

MAUNA LANI RESORT ASSOCIATION

ANNUAL MEETING – June 23, 2021

PRESIDENT’S REPORT (FOR 2020/2021 YEAR)

Note to MLRA Annual Meeting Delegates

Our Annual Meeting “President’s Report” typically recaps our Association’s “prior year highlights” and our Association’s “current year priorities”. Amongst the many challenges that MLRA encountered last year due to Covid-19, is that our 2020 Annual Meeting was required to be postponed to December 22, 2020. Since our most recent Annual Meeting was just held in December 2020, the following President’s Report reiterates highlights of 2020 activities, as well as a summary of the Association’s priorities for the current year of 2021.

2020 Highlights

The MLRA Board members who represent the various constituencies of our membership continue to work together cooperatively, in a highly collaborative manner that facilitates continued progress on matters that benefit our community as a whole.

- As previously reported to you in December 2020, the Association completed various improvement projects during 2020 to maintain, improve and enhance our Common Areas including, among other things:
 - The previously “open” pedestrian access corridor into our Beach Club facility was equipped with a new access gate to thwart “drop-offs” at the Beach Club Circle and to prevent unauthorized foot traffic access into our private Beach Club parking lot. While the gate is still currently not locked, it will be locked in approximately 30 to 45 days and will require the use of members’ Beach Club gate access card both for entry and exit through this gate. (Similar to the vehicular access gate, the pedestrian access gate will include a “kill switch” to open access in the event of an emergency.) The addition of this new pedestrian gate should also serve to lessen the intermittent peak period illegal parking issues along South Kaniku Drive (where vehicles park along the shoulders and passengers walk in through an unsecured pedestrian access corridor). Signs to reiterate our “no parking rules” have been installed at key areas in this vicinity.
 - All of the cabanas at the Beach Club/Makaiwa Bay were repaired/refurbished, freshly repainted, and have new sign placards, hoods and cushions.
 - As reported previously, during the 2018 holiday/winter season, the MLRA ran a test/pilot program to see if we could relieve peak season congestion at Makaiwa Bay by offering two (2) new shoreline areas for MLRA members and resort guests to enjoy:
 - **“Keiki Beach” (Nanuku Inlet)** – Located just south of the **Mauna Lani, Auberge Resorts Collection** hotel property. Since 2018, this area continues to be populated with double-cabana lounges for the exclusive use of MLRA members and registered resort guests and we installed a new rinsing shower for your convenience. In order to better improve aesthetics and to better “blend” these fixtures into the environment, we have replaced all of the bright blue cabana hoods and cushions with more natural “sand-colored” fabrics.
 - **“Kamehameha’s Landing”** – Located adjacent to the Canoe Hale, just south of the Eva Parker Woods Cottage, this historically significant area is intended to serve members who

are seeking a more quiet/meditative area to enjoy the shoreline. This area continues to be populated with double-cabana lounges for the exclusive use of MLRA members.

Since our initial test/pilot program received much positive feedback from the membership, we are currently continuing to maintain these additional shoreline venues on a long-term basis. One issue that continues to be apparent is that, at least during peak seasons—or even peak times of the day throughout the year—these shoreline areas may require a certain amount of additional labor/staffing if MLRA is to continue to sustain them for the long term (something that is not in MLRA’s current Budget). The Board will continue to assess whether or not it is feasible to maintain or augment services in these areas. In the meantime, MLRA is keeping these areas populated with cabanas and chaise lounges for your use and benefit. Please be aware that, similar to Makaiwa Bay (the “Beach Club beach”) there are no lifeguards on duty at any of these locations; (Keiki Beach does have an emergency call box which will immediately connect you to MLRA Security should you require emergency assistance.)

- As we have reported before, starting in September of 2018 MLRA made a concerted effort to relocate feral goats from our Resort property. From the time that MLRA launched this targeted herding & relocation program in 2018, we have removed in excess of 600 feral goats from the resort—far more than the total number of feral goats removed from the resort during the 10 prior years before we began this initiative. News regarding the success of our contracted goat herder has traveled to neighboring resorts on the Kohala Coast, which has unfortunately resulted in our contracted goat herder being retained by other resorts and this has diluted the focus on goat captures at Mauna Lani. While we are continuing to work with this highly prolific goat herder, the MLRA Board is also actively dialoging with other goat capture specialists who utilize different methods. MLRA is committed to utilizing a variety of different support groups and multiple other recently suggested options in an effort to manage our feral goat management on an ongoing and long-term basis.
- MLRA continues to implement various planned upgrades and major replacements related to our roadways, landscape, irrigation and other infrastructure components, our Beach Club facility, etc. throughout the MLRA Common Areas. As reported at the December 2020 Annual Meeting, all Common Area roadway lighting fixtures (including parking lot lighting at our Beach Club) were converted to LED lighting, which resulted in a substantial energy credit rebate as well as a demonstrated reduction in our energy costs.

The majority of the above projects were completed with the Association’s Reserve funds, which are separate from monthly “operating expenses” and are set aside on an annual basis to fund major repairs--or to replace Common Area components due to age and/or obsolescence.

- Our Community Design Committee (the “CDC”) reports continued and robust activities related to new home construction projects and renovation/alteration projects throughout Mauna Lani developments.

Legal Updates

MLRA is continuing to monitor activities related to upstream projects which may have downstream impacts on our community.

- **AINA LEA PROJECT** – The primary project that we continue to actively monitor is the **Aina Lea development** (located directly across the street from our highway entry.) To recap what we have reported previously, MLRA’s 2-year legal battle against the Aina Lea developer was resolved in our favor in early 2013, and the Aina Lea developer was ordered by the Third Circuit Court to halt all construction until its Environmental Impact Statement (“EIS”) is appropriately supplemented. All building permits and Planned Unit Development permits for the Aina Lea project were deemed legally null and void and, the County Planning Department issued its Cease Work Order in late-2017 as a result of the Court’s ruling.

Inexplicably, and for reasons not entirely clear to MLRA at this time, on December 23, 2020, the newly-appointed Hawaii County Planning Director, Mr. Zendo Kern, issued a very brief letter to the Aina Lea developer, stating that the County of Hawaii Planning Department has determined that “...the affordable housing project referred to as Lulana Gardens, LLC...is grandfathered from EIS review”, that they [County of Hawaii Planning Department] are “immediately removing the stop work order”, and that they [County of Hawaii Planning Department] “...encourage Lulana Gardens, LLC to immediately restart the construction of homes for our local families per the approved building plans”.

In response to the Planning Director’s letter, MLRA’s legal counsel has launched an investigation on MLRA’s behalf and has, among other things, issued a request for the County of Hawaii Planning Department to respond to a number of queries related to this action. As of this date, MLRA is awaiting a written response from the Planning Director.

- **EXCLUSIVE RESORTS AT PAUOA BEACH** - As reported in the Notes to MLRA’s Fiscal Budget for 2018 (and in subsequent years), in 2017 the Association became aware of the March 28, 2017 Finding of Facts and Conclusions of Law (the “FOFCOL”) in the case of Roaring Lion, LLC, et al v. Pauoa Bay Properties, LLC, et al (Civil No. 04-1-0332). While the Association is not a party to this legal action, the FOFCOL issued by the Judge in the above-entitled action are significant, as the Judge concluded that eight (8) apartment units owned and operated by Exclusive Resorts PBL1, LLC (“ER”) within the Pauoa Beach subdivision are, in fact, “Commercial Apartments” under the MLRA DC&R, and not “Residential” units as previously represented by the developer/owner of these units. As such, ER units should have paid (and currently should pay) assessments at the Commercial Apartment rate of 51.73 Commercial units per month, rather than at the Residential rate of 8 units per month.

In this regard, in September 2017 the Association notified ER of MLRA's intent to collect the shortfall in assessments from the period of August 2008 through September 2017 in the amount of \$537,156, along with interest at 12% per annum in the amount of \$462,171 as prescribed in MLRA's governing documents. Additionally, ER continues to be assessed by MLRA at the proper Commercial Apartment rate, effective October 2017.

While ER continues to dispute MLRA's position, the MLRA Board intends to diligently pursue this matter and additional legal actions are currently being contemplated.

The MLRA will continue to monitor these and other nearby project sites to ensure that: impacts to our brackish and potable water resources; impacts from wastewater treatment facilities; and, impacts from use of properties and coastal areas that we maintain, are adequately identified and mitigated. This Board does not enter into any legal action lightly—however, we do believe that proper planning and smart development in this region is vital for the long-term protection of our collective investments here at Mauna Lani. As such, the MLRA will continue to be active in protecting this community's precious resources.

THE BOARD'S PRIORITIES FOR 2021

In addition to the ongoing subjects and priorities already mentioned:

- The MLRA has again been able to successfully manage its operating budget and fund its Reserve without the need for any dues increase in 2021, and the Association continues to operate in good financial health.
- During 2021 we will complete all appropriate scheduled major repairs and replacements identified in our Reserve Study. We will also be completing several other important improvement projects within our Common Areas including, among other things:
 - Beach Club Restaurant & Facility Renovations are a primary focus for 2021 and will be discussed in more detail at the MLRA 2021 Annual Meeting. Current plans include, among other things:
 - Relocation of the current bar to a newly expanded, roofed and weather-proofed lanai area on the fishpond side of the existing restaurant building;
 - The expansion of seating capacity to better accommodate diners during peak periods;
 - Expansion of the kitchen to support the new peak-season dining capacity;
 - Construction of a new beach restroom facility, separate from the restaurant, so that the restaurant restrooms will be dedicated for use by restaurant patrons only;
 - Re-roofing of the main restaurant building and newly designed lanai bar area (as well as the new beach restroom facility);

- Re-routing of various pathways to create a clearer pedestrian flow from the parking lot to the beach, as well as from the beach to the new beach restroom facility;
- Landscaping modifications to provide more opportunities for shaded areas;
- Installation of bio-filters at our primary beach showers to promote reef health and safety; MLRA is also in the process of upgrading the existing “reef protection” educational signs at Makaiwa Bay;
- Various signage placements/modifications to improve clarity and encourage better flows between the various areas of the facility.

As of the date of this meeting, the MLRA has successfully obtained approval for a Shoreline Management Area Amendment/Waiver for Recertification of the Shoreline. We anticipate that all Building Permit plans will be ready for submittal to the County of Hawaii Building Department by the end of this week, and that such plans will be approved in time for MLRA to commence construction, ideally during early/mid 4th quarter of 2021, so that the primary components of this project will be completed prior to the 2021 Festive Season this December. We do understand that this is a very aggressive “best case scenario” schedule, and we thank you for your continued patience. Please know that great care is being taken to ensure that there are no long-term closures of the Beach Club at any given time; we will do our best to ensure that the projects will be phased in a manner that attempts to provide the minimal amount of inconvenience to our membership.

- Installation of Camera/Surveillance Systems in selected locations within the fishpond complex;
- Upgrades to our Interpretive Signage at/from the MLRA Historic Park Public Access parking lot and throughout the MLRA Fishpond Complex are in the process of being updated and spruced up. On June 3, 2021, Executive Director Patton & staff conducted a thorough walkthrough and catalogued/photo-documented all of the State/County mandated signage in these areas. The next step will be for management to work with a qualified graphic designer to develop a cohesive and updated signage scheme for the MLRA Board’s review and approval.
- Completion of the installation of our new Beach Club gate access system, which will include the reissuance of all gate cards is a very high priority. We are in the final stages of the final testing of the various components that are required to “go live” with this project (testing of the communications between the gate pad and the MLRA Admin office, between the gate pad and the Resort Security office, and between the gate pad and the adjacent pedestrian gate). Management is already fully prepped for the mail-out of the new gate cards to all members, and is simply waiting for the final testing of communication components to be completed in approximately 7 to 10 days before the new cards to our members are dropped in the mail.

- All scheduled equipment replacements will be completed in our Security, Landscaping & Irrigation and Green Waste facilities, as well as scheduled major replacements to our Administrative & Maintenance facilities.
- In response to community concerns regarding speed compliance and roadway safety within our Common Area roadways, the Board established an *ad hoc* **Traffic Calming & Roadway Safety Committee (the “TCRSC”)** which was chaired by MLRA’s Residential Representative Director, David Gross. The TCRSC was comprised of five (5) MLRA owner/members who met on a regular basis to formulate actionable recommendations in this regard for the Board’s consideration and implementation. The TCRSC has now completed its Phase 1 assignments; actions recommended by the TCRSC were approved by the MLRA Board and have been fully implemented. (Please refer to the TCRSC Chairman’s Committee Report for more detail.)

In closing, I’d like to again remind everyone that the Regular meetings of the Board are open to all members, and meeting dates are posted on our website and are emailed to all subassociation boards. Likewise, all approved Board Meeting Minutes are also posted on the MLRA website and emailed to the subassociation boards. As always, the MLRA Board invites all members to communicate any concerns you may have—and we welcome your suggestions on how we might serve you better. Please do not hesitate to contact us at any time throughout the year.

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