

TIAGO

March 17, 2009

Robert Rodriguez, Board Chair
LaShawn Henry Co-Chair, Properties/Land Use Committee
Derrick Taitt, Co-Chair, Properties/Land Use Committee
Manhattan Community Board 11
1664 Park Avenue
New York, NY 10035

Dear Chairs Rodriguez, Henry and Taitt:

Thank you for taking the time recently with your colleagues to discuss the pending amendment to the special permit for the East River Plaza development regarding the need to remove the prohibition on early-morning deliveries.

East River Plaza, situated off the FDR Drive between 116th and 119th Streets, is scheduled to open in the Fall/Winter of 2009 with approximately 480,000 square feet of retail space and is anticipated to provide over 1700 full-time jobs. Some of our tenants include Target, Best Buy, Marshalls, and with the Board's assistance, Costco Wholesale warehouse club.

As you know, we recently secured Costco as a tenant to replace Home Depot, who would like to drop out of the project due to the ongoing economic uncertainties. Attracting such a quality business in the current environment is not only good news for the development, but for the community as well. Costco provides quality merchandise at substantial savings and has earned a reputation for being an excellent employer who recruits from surrounding communities, provides exceptional wages, great benefits and promotes from within (attached please find a summary of Costco's wages and benefits).

However, as we discussed, it is a condition of Costco's tenancy that the special permit be amended to remove the prohibition on accepting truck deliveries from midnight to 5:00am (for Costco only). This is because Costco Wholesale warehouse clubs are designed with their storage space above the shelves within the actual store. These shelves are restocked with heavy pallets directly from truck to shelf by forklift. This operational design makes it impossible for Costco to accept deliveries during normal hours of operation due to logistical and safety concerns. Attached for your information is a video DVD we produced that explains this operational concern.

Based on the concerns raised at our meeting regarding the amendment as well as ongoing issues the Board has with the project, below you will find Tiago's proposal to address the Board's overall concerns.

(1) Noise Monitoring and Attenuation Program

We have agreed to extend our noise attenuation program to cover the area affected by Costco's early morning truck deliveries. We will be offering storm or double-paned glass windows and alternate ventilation, such as air conditioning units, to those eligible residents with windows facing 116th St. between 1st and Pleasant Aves and those facing Pleasant Ave between 116 St. and 117th St.

Based on code requirements, we originally planned to only notify building owners of the mitigation offer as we are legally constrained by what building owners allow us to do within their buildings. Based on the concerns raised by the Board regarding possible unresponsive building owners, we will agree to sponsor a mailing that would also notify tenants of affected buildings of the planned truck deliveries and their possible eligibility for noise attenuation. The letter would provide contact information to verify eligibility and inform tenants they would also need to contact their landlords to seek permission to install air conditioning units and/or storm or double-paned windows.

We will also continue to monitor any impact the increased truck traffic may have on the surrounding community.

As part of the Community Boards ongoing concern regarding overall noise and pollution complaints in the East Harlem neighborhood, we will provide a not-for-profit designated by the Board, subject to our reasonable approval, with 100 vouchers that can be redeemed for air conditioners at a local retailer. The not-for-profit organization will administer a program that would distribute vouchers to qualified residents. The Board and Tiago shall agree on distribution criteria and a system whereby accurate records of the distribution shall be maintained and available for inspection by the Board and Tiago.

It should also be noted that Tiago has already agreed to repave East 116th Street between Pleasant Avenue and the FDR Drive and East 117th Street between Pleasant Avenue and the project entrance. In addition, Tiago will be restoring the cobblestones on East 117th Street between Pleasant Avenue and the project.

(2) Construction Jobs

To date, we have achieved 27% local hiring for available trades. While the developers entered into an agreement with UMEZ to make "good faith efforts" to reach a goal of 35% local hiring, a number of challenges outside of our control have prohibited us from reaching that goal so far. The current phase of work is known as "heavy construction," and is the most difficult and dangerous aspect of the construction process. To maintain a safe work environment, only the most experienced and highly skilled members of applicable trades are permitted on-site during this phase, and that necessarily limits the availability of positions for less highly skilled workers. In addition to that challenge, the bulk of trades working at this time are not "available trades," meaning that the

Community Labor Exchange (CLE) has not received (or doesn't have access to) union member applications from the community for those trades.

However, we believe that we will be able to meet (and work toward exceeding) the 35% local hiring goal as we move into the next project phase. Fit-out construction work requires a larger variety of skill sets and trades, which increases both the number and percentage of "available trades" on-site. We will continue our community outreach and welcome working with various local organizations, including and especially Community Board 11, to notify the public of work availability for union members within the community. We will also continue to maintain and improve our contractor relations on-site, to maximize cooperation and to help prioritize our local hiring goals.

(3) Retail Job Placement Program

As per the UMEZ agreement, we obligate our tenants, through language in our leases, to make a good faith effort to hire at least 35% of their store employees from the community. The Board has requested that we attain the goal of at least 75%. We have also been asked to donate funds to a not-for-profit workforce development agency to assist them with recruitment and placement for ERP retail tenants.

We agree to work with our tenants and the community to make good faith efforts to attain a goal of at least 60% in year one, 70% in year two and 75% in year three of full operation. We will also work with our tenants to ensure they make good faith efforts to promote from within to ensure that management positions are held by community residents. We will also work with our tenants to attain a goal of 50 % of management positions within ERP are held by community residents by year three of full operation.

To assist us in achieving these goals, we will agree to work with and ensure funding in the amount of \$350,000, to be spread out over a four-year period, to a well-established and experienced not-for-profit organization selected by the Board, reasonably acceptable to us, and meeting our agreed upon criteria for experience and capacity. This organization must have a minimum three years of relevant experience and we must approve of its selection and budget as it relates to ERP. This not-for-profit organization would be charged with collecting and reviewing resumes and providing viable prospective employee's resumes to our tenants for their consideration. The not-for-profit may also provide for job fairs, resume writing and interview skills workshops. Our tenants will review, interview and hire applicants they deem qualified from such a pool of prospective employees before any other applicant for the initial hiring phase as well as for ongoing vacancies.

In the event that the designated not-for profit fails to provide adequate assistance, Tiago and the community board will mutually agree to criteria to determine the failure of the designated not-for-profit and will mutually agree to selection criteria for the replacement not-for-profit. Tiago will be responsible to fund the difference between amounts previously paid to the original designated not-for-profit organization and the maximum

amount of \$350,000 directly to a replacement not-for-profit. This replacement not-for-profit organization shall provide similar services to assist our tenants in achieving the local hiring goals for the remainder of the committed period.

We will also work with the organization to provide for annual reports to the Board regarding community employment at ERP. From our collective experience, we believe these goals are reasonably attainable and we will continue to work with the board and the designated not-for profit to ensure we meet our objectives. Tiago will require that any payments made for these grants or project be verified by audit and that the designated or replacement not-for -profit prove that the monies funded were used for the specified purpose. The designated or replacement not-for-profit organization shall provide a complete list and description of all activities and document the number of candidates screened, referred and hired at ERP. If the designated or replacement not-for-profit fails to provide the proper documentation of proof that such monies have been used for its intended purpose, Tiago will have no obligation to fund any future payment.

(4) Community Space

The project had originally committed to making space available for community uses in a smaller commercial building, identified as Building B. The current design for Building B consists of approximately 18,000 square feet. The Board is requesting 9,000 square feet of space located on the third and fourth floor of Building B for not-for-profit community uses.

We will agree to provide the community with approximately 9,000 square feet of space located on the third and fourth floor of Building B for community use at a subsidized rent. We agree to make this space available for community use at \$30 (NNN) per square foot adjusted for inflation every five years. Any organization identified and agreed to by ERP and the Board must also be subject to our lender's approval.

(5) Food Stamps

While it is national corporate policy for Costco not to accept food stamps at any of its stores throughout the United States, we understand the concerns raised by the community and we have relayed such concerns to Costco. Costco has agreed to consider the issue and meet with members of the community to further discuss the matter. We will continue to have our own discussions with Costco as well as to facilitate an ongoing dialog with Costco and the community.

(6) Costco Memberships

We will agree to provide 2000 memberships to the community at no charge for two years. A not-for profit organization shall be chosen for the administration of such a program,

subject to our reasonable approval, and a fair and equitable method of distribution be established that includes income criteria and an open and transparent lottery system.

(7) Local Retail Business Assistance

We will agree to make available between 10,000 and 20,000 square feet of space for local retail businesses at the prevailing market-rate. As the project is set to open in the fall of 2009, we will make this space available for lease for viable and established local retailers for a period of six months, (beginning April 1, 2009 through September 30, 2009). During this period, we will actively work with the Board to identify and evaluate interested businesses and provide reasonable start-up opportunity assistance and incentives to viable prospective tenants. Such assistance includes, but will not be limited to: (1) the waiver of rent payment for up to three months; (2) the cost of a vanilla-box fit-out to be borne by ERP; and (3) the waiver of a security deposit. Any business identified and agreed to by ERP must also be subject to our lenders approval.

If no local retail business can be identified or agreed upon within the period stated above, we will agree to make grants totaling \$175,000, to be made over a three year period, to a local small business incubator organization that has been in existence for a minimum of three years, to help grow vital businesses. The organization and program shall be chosen by the Board with our reasonable approval. Thereafter, when spaces of 20,000 square feet or below become available within ERP, we will request that the incubator identify local businesses and provide a right of first offer.

(8) Health Programs

We will agree to provide grants toward a green-scaping/tree planning initiative in the total amount of \$100,000, to be paid over two years. This grant shall be made to a mutually agreed upon not-for-profit(s) for this purpose. We will also provide for funding to a mutually agreed upon local clinic or hospital, for health programs, such as childhood obesity, diabetes and asthma prevention and treatment programs in the total amount of \$150,000, to be paid over three years. Tiago will require that any payments made for these grants or project be verified by audit and that the designated organizations prove that the monies funded were used for the specified purpose. If the designated organizations fail to provide the proper documentation of proof that such monies were used for its intended purpose, Tiago will have no obligation to fund any future payment.

With regard to the Board's concerns over truck emissions, Costco owns and maintains its own fleet, operating a full quarterly maintenance schedule that ensures all trucks operate at peak efficiency. Costco's entire fleet dates from model year 2008 or later, and the company regularly investigates potential new technologies to improve efficiency and reduce emissions. Costco will continue to implement new conservation technologies, and

will deploy the newest and most feasible technologies in its fleet to serve the East Harlem store.

(9) Food bank Donations

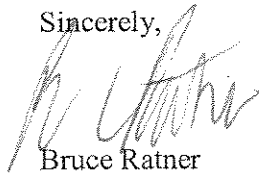
We have spoken to Costco and they have agreed to make product donations to a local and well established food bank of the Board's choice. The annual value of these donations is expected to be approximately \$250,000. We will also agree to make a \$100,000 cash grant, to be paid over four years, to this food bank.

(10) Special Permit Language Clarification

Please be advised that it was our intent to only allow Costco to accept deliveries from 12:00am and 5:00am. We will therefore be asking the City Planning Commission to clarify the amendment to state that with the exception of uses on the first floor only of the development, there shall be no scheduled freight deliveries between 12:00am and 5:00am.

We look forward to working with you and the Board and continuing our discussions to make the East River Plaza development something the community can and will be proud of. Please do not hesitate to contact us or Scott Cantone (FCRC) and Raffaella Petrask (BDG) of our staff if you have any questions.

Sincerely,



Bruce Ratner
Forest City Ratner Companies



Edward Blumenfeld
Blumenfeld Development Group