

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
MEETING OF THE BOARD OF COMMISSIONERS AND BOARD COMMITTEE
MEETINGS – THURSDAY, FEBRUARY 15, 2018

The following is a revised agenda and related materials as of Tuesday, February 13, for the February 15, 2018 Meetings of the Board of Commissioners and Board Committees of The Port Authority of New York and New Jersey and its subsidiaries to be held at 4 World Trade Center, 150 Greenwich Street, NY, NY 10007.

Meeting attendees are required to go through a security screening upon entering the building. Attendees are encouraged to arrive early. Security screening will begin at 11:00 a.m.

Executive Session Meetings – 9:30 a.m. (23rd Floor – Agenda Review Room)

The Board of Commissioners will meet in executive session prior to the public meetings to discuss matters involving ongoing negotiations or reviews of contracts or proposals, and to discuss and act upon matters related to the purchase, sale, or lease of real property, where disclosure would affect the value thereof or the public interest, and matters related to proposed, pending, or current litigation or judicial or administrative proceedings.

Public Session Committee Meetings – 12:00 noon (23rd Floor – Board Room)

Committee on Operations

- ♦ Revision to Port Authority Policy for Minority and Woman-Owned Business Enterprises and Small Business Enterprises Michael Massiah
- ♦ Stewart International Airport – Signature Flight Support Corporation - Development of New Fixed Base Operator Terminal and Hangar - New Agreement(s) Huntley Lawrence

Committee on Capital Planning, Execution and Asset Management

- ♦ Stewart International Airport – New Federal Inspection Service Facility – Project Authorization Huntley Lawrence
- ♦ Holland Tunnel – Latent Salt Damage Repairs and Mitigation Program - Project Authorization Diannae Ehler

Board Meeting – 12:45 p.m. (estimated) (23rd Floor – Board Room)

- ◆ Report of Executive Director Richard Cotton
- ◆ Integrity Program Update Debra Torres
- ◆ Newark Liberty International Airport – New Terminal One - Program Re-authorization, Authorization to Award Terminal Design-Build Contract and to Enter into New Leases with Various Airlines Huntley Lawrence
- ◆ World Trade Center Site Development – Authorization to Enter into Lease with the World Trade Center Performing Arts Center, Inc. d/b/a the Performing Arts Center at the World Trade Center, Accept Payment for Below-Grade Improvements and Approve Increased Expenditure under Existing Port Authority World Trade Center Contracts Steven Plate
- ◆ Staff Recognition
- ◆ Speakers Program
- ◆ Resolution Approvals

For more information, contact the Office of the Secretary at (212) 435-6682 or (212) 435-7312.

Media Only: (212) 435-7777

SUBJECT TO CHANGE

* Members of the public wishing to address the Board on Port Authority-related matters may do so at its public Board Meeting. Individuals who wish to address the Board at its public Board Meeting should register by completing and submitting a registration form, which is located in the Speakers Registration section of the Port Authority Website, by 9:00 a.m. on the day of the Board meeting. Speakers are limited to three minutes each, and speaking time may not be transferred. The use of audio visual equipment is not permitted. The public comment period may be limited to 30 minutes. Appropriate photo identification is required.

**Summaries of Proposed Actions and form of Proposed Resolutions to be
Considered by the Board and Committees at the
February 15, 2018 Meeting***

1. Revision to Port Authority Policy for Minority and Woman-owned Business Enterprises and Small Business Enterprises
2. Stewart International Airport – Signature Flight Support Corporation – Development of New Fixed Base Operator Terminal and Hangar - New Agreement(s)
3. Stewart International Airport – New Federal Inspection Service Facility – Project Authorization
4. Newark Liberty International Airport – New Terminal One – Program Re-authorization and Authorization to Award Terminal Design-Build Contract and to Enter into New Leases with Various Airlines
5. Holland Tunnel – Latent Salt Damage Repairs and Mitigation Program – Project Authorization
6. World Trade Center Site Development – Authorization to Enter into Lease with the World Trade Center Performing Arts Center, Inc. d/b/a the Performing Arts Center at the World Trade Center, Accept Payment for Below-Grade Improvements and Approve Increased Expenditure under Existing Port Authority World Trade Center Contracts

*The Board is also expected to take action in executive session with regard to matters related to the purchase, sale, or lease of real property, where disclosure would affect the value thereof or the public interest, and matters related to proposed, pending, or current litigation or judicial or administrative proceedings.

(Board – 2/15/18)

1. *Revision to Port Authority Policy for Minority and Woman-owned Business Enterprises and Small Business Enterprises*

Request:

- *This item authorizes the acceptance of findings of a disparity analysis conducted by Mason Tillman Associates, Ltd. and a revision to the Port Authority policy with regard to Minority and Woman-owned Business Enterprise (M/WBE) participation in Port Authority procurement activities, as well as revisions to broaden opportunities and programs available for Small Business Enterprises (SBEs).*

Transaction Details:

- *The revised policy would provide for the following:*
- *M/WBE good faith participation goals in Port Authority procurement categories of 20 percent for MBEs and 10 percent for WBEs (as compared to the current goals of 12 percent for MBEs and 5 percent for WBEs);*
- *Setting aside certain contracts valued at \$2.5 million or less for award to SBEs via competitive bid and providing for the Executive Director to award such contracts (currently contracts valued at up to \$1 million are set-aside).*

Background:

- *In 1993, a study on disparity and utilization of M/WBEs and SBEs on Port Authority contracts was conducted, following the U.S. Supreme Court’s decision in “City of Richmond v. Croson,” which requires that MBE programs administered by state and local governments be based on findings of underutilization of minorities in business opportunities in order to pass constitutional muster. The findings of the 1993 study resulted in the Port Authority adopting participation goals of 12 percent for MBEs and 5 percent for WBEs.*
- *The new Mason Tillman study was completed in December 2017. This study demonstrated that there continues to be a disparity between the utilization of M/WBEs and their availability on Port Authority contracts.*
- *Port Authority M/WBE utilization over the past five years has averaged 20 percent on Port Authority contracts. The Mason Tillman study recommended that the Port Authority revise its current policy to set a good faith goal of 30 percent in accordance with the proposed modifications to strengthen opportunities for M/WBEs and SBEs to participate on Port Authority contracts.*
- *The proposed new Port Authority policy is further based upon experience from New York State’s M/WBE program. New York has had such a 30 percent good faith goal for several years and has generated positive results and positive experience from its program.*

REVISIONS TO PORT AUTHORITY POLICY FOR MINORITY AND WOMAN-OWNED BUSINESS ENTERPRISES AND SMALL BUSINESS ENTERPRISES

It was recommended that the Board: (1) accept the findings of the disparity analysis of minority and woman-owned business enterprise (MWBE) utilization in Port Authority contracts for construction, professional services, and procurement of goods and other services conducted by Mason Tillman Associates, Ltd. (Mason); (2) based on those findings, authorize an increase in the good faith participation goals in Port Authority contracts under the Port Authority Policy and Programs for Minority, Woman-owned and Small Business Enterprises, from the current 12 percent for Minority-owned Business Enterprises (MBEs) and 5 percent for Women-owned Business Enterprises (WBEs), to 20 percent for MBEs and 10 percent for WBEs in all procurement categories; and (3) pursuant to the current Small Business Enterprise (SBE) set-aside program, increase the Executive Director’s authority to designate and award construction and non-construction contracts, from his existing authority of up to \$1 million, to \$2.5 million or less.

In light of various Supreme Court decisions, MWBE programs must generally be based on factual findings as to “underutilization” --- as to whether, in light of local labor market conditions, fewer business opportunities are being provided to minority- and women-owned businesses than is warranted. Accordingly, over the years the Port Authority has commissioned various independent studies, to assess whether and to what extent the Port Authority can lawfully maintain an MWBE program. These studies are generally called “disparity studies.” In 1993 and in 2004, the Board considered and accepted previous disparity studies, and set MWBE goals in light of them.

The latest disparity study commissioned by the Port Authority was conducted by Mason, a well-respected leader in this field. Mason has extensive experience in conducting disparity studies and in developing MWSBE contracting programs. The firm has performed more than 135 disparity studies over many years for a wide range of institutions, including state, county and city governments, transportation agencies and utility districts. The Mason study included a systematic and rigorous consideration of local labor markets, and was completed in December 2017. The Mason study demonstrates that there continues to be a large disparity between (a) the utilization of MWBEs by the Port Authority, and (b) the availability of MWBEs for Port Authority contracts. More particularly, the Mason study supports increasing the agency’s MWBE good faith contracting goals --- to 20 percent for MBEs and 10 percent for WBEs, based on the increased availability of such entities to perform work on behalf of the Port Authority. (In the case of contracts for which the Port Authority receives funding from the federal government, the Port Authority will set good faith MWBE participation goals consistent with requirements established under federal law with respect to such contracts.)

Given that eligibility rules for contracts awarded through the SBE set-aside program differ from such rules and terms otherwise used for the award of such contracts, the Executive Director would be authorized to award such contracts pursuant to the SBE Policy, and the amount of that authority would be increased to contracts valued at up to \$2.5 million.

In view of the importance to the Port Authority of ensuring the availability of contracting opportunities for MWBEs, the Executive Director would be directed to report to the Board periodically on the agency's progress in meeting the participation goals set forth herein.

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that the Board: (1) accepts the findings of the disparity analysis conducted by consultants Mason Tillman Associates, Ltd. (Mason), which determined that minorities and women are underutilized in Port Authority contracts for construction, professional services, and procurement of goods and other services; and (2) provide that Port Authority contracts shall require contractors to make a good faith effort to achieve participation goals under the Port Authority Policy and Programs for Minority, Woman-owned and Small Business Enterprises (MWSBEs) of 20 percent for certified MBEs and 10 percent for WBEs; and it is further

RESOLVED, that, pursuant to the SBE set-aside program, the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to designate and award construction and non-construction contracts under the SBE Policy and Program valued at amounts not to exceed \$2.5 million, pursuant to a competitive low-bid process; and it is further

RESOLVED, that the Executive Director hereby is directed to report to the Board on the Port Authority's progress in meeting the foregoing participation goals for MBEs and WBEs periodically, as appropriate.

(Board – 2/15/18)

2. *Stewart International Airport – Signature Flight Support Corporation – Development of New Fixed Base Operator Terminal and Hangar - New Agreement(s)*

Request:

- *This item authorizes agreement(s) with Signature Flight Support Corporation (Signature) for the letting of approximately 220,335 square feet of land, which will be used by Signature for the construction of an aircraft hangar and fixed base operator (FBO) terminal, and will include the operation and maintenance of the existing Northeast Fuel Farm, for a 35-year term at Stewart International Airport (SWF) at market rates.*
- *Signature would also be provided with a right of first refusal for approximately 68,700 square feet of additional land for potential future development.*
- *The aggregate ground rental over the term of the agreement(s) is estimated at \$5,091,000. In addition, the Port Authority would receive five percent of gross receipts for goods and services rendered by Signature from activity at SWF.*

Transaction Details:

- *The agreement(s) would be effective on or about July 1, 2018.*
- *Signature would construct the aircraft hangar and FBO terminal at its sole cost.*
- *Signature is required to invest a minimum of \$5 million in the leasehold.*
- *Rental payments for the associated lands to be developed would commence on the earlier of Signature’s beneficial occupancy or one year from lease commencement. Land rent on the portion of the land reserved for future development would be effective upon lease commencement.*

Background:

- *Signature currently leases approximately 10,500 square feet in Building 140 and associated ramp space for its fixed base operation, which serves general aviation activity at SWF. It also operates the Northeast Fuel Farm, but not under an exclusive lease.*
- *Recently, Signature engaged the Port Authority and expressed an interest in relocating and expanding its operation at SWF, as part of a larger regional expansion.*
- *The proposed agreement(s) represents the first capital private capital investment in air service development since the Port Authority acquired the airport lease.*
- *Under the proposed agreement(s), Signature would develop a modern FBO terminal and support facilities and be responsible for the operation and maintenance of the Northeast Fuel Farm.*

STEWART INTERNATIONAL AIRPORT – SIGNATURE FLIGHT SUPPORT CORPORATION –DEVELOPMENT OF NEW FIXED BASE OPERATOR TERMINAL AND HANGAR AND NEW AGREEMENT(S)

It was recommended that the Board authorize the Executive Director to enter into a new 35-year agreement(s) with Signature Flight Support Corporation (Signature), commencing on or about July 1, 2018, providing for: (1) the leasing of approximately 125,000 square feet of land at Stewart International Airport (SWF) to provide for the construction of a new hangar and Fixed Base Operator (FBO) Terminal by Signature; (2) the leasing (including all operation and maintenance) of approximately 95,600 square feet of land at SWF comprising the existing Northeast Fuel Farm; and (3) a right of first refusal for an additional estimated 68,700 square feet of land at SWF. All rental payments would commence at the earlier of Signature's beneficial occupancy of the new hangar and FBO Terminal or one year from the agreement(s) commencement date, and the rental rate would be subject to reset at then-market rates at years 10, 20, and 30 of the term.

Signature currently leases approximately 10,500 square feet of Building 140 and associated ramp space at SWF for its FBO services, which serve general aviation activity. Signature would move its FBO services operations from Building 140 and its associated ramp space to the new hangar and FBO Terminal to be constructed under the proposed agreement. Pursuant to the proposed agreement(s), Signature would be obligated to invest a minimum of \$5 million for the design and construction of the approximately 28,000-square-foot hangar and FBO Terminal. If Signature failed to make the \$5 million minimum required investment within two years from commencement of construction, it would be obligated to remit payment to the Port Authority for any shortfall, as additional rent though equal installments over the remaining term of the agreement(s). Over the term of the agreement(s), the Port Authority would receive a total aggregate rental of approximately \$5.09 million. Signature would be responsible for any new environmental damage from the effective date of the proposed agreement(s), and for costs associated with the construction of the hangar and FBO Terminal.

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a 35-year agreement(s) with Signature Flight Support Corporation (Signature), commencing on or about July 1, 2018, providing for: (1) the leasing of approximately 125,000 square feet of land at Stewart International Airport (SWF) for the construction of a new hangar and Fixed Base Operator Terminal by Signature; (2) the leasing of approximately 95,600 square feet of land at SWF comprising the existing Northeast Fuel Farm; and (3) a right of first refusal for an additional estimated 68,700 square feet of land at SWF, all substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts and agreements necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

(Board – 2/15/18)

3. Stewart International Airport – New Federal Inspection Service Facility– Project Authorization Request:

- *This item authorizes a project to expand the passenger terminal at Stewart International Airport, to accommodate a permanent Federal Inspection Service (FIS) facility at a total cost of \$30 million.*
- *This item also authorizes the Executive Director to take actions necessary to change the airport's name.*

Transaction Details:

- *The project includes a 19,850 square-foot expansion of the terminal, the relocation of the interim FIS operation and the construction of additional public restroom facilities.*
- *The project will cover the construction of core and shell and fit-out of a new FIS facility, which upon completion will accommodate simultaneous domestic and international arrivals at the terminal.*
- *The item also authorizes the award of a contract pursuant to a publicly advertised/low bid procurement to construct the project at an estimated cost of \$19.6 million; and an increase to an existing contract with HNTB Corp. for architectural and engineering services in the amount of \$240,000 to support the project through completion (which would result in a total authorized amount of \$1.9 million for these professional services).*

Background:

- *The current size and configuration of the passenger terminal at Stewart International Airport precludes simultaneous domestic and international arrivals at the terminal. As a result, Customs and Border Protection (CBP) operations are currently conducted on a temporary basis in the existing terminal, with the understanding that the Port Authority would construct a new FIS facility to accommodate international arrivals.*
- *At its December 8, 2011 meeting, the Board authorized funding for the expansion of the terminal to accommodate a new FIS at the airport. However, due to competing agency priorities and the limited scheduled air service at the airport prior to 2017, the project was not included in the 2017-2026 Capital Plan.*
- *Given the recent increase in scheduled commercial air service at the airport, including international flights to multiple destinations, completing the project will allow staff to better market the airport to other carriers and build upon recent success.*
- *This project is part of a larger effort recently announced by the New York Governor to position the airport as an important access point to the New York/New Jersey metropolitan region. To that end, authorization to take actions necessary to change the airport's name is also being requested as part of this item.*

STEWART INTERNATIONAL AIRPORT – NEW FEDERAL INSPECTION SERVICE FACILITY – PROJECT AUTHORIZATION

It was recommended that the Board: (1) authorize a project to expand the terminal at Stewart International Airport (SWF) to develop a world-class federal inspection service facility (FIS), which would enable United States Customs and Border Protection (CBP) to process international passengers from scheduled and itinerant operations more efficiently and effectively, at an estimated total project cost of \$30 million, an increase of \$10.1 million from the previously authorized amount; and (2) authorize the Executive Director to: (a) award a contract to construct the expansion of the terminal, at an estimated total cost of approximately \$19.6 million; (b) increase, by approximately \$240,000, the amount of an existing contract with HNTB Corporation (or any affiliated entity) for architectural and engineering services for the project, which would result in a total authorized amount of approximately \$1,855,000; and (c) take actions necessary to change the airport's name.

In its current configuration, the passenger terminal at SWF has only limited ability to accommodate international traffic and cannot handle international and domestic arrivals simultaneously, which limits SWF's ability to expand service. In 2010, the airport received approval from CBP to: (1) utilize a portion of the main terminal arrivals area as an interim FIS facility to process occasional international arrivals; and (2) make interim modifications, completed in February 2011, to accommodate the interim FIS operations.

At its meetings of September 30, 2010 and December 8, 2011, the Board authorized funds for the expansion of the terminal to accommodate a new FIS facility at SWF. However, due to competing priorities and the limited scheduled air service at SWF prior to 2017, the project was not included in the 2017-2026 Capital Plan. Following the recent initiation of transatlantic service at SWF and renewed interest from international and domestic low-cost carriers in providing scheduled service to SWF, there is an opportunity to further market SWF as a convenient option for airlines and passengers, which supports the inclusion of the project in the 2017 – 2026 Capital Plan.

The proposed project would consist of an expansion to the north side of the terminal by approximately 20,000 square feet, the relocation of the interim FIS operation, and the construction of additional public restroom facilities. The project would be constructed in accordance with the latest CBP design standards for FIS facilities. Completion of this construction would enable the terminal to handle simultaneous domestic and international arrivals, by relocating the existing FIS operations into the terminal expansion area. Funding for this project for inclusion in the 2017 – 2026 Capital Plan will be achieved through cost offsets on other aviation projects that are to be delivered under budget and a grant from the New York State Department of Transportation.

In connection with the terminal expansion, which would expand the airport's capacity and enhance its ability to serve as a gateway to the New York/New Jersey metropolitan region, authorization also was requested for the Executive Director to take actions necessary to change the airport's name.

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that a project to expand the terminal at Stewart International Airport (SWF) to develop a world-class federal inspection service facility (FIS), at an estimated total project cost of \$30 million, be and it hereby is authorized; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to: (1) award a contract to construct the expansion of the terminal, at an estimated total cost of approximately \$19.6 million; and (2) increase, by approximately \$240,000, the amount of an existing contract with HNTB Corporation (or any affiliated entity) for architectural and engineering services for the foregoing project, resulting in a total authorized amount of approximately \$1,855,000; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take action with respect to construction contracts, contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing project, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take actions necessary to take any action necessary to change the airport's name; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

4. Newark Liberty International Airport – New Terminal One – Program Re-Authorization, Authorization to Award the Terminal Design-Build Contract and to enter into New Leases with various Airlines

Program Overview:

- *The new Terminal One Development Program at Newark Liberty International Airport will result in a modern state-of-the-art terminal that provides airport patrons with a 21st century customer experience, amenities and retail offerings. The new 33 gate terminal will have an open design to accommodate changes in technology and industry trends. Common use infrastructure will ensure flexibility to accommodate all airlines and encourage competition, which will benefit customers. The terminal design will improve the overall flow of passengers throughout the Terminal One facilities. It will include the most advanced security technology and will enhance the overall customer experience based on global best practices.*

Request:

- *This item authorizes an additional amount of \$360 million (resulting in a revised total Program amount of \$2.72 billion) to implement the new Terminal One Development Program at Newark Liberty International Airport (EWR), as well as certain actions to advance the Program, including authorization to expend up to \$1.85 billion in Program funds to develop Terminal One and remaining landside elements of the Program and authorization to award a design-build contract for a new Terminal One.*
- *The additional funds required will be provided by higher than anticipated revenues to be generated by the new terminal based on current market conditions.*
- *The additional funds are required due to higher than anticipated construction-related costs of \$240 million due to market conditions including significant numbers of competing regional projects, skilled labor and subcontractor cost escalation, material cost escalation beyond prior ranges, and associated overhead allocations based on the increase in construction costs. This construction cost increase results in additional formula driven soft costs including insurance, contingency and finance charges of \$120 million.*
- *The Port Authority retained an independent cost estimator to review the Program costs. Its estimate provided third party confirmation of the marketplace forces driving the incremental construction costs.*

Transaction Detail:

- *Authorization includes the following:*
 - *award of a contract to design and build Terminal One, a new pedestrian walkway and bridge between the new parking garage and Terminal One, at-grade frontage roadways and a bridge to service Terminal One that interface with bridges and roads being constructed by others;*
 - *submit an application to the Federal Aviation Administration to collect and use additional Passenger Facility Charges to cover certain expenditures associated with the Program;*
 - *enter into other contracts and agreements necessary to implement the Program, including for operating, maintaining the new Terminal One; and*
 - *enter into new lease agreements with each of the airlines expected to operate from Terminal One for use of gates and associated office and operational space.*

(Board – 2/15/18)

Background:

- *Via prior action in March 2016 and December 2017, the Board authorized a \$2.3 billion Program for the Redevelopment of EWR Terminal A, which will be named Terminal One; including the expenditure of an aggregate amount of \$717 million in Program funds (inclusive of \$25 million previously authorized for design services to implement certain elements of the Program).*
- *The new Terminal One will be a modern, state-of-the-art facility that will meet current and future air traffic demand with an appropriate level of service and will enhance the flexibility and efficiency of aircraft operations.*

NEWARK LIBERTY INTERNATIONAL AIRPORT – NEW TERMINAL ONE – PROGRAM RE-AUTHORIZATION, AUTHORIZATION TO AWARD THE TERMINAL DESIGN-BUILD CONTRACT AND TO ENTER INTO NEW LEASES WITH VARIOUS AIRLINES

It was recommended that the Board: (1) re-authorize the Newark Liberty International Airport (EWR) Terminal One development program (Program), at an estimated total amount of approximately \$2.72 billion, an increase of approximately \$360 million from the previously authorized amount of \$2.3 billion; (2) authorize the expenditure of an amount of \$1.85 billion to implement the design and construction of a new terminal (to be referred to as Terminal One) and remaining landside elements of the Program; and (3) authorize the Executive Director to: (a) award Contract EWR 154.376 for the design and construction of Terminal One, a new pedestrian walkway and bridge between the new parking garage and Terminal One, Bridge N60 and at-grade frontage roadways to service Terminal One, and other utilities and site work that will serve Terminal One, inclusive of an allowance to address unforeseen needs in designing and constructing Terminal One, such as extra work and compensable delay events, which costs are within the Program budget; (b) submit an application to the Federal Aviation Administration (FAA) for the collection and use additional Passenger Facility Charges (PFCs) to recover expenditures associated with the Program; (c) take action with respect to the Program for the award and modification of contracts and agreements (including, but not limited to: award of the operations, maintenance and concessions contract for the new Terminal One to the selected Terminal Operator, construction contracts; professional, technical and advisory services agreements; and other such contracts and agreements) required to implement the Program; and (d) enter into new lease agreements with each of the airlines expected to operate from Terminal One for the use of gates and associated office and operational space.

Terminal A opened for air passenger traffic in 1973 and is the oldest terminal at EWR. It is at the end of its useful life, and is in need of significant investment to maintain a state of good repair. In addition, Terminal A is at its capacity and no longer meets today's demands for frontage, building and airside space.

The new Terminal One will be modern, state-of-the-art facility, and will embody the spirit, resiliency and dynamism of New Jersey and New York. Terminal One would be designed and constructed in a manner such that it could be easily modified as needs and tastes change, and as standards and new technologies are introduced, will meet current and future air traffic demand with an appropriate level of service and will enhance the flexibility and efficiency of aircraft operations. The new design will: maximize the useful life of the Terminal One facilities, while minimizing total cost of ownership; enable world-class operations that provide passengers with a 21st century customer experience, amenities and retail offerings; improve the overall flow of passengers throughout the Terminal One facilities; and integrate retail, dining and commercial development in Terminal One. This manner of construction would also minimize disruptions to airlines and their operations during the transition and implementation.

The requested expenditure of \$1.85 billion would provide for the completion of the following Program elements: a new flexible 33-gate common-use terminal building and ramp capable of achieving Leadership in Energy and Environmental Design (LEED) Silver

certification that will accommodate the Port Authority's 13.6 million annual passengers forecast for 2027; a fully enclosed pedestrian walkway and bridge between the new parking garage and the new Terminal One; new Bridge N60 and at-grade frontage roadways to service the new Terminal One; site clearance, including installation of project site boundary fencing to separate the project site from Airport Operations Area (AOA) and provide site security as necessary, and installation of permanent AOA security fencing; a reconfigured stormwater collection system; an underground hydrant fueling system; high temperature hot and chilled water connection from Terminal One to the EWR Central Heating and Refrigeration Plant; and abatement and demolition of multiple buildings, structures, pavement, and utilities in the existing project site to allow for construction of Terminal One.

The additional funds for the Program are needed due to higher than anticipated construction-related costs of \$240 million, due to market conditions, including significant numbers of competing regional projects, skilled labor and subcontractor cost escalation, material cost escalation beyond prior ranges, and associated overhead allocations based on the increase in construction costs. This construction cost increase results in additional formula driven soft costs including insurance, contingency and finance charges of \$120 million. The additional funds required will be provided by higher than anticipated revenues to be generated by the new terminal based on current market conditions.

Through prior actions from May 20, 2004 through July 23, 2015, the Board authorized planning and early-action construction work to support the phased development of the Program, at an aggregate amount of \$105 million, and authorized the submission of applications to the FAA for the collection and use of up to \$105 million in PFCs to recover expenditures associated with the Program. In March 2016, the Board authorized the Program, which encompasses four overarching program elements, consisting of landside, airside, parking complex, and a passenger terminal, and included funds in the 2017 – 2026 Capital Plan, at an estimated total program cost of \$2.36 billion. Also in March 2016, the Board authorized the expenditure of \$196.3 million (exclusive of \$25 million previously authorized for design services to support the Program) to implement certain elements of the Program, with the expenditure of additional funds to implement other Program elements subject to future Board authorization. In December 2017, the Board authorized, among other things, the expenditure of an additional amount of \$496 million to implement certain landside and airside elements of the Program.

At its November 16, 2017 meeting, the Board authorized the Executive Director to supplement existing leases with American Airlines, Inc., Delta Airlines, Inc., United Airlines, Inc. and Alaska Airlines, Inc. and to enter into new leases with JetBlue Airways Corporation, Southwest Airlines Co., and Air Canada for the continued use of operational space and aircraft gates for a five-year period commencing January 1, 2019 and ending December 31, 2023. These agreements contain a provision that provides for the transition to Terminal One in two phases (estimated to occur in September 2021 and September 2022). The proposed authorization would permit the Executive Director to execute lease agreements for occupancy by the aforementioned airlines, and other airlines, as appropriate, upon completion of negotiations concerning terms and conditions of such occupancy and use by the respective airline(s).

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that the Newark Liberty International Airport (EWR) Terminal One development program (Program), at a total estimated program cost of approximately \$2.72 billion, an increase of approximately \$360 million from the previously authorized amount, be and it hereby is re-authorized; and it is further

RESOLVED, that the expenditure of up to \$1.85 billion to implement the design and construction of a new terminal (to be referred to as Terminal One) and remaining landside elements of the Program; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to award Contract EWR 154.376 for the design and construction of Terminal One, a new pedestrian walkway and bridge between the new parking garage and Terminal One, Bridge N60 and at-grade frontage roadways to service the Terminal One that interface with bridges and roads being constructed by others; and other utilities and site work that will serve Terminal One, inclusive of an allowance to address unforeseen needs in designing and constructing Terminal One, such as extra work and compensable delay events, which costs are within the Program budget , be and it hereby is authorized; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to submit an application to the Federal Aviation Administration for the collection and use additional Passenger Facility Charges to recover expenditures associated with the Program; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take action with respect to the Program for the award and modification of contracts and agreements (including, but not limited to: award of the operations, maintenance and concessions contract for the new Terminal One to the selected Terminal Operator, construction contracts, service contracts, professional, technical and advisory services agreements, and other such contracts and agreements) required to execute the work in support of the implementation of the Program; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to negotiate and enter into new lease agreements with each of the airlines expected to operate from Terminal One for the use of gates and associated office and operational space; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

(Board – 2/15/18)

5. Holland Tunnel – Latent Salt Damage Repairs and Mitigation Program – Project Authorization

Request:

- *This item authorizes a \$364.2 million project to address latent damage due to Superstorm Sandy and provide storm resiliency at the Holland Tunnel.*

Transaction Details:

- *The Proposed authorization will provide for the development and implementation of projects associated with the repair and restoration of damaged structural, mechanical and electrical elements and systems. In addition, flood protection enhancements will be provided at the Holland Tunnel New York and New Jersey portals and ventilation buildings.*

Background:

- *October 29, 2012, Superstorm Sandy made landfall in New York and New Jersey, resulting in severe flooding of the Holland Tunnel tubes and associated infrastructure, which required immediate closure of the facility. Following dewatering of the tubes and the performance of immediate repairs that were required to ensure the safe operation of the facility, the Holland Tunnel was returned to full operations on November 7, 2012.*
- *Following the re-opening of the facility, certain flood prevention and resilience measures were implemented based on the then existing Federal Emergency Management (FEMA) flood guidelines and maps, including installation of removable flood-proof barriers, concrete barriers, emergency generators, fillable barriers and other back-up equipment to enhance flood protection at the facility.*
- *Since that time, a complete assessment of the facility infrastructure was undertaken to identify the magnitude of long-term damage, including latent damage, that resulted from Superstorm Sandy, as well as taking into account additional resilience based on revised FEMA guidelines. In addition, constructability and staging assessments were conducted in order to determine the optimum means to sequence the work in a manner that mitigates impact on the users of the facility.*
- *The proposed project will address/repair latent salt damage caused by the flooding and salt residue from Superstorm Sandy and provide for storm resiliency in accordance with revised FEMA guidelines and flood maps issued in January 2015, thereby mitigating flooding conditions from future storm surges. In addition, the scope would include the evaluation of lighting system improvement alternatives in the tunnel.*

HOLLAND TUNNEL – LATENT SALT DAMAGE REPAIRS AND MITIGATION PROGRAM – PROJECT AUTHORIZATION

It was recommended that the Board authorize a project for: (1) the repair and restoration of systems and structures at the Holland Tunnel (HT) that were damaged by Superstorm Sandy, in order to maintain a state of good repair; and (2) the provision of flood protection measures at the HT portals and ventilation buildings, at an estimated total project cost of \$364.2 million.

The HT was severely affected by Superstorm Sandy. The tunnel and its support facilities were flooded, with an estimated 30 million gallons of brackish water entering through the New Jersey roadway portals and through the exhaust air duct system into both the north and south tubes.

The HT was closed immediately due to damage caused by Superstorm Sandy, and was reopened to bus traffic after five days, and to commuter traffic after ten days. In the aftermath of Superstorm Sandy, the Port Authority deployed several preventive measures at the HT in preparation for a storm of similar magnitude, which included: the purchase and installation of stop logs at each of the HT ventilation buildings; the installation of concrete barriers at the north tunnel exit portal and the New Jersey Administration Building; and the purchase of emergency generators, fillable barriers, and other back-up equipment.

In January 2015, the Federal Emergency Management Agency (FEMA) updated its flood maps and elevations, based on Superstorm Sandy and other recent storm events. The new design flood elevations are designed for a 500-year flood level.

A Stage I study was completed in April 2016, which resulted in recommendations to repair and/or replace the damaged electrical and mechanical systems and structures, and to install additional flood protection measures in accordance with the latest FEMA flood design guidelines, in order to mitigate the deterioration of the systems and protect against future flooding conditions.

At its meeting of February 16, 2017, the Board authorized planning work in support of the proposed project, at a total estimated cost of \$6.9 million. That Stage II planning work evaluated the constructability and traffic impacts to the local streets and regional network, and recommended: packaging the work into two contracts; extending overnight single tube closures (six work nights per week) during construction; and undertaking additional traffic monitoring and mitigation measures.

Under the proposed project, two contracts would be awarded, in order to allow for an effective and efficient construction effort and coordination of work. The first contract (HT-224.130) would provide for latent salt damage repairs and mitigation, including: installation of flood gates and perimeter protection at the New York and New Jersey Portals to meet FEMA flood criteria; repair of safety walks, safety walk walls, and handrails; repair of steel bent sections and curb drainage; repair of concrete in the blower (fresh air) duct and fresh air flues; replacement of damaged and missing wall tiles and unclogging of weep holes; repair of granite blocks at the New Jersey Portal; washing and removal of salt residue from roadway pavement, tunnel signage, access doors, and egress paths; repair of exhaust ducts, drum rings, and ceiling panel hangers; replacement of low-voltage cables and medium-voltage duct banks and cables; replacement of voice communication system and fiber optic cables; replacement of pump rooms' damaged equipment

and controls; replacement of the fire detection and suppression system components, and fire extinguishers; cleaning of salt residue on grade cleanouts and fire standpipes; and replacement of damaged lighting, corroded elevator components and damaged overhead lane status lights. In addition, the scope would include the evaluation of lighting system improvement alternatives in the tunnel. The second contract (HT-224.131) would provide for flood protection work at the New York and New Jersey Ventilation Buildings, to increase stop logs' height to meet FEMA flood criteria.

Support for these contracts would be provided by two firms holding Superstorm Sandy Indefinite Quantity Contract agreements for the performance of architectural and engineering services for the design of federally funded Superstorm Sandy-related repair and resilience projects on an “as needed” basis, which firms were retained to support Stages 1, 2, 3 and 4 of this project.

At its meeting of December 4, 2013, the Board authorized preliminary program funding to define projects to be developed, executed, and delivered under a multi-year Storm Mitigation and Resilience Program, and the provision of \$108 million, of which \$27 million was allocated for Port Authority facilities, excluding the World Trade Center site, to retain architectural and engineering design services and federally required integrity monitoring services to support the program. Staff would retain STV, Inc. and CH2M Hill, Inc. to perform final design and construction services for the proposed project, on a task-order basis, under the agreements awarded pursuant to the Board's December 4, 2013 resolution, and in compliance with federal procurement guidelines, to ensure maximum federal cost recovery.

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that a project for the repair and restoration of systems and structures at the Holland Tunnel that were damaged by Superstorm Sandy, and the provision of flood protection measures at the Holland Tunnel portals and ventilation buildings, at an estimated total project cost of \$364.2 million, be and it hereby is authorized; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take action with respect to construction contracts, contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing project, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing project shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

6. World Trade Center Site Development – Authorization to Enter into a Lease with the World Trade Center Performing Arts Center, Inc. d/b/a the Performing Arts Center at the World Trade Center, Accept Payment of \$48 Million for Below-Grade Improvements and Approve Increased Expenditure under Existing Port Authority World Trade Center Contracts for up to \$8 Million

In 2003 as part of the World Trade Center Master Plan, the Port Authority committed to accommodate a future Performing Arts Center facility on the WTC grounds at the northwest corner. Much work has been devoted to this project by many parties over the past 15 years. Entering into this lease and including the associated agreement with the Lower Manhattan Development Corporation will now clear the way for Performing Arts Center above-ground construction to begin in 2019. The Performing Arts Center is an important element of the WTC Master Plan and the Port Authority will be delivering on its 2003 commitment by entering into the lease. As part of the arrangement, the Port Authority will be paid \$48 million related to below-grade improvements at the site from funds made available by the Lower Manhattan Development Corporation.

Request:

This item authorizes:

- a 99-year lease with The World Trade Center Performing Arts Center, Inc. (WTC PAC) for the above-grade portion of the WTC site bounded on the north by Vesey Street, on the east by Greenwich Street, on the south by Fulton Street, and on the west by the (to be built) Washington Place Plaza site (leased Premises);*
- the Executive Director to effectuate the terms of letter agreement with the Lower Manhattan Development Corporation (LMDC) setting forth the conditions on which LMDC will provide \$48 million to the WTC PAC to acquire rights from the Port Authority in certain below-grade improvements being constructed by the Port Authority from which WTC PAC and certain other WTC tenants benefit;*
- the Executive Director to increase existing Port Authority contracts for below-grade structural and system work, as necessary, in an amount not to exceed \$8 million, in order to support the future development of the WTC PAC; and*
- the Port Authority to exercise reasonable efforts to obtain from the City of New York rights to a volume of space necessary to allow the PAC building to extend over a portion of the sidewalk on Fulton Street (identified as Sidewalk Premises) and upon obtaining the Sidewalk Premises, such space will be included in the leased Premises.*

Transaction Details:

- The lease will be for an initial 99-year term for \$1 per year. The WTC PAC would also be obligated to pay to the Port Authority the cost of electricity and chilled water used by the WTC PAC during the occupancy term and to contribute to the capital reserve for the WTC chiller plant.*
- The lease includes an option to extend the term up to an additional 99 years at the same terms, and an option to cause the Port Authority to transfer the WTC PAC premises to the WTC PAC in consideration of \$1.*
- Upon execution of this lease the Port Authority would accept \$48 million from WTC PAC in payment for below-grade improvement work performed by the Port Authority to accommodate the PAC.*

Background:

- *In 2003, as part of the WTC Site Master Plan, the Port Authority committed to accommodate a future Performing Arts Center facility at the northwest corner of Fulton Street and Greenwich Street.*
- *The PAC project is currently managed by the Perelman Performing Arts Center with funding from the LMDC, allocated from an original Community Development Block Grant from the U.S. Department of Housing and Urban Development (HUD). A portion of the funds that the Port Authority is to receive from the PAC as reimbursement for the work on the below-grade improvements at the PAC site will be derived from the federal HUD funding, to be provided to the PAC by LMDC.*
- *Under various Board authorizations through November 2008, consultants have been retained by the Port Authority to coordinate and perform below-grade structural design work at the PAC parcel, primarily in connection with the design of the WBVA Project.*
- *As WTC PAC has now finalized its plans for the PAC and LMDC has agreed to designate WTC PAC as the sub-recipient of HUD funding, the Port Authority has an opportunity to finalize the Net Lease for the PAC, and be paid \$48 million toward the cost of the below-grade improvements.*

WORLD TRADE CENTER SITE REDEVELOPMENT – AUTHORIZATION TO ENTER INTO A LEASE WITH THE WORLD TRADE CENTER PERFORMING ARTS CENTER, INC. D/B/A THE PERFORMING ARTS CENTER AT THE WORLD TRADE CENTER, ACCEPT PAYMENT FOR BELOW-GRADE IMPROVEMENTS AND APPROVE INCREASED EXPENDITURE UNDER EXISTING PORT AUTHORITY WORLD TRADE CENTER CONTRACTS

It was recommended that the Board authorize the Executive Director to: (1) enter into an Agreement of Lease and Access Agreement (Net Lease) with The World Trade Center Performing Arts Center, Inc. d/b/a The Performing Arts Center at the World Trade Center (WTC PAC) for a volume of space located on a portion of the World Trade Center site (WTC Site) bounded on the north by Vesey Street, on the east by Greenwich Street, on the south by Fulton Street and on the west by the future Washington Place Plaza, and appurtenant easements and other rights, as described in the Net Lease (PAC Premises); (2) approve the terms of, and authorize the Executive Director to act to effectuate, a letter agreement dated December 22, 2017 between the Port Authority and the Lower Manhattan Development Corporation (LMDC) setting forth the conditions on which LMDC will provide \$48 million to WTC PAC (the LMDC Payment) to acquire rights from the Port Authority in certain below-grade improvements (Below-Grade Improvements) being constructed by the Port Authority from which WTC PAC and certain other World Trade Center tenants benefit (the LMDC Agreement); and (3) to increase existing Port Authority spending authorization under contracts for below-grade structural and system work, as necessary, in an amount not to exceed \$8 million, in order to support the future development of the WTC PAC.

On May 29, 2003, the Board authorized the Executive Director to enter into a memorandum of understanding with LMDC to implement the Master Site Plan (Plan) developed by Studio Daniel Libeskind for the WTC Site. As part of that commitment, the Port Authority, in December 2003, amended the net leases for the office and retail components of the WTC Site to reconfigure their net-leased premises in order to accommodate the Plan and allow for a Performing Arts Center (PAC) to be constructed at the WTC Site. In furtherance of the Plan and the commitment by the Port Authority, LMDC adopted a General Project Plan (GPP) on June 2, 2004, amended as of February 14, 2007, which established the overall site plan for the World Trade Center and included a PAC to be located on the corner of Fulton and Greenwich Streets within the World Trade Center. There have been several PAC design proposals presented to LMDC, and in 2018, LMDC designated WTC PAC to receive the real property interest in the PAC Premises, to be provided certain federal funds allocated from a Community Development Block Grant from the U.S. Department of Housing and Urban Development (HUD), toward completion of the PAC. WTC PAC made certain design changes in the PAC subsequent to design of the Below-Grade Improvements, requiring certain modifications during construction of the Below-Grade Improvements.

The Below-Grade Improvements, located at the corner of Fulton Street and Greenwich Street, are to be used by the net lessee of One World Trade Center (Tower 1 Lessee), the net lessee of the retail component of the World Trade Center (Retail Lessee), the Port Authority (for the West Bath tub Vehicular Access (WBVA), portions of the WTC Vehicular Security Center and Tour Bus Parking Facility (VSC), portions of the Vehicular Roadway Network (VRN), the PATH rail system and certain other back-of-office hallways and offices and mechanical spaces), the New York

Metropolitan Transportation Authority and WTC PAC. Under various Port Authority Board resolutions through November 2008, design consultants were retained by the Port Authority to coordinate and perform Below-Grade Improvements design work at the WTC Site which would affect (and be affected by) the premises to be occupied by the PAC, as they were then contemplated to be configured, and other Port Authority design and construction costs contemplated for allocation to the PAC were also authorized. The Port Authority is currently constructing portions of the Below-Grade Improvements.

At its special meeting of June 22, 2010, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, authorized the Executive Director to enter into an agreement with the City of New York (the City), which was then the sponsor of the PAC, pursuant to which the City would reimburse the Port Authority for the cost of early-action design and construction of the Below-Grade Improvements, in an amount not to exceed \$48 million, to be memorialized in one or more agreements with the City.

As WTC PAC has now finalized its plans for the PAC, and LMDC has agreed to designate WTC PAC as the recipient of the real property interest in the PAC Premises and the sub-recipient of HUD funding, the Port Authority has an opportunity to finalize the Net Lease for the PAC, the final element of the Plan, and be paid \$48 million toward the cost of the Below-Grade Improvements on terms and conditions described below.

The Port Authority would lease to WTC PAC a volume of space that includes the entire PAC Premises, with certain excluded areas (including the Below-Grade Improvements, in which WTC PAC will receive a real property interest representing its use rights, subject only to the rights of certain other WTC Site tenants and the Port Authority).

The Net Lease would require that the PAC Premises be used for the creation of a world-class performing arts center not larger than 200,000 square feet and with not more than 1,200 seats, together with permitted accessory uses (such as a restaurant, a gift shop and certain educational, community and fundraising events). The PAC would be required to be operated by WTC PAC consistent with the prevailing standards at comparable world-class performing arts centers, examples of which include Jazz at Lincoln Center, the Brooklyn Academy of Music, Signature Theatre and The Public Theater. Certain special events (based upon size, security issues or utilization of outdoor areas) to be held at the PAC Premises shall be subject to scheduling and approval by the Port Authority or its designee.

A portion of the PAC would encroach upon a portion of the sidewalk to be owned the City, which would require an easement from the City, and the Port Authority has agreed to exercise reasonable efforts to assist WTC PAC in obtaining the easement, and upon obtaining the easement, such space will be included in the PAC Premises.

The 99-year occupancy term of the Net Lease would commence upon execution and delivery of the Net Lease, approval of the Board and expiration of the gubernatorial veto period, approval of the LMDC and WTC PAC boards and the payment of aggregate rents for the entire term of \$99 and the aforementioned \$48 million in additional rent (Lease Effective Date). The final legal description of the PAC Premises would be determined at such time. WTC PAC would also be obligated to pay to the Port Authority the cost of electricity and chilled water consumed by

the PAC during the occupancy term and to contribute to the capital reserve for the World Trade Center Central Chiller Plant during the occupancy term. All other utilities would be contracted and paid by WTC PAC directly with the utility provider. WTC PAC would have one option to renew the Net Lease for one additional 99-year period, and an option to cause the Port Authority to transfer fee title to the PAC Premises to the WTC PAC in consideration of \$1.00. If the fee interest is so purchased by WTC PAC, the transfer would be subject to deed restrictions and conditioned on execution and delivery of an appropriate easement agreement to reflect the integration of the PAC Premises into the WTC Site. The PAC Premises would also be subject to a restrictive use declaration (Declaration) in favor of LMDC restricting the use of the premises for cultural purposes consistent with the Plan, and requiring a replacement tenant to be approved by LMDC, in consultation with the Port Authority.

The additional third-party design and construction services necessary to support modifications to the Below-Grade Improvements as a result of WTC PAC's redesign of the PAC would be funded by or on behalf of WTC PAC. The Port Authority is in negotiation with Tower 1 Lessee, Retail Lessee, as well as WTC PAC to further define the rights and obligations of such parties, the Port Authority and other users of the Below-Grade Improvements as they reach completion.

Due to the redesign of the PAC and concomitant modifications to the Below-Grade Improvements, the timeframe for completing the Below-Grade Improvements has been extended. WTC PAC has agreed to provide definitive design specifications and fabricated steel support elements for installation by the Port Authority, no later than December 31, 2018 (subject to extension in limited circumstances), so that work on the Below-Grade Improvements can continue. WTC PAC would reimburse the Port Authority for any fees, penalties or other compensation which the Port Authority would be required to pay to the other WTC Site tenants arising from the extended schedule for the Below-Grade Improvements (except to the extent that any further extension of the completion date is caused by the Port Authority). However, WTC PAC would not compensate the Port Authority for any of its additional costs during this extension period. To the extent that the Port Authority incurs such costs, the Executive Director would have the authority to increase payment under existing Port Authority contracts for below-grade structural and system work, as necessary, in an amount not to exceed \$8 million, in order to accommodate such costs.

WTC PAC would be otherwise responsible for the design and construction of its building. The Net Lease would permit WTC PAC to access the site to commence construction as and when the Port Authority sufficiently completes the Below-Grade Improvements, to permit WTC PAC to commence its above-grade work without materially interfering with the Port Authority's work. WTC PAC would be obligated to commence construction and complete construction of the PAC within the time periods described in the Net Lease (in most cases, completion is required within 5 years following the date it is commenced). Failure to meet such time periods would enable the Port Authority to perform restoration work at WTC PAC's expense and to terminate the Net Lease.

WTC PAC would be responsible for the construction of the PAC within the PAC Premises and the maintenance and repair of the PAC. The Port Authority would be responsible for the maintenance and repair of the below-grade structural foundation for the PAC and other infrastructure, subject to reimbursement by WTC PAC and other WTC Site tenants as and to the

extent set forth in the Net Lease and other reciprocal easements among the WTC Site tenants. Other costs of construction and construction delays would be allocated as set forth in the Net Lease. Additionally, WTC PAC would be responsible for maintaining insurance generally comparable to the insurance maintained by other leaseholders at the WTC Site, and would indemnify the Port Authority from liability for any incidents at the PAC Premises not caused by the Port Authority.

The proposed authorization would allow the Port Authority to enter into the Net Lease with WTC PAC and allow the Port Authority to effectuate its commitment to provide the PAC Premises for cultural purposes.

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that the Executive Director be and hereby is authorized, for and on behalf of the Port Authority, to enter into a Net Lease with The World Trade Center Performing Arts Center, Inc. d/b/a The Performing Arts Center at the World Trade Center (WTC PAC) for a volume of space at the World Trade Center (WTC) Site bounded on the north by Vesey Street, on the east by Greenwich Street, on the south by Fulton Street and on the west by the future Washington Place Plaza, as described in the Net Lease (PAC Premises), on a basis substantially in accordance with the terms and conditions outlined to the Board; and it is further

RESOLVED, that the terms of the letter agreement dated December 22, 2017 between the Port Authority and the Lower Manhattan Development Corporation (LMDC) setting forth the conditions on which LMDC will provide \$48 million to WTC PAC (the LMDC Payment) to acquire rights from the Port Authority in certain below-grade improvements (Below-Grade Improvements) being constructed by the Port Authority from which WTC PAC and certain other World Trade Center tenants benefit (LMDC Agreement) are hereby approved, and the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to act to effectuate the LMDC Agreement, accept \$48 million from WTC PAC in payment of all amounts outstanding for the Below-Grade Improvements and execute and record the Declaration; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to increase payment under existing Port Authority contracts for below-grade structural and system work, as necessary, in an amount not to exceed \$8 million, in order to support the future development of the WTC PAC; and it is further

RESOLVED, that the Board hereby finds and determines that the PAC Premises within the WTC Site should be subjected to the Net Lease to effectuate the Port Authority's commitment to provide the PAC Premises for cultural purposes; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to execute any other contracts, agreements and documents as may be necessary to effectuate the property transfers in connection with

the foregoing, consistent with the terms and conditions reported to the Board; and it is further

RESOLVED, that the form of all contracts, agreements and documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.