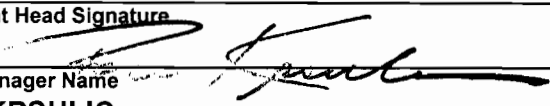


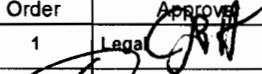
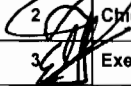
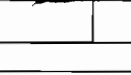
Staff Summary



Subject WEST SIDE YARD DEVELOPMENT
Department REAL ESTATE
Department Head Name ROCO KRSULIC
Department Head Signature 
Project Manager Name ROCO KRSULIC

Date MAY 22, 2008
Vendor Name
Contract Number
Contract Manager Name
Table of Contents Ref #

Board Action					
Order	To	Date	Approval	Info	Other
1	Board	05/22/08	X		

Internal Approvals			
Order	Approval	Order	Approved
		1	Legal 
		2	Chief Financial Officer 
		3	Executive Director 

Narrative	
AGENCY:	Metropolitan Transportation Authority ("MTA") / Long Island Rail Road Company ("LIRR")
DEVELOPER:	Joint venture entity of Related Companies L.P. and Goldman Sachs Group Inc. ("Developer" or "Related/Goldman")
LOCATION:	John D. Caemmerer West Side Yard ("WSY"), consisting of The Western Rail Yard ("WRY") bounded by 11 th and 12 th Avenues and West 30 th and 33 rd Streets (Block 676, Lot 3); and The Eastern Rail Yard ("ERY") bounded by 10 th and 11 th Avenues and West 30 th and 33 rd Streets (Block 702, Lots 1 and 50 and Block 704, Lots 1, 5 and 6)
ACTIVITY:	Mixed-use development
ACTION REQUESTED:	<ol style="list-style-type: none"> 1. Authorize the MTA Chief Executive Officer to execute Conditional Designation Letters with Developer for the WRY and ERY. 2. Authorize the MTA Chief Executive Officer to enter into Contracts and other project documents with the Developer.
TERM:	99-year ground leases, severable, with options to purchase severed fee parcels. See Attachment A - Major WRY Transaction Points, and See Attachment B - Major ERY Transaction Points.
SPACE:	Approximately 26.17 acres (each yard is approximately 13.085 acres)
COMPENSATION:	Net Present Value of Ground Leases: One billion and fifty-four million (\$1,054,000,000), calculated at a discount rate of 6%.

BACKGROUND:

In July of 2007, the Metropolitan Transportation Authority ("MTA") issued two separate Requests For Proposals (the "RFPs") for the sale of and/or long term leasing of air space and related real property interests for development at the Eastern Rail Yard ("ERY") and Western Rail Yard ("WRY") sections of the Long Island Rail Road's John D. Caemmerer West Side Yard ("WSY"). The ERY was re-zoned in 2005 as part of the Special Hudson Yards District and presently permits on-site floor area ratio ("FAR") mixed-use development of approximately 6.27 million square feet (11 FAR). The WRY will require a re-zoning pursuant to the City's Uniform Land Use Review Procedure ("ULURP"), and associated environmental review, to accommodate large-scale mixed use development and a PS/IS public school. The current WRY zoning is industrial M2-3 with an FAR of 2.

Two of the primary objectives of the RFPs are to maximize revenue for MTA's capital plan and to assure safe, uninterrupted LIRR service at the WSY, which functions as a 24/7 active storage, maintenance, and cleaning facility for LIRR. The RFPs also express MTA's goals of promoting excellence in architecture, urban design, and sustainability in keeping with the City's and State's vision for the economic development and revitalization of the Hudson Yards area.

In response to the RFPs, on October 11, 2007 the MTA received proposals for both yards from five qualified real estate development firms. An appraisal report commissioned for each site at the time of the issuance of the RFPs was received in November 2007 with the valuation date established to coincide with the proposal submission date. The ERY, assuming a zoning compliant commercial FAR of 8 and a residential FAR of 3, for a total of 11 FAR (approximately 6.27 million square feet), is valued at \$1.176 billion (\$187.56 PSF of FAR). The WRY, with an assumed commercial and residential FAR of 5 each after rezoning, for a projected total of 10 FAR (approximately 5.7 million square feet), is valued at \$1.149 billion (\$201.58 PSF of FAR).

The appraisals consider the sites as developable greenfields and do not deduct from value the substantial costs attributable to the platform and/or infrastructure that must be constructed over the existing railroad tracks and accessory facilities to support development. However, the appraisals do attribute a 10% discount to reflect the fact that buildings located on the proposed platform would lack basement areas. In addition, the land use parameters of the Rail Yards Agreement and the Principals Memorandum of Understanding (MOU), each between the City and the MTA, are considered in the reports, as well as the Design Recommendations and Guidelines attached to the Principals MOU.

In connection with the proposed development of the WRY, beyond the on-site affordable housing requirements set forth in the Principals MOU, the MTA is proposing to make a parcel located on the southeast corner of 54th Street and 9th Avenue (Block 1044, Lot 3), available to the City of New York for the construction of additional affordable housing at the time of a closing of a WRY development transaction. This parcel, which is owned by the City of New York, is part of the NYCTA Master Lease Agreement.

COMMUNITY REQUESTS:

Community Board 4, elected officials, and other civic and community groups have expressed concerns and provided recommendations relating to the development of the WSY, including on the following subjects: density, transportation improvements, affordable housing, community facilities, the public school, open space and urban design elements, connection to the potential Hudson River Park, total preservation of the High Line, and sustainability issues.

DISCUSSION OF PROPOSALS:

The RFPs stated that the MTA would consider proposed dispositions in the form of either a sale, or up to a 99-year non-subordinate lease. The property interests to be conveyed consist of land, in the case of the "Terra Firma" (the vacant land area where there are no LIRR tracks or facilities), or space above a limiting plane, in the case of the areas over which a roof will be required above the LIRR tracks and facilities. Proposers were encouraged to recommend both sale and lease alternatives.

In response to the RFPs, on October 11, 2007, submissions were received from the following five (5) proposers, each seeking to purchase and/or lease development rights at both the ERY and WRY:

1. Brookfield Properties Developer LLC ("Brookfield")
2. Extell Development Company ("Extell")
3. Hudson Center East LLC and Hudson Center West LLC
(a Joint Venture of The Durst Organization, Inc. and Vornado Realty Trust) ("D-V").
4. The Related Companies in a partnership with Goldman Sachs ("Related/Goldman")
5. TS West Side Holding, LLC (a Joint Venture of Tishman Speyer and Morgan Stanley) ("TSW").

The net present value ("NPV") of each combined yard proposal received in October 2007, assuming exercise of purchase options (and calculated at a 6% discount rate) was as follows: \$908 million from Brookfield; \$1.015 billion from D-V; \$598 million from Extell; \$1.049 billion from Related/Goldman; and \$819 million from TSW. These figures are net of proposer-estimated costs for the construction of the roof over the WSY, including related Force Account.

To aid in the analysis of the proposals, three working groups were formed to address the following subject areas: Design, Finance, and Constructability/Technical Issues, with each group including staff members from the MTA, LIRR, and the Hudson Yards Development Corporation ("HYDC"), with support from outside real estate, legal, and architectural/engineering consulting firms. After the working groups considered the initial responses and an oral presentation, each working group held separate meetings and presentations with each of the five proposers in order to clarify certain aspects of their submissions or to update the proposers on engineering requirements.

Each working group gave a presentation of its evaluations to the Selection Committee, which consists of a majority of MTA members and two representatives from HYDC. The Selection Committee was formed pursuant to the Rail Yards Agreement made between the MTA and the City in September 2006.

In late January, 2008, following the analysis of the October 11, 2007 proposals, the MTA solicited Supplemental Proposals from the five development teams. The solicitation included a form of a Conditional Designation Letter ("CDL"), and summaries of principal terms of a Construction Agreement, Ground Lease, and related transaction documents, reflecting MTA's preferred deal terms and transaction structure.

DISCUSSION OF SUPPLEMENTAL PROPOSALS:

Four out of the original five proposers responded to the request for revised proposals in late February, 2008. Their responses are summarized in the chart below. Brookfield declined to submit a Supplemental Proposal.

		D-V	Extell	Related/Goldman	TSW
Commercial Office Space	WRY	1,004,000 zsf within one building.	982,000 zsf within one building.	1,923,600 zsf within one building.	3,190,000 zsf within two buildings.
	ERY	4,111,000 zsf within three buildings.	2,680,000 zsf Within three buildings.	3,572,980 zsf within two buildings.	4,860,000 zsf within three buildings.
PS/IS School	WRY	120,000 zsf	120,000 zsf preferably within the ERY Cultural Facility.	120,000 zsf	120,000 zsf
Retail Space	WRY	141,000 zsf	256,000 zsf	191,956 zsf	210,000 zsf
	ERY	185,000 zsf	409,000 zsf	565,641 zsf	270,000 zsf
Community Space Component	WRY	TBD.	Not included.	8,500 zsf	TBD.

Staff Summary

		D-V	Extell	Related	TSW
Preferred Treatment of High Line	WRY and ERY	Removes 10 th Ave. Spur. Dismantles and reconstructs Curve on 12th Ave. Dismantles 12th Ave. segment. Design allows for Bridge across 12 th Ave.	Removes 33 rd /34 th Streets connection segment. Design allows for Bridge across 12 th Ave.	Retains 30 th Street and 12 th Ave. segments. Possibly removes 33 rd /34 th Streets connection segment. Design allows for Bridge across 12 th Ave.	Removes 10 th Ave. Spur. Demolition and replacement of the High Line Curve where necessitated by the construction of underground garage structure. Design allows for Bridge across 12 th Ave.
Residential Space	WRY	2,284,000 zsf of Rental Residential 80/20 affordable housing within seven buildings (about 2,950 units, 20% affordable - about 590 units).	3,800,000 zsf of Residential (rental and/or condominium) within seven buildings (about 2,617 units, including about 339 affordable units).	961,576 zsf of Rental Residential 80/20 affordable housing within three buildings (about 1,324 units, 20% affordable – about 265 units), including 173,084 zsf of Permanently Affordable Housing within three buildings (about 261 units).	880,000 sf of Rental Residential 80/20 affordable housing within two buildings (about 984 units, 20% affordable - about 197 units), including 162,800 sf of Permanently Affordable Housing within two buildings (about 182 units).
	WRY	2,284,000 zsf of Condominium within six buildings (about 2,250 units).		2,671,145 zsf of Condominium within seven buildings (about 1,927 units).	1,420,000 zsf of Condominium within four buildings (about 1,092 units).
	ERY	1,778,000 zsf within three buildings (market rate residential: rental and/or condominium, about 1,750 units).	1,718,000 zsf within two buildings (market rate residential: rental and/or condominium, about 1,183 units).	612,392 zsf of 80/20 affordable housing within two buildings (about 830 units, 20% affordable – about 166 units).	460,000 zsf in one building (market rental, about 528 units)
	ERY			1,054,668 zsf of Condominium within three buildings (about 692 units).	480,000 zsf of Condominium within four buildings (about 444 units).
Cultural Facility Component	ERY	200,000 zsf of Reserved FAR; 67,780 sf above-grade footprint for the Cultural Facility Area.	200,000 zsf of Reserved FAR; no stated footprint of the Cultural Facility Area.	200,000 zsf of Reserved FAR; 30,000 sf above-grade footprint for the Cultural Facility Area.	200,000 zsf of Reserved FAR; 18,000 sf above-grade footprint for the Cultural Facility Area.
Parking Component	WRY	200-1,000 below-grade accessory parking spaces, plus a portion of the 75 spaces for LIRR Operations to be located within WSY.	50 (minimum) below-grade accessory parking spaces, plus a portion of the 75 spaces for LIRR Operations to be located within WSY.	263 below-grade accessory parking spaces, plus 30 of the 75 spaces for LIRR Operations to be located within the WSY.	750 below-grade accessory parking spaces, plus a portion of the 75 spaces for LIRR Operations to be located within WSY.
	ERY	450 (minimum) to 1,000 below-grade accessory parking spaces, plus a portion of the 75 spaces for LIRR Operations to be located within the WSY.	450 (minimum) to 1,000 below-grade accessory parking spaces, plus a portion of the 75 spaces for LIRR Operations to be located within the WSY.	450 (minimum) to 1,000 below-grade accessory parking spaces, plus 45 of 75 spaces for LIRR Operations to be located within the WSY.	450 below-grade accessory parking spaces, plus a portion of the 75 spaces for LIRR Operations to be located within the WSY.

Staff Summary

The NPV of the combined-yard supplemental proposals were as follows: D-V \$842,000,000; Extell \$1,150,000,000; Related/Goldman \$943,000,000; and TSW \$897,000,000. These figures are again net of proposer-estimated costs for the construction of the LIRR Yards roof structure, including related Force Account, which estimated costs had been adjusted by these proposers after further consultations with LIRR staff.

Following receipt and review of the supplemental submissions, MTA met with each of the proposer teams. In these subsequent discussions, Related/Goldman revealed that it was not in a position to go forward with pursuing an ERY proposal at that time because of the unexpected withdrawal of its proposed anchor commercial tenant. Related/Goldman requested that its single-yard WRY proposal continue to be considered. Due to concerns about the difficulty of coordinating construction plans and activities of different developers at each of the yards, and the potential impacts of less coordinated construction on railroad operations, Related/Goldman's single-yard proposal was suspended from active consideration while discussions proceeded with those remaining proposers offering to develop both of the Yards.

Extell, in its response to the supplemental proposals solicitation, continued to deviate from the Hudson Yard Uniform Tax Exemption Policy ("UTEP"), pricing its proposals based upon an assumed level of property taxation well below that provided for by existing tax abatement policies. During on-going discussions, Extell revised its position in part, but continued to rely upon major deviations from UTEP and other tax policies. As a result, its proposal was no longer considered competitive.

Discussions proceeded with Durst-Vornado and TSW. During the discussions with these two proposers, both substantially improved their offers. Thereafter, TSW and D-V were requested to provide their final offers. They were directed to focus principally on financial return to the MTA, expressed as net present value, and project completion certainty. Both proposers were advised that targeted 'deal terms' negotiations would commence with the proposer making the most responsive final offer.

TSW markedly increased its financial offer, reaching a NPV of \$1,004,000,000 (which amount, if calculated taking into account land residual value in the pricing of purchase options, would increase to \$1,054,000,000). Additional negotiations with D-V resulted in it increasing its financial offer to an NPV of \$892,200,000, still far below the NPV represented by TSW's proposal. At that point, D-V was advised that its offer was not competitive and was encouraged to increase its offer prior to the MTA's determination to move to detailed deal negotiations with a single proposer. D-V did not increase its offer at that time. The MTA then advanced to more detailed negotiations with TSW in recognition of its superior final offer. (After MTA had requested and received what were "final" offers, and after MTA had, on that basis, proceeded with and made substantial progress in fleshing out deal terms with TSW, D-V advised MTA that it wished to raise its offer further, eventually describing an offer that MTA calculated was approximately \$970 million in NPV. This was still less than the NPV that had been proposed by TSW in its responsive final offer.)

SUBSEQUENT DEVELOPMENTS

The March 26, 2008 Selection Committee Recommendation.

On March 26, 2008, the Selection Committee unanimously agreed that TSW should be recommended for conditional designation as developer for both the ERY and WRY. At that time TSW offered the best overall combination of total financial return, certainty of return, railroad operational compatibility, and development experience. TSW's proposals offered MTA a NPV calculated at \$1,004,000,000 (or \$1,054,000,000 with the inclusion of the residual value), which was the highest of the proposers at that time. Moreover, after intensive negotiations on multiple deal points, MTA was able substantially to enhance the financial certainty features of TSW's proposal. See Attachments A and B to the Staff Summary of March 26, 2008, which summarized major transaction points for TSW's WRY and ERY proposals, as negotiated.

With respect to the scope and scale of impacts on LIRR operations and services, confidence was attained in the course of construction agreement negotiations that TSW would design and construct its project in a manner that would minimize the impact on the LIRR and ensure the ongoing viability of LIRR operations in the WSY. See Attachment C to the Staff Summary of March 26, 2008, outlining principal terms that TSW had agreed would be incorporated into the construction agreement.

Staff Summary



The Board Authorization of March 26, 2008 and Ensuing CDL Negotiations with TSW

At the March 26, 2008 meeting of the MTA Board, the Board accepted the Selection Committee's recommendation and adopted resolutions that, among other things, authorized MTA's Chief Executive Officer to execute Conditional Designation Letters ("CDLs") with TSW for the ERY and WRY, provided CDLs could be negotiated by MTA staff to a final form that was satisfactory to MTA and that substantially conformed to the proposed deal terms outlined in the March 26, 2008 staff summary.

Negotiations thereafter proceeded with TSW with the goal of finalizing the CDLs for execution. On April 30, 2008, after over a month of further negotiations, MTA determined that the CDL for the WRY was satisfactory and substantially conformed to the proposed deal terms authorized at the March Board meeting. The WRY CDL was then signed by the parties and held in escrow, together with a check from TSW in the amount of \$11,000,000 (representing \$6,000,000 in participation fees and a \$5,000,000 deposit into an expenses reimbursement fund), in anticipation of finalizing the ERY CDL terms within seven days. Under the terms of the escrow agreement, the release from escrow of the WRY CDL and the \$11,000,000 check was made conditional upon the parties coming to final acceptable terms for the ERY CDL as well as upon the satisfactory conclusion of discussions between TSW and the City of New York concerning various matters relating to Hudson Yards redevelopment.

Despite intensive negotiations, MTA and TSW were unable to agree to terms with respect to the ERY CDL that were consistent with the deal terms outlined in the March 26, 2008 staff summary and on May 13, 2008 TSW informed MTA that it was withdrawing its development proposals for the WRY and ERY.

MTA Staff's Renewed Discussions with the Remaining Proposers.

At the time of TSW's withdrawal, MTA publicly announced that it would be resuming discussions with the other proposers in an effort to obtain acceptable terms for development transactions for the ERY and WRY. MTA quickly received expressions of interest from all three of the remaining proposers that had participated in the Supplemental Proposal process.

Related/Goldman, as noted above, had in March 2008 indicated to MTA that it was not in a position at that time to go forward with pursuing an ERY proposal. Related/Goldman now advised MTA that it desired to conclude development transactions for both the ERY and WRY and that it would be willing to consider as a basis for the transaction the deal terms that MTA had negotiated at length with TSW. To that end, Related/Goldman asked to be provided with the detailed CDLs which had not been fully executed by TSW.

Extell Development Corp., as noted above, had previously submitted proposals with high land valuations, but which were based upon assumed real property tax levels well below those provided for by existing tax abatement policies, meaning that the value of its proposals to MTA would decline substantially in the event Extell did not obtain such favorable levels of tax abatement from the taxing authorities. Extell now indicated that it wished to reformulate its proposals to remove this highly problematic feature, assuming that it could reach an appropriate understanding with the City of New York with respect to real property taxation matters.

D-V also contacted the MTA to express an interest in both yards. Subsequently D-V stated that it wished to re-enter substantive discussions with MTA only if MTA would agree to negotiate exclusively with D-V in an effort to reach a final deal, meaning that the MTA would not be permitted to speak to other proposers about deal terms during such proposed exclusive period nor consider any offers from the other proposers in the event that a tentative agreement with D-V was reached. D-V also indicated that it did not want to recommence negotiations based on the TSW deal structure, but rather on the basis of the deal framework and terms that D-V had last discussed with the MTA in late March, and which had not been the subject of detailed negotiations between D-V and MTA. Finally, D-V did not confirm that its financial offer would remain at or above the level that had been reached when those discussions had left off in March.

MTA, in an effort to move the process forward to a prompt conclusion, provided copies of the CDLs – in the form that had been achieved through negotiations with TSW – to the three proposers, subject to a confidentiality agreement. Because MTA was not willing to limit competition by entering into exclusive negotiations with D-V on the terms described above, MTA staff resumed substantive discussions with the other two proposers.

Staff Summary



Extell initiated discussions with the City to address tax abatement issues that affected the framework of its proposal. Based upon progress it reported in those discussions, Extell indicated to MTA that it would be in a position to reformulate its proposals so that Extell, rather than MTA, assumed any risk arising from Extell obtaining a less favorable tax abatement treatment than it was seeking. Extell also communicated that MTA could anticipate revised offers with a combined NPV of at least \$900 million. Extell further indicated that although it was willing to negotiate using the TSW CDLs as a starting point, it was not willing to bind itself to the terms set forth in those documents.

After Related/Goldman had reviewed the relevant documents, they agreed to conclude a deal with the MTA by executing CDLs in substantially the form that had been negotiated with TSW at a combined NPV of \$1.000 billion dollars. Further discussions over the May 17 and 18 weekend culminated in Related/Goldman agreeing to increase its proposal such that the financial value to MTA increased to a NPV of \$1.054 billion, an amount equal to the value of the Board-authorized TSW transactions (incorporating the residual values in both calculations), subject to Related/Goldman's right to opt to delay base rent payments for up to an additional two years with respect to parcels upon which no building construction had begun within the original abatement period. Exercise of the extension of the abatement period by up to two years on such undeveloped parcels would only be permitted if (i) the Developer paid increased future rent in an amount that would result in MTA recouping one-half of the NPV of the delayed rent and (ii) the Developer increased its default payment guarantee by the full amount of the delayed rent such that MTA would recoup the full amount of the delayed rent in the event that Developer defaulted under the lease prior to construction start. The maximum anticipated impact of this abatement extension provision upon the NPV to the MTA (that is, under a scenario where no building had been commenced on any parcel on the WRY and the ERY and the abatement extension was for a full two year period) is approximately \$43 million, i.e., a reduction of the total NPV to the MTA from an estimated \$1.054 billion to an estimated \$1.011 billion.

SELECTION COMMITTEE RECOMMENDATION

On Sunday, May 18, 2008 the West Side Yards Selection Committee convened and unanimously agreed that the Selection Committee recommend that the MTA Board authorize the conditional designation of the Related/Goldman joint venture for the development of the WRY and ERY. Notable features of the Related/Goldman proposals that support this recommended outcome include the following:

- The economics of Related/Goldman 's proposals substantially conform to the favorable financial terms that the Board approved at its March meeting for a TSW transaction. The only material difference between the TSW and the Related/Goldman financial proposals is the potential for an additional two year abatement extension in the Related/Goldman transaction which, in the worst case as described above, could cause the NPV of the Related/Goldman transaction to be reduced from \$1.054 billion to \$1.011 billion were unfavorable economic conditions to result in the Developer not commencing building construction on any parcel within the first five years of the ERY lease, or the first four years of the WRY lease.
- The Related/Goldman development entities have signed CDLs (which embody the terms set forth in Attachments A and B hereto, which attachments are identical to Attachments A and B to the March 26, 2008 TSW staff summary except for the inclusion of the option for an additional two year abatement described above, and in Attachment C to the March 26, 2008 TSW staff summary) that are being held in escrow and will become effective upon MTA Board approval. Related/Goldman has also deposited an \$11 million check that will be cashed upon MTA Board approval (\$6 million of which is for participation fee payments and \$5 million of which is to fund an expenses reimbursement fund). The Selection Committee and MTA staff believe that MTA's interests are best served by consummating this certain transaction now, rather than exposing MTA to the substantial risk of reduced competition and the uncertainty of an acceptable future transaction.
- Related/Goldman agreed to substantially the same construction agreement terms that had been acceptable to LIRR and had been agreed to with TSW with respect to its interactions with the LIRR and the protection of LIRR operations and services.
- The Related/Goldman joint venture offers a compelling combination of development expertise and financial acumen and resources. Related has more than 30 years experience in development, including in mixed-use environments such as the Time Warner Center (developed on land purchased from MTA). Goldman Sachs, as a leading global investment bank, possesses the expertise and resources to provide sound financial structure to an undertaking of this magnitude.
- The Related/Goldman proposals have a higher proportion of residential space relative to commercial space, and offer more affordable (and more permanent affordable) housing on-site at the Hudson Yards than did the TSW proposals. These features may enhance the prospects for favorable zoning outcomes for the WRY ULURP process that are consistent with orderly achievement of a successful WRY closing.

Staff Summary

- The Related/Goldman proposals provide for retention of the High Line on both the south and the west, and do not propose removal of the Spur within the ERY, thus reducing the possibility of delays associated with disputes relating to the demolition of portions of the High Line.
- The Related/Goldman plan proposes LEED certification by the U.S. Green Building Council, as a LEED Neighborhood Development rated district, representing a significant commitment to green development in the United States.

In conclusion, it is recommended that the Boards of MTA, LIRR and TBTA adopt the attached resolutions which, among other things, authorize:

1. The MTA Chief Executive Officer to execute Conditional Designation Letters with Related/Goldman as the conditionally designated developer, for an exclusive period of 165 days, for the proposed disposition of certain developable property rights in the Eastern and Western Rail Yards.
2. The MTA Chief Executive to enter into Contracts and other project documents with Related/Goldman as may be negotiated pursuant to the Conditional Designation Letters.
3. The MTA to serve as Co-Lead Agency with the New York City Planning Commission ("CPC") for the environmental review of the proposed mixed-use development over the Western Rail Yard and associated actions pursuant to applicable State and local environmental laws and regulations.
4. The TBTA to convey its property interests in the WSY to the MTA prior to the Closing of the proposed transactions.

RESOLUTION

BOARDS OF THE METROPOLITAN TRANSPORTATION AUTHORITY LONG ISLAND RAIL ROAD TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

WHEREAS, Metropolitan Transportation Authority (“MTA”) owns Lot 50 in Block 702 (the “MPB Lot”), which is located on the north side of West 30th Street between 10th and 11th Avenues in Manhattan; and

WHEREAS, Triborough Bridge and Tunnel Authority (“TBTA”) owns the remainder of the real property on the West Side of Manhattan generally bounded on the north by West 33rd Street, on the east by 10th Avenue, on the south by West 30th Street and on the west by 12th Avenue, including rights to occupy the portion of such property under 11th Avenue (the “TBTA Property”, and together with the MPB Lot, the “Rail Yards”), which Rail Yards comprise (i) that portion located to the east of 11th Avenue (the “Eastern Rail Yard” or “ERY”) and (ii) that portion located to the west of 11th Avenue (the “Western Rail Yard” or “WRY”); and

WHEREAS, TBTA intends to transfer ownership of the TBTA Property to the MTA for a nominal sum, pursuant to Section 553(p) of the Public Authorities Law; and

WHEREAS, the City of New York has taken steps to expand the Manhattan central business district and to promote the economic development interests of the City and State of New York by revitalizing the Far West Side of Manhattan into a mixed-use commercial and residential area by, among other things, rezoning portions of what is known as the Hudson Yards Redevelopment Area and undertaking, in conjunction with the MTA, the extension of the Number 7 subway line west from Times Square (the “Number 7 Line Extension Project”); and

WHEREAS, the MTA and City in September 2006 entered into (a) a memorandum of understanding (the “Rail Yards MOU”), which provided for, among other things, the issuance of Requests for Proposals by the MTA for development of the Eastern Rail Yard and for the Western Rail Yard, with the selection of a developer or developers for such yards to be made by the MTA Board; and (b) a memorandum of understanding (the “Number 7 Line MOU”) for the design, construction and funding of the Number 7 Line Extension Project; and

WHEREAS, on July 11, 2007, MTA and the City entered into a further memorandum of understanding (the “July 11 MOU”), by which the City and MTA, recognizing that the WRY requires re-zoning to accommodate mixed-use development, identified certain actions within the control of the City and MTA to be undertaken to accomplish the City’s goals of promoting the orderly development of the Hudson Yards Redevelopment Area in accordance with sound planning objectives and MTA’s goals of achieving the maximum revenue from the development of the WRY for application to MTA’s capital plans for investment in the New York region’s public transportation system while assuring safe, continuous, uninterrupted service by the Long Island Rail Road (“LIRR”); and

WHEREAS, pursuant to the July 11 MOU, the City and MTA set forth a number of shared understandings, including that (i) Design Guidelines for the WRY annexed to the July 11 MOU represented planning and design goals that WRY development should promote and achieve; (ii) an affordable housing commitment by the developer of the WRY would be included in the WRY RFP, requiring developing all rental housing at the WRY as “80/20” housing (subject to allocation of sufficient tax-exempt bond cap or other equivalent low-cost financing to the developer and the availability of such other incentives as generally available for development of 80/20 housing in the City of New York); (iii) the City would support in the WRY rezoning a density bonus in an effort to foster the creation of permanently affordable low income housing on-site and the City would additionally contribute \$40 million to construct or otherwise create new affordable housing off-site of the WRY, including at a possible site (the “48/10 Site”) owned by the City at 48th Street and 10th Avenue, to complement the on-site affordable housing commitment; (iv) in the event the City wished to construct off-site affordable housing using such capital funds at a site (the “54/9 Site”) at 54th Street and 9th Avenue (which is owned in fee by the City but subject to NYCT leasehold control), authorization of the Board would be sought to make such site available to the City for such project (subject to the right of NYCT to maintain occupancy of a portion of the premises for operations) at the time MTA was closing the sale or lease of the WRY for development based upon a re-zoning complying with the Design Guidelines; (v) a WRY School Floor Area bonus should be included in the WRY rezoning, subject to the creation of which bonus the WRY RFP would require a WRY developer to reserve a location for a school, to be built and paid for by the City; (vi) the City would fund and perform in a timely manner a re-profiling of 33rd Street west of 11th Avenue to provide better site access at WRY; (vii) the City would make water and sewer available in the streets adjacent to the WRY, at City expense, in sufficient capacities and on a timely basis to service the development on the WRY contemplated by the Design Guidelines; and (viii) the City would pay the annual operations and maintenance costs of the linear open space located on the High Line structure along West 30th Street; and

WHEREAS, the MTA and New York City Planning Commission (“CPC”) propose to serve as Co-Lead Agencies for the environmental review of the proposed mixed-use development over the WRY, pursuant to the State Environmental Quality Review Act (“SEQRA”) and, in the case of CPC, the New York City Environmental Quality Review (“CEQR”); and

WHEREAS, the actions to be analyzed in such review (collectively, the “Proposed Action”) include (1) the lease and/or sale of the air space and related real property interests over the WRY by MTA to an entity selected by MTA through a competitive process to carry out such mixed-use development; (2) the rezoning by the City of the WRY pursuant to the Uniform Land Use Review Procedure; (3) the establishment of new legal grades in West 33rd Street between 11th and 12th Avenues to facilitate a proposed platform over the WRY; (4) the construction of a PS/IS school above the WRY; (5) the associated disposition of the 54/9 Site and the 48/10 Site for the development of affordable housing at such sites; and (6) such other zoning map changes, text amendments, off-site improvements, development rights transfers, and other agency actions as may be necessary or appropriate to facilitate such mixed-use development and to implement any necessary mitigation measures; and

WHEREAS, in view of the size and scope of the Proposed Action, MTA staff has determined that the Proposed Action might result in one or more significant environmental impacts, and accordingly recommends that MTA cooperate with the CPC in issuing a positive declaration, undertaking scoping, and preparing a draft and a final environmental impact statement for the Proposed Action;

WHEREAS, on July 11, 2007, MTA issued and thereafter publicly advertised a Request for Proposals (the “WRY RFP”) for mixed-use development of the WRY, inviting proposals for dispositions in the form of either a sale, or up to a 99-year lease, of the developable WRY property rights; and

WHEREAS, on October 11, 2007, MTA received submissions from five proposers in response to the WRY RFP, including Extell Development Company (“Extell”); Brookfield Properties Developer LLC (“Brookfield”); The Related Companies in a partnership with Goldman Sachs (“Related/Goldman”); TS West Side Holding, LLC (c/o Tishman Speyer Properties) (“TSW”); and Hudson Center East LLC and Hudson Center West LLC (a joint venture of The Durst Organization, Inc. and Vornado Realty Trust) (“D-V”); and,

WHEREAS, on January 28, 2008, MTA requested supplemental proposals from the five proposers, and, in such supplemental proposal solicitation, included a draft Conditional Designation Letter (“CDL”) to be completed by each of the proposers, which CDL, if later executed by the MTA and a proposer in a mutually acceptable form, would provide a conditionally designated developer an exclusive term (the “Designation Term”) to fully negotiate and execute a contract to enter into ground lease and the other documents and agreements needed in connection with the proposed disposition of the developable WRY rights; and

WHEREAS, on February 26, 2008, MTA received supplemental submissions from four of the five above-noted proposers in response to its solicitation; and

WHEREAS, as further described in the staff summary accompanying this resolution, MTA staff, in working groups formed with representatives of Hudson Yards Development Corporation, engaged in detailed review of the October 11, 2007 and February 26, 2008 submissions of the proposers, heard presentations from proposers, conducted discussions and negotiations with the proposers, and reported on relevant aspects of the proposals to the Selection Committee created pursuant to the Rail Yards MOU (the “Selection Committee”); and

WHEREAS, the submissions of the proposers have been summarized to the Board, as set forth in the materials contained in and annexed to the staff summary, and the Selection Committee has recommended that Related/Goldman be conditionally designated by the MTA Board as the Western Rail Yard developer; and

WHEREAS, the fair market value of the WRY development rights in question has been tested and evaluated through a competitive selection process, the methods, terms and conditions of which have permitted full and free competition, involving public advertisement for proposals, the

receipt of competitive proposals, the conduct of discussions and negotiations with the proposers in order to maximize value, and the presentation of the competitive proposals to the Board by public staff summary; and

WHEREAS, the WRY CDL, upon execution by the MTA and a proposer, will serve to designate the Conditionally Designated Developer as the exclusive party with whom MTA will negotiate the transaction for the WRY during the Designation Term, and will provide that (i) the conditional designation does not create or give rise to any contractual or other legally enforceable rights, obligations or liabilities of any kind on the part of any party, other than for the conditionally designated proposer and MTA to negotiate the transaction in good faith and to carry out their express obligations set forth therein; (ii) if the conditionally designated proposer and MTA cannot in good faith successfully conclude contract negotiations during the Designation Term, either party may choose to terminate the conditional designation without liability for any costs or expenses incurred by the other party in the preparation, clarification, submission or negotiation of the RFP and proposer's response thereto, such CDL, the Contract or any other project document, except for any liabilities incurred under the Temporary Entry Permit that survive such termination and/or amounts reimbursed to MTA, LIRR and other parties under the WRY Expenses Reimbursement Agreement; and (iii) in the event that a Contract is not entered into on or prior to the end of the Designation Term for any reason, as more particularly set forth in the CDL, certain fees shall be retained by MTA, and MTA may choose to negotiate with other proposers or other potential developers, to terminate the selection process or to begin a new selection process for such Yard; and

WHEREAS, the Boards of the MTA, TBTA and LIRR find the proposal of the developer recommended by the Selection Committee for designation to be the most advantageous to the MTA, price and other factors set forth in the WRY RFP having been considered; and

WHEREAS, the Boards of the MTA, TBTA and LIRR further find that the proposed disposition of the WRY property rights is for not less than fair market value and is proposed to be made upon proper terms and conditions, and that an appraisal of the value of such property rights has been made by an independent appraiser as set forth in the accompanying staff summary and included in the record of the transaction; and

WHEREAS, the Boards of the MTA, TBTA and LIRR further find that the disposal of the WRY property rights is intended to further the public welfare and to advance the economic development interests of the MTA by, inter alia, enhancing the ability of MTA to develop and improve commuter transportation and other services related thereto within the metropolitan commuter transportation district and creating substantial sources of revenue to MTA, and that, in addition, the disposal of the property rights in question is intended to advance the economic development interests of the City and State of New York ("State") as well as the interest of MTA in transit-oriented development, by spurring the revitalization of the Hudson Yards Redevelopment Area, which is expected to result in the creation and retention of substantial number of job opportunities and the creation or retention of substantial sources of revenues to the City, State, and MTA; and

WHEREAS, the Boards of the MTA, TBTA and LIRR find that the terms and conditions of the proposed disposition will provide for safe, continuous, and uninterrupted LIRR service, while enhancing the WRY by providing for a roof structure, or platform, over such yard, as well as other improvements to such yard;

NOW THEREFORE, upon the recommendation of MTA's Chairman, Executive Director and Chief Executive Officer, and the Selection Committee, the Boards of the MTA, TBTA and LIRR resolve as follows:

1. The Executive Director and Chief Executive Officer is hereby authorized to execute a Conditional Designation Letter with RG WRY LLC, designating RG WRY LLC as the conditionally designated developer for the proposed disposition of certain developable property rights in the Western Rail Yard.
2. The Executive Director and Chief Executive Officer and his respective designees are hereby authorized to take all necessary or appropriate actions for the MTA to participate as a co-lead agency with the CPC in the environmental review of the Proposed Action and to cooperate with the CPC in carrying out their respective obligations under SEQRA and CEQR, including, without limitation, issuing a positive declaration for the Proposed Action, completing a public scoping process for and preparing a draft and final environmental impact statement with respect to the Proposed Action and publishing all notices and conducting all public meetings and hearings as shall be required in connection with the foregoing.
3. Subject to the foregoing, the Executive Director and Chief Executive Officer and his respective designees are hereby authorized to execute a contract and any other necessary or appropriate agreements, leases, deeds, documents, and other instruments and to take any other necessary or appropriate steps to implement the proposed disposition of certain developable property rights in the Western Rail Yard and the construction of improvements thereon as part of the development thereof, including but not limited to: (i) the transfer of the ownership of the WRY from TBTA to MTA; (ii) effectuation of the terms and conditions of the Conditional Designation Letter, and/or such other terms and conditions as MTA and Developer may negotiate, such terms to be acceptable to the Executive Director and the Chief Executive Officer, and (iii) effectuation of the terms and conditions of the July 11 MOU as pertinent to the WRY; *provided*, that the contract and other project documents shall provide that such contract and project documents shall not be binding on the MTA unless and until (a) the MTA Board and the CPC shall have completed the environmental review of the Proposed Action in accordance with the requirements of SEQRA and CEQR and (b) on the basis of that review, the MTA Board shall have made written findings concerning the environmental impacts of the Proposed Action in accordance with SEQRA and its implementing regulations, 6 NYCRR, Part 617, and approved the material terms of the contract and the other project documents.

4. The Executive Director and Chief Executive Officer and his respective designees are hereby authorized to take any and all actions as may be necessary, desirable or convenient to satisfy applicable legal or regulatory requirements in connection with the foregoing actions.

Dated: May 22, 2008

RESOLUTION

BOARDS OF THE
METROPOLITAN TRANSPORTATION AUTHORITY
LONG ISLAND RAIL ROAD
and TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

WHEREAS, Metropolitan Transportation Authority (“MTA”) owns Lot 50 in Block 702 (the “MPB Lot”), which is located on the north side of West 30th Street between 10th and 11th Avenues in Manhattan; and

WHEREAS, Triborough Bridge and Tunnel Authority (“TBTA”) owns the remainder of the real property on the West Side of Manhattan generally bounded on the north by West 33rd Street, on the east by 10th Avenue, on the south by West 30th Street and on the west by 12th Avenue, including rights to occupy the portion of such property under 11th Avenue (the “TBTA Property”, and together with the MPB Lot, the “Rail Yards”), which Rail Yards comprise (i) that portion located to the east of 11th Avenue (the “Eastern Rail Yard” or “ERY”) and (ii) that portion located to the west of 11th Avenue (the “Western Rail Yard” or “WRY”); and

WHEREAS, TBTA intends to transfer ownership of the TBTA Property to the MTA for a nominal sum, pursuant to Section 553(p) of the Public Authorities Law; and

WHEREAS, the City of New York has taken steps to expand the Manhattan central business district and to promote the economic development interests of the City and State of New York by revitalizing the Far West Side of Manhattan into a mixed-use commercial and residential area by, among other things, rezoning portions of what is known as the Hudson Yards Redevelopment Area and undertaking, in conjunction with the MTA, the extension of the Number 7 subway line west from Times Square (the “Number 7 Line Extension Project”); and

WHEREAS, the MTA and City in September 2006 entered into (a) a memorandum of understanding (the “Rail Yards MOU”), which provided for, among other things, the issuance of Requests for Proposals by the MTA for development of the Eastern Rail Yard and for the Western Rail Yard, with the selection of a developer or developers for such yards to be made by the MTA Board; and (b) a memorandum of understanding (the “Number 7 Line MOU”) for the design, construction and funding of the Number 7 Line Extension Project; and

WHEREAS, on July 11, 2007, MTA issued and thereafter publicly advertised a Request for Proposals for development proposals for the ERY (the “ERY RFP”), which is currently zoned as set forth in the Special Hudson Yards District zoning to accommodate large-scale mixed use development, which RFP invited proposals for dispositions in the form of either a sale, or up to a 99-year lease, of the developable property rights; and

WHEREAS, on July 11, 2007, MTA and the City entered into a further memorandum of understanding (the “July 11 MOU”), by which the City and MTA recognized that certain actions within the control of the City and MTA should be undertaken to accomplish the City’s goals of promoting the orderly development of the Hudson Yards Redevelopment Area in accordance with sound planning objectives and MTA’s goals of achieving the maximum revenue from the development of the ERY for application to MTA’s capital plans for investment in the New York region’s public transportation system while assuring safe, continuous, uninterrupted service by the Long Island Rail Road (“LIRR”); and

WHEREAS, pursuant to the July 11 MOU, the City has agreed, among other things, to make water and sewer available in the streets adjacent to the ERY, at City expense, in sufficient capacities and on a timely basis to service the development on the ERY contemplated by the ERY zoning, to fund and perform in a timely manner a re-profiling of 33rd Street east of 11th Avenue to provide better site access at ERY, and to pay the annual operations and maintenance costs of the linear open space located on the High Line structure along West 30th Street, and the MTA agreed, inter alia, to require ERY developers to reserve space in the ERY for use as a cultural facility, in consideration for which reservation of space the City has agreed to pay the MTA the sum of \$15,000,000 at the time of closing by the MTA of the sale or lease of the ERY; and

WHEREAS, on October 11, 2007, MTA received submissions from five proposers in response to the ERY RFP, including Extell Development Company (“Extell”); Brookfield Properties Developer LLC (“Brookfield”); The Related Companies in a partnership with Goldman Sachs (“Related/Goldman”); TS West Side Holding, LLC (c/o Tishman Speyer Properties) (“TSW”); and Hudson Center East LLC and Hudson Center West LLC (a joint venture of The Durst Organization, Inc. and Vornado Realty Trust) (“D-V”); and

WHEREAS, on January 28, 2008, MTA requested supplemental proposals from the five proposers, and, in such supplemental proposal solicitation, included a draft Conditional Designation Letter (“CDL”) to be completed by each of the proposers, which CDL, if later executed by the MTA and a proposer in a mutually acceptable form, would provide a conditionally designated developer an exclusive term (the “Designation Term”) to fully negotiate and execute a contract to enter into ground lease and the other documents and agreements needed in connection with the proposed disposition of the developable ERY rights; and

WHEREAS, on February 26, 2008, MTA received supplemental submissions from four of the five above-noted proposers in response to its solicitation; and

WHEREAS, as further described in the staff summary accompanying this resolution, MTA staff, in working groups formed with representatives of Hudson Yards Development Corporation, engaged in detailed review of the October 11, 2007 and February 26, 2008 submissions of the proposers, heard presentations from proposers, conducted discussions and negotiations with the proposers, and reported on relevant aspects of the proposals to the Selection Committee created pursuant to the Rail Yards MOU (the “Selection Committee”); and

WHEREAS, the submissions of the proposers have been summarized to the Board, as set forth in the materials contained within and annexed to the staff summary, and the Selection Committee has recommended the MTA Board authorize the MTA to conditionally designate Related/Goldman as the Eastern Rail Yard developer; and

WHEREAS, the fair market value of the ERY development rights in question has been tested and evaluated through a competitive selection process, the methods, terms and conditions of which have permitted full and free competition, involving public advertisement for proposals, the receipt of competitive proposals, the conduct of discussions and negotiations with the proposers in order to maximize value, and the presentation of the competitive proposals to the Board by public staff summary; and

WHEREAS, the ERY CDL, upon execution by the MTA and a proposer, will serve to designate the conditionally designated developer as the exclusive party with whom MTA will negotiate the transaction for the ERY during the Designation Term, and will provide that (i) the conditional designation does not create or give rise to any contractual or other legally enforceable rights, obligations or liabilities of any kind on the part of any party, other than for the conditionally designated proposer and MTA to negotiate the transaction in good faith and to carry out their express obligations set forth therein; (ii) if the conditionally designated proposer and MTA cannot in good faith successfully conclude contract negotiations during the Designation Term, either party may choose to terminate the conditional designation without liability for any costs or expenses incurred by the other party in the preparation, clarification, submission or negotiation of the RFP and proposer's response thereto, such CDL, the contract or any other project document, except for any liabilities incurred under the Temporary Entry Permit that survive such termination and/or amounts reimbursed to MTA, LIRR and other parties under the ERY Expenses Reimbursement Agreement; and (iii) in the event that a contract is not entered into on or prior to the end of the Designation Term for any reason, (a) as more particularly set forth in the CDL, certain fees shall be retained by MTA, and (b) MTA may choose to negotiate with other proposers or other potential developers, to terminate the selection process or to begin a new selection process for such Yard; and

WHEREAS, the Boards of the MTA, TBTA and LIRR find the proposal of the developer recommended by the Selection Committee for designation to be the most advantageous to the MTA, price and other factors set forth in the ERY RFP having been considered; and

WHEREAS, the Boards of the MTA, TBTA and LIRR further find that the proposed disposition of the ERY property rights is for not less than fair market value and is proposed to be made upon proper terms and conditions, and that an appraisal of the value of such property rights has been made by an independent appraiser as set forth in the accompanying staff summary and included in the record of the transaction; and

WHEREAS, the Boards of the MTA, TBTA and LIRR further find that the disposal of the ERY property rights is intended to further the public welfare and to advance the interests of the MTA by, inter alia, enhancing the ability of MTA to develop and improve commuter transportation and

other services related thereto within the metropolitan commuter transportation district and creating substantial sources of revenue to MTA, and that, in addition, the disposal of the property rights in question is intended to advance the economic development interests of the City and State of New York ("State"), and the interest of the MTA in transit oriented development, by spurring the revitalization of the Hudson Yards Redevelopment Area, which is expected to result in the creation and retention of substantial number of job opportunities and the creation or retention of substantial sources of revenues to the City, State, and MTA; and

WHEREAS, the Boards of the MTA, TBTA and LIRR find that the terms and conditions of the proposed disposition will provide for safe, continuous, and uninterrupted LIRR service, while enhancing the ERY by providing for a roof structure over such yard, as well as other improvements to such yard.

NOW THEREFORE, upon the recommendation of MTA's Chairman, Executive Director and Chief Executive Officer, and the Selection Committee, the Boards of the MTA, TBTA and LIRR resolve as follows:

1. The Executive Director and Chief Executive Officer is hereby authorized to execute a Conditional Designation Letter with RG ERY LLC, designating RG ERY LLC as the conditionally designated developer for disposition of certain developable property rights in the Eastern Rail Yard.
2. The Executive Director and Chief Executive Officer and his respective designees are hereby authorized to execute a contract and any other necessary or appropriate agreements, contracts, leases, deeds, documents, and other instruments, and to take any other necessary or appropriate steps, to implement the proposed disposition of certain developable property rights in the Eastern Rail Yard and the construction of improvements thereon as part of the development thereof, including but not limited to (i) the transfer of the ownership of the ERY from TBTA to MTA; (ii) effectuation of the terms and conditions of the Conditional Designation Letter, and/or such other terms and conditions as MTA and Developer may negotiate, such terms to be acceptable to the Executive Director and the Chief Executive Officer, and (iii) effectuation of the terms and conditions of the July 11 MOU as pertinent to the ERY.
3. The Executive Director and Chief Executive Officer and his respective designees are hereby authorized to take any and all actions as may be necessary, desirable or convenient to satisfy applicable legal or regulatory requirements in connection with the foregoing actions.

Dated: May 22, 2008

ATTACHMENT A - MAJOR WRY TRANSACTION POINTS

Deal Structure	99-year ground lease, severable, with options to purchase severed fee parcels.
Contract Deposit	<p>Total 10% of Initial Land Value (ILV), payable as follows:</p> <ul style="list-style-type: none"> • 5% of ILV deposited in escrow on Contract execution; payable to MTA at Transaction Closing (delivery of possession). • 2.5% of ILV payable at first anniversary of Transaction Closing • 2.5% of ILV payable at second anniversary of Transaction Closing
Initial Land Value	\$494 Million ILV.
Rent Factor; Annual Base Rent	Annual Base Rent equal to 6.5% of ILV less Contract Deposit (or, in case of Severed Parcel on which construction of Building has been commenced prior to full funding of Contract Deposit, less such portion of Contract Deposit as has been or is thereafter funded), escalated as below.
Base Rent Escalations	<ul style="list-style-type: none"> • Fixed Escalation: 10% every 5 years following Transaction Closing • FMV Reset: at years 30, 55 and 80 of each Severed Lease Parcel, with initial Reset on all Severed Lease Parcels no later than 40th anniversary of Transaction Closing • FMV Resets valued as if encumbered by Lease and unimproved by Roof, capped at 120% of previous year's Base Rent, with valuation disputes to be resolved by a "baseball" arbitration process.
Base Rent Abatement	<ul style="list-style-type: none"> • Annual Base Rent 100% abated for maximum 2 years from Transaction Closing; 50% abated for maximum of additional 3 years from second anniversary of Transaction Closing • Base Rent with respect to Severed Parcels during Building construction is greater of (i) allocated Severed Parcel Base Rent at then-current abatement level, or (ii) 50%. Allocated Base Rent at completion (TCO) of each Building is 100%.
Option for Rent Delay [THIS IS THE ONLY PROVISION]	<ul style="list-style-type: none"> • Developer has the option to delay base rent payments for up to an additional two years with respect to parcels upon which no building construction had begun within the original base abatement period described above. Developer's right to

<p>THAT IS DIFFERENT FROM THE TSW TRANSACTION SUMMARY]</p>	<p>exercise such option to extend the abatement period by up to two years on such undeveloped parcels is conditioned upon (i) the Developer agreeing to pay increased future rent in an amount that would result in MTA recouping one-half of the NPV of the delayed rent and (ii). the Developer increasing its default payment guaranty by the full amount of the delayed rent such that MTA would recoup the full amount of the delayed rent in the event that Developer defaults under the lease prior to construction start.</p>
<p>Fee Purchase Option Exercise, Price</p>	<ul style="list-style-type: none"> • Fee purchase option for each Building exercisable at time of receipt of TCO or any time thereafter. • Fee purchase price equals present value of all remaining Base Rent under Severed Parcel lease, including escalations and FMV Resets (with FMV Resets assumed at 120% of previous year's rent), plus value of MTA reversionary interest at lease expiration, discounted to date of fee closing at 6.5%.
<p>Guaranties</p>	<ul style="list-style-type: none"> • Base Rent Guaranty of full amount of Base Rent, in effect from commencement of initial phase of Roof construction until completion of full WRY Roof, capped at \$250 Million • Roof Completion Guaranty in effect from commencement of each respective phase of Roof construction, guaranteeing lien-free final completion of such phase of Roof construction capped at (x) 115% of hard costs plus (y) associated soft costs such as architectural and engineering, to the extent not theretofore paid, less amounts to be funded pursuant to the Roof construction loan (other than loan amounts which are not funded by reason of Borrower default.) • Building Completion Guaranty in effect during period of Building construction, guaranteeing lien-free substantial completion of Building on each Severed Parcel capped at (x) 115% of hard costs plus (y) associated soft costs such as architectural and engineering, to the extent not theretofore paid, less amounts to be funded pursuant to the Building construction loan (other than loan amounts which are not funded by reason of Borrower default.) • Default Payment Guaranty covers required Default Payments (i.e., any unpaid installments of Deposit and Base Rent due under Lease from Transaction Closing until Developer surrenders possession of site (other than Severed Parcels with respect to which a Buildings Completion Guaranty has been delivered) to MTA, plus additional default payment per schedule). Default Payment Guaranty expires when Default Payments have been paid in full or are otherwise reduced to

	<p>zero.</p> <ul style="list-style-type: none"> • Guarantor to be creditworthy entity satisfactory to MTA with net worth at all times sufficient to provide commercially reasonable coverage levels of Guaranty obligations.
PILOT and PILOST	<ul style="list-style-type: none"> • Full PILOT payable, subject to UTEP, 421-a, and other statutory abatements available to Developer without regard to MTA exemption. • Full PILOST to MTA on core and shell and initial tenant improvements in all buildings (commercial and residential).
Tax-Exempt Roof Financing Savings	50% of net savings to MTA.
No. 7 Line	<ul style="list-style-type: none"> • If at any point, No. 7 Line target completion date is extended: <ul style="list-style-type: none"> • (x) for first 12 months of delay, 50% “Base Rent holiday” (i.e., 50% of whatever Base Rent would otherwise be payable during that period) • (y) for any delay beyond 12 months, 100% Base Rent abatement until date that is 2 years prior to then-scheduled completion date, at which time 50% Base Rent abatement commences, (i.e., schedule is pushed out, such that in all events, Base Rent will not be payable until 2 years prior to the anticipated delivery of the No. 7 Line.) • All of the above is subject to true-up if lost time is made up and No. 7 is completed by January 2014. • Developer will have the right to terminate transaction with Deposit and all Base Rent refunded to Developer if No. 7 Line is terminated or if target completion date does not provide for completion by January 2020.
Litigation	<p>So long as no injunction, Developer to close on original Contract terms at earlier of (i) favorable final non-appealable order in litigation, or (ii) 18 months. If Developer demonstrates to MTA’s reasonable satisfaction that due to pending litigation it is not feasible to obtain financing on commercially reasonable terms for Project commencement, closing extended for additional period until favorable final non-appealable order in litigation, not to exceed additional 18 months. If Developer does not close after additional extension, MTA may elect to terminate Contract and retain 25% of Deposit, and refund to Developer the remainder of the Contract Deposit plus all unspent/uncommitted funds in the WRY Expenses Fund, the WRY portion of the Shea Facility Fund and the WRY</p>

	portion of the Site Preparation Fund.
Zoning Risk	If final zoning does not allow for 10 FAR with mix of commercial and residential square footages per WRY Design Guidelines, Developer may terminate Contract with MTA to retain 25% of Contract Deposit and refund to Developer the remainder of the Contract Deposit plus all unspent/uncommitted funds in the WRY Expenses Fund, the WRY portion of the Shea Facility Fund and the WRY portion of the Site Preparation Fund.
Environmental	<ul style="list-style-type: none"> • Liability for pre-existing conditions discovered during Study Period and Contract Period capped at \$2.5MM if no Transaction Closing (such amount (or LOC) put into environmental fund prior to entry onto site). • Upon Transaction Closing, Developer assumes full liability (other than Spill No. 04-07411 as identified in RFP, for which Developer assumes no liability).
SEQRA/Board Approval Risk	If MTA Board makes the SEQRA findings that would allow the Project but does not approve the Transaction, Developer gets refund of Deposit plus all amounts previously advanced to MTA (full amounts of deposits made for Environmental Fund, Expenses Fund, Shea Fund, Site Preparation Fund), PLUS liquidated damages in amount equal to 10% of ILV plus 18 months of WRY Rent, PLUS at Developer's option, unwinding of ERY transaction (with Deposit plus all ERY Rent theretofore paid by Developer refunded to Developer).
Terra Firma Construction Prior to Roof Commencement	If zoning would allow WRY to be developed in a manner which would allow substantial development to take place without commencement of a reasonable allocation of the Roof, then the parties will agree on an equitable mechanism to the adjust the purchase price with respect to early land development where no portion of the Roof is required, subject to subsequent true-up.
Springing Payment on ERY Default	If Developer defaults on ERY lease, a springing payment of \$100M, payable in no more than two installments over the 24 month period next following the ERY default, will be due under WRY lease. If Developer fails to make such payment Developer will be in default under the WRY lease, in which case WRY Default Payment provisions apply (but not the \$100M payment).
Construction Issues	See attached.
WRY Outside Closing Date	WRY Contract will contain performance milestones to undertake ULURP and close Transaction by specified outside date, subject

	only to litigation extension, delays caused by MTA and/or other governmental delays not due to Developer fault.
CDL Expense Deposits	<ul style="list-style-type: none"> • Expense Fund initial deposit at \$5M for ERY and WRY, replenished to \$2M • Environmental Deposit (or LOC) at \$2.5M WRY • WRY portion of Shea Facility Fund (and WRY portion of Site Preparation Fund, if applicable), per MTA CDL Draft (may be funded upon Contract execution, rather than CDL, at Developer election) • Participation Fee of \$3M upon CDL execution.
Site Plan and Uses	Consistent with Developer Site Plan and Master Plan Proposal
High Line	Developer to reconstruct and maintain (or cause to be maintained) High Line per Developer proposal, at Developer's sole cost and risk.

ATTACHMENT B - MAJOR TRANSACTION POINTS

Deal Structure	99-year ground lease, severable, with options to purchase severed fee parcels.
Contract Deposit	Total 10% of Initial Land Value (ILV), payable as follows: <ul style="list-style-type: none"> • 5% of ILV deposited in escrow on Contract execution; payable to MTA at Transaction Closing (delivery of possession). • 2.5% of ILV payable at first anniversary of Transaction Closing • 2.5% of ILV payable at second anniversary of Transaction Closing
Initial Land Value	\$376 Million ILV.
Rent Factor; Annual Base Rent	Annual Base Rent equal to 6.5% of ILV less Contract Deposit (or, in case of Severed Parcel on which construction of Building has been commenced prior to full funding of Contract Deposit, less such portion of Contract Deposit as has been or is thereafter funded), escalated as below.
Base Rent Escalations	<ul style="list-style-type: none"> • Fixed Escalation: 10% every 5 years following Transaction Closing • FMV Reset: at years 30, 55 and 80 of each Severed Lease Parcel, with initial Reset on all Severed Lease Parcels no later than 40th anniversary of Transaction Closing • FMV Resets valued as if encumbered by Lease and unimproved by Roof, capped at 120% of previous year's Base Rent, with valuation disputes to be resolved by a "baseball" arbitration process.
Base Rent Abatement	<ul style="list-style-type: none"> • Annual Base Rent 100% abated for maximum 3 years from Transaction Closing; 50% abated for maximum 3 years from third anniversary of Transaction Closing • Base Rent with respect to Severed Parcels during Building construction is greater of (i) allocated Severed Parcel Base Rent at then-current abatement level, or (ii) 50%. Allocated Base Rent at completion (TCO) of each Building is 100%.
Option for Rent Delay [THIS IS THE ONLY PROVISION]	<ul style="list-style-type: none"> • Developer has the option to delay base rent payments for up to an additional two years with respect to parcels upon which no building construction had begun within the original base abatement period described above. Developer's right to

<p>THAT IS DIFFERENT FROM THE TSW TRANSACTION SUMMARY]</p>	<p>exercise such option to extend the abatement period by up to two years on such undeveloped parcels is conditioned upon (i) the Developer agreeing to pay increased future rent in an amount that would result in MTA recouping one-half of the NPV of the delayed rent and (ii) the Developer increasing its default payment guaranty by the full amount of the delayed rent such that MTA would recoup the full amount of the delayed rent in the event that Developer defaults under the lease prior to construction start.</p>
<p>Fee Purchase Option Exercise, Price</p>	<ul style="list-style-type: none"> • Fee purchase option for each Building exercisable at time of receipt of TCO or any time thereafter. • Fee purchase price equals present value of all remaining Base Rent under Severed Parcel lease, including escalations and FMV Resets (with FMV Resets assumed at 120% of previous year's rent), plus value of MTA reversionary interest at lease expiration, discounted to date of fee closing at 6.5%.
<p>Guaranties</p>	<ul style="list-style-type: none"> • Roof Completion Guaranty in effect from commencement of Roof construction, guaranteeing lien-free final completion of entire Roof construction capped at (x) 115% of hard costs plus (y) associated soft costs such as architectural and engineering, to the extent not theretofore paid, less amounts to be funded pursuant to the Roof construction loan (other than loan amounts which are not funded by reason of Borrower default.) Roof construction to be on a continuous basis till completion. • Building Completion Guaranty in effect during period of Building construction guaranteeing lien-free substantial completion of Building on each Severed Parcel, capped at (x) 115% of hard costs plus (y) associated soft costs such as architectural and engineering, to the extent not theretofore paid, less amounts to be funded pursuant to the Building construction loan (other than loan amounts which are not funded by reason of Borrower default.) • Default Payment Guaranty covers required Default Payments (i.e., any unpaid installments of Deposit and Base Rent due under Lease from Transaction Closing until Developer surrenders possession of site to MTA (other than Severed Parcels with respect to which a Buildings Completion Guaranty has been delivered), plus additional default payment per schedule). Default Payment Guaranty expires when Default Payments have been paid in full or are otherwise reduced to zero, and upon commencement of construction of Roof, with Roof Completion Guaranty delivered. • Guarantor to be creditworthy entity satisfactory to MTA with net worth at all times sufficient to provide commercially

	reasonable coverage levels of Guaranty obligations.
PILOT and PILOST	<ul style="list-style-type: none"> • Full PILOT payable, subject to UTEP, 421-a, and other statutory abatements available to Developer without regard to MTA exemption. • Full PILOST to MTA on core and shell and initial tenant improvements in all buildings (commercial and residential).
Tax-Exempt Roof Financing Savings	50% of net savings to MTA.
No. 7 Line	<ul style="list-style-type: none"> • If at any point, No. 7 Line target completion date is extended: <ul style="list-style-type: none"> • (x) for first 12 months of delay, 50% “Base Rent holiday” (i.e., 50% of whatever Base Rent would otherwise be payable during that period) • (y) for any delay beyond 12 months, 100% Base Rent abatement until date that is 2 years prior to then-scheduled completion date, at which time 50% Base Rent abatement commences, (i.e., schedule is pushed out, such that in all events, Base Rent will not be payable until 2 years prior to the anticipated delivery of the No. 7 Line.) • All of the above is subject to true-up if lost time is made up and No. 7 is completed by January 2014. • Developer will have the right to terminate transaction with Deposit and all Base Rent refunded to Developer if No. 7 Line is terminated or if target completion date does not provide for completion by January 2020.
Litigation	So long as no injunction, Developer to close on original Contract terms at earlier of (i) favorable final non-appealable order in litigation, or (ii) 18 months. If Developer demonstrates to MTA reasonable satisfaction that due to pending litigation it is not feasible to obtain financing on commercially reasonable terms for Project commencement, closing extended for additional period until favorable final non-appealable order in litigation, not to exceed additional 18 months. If Developer does not close after additional extension, MTA may elect to terminate Contract and retain 25% of Deposit, and refund to Developer the remainder of the Contract Deposit plus all unspent/uncommitted funds in the ERY Expenses Fund, the ERY portion of the Shea Facility Fund and the ERY portion of the Site Preparation Fund.
Environmental	<ul style="list-style-type: none"> • Liability for pre-existing conditions discovered during Study Period and Contract Period capped at \$2.5MM if no Transaction

	<p>Closing (such amount (or LOC) put into environmental fund prior to entry onto site).</p> <ul style="list-style-type: none"> • Upon Transaction Closing, Developer assumes full liability. • MTA to demolish Metals Purchasing Building and cap soil at MTA's cost and expense. Developer responsible for abatement of soil conditions below Metals Purchasing Building.
Terra Firma Construction Prior to Roof Commencement	If Developer elects to construct a Building on terra firma (i.e., without construction of Roof), both Base Rent and Fee Purchase price will be calculated based upon Gross Land Value and not ILV, with true-up when Roof is subsequently commenced.
Springing Payment on ERY Default	If Developer defaults on ERY lease, a springing payment of \$100M, payable in no more than two installments over the 24 month period next following the ERY default, will be due under WRY lease. If Developer fails to make such payment Developer will be in default under the WRY lease, in which case WRY Default Payment provisions apply (but not the \$100M payment).
Construction Issues	See attached.
CDL Expense Deposits	<ul style="list-style-type: none"> • Expense Fund initial deposit at \$5M for ERY and WRY, replenished to \$2M • Environmental Deposit (or LOC) at \$2.5M ERY • ERY portion of Shea Facility Fund (and ERY portion of Site Preparation Fund, if applicable), per MTA CDL Draft (may be funded upon Contract execution, rather than CDL, at Developer election) • Participation Fee of \$3M upon CDL execution
Site Plan and Uses	Consistent with Developer Site Plan and Master Plan Proposal
High Line	Developer to reconstruct and maintain (or cause to be maintained) High Line (except Spur), per Developer proposal, at Developer's sole cost and risk.

DEFAULT PAYMENT SCHEDULE

Year	ERY Payment Type Due	ERY Payment Amount Due	Guaranteed Additional ERY Default Amount Due	WRY Payment Type Due	WRY Payment Amount Due	Guaranteed Additional WRY Default Amount Due
2009 (ERY Closing)	5% Deposit 0% Rent*	\$18.8M	Remainder of Deposit	-0-	-0-	
2010 (WRY Closing)	2.5% Deposit 0% Rent*	\$9.4M	Remainder of Deposit	5% Deposit 0% Rent*	\$24.7M	Remainder of Deposit
2011	2.5% Deposit 0% Rent*	\$9.4M	18 months rent	2.5% Deposit 0% Rent*	\$12.35M	Remainder of Deposit
2012	50% Rent*	\$10.998M	12 months rent	2.5% Deposit 50% Rent*	\$12.35M \$14.45M	18 months rent
2013	50% Rent*	\$10.998M	6 months rent	50% Rent*	\$14.45M	12 months rent
2014	50% Rent*	\$10.998M	0	50% Rent*	\$14.45M	6 months rent
2015	100% Rent	\$21.996M	0	100% Rent	\$28.9M	0
<p>* N.B.: Scheduled rent abatements cease upon commencement of construction of buildings. Rent w/r/t individual buildings during construction is greater of (i) allocated rent at then-current abatement level, or (ii) 50%. Allocated rent at completion of buildings is 100%.</p>						