April 21, 2011

MTA Office Space Portfolio Right-Sizing Business Plan

Since he assumed leadership of the MTA more than a year ago, Chairman & CEO Jay H. Walder has set forth a vision for creating a more efficient and effective MTA to better serve the millions of people who count on our service every day. That commitment to "making every dollar count" requires critically examining not only every opportunity to improve services for our customers but also every opportunity to increase the efficiency with which we deliver such services, to reduce our administrative expenses and to unlock hidden value in the property we own or otherwise control.

To that end, MTA Real Estate has been systematically surveying the MTA's real property portfolio to identify properties that may no longer be required for agency operations, advancing discussions with the City of New York and other municipal stakeholders with respect to the inter-governmental arrangements and regulations that limit the disposition value of the lion's share of our property holdings, and otherwise working to identify additional opportunities (large and small) to monetize the value of unused air rights and other surplus property as we have in the case of the air rights associated with the West Side Yards and Atlantic Yards. That effort encompasses all sorts of properties; but, in the context of the larger effort, we have been focusing especially on the office space we use to house our administrative facilities, most of which is unconstrained by such inter-governmental arrangements. Thanks to the aggressive action the MTA has taken to trim its administrative payroll, we now have at hand an important opportunity to simultaneously increase the efficiency of our operations, reduce our occupancy costs and unlock asset value.

This Office Space Portfolio Right-Sizing Business Plan seizes that opportunity.

I. <u>EXECUTIVE SUMMARY</u>

Last year, the MTA initiated the most aggressive cost-cutting efforts in its history, which have entailed dramatic reductions in its administrative headcount and consolidation of back office functions into a new Business Service Center. Now, as we re-calibrate our office portfolio to leverage additional savings from such headcount reductions, we will employ up-to-date industry standards with respect to the sizing and allocation of workstations (including shared workstations, where appropriate) to achieve additional efficiencies and further reduce the amount of space we need.

By September of this year, we will already have reduced the annual rent we pay under office space leases by more than 12% (nearly $2.5 million) since April 2010 -- and we will continue to manage our space lease portfolio aggressively to further reduce expenses where we have opportunities do so cost-effectively and without undue disruption of operations. But, beyond that, we must take overdue action to put our capital assets -- including particularly our buildings at 341-347 Madison and 2 Broadway -- to more productive use.

The MTA's headquarters operations, as well as much of Metro-North's administrative operations, are currently housed in adjoining, but separate, pre-war buildings that are not conducive to space-saving layouts and yet occupy land on Madison Avenue that is about as valuable as land gets in New York City. The MTA will at last sell or net lease those buildings and such land for re-development, thereby generating significant new funds for the MTA's capital budget while avoiding the cost of retrofitting the buildings to remedy years of deferred maintenance and comply with new legal requirements.

MTA headquarters personnel to be displaced from Madison Avenue will be accommodated by making more intensive use of our existing office facility at 2 Broadway, a building that, unlike the Madison Avenue buildings, *has* been well maintained and *does* lend itself to efficient layouts but has not until now been built out as densely as it could be. We will dramatically increase our headcount at 2 Broadway, through a strategic combination of workspace-sharing initiatives and relatively limited renovations, without materially adding to our operating expenses there and at a far lower cost than renovating the Madison Avenue headquarters space would entail.

The Metro-North personnel displaced from Madison Avenue will likewise be relocated to more efficient and less valuable space, at a location or locations suitably proximate to Grand Central and Metro-North's other facilities.

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It remains to be seen what value developers will place on the Madison Avenue property, and whether our interests will be best served by an outright sale or by retaining the fee interest in the property and entering into a long-term development ground lease. However, we expect that the gross proceeds of an outright sale would be substantially in excess of $150 million and that a ground lease would yield substantially more than a sale on a present value basis. Such revenue will be partly offset by transaction costs, the cost of relocating from Madison Avenue to Grand Central Terminal certain communications equipment required for Metro-North and MTAPD operations (preliminarily estimated at $19 million), the cost of the aforementioned renovations at 2 Broadway (preliminarily projected to be in the neighborhood of $20-25 million, based on a relatively limited scope of work), and costs associated with the aforementioned Metro-North replacement space (which will depend on whether such space is purchased or leased and the extent to which fit-out work is paid for by a landlord, among other factors). But we anticipate that the net effect will be to unlock very substantial net asset value that would remain untapped if we did not make these moves.

II. BACKGROUND

A. Existing Inventory. As of October 1, 2011 (when certain leases will have expired, as described below), the MTA will occupy approximately 2.6 million usable square feet of office space in 29 buildings, of which approximately 561,000 usable square feet (21%) are in buildings the MTA owns in fee, 1.48 million usable square feet (57%) are in buildings the MTA occupies under long-term net leases and only 572,000 usable square feet (22%) are in premises the MTA occupies under space leases of more limited duration.[1]

The buildings that the MTA owns outright and occupies entirely or in material part for administrative purposes are listed and described in the attached Exhibit A. The office buildings that the MTA net leases and occupies in their entirety are listed and described in the attached Exhibit B. The office space that the MTA occupies under space leases (exclusive of space that will be surrendered in the next few months) is identified and described in the attached Exhibit C.

As Exhibits A and B indicate, the office buildings that the MTA owns or net leases in their entirety include the three adjoining pre-war buildings at 341, 345 and 347 Madison Avenue, where the MTA's headquarters and the executive offices of MTA Metro-North are located; the 30-story building at 2 Broadway in lower Manhattan, which houses the principal offices of MTA New York City Transit ("NYCT"), MTA Bridges & Tunnels and MTA Capital Construction; 130 Livingston Street in Brooklyn, which houses additional NYCT personnel; four buildings in Jamaica, Queens, where MTA Long Island Rail Road's offices are located; 525 North Broadway in North White Plains, which houses various MTA Metro-North departments; and an MTA Bridges & Tunnels office building on Randall's Island. 2 Broadway, 130 Livingston, 525 North Broadway and the Jamaica Control Center building have been renovated relatively recently and are in relatively good condition. The remaining buildings are in relatively poor condition.

As noted in Exhibits A and B, several of such properties are mixed-use facilities, substantial portions of which are devoted to non-administrative functions. The exhibits to this report exclude, and this report does not concern, facilities (such as stations, yards, shops, warehouses and bus depots) that contain only incidental amounts of office space.

Exhibits A, B and C set forth the respective usable areas, seating capacities (as currently configured), occupancy rates and (as applicable) base building operating

[1] Except as otherwise noted, all measurements set forth in this report are based on standards for measuring "usable" areas promulgated by the Real Estate Board of New York. Market rents are often quoted in terms of so called "rentable" area, but such measurements are notoriously unscientific and tend to result in "apples-to-oranges" comparisons. Depending on the location and class of a given building, it is not uncommon for RSF to exceed USF by roughly a third.

expenses and/or rents associated with the MTA's various office facilities. The attached Exhibit D contains the same information in summary form, broken down by MTA agency.

B. Dynamics Affecting the MTA's Space Needs. In an organization as large and complex as the MTA, departments inevitably expand or contract to some extent, and a certain amount of more or less continuous "churning" of office space is therefore to be expected in the normal course. However, projecting future MTA space needs has been unusually complicated of late, due to three factors:

(1) ***MTA Capital Construction ("MTACC").*** Approximately 920 MTACC employees and consultants currently occupy office space for which the MTA pays rent directly, either as tenant in its own right or as a subtenant or licensee of a consultant ("MTACC Space").[2] However, MTACC's headcount has been and remains subject to fluctuation as design and construction work progress on the "mega-projects" to which MTACC devotes its energies.

(2) ***MTA Business Services Center ("BSC").*** Starting in 2008, the newly formed BSC began recruiting staff from the various MTA agencies and preparing for the centralization of a variety of "back-office" functions that had previously been performed separately by the respective agencies -- a process that culminated in an initial "go live" date of January 1, 2011 but is still ongoing. This vital cost-saving initiative is enabling the MTA to achieve significant reductions in its operating budget, through the elimination of redundant operations and systems and otherwise. But it is also resulting in unusually large numbers of inter-agency transfers and attendant physical dislocations of individuals and departments. As noted in the attached Exhibit C, the BSC currently encompasses some 588 individuals sharing 495 desks at 333 West 34th Street. Last year, as it prepared to commence operations, the BSC's head count was 286. Next year at this time, it will be about 500.

(3) ***Downsizing.*** Starting at the end of 2009, the MTA began instituting a program of voluntary and involuntary reductions in force, for the purpose of trimming approximately 20% from its administrative payroll at headquarters and 15% from the administrative payrolls of its line agencies. Such reductions in force have been completed with respect to positions that are accounted for in the MTA's operating budget; but they are ongoing insofar as personnel costs reimbursable from its capital budget are concerned, and projected to result in the elimination of more than 400 additional positions going forward. Obviously, large numbers of desks that had until recently been occupied are now vacant or will become vacant in the coming months as a result of this downsizing initiative. However, such vacancies generally consist of a desk here and a desk there, as opposed to concentrations of empty space that can readily be off-loaded

[2] "MTA Space" excludes office space occupied by MTA consultants under lump sum contracts that such consultants do not share with MTACC employees.

or re-purposed in the absence of a comprehensive re-stacking of the kind we are now planning for.

C. <u>Recent Leasing Activity</u>. The BSC initiative predated the aforementioned downsizing initiative, and in 2009, when MTA Real Estate was called upon to locate pre-built space to house the BSC, there was no possibility of fulfilling that requirement at 2 Broadway or in other space that the MTA already controlled. Fortunately, however, that effort coincided with the bottom of the rental market, so that we were able to secure suitable space, at 333 W. 34th Street, on extremely favorable terms ($25.84 per rentable square foot, with six months' free rent and no tax escalation), through 2021, notwithstanding that the lease provides us with termination rights starting on the fourth anniversary of the commencement of the term of the lease. The BSC lease was approved by the MTA Board in January 2010 and the term of such lease began on July 1, 2010, following the completion of landlord work.

Apart from such BSC lease, all of MTA Real Estate's recent efforts with respect to our office lease inventory have been dedicated to achieving *reductions* in the amount of space in such inventory. As detailed in the attached <u>Exhibit E</u>, we have allowed four leases to expire during the past year, and we are planning to allow another four (which have been excluded from <u>Exhibit C</u>) to expire between now and September 2011. Together, such leases account for a total of 95,532 usable square feet of office space and annual expense of more than $5.5 million (even after taking the rent under the new BSC lease into account, a net reduction of more than 12% in the rent we were paying a year ago under office space leases).

III. <u>STRATEGY GOING FORWARD</u>

Our strategy for reducing our office space inventory is necessarily subject to refinement and mid-course correction in light of ever-changing market conditions, improved cost and revenue estimates and evolving corporate initiatives and policies. But the outline of that strategy has nonetheless been coming into increasingly sharp focus, based on extensive data collection and consultation among MTA Real Estate and a wide variety of stakeholders both at headquarters and at the line agencies. Fundamentally, our plan consists of the following elements:

A. **<u>Continue to Reduce Rent Under Space Leases</u>**. To the extent consistent with the rest of our strategy as described below, we will continue to evaluate our remaining space leases as candidates for non-renewal or, where feasible, early termination, re-negotiation, assignment or subletting.[3]

[3] The attached <u>Exhibit C</u> lists such space leases in the order in which they may be terminated on an as-of-right basis. I.e., the "Earliest Termination Date" that is attributed to any given lease in such exhibit is the earlier of the scheduled expiration date of such lease or the first date as of which such lease can be terminated unilaterally by the MTA pursuant to a termination right contained in such lease; it is not necessarily the date on

However, it should be recognized that:

- the space we occupy under such space leases is generally less expensive and more efficiently used than the space we occupy in our own buildings, and several of such leases provide for rents that are significantly below current market rents;

- in many cases, such space is commonly located where it is in order to serve specific programmatic needs, in areas where we do not own suitable space (as, for example, in the case of MTACC field offices);

- any savings that might be realized by reason of any such action must be weighed against the costs (both tangible and intangible) of any resulting disruption of operations.

Among the facilities identified on Exhibit C, the leading candidates for re-location to MTA-controlled buildings are the NYCT facility at 27-35 Jackson Avenue and the LIRR facility at 90-27 Sutphin Boulevard.

B. **Dispose of 341-347 Madison**. Strictly from the point of view of cash outlays from the MTA's operating budget, our Madison Avenue occupancies are among our least expensive, for the obvious reason that we do not pay rent for the buildings and (unlike in the case of some more recently renovated facilities) we do not currently attribute any debt service to their acquisition cost. However, the approximately $4.5 million ($17.50 per usable square foot), net of retail revenue, that we spend to operate the buildings does not reflect the *opportunity* costs we incur by reason of such occupancies.

When the MTA acquired 341 and 345 Madison in 1990, it did so in large part because the underlying land was understood to have special value as part of an assemblage with the land under 347 Madison. Now, as the real estate market shows signs of recovery, it is time to prepare to empty and dispose of the three buildings, for several reasons:

- The buildings have suffered from years of deferred maintenance and their systems are badly in need of upgrading and replacement, including some work that is legally mandated. In theory, we could renovate while remaining in place, a floor or two at a time. But the cost of making the requisite capital improvements in that manner would be exorbitant -- estimated to be in excess of $100 million -- and has not been budgeted for.

- The three buildings cannot be combined. Even after a renovation, they would have small and awkward floor plates, precluding efficient office

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which the term of the lease is scheduled to expire, which is referred to in Exhibit C as the "Expiration Date".

and cubicle layouts, and duplicative lobbies and building systems, which result in excessive "loss factors" and significant incremental operating expenses.

- And, most importantly (and whether we renovated or not), continuing to occupy the existing buildings would preclude the MTA from monetizing the value of the property for its highest and best use -- namely, the development of a modern tower making maximum use of the site's development potential and enhanced by a direct entrance to the new East Side Access concourse (scheduled for completion in 2016) that MTACC is constructing under the buildings that adjoin the site's eastern edge.

It remains to be seen what value developers will place on the property, and whether our interests will be best served by an outright sale or by retaining the fee interest in the property and entering into a long-term development ground lease. However, if (for the sake of argument) one were to assume the fee interest in the site is worth a minimum of $400 per "buildable foot" permitted as-of-right under the NYC zoning resolution, then an outright sale would generate at least $150 million, even before taking into account the property's eligibility as a receiving site for transferable development rights.[4] And we anticipate that a ground lease would yield substantially more than a sale on a present value basis.

The costs we will need to incur in order to empty the buildings and obtain such revenue are discussed below.

We would consider occupying space in a new building on the site for our own use -- recognizing that a commitment on our part to do so might help to facilitate a sale -- but do not currently envision that result, both because we presume any such building would be too expensive for our purposes and because moving first to swing space and then back into the new building would likely be unduly costly and disruptive. Instead, we plan to

[4] The amount of "zoning floor area" that could permissibly be built on the site under current NYC zoning regulations would depend on the extent to which the MTA and/or the developer succeeded in (a) combining the site for zoning purposes with the lots underlying either or both of the adjoining buildings (i.e. the Yale Club and/or 52 Vanderbilt) and (b) acquiring unused transferable development rights from such properties and/or from Grand Central Terminal. The minimum zoning floor area so permitted would be 376,575 (15 times the 25,105 square foot lot area of our site). The maximum would be 542,268 (21.6 times our lot area) *plus* the difference between 21.6 times the lot areas of the Yale Club and 52 Vanderbilt and the aggregate zoning floor area of such buildings.

re-locate MTA headquarters to 2 Broadway and expect to re-locate Metro-North offices to other space that is located in reasonable proximity to Metro-North operations.[5]

C. **Make More Intensive Use of 2 Broadway**. Unlike the Madison Avenue buildings, our building at 2 Broadway has a physical plant that is relatively new, well maintained and reliable; it has large and efficient floor plates; and it does not make sub-optimal use of its site's development potential.

However, the building itself is not as intensively used as it could and (with reference to evolving industry standards) should be -- for three reasons. First, we currently have a significant number of vacant desks there, largely as a result of the aforementioned downsizing initiative. Second, many of the workstations there -- particularly the ones on the floors that were fitted-out during the first of two renovation project phases -- are generously proportioned by today's standards. And, third, with only very limited exceptions, the MTA has not heretofore embraced the increasingly commonplace space planning innovations that are generally referred to in the trade as "Alternative Workplace Strategies".

Businesses of all kinds have been abandoning traditional space planning schemes, in which every employee has his or her own desk, in favor of more flexible arrangements in which employees share a variety of different types and sizes of work stations, informal collaboration areas, telephone rooms, conference rooms and (to the extent hard copies of documents need to be retained at all) file cabinets. These kinds of arrangements don't just save space -- they also facilitate team-building, and make it easier to re-deploy individuals and groups from place to place as circumstances warrant down the road -- but they do allow enterprises to dramatically reduce the amount of space they use per head, over and above the economies they can achieve by reducing the amount of space they use per desk.

With the help of space planning experts, we will seek to achieve the optimal trade-off between, on the one hand, the operating budget savings that can be achieved by housing more people at 2 Broadway (thereby leveraging to the maximum possible extent our fixed expense there and avoiding occupancy expenses elsewhere) and, on the other hand, the increased capital expenditure, disruption and construction risk associated with relatively ambitious renovation projects. We will be flexible in our thinking as we proceed with design work, having fully in mind the trend toward elimination of private offices in favor of entirely open seating schemes. However, in the interest of minimizing expenditure, disruption and risk, we are currently contemplating that construction work will be limited for the most part to the interior portions of the floors (identified as "phase 1" floors on the attached <u>Exhibit F</u>) on which, as noted above, the existing cubicles are larger than on the other floors. (Preliminary analysis suggests that simply reducing the

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[5] The personnel to be relocated will include some 60 employees of the MTA Police Department, whose duties relate principally to operations of the MTA's commuter railroads. It remains to be determined where such desks will optimally be located.

average size of the cubicles on such floors, in the context of a more general re-stacking of the building to reflect reduced departmental headcounts, would allow us to add as many as 500 desks at 2 Broadway).

In theory, increasing the density of our existing operations at 2 Broadway could be viewed as an opportunity to free up blocks of space there for subletting to others.[6] However, consolidating MTA operations at the building is to be preferred, for the following reasons:

- Relocating MTA headquarters to 2 Broadway will "kill two birds with one stone", obviating the need to locate other space for headquarters in order to facilitate the sale (or net leasing) of 341-347 Madison.

- There are significant operational efficiencies associated with operating under as few roofs as possible, particularly insofar as information technology is concerned.

- Leasing out office space at 2 Broadway to third parties would introduce a whole new level of complexity and expense to the management of the building.

D. <u>Obtain New Space for Metro-North</u>. Metro-North administrative offices are currently located at 341-347 Madison, at 420 Lexington Avenue (a/k/a the Graybar Building), which likewise adjoins Grand Central Terminal, and at the newly-renovated 525 North Broadway in North White Plains, which adjoins a Metro-North yard and also houses various other Metro-North facilities. Later this year, when scheduled moves to North White Plains have been completed, there will be roughly 500 administrative personnel at the two Midtown locations. It remains to be seen whether it will prove to be in the MTA's best interest to extend the term of its existing lease at the Graybar Building (which is scheduled to expire in 2016), to seek to expand its presence in that building or to find other space in proximity to Grand Central. And Metro-North is in the process of evaluating the extent to which it would be operationally feasible and cost-effective to re-

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[6] Emptying the entire building would be far too costly and disruptive to be a viable option. And a sale of our interest in the property today would entail a very substantial swap unwinding cost (in effect a financing prepayment penalty), over and above the obligation to pay off the outstanding principal amount of the debt MTA incurred to finance the initial fitting-out of the building.

In any case, the marginal cost of our occupancy at 2 Broadway is not unduly expensive. Excluding debt service (which, for better or worse, reflects a sunk cost), our occupancy expense at 2 Broadway is only some $23 per rentable square foot, which is below the roughly $30-35 per rsf (net of real estate taxes, from which the building is exempt) that we've been told is its market rental value; and even with debt service included it is only about $42 per rentable square foot, which is less than comparable space would go for in Midtown.

locate additional personnel north of Midtown, whether in North White Plains or otherwise. In any case, however, we will seek efficient and inexpensive space in relatively prosaic Class B buildings whose owners are willing to create separate condominium units to sell or lease to the MTA (as the owners of 333 West 34th Street, 177 Livingston Plaza and 180 Livingston Street have) so that the MTA can avail itself of its statutory exemption from real estate taxes. And, to the extent that we start with a blank slate in fitting out space for Metro-North, we will be entirely free to adopt the most up-to-date space planning standards for such purposes, without needing (as at 2 Broadway) to balance our desire to make more intensive use of space against the disruption and incremental cost of modifying existing installations.

IV. COSTS

The revenue to be derived from the sale or net leasing of the Madison Avenue property will be offset to some extent by (a) transaction costs, (b) the cost of relocating from Madison Avenue to Grand Central Terminal certain specialized Metro-North communications equipment that is essential to operations in the Grand Central train shed and MTA Police Department equipment that will be required even after MTAPD's new command center opens this summer (preliminarily estimated at $19 million), and (c) the cost of the aforementioned renovations at 2 Broadway (which will vary depending on the scope of work we settle on, but which we are projecting at $20-25 million, based on the limited scope described above).

We will also need to account for costs and expenses associated with the aforementioned Metro-North replacement space. The expenditures required to obtain control of such space and prepare it for occupancy will depend on market conditions, on whether such space is purchased or leased and on the extent to which fit-out work is required but not paid for by a landlord, among other factors; and as such they are difficult to estimate with precision at this stage. However, we anticipate that the immediate impact on the MTA's operating budget will be at worst neutral and probably net positive, as (a) the higher expense per square foot inherent in occupying space for which (unlike at 341-347 Madison today) the MTA must pay rent and/or amortize a new capital cost will be offset by (b) our ability to accommodate Metro-North's space need in substantially fewer square feet of space than it uses today. Moreover, it bears reiterating that such expenditures will be justified not just by comparison to the expense of continuing to operate as we currently do, and not even just by our ability to derive revenue from the disposition of the Madison Avenue property, but also by avoidance of the very significant capital expenditures that renovating the Madison Avenue buildings would entail.

In sum, we anticipate that the *net* effect of implementing the foregoing plan will be to unlock very substantial net asset value that would remain an untapped resource if we continued to occupy such buildings.

V. TIMING CONSIDERATIONS AND NEXT STEPS

Our goal is to be ready to deliver vacant possession of 341-347 Madison to a developer by 2014 at the latest.

Success in that regard will depend on the timely completion of each of the following tasks:

- Relocation of our HQ and Metro-North personnel from the buildings, which will in turn entail finding and fitting-out replacement space for Metro-North and a comprehensive, multi-phase re-stacking of 2 Broadway. It is our intention to proceed to relocate Metro-North as quickly as possible, before the market fully recovers, and then use some or all of the floors that it vacates at Madison Avenue as swing space with which to facilitate and expedite the work at 2 Broadway.

- Completion of an all-agency IT consolidation project.

- Relocation to Grand Central of the aforementioned Metro-North and MTAPD communications equipment.

Of course, the timing of the transactions envisioned by our plan will also depend to some extent on market conditions and the responses we receive from potential transaction counterparties.

Implementation of the foregoing plan will require an inter-disciplinary effort under the leadership and direction of MTA Real Estate, which will accordingly require some supplemental staffing, as well as access to some resources that cannot quickly and cost-effectively be assembled in-house. In the short-run, we will seek Board approval to take the following initial steps to enable us to move forward aggressively with such implementation:

- <u>Engage a team of real estate brokers and space planners</u> (to be selected from among teams that have already submitted proposals in response to a request for proposals that MTA Procurement issued on February 22, 2011) to help MTA evaluate Alternative Workplace Strategies, undertake an intensive office space needs "programming" effort, survey the market for potential Metro-North relocation sites, develop a definitive scope of work and cost estimates for renovations at 2 Broadway, and market 341-347 Madison. The scope of services will include preliminary architectural and space planning services (short of services relating to the preparation of detailed construction documents, which will need to be separately procured), as well as the market research, analytical, marketing and other services that are typically provided by large real estate brokerage houses in connection with assignments of this kind. The selected team will *not* be compensated on a fee-for-service basis; rather it will recoup the value of its services by means of brokerage commissions, which will be contingent on the successful completion of transactions and which, except in the case of any transaction where the MTA is the seller or lessor, will be payable entirely by third parties.

- Acquire space management software, compatible with the PeopleSoft software that is employed in connection with the MTA's human resources operations, to allow us to automatically track desk assignments of departments and individual employees with reference to computerized floor plans -- a capability that we have sorely missed as we have undertaken our planning efforts to date.

- Contract for design and program management services, so that we will be in a position to proceed expeditiously with design development as soon as the scope of the renovations being planned for 2 Broadway has been more definitively determined.

Exhibit A - Owned Office Buildings 4/21/2011

Agency	Location	Usable Square Feet (Office Only)	Heads	Desks	USF/ Desk	Annual Expense (Office Only)	Annual Expense per USF	Annual Expense per Desk
MTA/MNR	341-347 Madison Avenue	231,094	873	1,110	208	$4,516,831 (4)	$19.55	$4,069
LIRR	144-41 94th Avenue, Jamaica (JCC)	83,781	342	437	192	$1,423,021	$16.99	$3,256
LIRR	93-59 183rd Street, Queens (Hillside Facility Bldg. 2)	76,516	381	455	168	$1,651,471	$21.58	$3,630
B&T	Robert Moses Bldg, Randalls Island	71,754	192	200	359	$871,023	$12.14	$4,355
MNR	525 N. Broadway, White Plains (1) (2)	45,677	125	194	235	$931,354	$20.39	$4,801
LIRR	93-02 Sutphin, Jamaica (HQ)	28,231	153	174	162	$556,433	$18.17	$3,198
LIRR	90-10 146th Street (Finance Bldg. B)	13,170	74	88	150	$182,409	$13.85	$2,073
LIRR	146-01 Archer (Finance Bldg. A) (3)	8,212	26	37	222	$131,937	$16.07	$3,566
LIRR	144-15 Archer Ave., Jamaica (Employment Building)	2,789	14	11	254	$46,567	$16.70	$4,233
Totals		**561,224**	**2,180**	**2,706**	**207**	**$10,311,046**	**$18.37**	**$3,810**

Notes:

(1) Headcount by 2Q 2011

(2) Excludes $1.7M annual financing charge, based on 10-yr amortization ending 2018

(3) To be acquired by NYC for street-widening

(4) $6,574,000 less retail revenue of $2,057,169

Exhibit B - Net Leased Office Buildings 4/21/2011

Agency	Location	Usable Square Feet (Office Only)	Heads	Desks	USF/ Desk	Annual Expense (Office Only)	Annual Expense per USF	Annual Expense Per Desk	Comments
MTA/MTACC/ NYCT/B&T	**2 Broadway**	1,118,444	4,168	4,797	233	$35.1M	$31.38	$7,317	• 90% of building used for office • Annual expense includes $19.4M rent to private fee owner, net of $1.6M retail revenue, but excludes $25.3M financing lease payments • Sale of leasehold today would entail substantial swap unwinding cost
NYCT	**130 Livingston Street, Brooklyn**	359,901	1,843	2,068	174	$9.2M	$25.54	$4,428	• 79% of building used for office • Land leased from NYC • Annual expense includes $447K for ground rent • Ground rent reset pending

Exhibit C – Space Leases *

4/21/2011

Agency	Location	Earliest Termination Date	Expiration Date	Heads	Desks	USF	USF/ Desk	Annual Expense- Office Only	Annual Expense per USF	Annual Expense per RSF	Annual Expense Per Desk
SIR	60 Bay St, Staten Island	6/30/2011	2/29/2016	37	39	8,191	210	$209,083	$25.53	$23.60	$5,361
LIRR	450 7th Ave.	10/30/2011	9/14/2014	24	24	4,870	203	$177,087	$36.36	$25.43	$7,379
MTA	111 Washington Avenue, Albany	11/30/2011	11/30/2014	4	4	632	158	$17,420	$27.56	$24.19	$4,355
LIRR	One Penn Plaza	12/31/2011	12/31/2011	50	46	4,745	103	$356,839	$75.20	$57.80	$7,757
NYCT	27-35 Jackson Ave.	7/22/2012	7/22/2012	71	96	16,000	167	$457,437	$28.59	$27.90	$4,765
LIRR	90-27 Sutphin Blvd.	12/31/2012	12/31/2012	78	83	17,720	213	$500,995	$28.27	$27.58	$6,036
MTACC (FSTC)	15 Maiden Lane	7/31/2013	7/31/2013	28	30	3,349	112	$151,450	$45.22	$30.29	$5,048
MTACC (FSTC)	195 Broadway	8/10/2014	8/10/2014	14	19	3,750	197	$192,000	$51.20	$32.65	$10,105
MTACC	29-76 Northern Blvd.	10/31/2014	10/31/2014	215	165	44,010	267	$644,350	$14.64	$11.93	$3,905
MTACC (ESA)	469 7th Ave.	12/31/2014	12/31/2014	266	264	46,768	177	$1,897,137	$40.56	$32.15	$7,186
MTACC (7 Train)	333 W. 34th Street	1/31/2015	1/31/2015	76	84	12,198	145	$452,278	$37.08	$25.84	$5,384
MTA (BSC)	333 W. 34th Street	2/1/2015	12/31/2021	588	495	80,630	163	$2,918,670	$36.20	$25.84	$5,896
NYCT (Para-transit)	33-00 Northern Blvd, LIC	4/29/2015	4/302020	501	525	99,670	190	$2,532,801	$25.41	$23.10	$4,824
NYCT	340 Flatbush Ave., Brooklyn	9/30/2015	9/30/2015	22	22	5,584	254	$140,067	$25.08	$21.65	$6,367
MNR	420 Lexington, Graybar, 11,12 & part 22	1/31/2016	1/31/2016	275	318	92,916	292	$4,191,099	$45.11	$32.62	$13,180
NYCT	180 Livingston	4/30/2017	4/30/2023	286	371	77,799	210	$2,259,033	$29.04	$23.10	$6,089
NYCT	177 Livingston	10/9/2018	10/9/2024	54	64	19,029	297	$719,934	$37.83	$29.39	$11,249
TOTALS				**2,589**	**2,649**	**537,861**	**203**	**$17,817,680**	**$33.13**	**$24.78**	**$6,726**

* Excludes areas used other than for tradional office use

Exhibit D - Office Space by Agency 4/21/2011

Agency	USF	Heads	Desks	USF/ Desk	Annual Expense *	Annual Expense per USF *	Annual Expense per Desk
NYCT	1,448,506	6,049	6,882	210	$43,858,096	$30.28	$6,373
MTA	305,407	1,265	1,505	203	$8,940,005	$29.27	$5,940
LIRR	240,034	1,142	1,355	177	$6,289,679	$26.20	$4,642
Metro-North	220,053	725	936	235	$7,356,812	$33.43	$7,860
MTACC	174,075	863	832	209	$5,747,789	$33.02	$6,908
B&T	192,432	641	716	269	$4,832,125	$25.11	$6,749
SIR	5,910	25	27	219	$146,027	$24.71	$5,408
Totals	**2,586,417**	**10,710**	**12,253**	**211**	**$77,170,533**	**$29.84**	**$6,298**

* Excludes 2 Broadway and 525 North Broadway debt service

Exhibit E - Space Lease Terminations - Recent and Pending 4/21/2011

Agency	Location	Annual Expense Avoided	Usable Square Feet	Vacate Date
MNR	420 Lexington (Graybar)- 9th Floor	$1,360,000	15,950	4/30/2010
MTA (BSC)	3 World Financial Center	$2,167,000	41,237	7/31/2010
MTACC	519 8th Ave.	$262,674	6,765	1/31/2011
NYCT	2475 Westchester Ave.	$240,756	7,600	2/28/2011
NYCT	519 8th Ave.	$161,907	5,074	4/30/2011
MTACC (ESA)	470 7th Ave.	$634,075	9,948	8/31/2011
MTACC (SAS)	20 Exchange Place	$360,000	5,240	9/30/2011
MTACC	420 Lexington (Graybar)- 16th Floor	$198,190	3,718	9/30/2011
Totals		$5,384,602	95,532	

Exhibit F

4/21/2011

PHASE	FLOOR	SEATS	USF	SEATS	USF	USF/SEAT
2	30	30	15,321	322	92,045	286
	29	33	15,321			
	28	67	15,318			
	27	69	15,318			
	26	48	15,376			
	25	75	15,391			
1	24	109	34,081	307	111,193	362
	23	105	34,560			
	22	75	35,015			
	21	18	7,537			
2	21	92	27,480	2,039	420,327	206
	20*	15	6,366			
	19	174	35,025			
	18	153	35,089			
	17	245	50,636			
	16	219	49,701			
	15	261	49,674			
	14	222	50,030			
	13	240	50,036			
	12	284	49,511			
	11	134	16,779			
1	11	136	31,888	2,129	494,879	232
	10	225	49,271			
	8	222	57,071			
	7	267	57,289			
	6	254	57,368			
	5	238	57,281			
	4	245	57,295			
	3	243	57,682			
	2	246	56,478			
	1*	14	3,210			
	M*	29	6,563			
	B*	10	3,483			

OVERALL PHASE 2 DENSITY	512,372 USF	217 USF/SEAT	4,797	1,118,444	233
OVERALL PHASE 1 DENSITY	606,072 USF	249 USF/SEAT			
OVERALL DENSITY	1,118,444 USF	233 USF/SEAT			

OFFICE SPACE DENSITY COMPARISON BY PHASE
2 BROADWAY

*EXCLUDES NON-OFFICE AREAS