

## Interview with Deborah VanAmerongen

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Asking questions for *The Main Street WIRE* was Managing Editor Dick Lutz. Below, “DVA” indicates answers by Deborah VanAmerongen.

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WIRE:

You probably have guessed that the main thing that people are talking about now on Roosevelt Island is the latest position on housing, and on affordable housing, which is, of course, of tremendously great interest. Have you had a chance to read the [lead article in] the last issue of *The WIRE*?

DVA:

I sure have.

WIRE:

I just wanted to confirm that Steve Shane and you are on the same page in terms of [the] overall position [on affordable housing].

DVA:

That is our administration’s overall position – that we’re going to do – not just on Roosevelt Island, but anywhere in the State – whatever we can to protect affordable housing. It is an invaluable resource and we’re going to work with people to try to keep units in whatever program they’re in, to do preservation. It’s a big focus for us.

WIRE:

What is the incentive for an owner who may have been anticipating leaving Mitchell-Lama and going to market-rate rents or at least increasing rents over time? How do you incentivize that?

DVA:

Well, it’s really going to vary by building. I mean, I can talk specifics – if you only want me to address the Roosevelt Island buildings, I can focus just on those. But I mean... The situation is different in many areas of the State. We have areas where there

are buildings which have 30-40% vacancies in upstate New York. There are areas here in New York City, where it's a co-op and they need some assistance in doing a revitalization of the project. So really, it's going to vary.

Roosevelt Island is a particular circumstance because of the underlying ground lease and because of the General Development Plan (GDP). So there are layers of complications and, perhaps, things that work to the advantage of those who are trying to keep buildings in the affordable housing program that don't impact other buildings in our Mitchell-Lama portfolio – or other affordable housing buildings in general. Mitchell-Lama is not the only portfolio of buildings we're focused on. There are other affordable housing resources that we are trying to protect as well.

So, at Roosevelt Island, because of the General Development Plan, and because of the ground lease and the issue about a possible ground-lease extension, we have some other tools that we might be able to bring to bear in addition to...

I want to make one thing very clear: We want to have a positive, productive conversation with both the owners and the tenants of these buildings. I do not want it to be that the State is sitting back and taking a position saying it's not going to happen and we're laying down the law. This is, you know, it's a private sector venture and we're the government. And we regulate this building and we have a relationship with all the buildings in our portfolio.

We want to figure out what we can do to create those incentives and to make a deal that is workable for everyone – in the best interests of both the Operating Corporation (RIOC), the tenants of the building, and – to the extent possible – for the owners so that they do have an incentive to go along and to be cooperative with us.

WIRE:

That's a kind of "stick" side in a sense.

DVA:

No, I think it's a "carrot" side, really.

WIRE:

Are there more carrots?

DVA:

There may be. Y'know we have been talking with – and I think it is mentioned in Steve's commentary as well – with the State Housing Finance Agency and they are willing to be part of that conversation as well. And [on] whether there are any financing alternatives that would work to put together a package of incentives – a re-financing package that would address the rehabilitation needs of the buildings.

I think there are a number of things that we can do. I don't want it to be that we're the long arm of the law kind of thing and we're just going to say "no" to everything without trying to get to a positive conversation. I'm trying to get it to a positive conversation.

WIRE:

Do you feel you are in a position to say "no" – for example, to an owner who has said, "I'm leaving Mitchell-Lama and I'm going to increase my rents substantially?" Does the ground-lease situation give you enough of a stick, as it were, to make the carrots more attractive?

DVA:

I would say that there are a couple of different things: The ground lease – the need for extension of the ground lease – puts us in a position where I think we have the ability to negotiate... and the ability to offer a more favorable reaction to the extension of the ground lease based upon a particular plan versus another plan that we're really uncomfortable with. The thing that I think creates a difficulty for this owner or any owner in taking those buildings out of Mitchell-Lama is really the General Development Plan – though I will admit that, being still new to the job, I'm still getting up to speed on this and learning everything about what that General Development Plan says and how it impacts upon the ability of the owner to take those buildings out of Mitchell-Lama. But you may be aware that there are instances where in the City of New York, and even outside the City of New York, there were Mitchell-Lamas that wanted to buy out and because of underlying restrictions on the land – such as an urban renewal plan, and there was a pretty big case over in Brooklyn with a building called Tivoli Towers – and I'm not suggesting that the two are analogous, I'm just giving you an example of the kind of thing that we're thinking about – where ultimately, the court said, "You can't buy out." And I don't know that a court would say that here, and I'm hoping we don't get to the point where there's litigation, but I think we need to look at those things.

We have another building that we're working on in Staten Island right now where there are HUD restrictions on the pre-payment of the mortgage. And we have said to the owner of that building, until you resolve those issues with HUD, we're not going to

approve the buy-out. So there are other things... other buildings where we can look to and say... And again, this is not about me. I'm not trying to threaten anyone. I really want to get to an amicable resolution with both the tenants and the owners of these buildings, and do whatever we can to preserve affordability going forward. But I think that there are things in the General Development Plan that raise questions about the owner's ability to buy out. And that's what we're really looking at right now.

WIRE:

It's your position that they knew coming in that there was a GDP and that there were percentages of housing dedicated to affordability; and that, based on that, they have been on notice for all this time, that there was a possibility that they would be asked to do something specific to depart Mitchell-Lama?

DVA:

It's difficult for me... Obviously, people knew of the existence of the GDP. That's never been a secret. Anybody who thought about doing development on Roosevelt Island... It's difficult for me to speak to what their thoughts were or what they were cognizant of at the time they were developing these buildings. And, did anybody have any idea what Roosevelt Island was going to end up looking like? Or what the real-estate market in the City of New York was going to look like? I don't want to say that I understand what their thoughts were 30 years ago or however long ago it was when they were first developing the buildings. I can only speak to where we are right now and the fact that we view the General Development Plan as the governing document for the Island.

You understand that I'm in a somewhat difficult situation because I am the Commissioner of DHCR and I'm also the Chair of the Board of RIOC. So I come at this from two different perspectives. As DHCR Commissioner, I have to oversee all of the Mitchell-Lama portfolio in the State of New York, all of the ones that are State-regulated – obviously there are City-regulated ones that I don't get involved in – and ensure compliance with the Mitchell-Lama rules and program requirements. But then as the Chair of the Board of RIOC, I've got to look at the what the General Development Plan says and what our needs are for the Island. So, I have to kind of always try to keep two perspectives on things.

WIRE:

The tenants have been working, as you know, on [privatization] plans in all three of the remaining Mitchell-Lama buildings. Eastwood [is] gone already, effectively. But they've been working on plans, and effectively, the plans – at least, as a negotiating

position – seem to be shot down at this point based on what Steve Shane said; but I wonder if you can talk about each of those in some detail. For example, let’s start, for the sake of discussion, with the Westview plan, which is the primary one we talked about in the issue of *The WIRE*?

DVA:

I wouldn’t say that any of the plans that are on the table have been “shot down.” What I would say that I think there is still some work to do. We are concerned that the plan that’s on the table right now does not do enough to preserve affordability on a going-forward basis; and that, to some extent, the payment that would be made to the owner and the owner’s partners, and the number of units that would be left under the control of the owner to be sold in whatever way, shape, or fashion that they desire – that some of that is driving, then, how much affordability can be preserved. So I think there are some things that we would like to re-open the discussion about. I am not suggesting that anybody wants to scrap the plan entirely. I think that there are some things that can be done to make the plans better, and to preserve more affordability and more long-term viability for all these buildings as affordable housing.

WIRE:

You mentioned “affordability” on an ongoing basis or “going forward.” Let’s try to define what that means. For example, I’m wondering, on the spectrum of “affordability,” you can go all the way from a plan under which residents own their apartments but are only allowed to sell to people who meet certain income guidelines. You could go all the way to something like an 80/20 plan that goes out 20 years with 20% of the apartments being rented at what we would agree were “affordable” rates. How do you define “affordability” for the long term? I’m going to ask you what your bottom-line negotiating position is...

DVA:

I obviously don’t have a bottom-line negotiating position and I don’t really want to pre-judge the question. What I can tell you is that we’re not comfortable that the current plan truly protects affordability and preserves the buildings as affordable housing going forward. I think that there are a number of models we could look at for examples of the kind of thing that we might be more supportive of, and I hesitate to name a specific sort of construct because then people will say, “Oh, that’s what they’re demanding that we do.” I’m open to discussion about any number of different things.

I don’t think that... What I can say categorically is that I don’t think that the current plan is really an affordable-housing plan. It protects the current residents, which is

absolutely a valuable goal and something that we would want to have as a part of any plan no matter what else is on the table. But I think we need to look at the rest of that plan: Aside from the protection for the current residents, what else is on the table? And how do we get to a point that we do have some assurance that there is preservation going forward?

WIRE:

Let me ask you some very specific questions then: Does 80/20 work? If an apartment building proposes to keep 20% of their apartments affordable and...?

DVA:

I don't think that that would be... My take on it, off the top of my head is [that] I don't think that's in compliance with the General Development Plan. I don't think 80/20 is.

WIRE:

Okay. So, are you looking at a situation where you don't want – I guess probably this is strong, but – even a single apartment to...

DVA:

No, that's not how I would characterize it. I'll give you a for instance with the caveat that this is not to be characterized as me saying, "This is what I am demanding at these buildings."

WIRE:

I understand.

DVA:

We worked on – DHCR, before I got here, worked on some transactions up in the Bronx known as the Lafayette transactions – Lafayette-Boynton and Lafayette-Morrison were those buildings. What we were able to put together there was, in fact, a requirement that purchasers going forward be income-qualified, and they reconstituted themselves as what's known as an Article 11. You know the Mitchell-Lama buildings are under of Article 2 of the Private Housing Finance Law. Article 11 is another article, another provision of the Private Housing Finance Law. So they had those buildings go in and reconstitute themselves as Article 11s, which meant that there were income restrictions; but they carved out a certain number of units for the former owner, just like

[Charles] Lucido is proposing on these buildings, that he has control over a certain number of units. It was a significantly smaller portion of the units that were under his direct control in those buildings than what Lucido is proposing here. So, that's an example of the kind of thing that we might look at. I'm open to other ideas. There are people who spend a lot more of their time thinking about how to construct a real-estate transaction to be beneficial to themselves than I do, so I don't want to prejudge it and say that this is the only way that it will work. I think that there are any number of ways that these things can work. I would ask that everybody be open to further discussions and to be willing to really go into it with the overarching goal in mind of not only protecting the interests of the current residents, not only ensuring that the owner gets out of it with as much money as they can, but really looking at long-term affordability for the buildings.

WIRE:

When you say "long term," you're talking about until the end of the lease?

DVA:

Yes, I mean the lease goes through 2068. I think we have an obligation to be in compliance with the General Development Plan through that time. And you have to keep in mind – something else that I think that people forget – is that it's not just RIOC or even just DHCR that's involved in these discussions. What used to be UDC [the Urban Development Corporation], and is now ESDC [Empire State Development Corporation], has to be satisfied with what we're doing. And, ultimately the City has to be satisfied. There is a flow-through of payments to those other organizations that are supposed to come out of any arrangement that we reach. So I think that there is a necessity for us to be able to say to those others – to ESDC and to the City of New York – that we're comfortable that this is in compliance with the GDP and any amount of payment that is going to flow to them under the arrangements that there are between RIOC and those other entities – we can absolutely feel comfortable saying, "Yes, we are doing what we should be doing here."

WIRE:

You responded specifically to the Westview plan. I would be killed when I go back to Roosevelt Island if I don't ask you about your comfort level with the existing Island House plan.

DVA:

I have not spent as much time on Island House as I have on Westview because it

seemed that the Westview folks had been further along; and they, frankly, have been – and I hate to say this because I don’t want to mischaracterize the Island House people either – the Westview people have been more, I guess, “forward” in approaching us and being aggressive. They felt themselves that they were further along. I also get the *impression* that the Island House folks... I don’t know if they feel more comfortable with preserving affordability on a going-forward basis, but I get the impression that they do. That there is perhaps more flexibility. The reaction to the position that we’re taking, in my estimation – just from what I’ve seen from folks – the reaction has been more visceral from the Westview people. It seems that the Island House people are perhaps a little bit more willing to continue discussion and are willing to engage in this further conversation with us to a point that we are comfortable with the affordability protections.

WIRE:

Okay. Then I have to ask you about Rivercross because...

DVA:

I haven’t had any conversation with Rivercross. I just haven’t got there yet.

WIRE:

Are you familiar with the plans?

DVA:

I’m not.

WIRE:

OK. I guess you’re probably aware that the prior administrations – all the administrations at RIOC and DHCR under former Governor George Pataki – were quite willing to amend the General Development Plan pretty much whenever it suited whatever purpose they had in mind. What’s your feeling on that?

DVA:

No one has asked me for any amendments to the General Development Plan, so I haven’t had to look at any particular proposal. I think if there were an amendment necessary in order to advance the well-being of the residents of the Island – to promote and protect affordability, for instance – or if there was some things in the General

Development Plan that were standing in the way of some other positive development on the Island, I'd certainly be open to discussion about it. I don't think that we would want to do it to just facilitate a real-estate transaction that we're not comfortable with. And I don't know if any amendment of the General Development Plan has even been talked about in the context of these transactions. It's not something I've heard.

WIRE:

Not in the context of these transactions specifically, but there has been a history of amending the plan for various purposes, which I suppose have seemed to residents many times that they primarily served the needs of developers rather than serving the needs of residents. And, with that in mind, many have now said, "Okay, it's gotta be our turn – the Democrats are in control."

DVA:

Well, I'm looking to take a fair and balanced approach. For me, it's not residents vs. developers. It's about what's in the best interest... How can we... I mean, we are, at our core, regulatory bodies. We have responsibility to be as responsive and as fair and principled in our approach to issues as we possibly can be, and that's what I'm trying to do. So I am not anti-developer. I'm obviously not anti-tenant. I am *pro* whatever is going to work to do the maximum preservation of affordable housing that we can. I don't think for a moment that we are going to be able to save every affordable unit everywhere in the universe of what DHCR is involved with. I'd love to think that this is possible, but I'm cognizant of the fact that it's not. It's a very hot real-estate market and I know that there are times that we're going to have to reach accommodations with developers that I would like to think we are doing in exchange for ongoing affordability to the extent possible.

WIRE:

Do you think that the fact that the real estate market is hot now has any bearing on what you need to do, or would your position be the same either way?

DVA:

Of course it is, because you know that you have a danger of losing units. If there were a very soft market, you would think probably, "Well, they don't have a lot of other alternatives or a lot of things that might happen here."

But I'll give you an example of the kind of approach that I worked on a lot. You know

I worked at HUD for a number of years. HUD came up with a program to deal with a hot real-estate markets. It's called the "Up-to-Market Program." You could have a secured contract, but you could get paid market-level rents. It is a relatively revolutionary concept, but what they said was, "Otherwise, owners have an incentive to opt out. And we released them from their cap on distributions, which is part of the Section 8 program. So there are ways that government can look at it and say, "We want these people to be our partners, we want them to stay in our program. We want them to continue the use of this building as affordable housing, so we are going to give them these incentives because we realize that otherwise we don't have the ability..." The "stick" approach isn't always going to work, and sometimes you don't even have a stick to use. So, we want to figure out – and that is what I'd like the conversation to get to: What is the reasonable accommodation that we can reach that will give the owners and the tenants and everybody else that is interested in the welfare of the Island comfort that we're doing the right thing – we are protecting affordability to the extent possible, but we're also doing it in such a way that people are willing to engage with us. We can't just sit back and say "No." This is something that needs to be dealt with.

WIRE:

Isn't it kind of tragic that the State of New York didn't over these last many years keep a rolling program of affordable housing going? I mean, the Mitchell-Lama program, for example? There are some, I know...

DVA:

The State of New York has consistently over the years financed affordable housing. It is, in the New York City area in particular, very difficult to do affordable housing because the amount of subsidy that is required to meet the high land cost and high construction costs and high operating costs of a building makes it very difficult. But even with that, in close conjunction with the City of New York we have done a lot of affordable housing development. *Is there ever going to be enough?* is really the question. I know that this administration is committed to maximizing our resources and doing as much as we possibly can. I mean, we can share with you our information about the numbers of units produced over the past ten years or twenty years or whatever you want to look at. We just celebrated the 20<sup>th</sup> anniversary of the Low-Income-Housing Tax-Credit Program, which is a very successful program – one of the most valuable tools that we have in our arsenal to create new affordable housing and to preserve it.

Am I satisfied that we have done enough? No. I mean, it's certainly something that this administration wants to focus on is doing more in this area.

WIRE:

Let me give you an example I am familiar with of a resident on the Island who has been there for I think 25 years, 27 years – something like that – who came to Roosevelt Island thinking that there was a promise from New York State that ultimately if he invested his, I think it was \$30K or so in an apartment in Rivercross or if he became – an alternate example would be someone who looked forward to resident ownership in a building like Island House or Westwood – that if he had... that after some period of time to be defined by Mitchell-Lama, he would have an equity ownership in his apartment and be in a position, for example, to renovate it, should that be required after 20-25 years, or to use the proceeds of an equity or market sale as a nest egg. So he made a choice, let's say, between putting his \$30K in the stock market where it would have doubled two or three times by now or using that \$30K to secure an apartment in Rivercross or the equity value or the interest value to rent an apartment in Island House or Westview, and now finds that the game has changed rather substantially – that is, it's moved from a situation where he had a hope after the expiration of the Mitchell-Lama period of becoming an owner and being able to use the equity in the apartment either to fix it up or to have a nest egg for retirement, and now finds out that's just not going to work out if, in fact, affordability for the long pull is required. The sale will not net the amount that was originally envisioned as being possible after a quarter century. Or, in the case of someone who has been paying rent for all these years, hoping to become a homeowner, or hoping to have equity that could then be used as a tool for mortgage or a home-ownership loan, to fix up an apartment, now finds that all has changed.

First of all, is that true? And secondly, how do you react to such a situation?

At bottom, the question is: Was there a promise from the State of New York; and if there was, is it being broken if people are not allowed to use to use their equity?

DVA:

I have no idea about whether there was ever a promise from the State of New York that, based upon you choosing to live... and I do think that there is a basic difference between a rental building and a cooperative building. But in either case, if there was ever a promise by the State of New York that if you choose to live on Roosevelt Island and, in the case of a cooperative, you know, pay this amount, buy your shares, or you're going to pay rent in these buildings for a number of years, that they would have the expectation, or the right to an expectation of some return on their investment. I'm not suggesting that there isn't, but I've never heard that there was. I don't know... I don't know how to react to that, given the fact that I don't know... I certainly wasn't around for the past 20 or 30 years to hear every conversation, or to hear every representation made by the State of New York. I think there is always a balance of equities in these kinds of situations and I think people look at DHCR and look at RIOCR and say [that] the owners of these buildings have benefited from participation in this program and the residents who have lived in these buildings have benefitted by living there – versus what they would have been

paying, really, practically any place else in the City of New York. And the State and the City have made certain sacrifices themselves in order to facilitate that moderate-income housing. They have made investments or have had less revenue than they would have had elsewhere or otherwise if it were not an affordable-housing resource that the City and State have, so whether an individual resident – and particularly in a rental building... I don't know: I find it hard to believe that someone suggested to someone moving onto Roosevelt Island 20 years ago, "Move in now and pay rent for the next 25 years and you'll get something out of it." I think what they got out of it was a great, affordable-housing building to live in for a very long period of time because of the investments that the State and the City were making into those buildings. So, I'm not clear about what the expectation would be.

And again, I am not a pessimist. I am an eternal optimist and I think that it is very early in my administration and in this administration's oversight of Roosevelt Island. I am absolutely not throwing in the towel. I think that there are a lot of things that we can do. There are a lot of creative minds out there and people who know real estate and who can put together a transaction that will make it work for everyone. I've seen it happen any number of times in situations that were, frankly, much more dire than this. I've worked on buildings that were going foreclosures; and literally, the day before foreclosure was going to happen, something comes along and saves it. So I'm an eternal optimist and I'm sure that we can find a reasonable accommodation.

I feel badly for those people who have invested so much time to get to the point that they're at now and they feel that we're pulling the rug out from under them. I appreciate the fact that this is a frustration for them, I think in all fairness to us, though, we are a new team and we do have a responsibility to ensure that whatever is being done with these buildings going forward is, in our opinion, appropriate, both for the interests of the residents who are currently there and for the long-term affordability of housing on the Island. So, we are absolutely not trying to say to them... you know, we're not slamming the door on them or saying, "Too bad – we're not playing with you."

We want to engage in productive conversation. I'd really like to get past some of the level of discourse at this point so that we're at more productive conversations. For example, I'll give you a for-instance, and it's something that I'd really love to have highlighted in *The WIRE*.

My understanding of the conversations going back to the time of the Sheldrake transactions were on the table, and currently, as well – and again, I've not been a part of every meeting – but it is my understanding that it has been presented that RIOC would be willing to look at a true appraisal of the buildings and the value of the owner's interest in those buildings, and take that as a discussion – as a place to move the discussion forward. It is unclear to us how the price that the owner is demanding for these properties was arrived at. And, like I said, my understanding – and I was not involved at the time... my understanding is that this was something that came up during the Sheldrake transactions, that they were asked to provide a fair-market appraisal of the buildings and of the remaining time on the lease and that sort of thing; and I think that's a reasonable thing

for RIOC to ask be a part of this transaction – that we have an understanding of – where did the purchase price come from? And, as I said, the purchase price is a part of what is driving the inability to preserve affordability going forward. If the purchase price were something less – and I’m not saying I know what the appraisal is going to come out at, but I’m thinking it might be less. If the purchase price were something less, they could do more for affordability without it impacting... the tenants can still become owners of the building. I think that is a laudable goal and that would certainly be something that I would support. I think that we need to take at what are the market realities – and Steve made this point as well: We are governed by the Public Authorities Law. And, as I’ve said, we’ve got ESDC and the City who we have to talk to [about] whatever deal is arrived at the end of the day, whatever RIOC is signing off on, and how that impacts what payments are going to go to ESDC or the City on a going-forward basis. We also have the Public Authorities Accountability Control Law overlooking us and saying, “What are you doing here?”

We need to be in a defensible position. I think that an appraisal of the buildings would be of great value to us in putting us in a defensible position. I can’t, right now, explain to anybody how the purchase price was arrived at.

WIRE:

Talk about appraisals for a moment: When you speak of appraisals in this context, there are two possible ways to appraise. One is saying “as things now stand with the ground lease, as far as it goes.

DVA:

Right.

WIRE:

Another way to appraise it is to say, “On the assumption that a ground lease will be extended.” There is going to be a difference in value between those two things.

DVA:

Sure, there will be.

WIRE:

And is that the difference in value that you find that would be subject to the PACB (Public Authorities Control Board), taking a look at that would be a subject of negotiations in terms of what RIOC would derive from a transaction?

DVA:

I think the only thing that can be appraised right now is the time left on the existing lease. I don't know how you can... I mean, just talking about reality, the market reality, when you look at the real-estate world or anywhere else in the world. If you have a ground lease anywhere in the City of New York or anywhere in the State of New York, and then you ask someone to do an appraisal, they'll only look at the time remaining on your lease, unless you're able to negotiate an extension prior to going for the appraisal. I don't know how an appraiser would look at it based upon an assumption of what's going to happen going forward?

WIRE:

I'm trying to get at a piece of this – the difference between the value long-term, with a renewed ground lease out to 2068 – and the value without that extension. Let's presume, for the sake of discussion, that it's in multiple tens of millions of dollars – it probably based on the rents that could be derived were the building out of Mitchell-Lama, etc. For instance, let's take Island House: If it were to leave Mitchell-Lama and have a ground-lease extension, it would be far more valuable than if you count only the period of the existing ground lease.

DVA:

Well, what I'm saying is, I don't know appraisers who do appraisals based on hypotheticals. They look at what the reality is of the value of the building as it is currently. And, if you can find an appraiser who would do it, I would imagine then that you'd have to do it based on any number of hypotheticals.

WIRE:

There is one hypothetical which is quite concrete, and that is 2068.

DVA:

Correct.

WIRE:

That's saying that if we got an extension of the ground lease based on some specific level of ground rent and with a certain level of tax abatement, however that would be set, you can then work out the net present value of that situation. And that is, in some sense, the only hypothetical – and a fairly concrete one – that an appraiser would have to consider.

DVA:

Well, I think the other hypothetical that comes into it is, “Is there going to be any preservation of affordability at the buildings, or not?” because that does affect the value. And I think that they are all intricately tied to each other. To me, the extension of the ground lease is tied to the level of affordability – or what the terms of an extension is going to be going forward. It comes down to what the level of affordability is going to be on a going-forward basis.

WIRE:

I want to go back for a moment to what I implied before – what people reasonably anticipated might happen. Eleven years ago, when I first took over *The Main Street WIRE*, one of the first stories that I did was with a man at Island House who had spent the previous five years working on a plan for resident ownership. And we looked at the decay in the building and the problems that were being faced in finding a mortgage and getting a ground-lease extension and all of that; and there was no question at that time that people were anticipating an equity participation.

Also, I can tell you, because I live in Rivercross, that there is a very large contingent in Rivercross that were expecting to have their equity available to them, specifically for things like renovation and fixing up their apartments. So there is that concern, and one of the hard questions that people are likely to ask you, and I might just as well ask this now: If that is no longer available to people...

DVA:

I’m not suggesting that it’s not.

WIRE:

How does it become available?

DVA:

I think that this deal that has been arrived at is not the only way that they can get to a position where the residents would end up in Island House and Westview or Rivercross maintaining their ownership of the properties. There are many, many ways to cut the cake. And I think that if we are open to a discussion about how... Again, I mean, really – in my mind, the purchase price is what is driving this discussion...

WIRE:

In terms of the Westview deal?

DVA:

Yes.

WIRE:

And theoretically in terms of the Island House deal as well?

DVA:

Yes. Right. If we can get to a point where we're having a reasonable discussion about what the purchase price is – and again, I think it is very fair of us at the Roosevelt Island Operating Corporation to say that we want to see an appraisal that justifies that purchase price. We are a public entity subject to scrutiny. As I said, I can't justify the purchase price because I can't say how it was arrived at.

I think that... I am absolutely not giving up on the idea of resident ownership. I support resident ownership. I think it is valuable and I respect and honor the work that people have been putting into these buildings to get to this point. I think what we need to do is open the discussion enough that people... I don't think it's really – well, *fair* is a tough word to use because life isn't fair and we all know that – but I don't know that it is... I find it difficult to accept the fact that we have to take this deal as it has been negotiated without having any right or ability to even look into it; and that it's the only option that puts us on the right side as far as people are concerned. And I feel like that's what is being asked of us – that we must accept it as it is written without asking any questions about it; otherwise we are blowing the whole thing up. I think it is appropriate for us to look at it and say, "How did you get to where you are?" and, "Can we possibly re-visit some of the questions here so that we can get comfortable?" And I think that is all we're asking to do.

WIRE:

Looking at it just for a moment from the point of view of, let's say, a Charles Lucido: Thirty years ago or whatever number of years back that a developer decided to put a building on the ground on Roosevelt Island, presumably he would have had a choice: He could have built in Syracuse on land he owned, or he could build on Roosevelt Island on land that he would sub-lease from the State of New York. Did he make a mistake by coming to Roosevelt Island instead of building on land he owned in Syracuse?

DVA:

I don't have Mr. Lucido's financials in front of me, so I have no idea; but I expect that he has gotten some financial gain from his investment in the Island all those years ago. So I would not think it would be a mistake.

WIRE:

Under Mitchell-Lama, what was he allowed to – I don't know the numbers on that – what was he allowed to gain over that period of time?

DVA:

They are known as “limited-profit” or “limited-dividend” companies, and there is a percentage that they are allowed to take in profit. Off the top of my head, I think it's six percent, but I'm not positive that's the right number. So that was the deal that they signed up for. Like I said, I don't have his financials in front of me so I don't know if they have realized all of that profit from their investment in it or not. And we are not saying – to be clear again – we are not saying that they cannot walk away with any money at all, or with any ownership on an ongoing basis. I am open to discussion on both of those points. I think we have to a way to defend and explain how we arrived at what the price is – what they are walking away with. And I think we have to have some discussion about how many units the owner is going to continue to control and how those will be rented. I think those are all reasonable things to say are on the table and that we want to talk about.

WIRE:

I want to switch to another subject; but before we do, let me just ask if you want to summarize this in any particular way. This will probably be used as a transcript, at least on-line. People will read it avidly multiple times.

DVA:

I'm sure.

WIRE:

So you may want to use it as an opportunity to summarize your position.

DVA:

What I would say in the case of all three buildings – and again, Rivercross, I have not had the opportunity to get as deeply involved in; Westview is the one that I have spent the most time on and Island House after that – is that, we are asking for an opportunity, as the new team, to engage in a constructive conversation about what is the best outcome for these buildings. We are interested in preserving the maximum extent of affordability as we possibly can, but we're cognizant of the fact that – given market forces and given the possible alternatives, which we would not want to see happen – that we need to be open to discussion on these issues. We are troubled by the characterization of us “slamming the door on people” or “pulling the rug out from under people.” I think it's fair – given the fact that we're new – that we have the opportunity to

get to a comfort level with what the deal is that's on the table; and if there are some things that can be done to make the deal better – for either for the residents in place or for the people who might be coming to the Island in the future – we'd like to have that conversation.

WIRE:

Let's switch to a couple of other subjects. A lot of people are going to be wondering what your thoughts are about further development on the Island, particularly further construction of buildings. Any thoughts?

DVA:

Well, I have not given any thought to changing what has already been agreed to. I mean, my understanding of the Southtown development is that it is all pretty far along – that there are agreements that have been reached and an expectation for what is going to be done there. Beyond that, I have not had any conversations with anyone about any of the rest of the Island.

WIRE:

Are you open to further development?

DVA:

I haven't honestly given it any thought. I'm being perfectly frank with you. It's not occurred to me. No one has approached me about any possibilities of further development. People have had conversations about capital projects, such as the possibility of doing a ferry service or some things that might entail more construction; but in terms of development – additional residential or anything else – no one has approached me about that and I really haven't gotten there aside from what I know about what has been agreed to already on Southtown.

WIRE:

There are a couple of RFIPs out that anticipated construction: One was on the Coler parking lot; another was in the northern three acres of Southpoint Park or a portion of that; and a couple of other spots. Have you had any conversations...?

DVA:

I have not. I mean, I assume that what happened was that the Board wanted to see what kind of interest was out there, so that they put out... I haven't seen the results from what came in from that. So I really haven't gotten there yet.

WIRE:

Let's switch to the subject that Steve Shane hearted Islanders with when he talked about some system by which residents would be elected to the RIOC Board. Are you comfortable with that?

DVA:

I am slightly uncomfortable with the characterization of it as "election to the Board" because, unless the law is changed, nominations will still have to go through the Governor's office and through criminal background checks and through a Senate confirmation process. We are asking RIRA to participate with us in a process of "nomination." I am meeting with RIRA this afternoon on this to try to make sure that we're all clear about what's being asked. I think [Residents Association President] Matthew Katz, from our conversations, understands those issues and the fact that whatever Steve and I or anybody else associated with DHCR or RIOC would like to see happen, the law reads as the law reads; and people will have to go through that process. We want to have the maximum level of resident participation as we possibly can. People will need to understand, though, that from the point where the residents have reached agreement on who they would like to have on the Board, that other part of the process still has to happen. So that's the one thing that I want to make sure that people understand. I hesitate... I'm concerned about... I'd love to think that the process is all going to play out and it's going to be absolutely fine. I'm concerned about what glitches could come up along the way; and then people say that we're standing in the way of a democratic election. That would be the last thing that I would want people to say about us. We really want to ensure the maximum level of participation, though people do need to understand that the law is what the law is.

The other thing that I want to make clear to RIRA and to folks that are looking at this is: Any candidate, aside from having to pass criminal background checks or get through the Senate, really has to be qualified. Y'know there has been a lot of emphasis... If you read in the articles that have been in the papers lately about Public Authorities and oversight of Public Authorities and new legislation that's going through... that's been proposed right now and is under discussion in Albany, one of the things that they talk about is that members who are appointed to Boards of any organization – this is certainly not RIOC-specific – have to have some experience and the background to be able to participate as Board members and understand the issues that are being presented and make judgments about those issues in such a fashion that they're going to run the corporation in a responsible fashion.

I have been, frankly, very impressed with the level of discourse at the RIOC Board meetings. It is evident to me that those Board members take their responsibilities seriously, study the issues, and because we are fortunate to have at least a couple of members who have particular backgrounds in subjects that we're talking about, can really bring that to the Board meeting. So, I want to ensure that whatever process RIRA goes through in putting together a – I would like for them to call it a *nomination process* as opposed to an *election process* – whatever they go through, that they

actually do some vetting themselves ahead of time.

However that is done – and that’s really what we’re getting to the point of talking about now – that people understand that there is a certain expectation of qualification as well, because we need to have... y’know, you go to every Board meeting, y’know, you need to have some understanding... I mean, I, frankly, am concerned about my ability to understand all the engineering issues entailed in some of the discussions that go on – all those sorts of things. But you need to have some understanding of audit issues, of governance issues, of the finances of the Island – and if you’re asked to vote on the budget for the corporation, you need to be able to read that budget and have an understanding of it says. That’s the other thing, aside from my concern about the legal process that is in the statute still has to be complied with, I just want to be sure that the folks that are putting together this nomination process know that they need to look at people’s backgrounds as well and ensure that they have the basic level of understanding of the issues that they are going to be asked to vote on.

WIRE:

I think that one of the concerns that has been expressed is the possibility that the best candidates won’t come forward unless there is some strong assurance that if they win they will make it all the way through the process. Is that a reasonable concern? Do you think that’s going to come up?

DVA:

I don’t... I mean, assuming that “the best candidates,” as you use that phrase, are ones who are qualified and who have the background that is appropriate for Board service and that they do not have any, y’know, issues in their background or their past that are going to cause them concern in getting through a Senate confirmation process and through the background checking that goes on in the Governor’s office – which all of us have had to go through... and it’s pretty extensive, I can assure you... If those people are by definition, “the best candidates” – they do have the background that we feel they do need and they don’t have any issues in their background that will cause problems, I don’t see any reason that they wouldn’t be able to get through.

WIRE:

Any downside in the possibility of the Board trying to steer this ship in a way that goes beyond what DHCR is comfortable with?

DVA:

I don’t know what the issue would be that would come up. I mean, first of all, as I said, I wear two hats. I have to make a concerted effort at times to separate my roles as Chair of the RIOB Board versus what DHCR has as its responsibility in overseeing affordable housing in the State of

New York. Y'know, many, many of the issues that RIOCR deals with have absolutely nothing to do with DHCR. There is no reason for me, as Commissioner of DHCR, to be particularly focused on the development of Southpoint Park or on the AVAC system or any of a number of items that go on on the Island; so it's not... I certainly would hope that people who are going to run for nomination are willing to think about the best interests of their neighbors and future residents of the Island, not simply about their own best interests. But other than that, I don't know why anybody would come into it with a position that would cause a problem for the other members of the Board or for DHCR in specific.

WIRE:

Freestyle for a moment: What would you like to say that we haven't covered?

DVA:

Well, I think, just speaking on a personal level, Roosevelt Island is absolutely fascinating. I had the opportunity to work on some of the issues related to the Island back when I was on the Assembly staff, when I was on Program and Counsel Staff working on the Housing Committee back in the late 80s and early 90s – when I was a child prodigy. I had the opportunity to come to the Island. At that time, the State was still providing a subsidy to the Island, so I was interested in those issues then. I'm very interested now. It's an amazing opportunity to be given the chance to Chair the Board and to be directly involved in these issues. I think the people on the Island should be so proud of what they've done. The Island, as I said, at that time was really still dependant on the State subsidy; and the fact that they have gotten to the point now where they are, for the most part, self-sustaining and are realizing the value of the further development of the Octagon Building and of Southtown and are looking at things like the development of Southpoint Park or the possibility of having ferry service... and some of the things... I'm just really pleased to be a part of it and to have the opportunity to engage in these issues. Absolutely fascinating. It really is.

I hope that I have the time going forward to continue to dedicate myself to it. It's a challenge that I continually face. There are pressing housing needs in every area of the State from the Fort Drum area where we've got returning veterans, to the City of Buffalo where they really need to do a huge amount of demolition of abandoned buildings in order just to protect and preserve their neighborhoods..., so it's difficult to find the time that I feel Roosevelt Island deserves. But I'm going to make a concerted effort to do it.

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