

IHTA

Report to Members

May 10, 2005

By IHTA Executive Board

WORKING TOGETHER FOR OUR HOMES, OUR COMMUNITY

Progress Report

- Engineering Study
- Sheldrake Discussions

Engineering Study

- Selected Thornton Tomasetti, after search and analysis
- Had walk-through and examined drawings April 29
- Will start apartment examinations on Wed., May 13
- Study costs capped at \$30,000, includes air quality and swimming pool evaluation, besides the electrical, plumbing, structural, heating, and façade which are the basics

We have collected \$20,000 for this effort up to today.

Sheldrake Discussions

- Asking price started at \$360/sq. foot
- Currently at \$295/sq. foot
- Discussing \$260-\$275/sq. foot
- Sheldrake has asked IHTA to submit written proposal by early June.
- We will be working together on numbers until then.

Disclaimer

The numbers used in this presentation are estimates only and may change significantly before the final deal with the owner is reached. Nothing contained herein shall be considered an offer to sell or purchase shares in real estate. Such an offer can be made only through the filing and acceptance of an offering plan by the New York State Office of the Attorney General.

Alternative Scenarios

1. Mitchell-Lama Rental
 - Sheldrake is not interested/Numbers don't work
2. Market Rent
 - Sheldrake is not interested
3. Owner sponsored
 - Sheldrake wants to work with IHTA on Tenant Sponsored

Alternative Scenarios

4. Tenant Sponsored – market price
 - Immediate equity to buyers; can cash out
 - Fewer can afford, higher buyer risk
 - Much higher housing costs
 - Limited renter protection
5. Limited Equity – not feasible
6. Affordable Scalable Equity
 - Lower living costs for buyers
 - Buyers profit and cash out limited for 10 years
 - More rent protection and lower cost for 10 years

Market Rental

- Manhattan Park rents twice as much as Island House
- Waterside example
Rent increase, per year
 - 9% - first two years
 - 7.5% thereafter

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Owner Sponsored – market price

Ruppert-Yorkville Example

Buyers:

- Insider price 20-30% off market price
- Tenants can “flip” apartments and realize instant profit
- Owner takes higher risk in selling apartments and expects to make more money
- Monthly housing costs more than double

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Owner Sponsored – market price

Rupert-Yorkville Example

Renters:

- Maximum protection – 4 years – market rent afterwards
- Protection based on Average Median Income (AMI= \$65,000 family of 4)
- City subsidies provided for those below 80% of AMI
- Subsidized rents capped at 1/3 of income

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Tenant Sponsored – market price

FULL PROPERTY TAX

| | May 2005 Rent | |
|---|----------------|-------------------|
| | <u>Percent</u> | <u>Per \$1000</u> |
| Common Charges | 108% | \$1080 |
| Cost of mortgage for apt. purchased at \$295/sq. ft | 126% | \$1026 |
| Total housing costs (50% of total tax deductible) | 234% | \$2340 |

In case of tax abatement, which is unlikely, the above common charges would be reduced by about \$250.

Limited Equity

- High Mortgage by Coop Company
- Very low apartment purchase price
- Significant profit restrictions
- Unlikely for Island House
 - Price too high
 - Unlikely to obtain mortgage

Affordable Scaled Equity

- Most affordable option for largest number of tenants
- Model in use elsewhere
- Lower living costs for buyers and renters
- Disabled, seniors, low income secure protections

Affordable Scaled Equity

- Monthly cost 150–180% of current rent
 - \$1000 monthly rent = \$1500–\$1800
- 50% of costs tax deductible

Affordable Scaled Equity

Buyers:

- Insider price \$160–175 /sq ft
- Resale price increase in period of restraint 10–15% annually
- Common charges \$17.58 /sq ft
(approx. present rent)
 - 30% tax deductible
- Mortgage of \$167.50 /sq ft \$12.56 /sq ft
 - 80% tax deductible

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Affordable Scaled Equity

Renters:

- Expected 10-year rent protection, based on rent stabilization guidelines
- Senior/lower income – NYC support programs
- Can buy at adjusted insider prices during period of restraint

Scaled Equity Model – Summary

Buyers:

- Total housing costs 150% - 180%
- Tax deductible: approximately 50% of housing costs
- Annual increase in insider value greater than annual cost of mortgage
- Ability to cash in at market value limited for 10 years

Renters:

- Rent increases limited for 10 years, based on income
- Can still buy apartment at adjusted insider price if circumstances change

Consultative Meetings Island House Community Room

| | | |
|----------|--------|----------|
| Friday | May 13 | 7– 9 PM |
| Saturday | May 14 | 3 – 5 PM |
| Monday | May 16 | 6 – 8 PM |
| Tuesday | May 17 | 7 - 9 PM |
| Thursday | May 19 | 6 – 8 PM |
| Sunday | May 22 | 4 – 6 PM |

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Preference

Church of the Good Shepherd

Tuesday May 24 7 PM

We urge all IHTA members to vote
All Island House leaseholders are
members

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2. **Market Rent**—Sheldrake not interested
3. **Owner sponsored**—Sheldrake wants tenant sponsored
4. **Tenant Sponsored**—market price
 - Immediate equity to buyers; can cash out/move on
 - Fewer can afford, higher buyer risk
 - Much higher housing costs
 - Limited renter protection
5. **Limited Equity**—not feasible
6. **Affordable Scaled Equity**
 - Lower living costs for buyers
 - Buyers profit and cash out limited for 10 years
 - Greater protection and lower cost for 10 years for renters