

Draft Minutes of the Board of Directors of Old Nags Head Cove Association

October 15, 2022

In attendance: Seth Johnson, President; Dave Masters, Jr, Vice President; Ed Thomas, Secretary; Kim Ansell, Treasurer; Steve Pearce; Dave Carroll; Anna Sadler. Staff present: Brenda Lowe, Association Mgr.; Missy Rotchford, Bookkeeper. Absent: Patty Shufflebarger, Mary Gay. Owner present: Dave Thompson.

Call to Order: 9:45 AM

Review of Draft Minutes: *Moved by Dave Masters. Second by Dave Carroll to accept the Minutes as submitted. Motion approved.*

Treasurer's Report: Kim Ansell reviewed the Financial Statements and staff responded to clarifications and questions: Pool income has recovered to pre-covid levels. The number of events scheduled in the club house has greatly increased through the summer into the fall. Discussion of the idea of some ONHC community events sponsored by ONHCA – first to be a Halloween party this month. Committee formed to bring back recommendation around this idea. Discussion around timing for the budget meeting to propose rates for 2023 so Board can adopt in time for Brenda to communicate to rental companies in a timely fashion. Suggestion from staff to prepare a budget with current rates and maximum permitted increased rates for comparison. Treasurer to set meeting date and participants to be ready for January Board meeting. In preparing next year's budget consider additional legal and association sponsored event items as well as capital expenditure planning. *Moved by Ed Thomas. Second by Steve Pearce to accept Treasurer's report. Motion passed.*

Watermain Repair/Replacement project by Town of Nags Head: Dave Masters reported the project is winding down. He will go around with contractor and city engineer for a punch list review. Additional issues should be relayed to Dave. Discussion that while contractor was allowed a place for staging supplies and equipment at our entrance area vine growth is encroaching on fence and may knock it over – this needs attention – Brenda to check this out. City installed sidewalk over our main irrigation line and repairs and expansion of irrigation system required. A previous quote to expand the irrigation system on the north side was \$13,000. The expense to address irrigation issues will likely require additional funding now. Quotes need to be obtained for work. Verbal assurance at beginning of project that contractor would enhance landscaping at ONHC entrance in return for use of property needs follow-through. Dave Masters will address this issue with city and contractor and report back. *Landscaping committee formed to look at spring plantings at front entrance: Kim, Missy, and Dave M.*

Boat Ramp: Reported that a portion of the boat ramp below waterline may be damaged and may need replacement. Repair probably involves bulkheading and draining the area needing attention; preparing the bottom for new concrete; and a couple possible methods of installing new concrete; then when set and hardened removing temporary bulkhead. In addition, to do this work, approvals would be needed from regulatory agencies (CAMA, etc.). Work would need to be done when ramp could be closed for a period of time. Bids and exploring regulatory requirements need immediate review if there might be a chance to address this in 2022-2023 upcoming winter. Funding has not been planned for this and it can be expensive. Brenda urged to get quotes and regulatory information ASAP.

Covenant Task Force Report: The Task Force has met several times and two conversations have been held with Brian Edlin, Attorney from Jordan Price law firm in Raleigh. *Mr. Edlin advised all covenants A–F from 1970s and H-J from 1998-2000 are still in force. NC community association law and regulation control/limit actions in community association covenants – this requires a 67% vote by property owners in an association to change Covenants.* The Board decided at its previous meeting that due to the many internal conflicts within the 50 year old, and later 20+ year old covenants; that a restatement of a new

covenant document for ONHCA is required. In addition, current practices in the community vary from the older covenants as well as the older covenants conflicting with the newer covenants. This needs to be cleaned up. The role of the Board is to provide guidance to the attorney of the content and approach that needs to be in the Restated documents. It is not the Board's role to write or wordsmith the document. The attorney crafts the document to match current regulation and practice. The following review of covenants and related issues was discussed:

Older Covenants (1970s): Covenant A. Sections 1-7 no longer needed. Previous Board discussion to follow Nags Head ordinances, use later covenant (H-J), or address in a brand-new covenant. Covenant B. Section 1&2 "Solely Residential" better approach in newer covenant, but more research on Nags Head zoning and attorney input is needed for definition. Sections 3-5 no longer needed. Section 6 previous Board discussion opposite of original restriction – possibly address in additional covenant section. Covenant C. Section 1, 3 – better approach in newer covenants. Section 2 bulkheads – property owner responsible for their bulkhead and to comply with regulations (CAMA, etc.) ONHCA responsible for bulkheads it owns, and individual property owners responsible for theirs. Section 4. No longer needed. Section D. discuss with attorney how to approach in new document. Section E – overridden by current NC statute. Section F ONHCA – replace with wording/approach in newer covenant H.

Newer Covenants (1998,2000) Covenant H. Section 1. Good approach makes clear functions of ONHCA. Section 2. Limits Board's ability to adjust rates and fees – exploring alternative approaches to create more flexibility for Board actions with membership ability to change. Section 3,4,6,7. Probable carry over. Section 5. issue of what actions by the Board to enforce covenants are current practice for associations, as well as what is practical for ONHCA Board to utilize – discussion with attorney needed.

Covenant I. Section 1. Carry over. Section 2,3,4,5 wording previously reviewed and approved by Board and shared in Annual Meeting May 2022 – update Nags Head 1997 code reference to "currently existing Nags Head code" type approach with regard to construction process and approvals. Fencing included in this (so I.8 no longer needed) Section 6. Complex issue – what is "residential use only"? Researching Nags Head zoning and code, discuss with attorney for current

practices, ONHC requirements can be more restrictive than Nags Head code requirements. Defining residential use as different from a commercial use needs careful definition that is workable. Sections 7,9,10. Keep. Section I. 11,12 current circumstance differs from 11. Prohibition and 12. Varies from Nags Head code which is a bit more flexible – needs additional review. Section 13. Important restrictions Board agrees with – enforcement practices and willingness to enforce need discussion with attorney; also, what standards are used to define what is a property circumstance that rises to the level of nuisance.

Possible Additional Covenant around subjects related to Vacation Rentals and collateral issues in the neighborhood like number of vehicles, parking over septic systems, signage, trailer habitation restrictions, unkempt properties, and other issues.

The Task Force discussed the same issues that were pointed out in Board discussion. Major issues focus: “residential use only”; enforcement of Covenants – what methods; changing character of rentals; actions by Nags Head Town that impact ONHC community purpose and lifestyle. *It was agreed the existing Task Force proceed to work with the attorney and produce a nearly final document that can then be reviewed in an additional board meeting focused on an Updated Covenant document.* The Task Force set a date for another meeting to be followed by a conference with the attorney with the goal of a draft document the Board can review in time for communicating to ONHCA members in time for possible consideration at the Annual Meeting in May 2023.

Wells Fargo CD: Brenda and Missy reported that a CD at Wells Fargo for \$105,000 had matured and been temporarily placed in cash until a decision is made on how to handle this reserve. In discussion it was reviewed that the legal expense for restating the covenants and communication to property owners ahead of the annual meeting, renovation of the pool bathrooms, fixing the irrigation system, and the potential repair of the boat ramp were not currently funded. A decision to reinvest the CD for 7 months would make those funds not available for that length of time. *It was moved by Anna Sadler. Seconded by Steve Pearce to appropriate \$15,000 from reserves to fund Restatement of the Covenants and to communicate this priority to the membership. Motion passed.* *It was moved by Ed Thomas. Seconded by Kim Ansell that the previous CD amount*

be split with \$50,000 reinvested in a CD and the balance placed in the money market account for accessibility if the cash is needed for the projects discussed after further Board review of specifics. Motion passed.

Board Discussion: The Treasurer asked if there had been follow-up to a question she had raised in the previous meeting of whether ONHCA is obligated to follow the Trust Accounting Guidelines? A follow-up response from the outside auditor is requested for the January Board meeting.

The President reviewed that two Board members are rotating off the Board due to term limitations at the conclusion of the Annual Meeting in May (Seth Johnson, Steve Pearce) and that replacement Board nominees would be needed.

A request was made that the Board have a separate breakout meeting immediately following the Annual Meeting to elect officers and approve signatories for bank accounts and financial transactions, as well as any other business beyond the agenda for the Annual Meeting.

Meeting Adjourned: 11:50 AM.

Covenant Task Force November 10th, 10 AM

Budget Committee – December 10th, 9:30 AM

Next Scheduled Board of Directors Meeting January 21st 9:30 AM Club House