February 8, 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 reviewed 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"). Our review has been presented within a Restricted Format report and report has been prepared in conformity with and subject to the Code of Professional Ethics and Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The report contains recognized methods and techniques that materially contribute to a proper evaluation of the real estate problem under consideration. The report has been prepared subject to the attached Basic Assumptions and Limiting Conditions. The depth of discussion contained in this presentation is specific to the Zoning Variance Application for 6-10 West 70th Street and can only be relied upon by a reader familiar with the subject property and the referenced application. We are not responsible for any unauthorized use of this restricted format report. This reporting format is in compliance with the specific guidelines of Standard 2-2 of USPAP. This report should not be construed to represent an appraisal of the premises, as we were not engaged to appraise the site, but rather to review the Feasibility Study and its conclusions.

Based upon our review of the Freeman/Frazier & Associates report, we have concluded that it is critically flawed by poor judgment and erroneous mathematical technique. Accordingly, its conclusions cannot be relied upon. We have also concluded that development of a mixed-use, "as of right" building, with two residential floors above four floors of community use space is economically feasible, producing a profit of $4,200,000. Further, we have concluded that the development of the site with an "as of right" building is economically feasible and would likely

METROPOLITAN VALUATION SERVICES, INC.
444 Park Avenue South – Suite 402
New York, NY 10016
Phone (212) 213-8650 Fax (212) 213-8621

result in total revenues to Congregation Shearith Israel of as much as $39,000,000 for development of the site with a residential condominium. In summary, we believe that reasonable revision of the Freeman/Frazier Report demonstrates that the development of the Congregation Sheareth Israel site with an "as of right" building in conformity with zoning is economically feasible and does not meet the definition of "hardship." The following report details the reasoning supporting these conclusions.

OVERVIEW

The Trustees of Congregation Shearith Israel have applied for a zoning variance from the City of New York that will enable the construction of a new nine-story mixed-use building comprised of five floors of multifamily residential space atop four floors of community facility space. In support of the zoning variance application, Congregation Shearith Israel has relied upon the "Economic Analysis Report" prepared by Freeman/Frazier & Associates to demonstrate that any residential as of right development of the site results in a capital loss (pages 8 and 9 of December 21, 2007 letter). Further, their analysis also concludes that the only economically viable development of the site would be for a mixed-use community use/multifamily building that requires a zoning variance ("Revised Proposed Development").

The purpose of this assignment is to review the accuracy and reliability of the Economic Analysis Report to determine if its conclusions can be relied upon as the basis for the zoning variance. The principal evaluation variables are development alternatives, site value (i.e. acquisition cost), the sale price of the finished apartment units, the sellable building area, and construction costs. We will address each as follows:

DEVELOPMENT ALTERNATIVES

The Report presents five development alternatives based upon architectural drawings and calculations prepared by Platt Byard Dovell White. The "As of Right Scheme A" drawings depict a residential component on the fifth and sixth floors, above four floors of community facility space. We find this alternative to be conceptually flawed insofar as this "development envelope" includes a large apartment building lobby with a large storage closet, and both a passenger and freight elevator. As the most probable development of this space would be for a single large duplex apartment, the oversized lobby and double elevator service represents an inappropriate waste of space and development expense. Accordingly, this development alternative is not considered to be a reliable, economically viable option unless it is redesigned.

The "Lesser Variance Scheme B" plan envisions three residential floors built above three floors of community facility space. Like Scheme A, this design is conceptually flawed as the most probable development of this space would be for a large triplex apartment and the oversized lobby and double elevator service represents an inappropriate waste of space and development expense. Accordingly, this development alternative is not considered to be a reliable, economically viable option.

The "As of Right with Tower" option envisions thirteen residential floors built above four floors of community facility space. Floors seven through eleven are 665 "saleable" square feet and floors twelve through the sixteenth floor penthouse are 373 "saleable" square feet in size. These floor plates reflect an attempt to achieve potential as of right Central Park views at the expense of all reasonable economic and physical developmental logic. As illustrated by the development costs, such a building envelope would devote almost as much space on each tower floor to staircases and elevators as would be livable. Further, it would be virtually impossible to lay out market responsive floor plans in such impossibly small floor plates. The Report states on page 7 that this scenario "creates a costly and inefficient design" and that "The resulting small floor plate generates an economically inefficient relationship between the size of the core (elevator and stairs) and sellable residential area, as a core of the same size could serve a floor plate of more than ten times the size." Further, construction of a "sliver" building overlooking the historical Synagogue would stand little or no chance of municipal approval. Accordingly, this development alternative is not considered to be a plausible option.

The "Revised Proposed Development" envisions five residential floors built above four floors of community facility space. These floor plates appear to be of appropriate size and configuration to yield market responsive floor plans. Accordingly, this development alternative is considered to be a reliable, economically viable option.

The "As of Right Scheme C" plan envisions six residential floors built above one floor of community facility space. These floor plates appear to be of appropriate size and configuration to yield market responsive floor plans. Accordingly, this development alternative is considered to be a reliable, economically viable option.

SITE VALUE

The site, or land value, which is to be the "acquisition cost" component in the Freeman/Frazier Report is a critical factor in the economic feasibility of any proposed development of the subject property. For example, an improbably low land value will ensure economic feasibility to the same degree as will an unreasonably high cost prove infeasible. It would appear that Freeman/Frazier selected the latter approach.

Freeman/Frazier most recently revised their estimate of land value to be $750 per square foot of allowable zoning floor area, otherwise known as F.A.R. (floor area ratio). They based their conclusion estimated by a "Sales Comparison" approach, supplemented by a "Proportional/Tax Assessed Value" technique and a "Land Residual Value for the Community Facility" method.

Sales Comparison

Freeman/Frazier bases their conclusion on the analysis of five "comparable vacant land sales." We have reviewed these sales and find a number of critical errors in both the factual accuracy of the data presented and the subjective adjustments employed.

For example, Sale No. 1, 510 West 34th Street, is reported to be 5,925 square feet in size. Based upon their Report, the property sold for $27,850,000 or $470 per square foot of buildable area on February 3, 2006. In fact, there were two properties transferred that day, 508 and 510-514 West 34th Street, at a total price of $27,850,000. The total site size was not 5,925 square feet, but rather 7,841 square feet. The price was not $470 per buildable square foot but rather $355 per square foot. Further, the property is located within the Special Hudson Yards District, which has a virtually unlimited number of as of right transferable development rights available to developers at a CPI indexed cost of $100 per buildable square foot. Developers here are paying premium land prices to acquire sites whose total per square foot land costs are substantially reduced by these cheap, available development rights.

Sale No. 2, 166 West 58th Street, is reported to have sold for $41,400,000 or $528 per square foot of buildable area on June 8, 2006. What the Report doesn't explain is that this property is presently improved with a six-story elevatored parking garage constructed in 1966 that was purchased for long-term investment. It is our understanding that the property is under a long-term lease, and that income from the garage is quite substantial. Characterization of this sale as a "vacant property" is an egregious error.

Sale No. 3, 452 Eleventh Avenue is reported to have sold for $45,000,000 or $456 per square foot of buildable area on June 18, 2007. What the Report doesn't explain is that this property is that was purchased a year earlier at a price equal to $296 per square foot of buildable area. Further, the 22,216 square foot blockfront on the next block north, 476 Eleventh Avenue, sold in October, 2007 for $371 per square foot of buildable area.

Sale No. 4, 1353 First Avenue is reported to have sold for $28,000,000 or $549 per square foot of buildable area on June 29, 2007. The Report calculates the total buildable area to be 51,000 square feet. Our research indicates that this site is part of an assemblage that includes 29,152 square feet of transferred development rights from 1359 First Avenue, that were purchased a year earlier for $6,000,000, or $206 per square foot of buildable area. Thus, the total cost of this site is effectively $34,000,000, or $424 per square foot of buildable area, not $549.

Sale No. 5, 225 West 58th Street, is reported to have sold for $34,650,000 or $690 per square foot of buildable area on September 12, 2006. The Report fails to explain that this parcel is part of a much larger assemblage that was undertaken by Extell Development and the Clarett Group. A 300,000 square foot mixed-use residential condominium is planned for construction on the assembled site, with includes adjoining properties on West 57th Street, West 58th Street and Broadway. Analysis of only one component of an assemblage in the absence of explanation is nothing less than misleading.

Our research indicates that there are several relevant land sales in the Upper West Side that were not analyzed. These include: 272-276 West 86th Street, a 4,086 square foot site that sold in April, 2007 for $20,400,000, or $396 per square foot of buildable area; 200 West End Avenue, a 22,375 square foot site which sold for $97,500,000, or $373 per square foot of buidable area in May, 2006; and 120-122 West 72nd Street, a 5,108 square foot site which sold for $22,000,000, or $432 per buildable square foot in May, 2006. Selection of sales on West 34th Street, Eleventh Avenue, West 57th Street and First Avenue in the Upper East Side is puzzling when much more similar property sales are available.

Examination of the sales data reveals that the Freeman/Frazier analysis is plagued by either sloppy research or deliberate misstatements of fact. All the “comparable” sales are proven to be unreliable indicators as the basic unit of comparison, the price per buildable square foot is either wrong or obscured by other factors. Serious doubts of objectivity are raised by the application on page 13 of the Report of large upward “time” adjustments of 10% to 20%. Anyone cognizant of the current economic turmoil and elimination of the 421-a program would not be making such adjustments. Finally, the Report adjusted all the sales upwards by 20% for the site’s “direct, unobstructed views of Central Park” (page 3). As the Report illustrates, the only development plans possessing such potential views are contained within the “as of Right with Tower Development” scheme which even Freeman/Frazier deem to be economically not feasible (reporting a capital loss of $2,645,000 on page 9). Clearly, characterizing the site as one with unobstructed Central Park view and making large upwards adjustments to the sales comparables while at the same time acknowledging that such development is not feasible is nothing less than deliberately misleading.

Proportional/Tax Assessed Value

Freeman/Frazier attempt to rely upon the Assessor’s estimates of land value to make a locational adjustment based upon Central Park views. As was explained, the subject property effectively does not possess such views, so the Report’s underlying premise is discredited. Further, reliance upon assessor’s values is not a recognized value technique and is specifically absent from authoritative appraisal literature.

Land Residual Value for the Community Facility

Freeman/Frazier attempt to "back into" a land value using this residual technique. Our review of the assumptions contained therein find their application of this technique to be contrived and arbitrary, arriving at a self-serving, pre-conceived conclusion.

Conclusions

The Freeman/Frazier Report concludes to a land value of $750 per square foot of buildable area. Our analysis of the data and their reasoning finds that their value conclusion is critically flawed and should not to be relied upon. It would appear that the concluded land value was derived using "cherry picked" data.

Based upon our review, we believe that a land value of $500 per buildable square foot is a much more probable indicator of the property's market value.

SALES PRICES OF FINISHED APARTMENT UNITS

Freeman/Frazier estimates the average sales prices for the residential condominium units to be constructed as per the various development alternatives to be between $2,261 and $2,593 per square foot. While we do not agree with their selection of sales comparables, their resulting value indicators appear to be reasonable (with the exception of the "As of Right with Tower" scenario, the pricing of which defies logic). We do, however, take exception with the pricing of the outdoor space. In our experience, outdoor space typically sells for about 40% of the indoor space. Thus, we would expect to see the outdoor space at the subject property sell for about $1,000 per square foot. Instead, it is priced variously at $247, $349, $356 and $743 per square foot (based upon derivation of total price less stated price per square foot). The terraces shown on the floor plans are large, highly functional outdoor spaces that should easily add $1,000 per square foot to the sale prices.

The Report contains estimates of above-grade saleable residential building area that range between 52% and 70% of above-grade residential building area (page 11). The source of these calculations is unclear, but its basis is certainly not consistent with market measurement parameters. Virtually every Condominium Offering Plan filed in the State of New York contains a definition of saleable area effectively identical to the following a statement

> The approximate indoor floor area of each Unit has been measured from the exterior side of the glass or the exterior Building walls, at the Building line and/or Property line, or from the midpoint of the interior walls and partitions separating the Unit from another Unit, public corridor, stairs, elevators, other mechanical equipment spaces or any other Common Elements, or from the Unit side of

> continuous structural elements or masonry walls separating the Unit from public corridors, stairs, elevators and other mechanical equipment spaces or any other Common Elements. Columns and mechanical pipes (whether along the perimeter or within the Unit) are not deducted from the square foot area of the Unit. Outdoor floor areas of a balcony and/or terrace appurtenant to a Unit are not included in the Unit's indoor floor areas.

We have utilized the architectural plans produced by Platt Byard Dovell White and through actual stated building areas and our own scaled estimates, estimate that the ratio of saleable to gross building area is between 86% and 88%.

To test the reasonability of our estimates, 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.

CONSTRUCTION COSTS

Base Construction Costs were estimated by McQuilkin Associates, Inc. In the absence of any other cost estimates or data contradicting their findings, we have accepted their cost estimates for purposes of our review and analysis.

Soft Construction Costs were estimated by Freeman/Frazier utilizing generally accepted cost categories and expense estimates. We do have, however, several adjustments, which impact the cost estimates considerably.

First, interest and carry is being charged in all the Freeman/Frazier scenarios on a site acquisition cost of $14,816,000. As will be explained later, the acquisition cost for the residential component should be charged only for the gross above-grade residential building area actually capable of being developed. As the site acquisition cost accounts for between 44% and 65% of total development costs, reducing the site acquisition cost to an appropriate value would significantly reduce the total cost of development.

A second factor is the interest rate charged on the construction loan. Freeman/Frazier state that a construction loan could be obtained for about 125 basis points over the prime lending rate. Thus, they utilized a 9.5% interest rate in their interest cost calculations. Prime is currently around 6%, down from about 7.5% two months ago, suggesting that Freeman/Frazier should have used an interest rate of about 8.75%. For purposes of this analysis and review, we believe that a prime rate of 6.5% is more reasonable, with a 7.75% interest rate on the construction loan applicable.

A third factor, which may be related to the hypothesis of whom is the actual developer, addresses to query of to whom Freeman/Frazier are assuming interest is being paid if Congregation Sheareth Israel is developing the site. That being the case, there would be no necessity to borrow money to pay for the land they already own. Further, as a tax-exempt entity, there would be no real estate taxes paid during construction, which amount to $334,000 per year, as per the Report.

Overall, it would appear that the Report materially over-estimated soft construction costs and there are significant opportunities to further reduce costs by eliminating what appears to be non-arm's length finance charges.

ECONOMIC FEASIBILITY

As per the Freeman/Frazier Report, economic feasibility is measured by the profit, if any, available for distribution to investors after all project expenses incurred in the development and sale of units are deducted from gross revenues. The formula involves is thus: Project Value (net sales revenues less direct sales related costs) less Acquisition Cost (land value) less Base Construction Costs less Soft Construction Costs equals Profit. While we agree with the basic formula, our review and analysis reveals several critical flaws in judgment and methodology. When considered in their entirety, these adjustments materially change the stated conclusions in the Report.

Assumptions Considered Reasonable for Revision

- ***Acquisition Cost***
  Freeman/Frazier utilized a site value equal to $750 per square foot of residential floor area. Our analysis demonstrates that this unit value is unreliable as it is based upon erroneous and incomplete analysis. In our Revised Analyses, we have utilized a more reasonable site value of $500 per square foot of residential floor area.

  Freeman/Frazier charges the prospective site developer for 19,755 square feet of developable residential area, or $14,816,000 regardless of the actual residential square footage that could be built. In their "Revised as of Right CF/Residential Development Scenario" the site acquisition cost actually exceeds the gross sales revenues of prospective condominium apartments by more than $2,000,000 *before construction costs are even considered*. Clearly there is a major conceptual disconnect at work here.

  In our Revised Analyses, we have charged the prospective site developer only for the residential building area that could be constructed.

- ***Soft Construction Costs***

  Freeman/Frazier charges the developer for buildable area that is not usable. Thus, there are very substantial charges imbedded in the finance related charges. Additionally, the interest rate assumed in the Report merits revision.

  In our Revised Analyses, we have calculated construction loan interest and lender fees based upon a 7.75% interest rate against only the value of the site to be delivered.

- ***Sale of Units***

  The Freeman/Frazier significantly underestimates the saleable residential area. Further, their pricing estimates far underestimate the value of the outdoor space.

  In our Revised Analyses, we have utilized our estimates of saleable residential area and modified the proposed pricing to reflect outdoor space sold at $1,000 per square foot.

The following exhibits include a presentation comparing the Freeman/Frazier economic analysis (page 11, Schedule A1) with modifications and revisions as discussed above. Each table contains in the first column the original Freeman/Frazier presentation of each development scenario. The second column contains the "Revised Land Price Only", in which we have recalculated the acquisition cost utilizing $750 per buildable square foot but charged the developer for only the square footage that could be built. The third column charges the developer only for to be built square footage at a rate of $500 per square foot.

At the bottom of each table is contained an "Alternative Value Analysis" in which we recalculate the profit employing a revised interest rate of 7.75% and adjust the sales prices of the condominium units to $1,000 per square foot.

No alternative analysis was conducted for the "As of Right with Tower Development" as it is an economic absurdity, not warranting further comment.

MVS TABLE 1
"REVISED AS OF RIGHT CF/RESIDENTIAL DEVELOPMENT"

		REVISED AS OF RIGHT CF/RESIDENTIAL DEVELOPMENT	*MVS Revised Land Price Only*	*MVS Revised Land Price and Land Value*
Building Area (sq.ft.)				
Gross Above-Grade Residential Area (1)		9,638	9,638	9,638
Built Residential Area		7,594	7,594	7,594
Sellable Area		5,316	6,494	6,494
Ratio of Sellable to Built		70%	86%	86%
CAPITAL INVESTMENT SUMMARY				
Acquisition Cost		14,816,000	7,228,000	4,818,667
Holding & Prep. Costs		0	0	0
Base Construction Costs		3,722,000	3,722,000	3,722,000
Soft Construction Costs		4,337,000	3,294,663	2,962,934
Est. Total Development Costs		22,875,000	14,244,663	11,503,601
Project Value				
Sale of Units		12,623,000	15,420,196	15,420,196
(less) Sales Commissions	6%	(757,000)	(925,000)	(925,000)
Net Project Value		11,866,000	14,495,196	14,495,196
PROJECT INVESTMENT				
Acquisition Cost		14,816,000	7,228,000	4,818,667
Holding & Prep. Costs		0	0	0
Base Construction Costs		3,722,000	3,722,000	3,722,000
Soft Construction Costs		4,337,000	3,294,663	2,962,934
Carrying Costs During Sales Period		470,000	470,000	470,000
Est. Total Investment		23,345,000	14,714,663	11,973,601
RETURN ON INVESTMENT				
Estimated Project Value		11,866,000	14,495,196	14,495,196
(less) Est. Total Investment		(23,345,000)	(14,714,663)	(11,973,601)
(less) Est. Transaction Taxes		(230,000)	(230,000)	(230,000)
Est. Profit (loss)		(11,709,000)	(449,467)	2,291,595
Development/Sales Period (months)		23	23	23
Annualized Profit (loss)		(6,109,000)	(235,000)	1,196,000
Return on Total Investment		0.00%	-1.60%	9.99%
Annualized Return on Total Investment		0.00%	-0.83%	5.21%
TOTAL NET PROCEEDS		8,707,000	6,993,000	6,014,667
ALTERNATIVE VALUE ANALYSIS				
Est. Profit (loss)			2,061,000	4,192,000
Annualized Profit (loss)			1,075,000	2,187,000
Return on Total Investment			14.47%	36.44%
Annualized Return on Total Investment			7.55%	19.01%
TOTAL NET PROCEEDS			9,289,000	9,010,667

Source; Frazier/Freeman, calculations by MVS

MVS TABLE 2
"LESSER VARIANCE CF/RESIDENTIAL DEVELOPMENT"

		LESSER VARIANCE CF/RESIDENTIAL DEVELOPMENT	*MVS Revised Land Price Only*	*MVS Revised Land Price and Land Value*
Building Area (sq.ft.)				
Gross Above-Grade Residential Area (1)		14,288	14,288	14,288
Built Residential Area		12,575	12,575	12,575
Sellable Area		8,593	11,075	11,075
Ratio of Sellable to Built		68%	88%	88%
CAPITAL INVESTMENT SUMMARY				
Acquisition Cost		14,816,000	10,716,000	7,144,000
Holding & Prep. Costs		0	0	0
Base Construction Costs		4,339,000	4,339,000	4,339,000
Soft Construction Costs		4,525,000	3,960,017	3,468,761
Est. Total Development Costs		23,680,000	19,015,017	14,951,761
Project Value				
Sale of Units		20,191,000	26,022,963	26,022,963
(less) Sales Commissions	6%	(1,211,000)	(1,561,000)	(1,561,000)
Net Project Value		18,980,000	24,461,963	24,461,963
PROJECT INVESTMENT				
Acquisition Cost		14,816,000	10,716,000	7,144,000
Holding & Prep. Costs		0	0	0
Base Construction Costs		4,339,000	4,339,000	4,339,000
Soft Construction Costs		4,525,000	3,960,017	3,468,761
Carrying Costs During Sales Period		493,000	470,000	470,000
Est. Total Investment		24,173,000	19,485,017	15,421,761
RETURN ON INVESTMENT				
Estimated Project Value		18,980,000	24,461,963	24,461,963
(less) Est. Total Investment		(24,173,000)	(19,485,017)	(15,421,761)
(less) Est. Transaction Taxes		(368,000)	(230,000)	(230,000)
Est. Profit (loss)		(5,561,000)	4,746,947	8,810,203
Development/Sales Period (months)		23	23	23
Annualized Profit (loss)		(2,901,000)	2,477,000	4,597,000
Return on Total Investment		0.00%	12.71%	29.81%
Annualized Return on Total Investment		0.00%	6.63%	15.55%
TOTAL NET PROCEEDS		11,915,000	13,193,000	11,741,000
ALTERNATIVE VALUE ANALYSIS				
Est. Profit (loss)			7,305,000	11,039,000
Annualized Profit (loss)			3,811,000	5,759,000
Return on Total Investment			38.42%	73.83%
Annualized Return on Total Investment			20.04%	38.52%
TOTAL NET PROCEEDS			18,021,000	18,183,000

MVS TABLE 3
"REVISED PROPOSED DEVELOPMENT"

		REVISED PROPOSED DEVELOPMENT	*MVS Revised Land Price Only*	*MVS Revised Land Price and Land Value*
Building Area (sq.ft.)				
Gross Above-Grade Residential Area (1)		20,863	20,863	20,863
Built Residential Area		20,863	20,863	20,863
Sellable Area		15,799	18,359	18,359
Ratio of Sellable to Built		76%	88%	88%
CAPITAL INVESTMENT SUMMARY				
Acquisition Cost		14,816,000	15,647,000	10,431,333
Holding & Prep. Costs		0	0	0
Base Construction Costs		7,488,000	7,488,000	7,488,000
Soft Construction Costs		6,434,000	5,982,489	5,182,931
Est. Total Development Costs		28,738,000	29,117,489	23,102,265
Project Value				
Sale of Units		40,968,000	47,607,414	47,607,414
(less) Sales Commissions	6%	(2,458,000)	(2,856,000)	(2,856,000)
Net Project Value		38,510,000	44,751,414	44,751,414
PROJECT INVESTMENT				
Acquisition Cost		14,816,000	15,647,000	10,431,333
Holding & Prep. Costs		0	0	0
Base Construction Costs		7,488,000	7,488,000	7,488,000
Soft Construction Costs		6,434,000	5,982,489	5,182,931
Carrying Costs During Sales Period		664,000	470,000	470,000
Est. Total Investment		29,402,000	29,587,489	23,572,265
RETURN ON INVESTMENT				
Estimated Project Value		38,510,000	44,751,414	44,751,414
(less) Est. Total Investment		(29,402,000)	(29,587,489)	(23,572,265)
(less) Est. Transaction Taxes		(748,000)	(230,000)	(230,000)
Est. Profit (loss)		8,360,000	14,933,925	20,949,149
Development/Sales Period (months)		28	23	23
Annualized Profit (loss)		3,583,000	7,792,000	10,930,000
Return on Total Investment		28.43%	26.34%	46.37%
Annualized Return on Total Investment		12.19%	13.74%	24.19%
TOTAL NET PROCEEDS		18,399,000	23,439,000	21,361,333
ALTERNATIVE VALUE ANALYSIS				
Est. Profit (loss)			18,113,000	23,796,000
Annualized Profit (loss)			9,450,000	12,415,000
Return on Total Investment			62.21%	103.00%
Annualized Return on Total Investment			32.46%	53.74%
TOTAL NET PROCEEDS			33,760,000	34,227,333

MVS TABLE 4
"ALL RESIDENTIAL F.A.R. 4.0"

		ALL RESIDENTIAL F.A.R. 4.0	*MVS Revised Land Price Only*	*MVS Revised Land Price and Land Value*
Building Area (sq.ft.)				
Gross Above-Grade Residential Area (1)		28,724	28,724	28,724
Built Residential Area		28,724	28,724	28,724
Sellable Area		17,780	25,402	25,402
Ratio of Sellable to Built		62%	88%	88%
CAPITAL INVESTMENT SUMMARY				
Acquisition Cost		14,816,000	21,543,000	14,362,000
Holding & Prep. Costs		0	0	0
Base Construction Costs		11,808,000	11,808,000	11,808,000
Soft Construction Costs		6,847,000	5,182,931	6,847,000
Est. Total Development Costs		33,471,000	38,533,931	33,017,000
Project Value				
Sale of Units		40,199,000	57,431,665	57,431,665
(less) Sales Commissions	6%	(2,412,000)	(3,446,000)	(3,446,000)
Net Project Value		37,787,000	53,985,665	53,985,665
PROJECT INVESTMENT				
Acquisition Cost		14,816,000	21,543,000	14,362,000
Holding & Prep. Costs		0	0	0
Base Construction Costs		11,808,000	11,808,000	11,808,000
Soft Construction Costs		6,847,000	5,182,931	6,847,000
Carrying Costs During Sales Period		688,000	470,000	470,000
Est. Total Investment		34,159,000	39,003,931	33,487,000
RETURN ON INVESTMENT				
Estimated Project Value		37,787,000	53,985,665	53,985,665
(less) Est. Total Investment		(34,159,000)	(39,003,931)	(33,487,000)
(less) Est. Transaction Taxes		(734,000)	(230,000)	(230,000)
Est. Profit (loss)		2,894,000	14,751,733	20,268,665
Development/Sales Period (months)		28	23	23
Annualized Profit (loss)		1,240,000	7,697,000	10,575,000
Return on Total Investment		8.47%	19.73%	31.58%
Annualized Return on Total Investment		3.63%	10.30%	16.48%
TOTAL NET PROCEEDS		16,056,000	29,240,000	24,937,000
ALTERNATIVE VALUE ANALYSIS				
Est. Profit (loss)			18,152,000	24,205,000
Annualized Profit (loss)			7,779,000	12,629,000
Return on Total Investment			54.23%	62.81%
Annualized Return on Total Investment			23.24%	32.77%
TOTAL NET PROCEEDS			39,695,000	38,567,000

COMPARATIVE ANALYSIS

The key conclusions in the economic feasibility study are profit and total net proceeds. As summarized in MVS Table 5, Freedman/Frazier estimate that the "Revised as of Right" development and "Lesser Variance" both result in net profit losses to a prospective developer.

Profit Analysis

Freeman/Frazier project actual development losses of $5,561,000 and $11,700,000 in two development scenarios. After reasonable revision, the profit picture alters radically, demonstrating very substantial, positive profit figures.

The only scenario Freeman/Frazier present as economically viable is the "Revised Proposed Development," which shows a profit of $8,360,000. Our alternative analyses illustrate significantly greater profit margins, even after allowing for an actual increase in the site acquisition cost.

The "All Residential F.A.R. 4.0" scenario projects only minimal profit. Based upon our application of more reasonable valuation assumptions, this development scenario generates significant profit.

Total Net Proceeds Analysis

Total net proceeds, calculated as the sum of project profits plus the sale value of the site is a measure of the site's revenue generating potential.

The "Revised as of Right" development scenario yields total net proceeds of $8,707,000, according to Freeman/Frazier. Our revised calculations yield very similar results, demonstrating the degree of distortion inherent in the Report's assigned land value. Total net proceeds increase with increased sales revenues.

In the "All Residential F.A.R. 4.0" scenario, Freeman/Frazier project total net sales proceeds of $18,056,000, comprised of $14,816,000 site value and $2,894,000 project profit. Based upon our application of more reasonable valuation assumptions, this development scenario generates total net revenues of between $25,000,000 and $40,000,000.

Conclusions

When appropriate, market-based assumptions are employed in the Freeman/Frazier analyses, the resulting profit margins alter dramatically, producing positive results. Most importantly, the "All Residential" as of right development scenario changes from marginal economic feasibility to numbers that virtually match the "Revised Proposed Development" scenario advocated by the consultants as being the only viable alternative.

MVS TABLE 5
COMPARATIVE SUMMARY TABLE

	REVISED AS OF RIGHT CF/RESIDENTIAL DEVELOPMENT	LESSER VARIANCE CF/RESIDENTIAL DEVELOPMENT	REVISED PROPOSED DEVELOPMENT	ALL RESIDENTIAL F.A.R. 4.0
PROFIT				
Freeman/Frazier Profit/Loss	($11,709,000)	($5,561,000)	$8,360,000	$2,894,000
With Revised Land Price Only	($449,467)	$4,746,947	$14,933,925	$14,751,733
With Revised Interest and Outdoor Space Adj.	$2,061,000	$7,305,000	$18,113,000	$18,152,000
With Revised Land Price and Land Value	$2,291,595	$8,810,203	$20,949,149	$20,268,665
With Revised Interest and Outdoor Space Adj.	$4,192,000	$11,039,000	$23,796,000	$24,205,000
TOTAL NET PROCEEDS				
Freeman/Frazier Total Net Proceeds	$8,707,000	$11,915,000	$18,399,000	$16,056,000
With Revised Land Price Only	$6,993,000	$13,193,000	$23,439,000	$29,240,000
With Revised Interest and Outdoor Space Adj.	$9,289,000	$18,021,000	$33,760,000	$39,695,000
With Revised Land Price and Land Value	$6,014,667	$11,741,000	$21,361,333	$24,205,000
With Revised Interest and Outdoor Space Adj.	$9,010,667	$18,183,000	$34,227,333	$38,567,000

Source: Compiled by MVS

OVERALL PROJECT REVIEW AND CONCLUSIONS

Based upon of review of the Freeman/Frazier Report dated December 21, 2007, we have reached the following conclusions regarding the feasibility of development on the Sheareth Israel site and the Report itself.

- The Report is critically flawed by poor judgment and erroneous mathematical technique. Accordingly, its conclusions cannot be relied upon.
- That the concluded land value of $750 per square foot is not appropriate insofar as it is based upon erroneous and misleading information and analysis. A more reasonable land value would be $500 per square foot of buildable area.
- That the land value ascribed to the various non “as of right” development alternatives is not based upon the square footage of buildable residential area, but rather the full building envelope, inclusive of community facility space. Thus, the economic feasibility of the various alternatives is impossibly burdened by the cost of overpriced buildable square footage that does not generate an economic return to the developer.
- That the Report has seriously underestimated the residential saleable area and value of the outdoor terraces, thereby “shortchanging” the sales revenues and once again crippling any potential economic return.

- The Report has employed a construction loan interest rate that is far above current market parameters, incurring costs far greater than should be expected.
- Appropriate revision of the Economic Analysis contained within the Report reveals that all the development scenarios (excepting the Tower) are economically feasible.
- That development of a mixed-use, “as of right” building, with two residential floors above four floors of community use space is economically feasible, assuming the excessive common areas are eliminated, providing profit of $4,200,000.
- That development of an “as of right” building on the Sheareth Israel site as per “Scheme C” of the architect’s plans is economically feasible, capable of generating a sale price of the land of $14,362,000 and entrepreneurial profit of between $10,575,000 and $24,205,000.
- That given the profit potential demonstrated through reasonable revision to the Report, a potential joint venture between Congregation Sheareth Israel and a prospective developer, whereby the Congregation contributes the land in exchange for a participation in project profit, could yield the Congregation net proceeds of between $25,000,000 and $30,000,000 which could be used to acquire other space in the neighborhood to satisfy their programming goals.
- Based upon our analysis of the Freeman/Frazier Report, we have concluded that the development of the Congregation Sheareth Israel site with an “as of right” building in conformity with zoning is economically feasible, providing a reasonable return to the property owner. Therefore, development of the site with an “as of right” building in conformity with zoning does not meet the definition of “hardship.”

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

ASSUMPTIONS AND LIMITING CONDITIONS

This report has been prepared under the following general assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters which are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser.
2. Title to the property is assumed to be good and marketable and the property is assumed to be free and clear of all liens unless otherwise stated. All mortgages, liens and encumbrances have been disregarded unless so specified within this report.
3. The appraiser has made no legal survey nor have we commissioned one to be prepared. Therefore, reference to a sketch, plat, diagram or previous survey appearing in the report is only for the purpose of assisting the reader to visualize the property.
4. The subject property is analyzed as though under responsible ownership and competent management with adequate financial resources to operate the property within market parameters.
5. It is assumed in this analysis that there were no hidden or unapparent conditions of the property, subsoil, or structures, including hazardous waste conditions, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
6. Information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. Some information contained within this report may have been provided by the owner of the property, or by persons in the employ of the owner. Neither the consultant nor Metropolitan Valuation Services, Inc. ("MVS") shall be responsible for the accuracy or completeness of such information. Should there be any material error in the information provided to or obtained by the consultant; the results of this report are subject to review and revision.
7. The consultant assumes that no hazardous wastes exist on or in the subject property unless otherwise stated in this report. The existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The consultant has no knowledge of the existence of such materials on or in the subject property. The consultant however, is not qualified to detect such substances or detrimental environmental conditions. The consultant has inspected the subject property with the due diligence expected of a professional real estate appraiser. The consultant is not qualified to detect hazardous waste and/or toxic materials. Any comment by the consultants that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The value estimates rendered in this report are predicated upon the assumption that there is no such material on or affecting the property which would cause a diminution in value. No responsibility is assumed by the appraiser for any such conditions, or for any expertise or environmental engineering knowledge required to discover same. The client is urged to retain an expert in this field if so desired.
8. The consultants have inspected the exterior of the subject property with the due diligence expected of a professional real estate appraiser. MVS assumes no responsibility for the soundness the property's structural or mechanical systems and components. We accept no responsibility for considerations requiring expertise in other professional fields. Such considerations include, but are not limited to, soils and seismic stability, civil, mechanical, electrical, structural and other engineering and environmental matters.
9. It is assumed that there is full compliance with all applicable federal, state, and local land use laws and environmental regulations and unless non-compliance is noted, described, and considered herein.
10. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and/or analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more elements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, the appraiser did not consider possible noncompliance with the requirements of the ADA in estimating the value of the subject property.

11. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based.
12. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the consultant, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraisers.
13. Unless prior arrangements have been made, the consultant, by reason of this report, is not required to give further consultation or testimony, or to be in attendance in court with reference to the property that is the subject of this report.
14. Unless otherwise noted, this report has not given any specific consideration to the contributory or separate value of any mineral and/or timber rights associated with the subject real estate.
15. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.
16. This report has been made subject to current market terms of financing. The opinions cited herein are valid only as of the date of report. Any changes that take place either within the property or the market subsequent to that date of value can have a significant impact on value.
17. Forecasted income and expenses that may be contained within this report may be based upon lease summaries and operating expense statements provided by the owner or third parties. MVS assumes no responsibility for the authenticity or completeness of such data.
18. This report is intended to be used in its entirety; if not presented in its entirety, the conclusions presented herein may be misleading.
19. This report has been prepared for the exclusive benefit of the addressee (the client), its successors and/or assigns. It may not be used or relied upon by any other party. Any other parties who use or rely upon any information in this report without our written consent do so at their own risk. Any person or entity not authorized by MVS in writing to use or rely this report, agrees to indemnify and hold MVS and its respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys fees, incurred in conjunction with defending any claim arising from or in any way connected to the use of, or reliance upon, the report by any such unauthorized person or entity.

Extraordinary Assumptions

An extraordinary assumption is defined as an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

This report employs no extraordinary assumptions.

***Hypothetical* Conditions**

A hypothetical condition is defined as .that which is contrary to what exists, but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

This report employs no hypothetical conditions.

CERTIFICATE OF APPRAISAL

I, Martin B. Levine, MAI certify that to the best of my knowledge and belief that:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

This appraisal was not prepared in conjunction with a request for a specific value or a value within a given range or predicated upon loan approval.

Martin B. Levine, MAI has made a personal inspection of the exterior of the premises which is the subject of this appraisal. Martin B. Levine, MAI has extensive experience in the appraisal of similar properties.

The Appraisal Institute conducts a program of continuing professional education for its designated members. MAI and RM members who meet minimum standards of this program are awarded periodic education certification. I, Martin B. Levine, MAI am currently certified under the Appraisal Institute's continuing education program.

Martin B. Levine, MAI has been duly certified to transact business as a Real Estate General Appraiser (New York State certification #46000003834).

No one provided significant professional assistance to the person signing this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

METROPOLITAN VALUATION SERVICES, INC.

Martin B Levine

By: Martin B. Levine, MAI
Chairman
For the Firm

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.