

President's Report – Jean Rachkowski – April 22, 2017

There were two main goals that I had as board president this past year.

- 1) To Move forward on the necessary deferred maintenance issues, delinquency issues, and permit issues. This was quite successful, as will be addressed later.
- 2) The second goal was to facilitate our board working together as a team. Effective problem solving is very necessary for moving forward and for creatively addressing the myriad of issues encountered by our Association. Unfortunately, this goal was not met. Our board has been struggling with whose responsibility it is for various roles. Our difficulties in working cohesively together have put a strain on our management companies. I want to thank our officers, David Bontorin and Rosa McAllister, for their support and level-headedness as we addressed the difficulties on our board. Robin Smilanich sold her unit and consequently resigned as a board member. Thus, when I received Karen Schoepp's bio, I was impressed with her knowledge and expertise in working with boards. The majority of the board appointed Karen Schoepp, as is allowed in our by-laws, to replace Robin, until our owners meeting, which is today. Although there was a miscommunication and Karen's bio was not included in the owners packet that was mailed out to you, Karen is running for the board. In the short time Karen has been on our board I have been impressed with her calm, straight-forward responses and her probing, thoughtful questions.

Although there has been strife on the board, there has been a great deal accomplished over the past year. As you look around the property, I hope you can see the changes and improvements.

**By-law amendment:**

You, the owners, passed a by-law amendment changing the number of board members from 6 to 5. Thank you for doing that! This goes a long way in preventing a tie vote on our board, which has been an issue for us the past couple years. The by-law amendment has been recorded and today will be the first day we will be moving to 5 members on the board. Thus, when you vote today, you will be voting for 1 board member who will be elected to a three year position. You will also be voting for 1 board member who will be elected to a 2 year position, filling Robin's place on the board.

**Lease Fee Negotiations:**

We are currently in negotiations with the Robinsons and the Weinberg trust regarding a lease fee increase beginning July 2017 as well as a possible lease extension. Our board will be meeting in executive session on Wednesday to discuss this with Keslie Hui, our lease fee negotiator, and with Chris Porter, our attorney. The seawall issue is very much a part of this discussion.

**Unit Delinquencies:**

There have been 6 seriously delinquent units, some which have not been paying for as long as 10 years. This year, we are receiving lease and maintenance fee payments or rent on all 6 units. One unit was sold by the foreclosing mortgage company and is currently paying all fees. In another unit, the mortgage company paid a large back due fee and is currently paying all monthly fees. Three units are rented by our Association and cover at least our maintenance and reserve fees while also attempting to re-coup some of our past due fees. One unit has been uninhabitable for approximately 10 years. Thanks to the creative problem-solving suggested by Allison Royce, our resident manager, and Rosa

McAllister, we did renovate this previously uninhabitable unit at a cost of not more than \$2,800. For the first time in 10 years, we are now receiving rent on the unit and in less than 6 months, we will be receiving enough to cover the maintenance and reserve fees in addition to paying on some of the past due fees. Our goal is to have the landowners foreclose on those units not paying on the lease. The landowners would sell the units to a paying owner, and we could clear out the books for the delinquent back payments.

There have been many improvements around the property. Key improvements are:

1. The complete renovation of the resident manager's apartment, adding value to an Association owned unit. Once Allison moved into the resident manager's unit in July, we saved more than \$1,500 each month by not paying on her rental unit.

2. The Tiki Lounge has been re-purposed. As you can see, it is a comfortable space to hold meetings and to gather together. This is a lovely addition to our property at very little cost since most of the items have been donated and work was done in-house as well as by volunteers.

3. Last year, buildings 4 and 5 were completely painted, the lanais water-proofed, and lanai railings which had rusted through were replaced. A necessary project which has been delayed, is to waterproof the upstairs walkways and follow up on carpeting the upstairs walkways. The upstairs walkways on buildings 4,5&6 are in serious shape. The plan is to move forward on this with our part-time employee.

4. We are in the middle of painting buildings 1,2,3, & 6. Your cooperation during this work is greatly appreciated. Our owners clearly wanted this work to be accomplished and not only are our buildings being water-proofed, but it is making a huge difference in the looks.

5. One major area that required an emergency permit and timely handling was the rapid development of sinkholes in front of buildings 4&5. Although the seawall structure and the squishy oceanfront area has been a concern for some time, the number of visible sinkholes which cropped up rapidly this winter, with the possible serious consequences to our property forced us to move quickly. We were fortunate indeed to have so many players step up and move forward on obtaining the emergency permit. In addition, we were very lucky to have Clay Scott from Scott Brothers move quickly on filling in the sinkholes. Thanks to Peninsula Development, our sandwich leaseholder, for filling out and sending needed paperwork for the permit application. Thanks to Allison and to Rosa for moving so quickly while on the property and keeping us posted on the day to day or even hour to hour changes. Thanks to Aloha Property Management for providing us with the professionals and contractors who moved quickly on this emergency. There were many others who also helped move this along to prevent a major collapse.

A serious, upcoming issue is the need to address a more permanent fix. Our contractor has warned us that the repairs may not get us through the next winter. The first order of business for the long-term fix is to obtain a permit which requires a great deal more time and detail than the emergency permit did. In addition, there is the issue of funding the long-term fix. We have no official bids, but we know this is a costly endeavor to just construct a seawall support mauka of our current seawall – it must be constructed on our property side of the current seawall and is considered a repair. The state is not allowing new seawalls to be built. There is more that needs to be done besides constructing this large

seawall support to our current seawall. This is our urgent and important issue for our Association for the next year and will require creative problem solving as well as a board that works together as a team. We need to resolve this major issue confronting all our owners. We are all in the same boat. If the boat develops a leak in the front, all passengers in the boat sink, not just those in the front.

Moving on to other property improvements,

6. Our part time employee, Brian, has been water-proofing our storage shed roofs. We believe the sheds that were seriously leaking are no longer growing toads and green things inside the sheds. In addition, Brian waterproofed the tool shed roof which also had a serious leakage problem.
7. Brian worked on cleaning our gutters and repairing those that he could. He and Allison now have a list of gutters that are working and a list of gutters that need to be replaced.
8. The bathrooms at the pool look so much better, with a minor amount of repair work applied to them.
9. Oceanic Time Warner upgraded our cable T-V infrastructure. They spent several weeks on our property putting in new cables and covers for the wires. This cost them about \$16,000. We signed a 5 year contract to continue service with them if they would upgrade the infrastructure without charging us for the upgrade work.
10. The county has approved our plans for a back-flow preventer, which is a necessary installation on our water line. We have requested bids to have the work done and have not as yet received a bid from a contractor. Completing this work is one of the requirements to obtain a permit for further work on our property. We are moving forward on obtaining a seawall easement from DLNR, another requirement to obtain a permit for work on our property. The final area for obtaining permits for our property relates to putting in a clean-out for our sewer near the entrance to our property.
11. We have moved forward with resolving some of the issues with Maui Sands II. We currently are receiving payment for their use of the parking. MSII has been paying for use of the water and sewer as well as upkeep expenses for water/sewer since our separation in 2014. We will be going to binding arbitration on the unresolved issues. Our attorney, Chris St. Sure, is here today and he will share information about where we are in the litigation process. Since we are still in litigation, there will be certain information which he will be unable to share.

As you can see, we have accomplished a great deal in the past year. There are important and urgent issues still needing to be addressed, but I trust that we as an Association can move forward on these issues and solve them creatively. Thank you, to you, the owners, for entrusting this responsibility to all of us for keeping our property in good shape and our Association healthy. I take this responsibility very seriously and appreciate your support.

Jean Rachkowski, board president April 2016-April 2017