



# New Community Authority

**NCA Presentation**

**Monday, June 24**

**Fountain Inn Aigler Room**

# New Community Authority

WHY the  
Hornet's Nest  
Now?



## Discussion regarding the “New Community Authority”

hosted by Lakeside NCA task force charged with studying the NCA and reporting its findings to Lakeside management

- What is it?
- How would it be used?
- How much could it cost?
- How does it work? (management, control, limitations)
- Pros/Advantages?
- Cons/Risks?
- Alternatives to an NCA?
- Is this the right time and the right for Lakeside’s needs?

## Lakeside's financial basis

*(with few numbers, unless you really want more)*

### ■ Primary revenue sources

- Gates (<50%)
- Assessment (~20%)
- Giving (~20%)

### ■ Other sources

- Grants
- Hotels, realty, other

### ■ Lakeside's recent financial results

- Balanced budget
- No borrowing for operations

### ■ **BUT**

- Budget has not included sufficient funds for regular upkeep and renovations
- Only sources for more major projects has been philanthropy

- Should Lakeside have another source of funding intended to assist with renovation and contribute to major projects?
- Is an NCA the right vehicle to help funding?

## NCA: What is it?

- Ohio State Legislatively-created governmental entity
- Used nationwide, usually by developers of new communities and political subdivisions
- NCAs can be given the ability to create “charges” to assist in funding community development
- For cottage owners, this would likely mean a charge based on the property’s tax valuation
  - For other Lakeside visitors, this would likely mean a surcharge on entry, goods, rentals and services
  - **IMPORTANT: NO DECISIONS HAVE BEEN MADE.**
- Current law (expires 12-31-2024) permits Lakeside to act as a developer
  - Lakeside is investigating the feasibility of extending the expiration date of this legislation

## NCA: How would proceeds be used?

- No decisions at this time – hence no precise answer
- Thesis: proceeds to be used for:
  1. Needed updates and renovations for existing Lakeside buildings
  2. Assist with major new projects [to supplement other primary sources – fundraising, grants]
- NCA proceeds intended to come from both cottage owners and all visitors/users who benefit from Lakeside
- NOTE 1: Lakeside has 52 buildings. We all know buildings need upkeep and ultimately renovation. Lakeside needs a financial resource, whatever it is, to be able to perform the needed work
- NOTE 2: Lakeside staff is working on a multi-year financial planning process with one objective to increase funds available for facility upgrades

## NCA: How much would this cost

- Broken record here - no decisions at this time – hence no precise answer yet – but here are some prevailing ideas at this time:
  1. NCA charges applicable to both cottage owners and all visitors who benefit from Lakeside – again, no precision as to form and amount
  2. Lakeside Board: if charges apply to real estate, the sum of (1) new NCA charges and (2) all existing assessments *[for streets and sanitary]* will not exceed 1% of assessed property's tax valuation
  3. Theoretical arithmetic for cottage owners:
    - a) present assessment (+trash) is approx 0.64%.
    - b) Hence new NCA additional charges could add as much as half the present assessment.
    - c) streets project *(to be completed in a few years)* accounts for about 0.3% of the 0.64%
  4. Non-real estate charges could include surcharges on gates and services 7

## NCA: How much would this cost (2)

Scheduled reduction in assessment once the street project is completed presents some ideas

1. Use some of that margin to create a streets reserve so we don't go through this funding need again in the future
2. Consider some of that margin be re-directed to use for building upkeep and renovation?
3. Lakeside can't do that under the assessment or existing finance tools
4. How could creation of the NCA provide for that ability?
5. If so, what controls, limitations and safeguards are needed to protect Lakeside and all Lakesiders?



## NCA: How might it work? It's a **Two-stage process**.

- Creation: Ottawa County Commissioners would be asked to approve a “Petition” submitted by the “developer” (in this case Lakeside)
  - “Proximate Cities” (Sandusky, Port Clinton) must also approve prior to the County Commissioners
  - Petition would contain a proposed “alternate” NCA Board composition where Lakeside Board would control the NCA Board
    - Composition of the Board?
  - Present legislation requires this be done by Dec 31 2024
  - Is it feasible extend the deadline?
- Operation: NCA Board approves a “Declaration” (a recordable covenant)
  - Board is a public entity subject to public entity open meeting rules
  - Board would specify level of charges and use of proceeds, subject to limitations and controls in the Declaration
  - Declaration could be amended (subject to previously adopted amendment rules)
  - Need declaration provision that Lakeside Board must approve NCA Board actions

## NCA – how is the NCA Board constrained?

1. NCA Board composition
2. NCA procedures to approve charges and uses
3. Require any NCA Board decisions to be ratified by Lakeside Board
4. Include constraints on NCA Board action in the “Declaration”
  - This is a written covenant that is recorded against the property in the NCA
5. Define amendment provisions in the Declaration
6. Include a “sunset” provision ?

## NCA – Constraints in the Declaration

- Limitations on NCA charges: some examples
  - 1% limit on sum of assessment plus NCA charges
  - Restriction on when such charges could start or end
  - Deny ability of NCA to levy charges on income
- Limitations on use of NCA proceeds

## NCA: How would it work? (2)

### Timing to create NCA

- The 12-31-2024 timetable applies only to Creation of the NCA
- There is no timetable for the Board to act to establish charges or to use proceeds

### NCA Board Composition

- The statute also permits developer to propose an alternative board arrangement to be approved as part of the Petition process and that alternative can be whatever Lakeside determines to be in its best interest
- Lakeside would propose an alternative where Lakeside and Lakesiders had control of the NCA Board; if Ottawa County does not approve, Lakeside withdraws the Petition
- Should Lakeside's proposed NCA Board have cottage owner representation? If so, how much?

## NCA: How would it work? **(3)**

### Timing for establishing charges

- How long before NCA charges would be implemented?
- Wait until the Streets project close to completion?
- Need more definitive plans on use of proceeds – what projects, sequence of work, how much projects expected to cost, much more in the way of detail?

### Controls, Limitations, Guardrails

- Proposed limit of 1% of assessed valuation for sum of (1) assessments and (2) NCA real estate charges
- Role of cottage owners in management/supervision of NCA Board
- Limitation on use of proceeds to Lakeside buildings and physical infrastructure
- Public meeting rules apply to Board meetings and procedures
- What else would be needed for this tool to be appropriate for Lakeside

# NCA: Pros/Advantages

- Provides additional funding mechanisms for infrastructure needs
- Limitations, controls and guardrails can be established on charges, uses, governance
- The financial community understands the NCA process
  - That means long-term debt could be issued, with the future NCA charges as collateral
  - No Lakeside assets – property or endowment – would be used as collateral
  - The NCA could issue debt and spread payment over the life of the project, which means that Lakeside could engage in additional major projects for the good of Lakeside
  - Interest rates on NCA debt are expected to be preferential to conventional debt
  - The debt could be held by Lakesiders
- NCA provides a means to be able to deal with an unforeseen event requiring rapid response
- More ?

## NCA: Cons/Risks

- Do we have sufficient clairvoyance to establish the appropriate limitations, controls, governance to make this a desirable tool?
- Lakeside has not had to resort to this type of mechanism in the past. Why now?
- How do we protect against a “rogue” Lakeside Board or NCA Board?
- Should limits be placed on debt exposure?
- Are we going to the same well too often? Seeking to get more money from those already paying?
- Relatively modest annual costs for operation of NCA – audits, accounting, legal (maybe \$15k per year ?)
- More?

# Alternatives to an NCA

- Reimagine our philanthropy process
  - Increased giving by current donors
  - Expand donor pool beyond the 30+% who donate
  - Talk with lapsed donors to consider their input
  - Directed capital campaigns
- Increase gate fees
- Expand search for grant funds
- Rework budget to increase funds for facility upgrades
- Continue with aggressive cost management
- Continue to improve hospitality operations
- Plant a money tree orchard
- More ?



## Is an NCA appropriate for Lakeside?

1. What limitations, controls, governance makes this appropriate and acceptable?
2. Do other resources provide what Lakeside will need?
3. Can Lakeside be disciplined enough to use this finance tool with wisdom and sagacity?
4. Are other procedures or processes appropriate or necessary to make this type of arrangement the “right tool”?
5. We need your help to think through these issues!