

Eastern Rail Yard Transferrable Development Rights (“ERY TDRs”) Disposition and Pricing Mechanism Policy¹

Sales of the ERY TDRs will be pursuant to the disposition and pricing mechanism policy (“Disposition and Pricing Mechanism Policy”), as set forth below. This Disposition and Pricing Mechanism Policy shall remain in effect until the Metropolitan Transportation Authority (“MTA”) is entitled to elect, and has elected to assume control of ERY TDR dispositions pursuant to that certain Railyard Agreement dated September 28, 2006 amongst MTA, Triborough Bridge and Tunnel Authority, The Long Island Rail Road Company and the City of New York (the “City”), as amended by that certain Letter Agreement dated May 25, 2010 amongst said parties (and as may be further amended, the “Railyard Agreement”).

1. Disposition Process

- a. Hudson Yards Development Corporation (“HYDC”) will negotiate and effectuate ERY TDR sales with each eligible property owner that desires to purchase ERY TDRs under this Disposition and Pricing Mechanism Policy.
 - i. The price per square foot of ERY TDRs to be sold will be established through the Pricing Mechanism, as described below.
 - ii. All sales will be cash sales in one lump sum payment at closing.
- b. HYDC will be solely responsible for engaging appraisers, determining the timing of the transaction and for determining other normal terms and conditions to closing in its sole discretion.
- c. Sales of ERY TDRs shall require HYIC approval, but shall not require MTA approval provided that the price is equal to or greater than the Threshold Price or New Threshold Price, as applicable, as defined in the Pricing Mechanism section below.
- d. HYDC shall not amend or deviate from this Disposition and Pricing Mechanism Policy without the prior written consent of HYIC and MTA.

2. Pricing Mechanism

The price per square foot of ERY TDRs to be sold shall be established pursuant to this pricing mechanism (“Pricing Mechanism”):

- a. Upon receiving an application for purchase of ERY TDRs, all required supporting documentation, application fee, and a non-refundable appraisal fee, HYDC will order an appraisal of the fee value as of the date of the application letter of the receiving site from one of its on-call appraisers. The appraisal fee shall be determined by HYDC. The appraisal shall be finalized before it is discussed or shared with the transfer applicant.
- b. Based upon a pricing study prepared for HYDC in 2008, and the pricing study updates prepared for HYDC in 2013 and 2015, HYDC will apply a percentage of 65% to the final appraised value per square foot of the fee of the receiving parcel

¹ Adopted January 16, 2009; Amended April 9, 2013, November 25, 2014, April 15, 2015, and June 19, 2015

to establish the per square foot value of the ERY TDRs. HYDC shall commission a new study every three (3) years, or more frequently as HYDC deems necessary, to determine whether such percentage should be adjusted. HYDC shall issue a notice on its website 90 days prior to the commencement of a new study. Once a pricing study has been completed and if HYDC determines that the percentage should be adjusted, HYDC shall publish the new percentage in an amended pricing policy. The new percentage shall not apply to applicants that (1) submit its application before the amended pricing policy has been published ("Publish Date") and (2) have closed on the purchase within six (6) months of the Publish Date.

- c. The price established for the ERY TDRs pursuant to this Pricing Mechanism shall not require MTA approval, provided that (1) if the sale shall take place prior to September 28, 2020, the ERY TDR price per square foot is equal to or greater than the higher of (X) the price per square foot then in effect for the District Improvement Fund Bonus under Section 93-31 of the Zoning Resolution, or (Y) \$103 (the threshold price determined according to this sub-item (1), the "Threshold Price"); or (2) if the sale shall take place on or after September 28, 2020, the ERY TDR price per square foot is equal to or greater than such new threshold price per square foot as has been agreed to by the MTA pursuant to the Railyard Agreement or otherwise determined pursuant to the arbitration process set forth in the Railyard Agreement (the threshold price determined according to this sub-item (2), the "New Threshold Price").