Harborside Update: April 4, 2014

This update provides Harborside "Owners" an update regarding reconstruction of B Building. Please refer to our March 24 Update for previous background.

Trustees' Meeting

Only a few Owners were able to attend the Trustees Meeting held on Wednesday, either by calling in or in person, so this update will reiterate much of what was said at the meeting.

"Prior Fire"

Repairs have begun on the Plauche's unit (B-3) and the immediate hallway where the prior fire was discovered. This work should be completed by mid-April. The cost estimate for this work is about $27,500, which will be paid out of general funds with a later reimbursement to the Trust from supplemental monthly fees. The hallway will be completed along with the rest of the reconstruction project.

Negotiations with Travelers

- As settlement negotiations with Travelers seemed to have reached an impasse last week, the Trustees sent a strongly worded letter to our Adjuster for him to forward to the Travelers Adjuster. The letter cites discrepancies of about $400,000 and, using an analysis prepared by Jon Curtis, itemizes shortfalls as follows: $70,000 short for demolition; $110,000 short for "in kind" replacement of appliances, cabinets, countertops, flooring, tiling and other interior furnishings; shortfalls in square footage costs ($188/sq. ft. vs. $268/sq. ft.); and other discrepancies.
- We are following that letter with a further analysis prepared by Jon with the assistance of Joyce Raymond that details the discrepancies in square foot costs outlined above, which will be sent to our agent, Mark Bettencourt, as well as our Adjuster and the Travelers Adjuster. This analysis highlights the difference between the square foot costs used in the valuation of Harborside which was the basis for our master policy put into effect 18 months ago and the square foot costs being offered by Travelers now.
- If we cannot reach agreement with Travelers, the primary recourse is an arbitration process, called "Reference." We hope to avoid that process, as it will be expensive and delay the start of reconstruction by two to three months.

Paradise Construction

We expect to be able to negotiate some decreases in Paradise's estimate of $1,200,000 before finalizing the contract with them. Most of the "room" for such possible reductions lies in the overhead and profit percentages included in their bid. Paradise has shown a willingness to review these items as they pertain to specific items within their bid.

Affected Owners

We need to resolve some differences between what the affected owners expect to rebuild their units and the amounts available from the settlement, and cost differences caused by changes. Two owners will be making changes in their designs, so these will be worked out with Bob Zarelli as their architect. The other two owners will meet with Bruce Paradise to work through their "in kind" replacement costs.

Egress System

The Old & Historic District Commission will consider the egress design at their mid-April meeting, to be followed by the Zoning Board of Appeals in May. We are planning to retain Attorney Bob McCann to help expedite the approval process. We are still working with the "budgetary estimate" of $270,000 for the egress.

Sprinkler System

We are required to put a sprinkler system in only the four units being reconstructed (B-2, B-5, B-6 and B-10) and the common areas. The system may require a larger water line from Lee Street. We are looking at ways to avoid expensive trenching, such as an alternative water tank and pump system.

Bank Loan

We are still working on the bank construction loan, which we need to have in place to execute the contract with Paradise. Marblehead Bank is unable to make the loan without more security and collateral than condominium fees and supplemental monthly fees because the size of the loan exceeds their capabilities. Our best choice now appears to be East Boston Savings Bank, which is willing to issue a $900.000, 5-year loan at 5% interest secured by only condominium fees and supplemental monthly fees. North Shore Bank is another possibility we are exploring. We plan to offer the opportunity for "upfront" payments by owners (such as done with previous loans) so the total loan amount would be lowered. Supplemental monthly fee amounts for each unit based on $900,000 over 5 years at 5% have been calculated for each owner. Please contact Don Nowland if you want to obtain your specific amount.

As always, thanks for your continued patience. We are making progress, but this is a complicated process with many interconnecting actions.

Thank you,

The Trustees