METROPOLITAN VALUATION SERVICES

REAL ESTATE CONSULTING AND APPRAISAL

June 10, 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:

This report is written in response to the submission of Freeman/Frazier dated May 13, 2008, which is the eighth submission by Mr. Freeman in this matter. As we have maintained, any representation that the property located at 6-10 West 70th Street is not economically feasible to develop with an as of right building is completely without merit. This level, rectangular site, located just of Central Park West is zoned to permit multifamily construction and can easily accommodate development of a highly marketable condominium. Only through gross distortion of economic valuation assumptions and sidestepping of the Board of Standards and Appeals own instructions do Freeman/Frazier present analyses that result in economic unfeasibility.

This latest submission is wrought with the same issues of non-response, inconsistencies and continued application of erroneous valuation methodology that characterized all previous Freeman/Frazier applications. Instead of responding to the Board's request to provide a single document comparing the current proposed scheme to earlier as-of-right schemes, Freeman/Frazier present yet additional scenarios and valuations, none of which directly addresses the simple issue before the Board, does this site possess such unique physical conditions that prevent development of the site from achieving a reasonable return on investment? Freeman/Frazier's latest submission presents yet another attempt to obfuscate responding to the most basic variance submission requirement through yet another series of incomplete, misleading and erroneous forecasts. The following are the most glaring examples.

REVIEW OF FREEMAN/FRAZIER MAY 13, 2008 SUBMISSION

The latest submission of May 13, 2008 includes three scenarios, *none of which are as of right under current zoning*. Provided architectural plans depict buildings for all three scenarios that exceed 75 feet in height and therefore cannot be as of right. The scenarios are either for 8 or 9 floors (defining a penthouse as a floor).

Site Value

Whereas the May 13, 2008 submission has finally given up on the notion that this site is not worth $750 per square foot of developable building area, they have selected a completely new set of sales comparables and proceeding in their flawed analysis to arrive at a value of $625 per square foot of developable building area. A technical error lies in their mathematics, whereby they commit a fundamental appraisal flaw by adding all the adjustments together to a single sum (including the time adjustment) before multiplying the price paid per square foot. Appraisal fundamentals state that the time adjustment is applied first, and then the other adjustments are added and multiplied against the time adjusted sale price of each comparable. The result of this error to overstate the indicated values by about $10 per square foot. More problematic, however, are the time adjustments themselves. Continued insistence that the prices for development sites has continued to increase, in spite of everything evident in the market place, can only be characterized as misleading. Further, Freeman/Frazier have applied an additional 10% upward adjustment to account for the "premium associated with the upper floor location" of the subject property. As illustrated by the architectural drawings, the residential building proposed in this latest machination is only nine floors, a height fully achievable in the comparable sales. This misrepresentation of physical facts is yet another attempt to over-estimate the underlying land value so as to distort economic feasibility. Overall, the Freeman/Frazier exaggeration errors equate to about 20%, indicating a value of about $500 per square foot, as was maintained by us in our previous reviews.

Profit

Freeman/Frazier's latest submission still refuses to calculate profit consistent with BSA's own instructions ("Detailed Instructions for Completing BZ Applications"). Objecting to previously written criticism of their methodology, they state on page 7 of their May 13, 2008 submission "We note that the measure used at the BSA is annualized rate of return on an unleveraged basis. This methodology appropriately considers the profit or loss from the net sales proceeds less the total project development costs. This is the methodology that we follow." Quite inexplicably, Freeman/Frazier continues to process their feasibility calculation assuming financing, and charging the development millions of dollars in interest and other borrowing costs. Disingenuously, they effectively calculate the return on equity, but compare not the equity investment, but rather the total project investment as the percentage return. This error is egregious; calculated correctly, even Freeman/Frazier's distorted value assumptions prove that development is economically feasible *without any variance*s.

Further, the indicated profit levels are artificially reduced to unprofitable levels by the inexplicable change in the amount of financing that is assumed (although Freeman/Frazier states that this is an unleveraged valuation). On page 9 of their submission, they assume a construction loans (i.e. leverage) that equate to 95%, 99% and 97% of the total development costs (including site). Earlier submissions used a 75% loan to cost. This latest iteration is both disingenuous (by charging the development almost $4,000,000 for financing). Added back to the indicated profit estimates, this adjustment alone ensures the economic viability of even Freeman/Frazier's distorted economics.

The other flaw in the Freeman/Frazier analysis is their continued inclusion of the full unencumbered site value in their valuation analyses. Their methodology charges the development for all potential development rights, whether or not they are used. Any student of economic marketplaces knows that the investor only pays for what is being bought (in this case sellable floor area). Insistence that the feasibility of development should be measured using a premise that charges the development millions of dollars for unused floor area is unequivocally wrong.

There are many other continued distortions, errors and inexplicable numbers in this latest submission. However, insofar as it remains unresponsive to basic BSA evaluation criteria, we will focus our review once again on the only apparent design schemes which should be measured in this variance submission; the "Revised as of Right Scheme A – Revised Alternative As of Right Community Facility/Residential Development" and "A of Right Scheme C – Revised As of Right All Residential F.A.R. 4.0." These development alternatives were contained within the Freeman/Frazier submission dated October 23, 2007 and December 21, 2007 and will be revisited herein in light of (a) the reduced site value, and (b) the elimination of financing costs.

REVIEW OF FREEMAN/FRAZIER DECEMBER 21, 2007
Compliance with BSA Rules

In many important respects this Freeman/Frazier submission does not comply with BSA rules for preparing a BZ Application as contained within "Detailed Instructions for Completing BZ Application" (Opp. Ex. KK-1). The following are the directions (identified in italics) for completing the Financial Feasibility Study as contained within Item M of the instructions. We will comment on Freeman/Frazier's compliance with each task in the order in which the tasks are presented in the instructions.

> *Financial information is not required for special permit applications. For not-for-profit organizations and individual one, two and three family residential bulk variance applications, financial information is generally not required at the time of filing. However, in certain instances the examiner or the Board may, after reviewing the issues raised in the application, request that financial data be provided.*
>
> *For all other variance applications, a financial analysis must be submitted at the time of filing or the application will not be accepted.*
>
> *The financial submission should illustrate the hardship caused by the claimed unique physical conditions present at the site. Financial data is requested by the Board to explain why a reasonable return on the property is not possible and to demonstrate, in part, why the variance proposed is the minimum variance necessary to provide relief to the property owner. Questions regarding the submission of financial*

information may be addressed to the Board's Deputy Director, Roy Starrin, by calling (212) 788-8797.

The following guidelines apply to the submission of financial data:

1. *Submissions must be prepared by a Certified Public Accountant and/or qualified real estate professional, other than the owner or applicant. The qualifications of the person who prepared the financial submission must be included with the submission.*

   Freeman/Frazier appears to be in compliance with this requirement.

2. *For an application for a use variance, separate financial analyses must be performed for the existing use, conforming or legal use, alternative conforming use(s) and proposed use. For a bulk variance application, separate financial analyses must be performed for the existing, complying and proposed conditions.*

   Freeman/Frazier did not provide a financial analysis of the existing conditions in this submission. The "As of Right Residential F.A.R. 4.0 – Scheme C" claims to provide a financial analysis of the as of right all residential development that could be built on the site. This analysis was presented in response to the June 15, 2007 objections from the Board who asked to see whether the site could economically support an all residential development in order to determine if there was an economic hardship. This exercise is effectively an analysis of the "highest and best use of the real property." The opposition has submitted analyses of the plans to show that the elevator and access requirements for the Sanctuary could be accommodated in an as-of-right building without any substantial interference with an all residential building. These analyses have not been rebutted by the Applicant.

   Although labeled as "All Residential F.A.R. 4.0", Scheme C of the December 21, 2007 submission appears to describe a project with community use (Opp. Ex. KK-123). This is evidenced by the high loss factor (the difference between the sellable building area and the built area). The financial analysis of Scheme C (inaccurately labeled "all residential") shows a usable area factor of only 62% in all residential building with sellable area of 17,780 square feet as compared to 28,724 square feet of built residential area (Opp. Ex. KK-109). Our review of the drawings shows that Scheme C omits the developable sub-basement, which, in the proposed building is a 6,400 square foot banquet hall accommodating 350 people.

3. *The economic hardship that arises from the unique physical conditions must be quantified and the cost to remedy such hardship should be given in dollar figures.*

The Freeman/Frazier report does not specify any unique physical conditions, such as its shape or subsurface composition, and confuses "site" conditions with "physical" conditions, the latter being the language of the (a) finding. In fact, only unique site conditions cited on page 7 of the report address zoning. Further, on page 8 they state that “to accommodate the synagogue, the residential portion would begin at the fifth floor, approximately fifty feet above grade. This results in additional hardships.”

Freeman/Frazier claims that the construction cost premium associated with the additional infrastructure, which would not exist “under more typical conditions” as they state. Guidelines are clear, *the hardship must not be created by the developer seeking the variance.* Absent any ambiguity, this hardship is the result of Congregation Shearith Israel’s program criteria, which is in fact accommodated on the site, and still yields excess development potential. Therefore, Freeman/Frazier cannot claim an economic hardship because their community-oriented expansion mission is fully accommodated on the site, as of right, without any variances necessary.

Nonetheless, as will be illustrated further in this report, using appropriate market based valuation assumptions, the claim of the alleged hardship is false, with the excess development potential yielding positive cash flow returns as defined by BSA evaluation guidelines.

4. *Generally, for rental development proposals, the following information is required: market value of the property, acquisition costs and date of acquisition; hard and soft costs (if applicable); total development costs; construction/rehabilitation financing (if applicable); equity (total cost less financing); breakdown of rental income by floor and square footage, vacancy/collection loss percentage and estimate; effective income; operating expenses; real estate taxes; water and sewer charges; net operating income; debt service; cash flow estimate and percentage return on equity (cash flow divided by equity)*

The residential development envisioned for the site is a condominium, obviating the aforementioned analyses. However, the Beit Rabban School which occupies space in the existing buildings on the site is understood to pay $490,000 a year in rent. For the proposed development, Freeman/Frazier previously estimated rent of approximately $1,000,000 per year. A more detailed analysis of these revenues should have been provided.

5 *Generally, for cooperative or condominium development proposals, the following information is required: market value of the property, acquisition costs and date of*

acquisition; hard and soft costs (if applicable); total development costs; construction/rehabilitation financing (if applicable); equity; breakdown of projected sellout by square footage, floor and unit mix; sales/marketing expenses; net sellout value; net profit (net sellout value less total development costs); and percentage return on equity (net profit divided by equity).

Freeman/Frazier has almost ignored the dictates of this section. None of their many submissions address acquisition costs and date of acquisition in their analysis as required. Both market value analysis ***and*** acquisition cost is required. Although the applicant supplied deeds showing the purchase of two brownstones on the site (in 1949 and one in 1965), they did not provide the acquisition costs clearly required by the rules. It would appear that the intent of BSA in requiring the acquisition cost is to also compute the return based upon the actual property acquisition costs, consistent with BSA valuation practice. Certainly, the return to the property owner is appropriate to compute as a factor in analyzing hardship to a property owner. Supposing that these costs are a small fraction of the Freeman/Frazier appraised value indicates a dramatically high return to the applicant under both the existing and conforming or legal use alternatives.

Many of the development costs presented by Freeman/Frazier are allocations of total development costs, which include community use facility development costs, with no explanation of the allocation of costs between the community use facility and residential development components. In the absence of this data, it is impossible to discern if the allocations are appropriate. This underscores the importance of financial analysis of the entire project, not just a portion of the project. The opportunities for inappropriate allocations are substantial, and any analysis of the allocations or verification is not possible in the absence of such detail. As will be illustrated further in this review, the cost data presented is inconsistent and apparently skewed towards a position to prove financial infeasibility.

The BSA clearly defines net profit as the net sellout value less total development costs and dictates economic feasibility as measured by the percentage return on equity (net profit divided by equity). Freeman/Frazier appears to have simply ignored this dictate and measure economic feasibility as the net equity profit divided by the total investment instead of the total equity investment. This is an extraordinary error, one that can only be viewed in context of the applicant's continued pattern of misrepresentation.

Without any revisions to the "As of Right Scheme Residential F.A.R. 4.0 - Scheme C Analysis" as presented in the Freeman/Frazier December 21, 2007 submission, the total percentage return on equity is 34.59% and 14.82% on an annualized basis.

Clearly, appropriate analysis of the facts results in an immensely different economic feasibility conclusion.

6. *All construction cost estimates must be submitted by an architect, engineer, builder or contractor, other than the owner or applicant and must be signed and sealed. A published cost reference source may be supplied by the applicant's real estate analyst instead.*

   The cost estimates included in the applicant's submissions do not appear to be signed and/or sealed.

   We observe that the requirements of the BSA in Item 5 are consistent with generally accepted valuation principles and practices in the real estate industry and that adherence to all of the BSA requirements in Item 5 is needed to arrive at valuations that would be generally accepted in the real estate industry.

7. *All site valuations, rental and/or sellout estimates must be substantiated with comparables, with narrative adjustments for time, location, age, zoning and physical characteristics. Other types of adjustments must be justified."*

   Freeman/Frazier appears to have complied with this requirement, although we disagree with the value conclusions reached therein.

Conclusions

The BSA guidelines for conducting a financial feasibility are fully consistent with the methodology employed by investors, developers and analysts in the market. Computing the return on equity, as required by the BSA, is an essential analysis of any investment.

Due to the myriad omissions and errors, it would appear that the Freeman/Frazier applications purporting to demonstrate the financial feasibility of the site cannot be relied upon. Further, there is a consistent pattern of omissions and errors favoring the applicant's position.

REVISED FREEMAN/FRAZIER DECEMBER 21, 2007 SUBMISSION

In light of subsequent Freeman/Frazier submissions, most notably that of May 13, 2008, we have performed the appropriate revisions to the "Revised as of Right Scheme A – Revised Alternative As of Right Community Facility/Residential Development" and "A of Right Scheme C – Revised As of Right All Residential F.A.R. 4.0." These development scenarios will be modified to reflect Freeman/Frazier's revised land value and correct the application of an unleveraged valuation analysis. Specifically, we will adjust the following line items as presented on page 11 of the December 21, 2007 submission.

Site Value

In their May 13, 2008 submission, Freeman/Frazier now submits that the site has a value of $625 per developable square foot. Due to errors and poor judgment as was previously explained, we will also test the valuation using a more realistic estimated value of $500 per square foot.

Financing Costs

In their May 13, 2008 submission, Freeman/Frazier now maintains that the project feasibility should be measured on an unleveraged basis (that is to say, without financing). This affirmative statement was made in response to criticism that project feasibility should be measured against the project equity actually invested. As the return on equity was quite substantial, Freeman/Frazier disingenuously claimed that they always measure profit on an unleveraged basis, when quite clearly they continued to debit all finance-related charges. As the December 21, 2007 submission included very substantial finance charges, we remove such to be consistent with Freeman/Frazier's most recent methodological clarification.

Acquisition Costs

Freeman/Frazier continues to make deductions from profitability by charging the project for development rights that are not being used or are being used by the Congregation in their portion of the proposed development. Further, whereas the Congregation's development program results in "leftover" unused development rights, Freeman/Frazier makes the rather unlikely claim that a potential purchaser of such opportunistic development would not consider the additional construction costs and debit them from the price of the development rights to be acquired. We have tested the indicated profit levels assuming a purchase price based upon the actual development rights purchased.

Sale of Units

The Freeman/Frazier 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 submission are substantially underestimated by virtue of undercounted saleable area.

Construction Costs

There are major discrepancies in the apparent apportionment of construction costs in the various development scenarios between the residential and non-residential components. For example, in the "All Residential F.A.R. 4.0" scenario, the base construction costs equal $411.08 per square foot of built residential area. However, for the mixed-use "As of Right CF/Residential Development" base construction costs have been increased to $490.12 per square foot. Likewise, carrying costs during construction were increased from $23.95 to $61.89 per square foot. Our alternative analysis will test the profit margins assuming consistent per square foot costs estimates.

As was illustrated in the MVS report dated February 8, 2008, the development of the Congregation Shearith Israel site with an "As of Right Scheme C" building in conformity with zoning is economically feasible, providing a reasonable return to the property owner. Further, there is nothing so unusual about the site or the circumstances affecting the development of the site that would result in development not being economically feasible other than an unreasonably inflated land acquisition cost. In fact, the site is a highly desirable parcel that would prove economically feasible to develop with an as or right development assuming market-oriented and reasonable site acquisition cost.

Finally, the submission charges the development for real estate taxes during construction. As this property is presently tax exempt, such a debit is questionable. Our alternative analysis has tested the impact of eliminating interim real estate taxes.

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.

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 Freeman/Frazier presentation of their original development scenario. The second column contains the “Revised Land Value and Financing Only”, in which we have recalculated the acquisition cost utilizing $625 per buildable square foot but charged the developer for only the square footage that could be built and eliminated all financing charges. The third column is the “MVS Revised Fully Corrected” analysis, which further corrects the analysis by using an acquisition cost of $500 per buildable square foot, adjusts the sellable area to market parameters, adjusts the construction costs to consistent levels and eliminates the real estate taxes during construction.

MVS TABLE 1
"REVISED AS OF RIGHT CF/RESIDENTIAL DEVELOPMENT"
(AKA As of Right Scheme A - Community House with Two Floors of Condominiums Above)

	REVISED AS OF RIGHT CF/RESIDENTIAL DEVELOPMENT	*MVS Revised Land Value and Financing Only*	*MVS Revised Fully Corrected*
Building Area (sq.ft.)			
Gross Above-Grade Residential Area	9,638	9,638	9,638
Built Residential Area	7,594	7,594	7,594
Sellable Area	5,316	5,316	6,531
Ratio of Sellable to Built	70%	70%	86%
CAPITAL INVESTMENT SUMMARY			
Acquisition Cost	$14,816,000	$3,322,500	$3,265,420
Holding & Prep. Costs	0	0	0
Base Construction Costs	3,722,000	3,722,000	3,123,497
Soft Construction Costs	4,337,000	1,836,000	$1,310,950
Est. Total Development Costs	$22,875,000	$8,880,500	8,298,370
Project Value			
Sale of Units	$12,623,000	$12,623,000	$15,507,674
(less) Sales Commissions	(757,000)	(757,000)	(930,000)
Net Project Value	$11,866,000	$11,866,000	$14,577,674
PROJECT INVESTMENT			
Acquisition Cost	$14,816,000	$3,322,500	$3,265,420
Holding & Prep. Costs	0	0	0
Base Construction Costs	3,722,000	3,722,000	3,123,497
Soft Construction Costs	4,337,000	1,836,000	1,310,950
Carrying Costs During Sales Period	470,000	470,000	181,879
Est. Total Investment	$23,345,000	$9,350,500	$7,881,746
RETURN ON INVESTMENT			
Estimated Project Value	$11,866,000	$11,866,000	$14,577,674
(less) Est. Total Investment	(23,345,000)	(9,350,500)	(7,881,746)
(less) Est. Transaction Taxes	(230,000)	(230,000)	(230,000)
Est. Profit (loss)	$(11,709,000)	$2,285,500	$6,465,927
Development/Sales Period (months)	23	23	23
Annualized Profit (loss)	$(6,109,000)	$1,192,000	$3,374,000
Return on Total Investment	0.00%	12.75%	42.81%
Annualized Return on Total Investment	0.00%	6.65%	22.33%
TOTAL NET PROCEEDS	$8,707,000	$4,514,500	$6,639,420

Source: Frazier/Freeman, adjustments by MVS

MVS TABLE 2
"ALL RESIDENTIAL F.A.R. 4.0"
(AKA As of Right Scheme A)

	ALL RESIDENTIAL F.A.R. 4.0	*MVS Revised Land Value and Financing Only*	*MVS Revised Fully Corrected*
Building Area (sq.ft.)			
Gross Above-Grade Residential Area	28,724	28,724	28,724
Built Residential Area	28,724	28,724	28,724
Sellable Area	17,780	17,780	24,703
Ratio of Sellable to Built	62%	62%	86%
CAPITAL INVESTMENT SUMMARY			
Acquisition Cost	$14,816,000	$11,112,500	$12,351,320
Holding & Prep. Costs	0	0	0
Base Construction Costs	$11,808,000	$11,808,000	$11,808,000
Soft Construction Costs	6,847,000	3,582,000	3,280,000
Est. Total Development Costs	$33,471,000	$26,502,500	$27,439,320
Project Value			
Sale of Units	$40,199,000	$40,199,000	$55,850,474
(less) Sales Commissions	(2,412,000)	(2,412,000)	(3,351,000)
Net Project Value	$37,787,000	$37,787,000	$52,499,474
PROJECT INVESTMENT			
Acquisition Cost	$14,816,000	$11,112,500	$12,351,320
Holding & Prep. Costs	0	0	0
Base Construction Costs	11,808,000	11,808,000	11,808,000
Soft Construction Costs	6,847,000	3,582,000	3,280,000
Carrying Costs During Sales Period	688,000	688,000	688,000
Est. Total Investment	$34,159,000	$27,190,500	$28,127,320
RETURN ON INVESTMENT			
Estimated Project Value	$37,787,000	$37,787,000	$52,499,474
(less) Est. Total Investment	(34,159,000)	(27,190,500)	(28,127,320)
(less) Est. Transaction Taxes	(734,000)	(230,000)	(230,000)
Est. Profit (loss)	$2,894,000	$10,366,500	$24,142,154
Development/Sales Period (months)	28	28	28
Annualized Profit (loss)	$1,240,000	$4,443,000	$10,347,000
Return on Total Investment	8.47%	16.34%	36.79%
Annualized Return on Total Investment	3.63%	7.00%	15.77%
TOTAL NET PROCEEDS	$16,056,000	$15,555,500	$22,698,320

Source: Frazier/Freeman, adjustments by MVS

COMPARATIVE ANALYSIS

The key conclusions in the economic feasibility study are profit and total net proceeds. Freedman/Frazier originally estimated that development of the "Revised as of Right Scheme A – Revised Alternative As of Right Community Facility/Residential Development" results in an actual loss of $11,709,000. As revised by MVS consistent with adjusting the acquisition cost and financing, this scenario yields a profit of $2,285,500. Further modification, including a more realistic estimate of sellable area and consistent base construction costs results in a profit of $6,465,927.

For the "As of Right Scheme C – Revised As of Right All Residential F.A.R. 4.0", Freedman/Frazier originally estimated that development of the "Revised as of Right Scheme A – Revised Alternative As of Right Community Facility/Residential Development" results in a profit of $2,894,000. As revised by MVS consistent with adjusting the acquisition cost and financing, this scenario yields a profit of $10,366,500. Further modification, including a more realistic estimate of sellable area and consistent base construction costs results in a profit of $24,142,154.

Profit Analysis

After reasonable revision, the profit picture alters radically, demonstrating very substantial, positive profit figures. Instead of projecting an absurd development loss of $11,709,000 in the mixed-use scenario, sizable profits can realistically be expected to be generated. The profit picture grows even brighter for development of the as of right all residential scenario, with profits easily in excess of $10,000,000, clearly demonstrating economic feasibility

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.

Total net proceeds from all scenarios, both as originally presented and revised indicate that Congregation Shearith Israel can achieve substantial value from their property, either by building their planned expansion and capitalizing the remaining unused development potential, or developing the entire site as for-profit multifamily housing.

Conclusions

When appropriate, market-based assumptions are employed in the Freeman/Frazier analyses, the resulting profit margins alter dramatically, producing positive results. Therefore, based upon any number of reasonable adjustments to the Freeman/Frazier calculations, development of "As of Right Scheme C" or an as of right mixed-use building is economically feasible, with no apparent economic hardship evident.

Repeated attempts by Freeman/Frazier to prove that this regularly shaped rectangular level site, located just off Central Park West is not economically feasible to develop within as of right zoning criteria is a notion that defies rational discussion. Through gross distortions, manipulative and questionable arithmetic, uncertain and apparent bias in the apportionment of construction costs, unsound economic assertions and conflicting value assumptions, does the applicant make a case for economic hardship. Given the enormity of the flaws, errors and misrepresentations contained within the December 21, 2007 submission, as well as all the others both preceding and following, it should be a simple matter to conclude that granting a variance based upon economic hardship is totally without merit.

This 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.

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 is 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 not 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.

By: Martin B. Levine, MAI
Chairman

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 33 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.