



Toronto Standard Condominium Corporation # 1577

Board Letter to Owners

Year End 2004

Highlights of past year

board activities and key achievements,

reviews of important items and

comments on upcoming areas of interest

**Please note attached Form 15,
the official notification to owners as per the Condominium Act,
of Future Funding of Reserve Funds for each of
T.S.C.C. # 1577 and Shared Facilities.**

The New Board

The past few months since the April 7, 2004 Turnover Meeting, where as your inaugural Board of Directors, you elected Carol Goldman, Darlene Bennett, Nick Giarratano, Stephen Perelgut and me, have been busy ones for us all. As new owners like you, we were continuing to become familiar with our new homes and managing through the processes of resolving deficiencies with Tridel and working on the finishing touches to our decorating and furnishings – this latter process it seems never ends.

As your new board members, we also very quickly became engaged in gaining familiarity with the financial and operational realities of our building and the shared facilities. We also found out what it is like to influence on your behalf the effects of being connected to a continuing major construction project as a neighbour that surprises you every so often with barricades across your driveway, big holes in your front yard or other unpleasant experiences. Thankfully, there is a light at the end of this tunnel.

2004 EXPENSE BUDGET

In comparing the material in the disclosure package (prepared in late 2000) and the registration package (early 2004), the budget statement totals attributable to TSCC #1577 are very close, but the detail is very different. The building configuration is also somewhat different: 21 storeys instead of 20, 234 owner units instead of 219, 153 lockers instead of 220.

Tridel documented their right to increase or decrease these final numbers in the disclosure document, with the understanding that the final budget for the first year following registration of this Condominium would be prepared in such a manner that any variance in the dwelling unit/parking/locker or other ancillary unit count would not affect, in any material way the maintenance fees shown at the time of sale.

As we became familiar with the Essex 1 and Shared Facilities budgets, we realized that what we were given as a financial plan for year one was not going to turn out according to budget as it was prepared four years ago. It was clear that by year-end 2004, we would be in a financial deficit. Part of this shortfall is in utilities. We just didn't know by how much.

The good news: We felt somewhat relieved to have it confirmed by Del, our Management Company, that the Declarant - Tridel is responsible for covering any reasonable over budget position in the first year of a new condominium. This commitment is specified in the Condominium Act.

The bad news: in the second and future years, we as owners are on our own. Tridel very carefully points out in the owner disclosure packages (prepared in late year 2000) that we get when we sign up to buy a unit, that there are certain likely increases that we as owners will face in the second year following registration.

THE PROBLEMATIC EXPENSES in 2004

Reserve Funds: For instance, Tridel chooses for their own reasons to make the initial contribution to the Reserve Funds for the building, and the various shared facilities at the legal minimum of 10%. The *Condominium Act 1998* requires that in the first year following the registration of the condominium a Reserve Fund Study must be carried out, "in order to confirm, amongst other things, the adequacy of the reserve fund in respect of this Condominium, as well as the separate reserve fund being established for the Two Way Shared Facilities". In other words, be prepared for an increase.

From information we have become aware, 10% is almost never adequate. In our case, a reserve fund contribution for year two has been established by Cochrane Engineering, the consulting firm we engaged to carry out our studies, at about double the Tridel first year number.

Expenses excluded in year one: In the same documents, Tridel also points out that certain expenses not incurred in year one due to the newness of the building and/or warranty reasons, will need to be properly budgeted for in year two and beyond. They make special reference to an elevator maintenance contract, "although the first year budget statement quite properly excludes any elevator maintenance or repair costs, as it is covered by warranty, such costs will nevertheless have to be incurred by the Condominium in subsequent years, and will accordingly have to be properly budgeted for by the Condominium in subsequent years". The elevator maintenance contract is not a large expense item but sets the tone that we need to budget accordingly for items which will expire under warranty and account for proper maintenance and repair to keep the community high standards intact.

Escalations: Then there are utility costs, primarily gas and electricity where the actual consumption experience for this new building has been significantly higher than budget. Various other service or maintenance contracts turned out to be higher than budgeted when put out to competitive bid.

2005 BUDGET

In November 2004, as we put the 2005 Budget together with the help of our Del accountants, we realized we were facing a second year increase even higher than what we signalled to our owners in July, when we had much less financial history data to go on. There is little comfort to being informed that the experience of a second year budget and attendant maintenance fee increase of anywhere from 20% to 50% is not at all uncommon across new Condominium developments in the GTA and beyond. But that is the reality.

Under the Condominium Act, a board has both a duty and authority to develop an operational budget for each fiscal year and communicate the result to owners after the fact, regardless of the size of increase, as long as the scope of operations is not significantly different from the previous year. Should there be a plan to make what the board judges to be a substantial change to common elements, such a change must receive owner approval before hand. But that is not the case here.

Your board believes that we have put together a prudent financial plan for 2005 that includes the ability to respond to some measure of operational uncertainty inherent in a still very new building with the associated limited operational experience. I have not gone into specifics here, since they have all been covered in the owners' package that you received in the mail in early December. If you want to peruse the fuller budget materials, you can do so by visiting the Management Office.

FUTURE YEARS

We fully expect that budget cost increases in future years will be much more moderate. Electricity costs are the wild card, but gas is under control for five years through our long-term supply contract. We should be able to manage other increases at a much more sustainable and acceptable level than this year - more in synch with owner expectations.

OUTLOOK FOR ENERGY COSTS

Looking into the crystal ball to forecast energy prices is a tricky business. However, we as a board can work on the things we can control.

Energy Audit: Our first step was to order an energy audit of our new building to identify what our options were to conserve energy. Our energy management company, Provident carried out the audit and verified that in almost all cases, Tridel has installed energy efficient equipment for the heating/cooling and lighting in our building. They did identify a couple of investment options that we can consider if and when the payouts become attractive.

Energy Management:

After satisfying ourselves of the value of their energy management services, we renewed the contract with Provident to manage the energy consumption in our building through their continuous remote monitoring of and optimization of consumption.

Gas Supply: We negotiated a five-year gas supply contract under a competitive bidding process involving a host of potential agents and suppliers that Provident ultimately won as the most attractive combination of price and service. That contract will give us gas price stability for five years at an attractive price.

Electricity: has returned to being a regulated commodity so that we like all homeowners are subject to the actions of the Ontario Government. We will continue to stay abreast of opportunities that alternative bulk metering methods might provide. Our electricity usage is bought in bulk and is included in our maintenance fees. Our neighbours in Phase2 have individual unit consumption meters and will be billed individually for usage. Retrofitting to individual metering in our building would be an expensive proposition and require the agreement of owners.

SERVICE CONTRACTS

During the year, we put 6 contracts (72% of contract costs) out for competitive bid. Of these, 1 went to a new supplier. One contract (19% of contract costs) was subjected to a competitive assessment; the remaining 8 were subjected to a value assessment.

Concierge Security: For Concierge Security Services, we chose to change suppliers for both price and service reasons.

On December 1, 2004 a new team was brought on board from Group 4 Falck, a major international security services firm. To date, they have performed well and we trust you share our view.

Fine-tuning access control and security patrols will draw our attention in 2005. We and our new Site Quality Committee believe that we

need additional coverage to allow for more common area, parking and garage patrols. Given our fiscal constraints, we have built in a modest budget provision that on a shared basis with our Phase2 neighbours would ensure Concierges being in position at their posts for a greater proportion of the 24 hour period, while allowing for greater common area patrols and attendant security and rule compliance attention.

Property Management:

This contract covers the cost of the local property manager, plus corporation accounting services and ongoing senior management level advice and guidance on various policy and operational issues.

Del Property Management, an independently operated

but Tridel-associated company, was the firm we inherited from Tridel. Our first concern was the extent to which Del local and senior management would act in our interests versus those of Tridel. We held off making that decision for some months so that we could get a sense of their competence, level of service and independence. We also did a competitiveness check of their management contract fees.

Your board ultimately became fully confident to ratify staying with Del Property Management. While the contract is multi-year, there is the option to cancel the arrangement with 60 days notice.

So in a way, they earn their stripes every day with your board, just as we as a board do with owners.

ONTARIO HOME WARRANTY PROGRAM (TARION)

To meet the requirements of the *Condominium Act 1998* to qualify for the Ontario Home warranty program for our overall building and completed shared facilities, we selected Cochrane Engineering through a competitive bid process and engaged them to conduct what is called a Performance Audit.

Cochrane conducted an assessment of how well Tridel has constructed the building according to specifications and building code requirements. They enlisted input from residents through a survey about observed deficiencies in their units and common areas that might signal a common building issue and they also take instruction from the board to address special areas of concern such as the swimming pool and elevators. They undertook a series of visual assessments and special tests to form the basis of their assessment.

We accepted their reports in late November that outlined a series of deficiencies. These reports have been sent to both Tridel and Tarion. Tridel has 45 days to respond with their plan to address the concerns.

In late January, we will meet with Cochrane to go over the Tridel response and establish our priorities for resolution that we will concentrate on in the upcoming year.

OWNER ADVISORY COMMITTEES

Recognizing that owners value an opportunity to be invited in shaping the quality of life in our complex and that their advice can be helpful, the Board defined roles for, and invited participation in three Essex committees:

Site Quality Committee to identify potential site enhancements and current deficiencies, advise on waste management issues and resident activities that are not contributing collective enjoyment of life, and landscaping quality (until a shared facilities mandated committee takes over this role). Members: Carol Goldman (Chair), Adolfo Castrilli, Andrea Volk, Brigitte Lovrin,

Claudia Brown, Joyce Hubel, Leah Rose, Magda Biesiada, Sylvia Mountney, Vlasta Seidl

Social Committee to develop, coordinate and implement a social program throughout the year to build a sense of Essex community. Members: Darlene Bennett (Chair), Anna Parker, Chan Naidoo, Irene Priest, Ivonne Juhasz, Janet MacKinnon, Junga An

Communications Committee to ensure Essex residents are made aware of items of interest and encourage a sense of community, principally through an Essex Newsletter, and other methods that might be found useful. Members:

Fred Reichl (chair), Anne Bisson, Cathy Kelly, Gary Daley, Renata Zuger

We thank these volunteers for their efforts so far and look forward to the valuable help from advisory committees in the future as needs and interests evolve.

Some early results from our committees have been the Halloween event in the fall and The Essex Holiday Gathering on December 16, the Essex Newsletter, and deliberations by the Site Quality Committee on enhancement priorities for consideration by the Board.

IMPLICATIONS OF PHASE2

With the registration of Phase2 and the election of a Phase2 board, a Two Way Shared Facilities Committee will be formed, drawn from members of the two building boards to deal with issues specific to shared facilities and the overall Essex grounds. In due course, it is likely that a special Landscaping Advisory Committee will be formed that will provide input to the Two Way Shared Facilities Committee. Best guess is that Phase2 will be registered in May/June of 2005.

When Phase2 carries out their performance Audit, they will also commission a Reserve Fund Study for their building and an update for the Shared facilities reflecting the completion of Recreation Centre features located in their building. This latter update will affect us to some extent, but hopefully not in a major way.

There will be a number of other issues to pay attention to, including traffic patterns on the shared garage ramps, parking and traffic flow through the garage levels and shared roadway. There will be any number of other issues that will arise and with which we will want to work with our Phase2 board to arrive at solutions that are beneficial for all Essex site residents.

A GOOD START

I would like to offer personal thanks to my fellow board members, who in my judgement have conducted themselves in a most productive and collaborative fashion, always with the objective of serving owners collective needs.

Carol and Darlene took on the extra Director duties of chairing owner committees, Stephen in his role as Vice President was a tower of strength in championing resolution of construction and vendor performance issues, and Nick in his role as Secretary/Treasurer liaised with Del Accountants to make sure we only paid for things that we should and ensured we did so on time.

We know we have more work to do to ensure the quality of life you expect from living at the Essex, and we have confidence that we are up to the job. We trust you are able to share our view based on results to date.

Respectfully,



Fred Reichl, on behalf of the Board
T.S.C.C #1577

Management Operations

We now have a very competent Building Superintendent in the person of Claus Gnaedig, and an able Property Manager, Clara Capparelli, who has the delicate task of serving many masters.

Board Operations

During the nine months since the April 7 Turnover Meeting, your Board conducted 11 formal board meetings in 2004, and carried out a large number of other board-related discussions and conducted coordinated communications with Tridel Construction and other vendors.