Staff Summary

Metropolitan Transportation Authority

Subject **347 MADISON AVE DEVELOPMENT**	Date **APRIL 20, 2016**
Department **REAL ESTATE**	Vendor Name
Department Head Name **JEFFREY B. ROSEN**	Contract Number
Department Head Signature	Contract Manager Name
Project Manager Name **JEFFREY B. ROSEN**	Table of Contents Ref. #

Board Action					
Order	To	Date	Approval	Info	Other
1	Board	4/20/16	X		

Internal Approvals			
Order	Approval	Order	Approval
		1	Legal
3	Chief of Staff		
2	Chief Financial Officer		

AGENCY: Metropolitan Transportation Authority ("**MTA**").

DEVELOPER: BP 347 Madison Associates, LLC ("**Developer**"), a special purpose entity owned by Boston Properties Limited Partnership ("**Boston Properties**").

LOCATION: 341-347 Madison Avenue and 45 East 44th Street, New York, NY.

ACTIVITY: Conditional designation of Developer to re-develop the Property pursuant to a 99-year triple net lease (the "**Lease**"), the agreed-upon form of which will be appended as an exhibit to the agreement to enter into lease by which such designation will be effected (the "**Pre-Lease Agreement**").

PREMISES TO BE LEASED: Approximately 25,051 square feet of land comprising Manhattan Block 1279, Lots 23, 24, 25 and 48 (the "**Land**"), and all existing and future improvements thereon except for the East Side Access vent plant that MTACC is constructing on Lot 48 (the "**Vent Plant**"). Such Land and improvements (exclusive of the Vent Plant) are referred to herein as the "**Property**".

COMPENSATION:

(a) Upfront Payment: $25 million, payable at Lease execution.

(b) Ongoing Base Rent: To be calculated based on the zoning square footage of the New Building, as set forth in the attached **Schedule A**.

(c) Percentage Rent: For each lease year, commencing when subtenants under subleases covering at least 90% of the rentable area of the New Building have commenced making payments of regularly scheduled rent, 5.0% of (i) Developer's gross revenue for such year, net of the Base Rent and payments in lieu of real property taxes for such year, over (ii) a $60/rsf threshold. Percentage Rent to be reset to $0 for each Base Rent Adjustment Year (i.e., every 30th year during the term).

(d) PILOT: Payments in lieu of real property taxes, equal to the full, unabated real property taxes that would be payable with respect to the Leased Premises if Developer owned the fee interest in the Leased Premises; and payments in lieu of sales taxes, equal to the sales tax Developer would incur with respect to its construction costs if it were the owner of such fee interest.

(e) On-Site Transit Improvements: To be constructed and maintained by Developer at its own cost and expense as described below.

PRE-CONDITIONS TO LEASE EXECUTION AND TERM COMMENCEMENT:

The conditions to the execution and delivery of the Lease pursuant to the Pre-Lease Agreement will include the following:

(a) issuance by the NYC City Planning Commission ("**CPC**") of a special permit to authorize the construction by the Developer of an office building, with ancillary retail, having a floor area ratio **("FAR")** of at least 24.0 (the "**Special Permit**"), as envisioned by the Vanderbilt Corridor zoning text amendments that were adopted by the NYC City Council on May 27, 2015 (the "**Vanderbilt Corridor Zoning**") and as more particularly described below;

(b) agreement between the MTA and the City of New York (the **"City")** as to the infrastructure improvements in and around Grand Central Terminal ('**GCT**") that will be required in connection with the Special Permit, as envisioned by the Vanderbilt Corridor Zoning (the "**GCT Public Realm Improvements")**;

(c) compliance by the MTA and all other involved governmental agencies with the State Environmental Quality Review Act ("**SEQRA**"), as it relates to the Lease and the Special Permit; and

(d) approval of the overall transaction by the MTA Board, following such SEQRA compliance, including such agreement with respect to GCT Public Realm Improvements.

The parties will target mid-2017 for the satisfaction of such conditions. The Pre-Lease Agreement will be subject to termination if they haven't been satisfied within 36 months after execution of the Pre-Lease Agreement. In addition, conditions to the commencement of the Lease term under the Lease pursuant to the Pre-Lease Agreement will include delivery by the MTA of vacant possession of the Property and completion by MTA of certain work adjacent to the Property to permit Developer to commence demolition work at the Property.

GCT PUBLIC REALM IMPROVEMENTS:

The Lease will require Developer, at its own cost, to preserve and to enhance (by means of an ADA-compliant elevator) a connection to the existing passageway

between 347 Madison Avenue and Grand Central Terminal (known as the Roosevelt Passageway) and to provide a new street-level entrance and multi-level below-grade connection to the new East Side Access concourse that the MTA is currently building beneath the properties that adjoin the eastern side of the Property (the **"Required New Building Elements**").

As contemplated by the Vanderbilt Corridor Zoning, and in reliance upon the revenues it will receive pursuant to the Lease, the MTA, as fee owner, will fund and perform such remaining (off-site) GCT Public Realm Improvements as the Special Permit shall require in accordance with the aforementioned agreement between the MTA and the City.

SECURITY FOR DEVELOPER PERFORMANCE:

(a) Good faith deposit: $15 million letter of credit to be delivered to MTA, upon execution of the Pre-Lease Agreement, refundable if the Pre-Lease Agreement terminates other than by reason of Developer non-performance, but otherwise to be applied at Lease execution to the aforementioned $25 million upfront payment. The Pre-Lease Agreement will set forth deadlines by which the Developer will be required to complete various steps relating to the ULURP process (subject to delays attributable to the MTA or the City), with limited periods within which such deadlines may be extended if the Developer increases the amount of such good faith deposit.

(b) MTA expense deposit: Upon execution of the Pre-Lease Agreement, Developer is required to reimburse MTA for its expenses incurred prior to entering into the Pre-Lease Agreement in connection with the targeted negotiations with Developer incurred since November 2, 2015, as well as to deposit an additional sum to be agreed upon to cover expenses which MTA will incur during the period (the "**Pre-Lease Period**") prior to execution of the Lease. Such expense deposit may be drawn upon during the Pre-Lease Period in the event of Developer's failure of performance or, otherwise, following adoption of SEQRA findings by the MTA Board and subsequent MTA Board approval of the Lease. Any unapplied balance in such expense deposit, will be returned to Developer.

(c) Ownership of work product: If the Pre-Lease Agreement terminates by reason of Developer's failure to perform, MTA will own and have the right to use all work product prepared for Developer relating to the Property (other than customary exceptions for confidential and proprietary information).

(d) Boston Properties guaranties: Upon Lease execution, Boston Properties will provide a guaranty of payment of Base Rent and PILOT under the Lease for the period commencing on term commencement and ending on the earlier of (i) the second anniversary of substantial completion of the New Building and (ii) the first date that the New Building is 70% subleased with tenants in actual occupancy. In addition, upon commencement of demolition of the Existing Office Buildings (as defined below), Boston Properties will provide a guaranty of lien-free completion of the New Building (excluding subtenant improvements) and payment of all contractors, subcontractors and materialmen performing the work.

BACKGROUND:

In addition to the Vent Plant, the Land currently contains three pre-war office buildings, respectively known as 341, 345 and 347 Madison Avenue (the "**Existing Office Buildings**"), which formerly housed the headquarters of the MTA and its affiliate Metro-North Commuter Railroad. Having successfully consolidated such headquarters functions at 2 Broadway and 420 Lexington Avenue -- in accordance with the "Office Space Right-Sizing Business Plan" that has previously been reviewed with and endorsed by the Board -- the MTA is now in a position to dispose of the Property, and thereby avoid significant costs and generate substantial revenues in support of its capital programs as envisioned by such business plan.

The MTA and the City have not come to agreement on how the PILOT relating to the development would be allocated as between MTA and the City. The MTA will continue to negotiate with the City in an attempt to reach a fair and equitable resolution of the PILOT allocation issue that provides MTA with the anticipated level of Capital Program funding from the development. The MTA Chairman and Chief Executive Officer ("Chair/CEO") will report back to the Board at the June, 2016 meeting of the Board as to the status of such negotiations. If a resolution has not been reached, the Chair/CEO reserves the right to request that the MTA Board consider alternative paths forward for the development that would meet MTA's objectives, including the provision of an adequate level of funding.

The Existing Office Buildings (which, were built separately, and therefore contain redundant lobbies, cores and central plants) are functionally obsolete and do not take advantage of the full zoning envelope that the City of New York (the "**City**") deems to be appropriate for commercial properties located in the "Vanderbilt Corridor" adjoining Grand Central Terminal. Accordingly, achieving the highest and best use of the Property will entail replacement of the Existing Office Buildings with an entirely new building.

The Property is located in zoning district C5-3, within the new "Vanderbilt Corridor" zoning sub-district -- comprised of the five blocks bounded by 42nd Street on the south, 47th Street to the north, and Madison and Vanderbilt Avenues to the east and west -- that was established pursuant to the Vanderbilt Corridor Zoning. Accordingly, the Developer will be eligible to apply for the Special Permit, which could authorize the Developer to build a building on the Land with an FAR of as much as 30.0 (which is to say zoning floor area of up to 30 times the applicable zoning lot area, twice the FAR of 15.0 that is permitted "as-of-right"), in consideration of the provision by the Developer and/or the MTA, as owner of such zoning lot, of GCT Public Realm Improvements.

The amount of the FAR bonus that will be available in connection with the redevelopment of the Property will be determined through the City's Uniform Land Use Review Process ("**ULURP**"), based on the GCT Public Realm Improvements that such redevelopment will engender, as well as the building's ground floor level, massing and energy performance. Thus, application for the Special Permit will be subject to review by the applicable Community Board , the Manhattan Borough President, the City Planning Commission and the NYC City Council, as well as compliance with SEQRA by the City and the MTA.

SELECTION PROCESS:

Request for Proposals. On June 19, 2013, the MTA, assisted by its advisors at Cushman & Wakefield, Inc. ("**C&W**"), issued an initial request for proposals from prospective lessee/developers (as amended, the "**RFP**"). Such RFP stipulated that the selected developer would be required, at its own cost, to demolish the Existing Office Buildings, and to erect in their stead a new building (the "**New Building**") that would (a) utilize the full zoning floor area authorized pursuant to the then current zoning, (b) cantilever over, and thereby accommodate, the Vent Building and (c) incorporate the Required New Building Elements. The RFP was subsequently amended by a First Addendum dated September 23, 2013 to address the implications of the East Midtown Rezoning proposal promulgated by the Bloomberg's(which proposed developers contribute to a fund that could be used by MTA to make improvements); by a Second Addendum dated September 17, 2014 and a Third Addendum dated April 24, 2015, both of which addressed the implications of the Vanderbilt Corridor Zoning proposal promulgated by the de Blasio administration; and by a Fourth Addendum dated October 19, 2015, which set forth revised requirements with respect to the Required New Building Elements.

The Third Addendum also attached proposed drafts of a Pre-Lease Agreement Term Sheet and Net Lease Term Sheet (the "**Term Sheets**"), which set forth anticipated transaction terms and conditions, and called for proposers to identify any such terms and conditions to which they took exception.

Short List. The MTA received proposals from nine entities. However, two of such entities, Macklowe Properties and Equity Residential, withdrew from competition; and Blue Rock Properties ' two-page proposal, which continued to lack material information required by the RFP despite multiple requests by C&W for such information, was deemed to have been non-responsive and abandoned. Thus, as of August 2015, proposals from the following six entities remained under consideration:

1. Hines Limited Partnership/SL Green Realty Corp. ("**Hines/SLG**") – office and/or hotel, with retail.
2. SJP Properties/Sumitomo Mitsui Financial ("**SJP/Mitsui**") – office, with retail.
3. Boston Properties – office, with retail.
4. Argent Ventures ("**Argent**") – hotel and residential (fee above a plane condominium).
5. Extell Development Company ("**Extell**") – alternatively, office with retail or hotel and residential (cond-op), with retail.
6. Property Markets Group ("**PMG**") – office, hotel and residential (cond-op), with retail.

On August 11, 2015, C&W informed each of such proposers that the MTA would be narrowing the number of proposals under consideration to a "short list" within the following few weeks, and requesting that any revisions or supplemental information be submitted by Friday, August 21, 2015. Only PMG availed itself of such opportunity to supplement its submission.

MTA Real Estate thereupon tasked C&W with the preparation of summaries of the six proposals remaining under consideration as of September, 2015, together with detailed financial analyses comparing their respective financial terms. C&W calculated the present values of guaranteed rent using a discount rate of 5.10% and ran sensitivities varying such discount rate up and down by 15%. Insofar as percentage rents and payments in lieu of real property taxes and were concerned, C&W created, and uniformly applied for the benefit of all proposers, ARGUS models to estimate future performance of spaces devoted to various uses (office, hotel, residential, etc.) and take into account standard City practices with respect to real property assessment and taxation.

Based on such analyses, the estimated present values to the MTA of the compensation proposed by the various proposers (assuming, alternatively, buildings of 24 FAR and 30 FAR) were as follows:

24 FAR	Hines/SLG	SJP/Mitsui	BP	PMG	Argent	Extell
Base Rent	$238.7	$187.8	$190.3	$193	$125.6	$263.8
PILOT	$769.3	$789.6	$676.6	$468.8	$323.3	$237.6
Resi. Sales Fee	$0.0	$0.0	$0.0	$11.2	$0.0	$0.0
Total	$1,008.0	$977.4	$866.9	$673.0	$448.9	$501.4

30 FAR	SJP/Mitsui	Hines/SLG	BP	PMG	Argent	Extell
Base Rent	$255.6	$250.0	$235.7	$226.6	$125.6	$329.7
PILOT	$982.5	$941.3	$869.2	$650.3	$497.5	$297
Resi. Sales Fee	$0.0	$0.0	$0.0	$11.2	$0.0	$0.0
Total	$1,238.1	$1,191.3	$1,104.9	$888.1	$623.1	$626.7

The evaluation criteria for the RFP were:

1. The present value of guaranteed income to be received by the MTA over the Lease term, including any proposed upfront payments.

2. The potential present value of proposed percentage rents and PILOT.

3. Proposers' ability and willingness to provide assurances that they could and would timely undertake and complete construction of the development, and otherwise perform in accordance with the requirements of the Lease.

The MTA's selection committee for this RFP (the "**MTA Selection Committee**") was comprised of three individuals representing MTA Real Estate and MTA Strategic Initiatives.

Based on such analysis, on September 22, 2015 the MTA Selection Committee unanimously agreed to narrow the field to a short list of Hines/SLG, SJP/Mitsui and Boston Properties. The MTA Selection Committee determined that the others' proposals were outside of the competitive range for the following reasons, among others: (a) although Extell had proposed a relatively high base rent, it proposed to make only fixed, artificially low PILOT payments, so that the total payments it proposed fell outside the competitive range; (b) Argent proposed to pay far less base rent than any of the other five proposers, and proposed to market residential condominium units such that the MTA would be deprived of ongoing PILOT revenue; and (c) although PMG offered base rent comparable to that offered by the three short-listed proposers, C&W advised (based on research conducted by C&W) that an all-office building would yield substantially more PILOT to the MTA than would a mixed-use building of the kind proposed by PMG.

All three of the short-listed proposers were determined to be highly-qualified and experienced developers with the expertise and resources necessary to successfully redevelop the Property.

Best and Final Offers. Beginning in October, 2015, members of the MTA Selection Committee, C&W, in-house MTA legal counsel and MTA's outside counsel, Paul Weiss (transactional), and Carter Ledyard (environmental and land use), held a series of meetings to discuss, evaluate and consider proposed responses to the three remaining proposers' comments to the Term Sheets. The Term Sheets were revised uniformly for all three of such proposers in an effort to address comments that the team deemed to be acceptable; and such revised Term Sheets were then sent to such proposers on October 23, 2015, together with a request for best and final financial offers and fully completed Term Sheets, including all requested exhibits, addenda and schedules marked to indicate any remaining comments. The proposers were advised at such time that targeted negotiations would commence with the proposer that submitted the most compelling best and final offer.

All three proposers responded with increased rent offers, the estimated present values of which (again, assuming, alternatively, buildings of 24 FAR and 30 FAR) were follows:

24 FAR	BP	Hines/SLG	SJP/Mitsui
Base Rent	$255.9	$233.9	$206.9
PILOT	$770.4	$763.6	$770.2
Contingent Rent	$15.9	$1.5	$4.5
Total	$1,042.2 MM	$999.0 MM	$981.6 MM

30 FAR	BP	SJP/Mitsui	Hines/SLG
Base Rent	$316	$277.2	$246.7
PILOT	$960.9	$963.6	$956.8
Contingent Rent	$19.9	$5.6	$3.4
Total	$1,296.8 MM	$1,246.4 MM	$1,206.9 MM

All three proposers also responded with further or renewed comments to the revised Term Sheets.

Having determined that Boston Properties' proposal provided the highest economic value to the MTA, and was the most competitive with respect to other proposed terms and conditions reflected in the Term Sheets, the team commenced targeted negotiations with Boston Properties, in the course of which resolutions satisfactory to the MTA Selection Committee were reached with respect to all Term Sheet issues.

The compensation proposed by Boston Properties is consistent with an independent appraisal that MTA Real Estate has obtained from Landauer and Associates.

RECOMMENDATION:

Based on the foregoing, MTA Real Estate requests authorization, pursuant to the attached resolution, to enter into a Pre-Lease Agreement with Developer on the above-described material terms and conditions and such other terms or conditions as the Chair/CEO or his designee deems necessary or appropriate, and to execute and deliver any and all other necessary or appropriate agreements, documents, writings and other instruments, including modifications and supplements, and to take all such actions as shall be necessary or desirable in order to pursue satisfaction of the above-described pre-conditions to Lease execution, it being understood that the Lease itself and the proposed GCT Public Realm Improvements related to the redevelopment of the Property will be presented to the Board as described above for approval following review and compliance by the MTA and all other involved governmental agencies with SEQRA as it relates to the Lease and the Special Permit.

In addition, it is recommended that the MTA Board authorize the Chair/CEO or his designee to negotiate with the City in an attempt to reach a fair and equitable resolution of the PILOT allocation issue that provides MTA with the anticipated level of Capital Program funding from the development and, to finalize an agreement with the City with respect to the PILOT that in his or his designee's judgment is in the best interests of MTA, and in connection all of the foregoing to agree to such other terms or conditions as he or his designee deems necessary or appropriate, and to execute and deliver any and all other necessary or appropriate agreements, documents, writings and other instruments, including modifications and supplements, and to take all such actions as shall be necessary or desirable to carry out the foregoing. The Chair/CEO will report back to the Board at the June, 2016 meeting of the Board as to the status of such negotiations. If a resolution has not been reached, the Chair/CEO reserves the right to request that the MTA Board consider alternative paths forward for the development that would meet MTA's objectives, including the provision of an adequate level of funding.

Schedule A
Base Rent for As-of-Right FAR (15.0X)

Upfront Payment	$15 million (the Good Faith Deposit Under the Pre-Lease Agreement), applied on the Term Commencement Date	
Additional Consideration	$10 million, paid on the Term Commencement Date	
Rent Commencement Date	2 Years following the Term Commencement Date	
Years 1 – 5	$6,378,350.00 per annum	$531,529.17 per month
Years 6 – 10	$7,016,185.00 per annum	$584,682.08 per month
Years 11 – 15	$7,717,803.50 per annum	$643,150.29 per month
Years 16 – 20	$8,489,583.85 per annum	$707,465.32 per month
Years 21 – 25	$9,338,542.24 per annum	$778,211.85 per month
Years 26 – 30	$10,272,396.46 per annum	$856,033.04 per month
Year 31 (30^{th} Anniversary of the Rent Commencement Date)	Upon the 30th, 60th and 90th anniversaries of the Rent Commencement Date (each, a "Base Rent Adjustment"), the Base Rent will be reset to be the greater of (i) the scheduled Base Rent for such date, taking into account the scheduled annual increases set forth in Schedule A and (ii) 15% of the average annual actual gross revenues for the New Building for the preceding five years (including operating expense pass-throughs) plus PILOT escalations solely in the year of the Base Rent Adjustment, less PILOT solely in the year of the Base Rent Adjustment. Notwithstanding the foregoing, in no event will a Base Rent Adjustment be less than the prior year's Base Rent plus the average Percentage Rent for the preceding five years.	

Monthly Base Rent payments will increase by ten percent (10.0%) every five years from the Rent Commencement Date

Schedule A

Formulas for Determining the Basic Rent Increases attributable to Utilization of Additional Development Rights

FAR	Cost Per Annum
As-of-Right FAR: 15.0X	As described in Base Rent table above
Bonus FAR Onsite Improvements FAR: 3.0X Building Size = 18.0X	To be compensated by means of construction of the Required New Building Elements at Lessee's expense. The cost associated with this work is included in Lessee's development budget and is anticipated to be approximately $450/FAR FT.
Minimum Special Permit FAR: 6.0X Building Size = up to 24.0X	Commencing on the Rent Commencement Date (i.e., two years after the Term Commencement Date), Lessee will pay $450/FAR FT for such Minimum Special Permit FAR, which converts to an initial Base Rent of $__________ [converted to Base Rent at a lease factor of 4.0%]. The rent associated with the Minimum Special Permit FAR will increase by 10.0% every 5 years in accordance with the Basic Rent Schedule for the As-of-Right FAR.
Maximum Special Permit FAR: 6.0X Building Size = up to 30.0X	For such Maximum Special Permit FAR, Lessee will pay $450 / FAR FT, which converts to an initial Base Rent of $_______ [converted to Base Rent at a lease factor of 4.0%]. The rent abatements applicable to increments of Maximum Special FAR are set forth below and the abatement periods shall apply to all of the Maximum Special Permit FAR. The rent associated with the Maximum Special Permit FAR will increase by 10.0% every 5 years in accordance with the Base Rent Schedule for the As-of-Right FAR.

Additional Rent Abatements applicable to Maximum Special FAR:

Incremental FAR	1.0X	2.0X	3.0X	4.0X	5.0X	6.0X
Incremental FAR SF	25,105	50,210	75,315	100.420	125,525	150,630
Cumulative FAR	25.0X	26.0X	27.0X	28.0X	29.0X	30.0X
Additional Free Rent (mos.)	10 months	16 months	23 months	30 months	37 months	48 months

METROPOLITAN TRANSPORTATION AUTHORITY
BOARD RESOLUTION

WHEREAS, MTA (capitalized terms are defined in the staff summary accompanying this Resolution (the "Staff Summary") owns the Property (i.e., the Land and the Existing Office Buildings located at 341, 345 and 347 Madison Avenue), as well as the East Side Access Vent Plant under construction by MTACC on 44th Street between Madison and Vanderbilt Avenues; and

WHEREAS, as a result of the successful consolidation and relocation of the headquarters of MTA and its subsidiary Metro-North Commuter Railroad to 2 Broadway and 420 Lexington Avenue, MTA is now in a position to dispose of the Property, and thereby avoid significant costs and generate substantial revenues in support of its capital programs;

WHEREAS, the Existing Office Buildings are functionally obsolete and do not take advantage of the full zoning envelope that the City deems to be appropriate for commercial properties located in the new "Vanderbilt Corridor" zoning sub-district -- comprised of the five blocks bounded by 42nd Street on the south, 47th Street to the north, and Madison and Vanderbilt Avenues to the east and west -- that was established pursuant to the Vanderbilt Corridor Zoning, and accordingly, achieving the highest and best use of the Property will entail replacement of the Existing Office Buildings with an entirely New Building;

WHEREAS, on June 19, 2013, MTA, with the assistance of its advisor C&W, issued and thereafter publicly advertised an initial RFP (as subsequently modified or supplemented pursuant to four addenda), from prospective lessee/developers for a proposed 99-year triple net lease transaction, which RFP stipulated that the selected lessee/developer would be required, at its own cost, to demolish the Existing Office Buildings, and to erect in their stead a New Building that would utilize the full zoning floor area authorized pursuant to the then current zoning, cantilever over, and thereby accommodate, the Vent Building, and incorporate the Required New Building Elements at its own cost;

WHEREAS, the fair market value of a long-term triple net lease of the Property was tested and evaluated through a competitive selection process that is summarized in detail in the Staff Summary, the methods, terms and conditions of which permitted full and free competition, involving public advertisement for proposals, the receipt of proposals, the conduct of discussions and negotiations with the proposers in order to maximize value;

WHEREAS, the compensation proposed by Boston Properties as summarized in the Staff Summary is consistent with an independent appraisal that MTA Real Estate has obtained from Landauer and Associates;

WHEREAS, the MTA and the City are currently unable to come to agreement on how the PILOT relating to the development would be allocated as between MTA and the City; and

WHEREAS, the Board desires to delegate to the Chair/CEO the authority to continue to negotiate with the City in an attempt to reach a fair and equitable resolution of the PILOT allocation issue that provides MTA with the anticipated level of Capital Program funding from the development; and

WHEREAS, the Board desires to delegate to the Chair/CEO the authority to finalize an agreement with the City with respect to the PILOT that in the Chair/CEO's judgment is in the best interests of MTA; and

WHEREAS, the Chair/CEO will report on the status of those negotiations at the June, 2016 meeting of the Board; and

WHEREAS, if an agreement with the City has not been reached with respect to PILOT allocation, the Chair/CEO reserves the right to request that the MTA Board consider alternative paths forward for the development that would meet MTA's objectives, including the provision of an adequate level of funding; and

WHEREAS, the Pre-Lease Agreement, upon execution by the MTA and Boston Properties, (1) will serve to designate Boston Properties as the exclusive developer with whom MTA will enter into a Lease for the Property (the form of which will be annexed to the Pre-Lease Agreement), upon the terms and conditions set forth in the Pre-Lease Agreement, and (2) will provide that (A) the execution of the Lease is conditioned upon, among other things, the pre-lease execution conditions set forth in the Staff Summary, including (i) issuance by CPC of the Special Permit for the construction of a New Building having FAR of not less than 24.0, (ii) agreement between MTA and the City as to the scope and description of the GCT Public Realm Improvements to be performed by, and at the cost of, MTA which when added to the Required Building Elements required to be constructed by the successful developer, would be sufficient to permit a New Building of not less than 24.0 FAR, (iii) compliance by MTA and all other involved governmental agencies with SEQRA as it relates to the Lease and the Special Permit (the "Proposed Action"); and (iv) approval of the overall transaction by the MTA Board, following such SEQRA compliance, and (B) term commencement is conditioned upon, among other things, delivery by MTA of vacant possession of the Property and completion by MTA of certain work adjacent to the Property to permit developer commencement of demolition work at the Property; and

WHEREAS, the proposed disposition of the Property pursuant to the Lease is for not less than fair market value and is proposed to be made upon proper terms and conditions, and an appraisal of the value of such property rights has been made by an independent appraiser as set forth in the Staff Summary and included in the record of the transaction; and

WHEREAS, based upon the recommendation of the MTA Selection Committee, the proposal of the recommended designated developer is the most advantageous to MTA, rent and other factors set forth in the RFP having been considered; and

WHEREAS, the disposition of the Property on terms and conditions consistent with the proposal of the recommended designated developer is intended to further the public welfare and to advance the transportation interests of MTA by, inter alia, enhancing the ability of MTA to develop and improve commuter transportation and other services related to the same 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 interest of the State and City as well as the interest of MTA in transit-oriented development, by furthering the purposes embraced by the Vanderbilt Corridor Zoning in revitalizing currently obsolete office and retail space in midtown east and providing much needed Grand Central Public Realm Improvements, 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 State, City and MTA;

NOW THEREFORE, BE IT RESOLVED, that:

1. The Chairman and Chief Executive Officer of MTA or his designee is authorized to continue to negotiate with the City in an attempt to reach a fair and equitable resolution of the PILOT allocation issue that provides MTA with the anticipated level of Capital Program funding from the development and, in his or his designee's discretion, to finalize an agreement with the City with respect to the PILOT that in his or his designee's judgment is in the best interests of MTA, and in connection all of the foregoing to agree to such other terms or conditions as he or his designee deems necessary or appropriate, and to execute and deliver any and all other necessary or appropriate agreements, documents, writings and other instruments, including modifications and supplements, and to take all such actions as shall be necessary or desirable to carry out the foregoing.

2. The Chairman and Chief Executive Officer of MTA or his designee is authorized to negotiate, execute and deliver the Pre-Lease Agreement with Developer on the material terms and conditions described above and in the Staff Summary and such other terms or conditions as he or his designee deems necessary or appropriate, and to execute and deliver any and all other necessary or appropriate agreements, documents, writings and other instruments, including modifications and supplements, and to take all such actions as shall be necessary or desirable in order to pursue satisfaction of the pre-conditions to Lease execution and term commencement described above and in the Staff Summary, provided that the Pre-Lease Agreement shall provide that such other project documents relating thereto shall not be binding on the MTA unless and until (a) CPC shall have completed the environmental review of the proposed action in accordance with the requirements of SEQRA and CEQR, (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 the requirements of SEQR and its implementing regulations, 6 NYCRR, Part 617, and (c) thereafter, the MTA Board shall have approved the material terms of the Lease and other project documents.

3. The Chairman and Chief Executive Officer and his designees are hereby further 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.

This Resolution shall take effect immediately upon its adoption.

Dated: April 20, 2016