December 1, 2015

TO ALL HARBORSIDE OWNERS:

As we approach the beginning of 2016, the Harborside community is faced with significant financial issues. In addition to maintaining our normal operation, we must provide funds for the construction of the primary B Building egress (scheduled to commence very soon), plan for the funding of the secondary egress later in 2016 and meet other imperative needs such as sea wall repair and maintenance, providing drainage and hardscaping in the front of C Building and the repair of the north retaining wall. The Trustees have wrestled with various ways to address these issues and wish to present the following financial plan, which we believe represents the best response to meeting our needs. Unfortunately, both a fee increase and a supplemental fee assessment are required.

- **2016 Budget**—The attached budget for 2016 calls for an increase in fees of 17% over the current year's fees. Although we have striven to avoid a substantial increase in fees, there are three major factors which have driven us to this result: (1) a significant increase (30%) in our insurance costs for master and flood policies; (2) projected costs for sea wall repair and maintenance and the north retaining wall; and, (3) the necessity to raise funds for the construction of the secondary egress on the B Building. With respect to the secondary egress, we expect its construction will not begin until later in the year, following the construction of the primary egress. Moreover, we are still exploring possible reductions in the cost of its construction. Accordingly, we determined to fund the secondary egress through an increase in fees rather than include it in the supplemental fee assessment described below. It is our hope to revisit this fee increase in preparing the 2017 budget and not carry it forward, if possible.

- **Supplemental Fee Assessment for B Building Egress**—As there are several new Owners and other Owners who have raised questions about the egress, a brief history of why it is an issue is included below. Our conclusion, after exploring the many structural, architectural, regulatory, legal and financial issues involved, is that we are obligated to build the primary B Building egress as currently designed and approved by the Zoning Board of Appeals, and do so as expeditiously as possible. While we do not have final estimates for the cost of construction, we are facing construction expenses in the area of $450,000, a substantial portion of which must be generated and available very soon. Recognizing the financial burden this assessment places on Owners, we have planned for a phased assessment. Owners are requested to pay their allocated percentage amount (based on $450,000) by January 1, 2016. However, Owners who wish to pay one-third of their assessment amount on January 1, may do so, followed by one-third on February 1 and the final third on March 1. Lesley Management will provide Owners with their individual assessment amounts. We would appreciate knowing as soon as possible which Owners will be following the "phased payment" outlined above. We regret the need for this assessment, but have determined that we have no other choice but to proceed as outlined.

- **B Building Egress "History"**—An important point to begin with is that the egress is technically a fire escape required by law for certain units in the B Building. While it may appear as a "deck" to some, its usage must not interfere with its primary purpose of serving as a fire egress. In the spring of 2011, the Trustees (then Nowland, Hendriks and Walters) noted that the fire escape stairs from the third level egress to the second floor egress were in disrepair and issues existed with windows blocking the use of the egress. The rotted stairs were repaired, and the Trustees began to investigate long-term solutions. A first option was to re-design the "ship's ladder", but that was dismissed because the stairs would block windows of certain units.

  A second option explored was based on a design by an architect, Paul Fermano. This design was discussed with the Town Building Inspector, Bob Ives, who had required that any design must be approved by a licensed architect. This plan called for the removal of the upper stairway, widening the lower stairway and making necessary adjustments to the width of the egress as required. By November, 2011, conversations with the Building Inspector revealed that additional code requirements would have to be met beyond the then egress's "grandfathered" status under the fire code. Trustee Nowland and Architect Fermano presented a re-design to the Building Inspector and the Fire Safety Captain, Mike Porter, in January 2012. Through these discussions and some additional modifications, such as lighting, a design was agreed to. That design was submitted to and approved by the Old & Historic Districts Commission on March 20, 2012 and the Conservation Commission on April 12, 2012. One condition of the approval by the O&HDC was that the design must be approved by all Owners. That unanimous approval was not obtained, and it was decided to attempt to modify the design with a retractable ladder, which would require a waiver from the Town.

  In October, 2012, two of the then Trustees (Nowland and Raymond) met with Town officials to discuss suggested means of meeting the egress requirements, such as the retractable stair, lighting and sprinklers. The Building Inspector advised that none of these suggestions would be acceptable and suggested the retention of a code compliance consultant. After seeking proposals for this service the Trustees retained a code consulting firm, AKF. The expert from AKF prepared a report and inspected the property with the Building Inspector in November, 2012. In late December, the Building Inspector sent a letter to the Trustees stating his disagreement with the solutions presented in the AKF report. Further, he advised the Trustees of the need to either move forward with the plan approved by Town Commissions earlier that year or expeditiously present a new plan for consideration.

Architect Fermano indicated he did not want to consider alternatives to the plan he had designed and had been approved by the Town Commissions. Accordingly, in March, 2013, the Trustees engaged Architect Walter Jacob to consider and develop new designs for the required egress. Over the spring and summer of 2013, the Trustees and Architect Jacobs met a number of times and Jacob also had several meetings with Building Commissioner Ives. Those discussions were continuing when the fire of October 26, 2013 occurred.

During the fire, the "ship's ladder" stairs gave way under the weight of a firefighter, who fortunately escaped injury. Also, a number of firefighters noted the instability of the upper level of the egress, causing them to change their route of ascent to the roof with water hoses. These incidents came to the attention of the Building Inspector and the Fire Safety Captain, who both promptly issued a requirement that Harborside must re-build the B Building egress completely in compliance with current code requirements. No further "grandfathering" or waiving of code requirements would be allowed.

Architect Bob Zarelli, working with Paradise Construction, became the architect for the re-construction of B Building, including the egress. A design prepared by Architect Zarelli was submitted to the O&HDC and approved at a meeting on April 15, 2014. Importantly, both the Fire Department and the Building Inspector urged the O&HDC to approve these plans because the egress is a significant safety issue. The approval by the O&HDC did not include any requirement regarding unanimous consent of Owners at Harborside.

The design approved by the O&HDC included the use of steel structural material and also the stainless steel railing system. However, the plans submitted to the O&HDC were not in conformity with instructions by the Trustees, which called for the egress to meet minimal requirements of the Town for a fire egress. Architect Zarelli was asked to re-draft the plans and it was determined such re-draft would not affect the approval received from the O&HDC. Architect Zarelli subsequently resigned from the reconstruction project and was replaced by Architect Peter Pitman.

Architect Pitman prepared a modified design of the egress for submission to the Marblehead Zoning Board of Appeals along with a request for a variance on August 21, 2014. Included in these plans was a design for a secondary egress to serve two units of the B Building pursuant to requirements imposed by Town officials during the re-construction. On September 25, 2014, the ZBA filed a written decision granting the requested variance. On October 14, 2014, an appeal of that decision was filed in Land Court by neighbors of Harborside, the O'Sullivans. That appeal was resolved by a settlement between the parties and the action was dismissed by the Land Court on November 6, 2015.

The dismissal of the ZBA appeal triggers our obligation to the Town of Marblehead to re-build the primary egress within a reasonable period of time. We are also obligated under the settlement agreement to proceed expeditiously. Similarly, we must begin construction of the secondary egress in a timely manner. Therefore, we are required to construct both the primary and secondary egresses as approved by the various Town Commissions within a reasonable period of time.

The Trustees have made every effort to reduce the costs of building these required egresses. In exploring various cost cutting options, we were cautioned by our attorney that we may not deviate from the plans submitted to and approved by the ZBA. We were also advised that we may not substitute alternative types of materials that were specifically approved by the O&HDC and the ZBA. Lastly, the Town of Marblehead's Building Department has indicated now that the ZBA appeal has been settled, we may not delay the construction and ultimate completion of a code-compliant egress. We therefore have reached the conclusion that the best course for Harborside is to proceed with this final step of re-construction without further delay.

We look forward to entering 2016 on the path to making Harborside the fully functional and enjoyable community that we know it can be. We hope all Owners will join us in that quest.

Thank you,

THE HARBORSIDE TRUSTEES

Harborside Condominium Trust
Operational Budget

		Budget 2015	Anticipated Year -End 2015	2016
REVENUES				
A.	Condominium Fees	$ 377770	$ 377,770	$ 442,850
B.	Reimbursement on B9 Sale	0	24,214	0
C.	Other	0	3,312	0
TOTAL INCOME		$ 377770	$ 405,296	$ 442,850
EXPENSES				
A.	Administrative			
	1. Insurance Expense - Master Policy	$ 60000	$ 68,312	$ 75,000
	2. Insurance Expense - Flood	50000	55,146	65,000
	3. Insurance Expense - LOMA	2500	0	2,500
	4. Management Services	9300	9,300	9,550
	5. Tax & Tax Preparation	400	150	400
	6. Office Expense	500	86	500
	7. Legal / Professional Services	5000	15,556	10,000
	TOTAL	$ 127700	$ 148,550	$ 162,950
B.	Utilities			
	1. Electricity	$ 5000	$ 4,905	$ 5,500
	2. Water & Sewer	7500	7.755	7,000
	3. Cable TV	10020	10,055	10,100
	4. Telephone Conference	250	69	250
	5. Gas	250	471	350
	TOTAL	$ 23020	$ 23,255	$ 23,200
C.	Common Services			
	1. Rubbish Removal	$ 5800	$ 5,751	$ 5,800
	2. Snow Removal	9000	15,201	9,000
	3. Exterminating	1500	1,133	1,000
	4. Landscaping	8500	8,500	8,500
	5. Cleaning & Bulbs	5000	3,876	5,000
	6. Alarm System	1200	990	2,000
	7. Heating Systems	2500	0	0
	TOTAL	$ 33500	$ 35,451	$ 31,300
D.	Docks			
	1. Fee	$ 10800	$ 10,800	$ 5,400
	2. Insurance	2750	5,000	5,000
		$ 13550	$ 15,800	$ 10,400
E.	Maintenance/Repair			
	1. Labor & Materials	$ 25000	$ 22,784	$ 25,000
	2. North Retaining Wall	25000	25,000	0
	3. Masonry Repairs on Property	0	0	0
	4. Sea Wall Maintenance	5000	21,000	40,000
	5. B7/B8/D6 Egress Phase I	75000	75,000	100,000
	TOTAL	$ 130000	$ 143,784	$ 165,000
G.	Operational Reserves			
	1. Long Term Reserve	$ 15000	$ 15,000	$ 15,000
	2. Short Term Reserve (Painting, Roof, Parking Lot, etc.)	20000	20,000	20,000
	3. Operating Working Capital	$ 15000	$ 15,000	$ 15,000
	TOTAL	$ 50000	$ 50,000	$ 50,000
TOTAL EXPENSES		$ 377,770	$ 416,840	$ 442,850

HARBORSIDE CONDOMINIUM TRUST
Common Element Fee Schedule
2016

Last Name	Unit #	Condo % (fees)		2016 Fee
Alves	C1	3.020%		$1,115
Brunais	B7	2.850%		$1,052
Carty	A2	1.920%		$709
Carty	A1	3.270%		$1,207
Coolidge	D1	3.270%		$1,207
Curtis	B8	2.750%		$1,015
Curtis	B2	2.930%		$1,081
DeMoraes	C8	4.190%		$1,546
Garibotto	D5	4.020%		$1,484
Glasser	C4	2.930%		$1,081
Gold	C3	3.020%		$1,115
Granite St Partners LLC	B9	2.850%		$1,052
Jones/ Martin	B6	2.850%		$1,052
Michaud	D3	4.100%		$1,513
Michaud	D2	4.770%		$1,760
Nowland	D4	5.610%		$2,070
Piens Realty Trust	D6	6.620%		$2,443
Plauche	B3	4.690%		$1,731
Raymond	B4	2.850%		$1,052
Raymond	B1	4.940%		$1,823
Segee	C2	5.860%		$2,163
Siddall	B10	3.770%		$1,391
Walters	C7	2.850%		$1,052
Walters	C6	2.930%		$1,081
Wheeler	C5	4.440%		$1,639
Woodman	B5	2.930%		$1,081
Zoubek	A3	3.770%		$1,391

Prepared : 12/2/20159:35 AM

HARBORSIDE CONDOMINIUM TRUST
Supplemental Assessment
2016

Last Name	**Unit #**	**Condo % (fees)**		**Due** Jan. 1, 2016		**-or-**		**Due** Jan. 1st, 2016 Feb 1st, 2016 Mar 1st, 2016
Alves	C1	3.020%		$13,590				$4,530
Brunais	B7	2.850%		$12,825				$4,275
Carty	A2	1.920%		$8,640				$2,880
Carty	A1	3.270%		$14,715				$4,905
Coolidge	D1	3.270%		$14,715				$4,905
Curtis	B8	2.750%		$12,375				$4,125
Curtis	B2	2.930%		$13,185				$4,395
DeMoraes	C8	4.190%		$18,855				$6,285
Garibotto	D5	4.020%		$18,090				$6,030
Glasser	C4	2.930%		$13,185				$4,395
Gold	C3	3.020%		$13,590				$4,530
Granite St Partners LLC	B9	2.850%		$12,825				$4,275
Jones/ Martin	B6	2.850%		$12,825				$4,275
Michaud	D3	4.100%		$18,450				$6,150
Michaud	D2	4.770%		$21,465				$7,155
Nowland	D4	5.610%		$25,245				$8,415
Piens Realty Trust	D6	6.620%		$29,790				$9,930
Plauche	B3	4.690%		$21,105				$7,035
Raymond	B4	2.850%		$12,825				$4,275
Raymond	B1	4.940%		$22,230				$7,410
Segee	C2	5.860%		$26,370				$8,790
Siddall	B10	3.770%		$16,965				$5,655
Walters	C7	2.850%		$12,825				$4,275
Walters	C6	2.930%		$13,185				$4,395
Wheeler	C5	4.440%		$19,980				$6,660
Woodman	B5	2.930%		$13,185				$4,395
Zoubek	A3	3.770%		$16,965				$5,655

Prepared : 12/2/201510:57 AM