

**Partial transcript
RIOC Board Meeting
Thursday morning, June 29, 2005**

This transcript, published as a supplement to the July 2, 2005, issue of *The Main Street WIRE*, covers the portions of the Board meeting dealing with retail space leases proposed for the U.S. Post Office (approved) and for MovieBank (not approved). Additional portions of the meeting, dealing with negotiations for extension of the Eastwood ground lease and space for the Roosevelt Island Youth Program, will be prepared and published in the future.

Mary Beth Labate (Board Chair): We are waiting for Paul Maas from Jones, Lang, LaSalle. He's just getting on the Tram. So we're going to... We'd like him to make a presentation on the real-estate transactions, so I'd like to skip over to... we will not be... We're pulling item 5, the authorization on the Tramway; there's still some information that we are awaiting from... from Red Blomer. I will tell you, though, that it has always been our intention, as you know, in our capital plan, we forecasted the replacement of the cars. The Board had asked, with our success in the Octagon lawsuit and our ability to free up the \$3 million that was held in escrow, whether there are any capital items that we felt we would want to move forward. This would seem to be the most... the best candidate in that category. It's... We have been given every assurance imaginable that they are still very, very safe, but that obviously their useful life will come up upon us sooner rather than later, so we thought this would be the best time to... to make that replacement, but until we have all the data for you, we're not going to go forward with it.

Labate: Paul Maas has arrived, so we're going to back into the agenda and ask him to present item number 3, which is authorization to enter into a lease agreement for the U.S. Post Office, with the United States Postal Service.

David Kraut (resident Board member): May I just call to you attention [that] I expect to make a separate presentation on the project committee report. No, this is another report...

Paul Maas (Jones, Lang, LaSalle): Good morning. We have a lease proposal to...

Herb Berman (RIOC President): Paul, do me a favor, speak more closely into the mike.

Maas: We have a lease proposal to extend and do a new lease with the post office here on the Island. It will be a ten-year term, effective September 1st, 2006. Total square footage that the post office occupies is 8,100 square feet. The rent is \$30 for five years, and \$33 for five years. The space will be taken as is. The landlord, as it typical, is responsible for any structural that is

required. There has been some water damage occasionally there, so that will probably have to be addressed. And that represents a significant increase from the current rate of \$5.75. The rate represents a blended rate of \$35 a square foot for 6,570 square feet of the retail portion of the post office, and then there's a 1,500 square foot loading dock area, which we have agreed to a rent of \$9 per square foot. That's how you end up with the blended rent of \$33.

John Mannix (non-resident Board member): Paul, are you... seeing rents in the mid-30's, are you convinced in your own mind that that was a comparable market rent for the Island, even though comparables are difficult to get your arms around; number 2, is there any way for us to understand, now or in the future, how much money we'll have to invest or reserve for the maintenance of the structure?

Maas: I have no knowledge about what the structural issues are with the parking structure. They do have some water damage. I don't know if they've been calling it; there's been additional complaints, about leaks, but I haven't heard anything. I think it's just what's typical of a building like that... there should be nothing out of the ordinary.

Mannix: I guess typically in a private transaction, there would be some reserve, a certain amount cents per square foot, however you might do it, in our balance sheet so that we have adequately covered the anticipated future expense. I think perhaps we should have a look at that and come up with an appropriate number.

Maas: As far as market rent, you're right, it is tough to establish here. What we did was we looked around the City and tried to find something comparable, and what we focused in on was the Waterside project. I think most people are familiar with that. Mitchell-Lama project, much smaller, probably more isolated. It stands on its own in the East River; you have to cross over a footbridge over the FDR drive and any other retail is pretty distant from there because you're by the hospital, and so forth, so you've really got to go all the way to Third Avenue, and they have retail space that you can't see from the FDR side, but it's tucked in, inside a plaza between buildings. And it's there basically to service the community, and they've been asking \$35 to \$50 a square foot. And just in terms of what retail space goes for in the City, I mean, \$35 is, we thought is almost like a suburban rate, and, you know, based on the population of the Island, we thought it could probably support suburban-type rents.

Mannix: That's a very big increase, and I think it's a good lease.

Labate: I would... There is... They're in this space now, correct?

Maas: Yes.

Labate: Are they taking more space than they currently have?

Maas: No, we don't have it.

Labate: OK, so we're getting \$24, getting \$25 more a... almost \$25 more a square foot from them.

Maas: And, you know, I should point out that it's triple-A credit.

Labate: Right.

Maas: That's also an issue with the retail business, so...

Labate: Just building on John's point, I would suggest, I would ask that staff, as we go about leasing up our commercial space, I think that's an excellent point, that we should understand what both the near-term capital requirements that RIOC might be responsible for are, and then, each of the buildings, set up a reserve fund, and with our reserves, we should be able to start that.

Maas: Also, so people understand. Retail space is traditionally rented as is. I mean, you know, the landlord doesn't provide any work, unless there are structural issues. So, you know, we've tried to market it exactly the way retail space is marketed elsewhere.

Mannix: Included in that, Paul, do we have to maintain the HVAC system as well? I assume that we do not.

Maas: No, that's all...

Mannix: It's just roof and structure?

Maas: Yeah, the other aspect of retail space is you want to have the unit be as independent as possible from the building systems, so they'll almost always have their own HVAC and heat, they'll be in a self-contained unit, and not really drawing any services whatsoever from the building that it's in.

Labate: OK. Deborah.

Deborah Beck (resident Board member): I believe the [Inaudible; off-mike; David Kraut reminds her to turn microphone on, says he's not going to do it for her]

You're not? Are we getting divorced? The structural issue referred to should be explored and as part of the engineering study that's now being done of the Motorgate complex. I don't know where we are in the engin... I was looking to see if Vinny [Kopicki, RIOC VP for Engineering] was here. Is the engineer in there doing his survey of the condition of the garage yet?

Berman: Parts of the garage are clearly under engineering survey – elevators, the stairs, etc. I

will specifically relate to the post office site, and I'll see if we can extend...

Beck: Yes, because there is a serious water problem visible on the fourth floor...

Berman: There is a water problem as a result of the shafts and the concrete surrounding the elevator. We're checking out to see as to whether there are other difficulties, so that's [inaudible; Beck speaking]...

Beck: But there are other problems which... I hope we'll get the engineer to look at those because water damage gets worse geometrically.

Labate: And this transaction was brought before the real-estate subcommittee?

Mark Ponton (resident Board member, chair of the real-estate committee): It was not. We discussed in conceptually. We didn't have the details. But there is nothing that I think we should object to at this point.

Labate: OK. And are there any other questions?

Michael Shinozaki (resident Board member): What type of contingencies are there on this, as far as, if we're responsible for the structure, our doing construction in Motorgate, if the site becomes uninhabitable for a short period of time, if we have a severe water problem or something else. I'm just curious if there are any provisions for problems on the site.

Maas: Well, any landlord that has that problem has the risk of not collecting rent. I don't think that the... I don't know what the specific clauses are, but you would really have to have something disastrous for that to happen.

Shinozaki: I'm just concerned because it's on the first floor of a building we're going to be doing a lot of work on, if we flood them out by accident, you know what exposure do we have, because we're looking at an expense reserve anyway. What type of [Inaudible; Maas answering]...

Maas: Well, I presume you have insurance, and that's what it's for. No one is doing it intentionally.

Shinozaki: Is that covered?

Yes. You know, I don't think the postoffice wants to leave the Island. It's actually quite a successful operation, so...

Shinozaki: OK. Thank you.

Labate: OK. Can I have a motion?

[Motion made and seconded.]

Nancy Reuss (of the State budget office, ex officio non-resident member of the RIO Board):
So moved.

Labate: Roll, please.

[Kenneth Leitner calls the roll; eight members vote in the affirmative.]

Labate: Item approved. Moving onward on to item 4, authorization to enter into a lease agreement with Movie Services, Inc. Mr. Maas.

Maas: There is an agreement to rent MovieBank, 559 Main Street, 568 square feet, for a five-year term. The rent is \$31.70 for years 1 and 2, and \$33.70 for years 3 through 5. There's six months of rent abatement. There's no landlord work. They take the space in as-is condition, and one issue which needs to be finalized is security. We haven't received their financials yet, but it's customary to do that upon issuing the lease.

Labate: Is this... This is currently vacant space? And what will this total square foot... What will this bring in annually, Paul?

Maas: Oh, I didn't do the math. I think it's... It would be about \$18,000 a year, I would say.

Labate: OK.

Kraut: May I? Paul, what effect do you anticipate this will have on the operating revenues of the hardware store, since a large percentage of their income is derived from their own video rentals.

Maas: It may have some. I... you know, the MovieBank primarily rents DVDs and video games, and whether they take this space or not, they're coming to the Island, because their alternative is the Riverwalk space, so...

Kraut: I'm not sure I understand whether they're coming to the Island... If they come to the Island, it's easy to anticipate that they might very well put the hardware store out of business, which a raging capitalist such as myself considers to be perfectly fine, except that the cost of the... Their income, as derived from... I understand that their income derived from their video rentals actually underwrites the cost of maintaining the rest of the store, which has some certain number of items for sale in it which we need from time to time, and they provide that as a service for us.

Maas: No, I'm just... I had this conversation, I think, with Mark, because he asked the same question. And MovieBank is going to rent space either from us or from Riverwalk, so I don't think that we have the ability to control artificially, you know, the market conditions. And so it seems that it would make sense for, you know, if that were to happen, and the hardware store couldn't adapt, it might have to shrink, and maybe we can work something out there, that RIOC might as well get the benefit of their being here on the Island.

Beck: Paul, the implication of what you're saying is that the Riverwalk retail is being handled separate from the RIOC retail, is that correct?

Maas: That's correct. Early on, when I first got involved, I received a phone call from a resident who thought it would be great to get Starbucks here, and so we got them out to the Island, and Starbucks wasn't renting but, at this time, it appears that they're going to go to Riverwalk. So, you know, it's a lost opportunity for us because I think we want to attract people from elsewhere on the Island to the Main Street core. And, you know, I'm... I would be very concerned about Riverwalk getting, you know, the best operations – [and] Main Street kind of getting hollowed out.

Mannix: One thing I would say is that if you... Understanding the way the retail business works, in particular, I would venture to say Related [co-developer of Southtown] probably has 50 Starbucks already in their portfolio, or more, so they have a lot of leverage, and the best tenants that they have leverage over are going to go into their buildings. There would be no way to get around that, and that is one of the weaknesses that RIOC faces. You know, we own a certain amount of retail space but... I recently came down from Vegas where the retail convention is... You know, this is an operating business where people who do have leverage are going to use it to package deals and so forth. You know, it is part of an overriding issue with our ownership of the retail stores. It's going to be tough for us to attract retailers here at these kind of rents, you know, without that kind of leasing leverage that is a necessary component of the business.

Maas: Just a little background on MovieBank. I had contacted them when I read an article in Crain's that they had opened up their first location in Soho. Apparently the way videos and videogames are rented in Europe is through ATM-type machines, of which this company has 15,000 of them in Europe, and, you know, my feeling was Roosevelt Island was probably never going to get Blockbuster, but that this might provide, you know, a better solution, and a better amenity for the Island. We then... I've been very involved with MovieBank, because we did have a series of meetings with the MTA about including these operations, these machines, throughout the transit and the commuter system. And that has been very slow because the MTA has been busy with other real-estate matters, bigger, but that's also a potential option for them, is to go to the MTA subway station, which every retailer, you know, that I talk to on the island would like to be near the subway station.

Mannix: Well, I... The other thing in addressing David's point, it's always problematic as retail developers evolve, where, it's one of a few businesses, about every five years, reinvents

itself, and there's a continuance of people who kind of get left in the wake of the evolution of the business, and we have to measure that impact because, at some point, for example, with the hardware store, he's going to come three months after it's open, might say, "I can't pay the rent anymore." That's a possibility. They anticipate that. Again, it's a necessary component of retail development. But with particular respect to the video business, the... kind of the old-school of video operators, Blockbuster and those that operate general stores, are facing competition from many different sources, the on-line sources, Netflix, so there's a lot of pressure on those businesses, and I, for one, my personal opinion is that the MovieBank is tested in Europe, untested here, and all they're really trying to do is bring their costs down to a point where they compete with the other means of delivery of the games and the videos, and so on. You can't have a kind of standard overhead store. You can't have lots of people and lots of space and lots of rent like Blockbuster, which is losing money hand over fist at the moment, and eventually you're going to see Blockbuster turn into Internet cafes or some such thing, so there's a big evolution in the business; this is one of the directions that it's gone, and it remains to be seen if they can compete at all with the on-line delivery.

Maas: They have a website, MovieBank USA, I think. Lot of information there. The company strategy here in New York is, they made a deal with Duane Reede to establish an immediate footprint, and put these machines in 200 locations, and you can actually go see a machine at one of the Duane Reedes in the area that have them; I think it's listed on the website.

Beck: I think that this particular space has raised a question, because it had been the old credit union space, I believe, and while don't have a credit union currently or any kind of bank presence on the Island, I think that one of the things, if the chair of the real-estate committee is prepared to take on the issue, we really should look at some of the uses that could be critical to the community's proper functioning, so that we don't lose basic functions as we go forward in the marketing of our retail space. We may want to identify certain uses that we may wish to recommend – I'm not speaking for the committee now, I'm just speaking for myself – be given some kind of "preferred rent" in order to provide the service to the community that they would have difficulty in finding otherwise, so I think that if the chair of the real-estate committee is willing to have such a discussion within the committee, I think we should soon so that Paul can benefit from whatever guidance we recommend to the Board and the Board approves.

Mannix: I'd like to address that. I mean, there has been some controversy, I guess, over the renting of this space, and with respect to a financial institution being on the Island, obviously, I thought, by the way... Did the bank close that was here?

Labate: The bank closed. It didn't have enough...

Mannix: So that's been the third bank since I've been here, because banks can't make money here. I mean, there's not a big enough depositor base, and that's a simple fact of life. You could charge them no rent, you could *pay* them, but it's not really an issue of rent. I mean, they simply don't have enough of a depositor base to make it work. Now, that being said, there are, in the

evolution of the banking business, you now have the Commerce Banks of the world, the Washington Mutual, North Fork, all growing very quickly with new formats, open on weekends, open at night, and so forth, and I suspect, you know, to the extent that we're going to get a financial institution here that offers full service, including mortgages and depository services, they're probably the more likely candidates, but again, I don't think it's a rent issue at all.

Beck: Well, actually, John, from what I understand, there was an interested credit union, but the rent that they were willing to pay was so substantially below the rent that we were asking for the space that they dropped the negotiations, or the negotiations ceased. I think that if the committee would make a recommendation to the Board that such a function is essential to the Island, because there are many people who live on the Island and don't go too far off of it, so that it would be important to them to have that function. So I think that in the committee we ought to talk about that and make the recommendation to the Board, not necessarily regarding that, particularly, user, but any user of the type that might be essential to have on the Island.

Mannix: I think perhaps... I agree with you, Deborah, perhaps you should put that, at least to some degree, back to Paul Maas, to determine what kind of a transaction we would have to offer in order to attract a financial institution that would have staying power, and again, I don't really think it's a function of \$1,500 a month or \$1,100 a month, I mean, if that particular bank – credit union – couldn't afford \$1,500, it couldn't afford \$1,100 a month, I mean, it does make sense to me why banks tend to leave the Island. They're losing money hand over fist. The rents, I mean the insignificant amount of overhead compared to everything else they need to do, we need to try to figure out a way to get a recommendation to Paul for some of the uses...

Beck: Well, if I...

Maas: Let me just, if I could, address some of those things. The... Our company does a lot of work for Bank of America and Wachovia and HSBC. They're all aggressively expanding banks. And I actually received a call from a broker about a potential bank and, you know, I don't know why, I checked with Ken, apparently the current bank on the Island has an exclusive, so it would, you know...

Labate: Did you say "the current bank on the Island?"

Maas: Right. Ken, I think I spoke to you...

Labate: There is a bank on the Island?

Maas: Right. That's what I thought.

Labate: Well, what's the issue?

Maas: No, the reason I asked is that I had heard that perhaps they were closing.

Margie Smith (Vice President, the Residents Association, speaking from the audience): We had one bank, one credit union; the credit union closed.

Labate: And it's a full-service bank?

Unidentified voice, possibly Maas: Yes.

Mannix: I mean, I remember when we voted this bank in a couple of years ago. It was a big to-do. The President came...

Labate: I thought that was Montauk.

Mannix: No, interestingly enough... [portion obscured, Maas speaking] We had pictures...

Maas: I just want to, if I could, just make a point, because it's not always, you know, it's not always easy to focus on one thing and think that's the only issue. So that created an issue with perhaps attracting another bank on the Island. I don't know. There are probably ways to address that if, you know, we think we can find a bank that would improve services for people, and obviously the credit union would have been a great use. They've... Alfred Scipio [President of USAlliance Credit Union] is a very good guy, and, you know, when I spoke to him and showed him and his people the space on a couple of occasions. You know, I was trying to encourage him to set up business here, but they gave us an offer here initially of \$15 a foot, and, you know, our asking rent is \$35, and, and, you know, in our business when somebody makes an offer that's that much of a difference, you, you know, I told him, we just can't respond to it, you're going to have to come up, and they came up to \$20, and we had the same conversation, and, you know, I informed him that there was other interest in the space, as well. That's just, you know, kind of the day-to-day real-estate business, but there's another factor here. If we wrote a deal at that price, with anybody, it would have cost RIOC over \$800,000 in the post office lease, because part of postoffice process is, they will sign a lease based on market comps, and you have to divulge it, and so, you know, even if the Board wanted to do something, you know, that's also a factor in the decision. The timing was such that, you know, until that lease is signed and put to bed, I don't think you'll have the flexibility to decide if you want to, you know, do below-market deals for certain kinds of uses.

Labate: Deborah, to that point on having a real-estate meeting, I invite you and encourage you to discuss whatever you'd like, but I do think that defining what is essential to the Island becomes a very provocative question, particularly when we're one... one subway stop away from Manhattan, so I'd be interested to see how we determine what really is essential for the well-being of a majority of the Islanders. And I think you risk kind of going down a slippery slope, that what's essential for one may be completely irrelevant to the next.

Beck: Well, also, I think that the point Paul just made, in terms of the impact...

Labate: On everything else.

Beck: ... that such a preferred rent might have on lease negotiations is worth taking into consideration, but I still think that, as David mentioned in talking about the hardware store, that it is worth our looking at functions that may even exist on the Island now that are below market rate that are functions we want to continue to have, and talk about what might be our options in terms of those functions, and I think Paul should be part of that discussion.

Patrick Stewart (resident Board member): In the past, we have lost more than a few businesses here. Restaurants, shoe store, etc., which brings the question of whether in fact we have a fix on the potential purchasers or renters of these and do, in fact, they have a reason for being. In other words, if you're a shoe guy and there are not many people having their shoes repaired here, then there's not, you don't have a reason for being. If, on the other hand, you had a restaurant come that probably did have a reason for being but for whatever other reason – bad management, low... low profit, whatever – having had discussion with you, I assume that these... we ought to know if these things are being taken into account, but this, as you probably know better than I, theirs is a... not your average retail market here, and because we have a limited population, admittedly increasing at a fair rate, but we have to be very careful about saying to ourselves, through you, “does this... Does this product, if you will – restaurant, shoe store – have a potential for staying here?”

Maas: Well, I think you have to find businesses that can operate successfully at those rent levels. You listen to what John said about Related, and that's the way the retail business works, is that prospective owners in that space have longstanding relationships with retailers and... multiple locations, and they will tell a retailer, if you want my A location somewhere else, you'll have to come to my B location. And that's why Related can make the deals they can, and I understand they're asking \$50 a foot, so the businesses that are there, if that's indeed what they are getting, are obviously profitable at \$50 a foot. So, you know, I think a lot of it's the approach, in understanding that the retail business is not just putting a sign on a vacant space, and, hoping someone calls and rents it. There's a process to it, and that's why leverage is created through relationships where professional owners are taking advantage of the relationships they have with retailers. But they're, you know, they're national chains with good local operators. They understand that business, they understand who's good, they know how to check people out, and, you know, you know, I think RIOC's at a disadvantage there because they're not in the retail business.

Mannix: Well, I'd just like to expand on that a bit. I mean, the disadvantage that Roosevelt Island faces in retail space is not unique. I mean, a good analogy would be to go to Anywhereville, USA, to the downtowns that are half-vacant because the WallMart factor, three miles out on the interchange, you know, changed the entire dynamic. And those cities and towns are spread all over the country. I've seen a lot of them myself. Roosevelt Island has a similar set of facts going on. You've got Manhattan one stop away, so you've got an enormous array of retail uses, just across the river, so it puts Roosevelt Island at a major disadvantage, not unlike

there being a WallMart right across the river. People can get in the subway or Tram and go one stop and they can get anything they want. So it's a particularly challenging market here. It's not as though we have a community of 10,000 or 15,000 in kind of an isolated rural area where this is the only place people can shop, in which case, this would be a pretty vibrant retail situation, in my view. The real problem is that the wash-off into other markets – Queens and Brooklyn – and the big box retail uses, it's going to be very, very tough for this Island to have a vibrant retail corridor. It's going to take a lot of work. It is very complex. You're right, and one further point, which is that if Starbucks is going down to Riverwalk at \$50 a foot and they lose money, they don't care because they've got 40 other locations with Related where they make money. That's part of the leverage. That's part of the way it works. And they will be able, without a doubt, attract people at high rents, and they're going to want there to be high rents there, and they'll subsidize them someplace else. That's the business. That's the essence of the business.

Maas: The other thing, you know, that I've noticed that we haven't been able to capitalize on is the Tram attraction that's a tourist attraction. You know, I see so many people, when I come over, take a Tram ride over, and they cross the platform and they go back. I mean, there's really nothing... I occasionally see people wandering the Island exploring, but if we could develop some destinations that people could make part of an experience of visiting the Island, beyond the Tram, you do have, I mean, that does drive traffic here.

Ponton: I'd like to go back to a couple of words you've used before – process and professionalism. They both have a lot of appeal, I think, for a lot of us. And where I'd like to get, to a point where, where real estate is concerned, at least, where we are regarded as a place that's easy to do business with. By that I don't mean by that that we are giving stuff away, or that we're charging ten times market price. I mean that we treat everybody professionally, and have a process in place that makes trust almost unnecessary. And we have a record of documentation of what went on, so that if somebody says, "I wasn't treated fairly," we just say, "Look at this." In light of the recent – I guess I'm going to call it controversy – I'd like to get everybody to not throw rocks and call names for the next minute or so, did we or did we not get a best and final offer, in writing, from the credit union and from MovieBank?

Maas: We have a best and final offer from MovieBank. The credit union never increased its offer from the \$20 level, and the difference between \$20 and \$35 is substantial enough in my world that it doesn't merit a response.

Ponton: OK, now...

Maas: We fully discussed; Herb and I had fully discussed it and Herb said, "What do you recommend?" and I said, "At that price level, we've got a big... a big gap."

Ponton: Well, I'd just like to get us out of deciding that something doesn't merit a response. If I asked you right now to send an e-mail to the credit union saying, "Give us your best and final," would you do that?

Maas: My recommendation would be no, because in a sense you essentially have a handshake with someone. It was as fully disclosed a process as occurs in the real-estate business, where you're telling someone, "Look, there's someone else looking, and our rent is \$35. We will negotiate off of that, but you've got to get in the neighborhood," and that didn't even deal with the work that they wanted RIOC to do, which we hadn't even quantified... So that's the first part. The second part is that, you know, the use itself is going to go down to Riverwalk, and it's the kind of thing where, you know, Main Street could benefit, if there were reasons for people from Southtown to come here.

Ponton: I understand that's your recommendation, but I'm not asking for your recommendation, though I respect it. I'm asking you, if I said to you, "Please send an e-mail to the credit union saying, 'give us your best and final?'" would you do it?

Maas: You're the Board. I'd have to do it.

Ponton: Then I'm asking you right now, please do it.

Beck: May I ask a question? It seems to me that we have hired Paul for his professional expertise and for the manner in which he conducts his business, and I presume that what has transpired with the credit union is typical business practice, and that if a space is in contention with two different offers, that the offer that makes the best sense for our purposes is the offer that's taken, and you don't go back to the other party and try to broker a deal, particularly when there's such a spread. I think what you're asking for is some sort of written confirmation that what transpired is what transpired, am I correct?

Ponton: Sure.

Labate: Mark, I'd like to say to... I fully agree with your, one of your premises that you want to have a place that's easier to do business with, I think we're bringing on the team that is allowing that's to happen, particularly with Paul, our development counsel working with Ken and Herb. I think what you're recommending would run very counter to that. We have an agreement, a handshake agreement, with the movie company, I think that would bring back all the old specters of Roosevelt Island now to try to revisit that, nor do I think it is incumbent upon us to pursue... to chase someone for a deal. I have full confidence that Paul approached them in a professional manner and according to normal real-estate norms. I don't think that... If this Board decides that it's important to have another financial institution on the Island, then I would say, let's decide that, and let's go out with a much broader scope. I don't think we need to decide that now, but certainly I don't think we should pursuing any one particular candidate, and I think that's what we're asking here. And I just have to throw this in, on the concept of making it easier to do business on the Island, obviously, we all we know what lawsuits do to pique people's interest in the Island, so...

Ponton: I appreciate your views. What I'm asking is if Jones, Lang, LaSalle could send an e-

mail to these guys saying, "Give us your best and final."

Maas: If that's what I'm instructed to do, that's what I will do.

Labate: Well, is that the sense... I'll take a sentiment of the Board.

Beck: But that would suggest it's still open. I mean, it's just, if we have an agreement for the space with another vendor, to send such an e-mail now might subject us to litigation.

Labate: I don't...

Maas: You won't... You won't be subject to litigation. You're not going to be subject to litigation.

Mannix: Paul, the last time I checked we had some vacant space. I'm trying to understand why this has become such a, you know, an issue. You know, if we believe the credit union is a tenant that is a worthwhile tenant, which I believe it is, why won't they go somewhere else? You know, we've got tons of vacant space. Why is there a fight over the credit union? I'm missing much of the essence of this debate.

Labate: Nor do I think we have to focus solely on this particular credit union.

Kraut: May I ask, I wasn't clear about something you said, Paul. If, in fact, we go with this agreement that you recommend, it means we're putting a single savings and loan organization out of whatever deal they were trying to make, but it doesn't preclude the fact that a savings and loan company, if there's a profit to be made here, would be willing to move into some space at some future time.

Maas: We had discussed that there's open space. I understand why they want the credit union space. It's ideally set up for their use, so it would minimize the cost. Look, I understood early on that there were residents who were behind this, and so I treated them as well as we would treat anybody, and I really take offense at anyone mischaracterizing that. Alfred Scipio lives in the next town from me. I probably could run into him on the street. And, you know, I don't want to be in that situation either with him or with the residents. It's a small world.

Ponton: Well, this is very easy to fix, because right now, we have three members of the real-estate committee here. I want you to send a letter. John, do you want to or not?

Mannix: I think it's a bad idea.

Ponton: Deborah?

Beck: [Partly off-mike.] I also think it's a bad idea. This raises the issue...

Ponton: OK, done. I'm overruled. We don't have to go any further.

Beck: ...the question of looking for a tenant who is a credit union, whether it be this one or another one. This is clearly a need of the community.

Maas: Are there any issues of the bank exclusive with that? I just learned about the bank exclusive last week, in...

Labate: I'm sorry, you just learned...?

Maas: The bank exclusive. The bank has an exclusive for banking operations here on Roosevelt Island. It...

Berman: [Portions off-mike.] You want to check this, whether or not there's...

Maas: It does mention the previous credit union.

Berman: Well, we'll check [remainder inaudible; Maas speaking]...

Maas: But I don't know whether their exclusive would apply to another credit union coming on the Island.

Berman: We'll check the lease.

Labate: Deborah Beck, I think it's certainly... It's certainly not a bad idea for the Board to evaluate what is essential to this Island. I don't think you can get there so easily, to hear from a few people who want a credit union.

Mannix: What's wrong with the existing bank? Why do we have a bank that we would need another bank? Is there's something...

Labate: [Portions apparently inaudible; others speaking] LendingTree.com.

Beck: A credit union provides a service, particularly to people of modest income, who might not rise to the level of either credit or whatever else with a banking institution. And what a credit union allows them to do is develop a credit history. It's a cooperative effort, and it has a different purpose. It's often used by small entrepreneurs who are doing start... who are starting up businesses and the like, because they can't get credit in...

Labate: Do we know where the nearest credit union is?

Beck: I have no idea.

Mannix: Well, it was my understanding that the bank that came in was going to do just that. They were urban-oriented, middle income oriented bank. I remember there was a lot of fanfare...

Beck: This goes under that income level. Having been in an institution that had a credit union, it was utilized by, basically by individual entrepreneurs, taxi drivers, owners of small retail operations and the like, as well as, you know, households that were on limited incomes, and the like, and I think that it does provide something that a bank would not.

Labate: I don't know that this is the day that...

Beck: I think we have to keep an open mind about this, and look at what are these uses, and whether they are, indeed, of significant importance to the residents of the Island.

Mannix: I'd also like to suggest, and this would be for your agenda, Mark, that, in our next meeting, why don't we set aside some time to discuss our merchandise mix. It's a common, you know, when you build a shopping center, it's the first thing you do, who do we want and where are we going to put them. Why don't have that discussion and why don't we give some guidance to Paul, as to where we think he should be focusing some efforts, perhaps bringing necessary uses to the Island.

Ponton: That's fine. I sent an e-mail to that effect this morning. Paul, based on that I will withdraw my request that we contact the credit union. Thank you.

Labate: OK. Very good. Can I have a motion on the MovieBank lease?

[Moved and seconded; Leitner calls the roll.]

Labate, aye.

Reuss, aye.

Beck, aye.

Kraut, nay.

Mannix, aye.

Ponton, nay.

Shinozaki, nay.

Stewart, nay.

Labate: Is he saying nay or yea? [Pause] Did it pass? [Pause] OK.

Kraut: So that means it did not pass?

Labate: It did not pass.

Kraut: Bring it up again when you have the full...

Ponton: I'd also like to suggest some place we can spend some of the \$3,000,000. How about on a sound system?

Stewart: I think we've been through that before.

Labate: I thought you were looking into one. Mark, weren't you looking into one?

Ponton: What's that, please?

Labate: Weren't you looking into one?

Ponton: Oh, yeah, that's a story that belongs on a soap opera, but I would like to reopen it again, and I will.

[The Board then creates a committee to negotiate with the owner of Eastwood on the extension of its ground lease; there is a brief discussion of what RIOC's role is in the negotiations between tenants and owners. The text of this discussion will be posted on *Website NYC10044* at some time in the future. The motion passes unanimously.] [#68]

[The Board then took up the question of leasing space in the Blackwell minischool to the Roosevelt Island Youth Program, in an extended discussion. The text of this discussion will be posted on *Website NYC10044* in the future.] [#71.]