

Harborside Update: January 21, 2013

This update provides Harborside “Owners” an update regarding reconstruction of B Bldg.

October 26, 2013 Fire:

Yesterday, the Board of Trustees (BOT) met with Architect Bob Zarelli, General Contractor Bruce Paradise, and Structural Engineer Brian Cavanaugh. This meeting follows earlier discussions with our Harborside Legal Firm, Markus Errico. Key points of these discussions follow:

➤ General Points:

- Reconstruction cost estimates are being finalized between Paradise Construction and Panakio Public Adjusters in preparation for settlement negotiations with Travelers Insurance. Travelers Insurance Master Policy covers the replacement “in kind” costs less depreciation (we expect depreciation at about 20%), while Paradise and Panakio estimates are based on today’s replacement costs, upgrades to meet code compliance, and any other expenses/costs not covered by insurance. We expect these settlement negotiations to take several months.
- We expect the final insurance settlement will result in a variance between what we (Paradise and Panakio) and Travelers estimate the “in kind” reconstruction expenses/costs to be. Any amount greater than the available insurance proceeds will be shared by the Trust and affected unit owners in proportion to each entity’s responsibility.
- If an affected owner disagrees with their individual unit settlement, the BOT will request a meeting between the owner and our Public Adjuster, Panakio, to determine how to proceed.
- In the meantime, the BOT is pursuing a Bank Loan to finance the permitting and reconstruction while insurance negotiations continue. The insurance settlement will repay a portion of the loan, but a Special Assessment will be necessary to pay for additional expenses/costs noted above (variance between reconstruction costs and insurance payment for the common areas, code compliance, and other expenses/costs not covered by insurance).
- Only minor common area structural reframing and sistering (beams and joists) will be necessary. Roof repair vs replacement is being negotiated as part of the insurance settlement.
- The permitting and reconstruction will proceed with two processes (somewhat in parallel) as explained below:
 1. Common Areas that include “rough-ins” (see below) of affected units.
 2. Affected Unit Interiors that include final interior designs and drawings, as approved by affected unit owners, and unit appliances, cabinets, counter tops, flooring, interior plumbing and lighting, etc.

➤ Common Areas:

- In parallel with the settlement negotiations, we plan to proceed with a building permit to reconstruct “in kind” the common areas of B Bldg damaged by the fire. The common area reconstruction is estimated to take 6-9 months after receipt of the permit. This permit will entail all reconstruction up to and include “rough-ins” of the affected units’ walls and ceilings (sheet rock) and floor substructures (less final flooring), plumbing and electrical service to the units, and improvements needed to meet code compliance (e.g., fire egresses, sprinkling system, electrical codes, etc).
- This common area reconstruction will ensure that an individual unit’s Occupancy Certificate can be approved once its unit interior reconstruction is completed.
- To obtain this common area permit, our architect must finalize current drawings and

present them to the Marblehead Building Commissioner for approval. We expect the permit to be approved by mid-February.

- While common area permitting and reconstruction are underway, we will be proceeding to obtain approvals from Town Boards and Commissions (Zoning Board of Appeals, Old & Historic District Commission, and Conservation Commission). They have been or will be notified of our plans and need for accelerated approvals to ensure earliest reconstruction and occupancy. While the Building Commissioner has agreed to the new egress (2nd and 3rd floors fire escapes) design in principle, this design may be the pacing item (potential delay) for the boards/commissions approval (most likely the ZBA).
- In parallel with the permitting process, the BOT will review and approve the construction contract with Paradise. Paradise will apply for the building permit once the financing and contract are approved.

➤ **Affected Unit Interiors (B1/4, B2, B5, B6, B10):**

- Once the common area permit is approved and reconstruction begins, the BOT, architect, and Paradise will review with affected unit owners the designs and drawings of the unit interiors. These unit designs/drawings will represent as closely as possible the prior unit interiors with “in kind” materials (unless otherwise notified by unit owners).
- If affected unit owners request changes to these designs/drawings, they will be handled as “change requests” and will be the responsibility of the unit owner.
- The BOT (through Panakio, our Public Adjuster) will negotiate the fairest settlement possible. If the affected unit owners do not agree with the settlement amount for their units, they will have an opportunity to negotiate further with assistance from Panakio or through a public adjustor of their choosing. The affected Unit Owners will be responsible for any amount greater than the available insurance settlement proceeds.
- Once the interior design/drawing has been approved by the affected unit owner and the BOT, the owner can elect to proceed with Paradise or their own licensed and insured contractor, request a permit, and begin reconstruction. All work must be done under Controlled Construction standards.
- As indicated above, the common areas reconstruction will support an Occupancy Certificate once the interior unit reconstruction is complete (regardless of other affected units’ reconstruction progress).

Prior Fire:

- As for the prior fire, as noted in previous updates during demolition associated with the October 26, 2013 fire, evidence of a prior fire event in Building B was uncovered. While investigation continues, we are quite sure this fire occurred several decades ago when that southern portion of the current B Bldg was a separate free-standing building.
- In the 1980’s when this portion was being converted into condos, the contractors became aware of the prior damage. They hired a structural engineer and architect to evaluate the affected area and produce structural drawings to remedy any deficiencies. Associated permits are in the files of the Town Building Commissioner’s office, and the BOT is now further examining those permits and drawings with the assistance of a structural engineering company. We hope to have a final determination within the next month.
- Whatever the determination and any necessary repairs/remediation, the prior fire project will be conducted separate from that of the October fire.

In conclusion, the BOT’s ultimate goal is to have the displaced B Bldg owners back into occupancy as soon as possible.

Thank you,

The Trustees