



## Middle Island Property Owners Meeting To Be Held July 6 at 10:00 am

The Middle Island Property Owners Association Board will hold an open Board of Directors Meeting at the Middle Island Swim and Racquet Club cabana at 10:00 on Saturday, July 6<sup>th</sup>. All property owners are urged to attend. The Board will provide a report on key issues facing Middle Island and the ongoing evaluation of Young Realty's proposals, including a preliminary assessment of each of the assets that Young Realty proposes to transfer to the property owners, including historical operating costs and future options that the Board and property owners may wish to consider. Knowing that it is a holiday weekend, presentations will be relatively brief and we welcome questions and comments from property owners.

This first issue of the Newsletter is meant, in part, to whet your appetite for further information to be provided at the property owners meeting. We hope you will be able to attend, but for any of you who cannot, we will summarize key issues in the next newsletter.

## The Future of Middle Island

Middle Island property owners face a key set of decisions that will affect the future of our community. When Young Realty developed Middle Island, it did not establish a property owners association and did not plan a transition from developer ownership and responsibility for Middle Island infrastructure and amenities. Today, unlike the vast majority of property developments that have a traditional property owners

### The Newsletter: Part of a Commitment to Communication and Transparency

Your Middle Island Property Owners' Association Board believes that the key decisions about the future of Middle Island must be made by all the property owners, and that the Board is responsible for conducting a thorough evaluation of any transition proposals made by Young Realty and communicating its evaluation to the property owners. Clearly, increased transparency and improved communication are crucial to that process, and involve several initiatives:

- Open meetings of the Board.
- Regular meetings of property owners to report on our evaluations and to discuss key issues.
- The Middle Island Property Owners Association website, providing a resource for property owners, including key Middle Island documents, reports, maps, and information about the activities of the Board and transition committees.
- This e-mail Newsletter, which will keep you informed about the issues, particularly if you are unable to attend property owners meetings.

Ultimately, the Board will provide property owners with a final proposal and evaluation in writing, addressing the transition of Middle Island. This final proposal will include not only an evaluation of the final Young Realty proposal, but also a recommendation about whether the current voluntary Property Owners Association should become a true property owners association operating under the North Carolina Planned Communities Act. Property owners will vote on the proposals.

association, we are a community that has only a voluntary property owners association dependent on voluntary payment of dues.

We are also a community with private roads and other assets that require ongoing maintenance. The roads and other amenities such as the Middle Island Marina, the creek docks, the Racquet and Swim Club, and the beach access are currently maintained by the developer, with some dues support from marina and club members.

In the past, the previous MIPOA Board evaluated Young Realty proposals to turn over infrastructure and amenities to the property owners association, and concluded that the POA should not accept the assets – and in particular, the roads – without a reliable and ongoing means to pay for maintenance and replacement. The recent Young Realty proposal to turn over infrastructure, amenities, a cash amount, and a Middle Island lot to the property owners association poses a similar, long-term financial challenge, if MIPOA remains a voluntary property owners association without the ability to assess dues.

The **North Carolina Planned Communities Act** allows an existing community of homeowners to bring themselves under the provisions of the Act by amending its declarations. A vote in favor of adopting the North Carolina PCA would create a property owners association like others on Bald Head Island, with the ability to assess annual dues. Based on the recorded Middle Island covenants, it appears that amending our covenants to adopt the Planned Community Act would require a majority vote of Middle Island property owners, with each property owner casting one vote regardless of the number of lots owned. We would like to emphasize that our goal is to present a plan that can be endorsed by substantially more than a simple majority of property owners.

**This will be a pivotal decision for all of us on Middle Island.** The Board is currently looking separately at each asset identified by the developer to determine the current condition of the asset, the historical operating costs, and the capital reserves that may be necessary for major repair or replacement in the future. For certain assets, there may be several other options, such as not accepting the asset, recommending a separate ownership of the asset, or turning the asset over to the Village. The Board will also develop possible dues structures under different scenarios. Finally, the Board (and ultimately all property owners) will need to consider the long-term consequences of other options, including leaving all assets in the hands of the developer.

**Young Realty's ultimate proposal, including additional funding from Young Realty in the form of cash or property, must convince a majority of property owners that accepting certain assets and becoming a true property owners association is a wise course of action that will enhance both our enjoyment of this remarkable development and our property values.**

## The Roads of Middle Island



Today, the roads of Middle Island are private roads owned and maintained by the developer. It goes without saying that they are the infrastructure that everyone, homeowner and lot owner alike, depends on for access, now and in the future. Without well-maintained roads, safety, comfort, and property values are at risk – and maintaining this shared asset through voluntary contributions is a sketchy proposition.

We are assessing the condition of our private roads, the continuing responsibility of the developer to maintain our roads, and the cost of a variety of options, each of which conveys a different concept of what we want Middle Island to be. Options include:

- **Improve and then maintain the roads as they are today:** a 1522' private asphalt road along East Beach and 11,200' of gravel roads through the maritime forest, with two additional options for access:
  - open access as it is today, or
  - full-time or part-time controlled access using a gate at the entrance to Middle Island, reducing excess traffic that produces wear and tear on the roads and other infrastructure (discussed further in the next section).
- **Improve and pave the gravel roads, but not to Village standards,** with the same options to control access to Middle Island.
- **Improve and pave the gravel roads to standards acceptable to the Village, and convey them to the Village.** Responsibility for maintaining the roads would pass to the Village, and would be funded from the revenue of the Village rather than homeowners association dues. If the roads were conveyed to the Village, there would be no option to control access to Middle Island.

The Board is exploring the feasibility and cost of these options as a basis for further discussion. We have examined the adequacy of the current roadbed, developed estimates for improving the gravel roads to various standards, examined likely maintenance costs, and discussed the road conveyance issues informally with the Village.

There are several challenges to improving the roads to Village standards that will further increase the initial cost of this option. Sections of the road may be below the minimum elevation of 6 feet above mean sea level and two stretches of road have only a 20' right-of-way rather than the 30' right-of-way required by the Village for most roads. Even if paving to Village standards were legally possible and financially feasible, property owners may prefer the ambiance of private gravel roads, if well-maintained.

## Controlling Access to Middle Island



As noted above, one option involves placing an access control gate at the entrance to Middle Island. Young Realty has already wired the median to accommodate a gate. Controlled access to the roads may make gravel roads more appealing because of a reduced need for maintenance and dust control; may reduce the excess traffic and occasional problems associated with public access to Middle Island especially during the summer months and holiday weekends; and might enhance property values. Access for guests, contractors, trams, realtors, and emergency vehicles would need to be accommodated. The board is gathering information about gate control options to help inform that discussion among all property owners.

Beyond these practical considerations, it is likely that property owners will hold a variety of views about the desirability of creating a gated Middle Island community on Bald Head Island. The Board plans to facilitate discussion of this and other issues to develop our shared vision of Middle Island.

## The Racquet and Swim Club



The Racquet and Swim Club property includes the cabana where the MIPOA meeting will be held, the pool, the tennis court, and the paved parking area in front of the cabana. The Adjacent Property tract includes the road and open grassy area west of the pool and the area south of the pool and tennis court, including the gravel parking area. There are somewhat complex deed restrictions on each parcel, and Young Realty proposes use restrictions on the property to assure its continuing operation as a pool and tennis court if conveyed to the POA.

The RSC has had relatively low membership numbers. Dues have contributed roughly 60% of the \$25,000 annual operating expenditure; major expenses above and beyond these routine operating costs, such as resurfacing the tennis court and the pool deck, have been borne by the developer.

Community pools are an important and attractive community feature for some owners, but are relatively expensive assets and bring some increase in liability. On the other hand, their availability may enhance property values. Furthermore, the property currently provides the only alternative parking for the beach access. As you know, the beach access parking accommodates only 4-5 carts and is already inadequate to meet the beach access parking needs for the Middle Island community.

## The Middle Island Marina



The Board is assessing the current condition of the docks and boat ramp at the marina, the cost to bring them up to a condition in which they could be transferred to the association, the operating costs of the marina, and a reserve fund for major repairs and replacement that may be necessary in the future. The Marina is currently owned by a separate entity established by Young Realty. Property owners have deeded road access through the Conservancy's Sanctuary to the Marina property, and the Conservancy has access to the Marina property.

Young Realty has noted in the past that a reserved triangle of land at Land's End could be used to develop additional dockage on Cape Creek as build-out increases the demand for dockage, but that parcel is not part of the present Young Realty offer because of limited parking and possible impact on the Land's End building lot.

The operating costs of the Marina, excluding property taxes (from which a POA is exempt), have averaged \$4000-8000 per year, and dues have increased to \$5000-6000. However, these cost estimates do not include any contributions toward a reserve fund for replacement and major repairs.

## The Middle Island Beach Access



Young Realty owns a 10' wide beach access between 15 and 17 East Beach. As with all beach access points, the location and height of the primary dune is constantly changing, as sand accretes or is lost. Hurricanes and prolonged nor'easters damage the dune and the access, requiring rebuilding of the stairs and part of the boardwalk at least once a year. The current location has been particularly vulnerable to overwash and loss of beach sand and is not ideally

located in relation to available parking. The Board is assessing the condition and future costs of both maintaining the boardwalk and expanding parking capacity in nearby locations to accommodate expected needs.

Young Realty has arranged to improve the security of the beach access gate to assure that the access serves only Middle Island property owners. The gate now has keyed doorknobs on both sides and will close and lock automatically, making it easier for property owners to keep the gate locked without the inconvenience of unlocking the padlock on the far side when exiting.

## Other Infrastructure

Young Realty has also proposed transferring other assets such as the creek docks, the tractor, the lease to the Middle Island storage garage, the boathouse at the Marina (which would be leased back to the Young family for a minimal annual fee), a triangle of land at the entrance to Middle Island for a possible access gate, and the Reserved Area at the end of Land's End Road. The condition of these assets is also being assessed.

## A Fair Allocation of Association Expenses

We will ultimately need to decide on a fair and reasonable allocation of the expenses associated with assets that the property owners vote to accept, if any. One approach is to establish a single budget and allocate the costs to each property, on the theory that everyone benefits from the availability of the amenities even though they may not currently use a specific amenity. Home owners are usually charged more than owners of unimproved property; in other developments on Bald Head Island, that ratio is usually 3:1.

An alternative approach would establish several additional classes of dues, with higher dues for home owners using specific amenities, such as boat dockage at the marina, the pool, or the tennis court. Part of the cost of those amenities could be allocated to all owners (since everyone may use the marina docks for fishing, for example, and all property values are enhanced by community amenities), while part of the cost is allocated to active users. When better estimates of operating expenses and reserve funds are available, specific dues options can be developed and presented for discussion. Fluffy the gigantic Middle Island alligator pays no dues.



## Your Participation

Your Property Owners Association Board is committed to a full, careful, and transparent evaluation of options at this critical juncture in the development of Middle Island, and to the principle that decisions about Middle Island infrastructure and amenities and the role of the Property Owners Association will be made with full input of the property owners of this very special place.

We welcome your participation. If there are particular issues that interest you, please contact any member of the Board.

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