

STEPHEN H. SHANE INTERVIEW, March 19, 2007

DL: Dick Lutz, Managing Editor, *The Main Street WIRE*

SS: Stephen Shane, President-Designate, the Roosevelt Island Operating Corporation (RIOC)

JB: Jami Bernard, Reporter, *The Main Street WIRE*

DL: One of the things we want to do here is cover your background – your background with Roosevelt Island in particular, and how you see this job.

SS: Okay.

DL: Tell us about what you did before on Roosevelt Island, what your involvements were... What was the time period?

SS: I was hired by the State of New York in October of 1988 as Special Assistant to the Commissioner of Housing (DHCR – Division of Housing and Community Renewal), who was then Rick Higgins – he had just freshly been appointed by Governor Cuomo. He was quite anxious to get somebody on board who was a real estate lawyer who knew something about development. The Division of Housing had gone into the development business again with the opening of the trust fund; and the old Division of Housing that had build most of the Mitchell-Lamas around the State had really gone into hibernation. A lot of those people had disappeared, so that they needed expertise in development. I was contacted and met Rick and he offered me the job. I took it as a challenge; and I went to work for the Division of Housing.

One of the first things Rick did was to designate me his representative to sit as Chair of the Board of the Roosevelt Island Operating Corporation (RIOC); and I began doing that. The next task that he gave to me was to pull together the Southtown RFP (Request for Proposals). Rosina Abramson was the then President of RIOC. She and I worked together. The EIS (Environmental Impact Statement) was out there being done; and we had a big struggle with that. Finally, I wrote the RFP and published it. I had a big meeting of prospective developers out on the Island. There's a video tape of it somewhere in the files of RIOC. I know Jerry Blue tried to study it.

We had a big meeting and the day came for bids and nobody came because the real-estate market in Manhattan had collapsed. All of our projections involved what kind of rents were we going to be able to get in the market rate units which were going to effectively cross-subsidize the affordable units – which were a necessary part of the plan at that time.

One of the things I was able to do thereafter – and it was a great disappointment that nothing ever came of it – I went down to Washington and I saw the Undersecretary of HUD (US Department of Housing and Urban Development) who was in charge of Public Housing Programs. He was willing to waive for me the entire HUD Handbook, because there was a big restriction on public-housing-authority sites at that time – that the housing authorities could not pay for sites that were more than a very low market value. Effectively, you couldn't site any public housing anywhere in the New York metropolitan area. But he was willing to waive that for the opportunity to get some public housing into Roosevelt Island which would have satisfied the affordable, lower-income component.

He was willing to write a check for me for \$50 million out of their development funds, which solved my whole problem of getting Southtown going, which was the necessary infrastructure. I had developers at the time who were willing to go forward with the buildings if the infrastructure were there. But the infrastructure costs – putting water, sewage, streets, lights, y'know, all that sort of stuff – was going to be \$10-15 million as a front-end load before they knew what the market possibly might be.

I had also tried to persuade the State Senate to go along with a bond issue. HFA would issue it and we could front the infrastructure costs and recapture it from the developers as they went along. It was just another infrastructure risk that we would take at the State level. I could not persuade them as a political matter (with a small “p”) to allow a further bond issue. I mean, having the State incur debt at that time was also a difficult intellectual exercise.

So, all of that failed – sadly it failed, and I continued... Obviously, the critical mass of Roosevelt Island needed Southtown to be developed, whether you’re talking about the budget for RIOC to run and to provide the necessary community services, whether you’re talking about a population which will allow merchants on Main Street and others like them to be economically successful. You need a population base and the demographics had to be there. It just didn’t happen at that time because of the status of the real-estate market.

So, I continued to be involved in Roosevelt Island to try to push this way and that way to see what would happen. We went through the end of ‘94. Mr. Pataki got elected. Mr. Cuomo got booted out. And in March of ‘95, my career at the State Division of Housing was abruptly terminated.

DL: These things happen.

SS: Well, it’s a long story... But in any event... so – I was out of government and out of Roosevelt Island. Y’know, I’ve sorta followed it from afar, but my career took me elsewhere. I went back into the conventional practice of law at a couple of big-time law firms.

I was in Thatcher Proffitt and we were in the World Trade Center. I got blown out of there on 9/11. My office was on the 40th floor of 2 World Trade Center.

JB: Where were you then?

SS: I was standing in front of the building. I had a closing at 9 o’clock in the morning; and I watched the planes hit the buildings. It was one of those things.

Another year after that, the real estate department of Thatcher Proffitt broke up because people didn’t ever want to go downtown again, and people didn’t ever want to go to above the 13th floor again. It was a very traumatic event. The real estate department broke up and I was looking at potentially retiring.

I wound up here at Sparrow Construction. This little construction firm had a long history of doing affordable housing. Starrett, the developer of one of the components out on Roosevelt Island, in fact was the parent of the predecessor to Sparrow Construction. Graphic Construction was run by a guy named Sydney Silverstein, who was Randy Silverstein’s father. Sydney is now dead, but Randy used to work for Sydney and Sydney was a partner of Starrett Housing a long time ago. I answered an ad in a newspaper – a construction company is looking for a general counsel and here I am. I have been here for five years.

JB: Where do you live?

SS: I live in White Plains, so it’s an easy commute. It’s a relatively easy job. My wife and I have enjoyed traveling around the world a lot and playing with our grandchildren over the past five years. And then I got the summons for this job.

JB: Did that come out of the blue, or did you know that it was in the works?

SS: Well, I don’t know whether you remember, but when the governor was elected, his transition team put out a general appeal to the public for anybody who had an interest in working for the government for the Spitzer team to submit their resume. I thought, well – what the heck? So, I submitted my resume and I got a call from the Appointments Secretary asking if I’d be interested in Roosevelt Island. I had talked to my friends at DHCR and HFA (New

York State Housing Finance Agency) from the old days because I assumed that they would be solicited in terms of opinions about somebody who might be around. If someone had asked me to become the Commissioner of Housing or the President of HFA or something, that would also have been a job of interest. But that didn't happen and I saw that there were other appointments that were made for those positions. And then one day I got a call which said would you be interested in being President of Roosevelt Island Operating Corporation? So, here I am.

JB: When was the call?

SS: About three weeks ago, a month ago.

JB: So, when you submitted your resume, did you say this, this or this? Or did you just say...

SS: In my cover letter – I mean, my experience is in my resume – in my cover letter, I said that I would be interested in a position and that when I was at DHCR I did the following things. I also sat as the Commissioner's designated member of the Boards of HFA, SONYMA (State of New York Mortgage Agency), and the AHC (New York State Affordable Housing Corporation), which were the other private corporations that the Commissioner sits ex officio on the Boards.

DL: The AHC?

SS: The Affordable Housing Corporation.

JB: You didn't say you wanted to be President of RIOC?

SS: No, I said that I had acted as the Commissioner's designee to the Board and that I had put together our RFP for the development of Southtown, y'know – that was part of what I did.

JB: Were you Chairmen of the Board at that time.

SS: I was the Acting Chairman because the Commissioner was the Chairman – but I was out there every month for board meetings working with Rosina [Abramson] and then with Jean Lermen.

DL: How long did you survive into the Jerry Blue era? Or were you gone by then?

SS: I gone by then. I was terminated in March of '95; and I think Jerry became President in the fall?

DL: I think so.

SS: Because he was over at HFA, and we were talking – he and I – about the prospect of my coming back as, in effect, his "right-hand-person" to help run the Island because he didn't know anything about it. I was now looking to extend my State employment tenure. I wanted to stay involved, and he and I were talking. In fact, I thought at the time that he was going to offer me a position, but which he couldn't deliver on as it turned out. So, that didn't happen.

DL: I think I know why. So it was apparently somebody else's decision that you didn't take that job.

SS: I don't know what happened, but it didn't materialize. It was right after I was officially terminated from DHCR.

DL: Did you follow [the news during] Blue's period at RIOC.

SS: I knew ... I was reading in *The WIRE* that there was a lot of upset. Jerry was a very strange person. I knew of his relationship with Senator D'Amato and, you know... because I'd done a lot of FHA work and the whole relationship was reasonably well understood in the profession.

DL: Did you follow it into the Ryan era?

SS: No – by that time, my interest had waned a little bit. I was no longer following what was going on in Roosevelt Island. I now know because I've read all of the issues of *The WIRE* all the way back to as far as you've got them posted on the website.

I saw what happened with Ryan who came in riding on his horses as the man of the people who then arrogated to himself all kinds of perks and emoluments of his office and he got tossed, I guess.

DL: He was fired by the Board.

JB: A rare thing.

DL: And do you know Herb Berman? You must know him from...

SS: I've talked to Herb on the phone. I'm going to meet him on Wednesday. I'm going to be on the Island on Wednesday.

DL: It's an interesting set of over-used shoes that you step into, in a sense. The past three Presidents of RIOC – Blue, Ryan, Berman – have not always had a kind reception on the Island, to put it mildly. They leave behind a history that puts the RIOC presidency in the kind of position that suggests a sort of automatic starting-out lack of trust.

SS: I hope to get across that particular piece of water. I know that there are a variety of constituencies on the Island. I know from the days when I was out there trying to get my Southtown redevelopment plan put together and accepted by the community how much resistance there was to almost anything you wanted to do.

There was a group of tree huggers. They didn't want any tree on the Island cut down.

There were the people who were in love with the soccer field right in front of the nurse's residence at that time. Their children had played soccer there, and that was like hallowed ground as far as they were concerned. It couldn't be moved.

The need for re-development – they didn't care. They were perfectly willing to pull up the drawbridge over the moat. They had theirs. And they had a lovely little Island and they didn't care about the rest of the development.

It's a difficult problem to coalesce the people to a public purpose, and there is a public purpose to Roosevelt Island. I believe in the function of government to serve a public purpose, and to make these things happen. The government is there to serve the people. People on Roosevelt Island are part of a noble experiment. It is a planned community... And it's not an experiment that is repeated in very many places in this country. And it is one to which a lot of people have pointed over a long time as being one of the rare successes of a mixed-income community.

JB: So, what did you think of Southtown or what you've seen of it?

SS: Well, I was delighted to see it go forward. I know what it means to the economics of the Island and fulfilling the plan, allowing the original capital investment of the State to be utilized

better.

JB: That's where I'm living...

SS: I'm not sure – I'm not an architect and I can't comment on the way the buildings are situated, their fenestration, or a variety of things. I mean, they are what they are. I assume the plan was adopted with the usual amount of debate about the aesthetics of the whole thing. It's a nice development. I'm glad to see that the prices are going up in the market rate thing, which is a good indicator of its acceptance.

JB: I live in the Starbucks building.

DL: 455 Main Street.

SS: We walked right by it. My wife was quite impressed that there was a Starbucks there. She loves to go to Starbucks.

JB: We had Starbucks in the car on the way here, and you can see some of it right here [on Dick's shirt].

DL: Talk about for us and for our readers about your thoughts about how this is going to work, what your plans are, how you'll execute this job.

SS: I know that I'm going to dive into it. I know that I'm quite enthused about it. I know that I've got a high level of energy about it. I know that there are a lot of different things that have to be addressed. In reading through back issues of *The WIRE*, I made a list of about, I dunno, 25 or 28 different things that need attention. Some of them may have been taken care of – ranging from what needs to be done about the bus scheduling, and I see that there have been changes made in the bus scheduling – the express buses to accommodate the Octagon folks, jumping ahead and leap-frogging and hopefully working it out. It sounds like a traffic manager is what is really needed.

JB: We have a traffic expert on the Island. He had a proposal about the red bus schedule. It is very simple, and it would solve the problem. But you see, they don't... He sent it to them, but they don't really respond.

SS: I mean, it's a problem.

DL: That's a question that Jami brings up that's kind of interesting. I mean, what role do you see for residents?

SS: I see residents being in a position to participate, to suggest – we've got what now, we have 11,000-12,000 interested people out there; and because of the demographics of the Island, there is a very high level of capability and they have a lot of suggestions. Those suggestions should be accepted, they should be filtered, they should be reviewed, they should be bounced back, they should be thought about.

Good things ought to be implemented. We're all in this together.

It's not the function of RIOC to do anything other than for the good of the people on the Island and the people of the State of New York – especially now that RIOC is relatively financially independent. The People of the State of New York's position in this is down a little bit. We don't hear as much...

I had an interesting conversation with a representative of the Director of the Budget. When I asked her about her attention to the budget for the next fiscal year...

DL: Nancy Reuss?

SS: No, this was Karen Brown. And she said, "Well, I haven't really given it much attention because now that RIOC is no longer on the State's budget schedule because it doesn't ask for anything, it's not on the radar."

I said, "Well, okay, it seems to me that it needs a budget adopted for the fiscal year and we need to pay some attention to that;" but the State's interest has, in terms of the relative requirements of the people on the Island and the people of the State of New York, it's clearly gone down a little bit because of the financial success of the Island itself and its relative independence.

So that's where I see... I mean, RIOC is there to function to make the place work – to meet the needs of the people, and to execute the plans for full development and for operation of the Island. That's what RIOC is there for. And I think that's my view of what my job is.

My job is to keep the citizenry from having tea parties, which I remember they were going to do. I don't know whether they ever did.

DL: They did.

SS: They were going to put banners across the buildings so that everybody on East River Drive could read them.

DL: Something like that was done.

SS: My job is to keep that from happening, to keep that from happening to my boss – and my boss is actually the Governor, y'know. And I want to make people happy so that this is an example of good government. And this is how things can be done.

DL: You're aware of the three votes over the past ten years? Pete Grannis introduced a piece of legislation calling for local election of the RIOC Board, that is a Roosevelt Island election, including non-citizens. It would have to be a special kind of election.

In those [three] elections, the percentages ranged from 88% up, which basically said that Board members should be elected, that the President of RIOC should be hired and fired by that Board, and basically RIOC should be answerable through an electoral process -- answerable to the people who live on the Island. Any reaction to that?

SS: That's nice. I certainly appreciate the desire for home rule in any home community, but RIOC is a creature of statute created by the State of New York. Until something like that is passed in the State legislature, it's not mine to opine on the policy of the State. I'm there to carry out a statutory mandate, which is to operate the Island. That's what RIOC is. It's a Public Benefit Corporation of the State of New York.

JB: Do you know Spitzer personally, or do you ...?

SS: I met him last Wednesday.

JB: You met him last Wednesday? So how did he express ...?

SS: And that was the first time that I'd seen him since he was three, because I did some legal work for his father a long time ago.

DL: Wow.

JB: Has he changed?

SS: Much taller.

JB: When you had the conversation with him on Wednesday, did he say what his mandate to you is about RIOC?

SS: His interest was, first – how's the affordability going on the Island. I mean that was a very specific question. I pointed out to him what I thought was the inherent conflict issue between the Public Authorities Law and the requirement to dispose of property at fair value and the desire to maintain affordability on the Island, which is a tension that has to be balanced. And he said, "Very interesting intellectual question – and good luck. Let me know how it comes out."

He's very interested in the Island. He brought up the fact that he was there on the Island last October. He enjoyed the meeting. It's obviously very contentious. It's very much like the West Side of Manhattan, and he agreed with that.

JB: He handled it beautifully.

SS: He's a very skillful guy on his feet. I was quite impressed with him. When I walked in, I congratulated him on his election. He congratulated me on my appointment.

JB: So, is there ...? Do you report back to him personally?

SS: I report directly to the Commissioner of Housing, who is the Chair of the Board of RIOC. It's really her position. RIOC comes within her fiefdom, however you define that; and she, of course, reports to the governor.

DL: You have this tremendous background with regard to Roosevelt Island and the affordable housing and the planning for some of the components which are going to be less than fully affordable or easily affordable. You're probably aware from reading the paper that Island House, Westview and Rivercross are now looking to leave Mitchell-Lama ...

SS: Yes.

DL: ... moving in that general direction...

SS: ... And I've met with Paul – Paul Maas, the real estate consultant, last Friday. I had lunch with him. I learned from him where he was with all this stuff. And, y'know, I have some idea. I have also been asked by the Commissioner to get involved with the Eastwood sale which is now ...

DL: ... moving along...

SS: ... very, very imminent. The papers have been presented for the approval of the Board of RIOC. And I've been looking at them to try and familiarize myself with them. I am a real estate lawyer. I mean, that's what I am. And I did ... in most of my career, I spent doing Mitchell-Lama housing. So, I am very familiar with all of that stuff. I've known Jerry Belson a very, very long time. He was a prospective managing agent for the very first Mitchell-Lama that I got involved with, which was Lindsey Park out in Brooklyn a long time ago. We were all younger then. And Ruby Shrum ...

DL: How do you see those exits from Mitchell-Lama going?

SS: Unhappily. They're going... I mean, I have two hats – as a lawyer, I represented

developers and I absolutely assured them that after the time was up, that they would have the right to exit the Mitchell-Lama program and go forward. And during the time of the Mitchell-Lama regime, they had to maintain the property as an affordable piece of property. Their profit was limited. They were going to be subject to regulation. Their tenancy was going to be subject to the limitations in Article II of the Private Housing Finance Law. And that was going to be their life. If they wanted to be in the program, that's what it was going to have to be. And they should accept it – not chafe under it, but welcome it. And when the end of that time came, I wrote opinions that they had the absolute right to get out. And as a matter of constitutional law, they had a contract right to get out which the State could not impinge upon.

As a result of that, the governments tried in a variety of ways – whether it was the Federal government with their Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA) or the State government with their slow-down in the Mitchell-Lama processing or the City, before they'd let people out, they made all kinds of demands – to try to maintain the affordable housing stock.

As a housing professional and as a policy matter and as a personal matter, I believe it is absolutely critical because it's irreplaceable. There is no way to get this affordable housing stock back. This stuff was built at, y'know, \$2,500 to \$3,000 a room, but it's now ten times that. It's not affordable. There is no program. There is no way to accommodate the affordable housing population in the City of New York. So, it's a valuable public asset that is being lost.

At the same time, as a citizen and as a lawyer, I believe that the law made it pretty clear. And I knew the people who were the architects of the Mitchell-Lama Law – Al Lama and Mac Mitchell. That's what they intended; and nobody thought about what was going to happen after twenty or thirty years. Nobody thought about it...

DL: Let somebody else worry about that...

SS: Right. I mean, we get the housing up and let them worry about it then.

DL: Roosevelt Island is a little bit different in the sense that because there is the Ground Lease extension required ... well, to make it more particular, the fact that RIOC controls the ground and the fact that the buildings that want to leave Mitchell-Lama have to get a Ground Lease extension in order to get a mortgage in order to be able to go through the process of maintenance and so on that they'd need and to be able to have a mortgage situation that they can offer to a mortgage lender who can be confident that it will go beyond 2028, etc., etc.

So RIOC, in some sense, has the final, controlling word on this. RIOC will be able to say, "No, we're not going to give you a Ground Lease extension or to say, "We're not going to give you a Ground Lease extension unless you fulfill certain specific requirements in terms of maintaining affordability." What is your feeling on the use of that power?

SS: Again, I have to come at you with my two hats. As a public policy person, I believe that the intent of the GDP was to maintain affordability on the Island as a planned community forever – not just for the limit of the Mitchell-Lama period. And if it is to be an idealized community, it ought to be that way. At the same time, there are the issues of the contracts under Mitchell-Lama and whether that gives an out from that particular affordability issue and the conflict between the "requirements." I don't know whether it's a constitutional document or only a plan is a subject of some considerable debate which the Courts are reluctant to poke their fingers into if RIOC makes an administrative determination. But it's not clear to me which way it should go.

As a housing citizen, I have one view. As a lawyer and as a prospective President of RIOC, I don't know. And that's the answer. I don't know and it's up in the air. Obviously, they're moving down the road towards buying-out of the program. And I know that DHCR is trying to impose affordability requirements, whatever they may be. Rivercross has never been

what I would consider a really affordable co-op. I mean, it's been a Mitchell-Lama co-op, but it's certainly the most upscale of upscale Mitchell-Lama co-ops. But for Island House and Westview, I don't know. Again, I have my job and I have my personal views.

JB: You say there's these two hats – usually when people say they're wearing two hats, it means they're doing double-duty; and here its two hats at war with each other because there's conflicting...

SS: They're not at war with each other in the sense that philosophy as to what our society ought to be or might be or what the law might be or ought to be is one thing. What it "IS" is a separate thing. Maybe it's a function of having been a lawyer for a long time that you can maintain that dichotomy. I dunno. But I don't think it's intellectually dishonest to fulfill the law as it is determined to be, as long as I don't consider it to be immoral – and on the other hand, to have a view that I wish it might otherwise be.

DL: You explained that well. On the subject, to go back to the question of the Public Authorities Law and how it interplays with the rentals of spaces on Roosevelt Island itself, there is this whole thing that's been going on with merchants, as you may know. Maybe Paul Maas talked to you about this ...?

SS: He didn't.

DL: The plan to do a kind of mall situation where...

SS: That's not what ...

DL: ... well, where one master tenant controls tenant leases.

SS: Right.

DL: We've lost so many merchants.

JB: And they don't get replaced. We loose them one by one. And there's always empty stores.

SS: Well, maybe up until now, RIOC has been unable – whether institutionally or because of the governance issues with the Board of Directors or whatever – unable to have an effective retail operation in those service stores. You will always have the philosophical question to deal with, when you're dealing with service stores, do I try and bring in the kind of stores that are important to the people who live here as a public service or do I try to maximize income? In that particular tension or conflict, we have a problem and it is exacerbated by the Public Authorities Law because, as you know, a retail store is disposable property.

I tend to think that those stores are essential for the well-being of the Island and you need to have a variety of service stores, whether it's a shoemaker or a fish store or a pizza parlor...

JB: You read my fish-store story [in *The WIRE*].

SS: Yes. We need the people to service the people, and we need the stores to serve the people.

JB: And hence, it would be economical. If you put in someone paying a high rent people don't need, they're not going to frequent the store; therefore, the store won't stay. But if you put in things people need, etc. So it doesn't have to be at odds...

SS: Well, I hypothesize that if you had a third nail place – and I see that there are two – and they pay a sufficiency of rent and they are highly in demand. If they are willing to pay \$28 a square foot in rent – or whatever the number is and I have no idea – but the fish market can only afford \$15/sqft in rent to be able to survive because that’s the mark-up in the fish mongering business, then you have to ask yourself “What happened to that other \$13?” and “Is it better for the people of Roosevelt Island to have a fish market at \$15/sqft or another nail place at \$28/sqft?”

JB: There are only so many nails ...

DL: How do you resolve that question?

SS: I don’t know. And I think that’s a question that the people of Roosevelt Island have to come to understand – that they need the service and that the economics and the politics of it require that has to happen.

Personally, I think you need the service. I think you’re right. There are only so many nails. But if you’re one of those persons who’s lined up to get their nails done and you can’t get into the store, you’re yelling and screaming for another nail place.

JB: I can tell you, they’re not lined up.

SS: Well, I don’t know. I was just using this as an example. I see that there are two.

JB: There’s three.

SS: Oh, there’s a third place in the new place?

JB: Yeah. They just opened; but they’re not getting any business. I don’t think they’re paying high rent, but they’re hardly getting any business. We have two dry cleaners. One of them is not getting any business. Some things are really not working. So I don’t know what the economics are underneath because we never get to see. But it’s not working for the people who live there.

DL: You recall all the non-compete leases that were being given to merchants...

SS: At the beginning?

DL: Those have kinda gone away. Clauses have been taken out of the lease contracts to the point where for example, Bigelow Pharmacy disappeared essentially – at least in part – because Gristedes was able to sell health and beauty aids and take away that business, leaving no prescription place until the guy who had owned Bigelow went to work for Gristedes to become their master pharmacist, or whatever you want to call him.

SS: So they do have a pharmacy department in Gristedes?

JB: Yeah, but they only got it by forcing out the only competition.

SS: I know that in the beginning, they tried to micro-manage the retail store distribution and service products – hence all the non-compete clauses. As if it were a mall and you do those things as part of your negotiations. It doesn’t surprise me – and I didn’t have anything to do with this – that in the Pataki philosophical era they stopped trying to do that and they just let the chips fall where they may. That’s part of, in my view, the Republican (capital “R”) approach to life is that it’s unfortunate if there are a few bodies lying around, but government shouldn’t

get involved.

I think government has a function in some of these things to avoid the pain. It would be nice if the services that people wanted on the Island were delivered to them within the context of rational economics.

DL: That \$13/sqft difference example that you gave, it's an interesting problem, because if you can bring in, let's say, a fourth nail salon, and they are willing to pay that \$13/sqft difference, that means more income for RIOC and therefore more funding for cleaning the snow off the streets and so forth and so on. On the other hand, the people who need to have their nails done are largely able to do it in Manhattan simply because the reason you get your nails done, I assume for most women, is to go to Manhattan to begin with and have a date and so on and so forth.

Whereas for example, on the flip side of that, you've got kids who come home from school too early for Mom to take care of them because Mom's at work, and they want a slice of pizza to get themselves through to dinnertime, but they can't get one now because there was no lease for the pizza parlor. In fact, many of the places on the Island are operating without leases now. So that puts the store owner in the position of saying, "Gee – why should I put any money into fixing up my place when I could be out next month?" And the whole thing with Paul Maas' plan for a master operator or a master tenant has kind of increased that tension, that feeling that maybe I'll be out...

SS: Let me also tell you that in looking at and in reading the paper and in looking at some back financial statements for RIOC and from my own experience back in the early '90s, when you're dealing with small merchants and the economics of collecting rent from them is miserable because they quite often can't pay. To get them out of their space, if they choose to be recalcitrant, is almost impossible. You then run a deficit operation for a long time. You spend a lot of effort and legal fees and build up a lot of ill will. One of the reasons for Maas' suggestion is to just avoid all that. Deal with a big-time person who is experienced in that.

RIOC is really not – I mean, they have a lawyer on their staff, or two sometimes, but not one of them is really equipped to go to civil court to deal with these issues on a current basis and in any way with real expertise, and it becomes a problem. That's why one of the bases for his suggestion was to master-lease it and let somebody who knows what they're doing do it, which is an interesting proposition. It needs to be thought about and talked about.

DL: That seemed to be in part because his background is not in retail leasing, but more in these large apartment buildings which he felt needed someone to come along to handle the other...

SS: Well, there are other people in his organization who have some considerable commercial experience. It's worth talking about. It certainly would simplify life for RIOC. Whether it simplifies or make better the life for residents is something else again; and that needs to be thought about and talked about.

JB: Do you get to hire, fire, or make new positions in RIOC with new staff?

SS: I think so.

JB: When I was doing the fish story, they told us that they don't have anyone on staff who understands anything about retail space; and I'm like, "Why don't they?"

SS: I dunno.

JB: They have like 100 people on the staff. Why don't they have one person ...?

SS: I think the number is 91, but that includes all the security people, the tram operators, and the bus drivers...

JB: You would think that they would, because that's part – I mean, since there is a real estate operation there...

SS: It's not a big enough operation to support one person. It's not a big enough. It's not a big enough deal; and yet you need that expertise to deal with the people you do have because it is an important part of life on the Island. Again it's a critical mass kind of issue.

JB: Do you have ideas about what you would add to the staff or change at this point?

SS: I'll know more after I'm out there on Wednesday. I haven't met with anybody there on the staff – anybody.

JB: You know that the Board hasn't had a meeting for more than 100 days ...?

DL: It's about 110 days at this point.

SS: I got e-mails from the Commissioner this morning saying that she knows we need to have a meeting.

DL: Apparently, the Board has some role in controlling the authorization for positions; and that's an interesting question to talk about...

SS: Again, you have the governance issue on Roosevelt Island. As a legal matter, the Board of Directors has the corporate authority to do almost anything. As a statutory matter, RIOC is a creature of that statute. It's a Public Benefit Corporation; and the members of the Board serve at the pleasure of the governor for an appointed term of two years or until replaced. The President of RIOC is nominated by the governor or by the Commissioner of Housing, in effect, obviously subject to approval by the Board of Directors. Directors in any corporation have the right to hire and fire people; however, that's not exactly true here. And so, you have that tension. Certainly, the Board of Directors is the nominal entity to which any President reports; but this is a Public Benefit Corporation, so it's a little different.

DL: How do you see this further development, to fully develop the Island? It would seem that what remains to be developed are Southpoint Park, potentially the packages on which an RFP was sent out. Do you see further development of the Island as likely in terms of residential housing?

SS: I understand that there are five more buildings to come as part of Southtown. I don't see anything in the plan which provides for further residential development.

I was surprised, frankly, to see Octagon go forward as a residential development, because that wasn't part of the plan that I was involved in. But it's done; and I'm thrilled that the Octagon tower has been restored. I mean, that was a great historical treasure; and the fire just gutted it, which was terrible. The restored tower is terrific. There are 500 units of market-rate housing up there. That's a very good thing for the economics of RIOC and for the Island ultimately. I don't see more residential development. I think the requirements of the Master Plan will have been fulfilled with the completion of Southtown.

I am absolutely ecstatic about the development of Southpoint as a park. I think that having the necessary revenues and the capital to do that park is an amazing thing. When I was involved with Roosevelt Island, we were running at a \$7 million per year deficit or more. We were wholly dependant on the State; and the ability to raise the capital funds to do

Southpoint was so far off in the distance, it was beyond being a mirage.

We were talking about the FDR Memorial. We had the Louis Kahn plans. Jimmy Roosevelt and Congressman vanden Heuvel would appear every so often to talk about their love and affection for FDR and all we needed to do. But materializing the money that was necessary to get it done was almost an impossibility. The infrastructure investment to get water and sewage lines down to Southpoint was huge, but with no economic return at any foreseeable time other than having a park. Now it's been done. It has effectively been put together. That construction is going to start in our immediately foreseeable future is an amazing thing; and it's going to be a beautiful thing. It's very exciting as well.

DL: It's like coming home and seeing that the house has been expanded.

SS: Oh, absolutely. I mean, coming back to this now and to see these things actually coming to reality is a very exciting prospect.

JB: Do you have plans to raise the visibility of Roosevelt Island. I think you've already said in government, we need to remind them; but what about just PR-wise?

DL: Well, I think that once Southtown has been built up and Southpoint Park has been completed, the need to beat the drums for the public relations of Roosevelt Island as an official function are pretty much over. So much of what we did to try and promote tourism and everything else was to try and get the idea of what a wonderful place this is to live on and what a wonderful place this is to come and visit to push the market value up so that we could do the future development. We were in the land speculation business in many ways and we were from the beginning when UDC first took this on. We were trying to take a hunk of rock out there and turn it into a viable, vibrant community.

Part of what you do is a public relations selling job, and ultimately it has come to pass — whether it is because of market pressures elsewhere or because, in fact, our dream for Roosevelt Island was meaningful and it's coming to fruition, the fact is that people see value out there and they're coming out there. They're building the buildings that allow the broader government organization to be sustained and to be able to deliver the services to the people that are appropriate. So I don't know that we have a big, future job to do in terms of selling Roosevelt Island.

The people who are marketing the buildings that are being built in Southtown right now are doing a pretty good job of beating the drums themselves.

JB: Yeah...

SS: And it's appropriate for them to do that. The people who did the Octagon did the same thing. When Starrett was building Manhattan Park, they did the same thing — "Come live on Roosevelt Island. What a wonderful place it is" ... and it was. I mean, I remember being out there for the opening of the Little League Baseball season with a march up Main Street. I mean, how else could you live 300 yards from Manhattan and enjoy that kind of small-town, "burbish" kind of thing?

JB: Right.

SS: It's just wonderful.

JB: We had a suggestion — it's just a suggestion — that you rent an apartment on Roosevelt Island for a while just to see what it's like to live there.

SS: Well, people have asked me, y'know, would I live on the Island; and the answer to that is

that it would probably not be a great idea because of the broad constituency and the issues that come up. There would be no peace on the Island...

DL: ...For you.

SS: Yes, for me.

JB: People would be stopping you on the street...

SS: I am going to be available. I am going to be accessible. I am going to be transparent. I'm going to be outspoken. I will be delighted to engage in an exchange with anybody on any point of view. I'm certainly not going to be reclusive – it's not my style.

DL: Speaking of that, have you talked to Matthew Katz?

SS: Yes, I have.

DL: Good.

SS: I called him when I got back from Albany, after I met the governor. I called him then.

DL: Are you going to meet with him on Wednesday.

SS: I hope so.

DL: Going back to the housing, the mass of housing for a moment, have you looked at the transportation situation – I don't mean the red bus. I'm talking about getting rush-hour people off the Island. It's expected to become something of a problem.

SS: Mass transportation for the Island was designed to be the subway. The tram was only a stop-gap until the subway was opened up – with great fanfare in 1990-91...

DL: 1989...

SS: I remember when it opened. There was a ribbon-cutting. It was a big event. And it was supposed to solve all the mass transportation problems for the Island.

JB: Well, it did then.

SS: It did then. And in fact, the tram had become such an icon by then, but it was supplemental. It has continued to be fully utilized because people love it, I think.

JB: I do.

SS: It is a money-loser, no matter what you do; but public transportation is a money-loser.

JB: Why is it a money loser.

SS: Because it costs more to run the tram than you take in as revenues, no matter what you do.

DL: Talking about the subway, MTA has told us – we have some doubts about this, and we tried to study it, but it is complex – MTA told us that there is no more capacity available on to

move people through Roosevelt Island and off Roosevelt Island during rush-hours. You just can't get any more trains through the station, or more particularly, through the 63th Street connector.

SS: Is that true whether or not they finish the Second Avenue subway line or whether or not they do that connector over in Queens and all of that stuff?

DL: Yeah, apparently it is -- according to what they're saying.

SS: So, that's a planning problem for the MTA, and it requires political will if anything can be done about it. There will be 12-14,000 people on the Island.

DL: Do you have a connection there? Can you make that happen?

SS: No, I have no connection with the MTA. Anybody who tries to move the MTA to get anything done knows that you're pushing a very big rock up a very big hill. It's not that they don't want to respond, but they got a lot of demands. And they are slow to respond. It's who is making the most noise at a particular moment that gets the most attention.

JB: Do you have a PR firm that you do work with, or do you ...

SS: I have no idea who they work with. On the list of things that I obviously need to discuss with Herb Berman in this very short transition are going to be who do you have to bring resources to RIOC. Who have you engaged to do all of the things that are being done and why?

DL: Speaking of the communications thing, you probably know that there is a column in *The WIRE*. The President of RIOC writes it traditionally (or he has somebody write it for him). Obviously, we would like to have you to continue doing that.

SS: It would be my pleasure.

DL: And there are other ways that you can use *The WIRE* to communicate. It could cure one of the great complaints about RIOC, that it has been uncommunicative and secretive.

SS: I certainly would not intend under any circumstances that RIOC would continue to be uncommunicative or secretive.

DL: Great. Glad to hear it.

SS: It's a public purpose agency.

DL: Do you have any notion of what the confirmation schedule is at this point?

SS: No, I do not. I know that there is some debate going on as to whether confirmation is required by the Senate. Certainly, confirmation by the Board of Directors of the Roosevelt Island Operating Corporation is necessary; and, as I've said, the Commissioner knows that she needs to call a meeting of the Board for that among other things. There are a whole bunch of things on the agenda which need some attention.

DL: A very interesting thing could develop where the Senate goes through the process of confirming you and the Board says no, we don't think so. I mean, that's not going to happen obviously. But it could put the State Senate and the Board of RIOC in a strange...

SS: It would be an interesting cause of tension for a Public Benefit Corporation... I don't think anybody needs to bring that to a head at the moment.

DL: Do you see any downside in setting a precedent by going for Senate confirmation?

SS: I don't know. Senate confirmation is something that they used to require be done for members of the Board.

DL: It still is.

SS: It's a process. I don't know what great political value it has, because my guess is, at this point in time, that Roosevelt Island is below the political radar of everybody except that State Senator who happens to have Roosevelt Island within his jurisdiction.

DL: Talking about the radar – and this is a double question: Being below the political radar has meant among other things that a lot of things that should have gotten done with regard to Roosevelt Island just didn't get done over the past 10-12 years – something like that. And it has meant in Albany, there hasn't been a kind of consciousness that there's a problem on Roosevelt Island or that there is an opportunity on Roosevelt Island. That's one side of this question.

The other piece of this question is sort of what Jami was asking before with regard to the public-relations exercise, which is that there has been talk over the years about making Roosevelt Island a destination, a place where people will want to go when in New York, or a place where people who live in New York will want to go for something. So the question about that is: Do you see a role there for Roosevelt Island and for RIOC?

Going back to the other question and that one as well: Is there a need or desire, or is it desirable to increase the visibility of Roosevelt Island in Albany?

SS: Well, let's start with the destination issue first. When Southpoint is finished, it's going to be a gorgeous attraction. It's certainly to be hoped by the park promoters that it will attract all who want to use the park. That's what parks are there for. The tennis bubble is obviously an Island attraction, mostly from Manhattan. The sports fields are used by some of the private schools.

JB: Bike paths...

SS: Yes – just the whole promenade, the walk around the Island is a very pleasurable thing. In the early days, we promoted the tram with King Kong hanging off it all that sort of stuff to increase the visibility of the Island, not to mention getting some revenue for the movie makers. One of the amusement parks down in Orlando had a tram, and we got license fees from that.

A destination restaurant somewhere on Main Street, which would require somebody having a lot of courage to step in there and make the capital investment required. Maybe that could be done. There are such restaurants in Long Island City which attract Manhattanites, who are typically the people who are willing to spring for that kind of place. It's a question of promotion and getting somebody who has the vision to do it. We talked about doing that a long time ago at the Octagon. We were going to have ferry service – all kinds of things are possible.

DL: Let's pick up the Albany question.

SS: As far as Albany is concerned, I think that the ability of 10-12,000 people – including maybe 6,000 voters, I mean, what is the voting population – it would be nice to believe that they could influence legislators who would pay attention. I know that your City Councilperson

is very interested in the Island. She is a good representative for her constituency; and she's got a cute baby, whose picture I saw in *The WIRE*. That's part of being in a democratic society (with a small "d"). Our job – my job, because this is a State Public Benefit Corporation, is to have good governance. That's what we're there for. So, to the extent that you don't get the attention from the total legislature in Albany, which really wouldn't surprise me, it's my job to do the best I can in the context of the available resources.

JB: In the past, RIOC has fallen down on some very minor things that would have made a difference. For example, if you get on the tram with visitors – and I've been on the tram when visitors come off, and they're like, "What do I do now?" And so they turn around and go back to Manhattan. There's not even a sign...

SS: The kiosk is sitting there, obviously not yet developed or restored or rehabilitated or refurbished, and it should make a difference. Judith Berdy – yes, I've gotten an e-mail forwarded from the Commissioner that she sent. She's one of the items that needs to appear on the agenda, because the special purpose funds that have been recommended for refurbishing of that kiosk have to be approved by the Board. No knowing anything about it, it's just an item that needs attention – and that's another reason for the Board to meet. I think that her argument has great merit, that it ought to be there, and that it ought to encourage visitors and give them information, that kind of thing...

JB: Yes, that will make a difference. It's just that for years, they could have simply had a sign saying "This way to the Promenade"...

SS: There used to be a map of the Island that we gave out. Jean had it. Rosina had it. I mean, probably in the Jerry Blue austerity years, he decided to cut it out. I dunno. But there was a map. It had all the walking and the points of interest and all that stuff.

JB: They some arts thing – "Fall into Arts" or something, but they didn't really publicize it and people weren't really sure it was happening until that day. Y'know, it's like a half-assed job. They don't follow through on little things that would make a big difference. Publicity would make a very big difference. People just need to know what's happening, to be kept informed.

SS: Well, the Municipal Arts Society could do a good job; and that's what public purpose funds are for – that kind of stuff...

DL: How do you like to be seen? With your glasses on. Or up on your head? Or off?

SS: I wear my glasses most of the time except when I'm having a personal conversation and I like to make eye contact.

DL: Do me a favor, if you would, and sit up, center your tie and tilt your head down slightly so that the reflection isn't quite so bad and I'll get a really good picture now. Just tip your head down a little bit more. Not quite so much. That's good. Now if you'll just look over at Jami ... and then at me.

We'll use those pictures with this story, and then maybe we'll get a better picture of you – or maybe you have one – to use with the column. You'll want to start thinking about your first column, if you will. We ask for it by Wednesday noon on the week of publication, which would be this coming Wednesday. My guess is that Herb Berman will do a column this time...

SS: A departing column.

DL: Yes, it could well be a departing column. I invite you to be as communicative as you can

and to use *The WIRE* for that purpose. We have a period of ten years now in which there has been this feeling of secretiveness, or secrecy... It's worse than that – secretiveness. A certain amount of secrecy is understandable when you're doing real estate things and in government; but when you just don't talk, when you just don't supply information, people end up feeling very strongly that nobody cares.

SS: Well, from what I can gather, there was a certain amount of “bunker mentality” that came upon people who were in RIOC. They felt estranged from the people on the Island. Some of them had tried to do their best, which may have been perceived as not sufficient; but nonetheless, they tried to do their best. And they felt underappreciated. A lot happens. People are people.

JB: And there are a lot of cranks on Roosevelt Island.

SS: It's very clear that you will never be able to satisfy all the people on Roosevelt Island all the time.

...

DL: I don't want to end this prematurely before giving you an opportunity to say something in a more general or more... I mean, we've asked you a whole series of questions and asked you to go off in specific directions; but you may have some more general thoughts that you'd like to get out.

This is, in some sense, the first opportunity you have to communicate with the whole population of the Island. The newspaper goes to everybody on the Island.

SS: Only that Roosevelt Island is a very special place. And I'm very excited about the opportunity to participate in the end-part of the dream – that is, bringing it to complete fulfillment. We're ending the development phase of Roosevelt Island. It's foreseeable. It's on a timeline. Five years from now, it'll be over. Maybe three years from now, maybe four years from now, construction on the Island will have come to an effective end. And then it will be operations.

My earlier experience with Roosevelt Island was so much devoted to pushing the development end because we needed it so badly. Services on the Island were always at the poor relations end of things because that's all we could afford. We were always begging from the State. Now things are different. So we're phasing into the more normal community-service kind of government and governance on the Island. It's a transition time. I look forward to being a part of that.