

New Strata Management Agreement to cut fee by 23%

The Executive Committee of The Sands at Grace Bay is pleased to announce that we have reached a deal in principle to replace our almost quarter-century old Strata Management Agreement.

The agreement in principle reached yesterday will reduce our base management fee to a flat \$350,000 for 2022 from a projected \$377,000 under the current contract. In addition, the manager will pay the Strata \$60,000 a year in return for an exclusive license for holiday rentals. Both amounts will be adjusted equally for inflation at 2.5% per year.

Additionally as highlighted below, the Strata can benefit from a contractual watersports and towel service contribution in excess of \$100,000 annually.

Note that these major savings depend on Sands owners passing the related changes to the by-laws that were discussed at last year's Annual General Meeting and will be put to a vote at the upcoming 2021 AGM. The vast majority of rentals at The Sands already are arranged through Oceanside Marketing, so this will mean little practical change.

Successful resorts on Provo have been shifting to the exclusive rental agency model simply because it produces the best financial returns for both the resort manager and owners. Oceanside Marketing's agreement to pay an explicit and significant license fee is unprecedented, and ensures that all Sands owners will benefit – even those not in the rental pool.

Since our current agreement is not scheduled to expire until the end of 2023, the new agreement's 15-year term starting on January 1, 2022 effectively only extends the existing term by 13 years. By renewing early, the Strata will benefit from about \$170,000 in new revenue and reduced fees over the next two years.

The new agreement also includes significant new measures to increase accountability:

- A new Performance Warning process that gives owners access to an independent performance assessor with the power to impose significant penalties;

- Contractual inclusion of towel laundering and a contribution to our watersports budget (together worth more than \$100,000 a year), which are currently provided on a voluntary basis by management;
- A flat 2.5% escalator for the management fee, license fee and management contributions noted, with an opportunity for independent review every five years;
- Any changes to the standard Rental Management Agreement will now require the support of a majority of Owners.

The Agreement is the fruit of almost a full year's efforts by volunteer owners. We want to thank in particular the owners who stepped up as members of our Advisory Committee, who spent many hours researching contracts at other resorts and shaping the contract proposal that the Executive Committee used as the basis for our negotiations. Our negotiations also were supported by an off-island expert, and the text is now undergoing final legal review.

We will be circulating the full text of the agreement to all owners shortly, and will schedule a Zoom call later in May to get your feedback and answer any questions you may have. In the meantime, feel free to post questions in the Owners' Forum on the website or email our point person on the negotiations, David Stewart-Patterson, at dspsands@gmail.com.