

Shangri-La Shores 2022 Annual Meeting

May 21, 2022 10:15 AM
Coupeville Library and Zoom

Meeting Notes and Discussion - Transcribed notes from Zoom recording
The Power Point is available on the SLS Website

Board Members Present: Lois Craig, Brian Pulk, Billie Alcott, Duane Smith, Beth Binger, Ron Roberts, Dave Heron

Community Members Present: Stephanie Hucik, Eydfinn Tausen, Carol Green, Raquel Nollan, Penny McDonald, Eric MacDonald, Jerry Jaderholm, Kim Jaderholm, Les Dodge, Diane Dodge, Marilyn Pulk, Russ Cunningham, Chris Roberts, James Rudolph

Zoom Participants: Kristi Ingram, Rob Marsicek, Nancy Reed, Claire Amsler, Amy Shatzkin, Derek Jones, Barbara Freeman, Steve Hucik, Kevin Sterling

Meeting was called to order at 10:15 AM.

Lois reviewed the Purpose and Objectives of the Annual Meeting:

- 1) Seek approval from the community for:
 - 2021 Annual Meeting Minutes
 - 2023 Proposed Budget
 - Election of 3 Board Members
- 2) Recap Board actions and expenditures from 2021
- 3) Update status of current projects
- 4) Provide information for community to engage in discussion and feedback for Short-Term Rental by-law revisions
- 5) Elect Board members to new terms

Lois then reviewed discussion protocols for in-person and Zoom participants and reviewed the agenda. She also had Dave Heron hold up the poster of the working guidelines that the Board has established to help us as we work together.

Lois reminded the audiences; the timing of the annual meeting is driven by the by-laws. It is a bit awkward that we are reviewing the 2021 year, while almost halfway through the 2022 year, and approving the budget for the 2023 year. So, we just keep the reminders of the timeline as best we can. Then moved on to the agenda items:

- 1) **Approval of the 2021 Annual Meeting Minutes.** All Board minutes are posted on the SLS Website under the Information Tab. Lois called for a motion to approve the 2021 Annual Meeting Minutes. Dave Heron made the motion, and Ron seconded. All voted with a show of hands. Motion carried.
- 2) Recap of 2021 Board Expenditures and Actions: Using power point slides with pictures, Lois reviewed these 2021 actions and events:

- Rebuilt the bulkhead in the picnic area damaged from high winds and high tides
- Installed a gate to the boat launch area. At this time, there is not a locking device attached.
- Installed signage giving notice that SLS is a private community. (The committee of Kim Jaderholm, Kristi Ingram, and Lisa Trompler researched and made recommendations to the board. They made sure we included the RCWs on each sign or a county sheriff would not have to respond without posting the legal directives from the RCWs.)
- Replaced old steel piping and the well pump with new AVS piping and a 3 hp pump
- Replaced the community buoy after it broke free during a storm. This buoy is used as an emergency tie-up for the float and as a buoy for visiting boats.
- Coated the boat launch road with a sealant to prevent water seepage through the cracks which would undermine the roadbed.
- Received pictures, sketches, designs, and bids for a pier gate to prevent unauthorized adults and kids from accessing the pier.
- Even though it wasn't a Board action, pictures were shown of the snowfall and unprecedented cold spell that happened the end of December of 2021 that we all survived.

3) **Treasurer's Report by Brian Pulk:** Financials were sent out to everybody. As the recap showed we had a few one-time expenses that we were primarily able to take out of our long-term reserves. For the water system, we took \$34,600. The bulk of that was \$27,000 used for repairing the well and those of us who live up here remember not being able to use much water for a while. With that repair, the well is probably in pretty good shape which we will hear about, but it is also very old. The remainder of the \$34,600 was in the planning for the new well.

Common Area long-term reserves, we spent \$10,760 and that was for the signs, the road sealant, the storm damage repairs in the beach area, and gate at the top of the boat launch road and the new community buoy.

If we look at our annual operating expenses, which we account for separately from the long-term reserves, the common area was within budget. The water system was \$3,200 over budget, mainly due to periodic repairs to an aging system, so that is something we will see more of in the future as our current water system pipes and everything are aging and will need repairs to keep things up to the required quality.

So, the end of year balances - the common area operating fund: \$25,000; the water system operating fund: \$19,000; the common area long-term reserve: \$62,000; the water system long-term reserve: \$80,000. We have a total of \$186,000 in all of our accounts. That is a brief summary of 2021.

In 2022, we will be ramping up spending on the new well project. Tom Alcott will give us an overview of the status and spending on that. The estimated cost over three years is about \$240,000 and we will use the long-term reserve funds for that project. We will also use \$7,200 for the new pier gate from the common area long-term reserves. Other than those two, hopefully it will be business as usual this year.

To help us with the shortfall for the new well, we have a special assessment of \$700 a year for the next three years. The first installment of that assessment is due June 30, and will be due June 30 for 2022, for 2023, and 2024. Unless there are any questions, I will talk about the 2023 proposed budget.

Les Dodge: I have one question about the special assessment – Are there any people who have appealed a financial hardship?

Brian: Not that we have heard of.

Lois: But King Water will work with anyone and set up payment plans or whatever works best for them.

Brian: So, for 2023, in our common area we are seeing some increases in ground maintenance as an example, but we do have a healthy operating fund reserve so we are able to keep our annual assessment unchanged for the common area at \$168 for 2023. The water system is going to have to increase. The system is getting older, the maintenance costs are increasing, and we are looking at a proposed increase from this year's \$318 to next year \$350. So the total for both due in January or February will be \$518. It is a \$32 increase. Again, the details of this were sent out and I'm happy to answer questions now or offline. Are there any comments?

Dave Heron: I have a question - What risk factors are we looking at for the water system with the new pump and piping and all that was repaired on the current system?

Brian: Tom Alcott may be able to answer that better, but the pipes, we have the possibility of leaks, and the pipes to homes have been there a long time and as leaks are detected, they will have to be repaired. We have just replaced the pump and the piping going down, but there are risks out there, but we'll see..... If no more questions, is there a motion to approve the 2023 proposed budget? Dave Heron motioned, Billie seconded. All in favor. By a show of hands. Motion carried.

Is there a motion to approve the 2023 water system budget? Duane moved we approved. Dave seconded. All in favor by a show of hands. Motion carried.

- 4) **Water System Report: Current System by Duane Smith.** As you heard with the pump failure last summer, the pipes, and the filter because of rust, we had that replaced. The old pump was a 1.5 hp and we replaced with a 3 hp pump so that it is able to not have to run so long in order to fill the tank. Along with the upgrade to the pump, all new piping and put a brass filter screen down at the bottom for the sand and since then we haven't had a single problem, so it was well worth it. It was more than we initially thought, but once he got in there and saw the aging of what was there. And on the piping which was steel causing the rusting, he put in the hard ABS plastic piping, so we should not have to worry about the rust problem.

Kim Jaderholm: I have a question – When we had the issue last summer – did we buy more sandwich boards so we can post information when needed?

Lois: Yes, and they are being stored in the pump house. Are there any other questions on the current water system?

Lois: So now, I am going to turn it over to Tom Alcott, who is the head of the second well committee. He will bring us up to date on the project.

At this point, the power point slides give an explanation of the status of the second well, and instead of transcribing Tom's presentation, please reference slides 26 – 42 from the website. But as a quick summary – the initial new well location near the Stewart property did not work out, so we contacted Charles Crouse, who has undeveloped property on the west side of the reservoir. He has agreed to sign the easement that was drawn up by our lawyer in exchange for 2 water shares to be installed on his property and connected at a later date. The Crouse water shares would be under the same guidelines as the other properties that only have water shares from SLS.

Steve Hucik asked about making sure the language in the new easement being written by the lawyer for the Crouse water shares matches/covers the water shares that are not a part of the SLS community and Brian said that language is present.

Carol Green added a thank you for the incredible amount of work that has been done and as **volunteers** – the whole group agreed and applauded Tom and Brian. Kim Jaderholm added Billie Alcott and Marilyn Pulk should also be supported for dealing with all the time their spouses have given to this project.

- 5) **Dock and Common Area Update by Ron Roberts.** The float will be installed tomorrow (May 22) and a thank you to Dave Heron for getting everything cleared and moved away for this to happen. Anyone who would like to help can come down about 10 o'clock.

The pier gate status – our good friend Tim Leonard is working on that and it will probably be the middle of June before it is installed. We will see some activity with the gate and the dock being worked on for a couple days. He is a Whidbey Island guy and sometimes schedules are hard to pin down, but we'll get there. Any questions?

Les Dodge: I am assuming there will be some rules and regulations or some other documents about restrictions on the security gate and access – what happens if things are abused or not followed properly? Some consequences if they are not?

Lois: I have checked into that with 8 marinas in our surrounding areas and asked about their procedures for their coded gates or not? Some said they had members fill out a document that is an accountability sheet for correct usage while others did not require anything. That is a discussion we will have as a Board. Eydfinn Tausen was the one who brought this to my attention first about 6 months ago – how do we hold members accountable so the code is not given to everyone and their dog? It is a conversation we have to have, but at that time, we did not know if or when the pier gate would be done, so it is on the radar.

Kim Jaderholm: So there will be a lock on the gate?

Lois: There will be a coded lock on the gate.

Ron: It will be capable of being re-coded when needed, so there will be that system.

Discussion about the coded locks along with repeating some of the questions that could not be heard for the Zoom participants continued.

6) New and Old Business: Short-Term Rental By-Law Revisions.

Lois read slide 45 - The Shangri-La Shores Board of Trustees has a fiduciary responsibility to protect the assets of the community.

Before the Board can proceed with defining and clarifying the short-term rental policies in the SLS By-Laws, a general direction is needed from the membership on acceptable course of actions.

Lois: A Short-Term Rental committee got together met and two representatives from that will talk about the challenges of short-term rentals and celebration/benefits of short-term rentals before we open it up for discussion.

We will start with Ron Roberts. Each also submitted power point slides and have not seen what the final slides' presentation form, so they were gracious to let me format each slide.

Ron Roberts: So the first thing – these are some of my ideas and ideas from other people who have given input. So

- 1) Feeling the loss of the community culture. As we migrate from knowing everybody to having strangers among us, we feel like we are losing the community. These people are generally well-behaved but don't have the same level of respect for the history and community property. It's a matter of those who live here and those who come to spend a couple good days and have fun. The last thing I mean on that is trust. When you know people, you have a different level of trust than if they are strangers. This is particularly important to me as the boathouse owner. It is eligible for people to pilfer anything out of that – so that is what I meant by that one.
- 2) So one of the challenges we have is we have put out a lot of rules and we have asked these renters to go through these – the SLS rules plus some county rules. But we still end up with some noise violations, lot of cars parking, trespassing on private property, picnic area usage – I don't think we have ever had anyone bring their own firewood – there is the trash cleanup. And now with the new gate on the pier, we have dock and life preserver issues that need to be managed.
- 3) All this puts an extra load on the Board and the membership in general. We end up being the policemen, both with short-term rentals and policing non-SLS people trying to use our property. We still have people coming down our beach from north of our property and want to try to use our facilities. One of the problems, I've had last year is trying to figure out the people I don't know – who are short-term rentals and who are people just trying to use our facilities. There is also a maintenance issue involved on maintaining the short-term rental list, contact points, handling the complaints and follow-up, and assuring the level of insurance and the unit suitability for the STR is being maintained. We recently as a group looked at the RCWs (Revised Codes of Washington) for short-term rentals and there are a lot of hoops that you are supposed to go through that you need to make sure for CO2, fire alarms, map of the place, listing of all the emergency numbers, There are quite a few rules to follow. The people who are

using a platform such as an AirBnB are very aware of that because they have to go through all those hoops to be part of the organization.

- 4) I am looking at this and we have a little problem with it now, but if we allow the short-term rentals to grow, it is going to get to the point that we have to have someone manage this for us because it becomes too much to ask the Board or the membership to try to handle. That's it. Challenges

Lois: Thanks, I am going to turn this over to Beth Binger to talk about the benefits of the short-term rentals.

Beth Binger: As someone new to the community, I definitely respect those challenges. Carol?

Carol Green: If I understand correctly, there are two types of short-term rentals – STRs that are run by those who own the home and there are short-term rentals being run through Airbnb, or VRBO, and the like? Correct?

Beth: If they are booking on a booking service like an Airbnb or VRBO, the residence is still owned by the owner – it is not owned by the booking service.

Carol: I understand that. But it is monitored by the one of the big platforms.

Beth: That is one of the big points I want to make because the security, the transparency that comes from using one of those big platforms is a tremendous piece of mind for me and the community. Airbnb alone provides the homeowners – well, they are a 4 billion dollar company. Let's start there. Hundreds of thousands of rentals and they provide a million dollar insurance policy to all of their owners and they just instituted a similar insurance policy for all of the renters. And they do – it is a peer review system, so it is monitored. Every single guest has to write a review and then every homeowner has to write a review on the guest. So we are reviewing each other. Did the property meet the guest's requirements when the guest checked in? Then, did the guest obey all the rules, follow all the HOA community rules and then I report that back to Airbnb. So by having Airbnb, it protects the whole island, not just our community, Because if the guest is a bad actor, Airbnb hears about it and if it is repeated they get blocked from using that platform.

So mainly, why even go through around this hassle? Because as Ron said yes, there is a downside, there are hassles – there might be garbage around, they might use the firewood....there's no question that having folks in the community that we are not familiar with, that we are not comfortable with that we don't know. I have to say I personally have not received from the community any complaints or received calls from Ron, or Duane, or Lois saying, "Hey, you've got some rowdy folks in your unit." For the past year and a half I've had superb guests and terrific experiences. Overall, one gal did lie to me – I do not allow dogs - lied and said she did not have a dog, but she did have a dog and that was caught on camera. So those were sent to Airbnb and because she actually checked the boxes and lied about it, they did take action. So again, the more eyes the better.

But the whole purpose of having this is to yes, grant access to folks who otherwise couldn't afford to buy in a community like this, but on the island, it gives them an opportunity to spend a minimum – plus I have a minimum of 3 nights in the winter and 5 nights me personally during the summer. So I am getting folks that are longer term and really

committed to enjoying their time. I don't want a two night stay and having this constant churn – so that's just a personal decision I have made. During the summer, I am requiring 5 nights because again, we don't want a lot of churn.

But I think short-term rentals are hugely beneficial to every community. They are obviously popular globally. They give folks an opportunity and we have all probably stayed in the short-term rental. It gives folks an opportunity to go to a new community for a week at a time, enjoy the amenities, have a kitchen, and then it brings tremendous amount of tourism dollars. I think Oystercatcher, Touch of Dutch, Vail Wine Shop and many others. These businesses would not survive if we had no short term rentals on the island.

I am personally advocating for an equation of about 10% and that's industry standard. There are some communities that are like beach front communities that will go as high as 30% because they are more of a short-term rental neighborhood. But municipals – cities, municipalities, counties across the United States, I could say 90% of them from our research have capped it at 10%. That's a way that maintains community character and culture and still grants some access to short-term rentals. It creates an ecosystem that feeds all of these businesses that we all enjoy and we all participate in as well. So, these tourism dollars help subsidize our own great lifestyle. That's why cities allow TOT taxes and they all pay taxes of course through these taxes through these platforms and Airbnb is the one that pays all of the taxes. It is something that as owners we do not have to do – it is automatically done. Yes, Carol?

Carol Green: Is there any drawback, or is there any way our community can be held responsible for incidents that happen at short-term rentals that are not going through Airbnb or VRBO that helps cover some of that – are there any repercussions for people who are doing it completely on their own to our community?

Beth: Well, there is tremendous liability and that's my whole point. There is transparency in making folks register via Airbnb protects us. I won't have anybody – except one – my very closest neighbors have friends coming up for the Coupeville Arts and Crafts Festival and asked if they could use the place. I did not want them to be forced to pay the Airbnb taxes and so I said yes. But I won't have anybody – not even extended family or friends stay in my place without registering with Airbnb because that protects me. If they burn the place down, I have of course homeowners' insurance, but I don't want to use my homeowner's insurance and it protects the community.

And another, I would like to cap it at 10% and have a requirement in the by-laws that they have to use a platform that have these protections for liability. It has to be a platform that has that safety net for our community. We don't want people just 'wild westing' it and saying sure to anybody and collecting those rental dollars and not having that security.

Dave Heron: So let's say we have guests that don't pay and just use my house for the weekend. What's the liability in that?

Lois: So let's do this and have Beth finish and then bring up the discussion points.

Beth: And I am almost done. I have made the majority of my points, but we are doing now a better job of securing all our assets. Already in my list of rules and I write everybody and say for liability reasons, folks will no longer be allowed on the pier. They can't spend

anytime on the pier. Plus it will be locked, so they can't anyway. We have a gate at the top of the road. So they can't drive a car down to unload a bunch of stuff. I would like it so they can still walk their kids down there and walk along the beach. Everybody loves to do that.

So what we are doing is protecting our assets from anybody who might come in and fall off the pier. So having that security, a) we are doing a great job already protecting our assets from the general public and b) we are communicating that to our renters, so that they know before they even get there, they are not going to be able to go out on the pier.

Lois reviewed Beth's slides with her.

Beth: And just of course, a platform carries high insurance, they collect data on all the guests, they offer our community financial and legal assistance.

And another transparency as Dave mentioned. As a homeowner, you can of course, and you have homeowner's insurance – you can host anybody you like. If you are doing short-term rentals we should definitely demand this transparency.

And I think that's it. And let me leave you with the reason why I even do this because I am personally a very private person and I like my stuff the way I like my stuff. I am a Type A personality and I think my family was shocked – “You are going to let people come in and you know..... sleep in your bed? Oh creepy, creepy...” It was creeping out my family and I thought well let's just see how it goes because I can always take myself off the platform. Because I had never done this – it was a whole new adventure a year and a half ago. And then you get notes like this –

My wife and baby daughter had a blast on Whidbey. Besides all the beauty and the parks here, the highlight of it all was Roberts Bluff Bungalow. Pictures don't do it justice. It was cozy and warmer than we expected. Super soft sheets and bed, great Mt. Baker views, having the fireplace and my favorite book with me with the rain falling. It was quite the experience. You have a beautiful piece of heaven right here and we are grateful you shared it with us. We will be back.

Beth: And every guest, ever single guest writes that. The first I do when I get to the Bungalow is read all the reviews and think. Okay, I can wash all my sheets twice! (laughter) and thanks I will sit down.

Brian: Did you say that your short-term rental people would not have access to the pier?

Beth: Correct. They are not allowed on the pier. They don't get the code.

Brian: Do the advertisements for the short-term rentals include the pier as an attraction?

Beth: It did. And I rewrote the whole current review.

Brian: So just yours. How about all of them?

Beth: I don't know. I haven't checked on the others.

Eric MacDonald: Mine does. Interesting and I will probably change it. It saves me a lot of hassles trying to get door codes and whatever else. Yeah, there is already a thing on there that says I will not provide life preservers. If you want to go on the pier, you will want to

bring your own. Actually, I think that is a great idea not to provide access. I will probably change that. Amy and I will have to talk about that first, but yeah. And I didn't really think about the driving down the boat launch road, but I will put that on there, too. I will put that in my rules. They both make sense to me. I just hadn't really thought about it.

Lois: I also want to add Amy Shatzkin, is on the Zoom chat and she writes, I would also note for benefits, we are renting our house (she is on Pullman) as a short-term rental to be able to afford being up here, full-time sooner, and it could be a platform like Airbnb or a property management company. The property management company we work with requires we have specific liability insurance as well as our own.

Kim Jaderholm: So Lois, are we now

Lois: Yes, I am opening up the floor for comments.

Kim: So I am a full-time resident that is fortunate enough to live on the beach. We see and experience things that others don't (*Lois asked Kim to come closer to the mic so the people on Zoom can hear.*)

Kim: So where our house is located we can see and experience more than other property owners. I appreciate everything, Beth, that you have said and what you do and this is a very sensitive and awkward conversation. Because we have neighbors two houses away, and I don't know if Kevin Sterling is on the call, (*Lois replied yes*) that are super conscientious. Everything we have brought to their attention has been acknowledged graciously, and there is not really anything they can say but I am sorry, and I have not words what to say occurred at your home on our property – any of that sort of stuff. And so, I don't tell the Sterlings everything that I could bring attention to. I wouldn't call you. I don't want to be that neighbor that says, "Hey, you don't supply the life jackets?" So when you get the group with a toddler and they are running up and down the pier. Those of us who have been here for a really long time, don't want to be the police. We are watching the toddler from the rental running up and down while the parents are up in the playground and screaming to their kids not to run to the far end and the kids are going under the sign at the far end. I talked to the Sterlings - only when it is a dangerous situation will I say something. But as I get older, if people want to be stupid, I kind of think they are going to have to suffer the consequences.

It is very awkward for those of us that are full-time residents to pick up the garbage or go down and put out the fires because they haven't put out the fire, or look at the kids that are trying to float on driftwood with a tide that they probably need a life jacket. It is such a sensitive and awkward conversation because I value my neighbors. The short-term rentals do put a strain on those of us who live here full time and are the ones to police. Last year, we had a burn ban, so you walk down to the folks and are like, "Hi, How are you? "Or we are good – we just love it here." "Okay, guys, you have to put out the life – there is a fire ban." "Oh, I wish somebody told us." "Well, that's me."

So it is a very delicate balancing act and respecting people's personal property? We have people sitting in our lawn furniture. A couple weeks ago we had somebody walking across our deck. And I went out and said, "Hey, Can I help you?" And they were like, "Oh sorry. We didn't think anybody was home." And that is not from Belvedere. I know exactly – it

was from a rental in our community. Belvedere has their own issues – these are Shangri-La Shores.

Jerry Jaderholm: We have had people asleep at 6 in the morning in the logs in front of our house. About every other year, they drank too much the night before from the community from a rental up on the hill. People that come on our deck, because we have a road that comes down, they think that is the access point. They don't get the twenty foot strip of grass next to Eydfinn's place is the path – our tract. So they come down our road. There was an 80 year old lady with her granddaughter coping an attitude on our deck (Kim: outside out kitchen) and what do you do? You ask them to move it along.

Kim: So I would say, I really do like the idea of restricting the pier to only residents and the boat launch. Last year, we had a couple rentals that had people with 18 – 21 foot boats trying to launch. And we have, it's a little, we don't know that, and I don't know that Airbnb, but as people who own properties and have long-term rentals, we are responsible to make sure we've got the smoke alarms, the carbon monoxide, the fire extinguishers. I don't think that is a community deal, that should be the private homeowner, but I just think that there are a couple people, and Beth, I love you and appreciate everything you've done. In your rules, it says they can't use the pier, they have and they do. You are not here to see it and they are all very sweet and respectful and that is true at every short-term rental. And I want to say the flip side of that is sometimes when owners have guests, they are not any different. I don't want us as a community to gang up on short-term rentals and renters because we also have bad behaviors from owners. Just to be fair there.

Dave Heron: So it is an issue with long-term rentals as well. You know who the tenant is, but you don't have control of who visits them and that type of thing, so that has been a bit of an issue.

Lois: And our community members. Some of our community members have moments when their people come in and they are not exactly the greatest actors.

Jerry Jaderholm: Dave brings up a good point. We have had rentals in SLS since the 80s. We do short-term, we do long term. Whether you do 6% or 10% rentals in the community, there is not a perfect zone. There is a problem how to handle – nobody wants to complain. Property owners... *(Jerry moved closer to the microphone since it was hard to hear on Zoom).*

Jerry: So I think the underlying problem – we do short-term, we do long-term.... We have been in the community for a long time. We are ultimately responsible and if we have a person doing something that is against the by-laws or something dangerous, we promote pure safety and we are always throwing life jackets on kids or questioning others and its tiring. Because we are ultimately responsible for it. There is not a mechanism – if you do not want to police it – then we should not do it. We are either all in or all out. If there is not, you know, they should have a business license basically, they should have enough insurance to indemnify the community. We have more insurance than the entire community coverage for itself on our rental houses. We feel good about that. We stay on top of our renters and right now we have a long-term renter in our SLS property. A lady and she knows exactly what the rules are. It is a cop out to think in the short-term rental program, people do not know the rules. We've done the short-term. We make sure they know the rules. If they are having a fire, they are going to put that fire out, not just walk away from it.

Now if they don't do that, with a lot of the rules in SLS, nobody wants to call their neighbor to tell them there is a problem. They always call the Board, "Hey, so and so is doing something. And the Board responds go talk to them. And then they don't do anything so maybe it is not that big of a problem. So everything just gets shuffled under the table.

If we are going to run short-term rentals or long-term rentals, there should be open guidelines with some type of mechanism to enforce them., that is all agreed on by the community. So that, whether you are new to the community or you have been here forever, you are not just calling Board and thinking (as an example) Brian is the person who is going to take care of all the bitching that goes on about people coming into the community. Because he has no interest in doing that and nothing will get done. The community has to grasp either we are all in on this or not doing it at all. Whether we are doing just 5-6 of them that we are doing right now short-term rentals or we are doing twenty, if there is not a mechanism to take care of a problem when it occurs. That's my spiel on it.

Lois: And even as we can sit here and discuss this - what we did as a part of this was to draft four possible options for by-law changes. And we wanted you to be able to look at the options. So I will put it up on Zoom and for people in the room, Billie is going to pass out the four options. There could be more than four options, but this is what the committee created as a starting point for discussion and feedback.

Lois puts up the slide with the overview intro. She goes on....

As an overview, we have the responsibility to protect the assets of the community. This is not the Board saying you can't do this with your own property, this is just saying please be aware that we want to be sure that our community assets are protected. And so as part of this annual meeting, what we wanted to do was to get some feedback on some of the options.

I am showing this for the people on Zoom, so they can see the four options are because we did not want to mail this out earlier without hearing the benefits and challenges of short-term rentals and the discussion.

The first option has italics, and the italics will be a part of three of the four options, was to tighten up the instructions/guidelines given to the renters to make sure the CCRs, by-laws, county laws are followed, enforce establishing a contact person – for each rental identify who is responsible for reacting to identified problems within a specific time period. Make sure each rental unit has adequate insurance that indemnifies SLS from the actions of the renters.

Lois explained if there is a liability problem, and this goes for any liability claim in SLS and our insurance coverage is exhausted, the next source of money will come from the owners in SLS.

Jerry: Right now SLS has about \$3 million in liability coverage (Brian did not have the exact figure, but felt it was close to that.) Anything above that, each property owner kicks in. Just think about that - \$3 million today does not go that far. So the community needs to decide what level of insurance a rental program needs to have that the community agrees upon to let them rent in the community in case that \$3 million gets used up.

Lois: Just checking – Can the people on Zoom hear Jerry? People showed thumbs up.

Jerry: When you consider marinas, they make you carry a certain level of insurance to indemnify the marina. Just like a short-term or long-term rental program. And then when their insurance gets used up, they start using the individual person who is renting at their marina as insurance. And then that level of insurance varies depending on what marina you are at.

SLS might say we require an additional half million dollars from every person running a rental program. They might say, we require a million or 2 million liability insurance to indemnify the community to run a short-term rental. The number would go down if you restrict the pier or common areas. The level of liability would go down – and some might suggest you cannot use the community areas at all, then their liability would not have to be as high.

Beth: Let me just make a point on that because short-term rentals that are run by an Airbnb or a VRBO are very different than a marina which is a network of private owners. First the Airbnb pays and wouldn't even touch the SLS insurance, that is why I am advocating for everyone to be on a platform as a multi-million dollar coverage.

Jerry: Is like a 2-3 Million dollar level?

Beth: No, it is 100 million dollars. You can research it yourself, It is a 100 million dollars per homeowner. It might seem surprising, but they have chateaus and castles to cover....

Lois: For Zoomers, Beth commented her platform has up to 100 million dollars for coverage. Then I have comments from Amy first and Steve second.

Amy Shatzkin: I just wanted to underscore the items italicized are really meant to apply to you know, I think it says it in the second scenario, but that what is italicized are universal restrictions or requirements that we are suggesting would apply in any short-term rental scenario. So, I just want to make sure to emphasize that.

Lois: Thanks, Amy. And Steve?

Steve Hucik: A couple of thing and maybe these are some comments maybe the Board can use as they look at these rules but should there be a fee from the short-term rental homes to cover cost of clean-up, damage, common facility usage or anything that they would invoke that the owners of the property would not be aware of that was brought up earlier that we have to police and we have to pick up and do things. Should there be a fee that goes into a kitty in the budget that covers clean-up fees and stuff like that?

Another point I would make is limiting access to dock and pier, the access road to the beach and the boat launch facility should be considered but as pointed out by someone else, they still get used regardless of whether they are supposed to or not. And I guess from a legal standpoint, and I don't know the answer to this but, is there a way for the short-term rental owners and the long-term rental owners for that matter sign an indemnification of all SLS owners and Board members that doesn't allow any liability to pass through and that all liability has to be covered by the owners of the short-term rentals? And it doesn't matter if Airbnb has a 100 million, they probably restrict that to per coverage, so they probably don't

have that over everything. But is there a way that owners can sign an indemnification saying there is no way to get to the SLS owners and the Board with any excess liability insurance that is not covered by whatever policies they have or they think they have? I don't think that is possible.

Lois: And when we get through this, all of this will be reviewed by our legal counsel. We will send this to our attorney.

Dave Heron: So from the previous points, that is interesting. In the marina example, you either have slip owners or slip renters and they are all required to carry a liability level for the marina infrastructure itself. So now we are separating the short-term and long term rentals, right? But we are not separating all the other owners that may be having family and stuff like that. Why isn't this liability insurance level required for all the residents of SLS who cover the infrastructure of SLS itself? That would be my question I guess, when you are talking about a rider or who covers the rider and who covers the community itself? I have a neighbor who barely uses their place, but they have people come up all the time and sometimes they are relatives and sometimes they are friends, but whatever. I mean, they wouldn't be required to pay anything extra to cover in excess of over \$3 million for the community. In the scenario I have just listened to.

Kim Jaderholm: Dave, I would respond to you in that when you have the short-term rental guests, they don't have an anchor in the community. When your neighbor has a family member or people that they know staying, they are going to for the most part treat the community differently than someone who will come in and burn off energy. There are really very different levels of short-term rentals in our community. There are some that are hard worn and people come in and a lot of people stay in the unit and they hit it hard and they are not coming back. Then there are the rentals where there's a limit to the number of people and they are very conscientious. When you have a neighbor who is loaning their place out to a family member or friend, it's going to be treated really differently than somebody who is periodic. That's just my opinion.

Dave Heron: That's a good point.

Eric MacDonald: Those are great points. I will say I have seen owners and owner's guest do things that could be very hazardous. Just Dave's point is good too. If you are going to indemnify SLS from short-term rentals and long term rentals, you should also look at owners and owner's guests.

Kim: And I don't think that is a bad thing, but I think to stay on track to get a handle on the short-term rentals that we have going, this could be the stakes for further conversation but it gets us off track of the short-term rentals.

Lois: Thanks and those are very good points. But as I am going through this, the first option (and I am going through these for those on Zoom) – the first option has No restrictions for the number of STRs operating within SLS.

The second option for by-law revision is Minimal Quantity restrictions. This has the italics as mentioned above but restrict the number of STR to a percentage of total properties such as 10% STRs operating in SLS. The Board would be responsible to manage the STR quantity and approve requests when an opening becomes available.

I have heard from community members, Fred and Lisa Trompler, who could not be here, and I want to share some of their thoughts:

Shangri-La Shores is a private, single family home, residential community (not a resort) governed by an HOA. We purchased our home because of this communities unique charm, beautiful amenities and a strong integrity to maintain such values. it is also our intent to be a part of this community for many years.

We did want to take the opportunity to discuss our concerns for STR's. Since 2006 we have lived in a community that does not allow STR's (anything less than 30 days). Our community does allow full time or seasonal rentals, but are strictly governed by the HOA.

It has been documented by communities and HOA's across the United States that STR's disrupt neighborhoods, and change the integrity of its values. A STR brings no value to the neighborhood.

The following are our immediate concerns:

- *No rentals shall be less than 30 days.*
- *There are amenities in our community that should be exclusively used by homeowners only.*
- *While we do not agree with STR's there should be no preference to past, present or future owners engaged with STR's. If the board and community decide on keeping STR's in Shangri-la Shores we reserve the right to use our residence as a STR as well.*
- *The bylaws robustly need to be updated to protect the community, amenities and all liabilities of all rental properties.*

We would like to support the board in this process in any capacity needed.

We have been involved in residential rentals for over 25 years and could provide insight in this area. Again, we thank you for all you do. It does not go with out notice.

*Fred and Lisa Trompler
758 Arbor Drive
Coupeville, Wa*

Lois: So some Condo Associations and/or HOAs put a quantity restriction on the number of STRs allowed in their organization, I wanted to share the opinions that staying with the current STRs monopolizes the opportunity for others.

Jerry: So what would be the criteria to get in the initial group, so you are on that list? Are you saying whose doing it now would be the ones? Or do you have a lottery to get on that list? Or how would you.... I could see that list staying the same for quite a while without a lot of rotation? What's fair?

Lois: I am not sure if our STR committee discussed that?

Ron: I am not sure that we did.

Beth: I think our approach to this was let's get some feedback from the community, let's try to figure out which one of these four is the closest – not everything will be perfect, and then go through and fine tune it and refine it.

Kim: Are you going on the number of how many lots there are or how many houses? We don't have 71 houses, do we?

Lois: No we have 53, so it was lots. And there are potential changes.

Kim: So that proposal is 10% of the lots in SLS.

Lois: Correct. I am going to go over these other two proposals because the people on Zoom did not have this piece of paper and can only see what you can on the screen.

So the third possible by-law revision is was additional quantity restrictions. Again, the italics is included with this option. This would restrict the total number of STRs to 5 – the 5 that were active in 2021. In addition, the revision would revoke the STR approval if the property ownership changes. The intent being to phase out STRs over an extended period.

And then the last option (remember these are just options, there may be other options we receive from the community) would be to prohibit all STRs. And the timing for this would be determined by the Board and the STR owners.

Those were four options that were drafted as starting points for discussion or put together other proposals for by-law revisions, but to get the feedback from the community. My personal feelings are we need to have more clarity in whatever our policies are and all of this would be vetted with a lawyer to make sure whatever we are doing falls under legal terms.

That's really where we are. I am going to send the options out to the whole community because right now we have about 36 people on this meeting and we have more than that – to get some feedback.

There are some chat comments:

Kristi asked how many short-term rentals are they currently? There are four that are active right now. Amy wrote that 7 is what was mentioned as the 10% possibility.

Claire wrote: Are we discussing this because the current arrangement is not working for some members? Or is it because we want to review this situation on a regular basis?

Lois: I think it is a little of both and anyone can chime in. We know this is a trend that is happening in many places and whatever we do, our community assets remain protected. That's our biggest concern.

And here is another great question we have from Kevin – Do we know for certain that the problems we have had are caused by short-term renters? And not by homeowner guests and I could add Kevin, or not just by homeowners?

We don't know for certain all the time and it is often awkward when someone is down at the picnic area doing something they shouldn't and ask, "Hi, where are you staying?" and

they reply they are staying up the hill....What hill? And when we ask where are you staying, some feel offended. But we just need to know.

Dave Heron: It is incredibly uncomfortable to go down to the beach and say, Hello, where are you from? It is just so awkward.

Lois: But we do it and ask those questions like Kim said – Did you know there is a fire ban? And would you put your fire out before you leave tonight so the embers do not scatter when the wind is blowing 80 miles an hour.

Kim: But to Kevin's question, my interactions have been with short-term rentals. But that is not saying there are not some bad behaviors by other owners.

Steve is asking are you going to put out a survey on which opinion/option they prefer and another options they might suggest for some fine tuning?

Lois: Yes. We know we need to gather information first before any decisions are made.

Penny McDonald: I would say that one thing that would make me comfortable about short-term rentals that I have heard after today and I don't know if you can do this, but to have a requirement to be on like a VRBO or Airbnb platform. It sounds like that would be a great protection for our community as a whole if that was a requirement. And of the four that are active are all four on it?

Lois: Two are on one right now. Beth is on Airbnb, and one is on Vacasa.

Eric MacDonald: We are on Airbnb.

Lois: So three and One is with Tara Properties

Penny: I think a requirement should be that there is some other outside protection. Like with a big company.

Lois: For those on Zoom who could not hear, Penny was suggesting a requirement that STRs are on a rental platform. Again, that would be something we would check with our legal counsel to make sure that is something we can require.

Kim Jaderholm: So Beth, does that mean you also have a business license?

Beth: Yes! And that is a requirement of the Airbnb and I am taxed.

Dave: Is that a requirement of unincorporated island county. Is Island County requiring it?

Beth: Island County is not requiring it, but most other municipalities are.

Lois: And I have checked with our County Commissioners about this whole short-term rental thing and their reply was it is on our radar. But there has been no action about it.

Beth: I am a big advocate of a user fee. We pay user fees to use a swimming pool and use amenities all the time, so I think requiring rentals to have a user fee with the money going right into the HOA to deal with some issues. That is just an option. You never will have perfection with behaviors and such, but that might help mitigate some of the problems.

Lois: Looking on chat Kevin writes: a SLS document was put out a couple years ago listing the expectations of the guest. One idea might be to require the guests sign that as a condition of renting. We have had that conversation and Kevin, we will be able to hear you, but where does that live? Who is the person that holds that? Does it go to the board secretary, does that go to where? And that is where Ron brings up, do we need to get someone to manage this?

Kim: But the owner doesn't know, because the owner is not here. So....

Kevin Sterling: I guess my thought was that the property management company, like Airbnb, Vacasa, or whoever it is would have the document, so when someone rents the property, they have to sign off on that as part of the agreement to rent the house. I see your point – who is going to police that, but I know that for us as example, we use Vacasa and if there are any problems, they've got a manager right there on the island that is really responsive. But I understand the policing issues as well.

Steve wrote, I would definitely like to see a requirement for a major platform for any short-term rental.

Duane Smith: That should be an automatic thing that you be on a platform.

Lois: We will have to check the legality of that.

Amy Shatzkin: I would also like to say through a property management company, you can have a lot of the same liability coverage that you have through a major platform. We use Tara and they have very specific liability requirements in terms of the insurance we need to have and we also book via these different platforms. You could have an owner who lives in another state but uses an online platform versus a property management company like Tara that is a local business and is owned by folks who live on Whidbey Island based in Freeland who can troubleshoot. When there are storms, they can stop by the house. So it is a balance and I think I'd like us to look at not just online platforms but other means of management as well. And I support if there was a movement to require some kind of signature for understanding the community rules. I would see putting that as part of the rental process. So it is the property management and owners responsibility. And not on the Board.

Lois: If there are not any more comments, Brian had asked if we want to take an initial straw poll, or just give opinions and options back to us.

Brian: I think the online responses – are you going to do a survey?

Lois: I am going to transcribe these conversations because the people who could not attend need to hear these other points that have come through. I am going to transcribe these conversations and send the transcriptions out with these options and find out what they want to do and get them back.

Lois: Steve Hucik also wrote in the chat room, I will support the comment of other certified property management such as Tara. Clarie Amsler wrote – really good points shared by all today.

Those are our next steps and where we are right now.

Steve Hucik: Quick one on the survey – I think it would be valuable for people not only to identify which option is their preference, but any other comments related to the option.....For instance there's one that says 10%, when they might prefer 15%. But to try to get as much other information and options and clarifications in the survey rather than just vote on these four. If you can get a little additional information and listening to all of this is helpful and they are going to miss it if they haven't been here, but at least you will get some input from them and I think that's valuable.

Duane Smith: Also, since I think you are going to send it out to everybody, I think you should put a timeline on it – maybe June 15th?

Lois: Absolutely!

Duane: We can't respond if we don't get the feedback. And maybe June 15th – that would give them a whole month. Choose whatever date, but we need a timeline so we can get the stuff back in so we can look at them and get going on this.

Lois: A month might be too long.

Lois: Thanks everyone for the respectful discussions. But now we are going to move on to our next part – which is the Election of Board Members. And I always defer to Brian, because he knows all this procedure and second, my position is open.

There are three positions that have an expired two-year term: mine, and Billie Alcott, and Dave Heron. And because I really had to keep people from clamoring to be on the Board (lots of laughter), each of us has agreed that we would serve for another term. So just be prepared because there will be four terms expiring next year.

Brian: Before we vote, are there any nominations or volunteers beyond those three to be on the board? Any nominations or volunteers to be on the Board? Laughter but no response. Is there a motion to accept those three?

Kim Jaderholm: I will make the motion.

Brian: Motion seconded?

Eric Macdonald: I'll second it.

Brian: All those in favor? (All show of hands in the room and on Zoom) Motion carried. Eric commented I notice Lois is not raising her hand..... more laughter.

Lois: We have a lot going on and we have done a lot of things and it has been really great. And for those – about the insurance. I just have to say this was the year before last and Brian really investigated insurance. And just for your piece of mind to help you sleep better – before he investigated the insurance, our liability coverage was \$3800. (Crowd reacts and is shocked.) I just say someone is watching over us and that was awesome.

Kim: So Lois, before you end the meeting, I would like to and Carol touched on it earlier, but to all the Board members and your partners and a special call out to Tom Alcott – the amount of time and research that you give all of us back in return.... And Lois would not want me to tell everyone this, but when she transcribes those meetings to be posted it is a 15 hour process. The communication has not always been respectful to our Board members

from our neighbors, yet the Board members are very consistent and respectful with timely communication. And I know I speak for a lot of people, but we really appreciate all that you have done, are doing, and will be doing. (Applause)

Steve Hucik: Lois, thank you. I just want to thank you for the leadership of the organization. You have done a fantastic job. I think the rest of the Board members and volunteers have also done exemplary work. I think the summaries that you showed today and the discussions today show how good the communication coordination is. It helps this community stay together and be a community. And being a part of it, I just want to say thank-you very much for all your support and effort.

Lois: Thanks, Steve. I want to do a shout out to Rob Marcisek and Nancy Reed – they put everything up on the website. Even the things I have transcribed, the last power point I did for the pier gate meeting and all those minutes, we are putting them up. We tried to put the Zoom meetings up, it is a little more disastrous, I'll be honest, Shout out to Rob and Nancy for all their work on the website. I really appreciate it. (applause)

Lois: that's all we are doing today. I will take a motion to adjourn.

(Quickly) Brian: I make a motion to adjourn.

Duane: Second.

Lois: Motion carried. Meeting adjourned at 12:18. Board members we need a quick meeting right after this.

Meeting is adjourned and recording stopped.

At the short Board meeting following the annual meeting, Ron Roberts made a motion to allow Lois to sign for the well easement documents and have them notarized at the lawyer's office. Dave seconded. All voted in favor. Motion carried.

The next task was to identify the officers for the 2022-2023 Board. It was decided that all positions would stay the same:

Lois Craig - President
Billie Alcott – Vice President
Brian Pulk – Treasurer
Beth Binger – Secretary
Ron Roberts – Common Area Coordinator with Dave Heron assisting
Duane Smith - Water System Coordinator

Taken from the minutes recorded by Beth Binger and from the transcription of the Zoom recording for the 2022 annual meeting.

Lois Craig, President
On behalf of the 2022- 2023 Board of Trustees