

## Ocean Side Construction Update

**11-20-2017**

There have been numerous questions and, obviously, great concern over what has turned into a major renovation project to our building. On behalf of the Board of Directors, I will attempt to address all of the questions and provide insight into the details of the project. If you recall, when I ran for the Board, my primary objective is to protect and enhance the value of our mutual investment. My entire adult life has been spent in the construction industry. I spent 35 years as an estimator and project manager for General Construction Contractors. I am currently Director of Maintenance for Cleveland County Schools in Shelby, North Carolina. I have spent my life estimating projects, buying materials, negotiating subcontracts, scheduling projects, and then managing the projects to completion. I want you to understand that this is not my first rodeo.

**I NEED TO REMIND YOU OF SOME SAFETY CONCERNS. PLEASE STAY OUT OF THE CONSTRUCTION ZONE WHICH IS BASICLY THE ENTIRE AREA BEHIND THE BUILDING. ALL BALCONIES ARE CLOSED DURING CONSTRUCTION. THERE HAVE BEEN CHUNKS OFF CONCRETE AND STUCCO THAT HAVE FALLEN FROM THE UPPER BALCONIES. PLEASE MAKE SURE YOUR GUESTS AND RENTERS ARE AWARE OF THESE RULES.** Anytime the men are working there is danger of falling materials. We do not want anyone to be injured. All furniture needs to be removed from the balconies. Guests have been putting furniture on the balconies and sitting outside. Closets need to be emptied. A stage is being installed on the 3-4 stacks today and the stage from 6-7 will move to 1-2 shortly. On Saturday, I saw some patio furniture on balconies in the 6-7 stacks. It must be moved for the painting and floor finish to be completed.

Based on my experience, successful projects have clear lines of communication between the Owner and Contractor. The Board has agreed that I will serve as the direct point of contact with DR Moore. That also means that I am responsible for keeping the Board and the Owners informed. As stated above, I still work full time and I am not on the project every day. I may not respond immediately but will strive to answer all of your questions to the best of my ability. My e-mail address and phone number are below.

I have spent hours on the phone and in meetings with Dan Moore and his team over the past few weeks. I truly believe that Mr. Moore is an honest business man who takes great pride in doing quality work at a fair price. He is highly embarrassed that the project manager, who is no longer with the firm, did such a poor initial evaluation of the scope of work needed for this project. Some of unit prices you will see in the contract have been reduced significantly based on the scope of work increasing which will improve productivity on those phases of the work.

Mr. Moore has several other projects he is doing concurrently with this project. He had a full load of work for the winter before our project tripled in size. He has his best foreman on our project and he is adding personnel to his staff. He has told me repeatedly that this project is his primary focus because of his long term relationship with Waterpointe 1. He understands that we need to be ready for rentals in the spring and he wants each of you to know his commitment to completing this work as quickly as possible and his commitment to doing quality work with quality materials.

The original balcony survey was done in 2015. I am now aware that the balconies were not “sounded” for hidden damage. Therefore, the pricing was based on obvious cracking and chipping only. The metal framing and stucco repairs were based on removing and replacing a sixteen inch strip at each floor line to install new flashing and repair framing. An estimate was submitted by D.R. Moore in the summer of 2016. I received a copy of this estimate approximately four months after being elected to the Board in October of 2016.

I reviewed the proposal with the former project manager. He did not indicate any concern about re-inspecting the balconies. We knew that additional framing and stucco issues would be found when we opened the walls, but there was no way to determine the extent until we opened the walls. I then used the quantities from the DR Moore quote to solicit additional quotes. The second bid received was based on the identical scope of work. A third contractor did not respond to our request.

When the work began on the 6 & 7 stacks, we quickly learned that the concrete damage was more extensive than originally expected or budgeted. When the closet and chimney stack walls were opened we found that the framing was severely rusted out and that screws holding the stucco to the framing were also severely rusted and completely gone in some cases. The exterior walls must be replaced. This has been confirmed by a licensed structural engineer.

The contract form we are utilizing for the project is called a “unit price” contract. This means that quantities of work are estimated and the contractor applies a cost for each type of work. This is the only logical contract form for this type of work. NO ONE would have given us a “lump sum” price for work that is significantly hidden. If someone did quote a “lump sum” price it would likely be double or triple where we are now. If we had hired an Architect, he would have developed a scope of work and the pricing would have been based on that scope. Hidden damage would be priced out and added to the contract. By any method we could have chosen, the hidden damage would have been discovered and added to the contract.

I have seen and heard comments expressing that DR Moore should be absorbing some of the cost to the poor estimate. The deterioration of our building is what it is. Mr. Moore did not cause the rust to the steel stud framing, he did not create rust in the rebar in the concrete and

did not cause the concrete to crack and chip. We own an ocean front building and humidity, salt air, blowing rains and leaks have corroded our 30+ year old building. He is not liable for our damage and is embarrassed that the initial investigation was poorly done.

I know that some of you will disagree, but I feel the unit pricing is reasonable for the work being performed. I could spend a lot of time investigating the pricing, but that would only delay the negotiations and the progress of the job and I am certain the bottom line would not change drastically. Please understand that I say that as Owner who is also paying the same \$3,000 assessment as you are. I hate it just as much as you, however, the damage must be repaired. The deterioration is so bad that we are lucky that large sections of stucco and chunks of concrete have not fallen from our building.

Sadly, I can tell you that there will be additional costs as we proceed. While we have a much better handle on the damage, there will still be surprises. Two weeks ago a large chunk of concrete fell from the edge of the concrete slab beneath the exterior wall of the 5 stack on the ninth floor. There was no visible evidence that the concrete damage was that significant prior to removing the wall. While we are fully replacing the exterior walls between balconies, stucco and framing damage on the walls on the balconies has been found in several locations. I cannot give you a number, but I feel confident that future contract changes will be minimal compared to the current scope of work.

**DR Moore has currently established the first Saturday in May as the goal for completion of the project.** Moore will continue to work Monday thru Saturday each week. Thanksgiving Day, Christmas Day and New Year's Day are the holidays when no work will be performed. The schedule obviously can be impacted by weather and I will monitor the work as closely as possible and keep you informed. My goal is to visit every two weeks to monitor progress and quality. Please bear in mind that rain, cold and winds are factors that can impact the projects. It is dangerous to fly the stages in high winds.

There have been numerous questions about the manpower on the project. Manpower can vary daily based on the work that can be performed on that day. On Saturday when I walked outside, I saw two people painting balcony ceilings and one on the ground. Thirty minutes later I walked outside and did not see the ground person. The foreman Jose yelled at me from the roof and I saw that he was setting the third stage. I went to the roof and there were four people working to set the stage. What you see as you walk to the beach may not provide a true picture of the manpower actually working on the project. You need to understand that there are weight limits on the stages, therefore you will typically two people working on each stage. A third stage was brought in on Saturday and you will see more people in the air. The second stage was not in use on Saturday because the base coat of stucco was completed on Friday and needed to dry prior to the finish coats being installed. For every person you see in the air there

is likely someone on the ground gathering and prepping materials. In a couple of weeks, the stage from the 6-7 stacks will move and a large portion of the remaining work will be accessible from the three stages. Please feel free to count heads, take pictures and keep me informed via text and email. I request that you please do not distract the workers because if they are talking to you, they are not working. The crews in the field have nothing to do with the estimated cost of construction, the choice of materials or the contract terms. Again, please feel free to contact me with your questions and concerns. My e-mail address and phone numbers are below.

There have been some questions with regard to the quality of materials being used. Prior to construction, DR Moore provided product data for all of the materials for the project. Ken Shafer (201) and I have reviewed these products and found them to be quality products for the work being performed. I know that Ken's email this week stated some concerns. I forwarded the product data to him again and called him to review. We are on the same page. Ken's knowledge and experience have been invaluable to me in the process and we have had many discussions about this project since the beginning.

***FOR SAFETY REASONS THE BOARD HAS VOTED THAT FIREPLACES SHALL NO LONGER BE USED FOR LIVE FIRES UTILIZING WOOD, FIRE LOGS, ETC.*** After reviewing some of the photos, we are now aware that some of the chimney stacks have rusted out and will leak smoke into the chimney closets and likely into the units above. With that discovery, some have asked why we are not removing the stacks while we are removing the walls. There are several factors in that decision. The Board agrees that adding cost and time to the current project is not reasonable. We want the project completed as quickly as possible and we do not want to burden you with a larger assessment. The cost will not be significantly higher at a later date because the stacks can be easily removed through the closet doors. This Board feels that we are better served by rebuilding our reserves and addressing the fireplace issue at a later date. We also feel that the ownership deserves a vote prior to removal of all of the fireplaces. You will hear more about and be given the opportunity to further discuss this issue as we move forward.

I also need to advise you that due to the cost and cash flow of this project, the Board voted on Saturday to delay the installation of the heating for the indoor pool area. We apologize, but the structural integrity of our building is critical.

In closing, I want to again state that I and the other Board members are focused on the best interest of our investment. This Board works very well together and is diverse enough to see many sides of any given issue and is truly dedicated to doing things to enhance our building and to do it honestly and visibly. We feel your pain on a \$3,000 assessment. Those of us rent our units feel your pain on lost rentals. Personally, I will do everything I can to stay on top of construction progress and quality. Again, please feel free to contact me with any questions or concerns.

If anyone would like to be copied on the response to every e-mail question I receive, let me know and I will create an email group.

Sincerely,

On behalf of the Board of Directors  
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