Hammock Dunes Owners Association, Inc.
Board of Administrators Meeting Minutes
May 31, 2023

Call to Order:
The duly noticed monthly Board Meeting was called to order by Greg Davis at 12:30 p.m., In the Hammock Dunes Club Board Room.

Board Members Present: In Person: Greg Davis, David Betsill, Doug Guarino, Shannan Kolbe
Via Zoom: Steve Hastings, Michael Heller

Hammock Dunes Club Present:

Community Management Present: Travis Houk and Brie Cunniff of Southern States Management Group (SSMG)

A quorum was established. A sign-in sheet was filled out for in-person attendees. Other attendees were over Zoom.

Opening Comments, Greg Davis

- Mr. Davis asked Mr. Houk of SSMG to remove the agenda item pertaining to legal representation vote.
    - Mr. Betsill asked if that agenda item is placed back on the agenda, supporting information could be emailed for the Board to review. Mr. Davis said yes if it goes back on the agenda.
- There will be a hard stop at 2:00pm today based on the Club's availability.

Two Camino Office Lease Discussion, VOTE

- The objective is to workshop two options available for the Board and at the end get a direction the Board would prefer. From there whatever model the Board would decide on, a formalized agreement would be developed for the prevailing party that would be brought back to the Board hopefully prior to June 19, 2023. If not by June 19, 2023, for approval.
- Background on what happened with SSMG.
    - SSMG's 2022 rent was $13.95 a square foot. SSMG had been willing to come up to $17.50 a square foot in their first contract year. HDOA targeted $21.50 due to market analysis. SSMG was willing to get to $21.50 by the beginning of year three.
    - SSMG sent a letter to the HDOA/Attn: Greg Davis, on August 16, 2022, stating the following:
    - "please accept this letter as SSMG's written notice to the Association that it exercises its option to renew the Lease for an additional five year (5) term through (SIC) June 30, 2028. Although the Lease does not require a new lease to be executed, I respectfully request that the parties execute an amendment to the Lease memorializing the terms and conditions of the Lease including but not limited to the adjustment in the Base rent as noted above."

- A closed legal meeting was scheduled for April 25, 2023, to discuss the proposal but at the beginning of the meeting, Mr. Davis read that Mr. Annon was disengaging from the process.

- Mr. Michael Heller provided a summary on two options. Technically there was a third option which would mean the Board did not like the other two options and would have an external broker market and lease the space.

- **Option 1:**
  1. Engage in a new Master Lease with Coastal Gateway Real Estate Group. (CRGE) also, under National Real Estate Affinity Ventures (NREAV).
     - It would operate as the same model that SSMG historically had.
     - The HDOA would have one relationship with CGRE/NREAV, as the master lessor. the tenant who in turn would sublease office space to other relevant companies for its own gain if possible.
     - Master Lessor would pay Base Rent, Real Estate Taxes, and insurance.
     - SSMG would lease office space to keep a presence in the building from CGRE/NREAV.
     - CGRE/NREAV would pay $18.50 per square foot in the first year, with a 3 percent annual progression. At the beginning of year five they would be paying $20.82 per square foot.
     - The conference room would be available for the HDOA to utilize for their meetings.
       - CGRE/NREAV would pay to renovate and furnish the conference room.

- **Option 2:**
  2. Engage in a Leasing Service Agreement with Grand Living Realty (GLR), a real estate brokerage agency.
     - In this model GLR would provide leasing services for the individual offices within 2 Camino on behalf of the HDOA, in exchange for their presence in 2 Camino.
     - The HDOA Board would act as a property manager/landlord to multiple tenants.
       - HDOA would pay taxes and insurance on the property.
       - HDOA would have to make capital improvements on creating a new Flex Office/Conference room.
     - GLR would lease space on a Gross rent basis, which is one number that covers base rent and expenses.
       - The low rent on a gross amount would equal $19.90 per square foot.
       - Th expected rent on a gross amount would be $22.40 per square foot.
       - The high rent on a gross amount would be $25.50 per square foot.

- In both models give or take the HDOA would be making an average of $34,242 a year in leasing 2 Camino.

Discussion:

- Mr. Hastings stated one option would pay us a set rent while the other there was no guarantee on what would be paid to the HDOA.

- Mr. Heller contended that one was fixed (the master lessor) and the other was projected per an individual market analysis.
- Mr. Davis pointed out that if we chose the leasing service agreement that it would put the HDOA Board in property management. There have been challenges trying to accomplish HDOA business. There would be concern to add something else. Also, the HDOA is a nonprofit organization and could only make money to cover the cost. Also, there was also risk with the leasing service agreement if the HDOA would not receive enough rent to cover their cost. He did not see how the leasing service agreement would help the Board with focusing on their priorities.
- Mr. Betsill agreed the one would give a definitive amount of money coming in. He also thought being in the property management business would not be a good idea.
- Mr. Betsill pointed out that no matter who would be in the building there would be a learning curve because of being unsure of how exactly the building would be utilized, an example would be what the hours would the building be open. He thought it would be nice to have a thoughtful discussion on what the startup issues would be with getting a new entity in the building.
- Ms. Kolbe stated one of the options (master lessor) wanted to market the building as community events, vacation rentals, tourism welcome center, wine tastings with no landlord approval.
    - Mr. Heller pointed out just because that was in the proposal, anything to be done or hosted in the building would need to go to the Board in writing for approval and have written consent from the Board.
        - This would help the HDOA control what activities were to go on in the building.
    - The issues that arise under the master lessor model would be the master lessor's issue not the HDOA's.
- Mr. Guarino would like to see as tenants more professionals whose business is not primarily dependent on the housing/Real Estate market.
- Mr. Davis contended that with the master lessor agreement, the master lessor takes on the risk of sub tenants. He also referenced that if the Board went with the master lessor option, SSMG would occupy a few office spaces and would not interrupt the property management services.
- Mr. Guarino asked if the Board should look into competing offers for whatever model is decided on.
- Mr. Heller pointed out that if the master lessor option was voted on there would be language in the lease that would say if the master lessor were to default on their payments to the HDOA, the HDOA would step in to become the master lessor.

ON A MOTION MADE BY MR. DAVID BETSILL, seconded by Mr. Steve Hastings, the Board voted to accept the master lease model with any details that can be worked out, led by Mr. Michael Heller and approved by the Board. On a role call vote, Mr. Davis, Mr. Betsill, Mr. Guarino, Mr. Hastings, Mr. Heller and Mr. Davis in favor and Ms. Kolbe opposed, the motion carries 5 to 1.

<u>Audience Comments were taken.</u>

<u>Adjournment</u>

ON MOTION BY MS. SHANNAN KOLBE, seconded by Mr. Doug Guarino, with all in favor the Board of Administrators meeting was adjourned at 1:40 pm.