Pet. Ex. N-1

Rate of Return

For AOR Scheme C "All-Residential Building"

Congregation obtains reasonable return
Finding (b) cannot be made

"While utilizing the revised acquisition value,I.e., $12,347,000, would have resulted in a profit of approximately $5 million, the rate of return would have only been increased to 6.7%. As established by the Congregation's experts, a reasonable rate of return for the subject premises was approximately 11% [R.4652-3, 4656, 4868-69, 5172, 5178]. ….Notably, the rate of return for the proposed development as approved by BSA is 10.93%."

¶292 City Answer to Petition,
Computing the Annualized Return on Investment for Scheme C if Acquisition Cost is Corrected To Be Consistent With Final Acquisition Cost

6.7% return For Scheme C

"The Proposed Development provides a 6.55% Annualized Return on Total Investment. This return is at the low end of the range that typical Investors would consider as an investment opportunity, taking into account the potential risks inherent in this type of a development project, and few, in any, investment options. The returns provided by the Proposed Development alternative, in this case would, therefore, be considered acceptable for this project."

Freeman Frazier, March 28, 2007; 6.55% R-140

6.55% acceptable return

"The Revised As of Right Residential Development, Alternative As of Right Residential Development and As of Right Residential F.A.R. 4.0 Development would each result in an annualized loss. The return provided by the Revised Proposed Development would provide 6.59% return on investment. The return provided by the Revised Proposed Development, in this case, would be considered acceptable."
Freeman Frazier, September 6, 2007; 6.59% R-287

6.59% acceptable return

City Answer

To Petition Paragraph 292

Scheme C Yields 6.70 Return

square footage, BSA had the necessary elements to calculate and review the base unit price [R. 1997, 5178-79]. Accordingly, the additional pages were irrelevant because they were not needed for BSA's review. Moreover, as admitted by petitioners, strict rules of evidence do not apply to an administrative hearing. Petition ¶ 193. Thus, there was no requirement for the alleged additional pages to be submitted.

292. Second, petitioners argue that, prior to adopting the Resolution, BSA should have required the Congregation to revise its December 21, 2007 Scheme C study (all residential scheme). Specifically, petitioners claim that the Congregation should have been required to recalculate its estimated financial return for an all residential scheme utilizing the $12,347,000 acquisition value set forth in the Congregation's final July 2008 report because doing so would have shown a profit of approximately $5 million. Petitioners' argument is flawed. As set forth above, under Z.R. §72-21(b), BSA examines whether an applicant can realize a reasonable return, not merely a profit. While utilizing the revised acquisition value, i.e., $12,347,000, would have resulted in a profit of approximately $5 million, the rate of return would have only been increased to 6.7%. As established by the Congregation's experts, a reasonable rate of return for the subject premises was approximately 11% [R. 4652-3, 4656, 4868-69, 5172, 5178]. Accordingly, since petitioners' proposed calculation would not have resulted in a reasonable return, petitioners' argument fails.[19]

293. Third, petitioners argue that Freeman Frazier and BSA improperly interchanged the phrases "acquisition cost" "'market value' of the land," and "site value." Petition ¶ 132. Petitioners further argue that "[t]he inconsistent use of terms is intended to create complexity and make it difficult for courts to review the assertion of the Congregation or

[19] Notably, the rate of return for the proposed development as approved by BSA is 10.93%.

Pet. Ex. N-1B

Freeman March 28, 2007 R-140

6.55% acceptable return

Economic Analysis Report
6-10 West 70th Street
New York, New York
March 28, 2007
Page 7

7.4 0.7.- B 7.

5.00 Conclusion

The Proposed Development provides a 6.55% Annualized Return on Total Investment. This return is at the low end of the range that typical Investors would consider as an investment opportunity, taking into account the potential risks inherent in this type of development project, and few, if any, investment options. The returns provided by the Proposed Development alternative, in this case would, therefore, be considered acceptable for this project.

There is no Return on Investment provided by the As of Right Development.

6.00 Professional Qualifications

A statement of my professional qualifications is attached. Please note that I am independent of the subject property's owner and have no legal or financial interest in the subject property.

Pet. Ex. N-1C

Freeman Sept. 6, 2007 R-287

<u>6.59</u>% acceptable return

The Feasibility Analysis estimated the net project value to be $14,820,000. This amount is the sum of residential condominium unit sales, less sales commissions, plus the capitalized value of the community facility space. The total investment required, including estimated Property Value, base construction costs, soft costs and carrying costs during the sales period for the Revised As of Right Development is estimated to be $28,139,000. As shown in Schedule A, the development of the Revised As of Right Development would result in an annualized **<u>capital loss of $7,064,000.</u>**

c) Revised Proposed Development (*Objection #35*)

The Feasibility Analysis estimated the net project value to be $39,556,000. This amount is the sum of residential condominium unit sales, less sales commissions, plus the capitalized value of the community facility space, which as shown in the attached Schedule A2, space is $4,056,000. The total investment, including estimated Property Value, base construction costs, soft costs and carrying costs during the sales period for the Revised Proposed Development is estimated to be $33,689,000.

As shown in Schedule A, the development of the Revised Proposed Development would provide an Annualized Return on Total Investment of 6.59%. We note that this return is not significantly higher than the previous return of 6.55%. This results from the assumption that the community facility areas will be rented at market rate. In fact, were the project to be undertaken today, as the proforma analysis assumes, the value of the project would be constrained by the fact that the community facility would produce no income and the lower return of 6.55% would be a more accurate reflection of the actual conditions.

d) As of Right Residential F.A.R. 4.0 Development (*Objection #37*)

The Feasibility Analysis estimated the net project value to be $33,018,000. This amount is the sum of total estimated gross sales proceeds, less sales commissions. The total investment, including estimated Property Value, base construction costs, soft costs and carrying costs during the sales period for the As of Right Residential F.A.R 4.0 Development is estimated to be $37,388,000. As shown in Schedule A, the development of the As of Right Residential F.A.R 4.0 Development would result in an annualized **<u>capital loss of $2,313,000.</u>**

The Revised As of Right Residential Development, Alternative As of Right Residential Development and As of Right Residential F.A.R. 4.0 Development would each result in an annualized loss. The return provided by the Revised Proposed Development would provide 6.59% return on investment. The return provided by the Revised Proposed Development, in this case, therefore, would be considered acceptable.