



Owners' Questions Submitted during Zoom and Town Hall Meetings with Answers by Christopher Shea Goodwin, our Attorney

1. One owner said that the way the ballot measure is worded is ambiguous, leaving open the possibility that the Board could use this proposal repeatedly to buy more real estate.

RESPONSE: This proposal does not authorize the Board to acquire more than one (1) apartment at a time, as this Amendment would still be subject to Article VI Section 1.a of the Bylaws whereby the Board must obtain the approval of 65% of owners in order to lease or purchase more than one (1) apartment.

2. One owner expressed concern that the Board would be using this change to start buying and selling units "on a whim." The owner expressed concern that the Board was attempting to accrue too much power and would misuse this power.

CSG RESPONSE: Same as previous response, the Board cannot engage in whimsical purchasing and selling of apartments since it is limited to owning only one apartment at a time.

3. One owner expressed concern that the Board could potentially abuse the provision in the Written Consent Ballot which says "... an apartment for use by a resident manager or other person or persons engaged in the operation, repair or maintenance of the project." The type of "abuse" would be putting someone other than the General Manager in the apartment.

RESPONSE: If the Resident/General Manager declines an Association-provided apartment as part of the employment compensation package, the Board may offer the apartment to another Association employee as part of their employment compensation package. This is a provision in your by-laws. For example, this may occur whereby the Board offers the Association owned apartment to the either a Maintenance Manager or Assistant Resident/General Manager with a commensurate adjustment in the employee's monetary compensation.

4. One owner's comment was that the Board had failed to win approval of the by-law change with the first mailing and appeared to be angry that we were continuing our efforts to get required approval.

RESPONSE: HRS §514B-108(e) provides, "The vote or written consent, to be valid **must** be obtained within three hundred sixty-five (365) days after mailing for a proposed bylaw submitted by either the board or a volunteer unit owners group." As HRS §514B-108(e) is a **mandatory provision** (i.e., HRS §514B-108(e) does not state it is, "subject to the Declaration or Bylaws"), the 365 day deadline controls over any potentially contradictory language in the Declaration and/or Bylaws.

5. Someone asked if the Board had considered the potential tax implications of selling the unit we own, and thereby realizing potential capital gains which the owner thought would increase our tax liability. The owners' point appeared to be that our proposal was understating the potential costs to the Association.

RESPONSE: The Association CPA should respond to this inquiry. The Board is working with our CPA on this question.

6. An owner proposed taking out a mortgage on the unit we currently own and using the proceeds to purchase another unit. The owner suggested that we figure out a different way to achieve this goal without taking money from the reserves.

RESPONSE: There are numerous potential concerns presented in this question, but my primary response is since the Association's reserves currently far exceed minimum state requirements, it would not appear to be in the best interests of the Association for it to go into debt to purchase a unit for use by the Resident Manager (or other persons engaged in the operation, repair or maintenance of the Project) absent a compelling reason to do so.

7. One owner asked if there is any way for the Board to achieve our goal without changing the By-Laws?

RESPONSE: The current language and requirements expressly set forth in Article III, Section 2.m. of the Bylaws does not appear to provide the Board with any other legally permissible option.



For Owners Only
**Have you
heard about ...**





FREQUENTLY ASKED QUESTIONS ABOUT THE PURCHASE OF A 2-BEDROOM APARTMENT

1. What is this all about? Selling the 1-bedroom unit that the Association currently owns and buying a 2-bedroom unit requires a change in our Bylaws. Changing the bylaws requires the approval of the Association. We do not yet have the approval of enough owners.

2. What advantages are there to the Association owning a 2-bedroom rather than a 1-bedroom apartment? The position of General Manager is key to the success of any homeowners' association in a building as large as ours. Our building is unique in that we have been fortunate to have General Managers with exceptional mechanical and engineering skills, which allows for in-house maintenance of our aging infrastructure at much reduced costs. A 2-bedroom apartment is a big part of our plan to offer the most competitive compensation package.

3. What do other condominiums offer their General Managers for housing? Hawaiiana does not have information on the more than 700 buildings they manage. However, they informed us that the following buildings offer a 1-bedroom apartment: *The Imperial Plaza, One Archer Lane*. A 2-bedroom apartment is provided by: *Park Lane, Waiea, Waipuna* and *Hokua, Capitol Place*, just one block away from us, provides a 3-bedroom unit to its General Manager.

4. Does this mean that Walters Miranda is leaving? We have no information to suggest that is true. However, we know that at some point, we will have to find a replacement for Walt. When that day arrives, we hope to be able to attract a person with a similar set of qualifications and experience.

5. What are the costs to the Association?

a. What is the difference in cost between a 1-bedroom and a 2-bedroom apartment? Since April 2020, there have been

six 1-bedroom units and twenty-nine 2-bedroom units sold at HPP. The average price of a 1-bedroom is \$534,000; the average price of a 2-bedroom unit is \$615,000. Data has been obtained from <https://www.oahure.com/>. We did not include the sales of 2-bedroom penthouses or the largest 1-bedrooms (the 01 units).

b. Where is the money coming from to purchase this apartment? Our plan is to sell our 1-bedroom unit and use the proceeds towards the cost of a 2-bedroom unit. The difference, approximately \$81,000, will come from reserves. Essentially we are investing in ourselves. We are trading one asset—cash, for another—real estate.

c. What will the Board do to hold down costs? The Board will consider an unimproved or unrenovated unit to save money with repairs and renovations done in-house. A foreclosure, should one become available, will also be considered.

d. What are the realtor fees, closing costs, etc. to the Association? These costs will depend upon market conditions at the time.

e. Aren't the maintenance fees for a 2-bedroom unit higher than for a 1-bedroom? Won't the association have to pay those higher fees for the General Manager's apartment? That is correct. The difference is about \$250/month.

6. What are the chances that this purchase will increase my maintenance fees or result in a special assessment? Hawaiiana Management says that HPP has a healthy and enviable financial position. We can afford this investment without a special assessment. It will not contribute to upward pressure on maintenance fees. In fact, keeping and hiring a General Manager with the needed skill set and experience will save money.

7. If the Board purchases a 2-bedroom apartment, who will own it? The apartment will be wholly owned by the Association.

8. Why not just rent a 2-bedroom apartment for use by the General Manager? Doing so would not be the best use of the Association's funds. It would not build equity or grow in value over time.

9. I already voted. Can I change my vote? Yes, simply date and sign a new ballot form, which will supersede your previous vote.

In March 2022, owners received a letter from Hawaiiana Management Company concerning "Proposed Bylaws Amendment to Authorize Board of Directors to Purchase Unit for Resident Manager's Use Without the Consent of Apartment Owners." It contained several references to our Bylaws and to sections of the Hawaii Revised Statutes. However, it did not include a discussion about why your Board of Directors asked for your "Yes" vote.

Our General Manager has a one-bedroom apartment provided and owned by the Association. The Board of Directors believes that the General Manager, both now and in future, should be offered the use of a two-bedroom apartment. Your "Yes" vote can help make this happen.

As the number of residential condominiums in Honolulu increases, they all compete for top general manager talent. While Honolulu Park Place can afford to compete with these other buildings in terms of salary and benefits, offering only a 1-bedroom apartment places us at a disadvantage.

The Frequently Asked Questions (FAQs) included here will hopefully answer any questions you may have.

It is requested all owners COMPLETE, SIGN and DATE a Written Consent Ballot. Resident owners can turn in their ballot to HPP staff. Non-resident owners can send their ballots to Hawaiiana Management via fax or email address listed on the ballot. The deadline is March 27, 2023.

Owners who have questions regarding this matter may contact our Property Manager, Craig Richter of Hawaiiana Management Co., Ltd., at 808-593-6361 or via e-mail: craigr@hmcmgt.com.