
Agenda item

Discussion and board endorsement of a revised proposed pier plan document and associated Resolution.

Explanation

The attached document reflects recalculation of parking revenue using corrected parking assumptions and possible upsides from the small RV lot that is part of the pier property.

8 January 2022

Pier Property Plan Version 2

Commissioner Kwiatkowski, with input from Commissioner Murdock and Town Manager Hewett

Introduction

This document has been created in response to the request from many Holden Beach property owners for development plans and financial forecasts for the Town's ownership of the pier property. The below provides estimates for eventual revenues and expenditures associated with repair and operation of the pier and building in the context of their continuing to provide restaurant and retail establishments and a fishing pier. The facilities will not be run as a business by the Town; they will be leased out following necessary repairs. The Town is expecting there will be sufficient revenue from the pier property and parking revenue to cover finance and operating expenses reasonably soon, with some profit in later years, but a full return on investment for repairs is not assumed. It is projected that the pier property can be repaired and maintained without having to increase property taxes or add any special assessments.

This document covers only the pier and building property; plans and costs for the parcel that will provide beach access for emergency vehicles and beachgoers are not included. Assumptions are made based on current knowledge and understanding of property condition and construction costs. Some possible pier property improvements are mentioned in the report; however, any additional improvements, either noted or identified in future, should be brought before the Board of Commissioners for specific discussion and approval of additional funding.

Background

The Town of Holden Beach is in the process of purchasing Parcels 246DB001 and 246DB002. These two parcels are adjacent and collectively total 350 feet of oceanfront. Parcel 246DB001, hereafter referred to as the "Pier Property", encompasses 300 ft of oceanfront real estate and contains the Holden Beach Ocean Pier, a building estimated to encompass 4000 sqft (as measured by Commissioner Murdock) with a grill and shop, a small general-purpose outbuilding, a small RV lot sufficient for parking 6 RVs and a paved parking lot. Parcel 246DB002, hereafter referred to as the beach access lot, encompasses 50 ft of oceanfront.

The desired outcome for Parcel 246DB001 is for the pier, building and land they are situated on to continue being used much as they currently are after necessary improvements/repairs and to also include public restroom facilities, all in accordance with current building and public safety standards. The Board's stated objective has been that the pier property purchase/debt service and repair costs are to be financed by revenues generated by the property, being a combination of paid parking revenue and leasing the pier and cafe building, coupled with available grant money, resulting in no property tax or assessment implications for owners. While there are grant money

opportunities, such as matching fund reimbursement grants from PARTF and Land and Water Conservation Fund, it must be considered that all grants have conditions and requirements that have the potential to restrict the Town's flexibility. It may be that accepting certain grants would not be in the best interests of the Town.

In case grant money is not available sufficient to cover repairs, and if realized revenues cannot fully cover debt service and operating expenses, funds could be assigned from the BPART fund for the purpose of providing and maintaining tourism related facilities and amenities. The financial state of the BPART fund is presented later in this document.

Parcel 246 DB002 will allow the Town to maintain a mid-island emergency and municipal services vehicle access, an additional improved public beach access and an as needed vehicle and/or equipment mobilization point for beach nourishment. Since December 2014 the Town has been granted a license by the current owners to use the western most twenty (20) feet of the adjacent campground property as an emergency vehicle access point to the beach strand, but with the RV park properties also on the market, the license will in all likelihood terminate. The need for an emergency, sanitation, public and beach nourishment mobilization access is important for the health and safety of everyone who uses the beach plus provides a separate access for beachgoers in an area that lacks a public access within ½ mile. A reimbursement CAMA access grant of approximately \$186K has been approved by the NC Division of Coastal Management to offset part of the costs associated with the beach access lot.

Pier and Building Condition Considerations

Building

There are two inspection reports for the building on the pier property: the MacPherson engineering services due diligence report of September 20, 2021 and the Town Inspector's Systems Evaluation report of September 17, 2021.

Summary of Findings

The building is a combination of three sections constructed at different times. The original building was constructed in 1960 (currently the center section) on a low crawl space with a cmu (cinder block) foundation wall, wood framed floor, exterior load bearing wood walls and a wood roof system. The west end of the building, constructed later, has a concrete slab floor on grade, a wood roof system supported on beams and round pilings and wood framed walls that appear to be non-load bearing curtain walls. The east end of the building, also constructed later, also has a concrete slab on grade floor, low cmu wall and a load bearing wood framed wall and roof system.

The middle section of the structure has been built to accommodate A2 occupancy (assembly uses intended for food and/or drink consumption) or business occupancy (use for office, professional or service transactions). The east end of the structure is an office.

The McPherson engineering services report states the building is overall in poor condition and concludes that the wood framed floor system in the center section of the building cannot be repaired and should be demolished and the east side addition could also be demolished. The west side addition, which is supported by beams and pilings, may be salvageable depending on a pile study and further assessment of the beams and roof system.

The Town Inspector's report states that overall, the building itself is in disrepair but has potential for improvements.

Proposed Plan and Estimated Costs

While some portions of the structure may appear derelict, there is the potential for repairs and improvements to the entire structure. Information provided by Commissioner Murdock, following a walk-through of the building with Town Staff and additional visits, indicates that the wood floor can be removed and replaced with concrete, poured in sections with the existing structure in place (estimated cost \$10K). Internal demolition including removal of all electrical (estimate \$10K) and site cleanup including trash removal (estimated cost \$5K) would bring the building to a leasable state for a tenant willing to be responsible for renovating to meet his or her requirements. Flood vents can be added if necessary (no estimate at this time). This estimate also does not include permit fees.

There are additional site improvements that could be made. There is ample space to add a large oceanfront deck between the building and the dune should the Town choose to add this amenity. The access to the pier can be rerouted and made accessible from the public walkway so that customers do not have to go through the middle of the building. There are also options for locating public restroom facilities on the pier property that need to be precised.

See Appendix 1 for specifics on deficiencies noted in the inspection reports.

Pier

Summary of Findings

The pier due diligence report duly notes that the pier, at 64 years old, is beyond the typical 50-year life span for a fixed timber pier that receives regular maintenance. Although there are no maintenance or construction records available for the Holden Beach Ocean Pier, it is noted that it does appear some maintenance and repairs have occurred, including installation of new piles and some pile caps and cross bracing (age and maintenance since installation unknown). Timber decking appears to be maintained.

With no as built information available, the construction condition evaluation of the pier was based on observations made during the due diligence site visit. The pier consists of a two-pile system spaced at approximately 12 feet with vertical and horizontal cross

members. The pier is approximately 750 ft long with 58 piles. Most of the seaward piles were recently replaced with newer vintage greenheart timber. The inshore section of the pier appears to be older vintage timber pilings.

NOTE:

1. Greenheart timber is one of the best woods to be used in coastal environments, especially for dock pilings, due to its resistance to insect and marine borer attack- greenheart timber pilings typically have a 30-year life expectancy in marine environments.
2. Regardless of its reported condition assessment, it should be noted that the ocean pier structure has weathered numerous strong hurricanes and tropical storms since Hurricane Floyd damaged the pier and destroyed the seaward section (which was not rebuilt).
3. It is possible newer pilings are post Hurricane Floyd repairs.

Proposed Plan and Estimated Costs

The due diligence report recommends a number of repairs, immediate and within 3 to 5 years, to extend the life of the pier to a reasonable period of time (10-15 years), It is estimated in the report repairs will total between \$500 and \$750K for the following:

1. Immediately replace the 3 cracked/broken piles and repair the 2 piles that have reduced load bearing and correct loose and/or structurally deficient handrails (presumably also exposed electrical)
2. Address cross-bracing inadequacies
3. Replace all fasteners and bolt connections of structural elements with marine grade stainless steel (a cost estimate of \$30K for hardware replacement has been provided by Commissioner Murdock)

The due diligence report recommends that before beginning repairs, a complete assessment should be performed by an engineer firm. Assuming no additional issues are identified, and given that maintaining a pier seems important to many island residents and property owners, repairs at the estimated cost in the due diligence report could be justified if repairs can be made without an increase in property tax or added assessments. As detailed later in the report, all of these repairs do not have to be accomplished in one year; the pier can be repaired in sections, with BPART fund balance available for appropriation in the absence of grant money.

See Appendix 2 for specifics on deficiencies noted in the pier inspection report.

Observations on Certain Town Finance Data

Total Debt

As of June 30, 2021, the Town of Holden Beach had total debt of \$10,100,771, excluding compensated absences. Since the amount reported in the external audit, the Town has borrowed an additional \$2.5 million for reimbursement of the cost of the upgrade to sewer lift station 3; therefore, total debt is currently approximately \$12.6 million (as a point of reference, the Town's legal debt limit is over \$100 million).

Recent History for 3 Town Funds

Year-end totals for the last 3 fiscal years are presented below for the General Fund, BPART fund and Beach Renourishment and Inlet Management Capital Reserve Fund. The health of these three funds is important when considering additional costs for parks and recreation purchases/projects. Transfer of general fund balance in excess of 70% occurs to the Beach and Inlet Management Capital Reserve Fund, providing an additional source for costs related to beach nourishment and inlet dredging. All three funds show stability and for the most part upward trajectories.

Table 1: Last 3 Audit Report Fund Balances in Million \$, Start and End of Fiscal Year

Fiscal Year Ending Date	General Fund		BPART Fund		Beach and Inlet Mgmt Cap Reserve Fund	
	July 1	June 30	July 1	June 30	July 1	June 30
June 30, 2019	2.17	2.61	6.87	3.56	Did not exist	3.25
June 30, 2020	2.61	3.23	3.56	3.79	3.25	3.49
June 30, 2021	3.23	4.01	3.79	5.22*	3.49	2.13

*Increase in 2021 BPART partly due to transfer from Sand Fund to pay Central Reach debt service and part of LWI dredge

BPART NOTES:

1. In 2021/2022FY 1.2 million is already appropriated from BPART reserve for bike paths (\$700K) and the US Army Corps of Engineers Coastal Storm Damage Reduction Study (\$500K) and \$383K is transferred from Beach and Inlet Management Capital Reserve Fund to BPART for Lockwood Folly Inlet navigation maintenance dredging.
2. Due Diligence costs paid from BPART related to the purchase of the pier property and the beach access lot are predicted to total in the range of \$75 - 100K.
3. There will be an additional appropriation to prepare for paid parking: estimate \$150K which includes the cost of converting several town owned lots in the 800 block to an off-street parking lot.
4. On the added revenue side, there is a revised occupancy tax budget estimate for the remainder of the fiscal year ending 30 June 2022; the Town's net increase is projected at \$700K. This will be partially offset by additional costs for LWI dredging (expanded Army Corps of Engineers bend widener project) and an unanticipated bulkhead repair at a Town Park.
5. Payment of the \$186K reimbursement grant for Parcel 246DB002 (the beach access lot) should be received in FY 22/23.

Recent History for BPART Revenues from Occupancy Tax

For a decade the revenues from occupancy tax generally showed annual increases, some as high as 13% but mainly single digit, with the occasional year showing a slight decrease. Gains were considered to be mainly driven by an increase in rental units, in large part fueled by new construction. However, in the fiscal year ending June 30, 2021, the revenue stream exhibited over 40% growth, surpassing property ad valorem tax revenues for the first time. Projections for the fiscal year ending 30 June 2022 indicate another large year to year increase based on occupancy tax revenues collected through October 2021. Increased occupancy tax revenue is likely due to increased rental activity in the shoulder seasons as well as an increase in high rent properties, many coming from new construction. While 2 years do not define a trend, it is likely annual occupancy tax revenues in excess of 3 million dollars can be expected in future.

Table 2: Property and Occupancy Tax Revenues on 30 June 2010 to 2022

Year	Tax Rate	Collected	Occ Tax/YTY Increase/Decrease
2010	6.9	1,465,512	1,345,386
2011	6.9	1,470,965	1,520,605 (+0.130)
2012	12.7	1,504,448	1,679,856 (+0.105)
2013	12.7	1,519,610	1,634,933 (-0.027)
2014	12.7	1,527,376	1,654,637 (+0.012)
2015	12.7	1,538,824	1,794,076 (+0.084)
2016	15	1,775,215	1,783,709 (-0.006)
2017	22	2,629,563	1,887,106 (+0.058)
2018	22	2,719,163	2,138,047 (+0.133)
2019	22	2,753,276	2,104,926 (-0.015)
2020	20	2,760,053	2,211,132 (+0.050)
2021	20	2,785,122	3,121,144 (+0.412)
2022 budget	20	2,727,167	3,615,537*

*reflects December 2021 budget amendment projecting an estimated \$800K increase in occupancy tax revenue for FY 21/22

Projected Future Spending

Below are compilations of debt service and existing foreseen capital expenditures for the General and BPART funds.

General Fund

The General Fund benefits from a \$7k reduction in debt service each year thru FY26/27, when the last programmed payment of \$199k retires the Town Hall debt. Annual projected capital project costs are moderate.

Transfers from the General Fund to the Beach and Inlet Maintenance Capital Reserve Fund will continue to be made based on the Board's consideration of the General Fund balance in combination with funding needs of priority projects.

Table 3: General Fund Debt Service and Existing Capital Projects Current Year and FY 22/23-26/27 in Thousands

FY/Expenditure	21/22	22/23	23/24	24/25	25/26	26/27
Town Hall Debt Service	245	238	230	223	215	199*
Road Capital Projects	145	100	112	105	102	128
Police Vehicles	145	145	73	0	145	145
Sanitation/Streets Trucks	100	36	0	38	0	38

*last payment

BPART Fund

The BPART Fund projected capital project expenses from FY 24/25 and out are modest, but this assessment does not incorporate any projects that are proposed in the recent update of the Parks and Rec Master Plan. Projects in the updated plan will of necessity compete with pier property projects if grants and revenues from the pier property are not sufficient to cover projected expenditures. However, as presented earlier, occupancy tax revenues have increased steadily over the years and can be expected to continue to provide an increasing revenue stream. In case there is not sufficient grant money and operating revenue to cover pier property repairs, debt service and routine expenses, funds could be assigned from the BPART fund for the purpose of providing and maintaining facilities and amenities for tourism purposes.

Table 4: BPART Debt Service and Existing Capital Projects Current Year and FY22/23-26/27 in Thousands

FY/Expenditure	21/22	22/23	23/24	24/25	25/26	26/27
Central Reach Debt Service	1344	1317	1291	1265	1239	1213*
Parks&Rec Facilities	0	55	25	25	25	25
Walkways	65	55	55	55	55	55
Bike Paths	700	0	0	0	0	0
ACE Study	500	800	200	0	0	0
Jordan Blvd Public Restroom	0	250	0	0	0	0
Sand Search	0	325	0	0	0	0
LWI Dredging**	341	83	341	83	341	
Parking Related***	150	?	?			

*Last payment

**THB total after County contribution

*** Added to existing Capital Projects list. For 800 block clearing, bulkhead, all lot parking space designations, curb stops, signage. Unknown costs in out years for property purchase and new lot preparation

Pier Plan Estimated Financials and Timelines

Expenditures

It is assumed that both the Pier and Building can be repaired rather than torn down.

The majority if not entirety of the building could be built back. Because the inspection reports define engineering and safety issues, these repair costs fall outside the 50% of appraised value limitation on remodeling a pre-FIRM structure. This may make it possible to manage repairs and remodeling of the building in one budget cycle so that the building would be out of commission only for the 2022 season. A preliminary estimate for overall cost to bring the building to a standard that is leasable of under \$30K (not including permit fees and adding flood vents) was provided by Commissioner Murdock. To allow ample room for uncertainties due to lack of construction information on the building and previous improvement/repair details, a total of \$50K will be assumed at this time.

While the pier has passed the "normal" timber pier lifespan of 50 years, the majority of the piles have been recently replaced with greenheart timber pilings, which have a projected lifespan of 30 years. The due diligence report estimates at least \$500-\$750K in repairs would be needed to extend the pier's life by 10 to 15 years assuming the stringers and decking are salvageable and repair work can be performed by land-based equipment. Before beginning repairs, a complete assessment should be performed by

an engineer firm as recommended in the due diligence report Based on the proposed cost for an above and below water due diligence inspection, an estimate of \$50K is proposed for FY21/22 (post-closing).

On the assumption an engineer assessment does not find significant issues beyond those specified in the due diligence report and no issues emerge unexpectedly at a later date, there are 5 pilings in critical condition that must be dealt with immediately along with a pile cap and stringer; the estimated cost given is \$37,000, assuming repairs can be made from the pier platform (will be known after the engineer assessment of load bearing capacity of the structure). Loose and damaged handrails and significant cross-bracing and hardware deficiencies must also be dealt with. However, these repairs do not have to all be accomplished in one year; the pier can be repaired in sections, with initial repairs made to the landward section and critical pilings in FY22/23. A preliminary estimate of \$150K in FY22/23 followed by \$250K in each of the following 3 years was provided by Commissioner Murdock (\$150K more than the upper end estimate given in the due diligence report to allow for construction cost uncertainties).

Annual insurance costs are estimated at \$5000 (including flood insurance on the building, which is mandatory since the Town is borrowing for the purchase, but only fire and vandalism coverage for the pier). Annual maintenance over the next 5 years should be minimal, since both the building and pier will be repaired. It is assumed \$5000 will be adequate for other site maintenance. In future, a routine inspection of the entire structure should be performed every 5 years as routine maintenance (due diligence report estimated cost \$20K).

One cost that is not addressed here is that of public restroom facilities (which could be treated as a tourism rather than pier property related item). One possible solution for the near term is to provide waterless restroom facilities as described in the updated Parks and Rec master plan (estimated at less than \$5K per year, not reflected below).

Table 5: **ESTIMATED** Proposed Purchase Debt Service, Repair and Annual Costs in Thousands

FY	21/22	22/23	23/24	24/25	25/26	26/27
Expenditures						
Debt Service total	0	270	260	250	240	230
Debt Service w/o access parcel*	0	231	223	214	206	197
Building Repair	0	50	0	0	0	0
Pier Repair	50	150	250	250	250	0
Insurance & Maintenance	5	10	10	10	10	30

*6/7 of the total is attributed to purchasing and maintaining the pier and building parcel based on the relative widths of the pier and access properties (300 & 50 ft, respectively)

Revenues

Generally speaking, off road parking revenue can be used by the Town as it chooses. In addition to the estimated 80 off road spaces at the pier property site, off road parking exists near lift station 3, and it is assumed additional spaces will be in place at the 800-block town owned properties by April 2022 (for a total of 120 spaces for the pier parking lot and the 2 parking lots near the 800-block beach access). Based on the Otto parking RfP of June 30, 2021, net parking income for 600 total parking spaces is provided on page 22. The pier property and 800 block lots would make up 20% of 600 total spaces, so calculations have been made based on 1/5th of the estimated parking revenue without considering parking violation revenue. Parking projections for April, May and June total \$184.2K; 20% of that is ca. \$37K for FY 21/22. Net revenue to HB from the rest of the 2022 paid parking months that apply to FY 22/23 totals \$341.2K; 20% is \$68.2K. For the first 3 months of the 2023 season, it's assumed a 15% increase will be observed over year 1 (assumption from December BOCM Otto document); 1.15 of 37K + 68K=\$110.5K in FY22/23. For FY23/24 an additional 10% increase in revenue has been assumed over FY22/23, total projected revenue is \$121.5K and applied to all subsequent years. Parking revenues may exceed these preliminary estimates if parking at the off road lots is more constant than modelled for the island overall, which is hoped will be the case when added amenities are in place.

A straightforward assumption method was also run to compare with the results obtained from the Otto RfP model. Using only 100 days, which is what we typically consider the duration of summer vacation season, at the \$20 daily rate for a space, gross and net values were calculated for parking assuming 50%, 75% and 100% occupancy of spaces available at the pier and the pier plus 800 block lots. At a daily occupancy rate of 75% of the pier plus 800 block lots during the summer season net to THB would be \$126K, which is not significantly different from the projection of \$121.5K by year 3 using information supplied by Otto.

Table 6: Gross and Net Income Values for 6 Parking Scenarios

			gross daily	net daily	full occ @	75% occ	50%occ
location	rate/day	# spaces	100%	70%	100 days	100 days	100 days
pier only	\$20	80	\$1,600	\$1,120.0	\$112,000.0	\$84,000.00	\$56,000.0
pier+800	20	120	\$2,400	\$1,680.0	\$168,000.0	\$126,000.00	\$84,000.0

As mentioned earlier, there is a section of the property fitted for RV camping. A quick search of rental costs of local RV parks on the mainland turned up a nightly rental range of \$80-\$90 for an RV park 2 miles off island. Monthly rates were said to be available in the Q&A section of the website but were not given. Until more thorough evaluation is done on rates and fees as well as administration costs, an \$800/month net to the town is being assumed for only 4 spaces; monthly revenue would be \$3200 and annual revenue \$38.4K.

If it would be possible to allow food trucks at the pier property (and possibly 800 block area) next season as an added amenity this could help maintain visitor parking activity at the beach near the pier property and bring in additional revenue in FY22/23.

Persons interested in leasing the building have approached some commissioners and the Town Manager separately. Until the Town owns the property there can be no action on arranging lessees, but it appears reasonable to assume the building will bring in **at minimum \$50K/year** once it has been brought up to a leasable standard (some interested parties have expressed willingness to remodel the facility at their own expense to meet their needs). No revenue is anticipated in FY 22/23, although it is possible that the building could be ready to lease for some of FY22/23 (a possible upside).

It is more difficult to estimate lease potential for the pier given the current uncertainties and proposed repair schedule for all 750 feet. At this point it is assumed no portion of the pier will be open before the 2024 season when it is estimated at least 50% will have been repaired. It is premature to estimate a possible lease price.

Table 7: **ESTIMATED** Proposed Purchase Annual Revenues in Thousands

FY	21/22	22/23	23/24	24/25	25/26	26/27
Revenues						
Off Road Parking (est 120 spaces)	37*	110.5**	121.5	121.5	121.5	121.5
Building Leases	0	0	50	50	50	50
RV Revenue****	9.6	38.4	38.4	38.4	38.4	38.4
Pier Lease	0	0	0	?	?	?
Food trucks?	?	?				

*20% of total revenue for 2022 season for April, May and June reported in Otto RfP

** 20% of total revenue for 2022 season for July thru October plus 15% increase in April thru June for 2023

***assume 10% increase over 22/23 total revenue

****assume 800/month, 4 RVs; 3 months in FY21/22, 12 thereafter

Timeline to Begin Work

Once the town owns the pier property both the building and pier should be closed to the public until all safety issues are addressed.

The earliest an engineering firm assessment of the pier can be attempted is probably late March/early April. If results could be available in May, the BOC could make a more fully informed decision on proceeding with pier repair before the end of FY21/22 (NOTE: if the full assessment indicates significantly higher repair costs than estimated in the due diligence report, the BOC will need to reassess whether tearing down the pier and planning for reconstruction or another use of the pier property is more cost effective than repairing the existing structure).

While this timing will not result in more specifics on pier repair costs before for the FY 22/23 budget cycle, budget amendments can be made as needed. Work on the pier

following the 2022 summer season could be feasible, dependent on the availability of firms experienced in marine structure repair.

In parallel, seeking a firm to precise the repair plan for the building could be actioned by the BOC for February.

Conclusion

Based on the above given assumptions, revenues will fall short of combined debt service and insurance expenditures in FY22/23 by an estimated \$92K. In FY23/24 estimated off road paid parking plus building lease and RV lot revenues totaling \$171.5 will cover approximately 90% of the combined debt service, insurance and routine maintenance costs for the pier property (shortfall of ca. \$23K) with a 94% percent estimate for FY 24/25 and 97% in FY 25/26. By FY 26/27 revenue will slightly exceed expenses. The differences between revenue and expense can be made up from BPART revenues.

No pier lease income has been assumed for any year; if lease revenue becomes available in FY 24/25 or 25/26, pier property revenues will exceed expenses earlier than projected below. The same can be said if parking at the off road lots is more constant than modelled for the island overall and/or RV parking value per space is more than \$800/month and/or building lease revenue exceeds \$50K.

Table 8: **ESTIMATED** Total Revenues vs Debt Service, Insurance and Maintenance Expenses from Tables 7 and 5

FY	21/22	22/23	23/24	24/25	25/26	26/27
Revenues						
Parking, Building Leases, RV	46.6	148.9	209.9	209.9	209.9	209.9
Expenses						
Debt Service, Insurance, Maintenance	5 (building flood insurance)	241	233	224	216	207
Difference	41.6	92	23	14	6	3

While securing revenue for building and pier repair expenses will remain a challenge thru FY25/26, one possibility is for the Town to seek and be granted permission to use on street parking revenue for expanded town use as an additional revenue source for pier repairs. However, even in the worst case, where no grant money or additional parking revenue becomes available, the BPART fund is forecast to have sufficient savings to cover the currently estimated cost of the pier project without unacceptable risk to the Town's finances and future plans. Using BPART funds is appropriate and justified to provide facilities and amenities that both tourists and our property owners will benefit from.

APPENDIX 1: Building Deficiencies

Between the two building inspection reports the following are noted:

Foundation

1. Cmu foundation wall damage in multiple locations
2. Cracks in mortar, misaligned blocks and cracks in concrete floor slab
3. Sand filled crawlspace (center section) preventing footing inspection

Floor

1. Center section wood floor is not level, bowing in places
2. Soft spots in wood indicating deterioration
3. Cracks and other damage in multiple places in concrete floors

Walls

1. There are no flood vents in the building
2. Wood framing and foundation tie down inspection not possible due to finish materials on inside and outside of framing

Roof

1. Further observation is needed to assess the structural integrity of the roof.

Electrical

1. obvious electrical disrepair and code violations with modified sections of the electrical system
2. several non-maintained electrical junction boxes
3. unpermitted newly added wiring

Plumbing

1. 11 items have fallen into disrepair, including the interior restroom (non-functional and appears to have a broken building drain)

Mechanical

1. there are signs of deterioration in the 6-year-old HVAC outdoor unit.
2. the exhaust fan for the kitchen hood system appears intact but has been out of service for 2 years
3. the ventilation fan between the east end office and center A2 occupancy section is missing

Fire Safety

There are numerous egress issues that must be addressed for fire safety.

APPENDIX 2: Pier Deficiencies

The pier due diligence report specifically notes the following for various elements:

Pilings

Due to weather conditions at the time of inspection, underwater investigations were limited, however, it was found that subsurface pile conditions were similar to intertidal and above water pile conditions. The majority of piles appear to be in satisfactory condition; file piles in total were cracked, broken and/or overstressed and are in critical condition. Also, there are several locations where piles are non-plumb and are leaning or tilted. There are two critical areas where piles have a severely reduced load bearing capacity

Cross Bracing

A majority of the horizontal and vertical cross braces are either missing, detached or broken, which is a critical condition for the structure. Hardware throughout the entire structure is heavily corroded with greater than 50% section loss. Cross bracing along the pier is inconsistent.

Pile Bents

Most of the pile bents are in good condition, although some are exhibiting wood rot at the ends and are classified as poor condition.

Stringers

The stringers appear to be in fair condition, however, in several locations there was no apparent connection between the stringers and pile bents. The connection hardware was inconsistent and, in many cases, exhibited moderate to extreme corrosion.

Timber Decking

The timber decking is overall in fair condition. There is degradation consistent with age and exposure including rusting hardware and wood splitting. Areas where deflection and rotation of the walkway are apparent coincides with locations where piles are leaning significantly or are broken.

Handrails

Overall, the timber handrails are in poor condition which are a safety risk. The conduit for electricity is enclosed in timber along the railings; there are several locations where the connections were compromised and are a recognized safety hazard.

Utilities

Plumbing and electrical may be out of compliance and would likely need replacing.

Fish Cleaning Station

The fish cleaning station will require replacement.

RESOLUTION 22-04

LET IT BE KNOWN THAT:

WHEREAS, the Town of Holden Beach (the Town) is a municipality located in Brunswick County, North Carolina; and

WHEREAS, the Town is in the process of purchasing two privately owned parcels, 246DB001 and 246DB002, within its municipal limits for a total of 3.25 million dollars; and

WHEREAS, Parcel 246DB001, hereafter referred to as the Pier Property, encompasses 300 feet of oceanfront real estate and contains the Holden Beach Ocean Pier (the Pier) a building that includes a grill, shop and general purpose out-building (the Building), a small RV lot and a parking lot containing approximately 80 off road parking spaces; and

WHEREAS, the desired outcome for the Pier Property is for the Pier, Building and land they are situated on to continue to be used much as they currently are after necessary repairs and improvements; and

WHEREAS, the desired outcome for the Pier Property is for the Pier and the Building to be leased to interested business providers once repairs and improvements are completed; and

WHEREAS, according to reports of independent inspections made, which were arranged and conducted as part of the real estate purchase due diligence process, both the Building and the Pier require substantial investment in order to bring them to a usable and leasable standard; and

WHEREAS, the decisions taken by a majority of the Board of Commissioners to move forward on the purchase was predicated on the ability of revenue from the Pier Property leases, paid parking, grant money and occupancy tax to pay for the purchase and improvements, funding not to include revenue obtained from the ad valorem tax or special assessments; and

WHEREAS, in response to property owners' requests for development plans and financial forecasts for the Town's ownership of the Pier Property, a document entitled "Pier Property Plan" dated 8 January 2022 has been created; and

WHEREAS, said document has been endorsed by the Town of Holden Beach Board of Commissioners;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Town of Holden Beach that the costs associated with the purchase and improvements of the Pier Property are intended to be paid as described in the Pier Property Plan document dated 8 January 2022, which does not foretell requiring funding by the Town's ad valorem tax revenue or a special property assessment.

This the 18th day of January, 2022.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk