

Commissie notitie per 3 april 2024

Vandaag verzonden wij, als vervolg van ons bezoek bij de gemeente op 14 april, bijgaande mail, met bijlage, aan onze advocaat. Met de notitie proberen we een basis te leggen voor een vervolgcontract per 1 januari 2026. We moeten immers proberen een vorm van eigendom proberen terug te krijgen om investeringen goed mogelijk te maken.

Dear Mr. Bianchi, dear Bruno and Andera,

Please find attached the "end of contract options", with an elaboration per option. There may be other options or combinations: we can certainly discuss them. In our opinion, the most commonly used form in real estate, model 2, provides by far the best guarantee for area development. But the form chosen at the time of construction of the park (model 3) would now again be an option to make investments possible as in 1966, provided of course a long-term rental contract (30 + 30?) applies.

As for appointments. With a day off on April 25, the 26th will also be a day off for many people. I will also be present in Gera Lario in the week from April 29 to may 4, so a meeting at the beginning of that week at your office and then an appointment with the municipality at the end of that week would offer good opportunities.

Would love to hear your response and kind regards,

Willem



Voorburg, 3 April 2024

In accordance with our agreement during our pleasant meeting with the municipality, here are several possible end-of-contact solutions. As discussed during the presentation, a clear end-of-contact solution is necessary because:

- It would otherwise be impossible to find investors. No one builds a house for another.
- Investments in maintenance lag behind during the granting term.
- We will have the same problem in a few years as we have now. A outdated park.

The list below contains several possible variants, although we are aware that some variants are less feasible.

1. Selling of the land
2. Rental contract for land and infinite building rights
3. Rental contract and demolition clause (1966 model)
4. Rental contract and investment return (cf. 2003 model, two never-built bungalows)
5. Rental contract and sales value based on going concern.
6. Rental contract and sales value based on average value of last transactions
7. Rental contract and sales value based on historical cost-plus investments. (= depreciation with inflation)
8. Concession, with municipality ownership.
9. Concession and low rent to finance depreciation of the investment

1. Selling of the land

Obviously a good and definitive solution, but not realistic given the accounting legislation. Also financing for the association is not easy due to its status as a spillover area.

2. Rental contract for land and infinite building rights

At first glance an undesirable option for the municipality, but it certainly provides the best return, especially if a correct indexation of the rental price has been agreed. It provides plenty of room for investments and further developments. If the municipality ever decides on a different destination, it will have to buy out at market value. A common situation in a municipality.

3. Rental contract and demolition clause (1966 model)

This model was used at the start of the park and has worked satisfactorily for almost 40 years. It gives the association the appearance of security and ownership. If the contract extension does not go ahead, ownership remains with the association and with that they have the right to demolish. They can negotiate with a possible new tenant about the transfer of the property. The discussion takes place between the new tenant and the association. An area zoning change by the municipality remains possible. This was provided for in the said contract.

4. Rental contract and investment return (cf. 2003 model, two never-built bungalows)

This model was used in the 2003 contract. The aforementioned contract includes a clause regarding valuation, but (fortunately) never applied in practice. Without very strict agreements on depreciation percentages, inflation and reinvestments, this is a difficult model for valuation advisors to agree on. Highly hinders the value development of the property.

5. Rental contract and sales value based on going concern

A good model but can become very expensive if the municipality wants to use the area for other purposes. After all, one must then buy out at market value, as if the lease contract continues. Determining market value is a challenge, most bungalows are family owned for many years.

6. Rental contract and sales value based on average value of last transactions

Due to the differences in bungalows, in location, size and quality, it is virtually impossible to determine an average value. In addition, the bungalows are owned for a long period of time and volatility is limited.

7. Rental contract and sales value based on historical cost-plus investments.

An accounting model. After a current valuation, the annual depreciation is, for example, 2% (= 50 years) of the then applicable book value. When investing, the book value is increased again. The major problem with this model is that it completely ignores the market value development of the bungalows and the area and is therefore not attractive for attracting investors and capital. The advantage is that investments are possible during the entire term of the contract. At the end of the contract, it is completely clear what the new user or municipality must pay in return. The association makes an annual overview of the book values.

8. Concession with municipality ownership.

With this form of concession, the municipality owns the bungalows, and the association rents from the municipality. Management, maintenance and investments are at the expense and risk of the municipality. The municipality takes on the role of a housing association.

9. Concession and low rent to finance depreciation of the investment

With this form of concession, the municipality transfers ownership during the term of the contract to the association and the association undertakes to guarantee a certain quality. Since there is no exit value, management, maintenance and investments will have to be deducted from the rental price. During the term, the willingness to invest will decrease and the quality will decline.