

# River Bank Lofts

September 24, 2009

To: Residents of River Bank Lofts

From: RBL Board of Directors

Subject: Future Masonry and Other Capital Construction Expenditures

Dear friends, neighbors and owners,

Most of you have known or noticed the amount of repair, maintenance and rehabilitation work that has been taking place on the facade of our building. Nearly six years ago the then Board of Directors of the River Bank Lofts Association was faced with masonry and roof related issues that had significant price tags. Some outside consultants had suggested up to \$5million for masonry renovations and nearly \$1million for roof replacement. After further discussions with additional consultants and reviewing its resources, the Board at that time decided to undertake a multi-year masonry remediation project to rehabilitate the facade of the building addressing the most critical and/or dangerous situations, and to make interim repairs to the roof. This solution was selected to avoid a more substantial cost outlay that the Board at that time decided that the Association was not in a position to afford. The primary masonry remediation project, whose last phase is taking place now, will be ending shortly. Over the last two years of the scheduled repairs, we have encountered and/or discovered additional rehabilitation issues involving our roof and masonry. The original multi- year masonry project, while addressing most of the issues intended in that plan, did not stop or sufficiently slow the deteriorating masonry and the interim roof repairs did not resolve the roof issues. So while we solved some issues, others were not fully addressed.

The current Board has reviewed the construction progress of the multi-year masonry effort, reviewed documents relating to this project and held discussions with consultants and the contractors particularly in view of the serious conditions found with the masonry in and on units 608 and 603 and the upper floors of tier 06. The result was that the Board decided to broaden its investigation into the remaining necessary masonry repairs that would limit our exposure to such serious and or dangerous issues in the future. The Board's findings concluded that the masonry remediation of the last six years had not been able to address the overall deterioration our building has experienced across it's 100+ year life, and in fact some problems were found to be spreading faster than our repairs are solving.

In conjunction with the masonry review, and since the original Capital Reserve Report (CRR) (completed October 2002) had become dated the Board also decided to revise and

update our building's CRR. Accordingly, numerous competent and qualified firms to undertake the new study were interviewed and were asked to bid. Sullivan Goulette & Wilson ("SG&W"), a midsize architectural firm with relevant experience in our size and type of building won the bid and was awarded the task.

As previously noted we were addressing emergency repairs to units 603 and 608 throughout the late spring and summer of 2009. We expanded SG&W's scope to include a more in-depth review of these efforts as well as to review in depth the final year of the previous façade project to give us a better understanding on the condition of our façade in general. SG&W's initial feedback was troubling. Based on this initial review, the Board chose to expand the scope of the SG&W's Capital Reserve Report project to pay particular attention to the condition and estimated necessary repairs to both the masonry facade and the building's roof.

The result of months of work, meetings, discussions with contractors, vendors and other qualified professionals, as well as input from other ongoing projects, has culminated with the release of the SG&W's CRR on 9/17/09. Rather than wait until the normally scheduled budget meetings when such information would be normally shared, the Board decided to share CRR with those in attendance at the 9/21/09 scheduled RBLCA Board meeting, post the CRR on the building's web site, and share it with you in this manner. While we are not encouraged with the ultimate result of the CRR as significant expenditures are called for, even after spending close to \$500,000 in fiscal 2009, of which \$300,000 will be for unplanned emergency masonry repairs. The CRR highlights that in order to bring our building to a stable condition, one that will continue to require maintenance but at a significantly reduced rate, we are presented with a plan to spend nearly \$2.5million over the next two to three years. This amount is obviously more substantial than what we would have allocated to spend in the course of our typical budgeting process. Specifically, the consultants recommend that \$1 million be devoted to masonry and roof repairs that they consider critical and the majority of the additional amount would be spent on necessary but non critical masonry rehabilitation. The critical and non-critical repairs are not discrete and separate areas but are physically intermingled. To separate these into critical not non-critical projects, although could be physically possible, would significantly increase the cost to come back with labor and staging equipment to same areas of the facade. Furthermore, that is how we ended in this position to begin with. Some of the better news was that SWG felt that the roof did not require complete replacement, but rather that we could cover the existing roof with another layer of membrane saving the Association hundreds of thousands of dollars and potentially extending the life of the roof beyond 2024. You will see other projects or assets in the CRR, which we have not yet determined if we will repair, replace or undertake.

It's an understatement to say the Board is not happy to see such potential expenditures; however we need to remember that our building is over 100 years old. The last major renovation of any substance was performed during 1994 and 1995 when the developer converted the building to condominiums. Just like many other assets we own or use daily, our building, its equipment, façade, roof, carpet, and related parts are aging, breaking down or wearing out and will eventually have to be replaced. The repairs on the facade that we have seen over the last six years have slowed down some of the deterioration but not so much as to offset the next round of necessary repairs and improvements. If we wish

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to maintain the value of our collective investment we feel the need to heed our consultants recommendations and consider the logic in replacing or repairing certain other assets as well. To give all owners sufficient time to consider these issues, the Board has decided to undertake our annual budgeting process earlier than in year's past and distribute as much information to the unit owners as soon as possible. Since some of the issues regarding the proposed expenditures are technical in nature and based on in-depth knowledge we have invited SG&W to attend the 10/19/09 Board meeting when the Board members will present the findings and recommendations from the CRR and the Association's 2010 budget. SG&W will make a presentation at next month's Board meeting to explain the necessity of certain capital expenditures and answer questions relating to their work and the CRR.

Although not certain, it appears likely that we have to consider a special assessment in the range of \$2-2.5million. Board members are currently evaluating the Association's options, and will continue to have internal as well as external discussions with our advisors; and especially listen to the thoughts, comments and suggestions from our fellow neighbors and unit owners. If there is to be a substantial special assessment we will also have to determine how to proceed. Given the current economic conditions we must consider the specific impact a special assessment will have on all unit owners. Accordingly, we have initiated discussions with several local banks to determine the possibilities of how we can arrange financing on behalf of the Association for the owners that might not able to make a lump sum payment and share our findings with you at the October 19 board meeting.

In conclusion, we urge all unit owners to review the CRR, which is posted on our web site ([www.riverbanklofts.org](http://www.riverbanklofts.org)). We can assure all of you that we will take into consideration all the relevant variables in our deliberations; the economy, the need to make such repairs, the long term viability of our building and the best interest of the Association. Although the arguments against some of the proposed expenditures are plausible, the necessity of some expenditure is obvious and some projects will have to be made in the next several years. Avoiding these expenditures for masonry and roof revitalization over the next few years will not make them go away, in fact we are being told that if we do not make the critical and key proposed repairs soon the future required expenditures will only grow beyond the current estimate. The Board is faced with several difficult decisions and unfortunately limited choices and we are eager to hear your thoughts, concerns and suggestions. Please remember that we are all neighbors and fellow owners facing these issues together and we must be considerate of the differences of opinion and the necessary process. After all, we are all interested in protecting maintaining, and hopefully increase the valuable asset of our homes. We look forward to seeing you Monday 10/19/09 at 7PM.

Respectfully,

The Board of Directors