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**An Inquiry into the Management of Roosevelt Island  
by the Roosevelt Island Operating Corporation**

*Interim Report*

**Richard L. Brodsky  
Chairman  
Committee on Corporations,  
Authorities, and Commissions  
August 26, 2005**

TABLE OF CONTENTS

I. Introduction.....2

II. Background.....3

III. Specific Development Issues.....6

A. *Southtown*... .. 6

1. *Request for Qualifications Issues*... .. 7

2. *Legal Issues: Procedural and Environmental*... 8

3. *Amenity Issues*... .. 10

4. *Tax Abatement Issues*... .. 10

5. *Mortgage Recording Tax Issues*... .. 11

B. *Octagon Park*... .. 11

1. *Legal Issues: Environmental and Open Space*... 12

2. *Diversion of City Funds*... .. 13

IV. Financial Health and Stability.....14

A. *Failure of Long-Term Planning*.....15

B. *One-Time Payments, Rather Than Ground Rents*... ..15

C. *Use of Grants and Outside Funding*... .. 15

V. Transparency and Governance Issues.....16

VI. Staff Conduct and Mismanagement.....17

A. *Jerome Blue*.....17

B. *Robert Ryan*... .. 18

VII. Payroll and Salary Issues.....20

VIII. Matters Still Under Investigation.....21

IX. Interim Conclusions.....22

Appendix (Tables and Graphs).....24

## **I. Introduction**

For the past several years, the Assembly Committee on Corporations, Authorities and Commissions (“Committee”) has been engaged in series of investigations into the activities of State corporations, authorities and commissions. They have included matters concerning the Metropolitan Transportation Authority, the Thruway Authority, the Canal Corporation, the Long Island Power Authority, the Power Authority of the State of New York, the Hudson River Park Trust, local Industrial Development Agencies and Local Development Corporations.

These investigations have uncovered a consistent pattern of inappropriate and secretive lobbying by highly paid and politically connected procurement lobbyists, inappropriate hiring of politically connected former government officials, disposition of public property for less than its true value, interference with investigations of such behavior, failure to provide accurate and complete information to the public about authority activities and finances, and unfair and wrong decisions by authority personnel.

The Committee was asked to formally review the operation and management of the Roosevelt Island Operation Corporation (“RIOC”), a public benefit corporation that manages Roosevelt Island, a planned community that lies in the East River between Manhattan and Queens. In a letter to Chairman Brodsky, Assemblyman Alexander B. “Pete” Grannis asked the Committee to “undertake a review of RIOC’s operations, its compliance with the terms of the Island’s 1969 master lease with New York City, the Island’s official owner, and in particular, the selection and appointment of its senior staff, their qualifications and job responsibilities and performance...”.<sup>1</sup> Residents of Roosevelt Island, individually and through resident organizations, made similar requests.

Residents and public officials have alleged to the Committee that RIOC and its Board consistently engaged in secrecy, political patronage, poor fiscal management, failure to communicate with and be accessible to the community and its organizations.

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<sup>1</sup> Letter from Assemblyman Grannis to Assemblyman Brodsky, January 22, 2004. Assemblyman Grannis represents the 65<sup>th</sup> Assembly District.

The object of the Committee's inquiry is to investigate and provide information with respect to these concerns. The Committee has received the full cooperation of the residents association, Roosevelt Island Residents Association ("RIRA"), and the Island's elected officials, especially Assemblyman Grannis. The Committee also received the full cooperation of RIOC's President Herbert Berman, who supplied the Committee with all requested documents, with one critical exception, and additional information.

As outlined in detail below, the Committee has determined that for a number of years the effective operation and management of RIOC was compromised by secrecy, political patronage, a lack of long-term financial planning, and questionable fiscal policies. It is clear, however, that in many areas, past mistakes have been acknowledged and corrective steps have begun to be taken. New staff appointed by the Governor and working with the Board has begun to change RIOC's management culture by ending the policy of one-time payments, making public long-term financial planning documents, and acknowledging the need for greater transparency and accountability. While RIOC's new leadership acknowledges the need for change, they must establish these policies by action and fact. Roosevelt Island has enormous potential for its residents and for the City of New York. In addition to its physical and social attributes, it has an active, concerned, and intelligent resident population, whose organizations have performed important services to the community. There is every reason for RIOC to establish more effective relationships with the community and its organizations.

The Committee will continue to work with elected officials and community groups to make sure that RIOC fully implements changes to make the Corporation more transparent and accountable to the needs of the residents.

## **II. Background**

The City of New York ("City") owns Roosevelt Island, comprising of 147 acres located in the East River and within the borough of Manhattan. In 1969, the City leased the Island to the New York State Urban Development Corporation ("UDC") for 99 years. The main purpose of the Roosevelt Island lease agreement was "to create on the Island as

rapidly as possible a New Community” or a planned community.<sup>2</sup> In the 1970’s, urban planner Ed Logue designed Roosevelt Island and architects Philip Johnson and John Burgee drafted the General Development Plan (“GDP”), also known as the Master Plan, which is the design document of the Island and is part of the lease.<sup>3</sup>

The GDP delineates the design of the Island and controls its development.<sup>4</sup> Roosevelt Island is divided into two principal areas: Northtown and Southtown.<sup>5</sup> Northtown and Southtown are separated by Blackwell Park, which is approximately 3.8 acres.<sup>6</sup> The GDP specifically called for about 5,500 units (the number of units currently proposed is 5,758 units) of subsidized, middle-income and conventionally financed housing, 20,000 square feet of office space, 100,000 square feet of commercial space, and certain public facilities, including a school for 2,000 children, a library, community rooms, children’s day care centers, swimming pools, and facilities for the elderly. The GDP requires Northtown to contain 60% of the housing, commercial facilities, child care, recreational facilities, and the preservation of the Chapel of the Good Shepherd.<sup>7</sup> The GDP requires that Southtown contain 40% of the Island housing, a swimming pool, a library, the schools, and a Town Center.<sup>8</sup> The GDP also requires that certain areas of the Island be designated open spaces including: Lighthouse Park, Octagon Park, Blackwell Park and other areas that were to be linked with pedestrian paths and walkways.<sup>9</sup> UDC completed Northtown in 1977. It is comprised of four Mitchell-Lama buildings, of which one is a limited equity co-op, consisting of 2,200 units. Manhattan Park, considered an extension of

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<sup>2</sup> The core premise of the RI experiment in urban living was to have an economically diverse community where the residents were involved in the day-to-day operations and decisions affecting their community. Lease Agreement Between the City of New York and the New York State Urban Development Corporation, Dated December 23, 1969 at Schedule 2 “The General Development Plan” at 45. The General Development Plan is part of the Roosevelt Island December 23, 1969 lease agreement between New York City and New York State Urban Development Corp.

<sup>3</sup> The GDP has been amended several times. The last amendment was made on June 13, 2003.

<sup>4</sup> Lease Agreement between New York City and New York State Urban Development Corp. (amended 1972, December 6, 1973, May 10, 1999 and June 13, 2003).

<sup>5</sup> GDP at 47.

<sup>6</sup> GDP, Part 2: “Land Use”. Although the 1969 GDP called for Blackwell Park to be 6 acres, one of the developments from the Northtown project encroached upon Blackwell Park reducing the park from 6 to 3.8 acres. The GDP was never officially amended to reflect the *de facto* change.

<sup>7</sup> GDP at 47

<sup>8</sup> Id.

<sup>9</sup> Id at 47-8.

Northtown, followed in the late 1980s. Manhattan Park is a 1,100 unit market-rate rental building and section VIII housing units.

However, due to fiscal constraints, UDC could not complete the development of the Island. Therefore, in 1984 the Roosevelt Island Operating Corporation (“RIOC”), a public benefit corporation, was created to operate and manage Roosevelt Island.<sup>10</sup> At the time of creation, RIOC assumed all responsibilities, rights, and obligations including the agreement to pay the City rent for the use of the land.<sup>11</sup> However, to this date, RIOC has never paid rent to the City.

RIOC Board members are appointed by the governor, or serve by virtue of their positions in State agencies, as in the case of Board Chair, Mary Beth Labate, Deputy Commissioner of the State Department on Housing and Community Renewal, and John Cape, Director of the Division of the Budget. The current President/Chief Operating Officer of RIOC is Herbert E. Berman.<sup>12</sup>

In 1984 RIOC resumed construction on the Island, specifically the completion of Northtown Phase 2, which contained 1,107 additional housing units. In 1989, RIOC turned its attention to Southtown. RIOC hired Raquel Ramati Associates, an architectural and planning firm, to propose a site plan for Southtown (“Ramati Plan”). The Ramati Plan called for the construction of nine residential buildings, retail and community office space, day care, and recreational facilities. However, because of “market conditions”, “public financing”, and “past experience in Northtown”, the Ramati Plan did not conform to the

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<sup>10</sup> Chapter 899 of 1984 of the Laws of New York.

<sup>11</sup> Section 1 (c) of Chapter 899 of the Laws of 1984 states, “it is in the public interest for the urban development corporation to transfer all of its rights and obligations with respect to the development, operation and supervision of both such existing and such proposed development to a public benefit corporation which shall be under the supervision of the commissioner of housing and community renewal [DHCR];...” The lease agreement between RIOC and the City required semi-annual rent “which shall be equal to the aggregate of specified sums, less debt service for public facilities and normal allowances.” *GDP at 45.*

<sup>12</sup> The Following is a list of the Board of Directors: *Mary Beth Labate* representing *Judith Calogero*, NYS Commissioner DHCR, *Nancy Reuss* representing *John F. Cape*, Acting Director, NYS Division of Budget, *John Mannix*, Merchant Equity Group, *Alberteen Anderson*, Islander, *David Kraut*, Islander – term expired in 1995, *Patrick Stewart*, Islander – term expired in 2001, *Mark Ponton*, Islander, *Deborah Beck*, Islander, *Michael Shinozaki*, Islander. Board membership is a requirement under Chapter 493 §2, Laws of New York, 2002.

terms of the GDP. Therefore, RIOC sought modification to the GDP so that the Ramati Plan could be implemented.<sup>13</sup>

In 1990, in preparation for the construction of Southtown, RIOC petitioned the Board of Estimate (“BOE”), which exercised the City’s powers, for numerous changes to the GDP.<sup>14</sup> The BOE was composed of the mayor, the comptroller, the president of the City Council, and the five borough presidents, and had legal authority over taxation and land use, especially zoning laws. The BOE allowed the changes to the GDP regarding a reduction in the office space area and school room seats, the removal of the “Town Center” in Southtown, and a revision to the proportion of subsidized housing to market rate housing. The BOE, however, rejected the proposed amendments involving an increase in building height to 30 stories (approving instead an increase to “approximately 27 stories”) and the reduction in size of Blackwell Park from six to three acres.<sup>15</sup>

### III. Specific Development Issues

#### A. Southtown

In 1990 RIOC put out a Request for Proposal (“RFP”) to construct Southtown under the Ramati Plan. However, no bidders responded to the RFP.<sup>16</sup> In 1996, RIOC then issued a

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<sup>13</sup> See *Roosevelt Islanders for Responsible Southtown Development et al. v. Roosevelt Island Operating Corporation et al., Roosevelt Island Residents Association proposed intervenor--appellant, Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation*. 735 N.Y.S. 2d 83. Supreme Court of New York, Appellate Division, First Department, December 18, 2001. Appeal denied. See: *Roosevelt Islanders for Responsible Southtown Development v. Roosevelt Island Operating Corporation; Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation* (2002 N.Y. App. Div. LEXIS 3663).

<sup>14</sup> When the BOE was eliminated in 1990, its functions were given to other branches of City government, even though there was disagreement on which department took on which task. Some, including RIOC, believed the Mayor’s office should decide on GDP changes, others thought the City Council should have the authority to amend the GDP. Ultimately, the City Council assumed many of the responsibilities previously handled by the BOE. Land use issues now are routinely determined by the City Council’s Land Use Committee and the Mayor’s office retained the authority for amending the Island’s GDP under the city/state lease.

<sup>15</sup> The BOE’s rejection of the reduction of Blackwell Park was curious due to the fact the Northtown Development reduced the park to 3.8 acres and hence the park was already under the GDP’s requirement.

<sup>16</sup> See *Roosevelt Islanders for Responsible Southtown Development et al. v. Roosevelt Island Operating Corporation et al., Roosevelt Island Residents Association proposed intervenor--appellant, Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation*. 735 N.Y.S. 2d 83. Supreme Court of New York, Appellate Division, First Department, December 18, 2001. Appeal denied. See: *Roosevelt*

Request for Qualifications (“RFQ”) that did not limit bidders to the original conditions of the Ramati Plan, but allowed for “creative development” that conformed to the conditions of the modified GDP.<sup>17</sup> There were five respondents to the RFQ. In 1999 RIOC approved Hudson Companies and Related Companies (“Hudson & Related”) as the projects’ developers for Southtown. Hudson & Related were chosen to develop Phase 1 (four buildings with about 900 units) and Phase 2 (five buildings with 1100 units). RIOC received a one-time payment of about \$6 million for the first two buildings of Phase 1. Building 1 was sold to Memorial Sloan-Kettering;<sup>18</sup> building 2 was sold to Cornell University.<sup>19</sup> Both are used for staff housing. Building 3 is currently under construction as a market rate condominium, with RIOC receiving about \$2.17 million. Building 4 is not yet under construction and will be used for rental housing.

### *1. Request for Qualifications Issues*

The Request for Qualifications (“RFQ”) for the Southtown development issued by RIOC in 1996 included a stipulation that developers have a barge-based delivery system for materials and that they pay the total infrastructure costs, a huge financial burden on the chosen developer.<sup>20</sup> Residents claim that after the Hudson & Related Companies were awarded the contract, the barging condition was removed and RIOC agreed to pay for the infrastructure costs. RIOC asserts that the RFQ was modified prior to the submission deadline to “encourage, but not require, the utilization of on-site concrete batching with barge based delivery systems for materials.”<sup>21</sup> Thus, RIOC claims that the modification was completed prior to the awarding of the contract to Hudson & Related, not after.<sup>22</sup> In addition, RIOC claimed that it was within its power to alter the terms of RFQ in the manner

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*Islanders for Responsible Southtown Development v. Roosevelt Island Operating Corporation; Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation* (2002 N.Y. App. Div. LEXIS 3663).

<sup>17</sup> See: Request for Qualifications (RFQ96-10653), Southtown, R.I., N.Y. (July 1996 at 4).

<sup>18</sup> Sloan-Kettering is a cancer research and treatment facility.

<sup>19</sup> Cornell University uses the building for housing medical students for the Joan and Sanford Weill Medical College.

<sup>20</sup> See: RFQ96-10653, July 1996. Development Controls, at 8-9.

<sup>21</sup> Letter from Herbert E. Berman, President and Chief Operating Officer of RIOC to Assemblyman Richard Brodsky, Chairman of the Assembly Committee on Corporations, Authorities and Commissions, dated August 12, 2005 (hereinafter referred to as the “August 12, 2005 Letter”).

<sup>22</sup> Id.

it did. In the RFQ, RIOC reserved “the right to waive compliance with and/or change any of the terms and conditions of this RFQ.”<sup>23</sup> Specifically, RIOC states that, “the 1996 Request for Qualification expressly stated that RIOC reserved the right, in its sole discretion, at any time, to waive compliance with, or change any of the terms and conditions of the Request for Proposals or to entertain modifications or additions to selected proposals.”<sup>24</sup> In an affidavit, former RIOC Vice-president Robert Antonek stated that RIOC reviewed the applicants’ qualifications and responsiveness of their submission and determined that the Hudson & Related Companies were, “the most promising potential developers.”<sup>25</sup> After further consultations with Hudson & Related, during which they agreed to submit a joint application, the Board conditionally selected them as developers.<sup>26</sup> The Committee is still seeking information as to whether all interested parties were given adequate and simultaneous notification of the modification.

## ***2. Legal Issues: Procedural and Environmental***

In January 2000, several groups of Island residents, including Roosevelt Islanders for Responsible Southtown Development (“RIRSD”), Roosevelt Island Residents Association (“RIRA”) and Alternative Southtown Design Committee (“ASDC”) commenced separate legal actions to challenge portions of the Hudson & Related Southtown development plan.<sup>27</sup>

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<sup>23</sup> RFQ96-10653, July 1996. *Introduction*, at 4.

<sup>24</sup> August 12, 2005 Letter.

<sup>25</sup> Affidavit of Robert Antonek in Opposition to Petition dated April 13, 2000 in the matter of *Roosevelt Islanders for Responsible Southtown Development et al. v. Roosevelt Island Operating Corporation et al.*; *Roosevelt Island Residents Association proposed intervenor--appellant, Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation*. 735 N.Y.S. 2d 83. Supreme Court of New York, Appellate Division, First Department, December 18, 2001. Residents appealed the lower court’s decision. However, the appeal was denied. *See: Roosevelt Islanders for Responsible Southtown Development v. Roosevelt Island Operating Corporation*; *Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation* (2002 N.Y. App. Div. LEXIS 3663)(Appeal Denied).

<sup>26</sup> Before entering into a contract with RIOC, Hudson & Related agreed to undertake a feasibility study of the project. *See: minutes from the April 10, 1997 RIOC Board Meeting*.

<sup>27</sup> The cases were eventually combined on appeal. *See Roosevelt Islanders for Responsible Southtown Development et al. v. Roosevelt Island Operating Corporation et al., Roosevelt Island Residents Association proposed intervenor--appellant, Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation*. 735 N.Y.S. 2d 83. Supreme Court of New York, Appellate Division, First Department, December 18, 2001. Residents appealed the lower court’s decision. However, the appeal was denied. *See: Roosevelt Islanders for Responsible Southtown Development v. Roosevelt Island Operating Corporation*; *Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation* (2002 N.Y. App. Div. LEXIS 3663)(Appeal Denied).

There were two primary legal challenges to the plan. First, the residents raised procedural objections. RIOC leased the land to Hudson & Related until 2066, with approval of this development given by only four Board members.<sup>28</sup> The residents asserted RIOC's action was invalid because there were fewer than five members voting, and thus there was no quorum. Additionally, the residents believed that the unfilled vacancies on the Board constituted another reason RIOC's action was invalid.<sup>29</sup> The Court held, however, that since there were only six Board members at the time Hudson & Related were chosen as developers, four Board members constituted a quorum.<sup>30</sup>

Second, the residents raised various environmental objections. In May 1990, RIOC proceeded with an Environmental Impact Statement ("EIS") for the development of Southtown under the Ramati Plan. However, when Hudson & Related took over the Southtown development, RIOC did not require an updated environmental analysis or a Supplemental EIS ("SEIS").<sup>31</sup> Residents claimed that RIOC was required to do an SEIS in 1999 before proceeding with the development because the original EIS was completed ten years before, in 1990; and most importantly there were various changes made to the Ramati Plan.<sup>32</sup> Thus, residents argued that the Hudson & Related plan had significant environmental impacts that should have been reviewed and analyzed.<sup>33</sup> However, the Court ruled that an SEIS was not necessary, determining that RIOC had met its statutory

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<sup>28</sup> Resolution passed by RIOC Board of Directors, September 22, 1999. Board of Directors present at the September 22, 1999 meeting: Stephen Hicks, Representing Joseph Lynch, Commissioner, NYS Division of Housing & Community Renewal; George Westervelt, Representing Robert L. King, Director, NYS Division of Budget; Francis Angelino, Director; and David Kraut, Director. Directors absent: Dr. Joan Dawson and Francis McKenna.

<sup>29</sup> The residents relied on § 2 of the RIOC statute. Unconsolidated Laws of New York §6387 (2) ("RIOC ACT") states that the Board, "shall be composed of nine members," and that "[a]ny action taken by the directors of the corporation shall be taken by a majority of the directors then in office..."

<sup>30</sup> See *Roosevelt Islanders for Responsible Southtown Development et al. v. Roosevelt Island Operating Corporation et al., Roosevelt Island Residents Association proposed intervenor--appellant, Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation*. 735 N.Y.S. 2d 83. Supreme Court of New York, Appellate Division, First Department, December 18, 2001. The Court stated that, "...the unanimous vote by the four members present at the September 22, 1999 meeting, who constituted a majority of the six members then in office, was a valid action by the Board" at 50.

<sup>31</sup> Resolution passed by RIOC Board of Directors, September 22, 1999.

<sup>32</sup> For example, the Hudson & Related plan eliminated a 28-story subway tower, planned to construct Southtown in phases and reduced the amount of paved roadways.

<sup>33</sup> Specifically, residents argued that there were visual, air emission, open space and oil impacts that were not addressed.

responsibility to take a “hard look” at the potential environmental impacts of the Hudson & Related plan.<sup>34</sup>

### ***3. Amenity Issues***

Residents further argue that RIOC has been ignoring the GDP provisions that require amenities, such as parks, and is violating these provisions or seeking to change them whenever the GDP interferes with its development plans. Representatives of local elected officials’ offices, such as City Council Speaker Gifford Miller, Roosevelt Island City Councilman at the time, Congresswoman Carolyn Maloney and Assemblyman Pete Grannis, spoke or wrote supporting the residents against amending the GDP. The Committee is seeking further information as to whether the GDP has been observed with respect to parks and other amenities.

### ***4. Tax Abatement Issues***

Certain RIRA members also allege that the developers received a tax abatement from the State to build with the condition it would provide 80/20 affordable housing, further alleging that Hudson & Related have not yet built the mandatory 20 percent affordable housing.<sup>35</sup> They allege that the developers contend that they will put all the affordable units in Phase 2. RIOC, however, claims that it is not aware of any tax abatement agreement between Hudson and Related.<sup>36</sup> The Committee is seeking information about the status of the 80/20 affordable housing.

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<sup>34</sup> The Court stated, “that all of the petitioners’ remaining complaints concerning RIOC’s decision not to prepare a supplemental EIS, like those that were specifically discussed above, merely reflect different conclusions drawn from the data, and impermissibly ask the court to substitute its judgment for that of the lead agency. In the view of all the foregoing, I conclude that RIOC’s preparation and review of the environmental assessment prepared in connection with the Related/Hudson challenged site plan clearly demonstrates that it took a requisite “hard look” at the potential impacts of that plan, and further, that it was not arbitrary and capricious for it to determine that a supplemental EIS was not warranted.” *See Roosevelt Islanders for Responsible Southtown Development et al. v. Roosevelt Island Operating Corporation et al., Roosevelt Island Residents Association proposed intervenor--appellant, Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation*. 735 N.Y.S. 2d 83. Supreme Court of New York, Appellate Division, First Department, December 18, 2001 at 57.

<sup>35</sup> In return for subsidies, developers are usually required, under federal law, to set aside at least 20 percent of units for low-income families – hence the term 80/20 housing.

<sup>36</sup> August 12, 2005 Letter.

## *5. Mortgage Recording Tax Issues*

RIRA members claim that RIOC made an agreement with Hudson & Related that all or a portion of the Mortgage Recording Tax Exemption fee that the developer paid the State would be funneled back to RIOC. RIOC contends that there was no agreement with New York State “in connection with the payment of Mortgage Recording Taxes.”<sup>37</sup> The Committee is still seeking information concerning the status of the Mortgage Recording Tax Exemption.

### **B. Octagon Park**

Octagon Park is a 15-acre park located on the northwest side of the Island and derives its name from the former Octagon building.<sup>38</sup> The Octagon building was constructed in 1839 and is the eight-sided remnant that housed an asylum and later the Metropolitan Hospital. The GDP requires that Octagon Park be an open space area.<sup>39</sup> After a fire destroyed the Octagon Building, the only portion of the original structure remaining is the Octagon Tower, which was listed in the National Historic Register in 1972.

In 1990, RIOC began the restoration process of the park, including Octagon Tower. RIOC created the Octagon Park Design Task Force composed of residents, resident groups, RIOC staff and Weintraub and di Domenico, a landscape architecture consulting firm, to develop a restoration plan. The Task Force’s work eventually led to the “Weintraub Plan” which included ball fields, gardens, open lawns, and an ecological park. The Weintraub plan, however, did not consider the restoration and use of Octagon Tower. Several years later most of the Weintraub plan was completed except for the ecological park.

In 1997 RIOC issued an RFP to develop waterfront areas on the Island. In 1999 Becker and Becker Associates (“Becker & Becker”), a historic renovation firm, responded with a plan to redevelop the footprint remaining of the Octagon building, as well as

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<sup>37</sup> Id.

<sup>38</sup> While the 1969 GDP required that Octagon Park be 25-acres, it was amended in 1990 to consist of 15-acres.

<sup>39</sup> The GDP states “The Open Space Areas are: ...Octagon Park, approximately 15 acres immediately south of the Bird S. Coler Hospital and north of the North Town Area, containing the site for the Urban Ecology Center and a landmark, the Octagon...”

renovating Octagon Tower. Becker & Becker's plan is a 500-unit residential development (including 100 affordable housing units) that includes the restoration of the Octagon Tower, clean-up of the surrounding area, and an ecological park that was first envisioned in the Weintraub Plan. After a series of delays, RIOC gave final approval in 2004 and construction began on November 4, 2004.<sup>40</sup>

Assemblyman Pete Grannis, as well as other elected officials and Roosevelt Island residents, opposed to the Becker & Becker development plan because they claimed the project violated the Open Spaces law, provisions of the GDP and the State's Environmental Conservation Law. The residents' opposition to the project was well-established. For example, in a RIRA referendum held November 2, 2004, residents overwhelmingly voted against the Becker & Becker development plan.<sup>41</sup> Residents further argued that Becker & Becker requested, and was granted, permission to build an underground parking facility in Octagon Park despite the fact that ample parking was available at Motorgate (the large Island parking facility). In addition, according to the office of Assemblyman Grannis this request appears to have been made to facilitate the receipt of Housing and Urban Development ("HUD") monies however, according to RIOC, they will not receive any HUD money. Negotiations are complete with RIOC possibly receiving \$12 million for this development. The Committee is seeking information on the status of the alternative parking location, as well as the status of the HUD monies.

### *1. Legal Issues: Environmental and Open Space*

RIRA commenced legal action to block the Octagon project, specifically the construction of the 500-unit development.<sup>42</sup> RIRA sought an injunction to stop the project on three grounds: (1) the project violated the Open Spaces Law, (2) the development violated the Public Trust Doctrine, and (3) the project's realignment of certain recreational

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<sup>40</sup> The construction is being carried out by MEPT Octagon, LLC.

<sup>41</sup> 83% of residents voted in favor of keeping Octagon Park as an open space area. "Island Voters Urge RIOC to Give Space for Youth Center," The Main Street Wire, November 6, 2004.

<sup>42</sup> Assemblyman Grannis filed two affidavits in the case. Attorney General Spitzer's Environmental Law Bureau submitted an amicus brief and was allowed to argue its position in support of RIRA's claims during oral arguments. The Environmental Law Clinic of Columbia University's Law School is acting as counsel to RIRA's attorney.

spaces (specifically tennis courts) was an alienation of parkland under EQBA and thus violated Environmental Conservation Law § 52-0907.<sup>43</sup> The Court, however, ruled against RIRA's effort to stop the Octagon project. Besides not overcoming the legal threshold for an injunction, the Court also rejected RIRA's three claims.<sup>44</sup> The Court cited an exception in the Open Spaces law holding that if "development or construction includes the reconstruction, restoration, rehabilitation or preservation of the historic landmarks [in this case the Octagon Tower] and furthers the use of the areas as open space areas,"<sup>45</sup> development may proceed. The Court held that it is ultimately RIOC's decision whether it wants to sacrifice open space area in order to renovate a historical landmark, and to determine how the landmark would be renovated. The Committee is seeking information as to whether RIOC carefully considered residents' opposition to the development, including the questions of preserving open space, before moving forward with any plan to redevelop Octagon Park.

## ***2. Diversion of City Funds***

During the construction of the New York City Third water tunnel, the Department of Environmental Protection ("DEP") damaged Roosevelt Island's grounds and a perimeter seawall. RIOC claims that the original 1994 agreement called for RIOC to restore and repair the seawall and tunnel, while the City would reimburse RIOC for the work.<sup>46</sup> The costs at that time were estimated at approximately \$1 million.<sup>47</sup> The restoration, however, ended up costing RIOC considerably more. DEP therefore agreed to pay to build the Octagon Ecological Park (called for in the Weintraub Plan) using the \$3.4 million in damages it owed

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<sup>43</sup> *Roosevelt Island Residents Association v Roosevelt Island Operating Corporation, MEPT Octagon LLC*, Supreme Court, County of New York: Part 50E *Decision and Judgment* Index No. 04/118270.

<sup>44</sup> To prevail on a request for injunction the Court argued had, "to meet the heavy burden of demonstrating (1) irreparable injury; (2) a likelihood to ultimate success on the merits; and (3) that a balancing of equities favors the Petitioners' position...this court finds that Petitioners have not shown a likelihood of success on the merits..." *Roosevelt Island Residents Association v Roosevelt Island Operating Corporation, MEPT Octagon LLC*, Supreme Court, County of New York: Part 50E *Decision and Judgment* Index No. 04/118270 at 16-7. For the Court's decision on Open Space see "The Project Does Not Violate the 2002 Open Spaces Law at 17. For the Court's ruling on the issue of Public Trust see the *Decision and Judgment* at 25. For the Court's decision on Alienation see the Court's decision at 27.

<sup>45</sup> Chapter 493 §2, Laws of New York, 2002.

<sup>46</sup> August 12, 2005 Letter.

<sup>47</sup> August 12, 2005 Letter.

Roosevelt Island. RIOC then used that commitment of money to apply for state and federal grants and contributions for the park. After receiving the grants, the \$3.4 million was later transferred into the general fund because RIOC stated that it had enough funding for Octagon Park. According to RIRA, however, that money was diverted to cover the \$4.5 million infrastructure costs of the Southtown development. Because the funds were redirected, Octagon Park was only partially finished. RIOC offered up the park area to developer Becker & Becker claiming that it was not being used as parkland, even though their redirection of funds prevented the park's completion. A February 2004 letter from DEP confirms that RIOC took DEP's payment in lieu of the DEP constructing the Octagon Park.<sup>48</sup> Robert Ryan, RIOC's president at the time, denied that there was a link between the \$3.4 million from DEP and the \$4.5 million infrastructure payment.<sup>49</sup> The Committee is seeking more information on a relationship, if any, between the \$3.4 million, the restoration of Octagon Park, and Southtown infrastructure.

#### **IV. Financial Health and Stability**

RIOC has encountered significant financial difficulties, largely arising from past policy decisions that have had a long-lasting negative effect. RIOC--at least up until 2003--operated, for the most part, at a deficit (*see Appendix, Table 2 & 3*).<sup>50</sup> That deficit was addressed, in part, by an appropriation of a State subsidy approved as a result of the leadership of Assemblyman Pete Grannis. However, for the fiscal year April 1, 1997, Governor Pataki refused to continue the funding and although there remained a budget line item it was, and remains, reduced to zero. This unfortunate withdrawal by the State from fiscal responsibility to the Island may have been an additional reason for the policy of one-time payments, instead of a long-term ground rents discussed below.

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<sup>48</sup> Letter from Warren Kurtz, P.E. Deputy Commissioner, DEP to Joyce Mincheff, Main Street Wire, February 20, 2004.

<sup>49</sup> The Wire February 05, 2000 article by Joyce Mincheff.

<sup>50</sup> The Committee has just received the 2005-2006 financials and is currently in the process of reviewing them. In August of 2003 there was a projected surplus of \$1.5 million, however, according to some RIRA members there would have been \$1.5 million deficit in 2004.

### **A. Failure of Long-Term Planning**

One cause of continuing concern is the failure of RIOC to issue long-term capital, land-use, and financial plans. For years, Assemblyman Grannis and residents have sought such plans, arguing RIOC makes long-term real estate deals despite having no capital or operating expense forecasts to determine whether or not the deals are fiscally responsible. Just recently, RIOC has provided the Committee a draft Capital Management Plan.<sup>51</sup> The Committee is currently reviewing the document.

### **B. One-Time Payments Rather than Long-term Ground Rents**

Northtown's development agreements produce significant ground rent to RIOC; however for Southtown RIOC had a policy of accepting one-time upfront cash payments rather than significant ground rents in its agreements with developers. This policy has complicated the goal of long-term financial self-sufficiency.<sup>52</sup>

This trend of one-time cash infusions when development rights are sold with minimum ground rents charged to developers hurt the long term financial health of the Island. RIOC's President and Chief Operating Officer, Herbert Berman, now states that one-time payment agreements are no longer the policy of RIOC.

### **C. Use of Grants and Outside Funding**

In addition to the lack of rational long-term financial planning, residents also claim that RIOC has lost several grant/money opportunities due to inefficiency and lack of interest. The Roosevelt Island Youth Center is on the verge of losing \$1.6 million in City capital funding because RIOC will not give them the space promised years ago for expansion. The Center could also lose \$150,000 in State funds that Assemblyman Grannis allocated several years ago for renovations because RIOC will not provide a new space and

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<sup>51</sup> August 12, 2005 Letter.

<sup>52</sup> For example, RIOC charges considerably more ground rent in Northtown and Northtown II. Manhattan Park - half the size of Northtown's 2,200 and Southtown's 2,000 units - pays considerably more ground rent than either Northtown or Southtown (*see Appendix, Table 2*). According to Pat Siconolfi, Southtown pays less than \$100,000 per building. Yet Manhattan Park pays \$4.5 million per year for ground rent.

the owner of the current space will not sign a new lease because the building is in the process of trying to buy out of the Mitchell-Lama program.<sup>53</sup>

RIOC has not capitalized on a matching grant of \$250,000 from the New York State Parks Office for Blackwell House and thus the project has been “delayed” because of budget constraints. The money originally earmarked for Blackwell House was allegedly diverted to bring a historical kiosk to the Island because, as the head of the Historical Society.

However, according to an audit by New York City Comptroller Thompson, RIOC has sought to obtain, or has obtained, financing to rehabilitate and maintain some of the Island’s landmarks. This is a positive step forward. RIOC also asserts that it is securing a \$250,000 grant from the New York State Office of Parks, Recreation and Historical Preservation for the restoration of the Blackwell House. As to the alleged diversion of restoration monies, RIOC claims that it “is not aware of any grants originally earmarked for the Blackwell House restoration [that have been] diverted for any purpose.”<sup>54</sup>

## **V. Transparency and Governance Issues**

Residents claim that RIOC Board has acted as a secretive bureaucracy, lacking in transparency and accountability. According to residents, RIOC has gone into executive session regularly contrary to the Open Meetings law, which states that, “Every meeting of a public body shall be open to the general public.”<sup>55</sup> RIRA members contend that they have sought admission to RIOC committee meetings, which has been denied to them. RIOC states that the Board follows the provisions of the Open Meetings Law. However, RIOC has not provided the Committee data illustrating the percentage of meetings that are held in executive session.<sup>56</sup>

In addition there have been allegations that RIOC has not complied with the Freedom of Information Law (“FOIL”). Although residents eventually have gotten responses to FOIL requests, the process has clearly been characterized by delays. RIOC

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<sup>53</sup> See: Letter from Assemblyman Pete Grannis to Charles Defino, Executive Director of the Roosevelt Island Youth Program dated April 16, 2001.

<sup>54</sup> August 12, 2005 Letter.

<sup>55</sup> New York State Consolidated Laws, Article 7, §103(a).

<sup>56</sup> August 12, 2005 Letter.

asserts that, “any denials of requests for information are made in accordance with the applicable exemptions under Freedom of Information Law.”<sup>57</sup> However, the Committee has received information that, not only shows there are denials of FOIL requests, but also undue delay in providing the requested information. For example, Linda Heimer, who was a member of RIRA and Chair of RIRA’s Government Relations Committee for several years, signed an affidavit during the RIRA court case stating that RIOC did not respond to her FOIL request 82 days after receiving such request.<sup>58</sup>

## **VI. Staff Conduct and Mismanagement**

Some residents raised concerns regarding patronage abuses involving certain RIOC’s presidents appointed by Governor Pataki. In particular, the residents cite the appointments and dismissals of former RIOC CEOs Jerome Blue and Robert Ryan.

### **A. Jerome Blue**

Jerome Blue was the President of RIOC from 1996 to 1999. Prior to this, at the request of former U.S. Senator Alphonse D'Amato, Mr. Blue was hired as a special assistant to the New York regional administration of the Federal Department of HUD during the 1980's. As RIOC’s President, Mr. Blue was criticized from the residents for some of his policies. The residents, for example, strongly opposed Mr. Blue’s proposal of reducing open space areas by building a commercial eldercare facility in Octagon Park. Residents’ assert he refused funds that could have been available for RIOC because of his determination of making the Island self-sufficient. However, in order to increase the Corporation’s income and make-up for the shortfalls, it is alleged that Mr. Blue had to reduce expenses by cutting down services, such as eliminating console operators at the Tramway, reducing staff in some departments, and proposing to cut off night Tram service. Public reports indicated that residents were so disenchanted with Mr. Blue’s administration, among other reasons, that Governor Pataki appointed him as

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<sup>57</sup> Id.

<sup>58</sup> *Roosevelt Islanders for Responsible Southtown Development et al. v. Roosevelt Island Operating Corporation et al. Roosevelt Island Residents Association, Alternative Southtown Design Committee v. Roosevelt Island Operating Corporation*. 735 N.Y.S. 2d 83. Supreme Court of New York, Appellate Division, First Department, 2001. Affidavit of Linda Heimer in Support of Petition dated May, 2000.

Commissioner of the State Division of Human Rights, later as Vice President of the State Housing Finance Agency, and then Vice President of Construction at the Battery Park City Authority. On December 15, 2003, Mr. Blue was hired as New York City College of Technology's Interim Vice President for Research, Governmental and Corporate Affairs.<sup>59</sup>

## **B. Robert Ryan**

Robert H. Ryan succeeded Mr. Blue as RIOC's President and served from 1999 to 2003. Mr. Ryan managed Mr. Pataki's successful 1994 campaign for Governor and later worked at Empire State Development Corporation ("ESDC") as Executive Director for Port Authority Affairs. In 1997 he became ESDC's Senior Vice-President for Communications.

RIOC, to this day has not revealed the circumstances surrounding Mr. Ryan's tenure and departure. Information made available to the Committee indicates that RIOC charged Mr. Ryan with granting unauthorized payments to himself and other RIOC employees for volunteer work following the September 11, 2001 terrorist attacks on the World Trade Center ("WTC"). According to a published interview, Mr. Ryan confirmed that he awarded one day of vacation for every hour worked at Ground Zero, and it was exchangeable for cash.<sup>60</sup> In the case of at least one employee, it may have amounted to the equivalent of a year's pay. Mr. Ryan then gave himself another raise that was processed without any problems and subsequently gave a raise to his subordinate, Rob Antonek, who then signed off on a third raise for Ryan. According to residents, there was no Board approval for any of these raises. Furthermore it is alleged that in 2002, Mr. Ryan received a raise which he then made retroactive by nine months.<sup>61</sup>

In February 2003, Mr. Ryan was escorted out of his office by Island Public Safety Officers, and later suspended by the RIOC Board as President. Mr. Ryan was paid his salary, in excess of \$125,000 a year, during his six months suspension, which was extended first by Board approval and later by retroactive Board approval at the request of Board Chair Mary Beth Labate. The Board then terminated him in June without specifying the

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<sup>59</sup> No search was conducted for this position and the CUNY administration has not said how much he is paid or where the funds come from.

<sup>60</sup> "RIOC Board Fires Ryan," Dick Lutz, The Main Street Wire, June 28, 2003.

<sup>61</sup> Id.

reason, saying only that it was in the best interest of the Corporation. It was reported that the Board refused to make any public statements about the firing and that Ms. Labate has told Board members they may not discuss the matter with the press or the public.<sup>62</sup> RIOC did not approve Ryan's initial removal from his office. Ms. Labate contacted the Board retroactively to advise them that he had been removed.

The Board requested that the State Inspector General look into the Ryan matter. The Inspector General, however, only reluctantly passed it back to the Board. The Board consequentially hired attorney Michael Hitsman of Hitsman, Hoffman & O'Reilly to investigate the matter. As a result of the investigation a 100-page report was written on RIOC and Mr. Ryan. However, it appears Board members were shown the report on the day they voted, but were not allowed to keep a copy. Attempts to make this document public under FOIL were denied by RIOC.<sup>63</sup> The Committee has sought a copy of the Hitsman Report, as well as information on the circumstances of Mr. Ryan's hiring, tenure and departure. RIOC's Chairwoman and Board have not, at this time released the Report to the Committee or responded to questions about its' contents and other matters. In a conversation between Chairman Brodsky and Mr. Hitsman, it was indicated that RIOC's Board was, at this time, unwilling to release a copy of or to discuss the substance of the Report, other than to indicate it dealt with matters of staff compensation. The failure to release the Hitsman Report or to publicly discuss the matter has impeded the Committee's work, has not been justified on grounds of public need for confidentiality, and is contrary to policies of openness and transparency required of a public entity. The Committee will vigorously pursue the Report and the other information sought. RIOC leadership has indicated to the Committee that it believes it is required to seek full Board approval in order to release the Hitsman Report. Leadership has indicated that the matter will be brought to the Board in early September. The Committee has also issued a direct invitation to Chairwoman Labate to appear at the Committee's hearing to discuss the Ryan matter and other issues raised in the Interim Report.

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<sup>62</sup> "RIOC Board Fires Ryan," Dick Lutz, The Main Street Wire, June 28, 2003.

<sup>63</sup> Letter from Sari Dickson, RIOC, to Dick Lutz, November 14, 2003.

The Hitsman report apparently focused on the WTC pay mentioned before, practices regarding executive pay that provided key employees with hidden raises never reviewed or approved by the Board. Also, the report apparently referenced an incident where Mr. Ryan gave an employee a raise, and then had that employee sign off on a raise for Mr. Ryan himself.<sup>64</sup> RIOC administrators also allegedly awarded themselves various “performance bonuses” and a program of “floating holidays” for time off for time worked beyond a 40-hour week. In addition, RIOC administrators who agreed to put three percent of their salaries into a “Savings Incentive Program” were awarded with a six percent salary bonus, in cash payments – a form of hidden raises. Ultimately, RIOC’s Board closed the door on such future practices by passing a resolution that provides for Board approval before any alteration of salaries and fringe benefits.<sup>65</sup> Apparently, at the core of Mr. Ryan’s defense is that all practices were either already in place before he arrived or had been used in other State agencies, or were approved in conjunction with Ms. Labate’s approval by CFO Patrick Siconolfi (RIOC’s CFO under Mr. Ryan’s tenure and acting President after Mr. Ryan, as well as an employee of DHCR).

Subsequent to his termination from RIOC, Mr. Ryan was appointed as Assistant Secretary of State in September 2003 – three months after being fired as RIOC’s President, and at a time when the Governor had announced a hiring freeze. The circumstances of Mr. Ryan’s dismissal and the reasons for it have never been made public, giving additional weight to claims that RIOC lacks transparency and accountability.

## **VII. Payroll and Salary Issues**

The RIOC administrative payroll has significantly increased over the last seven years. Documents received under a FOIL request showed a payroll list with approved salaries that were much lower than actual money paid to employees. In reviewing two documents: a list of all RIOC management staff containing names, positions, and salaries as of May 22, 2003 and a weekly gross payments report from January 13, 2000 to October 29, 2003 for Mr. Antonek, Ms. Espejo, Special Counsel, Mr. Leitner, General Counsel, Mr.

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<sup>64</sup> “RIOC Board Fires Ryan,” Dick Lutz, [The Main Street Wire](#), June 28, 2003.

<sup>65</sup> See: Resolution, Approval of the Proposed Budget for Fiscal Year 2003-04, May 15, 2003.

Melia, Public Information Officer, Mr. Ryan, and Mr. Siconolfi, Steve Marcus, RIRA's President, concluded that the salaries stated in the first document are 15-20 percent lower than the sum of the weekly amounts paid in 2003, and that raises of about 7.6 percent appear to have been given starting in December of 2002 (*See Appendix, Tables 4 & 5*). According President Berman, these discrepancies are due to the Cost of Living Allocations given to administrative employees in December of 2002 and to some payments for a Savings Incentive Program that has since been discontinued. RIOC further responded to the Committee's request to provide the approved and actual salaries over the past years.<sup>66</sup> The Committee's review of RIOC's newly provided information shows a discrepancy between the FOILED documents and RIOC's claim. The Committee will continue to investigate the matter.

### **VIII. Matters Still Under Investigation**

Significant unanswered questions which will be pursued by the Committee include:

1. The Committee is seeking more information on relationship if any between the \$3.4 million, the restoration of Octagon Park, and Southtown infrastructure.
2. The Committee is seeking further information as to whether the GDP has been observed with respect to parks and other amenities.
3. The Committee is seeking information about the status of the 80/20 affordable housing in the Southtown development.
4. The Committee is seeking the status of the Mortgage Recording Tax Exemption housing in the Southtown development.
5. The Committee is seeking information with respect to apparent disparities on the status of the alternative parking location, as well as the status of the HUD monies.
6. The Committee is seeking information whether RIOC carefully considered residents' opposition to the development, including the questions of preserving open space, before moving forward with any plan to redevelop Octagon Park.

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<sup>66</sup> August 12, 2005 Letter.

7. There are questions whether raises given by former President Ryan to himself and his employee, Rob Antonek were properly given Board approval.
8. The Committee is seeking information as to whether all interested parties were given adequate and simultaneous notification of the modifications to the RFQ for the Southtown development.
9. There are still disparities between documents FOILed by residents and statements made by RIOC to the Committee over employee salaries.

## **IX. Interim Conclusions**

1. The operation and management of RIOC has exhibited, in the past, a pattern of secrecy and unaccountability consistent with what the Committee has found at other authorities. With respect to relations with the Island's community and institutions, including matters such as open meetings, FOIL requests, public participation and RIOC activities and full public disclosure of important public issues, RIOC must show significant improvement.
2. The Governor's decision to withdraw financial support for Roosevelt Island has caused unnecessary organizational pressure. That withdraw is partially responsible for RIOC's repeated use of one-time cash payments, which may have addressed short-term budget needs, have made the long-term financial self-sufficiency of the Island more difficult.
3. RIOC should expand its efforts to receive special grants and other monies.
4. The ongoing refusal of the RIOC Board to discuss Mr. Ryan's hiring, tenure and departure has not been justified by the assertion of any public or private interest which requires such secrecy. The Committee awaits RIOC's decision and the Board's decision on the release as well as Chairwoman Labate's decision to testify at the Committee's upcoming hearing.
5. There is a fundamental and ongoing hostility between RIOC and important segments of the Island's community. This hostility is neither necessary nor inevitable. All parties should make immediate efforts to put aside historical grievances in favor of establishing a positive relationship to strengthen the community of the Island.
6. The current administration of the Island has cooperated with the Committee in every respect. However, the Board's refusal to release the Hitsman report is an unnecessary repetition of the failed policies of the past.

7. The Committee will convene hearings to consider matters raised in this Interim Report as well as the outstanding questions referenced above.

## Appendix

**Table 1. Revenues & Costs for Developing Southtown**

<b>Southtown Revenues</b>	
Infrastructure development	5,481,167
PILOT	2,131,150
Incentive fees	875,000
Option fees	277,500
Project mgmt fees	200,000
Expected final payment for Bldg 2 (2004)	1,800,000
<i>Total Southtown Revenues</i>	10,764,917
<b>Southtown Expenses</b>	
Southtown infrastructure	8,727,973
Legal fees	623,791
Project mgmt fees	505,099
Future Dev Compensation (AMEC)	2,409,817
<i>Total Southtown Expenses</i>	12,266,680
Net Southtown gain (loss)	(1,501,763)

**Table 2. Profit/Loss for Roosevelt Island Operating Corporation**

Revenues	1997	1998	1999	2000	2001	2002	2003
Man. Park Rent	2,600,000	2,700,000	2,800,000	2,900,000	3,000,000	3,100,000	3,200,000
Addtl Man. Park				408,309	1,123,486	1,444,579	1,479,212
Motorgate	1,415,794	1,527,489	1,485,196	1,575,912	1,528,374	1,677,446	1,584,971
Tram	1,565,544	1,833,443	1,284,414	1,395,682	1,326,426	854,520	1,043,992
Northtown rent	912,255	904,152	794,703	860,658	783,388	816,606	794,772
Public safety hsng revenue - NT	781,881	828,590	849,759	849,759	867,726	1,054,304	1,047,413
Public safety revenues - MP	235,096	174,007	173,997	165,298	173,997	200,000	417,000
Bus fares	322,006	298,906	309,973	307,375	296,446	303,468	285,479

State support	600,000						
DEP				3,400,243			
Special projects recovery				575,664			
Southtown					100,000	6,118,181	2,469,236
Insurance setlmt							2,463,315
Other (includes ST rent)	1,146,000	911,123	1,240,882	1,127,637	1,915,517	1,613,581	1,415,816
Total Revenues	9,578,576	9,227,710	8,938,924	13,566,637	11,15,350	17,182,685	16,201,206
Expenses							
Southtown infrastructure					425,459	5,193,816	3,108,698
Legal fees						365,392	258,399
Project mgmt fees						258,399	246,700
Future dev comp (AMEC)				482,000	580,000	632,608	715,209
Total admin	2,208,610	2,104,705	2,052,570	2,409,578	2,157,312	2,605,227	3,181,005
Compensation	1,095,350	1,429,488	1,339,530	1,745,047	1,401,931	1,711,286	1,940,658
Total expenses	11,002,601	9,709,306	9,361,894	9,874,922	11,066,960	16,686,098	15,572,730
Total difference	(1,424,025)	(481,596)	(422,970)	3,691,715	48,400	496,587	628,476
				291,472			(1,419,894)
End fund balance	4,128,970	3,647,374	3,224,404	6,916,119	6,964,519	7,461,106	8,089,582

DEP money

Insurance settlement

**Table 3. Southtown Revenues and Expenses**

Southtown Revenues and Expenses <sup>67</sup>							
YrEnd Mar 31:	2000	2001	2002	2003	<i>Estimated</i>		TOTAL
					2004	2005	
Southtown Income		100,000	6,118,181	2,469,236			8,687,417
<i>Expected Final Payment for Bldg 2 (2004)</i>					<i>1,800,000</i>		1,800,000
<i>Expected Final Payment for Bldg 3 (2005)</i>						<i>2,177,000</i>	2,177,000
<b>Total Revenues</b>	<b>-</b>	<b>100,000</b>	<b>6,118,181</b>	<b>2,469,236</b>	<b>1,800,000</b>	<b>2,177,000</b>	<b>12,664,417</b>
Southtown Infrastructure		425,459	5,193,816	3,108,698			8,727,973
Legal Fees			365,392	258,399			623,791
Project Mgmt Fees			258,399	246,700			505,099
Future Dev	482,000	580,000	632,608	715,209	<i>300,000</i>	<i>300,000</i>	3,009,817
Compensation(AMEC)							
<b>Expenses</b>	<b>482,000</b>	<b>1,005,459</b>	<b>6,450,215</b>	<b>4,329,006</b>	<b>300,000</b>	<b>300,000</b>	<b>12,866,680</b>
<b>Total Revenue (Expense)</b>	<b>(482,000)</b>	<b>(905,459)</b>	<b>(332,034)</b>	<b>(1,859,770)</b>	<b>1,500,000</b>	<b>1,877,000</b>	<b>(202,263)</b>

**Table 4. Annual Salaries of RIOC Officers.**

Name	Salary from Summary	2002 Gross Detail	2003 Gross Detail	Total Difference over Last 2 Years
Robert Ryan	\$123,191	\$151,221	\$139,596	\$44,435
Robert Antonek	\$110,080	\$136,217	\$123,945	\$40,002
Kenneth Leitner	\$110,080	\$122,449	\$134,475	\$36,764
Patrick Siconolfi	\$110,080	\$116,550	\$124,192	\$20,582
Barbara Espejo	\$110,080	N.A.	\$82,943	N.A.
John Melia	\$96,820	N.A.	\$123,328	N.A.

**Table 5. Bi-Weekly Salaries of RIOC Officers.**

Name	Bi-Weekly Salary 11/02	Bi-Weekly Salary 12/02	% Difference
Robert Ryan	\$4,738.12	\$5,099.88	7.6
Robert Antonek	\$3,933.53	\$4,233.86	7.6
Kenneth Leitner	\$3,933.53	\$4,233.86	7.6
Patrick Siconolfi	\$3,933.53	\$4,233.86	7.6
Barbara Espejo	\$3,933.53	\$4,233.86	7.6
John Melia	\$3,615.39	\$3,723.85	3.0

<sup>67</sup> Spreadsheet prepared by Steve Marcus of RIRA.

**END OF REPORT**