

METROPOLITAN VALUATION SERVICES

REAL ESTATE CONSULTING AND APPRAISAL

January 25, 2008

Hon. Meenakshi Srinivasan, Chairperson
New York City Board of Standards and Appeals
40 Rector Street
New York, NY 10007

re: Congregation Shearith Israel
6-10 West 70th Street
New York, NY
74-07-BZ

Dear Chairperson Srinivasan:

Pursuant to our engagement by Landmark West!, Metropolitan Valuation Services, Inc. ("MVS") has commenced review of the "Economic Analysis Report" ("the Report") prepared by Freeman/Frazier & Associates, Inc. dated March 28, 2007 and revised by letter dated December 21, 2007, analyzing the feasibility of various alternatives for the development of the site located at 6-10 West 70th Street (the "Site"). We are preparing a detailed report of our findings which will be completed by February 11, 2008. The following is a summary of our findings to date:

- The Report is critically flawed by poor judgment and erroneous mathematical technique. Accordingly, its conclusions cannot be relied upon.
- Development of the unused portion of the Congregation Shearith Israel Site with either a mixed-use or all residential "as of right" building is in fact economically feasible, providing sufficient entrepreneurial profit to the any potential investor/developer.

Our reasons for these conclusions are summarized as follows:

- This Report assumes that a potential developer of the Site would pay for *all* of the site's potential developable building area, regardless of whether they were used in the project to be built. For example, in the "Revised as of Right CF/Residential Development" scenario, the developer is charged \$14,816,000 for 7,594 square feet of residential building area. This equates to a price of \$1,951 per square foot of building area. By means of comparison, the Report assumes that finished, built-out condominium units would sell for \$1,662 per square foot of building area.
- The Report estimates underlying land value utilizing an analysis of "comparable" vacant parcels. Analysis of the sales data reveals that circumstances concerning several of the sales are not explained, and that adjustments are questionable. Further, and even more problematic, it would appear that these sales are "cherry picked" to arrive at a preconceived desired result. Many relevant sales were ignored. The resulting land value conclusion is wholly unreliable.

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- The Report estimates net saleable residential area to be variously between 55% and 63% of gross above-grade residential building area. The source of these calculations is unclear, but its basis is certainly not consistent with market measurement parameters. We have reviewed actual architectural drawings and calculations for 15 new condominium buildings in Manhattan and found that the ratio of saleable to above-grade gross building area ranges between 70% and 92%, averaging 86.2%. Clearly, the sales revenues assumed in the Report are substantially underestimated by virtue of undercounted saleable area.
- The construction cost estimates assumed in the Report include very substantial interest carry on the site acquisition cost. Reducing the acquisition cost to only those development rights actually being acquired will reduce the soft construction cost component substantially.

Please do not hesitate to contact us with any questions you may have regarding our assumptions, observations or conclusions.

Very truly yours,

METROPOLITAN VALUATION SERVICES, INC.



By: Martin B. Levine, MAI
Chairman
NY Certification 46000003834

MARTIN B. LEVINE, MAI
CHAIRMAN - METROPOLITAN VALUATION SERVICES

MARTIN B. LEVINE is a co-founder of Metropolitan Valuation Services, Inc. Mr. Levine is primarily responsible for the appraisal of commercial, non-multifamily properties, as well as for the company's quality control, reporting format, staff development and business relationships.

Mr. Levine has more than 32 years of experience in real estate appraisal. During his career Mr. Levine has appraised virtually every property type and performed a vast array of consulting assignments including feasibility and alternative use studies. Mr. Levine's clients include local, regional, national and foreign banks, Wall Street conduits, insurance companies, pension funds, private investors, government agencies and attorneys.

As a former executive vice president of a national valuation and due diligence firm for fourteen years, Mr. Levine oversaw one of the largest staff of professional appraisers in the Metropolitan New York area. Mr. Levine's responsibilities included marketing and professional oversight of five appraisal teams led by specialists in Metropolitan New York commercial and multifamily valuation, hospitality, retail, and New Jersey. Appraisal assignments included trophy office buildings, regional shopping centers, major industrial complexes, large-scale multifamily complexes and hotels. Properties appraised were concentrated in Metropolitan New York, but many clients utilized the firm for their national assignments, including multi-property portfolios.

Previous appraisal experience includes eleven years at The Chase Manhattan Bank, where Mr. Levine managed the largest institutional appraisal staff in New York City and oversaw all appraisals conducted for bank clients doing business in New York. Mr. Levine was also the Director of Real Estate Consulting for Planned Expansion Group, where he managed a small consulting group attached to an architectural and planning concern. Assignments included appraisals, land use and feasibility studies and economic forecasting.

Mr. Levine is a designated member of the Appraisal Institute (MAI) and is certified by the State of New York as a real estate General Appraiser. Mr. Levine received his Bachelor of Architecture and Master of City and Regional Planning degrees from Pratt Institute and has completed numerous courses in finance and real estate. He has served as Chairman of the Admissions Committee of the Metropolitan New York Chapter of the Appraisal Institute, and he has served on the Chapter's Board of Directors. Mr. Levine has been qualified and testified as an expert witness in New York, Brooklyn, Newark, Riverhead and Mineola courts.