

Gearhart By the Sea Management Office Proposal Presented by the Gearhart House Board of Directors

- **Introduction** - The purpose of the owners information Zoom meeting scheduled for April 23, 2022 from 9:30 - 11:30 AM.
- **Overview** - Discussion of the management office lease termination and solutions
- **Alternative Facility**- Moving to off-site location or building on our property
- **On-site Building Plan** - The proposal to build on Gearhart House HOA land
- **Pros, Cons and Unknowns** - Issues the Board has addressed so far in coming to a solution
- **Conclusion**- A summary of the work your Board has performed to address the problem

INTRODUCTION

The purpose of the Gearhart House owners information Zoom meeting scheduled for April 23, 2022 is to disseminate as much information as possible, answer owners' questions to the best of our ability, and to gain an understanding of owner support.

OVERVIEW

Gearhart By The Sea (GBTS) is the property management company that manages four condominium homeowners associations in Gearhart; Pacific View, Pacific Palisades, Pacific Terraces, and Gearhart House. GBTS has leased office space for management personnel, guest check-in desk, and archive storage at the Kelly House for over thirty years. The property owner has given notice that upon conclusion of the current 5-year extension, no renewal will be allowed. Accordingly, as of March 1, 2026, the space must be vacated and returned to the owner.

Technically, this is a Gearhart By The Sea problem. Gearhart House, however, has approximately fifty percent of the units in all four above-mentioned associations, as well as most of the units in the rental pool. Gearhart House has the largest share of the benefit and is most at risk to lose. Over the past three decades, every unit owner has enjoyed the security and convenience of on-site management. Accidents happen. Occasionally both owners and guests are locked out, WiFi and TV require attention. Everything from minor issues to major repairs, maintenance or remodeling has been available by our maintenance staff with management and oversight by Paul Tice and his staff.

ALTERNATIVE FACILITY

Rest assured your Board has been heavily involved with exploring alternatives that are efficient, convenient and cost effective. A GBTS Building Committee was established last year to research options for a new office location. That committee is currently made up of several Gearhart House board members, Paul Tice, and the President of the GBTS Board of Directors, Joe Clayton (Pacific Palisades).

The possibility of relocating to an off-site location has been under consideration. The initial cost to rent space on Pacific Way or Highway 101 would be significantly less in the short term, but costs would ultimately increase and the convenience factor would be far less than optimal. No practical proposal for an off-site location has been advanced. Consequently, the GBTS Building Committee has focused on the construction of an office building on or near the existing facilities; convenient to owners and guests.

ON-SITE BUILDING PLAN

The GBTS Building Committee surveyed the land of all four Associations encompassed by Gearhart By The Sea Resort. The most logical and available possibility for an on-site office building is the extreme northeast corner of the Gearhart House property.

Several alternatives of ownership of the land and building were explored:

1. Building and managing the structure by Gearhart House HOA was considered but comes with financial and legal entanglements, making it very difficult to accomplish.
2. Subdividing a parcel and selling the land to GBTS was considered but ruled out.
3. Entering into a long-term lease of a building footprint from Gearhart House HOA (the lessor) to GBTS (the lessee) appears to be the best solution.

Because there are many advantages and few disadvantages to the third option, the GBTS Building Committee is proposing this plan. GBTS authorized a budget of \$8,000 to be applied to preliminary plans and designs for all affected parties to consider.

We'll review those plans with you at the owner information meeting on April 23, 2022. Both the Board of Directors of Gearhart House HOA and the Board of Directors of GBTS have expressed unanimous support of this work.

PROS, CONS, AND UNKNOWNNS

First the Pros:

- From a Gearhart House HOA perspective it's a win-win. Gaining a handsome new building conveniently located will be a boon to all owners. It will be a modern, architect-designed structure consistent with surrounding buildings, tailored to fit both current and future needs.
- There will be no additional cost to Gearhart House owners (because GBTS will absorb all construction and operating expenses) and will put dollars back in our coffers on a monthly or annual basis to help defray expenses.
- Members of the GBTS Building Committee met with Gearhart City Manager, Chad Sweet in February 2022. Mr. Sweet expressed strong support for the concept and complimented us on being a good member of the Gearhart Community.

Cons:

- There is a potential loss of some parking spaces.
- The current City of Gearhart requirement of 1.5 spaces per unit will require a waiver by the city planning department.

Unknownns - Because it is still early in the process, there are several unknownns, none of which appear to be insurmountable. Some examples are:

- The City Manager indicated approval for building permits will be required from police, fire, and the planning department.
- The terms of a long-term lease with GBTS will have to be negotiated (lease rate, COLA, termination, etc). Since Gearhart House HOA owns and controls 50% of the voting stock of GBTS, we are at least partially negotiating with ourselves.
- The By-Laws of Gearhart House HOA require an affirmative vote of 75% of unit owners before Gearhart House land can be leased.

In a preliminary discussion of the plan with our legal counsel Greg Coxey, no other problems were identified.

CONCLUSION

Gearhart By The Sea is faced with a serious problem, but there appears to be an excellent solution resulting in a huge opportunity for a modern, architect-designed facility at lower costs that will pay dividends long into the future. We look forward to your input and questions at the unit owner information Zoom meeting on Saturday April 23, 2022 from 9:30 - 11:30 AM.

Respectfully submitted,

Gearhart House HOA BOARD OF DIRECTORS