsel to vigorously pursue the claim.

## The reality

As the Board told owners in the May 2025 presentation, a further special assessment could be required if insurance did not pay in a timely manner. That is the situation now — the restoration is progressing on budget, but Citizens has not paid — so the Association must fund completion.

# Where the project stands

Total project cost (all-in)

Total paid to date

Remaining to complete

# The May 2025 cost estimate — how we built the numbers

<b>\$4,450,000</b>	<b>Construction contract</b>	Fixed price for roof, siding, interior restoration, emergency services, and stucco — the full scope of hurricane damage remediation.
<b>+ \$257,000</b>	<b>Allowances</b>	\$225,000 for substrate replacement (plywood upgrade where water had rotted structural framing) and \$32,000 for stucco management.
<b>+ \$445,000</b>	<b>Contingency (10%)</b>	Reserve for hidden damage conditions a storm restoration was expected to uncover. Presented as worst-case — full contingency, no insurance applied.

**= \$5,152,000 projected to owners — Scenario 1 - May 2025**

*This was the worst-case figure — full contingency, no insurance proceeds applied.*

# The 2025 plan held

In May 2025 the Board projected \$5,152,000 for the restoration. That same scope came in within about 0.2% of the projection.

**\$5,152,000**

**Projected to owners — May 2025**

\$4,450,000 contract + \$225,000 substrate + \$32,000 stucco management + \$445,000 contingency.

**\$5,143,582**

**Actual — same scope**

\$8,418 under the 2025 projection — about 0.2%.

*\$5,152,000 was the worst-case figure presented in May 2025 — full contingency, with no insurance proceeds applied.*

# How the cost compares to plan

The original scope came in at \$5,143,582 — on budget. Three construction additions bring the contractor total to \$5,890,715. Adding \$251,451 in legal, engineering, and loan costs brings the all-in total to \$6,142,166.

## \$5,143,582

### Original scope — actual cost

The hurricane restoration scope presented to owners in May 2025. Came in \$8,418 under the \$5,152,000 projection.

## \$998,584

### Additions beyond original scope

Carports:	\$428,110
Fire-rated windows:	\$165,079
Paint & electrical work:	\$153,944
<b>Legal, engineering, &amp; loan costs:</b>	<b>\$251,451 – add'l expenses</b>

**\$5,143,582 + \$998,584 = All-in total: \$6,142,166.**

# Where the project stands

**\$6,142,166**

Total project cost (all-in)

Total paid to date

Remaining to complete

# What we have paid and where the money came from

## Total paid to date: \$4,659,500

(\$4,558,049 to contractor + \$101,451 legal/engineering/loan)

<p><b>\$3,500,000</b></p>	<p><b>Construction loan</b></p>	<p>6.5% fixed, interest-only, converts to P&amp;I May 2027. Now fully drawn. As of January 2026, monthly dues cover ongoing interest — reserves are no longer used for that purpose.</p>
<p><b>\$1,100,000</b></p>	<p><b>First special assessment</b></p>	<p>Applied to restoration costs to date.</p>
<p><b>\$296,626</b></p>	<p><b>Insurance proceeds &amp; reserves</b></p>	<p>Insurance proceeds received (\$110,982) plus reserve contributions (\$185,644). Total cash in: \$4,896,626.</p>

**Cash on hand after May payments: \$237,126.**

*Contractor balance (\$1,332,666) plus anticipated legal and project costs (\$150,000) = total balance (\$1,482,666). Cash on hand will be applied first. Insurance recovery continues to be pursued; this plan does not rely on it.*

# Where the project stands

**\$6,142,166**

Total project cost (all-in)

**\$4,659,500**

Total paid to date

**\$1,482,666**

Remaining to complete

# The decision before the Board

The first order of business is to approve a funding plan to complete the building restoration. The remaining work must be funded; the question is how without relying on Insurance payout.

1

## Remaining cost to complete

\$1,482,666 in contractor and project costs remain to be paid.

2

## Two funding alternatives

Both fund the same work; they differ in owner cash vs. financing.

3

## Board action today

Approve a special assessment and authorize supplemental financing.

# Two funding alternatives

## ALTERNATIVE 1

### \$1.0M assessment + up to \$600K supplemental loan

- The bank requires the \$1.0M assessment as a condition of any line increase. The \$1.6M combined capacity covers the \$1,482,666 remaining balance (net of \$237,126 cash on hand) with a buffer for costs through October. The \$600K line is not expected to be fully drawn; undrawn funds go away when the loan converts.
- Lower immediate cost to owners (\$1.0M vs. \$1.6M).
- Holds undrawn borrowing capacity as a backstop through October; supplemental loan not expected to be fully utilized.
- Avoids returning to owners for a second assessment.

## ALTERNATIVE 2

RECOMMENDED

### \$1.6M assessment, no new debt

- Funds the full remaining need plus contingency through assessment alone.
- Higher immediate cost to owners.
- Lower long-term interest cost — no added borrowing.
- Less flexibility if costs come in below the assessed amount.

Unit group	Special Assessment Payment 1 \$1.0M assessment	Special Assessment Payment 2 \$600,000 assessment
Floors 1–7 (1.72% each · 53 units)	\$17,200	\$10,320
Floor 8 (2.21% each · 4 units)	\$22,100	\$13,260

*Allocated by ownership percentage. Assessment payment would be due July 1, 2026.*

## RECOMMENDATION

# Approve Alternative

- Lowest immediate cost to owners while fully funding completion.
- Keeps up to \$600,000 of borrowing capacity in reserve for conditions still being uncovered.
- Draws the supplemental loan only as needed — and avoids a second assessment.

### PROPOSED MOTION

Move to approve funding to complete the building restoration as follows: a special assessment of \$1,000,000 payable July 15, 2026, followed by a \$600,000 special assessment payable October 1, 2026.

# Completion timeline

WORK	TARGET
<p><b>Siding, trim &amp; structure</b> All siding and trim; breezeways, soffit, fascia</p>	<p><b>By June 30, 2026</b></p>
<p><b>Fire-rated stairwell windows</b> Windows on site; permit coordination in process. 2 weeks once permit issued.</p>	<p><b>July 2026</b> <i>Subject to permit</i></p>
<p><b>Carports</b> Work begins week of June 15; approximately 2 months to complete.</p>	<p><b>By September 1, 2026</b> <i>Target August 15</i></p>
<p><b>Final paving, sealing &amp; painting</b> Walkways, caulking, sealing, parking lots. Phased with carport completion.</p>	<p><b>August 2026</b></p>
<p><b>Certificate of completion &amp; final closeout</b> Final walkthrough, association sign-off, and contractor close.</p>	<p><b>October 2026</b></p>

\* - Targets provided directly by Velocity

TREASURER'S REPORT

# How the 2026 Condo Fees Were Set

John DeFlumeri, Association Treasurer · June 10, 2026

# First — a realistic view of insurance

The Association continues to pursue its insurance claim and has retained counsel to do so.

**Recovery is uncertain in both timing and amount, and it is entirely possible that insurance will not cover the full cost of the repairs.**

**Owners should not count on an insurance payment to reduce, refund, or offset their assessments.**

The funding plan is built so that the building is completed regardless of what insurance ultimately pays. Any recovery the Association does receive would reduce borrowing and benefit all owners.

# A stable budget, then two shocks

For three consecutive years the Association's operating budget was stable — no increase in monthly fees — while we funded our reserves on plan.

That changed after Hurricanes Helene and Milton. Separate from the building restoration covered earlier in this presentation, the storms pushed the Association's ongoing operating costs sharply higher — above all, insurance.

Some project costs were also paid from operating cash in early 2025, before the construction loan and the reserve sweep were in place. Those are project costs, and they are being reconciled back against reserves. The 2026 fee adjustments restore the operating budget to a sustainable footing.

# The insurance shock — the largest driver

Before May 2025, property insurance was budgeted at \$11,667 per month — \$140,000 a year, the full planned amount.

At renewal in June 2025, Citizens doubled the premium to \$260,400 — about \$22,100 per month.

**That single change adds about \$187 per month for the 53 standard units and \$241 per month for the 4 larger units in the 2026 budget.**

# Loan interest is now an operating expense

Through 2025, construction-loan interest was carried as a project cost. As of January 2026, the interest-only payments — about \$19,000 per month — are budgeted as a normal operating expense, covered by monthly fees rather than reserves, as noted earlier in this presentation and outlined in 2026 in budget shared with all owners.

**This adds about \$327 per month for the 53 standard units and \$420 per month for the 4 larger units.**

The interest-only period runs through May 2027.

# What changed the 2026 monthly fee

2026 fee driver	Per unit — 53 units	Per unit — 4 larger units
Insurance increase	+\$187	+\$241
Loan interest (now an operating expense)	+\$327	+\$420
Annual audit & swimming pool restoration	+\$29	+\$37
3% inflation on other operating costs	+\$15	+\$18
Government, management & legal fees	+\$35	+\$43
<b>Total monthly increase</b>	<b>+\$593</b>	<b>+\$759</b>

*The pool was not storm-damaged — its restoration and the annual audit are ordinary operating costs. Loan interest moved into the operating budget in January 2026 and is now carried by monthly fees, not reserves.*

# The budget can absorb more borrowing

The 2026 budget was deliberately built with contingency. It can service up to about \$700,000 of additional borrowing from existing cash flow — with no further cash request to owners for that interest.

**In practice, this means the up-to-\$600,000 supplemental loan under Alternative 1 — the recommended plan — can be carried within the current budget.**

Whenever possible, the Association paid the contractor with reserves and owner special-assessment funds first, to avoid incurring interest.

# Looking ahead to 2027

A budget is set once a year and then holds; we recompute and adjust before each new year. Some costs will ease in the second half of this year, and some may rise.

The interest-only period ends in May 2027, when the loan converts to principal and interest.

**Same loan (\$3.5 million): the monthly payment rises from \$19,000 to \$39,777.**

**With the recommended additional \$600,000 (\$4.1 million): interest-only rises to \$22,260 per month, then \$46,600 per month once principal and interest begin.**

In either case, 2027 monthly fees will increase.

## 2027 fee impact — with the insurance offset

New, lower-priced insurance is expected to offset part of the increase — about \$80,000 a year, or roughly \$6,650 per month.

**Same loan (\$3.5 million): about \$14,127 per month more than 2026 — add about \$242 × 53 units and \$312 × 4 units.**

**New loan (\$4.1 million): about \$20,950 per month more than 2026 — add about \$358 × 53 units and \$463 × 4 units.**

These are projections; they will be refined when the 2027 budget is built and the new insurance premium is known.

*Budget and cash flow are related, but they are two different things. The restoration is on budget; the 2026 fee adjustments put the operating budget on a sustainable footing for the work ahead.*

**John DeFlumeri**

Association Treasurer · June 10, 2026