

MAUNA LANI RESORT ASSOCIATION
ANNUAL MEETING – April 13, 2023
PRESIDENT’S REPORT (FOR 2022/2023 YEAR)

2022 Highlights

The MLRA Board members who represent the various constituencies of our membership continue to work together collaboratively on matters that benefit our community as a whole.

- The Association completed various improvement projects during 2022 to maintain, improve and enhance our Common Areas including, among other things:
- As reported last year, the previously “open” pedestrian access corridor into our Beach Club facility was equipped with a new access gate to deter “drop-offs” at the Beach Club Circle and to prevent unauthorized foot traffic access into our private Beach Club parking lot. We recently received the required approvals for completion of the necessary trenching work, as well as the issuance of an electrical permit in order to make the pedestrian gate fully operational. Once this project is completed, a Beach Club gate access card will be required 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 reiterating MLRA’s “no parking policies” have been installed at key areas in this vicinity. We are also installing new cameras to monitor activities in this area.
- During Fall 2021, MLRA completed the installation of our new vehicular gate access system at the Beach Club and new cards have been distributed to all MLRA members.
- As we reported in 2020, MLRA is extremely focused on the renovation and expansion of our Beach Club restaurant as well as various other facility-wide improvements. We recently received Building Dept approvals for these plans. We are still awaiting approvals of the County “bid set” so that MLRA can nail down actual pricing and set our phased construction schedules.
- MLRA implemented 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.

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 fairly robust activities related to new home construction projects and renovation/alteration projects throughout Mauna Lani's residential 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 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. While no substantive construction activities are taking place on the Aina Lea site, as of this date, MLRA is still awaiting a formal 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 2023

In addition to the ongoing subjects and priorities already mentioned:

- The MLRA has been able to successfully manage its operating budget and fund its Reserve with a modest dues increase of 5% in 2023, and the Association continues to operate in good financial health. MLRA's Treasurer, current Residential Representative Director, David Gross, has expanded MLRA's investment strategy for the Association's Reserve Funds in order to access mainland financial resources to access investment products with higher interest yields (our fiscal management

company, Hawaiiana Management Company, limits its investment products to Hawaii financial institutions only).

- MLRA budgeted for the completion of a full onsite Reserve Study Update to be completed during 2023. This Reserve Study Update has been temporarily suspended until the complete final costs for the Beach Club Remodel are identified (after County permit issuance).
- During 2023 we will complete all budgeted major repairs and replacements identified in our 2023 Fiscal Budget. We will also be completing several other important improvement projects within our Common Areas including, among other things:
 - Beach Club Restaurant & Facility Renovations are the primary focus for 2023, and will be discussed in more detail at the MLRA 2023 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, particularly 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;
 - Re-routing of various pathways to create a clearer pedestrian flow from the parking lot to the beach so that beachgoers are not walking through the restaurant to access the beach; and, reconfiguration of pathways from the beach to the new beach restroom facility;
 - Landscaping modifications to provide more opportunities for shaded areas, particularly on the “bank” at the back of Makaiwa Bay;
 - New station(s) and storage for Beach Attendants and Beach Safety Officers (possibly in two separate locations);
 - Installation of bio-filters at our primary beach showers to promote reef health and safety; MLRA has also upgraded the existing “reef protection” educational sign at Makaiwa Bay, and intends to install reef-safe sunscreen dispensers; and,
 - 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. As mentioned earlier, however, our Building Permit Application was filed with the County in August 2021, and took approximately more than one and one half years ago for approval, and is still winding its way through the County's new online approval system to ensure full bid set plan approval, though we do anticipate that our permit will be issued in the near future. Many materials, equipment and fixtures have already been ordered and delivered, so construction should move quickly once our permit is approved. 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.

- All of the double-cabanas at the Beach Club/Makaiwa Bay have been replaced with custom-made frames constructed of a more durable synthetic material (instead of wood) which should contribute to the longevity of our cabanas;
- Installation of Camera/Surveillance Systems in selected locations within the fishpond complex have been completed;
- The Board will also be upgrading and redesigning the lighting at our main (highway) entry and at the traffic roundabout for better visibility of our resort entry and the main directional monuments in the traffic roundabout;
- As we have reported before, starting in September of 2018 MLRA has 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 through 2020, we 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. Unfortunately, the news regarding the success of our contracted goat herder traveled to neighboring resorts on the Kohala Coast resulting in our contracted goat herder being retained by other resorts and communities around the island, diluting the focus on goat captures at Mauna Lani. While we are continuing to work with this highly prolific goat herder, the MLRA Board also retained two additional herders who utilize different capture methods, however, (other than to recommend that we install electrified fencing around the entire perimeter of the resort), neither of these two additional herders have been productive. MLRA is still very committed to utilizing a variety of different support groups and considering other options in an effort to manage our feral goat population on an ongoing and long-term basis.

- We understand that feral pigs are also creating a nuisance in some communities, especially those that are golf course adjacent. MLRA has installed traps in our back-of-house areas where we suspect that a few feral pigs may be traversing over various vacant lots adjacent to MLRA property;
- 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 closing, I'd like to again remind everyone that 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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