



Island House Tenants Association, Inc.

June 12, 2005

Honorable Judith Calogero
Chairperson
Roosevelt Island Operating Corporation
25 Beaver Street
New York, NY 10004

Dear Commissioner Calogero:

We represent the residents of Island House, a 400-unit Mitchell-Lama development located at 551-575 Main Street.

We are writing to express our concern about the terms of an extension of the ground lease for our building and the financial impact it will have on the residents. For the past several months we have been engaged in amicable and productive negotiations with The Sheldrake Organization, working toward the goal of creating an affordable, resident owned building. We have organized the tenant body, retained experienced legal counsel (Nixon Peabody LLP) and an engineering consultant (ThorntonTomasetti), and received authorization from the State Attorney General to negotiate for the purchase of our building and complete a tenant sponsored conversion. Our plan is to create an ownership structure which enables the maximum number of residents to purchase and also provides protections for renters who are elderly, handicapped, or of low-income.

We have made steady progress and believe that an agreement with Sheldrake is possible. One of the major obstacles in reaching a final agreement is the uncertainty of monthly costs for both renters and those who decide to purchase their apartments because of the uncertainty as to the amount of ground rent and the PILOT that RIOC will demand in return for an extension of the ground lease.

The Memorandum Of Intent between RIOC and Sheldrake, posted on your website, states that an increased ground rent based on a value of our land as "unimproved and unencumbered" would be charged for the extension of the Island House lease to 2068. We believe that a ground rent based on this formula will result in housing that is unaffordable for most of the current residents of Island House. This rent increase will be exacerbated if RIOC also demands a higher PILOT payment. As you may know, the operating expenses at Island House exceed those of comparable buildings because of the all-electric heating system and the severe deterioration to the façade of the building.

It is our understanding that recent ground lease agreements with the developers of Riverwalk and Octagon do not require the payment of any annual ground rent because RIOC received a single upfront payment. These buildings are being developed (for the most part) as market rate housing for persons with incomes much higher than the residents at Island House, the vast majority of whom are of moderate income. We are very concerned that our residents, many of whom have been on the island since the building opened, are being treated less favorably than the future residents of these new developments.

Working Together for Our Homes, Our Community.

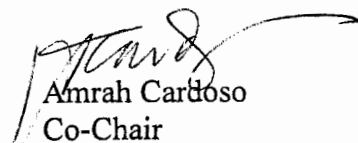
We are working to preserve our building for all the residents, including those who are not able to purchase their apartment. RIOC's demands for a substantially higher ground rent and taxes will make this goal impossible to achieve.

We have been trying for the last month to arrange a meeting with RIOC to discuss our objectives and needs. They have now responded to our request and have offered three days when they might be able to meet with us in the week of June 13. We will then have the opportunity to discuss with members of the RIOC Board the same issues we laid before you. We count on your assistance in helping us maintain a dialogue between RIOC and the IHTA on the setting of ground rent and taxes, which will shape the future of Island House. We request that you please work with the tenants and help us maintain Island House as affordable housing for the long-term residents of Roosevelt Island.

We trust that this situation can be resolved to our mutual satisfaction. However, we will use every means at our disposal to protect our interests as long time residents of Roosevelt Island. We hope to avoid a public battle, and trust you will give your time and energy to work with us to bring this issue to a cooperative and successful conclusion.

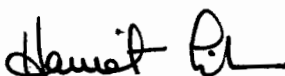
Thank you for your immediate attention to this crucial matter.


Very truly yours,
Island House Tenants Association, Inc.
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