

2013 Annual Meeting Minutes March 30, 2013

Ron Blunck called the meeting to order at 9:06 AM at the Sunset Grille.

The first order of business was election of the 2013-2014 Board. For the most part, the new Board is the same Board as last year. There is diversity in the Board members. It is good to have representation from the oceanfront owners and sound front owners, full time residents and owners that rent their homes during the summer, new members to the community and owners who have owned for years. This year there were 2 new owners who agreed to be nominated to the Board. They were Jeff Krial and John Ely. The following were then elected to serve on the upcoming Board:

- Ron Blunck (President) (Non-Resident, Canvasback & Duck Road)
- Tom Dorsey (Non-Resident, Vice President) (Duck Road)
- Christopher Blunck (Non-Resident, Sec/Treas) (Widgeon)
- June Forlano (Resident, Duck Road)
- Lorraine Schmidt (Non-Resident, Duck Road)
- Charlie Pratt (Resident, Pintail)
- Frank Evans (Non-Resident, Canvasback)
- Vicki Hatch (Non-Resident, Buffell Head Oceanfront)
- Jeff Krial (Non-Resident, Widgeon)
- John Ely (Non-Resident, Buffell Head Oceanfront)

Christopher Blunck presented the financial report for the year. We received roughly \$28K of income in 2012 and spent roughly \$19K. The majority of the expenses in 2012 covered Insurance (\$2K), Landscaping (\$5K), and Repairs (\$10K). The account balance at the end of 2012 was roughly \$20K and the current balance as of March 30, 2013 is roughly \$40K.

The Town of Duck conducted its annual Retreat in February and ocean erosion within the town was a major topic of discussion. As everyone knows, Carolina Dunes is 'the' hot spot for erosion within the town. The purpose of the discussion was to identify different erosion mitigation alternatives and to discuss the pro's and con's of each approach. Tom Dorsey attended the Retreat and reported on what was discussed. The Town's presentation slides and Tom's notes from the meeting are all posted on the Association website (www.carolinadunes.org).

The draft erosion mitigation study is available on the Town of Duck website, and there is a YouTube video that plays the audio of the presenter at the Retreat. Since 1996 we've lost an average of 5 feet per year in Carolina Dunes. The communities to the south have lost on average 1.68 feet per year and the communities to the north have gained 1.12 feet per year. The mitigation options that were presented included:

- 1. Dune Replenishment (\$800K).** The project life would be 1 year, meaning new sand would need to be brought in each and every year.

2. Additional Sand on the Beach. This would be more expensive but would have a longer project life.

3. Additional Sand Extending out into the Ocean. This approach would cost roughly \$15M - \$20M and the project life would be 5+ years. This option would involve off-shore dredging. This option may take up to 2 years to implement as multiple permits and approvals would need to be obtained.

Funding for option #3 might be achieved by creating a special tax district in Zone 7 of the Town (ie, Carolina Dunes & nearby communities) where the residents would shoulder a larger part of the cost. This might be one possible way to raise revenue for a beach nourishment project, but it was by no means definitive.

An informal vote was taken at the meeting to assess our community interest in the Town of Duck pursuing a beach nourishment project. The response from attendees was unanimous: nearly everyone is interested in the town exploring beach nourishment options.

The next question put on the table for an informal vote related to the different options for how a nourishment project might be funded. If a project is funded following the Nags Head model then a combination of public funds from Dare County and funds from the Town of Duck would be procured. This funding option would require some amount of public parking in 1/2 mile increments in the area of nourishment.

Four options for providing public parking and public access were discussed.

Option 1. Donate the Sandhills access walkway (located on Buffell Head, south of Widgeon) and one of the three Carolina Dunes access walkways to the town for public use. For parking, the Carolina Dunes streets were deeded to the State of North Carolina when the community was subdivided in the 1970's. So, the streets are already designated public roads, and there is a 60 foot street right of way easement for them. The least expensive way for the Town to providing public parking is to slightly widen Buffell Head and provide some on-street parking. An informal straw man was taken and the majority of attending members supported this option.

Option 2. Another option would be for the Town of Duck to purchase an ocean front lot or property and convert it to public parking and also use if for beach access. One such property exists in Sandhills (the condemned yellow house at 159 Buffell Head). This option would cost more (probably \$600K-\$800K), but it would also provide permanent ocean access capabilities for the town when they need to get to the beach. The Town does not currently have any permanent and totally reliable access to the beach. If the Town purchased an oceanfront property they could establish permanent access to the beach for their own needs. An informal vote was taken and more attending members supported this

option than Option 1 (involving on-street Buffell Head parking).

Option 3. Another option would be for public access and public parking outside of Carolina Dunes. For example, parking and access could be provided at Caffey's Inlet and/or in Snow Geese Dunes. This option would cost more than Option 2 as the Town would have to take over private streets in Caffey's Inlet and Snow Geese Dunes. Nearly everyone was in favor of this option.

Option 4. The last option proposed for public access and parking would involve the Army Corps of Engineers (ACE) Pier property. This option would require agreement with the ACE, which is not likely in the near future. That said, everyone responded in favor to this option.

The meeting discussion then moved on to other topics.

The southern community sign (Duck Road and Widgeon) is in bad shape and needs replacement. One of the support posts has rotted and the sign is in danger of falling over in high wind. The Association solicited ideas from different sign companies and reviewed other community signs in Duck. Most communities who have replaced their community signs have not used backboards like we currently have. Their signs mostly stand on their own.

A general sign design was proposed. See attached (but ignore the backboard behind the sign).

There was universal agreement that the sign design looks attractive and should be used. There was also a discussion about using a backboard or not. The consensus was that we should replace the sign and not use a backboard.

The northern sign was also discussed. The consensus was that we should replace that sign as well to keep the 2 community signs consistent. The northern sign is currently on a private lot that has not yet been developed. We'd like to move that sign 20 feet north to the adjacent satellite lot in North Pointe, even if we have to pay a small annual fee to do so. Doing this would mean we're not on a private owner's lot.

The overall community appearance continues to improve as more owners are taking up landscaping projects. Compliments went out to all owners who have taken the time to clean up and make improvements!

This year the Association cleaned up the sound front lot and cleared the underbrush. We've constructed two benches and added a trash can for owners and guests to use. We're also planting wax myrtle and oleanders to further improve the appearance of sound front lot. As ocean erosion has increased we have seen increased use of the sound lot, so the improvements being made are already beneficial.

The topic of mandatory dues was discussed. It was researched by Tom Dorsey and

Ron Blunck. They obtained some pro-bono legal advice from a North Carolina attorney familiar with state law governing the restrictions placed upon homeowner associations. The attorney examined our articles of organization as well as our bylaws and covenants. He then provided his perspective on options for pursuing mandatory dues, should we want to do that.

Deed restrictions on our properties were filed in the 1970s when the original land was subdivided and developed. These restrictions primarily dealt with zoning and construction limitations. There were no provisions made for mandatory dues payments or a community organization. In 1994 Carolina Dunes Association, Inc was formally organized in order for the developer to deed ownership of the community lots and ocean access paths to the community. Up to that point the developer owned the common property elements. At that point the Association took over ownership of the common elements as the official community organization. Since most lots had already been sold by that time and many of them had already been developed the Association could only collect optional/voluntary dues.

At Association annual meetings over the past several years there have been different member opinions and discussions surrounding the topic of mandatory dues. Many owners would like dues to become be mandatory so that all property owners fairly pay for the common element maintenance. Other owners would like dues to remain optional/voluntary in order for Association collections costs to remain low.

A general question was then asked: Can we make the dues mandatory? The answer was "yes" but with several caveats. Legally, we would have to get a 2/3 majority approval in each individual section in Carolina Dunes (Section A, Section B and Section C) to approve a change that would make dues mandatory. Pursuing this option would like cost \$10K - \$20K in legal fees, unless we could get some additional pro-bono legal services. That might be possible as one owner, who is an attorney, volunteered to assist after the meeting. It was noted that the Association currently receives roughly \$22K in annual revenue from volunteer dues payments, with about 80% of owners paying voluntarily. The missing revenue we would recover should we make dues mandatory would be about \$5K/year, at the current dues level.

The attorney who meet with Tom & Ron also advised us that in some instances, where a community attempted to transition from voluntary to mandatory dues, there were individual owners who legally challenged the action. Some homeowners who were unwilling to pay sued the homeowner associations for reducing their rights. While most of the legal actions were not successful, the cost of defending the association against such litigation could be significant. This is a disincentive to making dues mandatory.

Transitioning from a voluntary dues assessment to mandatory dues assessment also begs the question of what role(s) we can expect of volunteers who serve in the Association. The Board is currently comprised of 100% volunteers who invest "sweat equity" into the community. As a community, we accept the benefit of voluntary dues understanding that at any time one of our volunteer Board members may resign.

Should we move towards a mandatory dues assessment model it stands to reason that our community will expect a certain level of service equivalent to the dues they pay.

In recent years, the Board has invested a substantial amount of sweat equity in improving the common elements and communicating with owners. The Board has also been the active communication channel during hazardous weather conditions and has rolled back trash cans under houses after evacuations and surveyed the community after storms while notifying individual homeowners if they need to make immediate repairs to their properties.

Mandatory dues imply mandatory services to the community, and that may not be readily achievable through a purely volunteer Board. If dues are made mandatory we may need to hire a property management company to conduct and manage all of the services that are currently being handled by the voluntary effort by Board members. Hiring a property management company would increase Association costs, which in turn would probably increase dues. The current dues are \$125/year. New dues may be \$200-\$225/year.

It was pointed out that the issue of mandatory dues would likely result in additional collection costs, including legal fees.

An informal vote was taken to determine if the Association should continue to investigate the options for making dues mandatory (capping the cost of investigation at \$5K). A majority of members voted to further the investigation.

A homeowner suggested that we might have a second Association meeting this year, maybe over Thanksgiving weekend, given all of the erosion discussion underway and given the large number of other important issues facing our community. A majority vote supported this suggestion.

The meeting adjourned at 11:15AM.

Respectfully submitted.

Chris Blunck

Christopher Blunck
CDA Sec/Treas

