

**New York State Urban Development Corporation
d/b/a Empire State Development Corporation**

**Atlantic Yards Land Use Improvement and Civic Project
Modified General Project Plan**

June 23, 2009¹

A. Introduction

The New York State Urban Development Corporation d/b/a the Empire State Development Corporation ("ESDC") is adopting this Modified General Project Plan ("GPP") for the Atlantic Yards Land Use Improvement and Civic Project (the "Project") in accordance with the New York State Urban Development Corporation Act (the "UDC Act") to effectuate certain amendments to the Modified General Project Plan for the Project dated December 8, 2006 (the "2006 MGPP"), which 2006 MGPP itself amended the General Project Plan dated July 18, 2006. The 2006 MGPP is restated herein together with the amendments effected hereby. This GPP reflects the additional review of the Project undertaken by ESDC and the City of New York (the "City"). The Project comprises the construction of a major mixed-use development in the Atlantic Terminal area of Brooklyn. Occupying an approximately 22-acre area, the project site (the "Project Site") is roughly bounded by Flatbush and 4th Avenues to the west, Vanderbilt Avenue to the east, Atlantic Avenue to the north, and Dean and Pacific Streets to the south and includes the approximately 9-acre (including the land under the 6th and Carlton Avenue Bridges), below-grade Long Island Rail Road ("LIRR") Vanderbilt Storage Yard (the "LIRR Yard") and Metropolitan Transportation Authority ("MTA") storage yard used for inactive New York City Transit buses (the "MTA Yard"; together with the LIRR Yard, the "Yard"). The Project is being undertaken by ESDC, the City, the New York City Economic Development Corporation and affiliates of Forest City Ratner Companies ("Forest City Ratner"; together with its affiliates, "FCRC"), including, without limitation, Atlantic Yards Development Company, LLC ("FC-AYDC"), and Brooklyn Arena, LLC (together with FC-AYDC, the "Project Sponsors").

¹ Certain factual descriptions in this GPP reflect factual conditions as of the adoption of the 2006 MGPP and have not been updated unless germane to the substantive amendments to the GPP set forth herein.

Additionally, through the sale of their property, the MTA and the LIRR are participating in the Project.

As indicated on the Site Plan, the Project Site is comprised of numerous parcels of land, (i) most of which are either currently owned by FCRC or under contract to purchase by FCRC, (ii) a significant portion of which is comprised of the Yard which is owned by LIRR and MTA, (iii) a small portion of which is currently privately owned and not under contract for sale to FCRC and (iv) a small portion of which is owned by the City, including certain City Streets (as hereinafter defined). FCRC has executed a term sheet with the MTA and is presently negotiating the contracts pursuant to which FCRC (or ESDC or a subsidiary thereof, as designee) will acquire a portion of the Yard and the volume of air space (the "Air Space") above the balance of the Yard starting at an elevation which will be approximately 20 feet above the rails (the "Platform Elevation"). Based upon the foregoing, FCRC currently owns or has agreements to acquire a very substantial portion of the Project Site.

FCRC has an established track record of developing large complex projects in Brooklyn, including MetroTech, Atlantic Center, and Atlantic Terminal, as well as other complex high profile projects in Manhattan, such as the New York Times Tower and the Times Square Hilton Hotel, both of which are part of ESDC's 42nd Street Redevelopment Project. FCRC is an affiliate of Forest City Enterprises ("FCE"), which was established in 1921, and is a publicly owned real estate development company listed on the New York Stock Exchange (NYSE: FCE).

B. Project Location

The Project Site comprises the following parcels in the Borough of Brooklyn, Kings County, State of New York: the beds of 5th Avenue between Atlantic and Flatbush Avenues (inclusive of the small traffic island) and Pacific Street between Flatbush and 6th Avenues and between Carlton and Vanderbilt Avenues (collectively, the "City Streets"); Brooklyn Tax Block 927: Lots 1,16; Block 1118: Lots 1, 5, 6, 21-25, 27; Block 1119: Lots 1, 7, 64; Block 1120: Lots 1, 19, 28, 35; Block 1121: Lots 1, 42, 47; Block 1127: Lots 1, 10-13, 18-22, 27, 29, 30, 33, 35, 43, 45-48, 50, 51, 54-56, 1001-1021 (formerly Lot 35), 1101-1131 (formerly Lot 27); Block 1128: Lots 1, 2, 4, 85-89; and Block 1129: Lots 1, 3-6, 13, 21, 25, 39, 43-46, 49, 50, 54, 62, 76, and 81.

A "Project Site Plan" is attached hereto as **Exhibit A-1**. The Block and Lot Map is attached hereto as **Exhibit A-2**.

C. Project Overview and Goals

The Project calls for the development of an Arena (as hereinafter defined), 16 mixed-use buildings and a newly reconfigured LIRR train yard, generally, to be developed within two phases. The mix and location of uses have been designed to concentrate the greatest commercial activity closest to Brooklyn's major transportation hub (the "Transportation Hub"), located in the vicinity of the intersection of Flatbush and Atlantic Avenues. The Transportation Hub currently provides direct service from the LIRR plus 10 New York City Transit subway lines and is proximate to 11 bus lines and two additional subway lines. The portion of the Project Site west of 6th Avenue (the "Phase I Site") would include Blocks 1118, 1119, 1127 and the intervening beds of 5th Avenue and Pacific Streets (inclusive of the small traffic island), and a portion of the Yard located underneath 6th Avenue between Atlantic Avenue and Dean Street, as well as Block 927, other than tax lot 26. A new arena (the "Arena") for the New Jersey Nets National Basketball Association Team (the "Nets") and five other buildings (with commercial office and retail, residential, community facility and potentially hotel uses and a new subway entrance) would be built on the Phase I Site. In conjunction with the development of the Phase I Site, FCRC would also completely reconfigure, rebuild and relocate the current LIRR Yard. The western portion of the current Yard would be incorporated into the Phase I Site, and a reconfigured and upgraded yard (the "Upgraded Yard"), which would be designed to improve Yard functionality, would be built below grade on the eastern end of the existing Yard footprint and on Blocks 1120 and 1121. As part of the Upgraded Yard, among other improvements, a drill track will be constructed through a portion of Blocks 1119 and 1120, a west portal and LIRR parking spaces will be provided in Block 1120, and an ancillary railroad storage space will be provided in multiple locations in the Yard. The construction and development of the Arena Block and the Upgraded Yard would include environmental remediation. Environmental remediation of Site 5 and the remainder of the Project Site would also occur.

The portion of the Project Site east of 6th Avenue (the "Phase II Site") would include the platform building pad to be constructed in the Air Space at the Platform Elevation. Such

Platform would also be built above the below grade portions of Lots 42 and 47 of Block 1121, which are expected to be added to, and become a part of, the Upgraded Yard. The Platform, combined with the existing at-grade parcels on blocks 1120, 1121, 1129 and a portion of 1128 and the bed of Pacific Street between Carlton and Vanderbilt Avenues, would allow for the planning, reorganization and redevelopment of these currently underutilized blocks. Eleven buildings would be developed on the Phase II Site with primarily residential uses and a number of local retail and community facility uses.

At the option of the New York School Construction Authority, the New York City Department of Education or other appropriate agency (collectively, the "DOE"), FCRC will be obligated to construct, on the Phase II Site, at the expense of DOE, a public school (the "School") comprised of approximately 100,000 square feet in the base (starting on the ground floor and located on contiguous floors) for such grades as determined by DOE based on need. The exact configuration of the School would be determined by mutual agreement of DOE and FCRC. It is expected that the School would be located in Building 5 or a suitable alternative, as mutually agreed by DOE and FCRC. The School will be constructed in the first building constructed in Phase II, or by a date mutually agreed to by DOE and FCRC. The Phase II Site would also include eight acres of publicly accessible open space, a portion of which may become reserved for use by the School during School hours, but would be available for public use outside of School hours, and a small portion of which may be reserved for exclusive use by the School (the "School Open Space"); provided that the location and configuration of the School Open Space shall be subject to the reasonable approval of ESDC; provided further, however, that ESDC shall consult with the City prior to granting any such approval.

The build-out of the Project is likely to occur in two phases, with the Project elements on the Phase I Site and the Upgraded Yard (collectively, "Phase I") anticipated to be completed by 2014 and the Project elements on the Phase II Site (collectively, "Phase II") anticipated to be completed by 2019.

The principal goal of the Atlantic Yards Land Use Improvement and Civic Project is to transform an area that is blighted and underutilized into a vibrant, mixed-use, mixed-income community that capitalizes on the tremendous mass transit service available at this unique

location. In addition to eliminating the blighting influence of the below-grade Yard and the blighted conditions of the area, the Project aims, through this comprehensive and cohesive plan, to provide for the following public uses and purposes:

- a publicly owned state-of-the-art arena to accommodate the return of a major-league sports franchise to Brooklyn while also providing a valuable athletic facility for the City's colleges and local academic institutions, which currently lack adequate athletic facilities, and a new venue for a variety of musical, entertainment, educational, social and civic events;
- thousands of critically needed rental housing units for low-, moderate- and middle-income New Yorkers, as well as market-rate rental and condominium units;
- first-class office space and possibly a hotel to ensure that Downtown Brooklyn can capture its share of future economic growth and new jobs through sustainable, transit-oriented development;
- publicly accessible open space that links the surrounding neighborhoods;
- new ground level retail space to activate the street frontages;
- community facility spaces, programmed in coordination with local community groups, including a health care center and an intergenerational facility, offering child care as well as youth and senior center services;
- a state-of-the-art rail storage, cleaning and inspection facility for the LIRR that would enable it to better accommodate, simultaneously, its new fleet of multiple-unit series electric propulsion cars operated by LIRR which are compliant with the American with Disabilities Act (the "MU Series Trains") and other transit improvements;
- a subway connection on the south side of Atlantic Avenue at the intersection of Atlantic and Flatbush Avenues, with sufficient capacity to accommodate fans

entering or leaving an event at the Arena, eliminating the need for pedestrians approaching the Transportation Hub from the south to cross Atlantic Avenue to enter the subway, and thereby enhancing pedestrian safety;

- sustainability and green design through the application of comprehensive sustainable design goals that make efficient use of energy, building materials and water; and
- environmental remediation of the Project Site.

Each element would be designed pursuant to the comprehensive design and open space guidelines developed by ESDC in consultation with the City and attached hereto as **Exhibit B** (collectively, as the same may be amended in accordance with the terms thereof, the "Design Guidelines"), which Design Guidelines ESDC approved on December 8, 2006.

D. History

In the late 1960s and early 1970s, the City used the planning and development powers of urban renewal as a tool for reversing the decline in its communities. Several urban renewal areas were mapped in Downtown Brooklyn, including the Atlantic Terminal Urban Renewal Area ("ATURA") (1968) which included western portions of the Project Site on Blocks 927, 1118, 1119, 1120 and 1121. Today, virtually all of the urban renewal area north of Atlantic Avenue has been redeveloped, including major retail development, and a large office building and shopping mall developed by FCRC above the LIRR Atlantic Terminal. This development has produced over 3,000 new jobs for Brooklyn, with 48% of the retail employees living within 2 miles, and 50% of all retail managers living in Brooklyn. It has also generated millions of dollars in City and State tax revenues and has helped retain operations of the Bank of New York, a major employer, in the City. Nevertheless, the blocks on the southern side of Atlantic Avenue, cut off by Atlantic Avenue and the LIRR Yard, have not been redeveloped to complement the growth north of Atlantic Avenue in ATURA. Judged by typical measures of urban land utilization — built densities and vacant properties — the Project Site is fundamentally underutilized, particularly when compared to adjacent uses to the north and compared to the densities allowed in other areas of the City that are in close proximity to major transit hubs. In

addition, the Project Site's below-grade exposed rail yard and many dilapidated, vacant, and underutilized properties perpetuate a visual and physical barrier between the surrounding neighborhoods.

Since the Dodgers professional baseball team left in 1957, Brooklyn, a very large city in its own right (which would currently be the nation's fourth largest), has had no major league sports team. A 73-year tradition of major league baseball, played to an enthusiastic and loyal fan base, ended abruptly. From time to time, ideas have been advanced for making Brooklyn home to a major professional sports team (including the return of the Dodgers), but nothing has transpired. For example, the City's 1974 feasibility study for locating a professional sports complex in Brooklyn, in which the Project Site was identified as a potential location, did not lead to a development plan.

E. Project Description

1. Overview

The Project would provide the first-class Arena needed to bring a professional sports team back to Brooklyn. The Project would also create approximately 5,325 to 6,430 affordable and market-rate housing units, with 2,250 rental units being affordable to low-, moderate-, and middle-income families, while providing class A commercial office space. The Project would result in a signature mixed-use, mixed income development at one of Brooklyn's most important crossroads. This development would create a considerable number of jobs in Brooklyn, help address New York City's substantial housing needs and generate significant revenues for the City and State. The Project would transform what is currently a blighted and underutilized site into a development that incorporates world-class architecture, a dynamic streetscape, and significant public amenities for the entire borough. It is currently anticipated that the buildings would be based on a master plan prepared by Frank Gehry, a world renowned architect. It is anticipated that the open space – which would be eight acres of environmentally sustainable, publicly accessible open space, including, to the extent applicable, the School Open Space – would be based on designs by landscape architect Laurie Olin, whose designs include the open space in Battery Park City and Bryant Park. The buildings and open space will be designed in accordance with the Design Guidelines.

The Project Sponsors would implement a number of sustainable design measures which could include, by way of example, (i) landscaping design with a focus on storm water management, including water features within landscaped areas that would increase storm water retention capacity; (ii) use of high albedo materials for roofs and sidewalks, where possible; (iii) supplementary storm water management tanks to limit runoff into the City combined sewer system and provide possible irrigation sources for open spaces; (iv) storm water reuse both for irrigation of open spaces and for cooling tower make-up; and (v) use of high efficiency water fixtures such as sensing flow restrictors, low flow toilets, faucets and showers, drip irrigation and, in the Arena, waterless urinals. The Project's boilers would operate exclusively on natural gas and be equipped with low NOx burners. All of the Project buildings will be "green" buildings, meeting, at a minimum, LEED certification, which is the recognized standard for measuring environmental sustainability of new buildings. The Project's construction would employ a state-of-the-art construction emissions reduction program, which would include adoption of measures delineated in New York City Local Law 77 of 2003. To the extent practicable, the Project Sponsors would use electric engines operating on grid power rather than diesel engines. All diesel engines throughout the site would use ultra low sulfur diesel, and nonroad diesel engines with a power rating of 50 horsepower (hp) or greater and all truck fleets, under long-term contract with the Project, would utilize the best available tailpipe technology for reducing DPM emissions. Other measures that would be taken during construction include creation of a temporary paid parking lot on Block 1129 for use by construction workers only along with the development and implementation of a Construction Protection Plan, approved by the New York State Office of Parks, Recreation and Historic Preservation which will provide adequate protection to historic resources within 90 feet of the Project Site during construction. All construction activities for the Project would adhere to the environmental measures identified in the FEIS and would follow good engineering practices.

The Project would concentrate its density, height, and commercial uses at the western end of the Project Site to reflect the higher density commercial and residential uses associated with Downtown Brooklyn to the north, with Site 5 serving as a transition in scale from the neighborhoods to the west and south of the Project Site, and to capitalize on the services provided by the mass transit system – specifically proximity to the Transportation Hub (the

largest in Brooklyn), and the residential uses predominant on the eastern end of the Project Site would reflect the residential nature of the adjoining neighborhoods to the north and south.

2. Phase I - Arena Block and Site 5

The Arena is proposed to be sited at the prominent intersection of Atlantic and Flatbush Avenues. The approximately 150-foot tall Arena would have a capacity of approximately 18,000 seats and serve as the home of the Nets; the Arena would also host concerts and other events, including 10 community events, throughout the year (with certain configurations resulting in an increased capacity of up to approximately 19,925 seats). Based on the current schedule, the Arena would open during the 2011 – 2012 NBA season and is expected to be in use for approximately 225 events per year, including 41 regular season home games for the Nets. The Arena Block will contain, in addition to the Arena itself, four buildings, a publicly accessible "urban room," and infrastructure to service the entire complex, including subway improvements and utility improvements. The Arena will either be the first or second building on which construction would begin within Phase I. However, because of site constraints and construction phasing requirements, it is expected that components of the various improvements on the Arena Block will be constructed within the same phase. Thus, while the Arena is being constructed, portions of the infrastructure will also be constructed. These various project components will be identified through a series of easement agreements and/or condominium arrangements which will permit separate ownership, cost allocation and funding from separate sources. The Project Sponsors expect to commence construction on the first non-Arena building within six months of ESDC's delivery of vacant possession of the Arena Block to the Project Sponsors, but in all cases, on or before the third anniversary of ESDC's delivery of vacant possession of the Arena Block to the Project Sponsors; the second non-Arena building within six months following the commencement of construction on the first non-Arena building, but in all cases, on or before the fifth anniversary of ESDC's delivery of vacant possession to the Arena Block to the Project Sponsors; and the third non-Arena building within six months following the commencement of construction on the second non-Arena building, but in all cases, on or before a date certain agreed to by ESDC and the Project Sponsors. The Project documentation to be negotiated between ESDC and the Project Sponsor will require the Project Sponsors to use commercially reasonable efforts to achieve this schedule and to complete the entire Project by 2019. The

failure to commence construction of each building would result in, *inter alia*, monetary penalties being imposed upon the Project Sponsors. As described elsewhere in this GPP, the Arena Block will initially be owned by ESDC, and the Arena itself, by ESDC or a State-created local development corporation ("LDC"), and will then be leased to FCRC. Upon completion, the four buildings will be owned by one or more FCRC entities and, in the case of residential condominiums, by condominium unit owners who purchase units. It is expected that the ownership of the land comprising the Arena site will be structured to allow for the buildings constructed thereon to be subjected to condominium regimes.

Unlike most arena facilities where activity is hidden from view, the Project would seek to provide a visual and physical connection between the Arena's indoor activity and the Urban Room, a significant public amenity comprised of a large, glass-enclosed public space that will provide access to the subway station, the Arena and Atlantic and Flatbush Avenues. This space would accommodate the major flows of people to and from the subway system during the day and night, serve as a direct subway entrance to the Arena and allow for a variety of public uses and programmed events throughout the year. The Arena is designed to allow passersby to see into the "bowl" of the Arena and view the scoreboard from the Urban Room and Flatbush Avenue.

If the Project Sponsors do not expect to commence construction on a particular portion of the Project Site or to use such portion of the Project Site for interim parking facilities or construction-related activities, including staging, in each case for a period of time to be mutually agreed to by the Project Sponsors and ESDC, then such portion of the Project Site would, in the interim, be used as temporary public open space.

Residential development in Phase I would be a mixture of rental and condominium housing. Approximately 1,005 to 2,110 residential units would be created, with 30% of the units on the Arena Block (but no less than 300 units) would be affordable. All rental buildings would be mixed-income buildings with a combination of low-, moderate- and middle-income and market-rate units integrated throughout.

The creation of the Arena Block on the western portion of the Project Site would allow for the footprint needed to house the Arena and Buildings 1 through 4 by joining Blocks 1118, 1119,

and 1127 and closing portions of Pacific Street and 5th Avenue. (See **Exhibit A-1**). The Site Plan provides an opportunity to improve access to the 10 subway lines by directly connecting the Arena to the subway system through the Urban Room, which would encourage the use of mass transit to the Project Site and to Arena events, in particular. Irrespective of any delay in the construction of Building 1 and the Urban Room, the new subway entrance on the Arena Block will be constructed and be completed by the opening date of the Arena. The Arena Block and Site 5, directly across Flatbush Avenue, would include residential use, Class A commercial office space, ground-floor retail, community facility space in the form of a health care center, and may include a full-service 180-room hotel with a lobby at street level. Buildings 1 through 4 would surround the Arena to create mixed-uses that would activate the street level even when the Arena was not hosting an event.

The western-most portion of the Arena Block (where Building 1 would be located) presents the most significant potential for mixed use and commercial development due to its location on the two major commercial arteries (Atlantic and Flatbush Avenues) with its ability to connect directly to the Atlantic Avenue/Pacific Street subway station. In addition, Site 5 (located across the street from Building 1 at the junction of Flatbush and Atlantic Avenues and at the southern end of the Transportation Hub) also has high potential for either commercial or residential development, while providing a transition (in height and scale) to its surroundings. This very prominent and unique terminus is well suited for high density development with an emphasis on superior architecture and urban design.

Both Site 5 and the Building 1 site are significantly underutilized. Site 5 contains two one-story retail buildings and a parking lot along with blank walls with no glazing and few breaks or entrances abut four public streets. The site for Building 1 currently contains vacant lots, a two story commercial building and a truck storage area among other uses.

The development of both Site 5 and Building 1, with high density buildings, is central to the goal of the Project in order to transform this very public and prominent area by creating architecturally significant buildings that would surround and connect to the Transportation Hub and by developing uses that would activate and create a vibrant streetscape experience for the public.

Site 5 and Building 1 play critical roles in achieving these goals. The subway entrance on 4th Avenue and Pacific Street would serve the new Site 5 development. Building 1 would provide a significant new subway entrance from the Urban Room and the street that would directly serve the Arena, commercial office space, hotel and new residential uses. As reflected in the Design Guidelines, from an urban design perspective, the density and massing of these two new buildings were developed to relate to the existing landmarked Williamsburg Savings Bank building, which is also connected to the Transportation Hub to the north. The Williamsburg Savings Bank building and Building 1 would be the most prominent structures visible to the public from the north, south and west and would interact with each other when viewed from different perspectives. In addition, the Site 5 Building and Building 1 would collectively signify both a southern gateway into and a connection to the surrounding neighborhoods of Downtown Brooklyn, Fort Greene, Boerum Hill, Prospect Heights and Park Slope. The streetscapes developed on Site 5, in conjunction with the Arena Block, would be enlivened by active ground floor uses and glazing requirements.

The Project would create a new neighborhood context along the Atlantic and Flatbush Avenue corridors in keeping with the stature of these streets as two of the principal (and widest) routes through the borough. The proposed buildings would be set back from the property line to create wide sidewalks along Atlantic Avenue and Flatbush Avenue. Street walls and setbacks along Atlantic Avenue would vary based on building location and size, but the overall pattern of the strong base components would enhance the urban streetscape along this major corridor. The ground floors of the buildings are expected to be highly transparent and lined with mostly local retail uses, including potential restaurant uses, thus continuing the strong Atlantic Avenue and Flatbush Avenue retail corridors to the west and south, respectively, onto the Project Site.

A number of access and circulation improvements are also proposed, including the restriping of streets and the creation of drop-off lanes by the setting-back of buildings onto the Project Site as needed.

Set forth on **Exhibit C** hereto, is a chart that sets forth the maximum heights and maximum gross square footages for each of the 16 buildings proposed for the Project and the maximum aggregate gross square footage for all of such buildings.

Although Site 5 is not included in the portion of the Project Site that will be acquired by ESDC in the initial acquisition, it is anticipated to be acquired by ESDC at such time as necessary so that Site 5 may be developed as part of Phase I.

3. Phase I - The LIRR Vanderbilt Yard

At present LIRR operations are primarily located on Blocks 1119 and 1120, and the MTA Yard formerly occupied a majority of Block 1121. Currently, yard tracks are built of conventional rail with wooden ties and switch timbers, and there is no direct connection between the Yard and the LIRR Atlantic Terminal. Trains entering the Yard from the LIRR Atlantic Terminal must travel east, past the Yard, switch, and reverse direction to enter the Yard. Tracks are spaced closely together, allowing only narrow passageways between trains for inspections and limiting toilet servicing to the two outer tracks, requiring trains to be moved in and out of position until each train has had its turn on an outer track. In addition, with limited exceptions, Yard switches, which allow trains to change directions, must be manually operated. The proposed Atlantic Yards Land Use Improvement and Civic Project offers an opportunity to reconfigure, upgrade and partially relocate the Yard to meet current construction standards and address the current and future needs of the LIRR as part of the development plan.

The Upgraded Yard would be built below street grade primarily on Block 1120 (the eastern end of the existing rail yard footprint) and Block 1121, to allow for both the continuation of LIRR yard operations and the operation of the Arena. The Upgraded Yard would include a drill track used for switching trains, which may extend into a portion of Block 1119. The drill track will be owned by the MTA/LIRR. In order to provide for the continuance of LIRR Atlantic Branch operations during construction of the Arena, a staged scheme would be developed to provide a temporary storage yard on Blocks 1120 and 1121 prior to the completion of the Upgraded Yard. The Upgraded Yard would include a new portal ("West Portal") providing a direct route from the LIRR Atlantic Terminal to the Upgraded Yard. The new West Portal would also provide a second means of train egress from Atlantic Terminal, adding safety, security and flexibility in the event of an emergency on the Main Line. The Upgraded Yard will be capable of storing MU Series Trains. The existing traction power substation would be relocated and replaced with a new, modern, indoor substation. The Upgraded Yard would create new employee facilities,

provide a new signal system and improve Yard functionality (including equipment servicing). The Project Sponsors would be responsible for the entire cost of the Upgraded Yard, although a portion of the State and City contributions to the Project (see Project Funding section below) may be utilized for this purpose.

The Project Sponsors anticipate commencing construction of the Upgraded Yard in 2010 but must commence construction no later than 2012, and in connection therewith, will provide a letter of credit and such other assurances, guaranties or security (in both amount and type) as ESDC and the MTA shall require or otherwise determine to be satisfactory. In all events, the Project Sponsors will also reconstruct the Carlton Avenue Bridge so as to be functional as of the opening date of the Arena.

Above the Upgraded Yard, the Project Sponsors would build a platform which would serve as both a protective roof for LIRR operations and as a base for the new development to be built above. As part of a competitive Request for Proposals, the MTA selected the FCRC Atlantic Yards proposal, which included the renovation, reconfiguration and partial relocation of the Yard and the development of a platform and buildings over the Upgraded Yard in Blocks 1120 and 1121. The MTA and FCRC have entered into a term sheet and are presently negotiating contracts for the purchase and sale of portions of the Yard and the air space above, and a construction agreement for the Upgraded Yard. Prior to ESDC filing its petition to acquire any portion of the Project Site not owned by the MTA, FCRC will be required to have entered into definitive agreements (in form and substance acceptable to ESDC) with the MTA for the purchase by it or ESDC of any property interests within the Project Site owned by the MTA and required for the Project.

4. Phase I Summary

It is expected that all of the Phase I buildings would be completed and opened by 2014. The first activity in Phase I, after site preparation, has been the construction of the temporary yard for the LIRR on Blocks 1120 and 1121, so that LIRR operations could be moved from Block 1119 to Blocks 1120 and 1121. Arena construction on Blocks 1127, 1118 and 1119 could begin immediately after acquisition by ESDC and when the temporary yard is complete and LIRR operations are moved. In addition to the Arena, the Upgraded Yard and the new entrance to the

subway system, Phase I is expected to include at least 336,000 gsf of commercial office space, 165,000 gsf of hotel use (approximately 180 rooms), 91,000 gsf of retail, up to 2.1 million gsf of residential use (approximately 2,110 residential units) and community facility uses, which would occupy portions of the residential and retail space. In order to provide reasonable flexibility to respond to market conditions, the programs of Buildings 1 and 2 and the building on Site 5 may be adjusted to allow for more commercial use. This additional commercial use could replace the 165,000 gsf hotel use and about 1.1 million gsf of residential use, or some portion thereof, in Buildings 1 and 2 and the buildings on Site 5. The maximum extent of this allowed flexibility would still result in the creation of approximately 1,005 residential units in Phase I. There would also be approximately 2,346 parking spaces at the end of Phase I, which would include permanent parking on the Arena Block and Site 5 and interim surface parking on Block 1129 and possibly Block 1120. Additionally, (i) parking for 30 cars and five trucks would be provided for the LIRR, located within Block 1120 post-construction or another location satisfactory to LIRR, and (ii) usable storage space would be provided in Blocks 1120 and 1121 consistent with the needs of LIRR.

5. Phase II - Other Project Development Blocks (Blocks 1120, 1121, 1129) and a portion of 1128)

Moving eastward on the Project Site and into Phase II, the average height on each block would generally decline along Atlantic Avenue, providing for a reduction in scale as the Project Site moves farther away from the commercial uses and denser buildings associated with Downtown Brooklyn, and in recognition of the more residential and lower-density buildings situated to the east and south. In addition, the building envelopes would step down from the Atlantic Avenue frontage and change character considerably along the southern edge of the Project Site along Pacific and Dean Streets between 6th Avenue and Vanderbilt Avenue to relate to the lower scale of the neighborhoods to the south. For example, the tallest portions of the buildings on Block 1120 (Buildings 5-7), where the Project Site is only one block deep, would be located along the wide thoroughfare of Atlantic Avenue. The building masses and heights would step down to the south when approaching the lower-scale structures on Pacific Street.

Along Block 1129, Dean Street would be lined with trees with the mass and placement of buildings along this street having a lower height and density that is compatible with the character of the neighborhoods to the south. These buildings – Buildings 11 through 14 – would have residential uses on the ground floor fronting Dean Street along with small local retail establishments and lobby entrances, to the larger residential elements, would be set back from Dean Street. These buildings would, similar to the Atlantic Avenue buildings, have a variety of setbacks and heights, but would all be much lower than the buildings along Atlantic Avenue.

The residential uses, in both phases of construction, would help meet the current and expected need for housing in Brooklyn and the City as a whole, and the density of the Project would allow for a substantial number of affordable units to be included as part of the development program. At full build-out, the Project would include approximately 5,325 to 6,430 residential units, depending on the amount of commercial office space provided; most of the buildings on the Project Site would contain a residential component and all of the buildings east of 6th Avenue would predominantly be residential. Of the total residential units, it is expected that 4,500 units would be rentals; the remaining units would be market-value condominiums. The Project will generate at least 2,250 units of affordable housing on site for low-, moderate- and middle-income persons and families, and at least 30% of the units built on the Arena Block will be affordable. The balance of the affordable housing units will be built in Phase II, however not more than 50% of Phase II units will be completed without the completion of 50% of the Phase II affordable units. The affordable units are expected to be built as part of the Mayor's New Housing Marketplace Plan and are expected to be financed through tax-exempt bonds provided under existing and proposed City and State housing programs such as the City's 50-30-20 program. Community facilities, including a health care clinic in Phase I and an intergenerational community center in Phase II with space for at least 100 children for publicly funded day care, would be built as part of the Project. As Project construction proceeds, the Project Sponsors will monitor and assess the availability of publicly funded day care in the area of the Project Site and, if and to the extent required, the Project Sponsors will provide additional space for an approximately 250 day care slots (350 total) in the intergenerational center and/or elsewhere on the Project Site and/or in nearby off-site locations. The Project would provide approximately 3,670 permanent parking spaces for both the Arena and other uses on the Project Site. All

permanent parking would be located below grade. A parking plan showing the various locations for permanent parking for the Project is attached hereto as **Exhibit D**.

At the option of DOE, a public school will be constructed within the base of a building located within Phase II for such grades as determined by DOE. To the extent the School is constructed on the Project Site, up to an additional 100,000 square feet may be constructed to accommodate the School, provided that such square footage shall only be used as a School and shall be under the control of the DOE. If DOE determines that there is a need for a School, FCRC will be permitted to increase the size of the buildings located east of 6th Avenue by up to a total of 100,000 square feet in the aggregate to provide such space for the School without reducing the proposed project program. At DOE's option, DOE shall have the right to own or lease such square footage from FCRC. If the square footage is leased to DOE, such lease shall be on a triple net basis with a total rent of \$1.00. If the square footage is conveyed to DOE, the total consideration shall be \$1.00. FCRC will construct the School's core and shell; DOE will construct the School's fit out. FCRC and DOE will agree upon a total cost for the core and shell construction, costs above which will be paid by FCRC.

6. Open Space

At full build out, the Project would include eight acres of publicly accessible open space on the Project Site, a portion of which may comprise the School Open Space. As set forth in the Design Guidelines, the publicly accessible open space would be available for public use seven days a week, with reasonable closing hours, security and lighting. On the eastern end of the Project Site, Blocks 1121 and 1129 and the current intervening bed of Pacific Street would be combined to create a large unified, publicly accessible open space, while Block 1120 would have substantial open space on its southern edge. As a general matter, the publicly accessible open space would be developed and opened in phases as buildings are constructed within the Project Site.

The publicly accessible open space would be easily accessed from the surrounding neighborhoods, with at least 60 foot wide landscaped spaces extending to Atlantic Avenue to the north and to Pacific and Dean Streets to the south between each of the buildings. The landscaped visual and pedestrian connections are intended to weave the open space into the existing pedestrian and bike circulation network. The publicly accessible open space would have a

variety of both active and passive spaces and planted and paved areas, and would incorporate features such as playing courts, a children's playground, water features, walking paths, a bike path, seating areas and extensive landscaping throughout. The open space would be designed, and the buildings around the open space would be arranged, to promote public access to and use of the space by the general public.

At present, street-level activity is virtually nonexistent on most of the Project Site and the only means to cross the street-level void created by the Yard is by the 6th Avenue and Carlton Avenue bridges. In the north-south direction, the open space would extend to Atlantic Avenue across from the terminus of each of the neighborhood streets to the north, linking the site to the area to the north both visually, through the creation of landscaped view corridor, and functionally, through the introduction of walking paths at each of these points. Complementary types of retail and community facility uses are expected to be located in some areas along the perimeter of the open space. These uses would provide opportunities to enliven the existing streetscape, which is characterized by the below-grade Yard, buildings in various states of disrepair, and other vacant buildings and lots.

Upon the completion of construction on the Phase I Site, to the maximum extent practicable, temporary open spaces, to be usable by the general public, would be made available on the Phase II Site until such areas are required either for Arena parking or for the construction of the Phase II Site.

7. Summary

At full build-out, scheduled for the year 2019,² the Project would include the Arena and at least 336,000 gsf of commercial office space, 165,000 gsf of hotel use (approximately 180 rooms), 247,000 gsf of retail space, up to 6.4 million gsf of residential use (approximately 6,430 residential units) and community facility uses, which would occupy portions of the residential and retail space, approximately 3,670 below-grade parking spaces and eight acres of publicly accessible open space, a portion of which may comprise the School Open Space. While the Phase II building programs are fixed, with the exception of the location of the School, as noted in

² The Technical Memorandum (as hereinafter defined) addresses the potential impacts from a delayed build-out.

the Phase I summary, there is flexibility in the programs of Buildings 1 and 2 and the building on Site 5 to convert the hotel use and 1.1 million gsf of residential use, or some portion thereof, to additional commercial office space. If the maximum amount of allowed commercial office space were provided, the Project would include approximately 1,606,000 gsf of commercial office space and 5,272,000 gsf of residential use (approximately 5,325 residential units) and the same amount of retail and community facility space, parking and publicly accessible open space.

The Project would provide community facilities, including a health care center and an intergenerational community center offering space for at least 100 children for publicly funded child care and youth and senior activities. A new subway connection on the south side of Atlantic Avenue and eight acres of publicly accessible open space would also be created. Much of Phase II would be constructed on the new platform over a rebuilt and improved Yard, closing a visually and physically divisive gap in the urban landscape.

8. Status of Project Site Occupants and Relocation Plan

All existing residential occupants within the Project Site, who are legally occupying a residential dwelling unit shall be provided with relocation assistance to find decent, safe and sanitary dwellings, in the project area or in other areas not generally less desirable, at rents or prices within the financial means of the displaced person(s). It is expected that ESDC will implement the relocation program with the assistance of a professional relocation consultant. Of 171 total residential units on the Project Site, 139 units are currently vacant, accounting for 82% of the units on the Project Site, while 32 households remain in occupancy. Based on the best information available to the Project Sponsors as of the date hereof, in the 31 households that are currently occupied with no agreements to vacate, 5 of which are owner-occupied and 27 of which are rental units, there are approximately 62 people who remain in occupancy.³

At a minimum, the relocation program shall include the following:

- Referrals to alternative housing will be provided to displaced residential occupants.

³ These figures do not include transient occupants of the homeless facility who will be accommodated elsewhere.

- ESDC's relocation consultant will meet with the Project's residential occupants to assess their particular housing needs and to assist them in finding replacement housing. Real estate brokerage services will be made available at no charge to the occupants.
- Moving services and expenses will be provided. This will include payment for the cost of the physical move, including the cost of transporting personal property to the replacement housing location, labor and material, insurance and storage as necessary ("Moving Costs"). ESDC or its relocation consultant will bid out all moves and select the lowest reasonable and responsible bid. The occupant either may use the selected mover or may conduct a "self-move" and receive the amount of money that ESDC would otherwise have paid to the selected mover. No Moving Costs will be paid until the premises are vacated. Moving Costs will be uncapped as to amount.
- A relocation assistance payment will be made to each vacating occupant. A one-time payment of \$5,000 per household will be made available to each vacating residential occupant or family to assist in meeting additional expenses encountered in establishing new living quarters, such as telephone and other utility hook-up charges, new return address labels, etc. This stipend is also intended to compensate occupants for the inconvenience of having to move, and to encourage them to vacate their units as quickly as possible.
- The above described residential relocation program is the minimum assistance that will be provided. The Project Sponsors have entered into a Community Benefits Agreement whereby they agreed to provide certain enhanced benefits to occupants who were in occupancy of their residence for at least one year. Such benefits include the right to return and to rent a comparable unit within the Project Site at a comparable rate to what they are currently paying.
- There are currently only 7 businesses that are operating on the Project Site which have not signed agreements with the Project Sponsors to relocate, and based on information generated in the FEIS, it is believed that the Project will displace

approximately 185 employees of those remaining businesses. There is also a homeless shelter and a Fire Department of New York equipment clean/storage facility operating at the Project Site. Based on information generated in the FEIS, it is believed that the Project will displace approximately 35 employees of those institutions.

- Limited commercial relocation assistance will be provided to commercial tenants on the Project Site. Assistance will include locating and showing available space to the displaced occupant and providing information about private brokers located throughout the City.
- In addition, payment will be made for the cost of the physical move, including the cost of transporting personal property to the replacement site, labor and material, insurance and storage as necessary. ESDC or its relocation consultant will bid out any such moves and select the lowest reasonable and responsible bid. No Moving Costs will be paid until the premises are vacated.
- Payment will also be made to commercial tenants for other reasonable costs commonly associated with relocation, including the cost of relettering or replacing signs, replacing stationery and reinstalling telephone lines or other existing communications equipment. These re-establishment costs shall be capped at \$20,000 per business. All costs related to the residential and commercial relocation program will be borne by the Project Sponsors.

F. Site Acquisition, Lease and Financing Structure

1. Site Acquisition

The Project Site consists of 73 individual tax lots (not including 53 individual tax lots comprising the residential condominiums). Three of these lots (Block 1119, Lot 7; Block 1120, Lot 1; and Block 1121, Lot 1) comprising approximately 40 percent of the land area to be included in the Project Site, are owned by the LIRR and MTA and comprise the Yard. In the spring of 2005, the MTA issued a Request for Proposals to purchase those portions of the Yard which are not needed for Railroad operations, along with the Air Space above those portions

which are needed by the LIRR. FCRC responded to the RFP and was selected as the prospective purchaser/developer of the Yard. MTA/LIRR and FCRC have entered into a term sheet containing proposed terms for the sale and development of portions of the Yard and are presently negotiating contracts of purchase and sale to ESDC or FCRC, a reciprocal easement agreement, and construction and related agreements covering the LIRR railroad and transit improvements that FCRC will make within and in close proximity to the Yard.

The current ownership and control of the parcels comprising the Project Site is illustrated on **Exhibit E** attached hereto. FCRC continues to negotiate to acquire the remaining private properties within the Project Site. Parcels that are not owned by MTA/LIRR or which FCRC is unable to purchase would be acquired in at least two phases by ESDC through the exercise of the power of eminent domain pursuant to the Eminent Domain Procedures Law (the "EDPL"). FCRC would pay all of the costs associated with such acquisition by eminent domain and would post letters of credit in amounts satisfactory to the condemnation court prior to the commencement of condemnation proceedings.

As noted above, ESDC will acquire certain portions of the Project Site pursuant to the EDPL in at least two phases. The first phase is expected to include that portion of the Project Site that is (i) necessary for the construction of the Arena and the buildings surrounding the Arena, (ii) necessary for the construction, development and operation of the Upgraded Yard (e.g., Lots 42 and 47 of Block 1121, Lot 35 of Block 1120 (or possibly a portion thereof or interest therein) and additional lots on the Project Site), and (iii) necessary for Arena Block and/or Upgraded Yard construction, staging, as well as parking (e.g., Block 1129 and Pacific Street between Carlton and Vanderbilt Avenues). The second and any subsequent phase is expected to include the balance of the Project Site, including the portion of Block 1128 that is included within the Project Site, Lots 19, 28 and the remainder of Lot 35 of Block 1120, and Site 5.

Several New York City streets and other City-owned properties indicated on **Exhibit E** are also within the Project Site; these streets would be closed and would become part of the Project Site pursuant to an ESDC override of local regulations done in consultation with and with the support of the City. As defined above, the City Streets are 5th Avenue between Atlantic and Flatbush Avenues (inclusive of the small traffic island), Pacific Street between Flatbush and 6th Avenues,

and Pacific Street between Carlton and Vanderbilt Avenues. ESDC will acquire these streets and other City properties with the consent of the City through exercise of eminent domain and will override the City map and the New York City Zoning Resolution in order to permit development on these streets.

All of the properties within the Project Site would be acquired by ESDC, on the conditions set forth below – either by conveyance in the case of the MTA/LIRR properties, through uncontested condemnation in the case of properties owned by the City or FCRC, or through exercise of eminent domain in the case of properties and interests in properties that FCRC has been unable to acquire through negotiation. The cost of acquiring the Project Site, regardless of how acquired, will be paid for by FCRC (and certain of these costs would be reimbursed by the City out of capital funds as described below). ESDC's acquisition of all such properties will not occur until such time as ESDC receives commitments, guaranties and other evidence satisfactory to ESDC that FCRC will (i) promptly commence construction of the Arena, and all of the infrastructure necessary for the Arena (together with the Arena, the "Initial Development"), (ii) complete such construction within agreed-upon time periods and (iii) commence and complete construction of the Upgraded Yard in accordance with and subject to the schedule agreed to with the MTA (and acceptable to ESDC).

With the consent of the City, City streets and other City property underlying the Arena would be acquired for \$1.00; other City streets and properties within the Project Site would be acquired, at FCRC's sole cost, at their fair market appraised value or such other value as shall be agreed to by the City and FCRC.

ESDC (directly or through a special purpose subsidiary) will hold fee title to the Project properties acquired by it, at least through construction of the improvements on these properties. The 73 tax lots to be acquired by ESDC will be subdivided and/or combined, at the sole expense of FCRC, to create the individual development parcels contemplated in the plan for the Project. It is expected that each development parcel will comprise an individual tax lot which, except for the Arena parcel, will be leased back to a special purpose FCRC developer affiliate for \$1.00. FCRC expects that the financing they have used to acquire properties within the Project Site will be replaced by leasehold financing when the properties are acquired by ESDC and leased back,

so that ESDC's fee interest will not be encumbered other than by (i) the leases to FCRC developer affiliates, (ii) in the case of properties within or above the MTA's Yard, certain reciprocal easement agreements and (iii) in the case of properties on the Arena Block, certain easements or other arrangements which will allow for the integration of the buildings to be located thereon with the Arena and DEP sewer access, as needed. With the exception of the Arena parcel, each development parcel will be subject to an option held by its developer entity to purchase title thereto for \$1.00 at any time after the completion of the improvements thereon. With the exception of the Arena parcel, upon completion of the improvements on a specific parcel, ESDC shall have the right to convey its fee interest to the parcel and improvements thereon to FCRC developer affiliate. Upon any such conveyance to FCRC, FCRC will provide adequate assurances that the applicable parcel will be continuously used for the purposes set forth herein for a period of time mutually agreed upon by the parties. Prior to development, while ESDC is holding title to the properties, arrangements will be made by ESDC for property management, security, insurance, etc. Such expenses shall be borne by the Project Sponsors.

It is expected that all housing developments on the Project Site will receive exemptions from State and City mortgage recording taxes. This is customary for affordable housing developments. Although such exemption would also be available for construction financing for the market-rate condominiums developed on the Project Site, no credits for such exemptions would be available upon the sale of condominium units. In addition, no construction loan mortgage, or any portion thereof, will be assigned to lenders who are financing the purchase of condominium units, unless an amount equal to any mortgage recording taxes saved as a result of such assignment are paid to ESDC or other governmental authorities. Accordingly, all financing utilized to acquire condominium units shall be subject to State and City mortgage recording taxes without the benefit of any credit which would have been available had the mortgage recording taxes been paid in connection with the underlying construction financing. The foregoing shall not apply to a severance of the construction loan upon the condominiumization of the development as a whole and/or to the replacement of the construction loan with permanent financing for the development.

2. Development of the Arena

In the case of the Arena site, ESDC would lease the land for \$1.00 to a Local Development Corporation ("LDC") organized under Article 14 of the Not-for-Profit Corporations Law. Subject to compliance with applicable Internal Revenue Service regulations, the LDC, which is expected to be organized at the direction of ESDC, will issue one or more series of tax-exempt "PILOT" bonds to pay the costs of constructing and fitting-out the Arena and its ancillary facilities.⁴ An FCRC affiliate ("ArenaCo"), as agent for ESDC or the LDC, will use the bond proceeds to construct and fit out the Arena. The LDC, in turn, will lease the land and Arena to ArenaCo, and ArenaCo will agree to maintain, operate and lease the Arena for professional basketball and other sports, entertainment and community events for an initial term of not less than 30 years and not more than 40 years. Certain costs of constructing the Arena may be financed through issuance of taxable bonds by the LDC; debt service on these bonds would be paid by assignment to the bond trustee of rent to be paid by ArenaCo under its lease from the LDC. In addition, certain costs of constructing the Arena may be paid directly by ArenaCo with certain payments under its lease.

ESDC will retain ownership of the land upon which the Arena will be built through the initial term of its lease to the LDC, and, under the financing arrangements described above, ESDC or the LDC will retain ownership of the Arena during the initial term. As a result, the land and improvements will be exempt from real estate taxes throughout the initial term. ArenaCo would enter into a payment-in-lieu-of-tax ("PILOT") agreement with ESDC and the LDC under which it would agree to make payments not to exceed the amount that full real estate taxes would be if the land and improvements were not exempt from such taxes as a result of ESDC's ownership thereof. ESDC will assign these PILOT payments to a PILOT trustee who, in turn, will assign to a bond trustee so much of the payments as is needed to pay debt service on the tax-exempt bonds. PILOT bonds will be payable solely out of PILOT payments by ArenaCo. Excess PILOT payments during the life of the bonds would be used to defray the cost of operating and maintaining the Arena. It is expected that ArenaCo's obligations under the PILOT agreement will be secured by PILOT mortgages on its leasehold interest; any taxable bonds would also be secured by a mortgage on the leasehold.

⁴ This financing arrangement has been contemplated by ESDC and the City for the financing of numerous sports and entertainment facilities, including the Arena, for at least three years.

None of the City, the State or ESDC will be liable on the LDC bonds which will be non-recourse obligations of the LDC, payable solely out of PILOT payments from ArenaCo. None of the City, the State, ESDC or the LDC will be liable to make PILOT payments. PILOT payments under the PILOT Agreement will be the sole obligation of ArenaCo.

ESDC's real property interest in the Arena property will, in addition to providing exemption from real estate taxes, enable the Arena to receive the benefit of ESDC's sales tax exemption (the "Arena Sales Tax Exemption") on materials incorporated in the initial construction and fit-out of the Arena, and capital repairs and replacements to the Arena, and exemption from mortgage recording taxes on the mortgages securing the tax-exempt bonds and any taxable bonds.

ESDC and the City shall use good faith efforts to obtain the approvals and/or authorizations to obtain energy cost savings for the Arena through either the Con Ed Business Incentive Rate Program and Rider J applicable to Service Classification Nos. 4 and 9, as amended, or the New York Power Authority, the New York State Economic Development Power Board, the New York Public Utility Service and the Energy Cost Savings Program, if applicable.

The initial term of the ESDC lease to the LDC, and the LDC sublease to ArenaCo is expected to be 30 to 40 years, which is also expected to be the term of the tax-exempt bonds. The Nets professional basketball team will enter into a sublease or license agreement with ArenaCo to play its "home games" at the Arena. The Nets will also enter into a non-relocation agreement with the City and ESDC pursuant to which the team will agree to play substantially all of its home games at the new Arena for the life of the PILOT Bonds but in no event no less than 30 years.

ArenaCo will have an option to extend its lease after the initial term up to a total of 99 years, or to purchase the underlying fee interest from ESDC at its appraised fair market value. If the lease is extended beyond the initial term, the LDC will drop from the lease chain and ArenaCo will become the direct tenant of ESDC. In that case, ArenaCo will continue to make PILOT payments equal to what the real estate taxes would have been but for ESDC's ownership of the property. Ten percent of these PILOT payments will be used to pay for maintenance and operation of the Arena; the balance will flow to the City. If ArenaCo exercises its option to purchase the Arena site, the property will revert to the tax rolls. At all times during the existence

of ArenaCo's lease, ArenaCo shall be responsible, at its sole cost and expense, to maintain the Arena as a first class Arena suitable for a professional sports team.

3. Project Funding

The Project budget is currently estimated as set forth below.⁵ Compared to the budget estimate included in the FEIS, this estimate includes costs, such as land and other soft costs which were excluded from the estimate used to calculate the economic benefits of the Project in the FEIS. In addition, neither the Project budget included in the FEIS nor this GPP includes financing costs.

Use	Amount
Site Acquisition	\$ 417,000,000
Arena	\$ 772,000,000
Residential	\$ 2,645,000,000
Office/Hotel	\$ 255,000,000
Infrastructure	\$ 717,000,000
Miscellaneous	<u>\$ 92,000,000</u>
Total	\$ 4,898,000,000

ESDC is expected to fund \$100 million of the currently budgeted approximate \$717 million of Project costs attributable to infrastructure improvements necessary for the construction of the Arena and for the redevelopment of the Yard.⁶ The City is also expected to fund \$100 million of Project costs. City funds may be used for infrastructure improvements and for site acquisition costs related to the Project Site (other than for the acquisition of properties owned by the MTA/LIRR).

ESDC and the City of New York expect to enter into one or more funding agreements (the "Funding Agreements") with FCRC; funding under the Funding Agreements will be conditioned on receipt of all discretionary Project approvals, including without limitation, the approval of the Public Authorities Control Board. Initial funding under the Funding Agreements is expected to be approximately \$80 million in the aggregate, \$40 million from each of the State and the City,

⁵ The amounts set forth in this section relate to the residential variation for the Project.

⁶ The funding agreement between the Project Sponsors and ESDC for such \$100 million contribution is currently in place and a portion of such funding commitment has, as of the date hereof, been distributed to the Project Sponsors.

in the case of State funds, to be used to reimburse FCRC for infrastructure costs, including approved soft costs, and in the case of City funds, to be used to reimburse FCRC for land acquisition costs for the Project Site (other than for acquisition of properties owned by the MTA/LIRR) and for infrastructure costs, including approved soft costs. Additional advances of State and City funds (collectively the "Additional Fundings") under the Funding Agreements shall, in the case of the City, fund additional land acquisition costs including costs previously incurred for the Project Site (other than for properties owned by the MTA/LIRR) and additional infrastructure costs, including approved soft costs, incurred by FCRC, and, in the case of the State, fund additional infrastructure costs, including approved soft costs, incurred by FCRC, until the State and the City have funded their entire agreed-upon contributions (\$200 million in the aggregate, \$100 million from each of the State and the City). In addition, Additional Fundings shall be made taking into account amounts expended by FCRC, provided that (1) at no time will (i) the costs reimbursed to FCRC by the City and State, in the aggregate, exceed fifty percent (50%) of the total costs incurred and paid by FCRC, and (ii) the amounts funded by the State exceed the amounts funded by the City, and (2) such Additional Fundings shall be made upon other terms and conditions to be agreed upon by the parties.

City funding for reimbursement of land acquisition costs related to lands on the Project Site may be advanced to ESDC in lieu of FCRC, in which event, ESDC and FCRC will enter into a contract for ESDC to purchase from FCRC the lands so funded. To the extent such a purchase contract is entered into, ESDC shall have the right to complete such purchase as part of the Project, terminate such contract and proceed with its condemnation of the land which is the subject thereof, or terminate such contract.

Except as hereinafter set forth, in the event that prior to the completion of the Initial Development, the Project is discontinued, abandoned, terminated or permanently enjoined beyond all right to appeal, for any reason whatsoever, including, without limitation, FCRC's voluntary decision to abandon the Project, FCRC's and ESDC's inability to negotiate mutually acceptable terms for definitive Project documentation, or any requirements to modify the terms of this General Project Plan which are not approved by ESDC and are not acceptable to the City, FCRC shall be obligated to reimburse (the "Reimbursement Obligation") the ESDC in an amount equal to the sum of all funds advanced by the ESDC under the Funding Agreements (excluding

amounts advanced on behalf of the City) plus interest thereon calculated at the borrowing rate of ESDC. The Reimbursement Obligation shall also apply, and FCRC shall be obligated to make such repayment to ESDC, in the event the Arena construction is not commenced within one year after ESDC delivers vacant possession of the Project Site to FCRC (subject to up to four years of delays resulting from force majeure events or material adverse changes affecting the financing of the Arena) as required to construct the Arena including staging and necessary infrastructure. In the event the Arena construction is timely commenced but is not completed within six (6) years after ESDC's delivery of vacant possession of the Project Site to FCRC (subject to force majeure delays), FCRC will be required to remit agreed upon portions of the Reimbursement Obligation to ESDC for each year of delay.

Notwithstanding the foregoing, in the event the State and the City elect not to proceed with the Project despite FCRC's willingness to proceed in accordance with the terms of this General Project Plan, and such election on the part of the State and the City is not the result of an inability of the parties to reach agreement on terms after negotiating in good faith, FCRC shall not be liable for the Reimbursement Obligation and any contracts to purchase land from FCRC shall be terminated.

Prior to the commencement of the City funding under the Funding Agreements, FCRC recorded against the Project Site, to the extent owned by FCRC, restrictive covenants providing, *inter alia*, that such land will be used only for purposes of the Project as set forth in this General Project Plan, as the same may be modified or amended, and/or the other Project documents.

Prior to the Initial Funding, and each Additional Funding, FCRC shall be required to provide each of the State and City with guaranties and/or other security, in form, substance and from entities reasonably acceptable to the State and City, securing the Reimbursement Obligation.

4. Development of the Vanderbilt Yard

FCRC and the MTA/LIRR will enter into agreements pursuant to which MTA will convey to an FCRC affiliate (or directly to ESDC or its subsidiary) certain fee interests in the ground and/or air spaces within Blocks 1119, 1120 and 1121. Under a second contract, FCRC (or ESDC) will convey to MTA/LIRR the fee interest in the below grade portion of Block 1121, Lot 47 and

Block 1121, Lot 42, retaining a fee interest in the air above both parcels. (Lot 42 is one of the parcels depicted on **Exhibit E** which may require exercise of eminent domain). ESDC will also grant to the MTA and/or the LIRR such temporary and permanent easements as may be necessary and appropriate for the construction and operation of the Upgraded Yard, as ESDC and the MTA and/or LIRR shall agree. FCRC will also agree to construct certain improvements for LIRR's use within the Yard, including, without limitation, temporary and permanent storage tracks capable of storing MU Series Trains, an electric substation and LIRR employee facilities, and the parties will enter into reciprocal easement agreements providing for necessary access, egress, and maintenance, etc. In addition, FCRC will have the right and obligation to construct a platform above the Upgraded Yard which will be at the Platform Elevation, which shall be approximately the same elevation as the streets surrounding the Upgraded Yard. On this platform, FCRC will develop 6 buildings and publicly accessible open space, in accordance with the Project's master plan. FCRC will agree to pay to MTA/LIRR its net incremental costs of operating in an enclosed Yard, such as lighting and ventilation, subject to an agreement with the MTA/LIRR.

As part of its agreements with the MTA, and pursuant to separate agreements, FCRC will also construct certain improvements for the New York City Transit Authority, including new entrances and connections to the Atlantic Avenue/Pacific Street subway station complex under Atlantic Avenue with sufficient capacity to better accommodate fans entering or leaving an event at the Arena. (See Project Description, Section E.2.)

Improvements for the MTA, LIRR or New York City Transit Authority will be owned by the MTA, LIRR or New York City Transit Authority, as applicable. The platform above the Upgraded Yard, which will support FCRC developments and the publicly accessible open spaces, will be treated in the same way as land underlying other development parcels comprising the Project Site – that is, it will be owned by ESDC and leased, until substantial completion of construction, to one or more single-purpose, FCRC development affiliates. After construction, ownership will be conveyed to the developer entity.

5. Other Project Developments

ESDC will retain title to the land underlying other Project developments through their initial construction periods and will lease development parcels to the individual entities created for each of these developments for \$1.00. FCRC shall be required to remit payments in lieu of sales taxes to ESDC under the lease or access agreement for each portion of the Project Site equal to all sales and compensating use taxes, if any, which FCRC would have been required to pay in connection with the development of such portion of the Project Site absent ESDC's ownership thereof, other than the Arena Sales Tax Exemption. After completion of construction, the fee interest to each development parcel will be conveyed for \$1.00 to the development entity established for that parcel. Following such conveyance, the conveyed parcel will be returned to the tax rolls and will be eligible for any as-of-right tax benefits for which it qualifies, and the fee owner thereof will be liable for real estate taxes due thereon.

Residential developments within the Project are expected to be financed in a number of ways, depending on the type of development. Affordable housing is expected to be financed through tax-exempt bonds provided under existing and proposed City and State housing programs, such as the City's 50-30-20 program. Market-rate condominiums will be financed through conventional means, as will commercial office and retail developments. Through construction, because ESDC will continue to hold the fee interests, leasehold financing will be used. After conveyance of the fee interests to the developer/owner entity, the mortgages could be spread to cover the fee. FCRC will create condominium regimes for the residential condominium developments.

FCRC expects to utilize the State and City contributions to the Project to help reimburse FCRC for, in the case of the City contributions, the costs of land comprising the Project Site (other than for the acquisition of properties owned by the MTA/LIRR) and, in the case of the State and City contributions, the cost of new infrastructure, including streets and sewers, garages, transit connections, the LIRR improvements and the publicly accessible open space. These contributions will be funded through funding agreements with ESDC and/or the City. The publicly accessible open spaces will be built as the parcels are developed. They will be owned by a Conservancy or other not-for-profit entity established by the Project Sponsors, which will be responsible for the maintenance, operation and security of this public amenity. The Conservancy or other not-for-profit entity will be funded in the first instance by the Project

Sponsors, and when the surrounding parcels are developed, by the owners of the surrounding buildings within the Project Site pursuant to restrictive declarations recorded against the land upon which such buildings are constructed. Such declarations shall also include obligations on the owners of the surrounding Project properties to (1) operate and perform maintenance in the event the Conservancy or not-for-profit entity defaults on its obligation to maintain and operate, (2) fund maintenance and operation at a sufficient annual level, and (3) provide adequate assurances satisfactory to ESDC and the City that the publicly accessible open spaces will be maintained and operated. The Conservancy or other not-for-profit entity will be governed by a board, which will include representatives of the Project Sponsors, civic group(s) active in park matters, the owners of surrounding properties and, on an ex officio basis, the local community boards and the New York City Department of Parks and Recreation ("DPR"). The initial program and planning for the open space will be subject to the reasonable approval of ESDC, consistent with the Design Guidelines and any material modifications thereto will be subject to the reasonable approval of the City.

The open space will be accessible to the public from dawn to dusk or at hours consistent with the practices of DPR for comparable public parks.

6. Transferability

The agreements with the Project Sponsors will provide that until the applicable building or improvement within Phase I is substantially completed, the applicable portion of each Parcel may not be transferred by the Project Sponsors, without the consent of ESDC and the City, except to affiliates of FCRC and in connection with financing transactions and/or the enforcement of rights of lenders under these financing transactions. In addition, in the event the Nets professional basketball franchise is sold to another entity prior to the completion of the Arena, Project Sponsors may transfer their interest in the Arena to the purchasing entity or its affiliate, provided ESDC and the City are reasonably satisfied that such entity can satisfactorily complete the development of the Arena or if such entity retains the Project Sponsors to develop the Arena.

G. Economic Impact

ESDC has performed an independent economic impact analysis of the Project.⁷ ESDC has projected that the Project will have the following impacts during construction and for the first 30 years of operations:

- (i) Construction of the project will generate 12,568 new direct job years and 21,976 total job years (direct, indirect, and induced);
- (ii) Direct personal income related to construction activities will be \$590.0 million and total personal income will be \$1.2 billion (direct, indirect, and induced);
- (iii) Total construction employment will generate \$42.1 million in City tax revenues and \$89.9 million for New York State;
- (iv) Operations at the Arena and mixed-use development will support an annual average of 4,538 new jobs in New York City (direct, indirect, and induced) and an annual average of 5,065 jobs (direct, indirect, and induced) in New York State, (inclusive of New York City);
- (v) On a present value basis, the Project will generate \$652.3 million of City tax revenues and \$745.3 million of State tax revenues. Thus the project will generate \$944.2 million in net tax revenues in excess of the public contribution to the Project.

In addition, the Project will produce an estimated \$717 million in public improvements and infrastructure including improvements for the LIRR and for New York City Transit.

⁷ The economic impact analysis set forth herein may vary from that set forth in the FEIS due to the use of different financial models and assumptions applied to the Project. The analysis set forth herein is based upon the residential variation of the Project. This analysis was completed immediately prior to the approval of the 2006 MGPP.

H. Project Purpose – Basis for Land Use Improvement Project and Civic Project Findings

The primary purposes of ESDC's participation in the Project are (i) to transform an area that is blighted and underutilized into a vibrant, transit-oriented, mixed-use and mixed-income community with significant publicly accessible open space and community facility amenities that has appropriate density close to Brooklyn's largest Transportation Hub; (ii) to provide a state-of-the-art Arena to accommodate the long awaited return of a major-league sports franchise to Brooklyn while also providing a first-class athletic facility for the City's colleges and local academic institutions, which currently lack adequate athletic facilities, and a new venue for a variety of musical, entertainment and civic events; (iii) to generate additional economic activity and City and State tax revenues (including sales tax revenues from operations and income tax revenues from events at the Arena and from Project Site households) by providing a venue for professional basketball and other events within New York City (and specifically in Downtown Brooklyn) that otherwise would occur elsewhere and by offering first-class office space, retail space and possibly a hotel to attract new jobs; (iv) to supply critically needed affordable and market-rate housing; (v) to provide a state-of-the-art rail storage, cleaning, and inspection facility for the LIRR which will enable it to better accommodate its MU Series Trains and other mass transit improvements at the Atlantic Avenue/Pacific Street subway station complex; (vi) to provide publicly accessible open space; and (vii) to cause environmental remediation to be performed on the Project Site.

Specifically, ESDC, pursuant to Section 10 of the UDC Act, makes the findings set forth below. These findings are supported and complemented by the findings, determinations and statements of fact described in the Final Environmental Impact Statement and in the Blight Study attached hereto as **Exhibit F**.

1. Land Use Improvement Project Findings

- A. That the area in which the Project is to be located is a substandard or unsanitary area, or is in danger of becoming a substandard or unsanitary area and tends to impair or arrest the sound growth and development of the municipality.

A study (the "Blight Study") of the Project Site, performed by the consultant engaged by ESDC in connection with the preparation of the FEIS, concluded that the Project Site is characterized by blighted conditions that are unlikely to be removed without public action. The Blight Study found that the Project Site has substandard and unsanitary conditions including vacant and underutilized buildings, debris-filled vacant lots, building facades that are in ill-repair, structures suffering from serious physical deterioration, environmental concerns, and high crime rates. In addition, eleven lots had buildings so physically deteriorated that they were found to be structurally unsound and a threat to public safety, and consequently, those buildings have been demolished. The Blight Study also found that five of the eight blocks that comprise the Project Site are located within ATURA, which was created by the City approximately four decades ago due to blighted conditions, and that unlike most of the blocks in ATURA, the Project Site blocks have failed to meet the goals outlined in the ATURA Plan. The Blight Study further found that the continued blight on the Project Site is due in part to the presence of the below-grade open rail Yard that creates a significant visual and physical gap in the urban landscape and impairs the sound growth of the surrounding area. The Blight Study concluded that the Project will remove these blighted conditions. The Blight Study is attached hereto as **Exhibit F**.

The Yard itself contains approximately 9 acres (including the land under the 6th and Carlton Avenue Bridges) of potential prime real estate in the borough of Brooklyn in close proximity to a major transportation hub and along a major arterial, but its current location and configuration serves as an impediment to future development both on the Yard blocks and for the surrounding blocks.

- B. That the Project consists of a plan or undertaking for the clearance, replanning, reconstruction and rehabilitation of such area and for recreational and other facilities incidental or appurtenant thereto.

This General Project Plan calls for redevelopment of the Project Site, which is currently a blighted area, with uses and density that will best suit the opportunities presented by the large Transportation Hub and activity of Downtown Brooklyn on the western end of the site and the residential character of surrounding neighborhoods. There will be extensive environmental remediation of contaminated materials on the site. The platform to be built over the rebuilt, upgraded and partially relocated Yard will allow for development above the Upgraded Yard,

thereby removing a significant blighting influence, while improving Yard operations. The platform also will allow for a significant amount of publicly accessible open space that creates a physical connection between the surrounding neighborhoods. The Arena, commercial, retail, residential and community facility uses will invigorate the economic life and street activity of the area.

The Project will provide approximately 5,325 to 6,430 residential units. Of these, there would be approximately 4,500 rental units, 2,250 of which will be affordable to low-, moderate- and middle-income families. All of the housing, affordable and market rate, is needed to serve housing demands.

Eight acres of publicly accessible open space, including the School Open Space, will be provided for numerous recreational activities. Both active and passive uses will be accommodated in a design that includes paths and seating areas, lawns, a playground and water features. This open space will be developed largely on the platform over the Upgraded Yard and in the bed of Pacific Street between Carlton and Vanderbilt Avenues, replacing an open cut in the landscape and a lightly used street with a pedestrian-friendly, recreational area that connects the surrounding neighborhoods.

The Project will generate substantial tax revenues for the City and State and will generate a payment to the MTA, in the form of cash and improvements, for the fee interest in land and air space, as well as provide the MTA with a modern and efficient Upgraded Yard that can better accommodate its recently purchased fleet of MU Series Trains. New jobs will be generated and much needed affordable and market-rate housing will be created by the Project. The Arena will attract significant numbers of people, enhancing local business, both on the Project Site and in the surrounding area. In addition, the City will benefit from transit improvements and infrastructure improvements that are part of the Project.

- C. That the plan or undertaking affords maximum opportunity for a participation by private enterprise, consistent with the sound needs of the municipality as a whole.

The Project Sponsors will develop most of the Project components and will provide financing for many of these components. In addition, while payments-in-lieu-of taxes will be used to repay the bonds used to finance construction of the Arena, the Arena will be operated by the Project

Sponsors and will primarily be utilized for private sports events and shows, while also serving as a possible venue for local college athletics and hosting community events. FCRC affiliates will develop, own and operate all the commercial and residential rental structures, and will develop the residential condominium(s). FCRC will maintain the Urban Room as a publicly accessible space with a subway entrance.

2. Civic Project Findings

- A. That there exists in the area in which the Project is to be located, a need for the educational, cultural, recreational, community, municipal, public service(s) or other civic facility to be included in the Project.

The Arena will provide a needed venue for the Nets professional basketball team to be relocated to Brooklyn from its current home in New Jersey, as well as provide a venue for the City's colleges and local academic institutions, which currently lack adequate athletic facilities, and for other sport events that cannot currently be accommodated in Brooklyn. The Arena will also provide needed support for cultural and community events such as concerts, family entertainment and graduation ceremonies. These events will generate economic benefits for Brooklyn and for the City and State, while promoting civic pride. An Urban Room connected to the Arena will serve as a significant public amenity by accommodating the major flows of people to and from the transit center during the day and night, serving as a direct subway entrance to the Arena and allowing for a variety of public uses and programmed events throughout the year. The Arena will make Brooklyn competitive with other municipalities that have undertaken development of similar public facilities.

Eight acres of publicly accessible open space will be created with pedestrian and bike path connections between the surrounding neighborhoods, which are currently separated by the below-grade Yard. The neighborhoods are underserved by open space resources and the Project's open space will be a significant public amenity that serves the surrounding neighborhoods as well as the Project Site with a variety of active and passive uses. Additionally, such open space will play an important part in the area's storm water management system by significantly reducing runoff to the Gowanus Canal.

The new subway entrances on the south side of Atlantic Avenue, at the Flatbush Avenue intersection will significantly improve circulation to and from the 10 subway lines directly serving this major Transportation Hub and will accommodate fans entering or leaving an event at the Arena. Public safety will be substantially enhanced and public convenience increased by eliminating the need to cross Atlantic Avenue at a busy and complicated street intersection in order to access the subway system.

The new Upgraded Yard is needed to accommodate modern transportation demands at Brooklyn's major Transportation Hub. The Upgraded Yard will better accommodate the recently-purchased fleet of MU Series Trains, which are compliant with the Americans with Disabilities Act, will improve Yard operations by allowing toilet servicing to occur on all tracks, and will create enhanced spaces for inspections and servicing to occur and provide an enclosed space protected from the elements. In addition, the Upgraded Yard will provide a direct connection to the main line through the West Portal, increasing efficiency, and providing a secondary egress track in the event of an emergency on the main line, increasing public safety. This Project will create the opportunity for significant, and needed, improvements to the Yard's functionality and efficiency, which will benefit the public.

- B. That the Project shall consist of a building or buildings or other facilities which are suitable for educational, cultural, recreational, community, municipal, public service or other civic purposes.

The Arena will be designed to accommodate the types of events described in this General Project Plan and will be suitable for the above purposes. The Arena will provide for the return of a professional sports team to Brooklyn, as well as entertainment and community events for the amusement and cultural enrichment of the residents of the City and the State.

The open space will have a combination of active and passive uses as part of a single, comprehensive master plan that encourages use by the surrounding neighborhood residents. The open space extends to the streets with large spaces as wide as a city street between each of the buildings so that the space feels like a unified whole with visual and pedestrian connections through and out of the space that weave it into the existing urban fabric. The open space will be accessible to the public from dawn to dusk or at hours consistent with the practices of DPR for comparable public parks.

The new subway entrance will improve public access to the 10 subway lines directly serving Brooklyn's major Transportation Hub and increase public safety by providing subway access from the south side of Atlantic Avenue.

As described herein, the Upgraded Yard will be designed to increase functionality and efficiency, providing significant civic benefits at Brooklyn's largest Transportation Hub. The Upgraded Yard will accommodate the MU Series Trains.

- C. That such Project will be leased to or owned by the state or an agency or instrumentality thereof, a municipality or an agency or instrumentality thereof, a public corporation, or any other entity which is carrying out a community, municipal, public service or other civic purpose, and that adequate provision has been, or will be made for the payment of the cost of acquisition, construction, operation, maintenance and upkeep of the Project.

ESDC will retain ownership of the land under the Arena through the initial term of its lease to the LDC, and ESDC or the LDC will retain ownership of the Arena during the initial term. The initial term would equal the term of the tax-exempt bonds issued by the LDC and is expected to be 30 to 40 years. As described herein, adequate funds will be made available for construction of the Arena and FCRC will be responsible for the operation, maintenance and upkeep of the Arena.

The publicly accessible open spaces will be built as the parcels are developed. They will be owned by a Conservancy or other not-for-profit entity established by the Project Sponsors, which will be responsible for the maintenance, operation and security of this public amenity. The Conservancy or other not-for-profit entity will be funded in the first instance by the Project Sponsors, and when the surrounding parcels are developed, by the owners of the surrounding buildings pursuant to restrictive declarations recorded against the surrounding Project properties. The declarations, as described above, would require sufficient annual funding for the maintenance and operation of the open space, as well as providing adequate assurances that it will be maintained and operated. The Conservancy or other not-for-profit entity will be governed by a board, which will include representatives of the Project Sponsors, civic group(s) active in park matters, the owners of surrounding properties and, on an ex officio basis, the local community boards and DPR. The initial program and planning for the open space will be subject

to the reasonable approval of ESDC, consistent with the Design Guidelines and any material modifications thereto will be subject to the reasonable approval of the City.

The MTA will retain ownership of the subway station in which the Project Sponsors are making substantial improvements. As described herein, the cost of subway improvements will be borne by FCRC.

The MTA will retain ownership of the Upgraded Yard and of easements through other portions of ground and air space on the Project Site as needed. MTA will retain ownership of the below grade portion of Block 1120, Lot 1, and Block 1121, Lot 1 and will acquire the fee interest in the below grade portion of Block 1121, Lot 47 and Block 1121, Lot 42. The fee interest in the air space above Lots 42 and 47 will be retained by FCRC or ESDC. After its acquisition of the same, ESDC will hold fee title to the air space above Lots 42 and 47 and lease all of the same to FCRC in accordance with the terms set forth herein. As described herein, adequate funds will be made available for construction of the Upgraded Yard and FCRC will be responsible for MTA's net incremental cost increase for operating in an enclosed Yard pursuant to an agreement with the MTA.

With respect to the 16 buildings to be developed, each building will be leased from ESDC to a development affiliate of FCRC, and in each instance the tenant will be responsible for constructing, maintaining and operating the building throughout the term of the lease. It is expected that each lease, other than that underlying the Arena, will terminate upon completion of construction of the improvements to be located on the parcel of land leased thereby, with title to such land being conveyed to FCRC upon such lease termination.

- D. That the plans and specifications assure or will assure adequate light, air, sanitation and fire protection.

The ESDC Department of Design and Construction will review and approve Arena plans and specifications and will assure that the above criteria are satisfied. The Arena and other improvements, other than the Upgraded Yard and other transit improvements, will be designed and built in accordance with the New York City Building Code or pursuant to approvals by the New York City Department of Buildings and building permits which will be issued by the New York City Department of Buildings, to the extent applicable. The publicly accessible open space

will be designed and constructed pursuant to the Design Guidelines developed by ESDC in consultation with the City and attached hereto as **Exhibit B**.

The MTA will review and approve plans and specifications and issue permits for the new subway facilities and the Upgraded Yard. The platform above the Upgraded Yard will be designed and built in accordance with the New York City Building Code or pursuant to approvals by the New York City Department of Buildings. The LIRR/MTA will review and approve the plans and specifications in their proprietary capacity as well.

3. Findings for all ESDC Projects

- A. That there is a feasible method for the relocation of families and individuals displaced from the Project area into decent, safe and sanitary dwellings, which are or will be provided in the Project area or in other areas not generally less desirable in regard to public utilities and public and commercial facilities, at rents or prices within the financial means of such families or individuals, and reasonably accessible to their places of employment.

ESDC will implement a relocation plan as described herein. FCRC has and will continue to provide additional benefits for residential tenants which will provide tenants with reasonably comparable space at their then current rent or, at their election, a one-time relocation payment. Residents who so choose, will be relocated on the Project Site into brand new, safe and sanitary units, as soon as feasible. Until their on-site unit is available, the residents will receive a rent subsidy so that they continue to pay their then-current rent for decent, safe and sanitary off-site units in the neighboring areas, thus ensuring that housing is at all times within the financial means of the residents and in a location that is not less desirable in regard to public utilities and public and commercial facilities and that is reasonably accessible to their places of employment.

I. Site Investigation and Hazardous Materials

The Yard has been utilized for over 100 years for railroad and other industrial purposes. Contaminated materials may be present on the surface or in the subsurface. Under the terms of a temporary license agreement between MTA and FCRC, FCRC and their consultants have been provided access to the Yard to gather information and collect data that is reflected in the FEIS.

In addition to the Yard, many other parcels on the Project Site contained industrial and other uses, including gas stations, and may have contaminated materials present on the surface or in the subsurface. FCRC has begun investigations on parcels that it controls and would undertake investigations on certain other properties, under a license or under a lease, once ESDC has completed acquisition of the Project Site or earlier, to the extent feasible. Environmental testing results analyzed as of October 2006 are reflected in the FEIS.

Collectively, under the terms of the licenses and the transaction documents, FCRC would be obligated to perform any mitigation or remedial program that may be required under applicable laws and regulations or as otherwise agreed to among ESDC, MTA (with respect to the Yard) and FCRC.

J. Local Regulation Override

Although the City has been consulted throughout the planning process and has provided significant input to the Design Guidelines, the Project would require ESDC to override certain local regulations pursuant to the UDC Act. These overrides would permit a development more reflective of, and consistent with, land use policy envisioned for Downtown Brooklyn and would include the following:

(i) Override of Use Regulations to allow: (a) Commercial uses in a residential district and commercial uses above the height of the first or second floor in commercial overlay districts; (b) Residential uses in a manufacturing zone; (c) Community facility use in a manufacturing zone without obtaining a special permit from the City Planning Commission (the "CPC"); (d) Arena use in a residential and residential/commercial overlay district, and Arena use in C6 and C4 commercial and M1-1 manufacturing districts located closer than 200 feet from a residential zone without obtaining a special permit from the CPC; (e) Uses within the beds of City streets; (f) Commercial and residential uses to occupy portions of the development without regard to the location restrictions contained in the Zoning Resolution; and (g) Physical culture establishments without obtaining a special permit from the New York City Board of Standards and Appeals.

(ii) Override of floor area and open space regulations to allow: (a) Commercial and residential floor area in excess of that permitted in the underlying districts; (b) Location of residential floor area without regard to open space ratio or lot coverage requirements, where applicable; and (c) Location of floor area in the bed of mapped City streets.

(iii) Override of height and setback controls, including modification of minimum base heights in contextual districts and Special Downtown Brooklyn District streetwall controls, and modification of maximum base heights, setback requirements, sky exposure planes, and maximum building heights.

(iv) Override of minimum distance between buildings on a single zoning lot.

(v) Override of signage regulations to allow arena signage to exceed the applicable height, surface area, and illumination controls on the arena block.

(vi) Override of parking regulations to allow for accessory parking to be provided on zoning lots within the Project Site without regard to requirements regarding restrictions on location of accessory off-street parking spaces.

(vii) Override of loading requirements for commercial uses on the Project Site.

(viii) Override of Zoning Resolution special permit requirements to allow for a platform over or within a railroad right of way or transit air space to be included within a zoning lot and used for development.

(ix) Override of the land use controls of the Atlantic Terminal Urban Renewal Area (ATURA) Plan, as they relate to Site 5 and Site 6A to the extent the ATURA Plan requires compliance with zoning.

(x) Override of the restriction on the use of streets shown on the City Map as it relates to Pacific Street between Flatbush and 6th Avenues, 5th Avenue between Flatbush and Atlantic Avenues (inclusive of the small traffic island), Pacific Street between Vanderbilt and Carlton Avenues and an area underneath 6th Avenue between Atlantic Avenue and Pacific Street.

K. ENVIRONMENTAL REVIEW

ESDC, acting as lead agency pursuant to the requirements of the State Environmental Quality Review Act ("SEQRA"), and the implementing regulations of the New York State Department of Environmental Conservation, conducted an environmental review of the Project described in the Modified General Project Plan affirmed in 2006. The City and the MTA participated as involved agencies in the preparation and review of the Environmental Impact Statement ("EIS") that was prepared. At their December 8, 2006 meeting, the Directors adopted SEQRA Findings (the "Findings Statement"), which concluded the SEQRA process at that time.

Due to the modifications currently proposed to the Modified General Project Plan affirmed in 2006, ESDC worked with its consultants to prepare a Technical Memorandum, dated June 2009 (the "Technical Memorandum"), to assess whether these proposed modifications, design

development, the change to the Project's schedule and other changes in circumstances result in any new or substantially different significant adverse impacts than what had been described in the EIS and the Findings Statement. The Technical Memorandum concludes that the proposed modifications, changes related to the design development, the change to the Project's schedule and other changes in circumstances do not result in any new or substantially different significant adverse impacts and that, if the amendments to the 2006 Modified General Project Plan set forth in this GPP were to be affirmed substantially in the form proposed, there would be no need for a supplemental environmental impact statement.

The Project will be built and operated as described in the Findings Statement and Technical Memorandum, and FCRC will implement the mitigation measures as described in the Findings Statement.

L. CONCLUSION

This Land Use Improvement and Civic Project will redevelop a blighted area with a mixed-use, mixed-income project that provides a first-class Arena, critically needed residential units, significant commercial development, and a large public open space. This development will take advantage of Brooklyn's largest Transportation Hub to capture economic opportunities for Brooklyn and the City of New York and to address significant housing demands, within the sound planning framework of transit-oriented development. In order to accomplish these and other herein articulated goals, the challenge of building over Vanderbilt Yard would be successfully undertaken by relocating the facility to the eastern end of the Yard with modern and efficient facilities and building a platform over the Yard to heal the existing incision in the streetscape. This General Project Plan adopts a comprehensive vision that would eliminate the blighted and underutilized condition of the Project Site and provide new, thoughtful and artful designs for buildings and open spaces that mediate the scales of the differing adjacent neighborhood characteristics and foster connections between the surrounding neighborhoods.

Attachments

Exhibit A-1 – Project Site Plan

Exhibit A-2 – Project Block and Lot Map

Exhibit B – Design Guidelines

Exhibit C – Maximum Building Heights and Square Footage

Exhibit D – Parking Plan

Exhibit E – Property Ownership and Control

Exhibit F – Blight Study

Exhibit A-1
Project Site Plan
(attached)

Exhibit A-2
Project Block and Lot Map
(attached)

Exhibit B
Design Guidelines

The Design Guidelines were not modified from those attached as Exhibit B to the 2006 MGPP. A copy of such Design Guidelines may be found at <http://www.empire.state.ny.us/AtlanticYards/>

Exhibit C
Maximum Building Heights and Square Footage
(attached)

Exhibit D
Parking Plan
(attached)

Exhibit E
Property Ownership and Control
(attached)

Exhibit F
Blight Study

The Blight Study has not modified from the version attached as Exhibit F to the 2006 MGPP. A copy of such Blight Study may be found at <http://www.empire.state.ny.us/AtlanticYards/>