

To: All Harbor Island Owners
From: Harbor Island Owners Association Board of Directors
Subject: Special Assessment

INTRODUCTION

The Board of Directors of the Harbor Island Owners Association unanimously recommends that owners approve a special assessment to pay for three badly needed capital projects, major repair to the Ocean Marsh Bridge, multi-year repairs to our deteriorating roads, and installation of embankments to protect our roadways from marsh erosion. This memorandum provides the basic information about those projects. The engineering studies that demonstrate the need for these repairs are available for your review on the HIOA website. **The special meeting to consider this proposal will be held on September 9, 2017 at 9:00a.m. in the Community Center. If you cannot attend that meeting, please complete the attached mail ballot and return it to HIOA by 4:00pm on September 8, 2017. The covenants require a quorum of 60% of all owners, so it is important that you either attend in person or return your ballot.**

We strongly recommend that you read those reports as soon as possible to understand our needs. When you do, you will understand why it is critical to undertake those projects now. The projects are not something the Board came up with in order to spend money. They present real and very serious problems with our most important capital assets. In each case, our experts conclude, and the Board agrees, that delaying repairs will lead to further deterioration and far more costly work later. Failing to repair the Ocean Marsh bridge promptly at a cost of \$500,000, for example, will likely require replacing it in a few years at a cost of \$1,200,000.

The total cost of these three projects, as estimated by our engineering firms, will be about \$1,660,306.22. That will come to about \$2,640 for each of our 629 properties. The Board is keenly aware of the financial losses owners have suffered because of Hurricane Matthew and of the other assessments many of you face. We are in the same situation as everyone else and will pay exactly the same assessments. Nevertheless, the work must be done, and the only feasible way to do so is through a special assessment. Our annual budget is far too small for that, and we need to use our regular assessments to rebuild our reserves.

In order to make the special assessment more manageable, owners may pay the total amount over three years at \$880 per year, to be billed at the same time as the usual assessment. Owners who choose to pay in full at the beginning of the first year will receive a 5% discount. We believe that about 15% of the total cost, or about \$396 per property, is attributable to hurricane damage. Your insurance may cover hurricane-related assessments, so please check with your agent.

BACKGROUND

For several months, the HIOA Board of Directors has focused on two significant and somewhat related items: the aftermath of Hurricane Matthew and the physical condition of the Island's infrastructure. Your Board realizes that the various neighborhood/condominium associations on Harbor Island are going through this same process. We are very mindful of the financial impacts facing virtually every Harbor Island property owner.

While Hurricane Matthew was not the direct cause of our infrastructure issues, investigating the effects of Hurricane Matthew revealed the need for prompt action on the Ocean Marsh Bridge and prompted our consideration of the other infrastructure projects at the same time.

Ocean Marsh Bridge:

Repairing the Ocean Marsh Bridge is our primary infrastructure priority. The bridge connecting Ocean Marsh to the rest of the Island, like the bridges on Harbor Drive, was built elsewhere over 35 years ago. The original developer transported it from some unknown location and placed it in its current location around 1985. As far as we can tell, it was not designed for a coastal climate. The bridge has aged poorly, with continuing damage from salt water and salt air. Last year's hurricane exacerbated the damages. Both engineering firms that inspected it warned that if the bridge is not replaced or repaired promptly, we might have to impose a strict weight limitation on it. That could interfere with building and remodeling of Ocean Marsh houses. Further deterioration could force the closure of the bridge, cutting off Ocean Marsh from Harbor Drive.

The Board considered both repair and replacement. We decided to move forward with repairs at a cost of about \$500,000. If we do not repair the bridge soon, we will have to replace it in a few years at a cost of \$1,200,000 in current dollars. The engineering firm we selected informed us that repairs and continued maintenance will extend the life of the bridge for as much as 20 years. Doing nothing is simply not an option.

Multi-Year Road Repair:

The Board has had all of the roads on Harbor Island inspected. Most are showing signs of significant distress and require improvements to preserve their structural integrity and avoid outright failure. The fundamental problem with the roads is that the quality of the original construction was modest and far less than current standards. Over the decades, the roads have begun to deteriorate. Extensive maintenance has only delayed reckoning with the underlying problems. Those issues are with the roads' foundations and are not immediately apparent from casual viewing. It is not what we can see that worries our engineers, it is what we cannot see.

As with the Ocean Marsh Bridge, the Board had two options: replace the existing roads at a cost of about \$1,650,000 or extend their useful life through extensive repairs over several years at a cost of about \$900,000. The Board recommends repairs. These will entail sealing cracks, patching, and applying asphalt overlays. Doing so will extend the life of the roads by 15-20 years.

Multi-Year Embankment Erosion Control:

Most of you know that the island has been suffering from marsh-side erosion of the embankments protecting our roads and other properties. As with the roads, a large part of the blame is on the original developers' failure to use the best methods for constructing our causeways. They are now nearly 40 years old and have been eroding in several locations for the last five or six years. We have already installed protective walls at several locations. Hurricane Matthew increased the pace of erosion and exposed needs that were not previously apparent. As a result, we need to address those new instances of marsh erosion to protect our road network and other common areas.

The details of the embankment control work are spelled out in the engineering report on the HIOA website. Delays in protecting the embankments will lead to much larger and much more expensive repairs within a few years. The proposed four-year protective plan will cost about \$258,000.

TIMING OF REPAIRS

The Ocean Marsh Bridge repair will proceed immediately after approval of the special assessment. Road repair and the embankment erosion control projects will occur over a four-year period. The cost estimates cited above are current and will naturally vary depending on the bids we receive when we have completed the engineering and permitting. The special assessment amount factors in those risks, so the special assessment should cover all expected costs.

CONCLUSION

No capital improvement plan is perfect. Some might want to add additional items, others might prefer to fund only one or two of the items, and still others might want to delay action. A few might even want to do nothing and let our infrastructure deteriorate. The Board spent many hours considering all possible options. After doing so to the best of our ability and with the advice of the best engineers we could find, we all agree that this special assessment proposal is the most economically sensible approach HIOA can take. That is why we unanimously recommend that you approve it.

Your Board is fully committed to the continued well-being and future of Harbor Island. We strongly believe that accomplishing these projects now through this special assessment will secure the Island's infrastructure for the next several decades, while failing to act would worsen our condition.

We would be happy to answer any questions you have about this proposal. Please feel free to email or call us.

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