

LETTER OF MUTUAL AGREEMENT
PENNSYLVANIA STATION AREA CIVIC AND LAND USE IMPROVEMENT PROJECT

This Letter of Mutual Agreement, dated as of July 18, 2022 (“Letter”), is by and among the City of New York (the “City”), the State of New York (the “State”), and the New York State Urban Development Corporation d/b/a Empire State Development (“ESD”) (the City, State and ESD, each a “Party”, and collectively, the “Parties”), and is entered into in furtherance of the proposed Pennsylvania Station Area Civic and Land Use Improvement Project (the “Project”) as set forth in a modified General Project Plan (“GPP”) to be presented to the ESD Directors on July 21, 2022 for affirmation. This Letter shall serve as an outline of key principles to inform final agreements regarding the City’s participation in the Project, and the Parties shall proceed in good faith and with all due diligence to obtain all approvals and negotiate and finalize such agreements as necessary and appropriate to implement the Project consistent with this Letter.

WHEREAS, the City concurs with ESD that the Project is an important economic development project that would yield considerable long-term economic benefits to the City and the State; and

WHEREAS, subject to all applicable governmental reviews and approvals and documentation satisfactory to the Parties, the City is prepared to support the Project on terms and conditions set forth in this Letter that will be incorporated into the Project agreements entered into in furtherance of the Project.

NOW, THEREFORE, the Parties hereby set forth their understandings as to the following basic terms which will be the basis for the City’s participation in the Project:

1. Use of PILOT Revenue

- a. PILOT Revenue shall mean payments made in lieu of real property taxes on any Site in the GPP Project Area. Project Revenue shall include PILOT Revenue and any revenue received from the sale of additional development rights and any revenue received from the disposition of land.
- b. PILOT Revenue shall only be used for (i) Initial Project Construction Costs, (ii) the payment of debt service on bona fide debt or portion thereof issued exclusively for Initial Project Construction Costs (“Debt Service”), and (iii) subject to the terms hereof, the repayment (without interest) of certain State Shortfall Support Payments.
 - i. Initial Project Construction Costs shall include only those items set forth in Schedule 1 (to be updated at the time the City and ESD enter a PILOT Agreement if additional information is available), including:
 - Public Realm Improvements;
 - Transit Improvements;
 - Penn Reconstruction;
 - Penn Expansion; and
 - Reserves and Financing Costs (each “Initial Project Construction Cost Category”).

- c. PILOT Revenue shall not be used for any other purpose, including without limitation, any operating or maintenance costs, other Project capital expenditures not within an Initial Project Construction Cost Category, or future changes to the scope of Initial Project Construction Costs unless by consent of all Parties (each Party acting in its sole and absolute discretion).
2. Maximum Term of PILOT Sweep
- a. Each GPP property shall have a 40-year maximum sweep term from the date the applicable property or property interest is rendered tax exempt (“PILOT Sweep Term”).
 - i. The PILOT Sweep Term for each GPP property included in any initial issuance of Project debt may be up to 45 years should such issuance of Project debt so require.
 - b. The outside date for all PILOT Revenue to revert to the City (the “Temporal Cap”) shall be the earliest of i) the date upon which the City Agreed Costs (as defined in Section 4) have been funded with PILOT Revenue, ii) the date upon which no Project debt remains outstanding, or iii) the 80th anniversary of the first date a property in the Penn Station Area GPP is rendered tax exempt.
 - c. From and after the date upon which the Temporal Cap is achieved, 100% of PILOT Revenue shall be remitted to the City (regardless of whether or not any Project debt then remains outstanding).
3. Project Scope to be Funded with PILOT Revenue (“Percentage Caps”)
- a. The Percentage Caps for each Initial Project Construction Cost Category eligible to be funded with PILOT Revenue is listed below:
 - i. 100% of the costs of Public Realm Improvements
 - ii. 50% of the costs of Transit Improvements
 - iii. 12.5% of Penn Reconstruction and Penn Expansion
 - b. With respect to Penn Reconstruction and Penn Expansion, upon completion of bridging documents or equivalent at 50% of design, the City shall have the right to affirm that such documents reflect a scope that is neither greater nor materially different than the scope outlined in Schedule 1 (as may be updated at the time the City and ESD enter a PILOT Agreement if additional information is available).
 - i. To the extent the scope reflected in 3(b) above is substantively greater than the scope described in Schedule 1 (as may be updated at the time the City and ESD enter a PILOT Agreement), the City shall not be required to bear incremental costs associated with such increased scope unless amendment to Schedule 1 is agreed to by mutual consent of all Parties.
4. Maximum Aggregate Amount of PILOT Available to Support the Project (“City Agreed Costs”)
- a. The Percentage Caps will be used to calculate City Agreed Costs in accordance with a process/formula set forth in Schedule 2 hereto. The City Agreed Costs will represent the maximum aggregate amount of PILOT Revenue that the Project may utilize.

5. Make Whole Payments to the City

- a. State will make the City whole for property tax payments that would have been made had the Project not occurred, and Sites had remained on City tax rolls during the period of PILOT Sweep Term.
 - i. It is understood and agreed that each property or property interest in the GPP Project Area will be rendered tax exempt at the time of its acquisition by the State; that if Sites 1, 2 and 3 are selected as the preferred alternative for Penn Expansion, it is the State's intention to acquire those Sites prior to the demolition of any improvements on such Sites in connection with Penn Expansion; and that Sites 4, 5, 6, 7 and 8 will be acquired prior to commencement of construction of new improvements on each Site.
 - ii. With respect to each property or property interest within the Penn Station GPP Project Area that is rendered tax exempt in furtherance of the Project, the State will make annual payments to the City in amounts equal to the real property taxes that the City would have received if the Project never happened ("City Make Whole Payments"). With respect to each applicable property or property interest, City Make Whole Payments shall begin on the first day of the first full tax year following the date when such property is rendered tax exempt and shall terminate on the date the City Agreed Costs are spent or Temporal Cap is achieved, whichever occurs first.
 - iii. City Make Whole Payments will be calculated for each applicable property or property interest on the date such property is rendered tax exempt. The amount of the applicable City Make Whole Payment will be calculated as follows: (i(a)) for Sites 1, 2, and 3, by determining the average annual property tax amount due in the ten (10) years prior to State acquisition of property interests in such Sites; (i(b)) for Sites 4, 5, 6, 7 and 8 for the period commencing on the date that the applicable property or property interest is rendered tax exempt and ending on the date immediately preceding the date upon which construction of the improvements contemplated by the GPP on each Site is completed, the ground lease for such property or property interest shall require the developer to make payment of PILOT equal to what property taxes would have been during such period had the applicable property or property interest not been rendered tax exempt, which amounts will be paid directly to the City when the same would have become due had the property or property interest not been rendered tax exempt; and (i(c)) for Sites 4, 5, 6, 7 and 8 for the period commencing on the date that construction of the improvements contemplated by the GPP on each Site is completed, by (x) determining the average annual property tax amount due in the ten (10) years prior to a demolition permit being obtained for such property's redevelopment pursuant to the GPP and associated development agreement, and (y) assigning a multiplier of 1.16x¹ to reflect the present value of such average at the time of calculation. Thereafter, for all Sites, the City Make Whole Payment shall escalate at 3% (compounding) per annum.

¹ 1.16x multiplier accounts for 3% annual escalation for five years.

6. Revenue Shortfalls

- a. Debt Service and City Make Whole Payments will be fully backstopped by the State.
 - i. In the event that PILOT Revenue is insufficient in any given year to cover Debt Service and the City Make Whole Payment, the State will identify and commit other funds, subject to New York State appropriations, to cover such shortfall. The incremental amount between actual PILOT Revenue received in such a year and the aggregate of Debt Service and the City Make Whole Payment that the State must pay constitutes a “State Shortfall Support Payment.”
- b. Subject to the availability of funds and the Temporal Cap and City Agreed Costs, the State may reimburse itself up to the amount of the aggregate State Shortfall Support Payments accrued over the applicable PILOT Sweep Term (without interest) from Excess PILOT Revenue.
 - i. Any accrued State Shortfall Support Payments shall only be repayable from Excess PILOT Revenue and shall not offset the City Make Whole Payments or any other payments due to the City.
 - ii. The State shall not reimburse or otherwise recoup from PILOT Revenue any portion of the initial \$1.3B State appropriation, which, for clarification, shall not be considered a State Shortfall Support Payment.

7. Commercial Rent Tax

- a. The City will be entitled to bill, collect, and retain commercial rent tax from all applicable tenants of the new developments, including from all incremental square footage created pursuant to the Penn Station Area GPP, to the extent allowable under applicable law.

8. Social Services Support

- a. The State will fund additional social services in and around the Penn Station Area GPP Project Area in amounts to be determined following consultation with local stakeholders and social service agencies.

9. PILOT Abatement

- a. No abatement offered within the Penn Station Area GPP Project Area will be deeper or more valuable, with respect to both percentage of taxes abated and term of abatement, than the abatement that is available within the Hudson Yards UTEP area at the time of redevelopment of each Site.

10. City-State Development Corporation and Coordination

- a. A development corporation, to be created as an ESD subsidiary that will be jointly directed by the City and State (the “DevCo”) as provided below, will have oversight over various Project elements, including the scope and nature of all Public Realm Improvements.
 - i. DevCo will be overseen by seven (7) Directors, 4 of whom will be designated by the Governor and 3 of whom will be designated by the Mayor.
 - ii. All decisions regarding or otherwise impacting the (i) Public Realm Improvements to be funded by Project Revenue (including without limitation, the nature, scope, and

manner of implementation and financing such improvements), and (ii) any GPP Transit Improvements to be funded by Project Revenue that would result in the total cost for such GPP Transit Improvements to exceed \$1.5B, shall, in each such case, require a 2/3 majority vote (i.e., 5 affirmative votes).

- iii. DevCo will be empowered to audit (and will receive full access to) all records related to the collection, distribution, accounting, and/or utilization of PILOT Revenue, including without limitation, all Project records required to determine the amount of any required pre-payment of Project debt.
- b. If ESD and/or the State (including any action taken exclusively by or through the Governor-designated DevCo Directors) (i) dissolves the DevCo, (ii) fails to convene the DevCo for more than 9 months (except by mutual agreement of the City and State), (iii) otherwise unilaterally takes any action or makes any determination that ordinarily falls within the purview of the DevCo (without the consent of the Mayor-designated DevCo Directors), and/or (iv) undertakes the functional equivalent of any of the foregoing (i)-(iii), the State, subject to New York State appropriations, will pay to the City (the “DevCo Dissolution Penalty”) in an amount equal to the estimated cost to complete the remaining agreed-upon Public Realm Improvements pursuant to a public realm concept plan that has been approved by the DevCo, with the value of such remaining costs to be estimated by a third party cost estimator selected by mutual agreement of the City and ESD. If the State fails to pay all such funds within one year following the action that triggered the DevCo Dissolution Penalty, ESD will pay any remaining amounts due from Excess PILOT Revenue available at the end of each year (after payment of Debt Service and City Make Whole Payments). In addition, following the occurrence of any of the events set forth in subsections (i), (ii), (iii), and/or (iv) above, the State shall immediately forfeit its right to recoup any State Shortfall Support Payments, and 100% of any Excess PILOT Revenue must be committed to payment/pre-payment of Project debt, with any excess being remitted to the City.
 - i. The City will utilize any payments received on account of the DevCo Dissolution Penalty for implementation of the Public Realm Improvements (or such portion as may be achievable with the funds so provided).
- c. The State and ESD will ensure that periodic, regular updates are provided to the DevCo regarding the Transit Improvements contemplated in Schedule 1.
- d. Separate and apart from the DevCo, the State will work in good faith with the MTA and other Railroads to ensure City representation on any interagency working group(s) formed to advise on Penn Reconstruction and Expansion or any similar structures they may convene for the Project.

11. Excess PILOT Revenue, Debt Pre-Payment and Debt Refinancing

- a. In any year, Excess PILOT Revenue shall be defined as PILOT Revenue remaining after the payment of (i) Debt Service, (ii) Initial Project Construction Costs, (iii) the City Make Whole Payment, and (v) any required pre-payment of debt (in each case due for the applicable year), as described in subparagraph c of this section.
- b. To the extent that there is Excess PILOT Revenue available in any year during a PILOT Sweep Term (after payment of all Debt Service, Initial Project Construction Costs and City Make Whole Payments), at least 35% of such excess revenue will be pledged to the prepayment of Project debt, provided that any debt prepayments can be made without


penalty and unless the Parties consent otherwise.

- c. City approval will be required for any refinancing that increases the principal balance of the Project debt (with limited carve-outs that permit the capitalization of interest in default and workout situations).


It is expressly agreed that this Letter does not create or give rise to any contractual or other legally enforceable rights, obligations or liabilities of any kind on the part of any Party; it being the intent of the Parties that only subsequently formalized definitive agreements, if executed and delivered, shall obligate all Parties on the matters set forth herein, it being understood that execution and delivery of said definitive agreements is subject to all applicable governmental reviews and approvals. The Parties shall use good faith efforts to expeditiously negotiate such definitive agreements and, subject to all necessary approvals, execute and deliver such definitive agreements.

IN WITNESS WHEREOF, the State, City and ESD have respectively executed this Letter of Mutual Agreement as of the date first set forth above.


THE CITY OF NEW YORK

By: 
Name: [Maria Torres-Springer \(Jul 17, 2022 08:39 EDT\)](#)
Title: Deputy Mayor for Economic and V

THE STATE OF NEW YORK

By: 
Name: [James Katz \(Jul 16, 2022 16:43 EDT\)](#)
Title: Deputy Secretary to the Governor

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION d/b/a EMPIRE STATE DEVELOPMENT

By: 
Name: [Hope Knight \(Jul 16, 2022 20:40 EDT\)](#)
Title: President & CEO

Schedule 1
Scope of Initial Project Construction Costs

The Pennsylvania Station Area Civic and Land Use Improvement Project (the “Project”) is described in this Schedule 1. The descriptions herein shall constitute the scope of the Project, from which Initial Project Construction Costs will be determined.

Penn Reconstruction

The existing Penn Station facility will be transformed (“Penn Reconstruction”) by moving all passenger circulation and public amenities to what is now the lower level, and all station operations and back-of-house spaces to what will become a non-public upper level, where these functions can be out of the way of public circulation.

The public concourses on the lower level will be completed and widened, and their ceiling heights will be increased by removing the portions of the upper level directly above them, providing a recognizable grid that connects to all station tracks and platforms. This will include a broad new east-west concourse right down the center of the station between the main entrance at 7th Avenue and 32nd Street and the new west entry hall on the 8th Avenue side of the station, providing clear sightlines and easy navigation. There will be nine entrances and exits with enhanced street presence directly down to the lower level, with large new lower-level entry halls forming gracious portals to the station. A soaring, glass-enclosed and light-filled mid-block train hall in the space between Madison Square Garden and Two Penn Plaza will become the central architectural feature of the station.

The removal of all existing upper-level floor areas above the lower-level circulation spaces will create a series of upper-level “islands”, connected strategically with innovative bridges that will become part of the architectural composition of the station.

The project elements include:

- The entirety of Penn Station from 7th Avenue to 8th Avenue and from W. 31st Street to W. 33rd Street, owned by Amtrak, at street level and below street level, including areas leased by LIRR and NJT;
 - The train shed below Penn Station and the Farley Building and service tunnels below the track level;
 - The train yards to the west of the Farley Building, including the 38th Street Yard;
 - The Penn Station service building across 31st Street from Penn Station, owned by Amtrak (the “Service Building”);
 - All abutting sidewalks and streets, regardless of owner, extending to the building line on the opposite side of each street;
 - All entrances to Penn Station;
 - Areas that are potential connections to adjacent transportation spaces including:
 - Moynihan Train Hall (for coordination and integration);
 - West End Concourse;

- Property contemplated for Penn Expansion;
- NYCT A/C/E and 1/2/3 stations and connections to B/D/Q/N/R/W 34th Street stations and PATH 33rd Street station; and
- Possible uses on adjacent privately-owned property, including:
 - Space within the footprint of 1 Penn Plaza, the adjacent buildings and plazas sometimes known as 1 Penn East and 1 Penn West, and 2 Penn Plaza, all owned by VNO;
 - The former taxiway between Madison Square Garden and 2 Penn Plaza, owned by MSG Sports and Entertainment, LLC (“MSG”), in which both Amtrak and VNO have easement rights; and
 - Space above Penn Station at and above street level owned by MSG, including the Privately Owned Public Spaces (“POPS”) at the corners of 8th Avenue and 33rd and 31st Streets. 1.8 Integration of Penn Reconstruct.

The Reconstruction will better connect the improved passenger level to the tracks below by adding 29 new stairs, escalators, and elevators to the station platforms, bringing the total number of these vertical circulation elements to 118, a one-third increase. There would be at least two escalators, two elevators, and five stairs to each platform. Platforms will clear more quickly during normal operations and, most importantly, during emergency evacuations.

The new mid-block train hall, with its two-block-long atrium and skylight, will open the station to light and air from above, with new mid-block entrances at 33rd and 31st Streets, increasing the capacity of the station’s entrances and exits at its most heavily utilized location and knitting it into the proposed public realm improvements around the station.

In addition to the new mid-block entrances from 31st and 33rd Streets, the entrance from Seventh Avenue at 31st Street will be renovated and its street presence enhanced, and entrances from Eighth Avenue at 31st and 33rd Streets will be improved and expanded with glass enclosures and skylights, allowing additional daylight into the station. The Reconstruction will provide improved connections across Eighth Avenue between Penn Station and Moynihan Train Hall, including highly visible street-level connections and an improved underground connection at the 33rd Street concourse.

Retail space in the basement of the One Penn Plaza office building will continue to line the north side of the 33rd Street Concourse, and new retail spaces in Two Penn Plaza will line a balcony above street level along the east side of the new mid-block atrium. Additional retail will be strategically added around the center of the lower level, opening onto the new, widened and double-height concourses as well as the mid-block train hall on the lower level. A new mezzanine will overlook the west entry hall, with a waiting area and still more retail amenities.

The Reconstruction will consider how to replace the Madison Square Garden truck loading from the north end of the former taxiway that will be displaced by the mid-block atrium and skylight, possibly using a sliver of the former taxiway and a sliver of the MSG footprint adjacent to the taxiway.

Penn Expansion

The potential expansion of Penn Station (“Penn Expansion”) is being evaluated by MTA, Amtrak and NJT (collectively, the “Railroads”) and is subject to federal environmental reviews, including an alternatives analysis, and other federal approvals. One of the alternatives that is being studied by the

Railroads a southward expansion of Penn Station that would be built below-grade beneath the area generally comprising Blocks 780 and portions of Blocks 754 and 806, and the portion of West 31st Street between 9th and 7th Avenues, in the Borough of Manhattan (“Southern Penn Station Expansion”). Southern Penn Expansion would include expanded rail station, including tracks, platforms, railroad systems and passenger concourses and underground connections, substation, station services and “back-of-house”, i.e., non-customer facing support activities, as well as the structural elements at the track and station level to support a major commercial overbuild and the architecture concepts for above ground access and egress to and from the train hall. The expansion of Penn Station’s tracks, platforms, and concourses is needed to accommodate the increased train service that will be enabled by the planned new Hudson River Tunnel and other improvements in New Jersey as part of the Gateway Program. Several concepts for station expansion have been developed through various planning studies that will be evaluated as part of the alternatives screening process for Penn Station Expansion. Most of these concepts involve expanding Penn Station to the south, utilizing a portion or the entirety of Manhattan Block 780 below grade for tracks and platforms, and a portion of Block 754 to the west of 8th Avenue and a portion of Block 806, to the east of 7th Avenue. Some of the concepts expand the station with 8 or 9 new tracks south of existing Penn Station, roughly to the depth of existing Penn Station’s track level. Other concepts explore a bi-level station in Block 780 with upper tracks roughly at the depth of existing Penn Station’s track level and lower level tracks to be accessed separately via rail tunnels that branch off from the planned new Hudson River Tunnel on the west side of Manhattan. Penn Expansion may alternatively constitute such Potential Alternative as may be selected following NEPA review. The number of additional tracks required to accommodate the increased train traffic that will be made possible by the Gateway Program ranges from 9 to 12, depending on the alternative and the design options for the alternatives. Operational simulations of the Penn Expansion and existing Penn Station indicate that two additional tunnels from the Hudson River Tunnels directly to the Penn Expansion may be necessary. These additional tunnels are under study now, so their exact alignments and depths are not yet known. If needed, these additional tunnels will be part of the Penn Expansion project.

Reserves and Financing Costs

The Project budget will include capitalized reserves and an allowance for financing and inflation costs (the “Reserves and Financing Costs”).

Public Realm Improvements

A Public Realm Task Force (“PRTF”) will advise ESD on public realm improvements related to the General Project Plan (“GPP”) in a Public Realm Improvement Concept Plan (the “Concept Plan”) that would include a list and descriptions of priority public realm improvements (the “Public Realm Improvements”). The PRTF would solicit guiding principles from the New York City Department of City Planning to inform development of the Concept Plan.

A development corporation (the “Development Corporation”) would be formed as an ESD subsidiary, with its Directors appointed by the State and the City as outlined in Section 10(a) above, to advise ESD on implementation of the Public Realm Improvement Concept Plan, other public realm planning, and redevelopment of the Project Sites. The Development Corporation would consider the recommendations of the PRTF on the Concept Plan as well as review and advise ESD on all proposed public realm improvements and building design, with a focus on public space.

The PRTF and the Development Corporation will take into consideration future planning efforts by the City, including but not limited to a West Midtown Public Realm Plan, to ensure consistency with broader public realm planning goals of the City.

Transit Improvements

The following Transit Improvements are contemplated (the “Transit Improvements”).

- New Penn Station tracks and platforms and public entrances; below-grade connections beneath W 31st St to Penn Station
- New Penn Station/subway entrance and underground passageway to IND mezzanine within W 33rd St side of building; new subway entrance within W 34th St side of building, accompanied by an Americans with Disabilities Act (ADA)-complaint elevator; one new and two widened express platform stairs; two new uptown local platform stairs; one reconfigured fare control area; and widening of uptown local C/E platform between W 33rd St and W 34th St
- New Penn Station/subway entrance within Seventh Av and W 34th St corner of building, accompanied by escalators and an elevator, as well as new connections between Penn Station and the subway underpass and the fare control area at 34th St; new subway entrance within W 33rd St side of building; and relocating/widening downtown local No. 1 platform stairs, accompanied by an elevator, between W 33rd St and W 34th St
- New north–south underground concourse, new subway/concourse entrances within W 33rd and W 34th St sides of building; widening stairs from 33rd St underpass; widening 33rd St paid-zone stairs together with relocating an elevator; and widening of uptown local No. 1 platform between W 33rd St and W 34th St
- New north–south underground concourse; new east–west underground passageway (either constructing a new corridor in the area of the closed Gimbel's Passageway or a new passageway beneath Sites 7 and 8) connecting the Herald Square and Seventh Avenue Subway Stations with access to Site 7; widening paid-zone stairs at west end of 32nd St underpass; new subway/concourse entrances within W 32nd and W 33rd St sides of building; adding a new elevator adjacent to the new W 33rd St entrance; new express No. 2/3 platform stairs at the north and south ends of the station, along with a new fare control area at the 33rd St underpass; and widening of uptown local No. 1 platform bet W 32nd St and W 33rd St; additionally, as part of Penn Station improvements undertaken by the MTA, widening the downtown local No. 1 stairs to Penn Station Level A with enlarged fare control area and adding new connection/fare control area to downtown local platform
- Enhancing/connecting to Site 7's east–west underground passageway; new street-level stairs/escalator, accompanied by an elevator, on W 33rd St side of building; reconstructing street-level stairs/escalators on W 32nd St side of building; replacing PATH elevator in the new Site 8 building; two reconstructed mezzanine stairs connecting N/Q/R/W and B/D/F/M trains (one of these paired with Site 7's east-west passageway if constructed in the 33rd Street Option); and reconfigured fare control area at B/D/F/M mezzanine level

Schedule 2

Process for Establishing the Final City Agreed Costs and PILOT Revenue Utilized by the Project

The City Agreed Costs shall be established in the following manner:

1. First, upon the date when a fixed or guaranteed maximum price contract is awarded with respect to each Initial Project Construction Cost Category or portion thereof or, if the contracting method employed does not require a fixed or guaranteed maximum price, the date when 90% of all trades have been fully bid out with respect to each Initial Project Construction Cost Category or portion thereof, the total cost for such Initial Project Construction Cost Category or portion thereof will be established and fixed for the purposes of determining the amount of PILOT Revenue available for such portion. The total cost for each Initial Project Construction Cost Category or portion thereof shall include the fixed or maximum price or reasonable projection established upon bid-out of 90% of the trades, plus a commercially reasonable contingency. For the avoidance of doubt, the City Agreed Costs shall not include the cost of scope changes added after that scope has been established as provided for in Section 3 hereof, unless such changes have been agreed to by the City.
2. Second, the Percentage Cap will be applied to the total cost of each Initial Project Construction Cost Category or portion thereof, which will determine the amount of costs for each Category or portion thereof that may be funded with PILOT Revenue.
3. Third, the cost of financing will be applied. The total amount of PILOT Revenue that may be utilized for each portion will be fixed by using the blended interest rate of the debt issued for the respective portion, applied to the above amounts over the fixed term of the debt (as expressed in nominal dollars).