

BHA Information and Q&A Session
Pre-Session Questions E-mailed to BHA Staff
Deadline – 12:00 p.m. on 12 FEB 2024

- 1 Question for Village administration: The Village has submitted a federal grant proposal of \$4.5M to cover the cost of the east end beach renourishment known as Scenario B. Timing may be such that we do not hear about the grant until after March 5th. Assuming the bond for Scenario B is passed by the voters, and the Federal Government grants our \$4.5M request after the fact, will the Village commit to not exercising the bonds and thus not increasing the associated property taxes? In essence permanently retiring the bond as not required and removing from future Village finances. Questions for each of the engineers hired by the Village and the BHI CLUB: #1) In your experience and with knowledge of the BHI east end situation, how likely is it that the Shoals Club will need to relocate some aspect(s) of their facilities before the seven year payback period for the GO BOND? #2) At a minimum beyond beach renourishment, what action(s) would need to be taken to sufficiently stabilize the east end beach into the future.

Answer – The priority of actions is to 1) provide sand to maintain the Terminal Groin fillet (required by State permit) on the west end of South Beach extending towards the vicinity of Muscadine Wynd, 2) replace the soft-tube groin field on the west end, and 3) place sand on the east end of South Beach from approximately Flora’s Bluff to the Point at Cape Fear. Note, referenced locations of sand placement may be adjusted depending on beach profile surveys and the engineer’s recommendations to maximize beneficial use of sand. The \$4.5M earmark would be one source to cover the costs of the “project” in its entirety whether that includes the west end, east end, and replacement of the soft tube groins all dependent on the bids received by prospective contractors to complete the project. Once bids are received and evaluated by the engineer with recommendations for the total costs of the project, Village Council will decide what parts of the project and for how much the Village will pay to construct.

Again, depending on the bids and how much they come in at will determine how much of the project the Village will be able to construct also dependent on whether the Village is successful in the GO Bond referendum and getting the federal earmark approved by Congress.

Questions #1 and #2 for the Engineers:

#1 – Village engineers’ response – Highly likely..., unless an MOA (“Memorandum of Agreement”) between the Corps Wilmington District and the Village allowing for federal disposal on the East end of South Beach is consummated and the Village has sufficient funds to defer the associated costs (i.e., pay the delta costs) of strategic disposal. The Village at present is working with Corps Wilmington District on a draft “Additional Work Agreement” that would provide the Village with the ability to pay the additional costs for the Corps to place sand in a specific location on the South Beach shoreline where necessary to mitigate erosion. The objective is to have this effort completed and the MOA in place for the Corps channel dredging project with sand placement on BHI in 2027.

#2 – Olsen response – The only “action” available is the passage of NC legislation allowing for structural measures sufficient to provide stabilization. If/when legislation is passed and codified in North Carolina Division of Coastal Management CAMA regulations then the Village can pursue the required in-depth modeling to develop an engineered design specific to that site and various conditions all of which was done for the Terminal Groin at the West end of South Beach.

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1. Much has been made of the MSD A payments by the Shoals Club and other east end properties over the years. But all the MSD A properties together pay only 10% of the Village's renourishment costs, the east end properties less than 3%, and the Shoals Club (the only threatened structures) a fraction of a percent. Why is this an argument for all BHI taxpayers approving a 10% tax hike for everyone to pay for \$6.7 M in bonds - and much more for future renourishments - for what the Village's own consultant describes as a “high-risk project”? The cost of a single year's project is more than the Shoals Club's assessed value. 2. The Village's expert consultant views several things as important to a successful and affordable project: a groin at the Point, sand from Frying Pan Shoals rather than Jay Bird Shoals, and an agreement with the Corps of Engineers for the Village to pay to locate sand somewhere other than the most cost-effective beach location. NONE of these are in place and many believe none are likely, at least not in the next few years. Why does it make sense to embark on this expensive stop-gap project when none of the components of success have been approved? 3. We estimate the property tax effect of ongoing renourishment as a 30% increase in our property tax rate, assuming that with or without a groin, renourishment will be required every two years, paid for 100% by the Village. Do you disagree with that estimate? 4. By far the most active turtle nesting location on Bald Head is the Point, and the least active is the heavily renourished beach west of the BHI Club. Does that concern you when proposing renourishing the Point and building a hardened structure there? Do renourishment and groin construction at the Point square with our motto “living in harmony with nature”? 5. Why not use the \$4.5 M federal earmark (if it is passed) to reduce the cost of the west end renourishment, and thereby actually REDUCE rather than increase our taxes?

According to the Village's Finance Officer, the 10% is the actual amount of money paid by MSD Zone A Properties associated with the MSD Zone A Tax Rate (\$0.0668) that it generates each year and is 10% of the GO Bond Debt Service Annual Payment (~\$250k).

Village is not sure where the reference of the 3% by east end properties or the Shoals Club amount was derived from..., the 10% tax rate increase would be correct in the scenario if the Village had to take out the full \$20.2M bond authorization with no Federal earmark.

We are not sure where the 30% increase in property tax mentioned is derived and its not to be assumed that the \$4.5M earmark will reduce the tax rate if used for the West End option.

As for nesting habitat for sea turtles at the West End, it is documented from pre-Terminal Groin shoreline conditions with the performance of the Terminal Groin structure, and the stabilization of the shoreline, that has created suitable nesting habitat for some sea turtles in addition to a variety of endangered bird species including the Piping Plover and Least Terns.

With regards to the \$4.5M Federal earmark, it should not be assumed that if the Village gets the funds that it would be used to reduce the \$13.5M to complete the west end section of the

shoreline alone as there will also be the need for reconstruction of the soft-tube groin field to consider as well.

3	Why did you not find someone acceptable to BHA who would speak against the \$4.5 M bond so property owners could hear arguments for and against this ballot item and be well-informed?
4	If the bond issue passes exactly how much or long will my Taxes increase? Nobody seems to know the answer.
5	Given optimism in prior GoBond meeting and during retreat that the \$4.5 million bond will be approved for a federal grant (and that there will be no property owner tax impact) why not delay the \$4.5 million bond approval request? If there is such high optimism why ask the property owners to approve as once the bond is approved it is available to be used? Second question, is the prior approved ~\$2.2 million bond for beach nourishment going to be re-voted on as it was not previously utilized?

3. Answer – response from BHA would be appropriate, notwithstanding, the Village, for the reasons expressed in its communications to the BHA and decision not to participate in the information session so as not to be perceived as promoting or advocating in support of the bond referendum and being put in a position of debating the merits of the project.

4. Answer – There are numerous variables within the equation to derive what the outcome might look like for scenarios presented with respect to any potential tax rate increase. The Village has provided some level of detail with each scenario that would require a tax rate increase and associated impacts to values of properties on the island. These scenarios contemplated if the Village were to have to fund the project in excess of \$13.5M without receiving the \$4.5M federal earmark and if construction bids from prospective contractors come in high and the Village would have to also use the existing Bond authorization of \$2.2M approved in 2018.

5. Answer – The bond referendum schedule is not within the Village’s control, it has to occur during this primary election in March given the timing with constructing the project later this winter..., a bond approval also is required to include with the Village’s LGC application for approval as well for a target date of April 2024. There are several time-sensitive dates within the project schedule to meet the Village’s critical pathway to getting this project done in 2025.