



**Middle Island Property Owners Association**

# Welcome to the Middle Island Property Owners' Association Conference Call

Thursday, January 15, 2015  
6:00 PM

This presentation was revised after the conference call to clarify the restriction on annual dues increases (slide 10) and the dues for other BHI property owners' associations (slide 11).

# Meeting Agenda

Introduction

Details of Agreement between MIP LLC and the MIPOA Board

Proposed Budget and Dues Structure

Planned Community Act and Amended Covenants

MIPOA By-Laws

Voting Process and Timing

Comments and Questions

## General Parameters of the Agreement

Settlement agreement takes effect when owners of 67% of the lots on Middle Island vote to approve new covenants and to bring Middle Island under the North Carolina Planned Community Act (PCA).

MIP LLC will convey specific common assets and amenities to the property owners

MIP LLC will provide a payment of \$608,000 that will be used for immediate improvements to the roads and other assets and for initial funding for our capital reserves

Before closing, MIP LLC will replace the Bald Head Creek dock, repair its bulkhead, and install new aluminum gangways there and at the Cape Creek dock

MIPOA will assume responsibility for the assets and amenities

## Assets That Will Be Transferred to MIPOA

- East Beach Drive and the gravel roads, with rights of way and easements
- Middle Island Beach access, parking lot and overflow parking areas south and west of the tennis court
- The marina on Cape Creek
- The two Bald Head Creek docks
- The truck, tractor, equipment and leasehold interest in the maintenance building
- The triangle lot at the entrance to Middle Island on East Beach Drive where the Middle Island sign is located.
- The undeveloped areas on the marsh known as Reserve Areas 4 & 5.

# Future Decisions

## **Racquet and Swim Club**

The agreement does not transfer the Racquet and Swim Club. Young Entities may:

- Continue to operate the club under the current arrangement.
- Transfer the club to a group of interested property owners who agree to maintain it as a racquet and swim club predominantly for the benefit of Middle Island residents.
- Permanently convert and sell the site as a single family residential lot, either alone or together with the lot just north of the Racquet and Swim Club.

## **Middle Island Gate**

All decisions about a gate at the entrance to Middle Island have been deferred for discussion following turnover of the roads. The Board will fully explore different options and present its recommendations to the property owners for discussion.

## How the Board Developed Cost Estimates to Guide Negotiations and Budgeting

MIPOA Board independently evaluated the condition of the roads and each of the other assets to determine the cost of immediate improvements, the annual cost to maintain the asset, and the useful life and replacement costs of each asset.

These cost estimates were developed using bids from potential contractors, industry standard cost estimates, and information from other POAs and property management companies.

Negotiations with Young Entities resulted in agreement about:

- **Immediate improvements** that Young Entities would complete prior to turnover, such as replacement of the Bald Head Creek dock and repair of its bulkhead, and
- **A transfer payment of \$608,000** from Young Entities at the time of settlement that would fund:
  - **Major improvements needed in 2015**, most notably the rebuilding of the gravel roads
  - **Initial contributions to asset reserve funds** based on the current condition of the asset, its remaining useful life, and its replacement cost.

# The Proposed 2015 Budget

The Proposed Budget for 2015 is based on the asset evaluations and cost estimates that guided negotiations. This initial budget has two main components:

1) A proposed allocation of the \$608,000 that Young Entities will transfer to MIPOA at settlement:

- \$473,085 will be spent in 2015 to bring the gravel road and other important assets to a state of reasonable repair, to pay the Association's legal and settlement expenses, and to make minor initial equipment purchases.
- \$134,915 will be allocated to specific reserve funds for each asset and to the general reserve fund.

2) An initial annual budget with:

- Net annual operating expenditures of \$108,120
- Annual contributions to reserve funds of \$31,499
  - The annual contributions to the reserve funds are based on the remaining useful life of each asset. The goal is to make realistic annual contributions now to avoid relying on large special assessments when assets need replacement.

This initial net annual budget of \$139,619 would be the baseline annual budget for MIPOA going forward and the basis for determining annual dues.

## Middle Island Property Owners Association

# 2015 Annual Budget and Dues

(excluding one-time transfer fund expenditures)

		Annual net operating costs	Annual reserve contrib	
<b>NET OPERATING COSTS AND RESERVE CONTRIBUTIONS</b>				
	Gravel Roads	\$ 32,168	\$ 10,000	
	East Beach Drive	\$ 3,000	\$ 3,413	
	Creek docks	\$ 1,000	\$ 6,533	
	Beach access and parking	\$ 12,500	\$ 2,220	
	Administrative, legal, insurance, accounting, general reserve	\$ 54,292	\$ 3,000	
	Cape Creek Dock	\$ 5,160	\$ 6,333	
	<b>TOTAL</b>	<b>\$ 108,120</b>	<b>\$ 31,499</b>	<b>\$ 139,619</b>

NOTE: Net operating costs reflect offsetting revenue from boat owners for dockage at Cape Creek and from Young Entities for work performed on their properties.

## General Framework for Annual Dues

In calculating proposed dues amounts, the annual expenditures and reserve contributions were allocated among Middle Island lots based on two principles:

1. An improved lot contributes twice the amount contributed by an unimproved lot; and
2. For gravel road expenditures only, a lot on the gravel road (all forest lots) contributes three times the amount as a lot not served by a gravel road (all East Beach lots). For all other expenditures, forest and East Beach lots contribute equally.

For 2015, approval of the covenants includes approval of the initial budget and dues for the Association.

For the 2016 budget year and beyond, the proposed Covenants provide a process for budget review and approval (or rejection) by the property owners and a limit of 5% on annual dues increases for each type of lot.

## Proposed Dues for 2015

<b>Improved forest lot (23)</b>	<b>\$2041</b>
Improved East Beach lot (14)	\$1576
Unimproved forest lot (63)	\$1021
Unimproved East Beach Lot (8)	\$788

These figures are the base year amounts and are included in the proposed Covenants.

Annual increases are limited to a maximum of 5%, unless approved by 2/3's of the votes of property owners voting in person or by proxy at a special meeting. Special quorum requirements apply.

**BHI POA's Comparison of 2014 Dues for Improved Properties**  
**In comparison, proposed Middle Island Dues Support Unique Amenities at a Reasonable Cost**

Association	Dues	Inclusions
Cedar Court	\$480	*Landscaping; maintenance of sign & fence; replacement reserve for covered items
Braemar	\$480	*Road & sign maint.; replacement reserve for covered items
Palm Court	\$564	*Landscaping; maintenance of sign & fence; replacement reserve for covered items
Loggerhead	\$669	*Maint.of roads & sign; replacement reserve for covered items
Grove	\$753	*Landscaping; maintenance of roads & sign; replacement reserve for covered items
Palmetto Cove	\$836	*Ground's, road, dock & sign maintenance; annual vegetation trimming; replacement reserve for covered items
CFS	\$743-1,255	*Maintenance & replacement of alleys, based on 15 year life
Harbour Village	\$1,022	Landscaping; common areas; Insurance; general admin; fence/planters; dock; storm water retention pond
Flora's Bluff/ KillegrayRidge	\$1,971	Landscaping; insurance; overhead incl reserve & manager; maintenance; beach access; roads; boardwalks
<b>Middle Island POA</b>	<b>\$1,576 – \$2,041</b>	<b>Landscaping; insurance; overhead incl reserves; maint. &amp; repairs incl signs, retaining walls, bridges, 3 docks incl deep water boat launch; private beach access/parking; 4 miles private roads; 14 acres common areas</b>
Surfman's Walk	\$1,877- \$2,164	*Landscaping; insurance; maint. of retaining wall, entry, sign, boardwalks& irrigation; replacem. reserves for covered items
Summer's Crescent	\$2,049	*Ground's, sidewalk, retaining wall, sign, and irrigation maintenance; grill propane; reserve to replace grills & covered items; electricity for grinder pumps
Sabel Palm Cottages	\$2,415	Landscaping; insurance; overhead incl reserve; ext maint. of homes/neighborhood; paint on ext of homes; roofing
Keepers Landing	\$2,531	*Amenities' insurance; grounds, retaining walls, entry, maint. incl boardwalks, dock, pier, sign, irrigation & lighting fixtures; annual tree trimming; replacement reserve for covered items
Ibis Roost	\$2,955	Landscaping; insurance; overhead incl reserve; maintenance; pool; garages; exterior painting; roofs; exterminator
Lighthouse Landing	\$3,215	Landscaping; insurance; overhead incl reserve & manager; maintenance incl driveways, dock, exterior painting & lights
The Villas	\$3,615	Lawn landscaping; garden islands; insurance; ext paint; exterminator; maintenance incl irrigation system, lagoons, roadways, signage; lighting & bridges
Royal James Landing	*\$5,905 - \$6,372 *2011 #s	Landscaping; insurance-HO6; overhead incl reserve & audit; pool, A/C & heat pump unless cat; roofs; repairs; exterior painting; exterminator; homeowner windows/doors/deck
Timbercreek	\$9,989 – \$11,672	Landscaping; insurance; overhead incl reserve & manager; Exterior maintenance incl pool & alarm system; repairs; flood insurance on ext bldg, exterminator; fire ext. inspections, roofs

\* Includes overhead incl reserve for common areas, maintenance of common areas, Insurance, manager, financial audit  
Source of data: Wendy Wilmot Properties

Note: The annual dues for properties in Stage 1 and Stage 2 include both POA dues and Stage 1 or Stage 2 dues. MIPOA members would pay only MIPOA dues.

## The Proposed Amended and Restated Covenants

The Amended and Restated Declaration of Covenants, Conditions, and Restrictions of Middle Island (“the Covenants”) is the key document in the transition to owner control of Middle Island.

The Covenants provide a strong foundation and organizing structure for property owners to work together to maintain the quality and integrity of our special community and enhance our property values.

The Covenants describe the governance and funding of the planned community and the conditions and restrictions that apply. Specifically, the Covenants:

- Restate provisions in the existing covenants for Middle Island or the Bald Head Association, including the architectural review process, siting and setback provisions;
- Identify the Association’s common areas and amenities that Young Entities will transfer to MIPOA;
- Adopt the provisions of the North Carolina Planned Community Act (PCA); and
- Adopt additional procedures governing how MIPOA will operate, including a specific budget process with significant restrictions on annual dues increases and special assessments.

## The Covenants (continued)

The proposed Covenants also include the dues amounts for 2015 and these additional protections:

- Restrictions are placed on non-budgeted Board expenditures.
- Specific reserve funds are established for each type of asset, with the requirement that major repairs and replacements be funded first from the reserve fund for that asset, further decreasing the likelihood of a special assessment;
- In the unlikely event of a weather catastrophe, property owners will be able to prioritize rebuilding, to the extent that the cost of major repairs and replacements exceeds the funds in the asset's specific reserve fund.

## The North Carolina Planned Community Act (PCA)

Adoption of the PCA provides important protections to Middle Island property owners and allows MIPOA to equitably distribute the costs of maintaining the roads and common assets.

The PCA includes:

- a statement of the limited powers of the association and the board (restated in the Covenants), including notice and quorum requirements for meetings of the property owners;
- a transparent budgeting process to establish the annual assessment (“dues”), including a way for property owners to reject the proposed budget and dues (further specified in the Covenants);
- provisions governing insurance (further addressed in the Covenants);
- a process for collecting assessments, including, if necessary, the ability to place an enforceable lien on the property (without this lien provision, the Association could not maintain the roads and amenities and therefore could not responsibly take possession of them from Young Entities);
- additional property owner protections, including a requirement for supermajority votes to change the covenants and to levy special assessments.

## General Description of the proposed Amended By-Laws

The amended MIPOA by-laws are a companion document to the Covenants that set forth rules and procedures governing MIPOA decision-making procedures, Board elections, meeting requirements, etc.

The amended by-laws include provisions dealing with:

- Annual property owner meetings;
- Voting rights of property owners;
- Nomination and Election procedures for the MIPOA Board, MIPOA meeting and quorum requirements, powers and duties, and indemnification;
- Assessment procedures and reserve funds to maintain and improve the common assets and amenities.

## The Approval Process

Over the next few days, the Board will be reaching out to property owners individually to answer any remaining questions.

By early February, the MIPOA Board and MIP LLC will circulate to all property owners an **approval packet** containing the proposed new covenants, revised by laws, and other information.

**After ample opportunity to review the documents, property owners will be asked to consent to the new Covenants.** Approval of the covenants also indicates the property owner's approval of the adoption of the Planned Community Act for Middle Island and approval of the Association's budget and dues for 2015. None of these actions become effective unless approved by the owners of 67% of the Middle Island lots.

If the covenants are approved, closing is currently scheduled for February 28, 2015. If necessary, closing can be re-scheduled by mutual agreement with Young Entities.

New MIPOA Bylaws will be adopted at the first property owners' meeting after closing because amendments to the Bylaws are required to be made at a regularly scheduled meeting.

## Comments and Questions Are Welcomed, Now and Later

Please contact any member of the Board with any questions you may have, or send an email to [middleislandpoa@gmail.com](mailto:middleislandpoa@gmail.com)