



Amenities and Services Task Force Final Report
September 2012

Task Force Members

Jim Williams, chair
Sue Schaffer, co-chair
Russ Crane
Bob Dolson
Art Glaude
Katie Kotz
Ward LeHardy
Will Lehder
Lynn Morgenstern
Judy Sperling-Newton
Craig Weaver, board liaison 2011
Kay Narmour, staff liaison

REPORT CONTENTS

- Introduction
- Findings – Subcommittee Reports
 1. Comparison Subcommittee Final Report
 2. Current Use Subcommittee Final Report
 3. Demographics Subcommittee Final Report
- Conclusions
- Recommendations
- Exhibits

Amenities and Services Task Force Final Report
INTRODUCTION

AMENITIES AND SERVICES TASK FORCE – INTRODUCTION

MISSION

In conjunction with its 2011 Strategic Plan, the KICA Board created several major strategic task forces to address key issues facing the Association. The Board is committed to making the strategic planning process one that anticipates changing conditions, promotes community interests and prepares the Association for a shared vision for the future. One task force was the Amenities and Services Task Force. The Board charged this task force with the responsibility to assess the amenities and services we now have on Kiawah, and to learn what similar luxury communities offer their property owners, as well as understand who provides those amenities and services, how are they paid for, and what are the most current trends. In addition, for communities that had recently updated or added amenities, Task Force members examined the process they went through.

TASK FORCE

The individuals on this Task Force represent demographic diversity within the Kiawah community (ie. full and part-time residents, various club and non-club members, owners of rental properties, etc). The Task Force approached the Board's charge with no preconceived ideas or outcomes and with a commitment to seek input/ideas from all members. The Task Force also took a broad and long-term perspective and attempted to envision the needs and wishes of all segments of the community. The Task Force is committed to determine the range of facilities, programs, and services that are financially feasible and in the best interests of both full and part-time property owners.

PROCESS

The Task Force first met on July 8, 2011, to develop and agree on a process. As a result, four subcommittees were formed:

- 1) Demographics Subcommittee (Bob Dolson, chair)—Charged to understand the demographics of the present community, the financial condition of the Association, and the impact of potential build-out on the community and finances.
- 2) Current Use Subcommittee (Judy Sperling-Newton, chair)—Charged to conduct a thorough review of existing amenities available to property owners. The term "amenities" includes facilities, programs, activities, and services.
- 3) Amenities and Services Comparison Subcommittee (Lynn Morgenstern, chair)—Charged with the responsibility to explore other high-end resort-type communities and obtain information about amenities and services offered, understand processes used by communities to enhance amenities—including building community support for capital projects and assessing member satisfaction, and determine frameworks utilized to finance capital projects and fund operating costs associated with amenities and services.
- 4) Communications Subcommittee (Sue Schaffer (2011) and Katie Kotz (2012), chairs)—Charged with determining multiple ways to keep members informed about the Task Force's work.

The first three subcommittees, listed above, have issued detailed reports which included the information gathered to meet their charge and their findings. These reports can be found in the **FINDINGS** section that follows in this report. They provide the basis for the **CONCLUSIONS AND RECOMMENDATIONS** section in this report. Therefore, these subcommittee reports should be reviewed in detail as one considers the Task Forces' conclusions and recommendations.

Amenities and Services Task Force Final Report
FINDINGS

Comparison Subcommittee Final Report

Current Use Subcommittee Final Report

Demographics Subcommittee Final Report

Amenities and Services Task Force Final Report
FINDINGS

Comparison Subcommittee Final Report
July 2012

Comparison Subcommittee Members

Lynn Morgenstern, chair

Ward LeHardy

Will Lehder

Sue Schaffer

Judy Sperling-Newton

Kay Narmour, staff

INTRODUCTION

SUBCOMMITTEE MISSION

In July of 2011, the Kiawah Island Community Association Amenities and Services Committee charged the Amenities and Services Comparison Subcommittee (ASCS) with responsibility for exploring other resort-type communities and obtaining the following information relating to these communities:

- 1) the role played by amenities and services;
- 2) the range, size and quality of amenities and programs available to property owners, with the focus on those offered by community associations;
- 3) the initiatives and methodologies employed to assess community interest in and develop community support for projects and programs intended to enhance community assets; and
- 4) the methods and frameworks utilized to finance capital projects and fund operating costs associated with amenities and programs

The charge included a report back to the full committee at the conclusion of the research effort.

PROCESS

In August, the Subcommittee began by developing a work plan and proceeding to execute on that plan with the following steps through the end of April, 2012:

- During the first stage, the Subcommittee created a Questionnaire that could be used as a starting point for more in-depth interviews and, where possible, site visits. The Questionnaire, sent in advance of visits and interviews, was modified over time: two versions of the Questionnaire appear in Appendix 1 to this report.
- The Subcommittee then arrived at a list of target communities around the nation, but primarily in the Southeast, that were suggested by previous KICA General Manager, Joe Bunting, members of the Subcommittee and the Amenities and Services Committee, as well as a property owner. The list was narrowed to thirteen communities, which are listed in Appendix 2.
- The list was divided among each of the four initial Subcommittee members, and, subsequently, a fifth member participated as well. Subcommittee members proceeded to conduct interviews, either in person or over the phone, with representatives of the communities on the list.
- During the process, opportunities arose to visit three of these communities as a group and these trips were scheduled accordingly.
- The Subcommittee met frequently to discuss progress and evaluate ways to improve the process.
- A representative of the Kiawah Island Golf Resort was listed as a Subcommittee member, but was unable to actively participate. However, Sara Younger at the Resort, received copies of Subcommittee reports, most specifically the individual reports on each of the communities on the list as they were completed.

REPORT

This report includes a summary of the most significant findings we derived from our research, the conclusions we have drawn from this information and recommendations for the way forward for our community association in this regard. The report is organized as follows:

- Findings & Conclusions
- Recommendations
- Individual Community Reports

COMMENTS

Like Kiawah, each of these communities is unique and may or may not share a significant number of elements in common with Kiawah. For example, some had:

- a private club, open to all property owners, as owner and operator of the majority of recreation facilities and programs
- a higher proportion of association members as full-time residents
- a much higher proportion of members renting their homes
- one to three governing/land-owning/amenity-providing entities vs. four at Kiawah

However, even if these communities do not match each and every facet of Kiawah, this doesn't diminish the fact that each of them offers ideas in terms of amenities and services that can benefit our own community. Seabrook, Sunriver, Kingsmill, Big Canoe and Keowee Key, in particular, successfully obtained approvals from their property owners to build new amenities during the past few years. It is also clear that the great majority of these communities see up-to-date recreation facilities and community services as essential to attracting buyers and remaining competitive.

All of the community association managers contacted for this report were helpful and cooperative. Many of them went well beyond the questionnaires, giving generously of their time and providing excellent insights. We also want to thank former Chief Operating Officer Joe Bunting, Kay Narmour, Tammy McAdory, Leah Jerden and Doug Reynolds of the KICA staff for their assistance. We have been truly fortunate that Kay and Leah have devoted a great deal of time and effort to supporting the Subcommittee effort every step of the way.

FINDINGS AND CONCLUSIONS

I. COMMUNITIES INVEST IN AMENITIES.

A. Findings:

1. Most communities have invested in new, state-of-the-art amenities or major renovations over the past ten years, with the majority of these undertaking projects in the last five years.
2. The level of investment has been significant relative to the size of the community: \$6.5 million (Keowee Key); \$19 million (Sunriver); \$10 million (Seabrook-Lake House); \$6 million (Kingsmill); \$11 million (Big Canoe)
3. Communities decided to build or renovate amenities in order to 1) increase the appeal of the community to buyers, 2) prevent the community from looking dated 3) promote the health and well-being of property owners and 4) make the community superior to the competition.
4. Managers were consistent in describing amenities as a key marketing tool, pointing out that today's buyers expect to see certain amenities in a place where they would consider investing, even if they would not use a particular amenity or program themselves.
5. Communities with up-dated facilities noted an increase in community pride after making the investment.

B. Conclusions:

1. Investing in new or renovated facilities is a necessity, not a luxury, in terms of keeping a community consistent with the image it wants to project in the marketplace and to its own property owners.
2. Visitors (buyers) form their first impression of a community based on the overall impression created: 1) whether all community facilities are up-to-date and 2) whether what is available meets their expectations of what a luxury community should offer.
3. State-of-the-art and high quality amenities send the message to high-end buyers that property owners in a community have commensurate financial resources, thereby helping to maintain and increase property values.
4. Investing in a community not only attracts potential buyers, but increases community pride and commitment for existing property owners.

II. COMMUNITIES HAVE VARIED RELATIONSHIPS WITH PRIVATE AMENITY PROVIDERS.

A. Findings

1. Many communities where private entities provide some of the amenities opted to build or purchase their own facilities in order to assure there would be continued access for property owners as well as to establish direct accountability for fees and operations.
2. Some communities, such as Sea Pines, offered a limited contract for owners and their renters to use Resort pool amenities.
3. Private amenity providers were not usually factors in community decisions. Where they were, some community associations did and some did not develop overlapping amenities. When there was a high barrier for property owners to use the private amenity (e.g. fees), the community association developed equivalent facilities.

B. Conclusions

1. The existence of a private amenity is not the reason for a community to dismiss outright the idea of having its own facility. The fees associated with that amenity and the value of assuring that the amenity continues to be available to property owners are a valid considerations as is its importance to the "ownership package".
2. In appropriate situations, the potential for joint ventures should be explored. Partners can be a Resort, a hospital, a medical practice, a restaurant or other entity.

III. PROPERTY OWNERS AND BUYERS SEEK A MORE ACTIVE LIFESTYLE.

A. Findings

1. Managers reported that the interests and expectations of today's resort community buyers are significantly different than in the past: purchasers seek an active lifestyle, including a variety of recreation options, activities and clubs, as well as wanting venues with multi-generational appeal.
2. The most popular community amenities are bike paths, walking paths, indoor/outdoor pools and fitness facilities. Several communities put in pickleball courts and are adding more due to the demand. Dog parks are another recent addition.
3. Wellness is now incorporated into many community amenity programs with such options as an on-site physical therapist, massage therapist and/or warm-water therapy pool. A few are trying to attract long-term care facilities.
4. Some communities added amenities with an eye to year-round appeal in order to increase visitor interest in all seasons and enable property owners to engage in exercise activities despite inclement or uncomfortable weather.
5. The hottest trend is for a community to contract with a telecommunications provider for packages at more reasonable prices than if each property owner signed up individually.

B. Conclusions

1. Retirees will still make up the bulk of resort property owners for a number of years down the road. However, the paradigm has shifted and this new generation of retirees is far more active than in the past. They want a broad range of recreation options.
2. Golf is no longer the dominant primary draw for many potential resort community purchasers. New sports, such as pickle ball, are becoming increasingly popular.
3. Retirees are much more interested in having facilities that they can enjoy with younger family members and want activities that have multigenerational appeal.
4. Any assessment of community amenities should include those that can bridge seasonal use.
5. Some wellness ideas can also generate income for the community since providers, such as physical therapists, pay rent to the community association for their space in the facility.
6. Telecommunications packages are being investigated by community associations as a way to provide value and service to members and assure property owners they can remain “connected” when they purchase property in a resort community or are visiting there.

IV. KICA IS NOT KEEPING UP IN TERMS OF AMENITIES.

A. Findings

1. The new pool facilities in these communities reflect changing market demands and state-of-the-art upgrades: zero entry, an adult pool or area (including lap swimming lanes), family pool for family play and kids’ pool with water features such as splash zones. Most upgraded facilities have all of these. The community established the size, type and number of pools based on professional standards for optimum health and safety.
2. Fitness facilities were spacious and had window walls providing substantial natural light. The cardio and weight equipment was kept current through replacement schedules. Classrooms were appropriately sized for the number of participants, and some facilities had separate stretching rooms. Many said they wished they had added even more space.
3. Managers pointed to the explosion of interest in education programs, clubs and activity groups in their communities as one of the reasons they expanded their facilities to include more meeting and function rooms. Some also included such specialized areas as woodworking space, an art studio and a performing arts venue.
4. A number of communities had marinas and derived significant revenue from boat slips and a fueling station.

B. Conclusions

1. Providing more options for pool use enables different groups to enjoy pool access without crowding or disruption.

2. Sufficient space for a variety of clubs and classes is essential to accommodate the ever-increasing interest in educational and recreational activities.
3. Kiawah's beach is unparalleled.
4. Kiawah's leisure trail system is on a par with the best in the communities studied.
5. Kiawah's recreation, fitness and pool facilities are inferior in size, amount and quality.
6. Kiawah's meeting and function space is inferior.
7. Kiawah risks falling behind if it doesn't re-evaluate and upgrade its offerings.
8. Exploring the possibility of a telecom package is something that could provide great value to property owners at low cost and reasonable investment of time.

V. COMMUNITY INPUT MUST BE THOUGHTFULLY INTEGRATED INTO THE PROCESS.

A. Findings

1. The managers who were successful in obtaining support for new facilities all said that while community surveys were helpful, they were not determinative in deciding what amenities to include in their new facilities. Seabrook representatives said that the approach was: "Build it, and they will come." Keowee Key's manager said that an indoor pool was not at the top of the list on owner surveys, but they included one because it is expected in top-level communities. He said that it is now one of the most popular amenities.
2. In each case where votes were taken, the community was provided many opportunities for input before the process was completed. Sunriver knew where the bulk of their property owners lived (Seattle, Portland, San Francisco) and made special presentations in those locations.
3. In each case of a successful vote, the manager stressed that Board members should not be in charge of the presentations. They found it far more effective to use their consultants and staff and an enthusiastic former Board member. They also used a group of property owners as a rapid response team for questions and challenges.
4. Some communities had a process for property owners to suggest additional amenities. In one case, a group proposed a dog park and built it on community association property with their own funds.
5. There were efforts to use multiple forms of communication to relay information to property owners, including TV channels, magazines, websites, newspapers, and web-video (U-tube).

B. Conclusions

1. A Board has to have a sense of vision about what the community should have. It is more important to have something in the overall project for each constituency rather than full community agreement on each component.
2. It is essential not to rush the process to get to a result, but rather, to take the time to establish a game plan and have the right players in place. This time should be used to work with experts to articulate the benefits, to develop the case for change and to obtain community buy-in.
3. Repeated surveys that are merely wish lists and are not targeted or thoughtfully prepared can undermine the entire process. A well-conceived plan should include opportunities and strategies for obtaining community input.
4. There should be an on-going process for property owner input and suggestions with respect to amenities and activities.
5. Kiawah may not be optimizing all the communication tools available.

VI. THE SPACE FOR AMENITIES IS A CRITICAL ISSUE.

A. Findings

1. In every case but two, the community had adequate property for amenities which was provided by the developer, so there was no added cost to the project associated with purchasing property. (The Villages was purchasing already-completed amenities from the developer, and Big Canoe purchased some developer amenities.)
2. Having land available facilitated the decision to proceed with expansion of amenities.
3. Some communities had more than one site available and developed options suited to each site for community discussion.

B. Conclusions

1. Having community-owned land available for construction means that the focus can be on the project and not on a land purchase. This also means that there was no time-pressure situation, such as is the case in most land purchases.
2. Future trends and tastes cannot be predicted, but any land purchase should be of sufficient size to enable the community association to respond to community needs.
3. With build-out approaching, there is little time to lose in making a land purchase that can provide some assurance that the association will be able to provide first class facilities and services into the future.

VII. COMMUNITIES USE A RANGE OF FINANCING OPTIONS.

A. Findings

1. The financing options for new or renovated facilities were typically, a combination of reserves, capital assessment, bank loans, bond issues and donations.
2. The property owner contribution schemes offered property owners several options for payment. These plans were developed with an eye to minimizing drastic fee increases and using mechanisms to apply the costs to future buyers as well, since they would be benefitting from the investment made by current property owners.
3. There were a number of initiatives used to cover operating expenses, such as user fees and rental of space to outside entities, such as physical therapists, massage therapists, and café operators. Among the most innovative was the use of specialized fee schedules: one for those rental companies wanting their renters to have access to community facilities and another fee schedule for property owners who rented as individuals and wanted their renters to be able to use those facilities.
4. Many of the communities had ways of using an amenity card to track usage and connect the user to a credit card for fees incurred—renters have separate cards. The amenities cards were tied to a number of things, such as guest policies or the security system to prevent unauthorized use of amenities. Seabrook also had security cameras in place to monitor the facility when staff is not there and for use in defense of any lawsuit brought by a user of equipment as a way to determine whether the plaintiff used the equipment properly. The amenities cards/cameras can also reduce or address vandalism.
5. Communities had different philosophies in terms of funding operating costs. Some charged members for using facilities and taking classes, while some did not, choosing to fund out of association revenues.

B. Conclusions

1. The communities that financed new facilities decided to invest in the community and determined the features /functions of most benefit to the community overall. After they had a rough plan, they honed the costs by taking into account duplicative facilities; energy use; appropriate size and quality. Anticipated usage was not the determining factor on any particular offering, but rather, the question was whether a particular component would meet the expectations of potential and current property owners, enhance the offerings available to property owners and have a reasonable level of use.
2. Once an estimated price was determined, community leaders set about determining the optimum financing choice or choices; assessing the impact on individual property owners; and developing a re-payment structure that anticipated property owner concerns regarding fairness and magnitude of increased fees.
3. Communities identified revenue opportunities in connection with use of existing amenities as well as those that might become available through enhanced offerings.
4. Amenity cards can provide more than usage statistics and can also be used to protect community facilities from vandalism and unauthorized use; can function in coordination with guest and rental policies and could limit liability.

VIII. COMMUNITIES HAVE PROGRAMS FOR ALLOWING RENTER USE.

A. Findings

1. Managers pointed out that the great majority of buyers had been renters or visitors to the community prior to deciding to purchase property. They viewed giving renters a good experience as a means of marketing real estate.
2. The communities sized their facilities to take into account those that would be available to renters. For example, most allowed renters to use pools for a fee, but some restricted fitness rooms to property owners only.
3. The majority of communities permitted some renter use and had fee schedules and swipe cards set up for that purpose. For example, renters are not allowed access to Seabrook's Lake House after business hours.
4. Sea Pines Plantation contracts with its resort to allow renters to use resort amenities.

B. Conclusions

1. Other communities have found ways to accommodate renters without diminishing the enjoyment of facilities for property owners.
2. Comparing what is available in other communities, KICA's current facilities are insufficient to accommodate renters.
3. Communities use the fees from renters/rental agencies to support amenity operating budgets.

RECOMMENDATIONS

LAND ACQUISITION

1. Decide whether to proceed with a) acquisition of additional land via purchase, long-term lease or joint venture or b) consideration of options for the Sandcastle property, likely to entail removal of the existing facility and more innovative and practical use of the space available or c) both of the foregoing.
 - Additional land is a requisite for ability to address future needs.
 - Purchase is preferable for assuring property owners of continued service and maintaining the value of the “owner package” into the future.
 - The best course is to take the initiative rather than waiting for someone to approach the Board with a property for sale.
 - Connect the land acquisition process to the overall communication approach discussed below. The results from Parcel 23 should be evaluated in this context.

AMENITIES PLAN

1. Hire an outside consultant (s) with national experience and specific expertise in designing community recreation facilities for high end resort communities to evaluate KICA’s and private entity offerings to determine what areas are lacking and which would benefit from improvement without creating excessive overlap. This should include 5 and 10 year as well as build-out profiles. These recommendations should form the basis for community surveys and creation of a plan or alternative plans for future projects.
 - Clear areas for improvement are number/size/use of pools, an indoor pool; improved fitness facilities; increased meeting/function space; expansion of leisure trails.
 - Create a vision.
 - There should be a small group charged with working with the consultant to come up with a few alternative plans.
2. Develop a communication plan that will span the process from beginning to end.
 - Spend sufficient time to integrate ideas.
 - Use every means possible to communicate with community, including working with HOA Regimes; Chairs of various clubs; newsletters; e-mails; texts; meetings, U-tube videos; as well as targeted trips to areas with large numbers of property owners.
3. Conduct a carefully targeted survey of the community.
 - To the extent possible, combine survey with education process, including informing members about the results of the comparisons study and ways in which Kiawah is not keeping up with other communities.
 - Probe understanding of connection between amenities and property values and market competitiveness.

- To the extent possible, give property owners tangibles to react to: utilize consultants and specialists (pool experts, for example), as needed, as well as prior surveys to arrive at list of high priority items and consider configurations and sizes based on build-out populations, new technologies, multi-generation use, available space and potential use by renters.
 - Determine interest in an active lifestyle, wellness and attracting health services and facilities.
 - Determine educational, cultural, social, recreational and fitness offerings members would be likely to use now and at some particular time in the future.
 - Determine what members would be willing to pay for, and how they would be willing to pay for it.
 - Explore attitudes towards use of KICA facilities by those renting through members.
 - Assess response to vision and use responses to shape vision.
 - Test multigenerational and year-round concepts.
 - Determine whether there are any amenities or services that should be removed.
 - Is there any interest in a marina at Rhett's Bluff given potential for revenues.
4. As soon as the survey is completed, begin a carefully orchestrated marketing campaign to inform members about what Kiawah needs to do to keep up with other high-end communities: at a minimum in terms of current, near-future and long-term land and facilities needs as well as survey results.
 5. Refine alternative plans, incorporating survey results as appropriate. Survey results should not be the deciding factor on any one item. Other factors should be considered as well. The working committee, consisting of the facilities consultant and staff should arrive at final alternatives.
 - When applied with reason, "build it, and they will come," turned out to be an effective philosophy in other communities.
 - If new facilities are considered, the use of the facilities by renters should be addressed and the project sized accordingly.
 - One community suggested that the community and the Board see the results for the first time at the same time in order that it not appear that the Board had input before the community had a chance.
 6. Once there are outlines for a plan, consider options for joint ventures with entities on and off the island, including identifying revenue opportunities.
 7. Develop alternative financing options for capital expenditures as well as operating costs.
 - Look at programs developed by other communities for funding and property owner repayment.
 - Consider fairness issues in terms of current and future owners.
 - Look at fee structures for members, guests and renters/rental companies for funding operating costs.
 8. There should be a small group charged with presentations to the community, including the facilities consultant and other specialists, KICA staff and one or two community members who are not currently on the Board.

- Build consensus before a vote.

OTHER RECOMMENDATIONS

1. Explore opportunities to develop and negotiate a telecommunications/electronics package for property owners. Set up a task force for this project.
2. The full range of potential uses for Amenity Cards, particularly with respect to facility security, should be carefully evaluated. Other potential uses include direct charges for fees, connection to guest and renter policies.
3. Establish a standing amenities and services committee to identify ideas and facilitate bringing member ideas forward.
4. KICA should consider a modest charge for daily and weekly gate passes for visitors and renters.

EXHIBITS

- Appendix 1: Community Questionnaire, Versions 1 and 2
- Appendix 2: List of Community Reports
- Appendix 3: Chart of Selected Amenities for all Communities
- Community Reports

Amenities and Services Task Force Final Report
FINDINGS

Current Use Subcommittee Final Report
June 2012

Current Use Subcommittee Members

Judy Sperling-Newton, chair

Bob Dolson

Art Glaude

Katie Kotz

Will Lehder

Craig Weaver

Kay Narmour, staff

Jessica Richardson, staff

TASK

This Subcommittee was charged by Task Force Chair, Jim Williams, with investigating, evaluating, and making recommendations about the KICA amenities (defined for purposes of this Report as any tangible or intangible benefits of KICA owned and operated properties) available to Kiawah Island property owners (“Members”) and their guests. When used herein, the term amenities includes facilities, programs, activities, and services.

QUESTIONS

The Subcommittee addressed the following:

1. Who uses the Sandcastle and for what purposes?
2. What value do the Members who use the Sandcastle derive from the current amenities?
3. Of what value are the Sandcastle amenities to the Kiawah island community as a whole?
4. What other amenities are available on Kiawah Island?
5. Are there additional amenities that should be made available to Members and possibly others.
6. Are our facilities sufficient for the purposes for which they should be used, and if not, what are the major areas of insufficiency?
7. What are our goals relating to facilitating member organizations, improving member health, wellness, and fitness, encouraging community involvement, and creating amenities which reflect the quality of life and beauty of Kiawah Island.
8. How do we move forward to resolve the shortcomings, if any, of our current amenities, consistent with our mission and the present and future needs and expectations of our members?

PROCESS

The Subcommittee met on four occasions between September 2011 and May 2012. Attachments A, B, and C. Members were asked to assume responsibility for gathering information that was determined to be important to the outcome of the Subcommittee’s work, as follows:

1. Katie and Will – contact groups and presenters who use the Sandcastle for feedback regarding adequacy of the amenities.
2. Bob and Craig - contact the Kiawah Island Club (“Club”) to obtain information about operations, amenities and long-range plans.
3. Will and Judy – contact the Kiawah Island Golf Resort (“Resort”) to discern their plans and ways to work together.
4. Kay and Jessica - update reports to reflect current numbers of Sandcastle users and events and contact the KICA IT Department to determine if it would be possible to obtain more detailed information using our system.

ACTIVITIES

Subcommittee members completed the following:

1. Katie and Will - contacted the leaders of groups using the Sandcastle, asked them a series of questions and prepared a detailed chart with the most important, relevant information relating to current usage and needs, including a section for brief comments. Attachments D and E. Katie and Will reported to the Subcommittee at its February 14, 2012 meeting.
2. Bob and Craig - worked together to make contact with Henry Thompson at the Club. Craig interviewed Mr. Thompson and prepared two charts, Attachments F and G. He further addressed statistics regarding Club activities at the February 14, 2012 Subcommittee meeting. Attachment C.
3. Will and Judy - met with Sara Youngner at the Resort and discussed ways for the Resort and KICA to work together for their mutual benefit, including use of facilities, scheduling of meetings and events, future construction plans, etc. which they reported to the Subcommittee. Attachment H.
4. Jessica - prepared a detailed Sandcastle Facility Capacity Analysis for the year 2011. Attachment I. She analyzed four categories: fitness equipment and weight room, event rooms, fitness classes, and pool. The report contains underlying statistics, descriptions, assumptions, analyses, conclusions, and recommendations. The complete report is attached separately to the cover email.
5. Kay - gathered information about facility use, member satisfaction, and the ability of the Club, Resort, and KICA IT Departments to track various activities. Each entity uses a different software system to gather information with varying degrees of success. The Sandcastle does well at gathering useful statistics; however, Kay believes that the Jonas software, used by the Club and Sun City, would provide more of the tracking information that we need, and she plans to request funding for installing this system in 2013. At this point, there is no way to know how long members stay at the Sandcastle in any given location, thereby making it impossible to obtain precise usage statistics. Furthermore, the current information gathering system cannot account for the set-up and break-down time needed prior to and after events held at the Sandcastle. Kay also provided additional Club and Sandcastle membership eligibility statistics and information regarding the two KICA-owned lots adjacent to the Sandcastle.
6. Subcommittee - looked at two small KICA-owned properties to the west and north of the Sandcastle. Subsequently, Will, Katie, and Judy, at Will's suggestion, toured a number of unimproved lots on the island, which Will had located, and which were owned by either Kiawah Development Partners or the Resort, to determine if any of them might be appropriate for future building of another community/recreation center. Attachment J. Will subsequently met with Roger Warren to discuss the Resort-owned properties; it appears unlikely that any of these will be made available for purchase.

FINDINGS

Based on the information gathered, the reports and charts prepared, and the discussions at its meetings, the Subcommittee finds the following:

1. Our commitment to provide high quality social, educational, recreational, health, wellness, and fitness services to our members remains strong. Attachments K and L. The Sandcastle staff does an excellent job from an operational standpoint, but is challenged by the failure to foresee and meet the evolving needs and desires of the membership, lack of space, inadequate facilities, and limited funding. In addition to the increasing overcrowding of the Sandcastle, the current space does not adequately accommodate the programs and activities held there; the rooms are too small, sometimes unavailable, and often too noisy; some facilities are not available to Members (e.g. indoor heated pool, warm water/therapy pool, dedicated club rooms, etc.).

2. There is an increasing concern for health, wellness, and fitness at all levels among our Members. They want good facilities, equipment, and classes for themselves, their visiting friends and family members, and (for those who rent their properties) renters. Island visitors expect to be able to exercise in much the same ways as they do at home.

3. At this time, the Resort allows KICA to use, for a fee, the Sanctuary indoor pool twice a week during four months...December through March...and the Night Heron outdoor heated pool three times a week during four months...April, May, October, and November. The number of days per week the Sanctuary pool was made available to KICA was reduced for 2011-2012, and there is no guarantee that the Resort will continue to offer these facilities in the future. It appears unlikely the Resort will be able to help KICA with other shared fitness facilities. At times, KICA is able to rent Resort meeting space, but this is a complicated process to arrange.

4. People considering purchasing property on Kiawah Island are very interested in the amenities available to Members. They want to invest in a community where they can easily access high quality health, wellness, fitness, recreational, educational, and cultural opportunities. They may well be looking at other communities and will certainly factor in a comparison of the amenities when making a final decision as to where to purchase. Since most Kiawah Island properties do not provide for Club membership opportunities, prospective buyers are particularly interested in what the Sandcastle offers. The Sandcastle is a beautiful facility, but it is outdated, over-extended and is quickly becoming inadequate. The fitness equipment room is often crowded and sometimes difficult to use. There is almost no space for personal training. Classes are sometimes too crowded for optimal participation. Meeting rooms are at times not available for member use. Some meeting rooms are frequently so noisy the members have difficulty enjoying the event. The pool is usable only five months of the year which has a serious negative impact on the health and wellness of the members who use it as their primary or only fitness facility.

5. The original Sandcastle was built in 1996 to be a dining area, bar, and space for Members to gather socially. The demographics of the island have changed in the past 16 years, and Members are now very interested in health, fitness, and rehabilitative services. Unfortunately, the Sandcastle is not fit for these purposes.

5. The Subcommittee is divided as to whether, in the future, it would recommend that we accommodate renters. Although the Sandcastle pool is not consistently at capacity (except in July), it would be impossible to manage use by renters with the current facilities. A major concern is that use by renters would have a negative effect on Members. (Art does not agree, other than in the month of July, that the Sandcastle cannot currently

accommodate renters.) One view is that it would be financially beneficial to KICA if renters could use our facilities and services under a fee-based system. Many rental properties do not have access to a pool in the summer; others do. Attachment M. While it is true that renters who enjoy their experiences on the island often decide to buy property and become residents, some property owners may object to sharing the Sandcastle with renters regardless of the facility size. The issue of future use of the Sandcastle by renters remains unresolved.

6. There could be opportunities to increase the revenue of the Sandcastle, if we had better facilities (e.g. increasing meeting/event space and charging fees to physical therapists, renters, etc.).

7. The current inadequacies of the Sandcastle may have a negative effect on Kiawah Island property values and impact our Members' quality of life.

8. Of the total 3729 Kiawah Island households, over 2000 are not, and do not have the opportunity to become, Club members. Residents who do not belong to the Club do not have access to many amenities which would benefit them. Even Club and Governor's Club members do not have available to them certain amenities (e.g. indoor pool, warm water/therapy pool, dedicated club rooms, etc.). Attachments N and O.

MISSION OF THE COMMUNITY ASSOCIATION

The KICA mission is to develop and host social, educational, and wellness activities to improve the quality of life for all property owners with the expectation that the staff will provide the very best in service to our Members and their guests. The goal is to meet or exceed property owners' expectations with a commitment of enhancing the programs to reflect property owners' desires. Attachment P.

RECOMMENDATIONS

Based upon the KICA mission and the above-stated Findings, the Subcommittee recommends that:

1. The KICA Board hire one or more consultants to assist with determining our specific needs for improvement, whether to conduct a member survey, and if so, how to do so, ideas for financing the possible purchase of land and/or construction of additional facilities, a plan for educating the community on the needs for improvement and options available, etc.
2. We consider carefully the Reports of the other three Subcommittees.
3. We investigate the feasibility of the following improvements:
 - a. Adequate programs, activities, and services for our Members, consistent with the KICA mission, and facilities that accommodate these programs, activities, and services, to improve the quality of life and the property values on Kiawah Island;
 - b. Increased meeting/event space;
 - c. Larger and improved fitness equipment and exercise rooms;

- d. Heated indoor pool;
- e. Warm water/therapy pool; and
- f. Dedicated club rooms (e.g. art, sewing, billiards, cards, Pilates, etc.).

4. We continue to look at creative options for funding programs and activities at the Sandcastle.

5. We encourage the KICA Administration to support Sandcastle funding requests to the Board, so that our members can benefit from high quality programs, activities, and services.

EXHIBITS

- A-P

Please feel free to contact me for additional information. I would be happy to answer questions at any time.

Respectfully submitted, Judy Sperling-Newton, Subcommittee Chair

Amenities and Services Task Force Final Report
FINDINGS

Demographics Subcommittee Final Report
June 2012

Demographics Subcommittee Members

Bob Dolson, chair
Russ Crane
Art Glaude
Ward LeHardy
Craig Weaver
Kay Narmour, staff
Holly Newman, staff

SUBCOMMITTEE CHARGE

Understand the demographics of the present community and the impact the potential build-out by both the Developer and the Resort might have on the Island. Compile summary information as a means of providing that understanding.

Understand the financial condition of the Community Association. Compile/provide summary information as a means of providing that understanding.

METHODOLOGY

The Subcommittee met several times to discuss what data should be captured and what should be done with it. It was decided that: The Development Agreements with both the Developer and the Resort should be reviewed; KICA financial information should be reviewed; Town of Kiawah Island financial information should be reviewed; Statistical data should be captured including, the number of building lots/units today and in the future, the number of single family homes, the number of multiple dwelling units, the number of unbuilt lots, the number of full time residents, the number of rental properties, daily vehicle entry data, Kiawah Club membership data, Governors Club membership data, and the breakdown of all such data captured as between the first gate and the second gate.

It was also determined to be appropriate to create an inventory of amenities existing today and to whom they are available.

The means of obtaining the information were several. Town financial data was available on the Town web site. KICA financial data was obtained from KICA. Much of the statistical data is either maintained by or is obtainable by KICA. The efforts and assistance of Holly Newman has been invaluable in that regard and she has our sincere gratitude for all her efforts. The amenities inventory is largely from our personal knowledge and then validated from other sources.

The information relative to build-out is from the Development agreements as interpreted by both the Town and KICA. The reduction from maximum possible build-out to maximum probable build-out was provided by the KICA Board based on their knowledge of Developer and Resort intentions.

CONCLUSIONS

The conclusions reached are several:

- The Town of Kiawah Island financial data is not particularly relevant to this purpose and has not been pursued further.
- The financial information of KICA is extremely relevant to our purpose. We found that KICA is in sound financial condition with reserves adequate (but not excessive) for current conditions. We found that the maintenance requirements for the Island are increasing as the Island ages. We found some recommended maintenance has been deferred due to available funds. We believe that if the Island is to remain a first-class resort island, higher levels of maintenance will be required in the future. We found that while KICA is sound financially, there are no excess funds that could be diverted for new or expanded amenity facilities. Further, we believe any new or expanded amenity facilities would require an increase in the members' annual

assessment as the funding mechanism. We found that as a result of the real estate down turn the transfer fee income available to KICA has declined significantly and currently only provides 11% of KICA income. The annual member assessments provide 73% of KICA income. Various user and commercial fees provide most of the remainder of KICA income. A summary of KICA financial data is attached.

- Ultimate build-out will have a substantial impact on the Island. Of the maximum number of dwelling units allowed by the development agreements (adjusted to maximum probable), 65% have been developed/built. Today, 15% of dwelling units are occupied by full time residents and 29% of dwelling units are licensed rental units. Today, during a low traffic month (January) 3,000 vehicles enter the Island daily and during a peak month (July) 10,000 vehicles enter daily. Traffic will increase substantially as build out occurs. Future development will be roughly equal as between the first gate and the second gate. Amenities deemed adequate today may not be adequate as the island builds out. Currently, there are periods of time during the year when the Sandcastle is at or beyond its capacity.

Exhibits

1. Demographic and Usage Data
2. KICA Summary Financial Data and Excel Sheet

Respectfully submitted on behalf of The Demographics Subcommittee

Amenities and Services Task Force Final Report
CONCLUSIONS

AMENITIES AND SERVICES TASK FORCE – CONCLUSIONS

After significant study, investigation, and discussion the Amenities and Services Task Force concludes the following:

MARKET AND COMMUNITY EXPECTATIONS

Buyers of property in luxury communities expect the community to offer an ample set of amenities as part of the basic owner package. Even if other offerings by third parties provide more options, buyers have expectations about the minimum level of amenities that a community in the luxury category should offer.

Communities like Kiawah prefer not to rely on commercial third parties to provide what should be community functions and facilities. Communities have been opting to develop or acquire their own facilities because they can control pricing, offerings and quality.

Property owners and potential buyers in coastal resort/residential communities are interested in activities that are different from the activities pursued by buyers and owners in the past. The access to year-round options for recreation demonstrates that a community is a good place for full-time living.

Property owners in affluent communities and the target market for sales of property in these communities are increasingly interested in:

- a. Fitness and health
- b. Education and cultural activities
- c. Social interaction
- d. Multi-generational activities and facilities

KP and KIGR have strived to create and maintain Kiawah as the premiere, first class, destination coastal resort/residential community on the east coast. Kiawah has achieved that objective. However, maintaining that position requires significant improvements to the current amenities and services for property owners, their guests and to vacation renters. While the amenities and services offered in the past were sufficient to maintain Kiawah's first class status, Kiawah has fallen behind its peers and no longer meets the minimum standards for amenities in a first class community. The Task Force is issuing a wake-up call as to what is necessary to preserve the property values of each property owner on the island and maintain Kiawah's status as the premiere, first class community we always have been.

KICA is a well-run, well financed community association with adequate, but not excessive reserves. In other words, there are no significant funds that can be diverted for the

purpose of improving amenities. Kiawah is approaching its fortieth anniversary and its infrastructure is aging. Maintenance requirements and costs are increasing, which by themselves will be a challenge for KICA. Any significant changes or improvements to amenities and facilities will likely require borrowings, new or special property owner assessments, user fees or some combination thereof.

FACILITIES – COMMUNITY CENTER/SANDCASTLE

The Sandcastle is not meeting the needs of current property owners, does not have the core amenities expected by potential buyers and is insufficient for the property owner population as Kiawah grows toward build-out.

- a. It is not designed for current uses or the increasing demands on it, the number of property owners using it and as well, it now appears dated.
- b. The fitness room is too small and cramped with not enough room for machines and weight equipment. The exercise classroom is insufficient for current and potential demand (could have more options in type of classes if space were available).
- c. Meeting space is inadequate, both for routine community needs and special events. Noise from fitness classroom permeates the meeting spaces.
- d. The pool and surrounding area is not large enough to meet needs of adults and families. The pool is neither heated nor enclosed and, therefore, is limited in terms of months of use and suitability to serve the needs of our population.
- e. KICA is pursuing revitalization of West Beach, and KIGR sees the need to upgrade its facilities; these changes also suggest that the Sandcastle should be a focus for modernization.
- f. The Sandcastle and the pool are not well-designed in terms of handicapped accessibility. If property owners want to remain at Kiawah as they age, accessibility becomes essential.

Communities that have pursued upgrading their facilities have found that creating such a tangible reflection of the high standards of the community has the effect of increasing community pride and enthusiasm. As well, individual owners' property values are enhanced when key community facilities are up-graded and improved.

KICA urgently needs to address aging community assets, especially recreation facilities which are so visible to property owners and visitors. There are excellent models of communities that are keeping pace in terms of providing facilities that meet property owner needs and desires, and also models of how those communities achieved community buy-in for their projects.

Amenities and Services Task Force Final Report
RECOMMENDATIONS

AMENITIES AND SERVICES TASK FORCE – RECOMMENDATIONS

The first priority is for the Board to create a community vision or master plan for amenities, with estimates of associated costs, which should be created and communicated effectively to property owners for their consideration so they may have the best possible understanding of the impact of their decision.

Toward that end, the Association should seek consulting advice from nationally recognized consultants, both for amenity planning, design, and communications, and to best satisfy the perceived needs of and to achieve a positive reception by property owners. Community input, from both full time and part time residents, is a high priority in this regard.

Any plan should consider the needs of a variety of different constituencies.

A communication program should focus substantial effort on explaining the plan to the community.

It is important to demonstrate to the community that KICA is balancing fiscal responsibility with the need to invest in the community's future.

If additional land is required to fulfill the vision, as is likely, realistic and affordable land alternatives should be identified and owners approached as to willingness to sell or lease property.

Given the constraints on the Sandcastle property, serious consideration should be given to separating the meeting/community room venue from the active life venue into separate locations.

The Sandcastle pool facility should be redesigned and expanded to bring it up to today's standards for a resort/residential pool offering.

Either a free standing indoor pool or an indoor pool connecting to an outdoor pool, along with a therapy pool, should be available to property owners.

The master plan should include a modern full service fitness facility with appropriate modern equipment and space for massage therapy and physical therapy, as well as a wide range of health and wellness classes.

Consideration should be given to removing meeting/community room space from the Sandcastle building to another location. In that way, the Sandcastle could be converted into a modern full service fitness facility with appropriate modern equipment and space for both massage therapy and physical therapy. Clearly, professional assistance is needed in the design of such a facility. Alternatively, consideration should be given to converting the Sandcastle into a community center by removing all fitness facilities to a different location. The same level of professional advice would be required.

The capital cost of any facilities constructed or redesigned should be paid for through a one-time special assessment and/or borrowings. Any special assessments should include various payment options, such as: one lump sum payment; a series of annual payments over three, five, or ten years with an interest component added to determine the annual amount. Fairness is an important consideration, such as satisfying the valid concerns of those who might exit the island in the near term by including a system and refund formula for departing property owners; and a like charge for replacement property owners should be created and made a part of every real estate transaction.

The operating and maintenance costs of such facilities should become a part of KICA's annual operating budget.

A discussion and decision about user fees should be undertaken, including whether, to employ them, when, in what amounts, and to assist in the payment of which added amenities.

With expanded facilities it may be possible to accommodate non-resort renters with reasonable guest fees and a clear property owner responsibility for the actions and charges of their renters.

If the Board does not agree to proceed with new facilities, at a minimum it should address upgrades to the Sandcastle. However, space limitations on the Sandcastle property would seriously limit the extent to which needed amenity upgrades can be accommodated.

Once the Board has addressed these issues, a new standing, advisory committee should be formed for the purpose of maintaining a strategic focus on the amenities needed to remain current in the future.

Amenities and Services Task Force Final Report
EXHIBITS

LIST OF EXHIBITS

1. Comparison Subcommittee Final Report Exhibits
 - Appendix 1: Community Questionnaire, Versions 1 and 2
 - Appendix 2: List of Community Reports
 - Appendix 3: Chart of Selected Amenities for all Communities
 - Community Reports
 - Big Canoe Community Report
 - (Exhibits 1-3 available upon request)
 - Brambleton Community Report
 - Ford's Colony Community Report
 - Highlands Ranch Community Report
 - Keowee Key Community Report
 - Kingsmill Community Report
 - Lake Naomi
 - The Landings Community Report
 - Savannah Lakes Community Report
 - Seabrook Community Report
 - (Exhibit 1 available upon request)
 - Sea Pines Plantation Community Report
 - Sun City Hilton Head Community Report
 - Sunriver Community Report
 - (Exhibits 1-12 available upon request)
 - The Villages Community Report
 - (Exhibit 1 available upon request)
2. Current Use Subcommittee Final Report Exhibits
 - A-P
3. Demographics Subcommittee Final Report Exhibits
 - Demographic and Usage Data
 - KICA Summary Financial Data and Excel Sheet