

## **A VERY PRODUCTIVE MEETING WITH ANDREW CRAMER**

**9/2/15**

Today at 12:30, Andrew Cramer and Danielle joined my wife, Elna, Karl Kolthoff (owner of cabin U-10), and me at our cabin U-4 to discuss the items on our agenda previously posted. Scott Holland (owner of cabin B-8) joined us near the end of the meeting.

Andrew prefaced the meeting by recognizing that he had prejudged the cabin owners at Whaleshead because of his experience at his other RV parks, which are not the same quality as Whaleshead, nor are the clientele as informed as the Whaleshead cabin owners. His other parks are often in less desirable areas of Portland, and he has to contend with tenants with drug and other undesirable issues. Only until recently did he come to understand that Whaleshead is different, with more complex issues. He realizes that his previous strategy was not very successful, and he is very interested in working with the cabin owners. He strongly supports our efforts to organize all of the cabin owners into a cohesive group, and it is much easier for him to work with an organized group rather than a hundred different cabin owners. Unfortunately, he does not have enough time to devote to Whaleshead for ideal communication, but he is very willing to work with a cabin owners group to try to understand our concerns and work with us.

### **CABIN OWNERS' GROUP**

Andrew's attitude was very encouraging, and we embarked on discussing our agenda items. We explained that after our last meeting, which wasn't very successful for either Andrew or the cabin owners, we began talking to our neighbors, who then talked to their neighbors, and with a lot of work on the part of a number of cabin owners, we have been able to build an informal cabin owners group consisting of all but about 15-20 owners (out of a total of over a hundred). We are still working to include those missing owners who have not yet responded. We explained that there are three basic groups of owners (residents, non-residents in the rental pool, and non-residents not in the rental pool) and even though each group has some different issues and interests, we all have a common interest of protecting our investments and our lifestyles. Andrew appreciated our situation and was interested in our ideas and concerns. We pointed out that because we can't move our cabins, we are stuck with Whaleshead and Whaleshead is stuck with us, so we should consider ourselves partners and certainly not adversaries. There was no disagreement in this general philosophy.

### **WHALESHEAD GOALS**

We discussed future goals for Whaleshead and Andrew's visions for a "five star resort". We advised Andrew that most cabin owners envision Whaleshead becoming a five star resort by improving the infrastructure, having clean cabins and a well run management, and having guests at Whaleshead who would give a rating of five stars after their enjoyable visit. Andrew has (or had) a more traditional view of a five star resort with more luxurious accommodations and more amenities like a pool, spas, etc., but he fully appreciated the views of the cabin owners and appeared willing to temper his views. Being frank, he said that his ideal would be a resort with many more rental units, but he understands that he may never be able to accomplish that with Whaleshead, particularly as he begins to understand what

Whaleshead cabin owners want. He pointed out that his other parks are very different, and Whaleshead is unique in that the value of the cabin owners' property is worth more than the park. So he recognizes that his strategies must be very different as he accommodates the concerns of the cabin owners. Andrew seemed very interested to hear what cabin owners want and definitely wants to work with our group. We pointed out that the new cabin recently built on the burned out space near U-17 doesn't conform very well to the theme of the rest of Whaleshead and that some recent park models just brought in to Whaleshead don't appear to be up to "five star standards". Andrew asked to give him some time to add decks, paint, and other modifications to the units to give them a more conforming look. The park models just brought in will likely be placed in some RV spaces in the lower section. He hasn't yet determined whether he will offer them for sale or rent them.

## **AMENITIES**

We discussed some possible amenities that have been mentioned in some recent emails. We explained that of the emails and phone discussions that I have received, only one owner has promoted the idea of a swimming pool. There is, at this time, an overwhelming lack of support for a pool, especially considering the limited season that it could be used. Andrew was a bit surprised, but he noted that a pool might cost around \$250K, so if there was a lack of support, that cost could be saved. In keeping with his concept of a five star resort, it was just an idea he thought the owners might like. But he is not trying to force a pool on the owners.

## **DOCUMENTS**

Next we discussed in some detail the various documents recently posted on the website, including the 99 year "Space Lease Agreement, the new monthly rental agreement, an untitled document, and the new rental pool agreement. There has been much discussion among cabin owners possibly led to believe that the monthly rental agreement was a substitute for the 99 year lease agreement, which might not be available for future cabin sales. This misperception was put to bed immediately. The 99 year lease agreement is definitely available for any future cabin owner, just as it has been in the past. We emphasized that this is a necessity since any current or future cabin owner must be assured of his space for his cabin. Andrew didn't feel that 99 year lease was that important to a cabin owner, because he advised that Oregon state laws prohibit any landlord from removing an owner who is complying with the rules. We, however, do feel it is important since it not only assures the cabin owner of a space, but it also places limitations on the what the lessor can do and it also defines what the duties and responsibilities of both the lessor and the lessee are in order to be in compliance with the lease. We discussed the limitation of the lessor of increasing the lease rate a maximum of 10% per year, and it was refreshing to hear Andrew's response that the state law would never allow him to increase the rent 10% every year and he has absolutely no intention of ever doing that. So from his point of view, this 10% limitation was of little value to the cabin owner. We found his reaction interesting as well as comforting. We also discussed editing the document to eliminate some of the redundancy and unclear statements. Andrew was receptive to modifying the document to "clean it up" if the cabin owners would like to have a hand at it. We thought that could be beneficial to both Andrew and the cabin owners. The "bottom line" of this discussion is the cabin owners should not be concerned about loss of

a long term lease agreement and subsequent loss of value of their cabin, plus we can possibly improve the lease agreement to be beneficial to everyone.

With regard to the new “Monthly Rental Agreement”, we pointed out that this did not seem to be applicable to the sale of a cabin – it seemed more applicable for a short term rental of an RV that could be moved, such as a trailer parked in space for a few months. While he saw the logic in this description, Danielle noted that so far three new cabin owners have signed the agreement with apparently no issues, so he didn’t understand the concern by the cabin owners. We explained that the concern was really that some people understood this was a substitution for the 99 year lease agreement. We didn’t have time in our meeting to go over the monthly rental agreement in detail, but Andrew advised that if we see a significant problem with signing the agreement, he’s quite willing to address that concern. We suggested that we examine the document in some detail and determine if we see any areas of conflict or concern by the cabin owners.

Next we briefly discussed the untitled document that Danielle noted was a “Statement of Policy”. We did not have a chance to go over the document in detail, but cabin owners should look over this document and note any areas that appear to conflict with the other documents. We can provide these concerns to Andrew and then mutually decide how to resolve any conflicts.

## **RENTAL POOL**

The new Rental Pool Agreement and the new increased fees were discussed in some detail because this significantly affects about one third of the total cabins owners who are in the rental pool. Andrew has stated a number of times in the past that one of his goals is to get all non-resident owners in the rental pool. There was considerable discussion on this subject because it is here that Andrew and the thoughts of the cabin owners are probably most “out of sync”. We showed Andrew an example of fairly typical monthly cabin owners’ expenses and fairly typical monthly rental income, with the conclusion that expenses exceed income. Therefore, one might ask what incentive is there for a future cabin owner to participate in the rental pool? Andrew countered with the point that even if rental income is less than the cabin costs, the income can at least mostly offset the costs of owning a cabin. This is a good point and in fact is likely the main reason cabin owners do join the rental pool – they get to own a cabin that is mostly paid for by the rental income. Still, we pointed out that of the many emails I have received from cabin owners not in the rental pool, not one has been interested in joining the pool. Either they have already been in the pool and determined that the negative aspects of renting were not worth the income or the owners were simply never interested in renting their cabin that they intended only for their personal use.

Since Andrew still wants to pursue incentives for owners to enter the rental pool, we pointed out that the new fees and increased percentages that management takes are a direct incentive NOT to join the rental pool. And in fact, instead of new owners wanting to join the rental pool, a number of owners now in the rental pool have stated that the new fee structure decreases their income by as much as 35% and they are now intending to leave the rental pool. So we discussed what can be done to turn this direction around. We discussed the nightly rental rate and how it compares to other accommodations in the

Brookings area. It was felt that for the amenities offered at Whaleshead (nice cabins with kitchens in a beautiful environment), our rates could be increased and still be very competitive with other accommodations. Increased rates could also attract a better clientele, which could alleviate some of the rental issues owners have had in the past couple of years. Increased rates would provide more income to both Whaleshead and the cabin owner. We recommended that Andrew rescind the increase from the 30% to 40%, and he agreed to do so if we could increase the nightly rental rate, which seems like a win-win compromise for both Whaleshead and the cabin owners. Danielle agreed to survey local rates for comparison to determine how much Whaleshead could increase rates and still remain competitive. Trying to come up with creative ideas, Andrew suggested we might want to consider including a breakfast, now that the restaurant is open again. A 10% across the board increase in rates was discussed as a starting idea.

We also discussed rental cleaning costs, which have now been changed from a laundry and hourly cleaning fee to a flat rate fee of \$50 for a two person cabin, \$75 for a 4 person cabin, and \$100 for a 6 person cabin. These fees seemed to be justified in general, but we pointed out that in some cases a one night stay may leave very little for the cabin owner, therefore forcing the cabin owner to make his cabin available for only two or three night minimums. An example was given for an owner who rents his six person cabin for \$150 for the one night. The cleaning fee of \$100 leaves a net income of only \$50 which the cabin owner then splits with Whaleshead, leaving the cabin owner with only about \$30. Andrew pointed out that with six people, the gross income would be more than \$150, but even though the cabin may sleep six, only two people might rent it for the night. The current fee structure determines the \$100 fee for a six person cabin even if only two people stay in it, so Andrew suggested we might want to change the structure to base it on an occupancy level instead of a cabin capacity – in other words, the \$50 fee could apply to even a six person cabin if only two people stay in it. Andrew is receptive to these changes to make sure the cabin owners are treated fairly. Danielle noted that she will have to see if the new computer software can accommodate such changes. Also discussed was the increased hot tub fee from the previous \$50 per month to \$100 per month. It was felt that the true costs for maintaining a hot tub justifies the increase.

Other ideas for improving the rental pool included establishing an inventory so the maids could easily compare the condition of the cabins before and after a renter leaves. The most promising suggestion seemed to be to begin requiring a \$100 security deposit before renting, which would be returned to the renter after cabin inspection. It was felt that having a security deposit would at least put the renter on notice that what he might walk off with might be charged to him. The current policy of no security deposit tells the renter that there are likely no consequences if decides to check out with some of the cabin owner's belongings in his suitcase.

After this discussion of ideas we pointed out to Andrew that while we can improve the incentives for owners to join the rental pool, at this time the responses we have received from cabin owners not in the pool have shown little to no interest no matter what the rental income might be. Most non-resident owners not in the rental pool are simply not interested in renting their cabin. Many have too many personal items in their cabins and don't want strangers in them. Many have invested in upgrades in their cabins for their own personal use and consider them too valuable to allow renters to use. Still,

over time, if the rental policies do prove to be more financially rewarding and better management improves cabin owner's security, a few more cabin owners might join.

### **SUGGESTIONS FROM CABIN OWNERS**

Discussion turned to what cabin owners want. A number of cabin owners have written emails and/or letters to both Andrew and Danielle and disappointingly, have not received responses. At the very least, this degrades the attitude of a "partnership" between Whaleshead and the cabin owners. We discussed how to improve this two way communication. Andrew struggles to find time to adequately manage Whaleshead with his other properties, especially when Whaleshead is a six hour drive from Portland. So he welcomes the idea of a cabin owners group so he can communicate with a single entity rather than a hundred cabin owners. Whaleshead is interested in surveying the cabin owners for improvement suggestions. The survey will come from Andrew, but the cabin owners can first offer suggestions for what might be included in the survey. Our current cabin owners group can offer these suggestions via email and our website and we can forward these ideas and concerns to Andrew for inclusion in the survey. We cabin owners should work on this idea in the coming weeks so that a survey can be circulated soon.

### **INFRASTRUCTURE**

After about two hours we were running short on time, but we wanted to at least discuss plans for improving the infrastructure of Whaleshead, particularly the roads and the water system. We would have liked to have had more time, but we determined that for the roads, the current plans are to patch the bad spots in the pavement. Whaleshead is in the process of obtaining bids to get this accomplished. Regarding the water system, Andrew advised that we have enough water source capacity but we are short on storage capacity. To eliminate the water shortages of last summer, Whaleshead is in the process of installing more tanks near the higher elevations. While we did not get a chance to go into details, Andrew feels that with the additional storage capacity, we will not experience the previous problems of a lack of water to our cabins.

### **FUTURE MEETINGS**

We asked Andrew about the possibility of future meetings. He suggested the cabin owners group communicate with him by email if possible, but perhaps a barbeque might be a good way to get together with as many cabin owners as possible in an informal setting. His schedule doesn't permit him to spend much time at Whaleshead, but if we could plan a mutually acceptable date for a get-together, he would attend.

Overall, we agreed our meeting today was very productive as well as encouraging.