

Hurricane Matthew

Summer House Hilton Head Damage Report 2016



DECEMBER 15 2016

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INTRODUCTION FROM RICHARD SCHULMAN

Hurricane Matthew was the worst storm to hit Hilton Head Island in more than a hundred years. There are areas of the island that were devastated by the storm, and it will take years to recover. In the case of our Summer House community, the damage to our buildings has not been significant (less than \$20,000 in damage).

However, the damage to the trees and landscaping has been far more extensive. Tree contractors have been working for weeks and it is expected they will continue for several more weeks to remove broken, uprooted, and damaged trees. At this point in time, we do not have a final cost for all the tree work that is going on or that will be necessary; it could range from \$150,000-\$200,000.

Based on the fact that the damage to the community was due to a named storm, our insurance deductible is based upon a percentage of the insured value for each building.. Therefore, costs associated with tree work are not covered by insurance and it is expected that the costs associated with the hurricane will have to be borne totally by the homeowners of Summer House.

The Board of Directors of Summer House has determined that the most cost efficient method to pay for the storm damage, and at the same time to minimize the impact to each homeowner, is to increase the HOA fee for one year rather than levy a special assessment. Since we do not as yet have the total cost of the damage because the tree work is ongoing, we can only estimate the increase in the HOA fee for next year. However, the Board wants to give the homeowners a heads up of what is going to happen.

Our best guess at this point is that the monthly HOA fee will increase for 2017 within a range of \$65 to \$90 a month. At the end of 2017, this surcharge will be removed.

As soon as we know the exact amount of damage to our community, we will let each homeowner know the exact increase in your HOA fee. We expect to get this information to each homeowner in the second half of December, so we can adjust the HOA fee starting in January 2017.

This is not the kind of news we like to present, however, a hurricane is beyond anyone's control, and keep in mind that we were very fortunate to escape with little damage to our buildings. Look at the rest of the island, and be thankful that you are a homeowner in Summer House.

Sincerely,

Richard
Richard Schulman
President of the Homeowners Association
November 2016

UPDATE FROM DAVID BENEDICT 12/1/16

As Vice President, the board thought it prudent that I compose a brief summary of our perspective to you concerning the cleanup of Summer House, one that could be shared with owners, residents or anyone else interested.

As cleanup of our community has proceeded, the board and AiM have received numerous inquiries, comments and thoughts from both people on property and non-resident owners. The verbal comments we have received while walking the property have been exceedingly positive as have the comments received by the work crews onsite. They have communicated to us that our residents have been kind, supportive and thankful. Most written comments have been constructive and ask questions I will attempt to answer later, and a few have expressed anger after the "sticker shock" set in (understandable). A very few have seen fit to personally attack the board and AiM, even implying there was malfeasance of some kind. I don't believe these few have even been on the property and their communications won't be dignified with a response.

Most written comments were received following Richard emailing everyone with preliminary cost estimates. I must emphasize that that email contained "preliminary costs", and I don't think we will have final numbers for a week or so. Keep in mind that these "final numbers" still leave a bunch of tree maintenance to be done over the next 3-4 years.

The good news is that Hilton Head hasn't had a direct hit from a hurricane for about 100 years. (Random number theory tells it could be another 100 years before another direct strike or it could be next week.) The bad news is, which any property owner can speak too, the town of Hilton Head Island has made trimming and / or doing maintenance removal of trees exceedingly difficult, resulting in a heavily forested and wildly overgrown environment. Not so heavily forested anymore! This year Matthew took care of that for us, causing stunning damage island wide that will take over a year or more to clean up.

We, as a volunteer board, have learned much, as I suspect has AiM. We were faced with an event none of us had ever encountered or imagined, and we proceeded with care, keeping in mind we represent the interests of the homeowners, which includes everyone on the board.

The first step was an attempt to obtain quotes for our cleanup, attempt being the operative word. Jamie was on property as soon as the bridge reopened. She began contacting tree removal contractors (with arborists) as did I from my "evacuation" hotel in Charlotte.

In a normal situation, we would send out RFP's, try to obtain 3 bids, and then choose a contractor, the process taking a month or more. We were/are in an emergency situation and made the decision to contact the usual suspects: ArborNature, Jones, Bartlett, Leonard Mink, Yazmin, etc. Most didn't respond much less offer to quote. Of the few that did actually quote, Bartlett was the lowest bid (\$100/hour/crew less than Yazmin) and they were ultimately contracted to begin with the most dangerous situations and then go from there. Bartlett began their work, left a mess and were never seen again! Calls to them went unanswered, so the process was restarted, with the same lack of response.

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During our attempts to move on from Bartlett, Jamie was contacted by Action Tree Service, headquartered in Kentucky, but doing business in SC for 5 years. They had finished a job for FEMA in, I believe, Beaufort, and were actively asking to bid on work in Bluffton and Hilton Head. Their initial bid to Jamie was higher than Bartlett's but ultimately they agreed to match the quote. They were contracted and have been amazingly responsive and ask questions before doing anything. We have walked the property on numerous occasions with Nick Downey (arborist and partner in Action), the last two on a tree by tree basis. There were trees I thought should come down, and they explained why they shouldn't. There were trees that looked fine to me, and they explained why they posed a danger. The question some, including me, raised is why would you remove a seemingly healthy tree. By way of example, one tree I thought was good, the arborist told me was dangerous and would blow over in a storm. It was perfectly vertical and looked healthy, which it was. On our last walk of the property, it had begun to tilt dramatically, and the root ball was beginning to pop through the surface on the side opposite the lean.



This tree pictured was perfectly vertical 10 days earlier. If we had wind and rain before it began to slowly lean, my guess is that it would have come down hard. The arborist was correct in his original assessment.

In my interaction with our contractor, I believe that Action Tree has been honorable and has never tried to "upsell" us.

All involved were at first shocked by the price of cleaning up and restoring our property. Our reserves, like any HOA or COA are funded to take care of future known contingencies such as roof replacements, resurfacing parking lots, etc. In addition, the board also tries to budget for unexpected items such as a failed AC unit at the clubhouse or a failed pool filter. A force 2 hurricane wasn't on ours or, I suspect, any list. Also, you cannot insure against damage to trees only damage caused by trees.

We as a board have been proud that by doing ongoing due diligence, HOA fees have remained constant and are among the lowest of any comparable community. That said, the restoration of our property is not in the budget and funding is coming from reserves, which will have to be replenished.

As your board, our main concerns are the safety of our community and increasing the value to all; the quality of life for residents, whether renters or owners, and monetary value for owners. Taking trees down piece by piece, grinding of all stumps and removing 100's of tons of debris for final extraction by FEMA is, needless to say, incredibly expensive. While you can't compare a property like ours with a large plantation, you can look at the cost per resident. I live in Indigo Run, and we have no idea what the assessment will be. Hilton Head Plantation actually has (had) a "Weather Casualty Fund" which is depleted, and residents have been told to send a "check or provide a

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charge card for \$1,376". Also, HOA fees will be increasing. On the evening news it was said that Sea Pines homeowners will receive an assessment for about \$2,000 this year and next year. The Preserve, like us, is using reserves to pay the current bill. I'm not sure how they will replenish, but I assume an assessment.

We are now almost done with the removal of damaged safety risk trees, stumps, debris, etc. We anticipate a small reimbursement for debris removal from insurance but again, insurance covers damage to personal real property, not to landscape. We have pictures of the damage as well as logs of the crew's daily work. When completed, a portfolio of information will be posted for all to see.

Best regards,
David Benedict
VP Summer House HOA Board of Directors

INSURANCE RESPONSE



November 22, 2016

Kevin Quat
Summer House Hilton Head
380 Marshland Road
Hilton Head SC 29926

Re: Hurricane Matthew, Insurance perspective

Dear Kevin:

As of now, I looked at the damage estimates to the buildings per the insurance adjuster. The damages from Matthew amounted to approximately \$21,000 which is below the per building deductible. This is a good and bad thing. Good thing is that the damage is minimal. Bad thing is that it doesn't meet the deductibles, and again, Summer House has the lowest deductibles available at 1% per building.

In regards to debris removal, debris is considered items that are part of the building that need to be removed as a result of a covered cause of loss. For example, pieces of the building scattered everywhere as a result of it being burnt or blown to the ground. In addition, in most cases, the insurance company will pay to remove trees that are directly on a structure causing damage to the structure. However, the amount paid is a percentage of the total loss minus the building or property deductible. Through my research, we have found that it would be difficult to write coverage for simply just tree removal, and is currently non-existent. Our underwriter has not written a single policy like this, ever, but said it may be possible to explore in the future. Even considering this in the future would be difficult because there would be no way to underwrite the cost of tree removal in the future. We would have no idea what the price will be at the time the loss occurs. Trees are not like buildings, in that we can underwrite buildings on their construction, age, cost of materials, etc. I know you are faced with spending a significant amount on the current cleanup and I have done everything that I can to find applicable coverage with not much luck.

Furthermore, in regards to the trees that are deemed dangerous and need to be cut down; there is no insurance that you can buy for simple, general maintenance. If you have trees that are deemed dangerous, dead, etc. that you have been advised to take down; it is the responsibility of the association, business, or homeowner to pay for that. An example of this would be getting the oil changed in your car; this is preventative maintenance and the insurance company is not going to pay for that to be done. In this case, it works the same and even more so, if you are told that trees should be removed. If a loss occurs as a result of one of those trees (which you were told could be dangerous), then it will most likely not be covered because you were notified ahead of time that it was hazardous.

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These are just a couple of thoughts and points. I am still working on Summer House to see if we can get some relief. Believe it or not this is the same conversation that I am having with the majority of homeowners and commercial clients in this area. Most of them did not have damage to their buildings (which is a good thing) but had 50+ trees down. The insurance dictates that to get "ANY" debris removal (in most cases) the building that is insured has to be damaged.

I will continue the fight on my end but at this point we have exhausted all of our options. Due to the minimal damage to the buildings, there is minimal coverage elsewhere.

Thank you,

Travers Davis, CISR

Account Executive

Coastal Plains Outdoors dba: Barker Insurance

15 Bow Circle Suite 100 Hilton Head Island, SC 29928

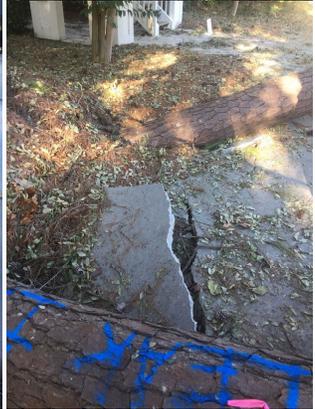
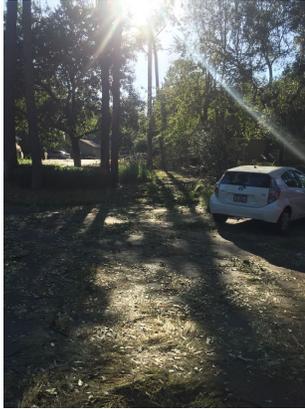
Direct Line: [1.843.384.2903](tel:1.843.384.2903)

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PICTURES OF THE COMMUNITY AFTER STORM



PICTURES CONTINUED



EMAIL TO HOMEOWNERS 12/6/2016

Good morning homeowners of Summer House,

I am writing to you to address a few items worthy of a community update.

It has been two months since Hilton Head experienced the worst storm in 100 years. It has been reported in the Island Packet that the town of Hilton Head will spend \$50M for tree cleanup and the various plantations are spending millions of dollars for tree cleanup as well.

Summer House is almost done with our clean up. We worked quickly to prevent additional building damage, damage to persons or property and as a result a number of trees have been removed that had become safety risks to the owners, residents, guests and buildings themselves. We have been documenting all of this work and once complete, we will distribute a damage report to all owners. Inside this report will be the Summer House Board's email already sent as well as the two attachments to this email. Today's email includes letters from David Benedict, VP Board of Directors of Summer House as well as Travers Davis, the Association's insurance representative. I encourage you to read both as they speak to the process of our Hurricane response.

I'm pleased to share that the Board is **NOT** contemplating a special assessment at this time. We are paying the cleanup and damage bills from the Association's reserve accounts. Since these accounts have specific uses determined by the Capital Reserve Study, they will need to be replenished over the upcoming years. I am pleased that there is enough money to front the mitigation costs, and think that the Board's approach of a relatively small increase in dues for the upcoming years (potentially three) to replenish these funds is a wise and fiscally responsible solution.

If after reading this email and the attachments, you have any concerns questions or comments, please feel free to write me and I will share it with the Summer House Board.

Many other communities have not been able to respond as Summer House has and for that, I am pleased to be a part of the leadership team you have in place. We are committed to the success of Summer House and we thank you for having us as your management partner.

Sincerely,

Kevin

KEVIN QUAT

PRESIDENT

c: [843.290.6463](tel:843.290.6463) | e: kevin@absoluteisland.com

ABSOLUTE ISLAND MANAGEMENT, INC.

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EXPENSES

TREE REMOVAL

Bartlett and Action tree service performed dead or damaged tree removal including haul of debris, grinding and clean up in the amount of \$311,896.

BUILDING AND ROOF

FCC home improvement performed building and roof repairs in the amount of \$15,245.

SIDEWALK

MAJ performed repairs to the sidewalk in the amount of \$1,200.

REIMBURSEMENT TO RESERVES

In order to pay back the total repair costs, the 2017 budget has a new line item titled CDARS Reserves. This expense is distributed as any other within the budget dues calculation.

Cost Grand Total: \$328,341

Over the course of the next three years, the total amount borrowed from the reserves for the storm damage repairs will be repaid in the amount of \$109,447 per year. This amount represents an average 13.5% increase in dues pursuant to the table below.

Unit Type	Size (s.f.)	Prior	Revised 2017	Change
1x1A	769	\$254	\$288	\$34
2x2A	1060	\$350	\$397	\$47
2x2B	1072	\$354	\$402	\$48
3x2A	1292	\$426	\$484	\$58
Garage 1	227	\$25	\$28	\$3
Garage 2	239	\$26	\$30	\$4
Storage	53	\$6	\$7	\$1

TOWN OF HILTON HEAD APPROVAL OF WORK

Below is the received approval from the town for the work the community did:

INSPECTION WORKSHEET (017066-2016)		
Town of Hilton Head Island, Community Development Department Telephone: 843-341-4757. Address: One Town Center Court, HHI SC 29928		
Case Number:	NAT-002101-2016	Case Module: Plan
Inspection Date:	12/08/2016	Inspection Status: Passed
Inspector:	Rocky Browder	Inspection Type: Natural Resource
Job Address:	380 MARSHLAND ROAD Hilton Head, SC 29926	Parcel Number:
Contact Type	Company Name	Name
Owner		[SUMMER HOUSE HOA]
Contractor		[ABSOLUTE ISLAND MANAGEMENT]
Applicant		[ABSOLUTE ISLAND MANAGEMENT]
Checklist Item	Passed	Comments
Comments - Comments	YES	Tree trimming and pruning approved as requested. Trimming and pruning is not to exceed 30% of the overall live believe canopy of the trees and must be done to ANSI standards.


Browder, Rocky (Inspector)