

Ocean View - Hermosa Inn Owners Association

November 7, 2017

Dear Ocean View-Hermosa Inn Owners Association Homeowner,

This letter is to notify you of the next regular meeting of the Ocean View-Hermosa Inn Owners Association Board of Directors. You are welcome to attend the meeting that will be held at 6:30 p.m. on **Thursday, November 9, 2017** at the Beach House at Hermosa Beach. Due to an oversight we neglected to mail the minutes earlier. We apologize for the late notice and any inconvenience it may cause.

Enclosed please find the minutes of the August 24, 2017 board meeting.

To facilitate communication in the future and reduce paper and postage costs, the board would like to compile a list of owner e-mail addresses. If you would like to be contacted and have the minutes sent via e-mail (when feasible) in the future, please send your e-mail address to Kevin Scanlon at ks@beach-house.com.

Sincerely,



Kevin Scanlon- Secretary
Ocean View – Hermosa Inn Owners Association

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OCEAN VIEW – HERMOSA INN OWNERS ASSOCIATION

Board of Directors Meeting Minutes

1. MEETING CALLED TO ORDER:

Person: Bob Williams
Place: 1300 The Strand, Hermosa Beach, CA 90254
Date: August 24, 2017
Time: 6:35 PM

2. QUORUM

There is a quorum of BOD members with all three board members present.

3. INTRODUCTIONS

- A) Directors: Bob Williams/President – Unit 116, Robert Aiani/Vice President– Units 205 & 329, Charlie Raine - Unit 228
- B) Management Company – Kevin Scanlon/Treasurer – Controller Pacific Beach House LLC, Marje Bennetts/General Manager – Beach House, Lisa Binninger/Controller – Beach House, Jerry Cronk/Front Desk Manager – Beach House
- C) Visitors – Lee Johnson – Unit 225, Joyce Beckman – Units 232-233, Pia Raine – Unit 228

4. VISITORS COMMENTS

Ms. Beckman said she was very happy with her checks. Mr. Williams said "we love those comments."

5. APPROVAL OF MEETING MINUTES – May 18, 2017

The minutes for the May 18, 2017 meeting were approved by the BOD.

6. FINANCIAL REVIEW – Kevin Scanlon

- A) July 2017 - Financials – Through July there is an operating surplus of \$16,747. The budgeted amount was a surplus of \$2,130 so we are positive to budget by \$14,617. Of this, \$5,149 is surplus due to water expense. We anticipated higher prices but our water bills are actually flat to last year. Elevator expense is below budget by \$4,312, but there is a big expense pending that will be discussed later during new business. Ms. Bennetts said the repairman was here for several days and the elevator was down for probably a week. Mr. Scanlon continued by saying they were under budget for engineer services. We had a couple of emergency repairs for plumbing earlier this year but not much recently. Contingency is over budget by \$6,137. A lot of this is for the mural that was done in the Jacuzzi that was about \$6,500. The rest of the costs were for some windows and doors that had to be replaced. There were also some sliding door tracks and wood repairs to the interior of a room due to a plumbing leak. Mr. Williams asked why if something is repaired in the interior of a room the cost would come out of the general funds rather than funds specific to that room. Mr. Scanlon said this was because the damage was caused by a leak in a common pipe. The current reserves fund balance is \$702,112.

7. NEW BUSINESS – Lisa Binninger and Marje Bennetts

- A. Operating Results– May, this year, beat occupancy and room rate over last year. Last year's occupancy was 87.7% and this year we brought it up to 89.9%. The average rate last year was \$314.01, this year it rose to \$318.61. Total revenue for May last year was \$819,261. This was brought up 4% to \$852,606 in 2017. In June occupancy was almost the same as last year, 92.3% versus 92.5% last year. The rate went up 2% from \$331.04 to \$337.96. Total revenue went up 1.8% from \$882,232 last year to \$898,302 in 2017. In July we brought up occupancy but missed the rate. The hotel went from 91.5% last year to 93.9%

this year. The occupancy was up 2.6% but the average rate went down 2.6%. Last year the rate was \$440.65. This year the rate was \$429.19 as we experienced some rate resistance. Total room revenue was within \$600 of last year. It was \$1,119,898 last year and \$1,199,155 this year. Year-to-date through July, occupancy last year was at 89.9% and we are at 88.4% for 2017. The average rate through July is up slightly at \$327.90 compared to \$326.28 last year. Total room revenue YTD has dropped slightly. Last year it was \$6,000,028 and this year it is \$5,900,299, which is down 1.7%. We are struggling to grow the rate but that is true of the entire LA market not just the Beach House. Mr. Aiani doesn't think that when you are talking about the revenue down a couple percent it isn't a struggle, he considers it as "maintaining." Ms. Bennetts said that people are booking later. Mr. Cronk explained that, in the past, people booked four to six weeks in advance. This was the general trend. This year it is two to two and a half weeks. When people book far in advance the hotel staff knows how many rooms have been sold so they can raise the rates. Now, with the rate resistance, and a large number of rooms to sell it is harder to raise the rate. Mr. Aiani said that it may have been easier last year but they are doing a fantastic job overall. Ms. Bennetts said the problem is that they are not meeting their goals. Mr. Williams said that when he was checking in the desk clerk was making a reservation for next July. Ms. Bennetts replied that there is a handful of people who come every year. She added that there is a current trend with travel where people are making their decisions later on. Mr. Cronk said that airfares can be higher farther out, but when airlines want to fill the plane they will drop the fares.

Mr. Aiani asked about the bandstand he saw on the beach. Ms. Bennetts replied that there are movies and concerts on the beach. They have movies one night and concerts on the other night. This does not draw in business for the hotel as they are locals who attend. Some of the guests will go to it. Usually 3,000-5,000 people attend. There will be a Neil Diamond knock-off there on Sunday. The real Jimmy Buffett played there 3 years ago. The concerts are on the four Sundays in August. Movies are on Saturdays.

- B. Hotel Management Report – Ms. Bennetts - She already mentioned the success they have had so far. The staff including Jerry has really done a good job. It wasn't as busy as last year but it was definitely busy. There are more families in the summer which means much more work for housekeeping, valet, and everyone else.
- There is a new city manager, Sergio Gonzalez. Ms. Bennetts thinks he is doing a pretty good job for the city and already has a good relationship with him. There were some issues with the AVP (Volleyball League). They weren't solved until after the fact but he actually came down to help. He will work with Ms. Bennetts next year to try to resolve some of the problems. The AVP is a huge installation and the Beach House lost some business in July because of it. There was a construction zone all around the hotel. There were porta-potties right next to the hotel. Everything was unloaded onto the Strand. Ms. Bennetts figures they lost about \$15,000. Some guests left early and some guests cancelled or had to be given discounts. The event hasn't been held here that last three years but it will come back. The City wants AVP back because it brings in big money for them. Ms. Bennetts will sit on a committee and tell them what she recommends for changes. She added that the city is doing this because they need money but the Beach House is one of their biggest taxpayers. Mr. Williams added that they are hurting their revenue when they hurt the hotel.
- C. AmTech Elevator– New Control Board for elevator (Building II) - Ms. Bennetts received three bids for the problem elevator. The control board is damaged beyond repair. It has been connected but it will not last. This problem was discovered during the last repair. This is why the elevator was out for a week. The cost to put in a new control board is \$5,475 plus labor to install. Ms. Bennetts asked for BOD approval. The elevator company made repairs to get the elevator running. We have not received that bill yet. Ms. Bennetts was out for surgery at the time and the elevator was out when she returned. Mr. Aiani asked if the control board has old circuitry. When they bought the elevator, the technology was already five to ten years old. The new one is not digital. Ms. Bennetts said that Myron had just obtained today, from another

company, a price to rebuild the elevator car of \$75,000. To replace the elevator will cost a lot more than that. Mr. Aiani agreed and said that to rebuild it they could use the hydraulics over again. When Myron asked the contractor who looked at the elevator if the elevator was supposed to last fifty to seventy-five years, the contractor replied "not at the beach". Mr. Aiani finds this hard to believe because it is indoors. He said it isn't exposed to salt air and is not like an air conditioner drawing in outside air. Ms. Binninger said that the lobby doors are open which exposes them to the elements. Ms. Bennetts asked if Mr. Aiani could help advise her on the elevator because she isn't really comfortable with it. Mr. Aiani suggested, that since there is an expert on air conditioning, maybe they could hire someone who is an expert on elevators. There has to be some guy out there they could talk to who could brief them on it. Someone said they could maybe get the name of someone. There are three elevators although the one in question is the most problematic of the elevators. It is the newest and the hardest to service. It is also the brand that is known for being troublesome which is Kone. Mr. Aiani said he felt the developer made a mistake in not using the same elevator that was used in this building. The proposal is to spend \$5,475 to repair the elevator. The BOD approved the proposal.

- D. Expansion Tank Replacement Building 1– A proposal was presented from Cal Coast, who has done a lot of work at the hotel. Cal Coast discovered that the west building expansion tank has been leaking. The tank holds water before it goes into the loop. It has to allow for even pressure as the water goes through it. Cal Coast has repaired it as much as they can but if it goes out it will cause contraction in the water loop. The tank is on the roof. It keeps the pipes from banging. The tanks in both buildings were replaced in 2010. The price at that time was \$3,425 per unit. The tank on building II does not need to be replaced because it was replaced when they put in the new boiler. The price is now estimated at \$200 more, \$3625. Ms. Bennetts is having trouble getting bids from other AC contractors. This is partly due to the fact they are never hired to do the work after submitting bids because Cal Coast is always selected to do the work. Mr. Aiani moved to go ahead and have them do the work. The other BOD members agreed.
- E. Exterior Wood Replacement and Shoring (103/203: East side trellis & beam over employee entrance, and West Facing 106/206 along decking). There is corrosion and dry rot in these areas. When the balconies were done in those two rooms two years ago the contractor pointed out that there was dry rot and that at some time they would have to come back and fix it. The deck work at that time needed to be completed so they reinforced it quickly as rooms were being taken out. The work can now be done. Ms. Bennetts has two bids. The first bid is from DPT, who has done work at the Beach House before. Their bid was \$5,750. The second bid is from Ocelli Design. Their total bid came out a little bit higher at \$8,355 because the bid had a few items that Ms. Bennetts didn't want included. His bid for comparable work is still higher at \$7,280. Ms. Bennetts recommends they go with DPT. She feels Ocelli Design could be used when future work is more involved. Mr. Aiani said that if Ms. Bennetts is happy with them then they are happy with them. Ms. Binninger added that they are the company (DPT) that did the repairs in the rooms with the water leak. This company is located in the valley. They have painters, plumbers and carpenters on call who they bring in when they are needed. The owner came and met with Ms. Bennetts. They have been used for a couple of projects and Ms. Bennetts is very happy with them. They painted the inside of the Jacuzzi room when the mural was installed. BOD approved the bid with DPT.
- F. Upgrade on Milgard Window Replacements – Ms. Bennetts has been talking about the replacement of the Milgard windows for almost a year. All the bids not been compiled yet Sixty-one windows have been identified that either won't open or are starting to leak. Marje has not been able to get anyone to do the work. Ms. Bennetts was told that Milgard can come in and do all the work for about \$14,000. Two other companies have come in with bids at \$23,000-24,000 but all the windows would stay closed, which is not sustainable. We will continue researching and possibly look for other types of windows. No decision was made at the meeting but Ms. Bennetts wanted to make the board aware that this project.
- G. Sign Checks – Board members signed checks for operating and reserve payments.

8. OLD BUSINESS

- A. Jacuzzi – The mural is now signed by the photographer Bo Bridges

- B. Awnings – This project will be completed on Aug 28th, after delays from the installer. Ms. Binninger stated that this is another vendor that is too busy. They were given a deposit two months ago.
- C. A/C Electrical room- This has been completed. Ms. Bennetts can show anyone who is interested. Mr. Aiani wanted to have his memory refreshed on the electric heat pump and asked if the amount was \$6,700. This was installed by Cal Coast and was to keep the electrical room cool. The work was approved by the BOD in May.
- D. Phase II Lobby Replacement Chairs (2) now in place on Floor 1 – The two new rattan chairs have been installed.
- E. Hotel Encroachment Issue – Mr. Raine copied emails to the BOD members in which he offered that the neighbor's attorney talk to the hotel's attorney. The neighbor responded by asking what he wanted him to do. Mr. Raine responded by saying he wanted him to sign the agreement he was given. Mr. Raine had sent the agreement before, but the neighbor asked for it so he sent it to him again. Ms. Bennetts thought it was positive that he had asked Mr. Raine what he wanted him to do. Mr. Aiani thought it was negative when he read it when the neighbor stated "wait until you go to work on your west wall and see how I treat you because you are treating me like a thief". Mr. Raine didn't think there was an issue with this but someone else said that the last time they painted if there was an issue with him. Ms. Bennetts said there was an issue with a tree, but she looked at it today and she said that it looks like the tree has been trimmed. Mr. Raine said that if this does not go then they will give it to the attorney as they have done all they can playing "nice". We are told by the attorney..." if we don't do this, the wall has been there so long that if he sells s been there that long and it just becomes their property". Mr. Raine disagrees and says it is not the case unless he has paid taxes on it. He would have to pay taxes on the land he has encroached on and he hasn't done that. Mr. Raine said that it doesn't matter what he thinks but it does matter what one owner thinks so they have to see it through. If he is not going to sign the agreement then you turn it over to the attorney. The attorney will follow through with it. Mr. Raine said that the neighbor has been told four times now. It has been at least a year. Mr. Raine has met him and says he is a nice guy or he was. Ms. Bennetts says he owns a lot of property. His property is no longer for sale. Mr. Raine guesses he is in his late 70s.

9. NEXT BOARD MEETING

The next regular BOD meeting will be held Thursday November 9, 2017 at 6:00 PM.

10. MEETING ADJOURNED AT 7:18 PM