

Diamond Resorts: Fees were raised to cover higher costs

By Coco Zickos - The Garden Island

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PO'IPU — When weekly maintenance fees for The Point at Po'ipu on the South Shore grew over 50 percent in just two years, timeshare owner Myra Orta became livid.

“They’re going to bleed us dry,” she said, directing her ire to the property’s management company, Las Vegas-based Diamond Resorts International.

Not only did fees double from \$695 in 2001 to over \$1,400 per week in 2009, owners complain they have little to no say when it comes to maintenance and management fees, as the majority of Vacation Owners Association and Association of Apartment Owners board members are also employees of DRI.

“With that, they effectively control all economic decisions of The Point at Po'ipu,” three-week deeded timeshare owner Richard Batchelder said Friday.

The board members were “duly elected” by owners and the election was in accordance with Hawai'i law, said DRI Executive Vice President and General Counsel Elizabeth Brennan in a phone interview last week. There are three “developer reps” on the five-member board and the reason they unanimously voted to up maintenance fees, she said, was largely due to high operational costs and the need for the budget to cover expenses.

“The increase is because the cost of doing business in Hawai'i has increased tremendously,” Brennan said.

Expenses include electricity, freight, employee wages and benefits, taxes and other operating costs.

Batchelder disagrees.

“The high cost of living has nothing to do with the administrative cost,” he said.

There was some \$1.5 million in “pure profit” based on “management or administrative fees” in 2008 and 2009, said Batchelder, who attended the Aug. 21 board meeting in Las Vegas.

“And they’ll do the same thing in 2010,” he said.

Batchelder and Orta are part of a group of “concerned deeded owners” who “mean business” and are united in an attempt to take back control of their properties, Orta said.

Less than 10 percent of the property is actually owned by DRI, they said.

“It’s a matter of the owners taking legal steps to bring the management company to the table to get something done,” said Janas Consulting Management Consultant Mike Givens, who touts over 35 years experience in the visitor industry. “As long as the majority of owners desire to do so, they can remove management.”

With a sold-out resort and some 10,000 owners sharing over 90 percent of the property, the coup is definitely feasible, he said, acknowledging the “spitfire” group of some 230 owners that has already formed.

“We have to kick out the management company,” said Orta, secretary of the newly formed organization.

Brennan said all money is accounted for and that DRI is following all relevant laws.

“We take our customer service seriously; it is very important to us,” she said. “We want to make people happy.”

When asked to specify what maintenance fees were being used for, Brennan said employee salaries are largely the reason for the major increases.

For example, salaries and benefits in 2006 cost some \$3.5 million, but in 2010 they are expected to cost approximately \$5.5 million.

“We have to keep in competition with other resorts and hotels,” she said.

Prior to 2006, staffing was lower, which caused check-in time to be slower than what timeshare owners expected, she added.

“Staffing levels increased due to owner demand,” she said. “We had to accommodate check-in times.”

In addition, as the property continues to age, more maintenance staff is required which, in turn, boosts fees even higher, she said, leading to a department which costs roughly \$1.8 million per year.

Brennan said over the past five years there was a 31 percent increase in utility costs, which are projected to come in at some \$1.9 million in 2010. New flat screen TVs, small appliance replacements, new carpet and upgraded fire alarms are just a few other reasons she cited for growing fees.

The total operating expense are approximately \$15 million a year, Batchelder said.

“We are attempting to get other management companies on Kaua’i to give us bids, but the board will not approve this,” he said.

The bottom line, however, is the “management or administrative fee” which the owners

do have a say about, Givens said.

“We’re getting a black eye from a management company that doesn’t even come from the island and lacks the ‘ohana,” he said. “It’s a growing problem. They’re raiding the piggy bank and not being fair.”

Hanalei Bay Resort, whose management company is Florida-based Celebrity Resorts, and Ka’anapali Beach Club, managed by DRI, are enduring similar complications.

The good news, Givens said, is that it “can be nipped in the bud,” but will take progressive efforts from owners.

“We have a full customer service department here to ensure that the Po‘ipu owners concerns are met,” Brennan said.

A phone number has been set up specifically for The Point at Po‘ipu owners, according to Brennan. The number is 800-332-3120 and information can also be obtained online at www.diamondresortshoa.com.

“You hate to see this,” Givens said. “You don’t want to treat people this way.”