

November 17, 2010

Mr. Steven Roth
Chairman of the Board
Vornado Realty Trust
888 Seventh Street
New York, NY 10019

Mr. John B. Hynes III
Boston Global Investors
One Post Office Square
Suite 3150
Boston, MA 02109

Re: One Franklin Street

Dear Mr. Roth and Mr. Hynes:

Pursuant to Article 80A-6 of the Boston Zoning Code (the "Code"), I write to inform you of my determination concerning whether the delay of the One Franklin Street Filene's Redevelopment Project (the "Project") has significantly increased the impacts of the Project and whether such increased impacts warrant submission of a new Project Notification Form.

The City of Boston and the Boston Redevelopment Authority ("BRA" or "Authority") are tremendously disappointed with the lack of progress made on the Project. The BRA has completed our assessment of the impacts of the delay, which is the final step in the process set forth in Article 80. As detailed in this letter, the failure to execute the approved Project during the past three years has cost the City of Boston over \$20 million in new tax revenue, approximately 672 construction jobs and over 2,700 permanent jobs. We have heard from the public who overwhelmingly felt that your disregard for the economic health of Downtown Crossing had a negative impact on the area. We hope that the conclusion of this phase of the Article 80 process may set the stage for a new, achievable development program at One Franklin Street.

As you are aware, the BRA initiated a review of the Project following the lapse of more than three (3) years between the issuance of the Preliminary Adequacy Determination and the submission of a building permit application to determine whether such lapse of

time significantly increased the impacts of the Project to warrant resubmission of a new Project Notification Form. You were notified of this review in a letter dated September 27, 2010 and subsequently BRA staff has sought and received comments from the community, including those who commented on previous filings related to the Project. I also wrote to you on October 27, 2010 to confirm that the BRA had consulted with the Project proponent as required by the Code.

The impacts of the Project's lapse if time has been evaluated both by BRA staff review of the Project's formal submissions as well as through comment solicited from the community. A summary of these impacts follows.

Staff Review

BRA staff analysis of the impacts caused by the lapse of time for the Project began with a review of Section 2.5 (page 2-9) of the Project's Draft Project Impact Report. This Report states, "Substantial completion (of the Project) is anticipated fourth quarter 2010." If that were the case, approximately 672 construction workers would have been fully employed for three years. Moreover, upon full completion of the Project, Downtown Crossing would be prepared to welcome approximately 430 new residents, approximately 2,736 permanent jobs, approximately \$20.25 million in new tax revenue, greater participation in and resources for the newly announced Business Improvement District ("BID"), and \$9 million in community benefits which would go to essential programs, local nonprofits and capital improvements adjacent to the site. Of course, this has not happened. Further, 818 employees that worked every day at both Filene's (600) and Filene's Basement (218) have been displaced and those stores no longer activate the district.

In addition to the quantifiable impact of the failure to develop the Project, the current state of the property is a blight on the area. This blight creates an environment that discourages investment and improvement. That so many positive things continue to occur in Downtown Crossing is a testament to the commitment of your neighbors to the City despite the conditions that exist at One Franklin Street today.

Public Comments

The comments received from public agencies and persons who previously submitted comments to the BRA clearly show the negative impacts the Project's lapse of time has caused for the Downtown Crossing area. All the letters received contain a consistent message, reflected in the following sampling.

In a letter to us from the Boston Landmark Commission, the Commission's executive director stated she has "Serious concerns about the impact of the development delay both on the surrounding historic structures and the historic 1912 Filene's Building and remnant of the 1905 building that remain on the site. This area is characterized by a range of 19th and early 20th century mixed-use commercial buildings. The derelict Filene's site gives pause to any nearby property owners or business owners contemplating repairs or improvements to their own buildings. The longer the area has a large vacant site in the midst the more the buildings surrounding it can be expected to suffer for disinvestment. At its best, deferred maintenance can substantially raise the cost of building preservation. At its worst, it encourages demolition." She goes on to say "There are concerns about the effect of prolonged weather exposure on the building(s) envelopes including damage to the terra cotta by water infiltration."

The State Representative for the district wrote, "The current situation at the site cannot continue," and, "The development team has been disingenuous with the city and the residents and business owners in the district."

The Freedom Train Foundation called your actions "deplorable" and stated how their employees known as "Guides", continually have to apologize for this unacceptable condition to tourists and visitors who wonder, "How a city of such sophistication and history can allow the site to remain in such a rough state."

The letter from the Public Works Department states, "The inaction on the developer's part is compromising the coordinated improvements to the public infrastructure in the surrounding corridors, which in turn, limits the fueling and sustaining the economic engine and vitality of Downtown Crossing Business Improvement District."

The executive director of the Old South Meeting House, located at 310 Washington Street, commented by saying, "The loss of activity in the area of the One Franklin Street project has cast a pall over the vitality of the neighborhood and had a negative impact on attracting people to our day and evening public programs, as well as the use of the building for corporate events and weddings." She went on to say, "There has been a general sense that the area of Washington Street were the site sits in unsafe and unpopulated has been challenging to counter...resolving this situation must be a priority."

Conclusion

At this time, I have determined that the lapse of time for this Project of over three years has significantly increased the impacts of the Project and that consequently a new Project Notification Form must be filed. My determination is based on BRA staff's assessment that the lapse of time significantly increases the impacts of the Project, which assessment takes into account the comments received from the public since September 27, 2010, which communicate the negative impacts the Project's lapse of time has had on the economic vitality of Downtown Crossing. Please note that no new Adequacy Determination will be made, nor will any other actions be taken based on the prior Article 80 approvals for the Project.

Recent reports in the media indicate that a broker is now marketing the One Franklin property. It is my sincere hope that this represents a genuine effort to identify an experienced and capable developer who is dedicated to bringing new economic life to Downtown Crossing and the City of Boston.

Yours truly,

A handwritten signature in black ink, appearing to read "John F. Palmieri". The signature is fluid and cursive, with a large initial "J" and "P".

John F. Palmieri
Director