

October 4, 2023

Dear Canal Place Unit Owner,

Since we announced the need for a \$2,000,000 loan, we've heard many questions from owners. These are the most frequently asked:

Why must I pay to fix the garage if I don't own an underground space?

The garage is legally deeded as a Common Area to all units. That fact is not negotiable. In addition, the garage is used daily for building maintenance necessary to all units. Keep in mind that owners of deeded underground garage parking spaces already pay higher condo fees.

Why doesn't the Temporary Condo Fee Program have an option for an early pay off?

The loan being sought is between the bank and the Association. It does not involve individual owners. The administrative costs to refigure the loan every time an individual paid off their bit of the principal would be cost prohibitive for any lender. The Association makes a commitment to pay 10 years of interest based on the loan total. Individual unit payoffs do not affect the Association's loan obligations; therefore, participating unit owners must still contribute the full 10 years of interest.

The purpose of the Temporary Condo Fee program is primarily to protect the Association. For both legal and practical reasons, a Temporary Condo Fee is more easily collected, thus making sure the Association can meet its obligations to the bank. With a traditional Assessment structure, owners can default on their responsibility until they sell the property, leaving the Association on the hook until a sale occurs. (There is precedent for that in other properties.)

What is the rate of the loan?

As of this writing, the loan has been approved but the closing has not yet been scheduled. Based on current numbers, the interest will be around 7.8%.

Will my regular condo fees rise for 2024?

Due to the overwhelming workload faced by the Board and Management, the 2024 budget will not be set until late this year. However, considering inflation in regular operating line items such as Electricity, Gas, Water & Sewer, Snow Removal, plus an expected increase in Insurance, it seems all but certain our regular condo fees will rise for 2024.

Why aren't we using our reserves and insurance settlement to defray the cost of these improvements?

We have already been using our reserves and the insurance settlement as we await loan approval. These funds have been used for:

- *Demolition and clean-up of garage*
- *Plumbing repairs*
- *The costs associated with temporarily heating the garage from Feb to April*
- *Extra parking fees at the Roy Garage*
- *Engineering and planning for the new garage design, as well as for structural repairs*
- *Project management costs for all scheduled work: garage, roof replacement, structural repairs, cooling tower and lobby lift*

What is the status of our reserve study?

The most recent reserve study was completed by Callahan & Associates in 2018. It needs to be updated. Once we get through the work that's before us, we will undertake a new reserve study.

Sincerely,

The Canal Place Board of Trustees