

Date: **August 2, 2005**
To: **Island House Members**
From: **IHTA -- Island House Tenants Association**
Subject: **RIOC Meeting**

REPORT TO MEMBERS

IHTA MEETING WITH ROOSEVELT ISLAND OPERATING CORPORATION (RIOC)

The Executive Board, along with Island House attorney **Arlo Chase**, recently met with RIOC Board Members **Deborah Beck** and **John Mannix** and RIOC Counsel **Jay Neveloff** to discuss issues pertaining to the proposed ground lease extension and Payments in Lieu of Taxes (PILOT).

Herb Berman, RIOC Chief Executive Officer, having recused himself from discussions surrounding the conversions of both Island House and Westview because of a previous relationship with the Sheldrake Corporation, did not attend the meeting. His post was assumed by **Ken Leitner**, RIOC Vice-President and General Counsel.

Mr. Mannix stated that the RIOC Board had reached a consensus in its commitment to preserving affordable housing on Roosevelt Island. RIOC's goal, he elaborated, was to "behave responsibly" and make "affordability real".

It is the hope of RIOC that a percentage of profits generated by the sales in Island House or any other building on the island will be used by RIOC to maintain and improve the infrastructure and environs of Roosevelt Island.

If Island House is converted at market rate prices, one of the methods that RIOC is considering in order to raise funds to benefit Roosevelt Island is to levy a fee on those seeking to "flip" their apartments.

RIOC continues to be in direct contact with the Sheldrake Corporation, whom Charles Lucido, Managing Partner of Northtown Phase II, has authorized as sole negotiating agent. RIOC has made a proposal for the ground rent and now considers the "ball to be in [Sheldrake's] court". RIOC is waiting for Sheldrake to "open its books" in order to assess how much profit will be realized in the sale of Westview and Island House.

Although RIOC has not seen the Thornton-Tomasetti engineering study, based on the IHTA's representative's description of its findings, the existing reserve fund was most likely inadequate.

The most problematic issue affecting island residents, in the opinion of Mr. Mannix, is the PILOT as it will involve negotiations with the city.

The ground rent proposal is still a significant increase from the existing rent and presents a problem for the tenants in trying to keep costs down.

An appraisal of Roosevelt Island was recently conducted as a result of the Memorandum of Understanding signed between Sheldrake and Charles Lucido. The appraisal supports the value of the land agreed to between the parties, RIOC has conceptually agreed to discount the value for residents who fall under 150% of the Average Median Income (AMI).

Mr. Mannix said the Board had been careful in its comparisons between Roosevelt Island and other sites in New York City, ensuring that island property was valued at a reasonable level. In addition to non-prime areas of Manhattan, neighborhoods in Queens and Harlem were cited as among the gauges of comparison.

A challenge facing RIOC--and, by extension, the island--is the **Public Authority Act**, a law recently proposed by the state legislature. The statute would require any state agency to "maximize the value of its assets."

Please check our web site at <http://islandhouse.us> for further information.