

Beach Alternatives Task Force
Options and Recommendations
July 2009

To: PLCA Board of Directors

From: Task Force Members
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Charter: Evaluate Alternative Beach Options

- Taking into account the findings of the Beach Committee report
- Assuming that the Hyatt will not contribute any capital or any ongoing operating expense for any alternative
- Taking into account the costs and time-frames of abandoning Big Hickory Island
- Addressing any other assumptions needed

Scope:

- Broad economics of alternatives
- Operational feasibility
- Short term and permanent alternatives

Report:

The committee identified three alternatives:

1. Bus or boat to/from public beaches
2. Access agreements at private beach clubs
3. Land purchase and construction of a private beach club

1. Bus or boat to/from public beaches (short term alternatives)

The committee considered both Lovers Key and Little Hickory Beach with access by either bus or boat included in the financial analysis as scenarios 1 to 5. It is the committee's view that transportation via boat is the only desirable scenario. The lengthy drive and infrequent, inflexible bus schedule that could be accommodated make that

highly unlikely to be utilized – residents would simply drive their own car on their own schedule.

Little Hickory Beach (Bonita Beach Access Point #10) (financial scenarios 4 & 5) is the first choice principally because of the attractive beach and facilities available. Transportation by boat would drop residents at Big Hickory Grill Marina (BHGM). Residents would then walk from BHGM to the beach park. This destination is preferred to Lovers Key North because:

- The BHGM dock is a safe and inexpensive drop point
- The beach is a short 2 minute walk from the drop point
- The beach features showers and restrooms at the location PLCA residents would most likely use the beach
- The BHGM offers a restaurant on site which can be enjoyed
- The West Bay Club is a short walk and has offered seasonal access (more in club access agreements below)

A short-term program (perhaps two months late summer /fall 2009) could be a satisfactory ‘trail period’ providing time for an evaluation. This could start with perhaps one to three round-trips per day.

The logistics are somewhat complex adding the marina drop point and walk to the park but the value of the beach facilities themselves outweigh that negative as the Marina walk would be less than the distance to walk at our current beach.

This scenario (#5) total annual operating cost is forecast at \$646,000 versus a PLCA share of beach costs today of \$832,000. The reduction is due to elimination of nearly all operating and reserve costs of the current beach operation.

A key implication of utilizing this option as a pilot or for 100% of beach traffic is that the PLCA would no longer fund operations or maintenance of the current beach operation and Hyatt would be 100% of traffic going to the current beach and would therefore be responsible for 100% of any ‘on beach’ operating costs. A trail period during the September / October time frame would be desirable due to low historical volumes:

| | Sept 2008 | Oct 2008 |
|-------|-----------|----------|
| PLCA | 426 | 908 |
| Hyatt | 1,239 | 1,616 |
| Total | 1,665 | 2,524 |

Note that May / June 2009 traffic is averaging 700 less per month and July is already at the same lower pace.

Next Steps: 1) document one year BHGM access agreement; 2) start immediate pilot program for certain days or trips each day to evaluate experience while current beach volumes are low; 3) advise Hyatt that PLCA will begin shifting volume away from the

current beach and will no longer fund the beach operations as they are today on an effective date to be determined.

Lovers Key by Boat (financial scenario #2): This alternative is to access Lover's Key via boat as distance is similar to the current boat ride; it preserves the enjoyable boat ride; and the cost of the boat operation itself is equivalent. A \$1 per person beach fee would be absorbed by the budget.

Key issues are that original plans for a south drop-off are currently impacted by beach erosion which will cause the drop point to be the north end. This would be much less convenient to desirable areas of the beach. In fact, the area lacks any amenities and is estimated to be more than 1 – 1.5 mile walk on the beach to any facilities. This factor of the north drop point makes this a distant 2nd choice to Little Hickory.

This scenario (#2) total annual operating cost is forecast at \$653,000 versus a PLCA share of beach costs today of \$832,000.

Next Steps: 1) document one year Lovers Key access agreement and re-pursue south drop point; 2) keep this option for future usage but do not start service or incur costs until a time if/when this option is utilized.

2. Access agreements at private beach clubs (short term alternatives)

The committee identified the Mediterra and West Bay Club private beach clubs.

Mediterra – we spoke with Tim Boates, restructuring officer for Bonita Bay Group. At this time the Mediterra beach club is under negotiation for sale to Mediterra club members. Until that situation is resolved they will not undertake any meetings for either sale or access.

No financial estimate can be made until a detailed understanding of this option would be available.

Next steps: Monitor and reach out again to BBG if the sale does not occur or to Mediterra members if they purchase the club to determine if an access agreement could be created.

West Bay Club – we met with the beach club manager and discussed various levels of access and fees. The access could include both beach and dining but a key limitation is it would most likely be for 'reciprocal' season – i.e. May to October. As such it likely provides no beach alternative for in-season and is no substitute for the current beach situation but makes a very nice complement to the beach at Little Hickory.

Specifically – the draft offer from West Bay Club includes:

- Boat or bus to West Bay Club daytime
- By car for evening dining (available immediately)
- Beach access \$10 / adult plus \$5 for children – or a monthly rate to be paid by PLCA to be negotiated. Note we have not negotiated a monthly rate but pending PLCA board approval and discussion this could be a next step.

The current assumption is that residents would pay all their own fees or costs for usage of the club and transportation costs would be as shown in scenario #5. *If a PLCA funded monthly access agreement is struck this would be a new cost.*

Next steps: 1) received a reciprocal season formal arrangement with West Bay Club for 2009 for resident usage; 2) determine next spring whether both parties willing to renew a program

3. Land purchase and construction of a private beach club

Identifying and purchasing land and construction of a private beach club would face many hurdles including financial to acquire and assemble a large enough parcel plus political or rezoning of residential property to a commercial use. This would be a multi-year project with high risk of failure of not being able to acquire adjacent parcels and the highly unlikely rezoning process.

It would be necessary to assemble minimum 250' feet of frontage for the facility of any size to meet the needs of a community the size of PLCA. Current pricing for gulf front 50' lots is \$2 million plus – land acquisition costs could therefore exceed \$10 million without a factor for the premium to acquire adjacent lots. This process could be require years to assemble 5 contiguous sites.

Rezoning would require Bonita Springs City Council approval and intense opposition from adjacent property owners and council members can be expected. This could be \$150,000 in fees for legal and consultants and an 18-24 month timeframe. The current political environment would not allow the rezoning.

Demolition and removal of existing structures plus improvements to construct a commercial facility, even modest size, could be 12-24 months. Costs could be \$250 PSF putting a 5,000 SF facility at \$1.3 million.

The committee does not recommend to currently pursue this alternative under all current projects including beach re-nourishment are exhausted.

Next Steps: None

Conclusion:

The access at Lovers Key and Little Hickory by boat are the most similar in benefits and costs to the current beach access and should be pursued. The Mediterra situation should be monitored if an opportunity arises for purchase or access. The land purchase project should not be undertaken at this time.

Key issues to be resolved are the financial and operational impact on Hyatt as a pilot program to other beaches, by shifting the percentage mix to the current beach, will shift more cost to Hyatt. In the event PLCA were to direct all beach traffic to one of the new alternatives it would allow stopping all spending on the current beach and therefore effectively shut the beach to Hyatt usage or require Hyatt to absorb all costs.