

STATE OF NEW YORK
DIVISION OF HOUSING AND COMMUNITY RENEWAL
In The Matter of the Application of

KNICKERBOCKER VILLAGE, INC.

NOTICE

for an increase in the maximum average monthly room rent charges, including utilities pursuant to the provisions of the Private Housing Finance Law as amended.

TO ALL TENANTS OF: KNICKERBOCKER VILLAGE

PLEASE TAKE NOTICE that the annexed application has been submitted to the Commissioner of Housing and Community Renewal for an order to increase the maximum average monthly room rent charges, including utilities, as follows:

	<u>Present</u>	<u>One Step Increase</u>	<u>New Rent</u>
Market Rent	\$187.93	\$29.33	\$217.26

PLEASE TAKE FURTHER NOTICE, that by direction of the Commissioner of Housing and Community Renewal, you may comment in writing on the proposed rental increase. An opportunity to submit written statements is afforded so that tenants may comment on the allegations and figures contained in the application. Tenant representatives may assist tenants in preparing those comments. The Commissioner may fix rentals, appliance and parking charges so as to secure, together with all other income of the company, sufficient income for it to meet, within reasonable limits, all necessary payments to be made by the company.

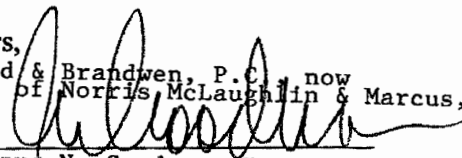
Additionally, an accountant may be retained by tenants to prepare an analysis and to comment in writing on your behalf. A reasonable fee not to exceed \$4,000 will be authorized for this service and will be paid by the housing company. The financial reports of Knickerbocker Village are available for inspection by tenants or their representatives at:

Knickerbocker Village
10 Monroe Street
New York, New York 10002

Comments in writing on the proposed increase may be served by mail to Management Representative, Housing Management Bureau, Division of Housing and Community Renewal, 25 Beaver Street, New York, N. Y. 10004 on or before Monday, July 3, 2006.

A conference has been scheduled for Tuesday and Wednesday, July 11 & 12, 2006 at 10:00 A.M. at Millennium High School, 75 Broad Street (Entrance on South William Street), New York, NY, at which tenants, their representatives and representatives of the housing company may meet with DHCR staff to discuss the proposed rental increase and budget for Knickerbocker Village, Inc..

Dated: New York , New York
 this 1st day of June , 2006

Yours,
Szold & Brandwen, P.C., now
part of Norris, McLaughlin & Marcus, PA
By: 
Ezra N. Goodman, Esq.
Attorneys for Petitioner
14 Wall Street
New York, New York 10005

George E. Pataki
Governor



Judith A. Calogero
Commissioner

New York State Division of Housing and Community Renewal

25 Beaver Street
New York, NY 10004

May 31, 2006

To: All Tenants of **KNICKERBOCKER VILLAGE**

From: DHCR Counsel

Subject: Preliminary Determination of Rent Increase

Tenants Comment Postmark Deadline: **July 3, 2006**
Conference: **July 11 & 12, 2006 10:00 AM**
Location: **Millennium High School**
75 Broad Street
(Entrance on South William Street)
New York, N.Y. 10004

Division of Housing and Community Renewal (DHCR) staff has reviewed the proposed Budget/Rent Determination forms and related documents prepared for your housing development. As the housing company's income may not be sufficient to meet all of its obligations, a rent increase may be necessary.

We are enclosing a preliminary budget and rent increase Application/Motion for your review. Please note that the actual amount of your rent increase will be determined **only** after DHCR has further reviewed, with your input, the actual needs and circumstances at your housing development. In order for you to participate in this review process, DHCR requires that you be provided with copies of the legal Notice, the rent increase Application/Motion and a summary of the financial schedules. The amount of the increase needed to eliminate the deficit shown on these schedules is not final; the figures shown reflect only DHCR's preliminary analysis.

Additional financial schedules which show greater detail on the housing company's budget are available should you wish to review them. DHCR requires the housing company to post the **complete** set of schedules in a prominent location at the project. In addition, DHCR has arranged for your Tenant Association or recognized Ad Hoc Tenant Group to receive copies of these detailed schedules for distribution to tenants who request them.

You Have The Opportunity To Comment:

The budget figures shown on the enclosed schedules are projections of the expenses and income for your housing company. DHCR has provided a 30-day comment period so that you may review the budget and comment, in writing, on the proposed rent increase. During the comment period, a representative of your Tenant Association or Ad Hoc Tenant Group may ask the housing company to make its financial records available for inspection. In addition, DHCR has advised your tenant association or group of the procedure to follow if the tenants wish to hire an accountant to assist in analyzing the figures shown in the budget and other relevant financial material. You should note, however, that although the housing company makes the payment to the tenants' accountant, funds to pay the accountant come from rents paid by the residents.

You may send your written comments to:

Management Representative
New York State Division of Housing and Community Renewal
Housing Management Bureau
25 Beaver Street - 6th Floor
New York, New York 10004

A conference for tenants, the Tenant Association, the housing company and other interested parties to discuss the financial data and proposed rent increase and possible time frames for implementation, has been scheduled with DHCR. Interpreter services will be made available by the Housing Company for deaf persons wishing to attend the conference. A written request for such services must be submitted to the Housing Company at least two weeks prior to the conference date. The conference is presently scheduled for the date, time and location indicated on the front of this letter.

We suggest that you contact **Randall Wilson at (212) 480-7048** within two days of the scheduled date, to confirm the conference date, time and location. We welcome your participation.

DHCR Review of Comments:

Comments will be reviewed by DHCR accountants, attorneys and housing management representatives. After receipt of comments, additional analysis may be made of financial aspects of housing company operations and the financial schedules may be revised in the light of information obtained.

Division staff will then make recommendations to the Commissioner concerning the rent increase. The Commissioner will make the final determination as to whether or not an increase is necessary and, if so, the amount required.

The Commissioner may allow all or part of the proposed increase. In determining the amount of the rent increase, the Commissioner will consider the extent to which the present rentals are sufficient to enable the housing company to meet its necessary expenditures, the vacancy rate, the size of the waiting list, the economic impact the rent increase would have on the residents and the market demand for apartments in the housing development.

Issuance of Rent Order:

After the Commissioner has reached a decision, each tenant will receive a copy of the Commissioner's determination in the form of a Rent Order. The Order will state the amount of the rent increase, if any, and the Commissioner's basis for the decision. The Order will also state the increases in any miscellaneous charges, such as those for parking or air conditioners.

DIVISION OF HOUSING AND COMMUNITY RENEWAL
EXECUTIVE DEPARTMENT: STATE OF NEW YORK

APPLICATION

of

KNICKERBOCKER VILLAGE, INC., for an increase in the maximum average monthly room rental and for other relief.

AMENDMENT TO
APPLICATION

TO THE COMMISSIONER OF HOUSING AND
COMMUNITY RENEWAL OF THE STATE OF NEW YORK:

Petitioner, KNICKERBOCKER VILLAGE, INC., hereinafter referred to as "Knickerbocker Village", respectfully alleges:

1. By Application dated May 16, 2005, Knickerbocker Village applied for an order authorizing an increase of \$17.73 in the maximum average monthly room rental chargeable by Knickerbocker Village so as to increase said rental from \$187.93 to \$205.66 (including utilities, except gas) per room per month (plus, in each case, a one time, ten percent (10%) vacancy allowance for each apartment vacated and re-rented since June 3, 1977). Notice thereof was duly given to the tenants. A Rent Conference was scheduled by the New York State Division of Housing and Community Renewal for December 8, 2005, rescheduled for January 18, 2006 and then cancelled. To date no Rent Conference on the Application has been held. Annexed hereto as collective Exhibit A are copies of the Application, the Notice to tenants dated October 5, 2005 (with attachments) and the Affidavit of Service.

2. In the year that has passed since the Application was first submitted, there have occurred, for economic reasons beyond the control of Knickerbocker Village, significant changes to some of the Knickerbocker Village budget line items, which require a larger rent increase than the one originally requested. Annexed as collective Exhibit B are the revised projections and summary prepared by Held, Krantzler, McCosker & Pulice LLP, Knickerbocker Village's independent certified public accountants, showing that the one-step rent increase now required is \$29.33 per room per month instead of the \$17.73 previously forecast. The newly recalculated increase would raise the average monthly room rental from \$187.93 to \$217.26 per room per month (including utilities, except gas). Said amount is necessary to meet all fixed charges, operating and maintenance charges and expenses and amounts necessary for repairs and rehabilitation, and to make provision for the

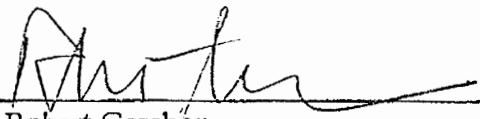
amortization of accumulated dividend arrearages on the Knickerbocker Village capital stock, in addition to the payment of all other proper charges.

3. Except as herein expressly amended, the allegations contained in the Application are repeated and realleged as if fully set forth herein.

WHEREFORE, petitioner Knickerbocker Village asks that an order be made by the Commissioner increasing the maximum average monthly rental chargeable by Knickerbocker Village from \$187.93 to \$217.76 (including utilities, except gas) per room per month (plus, in each case, a one time, ten percent (10%) vacancy allowance for each apartment vacated and re-rented since June 3, 1977), and for such other and further relief as the Commissioner may deem just and proper.

Dated: New York, New York
May 10, 2006

KNICKERBOCKER VILLAGE, INC.

By: 
Robert Gershon
Vice President and Treasurer

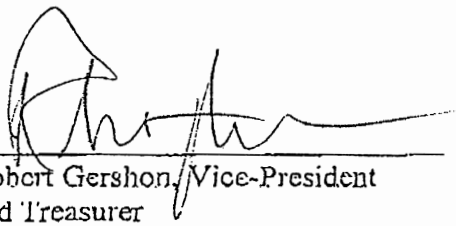
Ezra N. Goodman, Esq.
Szold & Brandwen, P.C.
Attorneys for Applicant
14 Wall Street, 28th Floor
New York, New York 10005
(212) 732-0606

STATE OF NEW YORK)
: ss:
COUNTY OF NEW YORK)

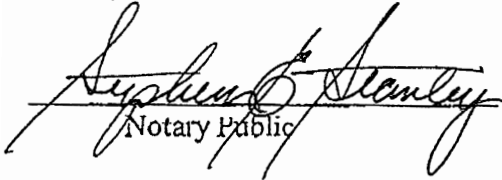
ROBERT GERSHON, being duly sworn deposes and says:

That he is the Vice-President and Treasurer of **Knickerbocker Village, Inc.**, the corporation named in the foregoing Amendment to Application and knows the contents thereof; and that the same is true to the best of his knowledge based upon the books and records of the applicant.

Deponent further says that the reason this verification is made by deponent and not by Knickerbocker Village, Inc., is because said corporation is a domestic corporation and deponent is an officer thereof, to wit, its Vice-President and Treasurer.


Robert Gershon, Vice-President
and Treasurer

Sworn to before me this 11th day
of May, 2006


Notary Public

STEPHEN E. STANLEY
Notary Public, State of New York
No. 31-4926230
Qualified in New York County
Commission Expires April 4, 2010

DIVISION OF HOUSING AND COMMUNITY RENEWAL
EXECUTIVE DEPARTMENT: STATE OF NEW YORK

-----X

APPLICATION :

of APPLICATION

KNICKERBOCKER VILLAGE, INC., for a : ,
increase in the maximum average monthly
room rental from \$187.93 to \$205.66 per :
month and for other relief.

-----X

TO THE COMMISSIONER OF HOUSING AND
COMMUNITY RENEWAL OF THE STATE OF NEW YORK:

Petitioner, KNICKERBOCKER VILLAGE, INC., hereinafter referred to as "Knickerbocker Village", respectfully alleges:

1. This is an application for an order authorizing an increase in the maximum average monthly room rental chargeable by Knickerbocker Village from \$187.93 to \$205.66 (including utilities, except gas) per room per month (plus, in each case, a one time, ten percent (10%) vacancy allowance for each apartment vacated and re-rented since June 3, 1977), which is the amount necessary to meet all fixed charges, operating and maintenance charges and expenses and amounts necessary for repairs and rehabilitation, and to make provision for the amortization of accumulated dividend arrearages on the Knickerbocker Village capital stock, in addition to the payment of all other proper charges.

2. Knickerbocker Village is a limited dividend housing corporation, organized on September 5, 1933, under the State Housing Law of 1926, as amended, and is now subject to Article 4 of the Private Housing Finance Law of the State of New York ("PHFL") and to regulation and supervision by the Commissioner of Housing and Community Renewal (the "Commissioner"). Knickerbocker Village constructed and owns the limited dividend housing project situated at Catherine, Monroe, Market and Cherry Streets, in the Borough of Manhattan, City and the State of New York. The project comprises 1,590 apartments consisting of 6,025.5 rooms.

3. The east building of the project was completed and occupancy commenced on October 1, 1934. The west building was completed and occupancy commenced on December 1, 1934.

4. Knickerbocker Village's real estate improvements are no longer exempt from taxation.

5. The present average monthly room rental in this housing project is \$187.93 (including a one time, ten percent (10%) vacancy allowance for each apartment vacated and re-rented since June 3, 1977).

6. Knickerbocker Village has an authorized capitalization of 36.86 shares of capital stock, par value \$8,600 per share of which 35 shares, with an aggregate par value of \$8,600, are issued and outstanding. Under the PHFL, holders of the capital stock can never receive, in repayment of their investment, any more than the par value of the stock, together with accumulated unpaid dividends.

7. Dividend payments on account of the capital stock of the corporation are far in arrears. Accumulated dividend arrearage is approximately \$653,000 as of December 31, 2004, which represents thirty-six (36) years of unpaid dividends.

8. The total actual assessed valuation of Knickerbocker Village's land and improvements for tax year 7/01/05 though 7/01/06 is \$26,460,000. The transitional assessed valuation for tax year \$14,050,000.

9. Knickerbocker Village has a mortgage outstanding on its land and buildings, as of December 31, 2004, in the amount of \$5,488,586.

10. The failure to pay the thirty-six (36) years of accumulated dividend arrearages to the investors who made this housing project possible violates the express intent of the PHFL (Sections 85 and 87); and, further, the failure to remedy that situation is likely to deter the future development of government-assisted affordable housing in this State.

11. Moreover, the public policy of New York State requires that accumulated dividends be paid and that investments in limited dividend housing be protected. The Legislature has declared, in Section 70 of the Private Housing Finance Law:

Sec. 70 General Policy

"It is hereby declared to be the policy of this article to encourage the investment of the savings of the people in low rent housing accommodations, to protect such investment

against loss, and to assure a fair return thereon. To this end, every responsible official of the State shall, whenever necessary, take all reasonable steps to the end that the security and safety of the mortgages referred to in this article shall be safeguarded and to maintain public confidence in the stock and obligations of housing companies created under this article." (emphasis added)

12. Owing to causes beyond the control of Knickerbocker Village and changes in economic conditions as applied to the project, especially the sharply increased tax assessment by the City of New York effective as of July 1, 2005 and rising fuel and utility costs, the current maximum rentals are insufficient to meet the payments authorized in Section 85 of the PHFL. Knickerbocker Village's present revenues are wholly insufficient, after the payment of other charges, to amortize the dividend arrearages on the capital stock over a reasonable period of time. In fact, Knickerbocker Village's present revenues are insufficient even to cover operating expenses, current and anticipated, and to provide for repairs and a reserve fund for rehabilitation of the project which are required by the Commissioner. These insufficiencies cannot be corrected by reasonable economies in management and operation of the project.

13. Accordingly, Knickerbocker Village must ask for an increase in its present maximum monthly average room rental; the requested increase is the minimum amount necessary to enable Knickerbocker Village to meet its obligations. The Commissioner has both authority and the obligation to order such an increase under Section 87 of the PHFL.


14. To provide for the amortization of the accumulated dividend arrearages, debt service, provision for replacements and for necessary repairs and a reserve fund for rehabilitation of the project, as well as all other charges, it is necessary that the maximum monthly average room rental (including utilities, except gas) chargeable by petitioner be increased from \$187.93 to \$205.66 per month. The requested increase is no more than is absolutely necessary to enable petitioner to make the payments required by Section 85 of the PHFL.

WHEREFORE, petitioner asks that an order be made herein increasing the maximum average monthly rental chargeable by Knickerbocker Village from \$187.93 to \$205.66 and for such other further relief as the Commissioner may deem just and proper.

Dated: New York, New York
May 16, 2005

KNICKERBOCKER VILLAGE, INC.

By: _____


Robert Gershon,
Vice President and Treasurer

Ted D. Rosen, Esq.
Rosen & Tetelman, LLP
Attorneys for Applicant
292 Madison Avenue, 25th Floor
New York, New York 10017
(212) 889-8077

