

LETTER FROM THE PRESIDENT

Year in Review 2021

Summer House Owners:

2021 was another year of unexpected changes, especially in the economy. Since the pandemic began, each year looks less and less like the past. Despite obstacles, Summer House has very successfully navigated the changing environment, adapting its operations and continuing to execute long term plans. Needless to say, our property values continue to soar. Here's a few highlights of the last year.

Golfside Phase 2 Completion and Phase 3 Start

Our major project designed to eliminate our legacy deferred maintenance continues on pace. Phase 2 reconstruction of building envelopes is nearly complete with a 2021 estimated finish date. Anticipating this result, in mid-2021, the board concluded its planning and executed contracts to begin Phase 3 construction in 2022. We believe that a holiday respite from construction will be possible for Golfside residents.

Beachside Projects

Several noteworthy projects were completed on the Beachside this year. Every metal stair railing on the Beachside was evaluated structurally and, as needed, welding repairs were undertaken. Thereafter, all the railings were painted with a sealant to mitigate the corrosive effects of our salty air. Small and large water intrusion repairs to exterior stucco panels were also completed in several locations. When we do that work, our contractors ensure that the framing is clean and structurally sound and that the vapor barrier is replaced before the stucco panel is rebuilt. These aren't huge projects but they prevent major damage to buildings that results from ignoring these issues.

Landscaping Vendor Change

One of the most troubling features of the post-pandemic economy is the absence of labor in industries with relatively low wage scales, like landscaping. Unable to meet its contract obligations due to labor shortages, our former landscape contractor withdrew its services to Summer House during 2021. In response, our staff contacted numerous area vendors, most of whom declined to bid on additional work. Ultimately finding bidders after a lengthy process, the staff recommended, and the board agreed, that Pilcher Properties, a local enterprise, would best fulfill our needs. Although Pilcher Properties was low bidder, our landscaping costs will increase over our previous contract price by approximately \$75,000 annually. That's the state of a market in which we must participate. Budget efficiency will be at a premium this year.

Delinquency

I'm proud [thank you, staff!!!] and simply amazed to report to you that current dues delinquency as a percentage of 2021 revenue is .56%...under 1%. Just astounding.

Unit Improvements by Owners

We have seen a flurry of interior improvements by owners this year, an activity which we heartily encourage. These projects not only improve your own condo's value, the

entire community becomes more attractive to prospective owners and tenants. Please remember to submit ARC requests for improvements like windows, gutters and anything that impacts the exterior or common elements like plumbing or framing.

It's All About Capital Planning

The most critical duty of the board is capital planning - attending to the long term maintenance and replacement cycles of our 45 acres and 58 buildings. The board is charged with the responsibility of foreseeing, planning, financing and providing staff with the management tools to timely repair and replace both major and minor components of our physical property. This responsibility covers an enormous gamut of items ranging from multi-million dollar roofs and exterior walls that have long cycle needs to light bulbs and lake pumps that have short and medium cycle needs.

Accomplishing this ultra-important task requires [1] a disciplined ***process*** that receives and analyzes inputs from architects, engineers, contractors, maintenance and office staff, owners and others, and [2] a ***team*** of board members and staff experienced in real estate, business finance and capital planning who are also familiar with the nuances of our property and our location near the ocean.

Without the process and without the teamwork, chaos ensues and nothing gets done. Witness Surfside. Teams solve problems better than groups of individuals do. And deep institutional knowledge and experience count.

At Summer House, we are fortunate to have highly experienced and long-tenured office and maintenance staff who genuinely understand our physical plant, which is an unusually complicated one. Moreover, we are fortunate to have an amazing reservoir of real estate and financial talent on the board, with much of the board having decades of exposure to real estate planning and business finance. In addition, every single board member, Shane, Arlene, Tazha, Jeff and myself, has a lengthy history with our property. But most importantly, our board and staff work together as a team. Our rule is: best idea wins.

This process never ends. Although this is the board's most crucial and difficult-to-execute responsibility, it's a process that happens almost unseen. Only the result, long term value growth, is seen.

This is the duty of the board: to blend their individual experience *together as a team* in order to envision, plan and finance a forward path for Summer House that enables rising property values for owners and a comfortable community in which to live.

Thanks for your trust and support.

Joe Gill
President