

## **Questions & Answers From POA Informational Meetings**

### **Restaurant Questions**

**Question:** Will the POA mandate a food & beverage minimum for the new restaurant?

**Answer:** The new restaurant will continue to fall under LFCCI supervision, and the POA has no authority to regulate a LFCC enterprise. So the answer is no, the POA will not institute a F & B minimum.

**Question:** Will the new restaurant be full service?

**Answer:** It is not expected to be full service, however, the level of service will depend on the extent to which the community supports it by eating there, and how much outside traffic can be generated. Certainly, we need to leverage the nice new facility into higher revenues. An obvious goal would be to make the restaurant self-supporting.

**Question:** Why does the restaurant stay under LFCCI supervision?

**Answer:** It is too early to know how the new restaurant will evolve, so it only makes sense that LFCCI continues to be responsible for it. But regardless, the expectation is that it will cater to a wider range of patrons than just golf traffic.

**Question:** Who will pay for the temporary pro shop and food & beverage service?

**Answer:** This cost will be shared by the POA and LFCCI. At present we do not know what the cost will be, or the cost sharing formula.

**Question:** Will the POA get any revenue from the restaurant?

**Answer:** No, the restaurant lessee will pay rent to LFCCI, but presumably all profits would be retained by the lessee.

**Question:** If LFCCI runs the restaurant and selects the lessee, will the POA have veto power over the selection or any control over how the restaurant is run?

**Answer:** At this time, LFCCI will have control over the restaurant and its lessee. However, it is understood that the restaurant must cater to more than just the golfing community. The assumption is that the two boards of directors will be able to reach mutual agreement on a vision for how it should serve the community, and a satisfactory lessee.

### **Cost Questions**

**Question:** Is the \$2.8M a firm quote? What protection do POA members have if, at the time of construction, interest rates are higher than expected, or building costs have increased?

**Answer:** No, the \$2.8M is a best estimate. Prior to sending out ballots, the POA will establish a maximum, or not to exceed payment level corresponding to each of the two payment options offered. If the final cost per member winds up higher than the maximum, resulting from an increase in building costs or interest rates, then the approval vote would become void and a new vote will have to be taken on the higher cost.

**Question:** What number of POA members was used to calculate the annual cost?

**Answer:** The number used was 617, which is the number of dues paying Lockwood properties.

**Question:** Is the up front payment option of \$4500 the only payment required, or would there be annual payments, as well.

**Answer:** The \$4500 is a one time payment. No other payments would be required, and the paid up status would remain with the property even if sold.

**Question:** Will the yearly assessment increase, like POA dues?

**Answer:** No, once the payment is set it will not change, just like a fixed mortgage payment.

**Question:** Wind insurance rates are climbing in Brunswick County. Have higher coverage rates been considered in the building cost?

**Answer:** Insurance rates are covered in the annual POA budget as operating expenses. We have good estimates for them in the strategic planning budget, but we still need to pin down the actual numbers for the new building. Insurance rates will not impact the building cost or the member assessment.

**Question:** Will there be any tax liability on the transferred land value?

**Answer:** The transfer itself represents pre-paid rent and has no tax consequences. The POA does not pay property taxes, the value of POA property is allocated back to each Lockwood property. If the county ever gets around to re-assessments, property owners could see a very small increase in their taxes.

**Question:** How can we assure a 6% interest rate?

**Answer:** We can't, but by providing a maximum, or not to exceed yearly assessment number, the POA is protecting members from excessive costs.

**Question:** When will we get final construction costs?

**Answer:** It depends on the contract language with Taylor. Final estimates won't be available until we get all the design features set in stone and construction drawings completed. Once drawings are done, final contracts will be drawn up that identify the process for engineering changes and commodity price changes that may occur during construction. Bottom line, we won't know the absolute final cost until the project is complete.

### **Voting Questions**

**Question:** In voting, is there a minimum number of ballots required to be cast?

**Answer:** No. All un-cast ballots will be cast in the proportion of cast ballots, regardless of number. If we receive only 3 ballots, 2 yes and 1 no, all the remaining un-submitted ballots would be voted in the same proportion, 2 for and 1 against.

**Question:** How will the 50 class B LFCCI votes be cast?

**Answer:** All 50 will be cast for approval of the community center. If the land transfer is rejected by LFCC members, there will obviously not be a POA vote conducted, and no LFCC vote cast.

**Question:** Who will count the POA votes?

**Answer:** POA votes will be counted the same way they are counted for an election—typically Janette receives the ballots and records the votes on a spreadsheet.

### **Construction, Design & Site Questions**

**Question:** Has the construction site been evaluated to confirm that it is suitable for building?

**Answer:** Yes. As part of our contract with Taylor Construction, all the necessary engineering requirements, CAMA regulations and permitting requirements were researched, confirming the feasibility of the project.

**Question:** Were sewers considered as an alternative to a new septic system?

**Answer:** The topic of sewers has come up before, with very negative resident response. Since it is unlikely Brunswick County will mandate sewers for Lockwood, they were not initially considered an option. However, when the POA presentation was given to Lockwood's multiple lot holders (Sloane, Anderson & Dennis), it was suggested we investigate sewers. This investigation process is still under way.

**Question:** Is the new parking lot big enough?

**Answer:** Based on the occupancy limits of the community center, the number of parking places meets code. The POA is considering moving the existing tennis courts and using that space for parking, adding another 68 slots.

**Question:** Will the pool have to be enlarged to accommodate a larger resident base?

**Answer:** The pool is not part of the community center project; no capacity research has been done. The POA does have costs for pool replacement built into the long term strategic plan budget.

**Question:** How firm are the building designs?

**Answer:** Obviously, we aren't going to ask Taylor to start over, so the footprint and basic design concepts are probably fairly firm. If good ideas for floor plan rearrangement, cosmetic changes, etc. are submitted and doable, they will be considered. However, the primary goal will be to stay within budget.

**Question:** How does the new parking lot affect our impervious surface restrictions?

**Answer:** There should be no affect, as it will be in the same location as the existing lot, just re-layed out.

**Question:** Was the project, or will the project, be bid by multiple contractors?

**Answer:** The clubhouse committee interviewed several firms before Taylor was selected. Taylor was selected based not only on cost but also because they employ engineering, architectural design, construction, and regulatory/permitting expertise, all the skills necessary to manage the entire project. Additionally, they have the financial strength to weather the current economic climate. If the project is approved, Taylor will get bids for the phases of construction, i.e., excavation, foundation, framing, plumbing, trim out, etc., so it will be a competitive process.

**Question:** If the community grows to 600 homes, will the building be large enough?

**Answer:** The building meets or exceeds all the capacity requirements specified by the clubhouse committee. It is hard to predict how fast Lockwood will grow, or if at some point in the future we will need more space. We think the design satisfies Lockwood's need for the foreseeable future.

**Question:** Will the building be hurricane proof?

**Answer:** The building will be constructed to local hurricane building codes, which require it to withstand a category 3 hurricane. As details are added to the final design, the clubhouse committee will request from Taylor suggestions to further improve the building's storm integrity.

**Question:** How will the building be outfitted / furnished?

**Answer:** Immediately after a successful vote, committees will be formed to evaluate décor and furnishings. We have interior decorator skills in Lockwood, and we will encourage those people to participate on the committees.

**Question:** If more design changes are made to the building, will it cost more?

**Answer:** That depends on the degree of change requested. Changes drastic enough to change the building engineering concept would certainly require a major architectural commitment. What we have today are concept drawings. They are not construction blueprints. When we sign a construction contract with Taylor, work will begin on detailed blueprints. Minor floor plan changes could be made at little or no cost during that phase.

**Question:** I work out a lot. Why isn't there a new, modern workout facility in the community center, with all the interest today in exercise? When people who are looking to buy in a community, one of the first things they look for is a nice workout facility. I could save enough to pay my assessment by not maintaining a membership at Gold's gym.

**Answer:** The thinking is we would leave the workout center in the old clubhouse, but the point is well taken. We need to review the CC floor plans and see if a workout facility could be included.

**Question:** How long will the parking lot be torn up, and have alternate parking accommodations been planned during construction?

**Answer:** Taylor has faced this problem many times before on other projects, and we believe they will be able to do the work with minimum disruption. If alternate parking is necessary for some period, we can certainly make accommodations, even operating a shuttle service if necessary. However, assuming lot replacement comes at the end of construction, and considering that asphalt can be applied in a short time, we don't see any serious parking interruptions.

**Question:** Do we need a professional interior designer to decorate the building?

**Answer:** TBD, the initial plan is to see if we get volunteers who have the background & experience to do the job.

**Question:** How long will the driving range be down for septic construction?

**Answer:** Construction of the new septic field will come at the end of the project. Installation won't take more than a few days, but re-seeded or re-sodded grass must mature before ball rakes can be ran on it. Best guess is 4 to 8 weeks, depending on the season.

### **Questions About the LFCC Land Transfer**

**Question:** If the golf course is ever sold, why wouldn't the POA extend its rent free status to the new owner? This would help preserve the LFCCI's equity value.

**Answer:** The POA would negotiate terms of use for the pro shop and restaurant with the prospective new owner. It is premature to speculate about what the terms might be, as no one knows when or if LFCC will ever be sold. The thinking now is that a new owner would lease the facilities from the POA, which is the most likely scenario, but there are other financial issues that would also need to be negotiated. Since the golf course contributes so much to property values in the community, your POA is bound by its fiduciary responsibility to reach an accommodation that protects the golf course.

**Question:** Free rent for a new pro shop and restaurant is not enough compensation for the land transfer, and the LFCC balance sheet will suffer. Why doesn't the POA forgive LFCC dues and not assess LFCC for a share of the community center?

**Answer:** First, let's try to put a value on the free rent. We checked with a local realtor who indicated that a reasonable lease rate would fall between \$50 and \$100 per square foot per year. That sounded too high, so we decided to use \$20, which would be roughly the annual mortgage costs if LFCC were to build comparable facilities. At 4000 square feet, using \$20, the value of free rent is \$80,000 per year. Assuming a 20 year building life, the full value of free rent is \$1.6M. Since pre-paid rent is a balance sheet asset, the result of reducing assets by \$710K for the land transfer and increasing assets by \$1.6M in pre-paid rent is a net improvement in balance sheet assets of \$900K. The point is, it should be clear that using any reasonable estimate of lease costs shows that LFCC gets adequate value for the land transfer. LFCCI is a POA member with voting rights to 50 votes, per an agreement between the two boards of directors and ratified by a vote of the membership. LFCC use of POA property, including roads and the clubhouse, contributes to deterioration in Lockwood infrastructure, while LFCC receives services like any other POA member. As long as the by-laws require members to pay dues and assessments, LFCC, with 50 votes, is required to do the same. To change this policy, a full vote of the POA membership would have to be taken. Clearly, that is not an option with respect to the community center project.

**Question:** Is transfer of the building site required by BB&T?

**Answer:** Yes, the POA must own the land to secure a mortgage.

### **Miscellaneous Questions**

**Question:** What benefits do lot owners get from the project? Same question for non-golfers.

**Answer:** Although the benefits may seem greater for residents and golfers, the main purpose of building a new community center is to bring Lockwood's amenities in line with other communities that compete with us for new residents. All property owners are at risk to lose value if we allow our community recreational facilities to deteriorate. Obviously, if you golf or take part in clubhouse activities, you will enjoy the new community center more than

those who don't. But a new, modern restaurant should be an attraction and benefit to everyone.

**Question:** How many lots are still owned by the original developer? How will they vote?

**Answer:** There are only 2 lots still owned by Channelside. There are 40 lots owned by 4 of the original principals. We are trying to set up a date to give our presentation to that group.

**Question:** Will people still get rent free use of the community center?

**Answer:** There will be no policy changes from those in place now for the old clubhouse.

**Question:** If we begin renting out the new building, what will we do about security?

**Answer:** We haven't really thought that far ahead, but there are a number of options, including hiring event security or a citizen's watch group during events. We wouldn't expect to rent the building out for high risk events, like rock concerts.

**Question:** It was said that new kitchen facilities were recently installed in the Tin Cup at an expense of \$60K. Will these items be used in the new kitchen?

**Answer:** No. The community center kitchen will be outfitted with all new commercial appliances. It was suggested that the used items from Tin Cup could be sold or installed in the halfway house, allowing it to open again.

**Question:** Is anything being planned for or designed around kids?

**Answer:** Nothing in the new building has been designed for kids, however, now that the question has come up, it is clear that this has been an oversight, and we need to consider options for youth activities.

**Question:** Will the POA hire a property management firm for the new community center?

**Answer:** That is not part of the plan today. If the CC is rented out for weddings or outside functions, the POA would hire or contract an event planner to organize catering, building set-up, etc., and costs for that function would be included in the event cost package. For day-to-day maintenance, plans are to manage the building with POA volunteer help.