



Finally, our year of building construction projects is almost over! We've made excellent progress over the past several months in the restoration and renewal of our building's aged infrastructure. In doing so, we've addressed many of the most critical concerns listed in our recently commissioned reserve study report. Here's an update on these building projects, as well as other Association concerns:

I. Building Projects:

•**Roof Replacement:** Our new roof is now installed and should remain in excellent condition for years to come. This long-overdue project was a quite an undertaking. Thank you for your patience during the time our freight elevator was unavailable for your use.

Contractors used the freight elevator extensively to remove several tons of stone and other materials from our roof. As a result, this elevator underwent some very heavy use. Fortunately, our independent elevator consultant has confirmed that this car survived the burden just fine. With some routine maintenance, it should continue to be fully operational for several more years, after which time it will need to be modernized.

•**Rooftop Air Handlers:** Our north and south tier heating/cooling units were completely refurbished while our roof was under construction and are now fully operational. In the next five years or so, both units will need to be replaced, as they will be over 20 years old by then, reaching the end of their effective service life. When it's time to replace these units, it may be more economical to coordinate a helicopter lift and replace both of them at the same time.

•**Bike Room:** We've recently doubled the size of our bicycle room. The new space is larger, better lit and better arranged than its predecessor. It even has a motorized air pump for you to inflate your tires! Although a security camera adjacent to the entrance door will monitor the hallway, it's still a good idea to lock-up your bike. Please contact the management office if you wish to rent a space in this room. The fee is \$50.00 per year.

•**Deck Furniture:** Some of our old deck furniture was literally on its last leg. We've replaced it with very attractive and sturdy commercial grade chairs and tables. Our Design Committee was able to negotiate very favorable pricing for us on these items. Our new furniture is due to arrive shortly and will greatly enhance the enjoyment of our outdoor space. The sturdy cast iron furniture on our north deck is still in very good overall condition, so it will be sanded and professionally repainted over the upcoming winter months.

•**House Pumps:** In April, our building's water booster pumps were replaced without complication. These

much needed new pumps run continuously and are exceedingly energy efficient compared to the original 40-year-old pumps they replaced. They also have a “slow fill” feature that allows our engineers to gradually re-pressurize the lines after a water shutdown, which reduces the potential for riser leaks. These new pumps will deliver consistent, reliable water pressure to all units in our building for decades to come, and will save our Association a great deal of money on repair bills and energy costs.

•**Boiler Replacement:** In the next few weeks, we will be replacing our building’s original, 40-year-old domestic hot water boilers and mixing valves with an energy efficient, state-of-the-art system. This necessitated a comprehensive upgrade of the electrical service feeding these boilers, which required a building-wide power shutdown. An elaborate operation such as this required a great deal of coordination and precise timing. Fortunately, for most residents, the transition occurred seamlessly. The electric upgrade work took place during our planned power shut down this spring. (Management coordinated other similar work requiring an electric shutdown during that time as well.)

Our new boilers are exceptionally efficient compared to our old ones and will save us close to \$25,000 per year on natural gas expenditures. In addition to this, we’ll also be receiving a utility rebate in excess \$35,000 for modernizing this system. These two factors will significantly defray the cost of this upgrade.

•**Loading Dock:** This was our most seemingly simple, yet complex and challenging project. Were it not for the mass of power and communication lines traveling through this space, this would have been just a simple concrete demolition and concrete-pour job. Beyond the inherent structural concerns, we had union labor, logistic, and co-tenant occupancy issues to reconcile during this project. Fortunately, an operation such as this only needs to be repeated every 35-40 years! This project can be broken-down into two major phases: Structural Shoring and Concrete Replacement.

Structural Shoring: A high voltage electrical vault resides below our loading dock. This houses the trunk lines that feed electricity to our building. We were completely at the mercy of Commonwealth Edison and their designated subcontractor with respect to our costs for this portion of the project: ComEd does not entertain competitive bids. The structural engineering calculations performed by our engineer allowed this shoring to proceed without a hitch. Heavy spring rain and flooding required ComEd to cancel our first planned shutdown date due to their unexpected emergency workload elsewhere in and around the City. This was an unfortunate inconvenience for the many residents who vacated the building.

Concrete Restoration: Once the shoring work was completed, we were ready to start-in on demolition and restoration of the concrete floor. Demolition was complicated by our contractor discovering that the concrete was several inches thicker than indicated on our original building blueprints. Forty years ago, architects didn’t use CAD programs, so contractor site revisions didn’t necessarily get transferred to blueprints after the fact. This discrepancy initially delayed the demolition phase of our project.

As the project progressed, our structural engineer identified a section of coupling rebar that did not conform to the design specifications of the original blueprints (or acceptable building standards). This discrepancy also had to be rectified in our new design. This delayed the project and raised our cost even further.

Though all of the building projects listed above were completed at or below our budgeted cost estimates, the loading dock project was an exception, coming in over budget by about 13%. The reasons primarily responsible for this outcome were the extra rebar and additional volume of concrete necessary to complete the project in accordance with our specifications, as well as the labor costs associated with additional work.

You may notice that the commercial tenants that share this dock with us are now housing their trash receptacles entirely along the east wall of the dock. We asked them to do this so that our residents could walk along the west wall area without having to circumnavigate a foul-smelling grease dumpster or traipse over restaurant debris. Safety bollards will be installed along this walkway to protect pedestrians (and pets!) from any errant vehicles in the dock area. The concrete in this area is also ramped for bicycles or wheeled delivery

carts.

•Window Sealant Project: We are in the final phases of year two's work at this time. By December, the scaffolding now on our building will start to disappear for the year. Our contractor will be completing any remaining window sealant work next year. We made a concerted effort to sequence this work so as to minimize any closure of the pool and BBQ decks over the busy summer months. We also prioritized those units with the most severe water or air leakage problems to receive attention first. So far, our contractor has identified no significant façade deficiencies that should contribute to a cost overrun beyond our contingency allocation.

II. Other Association Concerns:

•Door Staff Pension: Soon, the Board will need to make a decision with respect to how our Association will fund our door staffs' SEIU pension plan. This critically important decision will have financial implications for our association for years to come. We have some very knowledgeable and highly credentialed people on our board to help us render a sound decision on this matter.

•Rules & Regulations: The Rules Committee is in the process of updating our Rules and Regulations. Not only will this address many inconsistencies or ambiguities but it will give us an opportunity to address new topics of concern. Some of the major items under review include: fine schedules for Rules violations, air filtration requirements for smoking odor complaints, sound insulation requirements for flooring during renovations, and community room (Chestnut and Conference) reservation policies and use. There are other Rules revisions under consideration as well.

You will receive a copy of the draft resolution for your review when it's available. This document will also be posted on our website. Please note that the Board has directed management to actively enforce our rules regarding short-term rental violations. Anyone identified advertising or renting their unit out for any type of short-term rental stay is subject to a substantial fine.

•Building-Wide Unit Inspections: The Board recently directed management to conduct our annual inspection of units. This will occur later this fall. We expanded the list of items on the inspection checklist in order to identify units with old water connection lines that might leak and cause building damage. It's extremely important (and inexpensive) to replace any suspect lines, especially for part-time residents who may not be immediately aware of a slow water leak in their unit.

The City of Chicago just recently approved a Bedbug Ordinance for condominiums. We intend to incorporate the City's policy into our own inspection and pest management protocol. Management will update you in the near future as this policy takes shape.

•Fire Safety (Annunciator) Project: This City Ordinance is set to take effect on January 1st, 2015. Wiring for this retrofit process will take place over a two-year period. The first phase will start late this fall in the stairwells. Next year, our hallway wiring will be completed. This timetable will allow us to meet the January 1st, 2015 deadline. Our Design Committee is considering various options for us to conceal the aesthetically discordant elements of this project. It's an architectural challenge to harmoniously incorporate the rather unsightly electronic components required for this project (i.e., smoke detectors, large speakers, red conduit) into a visually appealing hallway design.

Some very talented and experienced people are working on this and should have some solutions for the Board and homeowners to review very soon. The Board recognizes the need for several beautification projects in our building and is looking forward to shifting our focus on to these projects very soon. Logistically (and financially), it's more sensible to address our mandated fire safety requirements before we undertake our planned hallway renovation project.

•Our Budget: As you can see, quite a bit of reserve fund capital has been spent this year on necessary infrastructure improvements and more is about to be spent. We currently have approximately one million dollars in our reserve fund. However, this account balance is expected to drop significantly as we pay the bills associated with this year's window sealant project.

The Board is very much aware of our Association's budgetary constraints and indeed has carefully planned this year's spending initiatives accordingly. By intentionally bidding-out many of the above projects during an economic recession, we were able realize savings in excess of a million dollars over prior estimates. This savings wasn't accidental; it was achieved by diligent negotiations and planning.

Do not be alarmed if you see our reserve account balance diminishing later this year. Our Association enjoys excess operating revenue of about one million dollars per year. This gives us the luxury of employing a low interest line of credit to temporarily augment our reserve account until it is regenerated with extra revenue that is expected in the months ahead. We may elect to draw on our line of credit at some point in the upcoming months as we deem it necessary.

Despite the expenses associated with the above-listed building infrastructure improvement projects, we continue to aggressively pay down our 5-year note. Its original balance was \$1.6M; its current balance is about \$1.1M. By 2015, this debt should be fully retired.

Our 2014 budget is under consideration at this time. Our Treasurer anticipates an annual assessment increase very close to the U.S. economy's annual rate of inflation. He does not envision any special assessments or extraordinary fee increases in the foreseeable future.

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Thank you for your patience and cooperation during the past several months. Some of the projects we've seen in our building are required only once in a generation. Our Board is committed to continually improving the infrastructure, long-term finances and overall living conditions of our building, all of which have a direct impact on our property values. With your participation and cooperation, this goal will become a reality.

Sincerely,

Anthony G. Milazzo, Board President

Please click [HERE](#) to visit the 111 E. Chestnut Condominium Association web site.