

## **KACA Special Owner's Meeting**

Saturday, March 10, 2018- **10:00AM**

### **Meeting Summary - Final**

*\*For those owners that were unable to attend we wanted to provide detailed notes for their reference. What follows is a detailed meeting summary from the meeting. Thank you for your patience.*

## **Welcome / Call to Order**

### **I. Aransas County Appraisal District - Brief Remarks**

The ACAP joined us at the last minute to provide an update. The reason for the recent letter Hurricane Harvey Damage Questionnaire was to provide residents with an opportunity for relief on property values and resulting property taxes as a result of Harvey. They understand that the value we started with is not the value we have now.

For those owners utilizing the homestead exemption this will not change. A continuous homestead exemption will be honored. We have met the obligation to continue the construction. It has been determined that most of our buildings have diminished market value of 25% from 2017 values. Units 300 & 1200 are reduced to 49%, units 406, 707, 812, 912, & 1006 were reduced to 0%. They realize that all owners have experienced diminished value & diminished rights; can't occupy, can't rent, can't lease, can't remodel etc.. If you believe your valuation should be less than what has been determined call Ray Presley at 361-729-9733 ASAP. Do not wait for your annual notice.

They don't know what will happen to property values until after repair and multiple sales have gone through. Their obligation is to appraise at fair market value based on similar characteristics and general type of construction and to treat property owners equitably.

### **II. Turning Challenges into Opportunities- **Richard Beck****

#### **A. Welcome & Introductions – Welcome!**

We really appreciate your being here. We are excited about where we are and where we are going and hope you will be just as excited to see what the future holds for Key Allegro Condominiums! Our goal today is to bring you as much information as possible about our progress toward not only restoration from Hurricane Harvey but unveiling wonderful enhancements to this beautiful property.

Let me start by saying: I have served on many volunteer Boards in my life and in my association management career; worked for volunteer Boards. This Board ranks at the top in energy, dedication, skills, and commitment!

We are keenly aware that we must fulfil our fiduciary responsibilities resulting in maximum stewardship of the association's finances by strict adherence to the Declarations & By-laws and other governing documents of the Association. We take that responsibility very seriously. We are owners just like you and have a passion about our Key Allegro Condominium community.

I think you would probably agree that this KACA Board has had to face a number of challenges in a very short period of time. We have tried to embrace those challenges and worked to **"Turn challenges into opportunities and solutions"**.

As you know we had a paint job turn into a nightmare re-building job, lasting over two years, followed shortly after, by a fire and two weeks later a 40 year catastrophic hurricane called Harvey! You also faced big challenges but your support and upbeat attitude played a key role in all of us meeting those challenges. We have benefited a great deal of input from owners and have implemented many of those suggestions. Thank you for that.

The first challenge that ended up creating a big opportunity was the fire in Building Seven. That fire caused us to hire our own public adjuster Crossroads Insurance Recovery Services and Roadrunner Reconstruction. When Harvey hit Gayle Connolly moved very quickly to get them inked on a new contract. Adjusters and recovery & reconstruction companies quickly became a scarce commodity. I believe that KACA is way ahead of the game when looking at other condo communities in our area because of the fire.

Harvey brought KACA numerous opportunities! We are making improvements in our 46 year old buildings that would have cost thousands in assessments and many years to accomplish. The biggest one that comes to mind is hardie plank. I can't tell you how many times in Board meetings, before Harvey, we lamented the fact that we couldn't afford Hardie Plank, knowing it would save us thousands in future maintenance & repair costs. I think we all recognize that we will have a much more valuable property, which will be very attractive to prospective buyers. We will have essentially a newly restored, up to code 1972/2018 condominium complex!

Before we move onto the Agenda I want to say a word about COMMUNICATION! As a Board we have tried to beef up our communications with owners to try to keep you informed on almost a weekly and sometimes a more frequent basis. We recognize that this disaster is stressful on everyone! Communication calms stress anxiety! People most fear uncertainty and good communication helps to reduce the uncertainty. Some of you have told us that you do appreciate the communications you are receiving.

I want to recognize Gayle Connolly and Mary Jo Lyons for their efforts to step up to the plate on communications. I know for a fact that Gayle has been not only sending out general reports weekly but has been busy communicating with individual owners. That is on top of simultaneously communicating with our contractors, vendors, governing agencies, realtors and the Board. I marvel at the way she can turn a 24 hour day into 36 hour day.

Finally, I want to thank all of you owners for your patience and involvement. We have received a great deal of support and input. Not all is going to be rosy! We know that and you know that. We are going to continue to be faced with new challenges going forward and we will continue to do our best to meet those challenges with the same determination to turn them into opportunities and find solutions together. Together we will prevail.

This meeting is all about giving you information and receiving your input so let's get to work!

Recently George Krapfel our Vice President had the opportunity to attend the Rockport Meeting of Association Presidents. I'd like to invite George to share some details from that meeting.

### III. Rockport Area HOA Presidents Meeting - **George Krapfel**

#### *\*Summary from meeting held in late February*

Dave Foster (KACPOA) stated that \$1.2 million has been collected so far from the special assessment. Approximately \$700,000 more is expected to be collected. Where possible, government and private funds will be used to help rebuild facilities and common areas on Key Allegro. As an example, all of the repairs to the bridge {\$35,000} will be paid for by the state, city, county and Federal agencies.

The Security service at the entrance to the island cost \$400/day and was scheduled to end March 15th, 2018. We were requested to ask our homeowners if they want to keep this security checkpoint operating after March 2018. Homeowners may sign up at KACPOA's website [www.keyallegroharvey.com](http://www.keyallegroharvey.com) All recorded video from this Security checkpoint is being stored by a third party and is available, if needed.

Dave also asked that our home owners use local realtors to rent our homes instead of Airbnb, VRBO, or similar types of non-local companies. The national companies do not follow our local regulations (quiet after 10:00pm).

Deed restrictions will be changed to allow for taller structures on the island. The 35' limit will be measured from the base of grade at the house not the street. The \$2.4 million award from the BP oil spill along with funding from

the County, City and KACPOA will continue to be used to reinforce the shoreline from the Key Allegro Yacht Club to Finnisterre.

Canals will have bottom debris removed by using high resolution sonar to identify objects and a barge with a crane to pick up identified items. Debris that is situated under docks will not be removed (liability is an issue). There is a possibility that canals will also be dredged. Funding is projected to be as follows ; 90% from FEMA and 10% from the General Land Office of Texas. Dave Foster does not know when this Funding will be provided and up until recently, he was very confident about this project. Now he is just confident.

The City of Rockport will begin sending condemnation letters in late February to Early March to homeowners with houses in disrepair.

KACPOA is recommending that all structure reconstruction abide by specifications cited in <http://www.fortifiedhome.org/>

All repairs to common Areas on Key Allegro, the Allegro House and pool will be completed mid 2019.

On bulkhead repair, Dudley McDaniel (VP of KACPOA) knows which companies can do proper bulkhead work in our area. Deed restrictions require Bulkheads to be 1' above Mean Sea Level (MSL).

I stated that Key Allegro Condominiums hired Roadrunner Restoration for reconstruction and Crossroads Insurance Recovery to help with insurance negotiations and that we received a permit to begin reconstruction. The other Condominium Association Presidents were surprised that we didn't exceed the 50% damage limitation. I stated that reconstruction had already begun. I was asked how much our monthly dues were and told everyone that they are \$300/month and that they will return to the \$350/month after reconstruction is complete. All other Condominium associations are charging the full dues for their communities with the exception of one (Allegro Isle?) which temporarily suspended their dues.

Steve Dauer (Marina Club) stated that they also just received a permit. However, they had to work with Frank Truitt (City of Rockport Building Inspector) and had to hire a private property Appraiser, Bruce Callaway. The Marina Club had \$750,000 of estimated repairs with a \$1,000,000 valuation for improvements and a \$2,000,000 valuation for the land. As their base elevation is just under 6' above MSL, they would not receive a permit unless they raised the base elevation to 7.5' Mr. Callaway reassessed the property valuations such that the improvements had a valuation of \$2,000,000 and the land had a valuation of \$1,000,000 { \$750,000 is 37.5% of \$2,000,000 valuation}. That is how they got their permit.

All the other Condo Associations are still working to receive permits.

Jeff Myers (Ventura Condos) stated that they maxed out their insurance claim and their base elevation is only 5.5'. Jeff said that GSM Insurors told them that if they just repaired the buildings without raising them to the 7.5' elevation their flood insurance would go up substantially\*. As Jeff heard that future elevation requirements may go up to 10' above MSL, they decided to raise their buildings (they have pier and beam - which is feasible to raise) to 10'. Instead of raising repaired old buildings that wouldn't really increase property values much, Jeff and their Board are planning to completely raze all of the buildings (14 units?) and build larger units (1200 square feet to 1800 SF). They are planning to charge a \$25,000 special assessment and have already hired an Architect (I have a set of drawings) and started soil boring to determine pier depth requirements. They estimate that it will take 15 months to complete and that once finished, each unit would worth \$600,000.

It is worth noting, that upon completion, each unit will just be a open box without sheetrock or fixtures.

\*This sentence got everyone's attention and caused much discussion. It is possible that if a property's base elevation is around 7' like ours, then the degree of any premium increase may be lessened. All agreed that we all need to ask our insurance brokers about future flood insurance premiums.

Bill Joiner (Casa Allegro) was suspicious that his reconstruction Contractor (Restoration Management?) was gouging their Condominium association. TWIA offered oversite services through a company called Tri Mar Company. Bill appreciates the service but feels that there is a conflict of interest on TWIA's part to monitor work while they are also the entity that is trying to pay the least for that work.

#### **IV. Property Manager's Report - Gayle Connolly**

##### **A. Planning**

Our beginning point for this project was near total devastation buried under rubble. So we began on August 26th with securing Roadrunner and Crossroads, who we had just signed on to handle our fire immediately before Harvey. With the Board's blessing, we three - plus Don Lawson of Restoration Construction - began clean up and assessment. We cleaned up, we inspected, we met adjusters, we began demo. We met licensed professionals of all kinds - all of which have experience in and work regularly with catastrophe recovery.

A project of this size requires nothing so much as fluidity (well, that and stamina). We learned very early on Surprise would be our Descriptor for Harvey Restoration.

The goal is simple: Return you to the best home possible. So we inspect every possible component of this property for Repair or Replacement needs. Our professionals have inspected (or will inspect) literally everything: Foundations, bulkheads, wiring, structure, roof systems, plumbing, electrical , HVAC, hot water tanks, doors, windows, siding, venting systems... literally every open AND normally hidden portion of our property and your units has been or will be inspected. From this we can map out what can be repaired and what must be replaced. Where replacement is required, we are utilizing better materials, implementing better design. We will not cut corners, we will not choose the "cheap option". Our leader in this area, our Rock, is Bobby of Roadrunner Construction.

## **B. Funding**

All of this requires funding. Our funds will largely be obtained from four sources: TWIA Wind, TWIA ICC, Fire and Flood. To maximize our funding requires a little out of the box thinking and a lot of effort. These efforts, spearheaded by Deidra Muchmore of Crossroads, are being aided by me, Bobby, Ben, our Board and anyone else capable of assisting over various aspects of the claim. There are literally thousands of moving parts. Our goal is simple, get literally every possible inch of property labeled a covered peril, maximize the value awarded. Assign those funds as efficiently and effectively as possible. Our leader and Rock in this arena is Deidra Muchmore of Crossroads.

The foundations of 11 of our buildings were compromised by the storm, some were pushed up, most pushed down. 8 will require stabilization. We are working to show a causal link on flood to foundation. Crossroads has a good deal of confidence that we will see some coverage for this. Our engineers report supports this.

## **C. Non-Covered Perils**

Efficient and effective use of our funding is especially important - not just for obvious reasons, but because we have a significant amount on non-covered perils. These are comprised of all of the damaged items for which there is no insurance. Our 1000/1100 Bulkheads, Pool and Tennis fencing, pool security entry, finger piers, maintenance shed, parking lots, fish stands, landscaping, irrigation. And more. All of these items must be funded.

Our aim is to do this entirely with available funds. If we are unable to accomplish this the board will be advised and will work to address any shortfalls from cash flow if at all possible. We want to show you, our owners that every available dime was pulled out of insurance funds and applied at it's best use and value.

We will be able to do this in much the same way we were able to replace all of the siding. The Xactimate system, which decides what values ALL covered perils have, sometimes pays more than is strictly required. We were granted 60% replacement of siding by TWIA. Xactimate assigned a value for that loss 60% - which enabled us, just barely - to replace 100% of the siding.

We will fight for the highest level of reimbursement - and be able to apply overages to those items which are otherwise not funded. We will also be able to work *some* of the unfunded perils into our regular working budget and perform repairs and replacement in house, once we return to normal days.

There will be more surprises along the way, we can be sure. We can tell you that we are tracking the income and expense differentials very carefully and will not ask for anything that isn't absolutely essential.

#### **D. Rebuild Parameters**

As we move closer toward the point of the rebuild where owners get to take part, there will be parameters we all need to bear in mind. These cover two distinct areas: interiors and what owners would like to add to interiors.

For interiors, what existed at the time of Harvey is a covered peril. There will be funding for anything that existed in your unit. The only parameter to obtain this funding is a direct correlation from the damage to Harvey. Once we have made final agreement with TWIA on individual unit remodel costs; all "Walls Out" costs will be removed from the estimate - drywall, insulation, in-wall plumbing and electrical, etc., which will leave you with the "Paint In" funding for the unit interior. Owners are encouraged to use this as an opportunity to make their unit everything they want it to be.

BuilderTrend will allow you to plan your build out - including an ability to add improvements that didn't exist before Harvey. BuilderTrend will tell you on a per item basis (such as per sink or per countertop) whether you have under-spent or over-spent the way the funds were allocated by TWIA. What this will do is show you exactly where you are investing your funds, which can help you decide what improvements you really want. You can exceed the allotted funds, which will generate an invoice payable directly to Roadrunner. Stephanie, who you will meet later, has put untold effort into making this process easy, understandable and - hopefully - fun. She is incredibly dedicated and will be in your top three favorite humans when this is all over.

What the Association asks on these rebuild choices is that you keep our governing documents in mind. You can remove a non-weight bearing wall, you can create storage in an attic, turn your bathtub into a walk in shower.... all wonderful. But we would not be able to approve turning a two bedroom

into a three bedroom by creating a new bedroom from attic space. The basic footprint and use of a condo cannot be so substantially changed and no variance waiver would be granted for it.

After all of this expense, effort and inconvenience we all have an obligation to each other to properly maintain our vastly improved property. So: The Board and Management will be much more stringent regarding compliance to our governing documents. Variances are not going to be granted for basics such as doors, windows, railings, etc. There will be NO appurtenance attachments such as dishes, hurricane shutters, ac replace or repair without proper notice, documentation, permitting and windstorm approval. If a contractor is seen on a building and we don't know what he is doing up there - no notice given or approval granted - he will be asked to leave. Any additions to structure that appear without proper authorization will be removed, at the owner's expense. There will be NO lines, cables, wires of ANY kind run across, over or around exteriors.

I don't believe any of you will really mind ensuring our new roofs remain undamaged and clean. I don't expect we will hear that anyone misses the arrays of wiring on roofs or at front door entryways. You will all appreciate your community staying in the best possible condition for as long as possible, which can only happen, in part, through this type of planning.

#### **E. Bird Houses**

Recently I read a post on NextDoor about the migrating Purple Martins flying around desperately seeking the martin homes - most of which have been blown away. With the Board's permission, I have purchased three "6 apartment" Purple Martin houses for our property. Our Board Members not only allowed me to do this, they have all added their own funds to the purchase as well. We will install them to the fence side of 100, the canal side of 1100 and between 600 and 700. I hope they bring you some happiness and we will all enjoy generations of beautiful, mosquito eating martins.

#### **V. Roadrunner Update - Bobby Daniel**

##### **Rebuild - Current Phase**

Our current priority is to get the structures dried in ASAP and then move to interiors. The new roofs are a TPO system with rubber membranes which means it's one solid system with no gaps where water can penetrate.

##### **B. Insulation Change**

We are utilizing spray insulation vs. batten which is more energy efficient.

##### **C. Opportunity for Owners to make improvements**

1. Water Heater Replacements

- 2. Electrical Changes, replace corroded pipes
- 3. Dimmer Switches
- 4. Owners choose all fixtures & finishes.
- D. Timeline for completion - anticipate returning home for Christmas 2018
- E. Code Enhancements - enforced by city of Rockport
  - 1. Adding studs to provide 12" centers
  - 2. Fire breaks in attics
  - 3. AC wired fire alarms
  - 4. Saggy floors being fixed
  - 5. Decks reinforced

**VI. Crossroads Insurance Update - Deidra**  
**Claim Status**

- 1. TWIA
  - a) Individual Interiors - report should be received within 45 days with unit specific room by room report & individual funding within 90 days.
  - b) Doing everything we can to get replacement vs repair on appliances and HVAC
- 2. Fire  
 Fire claim has been equally as important. We are currently reviewing the initial settlement.
- 3. Flood  
 The foundations of 11 of our buildings were compromised by the storm, some were pushed up, most pushed down. 8 will require stabilization. We are working to show a causal link on flood to foundation. Crossroads has a good deal of confidence that we will see some coverage for this. Our engineers report supports this.

**VII. Financials - Tom Geren**

An owner recently stated they didn't know the financial position of the KACA. Monthly financial statements are posted on the KACA website.

**Insurance position:**

- A. Insurance Payments = \$7,490,524.88 cash + 75,662 project management reserve
- B. Expenditures = - \$4,010,892.94 thru 2/28
- C. Amount remaining = \$3,479,631.94

**Bulkhead special assessment** collected \$164,300.

- A. Balance: 1 owner / 3 units = \$5,100, 1 owner / 1 unit = \$600

**Collection efforts:**

- A. Delinquent dues & assessments

- I. 1 owner / 3 units = \$10,387- In collection
- II. 1 owner / 1 unit = \$1134.92 – In collection
- III. 3 owners / 3 units overdue by \$300 each

**Reserves:**

- A. Bulkhead: \$170K reserved, \$164,300 collected
- B. Deferred Project Management: \$75,662
- C. Maintenance Reserve: \$19,000
- D. Total: \$258,553

**Cash:**

- A. American Bank: - Operating Cash: \$ 104,578.17
- B. American Bank - Catastrophe: \$3,479,631.94
- C. NavyArmy - Various reserves \$ 258,553.02
- D. **Total** **\$3,842,763.13**

**VIII. Architectural Committee - Charlie**

As chairman of the architectural committee I want to reinforce several of the points Gayle made earlier:

- I. You must obtain permission before initiating any exterior modifications.
- II. Do not attach anything to the building which could compromise our paint or crack the Hardie Board siding.
- III. If a contractor is seen on a building and we don't know what he is doing up there - no notice given or approval granted, he will be asked to leave.
- IV. Any additions to structure that appear without proper authorization will be removed, at the owner's expense.
- V. No lines, cables, wires of any kind run across, over or around exteriors.

**Paint Preferences**

- I. Please rank your preferences on the handouts provided. The board will review these findings as they work to finalize the exterior paint colors for our newly rebuilt complex. Our goal is to support the voice of our owners.

**IX. BuilderTrend Website - Stephanie Brown**

Available for owner's questions after the meeting  
 Contact her directly for a personal demo of the BuilderTrend Website

**X. Final Q & A**

See attached list of questions submitted and answers

**VII.** Adjourn

- a. Please see the link to the KACA video in Gayle's recent owner update
- b. Stay tuned for the final paint results, coming to a theater near you - soon!
- c. **Annual Owner's Meeting - June 23rd - Location TBD**

Summary submitted for review March 27, 2018 - **MJL**

Summary approved - April 2, 2018 - **RBeck**