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April 1, 2008

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

Re : 6-10 West 70<sup>th</sup> Street  
New York, NY  
Calendar No. 74-07-BZ

Dear Chairperson Srinivasan:

The following has been prepared in response to a report prepared by the opposition to the above referenced application, submitted by Metropolitan Valuation Services, dated March 20, 2008 ("MVS Report"), portions of the Alan D. Sugarman Response, dated March 25, 2008 ("Sugarman Response"), and the Grubb & Ellis Adverse Impact Study – 8 West 70<sup>th</sup> Street, dated March 18, 2008 ("Grubb & Ellis Response"). The MVS Report and Sugarman Response question specific items in my letter to you of March 11, 2008 ("FFA Report").

### MVS Report Response

The first portion of the MVS Report reiterates specific comments, which have been previously addressed in our March 11, 2008 response. We appreciate MVS's restating their comments, however, little new material is provided. We note, regarding the MVS reiteration, the following:

- The MVS Report reiterates, "A more reasonable land value would be \$500 per square foot of buildable area."

This amount is unsupported by any previous or additional analysis by MVS, nor have they provided an appropriate explanation of how this amount is determined.

- The MVS Response states, "It is highly doubtful any of the comparable sites were purchased with the understanding of such large loss factors between gross and net saleable area. Freeman/Frazier should have made a large downward adjustment to the comparable sales cited for this factor."

We have been consistent with BSA practice, which assumes the determination of site value unencumbered by unique site conditions.

- The MVS Response states that, “Large upward adjustments were made for the site's park view premiums” and “the lower seven floors of the proposed building do not possess Central Park Views. These floors comprise 86.7% of the floor area, so characterizing the site as having park views is erroneous.”

We note for the record that, as requested by the BSA, the valuation provided in our March 11, 2008 submission considered only the entirely residential portions of the building, which are floors five through fifteen. The building's tower portion contains 74% of the residential square footage within this portion of the building. Four of the lower seven floors referred to in the MVS Response are utilized for community facility use and were excluded as requested by the BSA. The residential portion of the As of Right Development with Tower has been used to estimate the property value, therefore, for purposes of such valuation a significant portion of the residential building does in fact, contain direct unobstructed views of Central Park

Further, the blended average rate of \$750/sq.ft. utilized in the analysis did take into account the fact that the lower residential floors are valued at a lower rate than the floors with the views.

- The MVS Report explains FFA's Exhibit 2 of the March 11, 2008 submission stating, “The floor area possessing such views is demonstrably insignificant, accordingly, their value calculations and conclusions are fundamentally in error.”

To clarify, MVS may have misunderstood our Exhibit 2 provided in the March 11, 2008 Response. As noted above, to obtain the blended average of \$750/sq.ft. the \$825/sq.ft. was applied to only 74% of the residential floor area, not the entire site as MVS states at the bottom of page 2 of their March 20, 2008 Response.

- The MVS Report notes that previous FFA Reports “presented wherein the development potential of the site was estimated at \$500 per square foot of building area. There is no evidence, either in their report or by market sales activity, to demonstrate that the property experienced a 50% increase in value since October 24, 2007.”

MVS has reviewed the FFA Reports, but neglects to review all relevant material. As noted above, the revised value was undertaken at the request of the BSA and, unlike previous analysis, only considered the value of the residential portion of the as of right development.

- The MVS Report reiterates, “The Freeman/Frazier report appears to underestimate the residential saleable area and value of the outdoor terrace, thereby "shortchanging" the sales revenues and once again crippling any potential economic return”.

The MVS description is inaccurate: Freeman/Frazier does not estimate the building's sellable area. These estimates are provided by Platt Byard Dovell and White. As has been stated in other documents submitted, the unique site conditions result in an inefficient building when compared to more typical new condominium projects. Furthermore, MVS provides no additional substantiation for this comment regarding outdoor space.

- The MVS Report reiterates, “The Report has employed a construction loan interest rate that is far above current market parameters, incurring costs far greater than should be expected.”

At the time of the original FFA Report, dated March 28, 2007, the prime rate was 8.25%. MVS is obviously unfamiliar with submission practice at the BSA, which generally establishes the initial Report date as the baseline for financial assumption utilized in subsequent analyses.

We further note, that in fact, whereas construction loan interest rates may have gone down since the initial report date, the MVS response does not identify the fact that construction costs have gone up significantly and such cost increases would perhaps more than wipe out any benefits obtained from reduced loan interest rates over the same time period.

- The MVS Report claims that the unique physical characteristics of the site are without merit.

We refer MVS to the statement of facts and findings regarding the A finding.

- The MVS Report state, “The Freeman/Frazier March 11, 2008 report appears to intentionally overestimate the underlying land value in an attempt to prove that as of right development is not economically feasible.”

The FFA Report estimates the value of the residential portion of the site, not of the land.

The assumption that appraisers are flawless and are the only persons qualified to estimate land value is not supported by the realities of professional real estate. Freeman Frazier's qualifications to value property rely on over 35 years of development, financing, and brokerage experience in the private and public sectors and have been found acceptable by the BSA for over 20 years of practice before the Board.

- The MVS Report claims, "Appropriate revision of the Economic Analysis contained within the Report reveals that both the development scenarios presented in the March 11, 2008 Freeman/Freeman report are economically feasible...by only changing the land value from \$750 to \$500 per square foot."

As noted in our submission of March 11, 2008, \$750/sq.ft. is an appropriate valuation of the residential portion of the building. MVS provides no further substantiation of their \$500/sq.ft. assumption.

The second portion of the MVS Report provides additional response to our March 11, 2008 submission, to which we respond as follows:

#### Economic Feasibility

- The MVS Report claims "any number of reasonable adjustments to the Freeman/Frazier calculations, development of "As of Right Scheme C" is economically feasible, with no apparent economic hardship evident."

Our response to this allegation has been discussed above and in our submission of March 11, 2008.

#### Site Value

Notwithstanding the author of the MVS Response prestigious qualifications, we reiterate the following discussion for the R-10 comparables previously utilized in the FFA Report.

##### 1) 510 West 34<sup>th</sup> Street

As MVS Report stated, this lot was part of an assemblage. However, speculation on the potential opportunity for purchase of unlimited development rights is not the same as quantifiable actual purchase. If this property had purchased additional air rights it would have been recorded.

Furthermore, we note that transferred development rights often are valued the same as the underlying value of other buildable square footage, and cannot be assumed to be purchased at any lesser price.

2) 166 West 58th Street

According to NYC DOB, this site was issued a permit for demolition as of 6/12/2007. The characterization of this site as vacant is appropriate. We are troubled by the MVS concern for our adjustments when any comparables provided by MVS have not been adjusted in any way whatsoever.

3) 452 Eleventh Avenue

The FFA Report provided the most recent sales price recorded for this property. The fact that previous purchase prices may have been lower is not relevant.

4) 272-276 West 86th Street

MVS states that the site was purchased with the clear intent to demolish two of the three buildings. As the hired appraiser the intent may be clear, however, the fact remains that this property is three five-story buildings with a total of 27 units in walk-up buildings. We maintain that these properties would never be considered "vacant property" for comparable purposes. In addition, merely listing a property without identifying and applying appropriate adjustment factors is quite unprofessional.

Furthermore, if there was clear intent to demolish, a permit for demolition would have been posted on the NYC Department of Building's website. In fact, the most recent permit was issued for façade repairs, not demolition. Perhaps MVS should reconsider their most recent appraisal of this property in the context of the readily available permit filings. We further note the fact that this property is in a much less desirable location three and a half blocks west and sixteen blocks north of the subject property and in no way has any comparability on that basis alone.

5) 200 West End Avenue

This was a property provided by MVS. It is several blocks west of the subject property in a less desirable location. Available information does not indicate that this was part of zoning lot merger. Regardless, this property was not included in our analysis.

- The MVS Report states, "It would be virtually impossible for any valuation professional today to justify making 10% upwards adjustments to sales that were closed last summer. Insistence that "there is no clear indication" that the high end of the market is unaffected is unsupportable and wholly unreasonable."

This was adequately responded to our letter of March 11, 2008. We further note, that in fact, whereas many factors may have changed in regards to current economic conditions, MVS is obviously unfamiliar with submission practice at the BSA, which generally establishes the initial Report date as the baseline for financial assumption utilized in subsequent analyses.

**Central Park Views**

- The MVS Report accurately describes that the As of Right with Tower Development would have Central Park views on the upper floors and claims "FFA uses this as justification for their extraordinarily high land value estimate."

This has been adequately responded to in our letter of March 11, 2008 and elsewhere in this document.

**Saleable Area**

Sellable area assumptions were provided by the project architect. And not estimated by Freeman Frazier. As has been stated in other documents submitted, the unique site conditions result in an inefficient building when compared to more typical new condominium projects.

### Soft Costs

- The MVS report reiterates that they believe soft costs are overstated because they include interest charges on development rights that should not be charged, as well as a lower construction loan interest rate.

This was adequately responded to our letter of March 11, 2008. We further note, that in fact, whereas many factors may have changed in regards to current economic conditions, MVS is obviously unfamiliar with submission practice at the BSA, which generally establishes the initial Report date as the baseline for financial assumption utilized in subsequent analyses.

- The MVS Report concludes that, “inclusion of all the carrying and soft costs associated with the site acquisition should be eliminated” because they assume the applicant is the developer.

MVS is obviously unfamiliar with submission practice at the BSA. As is typical of BSA submissions, the FFA Analyses assume a third party developer. None of the documents submitted to the BSA state otherwise.

### Sugarman Response

We appreciate Mr. Sugarman’s opinions on this matter, however we note for the record that the Sugarman Response provides no new substantive material regarding our financial analyses and that Mr. Sugarman’s opinions do not constitute facts and remain unsupported.

### Grubb & Ellis Response

The Grubb & Ellis Response does not take into account several important considerations regarding 8 West 70<sup>th</sup> Street lot line windows. First, the apartments containing the lot line windows do not have any entitlement to permanent use of such lot line windows and this would need to be disclosed to potential purchasers and therefore, would be taken into account in any sales offering by such potential purchasers. Second, the comparables provided by the Grubb & Ellis Response do not differentiate between views established by full fenestration with Central Park views and limited lot line window views as contained in the apartments under consideration at 8 West 70<sup>th</sup> Street.

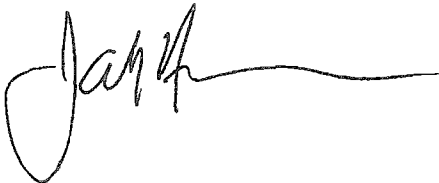
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It appears that no similar window conditions were included in the Grubb & Ellis analysis of "comparables". Lastly, we note that the appropriate valuation of any given coop sale has to provide consideration of maintenance charges and underlying liabilities, such as mortgage obligations, and real estate tax obligations included in maintenance costs which were not identified or considered in the comparables provided.

Please feel free to call me if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack", with a long horizontal flourish extending to the right.

Jack Freeman

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DO OF SAID JAMES A. FREEMAN  
NEW YORK