

PABT – Redevelopment Agreements with 20X Square Associates, LLC

Committee on Operations
May 18, 2010

Background

December 2007 Authorizations:

- South Wing Exclusivity Agreement – option to lease, renovate and manage the retail in the South Wing
- North Wing Exclusivity Agreement – development of a tower and renovations to the retail space

20X Square

- Due Diligence – \$6.3 million
- Option Fees – \$4 million

Agreements

Retail Management Agreement through August 7, 2014

Extend North Wing Exclusivity Agreement through August 7, 2011

- Synergy between retail and office overbuild
- Vornado is well-positioned to execute office development
- Vornado has extensive retail experience

Retail Manager Responsibilities

- Prepare annual retail operating and capital budgets
- Perform market analysis and prepare a leasing plan
- Conduct open houses for potential tenants; review offers by potential tenants
- Negotiate lease terms on behalf of the Port Authority
- Review variance reports on retail revenues; prepare quarterly reports of retail performance
- Set up on-site office with dedicated staff

Financial Terms

Port Authority will pay approximately:

- \$3,154,000 in reimbursable operating expenses
- \$543,000 in management fees
- \$2,935,000 in leasing commissions to 20X Square and other brokers
- \$985,000 to make vacant spaces ready for future tenants

Port Authority will receive incremental net revenue:

Incremental Revenue \$7,037,000

Incremental Expenses \$4,773,000

Aggregate Net Revenue \$2,264,000 (NPV is \$1,855,500)

PABT Redevelopment

Benefits include:

- The Retail Management Agreement will provide an opportunity to optimize revenue
- Extending the North Wing Exclusivity Agreement with 20X will enable the Port Authority to respond quickly
- Enhancement of retail and service amenities for bus patrons and the general public