

Island House Tenants Association, Inc.

PO Box 132, New York, NY 10044-0203

<http://islandhouse.us>**Date:** January 5, 2008**From:** IHTA Board**To:** Members**Via:** Door Drop, Glass-Case Posting, Web Posting**Subject:** Newsletter

Dorothy Davis, Chair
 Graham Cannon, Vice Chair
 Renato Folla, Vice Chair
 Frank Farance, Secretary
 Geoffrey Kerr, Treasurer

Paul Doganges, Director
 Lee Edelman, Director
 Owen Johnston, Director
 Ed Lucas, Director

IHTA Update — Important Progress

Since Charles Lucido's announcement of the existence of "deep pocket" investors in The Wire late last August, IHTA has been involved in a complex, complicated period of negotiations with all of our partners that centered around developing a common framework for a tenant sponsored conversion. We have succeeded in getting the attention, respect and active engagement of DHCR in this endeavor. While there are some particulars that we need to work out, we do agree on the basic framework. This is important and fundamental progress within a very politically charged environment encompassing the larger sensitive issues of affordable housing, the ESDC invoices for back taxes on Island House and Westview and the national subprime debacle.

IHTA's fundamental stance has been and continues to be that IHTA's affordability plan can and does serve as the best catalyst for providing the best solution for everyone — our tenants and the broader affordability goals of the state. This stance reverberates with our State partners because whatever policy they come up with has to meet the needs of the State's citizens. This stance reverberates well with potential investors because it makes good business sense: more people will want to buy their apartments. This stance reverberates with our owners because they can then finalize a deal that will enable them to leave Mitchell-Lama in a way that secures their investment.

What's the status of the conversion?

Working with the Roosevelt Island Operating Corporation (RIOC), New York State Department of Housing and Community Renewal (DHCR) and the owners of the building through Charles Lucido, IHTA has, for the first time ever, entered into a broad agreement by all parties on the principles that will guide a tenant purchase of Island House. It's an important and significant breakthrough because it provides all of us the common ground from which to crystallize the outcome. Since we have been able to reach this point, all relevant parties are committed to the transfer of our building to tenant ownership under terms that protect the interests of the tenants and meet the affordable housing objectives of the state.

That said, we still face a number of challenges. Most immediately, progress now appears to depend on the completion of an agreement between Lucido, his partners and additional investors on the financing and sale of the build-

ing to the tenants. Progress in that area is much slower than we would like.

IHTA, RIOC, DHCR Agree on Basic Principles

We have been working very closely with DHCR on developing and refining a framework for a tenant conversion. As a result of numerous meetings, review and exchange of data and projections, we've now agreed on basic principles that meet the goals of IHTA, RIOC and DHCR. These include:

- 1) Ensuring the ability to continue to live in Island House affordably either as an owner or tenant.
- 2) Keeping the purchase price affordable for current residents;
- 3) Ensuring a return for those who buy their apartments and may want to sell in the future;
- 4) Retaining affordability for "2nd generation" buyers who may wish to live in Island House in the future.
- 5) Protecting those who wish to continue as renters by retaining their rents, at current levels with increases indexed to Rent Control Board guidelines for as long as they choose to stay.

What does this mean for Island House residents? If you choose to buy, you will always have the option (depending on market conditions) to sell your apartment for more than you paid. All parties concur that we don't want and would never support the type of highly restrictive sale arrangement that Rivercross has.

The Building Sale is Complex and Proceeding Slowly

With the dramatic changes in the real estate market and property financing, Lucido has been exploring options that include retaining an interest in the portion of the building that remain as rentals together with a third party investor. Our interests in a potential third-party investor include:

- access to cheaper capital to finance our purchase of Island House and
- the surety he provides to DHCR that we are capable of completing the purchase transaction.

We are waiting for Lucido to reach an initial agreement (if at all) with potential investors. Frankly, we are frustrated that the negotiations between Lucido and his potential partners aren't moving faster.

Is There a Timeline for a Conversion Date?

As soon as there is a purchase agreement in place for the building, the conversion clock starts. The first and most important step is the presentation of a complete conversion plan to the tenancy for a vote. When and if the tenancy accepts the plan, it then receives a series of reviews, lasting several months, from key state agencies. This will culminate in the formal presentation of an offering document to each individual tenant who then has three months to review it before making a decision on what he or she wants to do. In short, from the point that a purchase agreement is made, it will take up to one year before each of us signs on the dotted line for our individual apartments. As previously stated, we are still at the stage of getting the purchase agreement secured.

Does IHTA Still Need Money?

The simple answer is Yes. We truly appreciate the many tenants that continue to contribute on a monthly basis as part of our loan repayable plan when the building closes. For those who want more information about this plan, please contact the IHTA Treasurer, Geof Kerr.

In order to keep our expenses down, we have been very careful not to spend much money. Utilizing our own internal expertise, we've been able to develop detailed financial models and projections that we share with our real estate consultants at Community Preservation Corporation before presenting them directly to the specialists at DHCR with whom we are negotiating. In this way, we are minimizing our costs and using the expertise of our consultants in a cost effective way. This includes our usage of Stuart Saft as our legal counsel. While we keep him informed of what we are doing on an as needed basis, we have not had to engage him in any of our activities directly. In this way, we have monitored our costs and deferred additional billings to our closing costs.

What Does the ESDC Increase in Property Taxes Mean?

A few weeks back, you may have read in The Wire that the Empire State Development Corporation (ESDC) billed the owners of the building for an increase of approximately 600% in the amounts of the payments they make in lieu of property taxes. After an outcry by us, Lucido, RIOC and DHCR, ESDC has now imposed a 6-month moratorium on payments. However, this action does not make the issue go away. It's a very significant issue for Lucido and the current owners. It is also a critical part of our negotiations with DHCR as we strive to keep the conversion affordable. We're encouraged by the strong negative reaction from DHCR. However, our position is very clear — we expect and demand that ESDC do their part in supporting an affordable conversion by keeping tax payments at the current level.

Where Does Westview Stand?

At the initial suggestion of DHCR last summer, we had an initial meeting with the heads of the Westview Task Force in August. At that time, we were not able to find a common ground in order to shape a core understanding to present to DHCR representatives. In anticipation of a

meeting we were going to have with DHCR in mid-October, we initiated a meeting with Westview to determine just where we could link arms in our common drive toward tenant ownership. We finally determined our areas of mutual agreement that incorporated the outcomes of their previous conversations with the same DHCR representatives. We were also able to translate our agreement into financial models that DHCR could understand and refer to which was something that DHCR immensely appreciated and took to their internal high-level meeting on this same subject the afternoon of the day on which we met them. They also made it clear that they trust the work that Island House presents to them because they know we are incorporating all perspectives in addition to the input of our real estate consultants. At this point, our current sense is that DHCR wants to move ahead with the blueprint we have created and that, because of it, Westview's conversion will occur either simultaneously or shortly following ours. We feel that we have DHCR's confidence.

We Are Moving Ahead!

Finally, thank you for your support, encouragement and patience. Like you, we had hoped the conversion would have occurred by now, almost two years after our original agreement with Lucido, (and 3 years after initial discussions with Sheldrake). We are hopeful that our progress in developing a framework that protects everyone's interests signifies that everyone is now on board with moving ahead. However, we don't underestimate the obstacles ahead. We fully expect that we will need to utilize all of our political relationships, and raise all of our voices to make sure that the conversion stays on track. In fact, we have alerted a number of our political friends that we will enlist their support when the time is right.

ADDITIONAL QUESTIONS:

If you have additional questions, please:

1. Send the IHTA Board an e-mail at ihta-board@islandhouse.us
2. Leave a note in the IHTA mailbox in the 555 mailbox lobby or
3. **Come to our next IHTA Board meeting on Wednesday, January 9, 2008, at 7:30 p.m. in the Island House Community Room.**

REMINDER: IHTA ELECTIONS IN JANUARY 2008.

Elections will occur with the following timetable:

- A 14-day period from January 3 to January 17 for receiving nominations
- On January 18, the announcement of the candidates
- On January 23, IHTA Candidates Night (Venue to be confirmed)
- On January 28, IHTA Annual Meeting in Island House Community Room
- On January 29-30, the election will be held between Noon and 9 PM each day.
- On the evening of January 30 after the voting closes, the ballots and absentee ballots will be counted and the results announced immediately thereafter.