



# Litchfield-by-the-Sea Board of Directors

## Property Purchase Recommendation and Referendum Vote

### FAQs

April 2024





# Frequently Asked Questions

# Frequently Asked Questions: General

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## Why is the Board recommending these purchases?

- A: After realizing that our main entrance gate (the only entrance with a traffic light) does not meet the needs of the membership and negatively impacts both owners and renters, the Board has been exploring options to make the main entrance safer and that requires the purchase of the **corner lot**.
- A: Part of the strategic planning process has been a thorough examination of our management strategy. Almost universally, large associations like LBTS have in-house, on-site staff because of the need for more involved oversight. Purchasing **49 Wall Street** (and its existing structure) is cheaper than building from scratch and will allow management to be onsite. This is needed for multiple reasons!

## Are my monthly/annual dues going to increase as a result of this purchase?

- A: No – the Board does not intend to raise dues to fund this purchase; it will be paid out of the regular annual budget. The cost for the total length of the debt is ~\$115,000 per year, which represents ~3.5% of the 2024 LBTS budget.

## Why was this land not left to the Association by the developer or purchased by the Board before?

- A: We cannot speak for the decisions of previous Boards. The recommendation is based on what we know today, and how we need to plan for the future of LBTS.

## Will Resort Fee funds be used for this purchase?

- A: A limited portion of the debt will be serviced by the Resort Fee, as a main gate expansion and access to an onsite “information center” (management) would positively impact renters as well.

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## How much does this “cost” when divided out by owner?

- A: The total amount of the cost is an average of less than \$45 per owner per year. *Please note: this is not an accurate reflection of what an assessment would be, given the different charges to Willbrook and Oceanside/River Club campus owners (more for Oceanside/River Club, and less for Willbrook). However, the Board does not intend to levy an assessment to fund this purchase!*

## What’s the benefit for the West Campus (Willbrook and River Club) owners?

- A: The top amenity for all LBTS owners is the beach. Any improvement to the Oceanside campus increases property value for all LBTS owners, including West Campus owners, as it enhances the experience of your family and guests by improving safety and reducing the “bottlenecks” that exist. Safety is the key concern to be addressed with an expansion to the main gate.
- A: The Oceanside campus is the only LBTS location regularly visited by all three campuses (Willbrook, River Club, and Oceanside), so having management located close to the campus visited by everyone makes sense!

## Is this an “arm’s-length” transaction? Is anyone from the Board benefiting from these purchases?

- A: The Litchfield Company (with whom Director Royce King is affiliated) holds the listing for **but does not own** the Corner Lot. The individual agent will be paid; the Litchfield Company (Royce) is foregoing its commission.

# Frequently Asked Questions: General

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**The governing documents state that Annual Assessment funds cannot be used for the operation, improvement, maintenance and repair of Purchased Common Properties. How will these be funded?**

- A: LBTS has multiple non-Assessment revenue streams, including income from interest. Over time, the Board anticipates an increase in these revenue streams, which will fund the operation of the PCPs. Additionally, the expectation is that the ongoing maintenance and operation costs for both of these properties will be negligible.



# Frequently Asked Questions: Financing the Transaction

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## **Why is the Board recommending financing this purchase rather than just charging an additional assessment and paying cash?**

- A: There are several reasons the Board is recommending the Association finance the purchase of the two properties rather than paying cash.
- First, the Board is engaged in long-range strategic planning and managing previously-deferred maintenance, alongside an increase in Association revenue through multiple alternative revenue streams. To create the maximum amount of flexibility, the Association is best served by a lower “required” payment – but, with no prepayment penalties, as the cash flow from the Resort Fee and other alternative revenue streams improves, the Association can opt to pay the debt in full at any future time if desired.
- Second, while the language in the governing documents allows an increase more than the 6% annual increase levied in the past, the Board prefers to avoid that increase at this time if possible.

## **Is the Association allowed to mortgage property?**

- A: Yes, the Association is permitted to mortgage property and/or pledge its revenues as security for loans made to the Association (Declaration, Article VI, Section 6).

## **Do you know the cost of the main gate improvements or the work to be done on 49 Wall Street?**

- A: The Board has explored preliminary estimates but does not have a finalized project plan for either property, pending the outcome of the owner vote.

# Frequently Asked Questions: Corner Lot

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## **Is the price negotiated a “fair” price for the Corner Lot property?**

- A: As we all know, when it comes to real estate, the magic phrase is “location, location, location”! There is no other piece of property in existence that will allow LBTS to expand its existing main gate, and once that piece of property is gone, it’s gone. The Board opted to go under contract for a “full price” offer with a significant contingency concession from the seller: LBTS has 8 months to complete due diligence at NO COST.
- A: Additionally, the Corner Lot was last purchased in 2007 for \$550,000; the current list price is \$650,000, which is an 18% increase over the last ~15 years; there are properties at LBTS selling for a higher percent increase months after purchasing!

## **Are there any “covenants and restrictions” that apply to the Corner Lot? Will those prevent LBTS from expanding the main gate entrance?**

- A: Yes, there are covenants and restrictions that apply to the Corner Lot. However, those restrictions do not prevent LBTS from expanding the main gate entrance.

## **Has the Board considered other alternatives to improve traffic flow without purchasing the Corner Lot?**

- A: The Board has reviewed multiple options. With 350,000 entrances just through the owners + renters “lane and a half” per year, and a very short “runway” from Highway 17 to the gate, the Board believes no other option will have a measurable impact on safety and efficiency except for expanding the main entrance.

# Frequently Asked Questions: Corner Lot

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## **What about using the South Gate for owners instead of owners entering into the main gate?**

- A: The South Gate was once the main entrance but it's not served by a traffic light. The Association is looking at options to have all commercial vehicle traffic enter through the South Gate (and leave the "owner's only" barcode entrance in place), but the challenge continues to be the lack of a traffic light and limited visibility.

## **What about using the North Gate for owners instead of owners entering into the main gate?**

- A: The road leading to the North Gate, and the property around the North Gate, is not owned by LBTS.
- To access the North Gate from the traffic light, vehicles would need to turn left after the "runway" from Highway 17. In the high season, more vehicles are exiting LBTS through the main gate, which would require vehicles attempting to turn left to access the North Gate to wait for exiting vehicles to pass through, and would worsen the bottlenecks and backups from Highway 17.
- The alternative to accessing the North Gate without turning left from the "runway" at the main gate would be turning into the Litchfield Beach & Golf entrance (which is not served by a traffic light), then turning right to drive through the LB&G parking lot, and then left into the North Gate.
- Both of these options to access the North Gate are logistically more difficult and will create a GREATER safety impact.
- While improving the North Gate is an option the Association will continue to consider, improving the North Gate will not negate the issues requiring improvement at the main gate, which we cannot do without purchasing the Corner Lot.



# Frequently Asked Questions: 49 Wall Street

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## **Why does the Board want management to be onsite?**

- A: The face of the entrance to LBTS has always been The Litchfield Company and their beautiful office buildings, which many assume to be the location of the Association’s management offices. But after arriving and asking, owners, visitors, and guests are directed to Maintenance Road, which is located 3 miles from campus, a distance off the main road. Given the broad range of critical responsibilities the Association holds, LBTS is best served with management that is onsite and more readily available to owners as needed.

## **Is the price negotiated a “fair” price for the 49 Wall Street property?**

- A: 49 Wall Street was listed for sale in December 2023, and closed within days in an all-cash transaction at the list price, indicating both its desirability on the market as well as “fairness” of price.
- A: Also, the Board explored the cost of constructing a new building on the Corner Lot – and the cost of purchasing the additional property and existing building at 49 Wall Street at its new sales price, is only \$65,000 more than the cost of a new construction building alone, on the Corner Lot.

## **Has the building on 49 Wall Street been inspected?**

- A: Yes; there are a few addressable issues the Board negotiated and resolved with the seller for repair.