



# HANALEI COLONY RESORT

Unspoiled. Unplugged. Unforgettable.

*At the heart of authentic Hawaii – miles from everything else.*

Situated on 5 acres of lush tropical grounds on Kauai's north shore is a destination unlike any other in Hawaii. Hanalei Colony Resort is (and always will be) the only commercial property between the beach town of Hanalei and the end of the road, where the historic and scenic Route 560 meets the world-famous NaPali Coast.

The 35-mile journey to Hanalei Colony Resort from Lihue Airport is full of discovery. Kauai's North Shore is home to botanical gardens, remarkable sea cliffs, wildlife refuges, forest reserves, mountains, expansive beaches and local shops in picturesque ocean-side towns. You will pass some of Hawaii's largest taro fields, cross seven one-lane bridges, and experience firsthand the lush scenery showcased in numerous photos and films.

In a protected special management area at Kepuhi Point, Hanalei Colony Resort is nestled between the majestic emerald Pu'unōpili Mountain and a secluded stretch of golden beach, which provide breathtaking views from the property's 52 spacious condos.

Stepping onto our expansive tropical grounds means trading high-rise crowds, traffic congestion and digital noise for the serenity of refreshing trade winds, panoramic ocean and mountain views, and the tranquil sounds of waves breaking near each condo.

Since construction began in 1967, our award-winning property has been intimately immersed in the history, culture and natural environment of Kauai's North Shore. Today our extended ohana (family) of condo owners reaches around the world.

Hanalei Colony Resort is a place unlike any other, offering modern luxury in the midst of authentic Hawaii. Discover us, and you may never want to leave.

## **Hanalei Colony Resort**

**Opened:** September 1969

**Renovated:** 2016

**Units:** 52 spacious condos in 13 low-rise plantation-style buildings on 5 acres

**Features:** King-size bed, with additional sleeping for one person; fully equipped kitchen; 1½ or 2 bathrooms; living room; and private covered lanai

**Amenities:** Pool, Hanalei Day Spa, gas barbeque area, Wi-Fi, shuttle service, laundry

**Dining:** Opakapaka Grill and Bar; Napali Art Gallery & Coffee House

**Location:** 35 miles (1 hour) on Kuhio Highway from Lihue Airport (LIH)

**Rental program:**  
HCR Associates, LLC

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## *History of Hanalei Colony Resort condominium ownership*

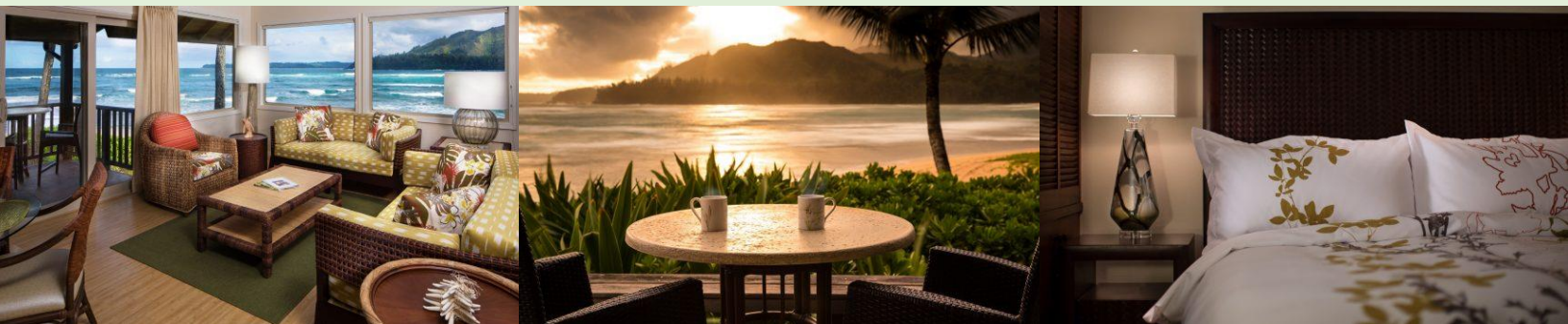
Hanalei Colony Resort (HCR) and its **Association of Apartment Owners (AOAO)** were established in 1969 to “Operate the HCR property in a manner conducive to the owners’ enjoyment and investment in a safe, secure, sustainable, and cost-effective fashion, while maintaining HCR’s unique identity.”

Since opening nearly 50 years ago, many HCR condominium owners have opted to rent their units to visitors. Initially, this resulted in vastly different suite pricing; individual responsibility for interior furnishings, housekeeping and maintenance; and the independent coordination of bookings and transactions. Guest experiences and owner success varied.

A decision was made by the original owners to pool their units and operate the resulting small business as a resort. The HCR Association rental program became responsible for booking, servicing, maintaining, and marketing the participating units. Like any business, owners in the program share profits and associated costs.

In the early 1970s, several management options were considered, and the owners opted to manage the rental program themselves through staff shared with the AOAO. Room categories and formulas for distribution were developed to ensure that shares were proportional to income generated. The rental program (**HCR Associates, LLC**) assumed responsibility of marketing the property and creating a brand; servicing and maintaining the units; and providing furnishings necessary to achieve a cohesive resort look and feel.

Over time, operations have been refined to best meet the needs of owners and guests. Staff work to keep the resort competitive through the use of emerging technologies, strategic planning, and revenue management to analyze demand and maximize profit. As a result, Hanalei Colony Resort continues to offer unparalleled experiences to guests, as evidenced by our consistent top TripAdvisor ratings and national awards.





## *Hanalei Colony Resort rental program FAQs*

**What is the HCR AOA?** All owners are members of the Hanalei Colony Resort Association of Apartment Owners. The AOA members elect seven board members that comprise the governing Board of Directors. The bylaws, amendments, and house rules apply to every unit.

**What is HCR Associates, LLC?** HCR Associates, LLC operates the transient rental program doing business as Hanalei Colony Resort. The LLC is governed by a board of seven managers and the legal document “Operating Agreement for HCR Associates, LLC.”

HCR Associates, LLC was created Jan. 1, 2001, to replace the HCR Association. The original association was created in 1973 with the knowledge, the intent, and the forethought that combining owner units into a cooperative rental program would create and perpetuate a consistent resort ambiance. The presence of the LLC rental program allows the property to function as a condo hotel.

**What are condo hotels?** Condo hotels are properties that include extras such as pools, restaurants, spas and branded amenities. Condo hotels are owned by individual investors and operated as part of a single project. From a buyer’s perspective, the purchase of a condo hotel suite is more than just a vacation property. By placing the suite in a rental program managed by a proven single operator, especially one with comprehensive maintenance, an owner earns an income as well as the tax benefits that can offset associated fees. From a management perspective, it ensures uniformity in how suites are managed and maintained to preserve control over inventory and to protect brand integrity.

**What makes a condo hotel successful, and what are the key benefits?** Success stems from a good location, solid management, a strong brand and an amenity package that appeals to owners and guests. The key benefits to ownership are:

1. Having a hassle-free vacation home in an outstanding location. Resort management takes care of everything.
2. Receive rent revenue when you are not using your condo, offsetting the cost of ownership.
3. Owning an asset that has the potential to appreciate in value.

The typical condo hotel return is 50 percent. A reserve fee of 5 to 6 percent covers furniture repairs, drapes, flooring, major appliances, paint and woodwork, among other improvements. Condo hotel owners typically pay their property taxes, insurance, and capital improvements in addition to any mortgage, HOA and facility fees.

Hanalei Colony Resort LLC meets or exceeds that benchmark of return. The managers of the LLC have chosen to retain a slightly larger percentage for reserves than the standard 4.5 to 5 percent to actively preserve and foster the appreciation of each unit.

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Reserve amounts currently stand at 12 percent, with 8 percent going to loans for recent and ongoing capital improvements, including upscale custom furniture and major upgrades to various suites. The LLC has also opted to pay for all insurance (standard liability, directors and officers liability, contents, and business interruption) as a further commitment to protecting its investments.

**Who manages Hanalei Colony Resort?** The AOA and LLC are owned and self-managed by elected boards. There are seven members of each Board. The AOA board and LLC managers, in cooperation, employ a single general manager to oversee the operations of both entities and ensure seamless administration.

**What are the fees involved in owning?** The AOA has monthly maintenance fees set every year by the board. The current fee is \$3,385, due the first of each month to Hanalei Colony Resort, Mailcode 61181, P.O. Box 1300, Honolulu, HI 96807-1300. Special assessments may periodically be required for large projects such as new roofs (completed 2016).

**What does the AOA maintenance fee cover?** Maintenance fees cover the exterior of the buildings; operations fees and salaries; the parking lots and grounds; the pool and gazebo; and items such as insurance; water; sewage; Wi-Fi; security; and electric in common areas. Insurance covers the basics such as the liability, fire, wind, lightning, and additional items such as flood and hurricane. General liability insurance covers legal expenses for the association itself. The AOA also has directors and officers insurance, which protects board members by covering legal expenses resulting from their actions on the board.

**Can owners manage the transient accommodations themselves?** No. The bylaws of the AOA and the laws of the State of Hawaii restrict owners to using only licensed Hawaii Real Estate Brokers for this purpose.

**Do all owners have to participate in the rental program?** The benefits of participation in HCR Associates, LLC have been recognized by owners for nearly five decades. The value of this exclusive program lies in being part owner of the business that created and maintains “the resort” and is dedicated to growing the property’s value and reputation, as well as preserving its history.





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Participation, while encouraged, is not mandatory. A 90-day written notice of intent to withdraw is required for units currently in the program.

**What is covered by participation in the rental program?** Participation includes all maintenance, repairs, replacement, scheduled upgrades, and capital improvements for the interior of the units, appliances and furnishings. Utilities and insurance (liability, contents, and business interruption) are included. Like the AOA, the LLC has directors and officers insurance, which protects LLC managers by covering legal expenses resulting from their actions on the board.

**What isn't covered by participation in the rental program?** All owners are responsible for property taxes on their individual units. Owners not participating in the rental program pay for their own electric, interior liability insurance, contents insurance, and business interruption insurance.

**What are the returns typically achieved through the rental program?** Monthly profits are pooled across four categories. The net return averages about 50 percent. Additional insurance expenses bring the net return before reserves to about 40 percent. Reserves are currently at 12 percent: 8 percent is allocated as capital improvements, such as our furniture package loan and other upgrades, and 4 percent is earmarked "other." Owners receive a percentage of the net proceeds based on the number of eligible units in their category.

**What is the reserve fund, and what is it used for?** Both the AOA and the LLC set aside monies to be use for repair and replacements associated with wear, tear and breakage. Annual reserve studies are made for the AOA by Barrera and Co. to allow HCR to anticipate and prepare for major repair and replacement costs. It is important to note that the LLC reserves are used for top-to-bottom maintenance as well as scheduled upgrades and renovations. Percentages vary from 8 percent to 15 percent of net and are set by the board and managers, respectively.

**How often will I receive rental income?** Distributions are made monthly. Payments are made no later than the 30<sup>th</sup> day of the following month.

**Can owners, or owner's guests, stay in their unit as much as they want?** Yes.

**Do owners still share in the profits even when they are staying in the unit?** Owners or their guests may stay up to 14 days a year without penalty to their draw. Once owners go beyond the allotment they forego their share of the pooled income for that timeframe.

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**What do owners have to pay when they use their unit?** A \$100 cleaning fee applies each time owners or their guests use their units. After the allotted 14 days, a use fee of \$3.33 per day applies. Owners do not receive housekeeping service, unless arranged for a \$25 fee.

**What does the \$3.33 per day use fee cover?** Utilities.

**How do I make a reservation to use my suite?** All reservations for owners and guests of owners must be made directly with Hanalei Colony Resort personnel.

**How much notice do I give if I want to use my suite?** Owner reservations are subject to availability. Thirty- to 90-day advance notice is generally recommended to ensure availability, particularly during high-demand periods. If your suite is not available or out of service for maintenance or upgrades, an alternate unit of the same category may be offered.

**Is there long-term parking for my car?** No.

**Are pets allowed?** Only certified support animals are allowed on a transient basis.

**Are all suites the same?** All 52 suites are 850 square feet (inclusive of the lanais), have one or two bathrooms, and have the same layout.

**How large is the owner's closet? Is there room for surfboards?** The exact dimensions and number of the closets and/or cabinets that owners designate as storage varies. There are no owner storage facilities at HCR that are large enough to accommodate items such as surfboards, bicycles or large beach toys. Self-storage areas may be leased in Kilauea.





## What are the unique benefits of the rental program?

HCR Associates, LLC is a small business owned by participants in the rental program. Owners in the LLC realize income as any business owner does (income less expenses equals profits), and a reserve fund (which provides for things such as renovations) is set aside from total profits. Any additional profits are then split according to formulas that take into account unit designations and the number of units.

- **Your vacation property is hassle free.** Everything in the unit is included in the maintenance program, down to the smallest items. (If a glass is broken, it is replaced. If a light bulb burns out, it is changed.) Similarly, appliances are replaced right away from our stock. Electrical or plumbing repairs are fixed immediately using licensed professionals with whom the resort has built a longstanding relationship.
- Profits are pooled and split. Owners do not lose out, even if their individual unit is out of service for upgrades or maintenance.
- Owners are not directly competing with other owners for bookings.
- G.E. taxes and T.A.T. taxes are paid by the LLC. Outside rental programs pass these taxes to the owners.
- Suite interiors and contents are fully insured through the LLC, which also provides business interruption insurance so average income is guaranteed.
- Consistent furnishings create a uniform look and feel that define the property's level of quality and its brand. Our beautiful and functional furniture package was custom designed by the renowned Phillpotts Interiors.
- **HCR is a full-service destination property.** Everything supplied to our resort guests is of the highest quality. The reputation of the resort drives revenue and impacts the average daily rate. Improvements, branding and reviews influence our rates.
- Through the revenue maximization and dynamic pricing tools used in our digital marketing initiative, HCR is able to realize the highest possible occupancies at the highest possible average daily rates.
- The marketing of the property follows the overall philosophy of the governing board. Specific guest types are targeted. To a great extent marketing and reservation policies have resulted in less wear and tear on the suites and the resort.
- Experienced and capable local staff insure that owners, their friends and families, and all transient guests have a uniformly excellent experience. There is a consistency and a reputation that has been earned.
- The manager is a paid employee of the AOA and the LLC who is dedicated to the overall successful operation of the property and the business. The entire roster of rental program personnel is a large part of the aloha and the ohana (family) feeling that makes Hanalei Colony Resort so special.



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- Units can often be made available on short notice due to the flexibility of participation in a cooperative program with other identical units.
- Decisions about the LLC are made by a group of elected managers - all of whom are owners. There is a commitment to the underlying maxims:
  - The mission statement adopted in 2006: “To maximize the profit of the individual members - specifically, in the business of resort operations.”
  - The vision statement formally adopted in 2011: “Creating timeless memories through meaningful connections with our guests, associates and community.”

Hanalei Colony Resort has successful history as a condo hotel. The majority of our owners at HCR buy “for the love of the place” or as a hassle-free vacation property, rather than as a money maker. By investing in the resort through LLC participation, owners ensure that their property values increase. Owners appreciate the peace of mind they have from knowing that their homes are being maintained, cared for, and loved in their absence.

**We invite you to “talk story” with us and learn more about how Hanalei Colony Resort is redefining luxury condominium ownership.**

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