



**West Hampton Dunes  
“Beach Preservation Reserve Fund”  
Proposal  
September 2011**

# Proposal Outline

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- The purpose of this proposal is to address the expiration of the federal, state and locally funded beach re-nourishment program the village has in place until the year 2028.
- As a result of the settlement awarded to the Village by the United States Supreme Court known as “the stipulation of settlement and consent judgment” it was so ordered that the USACE maintain the beach and primary dune to a prescribed profile within the village boundaries. The ongoing project known as the “Westhampton interim project” is funded solely by the parties listed above. While this project has been successful in maintaining our beach and dunes well above the standard set forth in the original profile, we must plan for the continued success in the future.
- The Mayor and Board of Trustees are evaluating several contingency plans that will fund the protection of the beach beyond our settlement expiration and well into the future for the continued success of the project and to protect our Village and the fragile environment for generations to come.

# Background

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- West Hampton Dunes is the only Village that effectively has a “government guarantee” on its beachfront and it is our hope that we will deliver to our residents a unique self funded beach re-nourishment and protection fund. By planning for the future, and deploying fiscally conservative measures we can minimize the significant financial impact these projects can have on our village. While our Army Corps engineered beach outperformed during Hurricane Irene, we are reminded how quickly mother nature can deliver a devastating blow by assessing the damage outside our Village.
- Municipal districts across the east end have formed special “erosion control districts” or are in the process of exploring large special assessments for emergency re-nourishments. This type of funding can be extremely painful and can be avoided by planning ahead. – Fire Island, Quogue , Sagaponack, Bridgehampton.
- West Hampton Dunes net property valuation has risen to over \$700 million dollars today. Homeowner’s and flood insurance will only cover damage to the underlying asset (the home and contents) in the event of a catastrophe. We need to insure the well being of the property under those assets or else we have only protected half the value of our investment.

# Framework

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- This proposal outlines a comprehensive plan to deploy several strategies of funding to reach our goal of having a self sufficient project.
  - Step One - Establish a capital fund to accept monies from Village residents in the form of small annual assessments. These assessments will be nominal and collected separately from the Village taxes. Similar to the “erosion control districts” that exist in Fire Island, Hampton Bays, Bridgehampton and Sagaponack.
  - Step Two - Explore the possibility of a “transfer tax” collected from the sale/exchange of all real property in the village earmarked for the fund. Transfer taxes are attached to the purchase of a new home or lot and paid “**by the buyer**” at closing as a title item. Similar to the 2% “CPF” administered by the Town of Southampton, the village will enact it’s own “BPF”. Unlike the “CPF” monies that go to preserving land throughout the town, our new buyers are adding to the value, health and stability of the asset they are buying in a direct manner. **\*\*\*This will require an act of legislation at the State level\*\*\***
  - Step Three - We may be entitled to solicit matching funds from surrounding local government entities with a vested interest in maintaining the beach for wildlife preservation and public use. - Cupsogue / Pikes. At the federal level, FEMA has refunded monies spent on self funded projects following severe coastal storms that have caused severe erosion.
- Once established, the funds can be deployed using several strategies to achieve our goal of preserving the health of our beach.
  - Purchase an insurance annuity for a catastrophic event.
  - Backstop and fund a future bond issue for future re-nourishment projects.
  - Enhance the financial strength of the village.

# Revenues

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- *Resident Assessments* - Targeting a conservative goal of \$60,000 per year would result in an average of less than a few hundred dollars per household.
- *Property Transfer Tax* – We estimate roughly \$15 million dollars in transactions per annum in the Village.(based on historic avg.\*\*\*) A 1% transfer tax added to each sale would result in an additional \$150,000 per year paid into the fund by new buyers.
- *Matching Funds* – With the ability to raise \$200,000 per year over a 17 year timeline we can net \$3,500,000 in funds that may be eligible for state and federal matching grants for periodic re-nourishments. In addition to matching grants, FEMA has refunded money directly back to those municipalities that maintain self funded engineered beaches following a “declaration of disaster” by the federal government.
- *The Reserve Fund* will serve as a capital asset that strengthens our balance sheet and lowers the cost of funding to our Village budget for future bond issuance which in turn **lowers our taxes**.
- *The Fund* can be invested in short term treasury instruments for enhanced growth. Additionally, those returns can be earmarked to pay the premiums on a “catastrophe” policy the Village will purchase in the event of a severe disaster.

\*\*\*MLS trailing 10 year average\*\*\*

