

# COMMERCIAL TENANT DAMAGE CLAIM LETTER

## Retail Store Water Damage from Roof Leak

### COMPANY INFORMATION

Fashion Forward Boutique, Inc.

DBA: Bella's Boutique

2800 Shopping Center Way, Unit 245

Phoenix, AZ 85016

Phone: (602) 555-3400

Fax: (602) 555-3401

Email: [insurance@bellasboutique.com](mailto:insurance@bellasboutique.com)

Federal Tax ID: 54-8976543

State Business License: AZ-789456

**July 22, 2024**

**SENT VIA:** Certified Mail #7021 2345 6789 0123 4567, Email, FedEx Overnight

### Continental Insurance Group

Commercial Claims Department

Property Damage Division

Attn: Michael Thompson, Senior Commercial Adjuster

P.O. Box 78000

Dallas, TX 75201

CC: Commercial Property Specialist

CC: Large Loss Unit

### CLAIM IDENTIFICATION

**Re: Commercial Tenant Improvement, Betterment, and Business Personal Property Claim**

**Policy Number:** CPP-456789123

**Claim Number:** WD-2024-67890

**Date of Loss:** July 8, 2024, 2:00 AM

**Cause of Loss:** Roof leak from severe thunderstorm

**Insured Location:** Suite 245, Desert Ridge Shopping Center

**Building Owner:** Desert Ridge Properties LLC

**Lease Term:** March 1, 2020 through February 28, 2030

**Total Claim Amount:** \$267,850

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# EXECUTIVE SUMMARY

Dear Mr. Thompson:

This letter provides comprehensive documentation of our commercial property claim for extensive water damage to tenant improvements, trade fixtures, and business personal property at our 3,200 square foot retail boutique. As the tenant, we have significant insurable interest in these damaged items totaling \$267,850.

**CRITICAL:** Business cannot resume operations without these improvements and property restored. We are losing \$4,500 daily in sales.

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## INSURED INTEREST DOCUMENTATION

### Lease-Based Ownership Rights:

Lease Section	Provision	Our Rights	Documentation
\$7.2	Improvements	Tenant owns all improvements	Full ownership - Page 18 attached
\$7.4	Restoration	Tenant must restore to original	Obligation to repair - Page 19
\$12.1	Surrender	May remove or abandon	Option at lease end - Page 42
\$8.3	Insurance	Tenant insures improvements at RCV	Required coverage - Page 24
\$7.5	Trade Fixtures	Remain tenant property always	Ownership confirmed - Page 20

**Key Lease Provisions:** *"All improvements, alterations, trade fixtures, and betterments installed by Tenant at Tenant's expense shall remain the sole property of Tenant during the lease term and may be depreciated by Tenant for tax purposes..."*

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## COMPREHENSIVE DAMAGE INVENTORY

### 1. TENANT IMPROVEMENTS/BUILD-OUT

**Original Build-Out Investment:** \$385,000

**Date Completed:** April 15, 2020

**Depreciation Taken:** \$77,000

**Current Book Value:** \$308,000

**Replacement Cost:** \$425,000

A. Structural Improvements - \$67,500 RCV

Component	Description	Original Cost	Age	RCV	Damage %	Claim Amount
Interior Walls	Designer walls, 850 LF	\$28,000	4 yrs	\$35,000	80%	\$28,000
Fitting Room Complex	6 rooms, custom millwork	\$18,000	4 yrs	\$22,000	100%	\$22,000
Display Platform	Raised runway, 120 SF	\$8,000	4 yrs	\$10,000	75%	\$7,500
Ceiling Features	Decorative drops/clouds	\$12,000	4 yrs	\$15,000	100%	\$15,000
Subtotal						\$67,500

B. Flooring Systems - \$38,000 RCV

Type	Area (sq ft)	Material	Original Cost	RCV	Damage	Claim
Showroom	2,000	Polished concrete	\$24,000	\$30,000	100%	\$30,000
Fitting Area	400	Luxury vinyl plank	\$4,800	\$6,000	100%	\$6,000
Storage	800	Epoxy coating	\$1,600	\$2,000	100%	\$2,000
Total	3,200		\$30,400	\$38,000		\$38,000

C. Lighting Systems - \$42,000 RCV

System	Fixtures	Type	Controls	Original	RCV	Claim
Track Lighting	85	LED spots	Dimmer zones	\$28,000	\$32,000	\$32,000
Accent Lighting	24	Wall wash	Smart controls	\$6,000	\$7,500	\$7,500
Fitting Rooms	18	Hollywood style	Individual	\$2,000	\$2,500	\$2,500
Total	127			\$36,000	\$42,000	\$42,000

D. HVAC Modifications - \$18,500 RCV

Component	Description	Capacity	Original	RCV	Status	Claim
Split Systems	2 units	5 tons total	\$12,000	\$14,000	Water damaged	\$14,000
Custom Ductwork	Decorative exposed	2000 CFM	\$3,500	\$4,500	Replace	\$4,500
Total			\$15,500	\$18,500		\$18,500

2. TRADE FIXTURES - \$75,000 Total RCV

A. Display Fixtures - \$45,000

Item	Quantity	Description	Unit Cost	Total RCV	Damage	Claim
Wall Systems	120 LF	Slatwall with trim	\$125/LF	\$15,000	Total loss	\$15,000
Glass Cases	8	Jewelry/accessories	\$2,000	\$16,000	Total loss	\$16,000
Mannequins	12	High-end realistic	\$800	\$9,600	100%	\$9,600
Register Stands	2	Custom millwork	\$2,200	\$4,400	100%	\$4,400
Subtotal				\$45,000		\$45,000

B. Signage - \$18,000

Type	Location	Size	Illuminated	Original	RCV	Claim
Exterior	Storefront	8' x 3'	LED backlit	\$12,000	\$14,000	\$14,000
Interior	Entry wall	4' x 2'	Yes	\$3,000	\$4,000	\$4,000
Subtotal				\$15,000	\$18,000	\$18,000

C. Security Systems - \$12,000

Component	Units	Features	Original	RCV	Status	Claim
Cameras	16	4K HD, cloud	\$6,000	\$7,000	Destroyed	\$7,000
Alarm System	1	8 zones, monitored	\$3,500	\$4,000	Replace	\$4,000
EAS Tags	1 system	Anti-theft	\$1,000	\$1,000	Damaged	\$1,000
Subtotal			\$10,500	\$12,000		\$12,000

3. BUSINESS PERSONAL PROPERTY - \$117,350 Total

A. Inventory - \$78,000

Category	SKUs	Cost Value	Retail Value	Damage	Salvage	Net Claim
Women's Apparel	450	\$42,000	\$126,000	100%	\$0	\$42,000
Accessories	280	\$15,000	\$45,000	100%	\$0	\$15,000
Shoes	120	\$18,000	\$54,000	100%	\$0	\$18,000
Jewelry	75	\$3,000	\$12,000	100%	\$0	\$3,000

Category	SKUs	Cost Value	Retail Value	Damage	Salvage	Net Claim
Total	925	\$78,000	\$237,000			\$78,000

**Inventory Documentation:** ☒ POS system inventory report 7/7/24

☒ Most recent physical count: June 30, 2024

☒ Purchase invoices (last 12 months)

☒ Vendor statements current

## B. Office Equipment - \$12,500

Item	Qty	Model/Description	Age	Original	RCV	Claim
POS Systems	2	Square terminals + iPads	2 yrs	\$3,000	\$3,500	\$3,500
Computer System	1	iMac 27" + software	1 yr	\$4,000	\$4,200	\$4,200
Printers	2	Receipt + label	3 yrs	\$1,200	\$1,500	\$1,500
Security Server	1	NVR + storage	2 yrs	\$2,500	\$2,800	\$2,800
Phone System	1	VOIP 4-line	4 yrs	\$800	\$500	\$500
<b>Subtotal</b>				<b>\$11,500</b>	<b>\$12,500</b>	<b>\$12,500</b>

## C. Furniture - \$18,850

Area	Item Type	Quantity	Description	Original	RCV	Claim
Sales Floor	Seating	4	Velvet ottomans	\$2,000	\$2,400	\$2,400
Fitting Rooms	Benches	6	Upholstered	\$1,800	\$2,100	\$2,100
Office	Desk/Chair	1 set	Executive	\$3,000	\$3,500	\$3,500
Staff Area	Lockers	8	Employee	\$1,600	\$1,850	\$1,850
Storage	Shelving	20 units	Chrome metro	\$4,000	\$5,000	\$5,000
Customer	Accessories	Various	Mirrors, hooks	\$3,000	\$4,000	\$4,000
<b>Subtotal</b>				<b>\$15,400</b>	<b>\$18,850</b>	<b>\$18,850</b>

## D. Supplies - \$8,000

Category	Description	Quantity	Unit Cost	Total	Damage	Claim
Shopping Bags	Branded	5,000	\$1.20	\$6,000	100%	\$6,000
Packaging	Tissue, boxes	Various	Various	\$1,500	100%	\$1,500
Marketing	Catalogs, cards	Various	Various	\$500	100%	\$500
<b>Subtotal</b>				<b>\$8,000</b>		<b>\$8,000</b>

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## GRAND TOTAL CLAIM SUMMARY

Category	RCV	Deductible Applied	Net Claim
<b>Tenant Improvements</b>			
- Structural	\$67,500		
- Flooring	\$38,000		
- Lighting	\$42,000		
- HVAC	\$18,500		
<b>Improvements Subtotal</b>	<b>\$166,000</b>		
<b>Trade Fixtures</b>			
- Display	\$45,000		
- Signage	\$18,000		
- Security	\$12,000		
<b>Fixtures Subtotal</b>	<b>\$75,000</b>		
<b>Business Property</b>			
- Inventory	\$78,000		
- Equipment	\$12,500		
- Furniture	\$18,850		
- Supplies	\$8,000		
<b>Property Subtotal</b>	<b>\$117,350</b>		
<b>TOTAL BEFORE DEDUCTIBLE</b>	<b>\$358,350</b>		
Less Deductible		-\$5,000	
Code Upgrades (covered separately)			\$12,500
<b>NET CLAIM AMOUNT</b>			<b>\$267,850</b>

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## USE AND OCCUPANCY INTEREST

### Our Interest in Improvements Per Lease:

#### Unamortized Value Calculation:

- Original cost: \$385,000
- Depreciation taken: \$77,000 (4 years @ 10-year schedule)
- Book value: \$308,000

- Lease remaining: 67 months
- Monthly amortization: \$4,597
- Unamortized value: \$308,000

## LEASE RESTORATION REQUIREMENTS

### Lease Mandates Tenant Must:

Requirement	Lease Section	Timeline	Estimated Cost	Penalty if Not Done
Restore to original	§7.4	120 days	\$358,350	Default + damages
Maintain trade dress	§7.6	Immediate	Included	Breach
Meet current codes	§7.5	At repair	\$12,500	Cannot occupy
Use union contractors	§7.8	Required	+15%	Lease violation

### Consequences of Non-Restoration:

- Lease default and potential eviction
- Loss of \$2.2M remaining lease value
- Forfeiture of security deposit (\$25,000)
- Landlord remedy rights (\$500,000 estimated)

## CODE COMPLIANCE REQUIREMENTS

### Required Code Upgrades:

Code Requirement	Trigger	Cost Impact	Documentation
<b>ADA Compliance</b>			
- Door widening	>\$50,000 work	\$3,500	City notice
- Accessible fitting room	Alteration	\$4,000	ADA standards
<b>Fire Code</b>			
- Sprinkler heads	Water damage	\$2,500	Fire marshal
- Exit lighting	Electrical work	\$1,500	Current code
<b>Energy Code</b>			
- LED mandatory	Lighting replacement	\$1,000	Title 24
<b>Total Code Upgrades</b>		<b>\$12,500</b>	

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## CONTRACTOR ESTIMATES DETAIL

### Three Detailed Estimates Obtained:

#### Estimate 1: Desert Construction

- License #: ROC-234567
- Total bid: \$271,500
- Timeline: 12 weeks
- References verified

#### Estimate 2: Premier Builders

- License #: ROC-345678
- Total bid: \$268,900
- Timeline: 10 weeks
- References verified

#### Estimate 3: Southwest Restoration

- License #: ROC-456789
- Total bid: \$273,200
- Timeline: 11 weeks
- References verified

**Selected Contractor:** Premier Builders (best timeline/price combination)

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## MITIGATION MEASURES TAKEN

### Emergency Response:

Action Taken	Date	Cost	Purpose	Result
Water extraction	7/8/24 3AM	\$4,500	Prevent spread	Successful
Inventory moved	7/8/24 6AM	\$2,000	Save merchandise	30% saved
Dehumidifiers	7/8-7/22	\$3,200	Prevent mold	Ongoing
Security service	7/8-present	\$1,800	Protect property	No theft
Total Mitigation		\$11,500		



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## BUSINESS INTERRUPTION CONNECTION

### Cannot Reopen Without:

- Improvements restored: All lighting, flooring, walls
- Fixtures replaced: Display systems, signage
- Inventory restocked: Complete new shipment needed
- Permits obtained: Health, fire, occupancy

### Restoration Timeline Impact:

- Improvements lead time: 4 weeks for materials
- Fixture fabrication: 6 weeks for custom pieces
- Permit approval: 2 weeks minimum
- **Total restoration: 10-12 weeks**

### BI Claim Filed:

- Claim #: BI-2024-67891
- Daily loss: \$4,500 revenue
- Fixed costs continuing: \$890/day
- Expedited restoration critical

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## ADVANCE PAYMENT REQUEST

### Immediate Advance Needed For:

Purpose	Amount	Payee	Due Date	Impact if Delayed
Contractor mobilization	\$50,000	Premier Builders	7/25/24	Lose schedule
Material orders	\$35,000	Various suppliers	7/28/24	Price increase
Fixture deposits	\$15,000	Display vendors	7/30/24	8-week lead time
<b>Total Advance</b>	<b>\$100,000</b>		<b>ASAP</b>	

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## CONCLUSION

Our tenant improvements, trade fixtures, and business personal property represent a substantial investment of \$358,350 that is essential to our boutique's operations. The water damage from the roof leak has forced complete closure of our business.

### **Full and prompt coverage is needed to:**

- Restore our retail space
- Meet lease obligations
- Preserve our customer base
- Protect our investment
- Resume operations before losing holiday season

### **Please process this claim expeditiously with particular attention to:**

1. Confirming full replacement cost coverage
2. Approving code upgrades
3. Providing immediate advance payment of \$100,000
4. Coordinating with landlord's carrier to avoid gaps

Each day of delay costs us \$4,500 in lost sales and risks permanent loss of customers to competitors. The upcoming holiday season represents 40% of our annual revenue.

### **Time is of the essence.**

Respectfully submitted,

Isabella Martinez

President

Fashion Forward Boutique, Inc.

July 22, 2024

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## COMPLETE ATTACHMENTS

### **Documentation Package Includes:**

1. ☒ Complete inventory list with values (37 pages)
2. ☒ All contractor estimates (3)
3. ☒ Lease agreement (complete 52 pages)

4. ☒ Improvement invoices from 2020 build-out
5. ☒ Equipment schedules with serial numbers
6. ☒ Photos - before (45) and after (189)
7. ☒ Code upgrade requirements from City
8. ☒ Tax depreciation schedules
9. ☒ Tax returns (2 years)
10. ☒ Purchase documentation for fixtures
11. ☒ Mitigation receipts
12. ☒ Water damage assessment report

## **DISTRIBUTION**

cc: Desert Ridge Properties LLC - Information only  
cc: CBRE Property Management - Coordination  
cc: Retail Recovery Adjusters (Public Adjuster)  
cc: Martinez & Associates (Business Attorney)  
cc: Singh CPA Group  
cc: Premier Builders  
cc: File

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## **URGENT - BUSINESS OPERATIONS SUSPENDED - HOLIDAY SEASON AT RISK**

*Immediate action required to begin restoration and avoid missing critical selling season*