Tellico Village: Its Origins and History

By Worth Wilkerson

Tellico Village is more than a simple real estate development. It is part and parcel of a comprehensive plan to bring jobs, higher incomes, and economic growth to Loudon, Monroe, and Blount countries—an area that in the 1960s lagged badly behind the rest of the state in most important economic measures.

The Tennessee Valley Authority (TVA), a New Deal federal agency, fostered the plan that would use the shoreline lands around its proposed Tellico Lake for industrial, residential, and recreational development, with most of the proceeds from that development being plowed back into the local area.

The River

The Little Tennessee River rises in the steep and scenic mountains of western North Carolina and north Georgia—an area that receives some of the highest rainfall totals in Eastern America.

After crossing the North Carolina border into East Tennessee, the river flows through more gentle topography on its way to join the Tennessee River near Lenoir City. This topography created broad floodplains that, in the years before Tellico Dam, were dotted with fields of corn, tobacco, and hundreds of small dairy farms.

Long before the white man took over the river and the land, the Cherokee Indians claimed the Little Tennessee River as their own. They believed it was a special river. Its waters brought them purification of soul and body as well as providing food and transportation. They located their villages along its shore, some of which carried names familiar to modern-day Tellico Villagers—Chota, Toqua, Tommotley, Tanasi, Chatuga, Coyatee, and Kahite.

Tellico Dam

The Aluminum Company of America (Alcoa) discovered the Little Tennessee River early in the 20th century and built a score of dams to harness its power for Alcoa's giant aluminum plant at Alcoa, TN. During World War II, TVA rushed completion of Fontana Dam near the North Carolina-Tennessee boarder in a massive effort to provide power for the secret uranium enrichment process at Oak Ridge.

The final dam on the river was Tellico that TVA started in 1967. Before Tellico Dam was completed 12 years later, it would become a national symbol in the bitter struggle between conservationists and developers. The battle over Tellico Dam made two trips to the U.S. Supreme Court and propelled a 3-inch fish called the "snail darter" into the nation's headlines. It took a special exemption from Congress to complete the dam in 1979.

Tellico Dam diverts the flow of the Little Tennessee River through a canal into nearby Fort Loudoun Lake, allowing use of the generators and lock at Fort Loudoun to provide additional electric power without the expense of installing an additional generator and navigation benefits without building an additional lock. Tellico Lake also provides additional valuable flood control storage above Chattanooga, one of the most flood-vulnerable cities in the nation.

Tellico, a tributary reservoir, operates in tandem with Fort Loudoun on the mainstream, limiting annual lake-level fluctuations in Tellico to only about six feet, as compared to 20 to 50 feet on other TVA tributary reservoirs.

The unique feature of the Tellico Reservoir, however, is the meticulous planning that TVA undertook on the 363 miles of shoreline and the steps it took to insure that the promised benefits of new jobs, improved income, and economic growth would be realized and shared with the people in the surrounding counties.

TRDA and CCI

To carry out its commitment, TVA encouraged Loudon, Monroe, and Blount counties and the Tennessee Legislature to create the Tellico Reservoir Development Agency (TRDA) as an independent state agency. TVA then turned over the 11,000 acres of shoreline lands to TRDA to manage for residential, industrial, commercial, and recreational development and for wildlife enhancement.

The first important element in the plan was Tellico Village. Cooper Communities, Inc. (CCI) of Bella Vista, AR, was selected in late 1984 as the developer for the planned lakeside community. CCI is a privately held company that, at the time, had successfully developed three other planned communities in Arkansas.

The purchase agreement for the 4,806-acre site for Tellico Village highlights the unique nature of the Village and sets it apart from the typical real estate development. CCI agreed to invest at least $10.5 million in infrastructure and amenities in the new community and make cash payment of $2 million. In addition, Tellico Village POA agreed to lease all roads, amenities, and other common properties from TRDA and make annual lease payments to TRDA. These annual payments currently total $299,340.

TRDA has used its revenues from land sales and leases to invest in a major job-training facility and to develop a major industrial park that currently provides more than 3,500 jobs to people in the surrounding counties.

The Village Begins

CCI finally obtained title to the site on Dec. 15, 1985, and began work almost immediately. Lot sales began about nine months later, and the first residents moved in during February 1987.

<u>Tellico Village POA history</u>

How did it start?

The Property Owners Association (POA) was created simultaneously with the creation of Tellico Village on Dec. 15, 1985—the date that Cooper Communities, Inc. (CCI) finally secured the land on which to develop the Village.

POA was established by the developer and, for the first three years of its life, was governed by a board made up exclusively of CCI employees. Weston Tucker, director of sales for CCI, was the Board's president. CCI's director of construction, Bill Martin, and its director of engineering, Bob Frear, were the other two members of the initial three-member Board. The Board was soon expanded to five members with the addition of CCI employees Dan Cooper and Mike Lamb.

Former POA General Manager Gene Atkins was one of POA's first employees. In an interview in 1996, he recalled the start: "One of my first jobs with POA was to find a place for the POA office. I found an office in Highland Center, between Dixie Lee Junction and the Lenoir City limits. Starting out, I had nothing—no pencil, no desk, and no telephone to call and order a desk."

POA's first general manager was Steve Shields, who served only a short time before being replaced by Ben Simpson. Atkins took over in 1989 and resigned in February 1998, to become general manager at Savannah Lakes Village, another CCI development in South Carolina. Atkins was replaced in July 1998 by Winston Blazer.

CCI was a successful, experienced, and well financed developer of planned communities, and the Village grew and prospered as a result. But Tellico Village turned out to be different from the three communities CCI was developing in Arkansas, and this difference was to extract a heavy price from POA, driving it to the point of bankruptcy by the end of its fourth year.

Based on its Arkansas experience, CCI expected to sell most of the lots in Tellico Village to future retirees from out of state, brought here through a vigorous direct-mail advertising campaign. It envisioned small 1,200- to 1,500-square-foot retirement homes and laid out small lots and narrow streets accordingly. It initially priced lakefront lots at $35,000. Golf course lots went for about $30,000 and lake view lots for about $20,000.

It expected a delay of several years before the out-of-state property owners retired, built homes, and moved here. This meant the demand for POA services would not be felt for several years. A low initial assessment rate of $25 a month was based on this false premise.

When lot sales started in the winter of 1986, even while the major roads were still being built, local residents flooded in to snap up the choice lots; many were anxious to start building as soon as roads and utilities could be provided. POA services would be needed almost immediately.

Too, as part of its purchase agreement with TRDA and TVA, CCI was required to complete the first three amenities—a golf course, Rec Center, and Yacht Club, within 36 months, regardless of the number of residents here to use them. POA would have to equip and operate them.

As a result, POA quickly found itself burdened with more than it could handle. The $25-a-month assessment was not enough, and CCI arranged for a $3-million line of credit for POA to help tide it over.

Meanwhile, CCI rushed to complete roads and install utilities in the Toqua and Chota neighborhoods, to construct a Visitor's Center complex, and Toqua Golf Course. The pace was frantic. The first family arrived in February 1987; the Visitors Center complex opened in May of that year, and Toqua Golf Course in July. By the end of 1987, there were 2,100 property owners, and 59 families had moved in.

POA moved into a building in the Visitor Center complex, sharing the building, at one time or another, with a bank, TRDA, and CCI's engineering office. CCI moved from what is now Calhoun's Restaurant in Lenoir City to the Visitors Center. The center had a large open sales floor that became the site for POA Board meetings and, later, for HOA meetings.

Atkins recalled those early Board meetings. "The Board meeting was the biggest excitement in the Village, and everybody who had moved in attended. We eventually had standing-room-only crowds. The Board meeting was the only medium of communication we had at that time."

Tellico Village grew rapidly during its early years. Three major amenities were completed in less than three years; 3,000 lots were sold in the first four years; new houses sprouting up wherever utilities were available; a community church was formed; and the organizations and social structure needed for a successful community were quickly put into place.

But while the Village was progressing on the outside, POA was hemorrhaging red ink on the inside. By 1989, POA's financial condition had deteriorated to a crisis stage. POA's budgeted loss for 1989 was $1,036,007; it projected a negative cash flow of $918,690 for the year; and it was $2,862,000 in debt to CCI on its $3 million line of credit. In fact, its line of credit would be exhausted in early 1990 if something wasn't done.

Early in the year, POA appointed a finance committee of non-CCI property owners to help find a solution. The committee was headed by Lee Rhinemiller and was composed of Bill Cherry and Phil Furney, residents, and John Bacon and Don Simpkins, non-residents.

After what Rhinemiller later described as "four months of tough negotiations" with CCI, the committee presented its proposed solution in October. The plan called for an increase in monthly assessments from $27.50 to $45, institution of the first user fee at the golf course, and an advance of $4.5 million from

CCI. In return for the advance, POA would award certificates to CCI that the developer would use in a strong marketing program, seeking to bring in 3,000 additional assessments. CCI guests could use the certificates during their sales visits to purchase rounds of golf, work out at the Rec Center, eat at the Yacht Club, or purchase merchandise at the pro shop.

The $4.5-million advance would repay POA's $2.8 million debt to CCI and establish a cash reserve. With strong management, the assessment increase, golf fees, and additional assessments from lot sales would provide POA with adequate operating funds. As part of the solution, Ben Simpson was removed as general manager, and Gene Atkins was promoted to general manager from finance director.

The solution, because it involved an assessment increase greater than the allowed five percent, required approval by a two-thirds vote of all property owners. An intensive information campaign was launched to inform property owners. A mass meeting attended by some 350 property owners was held at Loudon High School on Nov. 8, 1989, at which CCI President John Cooper, Jr. spoke. Smaller breakout sessions and a toll-free hot line, along with individual mailings, were used. Property owners approved the assessment increase by the required two-thirds margin in December—the only time property owners have been asked to vote on an issue.

The impact was felt immediately. POA ended 1989 with a loss of "only" $573,000, a vast improvement over its projected $1,036,000 loss. By 1990, it was able to report a year-end surplus of $592,000—a $1.1-million turnaround. Member equity went from a minus $2.2 million in 1989 to positive figures in 1994—signaling a full financial recovery. POA has experienced a healthy year-end surplus every year since.

POA's financial crisis ended quickly, but one element of the solution lingers 10 years after the turnaround—an element that provides the single most significant point of contention between POA and CCI. This is a $1.8 million balance remaining from CCI's $4.5 million advance in 1989.

According to the 1989 agreement, any balance will become due 12 months after CCI sells 6,189 lots. Current projections put that date "some time in the 2004 timeframe," making the expected due date about 2005. CCI has indicated that it expects payment at that time. POA contends that CCI should have retired the debt through the use of gift certificates and has offered to negotiate a settlement. In a show of good faith, POA has agreed to establish a gift certificate retirement reserve fund beginning in 2000. The fund is expected to total about $900,000 by the expected 2005 due date.

CCI claims it was unable to use more gift certificates because it got poor response from its direct-mail marketing campaigns. "We didn't use direct mail in the beginning because of the unexpectedly high local demand," recalls one CCI executive. "When the local market started to dry up, we tried direct mail, but we were unable to generate as many guests as we predicted. The local sales force didn't know how to sell the out-of-towners, and we actually brought in salespersons from Arkansas to deal with the out-of-towners."

It has taken longer to sell all the lots in the Village than CCI expected, the official says, although prices, especially on lakefront lots, have been much higher than anticipated.

Non-CCI property owners gained their first representation on the POA Board in January 1990 when CCI agreed to expand the Board from five to seven members and add Win Martin, a resident, and Don Simpkins, a non-resident. Simpkins died a few months later and was replaced by John Bacon, also a non-resident.

The first non-CCI employee to serve as president was Laird Willson, elected in September 1993. Non-CCI property owners gained a majority on the Board in May 1999 when CCI failed to put up candidates for two vacancies and property owners elected residents Jim Fella and Gene Fischer to the slots. The Board now has five non-CCI members and two CCI employees [*in 1999]*.

CCI quickly completed its initial commitment on amenities by completing the Yacht and Country Club in October 1988 and Chota Recreation Center in December of the same year. It added Tanasi Golf Course in June 1996.

POA has added facilities of its own, including a walking trail along Toqua Road, two additional tennis courts at the Rec Center, a fire hall, community boat docks, and an RV storage area. POA took an historic step in June 1998 when it purchased 66 acres of adjacent property in the south end of the Village as a site for future amenities.

Opening of the Kahite Neighborhood, some 15 miles from the main Village, in 1996 is another milestone in Village history. Extending the full range of Village services to the remote neighborhood in an efficient, cost-effective manner is one of POA's greatest challenges.

One of the secrets of POA's success during the past decade is taking advantage of the remarkable talents of scores of Village residents to serve on its Board and on eight standing advisory committees, as well as a number of short-term ad hoc committees. POA Boards in recent years have steered a financially conservative course, establishing and funding reserve accounts to take care of expected repairs and unexpected emergencies, and to guarantee a firm financial footing for the organization.

As a result, Tellico Village is in a position, as the new century dawns, to determine its own future based solely upon the needs and aspirations of its members and not upon residual debt and financial constraints left over from the past.

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