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The Honorable Meenakshi Srivivasan, Chair
NYC Board of Standards and Appeals
9th Floor
40 Rector Street
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Reference:
Calendar 74-07-BZ
6-10 West 70th Street
New York, NY
June 10, 2008

Honorable Chair and Members of the Board of Standards and Appeals:

Congregation Shearith Israel (CSI) has not produced the required acquisition costs and dates for 6-10 West 70th Street, Lots 37, 38, and 39 on Block 1122.

Item M-5, Financial Feasibility Study, BSA Rules, state:

*5. Generally, for cooperative or **condominium development** proposals the following information is required: market value of the property, **acquisition costs and date of acquisition, and percentage return on equity (net profit divided by equity).** [Emphasis added]*

Appendix I shows the range of possible acquisition costs in 1949 for 6-8 W. 70th and in 1965 for 10 W. 70th. These acquisition costs are restated in 2008 dollars, using the Consumer Price Index (CPI) inflator, for a total acquisition cost of \$1,033,000.

To determine if a reasonable return on the property is not possible, Item M-3, Financial Feasibility Study, BSA Rules, states:

3. The economic hardship that arises from the unique physical conditions must be quantified.....

Returns on equity for the three lots as a whole were calculated using three Freeman/Frazer Associates (FFA) scenarios: the FFA Proposed Development case of the May 13, 2008 submission and the FAA As-of-Right cases, AOR Scheme A and the AOR Scheme C, both dated December 21, 2008. Two valuations, on each of these cases, were calculated based on FFA residential values scaled and FFA \$625/square foot. Platt Byard Dovell White's (PBDW's) square footage numbers were used.

The lowest return is AOR Scheme C at a Net Profit on the property of \$13.7 million, a 1,334% return on equity, or 13.7 times CSI's equity investment in one year since all the figures are in 2008 dollars. The highest Net Profit is \$55.7 million, a 5,388% return on equity investment or 55 times the CSI equity investment in one year. The Proposed Development returns are in between these returns.

Even without context, a range of possible returns of 1300% to 5500%, or 13 to 55 times return on equity investment in current dollars, represents a reasonable return on the property by any standards.

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These returns are based on CSI produced scenarios and assumptions and do not include the added benefit to CSI gained from income producing property, for which we have not been provided adequate figures.

Sincerely,

A handwritten signature in black ink, appearing to be "John A. ...", written in a cursive style.

Appendices

- I. Estimated CSI Acquisition Costs, 1949 & 1965, Restated in 2008 Dollars
- II. Estimated CSI Return On Equity 2008
- III. Supporting Documents for Appendix I

**ESTIMATED CSI ACQUISITION COSTS, 1949 & 1965.
RESTATED IN 2008 DOLLARS**

The Appendix I table shows the range of possible acquisition costs in 1949 for 6-8 W. 70th and in 1965 for 10 W. 70th, and are then restated in 2008 dollars based on the Consumer Price Index Inflation (CPI).

The acquisition values used, and then restated in 2008 dollars, are from:

- New York City tax valuations. "Assessed Real Estate Valuations Without Improvements" (i.e. the land) and With Improvements in 1949 and 1965, the acquisition years.
- Indenture Agreements between buyers, Trustees of the Congregation Shearith Israel or Congregation Shearith Israel, respectively in 1949 and 1965 and the sellers.
- Acquisition costs of 15 W. 70th in 1948. This address is diagonally across the street from the Community House and is the only property on which we have the actual Purchase Price (Acquisition Costs) from 1948.

Extensive research does not reveal purchase price as part of the public record. Articles in the New York Times from the period almost always report tax valuations for private sales.

Values reflect the decline of the neighborhood by 1949 and, although on the cusp of rejuvenation in 1965, this year preceded re-gentrification of the Upper West Side.

Supporting documents for data in this Appendix is included in Appendix III.

ESTIMATED CSI RETURN ON EQUITY 2008

Item M-5, Financial Feasibility Study, BSA Rules, state:

*5. Generally, for cooperative or **condominium development** proposals the following information is required: market value of the property, **acquisition costs and date of acquisition, and percentage return on equity (net profit divided by equity).** [Emphasis added]*

For simplicity, it is assumed for all cases that the CSI equity is \$1,033,000, the highest Acquisition Costs for #6-10 W. 70th in 1949 and 1965 inflated to 2008 dollars as shown in Appendix I.

The Net Profit is the gain on the total value of the property #6-10 W. 70th, using the value of the total property in 2008 less the amount paid for the three lots of \$1,033,000, which represents the figure restated in 2008 dollars, for an apples to apples comparison.

Taking Freeman/Frazer Associates (FFA) and Platt Byard Dovell White (PBDW) assumptions, there are two ways to calculate market value for the property as a whole in 2008.

1. The total property value in 2008 can be based on PBDW's allocations of square feet, applied to the condo residences and the Community House including the cellars, scaling FFA's value on the residences to arrive at a Community House and the total value.
2. The total property value in 2008 can be based on the application of FFA's \$625/square feet multiplied by the PBDW sq.footage.

This Appendix II Table applies these assumptions to three cases: the FFA Proposed Development case of the May 13, 2008 submission and the FAA As-of-Right cases, AOR Scheme A and the AOR Scheme C, both dated December 21, 2008.

The lowest return is AOR Scheme C at a Net Profit on the property of \$13.7 million in 2008 dollars, a 1,334% return on equity or 13.7 times CSI's equity investment. The highest Net Profit is \$55.7 million, a 5,388% return on equity investment or 55 times the CSI equity investment. The Proposed Development is in between these returns.

It is believed that the returns are understated since the property has generated income for CSI over the years, in excess of maintenance costs.

Based on the forecast annual revenue from the schools of \$1,000,000, the capitalized value at 7% is \$14,285,714. This amount is not included in the Net Profit of the Appendix II Table but should be added when considering the total benefit to CSI

Since CSI has not provided the revenue or costs of the Community House historically or forecast, more refined analysis cannot be done.

SUPPORTING DOCUMENTS FOR APPENDIX I

Supporting documents included in this Appendix are support for the Acquisition Costs in Appendix I, and include the:

- Assessed Valuation of Real Estate-Borough of Manhattan-Section 4, Blocks 1121-1127, page 15 in the year of 1950-1951 of 6-8 W. 70th. See column “Value of Real Estate Unimproved” and “Value of Real Estate with Improvements Thereon”.
- Assessed Valuation of Real Estate-Borough of Manhattan-Section 4, Blocks 1121-1128, page 12 in the year of 1966-1967 of 10 W. 70th. See columns “Value of Real Estate Unimproved” and “Value of Real Estate with Improvements Thereon”.
- Indenture Agreements between the Trustees of CSI with the seller of 6-8 W. 70th dated August 31, 1949:

in consideration of ONE (\$1.00) dollar.....and other good and valuable consideration.....

- The Indenture Agreements between CSI and the seller of 10 W. 70th dated May 28, 1965:

in consideration of Ten Dollars and other good and other valuable consideration.....

SUBJECT to a mortgage recorded in.....in the original amount of \$11,750.00.

- Closing Statement dated June 15, 1948 for 15 W. 70th with the Acquisition Cost (Purchase Price) of \$32,000.

The Acquisition Cost (Purchase Price) was about the same as the Assessed Valuation of Real Estate with Improvements. Two years later the tax valuation increased from \$33,000 increased to \$40,000.

- The Consumer Price Index Inflation (CPI) computed by Federal Reserve Bank of Minneapolis can be found at the end of this Appendix. The CPI was applied to the Acquisition Costs in Appendix I.

Street # on West 70th Street (Block 1122 on South side and 1123 on North side.)	Lot	Date	Seller	Buyer	Assessed Valuation Real Estate, Unimproved, at time of purchase \$	Assessed Valuation of Real Estate, Unimproved, in 2008 \$	Assessed Valuation of Real Estate With Improvements Thereon, at time of purchase \$	Assessed Valuation of Real Estate With Improvements Thereon, in 2008 \$ ^{6, 8}	Deed purchase Price + Mortgage \$	Deed purchase Price + Mortgage 2008 \$
#6	37 ³	08/31/1949	70th St Holding Co. Inc ²	Trustees Congregation Shearith Israel	22,000	199,294	32,000	289,882	1	9
#8	38 ³	08/31/1949	70th St Holding Co. Inc ²	Trustees Congregation Shearith Israel	22,000	199,294	45,000	407,647	1	9
#10	39	05/28/1965	ParkSeventy Improvement Corp	Congregation Shearith Israel	24,500	167,689	49,000	335,378	10 + 11750	80,491
#15⁴	24 ⁴	06/15/1948	Abraham A. Brill Estate	Stanley Meltzoff and Milton Brown	21,000	190,235	33,000	286,274	32,000 ⁴	289882

1. Lot #36, 99 Central Park West, also block 1122, was purchased by Congregation Shearith Israel (not the Trustees) in 1985 from Charles F. and Eleanor L. Hoffman and is the property occupied by the Parsonage and the synagogue.
2. 70th St Holding Co. Inc had the same address as the Trustees Congregation Shearith Israel, 2 west 70th, indicating that the purchase may not have been an arms length transaction. 70th St Holding Co. Inc had purchased the property from E. Zippa a year before.
3. At some point after the purchase of #6 and #8, the Lots 37 and 38 were merged into one property, became exempt,, and for city records became Lot 37.
4. Closing statement provided by current owner, Peter Nizzam Kettaneh.
5. Extenuating circumstances could have been taxes in arrears, imminent or actual foreclosure, bankruptcy of the owners, no maintenance and houses on verge of collapse,
6. The sum of the "Acquisition Costs" or Purchase Price for #6-10 is \$1,033,000 in 2008 dollars..
7. The supporting documents for assumptions made in this Appendix are found in Appendix III.
8. The 2008 dollars for Acquisition Costs are based on the Consumer Price (CPI) index inflator as provided by the Federal Reserve Bank of Minneapolis.

	FFA	PBDW Sq Ft Allocation ²	Total Property Value 2008	Equity 1 2008 \$	Net Gain/ Profit	Return on Investment (equity)	PBDW Sq Ft ²	Total Value. FFA \$625/sq ft ,	Equity 1 2008 \$	Net Gain/ Profit	Return on Investment (Equity)
	Col 1	Col 2 [Based on Sq ft in Col 7)	Col 3 [Col 2 % applied to Residential in Col 1)	Col 4 [from Appendix I)	Col 5 [Col 3-Col 4}	Col 6 [Col5/Col4] *100	Col 7	Col 8 [\$625/sq ft X Col 7]	Col 9 [same as Col 4. From Appendix1]	Col 10 [Col 8-Col 9]	Col 11 [Col 10/Col 9]*100
	\$	%	\$	\$	\$	%	sq ft	\$	\$	\$	%
Configurations 3											
Proposed Dev											
5 condos	12,347,000	0.5665	12,347,000				31,727	19,829,375			
Community House	?	0.4335	9,448,233				24,278	15,173,750			
Total	?	1.0000	21,795,233	1,033,000	20,762,233	2,009.90	56,005	35,003,125	1,033,000	33,970,125	3,288.49
AOR Scheme A											
2 condos	14,816,000	0.2613	14,816,000				11,293	7,058,125			
Community House	?	0.7387	41,885,110				31,927	19,954,375			
Total	?	1.0000	56,701,110	1,033,000	55,668,110	5,388.97	43,220	27,012,500	1,033,000	25,979,500	2,514.96
AOR Scheme C											
Condos	14,816,000	1.0000	14,816,000				35,366	22,103,750			
No Community House	?										
Total	?		14,816,000	1,033,000	13,783,000	1,334.27	35,366	22,103,750	1,033,000	21,070,750	2,039.76

1. Equity is the sum of the highest tax valuations in Appendix I Table, assumed to be the property value for #6-10 W. 70th. Valuations inflated to 2008 dollars by the CPI index inflator. The sum of the three properties is \$1,033,000.
2. PBDW Sq, ft for Configuration Proposed is dated May 13, 2008, for Configuration AOR Scheme A is dated Aug. 28 2007, and for Configuration AOR Scheme C is dated Oct 22, 2007. All numbers include the the square feet from Cellar 1 and Cellar 2.
3. Proposed Configuration from FFA is dated May 13, 2008, AOR Scheme A is dated Dec 21, 2007, and AOR Scheme is dated Dec 21 2007.