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October 23, 2013

Via First Class Mail and Email (RMcCurnin@nyshcr.org)

Mr. Richmond McCurnin, Assistant Commissioner
New York State Division of Housing and Community Renewal
25 Beaver Street, 6th Floor
New York, New York 10004

Re: Westview 595-625 Main Street, Roosevelt Island, New York 10044 (“Westview”)
North Town Phase III Houses, Inc. (the “Housing Company”)
Withdrawal from Mitchell-Lama Program
Our File No. 10100.002

Dear Rich:

Thank you for forwarding to us David Hirschhorn’s response (the “DH Response”) to you and your efforts to work with Westview Task Force Inc. (“WTF”) and Housing Company in order to develop a fair, reasonable and affordable affordability plan for Westview. We are, however, disappointed that DH did not reach out to us directly any sooner in order to continue the communication established at our July meeting.

We believe that we have made progress with David Hirschhorn (“DH”) but there are obviously some significant issues that remain. Although the DH Response blames WTF for the delay and absence of a plan and includes numerous personal accusations, we do not believe that it is productive at this time to respond specifically to those claims nor otherwise assert personal complaints and blame as to DH. Suffice it to say that we and WTF have been and continue to be ready and available to work out and complete a plan.

The remaining issues generally fall into three categories as follows: 1. Rent Increases; 2. Total offering price (cash price plus underlying mortgage) giving consideration to the value of Westview and affordability of home ownership; and 3. Certainty of conversion of Westview.

These are the exact same issues presented at the July meeting in your office and then summarized in an email by WTF to you. With respect to the first two items, in particular, Westview generally seeks, as we believe you have agreed, to be treated in a manner similar to Island House.

First, the primary objective of the meetings and discussions with you and DH was to alleviate the proposed high initial rent increase(s) for Westview, believed to be approximately 11%, in order to maintain affordable rents and avoid displacement of many Westview families.

After our most recent meeting in July, we had the impression that you would attempt to obtain DH’s acceptance of an initial rent increase at Westview same as Island House increase of 5%.

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Instead, we note that in the current DH proposal you forwarded to us rents were increased by an astounding level of 20% which is almost triple the maximum annual rent increase under the Affordability Plan (in which annual rent increases are capped at 7.5%). DH has shifted his position with respect to rents since May/June 2012.

We note that DH has advised you that rents at Island House were initially increased by 10.4% (from \$17.83/sf to \$19.68/sf). However, this is inconsistent with Island House plan that calls for a 5% initial rent increase.

The disastrous impact upon Westview of the proposed rent increases are reflected on the chart attached hereto.

The Island House 5% rent increase went into effect following 4 years without rent increases. As previously indicated to you, base rents at Westview are already approximately 8% higher than those at Island House.

Based upon 2011/12 financial statements, Westview is doing well financially and generates significant cash. In any event, DH's assertion that the conversion of Westview must somehow compensate the Housing Company for lost income retroactively during the period of operation as a Mitchell-Lama property simply has no place in these discussions.

Furthermore, DH's position that the Housing Company is making an accommodation to the State of New York and Westview residents by maintaining affordable housing at Westview for 40 years and that the Housing Company can now unilaterally move to market is inconsistent with the Housing Company's contractual obligations under the current Ground Lease (and such lease with New York City to which the Ground Lease is subject) to maintain affordable housing at Westview.

Affordable housing rent increases as approved by DHCR are based upon financial needs of the building and/or New York City Rent Guidelines Board increases. Such standards should similarly be applied to a Westview affordability plan. DH completely disregards such standards and proposes a new rent structure which will cause rents to double in approximately 7 years. As current rents are based upon affordability, one can only assume that increases as extreme as DH proposes are not affordable and will effectively force out a large percentage of tenants at Westview. As mentioned above, DHCR should not permit or endorse such extraordinary increases.

Furthermore, approximately 40 apartments at Westview are now presently warehoused by the Housing Company and as such the Housing Company is withholding from families with real needs internal transfers to such vacancies to which they are entitled pursuant to Mitchell-Lama regulations.

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Second, despite DH's unsupported claims to the contrary, Westview is less valuable than Island House. Westview should be offered (considering the cash price and underlying new mortgage) at less than or, at least, no more than a comparable price as Island House. This lesser value is supported by two previous arms-length agreements negotiated with sophisticated real estate investors in 2004 and 2006, respectively, both valued Westview approximately 8-10% less than Island House.

DH's claim that Westview is a "better building" is simply pure conjecture and untrue, and although the apartments at Westview are larger, by DH's own information, Island House actually has more square feet of residential area.

The proposed home ownership terms at Westview are currently 34% less affordable than Island House on account of a) the price per square foot for Westview being 10% higher than Island House, b) slightly bigger Westview apartments and c) the mortgage for Westview set at about 15% more than that for Island House.

The average Westview family with the same income as an average Island House family should have an equal opportunity to afford to become a first time homeowner. Therefore, it is crucial that the amount of the mortgage for Westview be reduced to alleviate this affordability gap.

Third and the last matter at issue is the absence of certainty that the closing of the conversion will occur as proposed by the Housing Company. In that regard, WTF welcomes DH's declaration that "There is no uncertainty whatsoever", and merely seeks confirmation of, and obligations consistent with such statement.

We were encouraged by DH's approval of a participation threshold to declare the offering plan effective, but such threshold should be reasonably set at contracts for 40% of the apartments to which DH seemed amendable during the July meeting.

We propose the following terms which we believe address the issues above in a fair and reasonable manner.

1. Initial Rent Increase. 5% as in Island House.
2. Homeownership affordability. Accept DH proposal of \$218/SF which is approximately 10% more than Island House (and further accepts the fact that Westview will be less affordable than Island House as a result of the larger apartments at Westview), provided that underlying mortgage is reduced to \$27,800,000 (same as Island House).
3. Certainty of Conversion of Westview. (a) the sponsor must declare the offering plan effective upon receipt of contracts for 40% of the apartments; (b) the sponsor, after submitting an offering plan to the New York State Attorney General (whether or not the plan is accepted for

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filing) will not unilaterally withdraw or otherwise abandon the plan (and shall continue to pursue the plan) unless litigation or action by the New York State Attorney General prevents the acceptance of the plan for filing or the closing of the conversion, as the case may be, and then upon not less than 6 months' advance notice to WTF as well as Roosevelt Island Operating Corp. and DHCR during which 6 month period the parties shall have an opportunity to remedy the situation; (c) if the offering plan is required to be abandoned due to the expiration of time to declare the plan effective as a result of such litigation or action, then Housing Company must submit and implement a new offering plan as and when permitted under applicable law; and (d) Rent surcharges to be deferred until the conversion of Westview

Assuming the absence of uncertainty of the conversion, then items (a), (b), and (c) do not cost the Housing Company anything, and item (d) merely defers some income to Housing Company in order to avoid the tragedy of many families being forced out of their homes due to sharp rent increases and surcharges.

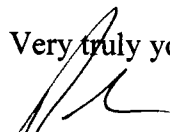
Creating affordable first time home ownership opportunities for Mitchell-Lama qualified families at Westview is an objective shared by DHCR, Housing Company and Westview residents and such opportunities will preserve affordable housing at Westview consistent with various Ground Lease restrictions and avoid future surcharges. These issues will have a profound impact upon the lives of 361 families at Westview and therefore require careful review and consideration.

We are also pleased with DH's closing comments that Housing Company is interested in moving forward with an affordability plan for Westview with the urgency it deserves. WTF agrees and is committed to work with you and DH in that regard. Although there are still some issues (with the many complexities) to be resolved, with your continued assistance we believe we can expeditiously arrive at a fair, reasonable and affordable plan.

We request a follow up meeting with you as soon as one can be arranged and propose the following dates for such a meeting October 30 and November 4. Such meeting can and should be followed by another meeting with DH to resolve all differences.

We look forward to hearing from you and working with you in this matter.

Very truly yours,



Perry L. Mintz

PLM/pms

cc: Westview Task Force

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