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February 20, 2013

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Landmarks Preservation Commission  
1 Centre Street  
New York, New York 10007

Re: City and Suburban Homes Co., First Ave. Estate  
429 East 64<sup>th</sup> St. / 430 East 65<sup>th</sup> St., Manhattan  
Block 1459, Lot 22

Dear Mark:

Enclosed herewith are answers to the Commission's questions regarding the previous submissions and testimony in support of the hardship application for the above-referenced property by its owner Stahl York Avenue Co., LLC (the "Applicant"). Set forth below is a summary of the proceedings to date.

Under the Landmarks Law, a hardship application must be granted if the applicant demonstrates that the relevant property did not have the capacity, "under reasonably efficient and prudent management," of earning a net annual return of six percent on the parcel's assessed value during the most recent calendar year or another allowable "test year." The Applicant's hardship application was filed in October 2010 and, in accordance with the Landmarks Law, it designated 2009 as the relevant "test year."

As explained in the Applicant's previous submissions, the subject property is improved with two six-story walk-up apartment buildings constructed in the early 1900's (the "Subject Buildings"). They contain a total of 190 very small dwelling units with an average size of 371 square feet. Since well before the 2006 landmark designation of the Subject Buildings, the owner has been intending to redevelop the subject property with a new residential building and, in furtherance of that plan, has not been re-renting apartments in the Subject Buildings as they have become vacant. Therefore, at the end of the 2009 test year, 93 of the apartments in these buildings were occupied by tenants covered by Rent Stabilization or Rent Control and the remaining 97 apartments were vacant.

The original 2010 submission in support of the hardship application included a copy of the 2010 income and expense schedule (Form TC201) for the Subject Buildings that was filed with the New York City Tax Commission. This schedule shows that, in the 2009 test year,

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the Subject Buildings were operated at a loss in that maintenance and operating expenses substantially exceeded the income that these buildings generated. Consequently, the actual operation of these buildings during the relevant test year yielded a negative return on assessed value.

In order to demonstrate whether the Subject Buildings were capable of earning a six percent return on assessed value during the 2009 test year “under reasonably efficient and prudent management,” the Applicant’s 2010 submission also included two economic feasibility studies prepared by Cushman and Wakefield (“Cushman”) which analyzed several scenarios involving full occupancy of the Subject Buildings during the test year. With the exception of a handful of apartments that were previously rented to a corporate entity and, consequently, are not governed by rent regulation, all of the apartments in the Subject Buildings, including the vacant apartments, are subject to either Rent Stabilization or, in a smaller number of cases, Rent Control. However, the Applicant’s experience in managing the buildings in the City and Suburban Homes First Avenue Estate has been that the achievable market rents for many of the apartments in these buildings have been less than the rents that are allowed under rent regulation when the rent increases that are permitted for the re-leasing of vacant units and for certain capital improvements are included in the rent calculation. Therefore, in order to ensure that Cushman’s economic analyses projected the maximum feasible rental income, Cushman was instructed to assume that, under each scenario that it examined, the Subject Buildings’ vacant apartments could achieve market-level rents, regardless of the level of the legally permitted rent.

The first Cushman study (the “2009 Study”) analyzed two scenarios – one involving both building-wide capital improvements and renovations to the buildings’ vacant apartments (the “Base Building / Apartments Scenario”) and another involving only renovations to vacant apartments (the “Apartments Only Scenario”). The 2009 Study analyzed leasing activity in the other comparable buildings within the First Avenue Estate (the “Other Buildings”). The Other Buildings are generally comparable to the Subject Buildings in that they are six-story walk-up structures located on the same block. However, the apartments in the Other Buildings are, on average, about 20 to 30 percent larger than the apartments in the Subject Buildings and generally have superior layouts. Furthermore, they are somewhat closer to the retail and transportation services located on and west of First Avenue. Cushman found that 18 apartments within these buildings had recently been leased for market rents that averaged about \$43 per square foot. The 2009 Study also reviewed recent rents in apartments within four other buildings in proximity to the Subject Buildings, which were served by elevators and had superior dimensions, layouts and amenities. The per square foot rents for these apartments averaged approximately \$40 for a studio, \$46 for a one-bedroom and \$51 for a two-bedroom. Based on these comparable rents, Cushman estimated that, under the Base Building / Apartments Scenario, in the 2009 test year vacant apartments in the Subject Buildings could have been leased for an average market rent of \$40 per square foot. Since the apartments in the Subject Buildings have

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an average size of 371 square feet, \$40 per square foot represents an average monthly rent of about \$1,235.

For the Base Building / Apartments Scenario, Cushman estimated a vacancy and collection loss factor of 10 percent, which was based on the small size, poor layouts and lack of amenities in the Subject Buildings. This reflects an estimated vacancy rate that is higher than the New York City average, but significantly lower than the actual vacancy rate in the Other Buildings, which has exceeded 20 percent in recent years despite an active leasing program. Cushman went on to estimate that, under the Base Building / Apartments Scenario, upon reaching full occupancy, in the 2009 test year the Subject Buildings would have generated a net operating income of \$240,238. In order to calculate a rate of return, Cushman used as a denominator the sum of the subject property's actual 2009 assessed value, the estimated building-wide and apartment hard renovation costs and lease-up costs based on a lease-up period of 36 months, which totaled \$20,186,462. This yielded a return of 1.19 percent, significantly less than the 6 percent standard in the Landmarks Law.

For the 2009 Study's Apartments Only Scenario, Cushman determined that, when compared to the Base-Building / Apartments Scenario, the absence of building-wide capital improvements would leave the Subject Buildings less attractive and with electrical systems that would not fully accommodate individual air conditioning units and other modern appliances and electronic equipment. Accordingly, Cushman estimated that, under the Apartments Only Scenario, in the 2009 test year the Subject Buildings' vacant apartments could have been leased for an average market rent of \$35 per square foot or \$1,082 per month. Using a 10 percent vacancy and collection loss once again, Cushman estimated that, upon reaching full occupancy, in the 2009 test year the Subject Buildings would have generated a net operating income of \$60,385. For this scenario, Cushman used a rate-of-return denominator of \$9,838,553, which reflected significantly lower renovation costs when compared to the Base-Building / Apartments Scenario, but slightly higher lease-up costs based on a longer lease-up period of 45 months. This yielded a return of 0.614 percent for the Apartments Only Scenario, which was lower than the return for the Base-Building / Apartments Scenario and, once again, far below the applicable 6 percent test.

The Applicant's original submission contained a second Cushman feasibility study (the "2010 Study"), which analyzed a scenario under which the Subject Buildings would receive no building-wide capital improvements and the vacant apartments would receive only those repairs and improvements required to render them legally habitable (the "Minimum Habitability Scenario"). In light of the currently poor condition of these vacant apartments and the limited improvements contemplated under the Minimum Habitability Scenario, Cushman estimated that under this scenario vacant apartments could have been leased for market rents of about \$20 per square foot or about \$600 per month. Again assuming a 10 percent vacancy and

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collection loss, Cushman estimated that, upon reaching full occupancy, in the 2009 test year the Subject Buildings would have operated at a loss, producing a net operating income of negative \$190,829. Cushman used a rate-of-return denominator of \$6,647,100, which including estimated repair costs and lease-up costs based on a lease-up period of 51 months. This yielded a return of negative 2.871 percent, which was, once again, far below the applicable test of a reasonable return.

On July 1, 2011, the Applicant made a supplemental submission in support of its hardship application, which addressed several questions contained in your letter of February 3, 2011. This submission included a report by Gleeds New York (formerly Project Consult), an independent development consultant with extensive experience in overseeing the planning, design and construction of capital projects in the New York City region. The Gleeds report, which was based on an in-depth inspection of each of the 110 apartments in the Subject Buildings that were vacant at the time of Gleed's inspection, estimated that, in 2009, the cost of bringing these vacant apartments into habitable condition would have been \$4,556,932. Pro-rating this figure to account for the 97 units that were vacant at the end of 2009 yields an estimated cost of \$4,018,385. In the 2010 Study, Cushman had estimated the cost of making these 97 vacant apartments habitable to be \$2,325,000.

The Applicant's July 2011 submission also included a letter from Cushman which re-calculated the rate of return under the Minimum Habitability Scenario in two different ways. The first re-calculation assumed, consistent with Cushman's 2010 Study, that, after being rendered habitable, the Subject Buildings' vacant apartments could be leased for an average rent of \$600 per month. However, it incorporated the Gleeds cost estimate. In addition, it adhered more closely to the calculation of economic return that the Commission performed in its consideration of the hardship application of KISKA Developers, Inc. for the properties located at 351, 352 and 353 Central Park West. It therefore utilized the "cost approach," *i.e.*, the sum of the subject property's actual assessed value and 45 percent of the estimated cost of making the vacant units habitable, in order to determine both the real estate tax expense and the rate-of-return denominator. Using this approach, which excluded lease-up costs, Cushman calculated that, under the Minimum Habitability Scenario, in the 2009 test year the Subject Buildings would have generated a net operating loss of \$530,943 and an annual return of negative 12.229 percent.

Cushman's second rate-of-return re-calculation also relied on the Gleeds cost estimate and utilized the KISKA methodology. However, in order to test the sensitivity of the conclusions regarding the economic feasibility of the Minimum Habitability Scenario, it projected that, if the Subject Buildings' vacant units had been renovated to a legally habitable standard, in the 2009 test year these units could have been rented for an average of about \$888 per month, which was the average rent for occupied units in the Other Buildings and, in Cushman's view, the highest rents that could have reasonably been projected under this scenario.

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In light of these substantially higher rents, Cushman's re-calculation also assumed a higher vacancy and collection loss of 24 percent, which was the then current vacancy rate in the Other Buildings. This re-calculation resulted in a net operating loss of \$511,201 and a net annual return on value of negative 11.774 percent. Therefore, the Applicant's 2011 submission confirmed that, under the Minimum Habitability Scenario, in the 2009 test year the Subject Buildings could not have earned a reasonable return as defined by the Landmarks Law.

The Applicant made a third submission in support of its hardship application in October 2012, following the Commission's public hearing on that application. In response to a request made during the public hearing, this submission included an analysis of a fourth full-occupancy scenario under which the Subject Buildings would undergo a total "gut" renovation, including the installation of elevators and the creation of new and larger apartments (the "Total Renovation Scenario"). The 2012 submission included a letter from Gregg S. Wolpert of the Stahl Organization which explained that such a total renovation could be performed only in the highly unlikely event that all the existing tenants, most of whom are covered by Rent Stabilization or Rent Control, voluntarily agreed to vacate their apartments on a permanent or temporary basis. This submission also included a report by Gleeds New York which concluded that in 2009 the Total Renovation Scenario would have involved hard costs of more than \$25,000,000 and taken between 12 and 14 months to perform. Finally, the submission contained a new Cushman study (the "2012 Study"), which explained that, in light of the required costs and the anticipated income, the Total Renovation Scenario could not be privately financed and would instead require a 100 percent equity contribution by the property owner, which would take decades to recoup. Consequently, Cushman concluded that no rational and prudent investor would undertake such a renovation.

Among the four scenarios that were analyzed by Cushman, the 2009 Base Building / Apartments Scenario generated the highest return (+ 1.19 percent). Therefore, the 2012 submission included a re-analysis of this scenario in order to determine if the previous conclusion that it would not generate a reasonable return remained valid. In the 2009 Study, Cushman estimated the cost of the work associated with this scenario to be \$15,180,225 by using a Gleeds estimate of the cost of the building-wide improvements and Cushman's own rough estimate of the cost of the apartment renovations based on general industry rules of thumb. The 2012 submission included a Gleeds report which provided a thorough analysis of the work involved in the Base Building / Apartments Scenario, based on an in-depth inspection of the Subject Buildings and their vacant apartments and taking into account the special conditions associated with these buildings, such as the lack of elevators and very limited space for storage and staging, that would complicate and increase the cost of these renovations. This report estimates the total cost of this work in 2009, exclusive of soft costs, to be \$17,379,464.

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The 2012 Study also included a critical analysis by Cushman of the rents projected under the Base Building / Apartments Scenario. As previously noted, the 2009 Study reviewed recent rents in four apartment buildings near the Subject Buildings that were served by elevators and had room dimensions, layouts and amenities superior to those found in the Subject Buildings. The 2012 Study provided an adjustment grid which showed the specific rent adjustments that Cushman made to the apartments in these four buildings to account for their superior features in comparison to the apartments in the Subject Buildings. The 2012 Study also reviewed 2009 apartment rentals in three groups of additional buildings: (i) actual lease transactions for 14 apartments in walk-up, non-doorman buildings located on the Upper East Side between East 60<sup>th</sup> and East 84<sup>th</sup> Streets, where the average rents per square foot were \$45.76 for studio units, \$33.14 for one-bedroom apartments and \$36.57 for two-bedroom units; (ii) leases for an additional 9 apartments in elevator, non-doorman buildings located between East 63<sup>rd</sup> and East 79<sup>th</sup> Streets, where the average rent per square foot was about \$42; and (iii) lease transactions for 115 elevator, doorman buildings located between East 60<sup>th</sup> and East 82<sup>nd</sup> Streets, where the average rent per square foot was \$48.74 for a studio unit, \$46.54 for a one-bedroom and \$47.75 for a two-bedroom. On the basis of its review of these three categories of 2009 lease transactions in a number of Upper East Side buildings, Cushman reaffirmed its conclusion that, in 2009, following building-wide and in-unit renovations, the vacant apartments in the Subject Buildings could have achieved market rents of about \$40 per square foot.

The letter of Gregg Wolpert that was part of the 2012 submission provided a detailed discussion of the rent regulation status and rent histories of the Subject Buildings and the Other Buildings. The Wolpert letter explained that most of the vacant apartments in the Subject Buildings continue to be subject to Rent Stabilization. Accordingly, the rents that would be achievable for each vacant unit is the lesser of the market rent and the maximum rent-stabilized rent. Wolpert also noted that there are many vacant apartments available in the Other Buildings with allowable rents that are likewise capped by Rent Stabilization, which would provide direct competition, and therefore tend to hold down rents, in connection with any leasing program in the Subject Buildings. The Wolpert letter convincingly demonstrated that, in light of these factors, under the Base Building / Apartments Scenario it is highly unlikely that renovated apartments could have achieved rents in excess of the \$40 per square foot market rent projected by Cushman.

The Wolpert letter and Cushman's 2012 Study also supported Cushman's previous projection of a 10 percent vacancy and collection loss under the Base Building / Apartments Scenario, pointing out (i) the numerous characteristics, such as the lack of elevators and the tiny, awkwardly laid out apartments, that have tended to make these units attractive to only a small universe of relatively transient persons and (ii) the recent vacancy rates in the Other Buildings in excess of 20 percent notwithstanding an active leasing program and despite the fact

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that the apartments in these buildings tend to be somewhat larger and have better layouts than those in the Subject Buildings.

Cushman's 2012 Study went on to re-calculate the rate of return under the Base Building / Apartments Scenario by retaining the \$40 per square foot rents and the 10 percent vacancy and collection loss that were projected in the 2009 Study, but adopting Gleeds' more accurate estimate of the total renovation costs associated with this scenario. This recalculation also utilized the rate-of-return methodology used by the Commission in the KISKA matter in that it derives assessed value, *i.e.*, the rate-of-return denominator, by adding the subject property's 2009 assessed value and 45 percent of the hard costs associated with the Base Building / Apartments Scenario. The Applicant concurs with the Commission's determination in KISKA that this "cost approach" is the fairest and most appropriate approach to use in determining assessed value where a hardship application requires an analysis of hypothetical building renovations. Using this approach, Cushman calculated the rate of return on assessed value under the Base Buildings / Apartments Scenario as 1.158 percent, which is slightly lower than the 1.19 percent rate of return that Cushman calculated for the same scenario in the 2009 Study. The 2012 Study also noted that, if an "income approach" based on 25 percent of effective gross income had instead been used to determine assessed value, the rate of return for the Base Building / Apartments Scenario would have been 2.725 percent – still far below the 6 percent return that the Landmarks Law identifies as reasonable.

Finally, the 2012 submission showed that the contention that the Subject Buildings are capable of earning a reasonable return set forth in the January 24, 2012 memorandum of HR&A Advisors is based on invalid assumptions and a faulty analysis. Our submission noted that (i) HR&A's discussion of "comparable" apartments was of limited probative value because it did not include information on the size of these apartments or their rents on a square foot basis; (ii) a number of HR&A's comparable apartments had a significantly higher level of finish and amenities than the apartments in the Subject Buildings, including such high-end features as granite countertops, stainless steel appliances, cherry wood kitchen cabinets and marble bathroom floors; (iii) in contrast to the Cushman studies, HR&A relied on listed rents rather than actual completed lease transactions; (iv) HR&A did not take into account the fact that allowable rents in the Subject Buildings are limited by rent regulation; and (v) HR&A's assumption of a 5 percent vacancy rate ignored the particular conditions in the Subject Buildings and the much higher vacancy rate in the Other Buildings and did not make any allowance for collection loss.

In conclusion, the Applicant's previous submissions have analyzed four different scenarios for operating the Subject Buildings at full occupancy, which range from merely bringing the buildings' vacant units to a minimum level of habitability to a total renovation involving the installation of elevators and the creation of relatively spacious new apartments.

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The Applicant has demonstrated that, in the 2009 test year, none of these scenarios would have been economically feasible and capable of earning a 6 percent return on assessed value. We believe this record demonstrates that, under efficient and prudent management, the Subject Buildings are not capable of earning a reasonable return as defined under the Landmarks Law. This hardship application should therefore be granted.

Very truly yours,



Paul D. Selver

City and Suburban Homes Co., First Avenue Estate  
429 East 64<sup>th</sup> Street / 430 East 65<sup>th</sup> Street, Manhattan

**RESPONSES TO LANDMARKS PRESERVATION COMMISSION QUESTIONS ON  
PUBLIC HEARING PRESENTATION AND MATERIALS**

Question:

1. When did you begin to warehouse empty apartments?

Response:

The applicant began keeping vacated apartments in the Subject Buildings vacant and unleased in or about the late 1990s.

Question:

2. How many apartments were vacant at the time of designation in 2006? Wouldn't a reasonably prudent owner have started renovating and reletting apartments right after designation instead of continuing to not invest in the property while challenging the designation?

Response:

The Commission re-designated the Subject Buildings on November 21, 2006, at which time 53 apartments in those buildings were vacant. The applicant had opposed this action because it believed that the Subject Buildings did not meet the standards set forth in the New York City Landmarks Law for landmark designation and could not produce sufficient income to provide the applicant with a reasonable return. The Commission's re-designation of the Subject Buildings was approved by the City Council on January 30, 2007. Following the Commission's action, rather than proceeding to renovate and re-let these vacant apartments, the applicant commenced litigation seeking to overturn the re-designation of the Subject Buildings, which was its legal right and was consistent with its intention to demolish these structures and replace them with a new residential building. Thus, in May 2007, the applicant timely commenced an Article 78 proceeding in State Supreme Court seeking to annul the Commission's re-designation. In September 2008, the Supreme Court rendered a decision upholding the Commission's

determination. The applicant thereupon appealed the Supreme Court's decision to the Appellate Division. In June 2010, the Appellate Division affirmed the lower court's decision. The applicant thereupon moved before the Court of Appeals for leave to appeal from the Appellate Division's decision. The Court of Appeals denied this motion in November 2010. In October 2010, the applicant filed its application for a certificate of appropriateness allowing it to demolish the Subject Buildings. In light of its intention to demolish and replace the Subject Buildings, it was reasonable and prudent for the applicant to leave the Subject Buildings' vacant apartments empty while the litigation challenging the Commission's re-designation was pending and its outcome was uncertain.

Question:

3. Please provide profit and loss statements for the buildings from 2000 to 2010:

Response:

Annexed hereto as Attachment A are Department of Finance Real Property Income and Expense ("RPIE") statements for the Subject Buildings for the years 2006 through 2010. The applicant no longer maintains copies of the RPIE statements that were filed for the Subject Buildings prior to 2006.

Question:

4. The applicant stated at the hearing that ownership was not releasing apartments when they became empty in 429 and 430, and was also warehousing apartments in the rest of the designated complex in order to be able to move the remaining rent stabilized tenants to suitable apartments elsewhere. Assuming the truth of this statement, the vacancy rate for the complex is artificially high. Given this, what is the basis for Cushman and Wakefield using the existing and recent vacancy rates as true or accurate rates for purposes of predicting future rents and for estimating the absorption rate? What is the basis for not using the reported average vacancy rates for the area?

Response:

Apartments in the other buildings located on Block 1459 (the "Other Buildings") are not being, and have never been, warehoused. In estimating a vacancy and collection loss factor, Cushman and Wakefield ("Cushman") relied in part on occupancy and rent levels in the Other Buildings due to their proximity to the Subject Buildings and their similar walk-up design. Due to their relatively small size and lack of elevators, the apartments in the Other Buildings have always experienced higher than average turnover. Nevertheless, until about 15 years ago, the hospitals and educational facilities located in proximity to the First Avenue Estate provided a reliable supply of tenants for these buildings. However, in recent years, a number of these nearby institutions, including Rockefeller University and Memorial Sloan Kettering and New York Hospitals, have constructed their own housing facilities which offer subsidized rents for students and staff. As a result, over the last several years, vacancy rates in the Other Buildings have exceeded 20 percent. In its 2009 and 2010 studies of the Subject Buildings, Cushman nevertheless conservatively assumed a rate of 10 percent for vacancy and collection loss. Cushman's 2010 study analyzed a scenario involving the minimum amount of work needed to render the buildings' vacant units habitable. In that study, Cushman projected average monthly rent following such work of \$600 and a vacancy / collection loss of 10 percent. Cushman thereafter issued a supplemental letter dated July 1, 2011 which included a sensitivity analysis that considered the impact on the estimated rate of return under the same "minimal habitability" scenario if one were to project (i) an average achievable rent of \$888.25, which was the average rent for the apartments in the Other Buildings, and (ii) a vacancy / collection loss of 24 percent, which was the actual vacancy rate in the Other Buildings at that time. Apart from this hypothetical sensitivity analysis, Cushman has never projected a vacancy / collection loss for the Subject Buildings of more than 10 percent.

Question:

5. You've used a 2% depreciation allowance. Is the building fully or partially depreciated for federal income purposes, or for purposes of the ownership?

- (a) Please provide substantiation that your renovation costs are actually costs that are properly depreciable for federal income tax purposes.

Response:

The Subject Buildings are partially depreciated for federal income tax purposes.

In the pro forma contained in Cushman's report dated October 12, 2012 (the "2012 Cushman Report"), the depreciation expenses consist of the sum of the depreciation shown on the 2009 federal income tax returns for the Subject Buildings and 2 percent of the applicable renovation costs. All such renovation costs reflect hard costs. In Cushman's experience, all of the hard costs expended in the renovation of apartments are typically depreciated for federal income tax purposes.

Question:

6. Please explain why you are adding to the assessed value an amount equal to the renovation costs times .45? If the answer to this question is that this is what occurred in the KISKA analysis, wouldn't a reasonably efficient and prudent owner or investor expect to get paid back for renovation costs over a 5-10 year period? Assuming a 5 year pay back period, shouldn't only 20% of the renovation costs be recoverable in the "test year"?

Response:

In determining assessed value for purposes of the hardship analysis under the Landmarks Law, the Commission in Kiska used the sum of the property's actual assessed value and 45% of the estimated renovation costs on the theory that following the renovation work the property's assessed value would increase by the later figure. The applicant agrees that the "cost approach" used in Kiska was reasonable and appropriate and therefore used the same approach with respect to the subject application. The issue on this hardship application is not the amount of time required to recover renovation costs. Rather, it is the capacity of the Subject Buildings to

earn a reasonable return on assessed value and, in making that calculation, the property's full post-renovation assessed value must be used, as was done in Kiska.

Question:

7. Real Estate Taxes: Not all renovation costs qualify for inclusion in analysis for real estate tax consideration, Please break down renovation costs into costs that can be included for assessment purposes and those that cannot. Also, DOF uses income approach for purposes of determining real estate taxes, not cost approach. What would the estimate real estate taxes be if income approach was used?

Response:

In each of the studies submitted to the Commission in which the real estate taxes on the Subject Buildings were estimated on the basis of the cost approach, only hard construction costs of the sort that are generally included in determining assessed value under this approach were considered. The hard costs that were considered included (1) material costs, (2) taxes, (3) delivery, (4) onsite material handling and storage, (5) union labor costs, including hourly wages, fringe benefits, insurance and taxes, and (6) subcontractor general conditions, overhead, taxes and profit. The cost approach is a commonly used method of appraising the value of improvements to property and is based on the proposition that an informed purchaser would pay no more for improvements than the cost to produce a substitute property with equivalent utility. The cost approach is particularly appropriate where the property being appraised involves relatively new improvements. Under the hardship provisions of the Landmarks Law, where real estate taxes are estimated in connection with a scenario involving building renovations, the income approach is less appropriate and less fair than the cost approach because the income approach does not necessarily take into account even a reasonable portion of the cost of the renovation work and, consequently, is unlikely to show whether the proposed renovation would allow the applicant to earn a reasonable return on its investment. As previously noted, in the Kiska matter, where the hardship analysis also involved a renovation scenario, the Commission

used the cost approach in determining whether the applicant's property was capable of earning a reasonable return.

Question:

8. HPD has reviewed Gleeds stated basis for renovation costs that exceed what the RS Means would estimate. They have stated that Gleeds "Special Considerations" are "not supported by data. While these kinds of considerations may have an impact on construction costs, there is no explanation about how they would have an impact on this site specifically." Please provide data to substantiate how Gleeds determined the extra costs for renovation due to the special considerations detailed in their report.

Response:

The cost of repair and renovation work at the Subject Buildings would be greater than the usual costs associated with such work due to, among other factors, (1) the need to manually deliver material up to six stories via the eight separate narrow staircases located in the Subject Buildings, which would require additional time and labor, (2) the lack of adequate storage space in these buildings, (3) the cramped working areas within apartments, and (4) the need to purchase and install custom replacement fixtures in the Buildings' tiny and awkwardly dimensioned bathrooms. On the basis of its knowledge and experience, Gleeds has estimated that these factors would increase labor costs for such work by between six and nine percent, depending on the trade, and overall costs by between three and six percent.

It should be noted that construction cost reference materials such as RS Means provide general cost averages that do not take into account site-specific conditions or union pay scales and work rules. For these reasons, they are rarely used by construction professionals for New York City projects, where conditions and costs can vary greatly from building to building. We would also note that the cost estimates prepared by Gleeds include only hard costs for items such as materials and labor and, therefore, exclude many of the soft costs that are a component of most renovation projects.

Question:

9. Is the cost of the sidewalk bridge that has been up in front of the buildings since just prior to designation included somewhere in your estimate of historic maintenance expenses for the building? If so where?

Response:

The cost of maintaining the sidewalk bridge adjacent to the Subject Buildings is not part of the maintenance expenses listed in the Cushman studies and is not reflected in any of the rate-of-return pro formas contained in these studies.

Question:

10. Other income: You've stated that one of the reasons the apartments are allegedly substandard, and therefore undesirable and hard to rent, is the lack of storage. Each building has a full, clean and empty basement. Did you consider using this space for supplemental storage and charging for it? If not, please do so.

Response:

Installing tenant storage space in the cellars of the Subject Buildings would require a physical build out, secured access, new electrical lines and other improvements, and locks and keys. These costs would not be justified by the limited amount of revenue that could be generated by this storage space.

Question:

11. You stated in your testimony that the materials C+W provided to support the claim that \$600 per month was the maximum likely rent for the units is not an "appraisal," but an "economic feasibility study." Please explain the difference between an appraisal and the document submitted. For example, an appraisal must arrive at data based upon Appraisal Institute approved methodologies, such as the cost, sales comparison and income capitalization approaches. What was the methodology used in the feasibility study? Is the appraiser bound by the rules of professional responsibility for the statements made in a feasibility study in the same way he or she would be in an appraisal?

Response:

The following definitions of the terms “appraisal” and “economic feasibility” are taken from The Dictionary of Real Estate Appraisal, Fifth Edition (2010), published by the Appraisal Institute, Chicago, Illinois, as well as other sources:

- Appraisal: 1) The act or process of developing an opinion of value. 2) An opinion of value.
- Economic Feasibility: A condition that exists when prospective earning power is sufficient to pay a requisite rate of return on the completion cost (including indirect costs).

The hardship provisions of the landmarks law require an applicant to demonstrate that the affected property is not capable of earning a reasonable return on assessed value. The law does not call for an appraisal and a feasibility study is the more appropriate form of analysis to determine whether the hardship test is satisfied. In this matter, Cushman prepared economic feasibility studies in order to measure the economic potential of the Subject Buildings under several repair and renovation scenarios. Cushman determined the potential stabilized income and expenses of the Subject Buildings under each scenario. The potential income reflected the existing rent-regulated leases and potential revenue from leasing vacant units at achievable market rents. Cushman examined the buildings’ historical expenses as well as comparable expenses to project a level of expenses if the Subject Buildings were operated at stabilized occupancy. Cushman prepared these studies in accordance with applicable consulting standards of the Uniform Standards of Professional Appraisal Practice and the Code of Ethics and Certification Standards of the Appraisal Institute.

It should be noted that the January 24, 2012 report prepared by HR&A Advisors is neither an appraisal nor, for the reasons discussed in our October 2012 submission, a valid economic feasibility study.

Question:

12. You stated in your testimony that you did not look to rental rates of tenement buildings within a 20 block radius of the Subject because all of the apartments in the study area are either rent regulated or the landlord has granted concessions to the tenants. In light of the data provided by public testimony, please explain on what you based this statement; did you also with respect to those buildings interview “leasing agents of the properties to verify the unit mix and square footages . . . and the rental ranges associated with each unit type,” as you stated you did for the four buildings you cite in the “competitive rental survey” at page 28 of the February 5, 2009 Feasibility Study (“February 2009 Study”)?

Response:

The 2012 Cushman Report includes an analysis of actual lease transactions for 14 apartments in walk-up, non-doorman buildings on the Upper East Side which occurred in 2009. This analysis shows, for each apartment, its square footage, number of bedrooms, physical condition, monthly rent and per square foot rent. In comparison to the apartments in the Subject Buildings, these apartments were generally in superior condition, significantly larger and more conveniently located to shopping and transportation. The per-square-foot rents for these apartments, which averaged \$45.76 for a studio, \$33.14 for a one bedroom and \$36.57 for a two bedroom, fully supported Cushman’s rent projections for the Subject Buildings. Cushman was unable to find recent rent transactions for walk-up apartments on the Upper East Side that were similar to the apartments in the Subject Buildings with respect to their size, layout, level of finish and amenity and location.

Question:

13. Page 26 of the February 5, 2009 Feasibility Study (“February 2009 Study”) discusses “Market Rental Rates-Apartments” stating that the study “surveyed the competitive market to determine what comparable buildings in residential areas similar to the subject’s are offering?” Of the buildings you cited that are not the Subject (are not part of the same building complex under common ownership), you list only four buildings, all of which were built significantly later than the Subject. 359 E 62 (1979) is a modern building with balconies, similarly for 330 E 63 (Stonehenge 63) (1949); 221-225 E 63<sup>rd</sup> (Renoir House) (1964) is a classic white Birnbaum wedding cake; and 400 E 57<sup>th</sup> is an impeccable art deco gem (1931) that according to Propertyshark.com is also a cooperative apartment building. Please explain how these properties are “comparable” to the Subject.

Response:

In its 2009 study, Cushman analyzed as comparable properties the Other Buildings, which are located on the same block as the Subject Buildings and are also walk-ups. Given these similarities, the Other Buildings provide the best indication of achievable rents for the Subject Buildings. It should be noted, however, that the apartments in the Other Buildings are, on average, about 20 to 30 percent larger than the apartments in the Subject Buildings. Therefore, their square foot rents should be considered more significant than their absolute rents. Cushman did not analyze other Upper East Side walk-up buildings as comparables because it was not able to identify other walk ups that had the same characteristics as the Subject Buildings with respect to location, number of stories, verifiable apartment size and number of vacant units. Cushman instead analyzed four elevator buildings in the vicinity of the Subject Buildings and made appropriate adjustments to their market rents to account for their superior condition and level of amenities. Cushman has confirmed that all of these buildings, including 400 East 57<sup>th</sup> Street, operate as rental buildings.

Question:

14. Please provide suitable comparable properties that are not within the same complex as the Subject and are representative similarly-sized units in buildings of the same age, with similar services, amenities, etc. Please also display your methodology showing any "consideration given" (see pg 29 of the February 2009 Study) to the "inferiority" of the Subject as compared to the comparables found.

Response:

The 2012 Cushman Report analyzes actual 2009 leases of comparable apartments on the Upper East Side for the following three groups of apartments that were not analyzed in its previous reports: (1) 14 apartments in walk-up, non-doorman buildings; (2) 9 apartments in elevator, non-doorman buildings; and (3) 115 apartments in elevator, doorman buildings. For the second and third groups of apartments, Cushman made appropriate downward adjustments to the

average rents to account for the elevator and/or doorman status of these buildings in comparison to the Subject Buildings.

Question:

15. When comparing apartments and rents in the Subject properties and the rest of the City and Suburban Complex the reports consistently use the phrase “comparable” units. (See page 27 of the February 2009 Study for example.) Please define what you mean by “comparable.”

Response:

The term “comparable” is used to refer to apartments that are broadly similar to the apartments in the Subject Buildings with respect to location, size, and levels of finishes and amenities. The apartments in the Subject Buildings and the apartments in the Other Buildings satisfy this test in that they are relatively small units located in walk-up buildings on the same block which were constructed in the same era. That is not to say, however, that there are not significant differences between the apartments in the Subject Buildings and those in the Other Buildings. The apartments in the Other Buildings, while small, average about 450 square feet in size. They are therefore larger than the apartments in the Subject Buildings, which have an average size of about 370 square feet, and, as discussed in the response to Question 16, below, they have better layouts. In addition, the Other Buildings are somewhat closer to the retail uses along First and Second Avenue and to the Lexington Avenue subway than are the Subject Buildings. All of these factors make the apartments in the Other Buildings somewhat easier to lease than those in the Subject Buildings.

Question:

16. When comparing apartments and rents in the Subject properties and the rest of the City and Suburban Complex the reports claim that apartments in the rest of the complex have “better layouts”. Please explain and provide examples.

Response:

In addition to being larger, the apartments in the Other Buildings tend to have superior layouts to those in the Subject Buildings. For example, when compared to the Subject Buildings, many of the apartments in the Other Buildings have more regularly shaped bathrooms and bedrooms which can accommodate standard-size fixtures and furniture, including queen-size beds, more and larger closets, and more generous entry foyers. The 2009 Cushman study found that 18 recently leased apartments in the Other Buildings had achieved an average monthly rent of about \$1,422, which equaled \$43 per square foot. The 2012 Wolpert Letter states that between 2009 and 2011, the average monthly rent received for vacant apartments in the Other Buildings was between \$1,233 and \$1,248. The apartments in the Other Buildings would provide direct competition for any apartments in the Subject Buildings that were available to lease. Given their larger size and superior layouts and the rents that these apartments have achieved in recent years, it is very unlikely that renovated vacant apartments in the Subject Buildings could have achieved average monthly rents that exceeded \$1,235, which is the estimate contained in Cushman's 2009 study.

Question:

17. At page 29 of the February 2009 Study, you state that after taking into consideration the inferior layout, amenities, etc. of the Subject, the market rate for the Subject is \$40/s.f. Applying that to a 400 s.f. apartment, isn't that a rent roll of \$1,330/month ( $400 \times 40 = 16,000/12$ ), or twice the \$600?

- (a) The explanation provided is not clear. Please apply the \$40/s.f. on a per unit basis rather than on a total floor area basis so that it is clear what the spread of projected rent rolls are for each unit type, regulated and unregulated.
- (b) On pg. 31 of the 2009 Report, the Potential Gross Income chart totaling \$2.380 mil doesn't show any of the same figures derived in the paragraphs above (hence impossible to follow), especially with respect to the MCI calculations. Please provide clear breakdowns of the analysis and check your figures for consistency.

- (c) In the February 2009 Study with respect to MCI, why is the assumption taken only to the first year of the increase when the report shows the increase goes up significantly the second year?
- (d) Why is the MCI increase analysis abandoned altogether in the May 2010 Study? How do you justify making only “minimal capital improvements” when you admit that the Subject is in poor condition?

Response:

Cushman’s 2009 study included a scenario involving capital improvements to the Subject Buildings and the renovation of their vacant apartments. Cushman estimated that, under this scenario, the renovated apartments could be rented for \$40 per square foot or about \$1,235 per month. Cushman’s 2010 Study examined a different scenario involving no building-wide capital improvements and only the work within vacant apartments that was necessary to render them minimally habitable. Cushman estimated that, under this very different scenario, the vacant apartments in the Subject Buildings would produce an average market rent of \$600.

(a) Applying the projected market rent of \$40 per square foot in Cushman’s 2009 study to the three sizes of apartments in the Subject Buildings yields the following average monthly market rents:

|              |    |         |
|--------------|----|---------|
| Studio       | -- | \$1,177 |
| One bedroom  | -- | \$1,247 |
| Two bedrooms | -- | \$1,313 |

(b) The 2012 Cushman Report re-estimates the potential income that could have been obtained from the Subject Buildings in 2009 following building-wide capital improvements and renovations to vacant apartments.

(c) Cushman’s 2009 study only examined the income and the return on assessed value that the Subject Buildings could have produced in the 2009 test year, which is all that is required under the hardship provisions of the Landmarks Law.

(d) Cushman's 2010 study examined a scenario involving no building-wide capital improvements and only the work necessary in vacant apartments to render them legally habitable. Such a scenario would not have generated MCI rent increases.

Question:

18. The "feasibility study" specifically excludes MCI increases for work done in the apartments. Why? DHCR Fact Sheet No. 33, attached as Exhibit B, shows that replacement of windows, bathroom fixtures, plumbing, wiring, kitchen fixtures and cabinetry, etc. as well as boilers, roofs, pointing, waterproofing etc. are all entitled to MCI chargeback to the tenants.

Response:

Cushman's 2009 Study assumed that MCI rent increases would be obtained for various improvements to the Subject Buildings. Cushman's 2010 Study involved a different scenario involving only the work necessary to render the Subject Buildings' vacant apartments minimally habitable. This minimal level of work would have produced few, if any, MCI rent increases. In any event, in its 2010 study, Cushman estimated that after the vacant apartments had been rendered habitable, they would have been capable of achieving an average market rent of about \$600 per month. Such rents are substantially below the rent-regulated "legal" rents for these units and, consequently, even if the work performed under this "minimally habitable" scenario would have been entitled to MCI increases, it would not have affected the estimated rate of return under this scenario.

Question:

19. With respect to valuation of the apartments that are renovated to be "minimally habitable" or "code compliant," meaning they lack modern amenities and conveniences, can you explain how it is "prudent" to maintain these units this way when rents improve significantly if either the units and/or the buildings are upgraded with MCI increases?

Response:

Cushman's various studies examined a number of scenarios for repairing and improving the Subject Buildings and reoccupying their vacant apartments, including the

“minimally habitable” scenario, in order to determine whether any of these scenarios would produce a “reasonable return” as defined by the Landmarks Law. There has been no claim that any of these scenarios would represent an economically prudent course of conduct.

Question:

20. Please provide better existing condition plans. This should include dimensioned plans of the typical units instead of un-dimensioned sketches, typical floor plans, noting masonry fire walls, common chases, etc., which cannot be removed, and egress routes which cannot be altered.

Response:

The applicant does not have the sort of detailed existing conditions drawings of the Subject Buildings that have been requested and, to the best of its knowledge, such drawings are not located in the files of the Department of Buildings. We would note, however, that members and staff of the Commission have now toured the Subject Buildings and seen, first hand, the condition, size and layout of many of the apartments in these buildings.

Question:

21. Please map vacant units on floor plans to facilitate discussion about combining units, introducing elevators, etc....

Response:

The Gleeds study entitled New Elevator Scheme – Revision 2 includes a floor plan reflecting a potential gut renovation of the Subject Buildings, including the installation of elevators and new larger apartments. The approximate location of partitions in the existing apartments are shown on this floor plan with dashed lines.

Question:

22. Please rerun the analysis to consider gut renovations of the vacant units and improvements to the public areas and systems to make the units desirable for the current market. Where units are viewed as too small, combine with adjacent unit. Where units are at the 6<sup>th</sup> floor, duplex to smaller units on the 5<sup>th</sup> floor. There are many desirable options: direct access

from the street for first floor units with duplex to second floors; create two to three very large units per stair core.

Response:

An analysis of a scenario involving a gut renovation of the Subject Buildings, including the installation of elevators and the creation of new and larger apartments, is discussed in the 2012 Cushman Report and the 2012 Wolpert Letter. Cushman concluded that this gut renovation scenario would not be economically feasible. Our previous submissions examined three other scenarios for full occupancy of the Subject Buildings which involved (i) capital improvements to these buildings and renovations to their vacant apartments, (ii) renovations to the vacant apartments without making any building-wide capital improvements, and (iii) performing only the work required to render the vacant apartments habitable. Cushman concluded that the Subject Buildings would not have produced the required six percent return on assessed value under any of these three scenarios. Therefore, the applicant has now examined four separate scenarios for restoring the Subject Buildings to full occupancy. We submit that this satisfies the applicant's obligation to produce evidence as to whether the Subject Buildings are capable of earning a reasonable return under reasonable efficient and prudent management.

Question:

23. To the same analysis, add elevators.

Response:

See the response to question No. 22 above.

Question:

24. These buildings are remarkable in the efficiency of their layouts: there is virtually no hallway or other public space to care for, and the stairs serve relatively few units. How does this affect the cost analyses of the project vs. other developments? It should lower the maintenance costs when compared with regular buildings of this size, or of any size.

Response:

A limited amount of common area in a building does not, in and of itself, reduce repair and maintenance costs. While limited in physical area, there are multiple stairwells and points of ingress/egress in the Subject Buildings, which affect repair and maintenance costs. Historically high repair and maintenance costs for the Subject Buildings are quite relevant.

Question:

25. According to your own reports and testimony, as well as the testimony of tenants, since you've owned the Subject (1977), building maintenance and services have deteriorated, leading to concessions in rent and higher turnover. Please explain how failure to maintain the Subject is "prudent management"?

Response:

Maintenance and services in the Subject Buildings have not deteriorated since 1977 and the applicant has not acknowledged any such deterioration. We would note that numerous provisions of law, including the Housing Maintenance Code and the Rent Control and Rent Stabilization laws, require that the Subject Buildings be adequately maintained and serviced. In addition, there has been no claim that the applicant has ever pressured or harassed tenants of the Subject Buildings or deprived them of services in order to empty these buildings, as landlords of many other buildings have done. Instead, since the late 1990's, the number of vacant apartments in these buildings has slowly risen through attrition.

Question:

26. You describe frequent turnover in the units -24% to 10% vacancy rates. Rent regulated units benefit significantly from frequent turnover due to vacancy decontrols and vacancy increases. Why did you not take advantage of these vacancies by improving the units to justify the increases in the marketplace?

Response:

The Other Buildings have an active leasing program and have experienced high tenant turnover and high vacancy rates for a number of years. The Subject Buildings do not

experience high turnover because vacated apartments have not been re-leased for many years. The applicant has shown in its submissions that, despite the high tenant turnover in recent years and the improvements that have been made to many apartments in the Other Buildings, the rents that have actually been achieved for many of these apartments are "preferential rents," i.e., they are lower than the rents allowed under the rent regulation laws. For example, the 2012 Wolpert Letter states that in 2011 61 apartments in the Other Buildings were leased. Although these apartments had an average allowable legal rent of \$1,585, they actually achieved an average rent of \$1,244, with 39 of the 61 apartments requiring a preferential rent.

Question:

27. Explain the difference between the Subject and the other buildings in the complex that would account for lower desirability. Leaving aside the statement that ownership was warehousing apartments in the complex, explain the condition of the other buildings in the complex to account for the high vacancy rates (24%). What is the condition of the public corridors and the vacant units in these buildings?

Response:

As previously stated, there is an active rental program for the apartments in the Other Buildings and none of these apartments have been, or are presently being, warehoused. As discussed in the answer to Questions 15 and 16, above, when compared to the apartments in the Other Buildings, the apartments in the Subject Buildings are located somewhat farther from the subway and retail stores, are substantially smaller and have poorer layouts. Nevertheless, the Other Buildings are older six-story walk-up buildings with relatively small apartments and few modern amenities. Due to these characteristics and their location near a number of teaching hospitals and research universities, the apartments in the Other Buildings have tended to attract a younger, more transient population which produces a high tenant turnover. In addition, the Other Buildings contain more than 750 apartments, which is a very large inventory of similar small, walk-up apartments. All of these factors have contributed to vacancy rates in the Other

Buildings that have exceeded 20 percent in recent years. The public corridors in the Other Buildings are clean and well-maintained, but are not spacious or modern. The vacant apartments in the Other Buildings are in generally good condition.

Question:

28. What capital improvements to common areas occurred in the rest of the complex that didn't occur in the Subject Buildings?

Response:

Improvements that have been made to the common areas of the Other Buildings, but not the common areas of the Subject Buildings, include upgraded lighting, door hardware, mailboxes and exterior apartment doors. In addition, some of the Other Buildings have received upgraded electric and plumbing systems and new roofing, while the Subject Buildings have not.

Question:

29. The Renovation Report looks at the costs to renovate each apartment as a stand-alone, Wouldn't this instead be a building-wide renovation program with economies of scale and savings based on bulk purchase? (97 kitchens, etc.)

Response:

Most vendors of equipment, fixtures, appliances and building materials will agree to give discounts for bulk or volume purchases only if the buyer will take immediate delivery of all the purchased items due to the high costs to the vendor for storage and staggered deliveries. There is a very limited amount of space in the Subject Building for the storage of such items. Furthermore, their lack of elevators and constricted stairwells and common areas make large-scale construction staging extremely difficult. Therefore, it would not be feasible to purchase and take delivery of large amounts of equipment, material, fixtures or appliances at one time and, consequently, there would be few, if any, opportunities for significant cost savings due to

economies of scale. For these reasons, Gleeds' estimates of renovation costs did not assume any significant discounts for bulk and volume purchases.

Question:

30. Is Project Consult assuming union or nonunion labor costs?

Response:

The cost estimates prepared by Project Consult / Gleeds assume union labor costs.

Question:

31. Is Project Consult's cost estimate in 2009 dollars?

Response:

The cost estimates prepared by Project Consult / Gleeds are based on 2009 dollars.

Question:

32. Please provide a factual basis for Project Consult's estimate of approximately \$10.5 million in future capital improvements costs to do a substantial upgrade of the buildings (excluding unit renovation costs). See page 19 of the February 2009 Study. Why does this capital improvement program not also include metering for electricity if it is not typical to include electricity in rents?

Response:

The estimated cost of all the work involved in the scenario in Cushman's 2009 Study that consisted of both building-wide and apartment improvements is explained in the Gleeds study dated August 27, 2012 and entitled Market Rehab Scheme – Revision 2. This scenario did not include electricity metering of individual apartments because the rents that are currently paid in the Subject Buildings include the cost of electricity and, under the rent regulation laws, if tenants were required to pay for their own electricity usage, they would have to receive a rent reduction as an offset to these additional charges. In addition, MCI rent increases are not available for the work involved in individual metering or sub-metering.

Therefore, the significant expense of metering individual apartments could not be recouped by the applicant, which would make such work economically unfeasible.

Question:

33. At pg 29 of the February 2009 Study, regarding unit absorption rates, you state that 6-story walk-ups are not ideal, hence slow absorption rates and high vacancies. Can you verify that other properties in the 20-block radius have similarly high vacancy rates that are not due to degraded building conditions?

Response:

According to Cushman, although walk-up buildings tend to have a significant number of rent-regulated tenants who have a financial incentive to remain in their units, walk-up buildings generally have higher vacancy rates than elevator buildings with the highest percentage of vacancies on the upper floors. The vacancy rate in the Other Buildings, which have a height of six stories and are well maintained, has been in excess of 20 percent for a number of years, with the highest percentage of vacancies occurring on the upper floors.

Question:

34. What is the basis for changing the absorption rates in the various scenarios? In the February 2009 Study (see pgs. 29 & 36) you initially estimate a 36 month absorption rate (8 units a quarter, 84 units total ), then estimate a 45 month rate (6 units per quarter, 84 units total). In the May 2010 Study you change this to 51 months? (Also, please check your math: 8 units every three months would mean an absorption rate of 31.5 months, not 36 months; 6 units every three months would mean an absorption rate of 42 months , not 45 months. And 6 units every three months would mean an absorption rate of 48 months, not 51, for 97 apartments.)

Response:

The absorption rates used in Cushman's 2009 and 2010 studies took into account the inferior condition of the Subject Buildings compared to other buildings in the surrounding area, including their lack of elevators and other modern amenities and their small size, the history of high vacancy rates in the Other Buildings, and the need for renovations and/or repairs to render the vacant apartments marketable. In estimating absorption rates, Cushman analyzed

recent leasing activity at a number of other Manhattan buildings, which is discussed at page 29 of the 2009 study. Different absorption rates were used for each of the scenarios analyzed in the 2009 and 2010 studies because these scenarios involved different levels of renovation and repair. The 2009 scenario involving both building-wide capital improvements and renovations to vacant apartments, which was the highest level of improvement considered in these studies, utilized an absorption rate of 36 months. The 2009 scenario involving apartment renovations without building-wide improvements would have produced less desirable and marketable apartments and, accordingly, utilized a longer absorption rate of about 45 months. Finally, the 2010 scenario, which involved only repairs necessary to render vacant apartments habitable, would have produced even less desirable apartments that would have been particularly difficult to rent. Therefore, a longer absorption rate of 51 months was used for this scenario. The tables in the 2009 and 2010 studies that summarize each of these absorption analyses show the number of leased apartments assigned to each quarter of the estimated absorption period.

In the 2009 and 2010 studies, the absorption rates were used to estimate the lease-up costs for each scenario. The lease-up costs, together with the property's assessed value and the estimated repair/renovation costs, were included in the denominator that was used to calculate the rate of return under each scenario. In our 2011 and 2012 submissions, Cushman recalculated the rate of return under these scenarios without including lease-up costs in the denominator in order to adhere to the rate of return formula that the Commission used in the Kiska matter, whereby the denominator consisted of the sum of the property's assessed value during the test year and 45 percent of the projected renovation costs. As discussed in those submissions, the rates of return that were recalculated without considering lease-up costs

continued to be significantly below the six percent hardship standard contained in the landmarks law.

Question:

35. With respect to absorption rates, you state poor layouts, poor fire safety due to wood frame construction and no sprinklers, poor electrical service and poor security are the cause of the 51 month absorption period.

- (a) Can you explain how you came to this conclusion in light of your statement that you have been warehousing the units as they become vacant in order to prepare for eventual demolition of the Subject?
- (b) Can you verify that an upgrade of electrical service, improved security, and installation of smoke detectors alone would not suffice to result in units with layouts and construction standards that are comparable to similar buildings of this age and type?
- (c) Your unit absorption chart does not include buildings of this age and type (instead they are "best in class"), nor does it indicate what rents are being charged or whether the buildings were built as condos and then forced by market conditions to lease up as rental (hence lease-up is slower in an effort to induce sales); please revise to show absorption rates for buildings similar to the Subject that have undergone renovations.
- (d) The reports claim that only 8-6 units can be renovated per quarter due to "multiple crews overwhelming power," lead paint removal, building layout and infrastructure. Given that more than half the apartments are vacant, why can't more be done each quarter? Please provide floor plans showing all vacant units and explain why renovations of many more units at one time could not take place using window hoists for materials delivery and backup power or direct connections to the main (vacant buildings with no power source are renovated)?
- (e) Since you've conceded that the vacancy rates are artificially inflated, and hence cannot be used as a basis for determining absorption rates, isn't the real limiting factor the number of work crews and power that could be used? What is preventing the owner from bringing in additional work crews, with backup power if necessary, to speed the renovation of apartments? Wouldn't a prudent investor choose to minimize lost income due to slow renovation rates and try and get renovated apartments on line as quickly as possible? Especially if one assumed a vacancy rate equal to the average rate for the area, which is very low. Assuming this was the case, how many work crews would you employ, how much time would it take to renovate the empty apartments and what would be the lease-up cost?

- (f) Even if a lease up absorption period of 51 months were credible, wouldn't the 1.7 mil expended on it be amortized and absorbed into the initial return of the building to financial health? 190 units now rent-generating with development costs, including rent-up, amortized?

Response:

(a) Cushman's conclusion for absorption is based on the downturn in the residential market evident in 2009 as well as the poor marketability of the Subject Buildings. It considers the renovation schedule which is impacted by the size of units, scope of rehabilitation and physical constraints of the buildings. Beginning in the 4th Quarter of 2008, the Manhattan rental market witnessed a significant decrease in new rental leases. From the 3rd Quarter to the 4th Quarter of 2008, the decline was 73.18 percent. The average new lease absorption in 2009 was also 60.05 percent below 2010. In addition, Cushman considered input from Gleeds which reports significant constraints in renovating all vacant units simultaneously. Approximately half of the property is occupied by rent regulated tenants and there is only one egress from each section of each of the buildings. All services must be available for the existing tenants in the building. Furthermore, the property is also a walk-up design with no on-site staging areas. Finally, as noted in the response to question No. 34, above, even if lease-up costs were completely eliminated from the denominator in each of these studies, the rate of return under each scenario would still be less than the six percent hardship standard established under the Landmarks Law.

(b) Simply upgrading electric, security locks and smoke detectors in units would leave the subject apartments deficient in layout and quality of finishes compared to like-kind apartments on the same block and in the competitive markets. Code issues identified by Gleeds would still remain and interior finishes, including kitchens and bathrooms, would continue to be sub-standard and un-competitive .

(c) The data for absorption rates for units in similar buildings is not available. In the past, most buildings with high vacancy consisted of condominium/rental conversion or new residential development. These properties are a product of extensive renovation and capital infusion or represent new construction. In the 2010 Cushman study, the subject property had 97 vacant units out of 190 overall units. A typical Manhattan rental property with such a large number of units ready for lease would be new construction.

(d), (e) As mentioned earlier, a number of apartments in the Subject Buildings are occupied by rent regulated tenants and there is only one egress from each section of the buildings. Annexed hereto as Attachment B is a stacking plan showing the vacant and occupied units in the Subject Buildings at point in 2009 when there were 94 vacant units, with the number of vacant units reaching 97 at the end of 2009. Attachment B shows that the vacant and occupied units were widely dispersed throughout the buildings. During any renovation of the Subject Buildings, all services would have to be continuously maintained for the existing tenants. Daily construction is also limited to the daytime. The concluded absorption rate is also an average for the entire leasing period. Using back-up power to increase the ability to service added work crews also increases the costs to complete the renovation. Cushman used the construction cost conclusion from Gleeds. We believe these costs and contemplated plan for renovation are reasonable. Secondary power sources and exterior hoists require permits, insurance and manpower resulting in higher costs. While prudent investors do attempt to minimize lost income during renovation and rehabilitation projects, the Subject Buildings have rent regulated occupancy issues that must be factored into scheduling. In addition, prudent investors balance cost with returns. As previously discussed, in many cases, the market rents achievable for the Subject Buildings' vacant units would not even equal an apartment's legal

rent-regulated rent. Given that none of the scenarios analyzed result in economic feasibility, prudent investors would not incur added costs to speed up the process. Finally, vacancy rates in the Other Buildings are not artificially high and the applicant has not so conceded.

(f) The absorption rate conclusion for the 2009 test year totaled 12 business quarters equivalent to 36 months, not 51 months. The sensitivity analysis in Cushman's 2010 study used 51 months. This is a function of existing and proposed conditions within the buildings and units. The 2009 absorption conclusion gave consideration to the physical design, room sizes and access issues of subject units, the lack of staging areas, deficient power to support multiple work crews and input from construction consultants. In the 2010 Cushman study, an elongated absorption period conclusion was made. In conjunction with the lower rent conclusion used in this scenario, Cushman assumed the most minimal upgrades to the interior finishes and no building wide capital improvements. The desirability of the units to residential tenants is very poor under this scenario, thereby negatively impacting the achievement and maintenance of high occupancy levels.

Question:

36. You stated in your testimony that if the CofA to demolish the Subject were approved, you would invest \$15 million in the restoration of the other buildings in the complex, representing buildings-wide systems upgrades, not gut renovation of the buildings. Excluding the 200 affordable units you would set aside, what are the projected rents on the 596 deregulated units in the complex? Also, if most of these units are currently rent regulated how were you proposing to arrive at only 200 affordable units? Is there projected in this analysis MCI increase, vacancy de-control and rental increase decontrol (>\$2500/unit)? Please explain.

Response:

The only issue that is relevant to this application is whether the Subject Buildings, as encumbered by their landmark designation, are capable of earning a reasonable return. Therefore, any proposal concerning the use of the Other Buildings is not relevant to this proceeding. In any event, the applicant has proposed setting aside approximately 200 renovated

apartments in the Other Buildings as affordable dwelling units. The rents in these units would be permanently capped to make them affordable to households earning no more than an agreed upon percentage of New York City's area median income. The remaining apartments in the Other Buildings would continue to be subject to Rent Stabilization or Rent Control unless and until they were legally de-regulated through compliance with an available statutory de-regulation mechanism. The 2012 Wolpert Letter provides information concerning both the rent-regulated legal rents and actual rents in the Other Buildings.

Question:

37. If the original intention was to empty the Subject of tenants on a non-eviction basis, therefore slowly, demolish, reconstruct a 10 FAR building and rent-up, aren't the costs associated with loss of income during that decade-long period of project development built into your long-term profitability analysis? If instead, you gut renovated vacant units, and others as they became vacant, wouldn't the loss of income during renovation and rent-up be built into your long-term profitability analysis in the same way as above but with significantly less capital expenditure, hence a greater profit to loss factor?

Response:

As previously stated, the only issue that is relevant to this application is whether the Subject Buildings, as encumbered by their landmark designation, are capable of earning a reasonable return. Therefore, questions relating to the potential profitability of the property if it could be redeveloped with a new building are not relevant to this proceeding. With regard to a potential renovation of the Subject Buildings, the 2009 Cushman study analyzed a scenario involving building-wide capital improvements to the Subject Buildings and moderate renovations of vacant units. Cushman concluded that such a scenario would not generate a six percent return on value. The 2012 Cushman Report analyzes a different scenario involving a gut renovation of the Subject Buildings. It concludes that, given the high costs associated with such a renovation in relation to the resulting potential income, a gut renovation would not be economically feasible.

Question:

38. With the Subject at approximately 5 FAR in a 10 FAR zoning district did you consider the value of selling or transferring the excess development rights to adjoining property owners across York Ave (Rockefeller University) or on 64<sup>th</sup> or 65<sup>th</sup> Streets (1213 York, a 6-story rental building circa 1913, not a City landmark and owned by Stahl)? Please provide an estimate for the value of these development rights.

Response:

The applicant has investigated the possibility of transferring excess development rights attributable to the site of the Subject Buildings and has determined that none of the nearby sites to which these development rights may lawfully be transferred under the Zoning Resolution are practically viable receiving sites. The Rockefeller University campus located across York Avenue from the Subject Buildings is significantly underbuilt and, consequently, future building projects on the campus can be undertaken using the excess development rights attributable to that site. While unused development rights from the site of the Subject Buildings could, theoretically, be transferred to the site of the Stahl Organization residential building located across East 65<sup>th</sup> Street, at 1213 York Avenue, this building is occupied by rent regulated tenants, which makes a transfer of floor area to that site speculative at best. In any event, a floor area transfer pursuant to Zoning Resolution Section 74-79 could not increase the allowable floor area on that site by more than 20 percent, which would equal approximately 40,000 square feet of floor area. The zoning lot occupied by the Subject Buildings has significantly more than 40,000 square feet of unused floor area. The parcel located directly to the south of the Subject Buildings, on York Avenue between East 63<sup>rd</sup> and East 64<sup>th</sup> Streets, is occupied by a post-World War II 18-story residential building that contains more floor area than is currently allowed on that site and, consequently, is not a site with redevelopment potential. In light of all the foregoing, the excess development rights attributable to the Subject Buildings' zoning lot are not

readily transferable to another parcel and, therefore, these development rights have little, if any, economic value at this time.

Question:

39. Has the owner ever applied for increases to rent controlled or stabilized rents in either the Subject Buildings or the buildings in the rest of the City and Suburban Complex on grounds of hardship? If so, please provide the application and the final determination.

Response:

The applicant has not applied for hardship rent increases for the Subject Buildings pursuant to the Rent Control or Rent Stabilization laws. The Landmarks Law does not require that such applications be made and determined prior to the filing of a hardship application under the Landmarks Law. Furthermore, the 2012 Wolpert Letter explains that, if the Subject Buildings and their vacant apartments were renovated, the average legal rent of these units would significantly exceed their average achievable market rent. Therefore, in the case of the apartments in the Subject Buildings, merely obtaining increases in the allowable rent-regulated rents would not be sufficient to permit these buildings to earn a reasonable return.

Question:

40. Are any of the buildings in the larger City & Suburban complex metered by apartment? Is 1213 metered by apartment?

Response:

None of the apartments on Block 1459 are individually metered for electric service. The apartments at 1213 York Avenue are individually metered.

Question:

41. Renting Apartments: Policies and Practices: With respect to your efforts to lease apartments in the building, please provide the following information:

- (a) How many applications to rent apartments in (a) the complex and (b) the two subject buildings has ownership received each year for the past 10 years?

- (b) How many people have inquired but not submitted an application?
- (c) Describe ownership's efforts, besides having the on-site leasing office, to rent apartments in the complex. Do you use any brokers? Do you advertise hi any print media or on Craigslist, Streeteasy.com or another on-line resource? Do you have a website?
- (d) Does Stahl use in- house leasing agents in all the buildings? Outside agents would be paid by the tenants, eliminating or greatly reducing this expense.
- (e) Please compare the leasing efforts used for the City & Suburban complex with other buildings owned by Stahl, especially 1213 York Avenue.

Response:

The applicant does not maintain records of the number of people who have either inquired about renting, or applied to rent, an apartment in the Subject Buildings or the Other Buildings. For the Other Buildings, the on-site renting office is open and staffed by a rental agent Mondays through Fridays from 8:00 a.m. to 4 p.m. During other hours, inquiries can be directed to the offices or website of the property manager, Greenthal Properties, which is one of Manhattan's largest managers of residential buildings. Persons who inquire about apartments in the Other Buildings can either be shown available apartments immediately or schedule a showing at another time, including evenings or weekends. In addition to the on-site renting office, apartments are rented through word-of-mouth referrals by tenants and employees of the various properties owned or managed by the Stahl organization and related entities. The Stahl organization uses an on-site leasing agent to rent apartments in the Other Buildings and in 1213 York Avenue. On-site leasing agents are not used in other buildings owned or managed by the Stahl organization and related entities because these buildings do not have a sufficient number of units to justify such an expense.

Question:

42. Please explain why if we are hearing the application in 2012 the “test year” for rental rates is 2009? 2009 was an especially difficult year for real estate and the market has much improved; the 2009 test year artificially skews the results from the perspective of rental income and absorption rates.

- (a) Given that we will ask you to go back and substantiate your rental rates based on comparables of similar apartments (similar services, building age, apartment configurations, access (no-elevator), non-concierge lobby, 5-6 stories) in the 20 block radius, how will you arrive at these results maintaining the 2009 test year?

Response:

Under the Landmarks Law (Administrative Code § 25-302[v]), the relevant “test year” for a hardship application shall be (1) the most recent full calendar year, (2) the applicant’s most recent fiscal year, or (3) any 12 consecutive months ending not more than 90 days prior to the filing of the hardship application. The subject application was filed in October 2010. Therefore, 2009, the previous full calendar year, is an appropriate and legally sufficient test year. All comparable rents discussed in the submissions in support of this application represent 2009 rents.

With regard to the housing market since 2009, in the City as a whole, residential rents decreased following the 2008 economic downturn and have recovered somewhat since then. However, due to the inferior size and amenity level of the apartments in the First Avenue Estate and the significant number of new apartments that have become available throughout Manhattan in recent years, market rents in the Other Buildings have remained relatively constant since 2009 while operating expenses and construction costs have risen. Therefore, using a different test year for this application would not have produced the required 6 percent return on assessed value and, in fact, would have probably yielded even lower returns than the returns based on a 2009 test year.

Question:

43. For the Feb 2009 Report — Building upgrades with apartment renovations/upgrades, please answer the following questions:

- (a) Projected Real Estate Taxes: Please justify the comparables. Are these buildings also 50% rent controlled/stabilized?
- (b) Why doesn't the scenario that includes building-wide enhancements and apartment upgrades include metering for electricity if it is "atypical" (p. 25) to include electricity in the rent?
- (c) Please be consistent when using or referring to average size of apartments that are vacant. Report switches without notice or explanation between gross and usable square footage. Compare p. 19 with p. 21. Also "net rentable residential area" is used. (p. 26). Please explain why C&W is switching measurements.
- (d) Please provide the "future capital improvement budget . . . provided by Project Consult" that explains the estimated \$10,530,233 for building-wide capital improvements. (p. 19).
- (e) Do the comparables in the "Income vs. Real Estate Taxes" table include buildings that are half rent regulated/stabilized? Why does C&W assume that the real estate taxes would be higher in the Subject buildings (which are half rent regulated) than any of the comparables?
- (f) Provide data to justify the statement that the apartments in other buildings in the City & Suburban complex have "generally better layouts and superior overall conditions." (p. 26)
- (g) Please explain what factors account for the rent of \$2,300/month for apartment 4A in 402 East 65<sup>th</sup> Street? (P. 27).
- (h) Given that the market rate apartments in the rest of the complex have average sf rents of more than \$43, detail how the alleged "considerations" of "inferior layout, amenities, building height and overall condition" justify an estimate of \$40/sf rents after major building-wide capital improvements and apartment upgrades. (p. 28-29)
- (i) What is the basis for starting the "absorption period" before any apartments are ready to be rented? ("[The absorption analysis] consider that no units will be absorbed in the first month of leasing due to the renovation of the units." P. 29.)
- (j) Please explain why the owner is "collecting preferential rents from the rent regulated tenants." Why does the owner continue to rent a rent

regulated apartment to a tenant who is “unable or unwilling to pay legal recorded rents”? (p. 30)

- (k) Please provide the data (from C&W “survey of occupancy rates at competing projects”) to support your estimate of a 5% loss rate and a 5% global vacancy factor. (p.31).
- (l) Why does C&W assume the major building-wide capital improvements will take two years but the unit upgrades will take three years? (p. 30).
- (m) With respect to operating expenses, why are you estimating \$47,000 in painting, when it was only \$6,580 in 2007 and \$14,612 in 2008?
- (n) Also, given the testimony that this building shares maintenance personnel with the rest of the complex and the other Stahl owned building across the street, please break down the salary and benefits so that it’s clear what this is for.
- (o) With respect to utilities, how does ownership and/or C&W determine that the \$267,200 is for “common areas” when the apartments are not metered? (p. 33) If this is accurate, what is the expense for utilities for the apartments?
- (p) Why are operating expenses estimated at \$14.21 per square foot of above grade area, when the actual expenses for other buildings in the City & Suburban complex indicate a rate of between \$9.47 and \$11.42? (p. 33-34).

Response:

(a) Comparable No. 1 contains 36.67% rent regulated units; Comparable No. 2 contains 46.32% rent regulated; Comparable No. 3 contains 0% rent regulated units; Comparable No. 4 contains 52.73% rent regulated units; Comparable No. 5 contains 51.33% rent regulated units.

| Income vs. Real Estate Taxes |              |            |           |           |              |             |          |
|------------------------------|--------------|------------|-----------|-----------|--------------|-------------|----------|
| Property Location            | No. of Units | GBA        | No. of FM | No. of RR | EGI          | RE Taxes    | % of EGI |
| Midtown East                 | 30           | 18,275 SF  | 19        | 11        | \$705,330    | \$166,528   | 23.61%   |
| Midtown West                 | 95           | 63,528 SF  | 51        | 44        | \$2,941,329  | \$700,555   | 23.82%   |
| Midtown West                 | 479          | 475,327 SF | 479       | 0         | \$23,334,220 | \$5,754,546 | 24.66%   |
| Chelsea                      | 55           | 55,233 SF  | 26        | 29        | \$1,850,868  | \$383,797   | 20.74%   |
| Upper West Side              | 150          | 124,284 SF | 73        | 77        | \$3,933,330  | \$801,193   | 20.37%   |
| Average                      |              |            |           |           |              |             | 23.83%   |

*FM: Market Rate Units; RR: Rent Regulated Units*

Based on the 2008 revenue and expense statement, the real estate taxes for the Subject Buildings represent 26.34 percent of that year's effective gross income (EGI). The comparables in the previous chart average 23.83 percent of EGI. Cushman has reconciled these two data points and concluded to a real estate tax projection of 25.0 percent of the EGI. Its conclusion is slightly below the percentage of 2008 historical real estate taxes based on EGI.

According to the 2009/2010 Property Division Income Guidelines published by the NYC Finance Department, taxes as a percentage of income range between 13.75 to 29.46 percent. This is based on an income range less than \$7.60 per square foot to greater than \$35.94 per square foot. On a per square foot (of GBA) basis, the Subject Buildings' gross income projection is modeled to be \$28.06 per square foot in 2009. The effective income projection is \$25.26 per square foot. Based on the NYC guidelines, properties within the income range of \$19.02 and \$26.92 per square foot should generate real estate taxes of 25.50 percent of effective gross income.

Additionally, Cushman examined 2009 income and expense data for five walk-up apartment buildings primarily on the Upper East Side. As of 2009, the rent regulated inventory of units within these properties ranged between 25.0 and 50.0 percent of total apartments. The comparable taxes reported as a percentage of EGI ranged between 22.25 to 25.57 percent with an

average of 23.63 percent. Cushman's real estate tax projection of 25.0 percent of EGI is within the comparable range and reasonable.

| Taxes as % of EGI |           |           |          |
|-------------------|-----------|-----------|----------|
| No.               | EGI       | RE Taxes  | % of EGI |
| 1                 | \$632,431 | \$144,486 | 22.85%   |
| 2                 | \$775,498 | \$181,344 | 23.38%   |
| 3                 | \$674,552 | \$169,297 | 25.10%   |
| 4                 | \$354,775 | \$90,702  | 25.57%   |
| 5                 | \$713,454 | \$158,746 | 22.25%   |
| Average           |           |           | 23.63%   |

(b) The renovation estimates provided by Gleeds did not consider the cost of adding meters for all apartments. This was based on a provided scope of renovation. It should be noted, in any event, that if the apartments were to be sub-metered and tenants responsible for direct electric utility payments, all rent stabilized tenants would be granted a reduction in rent commensurate with standard utility rates. In addition to the added cost of metering, there is a significant administration cost to amend the leases of the rent stabilized tenants. Therefore, there would be no material increase in net revenues from the addition of meters. To the contrary, for all the above reasons, metering of apartments would produce a reduction in net income.

(c) We are not aware of any reference to "usable square footage" in Cushman's 2009 study. "Net rentable area" was utilized for rental rate projections of the units in the Subject Buildings. Net rentable area refers to all of the space within an apartment that is accessible to the occupant. Gross building area is the total floor area of a building, excluding below grade space and unenclosed areas, measured from the exterior of the walls. The gross building area was utilized for operating expense projections of the buildings.

(d) A copy of the Project Consult report estimating the \$10,530,233 capital budget is annexed hereto as Attachment C.

(e) See the response to question No. 43(a), above.

(f) The Subject Buildings consist of 84,826 square feet of gross building area with 190 residential units. This represents 446 square feet of gross building area per apartment. Per City records, the gross building area of the Other Buildings is 445,644 square feet, which excludes 15,000 square feet allocated to retail space. These structures contain a total of 762 residential units, which represents 585 square feet of gross building area per apartment. This is 31.17 percent more area per apartment than is in the Subject Buildings. This additional square footage provides the apartments in the Other Buildings with superior layouts to the apartments in the Subject Buildings. Cushman also analyzed the density of the underlying site based on the number of units per acre of land area. The Subject Buildings contain 412 units per acre. For the Other Buildings, the density is 322 units per acre. Therefore, the Subject Buildings are constructed to a 27.91 percent greater density than the Other Buildings.

| City & Suburban – Size & Density Comparison<br>Block 1459 |           |                   |                      |                |              |             |               |
|---|-----------|-------------------|----------------------|----------------|--------------|-------------|---------------|
|   | Lot       | Site Size<br>(SF) | Site Size<br>(Acres) | GBA            | No.<br>Units | GBA<br>Unit | Units<br>Acre |
|   | 1*        | 42,777            | 0.98                 | 186,882        | 237          | 789         | 241           |
|   | 10        | 30,125            | 0.69                 | 133,860        | 290          | 462         | 419           |
|   | 30        | 30,125            | 0.69                 | 124,902        | 235          | 531         | 340           |
| <b>Aggregate</b>  |           | <b>103,027</b>    | <b>2.37</b>          | <b>445,644</b> | <b>762</b>   | <b>585</b>  | <b>322</b>    |
| Percent Difference  |           |                   |                      |                |              | -23.66%     | 27.91%        |
| <b>Subject Buildings</b>                                  | <b>22</b> | <b>20,083</b>     | <b>0.46</b>          | <b>84,826</b>  | <b>190</b>   | <b>446</b>  | <b>412</b>    |

*\*Allocates 15,000 square feet for commercial space*

Cushman's previous studies also contained photographs of renovated units in the Other Buildings which show superior finishes in comparison to the units in the Subject Buildings, which make them more attractive to potential tenants.

(g) The unit to which Cushman attributed a rent of \$2,300 per month is a two-bedroom unit with an area of 576 square feet. Upon a further review of its records for this apartment, the applicant has determined that \$2,300 is the monthly rent for this unit allowed under Rent Stabilization, and that the unit is actually rented for a preferential rent of \$1,600. This preferential rent, which reflects the market rent that can actually be achieved for this unit, represents a per square foot rent of about \$33 and, therefore, supports Cushman's projection of market rents for the vacant apartments in the Subject Buildings.

(h) The 2012 Cushman Report includes an adjustment grid chart for comparable rents. That report also analyzes additional comparable properties which support the conclusions in Cushman's 2009 study.

(i) The date of the analysis in Cushman's 2009 study is as of February 5, 2009. As of the date of analysis, a renovation period is necessary before the vacant units could be upgraded to livable conditions and occupied. Therefore, the first quarter (3 months) is a period modeled to allow the first set of apartments to be renovated. The absorption chart shows that no income will be generated for these vacant units during the first quarter.

(j) Legal rents for individual apartments may be greater or less than the market will bear. Preferential rents are used when the market rent is below the legal recorded rent. A preferential rent preserves the legal rent levels to which future Rent Guidelines Board increases apply.

(k) Cushman reports the residential market occupancy rate to range between 95 and 100 percent, with a historical rate of vacancy below 5 percent. This does not mean that these “average” rates apply to all properties. A vacancy rate was selected based upon Cushman’s judgment of the Subject Buildings’ competitive position, which is a reflection of their condition, design and location. Given their 6 story height, the size and layout of units, and the perceived condition post renovation, Cushman projected a vacancy rate greater than this average market level. The Subject Buildings will experience greater than average turnover of units especially on their uppermost floors. Cushman also projected a “credit loss,” for which prudent investors model. This accounts for slow or non-payment of rent and delays in obtaining possession due to succession rights challenges of rent regulated units.

(l) The absorption rate conclusion with building-wide capital improvements was 12 business quarters equivalent to 36 months. The absorption rate conclusion without the capital improvements was 15 business quarters equivalent to 45 months. This is a function of existing and proposed conditions within the buildings and units. The absorption conclusion with building-wide capital improvements gave consideration to the physical design, room sizes and access issues of subject units, the lack of staging areas, deficient power to support multiple work crews and input from construction consultants. The desirability of the apartments in the Subject Buildings without the capital improvements would be very poor, and attracting and maintaining high occupancy is negatively impacted. The absorption rate for the Subject Buildings would also be affected by the relatively high turnover and large number of vacant apartments in the Other Buildings, which would provide direct competition for available units in the Subject Buildings.

(m) The historical painting expenses were based on a high actual vacancy rate, which reduced the amount of required painting. In contrast, Cushman’s projection of \$47,500 is

based on full occupancy, which increases the amount of painting that must be done. This projection, which takes into account painting and supply costs, represents a cost of \$.056 per square foot, which is consistent with industry norms.

(n) Cushman's salary and benefits projection contemplates a superintendent, two handymen, one porter and security personnel receiving union pay scales. Based on the \$296,900 expense projection, the average annual salary and benefit per employee is \$59,380. The chart below details the average salary costs, without benefits, for seven residential assets that Cushman is familiar with. Benefits typically account for 25 to 30 percent of total employee costs. Cushman's projection of salary and benefits for the Subject Buildings is below the average of the comparable set, but is deemed reasonable and applicable to these buildings.

| Average Salary Per Employee |                 |
|-----------------------------|-----------------|
| Property                    | Average Salary  |
| Comparable 1                | \$41,578        |
| Comparable 2                | \$89,804        |
| Comparable 3                | \$62,325        |
| Comparable 4                | \$45,690        |
| Comparable 5                | \$65,000        |
| Comparable 6                | \$65,000        |
| Comparable 7                | \$65,000        |
| <b>Total</b>                | <b>\$60,628</b> |

(o) The text should have read "common areas and apartments". This is a typo.

(p) The Subject Buildings are in poor overall condition with an obsolete electrical system beyond its useful life. The tiny bathrooms accommodate only custom fixtures which are more expensive to repair and replace.

Question:

44. For the Feb 2009 Report: Apartment renovations/upgrades only, please answer the following questions:

- (a) Please explain how C&W arrived at the estimated 12.5 percent reduction in rents for this scenario. (p. 36)
- (b) Please explain why C&W changed the absorption rate from 36 to 45 months and why the renovation rate has changed from 8 to 6 units per quarter. (P. 36)
- (c) Why did the estimated average size of apartments change from 442 to 446 (compare p. 19 with p. 33).
- (d) Many of the apartments in the two buildings have new and larger windows. How was this taken into account in estimating rents?

Response:

(a) Cushman estimated that the 2009 scenario involving both renovations to vacant apartments and building-wide capital improvements to the Subject Buildings would have allowed the renovated vacant apartments to achieve market rents of about \$40 per square foot. With respect to improvements to existing buildings, in-unit renovations have the greatest economic impacts on achievable rents. However, building-wide capital improvements can also affect rent levels. For example, some capital improvements will enhance the appearance and/or functionality of a building's lobby or other common areas, which will have a positive impact on achievable rents. Similarly, electrical upgrades can allow for greater use of electronic equipment, appliances and individual air conditioning units, thereby increasing the marketability of apartments. Cushman determined that approximately 25% of the total building-wide capital expenditures projected for the Subject Buildings were of the type that would have an impact on rent levels in the Subject Buildings. On the basis of this analysis, for the 2009 scenario that includes in-unit upgrades but excludes building-wide capital improvements, Cushman projected a market rent of \$35 per square foot, which represents 12.5% lower rents than the \$40 per square

foot projection for the building-wide improvements scenario. This is a relatively modest and clearly supportable reduction in projected rents for the in-unit only scenario.

(b) See the response to question No. 43(l), above. The lease rate is negatively impacted by a reduced level of building-wide capital improvement.

(c) The "442" is a typo. The average unit size based on the gross building area should be 446 square feet.

(d) Larger windows allow better light and air into the apartment, improving somewhat the overall aesthetics. Cushman considered this as a positive influence in the rental rate conclusion.

Question:

45. **For the May 2010 Report,** please provide answers to the following questions:

- (a) C&W claims on p. 22 that, "[Based on the current scenario, whereby proposed renovation have been reduced to compliance with relevant code to ensure habitability, these units [market rate apartments in other buildings in the City & Suburban complex] generally have superior renovated interiors, and generally better layouts and superior overall conditions." Please provide a factual basis for this statement.
- (b) C&W compares the rents that could be charged for renovated apartments to New York City Housing Authority units, which C&W claims "ranges between \$15 and \$30 per square foot." (p. 23.) Does this estimate factor in that the rents are subsidized?
- (c) Please answer all of questions with respect to absorption rate listed above.
- (d) Please demonstrate that the examples cited to justify a 51 month absorption rate are comparable in terms of defining when the absorption period began and ended and that the apartments are comparable in terms of size and rents being requested. (P. 24)
- (e) Please answer all questions concerning vacancy and collection loss discussed above.
- (f) Please answer question about why operating expenses shouldn't track what's occurring in the other buildings in the complex. (p. 29)

- (g) Why have the costs for repairs and maintenance increased from \$212,100 (\$250/sf) in the Feb. 2009 report (p. 35) to \$339,304 (\$4/sf) in the May 2010 Report (p. 30)?

Response:

(a) There is a significant difference between the units in the Subject Buildings, as renovated to a minimum standard for code compliance and habitability, and the market rate units in the Other Buildings. Cushman's 2010 study included a photographic depiction of renovated units in the Other Buildings and these show superior finishes. Furthermore, Cushman has inspected the Other Buildings and their units and overall room sizes and dimensions are superior to the units in the Subject Buildings, making them more appealing to a tenant. When comparing rental units with poor quality flooring, poorly insulated and deficient windows, inferior kitchen and bathroom fixtures, a reasonable market participant would conclude the subject units inferior.

(b) The NYCHA properties mentioned in Cushman's 2010 study include those assets federalized in 2010 under the ARRA act. The actual rents in these properties ranged between \$15 and \$30 per square foot, with the higher end of the range exhibited in the Manhattan asset. Some tenants of these units receive rent subsidies through various government programs. However, according to HUD, the rents that are charged for these units represent market rents that are commensurate with rents for comparable privately-owned units.

(c) Absorption rates were addressed in response to question No. 35, above. The elongated absorption rate used in the 2010 study is based on the fact that, under this scenario, the Subject Buildings' vacant units would only be brought up to minimally habitable standards, which would make these units difficult to rent and result in a slower absorption rate.

(d) The examples of absorption cited in the 2010 study reflect leasing activity experienced in new, market-rate buildings. These new buildings are Class A investment grade

assets with none of the logistical or quality issues presented by the Subject Buildings. Therefore, they reflect marketing conditions that are very different from any leasing program that might be initiated in the Subject Buildings. Consequently, the pace of absorption in these new buildings, which was in the range of 25 to 30 units per month, is well above what could be expected at the Subject Buildings. We know of no leasing program involving approximately 100 small units in old walk-up buildings that can appropriately be compared to the Subject Buildings.

(e) The 2008 Housing & Vacancy Study indicates a vacancy rate of 2.88 percent for New York City. This rate rose in 2009 due to the financial crisis that began in August 2008. Vacancy & Collection Loss is an estimate made by prudent investors to account for the vacancy experienced in the market, collection loss from non-paying tenants, downtime between leases which includes a period to make-ready individual units, and a contingency for unforeseen events (for example a fire removing a unit or units from rentable status). Market-wide vacancy in 2009 was 5.0 percent. Cushman estimated, on the basis of the high turnover rate in the Other Buildings, that a market-rate unit in the Subject Buildings would turn over, on average, every four years and, consequently, would be vacant for one month every four years. This would add 2.0 percent to the vacancy rate in these buildings, rounded to the market-wide vacancy rate. In addition, the Subject Buildings' 6-story walk-up design would result in a greater vacancy rate than market norms, and the greatest level of vacancy in like-kind buildings are found on the 5th and 6th floors. Cushman used the market-wide vacancy in 2009 (5.0 percent) plus allowances for downtime (2.0 percent) and contingencies and collection loss, and concluded to a 10.0 percent vacancy and collection loss.

(f) The operating expenses used in Cushman's 2010 study reflect operation of the Subject Buildings following a minimal upgrade to habitable status, resulting in inferior

conditions to the assets on the same block. This includes sub-standard electric and mechanical systems, requiring greater levels of on-going repairs and maintenance, salary and insurance expenses. The conclusion used in the 2010 study report totals \$13.46 per square foot. The conclusion is in line with the Other Buildings when adjusted for these categories, and for comparison to calendar year 2010.

(g) The costs for repairs and maintenance differed from \$212,100 in the 2009 study to \$339,304 in the 2010 study. This is due to the various scenarios that were considered. In its 2009 study, for the scenario involving in-unit renovations and building-wide capital expenditures, Cushman projected annual maintenance and repair costs of \$212,100. For the 2009 scenario involving only in-unit renovations, Cushman projected a higher rate for repairs and maintenance (\$339,304) due to the absence of building-wide capital expenditures that could be expected to hold down such expenses. The repairs and maintenance estimate made in the 2010 study for the minimal habitability scenario, which also excluded building-wide capital expenditures, is the same estimate (\$339,304) that was used in the 2009 scenario involving only in-unit renovations.

Question:

46. **July 1, 2011 Submission**, please provide answers to the following questions:

(a) Wolpert Letter:

- (i) Please define what is meant by “comparable” apartments. Footnote one explains the MSK apartments, but Mr. Wolpertt doesn’t explain what he means when he uses this term. One assumes he is referring to a subset of apartments in the rest of the complex, but doesn’t explain how this subset is defined or otherwise provide a basis for the statement.
- (ii) With respect to MSK apartments, you’ve indicated that the MSK apartments could not be re-rented at the same level, but they are still being rented for between \$1200-1800/month. Why isn’t this

range of rents a reasonable estimate of what renovated apartments would rent for in the February 9 Report?

- (iii) What is the basis for the statement that the “majority (63%) of the former MSK units still cannot be leased,” since ownership has stated that the vacancy rate in these buildings has been kept artificially high?
  - (iv) Shouldn’t most of the conclusions in the Wolpertt letter be discounted by the fact that the conclusions are based on a false conception of the vacancy rate? Especially the conclusion about how a releasing program at the Subject Properties would “drive the average ‘vacant’ rent downward over time”? Similarly, the conclusion that “the 24% vacancy rate is indicative of the vacancy rate that is likely to result if we sought to re-rent vacant units on York Avenue at rents comparable to the rents that are being achieved in the other buildings on the block”?
- (b) Project Consult Report:
- (i) Please ask Project Consult (Gleeds) to estimate how much the cost of renovations increased by ownership’s decision not to start renovating apartments in 2006, immediately after the landmark designation?
  - (ii) How many of the apartments that were vacant at the time of designation received new windows in the 18 months leading up to designation or within 12 months after designation.
- (c) Paul Selver Letter
- (i) Please explain your conclusion and basis for the statement that, since “the last registered rents for about a third of the vacant units in the Subject Buildings were in the vicinity of \$600 per month,” that “[t]hese figures strongly suggest that, if the vacant units in the Subject Buildings had been brought into minimally habitable condition, the achievable rents in the ‘test year’ would have been significantly lower than the average rent of the occupied units.” (p. 3). In addition, with respect to this “third,” how many were subject to some kind of rent control restriction and when were they vacated?

Response:

- (a) Wolpert Letter: The term “comparable apartments” was intended to cover the apartments in the other buildings in the First Avenue Estate, with the exception of the

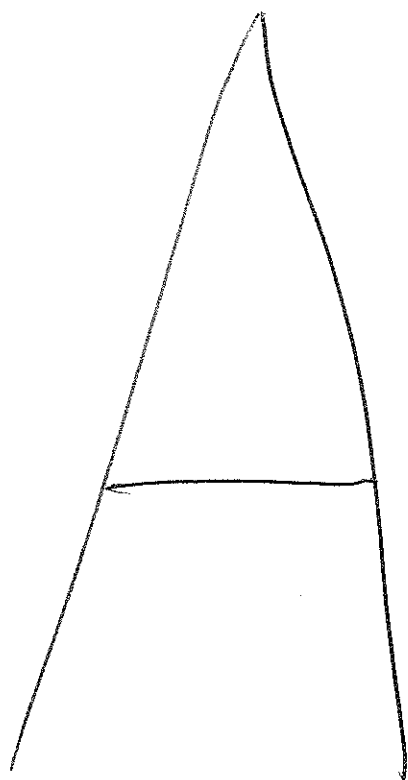
apartments located in the one building that is served by an elevator and the apartments that had previously been rented by Memorial Sloane Kettering Hospital ("MSK Apartments"). The MSK Apartments, which are significantly larger and have a higher level of finish than the apartments in the Subject Buildings, were leased to MSK on a temporary basis at above normal market rents. Therefore, the rent levels paid by MSK or subsequent tenants in the MSK Apartments are not indicative of the rents that could have been achieved in the Subject Buildings following such renovations. Vacant apartments in the Other Buildings, including the MSK Apartments, have not been warehoused and have all been available to rent.

(b) Project Consult (Gleeds) Report: It is not possible for Gleeds to estimate how much the cost of repair and renovation work in the Subject Buildings would have increased between their November 2006 designation by the Commission and the test year of 2009. Gleeds does not have sufficient information regarding the conditions at the Subject Buildings and in vacant apartments in November 2006. In any event, as explained in the response to question No. 2, above, following the Commission's 2006 designation of the Subject Buildings, it was reasonable and prudent for the applicant to leave the buildings' vacant apartments empty while it was seeking judicial and administrative relief from that determination.

To date, of the 684 windows in the Subject Buildings, 125 have been replaced with new windows. The applicant does not have records concerning which apartments in the Subject Buildings received new windows in the 18 months prior to, and the 12 months after, the Commission's designation.

(c) Paul Selver Letter: The Wolpert and Selver letters noted that, as of March 2011, the average monthly rent for occupied apartments in the Other Buildings was about \$888 and, for occupied apartments in the Subject Buildings, the average rent was about \$840. A large

majority of these units are subject to Rent Stabilization. These averages include some apartments that are occupied by tenants who are paying above market rents, but have not sought to relocate because of the costs associated with relocation or because their existing income or credit status tend to disqualify them from many housing alternatives. The Wolpert and Selver letters also noted that the average last-registered monthly rent for vacant apartments in the Other Buildings was about \$788 and the last-registered rent for about a third of the vacant units in the Subject Buildings was in the vicinity of \$600. Because almost all of these vacant units were subject to Rent Stabilization, the rents that could legally be charged for vacant apartments in the Subject Buildings after they were brought into habitable condition would be limited, even taking into account the allowable rent increases for previously vacant apartments. Under these circumstances, and considering the competition resulting from the availability of a number of vacant and superior apartments in the Other Buildings at relatively modest rents, it is very likely that the rents that could be achieved in the Subject Buildings' vacant apartments if they were brought into minimally habitable condition would be less than the average rents of the occupied units in these buildings.



**RPIE 2006**

Borough-Block-Lot (BBL): 1-01459-0022 429 EAST 64 STREET

**SECTION A - OWNER INFORMATION**

|   |                                 |        |                      |
|---|---------------------------------|--------|----------------------|
| 1a. Owner's Name                              | <b>Stahl York Avenue Co. LL</b> | b. EIN | c. <b>13-2901875</b> |
| d. Additional Owner's Name<br>(if applicable) |                                 | e.     | f.                   |
| g. Additional Owner's Name<br>(if applicable) |                                 | h.     | i.                   |

---

|   |    |    |
|---|----|----|
| 2a. Filer's Name<br>(if different from the owner) | b. | c. |
| d. Filer's Relationship to the<br>Property        |    |    |

**SECTION B - CONTACT INFORMATION**

|                    |                      |                      |                                 |
|--------------------|----------------------|----------------------|---------------------------------|
| 3. Contact Name    | <b>Gregg Wolpert</b> | 4. Firm Name         | <b>Stanley Stahl Management</b> |
| 5. Telephone No.   | <b>(212)826-7060</b> | 6. E-mail<br>Address | <b>gwolpert@stahlre.com</b>     |
| 7. Group Filer No. | <b>000</b>           |                      |                                 |

**SECTION D - RPIE EXEMPTIONS**

TO BE COMPLETED ONLY IF YOU ARE NOT REQUIRED TO FILE AN RPIE

**12. I am not required to file an RPIE for this year because my property:**

- a. has an actual assessed value of \$40,000 or less.
- b. is exclusively residential with 10 or fewer apartments.
- c. is primarily residential with 6 or fewer apartments and no more than one commercial unit.
- d. is a residential cooperative apartment building with less than 2,500 square feet of commercial space (not including garage space).
- e. is an individual residential condominium unit that is not part of a group of rental units that makes up the majority of the development.
- f. is rented exclusively to a related person or entity.
- g. is occupied exclusively by the owner but is not a department store with 10,000 or more gross square feet; hotel or motel; parking garage or lot; power plant; or theater.
- h. is owned and used exclusively by a fully exempt not-for-profit organization or government entity and generates no rental income.
- i. is vacant or uninhabitable and non-income-producing because of an impending demolition.
- j. is vacant, non-income-producing land.

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If you claimed an exemption above and want to file an RPIE-EZ to provide Finance with the most current information about your property, please check the box to the left

**SECTION E - PROPERTY USE AND VACANCY INFORMATION**

## 13. Description:

|                      |     |                            |     |                           |      |
|----------------------|-----|----------------------------|-----|---------------------------|------|
| a. Total # of Units: | 190 | b. # of Residential Units: | 190 | c. # of Commercial Units: | 0    |
| d. # of Buildings:   | 2   | e. # of Stories:           | 6   | f. Year of Purchase:      | 1977 |

**14-26:** Indicate the percentage of the space in the building that was vacant as of the end of the reporting period.

## Percentage Vacant

|                     |     |
|---------------------|-----|
| 14. Residential     | 16% |
| 15. Office:         | 0 % |
| 16. Retail:         | 0 % |
| 17. Loft:           | 0 % |
| 18. Factory:        | 0 % |
| 19. Warehouse:      | 0 % |
| 20. Storage:        | 0 % |
| 21. Garage/Parking: | 0 % |
| 22. Hotel:          | 0 % |
| 23.                 | 0 % |
| 24.                 | 0 % |
| 25.                 | 0 % |

**SECTION F - ADDITIONAL REQUIRED INFORMATION****TO BE COMPLETED ONLY IF THE PROPERTY CONTAINS ANY PARKING-RELATED SPACE**

## 49. Outdoor Parking Information:

|                                      |     |
|--------------------------------------|-----|
| a. # of Outdoor Parking Spaces:      | 0   |
| b. # of Paid Outdoor Parking Spaces: | 0   |
| c. Monthly Rate Per Space:           | \$0 |

## 50. Indoor Parking Information:

|                                    |     |
|------------------------------------|-----|
| a. # of Indoor Garage Spaces:      | 0   |
| b. # of Paid Indoor Garage Spaces: | 0   |
| c. Monthly Rate Per Space:         | \$0 |

**SECTION G - LEASE INFORMATION**

52. Is any part of the property subject to a triple net lease? **NO**
53. Is there a ground lease on the property? **NO**
54. Owner Occupancy: Is any part of this property owner-occupied? **NO**

**SECTION G - LEASE INFORMATION (CONTINUED)**

| Tenant's Name | Floor | Full or Partial | Gross SqFt  | Primary Use          | Base Yr              | Lease Term             |
|---------------|-------|-----------------|-------------|----------------------|----------------------|------------------------|
|               | 0     | Full            | 0           |                      |                      | 0                      |
|               |       | Current Rent    | Electricity | Pass Through Charges | Next Escalation Date | New Rent (\$ per year) |
|               |       | 0               | 0           | 0                    |                      | 0                      |

**SECTION H - FILING EXCEPTIONS**

55. I am not required to file the RPIE-2006 Part II or Part III Income and Expense Statement. Indicate the reason for this exception below:
- a. I filed a Tax Commission Income and Expense Schedule containing full calendar or full fiscal year 2006 income and expense information.
  - b. I purchased my property in 2007.
56. I am not required to file the RPIE-2006 Part II or Part III Income and Expense Statement for the entire year because I purchased, built or renovated my property in 2006. Indicate the reason for this exception below:
- a. I purchased this property in an arms length transaction during the 2006 reporting period and a 12 month statement is not available.
  - b. The property was unoccupied while under construction or renovation during the 2006 reporting period.
  - c. The property was available for use but was entirely vacant for one or more months during the 2006 reporting period.

**PART II: SECTION I - REPORTING PERIOD**

1. The income and expense statement  
is for:

Calendar Year

2. Indicate the period covered in this  
statement:

From **01 / 06** To **12 / 06**

**SECTION J - INCOME FROM REAL ESTATE. Do not list any negative figures.**

|  | # of Units | Income (\$ per year)<br>(Round to nearest \$) |
|--|------------|---|
| 3. Residential:                            |            |   |
| a. Regulated:                              | 122        | 1,228,689                                     |
| b. Unregulated:                            | 13         | 261,684                                       |
| 4. Office:                                 | 0          | 0   |
| 5. Retail:                                 | 0          | 0   |
| 6. Loft:                                   | 0          | 0   |
| 7. Factory:                                | 0          | 0   |
| 8. Warehouse:                              | 0          | 0   |
| 9. Storage:                                | 0          | 0   |
| 10. Garages/Parking:                       | 0          | 0   |
| 11. Owner-Occupied or Owner-Related Space: | 0          | 0   |
| 12. Ancillary Income:                      |            |   |
| a. Operating Escalation:                   | 0          | 0   |
| b. Real Estate Tax Escalation:             | 0          | 0   |
| c. Sale of Utility Services:               | 0          | 2,014   |
| d. Sale of Other Services:                 | 0          | 0   |
| e. Government Rent Subsidies:              | 0          | 1,040   |
| f. Signage / Billboard:                    | 0          | 0   |
| g. Cell Towers:                            | 0          | 0   |
| 13. Other (describe):                      |            |   |
| a. Laundry                                 | 0          | 10,012  |
| b.   | 0          | 0   |
| c.   | 0          | 0   |
| 14. TOTAL INCOME FROM REAL ESTATE          |            | 1,503,439                                     |

**SECTION K - INCOME FROM BUSINESS**

|                                | Income (\$ per year)<br>(Round to nearest \$) |
|--------------------------------|---|
| 15. Merchandise:               | 0   |
| 16. Food and Beverage:         | 0   |
| 17. Parking:                   | 0   |
| 18. Automotive Fuel:           | 0   |
| 19. Admissions:                | 0   |
| 20. Other Sales:               | 0   |
| 21. Gross Sales:               |   |
| a. Gross Sales:                | 0   |
| b. Returns and Refunds:        | 0   |
| c. Leased Departments:         | 0   |
| d. Net Gross Sales:            | 0   |
| 22. TOTAL INCOME FROM BUSINESS | 0   |

**SECTION L - EXPENSES**

|   | Expenses (\$ per year)<br>(Round to nearest \$) |
|---|---|
| 23. Fuel:   | 72,076  |
| 24. Light and Power:                                | 120,656   |
| 25. Cleaning Contracts:                             | 0   |
| 26. Wages and Payroll:                              | 251,800   |
| 27. Repairs and Maintenance:                        | 161,429   |
| 28. Management and Administration:                  | 125,403   |
| 29. Insurance (annual):                             | 78,552  |
| 30. Water & Sewer:                                  | 56,042  |
| 31. Advertising:                                    | 0   |
| 32. Interior Painting and Decorating:               | 52,197  |
| 33. Amortized Leasing and Tenant Improvement Costs: |   |
| a. Amortized leasing & tenant improvem              | 9,744   |
| b.  | 0   |
| 34. Miscellaneous Expenses:                         |   |
| a. Depreciation of building improvemen              | 11,054  |
| b. Security   | 56,464  |
| c. Supplies, Permits, Sundry, Bad debt              | 111,747   |
| 35. TOTAL EXPENSES                                  | 1,107,164                                       |

**Comments:**

**RPIE 2007**

Borough-Block-Lot (BBL): 1-01459-0022 429 EAST 64 STREET

Last Update: 08/13/2008 This form has not yet been submitted

Initially Loaded On: 08/05/2008 Seq No. 0

**SECTION A - OWNER INFORMATION**

|   |                                 |        |                    |
|---|---------------------------------|--------|--------------------|
| 1a. Owner's Name                              | <b>Stahl York Avenue Co. LL</b> | b. EIN | c. <b>13-*****</b> |
| d. Additional Owner's Name<br>(if applicable) |                                 | e.     | f.                 |
| g. Additional Owner's Name<br>(if applicable) |                                 | h.     | i.                 |

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|   |              |    |
|---|--------------|----|
| 2a. Filer's Name<br>(if different from the owner) | b.           | c. |
| d. Filer's Relationship to the<br>Property        | <b>Owner</b> |    |

**SECTION B - CONTACT INFORMATION**

|                  |                      |                      |                                 |
|------------------|----------------------|----------------------|---------------------------------|
| 1. Contact Name  | <b>Gregg Wolpert</b> | 2. Firm Name         | <b>Stanley Stahl Management</b> |
| 3. Telephone No. | <b>(212)826-7060</b> | 4. E-mail<br>Address | <b>gwolpert@stahlre.com</b>     |

**SECTION D - RPIE EXEMPTIONS**

TO BE COMPLETED ONLY IF YOU ARE NOT REQUIRED TO FILE AN RPIE

**1. I am not required to file an RPIE for this year because my property:**

- a. has an **actual assessed value** of \$40,000 or less.
- b. is **exclusively residential** with 10 or fewer apartments.
- c. is **primarily residential** with 6 or fewer apartments and no more than one commercial unit.
- d. is a **residential cooperative** apartment building with less than 2,500 square feet of commercial space (not including garage space).
- e. is an **individual residential condominium unit** that is not part of a group of rental units that makes up the majority of the development.
- f. is rented exclusively to a **related person or entity**.
- g. is **occupied exclusively by the owner** but is not a department store with 10,000 or more gross square feet; hotel or motel; parking garage or lot; power plant; or theater.
- h. is owned and used exclusively by a fully exempt **not-for-profit organization or government entity** and generates no rental income.
- i. is **vacant or uninhabitable** and non-income-producing for the entire year.
- j. is **vacant, non-income-producing land**.

If you claimed an exemption above and want to file an RPIE-EZ to provide Finance with the most current information about your property, please check the box to the left

**SECTION E - PROPERTY USE AND VACANCY INFORMATION**

## 1. Description:

a. Total # of Units: **190**      b. # of Residential Units: **190**      c. # of Commercial Units: **0**  
 d. # of Buildings: **2**      e. # of Floors: **6**      f. Year of Purchase: **1977**

**2-13:** Indicate the percentage of the space in the building that was **vacant** during the **entire** reporting period.

## Percentage Vacant

2. Residential **11%**  
 3. Office: **0 %**  
 4. Retail: **0 %**  
 5. Loft: **0 %**  
 6. Factory: **0 %**  
 7. Warehouse: **0 %**  
 8. Storage: **0 %**  
 9. Garage/Parking: **0 %**  
 10. **0 %**  
 11. **0 %**  
 12. **0 %**  
 13. **0 %**

**SECTION F - ADDITIONAL REQUIRED INFORMATION****TO BE COMPLETED ONLY IF THE PROPERTY CONTAINS ANY PARKING-RELATED SPACE**

## 1. Outdoor Parking Information:

a. # of Outdoor Parking Spaces: **0**  
 b. # of Paid Outdoor Parking Spaces: **0**  
 c. Monthly Rate Per Space: **\$ 0**

## 2. Indoor Parking Information:

a. # of Indoor Garage Spaces: **0**  
 b. # of Paid Indoor Garage Spaces: **0**  
 c. Monthly Rate Per Space: **\$ 0**

**SECTION 3 - LEASE and OCCUPANCY INFORMATION**

1. Does the tenant pay **ALL** the operating expenses including the real estate taxes (triple net lease)? **NO**
2. Is there a ground lease on the property? **NO**
3. Owner Occupancy: Is any part of this property owner-occupied or occupied by a related party? **NO**

**SECTION K - FILING EXCEPTIONS**

1.

I am not required to file the RPIE-2007 Part II or Part III Income and Expense Statement because I purchased my property in 2008

2. I am not required to file the RPIE-2007 Part II or Part III Income and Expense Statement for the entire year because I purchased, built or renovated my property in 2007. Indicate the reason for this exception below:

a. I purchased this property in an arms length transaction during the 2007 reporting period and a 12 month statement is not available.

b. The property was unoccupied while under construction or renovation during the 2007 reporting period.

c. The property was available for use but was entirely vacant for one or more months during the 2007 reporting period.

**PART II: SECTION L - REPORTING PERIOD**

1. The income and expense statement is for: **Calendar Year**
2. Indicate the period covered in this statement: **From 01 / 07 To 12 / 07**

**SECTION M - INCOME FROM REAL ESTATE. Do not list any negative figures.**

|   | # of Units | Income (\$ per year)<br>(Round to nearest \$) |
|---|------------|---|
| 1. a. Residential: Regulated              | 177        | 1,141,392                                     |
| b. Residential: Unregulated               | 13         | 262,030                                       |
| 2. Office:                                | 0          | 0   |
| 3. Retail:                                | 0          | 0   |
| 4. Loft:                                  | 0          | 0   |
| 5. Factory:                               | 0          | 0   |
| 6. Warehouse:                             | 0          | 0   |
| 7. Storage:                               | 0          | 0   |
| 8. Garages/Parking:                       | 0          | 0   |
| 9. Owner-Occupied or Owner-Related Space: | 0          | 0   |
| 10. Ancillary Income:                     |            |   |
| a. Operating Escalation:                  |            | 0   |
| b. Real Estate Tax Escalation:            |            | 0   |
| c. Sale of Utility Services:              |            | 2,044   |
| d. Sale of Other Services:                |            | 0   |
| e. Government Rent Subsidies:             | 0          | 8,412   |
| f. Signage / Billboard:                   | 0          | 0   |
| g. Cell Towers:                           | 0          | 0   |
| 11. Other (describe):                     |            |   |
| a. Laundry and miscellaneous income       | 0          | 9,440   |
| b.  | 0          | 0   |
| c.  | 0          | 0   |
| 12. TOTAL INCOME FROM REAL ESTATE         |            | 1,423,318                                     |

**SECTION N - INCOME FROM BUSINESS**

|                               | Income (\$ per year)<br>(Round to nearest \$) |
|-------------------------------|---|
| 1. Merchandise:               | 0   |
| 2. Food and Beverage:         | 0   |
| 3. Parking:                   | 0   |
| 4. Automotive Fuel:           | 0   |
| 5. Admissions:                | 0   |
| 6. Other Sales:               | 0   |
| 7. Gross Sales:               |   |
| a. Gross Sales:               | 0   |
| b. Returns and Refunds:       | 0   |
| c. Leased Departments:        | 0   |
| d. Net Gross Sales:           | 0   |
| 8. TOTAL INCOME FROM BUSINESS | 0   |

**SECTION C - EXPENSES**

|   |  | Expenses (\$ per year)<br>(Round to nearest \$) |
|---|--|---|
| 1. Fuel:  |  | 101,236   |
| 2. Light and Power:                                 |  | 126,648   |
| 3. Cleaning Contracts:                              |  | 0   |
| 4. Wages and Payroll:                               |  | 256,846   |
| 5. Repairs and Maintenance:                         |  | 1,302,393                                       |
| 6. Management and Administration:                   |  | 873,891   |
| 7. Insurance (annual):                              |  | 78,252  |
| 8. Water & Sewer:                                   |  | 72,796  |
| 9. Advertising:                                     |  | 0   |
| 10. Interior Painting and Decorating:               |  | 13,362  |
| 11. Amortized Leasing and Tenant Improvement Costs: |  | 7,930   |
| 12. Miscellaneous Expenses:                         |  |   |
| a. Depreciation of building improvemen              |  | 18,614  |
| b. Supplies   |  | 6,580   |
| c. Taxes and permits                                |  | 9,490   |
| d. Security   |  | 63,124  |
| e. Sundry   |  | 3,510   |
| 13. TOTAL EXPENSES                                  |  | 2,934,672                                       |

**Comments:**

*If you need to correct or amend information, please select the 'Amend a Filed Return' option on the main menu and use the same password to re-access the filed information.*

**Real Property Income and Expense - 2008**

Borough-Block-Lot (BBL): 1-01459-0022 429 EAST 64 STREET

Updated and Filed On: 08/26/2009

Initially Loaded On: 08/11/2009

**SECTION A - OWNER INFORMATION**

|   |                          |        |             |
|---|--------------------------|--------|-------------|
| 1a. Owner's Name                                  | Stahl York Avenue Co. LL | b. EIN | c. 13-***** |
| d. Additional Owner's Name<br>(if applicable)     |                          | e.     | f.          |
| g. Additional Owner's Name<br>(if applicable)     |                          | h.     | i.          |
| 2a. Filer's Name<br>(if different from the owner) |                          | b.     | c.          |
| d. Filer's Relationship to the Property           | Owner                    |        |             |

**SECTION B - CONTACT INFORMATION**

|                  |               |                   |                          |
|------------------|---------------|-------------------|--------------------------|
| 1. Contact Name  | Gregg Wolpert | 2. Firm Name      | Stanley Stahl Management |
| 3. Telephone No. | (212)826-7060 | 4. E-mail Address | gwolpert@stahlre.com     |

**SECTION D - RPiE EXEMPTIONS**

TO BE COMPLETED ONLY IF YOU ARE NOT REQUIRED TO FILE AN RPiE

1. I am not required to file an RPiE for this year because my property:

- a. has an actual assessed value of \$40,000 or less.
- b. is exclusively residential with 10 or fewer apartments.
- c. is primarily residential with 5 or fewer apartments and no more than one commercial unit.
- d. is a residential cooperative apartment building with less than 2,500 square feet of commercial space (not including garage space).
- e. is an individual residential condominium unit that is not part of a group of rental units that makes up the majority of the development.
- f. is rented exclusively to a related person or entity.
- g. is occupied exclusively by the owner but is not a department store with 10,000 or more gross square feet; hotel or motel; parking garage or lot; power plant; or theater.
- h. is owned and used exclusively by a fully exempt not-for-profit organization or government entity and generates no rental income.
- i. is vacant or uninhabitable and non-income-producing for the entire year.
- j. is vacant, non-income-producing land.

If you claimed an exemption above and want to file an RPiE-EZ to provide Finance with the most current information about your property, please check the box to the left

**SECTION E - PROPERTY USE AND VACANCY INFORMATION**

## 1. Description:

a. Total # of Units: **190**      b. # of Residential Units: **190**      c. # of Commercial Units: **0**  
 d. # of Buildings: **2**      e. # of Floors: **6**      f. Year of Purchase: **1977**

g. Is a total demolition expected prior to January 5, 2010? **No**

2-13: Indicate the percentage of the space in the building that was vacant during the entire reporting period.

## Percentage Vacant

2. Residential **24%**  
 3. Office: **0 %**  
 4. Retail: **0 %**  
 5. Loft: **0 %**  
 6. Factory: **0 %**  
 7. Warehouse: **0 %**  
 8. Storage: **0 %**  
 9. Garage/Parking: **0 %**  
 10. **0 %**  
 11. **0 %**  
 12. **0 %**  
 13. **0 %**

**SECTION H - ADDITIONAL REQUIRED INFORMATION****TO BE COMPLETED ONLY IF THE PROPERTY CONTAINS ANY PARKING-RELATED SPACE**

## 1. Outdoor Parking Information:

a. # of Outdoor Parking Spaces: **0**  
 b. # of Paid Outdoor Parking Spaces: **0**  
 c. Monthly Rate Per Space: **\$ 0**

## 2. Indoor Parking Information:

a. # of Indoor Garage Spaces: **0**  
 b. # of Paid Indoor Garage Spaces: **0**  
 c. Monthly Rate Per Space: **\$ 0**

**SECTION J - LEASE and OCCUPANCY INFORMATION**

1. Does the tenant pay **ALL** the operating expenses including the real estate taxes (triple net lease)? **NO**  
 2. Is there a ground lease on the property? **NO**  
 3. Owner Occupancy: Is any part of this property owner-occupied or occupied by a related party? **NO**

**SECTION K - FILING EXCEPTIONS**

1.

I am not required to file the RPIE-2008 Part II or Part III Income and Expense Statement because I purchased my property in 2009

2. I am not required to file the RPIE-2008 Part II or Part III Income and Expense Statement for the entire year because I purchased, built or renovated my property in 2008. Indicate the reason for this exception below:
  - a. I purchased this property in an arms length transaction during the 2008 reporting period and a 12 month statement is not available.
  - b. The property was unoccupied while under construction or renovation during the 2008 reporting period.
  - c. The property was available for use but was entirely vacant for one or more months during the 2008 reporting period.

**PART II: SECTION L - REPORTING PERIOD**

1. The income and expense statement is for: **Calendar Year**
2. Indicate the period covered in this statement: **From 01 / 08 To 12 / 08**

**SECTION M - INCOME FROM REAL ESTATE. Do not list any negative figures.**

|   | # of Units | Income (\$ per year)<br>(Round to nearest \$) |
|---|------------|---|
| 1. a. Residential: Regulated              | 105        | 1,101,113                                     |
| b. Residential: Unregulated               | 1          | 38,293  |
| 2. Office:                                | 0          | 0   |
| 3. Retail Tenants:                        | 0          | 0   |
| 4. Loft:                                  | 0          | 0   |
| 5. Factory:                               | 0          | 0   |
| 6. Warehouse:                             | 0          | 0   |
| 7. Storage:                               | 0          | 0   |
| 8. Garages/Parking:                       | 0          | 0   |
| 9. Owner-Occupied or Owner-Related Space: | 0          | 0   |
| 10. Ancillary Income:                     |            |   |
| a. Operating Escalation:                  |            | 0   |
| b. Real Estate Tax Escalation:            |            | 0   |
| c. Sale of Utility Services:              |            | 2,017   |
| d. Sale of Other Services:                |            | 0   |
| e. Government Rent Subsidies:             | 0          | 5,818   |
| f. Signage / Billboard:                   | 0          | 0   |
| g. Cell Towers:                           | 0          | 0   |
| 11. Other (describe):                     |            |   |
| a. Laundry and miscellaneous income       | 0          | 19,448  |
| b.  | 0          | 0   |
| c.  | 0          | 0   |
| 12. TOTAL INCOME FROM REAL ESTATE         |            | 1,166,689                                     |

## SECTION N - INCOME FROM BUSINESS

|                               | Income (\$ per year)<br>(Round to nearest \$) |
|-------------------------------|---|
| 1. Merchandise:               | 0   |
| 2. Food and Beverage:         | 0   |
| 3. Parking:                   | 0   |
| 4. Automotive Fuel:           | 0   |
| 5. Admissions:                | 0   |
| 6. Other Sales:               | 0   |
| 7. Gross Sales:               |   |
| a. Gross Sales:               | 0   |
| b. Returns and Refunds:       | 0   |
| c. Leased Departments:        | 0   |
| d. Net Gross Sales:           | 0   |
| 8. TOTAL INCOME FROM BUSINESS | 0   |

## SECTION O - EXPENSES

|   | Expenses (\$ per year)<br>(Round to nearest \$) |
|---|---|
| 1. Fuel:  | 116,456   |
| 2. Light and Power:                                 | 142,474   |
| 3. Cleaning Contracts:                              | 0   |
| 4. Wages and Payroll:                               | 252,110   |
| 5. Repairs and Maintenance:                         | 1,409,576                                       |
| 6. Management and Administration:                   | 361,742   |
| 7. Insurance (annual):                              | 65,574  |
| 8. Water & Sewer:                                   | 128,832   |
| 9. Advertising:                                     | 0   |
| 10. Interior Painting and Decorating:               | 8,892   |
| 11. Amortized Leasing and Tenant Improvement Costs: | 7,710   |
| 12. Miscellaneous Expenses:                         |   |
| a. Depreciation of bldg improvements                | 25,094  |
| b. Security   | 65,036  |
| c. Bad debt expense                                 | 23,503  |
| d. Taxes and permits                                | 6,958   |
| e. Supplies and sundry                              | 11,700  |
| 13. TOTAL EXPENSES                                  | 2,625,657                                       |

Comments:

**SECTION IV - RPIE CERTIFICATION**

*I certify that all the information contained in the Real Property Income and Expense Statement submitted electronically for the borough, block and lot 1-01459-0022, including any attachments, is true and correct to the best of my knowledge and belief.*

*I understand that the willful making of any false statement of material fact will subject me to the provisions of the law relevant to the making and filing of false instruments.*

*This form has been filed*

If you need to correct or amend information, please select the 'Amend a Filed Return' option on the main menu and use the same password to re-access the filed information.

1-01459-0022 -08/26/2009-00010

**Real Property Income and Expense - 2009**

Borough-Block-Lot (BBL): 1-01459-0022 429 EAST 64 STREET

Updated and Filed On: 08/31/2010

Initially Loaded On: 06/18/2010 Seq No. 0

**SECTION A - OWNER INFORMATION**

|   |                       |        |             |
|---|-----------------------|--------|-------------|
| 1a. Owner's Name                                  | Stahl York Avenue Co. | b. EIN | c. 13-***** |
| d. Additional Owner's Name<br>(if applicable)     |                       | e.     | f.          |
| g. Additional Owner's Name<br>(if applicable)     |                       | h.     | i.          |
| 2a. Filer's Name<br>(if different from the owner) |                       | b.     | c.          |
| d. Filer's Relationship to the<br>Property        | Owner                 |        |             |

**SECTION B - CONTACT INFORMATION**

|                  |               |                      |                          |
|------------------|---------------|----------------------|--------------------------|
| 1. Contact Name  | Gregg Wolpert | 2. Firm Name         | Stanley Stahl Management |
| 3. Telephone No. | (212)826-7060 | 4. E-mail<br>Address | gwolpert@stahlre.com     |

**SECTION D - RPIE EXEMPTIONS**

TO BE COMPLETED ONLY IF YOU ARE NOT REQUIRED TO FILE AN RPIE

**1. I am not required to file an RPIE for this year because my property:**

- a. has an **actual assessed value** of \$40,000 or less.
- b. is **exclusively residential** with 10 or fewer apartments.
- c. is **primarily residential** with 6 or fewer apartments and no more than one commercial unit.
- d. is a **residential cooperative** apartment building with less than 2,500 square feet of commercial space (not including garage space).
- e. is an **individual residential condominium unit** that is not part of a group of rental units that makes up the majority of the development.
- f. is rented exclusively to a **related person or entity**.
- g. is **occupied exclusively by the owner** but is not a department store with 10,000 or more gross square feet; hotel or motel; parking garage or lot; power plant; or theater.
- h. is owned and used exclusively by a fully exempt **not-for-profit organization or government entity** and generates no rental income.
- i. is **vacant or uninhabitable** and non-income-producing for the entire year.
- j. is **vacant, non-income-producing land**.

If you claimed an exemption above and want to file an RPIE-EZ to provide Finance with the most current information about your property, please check the box to the left

**SECTION E - PROPERTY USE AND VACANCY INFORMATION**

## 1. Description:

a. Total # of Units: **190**      b. # of Residential Units: **190**      c. # of Commercial Units: **0**  
 d. # of Buildings: **2**      e. # of Floors: **6**      f. Year of Purchase: **1977**  
 g. Is a total demolition expected prior to January 5th 2011? **No**

**2-13:** Indicate the percentage of the space in the building that was **vacant** during the **entire** reporting period.

## Percentage Vacant

2. Residential **31%**  
 3. Office: **0 %**  
 4. Retail: **0 %**  
 5. Loft: **0 %**  
 6. Factory: **0 %**  
 7. Warehouse: **0 %**  
 8. Storage: **0 %**  
 9. Garage/Parking: **0 %**  
 10. **0 %**  
 11. **0 %**  
 12. **0 %**  
 13. **0 %**

**SECTION H - ADDITIONAL REQUIRED INFORMATION****TO BE COMPLETED ONLY IF THE PROPERTY CONTAINS ANY PARKING-RELATED SPACE**

## 1. Outdoor Parking Information:

a. # of Outdoor Parking Spaces: **0**  
 b. # of Paid Outdoor Parking Spaces: **0**  
 c. Monthly Rate Per Space: **\$ 0**

## 2. Indoor Parking Information:

a. # of Indoor Garage Spaces: **0**  
 b. # of Paid Indoor Garage Spaces: **0**  
 c. Monthly Rate Per Space: **\$ 0**

**SECTION J - LEASE and OCCUPANCY INFORMATION**

1. Does the tenant pay **ALL** the operating expenses including the real estate taxes (triple net lease)? **NO**  
 2. Is there a ground lease on the property? **NO**  
 3. Owner Occupancy: Is any part of this property owner-occupied or occupied by a related party? **NO**

**SECTION K - FILING EXCEPTIONS**

1. I am not required to file the RPIE-2009 Part II or Part III Income and Expense

Statement. Indicate the reason for this exception below:

- a. I electronically filed a Tax Commission Income and Expense Schedule containing full calendar (2009) or full fiscal year (2009-2010) income and expense information.
  - b. I purchased my property in 2010.
2. I am not required to file the RPIE-2009 Part II or Part III Income and Expense Statement for the entire year because I purchased, built or renovated my property in 2009. Indicate the reason for this exception below:
- a. I purchased this property in an arms length transaction during the 2009 reporting period and a 12 month statement is not available.
  - b. The property was unoccupied while under construction or renovation during the 2009 reporting period.
  - c. The property was available for use but was entirely vacant for one or more months during the 2009 reporting period.

**PART II: SECTION L - REPORTING PERIOD**

1. The income and expense statement is for: **CalendarYear**
2. Indicate the period covered in this statement: **From 01 / 09 To 12 / 09**

**SECTION M - INCOME FROM REAL ESTATE. Do not list any negative figures.**

|   | # of Units | Income (\$ per year)<br>(Round to nearest \$) |
|---|------------|---|
| 1. a. Residential: Regulated              | 96         | 1,000,769                                     |
| b. Residential: Unregulated               | 0          | 10,976  |
| 2. Office:                                | 0          | 0   |
| 3. Retail Tenants:                        | 0          | 0   |
| 4. Loft:                                  | 0          | 0   |
| 5. Factory:                               | 0          | 0   |
| 6. Warehouse:                             | 0          | 0   |
| 7. Storage:                               | 0          | 0   |
| 8. Garages/Parking:                       | 0          | 0   |
| 9. Owner-Occupied or Owner-Related Space: | 0          | 0   |
| 10. Ancillary Income:                     |            |   |
| a. Operating Escalation:                  |            | 0   |
| b. Real Estate Tax Escalation:            |            | 0   |
| c. Sale of Utility Services:              |            | 1,314   |
| d. Sale of Other Services:                |            | 0   |
| e. Government Rent Subsidies:             | 0          | 6,486   |
| f. Signage / Billboard:                   | 0          | 0   |
| g. Cell Towers:                           | 0          | 0   |
| 11. Other (describe):                     |            |   |
| a. Laundry                                | 0          | 12,066  |
| b.  | 0          | 0   |
| c.  | 0          | 0   |
| 12. <b>TOTAL INCOME FROM REAL ESTATE</b>  |            | <b>1,031,611</b>                              |

**SECTION N - INCOME FROM BUSINESS**

|                                      | Income (\$ per year)<br>(Round to nearest \$) |
|--------------------------------------|---|
| 1. Merchandise:                      | 0   |
| 2. Food and Beverage:                | 0   |
| 3. Parking:                          | 0   |
| 4. Automotive Fuel:                  | 0   |
| 5. Admissions:                       | 0   |
| 6. Other Sales:                      | 0   |
| 7. Gross Sales:                      |   |
| a. Gross Sales:                      | 0   |
| b. Returns and Refunds:              | 0   |
| c. Leased Departments:               | 0   |
| <b>d. Net Gross Sales:</b>           | 0   |
| <b>8. TOTAL INCOME FROM BUSINESS</b> | <b>0</b>                                      |

**SECTION O - EXPENSES**

|   | Expenses (\$ per year)<br>(Round to nearest \$) |
|---|---|
| 1. Fuel:  | 98,548  |
| 2. Light and Power:                                 | 125,848   |
| 3. Cleaning Contracts:                              | 0   |
| 4. Wages and Payroll:                               | 263,097   |
| 5. Repairs and Maintenance:                         | 39,817  |
| 6. Management and Administration:                   | 451,337   |
| 7. Insurance (annual):                              | 52,896  |
| 8. Water & Sewer:                                   | 87,706  |
| 9. Advertising:                                     | 0   |
| 10. Interior Painting and Decorating:               | 2,919   |
| 11. Amortized Leasing and Tenant Improvement Costs: | 7,723   |
| 12. Miscellaneous Expenses:                         |   |
| a. Depreciation of bldg improvements                | 29,185  |
| b. Supplies   | 19,062  |
| c. Taxes and permits                                | 11,324  |
| d. Security   | 61,337  |
| e. Bad debt expense                                 | 4,866   |
| <b>13. TOTAL EXPENSES</b>                           | <b>1,255,665</b>                                |

Comments:

**SECTION IV - RPIE CERTIFICATION**


***I certify that all the information contained in the Real Property Income and Expense Statement submitted electronically for the borough, block and lot 1-01459-0022 , including any attachments, is true and correct to the best of my knowledge and belief.***

***I understand that the willful making of any false statement of material fact will subject me to the provisions of the law relevant to the making and filing of false instruments.***


***This form has been filed***

If you need to correct or amend information, please select the 'Amend a Filed Return' option on the main menu and use the same password to re-access the filed information.

1-01459-0022 -08/31/2010-00031



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**Real Property Income and Expense 2009**  
**429 EAST 64 STREET** Borough-Block-Lot (BBL): **1-01459-0022**

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Finance requires owners of all properties with an actual assessed value of \$750,000 or more to submit the current rent roll as part of their annual RPIE filing.

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**Section J - RESIDENTIAL LEASE INFORMATION**

| Apartment Type | # of Regulated Apts * | Total Rent Regulated Apts * | # of Unregulated Apts * | Total Rent Unregulated Apts * | Pass Through Charges (\$ per Year) | Average Rentable Square Feet | # of 1-Year Leases * | # of 2-Year Leases * |
|----------------|-----------------------|-----------------------------|-------------------------|-------------------------------|------------------------------------|------------------------------|----------------------|----------------------|
| <b>TOTALS</b>  | 190                   | 853,744                     | 0                       | 0                             | 0                                  |                              | 21                   | 77                   |
| One Bedroom    | 108                   | 506,066                     | 0                       | 0                             | 0                                  | 0                            | 10                   | 34                   |
| Two Bedroom    | 10                    | 56,811                      | 0                       | 0                             | 0                                  | 0                            | 2                    | 3                    |
| Three Bedroom  | 0                     | 0                           | 0                       | 0                             | 0                                  | 0                            | 0                    | 0                    |
| Four Bedroom   | 0                     | 0                           | 0                       | 0                             | 0                                  | 0                            | 0                    | 0                    |
| Studio         | 72                    | 290,867                     | 0                       | 0                             | 0                                  | 0                            | 9                    | 40                   |
| Other          | 0                     | 0                           | 0                       | 0                             | 0                                  | 0                            | 0                    | 0                    |

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**Real Property Income and Expense - 2010**

Borough-Block-Lot (BBL): 1-01459-0022 429 EAST 64 STREET

Updated and Filed On: 08/31/2011

Initially Loaded On: 08/19/2011 Seq No. 0

**SECTION A - OWNER INFORMATION**

1a. Owner's Name **Stahl York Avenue Co.** b. EIN c. **13-\*\*\*\*\***  
d. Additional Owner's Name e. f.  
(if applicable)

2a. Filer's Name b. c.  
(if different from the owner)  
d. Filer's Relationship to the Property **Owner**

**SECTION B - CONTACT INFORMATION**

1. Contact Name **Gregg Wolpert** 2. Firm Name **Stanley Stahl Management**  
3. Address **277 Park Avenue**  
City: **New York** State: **NY** Zip: **10171**  
4. Telephone No. **(212)826-7060** 5. E-mail Address **gwolpert@stahlire.com**

**SECTION D - RPIE EXEMPTIONS**

TO BE COMPLETED ONLY IF YOU ARE NOT REQUIRED TO FILE AN RPIE

**1. I am not required to file an RPIE for this year because my property:**

- a. has an actual assessed value of \$40,000 or less.
- b. is exclusively residential with 10 or fewer apartments.
- c. is primarily residential with 6 or fewer apartments and no more than one commercial unit.
- d. is a residential cooperative apartment building with less than 2,500 square feet of commercial space (not including garage space).
- e. is an individual residential condominium unit that is not part of a group of rental units that makes up the majority of the development.
- f. is rented exclusively to a related person or entity.
- g. is occupied exclusively by the owner but is not a department store with 10,000 or more gross square feet; hotel or motel; parking garage or lot; power plant; or theater.
- h. is owned and used exclusively by a fully exempt not-for-profit organization or government entity and generates no rental income.
- i. is vacant or uninhabitable and non-income-producing for the entire year.
- j. is vacant, non-income-producing land.

If you claimed an exemption above and want to file an RPIE-B to provide Finance with the most current information about your property, please check the box to the left

**SECTION E - PROPERTY USE AND VACANCY INFORMATION****1. Description:**

a. Total # of Units: **190**      b. # of Residential Units: **190**      c. # of Commercial Units: **0**  
 d. # of Buildings: **2**      e. # of Floors: **6**      f. Year of Purchase: **1977**

g. Is a total demolition expected prior to January 5th 2012? ☐ No

**2-13:** Indicate the percentage of the space in the building that was vacant during the entire reporting period.

## Percentage Vacant

2. Residential: **37%**  
 3. Office: **0 %**  
 4. Retail: **0 %**  
 5. Loft: **0 %**  
 6. Factory: **0 %**  
 7. Warehouse: **0 %**  
 8. Storage: **0 %**  
 9. Garage/Parking: **0 %**  
 10. **0 %**  
 11. **0 %**  
 12. **0 %**  
 13. **0 %**

**SECTION H - ADDITIONAL REQUIRED INFORMATION****TO BE COMPLETED ONLY IF THE PROPERTY CONTAINS ANY PARKING-RELATED SPACE****1. Outdoor Parking Information:**

a. # of Outdoor Parking Spaces: **0**  
 b. # of Paid Outdoor Parking Spaces: **0**  
 c. Monthly Rate Per Space: **\$0**

**2. Indoor Parking Information:**

a. # of Indoor Garage Spaces: **0**  
 b. # of Paid Indoor Garage Spaces: **0**  
 c. Monthly Rate Per Space: **\$0**

**SECTION J - LEASE and OCCUPANCY INFORMATION**

1. Does the tenant pay **ALL** the operating expenses including the real estate taxes (triple net lease)? **NO**  
 2. Is there a ground lease on the property? **NO**  
 3. Owner Occupancy: Is any part of this property owner-occupied or occupied by a related party? **NO**

**SECTION K - FILING EXCEPTIONS**

1. I am not required to file the RPIE-2010 Part II or Part III Income and Expense Statement. Indicate the reason for this exception below:  
 a. I electronically filed a Tax Commission Income and Expense Schedule containing full calendar (2010) or full fiscal year (2010-2011) income and expense information.  
 b. I purchased my property in 2011.

2. I am not required to file the RPIE-2010 Part II or Part III Income and Expense Statement for the entire year because I purchased, built or renovated my property in 2010. Indicate the reason for this exception below:

a. I purchased this property in an arms length transaction during the 2010 reporting period and a 12 month statement is not available.

b. The property was unoccupied while under construction or renovation during the 2010 reporting period.

c. The property was available for use but was entirely vacant for one or more months during the 2010 reporting period.

**PART II: SECTION I - REPORTING PERIOD**

1. The income and expense statement is for: **Calendar Year**
2. Indicate the period covered in this statement: **From 01 / 10 To 12 / 10**

**SECTION M - INCOME FROM REAL ESTATE. Do not list any negative figures.**

|   | # of Units | Income (\$ per year)<br>(Round to nearest \$) |
|---|------------|---|
| 1. a. Residential: Regulated              | 81         | 871,025                                       |
| b. Residential: Unregulated               | 0          | 0   |
| c. Total Residential                      |            | 871,025                                       |
| 2. Office:                                | 0          | 0   |
| 3. Retail Tenants:                        | 0          | 0   |
| 4. Loft:                                  | 0          | 0   |
| 5. Factory:                               | 0          | 0   |
| 6. Warehouse:                             | 0          | 0   |
| 7. Storage:                               | 0          | 0   |
| 8. Garages/Parking:                       | 0          | 0   |
| 9. Owner-Occupied or Owner-Related Space: | 0          | 0   |
| 10. Ancillary Income:                     |            |   |
| a. Operating Escalation:                  |            | 0   |
| b. Real Estate Tax Escalation:            |            | 0   |
| c. Sale of Utility Services:              |            | 3,065   |
| d. Sale of Other Services:                |            | 0   |
| e. Government Rent Subsidies:             | 0          | 6,077   |
| f. Signage / Billboard:                   | 0          | 0   |
| g. Cell Towers:                           | 0          | 0   |
| 11. Other (describe):                     |            |   |
| a. Laundry                                | 0          | 10,612  |
| b.  | 0          | 0   |
| c.  | 0          | 0   |
| 12. TOTAL INCOME FROM REAL ESTATE         |            | 890,779                                       |

**SECTION N - INCOME FROM BUSINESS**

|                               | Income (\$ per year)<br>(Round to nearest \$) |
|-------------------------------|---|
| 1. Merchandise:               | 0   |
| 2. Food and Beverage:         | 0   |
| 3. Parking:                   | 0   |
| 4. Automotive Fuel:           | 0   |
| 5. Admissions:                | 0   |
| 6. Other Sales:               | 0   |
| 7. Gross Sales:               |   |
| a. Gross Sales:               | 0   |
| b. Returns and Refunds:       | 0   |
| c. Leased Departments:        | 0   |
| d. Net Gross Sales:           | 0   |
| 8. TOTAL INCOME FROM BUSINESS | 0   |

**SECTION O - EXPENSES**

|   | Expenses (\$ per year)<br>(Round to nearest \$) |
|---|---|
| 1. Fuel:  | 122,675   |
| 2. Light and Power:                                 | 135,102   |
| 3. Cleaning Contracts:                              | 0   |
| 4. Wages and Payroll:                               | 264,363   |
| 5. Repairs and Maintenance:                         | 46,807  |
| 6. Management and Administration:                   | 350,353   |
| 7. Insurance (annual):                              | 54,662  |
| 8. Water & Sewer:                                   | 70,271  |
| 9. Advertising:                                     | 0   |
| 10. Interior Painting and Decorating:               | 4,353   |
| 11. Amortized Leasing and Tenant Improvement Costs: | 7,639   |
| 12. Miscellaneous Expenses:                         |   |
| a. Real Estate Taxes                                | 0   |
| b. Bad Debt   | 34,272  |
| c. Depreciation                                     | 0   |
| d. Permit   | 9,003   |
| e. Security   | 62,055  |
| f. Mortgage Interest                                | 0   |
| g. Supplies   | 6,465   |
| h. Sundry   | 4,305   |
| i. Amortization of common area improve              | 25,773  |
| 13. TOTAL EXPENSES                                  | 1,198,098                                       |

Comments:

**SECTION IV - RPIE CERTIFICATION**

**I certify that all the information contained in the Real Property Income and Expense Statement submitted electronically for the borough, block and lot 1-01459-0022, including any attachments, is true and correct to the best of my knowledge and belief.**

**I understand that the willful making of any false statement of material fact will subject me to the provisions of the law relevant to the making and filing of false instruments.**

**This form has been filed**

If you need to correct or amend information, please select the 'Amend a Filed Return' option on the main menu and use the same password to re-access the filed information.

1-01459-0022-08/31/2011-00117

**Real Property Income and Expense 2010**  
**429 EAST 64 STREET** Borough-Block-Lot (BBL): 1-01459-0022

\* Required Fields

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| Section J - RESIDENTIAL LEASE INFORMATION |                       |                             |                         |                               |
|---|-----------------------|-----------------------------|-------------------------|-------------------------------|
| Apartment Type                            | # of Regulated Apts * | Total Rent Regulated Apts * | # of Unregulated Apts * | Total Rent Unregulated Apts * |
| <b>TOTALS</b>                             | 78                    | 836,007                     | 0                       | 0                             |
| One Bedroom                               | 49                    | 542,615                     | 0                       | 0                             |
| Two Bedroom                               | 16                    | 68,369                      | 0                       | 0                             |
| Three Bedroom                             | 0                     | 0                           | 0                       | 0                             |
| Four Bedroom                              | 0                     | 0                           | 0                       | 0                             |
| Studio                                    | 23                    | 225,023                     | 0                       | 0                             |
| Other                                     | 0                     | 0                           | 0                       | 0                             |

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**Real Property Income and Expense 2010**  
**429 EAST 64 STREET** Borough-Block-Lot (BBL): 1-01459-0022

\* Required Fields

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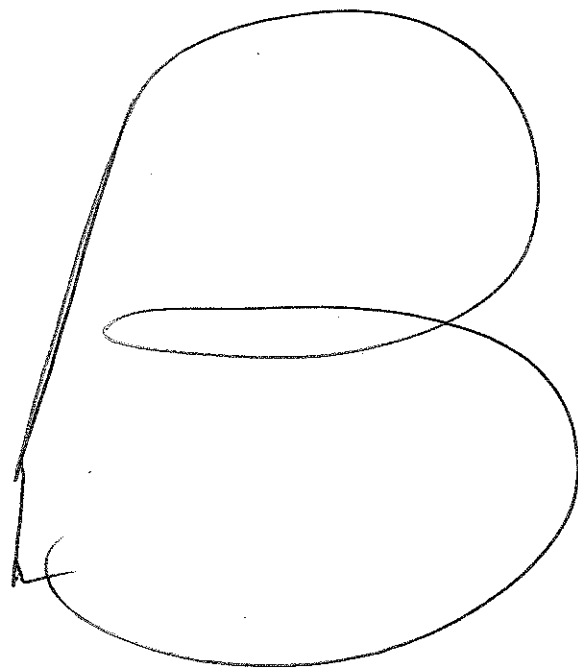
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| Section J - CURRENT COMMERCIAL LEASE INFORMATION |                     |  |                       |              |                            |                          |                             |                           |                      |                             |                                  |
|--|---------------------|--|-----------------------|--------------|----------------------------|--------------------------|-----------------------------|---------------------------|----------------------|-----------------------------|----------------------------------|
| Tenant's Name*                                   | Tenant's EIN or SSN | Floor# or Range of Floors (#-#) or (M,PH,L,P,G,B or S) | Rentable Square Feet* | Primary Use* | Lease Start Date (MM/YYYY) | Lease Term* (# of Years) | Current Rent* (\$ per year) | Electricity (\$ per Year) | Pass Through Charges | Next Step-Up Date (MM/YYYY) | Rent After Step-Up (\$ per Year) |
| Totals   |                     |  | 0                     |              |                            |                          | 0                           | 0                         | 0                    |                             | 0                                |

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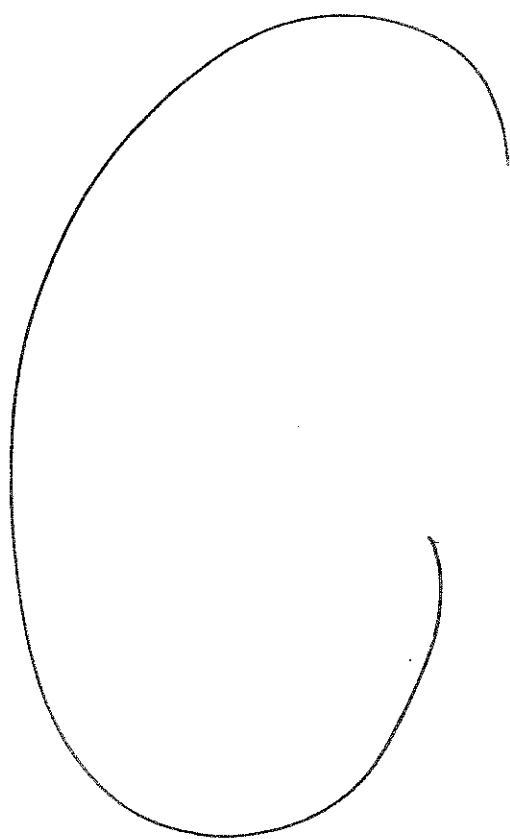


| 430 East 65th Street                               |   |  |  |   |  |  |  |  |  |
|--|---|--|--|---|--|--|--|--|--|
| 3 ROOM   | 3 ROOM  | 3 ROOM   | 3 ROOM   | 3 ROOM  | 3 ROOM   | 3 ROOM   | 3 ROOM   | 3 ROOM   | 3 ROOM   |
| 6A<br>Vacant<br>\$1,007.06<br>Vacate Date 7/08     | 6B<br>Vacant<br>\$766.16<br>Vacate Date 8/08                | 6C<br>Nadine Pimlin<br>Expir 8/08<br>\$866.66          | 6D<br>Michael Weinreb<br>Expir 8/10<br>\$866.28            | 6E<br>Douglas<br>Tecklenick<br>Expir 11/08<br>\$872.48  | 6F<br>Marcelo Ribeiro<br>Expir 4/11<br>\$876.77      | 6G<br>Vacant<br>\$807.57<br>Vacate Date 11/08                | 6H<br>Vacant<br>\$807.57<br>Vacate Date 11/08    | 6I<br>Vacant<br>\$807.57<br>Vacate Date 11/08    | 6J<br>Vacant<br>\$807.57<br>Vacate Date 11/08    |
| 7A<br>Suzanne Pichon<br>Expir 2/11<br>\$1,451.78   | 7B<br>Vacant<br>\$1,504.23<br>Vacate Date 12/04             | 7C<br>Vacant<br>\$1,152.70<br>Vacate Date 8/08         | 7D<br>Judy Cruz<br>Neri Control<br>\$435.57                | 7E<br>Vacant<br>\$848.53<br>Vacate Date 11/08   | 7F<br>Vacant<br>\$440.04<br>Vacate Date 5/08         | 7G<br>Joan Molten<br>Expir 8/10<br>\$716.48                  | 7H<br>Vacant<br>\$716.48<br>Vacate Date 5/08     | 7I<br>Vacant<br>\$716.48<br>Vacate Date 5/08     | 7J<br>Vacant<br>\$716.48<br>Vacate Date 5/08     |
| 8A<br>Vacant<br>\$908.08<br>Vacate Date 9/02       | 8B<br>Ronald Buohar<br>Expir 3/19<br>\$866.85               | 8C<br>James Busky<br>Expir 4/10<br>\$861.14            | 8D<br>Ella Mohamed<br>Expir 4/10<br>\$863.81               | 8E<br>Vacant<br>\$812.48<br>Vacate Date 12/07   | 8F<br>Charles Eshlin<br>Rent Control<br>\$473.83     | 8G<br>B. Michaels<br>Rent Control<br>\$847.35                | 8H<br>Vacant<br>\$847.35<br>Vacate Date 12/07    | 8I<br>Vacant<br>\$847.35<br>Vacate Date 12/07    | 8J<br>Vacant<br>\$847.35<br>Vacate Date 12/07    |
| 9A<br>Vacant<br>\$918.08<br>Vacate Date 9/04       | 9B<br>Ray Angelo & Mary<br>Garcia<br>Expir 8/10<br>\$483.20 | 9C<br>Vacant<br>\$1,192.77<br>Vacate Date 10/06        | 9D<br>Vacant<br>\$861.75<br>Vacate Date 11/08              | 9E<br>Vacant<br>\$421.36<br>Vacate Date 11/08   | 9F<br>Vacant<br>\$978.08<br>Vacate Date 1/05         | 9G<br>Vacant<br>\$1,074.92<br>Vacate Date 2/08               | 9H<br>Vacant<br>\$1,074.92<br>Vacate Date 2/08   | 9I<br>Vacant<br>\$1,074.92<br>Vacate Date 2/08   | 9J<br>Vacant<br>\$1,074.92<br>Vacate Date 2/08   |
| 10A<br>Monica McLaughlin<br>Expir 8/08<br>\$414.78 | 10B<br>Vacant<br>\$1,441.74<br>Vacate Date 2/08             | 10C<br>Vacant<br>\$1,516.95<br>Vacate Date 3/07        | 10D<br>Melanie McKinzie<br>Expir 3/10<br>\$488.81          | 10E<br>John Waller<br>Expir 8/09<br>\$505.72  | 10F<br>Vacant<br>\$742.10<br>Vacate Date 10/04       | 10G<br>Sabina Windell<br>Expir 4/10<br>\$933.82              | 10H<br>Vacant<br>\$933.82<br>Vacate Date 10/04   | 10I<br>Vacant<br>\$933.82<br>Vacate Date 10/04   | 10J<br>Vacant<br>\$933.82<br>Vacate Date 10/04   |
| 11A<br>Jonas Cohen<br>Expir 2/10<br>\$411.84       | 11B<br>Eric K. Daniels<br>Expir 4/11<br>\$815.87            | 11C<br>Vacant<br>\$815.87<br>Vacate Date 10/06         | 11D<br>Pauline Caleron<br>Expir 5/10<br>\$714.85           | 11E<br>Ellen Gross<br>Expir 5/09<br>\$873.37  | 11F<br>Vacant<br>\$1,886.51<br>Vacate Date 2/08      | 11G<br>Nelson &<br>Richard Smith<br>Expir 2/10<br>\$1,074.92 | 11H<br>Vacant<br>\$1,074.92<br>Vacate Date 2/08  | 11I<br>Vacant<br>\$1,074.92<br>Vacate Date 2/08  | 11J<br>Vacant<br>\$1,074.92<br>Vacate Date 2/08  |
| 12A<br>David Farnley<br>Expir 10/08<br>\$880.80    | 12B<br>Greg B. Kout<br>Expir 10/08<br>\$1,088.25            | 12C<br>Vacant<br>\$852.11<br>Vacate Date 10/09         | 12D<br>Vacant<br>\$852.11<br>Vacate Date 10/04             | 12E<br>Bridgette Joseph<br>Expir 8/08<br>\$816.28   | 12F<br>Dale McKee<br>Expir 8/08<br>\$871.08          | 12G<br>Jessica Nelson<br>Expir 12/08<br>\$1,134.70           | 12H<br>Vacant<br>\$1,134.70<br>Vacate Date 11/04 | 12I<br>Vacant<br>\$1,134.70<br>Vacate Date 11/04 | 12J<br>Vacant<br>\$1,134.70<br>Vacate Date 11/04 |
| 13A<br>Tom Stupied<br>Expir 11/10<br>\$871.74      | 13B<br>Carl Criswell<br>Expir 2/10<br>\$1,980.87            | 13C<br>Vacant<br>\$1,071.17<br>Vacate Date 8/08        | 13D<br>Margaret Kennedy<br>Expir 10/09<br>\$1,088.19       | 13E<br>Alan Palk<br>Expir 1/10<br>\$747.11  | 13F<br>Vacant<br>\$1,197.03<br>Vacate Date 2/08      | 13G<br>Vacant<br>\$880.78<br>Vacate Date 11/07               | 13H<br>James Rudman<br>Expir 8/09<br>\$882.35    | 13I<br>Vacant<br>\$882.35<br>Vacate Date 11/07   | 13J<br>Vacant<br>\$882.35<br>Vacate Date 11/07   |
| 14A<br>Vacant<br>\$1,359.55<br>Vacate Date 8/04    | 14B<br>Vacant<br>\$873.74<br>Vacate Date 11/03              | 14C<br>O. Laff & J. Schwartz<br>Expir 8/08<br>\$448.80 | 14D<br>Vacant<br>\$880.80<br>Vacate Date 7/08              | 14E<br>Vacant<br>\$714.73<br>Vacate Date 5/04   | 14F<br>Elizabeth A. Pearce<br>Expir 8/08<br>\$835.11 | 14G<br>Bridgette<br>McIntyre<br>Expir 12/08<br>\$748.85      | 14H<br>Vacant<br>\$1,371.81<br>Vacate Date 2/08  | 14I<br>Vacant<br>\$1,371.81<br>Vacate Date 2/08  | 14J<br>Vacant<br>\$1,371.81<br>Vacate Date 2/08  |
| 15A<br>Vacant<br>\$530.68<br>Vacate Date 2/07      | 15B<br>Vacant<br>\$894.68<br>Vacate Date 9/08               | 15C<br>Martha Martinez<br>Expir 11/08<br>\$810.38      | 15D<br>Louise and James<br>Smith<br>Expir 8/10<br>\$851.08 | 15E<br>Christopher J.<br>Barnett<br>Expir 10/07-10/08<br>\$791.05<br>Permitted Tenant<br>\$188.94 | 15F<br>Brian Terberry<br>Expir 4/10<br>\$898.83      | 15G<br>Vacant<br>\$898.83<br>Vacate Date 10/06               | 15H<br>Joy Kassam<br>Expir 10/08<br>\$874.80     | 15I<br>Vacant<br>\$874.80<br>Vacate Date 10/06   | 15J<br>Vacant<br>\$874.80<br>Vacate Date 10/06   |
| 16A<br>Vacant<br>\$1,772.20<br>Vacate Date 12/06   | 16B<br>Vacant<br>\$711.02<br>Vacate Date 10/08              | 16C<br>John McElean<br>Expir 8/09<br>\$1,318.81        | 16D<br>Vacant<br>\$788.34<br>Vacate Date 8/05              | 16E<br>Harold El-Gaby<br>Expir 4/10<br>\$1,271.30   | 16F<br>Peter Riley<br>Expir 7/10<br>\$1,247.86       | 16G<br>Robert G. Perez<br>Expir 3/11<br>\$856.01             | 16H<br>Vacant<br>\$856.01<br>Vacate Date 4/03    | 16I<br>Vacant<br>\$856.01<br>Vacate Date 4/03    | 16J<br>Vacant<br>\$856.01<br>Vacate Date 4/03    |
| 17A<br>Thomas Scafaro<br>Expir 2/11<br>\$450.35    | 17B<br>Vacant<br>\$1,484.08<br>Vacate Date 5/04             | 17C<br>Vacant<br>\$873.88<br>Vacate Date 11/07         | 17D<br>Jennifer Pugliese<br>Expir 8/11<br>\$1,152.90       | 17E<br>Vincent Basilio<br>Expir 10/09<br>\$882.48   | 17F<br>Joanna Badnar<br>Expir 11/08<br>\$1,282.82    | 17G<br>Vacant<br>\$822.38<br>Vacate Date 4/09                | 17H<br>Vacant<br>\$822.38<br>Vacate Date 3/04    | 17I<br>Vacant<br>\$822.38<br>Vacate Date 3/04    | 17J<br>Vacant<br>\$822.38<br>Vacate Date 3/04    |

Vacant  
Rent Control  
Subsidized  
MSK

JKLM EFGHI  
NOP ABCD

43 - Vacant



## APARTMENT RENOVATION COST MATRIX

## NOTES

|    |  |        |     |              |              |
|----|--|--------|-----|--------------|--------------|
| 1  | There are no real standard layouts, each apartment seems to be different.  |        |     |              |              |
| 2  | The estimate includes for replacing Bathrooms in all apartments.   |        |     |              |              |
| 3  | The estimate includes for reconfiguration of Bathroom walls in all apartments to accommodate a standard 8' x 5' Bathroom.  |        |     |              |              |
| 4  | The estimate includes for replacing Kitchen fittings in all apartments - 6' length of floor and wall-mounted cabinets  |        |     |              |              |
| 5  | Generally, windows in Bathrooms and Kitchens need replacing in all apartments.   |        |     |              |              |
| 6  | The estimate includes for patching and repainting ceilings, except for new ceilings at Bathrooms.  |        |     |              |              |
| 7  | The estimate includes for patching and repainting walls, with the exception of Bathroom walls for which we have allowed full-height tiling.  |        |     |              |              |
| 8  | The estimate includes for replacing interior doors and frames in all apartments.   |        |     |              |              |
| 9  | The estimate includes for new carpets throughout all apartments with the exception of Bathrooms and Kitchen for which we have allowed VCT.   |        |     |              |              |
| 10 | The estimate does not include for the replacement of light fixtures.   |        |     |              |              |
| 11 | The estimate includes for new through-window AC units.<br>NB THIS MIGHT NEED THE ELECTRICAL SYSTEM TO BE UPGRADED TO ACCOMMODATE THE ADDITIONAL LOADS - ESTIMATED COST =   | 93,600 | GSF | \$ 48.65     | \$ 4,563,640 |
| 12 | The estimate does not include the installation of toilet exhaust systems; if these are required estimated cost =   | 32     | EA  | \$ 34,750.00 | \$ 1,112,000 |
| 13 | The estimate does not include the installation of corridor ventilation systems; if these are required estimated cost =   | 2      | EA  | \$ 69,500.00 | \$ 139,000   |
| 14 | The estimate does not include the installation of kitchen ventilation systems; if these are required estimated cost =  | 32     | EA  | \$ 34,750.00 | \$ 1,112,000 |
| 15 | The estimate does not include the installation of PTAC air conditioning systems; if these are required estimated cost for installation of 127 units ( where through-window units are currently envisaged to be installed ) =<br>NB THIS WOULD NEED THE ELECTRICAL SYSTEM TO BE UPGRADED TO ACCOMMODATE THE ADDITIONAL LOADS AS ABOVE | 127    | EA  | \$ 3,475.00  | \$ 441,325   |
| 16 | The cost of complete replacement of the existing heating systems by water source heat pumps, fan coil units or split-system air cooled heat pumps would need further investigation.  |        |     |              |              |
| 17 | The estimate does not include the installation of emergency lighting in all egress corridors, lobby, basement and roof utility rooms; if these are required estimated cost =   | 93,600 | GSF | \$ 2.78      | \$ 260,208   |
| 18 | The estimate does not include the replacement of floor drain grates and cleaning of underground piping; if these are required estimated cost =   | 1      | LS  | \$ 6,950.00  | \$ 6,950     |
| 19 | The estimate does not include the replacement of all existing sanitary stacks and vent risers; if these are required estimated cost =  | 32     | EA  | \$ 22,935.00 | \$ 733,920   |

|    |   |        |     |               |            |
|----|---|--------|-----|---------------|------------|
| 20 | The estimate does not include the replacement of all existing stormwater risers; if these are required estimated cost =                                 | 4      | EA  | \$ 8,896.00   | \$ 35,584  |
| 21 | The estimate does not include a new house trap, pit and associated fresh air inlet; if these are required estimated cost =                              | 1      | EA  | \$ 8,340.00   | \$ 8,340   |
| 22 | The estimate does not include a new 4" metered domestic water service; if this is required estimated cost =   | 1      | LS  | \$ 55,600.00  | \$ 55,600  |
| 23 | The estimate does not include a new domestic water service backflow preventer; if this is required estimated cost =                                     | 1      | LS  | \$ 6,950.00   | \$ 6,950   |
| 24 | The estimate does not include the insulation of all domestic hot and cold water piping; if this is required estimated cost =                            | 93,600 | GSF | \$ 4.17       | \$ 390,312 |
| 25 | The estimate does not include a domestic water service consent pressure pumping system; if this is required estimated cost =                            | 1      | LS  | \$ 104,250.00 | \$ 104,250 |
| 26 | The estimate does not include gas-fired domestic hot water heaters for each building; if these are required estimated cost =                            | 2      | EA  | \$ 69,500.00  | \$ 139,000 |
| 27 | The estimate does not include the installation of shut-off valves for cold and hot water risers; if these are required estimated cost = \$200 PER RISER |        | EA  | \$ 278.00     | \$         |
| 28 | The estimate does not include a full sprinkler system; if this is required estimated cost =   | 93,600 | SF  | \$ 9.73       | \$ 910,728 |
| 29 | The estimate does not include an addressable fire alarm system; if this is required estimated cost =  | 93,600 | SF  | \$ 5.56       | \$ 520,416 |

**City & Suburban, First Avenue Estates  
York Avenue Development, Stahl York Avenue Company  
429 East 64th Street and 430 East 65th Street, NY, NY**

**Building Capital Expenditures**

|                   |
|-------------------|
| 4,553,640         |
| 1,112,000         |
| 139,000           |
| 1,112,000         |
| 441,325           |
| 260,208           |
| 6,950             |
| 733,920           |
| 35,584            |
| 8,340             |
| 55,600            |
| 6,950             |
| 390,312           |
| 104,250           |
| 139,000           |
| 910,728           |
| 520,416           |
| <b>10,530,223</b> |

**Total**