

HMC Assessment Options

Finance Committee

November 9, 2002

Briefing Outline

- Review of assessment options presented in October
- Review of legal requirements
- Graphs showing membership erosion, assessment history, and future projections
- Feedback from membership
- Definition of opinion poll by Board

Plans Considered in October

- Plan 1 – One assessment per member (current method)
- Plan 2 – One assessment per lot
- Plan 3 – One assessment per contiguous parcel
- Plan 4 – One contiguous lot allowed per member
- Plan 5 – Tiered plan. Additional house = one assessment, additional non-house lot = 0.5 assessment.
- Plan 6 – Weighted assessments (attorney proposal)
- Plan 7 – Assessed Value

Summary of Plans Considered in October

PLAN	MAXIMUM	BASELINE (1 PARCEL, 1 HOUSE)	MINIMUM (0.33 LOT)
Plan 1 – One assessment per member	\$896	\$896	\$896
Plan 2 – One assessment per lot	\$4,296	\$614	\$203
Plan 3 – One assessment per contiguous parcel	\$4,053	\$811	\$268
Plan 4 – One additional contiguous lot allowed	\$4,458	\$743	\$245
Plan 5 – Tiered plan	\$2,864	\$716	\$716
Plan 6 – Weighted assessments	\$3,152	\$914	\$76
Plan 7 – Assessed value	\$4,595	Assessed value of \$94,000 pays \$896	\$10

Review of Legal Requirements

- Assessment method must not violate
 - Federal or State Constitutions
 - State or Federal codes
 - HMC Articles of Incorporation
 - HMC Bylaws

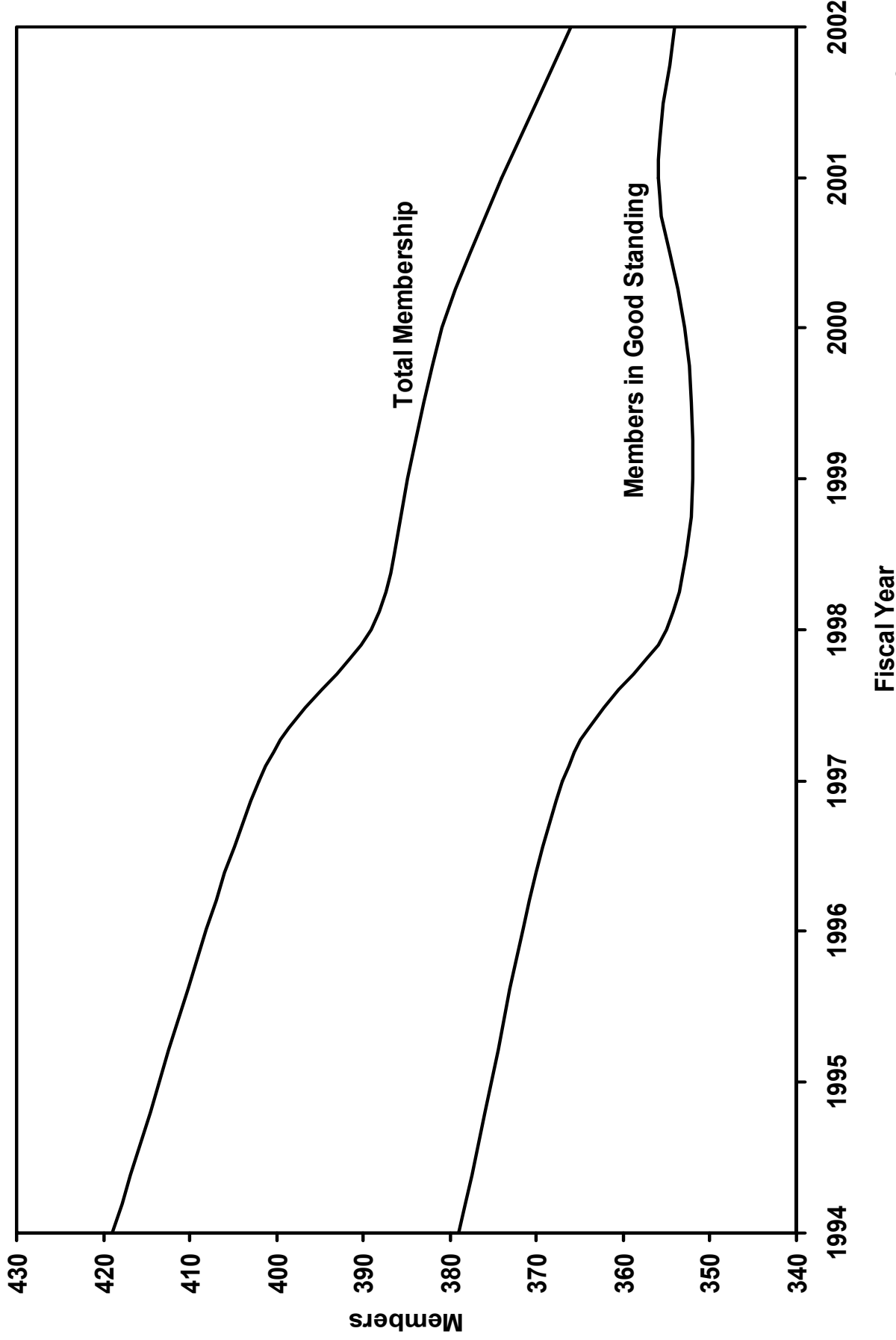
Grandfathering

- Attorney's opinion
 - Creates two classes of owners
 - Land use regulations require uniform treatment unless ALL owners consent to disparate treatment
 - Not permissible
- 1970 Bylaws had grandfather clause, was thrown out in court

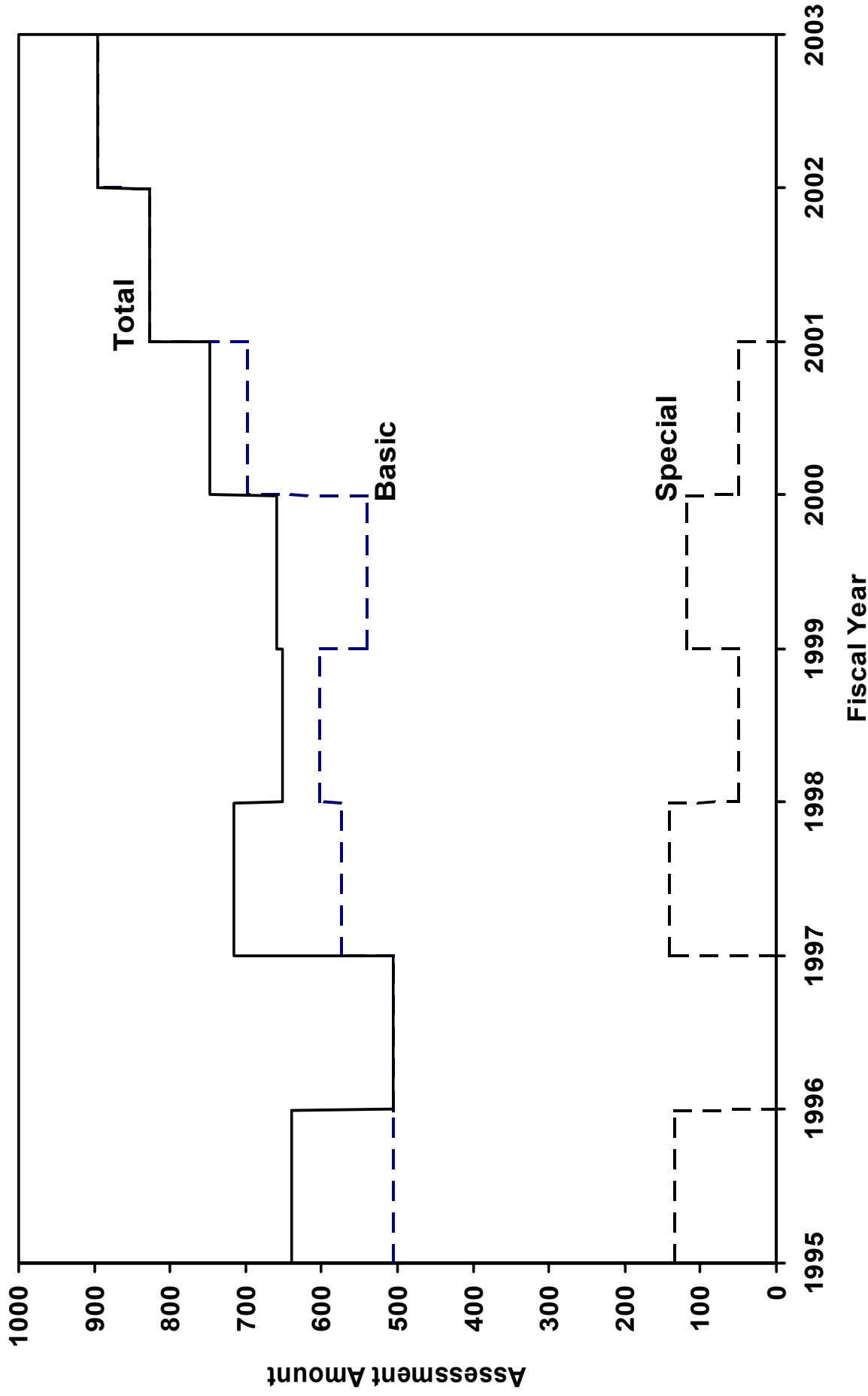
Graphical Data

- Membership decline from 1994 to 2002
- Yearly assessments from 1995 to 2002
- Projection of grandfathering effects

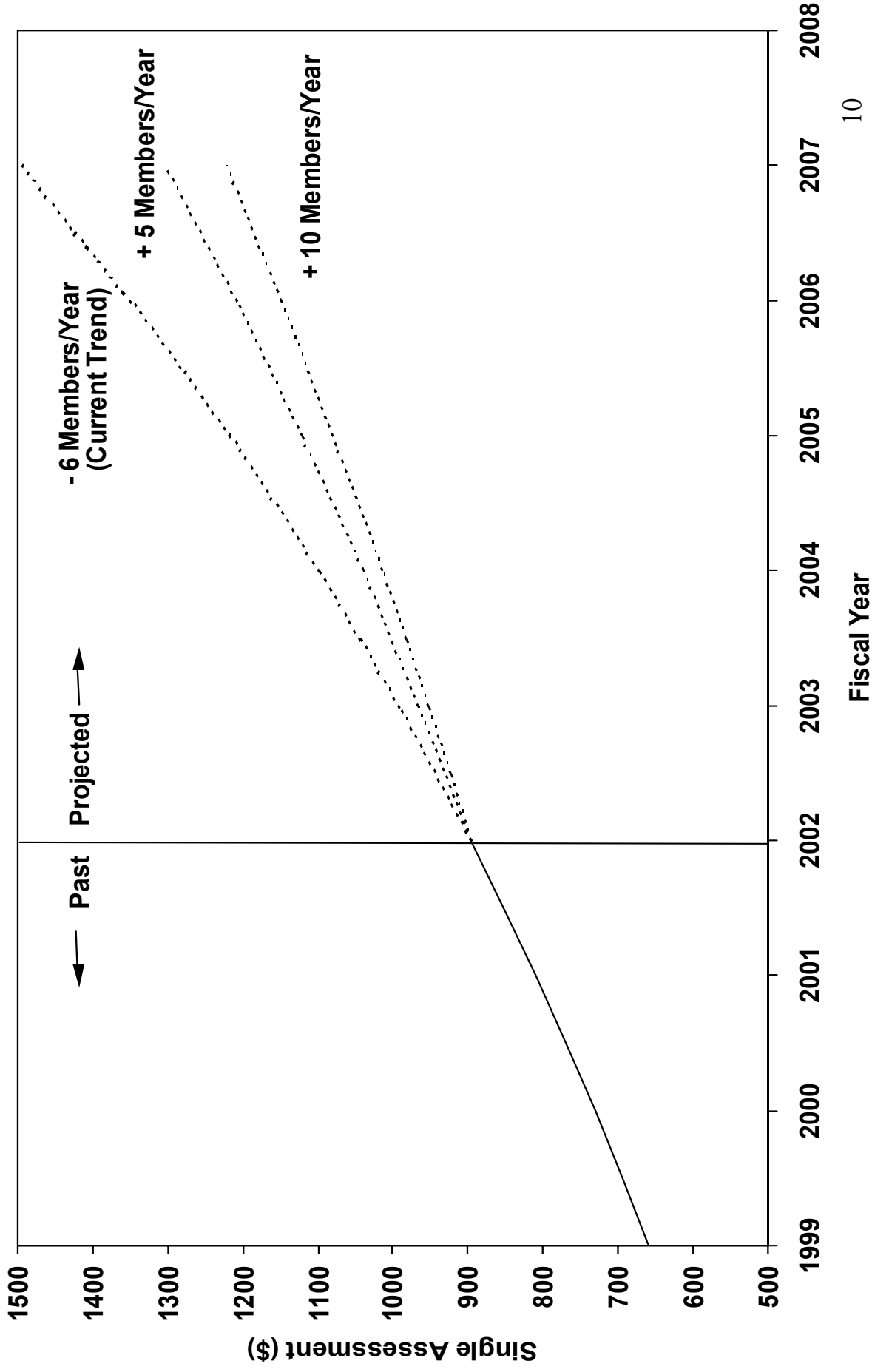
Membership Decline



Yearly Assessments



Grandfathering Effects



Feedback

- Demographics
 - Correspondence distribution
- Email, letter, and verbal comments
 - Categorized points

Demographics

- Population distribution
 - 246 single lot owners
 - 106 multiple-lot owners
 - 268 multiple-lot-owner lots
- Email and letters received
 - 8 from single-lot owners
 - 3.3% of total single-lot owners
 - 9 from multiple-lot owners
 - 8.5% of total multiple-lot owners

Feedback Categories

- Other associations
- Voting
- Fairness
- Lawsuits
- Combined lots
- Rentals
- Deception

Feedback on Other Associations

- A per-lot basis is by far the most common method used by homeowner associations.
- Other multiple-assessment associations have very definable units with one assessment and vote per unit. Herron Island's plat included lots that were unbuildable gullies or wetlands that were offered to adjacent lot purchasers for about \$100.
- Septic laws and building codes were quite different when the island was platted leading to required combining of lots into legal building sites.

Feedback on Voting

- One member can own multiple lots, but should only get one vote.
- One vote should be granted for each assessment.
- Membership, assessment, and voting are all separate issues and should not be considered together.
- One assessment per lot with only one vote per member amounts to taxation without representation.

Feedback on Fairness

- In fairness to everyone, the present policy should be kept as is.
- One lot, one vote, one assessment is fair and simple.
- Several individuals have avoided paying their fair share.
- You have opened a feud between single-lot owners and multiple-lot owners and pitted neighbor against neighbor.
- We are squeezing out low-income single-lot owners.
- The more you continue with this insanity the more hard feelings between members will follow and the community will degrade quickly.
- Multiple lot owners should have a one-year grace period to sell extra lots, with multiple assessments phased in over the next four years.

Feedback on Lawsuits

- If grandfathering is not implemented, it would be cost effective for me to hire an attorney.
- We will fight for what we believe in.
- HMC was taken to court three times and came out the loser each time.
- The one-owner, one-assessment court ruling in 1987 made us all equal on the island and stopped the feuding between single and multi lot owners for the last 15 years.
- We are concerned that part of our assessment may be diverted to pay legal fees that are sure to be incurred should this situation require the help of attorneys.

Feedback on Combined Lots

- If a series of contiguous lots have been legally co-joined and can only be sold in total, then there should be only one assessment.
- If a member subdivides a saleable holding before selling, he should pay all back assessments plus interest.
- Individuals with more than one saleable holding should be assessed once for each holding.
- An extra lot required for a septic system should be included in a single assessment, but otherwise should not.
- A 50% assessment should be imposed on a second lot required for a drainfield, a full assessment otherwise.

Feedback on Rentals

- Each rental property should be a separate assessment.
- Landlords who rent multiple houses and pay one assessment profit at the expense of the rest of us.
- Measures should be taken to discourage speculators.

Feedback on Deception

- We purchased our property with the understanding that we would have one island assessment.
- The only reason I purchased more than one lot was because I knew there was one assessment per owner.
- Our escrow papers stated that we would pay only one assessment.
- We made a long-term investment based on the present assessment policy.

Opinion Poll

- Results to be used by Board in defining assessment section of Bylaws update proposal
- Ballot to be included with November Beachcomber
- Special election to update Bylaws and Articles of Incorporation to be held next spring

Opinion Poll Options

- Continue with current method?
- One or more multiple-assessment options?
- Grace period or immediate implementation?
- Runoff vote if no assessment plan receives a majority?