

What will it cost me to live in Country Lakes Villages?

That's a very broad question, and just like anywhere else you've lived the answer depends up a lot of personal choices which you will make. It's no different here.

There are several elements and factors which affect your total costs. Your total costs, whether you look at them as monthly or annual costs, depend upon:

1. The price of the particular home you've chosen,
2. Whether you are a shareholder or leaseholder,
3. The location of the particular home you've chosen,
4. And therefore how you pay your taxes and how they are calculated,
5. And, if you are a shareholder, if you are a Florida resident or not,
6. Monthly loan payments, if any,
7. And perhaps a few other elements unique to your situation.

Let's go through these one by one, then later you'll find a worksheet which will help you put together an estimate tailored to your specific situation.

1. The price of the home you've chosen:

This is an obvious first element in your costs. Prices of individual homes are, by nature, variable. The price should be considered separately from other factors when considering monthly or annual costs. In general, however, here you will find our homes to be nice and very affordable. You can review the homes currently available in Country Lakes Villages by going to the "Homes for Sale" link on this website. Here you will find the price, location, size, furnishings, special features and contact information for each home.

2. Whether you are a shareholder or a leaseholder:

This is probably the biggest variable in determining your short term and long term costs.

"Leaseholders" own their homes and lease their lots from the Co-Op (our legal name) for a monthly fee. Leaseholders pay a monthly fee to the Co-Op to cover operating expenses, common area maintenance and taxes on common areas, and taxes and debt servicing for the lots on which their homes are located.

"Shareholders" also own their homes, plus they also bought a "share" in the Co-Op, becoming part owners of the community properties. The shares are specific to their lots and qualify the homeowner's property to become real estate for tax purposes. Shareholders pay a lower monthly fee to the Co-Op, covering only operating expenses, common area maintenance and taxes on common areas.

There are actually a few of a third type, the "renters," who own neither the home nor the lot. They generally are "short-timers" (two month minimum), such as "snowbirds" and wintering vacationers. They pay whatever rent is set by their individual landlords directly to their landlords, not to the Co-Op.

Whether you become a leaseholder, a shareholder or a renter we welcome your participation in our social clubs (Residents' Club at CLVI or Residents' Activities Club at CLVII) and all the activities which they sponsor.

3. The location of the home you have chosen:

Every home owner pays a monthly fee to the Co-op to cover the community's operating expense, taxes, debt servicing and so forth. How much this fee is depends, for the most part, on whether they are a leaseholder or a shareholder.

Leaseholders: Each leaseholder pays one of seven base fees as determined by the home's location (and therefore the value of the lot). These seven can be lumped into four general lot types: inside, corner, small lake and large lake.

Shareholders: Every shareholder pays the same shareholder fee to the Co-op regardless of the lot's location. This is because the differences in value of the lots were included in the purchase price of the share. Share purchase prices vary according to three categories: inside, small lake and large lake lots.

4. How your taxes are calculated and paid:

Leaseholders: In addition to the Co-op leaseholder fee the leaseholder pays taxes each month through the Co-op. This represents the proportionate amount of taxes on the lot occupied by the leaseholder's home but paid by the Co-op. In addition, each leaseholder also buys a Florida tax home tag each year directly from the county.

5. If you are a Florida resident or not:

Leaseholders: Whether you are a Florida resident or a resident of another state does not alter the amount of taxes you pay. You pay the same amount monthly through the Co-op and the same amount for your home tag tax.

Shareholders: Because shareholder property is considered real estate, shareholders annually pay real estate taxes directly to the county, not through the Co-op. The tax amount is based on the county's assessed valuation of your home and its lot. It should be noted that Florida's real estate tax rates are among the lowest in the nation, and significantly lower than states "up North."

The tax paid by Florida residents is reduced with homestead exemptions. In some special cases it may be further offset with additional exemptions for those eligible. Homestead exemptions are not available to non-Florida residents though some of the special exemptions may be available. A comparison of Florida's tax rate with rates in the state which you are living can be found at "<http://www.retirementliving.com/taxes-by-state>."

6. If you have taken out a loan or not for your purchase:

This obvious element of your cost is set by you and your lending agency, just as it is regardless of where you live. They have nothing to do with choosing to live in Country Lakes Villages or any other given community.

The interactive Purchase Options Estimator worksheet

Look through the homes available in Country Lakes Villages by clicking on the "Homes for Sale" link on our home, if you have not already done so. When you have selected a particular home or homes that interest you, you can use our "Purchase Options Estimator" to get estimates of what your monthly fees and annual costs will be. You will be able to enter the type of lot occupied by the home you are looking at, whether that price includes the share and, if not, whether you plan on purchasing the share.

Using these entries the Estimator will tell you what your monthly fee will be, compare leaseholder fees with shareholder fees if you are not shareholder, and tell you the length of time until the difference between the monthly fees will offset the cost of the share.

The Estimator will also give you estimates of your closing costs and your annual taxes based upon whether Florida will be your primary residence or not.

If you are considering a bank loan in your purchase, the Estimator will give you current sample bank rates, estimate your monthly payments, and calculate the payback time with your loan.

You can find the Estimator by going to the "Homes For Sale" page and clicking on "What are My Purchase Options and Associated Costs" tab on the right

What is an example of what a leaseholder might pay?

As we described above, a leaseholder pays a monthly "leaseholder fee." In 2013 this is \$514 to \$565, depending on location. This fee covers the costs incurred by the Co-Op for the operation and maintenance of the communities, plus costs of ownership of the lot the leaseholder is occupying. This comes to approximately \$6,168 to \$ 6,784 per year, again depending upon location. In addition leaseholders pay approximately \$57 per month for county taxes on their lots through the Co-Op, or \$683 per year. Finally, each leaseholder must purchase annual FL tags for the home (approximately \$100-150/year).

So, using an inside lot (which most of our lots are) the bottom line annually for leaseholders is \$6,168 (leaseholder fee) plus \$667 (taxes) plus \$110 (average home tag tax), for a total of \$6,945 in 2013. In accordance with the agreement negotiated between the Homeowners Association and the Co-Op, the leaseholder fee portion will increase an additional \$19 per month in 2014.

It should be noted that the average annual increase in leaseholder fees averaged only 3.8% for 2012, 2013 and 2014. Importantly, this 3.8% average annual increase is significantly less than Country Lakes residents have historically experienced before we became a not-for-profit resident owned community. Over the previous 18 years (before we became resident owned) the annual increases in the leaseholder fees ranged from 4.6% to 7.6% yearly. Because the Co-Op does not have a profit motive (as did previous private owners) future rate increases should remain significantly less than in a non-resident owned park.

Leaseholders also may join the Homeowners' Association mentioned above. The HOA's sole function is to represent leaseholders in leaseholder fee negotiations with the Co-op and with any legal duties spelled out by FL Statute 723.

And what might a shareholders pay?

"Shareholders" have more the kind of home ownership we are used to (think of owning your home "up North"). Shareholders own their homes and (for most all intents and purposes) the share for the property upon which it rests. This is considered more like the "real property" or "real estate" that we are used to, and is treated as real property under Florida tax laws.

The shareholder pays the Co-Op monthly fees of \$295 in 2013. As we said above, the costs of the lot represented by the shareholder's share are borne by the shareholder, not the Co-op. Therefore the shareholder's fee obviously is considerably lower than that of the leaseholder's fee, and will tend to stay much more stable over time. The current shareholder fee remains fixed through 2014 at \$295/month. Shareholders also have Co-Op ownership voting rights.

In addition to the monthly shareholder fee paid to the Co-Op, the shareholder pays real estate taxes on his share. In 2012 real estate taxes on an inside lot ranged from \$560 to \$608, and outside lots ranged from \$563 to \$675 for Florida residents, with a median of \$551 in real estate taxes. For non-Florida residents the range was \$675 to \$995, with 2012 median of \$945. And, in Florida, taxes tend to remain relatively stable from year to year.

So what is the bottom line on all this?

The following table summarizes the above and gives us the bottom line when living on an inside lot, which most of them are:

SHALL I BECOME A LEASEHOLDER OR A SHAREHOLDER? -- COSTS COMPARED			
<u>IF YOU DECIDE TO LEASE YOUR LOT YOUR COSTS ARE:</u>		<u>IF YOU DECIDE TO BUY YOUR SHARE YOUR COSTS ARE:</u>	
2013 Leaseholder Base Fee ("inside" share):	\$514.04	2013 Shareholder Base Fee:	\$295.00
Ad Valorem Taxes (2013):	\$44.20	Ad Valorem Taxes:	\$0.00
Non-Ad Valorem Taxes (2013):	\$11.35	Non-Ad Valorem Taxes:	\$0.00
SUBTOTAL MONTHLY LEASEHOLDER FEE:	\$569.59	SUBTOTAL MONTHLY SHAREHOLDER FEE:	\$295.00
Total Annual Leaseholder Fees:	\$6,835.08	Total Annual Shareholder Fees:	\$3,540.00
Florida Trailer Tags (\$100-\$125)	\$110.00	Annual FL Real Estate Taxes (FL resident est.):	\$551.00
ANNUAL LEASEHOLDER FEES AND TAXES:	\$6,945.08	ANNUAL SHAREHOLDER FEES AND TAXES:	\$4,091.00
<u>BOTTOM LINE:</u>			
1. The cost difference between leasing and buying is, in effect, buying the share for the Co-op, not you.		1. The cost savings is, in effect, an investment you are making each month with a return (yield) of over 5.8% per year.	
2. You will not own the share regardless of how long you live here as a leaseholder. (This is true in any community in which you do not own the share, regardless of whether the community is resident owned or non-resident owned.)		2. Another way of looking at it, is that the cost savings are, over time, returning to you the purchase price of the share. (In this example it's paid off in less than 12 years!)	
		3. In the meantime, you are building equity in the share as an investment which you will be able to recover when you sell your property in the future.	
<i>The price of our most common ("inside") share used in this example is \$49,500. The price of a "small lake" share is \$51,700, and a "large lake" share is \$53,900. The return pay-off period is essentially the same regardless of the share type under the home.</i>			

We can see from our example that a shareholder will pay significantly less than a leaseholder in the next two years. In our total cost example:

<u>Year</u>	<u>Leaseholder</u>	<u>Shareholder</u>	<u>Difference</u>
2013	\$6,945	\$4,091	-\$2,854
2014	\$7,173	\$4,091	-\$3,082

"Yes," you say, "that's a big difference, but the shareholder had to pay for the cost of the share! And how does that factor in?"

Good question. The shareholder had to make an investment to buy the share. Let's continue, considering the investment of the \$49,500 to buy the inside lot share used in our example. And let's add a column to the above:

<u>Year</u>	<u>Leaseholder</u>	<u>Shareholder</u>	<u>Difference</u>	<u>Annual ROI</u>
2013	\$6,945	\$4,091	-\$2,854	5.77%
2014	\$7,173	\$4,091	-\$3,082	6.23% (↑0.46%)

Look at the last column -- this is the "Return on Investment," or ROI, received by purchasing the share. And these annual returns are expected to climb because the leaseholder fees are expected to continue to go up yearly while the shareholder fees are expected to remain relatively constant for the foreseeable future (other than small variations in taxes)!

How do these ROIs compare with the rates you are currently seeing (and expect to see in the near future) on your CD's, bond funds and stock funds? Well, we looked some up for you. As of 8/31/2012 we found the following:

<u>Investment</u>	<u>ROI</u>
Bank Money Market Account ⁽¹⁾	0.10 – 0.25%
CD - 1 year ⁽¹⁾	0.28%
CD - 5 year ⁽¹⁾	0.75%
CD - 10 year ⁽¹⁾	1.25%
VMMXX Money Market Account ⁽²⁾	0.04%
VBMFX Total Bond Fund ⁽²⁾	5.53%
VTSMX Total Stock Market Fund ⁽²⁾	1.46%

Source (1): Bank of America, as of 8/31/2012

Source (2): Vanguard Funds, 5 yr average return as of 7/31/2012

"But," you say "I don't have existing funds to exchange for a share; I'd have to take out a bank loan."

We looked at bank mortgage rates too. We found bank rates vary by the amount you put down, the duration of the loan and the bank you select. You can investigate your specific costs and paybacks for your specific situation and selections by going to the "What Are My Purchase Options and Associated Costs" link. Again, this can be found on our website under the "Homes for Sale" link. Using this interactive worksheet we find that, even with a loan, the differences in fees alone will pay back the cost of the share in an estimated 12 to 14 years! And in the meantime you are building equity in your investment.

Conclusion:

We can see that the return on an investment in a share in Country Lakes Villages is better than just about any other investment you are getting now -- even if you have to take out a bank loan to pay for it. And, as we said above, we expect the return on investment in a share to continue to climb because leaseholder fees will most likely continue to climb.

And we also expect your investment to grow as the share prices and resale value of your share continue to climb as the park fills with shareholders. Think about that!

Clearly, the longer one procrastinates, the more costly the share and the longer period of time increased fees will be paid. The time to become a shareholder is now!