**KAHLUA BEACH CLUB**

**FORT MYERS BEACH, FLORIDA**

KAHLUA UNIT RENOVATION PROJECT STATUS REPORT

MAY 25, 2018

In this status report to all Kahlua Owners we will address the following three subjects:

1. A Description of the Renovation Project

2. An Update on Project Progress To Date

3. A Summary of the Special Assessment Progress

Description of the Renovation Project

A few comments on recent past improvements at Kahlua may be informative and helpful in understanding this major unit renovation project on which we are about to embark.

The last major renovation of the Kahlua units occurred in the 2002-2003 period of time. And in 2005, the balconies were removed and replaced, a necessary undertaking to establish a separate structural base for each of the balcony columns. Substantial improvements to the pool deck also occurred at that time. Since then, there have been periodic furniture and window covering replacements and minor repairs, but no widespread unit renovations.

Board members have been planning for a unit renovation project for some time. However, other major projects such as a full roof replacement, major changes in our on-property storm water drainage system, including construction of our own parking lot drainage basin, resurfacing of the parking lot and associated landscaping had to be completed first. Reconstruction of the sea wall was another priority project completed just a few years ago. In total, these projects and others required hundreds of thousands of dollars in a relatively short time span – all financed by the Kahlua Reserve Replacement Fund.

When the Board started to plan for a major unit renovation project, it was initially contemplated that such a project could occur on a floor by floor basis, but after further investigation, it was determined that such a process was neither efficient nor economically feasible. Moreover, it would have been extremely disruptive to those vacationers occupying other units. Closing of the entire resort for the construction period ended up being the best way to proceed.

As part of the planning process, the Board began designating Reserve Replacement Funds for this project. Presently, the following Reserve Fund allocations are available for this project: $195,000 in 2018, $165,000 in 2019, $165,000 in 2020, $165,000 in 2022 and $165,000 in 2023. These sums are in addition to owner special assessments.

An architect was retained in 2017 to assist in the evaluation and the planning of unit improvements. While conditions varied on a unit by unit basis – some floors in good condition, others with cracked or broken tiles; some kitchen cabinetry in need of replacement, other cabinetry not so bad; it was ultimately determined that a complete renovation of each unit was the proper course of action. And that is how the Board proceeded.

The size and square footage of each of our 27 units remain the same, but the improvements are designed to refurbish and enhance use as well as support the value of each unit.

All floor tiles will be removed and replaced with new ceramic tile that gives the appearance of wood flooring. Bathtubs will be replaced with walk-in showers together with new tile flooring in the bathroom, vanity and closet area. The vanity will be replaced with new vanity cabinetry, countertops, lighting and mirror. A new hot water tank will be installed in each closet and closets will be redesigned to the extent possible to facilitate better usage. The extra-large “California style” king size beds will be replaced with normal king size beds designed to allow for some suitcase storage underneath. Cabinetry around the bed will be replaced.

All kitchen cabinetry and countertops will be replaced. The configuration of the kitchen will remain essentially the same with a few changes. The stove (a larger one) will be moved out of the corner and placed next to the refrigerator (same size). All appliances, including a larger micro wave, will be new. The lower ceiling in the kitchen area will be removed, providing for a uniform ceiling height throughout the unit.

All florescent lighting fixtures will be removed. A new ceiling, lower by less than two inches, will be installed to accomplish three different purposes. This improvement will allow for a space for additional electrical conduits, allow for installation of a ceiling lighting system using LED lighting pucks and, finally, cover up the existing “popcorn” ceiling texture. New ceiling fans will be installed.

The mirror strips in the dining area will be removed and replaced with regular wall board. A TV will be mounted on that wall. The hanging ceiling chandelier will be removed.

Additional electrical plug-ins will be installed on each side of the bed and elsewhere, which allows for more usage flexibility and charging of electronic equipment. Lighting sconces will be installed on each side of the bed.

All mattresses, furniture items and accessories will be new. Units will be repainted throughout to complete the project.

A word about what we are not able to accomplish. Over the years, many owners have requested the installation of a dish washer. We did look into this possibility. Our architect even prepared a couple of alternative plans showing a dishwasher. The final conclusion was that it was simply not possible – it would eliminate valuable kitchen cabinetry space and significantly reduce the dining area. Owners have also inquired as to whether some form of more centralized air-conditioning could be provided. Unfortunately, that is not easily doable because of the construction of our building and any effort to achieve such a result would be cost prohibitive. Finally, at some time in the future, maybe in the next eight to ten years, it will be necessary to replace the sliding glass doors not replaced following Hurricane Charlie in 2005 (first floor doors were replaced at that time). As a non-conforming waterfront property, we are limited as to how much renovation we can undertake at one time. Sliding door replacement would have put us over the limit. So the sliding doors will need to be a future project planned to be financed by the Kahlua Reserve Replacement Fund.

Update on Project Progress To Date

Our project is tightly scheduled and many important activities initiated more than two months ago are now coming to fruition.

The construction supervisor from Integral Building Construction, our general contractor, has been working on our project since late March securing sub-contractors, taking necessary measurements, preparing material orders and doing all kinds of other preparation work for our project. Plans have been reviewed and necessary work permits have been issued by the town of Fort Myers Beach.

Our bank loan request, which will allow financing of this project over a five year period, has been approved at a very favorable fixed rate of 4.75% equal to the current prime rate of 4.75%. Closing of this loan with BB&T Bank is planned to occur next week.

After owners and guests leave on Saturday, June 2, 2018, arrangements have been made for all furniture and appliances to be removed by the end of that day – appliances sold, furniture items given away to an accredited philanthropic organization active in the southwest Florida community. RAL has made successful use of this organization in projects where they provide management services.

Kahlua will be closed for construction for a total of 153 days. Construction starts June 3, 2018 and is planned to be complete by November 2, 2018.

Summary of Special Assessment Progress

Special assessment invoices were sent out at the end of April. Payments are being received daily and as you might expect, the pace has picked up rapidly in the last few days. As of this week, a total of $460,855 in assessment income has been received. We are hopeful that all owners will send the full prepayment or a partial $200 payment for each week owned by the payment deadline at the end of next week.

**Just as a reminder, if you haven’t put your check in the mail or made arrangements to pay with** **your credit card, please do so today. As explained in the information sent with your special assessment invoice, there is a late charge penalty of $25 per unit week and a finance charge of 1.5% per month on the full special assessment amount if the $1,000 or $200 payments are not received by the due date. It will be necessary to enforce these penalties in fairness to the vast majority of owners who will have paid on time.**

To review again, the Board determined that there would be two ways to pay the special assessment, consistent with the procedures and two options utilized in the last special assessment in 2005.

An owner may pay the $1,000 per week assessment in full by June 1, 2018 in which case there would be no interest due from the owner. Alternatively, an owner not wishing to prepay the entire amount by June 1, 2018, could make payments based on the following schedule:

$200 due June 1, 2018 (no interest due)

$200 plus interest on $800 for the period 6/1/18 to 1/1/19 (7 months) due January 1, 2019

$200 plus interest on $600 for the period 1/1/19 to 1/1/20 (12 months) due January 1, 2020

$200 plus interest on $400 for the period 1/1/20 to 1/1/21 (12 months) due

January 1, 2021

$200 plus interest on $200 for the period 1/1/21 to 1/1/22 (12 months) due

January 1, 2022

The extended payment schedule assuming the 4.75% fixed rate BB&T loan based on the above schedule is as follows:

Payment June 1, 2018: $200.00

Payment January 1, 2019: $200 plus interest (22.17) $222.17

Payment January 1, 2020: $200 plus interest (28.50) $228.50

Payment January 1, 2021: $200 plus interest (19.00) $219.00

Payment January 1, 2022: $200 plus interest (9.50) $209.50

In short, anyone paying over the fully allotted time payment schedule shown above would pay a total of $79.17 per week owned in interest payments.

An owner making the $200 payment due June 1, 2018 could choose to prepay in full at any time in advance of any future designated payment date by paying the balance of the assessment due and the interest stipulated for that payment date.

Summary

Please continue to check the Kahlua web site for plan information, pictures and future progress reports. We will do our best to keep you, our owners, updated on project progress.