

Litchfield-by-the-Sea Board of Directors

Property Purchase Recommendation and Referendum Vote

April 2024





Housekeeping & Introduction



Litchfield by the Sea: Overview

- Litchfield-by-the-Sea Community Association, Inc. (LBTS) is a homeowner's association governed by documents such as Bylaws and a Declaration of Covenants and Restrictions



■ The Association is responsible for all major infrastructure at LBTS, including roads, sewers, electrical, and the

common properties such as the Beach Club, crabbing/fishing dock, and tennis courts

■ Decisions on how to run LBTS are made by a duly elected, volunteer Board of Directors that is bound and guided by the governing documents

LBTS By the Numbers

■ 2881 “doors” across three campuses: oceanside, River Club, and Willbrook

■ 2024 budget of \$3.4M; revenue consists primarily of owner dues

■ Does not include Resort Fee revenue as



those numbers are only forecasts ■ Key expenses are security, landscaping, and administration

- 93,000 sq. yards of paved surfaces at ~\$2.65M current replacement value
- 3 lakes (Osprey, River Club, McKissick)
- 1 building (Beach Club) and beach crossovers at Beach Club, near Shipyard, and Sandpiper Run / Bridgewater
- 3 full-time WM staff plus multiple part time, plus landscaping, maintenance, and security

The LBTS Board of

Directors is recommending that the

Association purchase two pieces of property at the

front of the east campus.

**This is a long-range strategic
planning
recommendation with
immediate short-term benefits.**

**This transaction is not a
“done deal”:
it cannot be
completed without a vote
of the LBTS membership.**

**This property is for sale
unless LBTS
owners say yes to
purchasing!**



The two pieces of property at the heart of this vote serve distinct purposes for the Association, so this presentation details the two recommendations separately.





Highway 17

LBTS "Main Gate" entrance


Corner Lot

49
Wall St.

WALL ST

RETREAT BEACH CIR

Lakeside Villas



**As you make your voting decision on the property purchase,
this presentation shares information the Board found
compelling to support their recommendation.**

We hope you will find it compelling also.



This presentation will cover the following topics and questions:

- Why should we purchase this property? Are there any alternatives?
- Cost and financing of the transaction
- Referendum vote process / details
- LBTS governing documents regarding the Association purchasing property



Why purchase property?



- As LBTS approaches its 50th year of existence, the Board is considering the longterm future of LBTS: what can we do now to plan for the next 50 years? What will the Board in 10, 25, or 50 years wish that today's Board had done? ■ The Board has received many requests to address the **safety and access issues at the main entrance**, including the bottlenecks and backups, which sometimes go all the way back to Highway 17.
- Having onsite management and additional land at the front of the entrance provides **immense flexibility** the Association does not currently have.

Can LBTS purchase property? What is a Referendum?

From LBTS Declaration of Covenants and Restrictions

- Article VI, Section 2 (Ownership and Maintenance of Purchased Common Properties) states the following: The Association shall be authorized to purchase properties following approval of the Members by Referendum.


- Article III, Section 5 (Members to have Power of Referendum in Certain Instances) states the following:
 - The Members shall approve or reject by a Referendum certain actions proposed by the Board of Directors to be taken by the Association.
 - In the event of a majority of the eligible votes actually returned to the Association within thirty (30) days of mailing the ballots and notice of Referendum to each Member, [...] shall be in favor of any such action, such action will be deemed to have been authorized by the appropriate Members.
 - The Board of Directors may not undertake any action requiring a Referendum except in compliance with the results of a Referendum.
 - *Note: because a Referendum is conducted via mail and not a meeting, NO quorum is required and NO proxies are collected – instead, owners vote directly on the postage-prepaid postcard included with the Referendum notice.*

Note: prior to the Board's recommendation, this language was reviewed and confirmed with legal counsel.



What's in it for me as an owner?

SAFETY (eliminating bottlenecks) and
CONVENIENCE (owner's-only lane
and onsite management)





How much is this going to cost each owner?

The Board **DOES NOT** plan to levy an assessment to fund these purchases, so there would be no added cost to owners.





Corner Lot Recommendation





Highway 17

LBTS "Main Gate" entrance

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49
Wall St.

RETREAT BEACH CIR

Lakeside Villas

The main gate entrance has **MULTIPLE, SIGNIFICANT** safety concerns with the volume of vehicles and pedestrians entering LBTS, and a **VERY** short “runway” into the property.

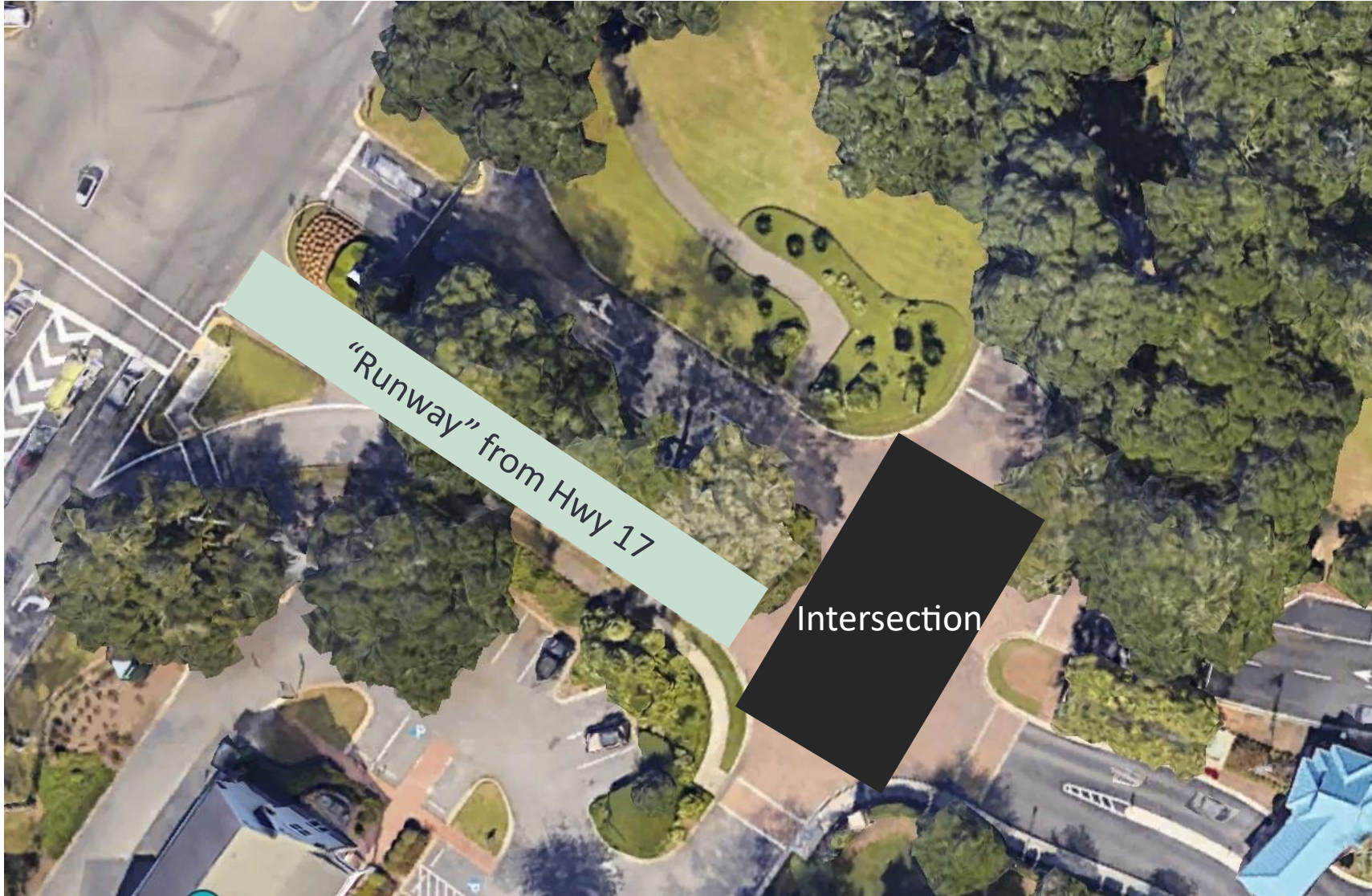
It is also extremely inconvenient for owners to share their lane with guests who have a barcode pass.





Currently, the far “lane and a half” services owners with barcodes AND renters with passes to enter the property. It also serves commercial vehicles too large to fit under the guard house awning.

The “runway”



Main Gate Challenges

3 entrances to LBTS:

- Main Gate
- South Gate (McKissick Dr.)
- North Gate (next to Litchfield Beach & Golf)

The main gate entrance to LBTS – the only entrance served by a traffic light – bears multiple challenges and a *significant* amount of traffic:

Vehicles with passes: owners, renters, visitors

Commercial vehicles

Vehicles without passes

Visitors for private Beach Club events

Deliveries of all kinds: food, furniture and appliances, etc.

Golf cart entries

Walk up guests/ cyclists


Vehicles turned away for various reasons

Over 500,000 entrances through main gate in


2023 Security staff at the main gate is also

managing:

Passes not working (owners, renters, and visitors) Printing
and distributing phoned-in passes
Owners without barcodes on new vehicles
Guests asking for directions
Lost and found items/children
Owners reporting issues (lights out, maintenance problems)



An additional challenge to the main gate is that it can be confusing to navigate for someone unfamiliar with the property, which creates additional safety concerns.





How do we fix these problems?












These staked flags represent the edge of the property owned by LBTS: there is truly NO ROOM to expand the main entrance!

Expanding to the north of the guard shack does not remedy any of the entry issues – it would only help with the exits.





Adding security staff or re-routing traffic to a different gate will not solve the safety issues.

In fact, some options of re-routing owner traffic will result in GREATER safety issues!





ne Corner Lot to

LBTS is considering a main entrance similar to the Wild Dunes main entrance, with three lanes (one for owners only)



Visitors without passes

Visitors with passes

Owners
(barcode entrance)

Corner Lot Purchase Terms

Negotiated by
Board Members
Scott Manhoff and
Royce King

The purchase of the Corner Lot would accommodate an expansion to the main entrance, including a separate lane for owners only.

Terms:



Price: \$650,000

Last sold for: \$550,000 in 2007

Acreage: .73 acres



Conditions: owner vote, satisfactory financing terms, and review of covenants and restrictions

Terms: 15 years, ~6.65% (10 YR T + index) 8-
month “free look” with no Association money
at risk (refundable earnest money deposit)



49 Wall Street Recommendation







In keeping with the goal of more effective management, the Board suggests bringing Association management onsite.

This will be more convenient to owners AND provide more oversight of the property day-to-day.





The Association does not own ANY administrative space; to work, staff and Board members must use either Waccamaw Management offices (3.3 miles from the main campus) or the Beach Club, which is often reserved for events.







Highway 17

LBTS "Main Gate" entrance



Corner Lot

49
Wall St.

Lakeside Villas

WALL ST

RETREAT BEACH CIR



CAHUILLA CORPORATE SERVICES, LLC


Providing Services on behalf of our subsidiaries
49 Wall Street, Wallingford, Connecticut 06495 • (821) 316-3222

49 WALL STREET


HOA management location for similarly situated resorts


Nearby regimes

Facility	Location of management
State Parks (Huntington, Myrtle)	Onsite, inside the gate
Ocean Lakes Campground	Onsite, inside the gate
Wild Dunes Resort	Onsite, inside the gate
Shipyard Hilton Head Island	Onsite, just outside the gate
Kiawah Resort	Onsite, just outside the gate
Kingston Plantation	Onsite, just outside the gate
Sea Pines Resort Hilton Head	Onsite, inside the gate
DeBordieu Colony Association	Onsite, just outside the gate
Litchfield-by-the-Sea Association	3.3 miles away from main gate




The Board has explored multiple options for bringing management onsite, including new construction on the Corner Lot (~\$500k), and leasing office space near campus (nothing available meets the Association's needs).






**49 Wall Street is an ideal location:
just outside the gates and adjacent to the Corner Lot,
and includes a building suited for administrative purposes.**






The cost for the property AND building on 49 Wall Street is just \$65,000 more than new construction on the Corner Lot (without the extra property) would be.





On top of the purchase price of 49 Wall Street, the Board anticipates a small additional cost to renovate the building to fully suit the Association's long-term administrative needs (conference rooms, multiple offices, etc).



49 Wall Street Purchase Terms

Negotiated by Board
Member Jim Guzewich

49 Wall Street would serve as the administrative headquarters for LBTS' foreseeable future. This would also expand the LBTS-owned footprint for added flexibility.

Terms:

- Price: \$565,000
- Last sold for: \$480,000 in 2023 (all-cash offer, closed within days of listing)
- Conditions: owner vote, satisfactory financing terms, and review of covenants and restrictions
- Terms: 15 years, ~6.65% (10 YR T + index)
4-month "free look" with no Association

money at risk (refundable earnest money
deposit)



How much will this cost me?



Total Purchase Cost & Financing Terms

Corner Lot and
49 Wall Street

\$1.215M total cost


Terms:

- Financed at 15 years, ~6.65%
- Annual cost: ~\$115,000 per year
- to be paid out of regular budget
- ~3.5% of LBTS 2024 annual budget

Cost per owner:

- The Board DOES NOT intend to raise dues or levy an assessment to fund this purchase
- “Average” cost is \$41 per year per owner but because it will be paid

out of the regular budget **there is no added cost to owners**



The LBTS Board of Directors cannot purchase property for the Association without a Referendum Vote of the membership.


Your support is required for the Association to purchase property!





Referendum Vote Process

- A letter (compliant with relevant LBTS governing documents) will be mailed to all owners approximately April 10th
- The letter will contain a postage pre-paid card allowing owners to cast a “yes” or “no” vote for the purchase
- Owners have 30 days to cast and return their vote via mail
- The Board will host multiple Town Halls in April to address any remaining questions
- On or about May 15th, the Board will announce the results of the vote



Members of the LBTS Board are available to attend meetings of any sub-regime to discuss this recommendation.

Please contact Deb Cyrek if you wish to have a LBTS Board member attend a meeting for your sub-regime.



Note: prior to the Board's recommendation, this initiative was reviewed with legal counsel



**Please cast a “YES” vote in support of the property purchases
and in support of the future of Litchfield-by-the-Sea!**

