

JICANet Update

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This Update consists of a single item pertaining to residential leases

The following letter of explanation of the present residential lease-extension proposals, (which may be adopted this December) has been provided to the Jekyll Island Citizens Association (JICA). The JICA Board was strongly encouraged by the audience at its 9 November Board meeting, to make the letter available through JICANet, as a means of providing detailed information about the options that residents are likely to have next year, to complement the communication efforts that the Park Authority has undertaken. The letter is intended to be informational only; it is not an attempt to encourage residents to take any particular stance regarding the forthcoming lease-extension offer. We are hopeful that JICANet will get this information to a wide spectrum of Park residents; if readers are aware of leaseholders without access to JICANet, please share this information with them.

Submitted by Steve Newell for the JICA Board

Dear Jekyll Island Homeowner,

On 3 Nov 09, the Finance Committee of the Jekyll Island Authority, chaired by Mike Hodges, met to discuss their upcoming recommendation to the JIA Board for making a new lease available that will run through the end of 2089, forty years beyond the current expiration of 12/31/2049. The Finance Committee held one more public discussion session on 16 November 2009, and prepared what is believed will be their final recommendation to the JIA Board at its December meeting. The JIA Board is expected to vote on (& adopt) this proposal. The following are the leaseholder options and key points of the current proposal.

OPTION #1 - To do nothing and the existing lease which has been in effect since we purchased our homes shall remain intact. Annual payments are fixed and it is believed that any improvements remaining on the land as of January 1, 2050 will become State property.

EXAMPLE: If your Lot Lease payment is currently \$400 per year, it would remain the same through 12/31/2049. One can expect that the value of his/her property

will begin declining almost immediately. A home buyer would no longer be able to obtain a 30-year mortgage as the remainder of the leasehold shrinks below 40 years. Those with a longer lease, even with an escalating ground rent, would become more attractive for buyers seeking financing. See also Option #2, part c, below, regarding rental of residences.

OPTION #2 - Enter into a new lease with the JIA **during the prescribed 12 month registration period** (presumed to be January through December 2010). This new lease will run through 12/31/2089 and provides for the following:

a. Base rent shall be calculated as 0.4% of the land value as determined by the Glynn County Board of Assessors with a 5-year, 50% discount available to all who exercise this new lease option (discount applies to years 2011-2015). An additional 5-year, 50% discount is available to those leaseholders who "Homestead", or claim their Jekyll home as their primary residence (applies to years 2016-2020). A floor and cap on the amount of value adjustment of 0.0% and 6.0% were discussed by the Finance Committee, but rejected, so the annual payments would not be limited to a 6.0% increase if the valuations indicate a much higher rate of appreciation; also, there would be a decrease in annual leasing fees in the event that land values dropped.

Note: At this time, Glynn County makes evaluations/adjustments every one to three years.

b. Leasehold Transfer Fees would be payable to the JIA in the following transactions:

- 1) Interspousal transfers (husband to wife, wife to husband) would incur no fee.
- 2) Other transfers that do not include any payment (to trust or child) would incur a \$500 fee.
- 3) Sales or transfers involving payment would incur a fee of 1.0% of the land value as determined above.

c. Another provision states that leaseholders who obtain rental income from their Jekyll Island leasehold property shall be required to obtain an annual Rental License, the cost of which shall be calculated as 3.0% of the rents obtained, payable each month alongside the monthly report of rental revenue. The 3% rate will not apply until year-5 of the new lease. In years-1 and -2, a 1% licensing rate will apply. In years-3 and -4, a 2% rate will apply. At its 16 November meeting, the Finance Committee clarified that this rental-licensing cost will also apply to Option #1 above.

EXAMPLE: The average residential lot on Jekyll Island is currently valued at about \$275,000. The initial annual payment would be calculated: $\$275,000 \times 0.004 = \$1,100$. After applying the 50% discount, available for the first five years, the initial annual payment becomes \$550. The JIA would receive a Transfer Fee of \$2,750 upon a sale of the home in this example. At the 5-year point and beyond, the Rental License Fee for a property grossing \$12,000 per year is calculated: $\$12,000 \times 0.03 = \360 , but the 3% calculation will be made upon each monthly report of rental revenue to the Park Authority. Please Note: Oceanfront lot values can range upwards of \$700,000 creating initial annual leasing fees of more than

\$1,400 after the 50% discount.

OPTION #3 - Enter into a new lease with the JIA **following the prescribed 12 month registration period**. This lease would also run through 12/31/2089 with the following provisions:

- a. The Base Rent shall be calculated as 5.0% of the land value as determined above (a 1,250% increase over the previous format).
- b. The other provisions of OPTION #2 would apply with the exception of the 50% discounts for registration and the Transfer Fee of 1.0%

EXAMPLE: The average residential lot on Jekyll Island is currently valued at about \$275,000. The initial annual payment would be calculated: $\$275,000 \times 0.05 = \$13,750$. No 50% discount nor 1.0% Transfer Fee would apply. The Rental License Fee would be calculated the same. Oceanfront lot values of \$700,000 and more would require initial lease payments exceeding \$35,000 per year.

For those who choose not to enter the new lease at this time, the future value of their home is dramatically offset by this increase in ground rent. It is conceivable that one's home could have a value of less than 50% of his/her neighbor's as a result of delaying entry into the new lease.

If you would like to share your opinions and make suggestions, please do so at your earliest convenience. Mr. Hooks' email address is jhooks@jekyllisland.com and Mr. Hodges' email is mike.hodges@amerisbank.com .

---and that's the news from Jekyll Island where history lives, nature abounds and we are staying informed. Darrell Davidson, Interim JICANet Editor

JICANet Updates are distributed periodically by the Jekyll Island Citizens Association to its members and interested parties. To subscribe or unsubscribe send an email to jicanet@jekyllcitizens.org.