

**2021 Capital Projects Forum  
Hilton Head Island Motorcoach Resort  
November 11, 2020**

There are three capital projects which the resort hopes to complete during 2021. These projects will be the focus of Wednesday's Capital Projects Forum, when owners can ask questions and share their opinions. Following is a summary of each of these projects, but first a clarification.

For two of the three projects the resort is utilizing the services of Wood Partners (Wood), a local landscape architecture firm. Cost estimates prepared by Wood are intended to assist the resort in its decision making, but actual costs will not be known until the projects are put out for bid with local contractors. Wood is the resort's adviser, they are not contractors, and their cost estimates are not bids on the projects. Wood is not a construction contractor.

**Bicycle/Pedestrian Pathway from Arrow Road to the Front Gate**

This project will permit pedestrians and cyclists to access Arrow Road in a safer and more inviting way. The conceptual site study prepared by Wood reflects the proposed route and other details, and is available on the owners' page of the resort's website. The board understands this project to constitute a "Substantial Addition or Alteration" under Article VII of the resort's bylaws, therefore it will require an affirmative vote of 75% of owners. This owner vote is the first of three expected to be conducted in late November.

The probable cost summary prepared by Wood reflects a probable cost of \$118,350. Of this amount, \$75,000 was budgeted in the 2020 budget, but remains unspent. The remaining balance of \$43,350 will be an additional cost over and above the 2020 budgeted amount. This additional \$43,350 can be funded from the 2021 operating budget and will not require a special assessment or the borrowing of funds.

Because the 2020 budgeted amount of \$75,000 remains unspent, from a cash flow point of view, the entire cost of \$118,350 will be a 2021 expenditure. Of this amount, \$75,000 will be paid from the cash balance that remains unspent from 2020.

**Repurposing of Two Former Tennis Courts**

This project will convert the two southeast-most tennis courts into open green space. The board understood this project to constitute a "Substantial Addition or Alteration" under Article VII of the resort's bylaws, therefore it required an affirmative vote of 75% of owners. In March, 315 of 401 owners voted over 83% in favor of this repurposing.

At the time of the vote, no conceptual site study had been prepared. After the favorable owner vote, a committee of owners conducted an owner survey as to preferred uses, worked with Wood on possibilities and probable costs of items identified in the survey, and made its recommendations to the board.

The results of the survey and the committee's recommendations included both the basic conversion of the area to open green space (the "Basic Project"), and the addition of numerous enhancements to the space, including a covered pavilion and event plaza, a group firepit, an outdoor dining plaza, and other

seating and activity spaces (the “Enhanced Project”). Wood’s conceptual site studies for both of these options are available on the owners page of the resort’s website.

The probable cost summary for the Basic Project prepared by Wood reflects a probable cost of \$135,250. The probable cost summary for the Enhanced Project reflects a probable cost of \$590,000, or an additional cost of \$454,750.

The board understands the owner approval provided in the March vote to be limited to the Basic Project, including demolition of the existing tennis courts, and installation of turf, irrigation and landscape lighting. The additional components included in the Enhanced Project (pavilion, plazas, firepit, etc.) are beyond the scope of the approval obtained from the owners in March. As a result, these additional components constitute a separate “Substantial Addition or Alteration” under Article VII of the resort’s bylaws and require an additional affirmative vote of 75% of owners. This owner vote is the second of three expected to be conducted in late November.

To be clear, if the owner vote on the Enhanced Project is approved, the entire project will be undertaken for a probable cost of \$590,000. If the owner vote on the Enhanced Project is not approved, the Basic Project previously approved by the owners in March will be undertaken, for a probable cost of \$135,250.

As to the Basic Project with a probable cost of \$135,250, \$75,000 was budgeted in the 2020 budget, but remains unspent. The remaining balance of \$60,250 will be an additional cost over and above the 2020 budgeted amount. This additional \$60,250 can be funded from the 2021 operating budget and will not require a special assessment or the borrowing of funds.

Because the 2020 budgeted amount of \$75,000 remains unspent, from a cash flow point of view, the entire cost of \$135,250 will be a 2021 expenditure. Of this amount, \$75,000 will be paid from the cash balance that remains unspent from 2020.

If the Enhanced Project, with a probable cost of \$590,000, is approved and undertaken, a question arises as to the source of the remaining \$454,750 in needed funds. One option is a special assessment of approximately \$1,200 per owner. In accordance with Article IV of the resort’s Declaration of Covenants and Restrictions, such a special assessment would require an affirmative vote of 75% of owners. This owner vote is the third of three expected to be conducted in late November.

If the Enhanced Project is approved by the owners, but the special assessment is not, the funds to complete the project will be borrowed and repaid over time. The annual cost of debt service over fifteen years would be approximately \$39,000, or an annual per-owner amount of approximately \$100.

### **New Clubhouse Elevator**

This project will replace the existing outdoor elevator at the clubhouse with a new outdoor elevator. This replacement is needed because the existing elevator is outdated and lacks basic functionality that would make it useable by many who need it. The prospect of installing a more conventional elevator in the clubhouse’s interior was explored but rejected because of its substantial cost.

Because this is a replacement of an existing outdoor elevator with a new outdoor elevator, the board understands this project not to constitute a “Substantial Addition or Alteration” under Article VII of the

resort's bylaws, therefore no owner vote is anticipated. Although cost estimates have been obtained over the past years, there is not currently a firm price quote for this project.

The 2020 budget included \$174,900 for the more expensive interior elevator project. The 2021 proposed budget includes \$75,000 for the less expensive exterior elevator project. Again, this is a best estimate but is not based on a firm price quote. It is not anticipated this project will require a special assessment or the borrowing of funds.

## **Conclusion**

As board members, we often hear concerns that projects remain on the list of possibilities for too long without being implemented. The board is committed to moving these three projects forward expeditiously. Each owner might choose different configurations for these projects (routes, materials, components, etc.). We have done our best to evaluate the possibilities and select the configurations that we believe are most appropriate. We ask that owners take a broad view, recognize that no proposal will please everyone, and decide whether, overall, each project is for the betterment of the resort.

Another challenge is that new projects routinely surface before existing projects can be brought to completion. There are many worthwhile potential projects in the resort, but if we are to successfully implement any of them, we must select one or more and focus on those, leaving other worthwhile possibilities for future years. Continually bouncing back and forth among possible projects is not the way to ensure progress.

We invite you to participate in Wednesday's Capital Projects Forum, learn more about what is being proposed, and ask any questions you may have.