

# THE COLEBROOK CHRONICLE

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*Your source of current trends and developments in the timeshare industry.*

## A New Life for Captain's Cove TOWB Re-Purposes Galveston Resort

"Everybody has to be in sync," said TOWB's Joe Takacs. "They don't have to agree on how we're going to get there, but we all have to want to end up in the same place." Joe, who has been in the timeshare industry since the 1980s, is talking about the key to re-purposing older timeshare properties. There are a lot of people talking about re-purposing, but Joe and his wife Dana are among the few people who have successfully completed the process.

The Takacs's second and most successful project was Captain's Cove, a 51-unit property located on the Gulf of Mexico in Galveston, Texas. "I ended up at Captain's Cove the same way I got involved in my first re-purposing project in North Carolina," Joe said, "almost by accident. I was at the property pitching my resale company (MVP Service) as the solution for all the HOA-owned weeks, and as we

were sitting there, I was struck by how many weeks they owned. I knew there was no way we could sell the weeks fast enough to save the resort, so I said, "Why don't we just shut it down?"

Of the more than 2,600 intervals at Captain's Cove, only about 700 were generating maintenance fees. No sales were taking place and the units, which were almost 40 years old, were showing their age. There was no money in the reserve account. "When you only have 700 people paying," Joe said, "it's a problem." It was time to move on but in the world of timeshare that's not easily done. The first step is to convince the owners that terminating the timeshare program is in their best interests.

"We had our first meeting on Friday, April 13, 2019," Joe recalled. "Friday the 13<sup>th</sup>. There were about 400 owners there—a

tremendous crowd. We used a Power Point presentation to explain our business plan and had a representative of a title company there. We got the vote we needed to move forward to dissolve the association. We'd had our lawyers look at the declarations and the laws to see what we had to do, and learned that it wasn't going to be easy, because there's no enabling Texas statute like there is in Colorado or South Carolina. In Texas, there's no way to force a termination. We had to get 100% of the deeds back."

Once the Association agreed to transition the property from timeshare to whole unit condominiums, the real work began. "If you want to sell the units as condominiums," Joe said, "you've got to clean up the title, because buyers need to obtain mortgages and they're not going to get them without clean title."

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Dana and Joe Takacs

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Cleaning up the title involved tracking down owners and getting deeds in lieu of foreclosure, which was complicated by the fact that the owner roster was badly out-of-date; some owners were deceased and others had moved. "Syndi, our Manager of Customer Service," said Joe, "is a sleuth. She'd get on White Pages, and if she couldn't find the people, she'd find their relatives, and use them to track down the owner. Some weeks were acquired by a resale broker and re-sold in the name of an entity that didn't own it. Fortunately, the title company was able to resolve the problem and insure over it. It took about 18-20 months to get the deeds, and in the end, we wound up having to foreclose on about 1,500 intervals. We moved 150 owners to other timeshare resorts."

When title to the property was gathered under one legal roof, the final step was to sell the condominiums as whole units. Meanwhile, the COVID pandemic that descended on the world greatly impacted the process, sometimes in a good way and other times in very frustrating fashion.

The Captain's Cove property was 40 years old and, with the homeowners' association financially strapped in its final years, in dire need of renovation and major repairs. Delays in obtaining construction materials and the difficulty of finding reliable contractors made the renovation process longer, more expensive, and much more stressful. "We had several contractors who took a job and never showed up," said Dana, who supervised the construction process. "It took seven months to get our first order of appliances."

A second great development of the COVID era was a nationwide explosion of real estate prices. With a desirable location directly

across the street from the Gulf of Mexico, the value of the Captain's Cove condos shot upward. While original projections placed the value at \$185,000 per unit, the actual average selling price was roughly \$300,000. And the demand was tremendous. "We renovated one unit to use as a model," Dana said, "not intending to sell it, and had three offers for that model the first weekend."

The speed with which offers poured in was a mixed blessing. It was great to have pending sales, but most owners wanted renovated units. With limited availability of workers and supplies, that was problematic, for in addition to renovating individual units, a new roof was put on the entire property, the exterior of the building was painted, and the owners' lounge was renovated. Sales were outpacing the ability to finish the units and closings had to be postponed. "We were always playing catch-up," Joe said.

Renovations, obtaining deeds, and maintaining the property during the transition all require money, funding provided by Colebrook, whose principals have known Joe for more than 30 years. Colebrook's loan was structured as a line of credit, secured by a mortgage on the units. Advances were made for renovations and administrative and operating expenses and payments came from closings of the condo sales. When the loan was paid off, there were a number of unsold, unencumbered units remaining. That's the way these things are supposed to work.

The re-purposing of timeshare properties is a relatively new phenomenon. Will there ever be a standard procedure with a proven formula? "I don't think so," said Joe. "The state laws are different, the property conditions are different, and the owner bases are all

different. You have to be able to pivot quickly and not shoot yourself in the foot. Not everything went smoothly. We ended up spending money we didn't expect to spend, and I wish we could have found the right vendors sooner."

What lessons were learned at Captain's Cove? "I learned that it's critical to over-communicate. You can't communicate enough with the owners and at Captain's Cove it was never adversarial. Any one person could have made our lives very difficult. I expected we would have an owner who pushed back, but it never happened. I also learned that you have to have the right people at the table—CPAs, attorneys, and lenders. If you don't, it will take longer and cost more—if it gets done at all."

Learning lessons from a successful experience is always more enjoyable than learning in the school of hard knocks. The re-purpose of Captain's Cove was a great success, the product of a good idea, extensive planning, tedious execution, and hitting the real estate market at just the right time. The state of the market was a stroke of good luck, but it's often said that luck is the meeting of preparation and opportunity. Those two elements came together in Galveston.

Postscript: Subsequent to the initial draft of this article, TOWB completed an equally successful re-purpose of Crown Ridge Resort, located in North Conway, New Hampshire. The units sold very quickly and each timeshare owner in good standing received \$8,400 from the proceeds.



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