

LETTER FROM THE PRESIDENT

Year in Review 2020

Summer House Owners:

Life normally throws a few obstacles, frustrations and surprises our way during the course of a year, but 2020 was different. In 2020, our lives, businesses, jobs and routines were disrupted in ways none of us has ever previously experienced or could have expected. Despite the negative effects of the pandemic, the big picture goals at Summer House remain in plain view. Let's discuss them.

Where We Have Been and Where We Are Now

For those new owners unfamiliar with the history of Summer House, our collective history began with a turnover by the Developer of a property that had not been properly maintained or repaired. The subsequent lawsuit brought by the Association against the Developer did not yield sufficient funds to repair the deferred maintenance issues, leaving the community with a multi-million dollar set of problems. Thereafter, years of boards that bickered internally and lacked the necessary skill sets — law, commercial real estate construction and maintenance, finance, and business operations — failed to address those problems with confidence and effectiveness, allowing maintenance needs and health-and-safety issues to fester.

In 2014, the board was reconstituted with members with business and real estate “boots on the ground” operating experience. A long term course was set and we are still steering in that direction. We started by finishing the re-construction of Golfside building 13, which had burned and been completely demolished, and continued by re-piping 315 units, eliminating a set of chronic and expensive plumbing issues. Finally, we devised a phased plan to re-construct the most serious remaining problem — failing building envelopes on 21 buildings. That plan was the most difficult to envision and execute, due to our conflicting mandates: cure a multi-million dollar capital deficit while maintaining healthy current operations without materially raising dues or special assessing the owners, many of whom are on fixed incomes.

The solution was to [1]move to pooled reserve accounting in order to create flexible funding for capital items, [2]rationalize office procedures and collection strategy, [3]maximize estoppel and questionnaire income, [4]fold as many vendor services as possible into our in-house maintenance regimen, [5]tightly budget operations but still address minor water intrusion, tree removal/maintenance and hurricane damage through operating funds, [6]and thus create an unusually high capital [reserve] funding allocation each year with which to attack deferred maintenance construction issues without asking the ownership for additional money.

We're more than halfway through the execution of the plan, and we have traveled a steep learning curve, along with our staff, contractors and architect. This is an incredibly complex property, and fixing it is messy, frustrating, uncomfortable, disruptive,

sometimes maddening and absolutely necessary. It has been and continues to be the conscience of the board that there is no real alternative to our approach.

Covid-19

C-19 shutdowns and emergency orders scrambled everything for everybody, including virtually every business routine at Summer House. Our staff, however, never stopped working and never stopped looking for ways to alter their operational systems to better service the community. The board never stopped consulting the staff regarding the legal and operational questions presented by the pandemic. And while we didn't please everyone with our decisions, we arrive today at a place where our business operations were never interrupted and our physical property was fully maintained and protected during the emergency. If the emergency presents itself once again, we have systems in place that make us confident that the staff can continue to service the residents and maintain the physical property properly. By any reasonable operating standard, we did very well, and did so safely.

C-19 did nothing to alter the long range planning goals of the board, and it did not stop construction activity toward that end.

The Next Phase

During the current phase of the Golfside HardieBoard project, we added a second construction crew to demo and prep in advance of the framing and siding crew, thus speeding progress. It's working. Phase Two, the total envelope replacement on buildings 7, 8, 9, 12 and 15 [in that order], should be completed next year. We anticipate that demo on building 12 can begin in early 2021.

By mid-year 2021, the board that will soon be elected will define and plan Phase Three of the project, choosing the criteria for building selection and order, negotiating the contracts for the professional licensees and sub-contractors involved, monitoring the cost and completion of buildings, and attending to the delicate balance between construction timing and the availability of funding. The next board will also have to face fresh issues that are already starting to emerge from construction material supply chain disruptions and labor shortages.

The Duty of the Board

As fiduciaries, board members must make decisions solely considering the best interest of all Summer House owners. There is a long history of communities like ours falling into financial, operational and physical disarray at the hands of boards divided by or focused on selfish interests — Us versus Them. There is also a long history of communities like ours facing disasters created by well meaning people who were charged with performing tasks beyond their experience or knowledge.

I have enjoyed the privilege of serving on the Summer House board with several individuals possessing a unique combination of professional and human skill sets that have informed our decision-making wisely for quite a few years. Much more importantly, however, each and every one of us took a team approach. Teams solve problems better than groups of individuals do.

Thank you, Jeff Terwilliger, for your calm and measured approach to problem-solving and your deep well of real estate operating experience. Thank you, Shane Kammerdiener, for your sage construction advice and your experience with and insight into the operations of similarly situated area condo associations. Thank you, Arlene Roy, for your unique perspective as a two-time owner occupant and as an out-of-town owner, your political savvy in charming our county officials into approving your cutting-edge color design for the HardieBoard project, and for your special touch with our staff.

As we re-form a board at the upcoming elections, let's all focus on envisioning and creating a positive future for our community.

What the Future Holds for Summer House

Ponte Vedra Beach, with its upscale casual feel, stunning beach, great schools and low taxes, will continue to flourish. Summer House sits right in the middle of this perfect formula for real estate appreciation.

With no meaningful developable land left in Ponte Vedra Beach, the highly positive trend of sales and rental prices in Summer House over the last few years should remove all doubt about our future, even from the grumpiest skeptic. All we have to do is to avoid administering any self-inflicted wounds to our community by straying off our strategic course.

Toward that end, we simply need to continue our building envelope restoration process by designing and executing Phase Three of the HardieBoard project next year, continue to budget tightly and operate sensibly, find ways to bring vendor services in-house, make solid financial decisions that don't shock the pocketbooks of owners, and keep our focus on high-payoff capital improvements.

Summer House will forever be a rock-star property due to its location. For those new owners who have recently purchased in our community: Welcome! You made a great decision.

The work to secure an incredibly bright future for Summer House is well underway.

Thanks for your trust and support.

Joe Gill
President