

real estate consulting services

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Exhibit 000b

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CAL. NO.

September 8, 2017

Hon. Margery Perlmutter, Chairperson
New York City Board of Standards and Appeals
250 Broadway, 29th Floor
New York, New York 10007

Re : 45-40 Vernon Boulevard
Queens, NY
233-15-BZ

Dear Chairperson Perlmutter:

The Notice of Comments of July 15, 2016 (the "NOC") for the above referenced Zoning Variance Application, requested additional information.

We note that, subsequent to the submission of the Economic Analysis Report dated October 2, 2015, the development site has changed to eliminate Lot 10. This resulted in a different calculation of Zoning Floor Area for the reduced development site. In addition, the design of the AOR Hotel alternative was also changed to provide a more efficient layout and bulk.

In response to the NOC, the following is provided:

Notice of Comments #2: Further discuss the AOR proposal, including the type of hotel development and the parameters of the development in more details.

Discussion of the AOR Proposal has been revised and incorporated in the Economic Analysis Report of October 2, 2015 (Rev. NOC – September 8, 2017) (the "Report").

Notice of Comments #13: Explain why selected uses are highest and best use, including the choice of rentals versus condos. Has a mixed-use development primarily consisting of office space been considered?

In selecting an appropriate development type for the Proposed Development, current residential projects in Long Island City in the vicinity of the site were reviewed. A substantial number of these projects are luxury type residential rental projects that provide major amenities for the residents of these buildings. Therefore, market rate high-end residential rental projects like the Proposed Development can be considered a "highest and best use".

Regarding consideration of mixed-use development primarily consisting of office space, we note that recent office buildings in the vicinity of or areas similar to the subject property are only achieving rents in the range of \$30-45/SF. Community Facility space rents are, similarly, in the range of \$30-45/SF. The income of the AOR Development (Hotel) would be equivalent to approximately \$60/SF. Even at that income level, the Hotel development is not feasible. The average rent for residential use on a \$/SF basis exceeds \$70/SF, which provides for a feasible development.

Notice of Comments #17: *In (e) finding, explain why both use and bulk waivers are required. Discuss whether the remedial costs associated with the project could be mitigated through a different design. Furthermore, explain why a conforming proposal with higher FAR and other bulk waivers would not provide a reasonable return.*

As shown in the Report, the AOR Hotel Development results in a considerable loss. Were the project to keep this permitted use but increase the size of the hotel to mitigate these losses, the result would be a hotel of approximately 26 floors and bulk area of approximately 183,600 SF – about twice the size of the next largest Long Island City Hotel. As concluded in the Statement of Facts and Findings, this option would not be sustainable business model.

Notice of Comments #18: *There is currently no 421(a) program. Revise application accordingly and consider other regulatory agreements with HPD.*

The 421(a) program has been re-instituted. The Proposed Development Alternative analyzed in the Report provides affordable housing and applies the Real Estate Tax Benefits available under the current 421(a) program.

Notice of Comments #19: *Explain why rentals as opposed to condos were selected as the highest and best use.*

As described in the response to Comment #13, current residential projects in Long Island City, in the vicinity of the site, were reviewed. A substantial number of these projects are luxury type residential rental projects which provide major amenities for the residents of these buildings. Therefore, market rate high-end residential rental projects like the Proposed Development can be considered a “highest and best use”.

In addition, affordable housing can only be provided in a rental residential development, not in a condominium residential development.

Notice of Comments #21: *The remedial cost estimates in Exhibit C are unclear and some of the numbers, such as \$1.00 lump sums, seem incorrect. Correct as needed.*

The Report provides a Revised Exhibit C, which has been prepared by the Environmental Consultant.

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

Sincerely,

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

Jack Freeman