

A New (Modified) Proposal from the Finance Committee (FC)

The November 2010 community meeting confirmed a number of assumptions:

- The community does not want to sell land.
- The community is willing to tax abate lots.
- There is a majority interest in instituting an Association membership fee.
- The community prefers reserving funds to borrowing for capital maintenance.

Based on these indications the FC has modified its July, 2010 proposal to include the following elements:

- **Tax abate ALL** property except 2 lots (i.e., the ballfields)
- **Institute a smaller, fixed-fee membership fee** - 1 year's total dues (Lakeshore + Association) and spread out the payment of such a fee from a new resident in 4 payments.
- **Continue ALL** of the current **roads fee** (\$400/yr/household)

How this Proposal Reflects the MKL Community's Indicated Preferences

1, Land Conservation/Tax Reduction By-law Amendment

The community hasn't sold a buildable lot in 35 years, and the majority of community members do not want to sell land to fund capital improvements. The straw-pollled sentiment of the community seems to be so against any land sales that the FC is hard pressed to imagine a scenario in which the community would vote by the required 2/3 super-majority to approve the sale of a buildable lot. The proposed new capital reserve would cover major anticipated capital expenses. The community has \$15 million in liability insurance. The FC has concluded that paying taxes of \$32,000 per year on its lots is a significant misuse of dues by Lakeshore.

Primarily because it believes that buildable lots will not be sold at MKL, the FC proposes conserving ALL land EXCEPT the ballfields.

The ballfields would continue to be used as a repository for dredge spoils and thus save MKL residents an estimated \$40,000 for trucking dredge to a remote site (even after paying taxes) over 25 years. If the community at a later time wants to sell property, the ballfields would be available in emergencies. Secondly, the FC believes that a proposal to abate only some lots would founder on the actual selection of lots – that is, the community could not agree by a 2/3 super majority vote on an actual list of lots to be abated.

Note that the FC is unsure how much tax relief conservation easings these lots will yield. We would be seeking as large a reduction in taxes as is feasible.

Any resident who wished to buy a Lakeshore lot, or a portion of a lot, would have 60 days after the community approved this amendment to submit a proposal, including how the property would be used and a price. Such a proposal would be submitted to the Lakeshore stockholders for a vote, which requires 2/3 approval at a meeting where a majority quorum is present.

2. Association Membership Fee By-law Amendment:

The membership fee in this proposal is a fixed fee and substantially smaller than that previously proposed. The amount is one year's combined dues (Lakeshore + MKL Assn, currently \$3100)) instead of the previous 1% of sale price (roughly \$7500 on average). This change accommodates the community's interest in having a membership fee (the July 2010 meeting garnered 60% in favor of a fee), but makes the amount less onerous on a new member, and treats all new members identically.

The FC heard from a number of residents that a membership fee would lead to a reduced net sale price of property at MKL. A fixed fee correlated to the current dues disassociates the membership fee from the purchase transaction of the property. To further disassociate the payment of the membership fee from the sale of the property, the FC proposes that the membership fee be structured as a **supplement to Association dues**, and be paid in 4 installments over the 4 billing periods subsequent to the purchase of property at MKL. **No charges would be assessed at closing time**, and the

regular Association dues mechanism would be used to collect the supplement.

To address the concern that a membership fee might be unfair to a buyer who sells soon after buying, the FC proposes that a buyer-turned-premature-seller only be responsible for membership fee payments for those billing cycles which occur during the period in which the seller owns the property. For example, if the property is sold after two billing cycles, the owner only pays for those two cycles.

The membership fee:

- Would not start until 12 months after its approval.
- Would not apply to current residents or a resident moving within the community. We would receive a membership fee from the new-to-MKL resident of the house.
 - Would not apply to children of residents who inherit and occupy their parents' home.

Road Fee

Included in the current yearly dues is \$400 for roads upgrades/maintenance. As there is substantial roadwork needed in the next decade, the FC recommends that all of the \$400 be continued. As this fee is already part of the Association dues, no vote is needed on this issue.

CAVEATS:

- These plans are a model of revenues and expenses over ten years and should not be taken as exact numbers.
- These funds will be placed in a separate reserve account which will be monitored by 3 residents who are not board members.
- Expenditures from this account will be approved by a majority vote at each annual meeting. Expenditures for other than the designated capital expenses will require a 2/3 vote.

3. Lakeshore and Association By-law Amendments to Require that a Seller Pay All Outstanding Dues before Closing

These bylaws are in response to resident concerns at the Annual Meeting that homes could be sold with unpaid dues/fees outstanding. They would stipulate that any dues/fees outstanding after closing would be the responsibility of the buyer if unpaid at closing. The purpose of these bylaws is to insure that the seller pays all dues before closing. No rational buyer will close unless all such dues/fees are ***paid by the seller*** before closing. A statement of any dues/fees outstanding will be provided to the buyer and seller upon request. Buyers will be informed about this by-law before closing.

Here is FC member contact information for any questions on the proposal:

Rick Barrett:	973-425-1414, ribarrett@aol.com
Lori Denson:	973-425-8995, densonlori@yahoo.com
Terry Dwyer:	973-723-4452, terry.dwyer48@gmail.com
Davor Gjivoje:	973-425-1450, dgjivojejr@networldinc.com
Austin Godfrey:	973-425- 6491, aegodfrey@verizon.net
Bob Yingling:	973-425-1192, robert.yingling@gmail.com