

NOTICE OF MOTION
THE LAKESIDE VILLAS RESORT
ANNUAL GENERAL MEETING

We the undersigned, being owners of weeks at The Lakeside Villas Resort propose the following motion:

That the Body Corporate Committee examines and reports to owners on the various options available with respect to the future and the operation of the Resort. These options are to include but not be restricted to:

- Continue current operation, with assessments of upgrades necessary to maintain the desired standard,
- Continue current operation and consider the relative priorities between exchange, rental and bonus weeks as they benefit owners vs the Resort
- Transfer to an alternative structure where all weeks are available for rental, either independent or non-independent of owner occupancy rights, and
- Possible Sale of the Resort

The objective is to ensure every owner and management has accurate and detailed information in order to develop a strategic way forward.

The Body Corporate Committee is to provide its report to members for consideration at the 2024 AGM.

Moved: Roger Simmons



Seconded: Norrey Simmons



Supported:

Brian Byers

Wayne & Janne Moyle

THE LAKESIDE VILLAS RESORT

NARATIVE SUPPORTING THE MOTION

Governance

As part of good governance, the Resort should have a robust Strategic Plan and Business Plan for each year. A significant element of these plans is considerations around the development, the maintenance and the future operation of the Resort. This should include the options available to owners, collectively the Body Corporate, and there should be regular reviews of the options available. This happens as a matter of course in well run enterprises in every industry. There have been significant changes in the Timeshare Industry over the last number of years, and that alone signals the need to consider the options and where in the industry lifecycle we are at present.

Continuation of Current Operation

The current operation is a Timeshare, where each week at each unit is owned separately. They are owned either as Fixed Weeks or as Floating Weeks. Those owning Fixed Weeks have occupation rights on a specific week. The occupation rights of those owning Floating Weeks requires them to identify and access available weeks at times convenient to them. Floating Week owners may bank their weeks with one of the exchange organisations, and use them to visit other Resorts.

Where a week is banked, it creates a vacant week, which then becomes available for exchange, rental or as a bonus week. That the banked week is not a specific week, means the vacancy is non-specific.

When viewing the property itself, there are obvious areas of deferred maintenance, which combined is diminishing the standard of the Resort. Whereas the maintenance programmes at all Resorts seek to progressively maintain the Resorts, it is increasingly evident that the general standard of many Timeshare Resorts, including Lakeside, is falling. Although the maintenance plan is required to be updated and presented to owners every three years, it has not been sighted for some time. There does not appear to be a refurbishment reserve established, and whether there should has not been a question that has been asked of owners. The staged refurbishments means that refurbishment comes out of the annual maintenance budget leaving many apartments sub-standard and the Resort never able to really catch up. The consequence is that the standards will continue to fall. An example is the slow, but progressive upgrade of bathrooms in the Villas.

To meet the real refurbishment and maintenance requirements, including furnishings and configurations, would inevitably require an increase in maintenance fees, which in turn could be viewed with alarm by many owners.

Exchange or Rental of Available Weeks

Viewing the exchange availability shows the only weeks on offer by Lakeside are in the middle of winter, a time that is in the low season and is relatively unattractive. Other weeks may be available if a specific request is made. Any exchange week has no monetary benefit to the Resort but does provide benefits to the person using the exchange. This applies in the same way to a Lakeside owner using their exchange week to book elsewhere.

Rentals and the associated Bonus Weeks have come about from the Resorts utilising vacant capacity, with the obvious associated monetary benefit. However associated with this, it has been reported that some owners have had the Resort put their weeks up for rental, with presumably, the funds received by the Resort for the rental being applied to their maintenance accounts. This means that they are not required to meet their maintenance fee liability directly, rather having the Resort rent it

out and collect the fees. This gives Resort staff an additional responsibility. It also leads to Bonus Weeks being offered. It raises the question as to priority. Does rental have a priority over an owner wishing to use their week, or an exchange, or do the owners have priority over a rental or bonus week?

It is not a case of what is right or what is wrong, but rather of a requirement for a clear statement of what the priorities are and the attendant policy.

Occupancy

A key criteria when considering the above or indeed any option, is having information on occupancy rates, lost weeks, and the number of weeks being exchanged. This includes a breakdown of Fixed and Floating weeks, rental weeks and non-occupation.

Enquiries have been made in the past as to the number of nights/weeks rented, as against the number of weeks occupied by owners and as against the number of exchange weeks. This information, we were told, has not been gathered, or alternatively, was not available. As the owners of the resort, we believe we are entitled to that information, and are entitled to determine how the resort operates.

Availability of Exchange Weeks

This is of importance to the owners of floating weeks rather than those with fixed weeks

Over the past few years it has been increasingly difficult to access exchange weeks at other resorts through the exchange system. This appears to have arisen from the number of Timeshare Resorts being sold or converted from Timeshare to general rental. This means that a past significant benefit to holders of floating weeks has been limited. In Taupo, for example, two of the other previous Timeshare Resorts have been sold, and are now being utilised as hotel/motel accommodation. It is also evident from the searches of availability at various resorts, including Lakeside, that many Timeshare Resorts are preferring to rent available weeks rather than making them available for exchange. The financial benefit is obvious, but it does undermine a significant benefit of Timeshares to owners.

Alternate Structures

The sale of some Resorts, including the two in Taupo, have resulted in them being converted by their new owners to rental apartments. In doing so, they have been upgraded and in some cases reconfigured to provide more utility.

One alternative is to convert the ownership structure from Unit Titles to a Company whereby the week ownership would be exchanged for shares. Some benefits of this is that the individual interest in the property is much more easily transferred, maintenance fees are not required, a dividend return may be available and the need to use a week is avoided.

Under such a structure, owners can be given preferential booking rights and rates, and in the case of Fixed week owners, preferential booking for their selected weeks.

Becoming 100% rental poses some risks, particularly around management, housekeeping and occupancy, risks that are present in any hospitality business and must be managed accordingly.

It is not suggested that this is the only option, or the option that should be pursued as there are others. It is just being suggested that various alternate structures need to be considered.

Sale of Weeks and Resorts

Selling the Resort is included to round out what the options may be, and to provide a template for any considerations in the future.

As the owners of weeks age, the owners' personal situations changes. Often weeks were initially purchased to facilitate family holidays. As children have left home, the need for continuing to hold the weeks diminishes. As owners get older, for some, their ability to keep meeting the maintenance fees diminishes. The younger generations seem to be less interested in taking over Timeshares and the market for selling weeks is not strong, particularly for floating weeks. Reviewing sales on platforms such as Trade-Me indicates that the proceeds from the sale of a floating week is often less than the maintenance fee paid and needs to include a week.

We have been told that the demand for weeks at our resort is strong but that appears to be restricted to Fixed Weeks. As owners we have received no information on such sales nor have we been given the opportunity to access the sales process. It may be that if there is a sales process available, then those who wish to sell their weeks will have a much better chance of realising a reasonable price, and those wishing to increase their holdings have a better chance of accessing available weeks.

From evidence of other Resort sales, the share paid to owners is significant when compared to the sale of a week. Realisation values have achieved \$6,500 so it can be safely concluded that a sale of the Resort as a whole will realise much more to each owner than selling an individual week. It is known that at some Resorts, weeks have been abandoned by owners, which in itself poses an additional risk to the Resort.

Summary

To summarise, there has been limited longer term planning or consideration of the governance matters surrounding the Resort. Many owners of floating weeks are finding it increasingly difficult to access weeks, resorts are giving a preference to rentals rather than exchanges, the refurbishment and maintenance programmes are not keeping pace with the real requirements and the process for the on-sale of weeks guarantees that the price is likely to be disadvantageous to the owners. These general factors combined are signalling that the Timeshare model is now close to a sunset industry.

Given all of this, it is felt that it is time for the Body Corporate Committee to present to members a comprehensive and robust assessment of the options available to Lakeside Villas for the future. In saying this, we are not proposing the selling of our Resort, but rather putting to owners what their options may be. There may be opportunities where more benefits can be extracted from our investment without necessarily reducing occupation rights including fixed week rights.

We ask for your support in our endeavours to identify and inform owners of what the realistic options may be.