**BETTER TOGETHER: TRANSPARENCY SERIES**
**The LPOA and Lakewood Oaks Country Club**
Presented by the Lakewood Property Owners Association
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# Bulletin: 2025 LPOA/LHC Lease Update

## Summary

We have previously shared all the lease information between the LPOA and the LHC, in our document titled: History: The Lease of the Clubhouse Space by the LPOA.

This intra-company lease was agreed between the parties to be viewed as a triple net (NNN) lease, although it was prepared in a simple fashion on paper, as one would expect when the same Board of Directors controls both organizations.

In regard to the Lakewood Property Owners Associations lease for the fiscal year 2024, the Board of Directors reviewed all aspects of the lease and agreed on a total price and total square footage used by each respective company.

This was documented in our simple format being $360,082 for the year which in simple math converts to **17,497 sq. ft. being used by the LPOA at equivalent price per square foot of $20.58.**

The lease was then approved by the majority of Board Members as it has been in the years going back to 2011.

## New 2025 Format

Recently, the Board asked Staff to create a triple net (NNN) lease format that could be used to make the 2025 lease renewal more understandable to the average stakeholder, with increased detail for line items. This format, without numbers, is still being discussed as the Board tries to agree and approve the final version.

Once approved, it can be used in the November 2024 budget process, with final figures inserted, to be approved for the 2025 fiscal year lease.

But other than an increase in legal language and technicalities, the itemized numbers contained in the lease will breakout the $360,082 total to look something like this:

**TOTAL ANNUAL PAYMENT = $360,082**

Standard (NNN) Lease charges; (All associated costs are paid for by LHC)

| | |
|---|---|
| BASE RENT | $161,941 = **$9.25 per sq. ft**. |
| CAMS | $37,448 (Common Area Maintenance) |
| TAXES | $24,900 |
| INSURANCE | $38,038 |
| TRASH | $5,100 |

Non Standard (NNN) Lease charges included in the lease; (All associated costs are paid for by LHC)

| | |
|---|---|
| LHC Financial Services | $36,231 (Share of Jonas software system and accounting of daily F&B Sales. ) |
| Utilities (Gas/Elec/Water) | $46,646 (Pro rata share) |
| CATV | $2,628 (Pro rata share) |
| Credit Card Fees | $7,150 (Only on Food and Bev / Banquet Sales) |

Viewers can clearly see that our ongoing lease agreement for our hybrid intra company triple net lease has both standard and non-standard costs included.

This is because the Base Rent is very low for Lee's Summit and we have included the costs of the utilities, credit card fees, CATV etc. This is because the LPOA uses these utilities and other costs in the course of providing amenities and services for their members, yet the LHC pays all the bills from their accounts.

## Clarifying Misinformation on a 10-Year Projection:

If someone were to say that the LPOA might pay somewhere in the neighborhood of ($161,941 x 10) $1,619,410 in rent over the next 10 years, with some possible increase for inflation, that would be a relatively accurate statement. Costs of utilities and services are not rent and are paid whether it is a business or a home.

However, if someone were to arbitrarily combine a bunch of numbers that included both rent and annual operating costs and then multiplied that by 10 and then factored it up by above average inflation in order to announce that "The LPOA will pay $7 Million in rent over the next 10 years" then that would be a false statement.  It's important for residents to know that this information is false.

While the Board works on this issue through the rest of the year with a final vote on the amended lease in November 2024, we share this truthful information so you can get a better view of the real issue at hand while the Board works out the details as you have elected them to do.

## Why is this Being Explained in a Report?

The LPOA normally wouldn't take the step of micro-explaining the conversations happening amongst the board about annual lease reviews.

It is very unfortunate that a proposed lease template was removed from a Board members book and used for analysis without any explanation of the template and its intended purpose.

This information has been mis-represented publicly, causing distress and discord among residents who believed that our lease would cost over $7 million in the next 10 years. In order to mitigate the discord of this misunderstanding, we are publishing this clarification.

## Objections to Leasing?

Although this has been covered in multiple other documents, there are many reasons why the LPOA leases from the LHC.

1) The LPOA does not have its own building to put staff or food and beverage in, since the Cove and Bayview Clubhouses were closed in 2010 and 2016 without reserves to replace them. Without another facility in which to house our Staff or Food and Beverage services, it is premature to consider removing these necessary requirements from the Oaks Clubhouse, with no feasible alternative available.
2) The LPOA does not "own" the Lakewood Oaks Clubhouse. It is owned by the Lakewood Holding Company. In order to realize the tax benefits of acquiring a business, the lease relationship must be maintained at Fair Market Value. (ie, it would be illegal for the LPOA to use the space for free.)
3) The LPOA Board serves as the LHC Board. The Board(s) are responsible for maximizing the operations of both entities, equally, as was promised to the IRS during the acquisition. Therefore, any action to diminish the returns of the LHC, to the direct benefit of the LPOA, would be illegal.
4) Not only would it be illegal to dilute the value of the lease from the LPOA to the LHC, but this is also an offense that would create great discord among Golf Club Members, who entrust the LPOA/LHC boards to make equitable decisions on their behalf. It is the duty of the Boards to ensure equitable treatment to both membership groups (of which there is a high overlap).

## Moving Forward

We believe you can now clearly see that this is a very equitable arrangement for the LPOA as prescribed by professional accountants and many Boards of Directors throughout the years since the 2007 acquisition.