**KAHLUA BEACH CLUB**

**FORT MYERS BEACH, FLORIDA**

KAHLUA UNIT RENOVATION PROJECT STATUS REPORT #2

JUNE 21, 2018

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

1. Progress of the Renovation Project

2. Status of the Receipt of Project Special Assessments

3. Status of Payments to Owners Not Able to Use Their Units Due to

Unit Renovation Construction

4. Why Due Dates and Penalty Payments

Progress of the Renovation Project

We are now in the third week of construction on our project.

All of the units are now completely empty. Bathtubs, toilets, vanity/sink, kitchen sink and cabinets as well as all other internal structures and all tile flooring have been removed. This part of the project has been extremely difficult due to the limited access to each unit and the chore of moving all of these materials from the upper floors to dumpsters in the parking lot. All of this work has been done during extremely warm temperatures (this has been a great time not to be at Kahlua!)

While Kahlua has made a number of unit improvements over the years, this is really the first time we have embarked on such a major renovation – down to the studs in many areas. We discovered that when Kahlua was first built, there were doors between several units, later covered over with wall board and only now rediscovered. This required a special visit from the local fire inspection service who has given us permission to permanently close these formally hidden doorways with new studs and wall board.

By removing the tile, tub enclosures and other walls in the bathroom and closet areas, we have been able to get really good insight into the condition of unit plumbing conditions. Many plumbing repairs have been made over the years since the building was constructed in the late 1960’s and they mostly appear to be holding although materials vary – plastic pipe, copper pipe, etc. So, inasmuch as the Project includes the installation of new water heaters with new pipe leads, we have made the decision to replace all enclosed plumbing with new uniform materials meeting current code. This has required a change order, but we have anticipated some of these problems in an older building so we have a contingency to cover such matters.

Generally, we are now moving into plumbing and electrical work. Bottom line, construction progress is going well and, at this point on schedule.

Status of the Receipt of Project Special Assessments

Special assessments for our Renovation Project have come in very well.

As you will recall, the Board provided for the $1,000 per week assessment to be paid in full or, alternatively, in $200 payments with interest (4.75%) over a four and a half year period. The Board also set forth penalty provisions for late payments. All of these provisions were described in material sent to each owner with the special assessment invoice, which closely followed the special assessment procedures set forth by the Board in 2005 when there was a special assessment following Hurricane Charlie.

Special assessment payments in full or in partial payments were paid on time for eighty-seven percent of all owner weeks. Full $1,000 payments were submitted on behalf of 54% of owner weeks, while partial $200 payments were submitted by 33% of owner weeks.

New invoices including penalty payments have been mailed to owners who are delinquent on the payment of this assessment. Anyone currently delinquent should be fully aware of the following penalty provision which was included with your special assessment invoice:

“If the payment of the $1,000 or the installment(s) of $200 are not

received by the due date, there will be a late charge of $25 per unit

week and a finance charge of 1.5% per month on the full special

special assessment amount.”

All delinquent owners should make assessment and penalty payments immediately to avoid accruing additional penalty charges.

Status of Payments to Owners Who Are Not Able to Use Their Units Due to Unit Renovation Project

When the Board was considering this Project, thought was given to working on the project over a multi-year schedule, or alternatively, closing the resort and doing it all at once. The final decision was to close the resort and do the project all at one time. The next question was at what time of year the closure would occur. Based on the recommendation of our architect and several of the potential general contractors we contacted, the unanimous recommendation was the summer months. Based on what we have experienced, this was absolutely the right decision.

When it was decided that the project would be done in the summer and that the entire resort would be closed June through October, the Board determined that since this was not a weather caused event, all unit owners during the closure period would be reimbursed for their 2018 unit maintenance payments less the property tax amount. This was the only fair way to compensate these unit owners, but did, in fact, represent a significant part of the project cost. Total reimbursements for the closure weeks are estimated at $348,705.

Checks for the closure weeks are being prepared this week and will be mailed within the next couple of days.

Checks will not be mailed to any unit owner who has not submitted their 2018 unit maintenance payment (only a handful) or to any unit owner who has not submitted the full or partial special assessment for this Project according to instructions from the Board. Checks to owners in this category will be mailed upon receipt of their required assessment payment including the penalty payment.

Why due Dates and Penalty Payments

Due dates and penalty payments represent one of the universal ways in which home owners associations strive to maintain equality among owners in an association. Late payments ultimately have an adverse effect on an association and on the vast majority of owners who pay on time – thus the reason for penalty payments for those who don’t.

Late, delinquent payments make it necessary for the Association to borrow more money sooner, thereby increasing interest payments and project costs for all.

Summary

The Kahlua Board and staff truly appreciate the overwhelming positive response we have received from owners on this project.

We are excited about this opportunity to modernize our property which should reflect an increase in demand and value for each Kahlua unit. Moreover, we anticipate regaining our Silver Crown Rating which Kahlua has always had until we lost it last year due to the condition of the units.

Please continue to check the Owners Section of our web page for pictures and project updates.