



Litchfield
BY • THE • SEA
Community Association, Inc.

NOTICE OF REFERENDUM VOTE

April 10, 2024

Dear Litchfield-by-the-Sea Property Owner:

The Litchfield-by-the-Sea Community Association, Inc. Board of Directors is proposing a course of action that requires a “Referendum Vote.” This letter serves as formal notice of that Referendum Vote, including the proposed course of action, the reason for the proposal, the Board’s statement in support, and a pre-paid postcard on which you can cast and return your vote. You can find more information, including pictures, details on the governing documents regarding a property purchase, and Frequently Asked Questions, at www.litchfieldbythesea.com/propertypurchase, or by attending one of the Town Hall presentations scheduled in April (more details below).

PROPOSAL: at the front of the Litchfield-by-the-Sea campus, just south of the main entrance gate, is a small road labeled “Wall Street.” Wall Street is designated “Commercial Property” and is part of the Litchfield-by-the-Sea footprint, but the Association does not own any of those parcels of land. There are two pieces of property for sale on Wall Street that the LBTS Board of Directors recommends the Association purchase: the first is a vacant lot on the corner, immediately adjacent to our owner’s barcode lane; and directly next to that vacant lot is the second piece of property, which has a small building and parking lot.

- Purchasing the vacant corner lot will allow the Association flexibility to improve traffic flow and address the significant safety concerns related to the volume of owners and visitors entering through this gate, especially during our busiest months. As you have very likely experienced, the “lane and a half” on the right, which currently serves visitors, renters, owners, and large commercial vehicles, often creates a very frustrating and unsafe experience – and we would like to fix that by working with a traffic engineer and utilizing that vacant corner lot to create a flow that makes sense and improves safety.
- Purchasing the property with a building will allow the Association to bring management onsite, which is an incredible opportunity to improve customer service and the experience for all owners and guests. The Wall Street property is in closer proximity for most LBTS owners than Waccamaw Management’s offices; positioning our administrative building at the main entrance will also allow for any owners or guests needing managerial support for access to the property to be conducted right onsite rather than three miles away.

This proposal is time-sensitive, especially given the recent increase in activity on Wall Street – in fact, you may have recently noticed the new construction of an office building at the end of Wall Street, across from Lakeside and Marsh Hawk, and another new construction is scheduled to begin there soon. While the Board has signed Purchase Agreements for both pieces of property, those transactions cannot be closed

without a vote of the membership. The Association has put down refundable earnest money to hold both properties, but must either close or cancel the transactions by June 2024.

COST AND FINANCING: the total cost for both pieces of property is \$1.215M. Pending the results of this Referendum Vote, the Board's Treasurer has engaged reputable banking institutions to secure financing over a period of time that will result in a significantly lesser impact to the annual budget than paying cash upfront. The approximate cost is \$115,000 per year over 15 years, which is around 3.5% of the LBTS 2024 annual budget. The Board does not intend to increase dues or levy an additional assessment in order to fund this purchase.

VOTING: if a majority of all votes actually returned to the Association within thirty (30) days of mailing the ballots are "in favor of" this proposal, it is deemed authorized (Declaration, Article III, Section 5). No quorum is required for a Referendum Vote. If a property is owned by two or more persons or entities, only one person or entity is permitted to cast a vote for that property (Declaration, Article III, Section 2). Proxies are not permitted for a Referendum Vote (Declaration, Article III, Section 7).

LEGALITY: the Association is permitted to purchase property following a Referendum Vote (Declaration, Article VI, Section 2).

QUESTIONS/CONCERNS: the LBTS Board will host multiple "Town Hall" sessions in April to discuss this proposal and recommendation. To best serve all LBTS owners, half of the sessions will be virtual and half of the sessions will be in-person at the Beach Club. The dates, times, and locations of those sessions are posted on the website and announced through Town Square. We have also posted further information regarding this Referendum Vote at www.litchfieldbythesea.com/propertypurchase.

Enclosed you will find a self-addressed, stamped postcard to cast your vote. Only votes actually returned within thirty (30) days of this mailing will be counted. You may return your vote by mail to: Litchfield-by-the-Sea, PO Box 2308, Pawleys Island, SC 29585) or in person at 41 Maintenance Road in Pawleys Island.

For the Board of Directors,

WACCAMAW MANAGEMENT, LLC, AAMC
Managing Agent

Lisa Hergenrother, General Manager, CMCA, AMS
Litchfield-by-the-Sea

LBTS BOARD OF DIRECTORS, STATEMENT IN SUPPORT:

LBTS does not own ANY property at the main gate other than the roads and the guardhouse itself. This limitation concerns the Board deeply. Our “runway” into the property from Highway 17 is excessively short, and we need to take every available opportunity to improve the safety of that entrance. LBTS owners should also give ourselves the greatest amount of convenience to access the property, which includes an owners-only lane at the entry served by a traffic light. That cannot be accomplished with the physical limitations of the property LBTS currently owns at the main gate. Additionally, bringing Association management onsite creates so much more convenience for all our owners, and we’re frankly left wondering “why did we ever do it another way?”

Through this process, we have been frequently reminded that “when it’s gone, it’s gone” – there is no other piece of property on the planet that will allow LBTS to expand its main entrance gate. Purchasing these two pieces of property will have a significant impact on the Association in the near future AND in the long-term, and we consider it top priority.

We make this recommendation and ask for your supportive vote not just as your Board of Directors handling the needs of the Association, but as your peers and neighbors who want the best for our community. At this time, we could not make a better investment in the future of Litchfield-by-the-Sea than purchasing some of the only property that is adjacent to our property and on the market. We have thoroughly reviewed for the last 8-10 months and believe this is the best possible decision the Association could make at this time.

If you have questions, we invite you to review the presentation, which includes FAQs, on litchfieldbythesea.com/property purchase, send questions to Deb Cyrek for the Board to answer (debc@waccamawmanagement.com), or attend one of the scheduled Town Halls where we will walk through a presentation on the recommendation and answer any question you may have. We understand that casting your vote is an important decision. As you make up your mind, we want you to be fully informed of the information we found compelling in making our recommendation.

This Statement in Support is provided as part of the requirements of our governing documents for a Referendum Vote. On the next page of this mailing, you will see a “Dissent” document from one Board member who does not support this recommendation.

It is uncomfortable for the Board to disagree with one of its own members publicly, but on the remaining pages of this mailing, you will find the Board’s response to the dissent. As it addresses the concerns and “alternatives” provided by Mr. Manhoff, we specifically invite you to review the Board’s response to the dissent.

SCOTT MANHOFF, STATEMENT IN DISSENT:

I do not agree with purchasing the land immediately adjacent to the main gate at this time.

My biggest concern is that LBTS is overpaying for the lot.

The purchase price for the lot adjacent to the main gate is 650K.

There is a lot on Wall Street, comparable in size that could be purchased for 350K.

LBTS should explore the costs for development of each lot.

Both lots would require an additional security gate and creating a road. Cost was approximately 100K for security equipment when the North Gate was established. The corner lot has an existing live oak tree that will limit development on that lot.

I also have concerns about the purchase of 49 Wall Street.

LBTS needs to quantify the start up costs to occupy the building. i.e. (construction/office furniture/office supplies).

Due to these unknowns, I would suggest LBTS consider leasing the property for 2 years with a purchase option.

If the goal of buying the corner lot is to give the owners better access especially during the season. There is another cost-efficient option.

LBTS can improve access to the North Gate by adding 2-3 lanes directly in front of the current gate, without having owners or renters being directed through the parking lots for Litchfield Beach and Golf Club, to utilize the North Gate.

Myrtle Beach National and the Litchfield Company(owners of the land where the new entrance would be) are interested in this project as well. LBTS BOD is getting a bid to do the roadwork. The current estimate will be \$100-200K. No new security equipment is necessary because the North Gate exists. There is a camera and a way to communicate with the Main gate if necessary. The owners will have an additional way to easily get into the Beach.

I have been in the commercial real estate business since 1988, mostly in the Baltimore/Washington DC area. I understand the value of owning commercial real estate. There is a lot of due diligence required for every real estate transaction. I believe LBTS has a lot more to do for a \$1.1M real estate purchase. One thing I do know, you never overpay for land.

LBTS Board's Response to Mr. Manhoff's Dissenting Opinion

While uncomfortable for the Board to publicly disagree and rebut the opinions of a dissenting Board member, we feel obligated to share with the LBTS membership the reasons we believe Mr. Manhoff's opinions are not supported by fact or reasonableness.

The key concern Mr. Manhoff cites is cost, and he gives "alternatives" to purchasing the Corner Lot that he believes are comparable. Those alternatives include an expansion of the "North Gate" (next to the Litchfield Beach & Golf building) or purchasing a different piece of property further down on Wall Street simply because it is cheaper.

The reality is that purchasing a different piece of property on Wall Street will not allow expansion of the main gate – it will only allow for rerouting of traffic. Rerouting of traffic will compound the safety issues we already see at the main gate: imagine turning left at the light to enter the property, and then immediately turning right onto Wall Street – which requires crossing any traffic turning into the property from the south, then driving several hundred feet, and then turning left to go through Mr. Manhoff's proposed new entrance.

We would be remiss if we did not also note that the \$350,000 "alternative" lot Mr. Manhoff references is subject to a set of commercial use restrictions, and the holder of those restrictions has indicated they would not support using that property for drive through access to LBTS. The Board also believes that due to the significant increase in traffic on Wall Street this rerouting would create (the main gate saw ~150,000 owner entries alone in 2023), Georgetown County would need to approve. That conversation with the County has not been contemplated or held. As such, the Board finds this "alternative" neither reasonable nor feasible.

The Board is aligned to explore potential improvements to the North Gate entry, which is Mr. Manhoff's second proposed alternative. However, the reality of that alternative is that *LBTS does not own the property leading up to or surrounding the North Gate*. Exploring that improvement requires the approval of two commercial entities who have indicated a willingness to partner with the Association, but have specifically noted that they would maintain ownership of the property and reserve the right to repurpose it in the future. In other words, Mr. Manhoff's proposal includes *spending "\$100-200k" on improving property owned by someone else*, who could undo that improvement at any time. Further, no feasibility or environmental impact studies have been completed, and the cost estimate Mr. Manhoff cites is not one that has been verified by any construction company, consultant, or contractor. The Board is unaware of the information that led to this estimate and believes

that the actual cost to improve the property surrounding the North Gate would be significantly higher.

The concerns about purchasing 49 Wall Street and its administrative building include the unknown startup costs around build-out, office supplies, and furniture. The Board would respectfully state that the cost of a build-out, office supplies, and furniture does not change with a lease of the property rather than a purchase, which is Mr. Manhoff's suggested alternative. Again, this stands to spend Association money on the improvement of someone else's property, and the Board questions the logic behind such a recommendation.

Mr. Manhoff signs off with the reminder that one should "never overpay for land." Our response to that is "location, location, location." There is no other lot at the front of the LBTS oceanside campus, and there is no other property that enables the expansion of our main gate. If he held such grave concerns about cost, we believe the appropriate time to address that would have been when Mr. Manhoff represented the Board and the Association in discussing and determining the terms of the purchase agreement with the seller.

For the Board of Directors of
Litchfield-by-the-Sea Community Association:

Larry Ferguson, President
Bruce Allan, Vice President
Jim Guzewich, Treasurer
Cynthia Steen, Secretary
Bob Gilman, Director
Royce King, Director
