FCF HOA BOARD

SPECIAL MEETING –SHORELINE PLANNING

29 OCTOBER 2025

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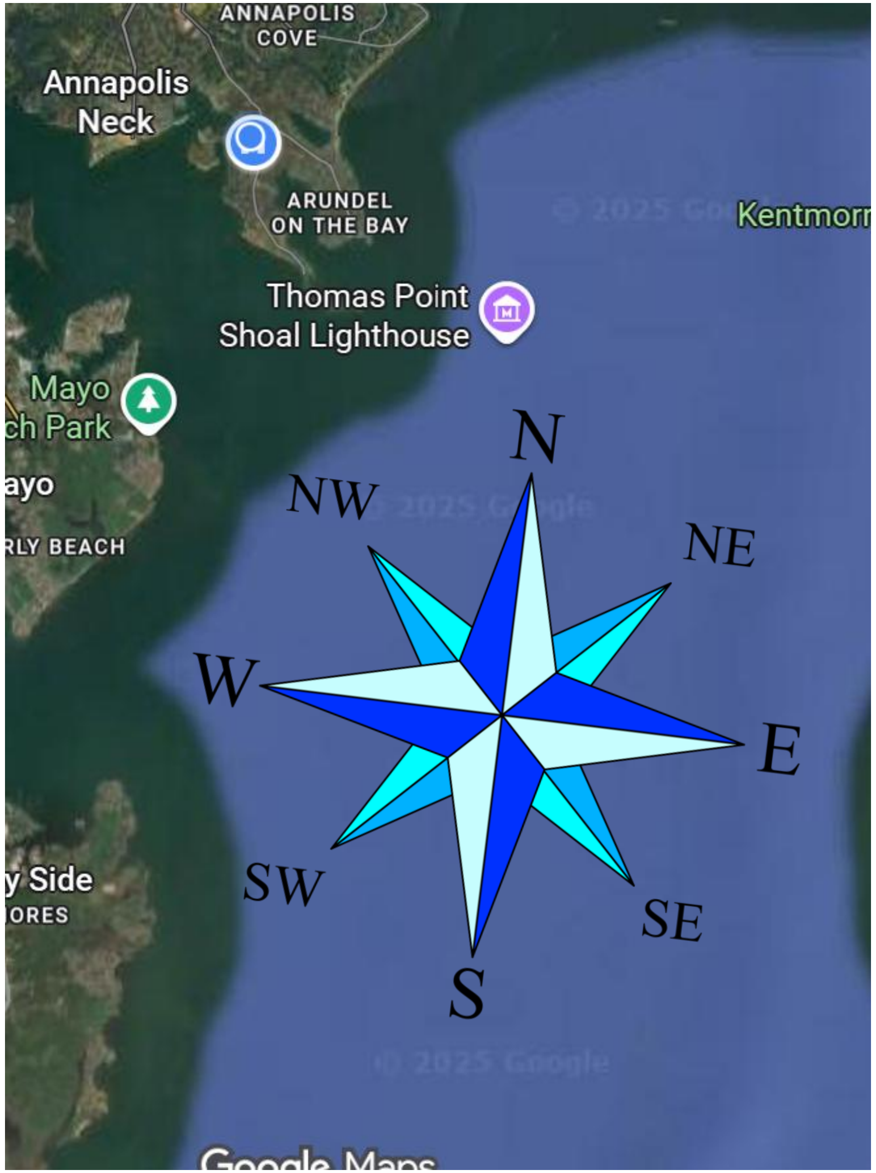
FRAMING THE ISSUES

SHORELINE STATUS

NEAR- AND LONG-TERM NEEDS

FUNDING OPTIONS

FCF Shoreline-Multiple Challenges



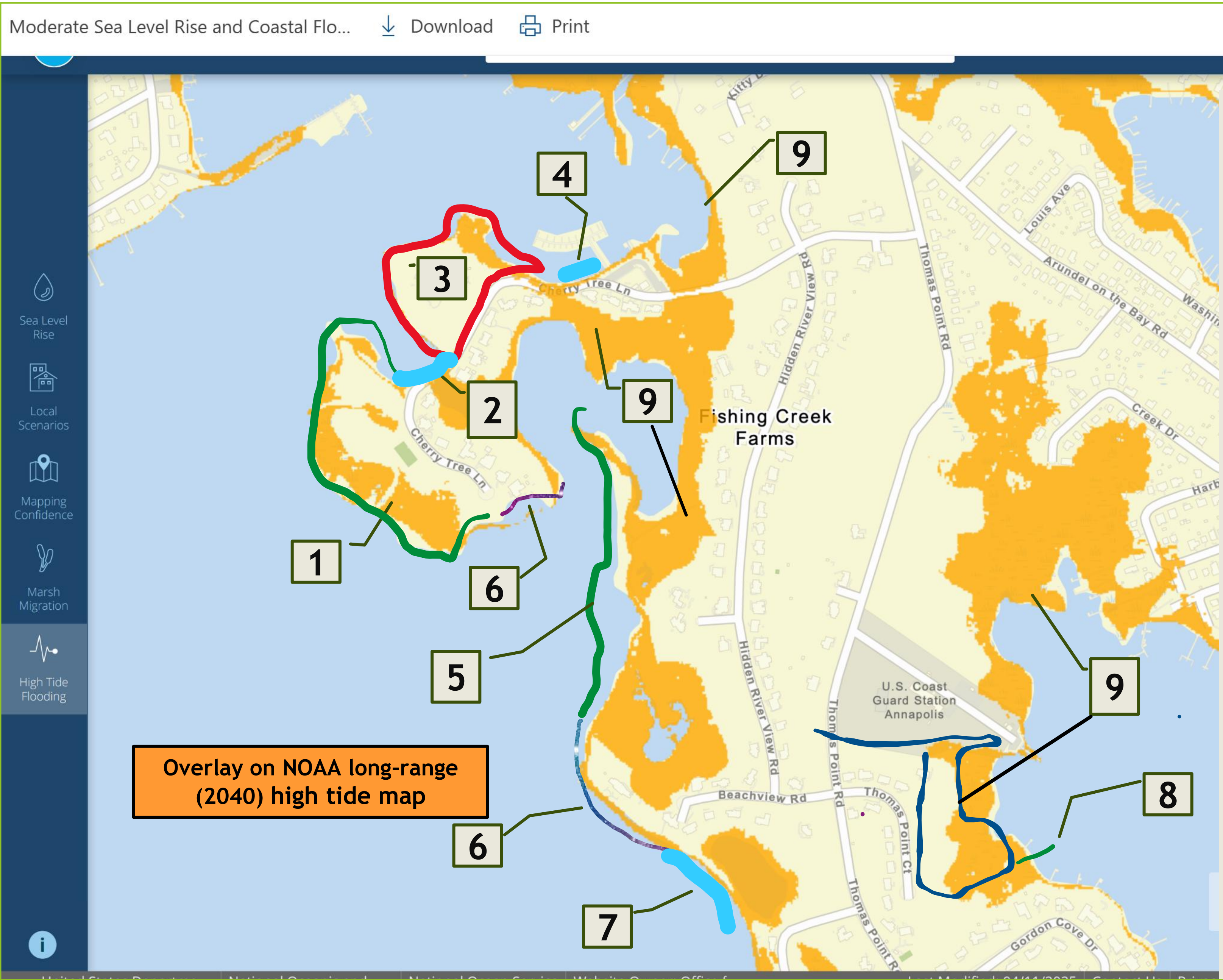
-Southerly fetch >35 mi.

-Eastern areas well protected due to location

-Wind driven storms from NW-SW have caused severe damage to SBB

-Smith Isl. Project a big win

FCF Shoreline Protection & Access Projects-past & present



1. Smith Island SEC remediation-completed
2. CTL Bulkhead-TBD pending AACO actions, expected need NLT 2032-2035 (planned assessment)
3. 1234 CTL-not FCF Responsibility
4. CTL Erosion Control-Planned 2026
5. Cherry Tree Cove Shore Erosion Control-completed
6. FCF Private Homeowner SEC Riparian-not FCF Responsibility
7. SBB Shore Erosion Control-Planned 2026-2027
8. Fishing Creek-Fishing Pier inboard expansion-completed
9. FCF Open Space – Non-Residential

SHORELINE ISSUES

- NEAR TERM: EROSION
  - 0-5 year need*
  - Directly affects FCF assets with potential for high impact on HOA property**
    - Potential additional impact on HOA residential lots
    - Very high degree of HOA ability to control in near and long term
  - Public grants and loans available now at no or low-cost
    - Individual lot-owner financial obligation is minimized
  - Majority of FCF shoreline already protected, existing SEC measures functioning
  - Proposed CTL and SBB projects will complete protection of community for foreseeable future
    - Risk of SEC issues near and long-term greatly reduced

- LONG TERM: SEA LEVEL RISE
  - 10-40 year need (or longer)
  - Potential impact on HOA assets: Clubhouse/Pool, Marina, Ramp, and Platform in next 10-20 years
    - Tennis court area may be affected, but not per NOAA model
    - Remainder of HOA property in question is Open Space in swamp condition-no impact to HOA assets
  - Minimal ability for HOA to control/influence in near or long-term
  - Will take extensive review
  - Low availability for significant public grant or loan assistance at current time (maybe planning?)
    - Investigated during SBB work

* Ref. BayLands and M+D reports

** Duty of care responsibility

Near Term Need-Cherry Tree Lane

- Original SEC installed by developer (est. mid-80's)—basic minimum to meet permit
  - AACO Road ROW stops short of shoreline, HOA property strip channelward
  - 40-year erosion coupled with "basic" construction=Problem
    - Failure will happen- a question of "when," not "if"
    - Failure will severely impact traffic on CTL from 1241 to 1255
    - One of two remaining FCF SEC projects
- Estimated repair: $160K+
    - No contingency
    - Permits required
    - Possible "emergency" approach to expedite project
    - Legal duty of care applies

Near Term Need: Southbreeze Beach

- Documented erosion: 1-2 LF/Yr
- Formerly well-used asset by many FCF residents- current use greatly reduced due to erosion
- Especially susceptible to damage from any wind-driven storm from SW-NW quadrant
  - One of two remaining SEC projects needed for FCF
  - Significant ecological impact caused to freshwater pond habitat
- Land Use Committee studied, proposed, and completed design & permits 2022-2025
  - Stabilization-not expansion: protect the asset
  - Ready for construction in 2026
    - $979K+ (no contingency)
    - $279K grant received from CBT
    - Ideal MD DNR STD SEC candidate project
    - Political support from representatives of AACO Council and US House
  - Duty of Care responsibility

Funding Approach-CTL SEC

- Approach 1: Self-funded
  - Use $160K+ of current capital reserve funds
- Pro:
  - Accelerates project by only requiring permits
  - Part of CAPEX plan
  - Potentially completed under “emergency” permit-possible grants?
  - Middle option
- Con:
  - Depletion of reserves will drive dues increases for replacement of funds to meet CAPEX floor of $200K
  - Contingency not recognized (any cost growth has to come from reserves, dues, special assessment)

- Approach 2: Commercial Loan
- Seek loan of $160K+
  - Current commercial rates for this type of project=7%-8%
- Pro:
  - Potentially no impact on reserves other than finance expenses
  - Worst option
- Con:
  - Increases project finance costs
  - Collateral based on HOA ability to assess additional dues for P&I repayment

- Approach 3: STD
- Use Special Tax District to fully fund project (0% X20 yr.)
  - Requires 75% community approval to establish STD
  - Requires community approval of individual project funding
- Pro:
  - Most favorable to individual HOA member with least risk
  - Best equitable distribution of expense to current/future HOA members
  - Best option
- Con:
  - Depending on individual view, adds tax obligation

Funding Approach-Southbreeze SEC

- Approach 1: Self-funded
  - NOT POSSIBLE GIVEN CURRENT LEVEL OF RESERVES

- Approach 2: Commercial Loan
- Seek loan of $1MM+ (contingency?)
  - Current commercial rates for this type of project=7%-8%
  - Potential reserve contribution of $100K+
- Pro:
  - Potentially no impact on reserves other than finance expenses
  - HOA has experience and successfully used this approach in the past
- Con:
  - Increases project finance costs
  - Inequitable distribution of finance costs over term of loan
  - Collateral based on HOA ability to assess additional dues for P&I repayment=homeowner risk of increased dues and special assessments
  - Worst option from expense standpoint

- Approach 3: STD
- Use Special Tax District to fully fund project (0% X20 yr.)
  - Requires 75% community approval to establish STD
  - Requires community approval of individual project funding
  - No requirement to borrow total request, similar to conventional Line of Credit or Working Capital fund
- Pro:
  - Most favorable to individual HOA member with least cost and risk
  - $1MM loan=$420/yr./lot
  - Best ability to manage cost overrun risk
    - additional funds at 0%
  - Best equitable distribution of expense to current/future HOA members
  - Best option
- Con:
  - Depending on individual view, adds tax obligation

Analysis

- Needs
  - Doing nothing is not an option
    - Constantly degrading conditions only exacerbate negative impacts and increase project costs
    - Duty of care applies
  - Both projects are realistic and achievable in the near future (2026-27)
    - SBB is ready to go
    - CTL will need an estimated 4-6 months of preparation then should be ready
  - Resources are readily available
  - FCF volunteers are strongest asset, with members ready to complete work already started

- Funding
  - Multiple approaches are available
    - Cost to HOA members varies widely per project funding approach
  - Both projects meet grant and STD loan requirements for SEC projects
  - Strategically, minimizing draws on capital reserves will better position HOA for future major capital projects, and reduce risk of dues increases and special assessments
  - STD provides most equitable allocation of financial responsibility to current and future HOA lot owners
  - Current SBB grant on hand is significant reserve savings to HOA

Recommendations

- Needs
- CTL
  - Continue CTL SEC planning and estimating
    - Keep seeking contractor ROMs
    - “One-stop” organization with permit and construction
  - Investigate permit options
- SBB
  - Seek bids for CM firm
  - Develop formal bid package

- Funding
- STD
  - Establish as soon as possible
  - Continue to hone anticipated project costs for 2026 project starts
  - Show “What if” analyses via CAPEX model to demonstrate impact of various finance options
  - Optimize STD loan program for both CTL and SBB (must include additional contingency funds)
    - CTL: $200K
    - SBB: $800K
    - Program: $1.2 (=$500/yr./lot)
      - Conservative: $1.4MM ($583/yr./lot

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