Carnelian Woods HOA Ballot Measure FAQ: Sale of Development Rights

1. What is being proposed on this ballot?

Members are being asked to vote on whether to authorize the Board of Directors to sell **61 of the Association's 122 verified Residential Units of Use (RUUs)**. Net proceeds from these sales will be deposited into the Association's Reserve Account to support long-term capital maintenance, repairs, and infrastructure renewals.

2. What are the primary Pros and Cons of this proposal?

Pros (Advantages):

- **Significant Reserve Injection:** Generates substantial capital to fund upcoming infrastructure and major repair projects without levying costly special assessments on homeowners.
- **Monetizes an Unused Asset:** Turns paper development rights that generate no income or utility for the HOA into liquid cash.
- **Protects Property Values:** Ensures common elements (roofs, roads, utilities, facilities) are properly maintained, strengthening individual home valuations.
- **Retains Remaining Rights:** By selling only 61 of 122 RUUs, the HOA retains a substantial asset base (61 RUUs) for future options.

Cons (Considerations):

- **Irreversible Asset Sale:** Once RUUs are sold and transferred off-site, those specific development rights cannot be reclaimed by the HOA.
- **Market Dependence:** Final revenue depends on buyer demand, negotiation, and market fluctuations; cash flow will be realized incrementally as transactions close.

3. What is an RUU, and why does Carnelian Woods own them?

A Residential Unit of Use (RUU) is a development entitlement regulated by the Tahoe Regional Planning Agency (TRPA). It represents the legal right to build a residential unit within the Lake Tahoe Basin. Because Carnelian Woods encompasses significant acreage that was never fully built out to its max theoretical capacity, the Association holds 122 unused, officially verified RUUs.

4. What is an IPES score, and why are we talking about it now?

The **Individual Parcel Evaluation System (IPES)** is TRPA's environmental scoring system (ranging from 0 to 1000) that evaluates vacant land based on relative slope, soil stability, and runoff potential:

- **Scores of 726 or higher:** Considered buildable topographically under current TRPA regulations.
- **Scores below 726 (our rights range down to 617):** Cannot be built on directly at their origin site without upgrades, but **can still be transferred** under TRPA rules to suitable receiving parcels elsewhere in the basin.

Our 61 RUUs carry a spectrum of IPES scores (from 617 to 828). Because higher scores are simpler to develop directly, an RUU's individual IPES score influences its buyer marketability and negotiation value. The Undeveloped Lots Committee has monitored the value of the RUUs and until recently they were only worth $1,000 to $2,000 each. At the current valuation, due to basin buildout and scarcity, they are worth enough for the effort to sell them.

5. How much revenue could this generate, and how is pricing determined?

Based on six months of initial market evaluation and preliminary buyer inquiries, target asking prices generally range between **$53,000 and $62,000 per RUU**. Total value is in the $3-$3.5 million dollar range.

Please note: These figures represent **estimated target ranges, not fixed prices**. Final sale prices for each RUU are subject to market conditions, buyer negotiation, closing terms, and individual IPES scores.

6. Who is handling the marketing and sale of these rights?

The HOA has retained **Greg Traxler of SagePoint Real Estate** as our exclusive real estate agent to represent the listing. Greg brings specialized expertise in Tahoe Basin entitlement markets and has compiled a list of interested prospective buyers. SagePoint Real Estate earns a 4% commission and covers all costs associated with the sale.

Additionally, while Greg serves as our exclusive broker, **the HOA and its members also retain the right to directly market, promote, or refer potential buyers** to help accelerate sales.

7. Does selling these RUUs impact our physical property or surrounding land?

No. Selling an RUU transfers an intangible paper right to an off-site parcel elsewhere in the basin. It does **not** sell or transfer any physical HOA land, open space, common areas, trees, or amenities. Your townhome, common space, and surrounding grounds remain completely untouched.

8. What is the expected timeline for completing sales?

If approved, sales will occur in structured phases as buyers are secured and contracts are negotiated:

- **Contract & Closing Window:** Each negotiated sale requires approximately **4 months** to complete, accounting for purchase negotiations, escrow, and official TRPA transfer processing.
- Total completion time for all 61 units will depend on buyer demand and market absorption.

9. What voting threshold is required for this measure to pass?

Per our Association governing documents, approving the sale of major corporate assets requires the affirmative vote of **75% of the TOTAL VOTING POWER of the Association**.

- **Important Note:** This requirement is **75% of ALL eligible HOA members**, *not* just 75% of those who return a ballot or a simple quorum. Uncast ballots or abstentions effectively count as "NO" votes against reaching the mandatory 75% threshold. Every vote is critical.

10. How will the proceeds from the sales be used?

All net proceeds will be deposited directly into the Association's **Reserve Account**. These funds are dedicated strictly to long-term capital projects, such as structural repairs, roofing, paving, utilities, and facility renewals, reducing or avoiding the need for steep assessment hikes or special assessments.

11. What happens if the ballot measure does not pass?

If the 75% affirmative vote threshold is not reached:

- The 61 RUUs will remain unsold.
- The HOA will not receive the capital injection into reserve accounts.
- The Board will be forced to consider alternative funding options to maintain reserves, which could include substantial regular dues increases or future special assessments on all owners.

There are very few downsides to selling the RUUs. The board encourages members to return their ballots and vote in favor of the proposal.