

Geist Harbours Recreational Facilities

This document has been jointly prepared by Geist Harbours homeowners that are either for or against the Geist Harbours Property Owners Association purchase of the Geist Harbours Recreational Facility.

Geist Harbours Property Owners Association ("GHPOA"). This is the homeowners association to which all residents of the Geist Harbours ("GH") developments belong. The GH developments include Admirals Bay, Admirals Pointe, Admirals Sound, Admirals Woods, Beam Reach, Crossing South, Diamond Pointe, Feather Cove I, II and III, Masthead I and II.

Geist Harbours Recreational Facility ("GHRF"). Located at 12549 Old Stone Road in Admirals Bay, the GHRF is a 10.6 acre, privately owned parcel of land and amenities wholly enclosed by the Admirals Bay subdivision. The amenities include: 3 large pools, 2 kiddie pools, 4 tennis courts, a parking lot, a basketball goal, a clubhouse and open green space. The clubhouse was constructed in 1988. One set of pools was opened in 1990 followed by a second set in 1997.

1. **What is the issue?** The GHRF is the last set of non-privatized amenities in all the GH communities, and is being sold by the Marina Ltd. Partnership. In May, 2007, the GHRF was offered for sale to the GHPOA. On June 18, 2007, after looking at the financial and membership data, with no community involvement, the GHPOA Board of Directors ("The Board") unanimously voted against the purchase. In August, 2008, the GHRF sale and The Board decision became public. On Sept 15, 2008, driven by large community turnout, The Board created subcommittee of directors to serve as a liaison to a resident committee ("RC") in favor of purchasing the GHRF to more fully explore the issue. On Nov 17, 2008, the RC made a proposal to The Board that included the GHPOA purchasing and assuming ownership of the GHRF. The RC proposed that the purchase be financed by a one-time special assessment of GHPOA homeowners, and that the operating and maintenance costs be financed in the short term (see #4) by an increase in annual association dues. Recognizing there were residents opposed to the GHRF purchase, The Board decided that the proposal should be put to a vote of all GH residents.
2. **Why is the sale taking place now?** Per Alan Rosenberg Jr., president of the Marina Ltd. Partnership, due to a change in family demographics (children getting older), the participation in the facility has dwindled. The company carried it at a loss for several years and now wants to sell it.

PRO: The current, private facility was managed primarily as a sales tool to help the Marina Ltd. Partnership sell homes. The facility's current low usage rate (apprx. 4.5% of May 2006) does not indicate a lack of interest, but is a result of a steady reduction in services offered and a steady increase in membership fees. Since 1996, swim teams, evening swims, swim lessons and tennis lessons have ceased and membership fees have increased 55%.

CON: The Marina Ltd. Partnership states lack of interest and participation as a key element in determining which services to stop and in declining membership overall. Some contributing factors include: children becoming involved in more extra-curricular activities and organizations, changes in family dynamics, people not showing up for scheduled lessons and programs, pool use conflicts and the increasing cost of membership.

Regardless of the cost of membership and reasons for declining participation, the percentage of members in the Admirals areas supports the position that those closest to the amenity gain the most value from it. A telling point is that as of May 2006 108 (out of 2,380 households) GH resident memberships, 84% (8 out of 10) are homeowners in Admirals Bay, Admirals Sound and Admirals Pointe. These neighborhoods are in the closest, most convenient and safest proximity to the facility.

3. **What happens if GHPOA doesn't buy the GHRF?** The Marina Ltd. Partnership currently has the land platted for 13 lots of single family homes. They could, however, choose to sell the property. In that event, GH residents would have no say in how the land would be developed.

4. **If I vote to purchase the GHRF, what will it cost me?** The final cost structure would be determined by The Board. The assessed value noted at the Sept. 15, 2008 GHPOA Board meeting was \$1.1 million. The asking price is \$690,000. Under the RC proposal, if the full asking price were paid and all GH residents participated equally, a one-time assessment of \$300 per household and an annual dues increase of \$70 would cover acquisition, maintenance and operation costs in lieu of membership fees. Any funds required for immediate repairs, deferred maintenance or pressing issues revealed by professional inspection of the property prior to purchase should be negotiated into a reduction of the final purchase price. The RC further recommends that the \$70 dues increase be limited to a period of 3 years, and that a full evaluation of the facility during its 3rd year of operation be used to determine the best manner by which to fund or divest the GHRF going forward. It should be noted that the rental of the clubhouse generates a steady source of revenue. In 2006, with minimal advertising and rental, the clubhouse alone generated \$96,000.

PRO: Based on careful financial analysis, conference with professionals, and bids from insurers and service providers, the RC believes that a \$70 dues increase will cover the operation and maintenance costs of the facility and allow a reserve fund in excess of \$110,000 to be generated over five years. The RC also believes that with proper marketing and management, the GHRF should be able to regain profitability within 3 to 5 years and that profits should be used to reduce the \$70 dues increase. Expenses for professional facility management have been included in these figures.

CON: The cost to each resident is dependent on the money made by the clubhouse. The only other source of revenue is our association dues. If the clubhouse doesn't make a healthy profit, the costs to own and maintain the GHRF will most likely be paid through an increase in this revenue stream of 2,380 residents. The Sept 15, 2008 GHPOA Board minutes noted that in 2006 it cost \$215,000 to maintain and manage the facility. Assuming maintenance, repair, and operational costs will rise on the aging pools, tennis courts and clubhouse, this figure will increase. (Dues revenue at \$70 x 2,380 residents is \$166,600.)

5. **Are there other funding options available for a GHPOA purchase?** The RC considered differential assessments (households nearer to the GHRF pay more than those further away), user fees ("pay to play") and financing over time. In investigating these options, the RC determined that: differential assessments are not allowed under GHPOA by-laws; user fees in conjunction with a smaller dues increase presents a viable option; financing over time would cost more long term and require the GHPOA Board to secure debt, which would require a 2/3 approval of all residents per GHPOA by-laws. While the user fee system is the most viable and community oriented of these alternatives, the RC believes that a user fee component could undermine the sense of an inclusive community sought through the formation of a community center (see #6). Under a user fee system, facility benefits would not be available to the same degree to all GH residents and there would be restricted access.
6. **Can we obtain the GHRF without involving the GHPOA?** A group of people could certainly come together and purchase the GHRF. The advantage to this option is that it does not involve unwilling GH homeowners. The disadvantage is the control of the land would be in the hands of individuals and not held in covenant. Whether the GHPOA or someone else purchases the GHRF, selling it is always a possibility.
7. **What are the benefits to me if GHPOA purchases and manages this facility?** The suggested benefits fall into two categories: *material benefits* that pertain to property value and home salability, and *personal benefits* that pertain to facility use and sense of community.

MATERIAL BENEFITS:

Amenities are tangible and intangible features that can enhance the quality of life associated with a neighborhood or property (e.g., parks, pools, scenic views). The 2007-2008 Consumer Preference Study conducted by the National Association of Builders found that, all things being equal, amenity seeking buyers are willing to pay more for homes in developments with amenities, and that homes in developments with amenities typically sell more quickly and for a higher price than homes in developments without amenities. The Study also identified the top five amenities that influence the buying decisions of amenity-seeking consumers: walking trail, park, pool, lake proximity, and playground.

PRO: There are four things to jointly consider:

- a. Most of the homes in GH have 3+ bedrooms, so the most likely buyers interested in these homes will be families with children. Families with children typically seek amenities.

- b. There are 30 communities within 5 miles of GH, averaging 3.3 amenities each. Without the GHRF, GH homes will be at a competitive disadvantage with homes in these communities in a competitive resale market.
- c. Buyers already have the ability to filter their home searches (e.g., instructions to realtors, Internet search filters, etc.). Without the GHRF, buyers that filter out communities lacking amenities will never be presented with properties in GH.
- d. Research has demonstrated that "the [economic] value of proximity to special parks is higher for homes with large private lots, indicating that special parks and private lots are complements." (Anderson and West. 2006. "Open Space, residential property values, and special context." *Regional Science and Urban Economics*. 36:773 - 789)

CON: The issue here is not the study itself, but the community or neighborhood to which it refers when speaking of amenity value.

Neighborhood amenities that impact property value are found *within* neighborhoods offering a convenient and safe proximity to the amenity - in this case, the Admirals communities - not the scattered neighborhoods that happen to be under the umbrella of a neighborhood association management firm.

Someone living 2-4 miles away from the GHRF, having the opportunity to participate in an amenity does not enjoy the same value, material or personal, as someone who lives a block or two from it. Losing this amenity will not have a negative impact on the property value or salability of every neighborhood in the GHPOA.

Please talk objectively with a reputable, housing developer or accredited real estate agent *not vested in this decision* about the impact of this amenity to your property value, as well as the percentage of buyers wanting to live in the Geist area who would never view GH homes based on the loss of this specific amenity.

PERSONAL BENEFITS:

The RC recommended that for the annual dues increase and the one-time assessment described in #4, the facility benefits delivered to all GH members would include:

- free access to the tennis courts, pools, basketball goal and grounds,
- free, scheduled use (Monday-Thurs) of the clubhouse for community events,
- input into community-focused programs and offerings,
- input regarding what physical improvements should be made to the property.

Additional benefits to GH homeowners depend upon how The Board decides to operate the facility and how homeowners use it. GHPOA ownership would make the GHRF a common use asset and secure the right to control how the land and its amenities may be developed, utilized or divested. The current state and amenity mix of the existing GHRF is a starting point: it is not necessarily what the facility will become in the future.

PRO: The RC advocates turning the past private-membership facility into the *Geist Harbours Community Center* ("GHCC"), to which all GH residents will automatically be members. The GHCC would be a common use asset under direction of The Board. The GHCC would be an open-access facility where GH residents could meet new friends, interact with neighbors, and come together as a larger community for special events (e.g., seasonal parties, neighborhood activities).

Some GH residents have stated that they live too far away from the GHRF for it to be of value to them personally, and that as they will never use the facility they should not have to contribute money for its purchase and operation. Other residents have countered that they will never use the walking paths in Masthead, but are happy to have contributed money to their construction because of their value in enhancing the community as a whole.

CON: The GHRF is not a pathway or sidewalk, nor a neighborhood entry-way or street sign. This is a \$690,000 property purchase of an aging amenity fully enclosed by the Admirals Bay community that costs over \$200,000 a year to maintain.

Where does a community center rank on the amenity scale? Has the opportunity to make the clubhouse a community center always existed, yet never been discussed and pursued? Was it ever the responsibility of Marina Lt. Partnership to maintain GH community involvement? Is there a real demand for it?

Those opposed to a GHPOA purchase believe that this amenity does not have the same property or personal value to all neighborhoods and homeowners in the GHPOA; and are against being forced to financially support it. If this is seen as an investment, let those who want to invest do so (See #6).

8. **What are the risks of this purchase?** There are no guarantees in life, and there are risks both in purchasing and failing to purchase the GHRF. There are operational and financial risks in acquiring and operating it, and there are community and economic risks in not doing so.

PRO: Without the GHRF, GH homes will be at a comparative disadvantage in the resale market relative to communities able to offer comparable amenities. This could result in GH homes taking longer to sell and/or selling at reduced prices. GHPOA ownership of the GHRF will not only preserve and protect GH property values by maintaining the existence of the GHRF amenities, but also position GH to potentially offer all of the top five amenities sought by amenity-seeking buyers (see #6).

CON: Upon purchase, all risks within this proposal are assumed whatever they are by all 2,380 residents. Again, please talk with a reputable, homes developer or accredited realtor *not vested in this decision* about the impact of this amenity to your property value, and ask him/her about the claims of the RC. Amenity property value is based on a close, convenient and safe proximity to it.

9. **How do I know that my annual assessment increase won't creep up every year?** The RC proposal is that the \$70 assessment increase be locked for the first 3 years with a full evaluation of the facility during the third year (see #4). The Board can constrain that the assessment remain fixed. It is hoped that increasing profitability of the GHRF can be used to offset and eventually eliminate this assessment increase.
10. **If GHPOA purchases the GHRF, does that make me an owner?** No. If purchased as a common use asset by the GHPOA, the legal entity GHPOA would be the facility owner. As GHPOA members, however, all GH residents would automatically be facility members.
11. **If GHPOA purchases the GHRF, does that make me liable for accidents?** No. If properly purchased as a common use asset by GHPOA, the liability would be limited to the GHPOA and covered by the liability insurance held by the GHPOA.
12. **What if GH residents decide that they no longer want the GHRF?** The GHPOA Board can sell the asset. At such time, The Board will be in a position to dictate the terms of sale.
13. **Where can I get more information?** Your subdivision GHPOA representative's email address can be found at ghpoa.com. The RC maintains a website at www.GeistRec.com. The Marina Ltd. Partnership maintains a clubhouse website at <http://www.marinalimited.com/geistclubhouse>.