

## FAQ On Wolf Laurel Road Maintenance Facility

*Q: Why is WLRMS seeking a new location for its road maintenance facility?*

A: For several decades, predating the community's purchase of the corporation from Bald Mountain Development Corporation in 2012, WLRMS has used the land under the current facility through a "use in exchange for waiver of assessment" arrangement with the landowners. Unfortunately, in September, the owners of the land notified us that we must vacate the current site by September 30 so they could place the land on the market to terminate their ownership. They later extended the deadline until May with the proviso that WLRMS begin making lease payments on January 1.

*Q: Why can't WLRMS simply buy the present site if it is for sale?*

A: WLRMS has made what it considers a reasonable offer for purchase of the land. We offered to purchase only that portion of the parcel that we use and, as is their right, the owners turned down our offer indicating that the parcel would be sold as a whole. We also offered what we considered a reasonable offer for the entire parcel. As is their right, the owners have turned down that offer. We continue to attempt to negotiate that purchase.

WLRMS takes seriously its fiduciary responsibility to property owners. The Board's determination of a reasonable price for the land is central to the decision of whether to purchase the current site. In addition, this need to address the sudden loss of our maintenance facility occurred even before completion of the Wolf Laurel Road project had drawn down our reserves. So, we must be able to purchase the current site at a price consistent with these two constraints.

*Q: How did WLRMS determine the "reasonable offer" for the land?*

A: WLRMS began by determining the appraised value used for county taxes. Then, we assembled five years of comparable sales data for similar acreage tracts in the nearby vicinity. Ultimately, the value of the land will be determined by the price that emerges from the market. We do not have the luxury, however, of waiting for that market to develop because of the current owners' order that we vacate prior to their placing the site on the market. The difference between our analysis of the value and that of the owners remains large.

*Q: Can WLRMS mortgage the purchase to obtain the current site?*

A: WLRMS faces three problems with such an arrangement. First, under the covenants governing our community, WLRMS is restricted to a five percent increase in your assessments each year. Lending institutions see this restriction as a limitation on WLRMS' long term ability to repay the loan. This increased risk to them increases our cost of borrowing. For the same reason the total amount we can borrow is limited. When considering debt, even for a short term need, the Board must treat debt as a limited resource, and decide wisely where to expend that resource. Some relief may be possible by pledging the proceeds of a special assessment toward payment on a loan, but such an option only shortens the term of the loan and only if a special assessment vote is requested and is favorable.

Second, a mortgage loan adds the cost of financing on top of the purchase price of the land. This makes the comparative cost of the purchase at the asked price compared to the use of our current available land non-competitive. Under those circumstances our fiduciary responsibility limits this option.

Finally, coupled with the restrictions on assessment increases, a long term debt solution diminishes WLRMS's ability to meet its ongoing responsibilities to provide annual service to the community and/or to meet future major project needs.

So WLRMS is not as free to purchase the tract with a mortgage as normal homeowners might be to purchase a home or a lot.

*Q: What does WLRMS do at its maintenance facility?*

A: The maintenance facility is the heart of the community's road maintenance operations. There are three main functions performed there. First, it is a storage area for the equipment employed in maintaining the roads. Some of this equipment is general usage: pickup trucks, etc. Other has very specific uses: dump trucks, a backhoe, a grader, etc. Still other is non-motorized but when combined with the motorized equipment permits specialized uses: spreaders for salt (which are generally attached to our general usage trucks), snow plows (which also are attached to general usage equipment), etc. The road maintenance operation requires space to store and assemble this equipment for use. Finally, there is a storage required of secondary maintenance tools which permit us to assemble, maintain, and repair our existing equipment.

The second function is for equipment repair. To save money in our operation, our road maintenance crew performs small repair and upkeep operations on our trucks and other equipment. This function requires sufficient floor space for work to proceed safely and effectively. Ours is not a fully functioning repair facility, but the in-house work avoids many of the ordinary repair and maintenance bills that would follow loss of this space.

The third function is materials storage. The most important materials stored on an ongoing basis are gravel for our non-asphalt roads and a salt mix for our winter road efforts. One of our ways of stretching assessment dollars is to buy at a time and in a quantity to minimize the price for our materials. We also store some non-standard materials occasionally. An example is the current storage of the asphalt particles produced in the milling of Wolf Laurel Road (currently stored at the old Madison County Dump site behind the Hampton Gap mailboxes). This operation allowed us to offset some of the cost of the project with savings in road maintenance material. When used in conjunction with gravel this byproduct stretches our supplies.

*Q: Why does WLRMS require a single facility location?*

A: Although we could use multiple locations, having the bulk of our operations at a single location maximizes the efficiency of operation. Our crews do not need to drive across the development before configuring equipment or picking up supplies.

There are valid reasons to establish satellite facilities. An example is a long standing plan to move the salt storage facility to the location of the old Madison County dump behind the current mailbox location at the intersection of Hampton Gap and English Ridge. Spillage of salt has a detrimental impact on gravel roads. Storing salt at our current location makes such spillage inevitable before we reach the asphalt surfaced roads where we use salt. Spillage before reaching pavement wastes our investment in relatively expensive salt, and requires additional expenditure in restoring damaged gravel roads. Past boards have determined that using the alternative location would put the material where it can most directly access the main roads where it is needed.

Among the questions currently being researched is: Are there multiple sites where we could place facilities that could require smaller footprints without creating unacceptable inefficiencies?

*Q: Everyday we drive by some fairly ugly sites on Puncheon Fork Road used by operations similar to WLRMS's road maintenance. It is unconscionable to put such a sight into view within our community. Is this what we are talking about?*

A: No. Our WLRMS crew takes pride in keeping an orderly maintenance area so reproducing the exposed sights on Puncheon Fork would not be contemplated. But in addition, sight blending is part of our planning. It is true that the sights associated with road maintenance are not your normal rugged, wooded viewscapes that we are used to in Wolf Laurel. But there are ways of screening the facility that are more compatible with Wolf Laurel landscapes. Installing such screening is included in the cost of relocating the maintenance facility.

*Q: How did WLRMS assemble its list of possible sites?*

A: There were three sources for the potential sites we assembled around the community. First, we looked for sites of a reasonable size that we currently own so that land costs could be minimized. Second, we looked for additional appropriate sites that we might be able to purchase for a reasonable price. Third, we added suggestions we received from staff and property owners in the community. Overall we had a list of fourteen sites to consider.

*Q: What criteria are being used to sift through potential sites?*

Assessing the viability of sites is a complex process involving a long list of criteria:

- Size and configuration of the site. Is the land large enough to house our unified facility? Or could it serve in a multi-site plan? Our estimated requirement is approximately two acres of relatively flat land.
- Proximity to arterial road. A location too far from arterial roads adds to our overall cost as equipment must negotiate distance before reaching a work area. In addition, our activity has disproportionate impact on homeowners near a remote facility.
- Safety and ease of access to site. Sites must be evaluated for issues of safety including line of sight, disruption of traffic, and suitable transit by our specialized vehicles. Safety is an issue we consider both for our crews and for other drivers. Such problems may create additional mitigation costs for a site.

- Impact on WL viewsapes and character. We respect WL as a residential community with rustic and mountain views. Our facility is not, of course, residential nor rustic in character. Some sites are more exposed to surrounding properties than others. This may also lead to increased costs required for site blending, including facility design, fencing, and landscaping.
- Highest and best use. For various reasons, sites may be inappropriate for a maintenance facility. For example, small lots located within dense current development would seem less desirable than more isolated locations. In addition, some lots currently owned by WLRMS may be more appropriately sold to generate revenue for this and other projects.
- Cost. WLRMS has a fiduciary responsibility to the community. Our search must account for the various costs of site preparation and relocation.
- Specific site factors. Each site may have additional factors which make it more or less appropriate for locating our facility. For example, a couple of our sites do have potential environmental issues that we are exploring throughly.

Unfortunately, no site is ideal. Although it is true that some of the sites under consideration may be totally eliminated based on one or more of these criteria, each remaining site has advantages and disadvantages that must be weighed against those of other sites. Any of the alternative sites represent a major community investment, and the selection of a permanent location impacts every road and every property owner in the community. No option avoids impact on our operations and our community's financial bottom line. For this reason The WLRMS Board is attempting to select the best site within the complex matrix of all these criteria.

*Q: Why has WLRMS not notified people close to each of the sites that the location is under consideration?*

A: There are several reasons. First and foremost, we are accepting every suggestion that is made for possible sites. Simply having a site on our list does not mean that our research on that site is completed and that it has a determined probability to meet our needs. Thus, for us to confirm an established interest in a site may provide a false indication of where we are in our process and may stimulate more concern than is warranted.

Second, although we acknowledge that those living close to one of the sites may have heightened concern, we do not consider the site chosen to only impact those people. Many in our community will encounter the chosen site as they drive the roads nearby. A site's ability to service the entire community effectively also impacts us all. In short, the location is not merely a matter of concern for those living near it, but for the entire community. Isolating notification only to some would be unfair and misleading.

Third, several of the options under consideration will involve purchase of land, and public disclosure of all our sites under consideration and particularly indicating the priority of specific sites on our list could have an impact on our ability to negotiate effectively. Negotiations seldom occur in public and we are conscious of our need to balance our commitment to full public disclosure with our need to negotiate effectively on behalf of the community.

We have been in contact with many members of the community, both those living in proximity to potential sites and those with a more general community interest. We plan to stay in contact and to respond as additional members of the community express concern. This FAQ will be supplemented as our deliberations proceed.

*Q: WLRMS has recently been working behind the mailboxes on English Ridge Road. Has the decision to move to that site already been made?*

A: No. One of the sites that is on our list of possible locations is the area of the old Madison County Trash Dump behind the mailboxes at the intersection of English Ridge and Hampton Gap Drives. Previous WLRMS Boards had identified that site for two projects: the reconstruction and possible relocation of the mailboxes located there and the movement of our salt storage facility to that site right off Wolf Laurel Road. That planned move was motivated by the undesirable salt storage situation at the current maintenance facility. The inevitable leakage of salt from spreaders has a detrimental impact when it falls on gravel roads. Storing salt at our current location makes such spillage inevitable before we reach the asphalt surfaced roads where the salt will serve its intended purpose. Spillage before reaching pavement wastes our investment in relatively expensive salt, and requires additional expenditure in restoring damaged gravel roads. Past boards had determined that using this location would put the material where it can most readily access the main roads where it is needed.

In addition, the milling operation that accompanied the refurbishing of Wolf Laurel Road produced byproducts that can supplement purchased materials for gravel roads. By locating a temporary storage area for this material near the Wolf Laurel Road work we saved the extra cost of transport and disposal of this material and saved money by recycling it to our current use. The timing of the work on this site, to clear it of the former tangle of vegetation and debris, simply coincided with the current crisis of relocation. This previously planned work does not indicate this site has been chosen for the full maintenance facility.

*Q: Why doesn't WLRMS conduct a vote so the community as a whole can select the site for the facility?*

A: Our covenants and bylaws only define structures for such referenda on special assessments, not on specific issues before the Board. There are reasons why Homeowner's Associations vest their decision making power in Boards, accountable to the community. The decision on the site of a maintenance facility is a complex one as the brief description of criteria above indicates. In addition to issues of the individual interests of homeowners (that the Board acknowledges and considers) there are issues of staff safety; effective and efficient location to deliver services; environmental, drainage, and sight characteristics of the location; fiscal prudence in planning and execution; long term needs of the community that may be influenced by the relative costs associated with various locations; and many other considerations that must go into the decision. And, the timeline we were presented with for this decision makes the process of research and analysis one that requires a great concentration of time for those charged to make the decision. A referendum on such a complex issue simply does not guarantee an effective solution to the crisis.

Unfortunately, siting decisions also have a tendency to result in one section of the community being pitted against another. Tying the Board to implement a community vote with the many constraints to quickly solve the crisis seems to the Board neither a wise nor workable option even if it were a procedure available within our Covenants and Bylaws.

*Q: What is the current state of the process of solving the need for a location for the maintenance facility?*

A: WLRMS has collected considerable data on various sites. Our officers and Facilities Committee visited the various sites with our road maintenance crew and assessed the challenges and advantages of each. We have pursued ongoing conversations with the owners of our current site as well as with other potential sites owned by others. We have sought partners to help us make various sites viable within the constraints of our budget. We have received many suggestions for additional sites and received extensive communication from members of the community on potential problems with sites under consideration. Several sites have been eliminated as unworkable or undesirable. The list remains of five sites. The Board has now visited these sites examining on location the potential and problems with each. We are operating within our defined structure for major projects employed on the rehabilitation of Wolf Laurel Road and now on this decision. As required by that structure, we are currently developing comparative cost estimates for preparing each site for permanent use. We are also exploring ways to pay for possible solutions. We must make a decision on the direction of the project in the next few weeks to be able to meet our deadline for vacating the current facility by May, should we fail to negotiate a purchase of the current site. We will update the community as further solutions develop.

*Q: Will WLRMS be able to take the total cost of this relocation out of its reserves?*

A: Unfortunately, this sudden crisis occurred even before we finished the major Wolf Laurel Road rehabilitation project that drew down our reserves. When the developer sold the WLRMS operation to the community in 2012, not a cent was received for anticipated replacement or repair of the capital resources that were in many cases nearly fifty years old. We have had to build a reserve since that time from prudent budgeting of annual assessments. We are systematically accumulating such reserves, but coming on the heels of the other major project, reserves are going to be limited for this purpose.

Because the cost of this project will exceed \$100,000, WLRMS's major project structure requires we prepare a revenue budget for the project identifying available sources of revenue before the Board arrives at a solution to this crisis. When we do so, it is possible that some of that revenue may draw on available reserves.

*Q: Will WLRMS have to go into debt to relocate the maintenance facility?*

A: That will depend on the ultimate cost of any relocation including the costs of preparing a new site or sites. Our currently available resources are limited and we cannot rule out a resort to debt.

WLRMS generally cannot employ strategies involving debt in financing major projects. Under the covenants governing our community, WLRMS is restricted to a five percent increase in your assessments each year. Lending institutions see this restriction as a limitation on WLRMS' long term ability to repay a loan. This increased risk to them increases our cost of borrowing and may result in rejection of our loan application. In addition, the costs of debt servicing diminishes our ability to provide ongoing services to property owners. This crisis must however be solved, but hopefully without significant debt.

*Q: Is a special assessment to fund the purchase of the current facility's location or relocation being considered?*

A: Property owners at WL stepped up and supported the needed rehabilitation of Wolf Laurel Road. We appreciated that response. We also realize, however, that for many of our residents such special assessments are unanticipated expenses that create hardship. We are not currently contemplating returning to the property owners with another request for a special assessment.

In the past, generous property owners have stepped forward and offered donations to fund special needs without the need for a special assessment. The paving of McKinney Gap Road and the purchase of the former motel property are examples. Although we would welcome such assistance on this project, we are currently considering this as a project that we must pay for from more traditional strategies.

*Q: I have relevant information that I think is important to this decision, information that I am not certain the Board knows or has considered. How can I provide this to the Board?*

A: Please email the WLRMS office with the information. You may do so through our portal (<https://wolflaurelroadsandsecurity.com/contact-us/>). Our office staff will forward it to the proper channels to reach our deliberations. We welcome such information and hope that *anyone* who has such information will indeed forward their information to us.

Monthly meetings of the Board (third Friday of each month at 10 AM) reserve a time for property owners to address the Board on issues of their choice. We will point out however, that despite our commitment to openness in this decision, deliberations of the Board that may impact our negotiating position for purchases of land are prudently conducted in Executive Session.