


SPECIAL ADVISORY BOARD MEETING

June 24, 2022

Please silence your cell phone.

This presentation will be available for review on the
SOA website following the meeting.

Two proposals are presented for votes by the Advisory Board



Proposal 1: Sell the Reeves Road Property for no less than \$3.5 million. (Advisory Board approval required by SOA Declarations and Purchase Policy because the transaction exceeds \$1 million.)

Proposal 2: Make the SOA Finance Committee a Standing Committee instead of an ad hoc committee. (Advisory Board approval required in order to amend the SOA Bylaws.)

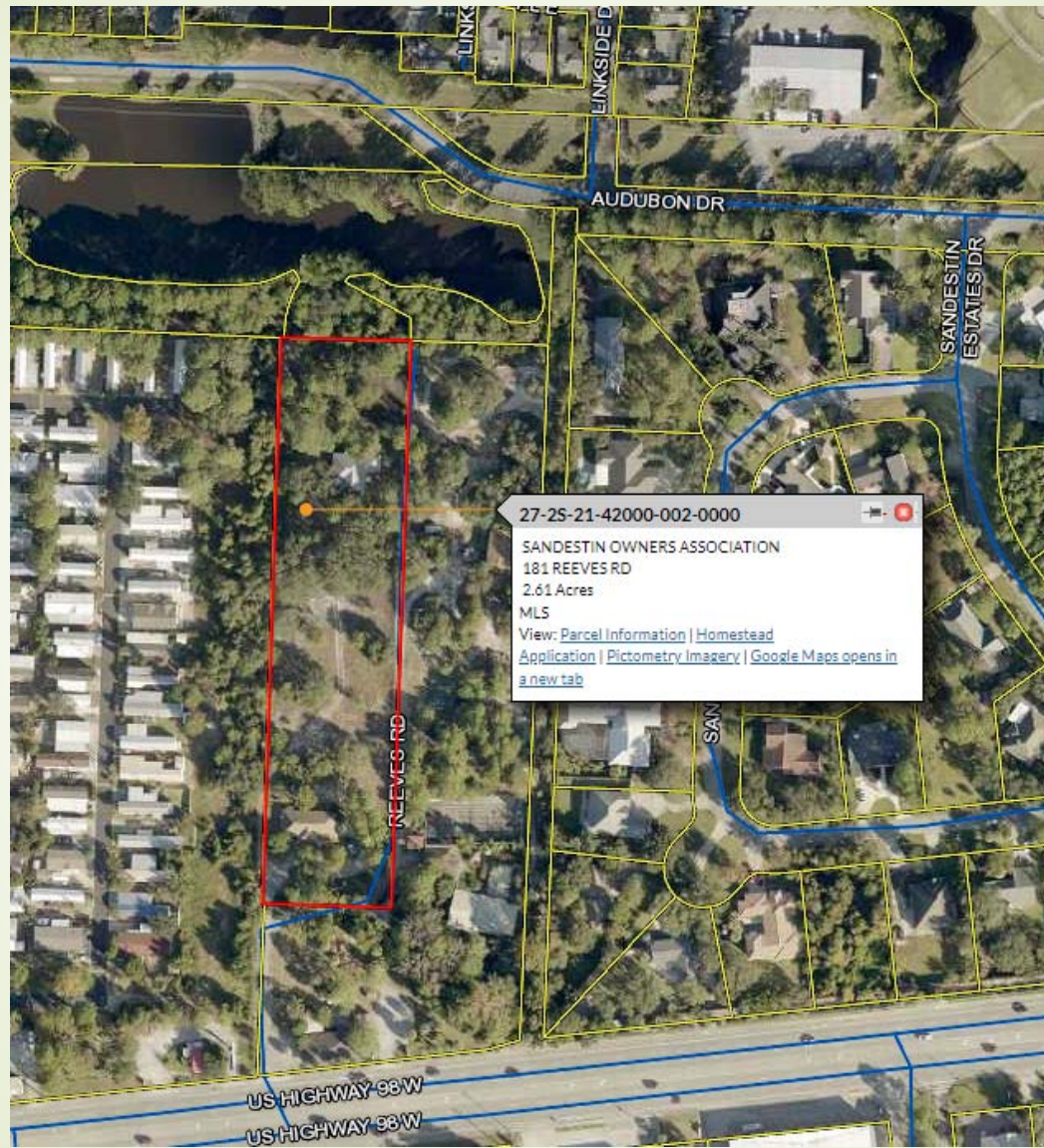


Proposal 1

Sale of Reeves Road

Proposal 1

Authorizes the SOA to sell the Association's asset commonly referred to as "The Reeves Road Property" for a sum no less than \$3,500,000.00.





Audubon Drive

Reeves Road

Dedicated SOA Easement

Hwy 98

History

- The SOA purchased the Reeves Property in 2012 for \$1.2 Million from Doyce and Lydia Reeves. Other members of the Reeves Family owned and continue to own, the adjacent tract to the East.
- A plan was designed and development order process started to build an SOA office building on the site.
- In 2013 the plan was met with opposition by the adjacent Reeves family owners and the development order was subsequently withdrawn.

History

- The Reeves Family continued opposing any development on the parcel, and challenged the SOA's ability to use the easement, ultimately resulting in a lawsuit.
- In 2015 the Court ruled issued a Partial Summary Judgment in the SOA's favor that the easement was in existence, however the Reeves continued to oppose.

History

- As a part of the easement litigation, the court ordered pre-trial mediation which was held in November 2016.
- During this mediation an offer was made by the Reeves to purchase the parcel from the SOA for \$1.2M.
- The offer stipulated that the SOA would finance the purchase or “become the bank”.
- The Advisory Board rejected that offer on January 25, 2017.

History

- In late 2017 the Court issued a Final Judgment that the easement could be used to access the parcel only and not used as a thoroughfare from Hwy 98 into Sandestin, and;
- The parcel could be developed consistent with the Land Development Code.
- Since that time, the property has sat idle.
- One of the two homes on the property is being rented.

History

- SOA collects \$1800.00 a month in revenue from the rented home.
- In February 2022, the SOA received an unsolicited offer to purchase the Property for \$2M from a local developer.
- At the March 2022 BOD meeting, an AD HOC committee consisting of Board Members, a Homeowners Representative, and the Executive Director was directed to review options and return with recommendations at the April BOD Meeting.

History

- The Committee considered all options and made a unanimous recommendation at the April BOD meeting to counter the original offer, and if it was not accepted, list the property for an amount no less than the counter offer was.
- The Board of Directors approved the Committee's recommendation.
- A counter offer of \$3.5M was made to the buyer and it was accepted.
- At the May 2022 Board of Directors Meeting, the Board authorized the sale, subject to approval by the Advisory Board.

WHY DO THE COMMITTEE AND THE BOARD RECOMMEND SALE OF REEVES ROAD?

- The sale price
- Proceeds of the sale can help fund
 - Future Capital Projects
 - Heron Walk Drive Improvements estimated at \$2M
 - Audubon Pool Remodel estimated at \$1.5M
 - Increased Reserves reducing upward pressure on Assessments
 - Capital Outlay for Admin Drive Office Building in order to reduce borrowing
- The reason the SOA purchased the Reeves Road property no longer exists due to SOA's 2021 purchase of Admin Drive property
- The property is not accessible from Sandestin without construction of a bridge at a cost of mid- to high six figures, or more



WHY DO THE COMMITTEE AND THE BOARD RECOMMEND SALE OF REEVES ROAD?

- ▶ Despite years of SOA ownership, no concrete plan has emerged as to what to do with the property, due at least in part to the accessibility issue, adverse/litigious neighbors to the east and the trailer park development to the west.
- ▶ The Land Development Code restricts use of the property to residential, office and limited commercial uses (retail, sports club, fitness center, performing arts, and restaurants). The Board does not believe it is the best interests of the SOA to become involved in disputes with neighbors about permitted uses of the property.



The Alternative

- ▶ The alternative to selling is to reject the \$3.5 million and continue to hold the property as an SOA asset for possible, future, permitted development.
- ▶ The Committee and the Board realize that the SOA does not own, and is unlikely to own in the future, any other vacant tract of land adjacent to SOA.
- ▶ Nevertheless, the Committee and the Board believe the reasons to sell set forth on the previous slide far outweigh the idea of holding onto the property.

The Simple Math

2022 Selling Price	3,500,000
Less Closing Cost	24,500
Net Proceeds	3,475,500
2012 Purchase Price	
Plus Closing Cost	7,203
Less Depreciation to Date	20,969
Net Purchase Expense	1,186,234
Total Capital Gain on Transaction	2,289,266
Tax	559,120
Net Gain	1,730,146
Prior Years Expenses	885,410
Net Lifetime Return to date - 8%	844,736

The Not So Simple Math

Original purchase price	1,200,000	
Closing costs	7,203	
Less Depreciation (buildings)	-20,969	
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Basis in property	1,186,234	
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<u>Other costs incurred to date</u>		
Appraisal	3,000	
Taxes	63,319	
Legal	661,000	
Insurance	33,032	
Security	4,381	
Office plans	59,150	
Engineering & Professional	61,528	
Total other costs incurred	885,410	
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Lifetime cash expended #	2,092,613	
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# Excludes rental income		


* Fincom to recommend fund distribution of Net Gain

Sale price	3,500,000	
Closing costs	-24,500	
Net proceeds	3,475,500	
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Basis (returned to Capital Fund)	-1,186,234	
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Capital Gain	2,289,266	
Tax on gain (21% Fed., 3.5% state)	-559,120	
Net gain *	1,730,146	
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Non-basis costs incurred	-885,410	
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Net lifetime return #	844,736	8%



Details of the Proposed Purchase

- **Selling price \$3.5 Million**
- **If approved by the Advisory Board, Buyer will have a 60 day due diligence period**
- **If approved by the Advisory Board, closing will take place within 75 days of SOA approval of sale**
- ***SOA IS NOT* financing the purchase**



The Board Recommends that you approve the sale of Reeves Road for an amount not less than \$3.5 million.



Questions?



Please Complete Ballot for Proposal 1



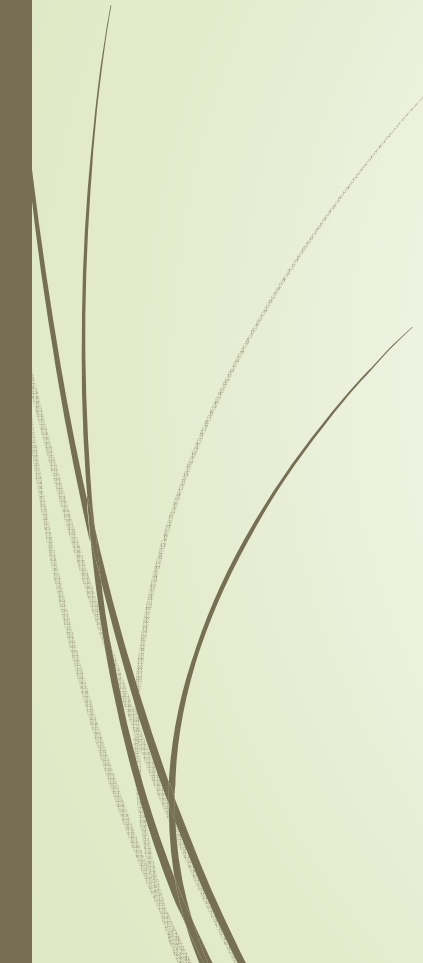
Proposal 2

Amendment to the SOA Bylaws





Proposal 2

- The Finance Committee is a key committee that monitors the financial health of the SOA and assists staff in preparation of the SOA Annual Budget
 - Currently the Finance Committee can dissolve simply by action of the Board
 - By becoming a Standing Committee, this can only be changed by the Membership Proposal 2 adds the Finance Committee as a Standing Committee in Article IX of the Bylaws.
 - The Board of Directors Supports this Amendment
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Questions?



Please Complete Ballot for Proposal 2