

## Remarks of Chris Wittmayer to the GC POA Board, November 17, 2015

### **Property Values, Property Values, Property Values; Dues, and Incorporation**

**This is about property values.** I made the proposal that we look at changing the structure of our annual dues to a structure based on an equal percent of value for one purpose, to improve all of our property values; to improve our competitive position in an increasingly competitive housing market.

**We agree:** There are several points the dues committee and I agree on and I think we can all agree on:

These are:

1. Property values in GC are lagging and have been for a number of years, as many as seven years. That's a long time. Other developments have climbed out of the recession and are appreciating. We are not.
2. GC now has much more competition from other developments than it has ever had in its 25 year history -- There are new developments throughout the Triangle and in Chatham County that we are competing with. And the competition is only going to get more fierce soon -- with Chatham Park coming and the redevelopment of RTP with new homes there for the first time. We must change to compete.

**How we compete:** There are three areas in which we need to compete -- all are important:

1. Marketing - potential buyers need to be informed about us.
2. Product - we must have a great product -- a top quality community that beats the competition in all areas of interest to potential buyers.
3. Cost of ownership -- If your product is not selling, it's probably not a good idea to raise the price; that includes our annual dues. But we need the revenue for our roads. So how do we address this problem? Our cost of ownership, our annual dues, is the focus of this proposal.

#### **Changing the dues structure is a way to address the problem:**

There is substantial evidence, and it's common sense, that shows that if you increase our dues by 10% a year for four years, that will harm the marketability of our less expensive properties. Over half of our homes are valued at less than \$685k. There is much more competition in the market in this price range and many of those potential buyers are more concerned with the costs of ownership. Those property values will lag further.

I have also heard from people who know that the 40% increase over four years is based on very low estimates of the increasing cost of roadwork. Additional years of 10% increases may be coming.

I spoke recently with a top realtor that sells GC and she emphatically agreed that the planned dues increase will harm property values of our less expensive homes. She added that in just the last month, she had lost two sales in GC when she told them about the dues increases. Thus, two of our neighbors who wanted to sell, lost the opportunity.

When our neighbors can't sell their homes, they will have to give up on selling, lower the price, or rent out their home. GC will have more renters and more transient residents, and fewer residents inclined to join the Club.

**This will alter the character of GC for the worse.** Changing the dues structure is a way to address this concern.

**And which GC property owners benefit from improved roads and by how much?** Assume that all property owners benefit by a 10% increase in value, so:

A \$100k lot appreciates by \$10k.

A \$500k home appreciates by \$50k.

A \$1 million home appreciates by \$100k.

A \$2 million home appreciates by \$200k.

So do we all benefit equally from our investment in improved roads or do we benefit based on the value of our properties?

**The POA Dues Committee:** We were initially pleased that the Board was ready to study this dues proposal. It offered the opportunity for open discussion and cooperation. I regret that has not turned out to be the case. The POA Dues Committee met twice and voted unanimously against this proposal. I won't take your time now rebutting the committee's report or minutes. I suggest you can't fairly consider this proposal and do appropriate due diligence in two meetings. I am moving forward, not looking back.

**And the committee was not at all representative of the community:**

No one on the committee was from the 201 property owners in Morehead Forest.

No one on the committee was from the 63 property owners in Wilkinson Park.

No one on the committee was from the 45 property owners in Governors Square.

No one on the committee was from the 29 property owners in Walker Falls.

No one on the committee was from the 66 property owners in Tryon Court.

That's 404 property owners with no representation on the committee from their neighborhood.

When a very well qualified person from Tryon Court with a particular interest in this proposal volunteered for the committee, she was not included.

The Grand Estate Homesites in Highland Pond were very well represented on the committee with two property owners from the 32 lots.

Five out of nine people on the committee own properties valued at over a million dollars, that's 56% of the committee. Only 16% of property owners in GC own properties valued at over a million. Only one in five homes is valued at over a million dollars.

**The committee was not representative of the diverse property owners and neighborhoods in GC.** The committee, of course, is a good example of the tactic that if you want to kill an idea, send it to a committee with members of your choosing that are invested in the status quo. To quote the chair of the committee, "...we are attempting to do our assessment quickly so as not let the topic simmer in the community."

For these reasons, I resigned from the committee during the second meeting.

The committee's cursory consideration and rejection of the **2012 study by the POA Long Range Planning Committee** is emblematic of the committee's bias in favor of maintaining the status quo. That study compared GC to seven other gated golf communities in the southeast. The study concluded, "Among the eight gated golf communities in the survey, Governors Club ranks poorly overall. This poor ranking appears to be primarily due to the combination of high dues (then \$1,950) and taxes coupled with an absence of amenities." The lack of significant action based on this survey in the almost four years since shows the inertia of GC and lack of action to improve the status quo.

**So where do we go from here?** Today is not the end of this proposal, it is the beginning. A group of GC residents has been formed to do the appropriate due diligence in considering this and similar proposals. We are working with the UNC School of Government to review these issues and also considering the possible incorporation of GC as a municipality. GC is now more like a town and less like merely a housing development. Many towns in NC are smaller than GC. As a municipality GC may be able to gain more revenue for our infrastructure and other needs and on better terms. We will examine that.

**Change** from an entrenched status quo is always a challenge. It takes time and education. We will be setting up a website and email address to provide information on our proposals and findings to the community.

The restructuring of our annual dues based on property values is not revolutionary. It is how most every town, city, and county in the country gains the revenue it needs to function.

We have already found wide support in GC for these ideas. A strong majority of property owners will support these proposals.

GC must address these concerns if it is to survive and prosper in the highly competitive housing market we are now facing. If we continue to keep to the status quo, we will become like Dad's old Cadillac, while the competition will be Mercedes and Teslas.