

Board to Seek Member Vote on Reinvesting in Kiawah



Photo by Kent Bold

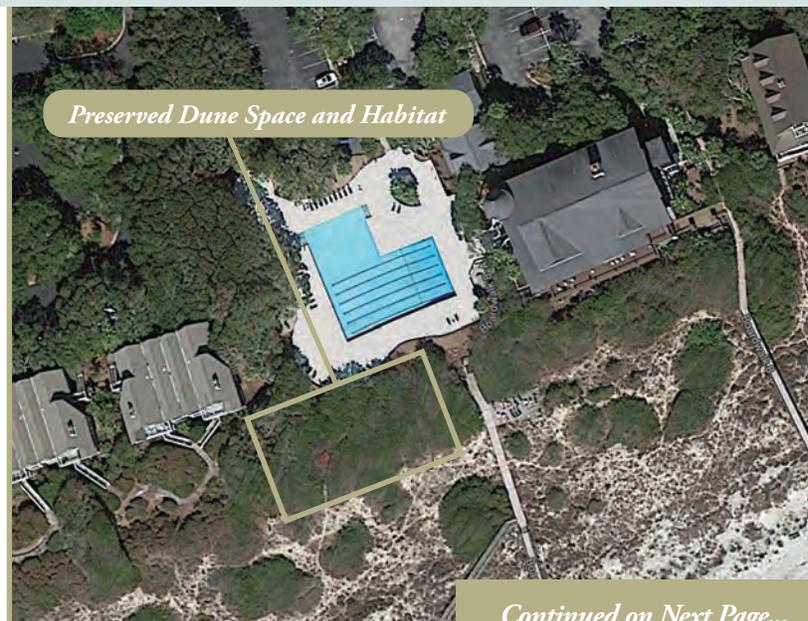
OVERVIEW

At its Jan. 12, 2015 meeting, the KICA Board of Directors unanimously voted to develop and submit to a membership vote a specific recommendation to improve association amenities. Below, the board shares an overview of the key elements of the recommendation, background summary, decision-making process and next steps.

THE SANDCASTLE SITE

- Retain existing building.
- New adult and family pools with increased deck space.
- Sweeping ocean views.
- New poolside amenities including enhanced food and beverage service.
- Preserve important dune space and habitat while maintaining natural buffers.

We propose to retain the existing building, and add new adult and family pools, increase deck space and expand poolside amenities, including enhanced food and beverage service. A portion of the proposed pool environment is seaward of the Sandcastle, to integrate the pool and beach experience and provide sweeping ocean views. Penetration of the dune field is less aggressive than contemplated in earlier renderings. An environmental report identifies two opportunities to preserve important habitat, which have been incorporated in our planning. First, our oceanside development will honor a setback close to two times what zoning requires. This maintains extensive connectivity within the KICA-owned 10-mile strip of dunes, allowing continuous travel patterns for deer, bobcat and other wildlife. Second, we will preserve the existing significant dune structure and emerging maritime forest on the Western edge of the property adjacent to Seascape Villas. This area provides important habitat as well as good buffer between the Sandcastle and neighboring villas.



Preserved Dune Space and Habitat

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RHETT'S BLUFF SITE

- New community center.
- Including kayak and canoe storage, and small group meeting space.
- Also featuring a fitness amenity with a small ship's store/coffee and juice bar.
- Close to half the size of original McMahon Group concept.
- Scaled appropriately to integrate within the site and the surrounding neighborhood.
- Landscaped heavily and sited closer to the center of the property to provide an extensive buffer.

We propose to construct a new community center on KICA's property at Rhett's Bluff that includes kayak and canoe storage, a fitness amenity; small meeting space to accommodate groups such as the bridge, book, and photo clubs, and other similar activities (large group meetings and banquets remain at the Sandcastle); and a small ship's store/coffee and juice bar. The Rhett's Bluff facility will be nearly half the size of the original McMahon Group concept and scaled appropriately to integrate within the site and surrounding neighborhood. A facility of this smaller size is not markedly different from several nearby homes that approach 10,000 square feet. Further, at close to 6.5 acres, KICA's property is more than six times the size of most nearby homesites, which affords our architectural team tremendous flexibility to manipulate scale. Finally, it will be landscaped heavily and sited closer to the center of the property to provide for an extensive buffer. We plan to retain the existing boat launch location and trailer parking, and hope to integrate the existing pavilion into the final design to make better use of this asset.



COST

Final costs and financing plans will be developed prior to a member vote; current estimates suggest the proposed improvements would result in an additional assessment well within the financial tolerance expressed in last summer's member survey.

DECISION-MAKING PROCESS

Last year, we spent substantial effort evaluating the survey results and community feedback. Specifically, we revisited our earlier inclination to use the community's Rhett's Bluff property.

We assembled a team of experts to advise us on the feasibility and desirability of improving amenities solely at the Sandcastle site versus using both the Sandcastle and Rhett's Bluff locations. We hired Mark Permar to perform site analyses of both locations and to advise on the land planning issues in single versus dual site development. Mark has been a preeminent land planner on Kiawah since the 1970s. During that time, he consulted for all three developers, as well as for the resort and KICA, and helped develop the ARB process and its primary philosophy of Designing with Nature. We hired Toole Design Group to evaluate traffic volume and safety issues presented by adding a community center at Rhett's Bluff. We hired Folk Land Management to study and advise us on ecological concerns presented by building at either site. Finally, we hired Marvin Infinger, a senior litigator with Nexsen Pruet, to advise us on legal issues.

We concluded that Kiawah has many instances of club, resort or community association facilities embedded in residential neighborhoods. A well-designed facility can very successfully coexist within the Rhett's Bluff neighborhood, particularly in light of the significantly reduced size we now envision. Toole Design advised that a community center at Rhett's Bluff would not present any traffic safety or congestion concerns in the Rhett's Bluff neighborhood or the intersections entering the neighborhood. They also opined that the causeway to Rhett's Bluff is sufficiently wide to safely add a bicycle/pedestrian path to link the community center to Kiawah's leisure trail network.

DECISION-MAKING PROCESS (CON'T)

Folk Land Management reported that there would be no unique ecological issues, including wildlife habitat concerns, at the Rhett's Bluff site that should preclude building a community center. Specifically they opined that a building plan should preserve native vegetation along the riverbank and observed that many of the recently planted trees in the center of the site can easily be transplanted into a new landscape plan. Final design will reflect these findings. Also, as noted earlier, a significant sensitive ecological area at the Sandcastle site was identified and will now be preserved.



The board received a legal opinion from Nexsen Pruet reinforcing KICA's right to add a community center at its Rhett's Bluff property. We previously received two separate legal opinions also affirming KICA's right. Some contend that the deed by which KICA gained the site prohibits a community center because of language referencing a "private boat landing and related facilities." The deed requires interpretation, and the two parties to the deed, Kiawah Partners as grantor and KICA as grantee, agree on the interpretation. Further, the KICA Covenants, as well as operating standards recorded as an exhibit to the Development Agreement, give the KICA board the exclusive right to such interpretative matters. The recommended community center, for the exclusive use of KICA's members, is analogous to a private yacht club, many of which include, among other things, fitness amenities, social gathering space, and extensive dining operations. Though central to many yacht clubs, our plan specifically avoids night time food and beverage or banquet operations out of deference to the neighborhood.

We recognize that legal action was previously threatened should plans proceed at Rhett's Bluff. It would be unfortunate, and result in extra legal fees and delays. However, your board's fiduciary duty is to make decisions it believes are in the best long-term interest of Kiawah and its members, and it has acted accordingly. The property at Rhett's Bluff belongs to the KICA membership as a whole, and we believe the membership should exercise its right to decide on the use of this property in accordance with its permitted purposes.

One additional factor entered into our decision-making process. A KICA member engaged, at his expense, a well-respected engineering firm to develop a plan to house all KICA amenities at the Sandcastle site. He acknowledged that improvements are needed and the survey results indicate that the membership desires them. The scope of his project was to develop the best plan possible at the Sandcastle site, not the best plan possible given all of KICA's land. It was a helpful exercise to test the limits of the Sandcastle site from a perspective clearly in favor of a single-site solution. The plan was professionally developed and allowed for a similar pool and beach environment as our recommendation, and a 10,000-square-foot fitness center. Mark Permar met with the engineering firm twice to ensure a proper understanding of the plan. To accommodate all of the amenities, the plan necessarily resulted in less water and deck space than in our recommendation.

More significantly, however, the plan affirmed our judgement that a "one campus" solution introduces parking problems that are very difficult to solve and would likely require a multi-story parking deck. At minimum it requires numerous setback variances that infringe on rights-of-way for Seascape Villas and David Street owners, setbacks for Fairway Oaks owners, and eliminates a portion of the heavily-used leisure trail bordering the Sandcastle. We believe these measures are inappropriate for the Sandcastle neighborhood. A multi-story parking garage is inconsistent with the Kiawah design philosophy, and not in our membership's best interest. Finally, the cost of a parking garage far exceeds any modest cost savings associated with a "one campus" design.

The purpose of improving KICA amenities is to promote greater enjoyment for current and future members, and to reinvest in the community to support and enhance housing values. These objectives are best achieved by housing amenities at both the Sandcastle and Rhett's Bluff sites.

NEXT STEPS

Two highly qualified architectural firms have been hired to develop schematic designs and cost estimates that will be included in the board's final recommendation to the community. Thomas & Denzinger has been hired to work on the Rhett's Bluff site. For years they have designed some of the most beautiful homes on Kiawah, including several in the Rhett's Bluff neighborhood. They also designed "The Marsh House," a beautiful new amenity being planned for the Ocean Park neighborhood. For the Sandcastle, we've hired McMillan Pazdan Smith. Their extensive experience in hospitality and community building architecture will ensure excellence in design as well as superior functionality. Their design team has extensive experience working on Kiawah as well. We anticipate the work of both firms will conclude in March. Shortly thereafter, a final proposal will be shared with the community and we anticipate a vote no later than the end of May.

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BACKGROUND AND TIMELINE

KICA has spent nearly a decade planning for possible amenity improvements and obtaining community input. In 2013, we engaged a consultant, The McMahon Group, to aid in this effort. They surveyed the community in July 2013 to gauge satisfaction with existing KICA amenities and interest in improvements. Based on your indicated interest, we formed an Amenity Planning Group (APG), consisting of KICA members and chaired by a board member, to work with The McMahon Group to develop concepts for improvements. The committee developed two concepts: an enhanced pool and beach environment at the Sandcastle, and a community center at Rhett's Bluff containing fitness, limited food and beverage, indoor pool and spa, and wellness amenities. The board decided, at that time, to use KICA's six-acre Rhett's Bluff property because the four-acre Sandcastle site was too small to house all elements of the conceptual design. The board presented these conceptual designs to the community in the spring of 2014.

Following community presentations, The McMahon Group surveyed the membership to poll interest in these concepts, and willingness to pay the requisite additional assessment. The survey also measured interest in KICA acquiring additional land to site a community center. The response rate to the survey exceeded 50% of the membership and was the highest in KICA's history, indicating significant member interest in the topic. You expressed strong support for improving KICA's pool and beach environment and fitness capability, and far less interest in an indoor pool and spa/wellness amenity. You clearly rejected the concept of buying additional land and expressed the desire to use existing KICA properties. Over 70% of the respondents indicated they were willing to pay a higher assessment for better amenities. On average, those interested in improving fitness and the pools/beach environment were willing to pay \$550 per year.

2006 - 2007

- Board forms Strategic Planning Committee (SPC) and demographic sampling group for topic-specific subjects; continues throughout 2010.
- Charters Amenities Planning Subcommittee of SPC.
- Studies all forms of input and develops official strategic plan.

2008

- Strategic plan, *Planning for an Extraordinary Future*, mailed to members. Full plan posted to Web, updated annually.
- Plan identifies need for space for future amenity/service upgrades. Members decline vote to purchase land.

2009 - 2010

- Strategic planning continues focus on leadership, fiscal soundness, environment, quality of life.

2011 - 2012

- Amenities and Services Task Force (ASTF) established to evaluate adequacy of existing offerings.
- ASTF concludes offerings have not kept pace with high-end communities.

2013

- National planning/consulting firm, The McMahon Group, hired.
- June: McMahon Group surveys membership on amenity satisfaction.
- Sept: Results sent to members. Key findings indicate improved pools, fitness/wellness and community offerings.
- Oct: Amenities Planning Group formed to work with McMahon on improvement concepts.

2014

- Communications regarding amenities continue throughout 2013-14 via *Digest*, website and eblasts.
- May: Board conducts open forums to gather additional member input.
- June: McMahon Group surveys members on concepts.
- Sept: Survey results/concepts sent to members.
- Nov: Based on findings, board assembles team of experts to advise on land planning, traffic engineering, environmental impact, legal.

2015

- Jan: Board votes to develop proposals for member referendum.