COMMENT K-1 (Economics):
The tax numbers the developer has put forward seem to be very positive, extremely positive, quite frankly, compared to developments that we've seen in other parts of Long Island. So we know that those numbers are important in an economic downturn. And also, as we look at the job numbers that were presented by the developer, I think folks should look at them, but clearly, those seem to be within [the] orbit of standard projections for developments of this type.

Mr. Eric Alexander, Executive Director, Vision Long Island, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009, Section 71, lines 24-25; Section 72, lines 1-13, pp.63-64

Based on the developers analysis the project has significant tax benefits as outlined in the Draft EIS.

Eric Alexander and Elissa Ward, Vision Long Island, 24 Woodbine Ave., Northport, NY, letter dated June 25, 2009, p.2

RESPONSE K-1 (Economics):
Comment noted. The project would result in significant fiscal benefits to both the City and the School District.

COMMENT K-2 (Economics):
I believe that this is a great day for our City as we watch the long-anticipated redevelopment of our waterfront move a step closer to ground breaking. As someone who truly loves this City, the prospect of seeing economic development and the growth of our tax base occur during these tough economic times is something that we should all be appreciative of. It is my understanding that the City and our schools are to receive significant net revenue from the RXR Glen Isle project far outweighing any costs associated for the project.

It will appear to me that housing values should also increase around the City as well, though I would like to know whether or not this was covered in the Environmental Impact Statement that the City is covering. That's it, thank you.

Mario Capobianco, resident, former City Councilman, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009, Section 78, lines 13-22; pp.69-70

RESPONSE K-2 (Economics):
Comment noted. The project would result in significant fiscal benefits for both the City and the School District. Since the potential effect on surrounding housing values was not identified in the DEIS scope, this issue was not discussed in the document. It is expected, however, that the cleanup and redevelopment of a blighted and predominantly vacant site with a mixed-use community and the provision of public access to the waterfront and other amenities would likely increase the value of surrounding housing.

COMMENT K-3 (Economics):
I see the occurrence here, the development of the waterfront in Glen Cove, as an opportunity that the City is truly fortunate to be able to capture. It's like discovering that you have in your

possession a non-performing asset of a certain level. Something that is fallow, a fallow field. Something that not only produces for you, but even has the potential of draining equity, draining capital, draining spirit out of a community. That's the waterfront we have now.

The waterfront that we can have, the waterfront that can bring a vitality to the City of Glen Cove, to make a contribution to the real estate tax base of the City with a 15 million dollar contribution to the City and the school district and the contribution of jobs created in the area. We need to understand that these developments, these economic numbers, are not numbers that stand alone in an isolated way, but the idea of a total economy is one in which capital churns in a system.

And the jobs that are created when you have somebody that is earning a wage in a particular area, they spend. And the people that they with are also able to spend, and that capital churns through a system. We have the opportunity in Glen Cove to bring a vibrancy, a beauty, an opportunity for recreational, commercial and cultural enhancement of the community that comes only very rarely. And that opportunity is something that we should grasp with a vigor and vitality and bring it to a conclusion, bring it home for the benefit of the City. Thank you.

Mr. Donald Brown, resident, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009, Section 92, lines 24-25; Section 93, lines 1-25; Section 94, lines 1-25; Section 95, lines 2-3, pp.82-84

I am concerned about the economics of Glen Cove. Today I am working with the Glen Cove Senior Center pro bono. I'm a development consultant. I raise money. I am giving my services to them. I'm trying to help them raise money for their programs to help the elderly citizens live their lives with a sense of purpose and dignity. That takes money; which the City of Glen Cove right now does not have. They need the additional tax revenue.

I am also involved in helping the City of Glen Cove build a Glen Cove skateboard park for our young people to get our kids off the streets and out of the parking lots. The City had hoped to have funds opened the end of this month, and I worked very closely with the Mayor and the Deputy Mayor looking for this. We have already raised $5,500, but there is no City money.

I'm an optimist, and I foresee a anticipated development of our waterfront, these new sources of revenue will soon be available to the City. The Parks and Recreation budget can increase and our youngsters will have a safe place to skateboard. There will be City funds available for senior programs, the Senior Center will flourish and grow. And not only with City money, but with public money, because success breeds success. The waterfront development is a win/win project with many benefits. And we, the citizens who work and live in Glen Cove and surrounding communities, will be the greatest beneficials of all.

Ms. Jadwiga Brown, resident of Sea Cliff, business owner, 40 Garvies Point Road, Glen Cove, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009; Section 115, lines 1-25; Section 116, lines 1-25; Section 117, lines 1-6, pp.102-104

And I want to address the proposed plan as far as revenue that's generated by new residents. And I just want to say that change is already coming to Glen Cove. And the question about, you know, what's happening with the real estate that's already on the market and the houses and housing values, I have twenty-five years in real estate. And just this week, I had the opportunity to welcome a new family who are buying in the Landing an existing home based on a concept of being able to afford a $300,000 home and live close to a development that's going to afford them a lifestyle that they would not have had in Queens.

So I commend the project. I think it's a great opportunity for our community. And as hard as I'm going to try, I think that we will bring people to Glen Cove and be able to generate the revenue that's anticipated. Thank you.

Natalie McCray, 40 Garvies Point Road, Glen Cove, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009; Section 117, lines 14-25; Section 118, lines 1-15; pp.104-105

As stated in our 2006 position paper on the redevelopment of the Glen Cove Waterfront, the Glen Cove Chamber of Commerce would like to reiterate its support of the waterfront development as proposed in the Draft Environmental Impact Statement (DEIS) currently under review. On behalf of our board and the Chamber's 240+ members, we believe that the RXR Glen Isle project will provide significant economic growth for our local business community.

Such an opportunity comes along perhaps once in a generation, and we are fortunate to be the recipients of such a large infusion of private capital into our local economy. The project will increase the tax base while also providing additional customers for our local businesses. Considering the economic morass our nation is currently experiencing, we support the redevelopment of our blighted, underutilized waterfront.

As most of our members are Glen Cove and Glen Cove area residents as well, the benefits that we see extend beyond just economic. The social and cultural amenities will both improve quality of life for our business owners (and their customers), while also making Glen Cove a more attractive place to start a business in the future.

We at the Chamber agree with the vision of the City and encourage the Planning Board to move forward with this project as it will undoubtedly enhance the health and profitability of our member businesses.

Gabor Karsai, President, Glen Cove Chamber of Commerce, email dated July 16, 2009. Similar comment from Phyllis Gorham, Executive Director, Glen Cove Chamber of Commerce.

As a small business in a poor economy it has become more and more difficult to compete with other restaurants in other towns that offer more, example people go to Manhasset because of the miracle mile… That is what they are known for… that's what draws people that way. Glen Cove itself is half way surrounded by water, (meaning there is really only one accessway into Glen Cove, no thru traffic that a business needs to survive. It is a 15 to 20 minute drive from the L.I.E… again making it more difficult for people to access and in turn making people more apathetic to come our way which makes it that much harder for small business and lastly our taxes. Our taxes have increased tremendously over the last 12 years. Having a waterfront would not only make sense for the Glen Cove community, but it would be great for Glen Cove's economy… We need a draw, a reason for people to come to our community, foot traffic, etc… There are many good people working very hard to keep our community alive, but it is not enough. We are choking by our own hand, not by anyone person, but because times have changed. The small mom and pop shops, restaurants, clothing stores, specialty shops, etc. can't compete with the big chain stores and restaurants. This is a different time than it was even a couple of years ago. The marketing has changed. It is not good enough anymore to just be good. In order to compete we need to dazzle people our way. Make them have more of a reason to come. Making Glen Cove even more special than it already is, by having a waterfront, could quite possibly change the way Glen Cove stores do business.

Jeanine Dimenna, email dated July 17, 2009.

As a senior citizen I am on a fixed income - with the building of the waterfront project the city will have more revenues - then perhaps our city taxes will finally be stabilized and I can afford the luxury of remaining at 12 Doxey Drive. I thank you for taking the time to read this.

Sarah Constance Fisher, letter dated July 18, 2009.

RESPONSE K-3:
Comments noted.

COMMENT K-4 (Economics):
This proposed development is not necessary. There exists at least forty residences in the zip code 11542 which are for sale in this proposed price range. Many estimates say that there is well over a year's worth of unsold residential real estate inventory in our region. The existing hotel, the Glen Cove Mansion, has a current 48 percent occupancy rate, and there are very many other commercial real estate locations already built which currently sit empty. We can see many empty for rent Reckson buildings all along the expressway. Building an office building is not going to bring jobs here, especially when there is a real possibility of Sick Building Syndrome caused by the soil vapor and the chemicals that are always going to be coming from Mattiace.

Ms. Pat Tracy, resident, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009; Section 101, lines 8-25; Section 102, lines 1-8, pp. 90-91. Similar comment in letter dated July 16, 2009.

The newly built, quality apartments are still looking for residents. Acknowledge that and realize more is not needed nor better.

Unknown commenter, letter signed as A combined voice of Glen Cove residents, dated July 20, 2009.

RESPONSE K-4 (Economics):
The project is planned for the long-term as part of an effort to redevelop a blighted, underutilized site and create a revitalized community, waterfront, and downtown consistent with City's identified visions and goals. The real estate market has experienced considerable turmoil and transition recently, and the current market conditions are challenging. However, the fundamental market drivers and planning component remain valid. See Response K-20 for additional discussion regarding market conditions.

COMMENT K-5 (Economics):
The page in the DEIS which shows the expected revenues did not show any expected expenses, especially the cost of a new well and the cost for the installation of water infrastructure. It's not a correct assertion to say that this project revenue will cover the prospected expenses when these expenses have not even been quantified. And the City also did not quantify the cost of any lawsuits should the City and the IDA fail to protect the public's health and safety.

Ms. Pat Tracy, resident, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009; Section 106, lines 21-25; Section 107, lines 1-12, pp. 94-95 and letter dated July 16, 2009.

RESPONSE K-5 (Economics):
Section I of this FEIS includes an assessment of the potential costs that the City would incur in order to provide municipal services. The analysis indicates that at full build-out the City would receive a net fiscal benefit of approximately $1.7 million annually. The City currently has a need to expand well capacity. In the event the recently closed large industrial uses were reactivated with similar operations, the City would be unable to meet maximum day demand in the event that one major well goes out of service. The City has begun to study improving its water infrastructure to accommodate the increased water demand resulting from future growth in the City. The need for a well, therefore, does not stem solely from the proposed project. The Applicant is willing, however, to contribute to the City's study and eventual implementation of capacity improvement measures.

COMMENT K-6 (Economics):
La Fuerza Unida is a New York State Neighborhood Preservation and Development Organization certified by the State. La Fuerza Unida is also certified by HUD both as a Community Housing Development Organization and as a Housing Counseling Agency.

We at La Fuerza are concerned with the smart comprehensive and sustainable development of the City of Glen Cove. And as one who has been deeply involved in the Glen Cove community, including our youth, I believe that the Glen Isle project represents a tremendous opportunity for us to fortify our City's future and the -- of the youth who best exemplify the promise of that future. With that in mind, what type of apprenticeship and job creation opportunity will be available? And will they be offered to the Glen Cove (inaudible) first in any manner? While the rebuilding of our waterfront is a great moment for our City, we must not lose the opportunity to relocate our youth and the tradition of our adults into the building trades and other career opportunities that will present themselves as a result of this project.

Pasquale Blanco, La Fuerza Unida, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009; Section 109, lines 16-25; Section 110, lines 1-25, pp. 97-98

RESPONSE K-6 (Economics):
The project is expected to generate approximately 3,484 (FTE) man-years of employment during the course of construction. (Since construction progresses in stages, the total number of employees involved in the development of the project at any one time would likely vary.) This represents a large employment opportunity for local tradesmen. Labor agreements with the local

workforce will be formulated as the project moves into the construction phase. As with similar development projects of this scope, the local apprenticeship component will be addressed as part of the project labor negotiations. The redeveloper's intent will be to give priority to qualified local residents.

COMMENT K-7 (Economics):
[Page II-54, 3rd ¶] Explain the difference between "condominium demand" and Townhouse demand"

Pat Cleary, AICP, Cleary Consulting, letter dated July20, 2009

RESPONSE K-7 (Economics):
The difference relates to the physical unit type configuration. While both will be ownership units and organized as condominiums, the "condominium demand refers" to the multifamily ownership units within the building blocks and the "townhouse demand" refers to the townhouse-style units that line the parking garages at the bases of the development blocks.

COMMENT K-8 (Economics):
Residential Condominium Values
As the residential condominium portion of the development plan comprises almost 60 percent of built SF and over 80 percent of the market value, understanding the estimated pricing, absorption and viability of the program is an integral part of understanding its potential long-term fiscal impacts. The residential condominiums and townhouses in the program are proposed to be a high-end luxury product, with a proposed average sales price of $850 per square foot ('PSF'). While these prices are certainly attainable within the context of the regional market, they fall into the range typically achieved by developments in prime areas of Manhattan or Brooklyn.1 They also exceed asking price comparables of luxury residential product being developed close to Downtown Glen Cove at the '*The Villa at Glen Cove*' luxury condominium development by over $300 PSF.[2] The comparables provided by the developer as backup for $850 PSF figure provide evidence that real or asking prices for specific developments fall within the general range of the proposed development, however these comparables seem to have tangible differences in their amenities, location or characteristics. The Aqua on the Ocean development in Long Beach shows asking prices of $1,000 PSF, but is located adjacent to a beach with direct beach access and Long Island Railroad access to Midtown Manhattan in under an hour. The Ritz-Carlton residences are a different property type, offering a luxury co-branded hotel operator as well as hotel style services, private dining and immediate proximity to high quality golf courses. Trump Plaza and Watermark are located in New Jersey along the Hudson River and have direct views of Manhattan. 100 Jay Street and the Laurel are New York City properties located in established neighborhoods. The remaining comparable, Highgrove in Stamford, seems to match best, and is listed at almost a 15% lower price point than the proposed condominium units.

Please develop an approach to the existing list of comparables that takes likely future market conditions into account, as well as a narrative regarding the premiums or discounts applied to each comparable in order to normalize and directly compare them with the proposed development. After this methodology is developed linking the context of each of the comparables in to potential unit pricing, revise this pricing within the DEIS as/if needed.

1 According to '*The Corcoran Report'*, 4Q 2008 Manhattan and 4Q 2008 Brooklyn, Northern Manhattan new construction condominium prices average $633 PSF and Brooklyn average condominium prices average $676 PSF
2 Listing found on Trulia.com, http://www.trulia.com/property/1063944740-Condo-Glen-Cove-NY-11542

H R & A, New York, NY, letter dated July 20, 2009

RESPONSE K-8 (Economics):
Since the submission of the DEIS, RXR Glen Isle Partners, LLC commissioned two independent market studies (The Weitzman Group, June 2010; Zimmerman/Volk Associates, May 2010; both included in the Appendix) to analyze evolving conditions in the regional residential real estate market. Both analyses developed recommended pricing based on recent sales performance at comparable properties in Nassau County. The Weitzman Group study concluded that the multifamily condominium component of the proposed development has the potential to achieve an average sale price of $730,000 per unit, or roughly $511 per square foot, over the entire development period. Meanwhile, the Zimmerman/Volk Associates study indicated an achievable price point of $856,000, or $775 per square foot, over the same timeframe. The revised economic and fiscal benefits analysis shown in the FEIS utilizes The Weitzman Group's more conservative estimate of achievable pricing in order to determine the market value of the proposed project's for-sale residential component.

Furthermore, from the initial plan through initial discussions with the City of Glen Cove and the public and continuing through the economic downturn of 2008-2009, the Glen Cove Creek Mixed Use Waterfront Development has been envisioned as a unique, defining project, with a highly desirable location, both proximate to the waterfront and Manhattan via the recently funded Manhattan Ferry terminal that will begin construction on the Glen Isle site in 2010. While the cited comparables provide relevant guidance with respect to their current achieved pricing levels, it is difficult to select one or two comparables that accurately reflect the proposed product type and location in every aspect (locational differences, "branded" value increments at the Ritz-Carlton, etc.). Two key factors should be taken into account. First, the proposed Glen Cove Creek project is highly differentiated from any other product that is currently underway on Long Island, either in scale or in quality. Second, the current achieved pricing is a reflection of current market conditions, while the timetable for the Glen Isle project will be determined by market forces in the future. Unless warranted by market support, the project will not be built. The Manhattan comparables reflect relative pricing today; the Glen Cove Creek project will occur at some point in the future, and can be expected to attract pricing reflected in pent up demand for upscale, waterfront residential projects with direct transit access to the Manhattan office and residential markets. As noted, the proposed pricing is lower than that of Manhattan residential units. The opportunity to attract buyers who will get more space for less money (and at considerably lower prices), and with direct Ferry access to Manhattan and other destinations, will likely attract some percentage of buyers who might otherwise consider residential units in Manhattan. Again, it should be noted that the proposed average sales price reflects *future* pricing after recovery from the current economic downturn. The project will not proceed if projected pricing is not achieved.

The developer remains committed to the Glen Isle project (as evidenced through an ongoing financial commitment of well over $12 million to date) and has projected for-sale housing prices that we believe can reasonably be met given the quality, characteristics, and location of the entire mixed-use development, but not until the market stabilizes. Once again, unless the market warrants pricing at this level, the project will not be constructed. To cite two comparables, the Aqua on the Ocean in Long Beach has direct beach access and LIRR access to Midtown Manhattan, but the Glen Cove Creek project will have private marina facilities, a waterfront promenade with restaurants and activating civic uses and views of Long Island Sound.

While the achieved pricing of the Highgrove project in Stamford can be considered similar to the Glen Cove Creek project, the nature of the two projects is fundamentally different. While the 'brand architect' Robert Stern can be considered a marketing advantage for the Connectictut project, Highgrove is an urban infill high rise project located in central Stamford, and is neither a waterfront location (the nearest beach is almost two miles from the site across the significant barrier of the I 95 Corridor), nor are the project amenities as broad as the mixed use environment that the Glen Isle project will provide. The current 15% price differential is considered to be less meaningful over time, as the Glen Isle project will be built at a future date when general market conditions have stabilized and demand has increased due to limited supply in the area; today's differential price will be met (and likely exceeded) by the Glen Isle project at the point in time that it is constructed. The extent to which the City considers risk in the project's completion and ability to reach the target sales levels should be mitigated in part by the level of investment in the project to date by the developers (over $12 million), paired with the team's ongoing commitment to continue the project, when so many other projects have been deferred indefinitely or delayed for years. The Glen Isle Partnership's extensive ongoing cash investment in the project should serve as some level of indication of the long-term commitment to completing the project. If the project does not move forward due to lack of approvals, the City will lose significant revenues over the long run; the construction financing and permanent financing of the project (at the time of project completion and implementation) will be the determining factor in establishing the timing of implementation.

COMMENT K-9 (Economics):

Residential Condominium Feasibility

The proposed capture rates of 38% for condominium units may suggest potential difficulties with absorption of units over the lifespan of the project. This capture rate suggests that in order for this development to be feasible, 38% of the entire market of potential and eligible buyers within the North Shore submarket would purchase within this individual project. Any difficulties with absorption in earlier phases may potentially limit the number of condominium units built in future phases. Please provide additional backup regarding the sustainability of this development assumption. This backup may comprise many forms, i.e. a list of successful suburban luxury developments that have succeeded in capturing similar portions of market share.

H R & A, New York, NY, letter dated July 20, 2009

RESPONSE K-9 (Economics):

The proposed capture rate of approximately 38% for the condominium units is based on the capture of a highly refined market and a constrained competitive supply due to the economic slowdown. As planned, the Glen Cove Creek project would have to capture only one percent of the total market (owner occupied) moving to or within Nassau County in any one year. This seems reasonable, given the many site and project differentiating factors that have been incorporated into the site development program and the level of quality in the architecture. As stated in the market analysis, once the target consumer segments were identified, the annual pool of qualified candidates for the defined product type at the RXR Glen Isle site was then quantified. This required a multiple-step process that considers consumer tenure preference by income and property type, annual propensity to move, probability of relocation to Nassau County, income qualification, preference for moderate- to high-density residential product, preference for a location in a mixed-use development, and preference for new construction. The $100,000 annual household income may also be considered a “floor” rather than the income ‘ceiling’ because a significant part of the target markets are currently residents of Long Island (aging Boomers) who may wish to downsize from larger single-family detached housing (in which their remaining equity after the economy stabilizes and the financial markets are less ‘nervous’), and the equity in sold homes should accommodate the difference between average household income and average household net worth/transferrable equity.

COMMENT K-10 (Economics):
Residential Condominium Capture Rates
Within the market study, the methodology for capture rate appears to use an income limitation of households over $100,000. Given the price points for the condominium product as stated in the DEIS, it is likely that minimum household incomes would need to be significantly larger. The DEIS lists an estimate of $296,000 average household income on III.K-13.

Please modify the capture rate methodology to account for limiting household income at levels appropriate to potential owners.

H R & A, New York, NY, letter dated July 20, 2009

RESPONSE K-10 (Economics):
Income qualification was just one of many qualifiers used to narrow the pool of target buyers. The ESRI Tapestry segmentation data which was utilized groups households into segments based on household income and several other qualifiers, including age, home value, occupation, household type, and education. The most relevant market segments were utilized in the analysis, resulting in a potential pool of buyers which included primarily empty nesters, young professionals, and early retirees. The income qualified market segments must also take into account the asset value of homes from which target markets will transfer net worth into new residential products that do not exist today. While the value of home equity may have been reduced in the economic downturn, for many residents in the target market for the project (aging Baby Boomers who may wish to downsize their primary residences and give up yard work, but who do not wish to leave Long Island), the Glen Cove Creek project will offer the first product of its type. While the timing of this decision may have been delayed, the Applicant believes that the market will still exist, and the capture rates (particularly in the early years of the project, when built) will benefit from the project’s ongoing efforts. As most developments have slowed or stopped, the developers’ commitment to continue to invest in the project and to seek all approvals will position the project ‘at the front of the line’ of entitled projects, and will be poised

to meet pent up demand once consumer confidence and the market returns. While the timing may change, it is unlikely that the market and desire for the choices that Glen Isle will present to a percentage of those who meet income and behavioral preference profiles will disappear. The desirability of the Glen Cove location is reinforced by the reported achieved rental levels at the Avalon at Glen Cove, which commands an average monthly rent of $2,099 as of 2010, or approximately $2.19 per square foot.

As mentioned in Response K-8, since the submission of the DEIS, RXR Glen Isle Partners, LLC commissioned two independent market studies (The Weitzman Group, June 2010; Zimmerman/Volk Associates, May 2010) to analyze evolving conditions in the regional residential real estate market. Estimated achievable price points have since been updated to reflect recent performance at comparable condominium projects in Nassau County, as well as current conditions in the national economy and regional housing market.

COMMENT K-11 (Economics):
Hotel Development Feasibility
The proposed hotel component of the development is a major piece of the overall plan, as well as the anchor of the later phases. It provides almost 20% of the fiscal revenues and almost 50% of the ongoing employment, which could result in significant losses to the projects benefits if the hotel becomes financially infeasible to construct. An initial comparison of the estimated market values as compared to construction hard costs shows a significant shortfall: – over $110 million dollars between the hotel, spa and catering/conference spaces. If soft costs, financing, infrastructure and developer returns are layered on top of these costs, the gap would increase markedly.

Please provide a narrative illustrating the feasibility of the hotel component. If this development component does have a significant negative market value as initially determined, please demonstrate the methods that will be used to cross-subsidize or add subsidy financing to the hotel component, and under which conditions these methods will hold true.

H R & A, New York, NY, letter dated July 20, 2009

RESPONSE K-11 (Economics):
The hotel component of the Glen Isle project has been included as part of the larger mixed-use context for the site, and will be constructed (and its feasibility confirmed) when market conditions have stabilized for hotel products. A feasibility analysis determination at this point would not be useful, as the lodging industry has suffered the same setbacks that the economic downturn has placed on the national commercial real estate industry. Current conditions would make it difficult to finance a hotel product almost anywhere in the country, given the conditions of the capital markets and near-term consumer reluctance regarding travel. As with the residential components, unless the lodging market has rebounded to the point that financing/capital market stability and operating costs make sense, the hotel's construction will be delayed until these conditions are met. Current conditions suggest that the hotel component is at least five years away from construction, meaning that feasibility should not be measured for at least two to three years. There is currently no comparable product in the marketplace that the quality level of the future hotel will provide. The Glen Cove site's waterfront views, open

spaces and access to the Ferry and marina are all highly compatible with the residential market's needs for nearby hotel rooms for guests, as a destination amenity for spa visitors (both hotel guests and area residents) and to serve both business and leisure markets. The proximity of the Ferry also offers a site-specific advantage. Because the project is conceived as a fully integrated mixed use project, the inclusion of the hotel project, when feasible, will reinforce the concept that, in carefully planned mixed use areas, the whole is greater than the sum of the parts. The developers' experience in hotel development, operations and management were the basis for projected employment impacts and estimated hard costs. Additional soft costs, fees for financing, relevant infrastructure allocations and developer returns will be central elements in the feasibility analysis, which will be required to secure financing, but that step will be taken in the future. The developers are willing to share the market and economic justification for the project with the Planning Board and the City at the point that it is appropriate to complete with respect to implementation within the framework of the plan, but current economic conditions suggest that any feasibility analysis conducted in the next two years would not provide a realistic or accurate picture to either the City or to the developer; feasibility will determine the timing of construction (and application for a construction permit), and will be provided at a future date.

COMMENT K-12 (Economics):
Hotel Employment
Proposed hotel employment is 357 employees, which is almost 50% of the total on-site employment of 768 and comprises almost 30% of all direct payroll. This level of employment may be overestimated as it is large enough to provide 1 employee per hotel room in addition to over three employees per thousand SF of spa/catering usage.

Please provide a narrative further describing the makeup of the 357 employees, elaborating on those subsections where employment is substantially higher than best practices would seem to indicate.

H R & A, New York, NY, letter dated July 20, 2009

RESPONSE K-12 (Economics):
Hotel employment has been revised downward to 249 employees, or a 30% reduction from the figure shown in the DEIS Plan. Revised hotel employment figures are based on commonly accepted ratios for operating expenses as a percent of total revenues, as reported by PKF Hospitality Research, with operating expenses representing 65% of total gross revenue, and labor costs accounting for just under one-half (45%) of total operating expenses. Average hotel employee wages are based on occupational wage data from the US Department of Labor, Bureau of Labor Statistics data for the Long Island market. Total suite revenues are based on an average daily rate of $220 and an average occupancy of 72% - reasonable assumptions given the quality of hotel and spa projected for the site. Similarly, realistic projections for spa and catering revenues are based on operations at other existing comparable facilities and the developer's experience.

COMMENT K-13 (Economics):
Construction Period Impacts

County sales tax impacts of $21.8 million on construction materials appear to indicate that a small percentage of materials are purchased outside of the county but a majority of all supplies are purchased within the County. Additionally, the same tax abatement structures that apply to ongoing operations may also apply to construction impacts as well and should be noted as such. Please note within the narrative the percentage used to adjust local purchases. Also, please repeat the narrative relating to tax abatements and their potential effect on ongoing fiscal impacts to the construction impacts narrative, as construction taxes may be abated for similar reasons as ongoing taxes.

H R & A, New York, NY, letter dated July 20, 2009

RESPONSE K-13 (Economics):

Comment noted. The table entitled "Estimated Direct Sales Tax and Income Tax Revenues, Construction Phase" notes the assumption that 90% of materials would be purchased locally. The potential for tax abatements related to construction purchases is similarly noted.

COMMENT K-14 (Economics):

Annual Property Taxes

Condominium revenues do not currently follow the framework set forth in Table III.K-6 for other property types. The conversion methodology for adjusting sales based market values into appraisal based market values is not documented.

Please document the steps used to convert sales prices into assessed value and finally, property taxes.

H R & A, New York, NY, letter dated July 20, 2009

RESPONSE K-14 (Economics):

Annual property taxes for the condominium units were calculated based on an assessment value which reflects the value of comparable rental properties, as stated in Section 339 of New York State's Real Property Law. As shown below, the market value for purposes of calculating property tax is approximately $109 million. The total assessed value is based on an average unit size of 1,350 square feet for market rate units and 1,063 square feet for workforce units, and an average "rent" of $2.72 per square foot for market rate units and $1.02 per square foot for workforce units, respectively.

Table II.K-1: Assessed Value Calculation, Condominium Units

MF Condo	Size Units	Amount	Income Units	Amount	As % of Total Income	NOI	Capitalization Rate	Market Value
Market	Units	271	Rent/Unit/Mo	$ 3,671	75.0%	$ 8,954,280	8.50%	$ 105,344,473
Workforce	Units	30	Rent/Unit/Mo	$ 1,083	75.0%	$ 292,347	8.50%	$ 3,439,380
Total		**301**		**$ 3,413**		**$ 9,246,628**		**$ 108,783,854**

1/ NY State law requires an assessment of residential condominium buildings as if they were residential apartment buildings. TEG applied income and expense information from the rental component of the proposed project. Market rate monthly rental income is based on average unit size of 1,350 NRSF, and a rental rate of $2.72 PSF. Workforce monthly rental income is based on average unit size of 1,063 NRSF, and a rental rate of $1.02 PSF.

COMMENT K-15(Economics):
The economic disparity between rich and poor will increase. There is already "middle class flight" from Glen Cove Schools. It is not a racist flight, it is a "class" flight. Ask any realtor how easy it is to sell a house to any young professional with children.

Joan Harrison, resident, 39 Northfield, Glen Cove, NY, electronic mail, July 14, 2009, p. 1

RESPONSE K-15 (Economics):
The proposed project would increase the diversity of housing types available in the City and would provide an alternative that can help accommodate the shifting demographic and housing preference trends. This is consistent with the City's Master Plan, which seeks to "accommodate a diverse population by providing a range of housing options, in terms of type and affordability." The Master Plan goes on to note:

> The traditional suburban paradigm of single-family home-ownership houses on lots worked phenomenally when the nation was rapidly suburbanizing with young families; but the paradigm increasingly proves problematic in suburbs that now have a far more diverse population: empty nesters, divorcees, and in particular seniors as well as young adults starting out in life. The Avalon Glen Cove South and North developments are two local examples of market-rate rental residential complexes, and illustrate the demand for alternatives to the single-family home.

The project also includes 86 units of workforce housing that would be targeted to provide a housing resource for local community service providers (e.g., teachers, emergency service volunteers, firemen, police, and other municipal employees) or young, first-time home buyers who would otherwise be challenged to find appropriate and more affordable housing alternatives.

COMMENT K-16 (Economics):
The project will not generate jobs paying a living wage for this area. The average job generated will pay $54,450. This is less than the $55,503 medium income of current Glen Cove residents. Workforce housing in the new development will require a median income between $79,200 and $86,400. This means that people working in the development and the average resident currently living in the city will NOT qualify for even the least expensive housing RXR plans to build!
SAY NO RXR, YOU DO NOT HAVE BROAD BASED COMMUNITY SUPPORT!

WAKE UP GLEN COVE BEFORE YOU WAKE UP IN QUEENS!

Joan Harrison, resident, 39 Northfield, Glen Cove, NY, electronic mail, July 14, 2009, p. 1

RESPONSE K-16 (Economics):
The referenced $54,450 figure represents the average construction employee wage, whereas median income statistics for Glen Cove reflect total household income, which often includes employment wages and other sources of income from more than one family member.

The project includes 86 units of workforce housing that would be targeted to provide a housing resource for local community service providers (e.g., teachers, emergency service volunteers, firemen, police, and other municipal employees) or young, first-time home buyers who would otherwise be challenged to find appropriate and more affordable housing alternatives. Affordable housing income qualifications are based on total household income, which includes the wages and other income received by all members of a family. The administration of the program would be managed by the Long Island Housing Partnership or other housing advocacy group on behalf of the City. Eligibility requirements for these units would be established in consultation with the City, but it is anticipated that the likely target would be households with incomes ranging between 80-130% of the area median income. This is a standard income range used for workforce housing.

COMMENT K-17 (Economics):
It also does not tell us accurately how much net revenue we will gain after expenses are deducted. Time and time again, the DEIS minimizes the negative impacts of this development on our community and environment, while painting a glowing portrait of how this development will benefit us.

Carol E. Kenary, President, Landing Pride Civic Association, Glen Cove, NY, letter dated July 20, 2009

Services for this new city within a city will cost more than they bring in revenue. Do the math! Factor in the fire department (Currently volunteer), the police department, EMS, Garbage collection, snow removal etc. The revenue the development will generate is a pittance compared to the costs.

Joan Harrison, resident, 39 Northfield, Glen Cove, NY, electronic mail, July 14, 2009, p. 1

With each tax dollar that comes in, the same, if not more would have to be paid out to constantly update the roads, sewers, utilities and the like. Glen Cove will never make money, taxes or otherwise, on this ill conceived plan. We need to conserve, not falsely expand.

Karen Davy, letter dated July 15, 2009.

The economics mentioned in the DEIS are not sound and simply unjustifiable.

Mary Normandia, letter dated July 20, 2009.

The tax benefit to the citizens of Glen Cove has not been demonstrated.

Unknown commentor, copy of petition in Record Pilot, dated April 2007.

RESPONSE K-17 (Economics):
Section III.K of the DEIS identifies the anticipated likely costs for the City to provide municipal services for the new residents. The analysis indicates a significant positive net fiscal impact for the City and the School District.

COMMENT K-18 (Economics):
This is one area that exaggerates the benefits of the proposed action, while the costs of the project remain obscure. The DEIS confidently states how many jobs will be created; how much property and sales tax revenue will be generated by the project, but later, concedes that"... public financing of infrastructure will be likely considered later in the process." It further goes on to say

that "Based upon past tax abatement structures, the reductions in project generated property tax revenues may be somewhere in the range of 15-40%....but...will be determined through negotiations in the future." (III.K-11) There are simply too many unknowns at this point to make such confident claims of a positive balance sheet or excess revenue to the school district and city. Will the costs of infrastructure improvements, added essential services and unknown environmental impacts and remediation negate any profit to be made?

Carol E. Kenary, President, Landing Pride Civic Association, Glen Cove, NY, letter dated July 20, 2009

I believe the projections of revenue to the City have been overstated, particularly since the developer has stated that they intend to apply for all of the incentives (such as PILOTs) that are available to them. Every PILOT that we authorize spreads the net difference in taxes around to the rest of us, and the PILOTs have not been proven to be a net benefit to the City, nor to keep businesses here.

• Likewise I believe the developer has understated the impacts on the community in terms of infrastructure improvements and size of government necessary to support this increase in population and the services that go with it.

David S. Nieri, letter dated July 18, 2009.

Although generating tax revenues, the DEIS also terms as likely the future negotiation of public financing of infrastructure, such as pilots. My question is -- it also acknowledges the potential to reduce project revenues, project-related revenues. When will we be able to determine what that impact will be?

Paul Meli, resident, Public Hearing Transcript, City of Glen Cove Planning Board Meeting, June 25, 2009, Section 78, lines 13-22; pp.69-70

RESPONSE K-18 (Economics):

Section III.K outlines projected revenue generation and anticipated municipal costs. As noted in the DEIS, based upon past tax abatement structures, potential reduction in project-generated property tax revenues may be somewhere in the range of 15-40%. For illustrative purposes, assuming a conservative 40% reduction, the project would generate approximately $2.2 million in City taxes ($3,591,297 X 0.6 = $2,154,778) and $3.8 million in School District taxes ($6,399,533 X 0.6 = $3,839,720) annually. Accounting for the total municipal service cost estimate of $1,858,304 derived from the average per capita cost, the project would still result in a substantial net fiscal benefit of approximately $300,000 annually for the City. As described in the DEIS, the actual marginal costs of providing municipal services to the project would more likely be closer to $832,837, which would increase the projected City surplus to $1.3 million. With potential increased costs of $2,969,799 to educate the project-generated schoolchildren, a scenario with a 40% reduction would still result in a net fiscal benefit of approximately $869,471 annually for the School District.

The above analysis assumes that a property tax reduction of 40% applies to all land uses, whereas potential abatements, if required, would be negotiated for each of the individual project components, as required by the development economics of the specific land use. Furthermore, the phasing of the proposed project will be such that potential abatements would not occur at the same time, but rather tied to the timing of the multiple stages of development. These two factors combined suggest that the potential impact of property tax abatements would be significantly less than the amount shown above. Negotiations between public and private parties regarding potential property tax abatements will not be completed until after LDA negotiations are finalized. Such negotiations will need to be revisited at each phase of development, with potential abatements structured to reflect market conditions at that time.

Typical of any large scale, multi-phase, public-private development, it is anticipated that the first phase of the project will require a significant level of investment in on-site infrastructure and public realm enhancements. These investments are critical in setting market expectations by establishing the character of the entire project and enhancing the value of the initial revenue generating land uses. Due to the significant amount of front end investment, public incentives, such as property tax abatements, tend to be more prevalent in earlier phases of long term development projects. Public incentives become less necessary in later stages of development as market values have typically increased and the economics of individual project components are more self sustaining.

COMMENT K-19:

<u>Economic Viability</u>

The latest economic viability data used was from Dec., 2008 and, based on that, the report reads that "The information included in the original market update suggested that the market conditions and longer term prospects for increased potential spending power had grown since the earlier evaluation...." (p. II-55).

However, as of July, 2009, every report on consumer spending indicates that it is not growing but is considerably down from where it was six months ago. This is just one example of what may be true of many of the DEIS conclusions on economic viability, that they are overly optimistic about the economic recovery.

Bruce Kennedy, Mayor, Village of Sea Cliff, letter dated July 17, 2009.

RESPONSE K-19:

It is recognized that the commercial real estate industry has undergone enormous changes in the last quarter of 2008 and in 2009; many of the fundamentals of comparability, conventional underwriting standards in the capital markets and reduced values in owned property have modified consumers' willingness to make a change in their residential patterns *in the near term*. However, the fundamental principles under which the Glen Isle project was conceived have not disappeared, they have only been delayed. A beautiful waterfront site has been improved and made available, the long term tax base opportunity that the project represents, and the amenities it includes (parks and open space, a public waterfront, marinas, and the presence of a direct, water shuttle to Manhattan) distinguish this site and this project in a manner that differentiates its present and future value. The developer has not stopped the project, continues to make substantial investment in the project to maintain its momentum, but has also followed that principal that, while the quality of the project cannot be compromised, the timing of it can only occur when the market is present to warrant development from a financially sustainable standpoint. The timing of project initiation may have shifted back in time, but the fundamental market drivers and components of the plan remain valid and, at the appropriate time, will create a destination project in Glen Cove that is different in scale, mix and character than any other project on Long Island.

COMMENT K-20:
The current economic travail teaches us that over expansion and grandiose plans can flounder on the shoals of financial stress. Rather than bringing the sought after monetary rewards they can end in bankruptcy and failed hopes.

Ralph Cioffi, letter dated July 16, 2009

RESPONSE K-20:
See Response K-19.

COMMENT K-21:
I am writing as a licensed electrician, former member of the Chamber of Commerce, and Glen Cove resident to let you know that I am very much opposed to the RXR Glen Isle project. I have watched the Avalon structures go up as well as the assisted living facilities and other construction projects in Glen Cove. I know of no local contractor who has done work for these buildings and suspect the Glen Isle project will be no different.

Samuel Crosby, letter dated July 20, 2009.

RESPONSE K-21:
The Applicant intends to use local contractors to the maximum extent practicable, as it has traditionally done on its other large-scale projects. It is noted that proximity and familiarity with the site also often reduces the costs for local contractors and leads to bidding that gives the contractor a better opportunity to secure a job.