



Hot Springs Village Lot Delinquency Numbers Higher Than Previously Reported

Description

Update at the bottom of this article

Oops! I owe a big apology to the Hot Springs Village People. In a recent article titled, [Hot Springs Village Unimproved Lot Assessment Defaults Increasing](#), a few key pieces of important data were erroneously omitted. The data for both articles were taken from the monthly Financial Reports given at the Board Meetings. The reports run one month behind. For example, in November, the Controller reported on October numbers.

The previous article said, **“Of some concern is the numbers reported in the October and November dashboard.** Namely, the number of unimproved lots in good standing reported in October was 14,066. The number of unimproved lots in good standing reported in November was 13,577. **This means that in one month’s time period, there was an increase of 489 non-POA-owned unimproved lots, not in good standing.** In other words, in one month’s time, the **delinquency of unimproved lots increased by 489 lots.** While the economy has taken a downturn, this number shows a marked increase in unimproved lot delinquencies in only one month’s time period.”

Unfortunately, total delinquencies are higher than what was reported

While what I reported is true, I failed to detail the large increase in unimproved lot delinquencies between the August and September dashboard. The August dashboard shows non-POA lots in good standing to be 14,494. September dashboard numbers show non-POA lots in good standing to be 14,066. **This is a decrease of 428 non-POA-owned lots in good standing from August to September numbers, or in other words, an increase of 428 non-POA-owned lots showing delinquency.**

Additionally, it was also omitted that the August dashboard reported an **increase of 133 non-POA-owned lots showing delinquency compared to July.** Undoubtedly, this is not as drastic of a monthly increase in nonperforming lots as already mentioned, but this number should also be noted.

428 + 489 + 133 = 1050 increased delinquencies of non-POA-owned lots reported between August and October

In total, there was an increase of 1,050 non-POA-owned delinquent lots reported from the July to October time period.

While I can think of several possibilities for this alarming trend, I cannot definitively comment as to all of the causes of this downturn. But I can speculate. As the following is only conjecture, please take it with a grain of salt and draw your own conclusion by doing your own research.

Why is it important to understand this trend?

- So the POA can hopefully stop the trend. This is easier said than done, but in certain cases good communications between the POA and those members who have fallen behind may help. In other words, an offer to work with the lot owners who are in arrears may be an appropriate action to take.
- So budget can be adjusted, if necessary. By being cognizant of this possible trend, we can monitor the situation and realize if the trend does not stop, there will be less assessments dollars coming into the POA and certain budgetary planning adjustments may need to be made.
- As already mentioned, it is also important to understand that this trend did have an effect on the most recent vote. There were fewer lots in good standing, making quorum requirements less. Additionally, I previously said, “the POA reported that it did not need to use any of its lots/votes to reach the quorum requirement for this vote.”

What are some of the possible causes of this trend?

The POA may not be able to qualify **ALL** of the reasons as to why some of the property owners are in assessment arrears, but there are most certainly some motives that can be at least partially determined.

- How many of the lots in arrears are from lots owned by speculative investors? Some folks/entities purchase tax sale lots solely for the purpose of making a quick buck and never had any intention of paying assessments.
- How many of the lots in arrears are from folks who have been affected by a COVID economy? Some lot owners, facing personal economic problems, may have felt that owning an HSV lot was a luxury they could do without and merely quit paying because there were other, more important things to pay for.
- How many of the lots in arrears are simply folks who read the recent negative campaign propulgated by the POA regarding how far behind the POA is in repairs, etc.? Some of these folks may have just felt the POA had a huge obstacle to overcome with the backlog of maintenace. Hearing the dire predictions made by FRAFT and the Board if the assessment increase did not pass and the threat of the loss/reduction of emergency services may have led to some unimproved lot owners just deciding this situation was not something they want to be involved in any longer. In other words, did FRATF and the Board do such a good job of painting a

bleak picture of a sinking ship, that some lot owners felt the picture was dismal and just wanted out? This thought may not be so far fetched, but the POA may never know the full extent of this possible unintended consequence and if the “sell” of the assessment increase was overkill which discouraged and turned off some property owners.

- How many of the lots in arrears were behind for other reasons? Some examples of this may be death of the lot owner, lack of continued interest in moving to the Village or loss of desire in using the amenities, decline in health, etc.?

The POA may have access to some of this information regarding the reasons for some of the delinquencies. For instance, the POA knows if a larger block of lots is owned by an investor. Also, possibly some individuals may have contacted the POA to let it know they would no longer be paying assessments for personal reasons or if there was a death of the owner.

What does the future hold?

Hopefully, this short-term trend in unimproved lot assessments delinquencies does not continue. But if it does, it is best that everyone understands the possible future ramifications. Already before the ink is barely dry on the new assessment package/envelopes due to be mailed to property owners any day now, there is talk of more increases needed in the future.

Speaking to the possibility of future increases, in an opinion letter to the Hot Springs Village Voice, Former Board Director, Tormey Campagna, warned, “A note of caution: At the current inflation rate 2/3 of these increases will be consumed by inflation on our \$35 million expense budget. If this comes to pass, expect that the Board will need our support in the future.”

Why do you think there is an increase in unimproved lot delinquencies? Do you feel the assessment increase was adequate or will the POA ask for more increases in three years? I am eager to hear Villager’s thoughts.

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Addendum: In case anybody is interested, below are the numbers for January (December Actual) through July (June Actual) Financial Reports:

Non-POA Unimproved Lots in Good Standing for December 2020 Through June 2021 (Taken from Financial Reports Given January Through July 2021)

December Numbers Reported in January 2021 13,668

January Numbers Reported in February 2021 13,459

February Numbers Reported in March 2021 13,447

March Numbers Reported in April 2021 13,429

April Numbers Reported in May 2021 13,510

May Numbers Reported in June 2021 13,855

June Numbers Reported in July 2021 14,252

By Cheryl Dowden, December 2, 2021

Article updated on December 18, 2021:

I was given the following explanation for this situation. The Arkansas Commissioner of State Lands assumes title to properties after a number of years of nonpayment of the property taxes. After a certain time period, the state takes possession of the lots and they are then resold.

It appears that the uptick in delinquent lots was caused by investors purchasing a large number of lots earlier in 2021. What happened is that when the lots change ownership, they are placed by the POA in the "good standing" category for bookkeeping purposes, and even if no assessments are collected, they remain in that category for three months before being moved back to the category of "not in good standing."

Many of these speculative investors probably had no intention of paying assessments but were out to make a "quick buck." Once the POA realized earlier this year (2021) that these lots were being snapped up in large numbers by speculative investors, the POA made arrangements with the Arkansas Commissioner of State Lands to purchase 2,115 lots in order to prevent the lots from being in the hands of those who had no intention of paying the monthly assessments. (Click [here](#) to read about this purchase.)

In the future, as more of these lots become available through the Arkansas Commissioner of State Lands, the POA plans to purchase them. This gives the POA the ability to parcel multiple lots in areas for builders to more efficiently build a number of new homes all at once. It also gives the POA an ability to take some of these lots "off line." This is useful in areas where the infrastructure is not already in place and it would be expensive to install for only a home or two. At a later time, if the Village becomes more built out, it is possible that the lots that are "off line," can be built on, if the need exists.

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