

LETTER FROM THE PRESIDENT

Year in Review 2023

Summer House Owners:

Once again, economic and labor market dislocations continue to challenge condo associations across Florida, particularly with respect to the increasingly fragile insurance market. It is the responsibility of the board and staff to navigate through these trials with an eye toward the long term preservation and improvement of the business and property of the association. Here's a short summary of our activities this year and a look at our present and future.

Audit

It should go without saying that an independent audit by an experienced and specialized CPA firm is a critical element in ensuring the proper handling and accounting for the funds of a §718 association. You may have read in the news about several instances of financial shenanigans in the accounts of condo associations. One case involved the defrauding of an association in the millions of dollars! As usual, Summer House enjoyed a 100% clean audit... not an easy task in a complex, multi-vendor setting.

Administration

The board had a very active year in approving and working through the details of Architectural Review submissions. We go out of our way to encourage interior renovations, which we believe enhances the value of everyone's property indirectly, within the boundaries of structural integrity and making sure we don't allow adjacent units to suffer any negative consequences [like excessive noise, etc.] resulting from renovations. We hope these renovation requests continue at our present brisk pace. Unfortunately, issuance of violations and fines also continues at a brisk pace. We don't like to do it, but without rules our community would be a less desirable place to live and invest.

Major Construction

The board has continued to press forward with the HardiBoard project, partially re-framing and fully re-siding buildings on the west side of our property. These building projects, incredibly expensive when they were first undertaken, are even more expensive today. Construction proceeds at the pace the association can fund it. The board has always opposed a special assessment on the owners for faster paced construction.

Vendor Churn

We continue to re-bid and re-assess our vendors. We simply insist on getting a good value for our money. Recently, we changed our pool vendor. We now have our third landscape vendor in two years. Landscape vendors are truly struggling with labor and quality issues. The board delayed the \$50,000 mulch project when our landscape vendor was failing to perform. That project will be undertaken as soon as we believe that we can achieve quality results. We won't waste that money.

In-House Maintenance

Our maintenance team has completed ~760 work orders, in addition to special projects, in the first ten months of this year. Hats off to Jose, Fito and Michael.

Insurance

For those of you who have received your HO6 insurance renewal within the last year, you are probably aware that the Florida insurance market is in turmoil. Non-renewals of condo and condo association policies, particularly condo associations located within a mile of the beach, are common. 100%+ premium increases are common. No insurance company in Florida will write association coverage in an amount over \$50,000,000. Our property is appraised at \$63,300,000. The additional layer above \$50,000,000, alone, cost us ~\$100,000 at renewal this year. Altogether, our premium increased from \$291,196 to \$429,314, a 47.4% increase. And we were lucky to be quoted. Although we had budgeted for a significant premium increase, we were forced to re-work the budget in response to the continuing deterioration of the insurance market. The future remains perilous in this regard. Experienced stewardship and planning in this arcane corner of association management will be a key to successful operations going forward.

2024 Budget

Planning is already underway. Our Summer House budgets have always been tight and well thought through based on experience. Every year, a companion chart is published with a written explanation of each line item. Every year, we hold a budget workshop, a noticed meeting in which the floor is open the entire time to any owner who wishes to speak and ask questions. Every year, our board and management hear the voices of those who would deliver superior services while cutting the budget, but when confronted with the line item numbers and the explanations of the entries in each category, there are no meaningful suggestions. Why? Because our budget is constructed, line by line, by an experienced and professional Property Manager and reviewed by board members with decades of experience in property management, financial modeling, construction and related real estate budget and spending matters. When it comes to spending your money wisely, experience counts.

Market Update

The sales and rental markets have been strangled lately by constrained inventory [although it is building] and reduced demand, likely as a result of increased interest rates. Winter has traditionally ushered in a slower real estate market in our area, so some of this slowdown is to be expected.

About the Bigger Picture

The role of the board is to do the right thing for the long term health of our property, not to make friends and appease complainers. Your board has taken this charge seriously and made tough decisions. The hard truth is that the developer and early boards of Summer House created an enormous deficit of deferred maintenance and sloppy business and financial practices that threatened the long term viability of our community. The members of our present board were elected to reverse that decline. Original property owners certainly know the story. Our present board continues to successfully chip away at our deferred maintenance at a pace that the owners can withstand financially while operating at high

efficiency on a skeletal daily operating budget. It's not ideal but no path can be chosen that can't be paid for; the board grapples with the tension between the needs of the property and the available financial resources at every decision point. And the decisions are often not easy or obvious.

Summer House has deep institutional knowledge with a seasoned management and maintenance staff intimately familiar with the property and a board full of experienced real estate, construction, financial industry and legal talent. Without compensation and only with the most occasional thanks, our board has brought its collective decades of experience in business, legal, real estate and financial management and operations to bear on the problems inherited from the developer and prior, inexperienced boards.

Thank you Shane Kammerdiener for your years of wise guidance on major construction and commercial building maintenance matters. It's an expertise that a property with 58 buildings cannot function without.

Thank you Arlene Roy for your light touch with owners, government officials and, of course, our staff. Your long term familiarity with our property as both a Golfside resident and an investor provides a unique perspective that other board members value.

Thank you James Galloway for your fresh insights as a Beachside resident and your ability and willingness to dig into the details of legal issues and guide the board on those matters. You are a very welcome addition to the board and we look forward to your continued leadership.

Thank you Jeff Terwilliger for your calm and always-business approach to our issues and decisions. Your unmatched deep well of real estate knowledge, your business acumen and your interest in Summer House cannot be replaced.

And thank you to the owners who understand that everyone is operating in a new world these days, with markets and prices and labor conditions that bear no resemblance to those of the past.

It is with the experience and the individual skills of our board members - so well suited to the task - that Summer House will thrive. We're a team, and we enthusiastically look forward to continuing to improve our beautiful 45 acres in the heart of Ponte Vedra, the most desirable place to live and work in North Florida. And we look forward to meeting the challenges, too. We will continue to guard and improve your investment.

Thanks for your trust and support.

Joe Gill
President