

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES

Wednesday, June 25, 2014

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MINUTES of the Meeting of The Port Authority of New York and New Jersey held Wednesday, June 25, 2014 at 2 Montgomery Street, City of Jersey City, County of Hudson, State of New Jersey

PRESENT:

NEW JERSEY

Hon. Raymond M. Pocino
 Hon. William P. Schuber
 Hon. David S. Steiner

NEW YORK

Hon. Scott H. Rechler, Vice-Chairman
 Hon. Kenneth J. Lipper
 Hon. Jeffrey H. Lynford
 Hon. Jeffrey A. Moerdler
 Hon. Rossana Rosado

Patrick J. Foye, Executive Director
 Deborah L. Gramiccioni, Deputy Executive Director
 Darrell B. Buchbinder, General Counsel
 Karen E. Eastman, Secretary

Thomas E. Belfiore, First Deputy Chief Security Officer
 Thomas L. Bosco, Director, Aviation
 Steven J. Coleman, Acting Director, Media Relations
 Nicole Crifo, Chief of Staff to the Deputy Executive Director
 Stephanie E. Dawson, Acting Chief Operating Officer
 John C. Denise, Audio Visual Supervisor, Marketing
 Joseph P. Dunne, Chief Security Officer
 Diannae C. Ehler, Deputy Director, Tunnels, Bridges and Terminals
 Michael B. Francois, Chief, Real Estate and Development
 Cedrick T. Fulton, Director, Tunnels, Bridges and Terminals
 Robert Galvin, Chief Technology Officer
 David P. Garten, Senior Advisor to the Vice Chairman
 Linda C. Handel, Deputy Secretary
 Mary Lee Hannell, Chief, Human Capital
 Anthony Hayes, Manager, Media Planning, Media Relations
 Howard G. Kadin, Esq., Law
 Stephen Kingsberry, Director, Rail Transit
 Cristina M. Lado, Director, Government and Community Affairs, New Jersey
 Richard M. Larrabee, Director, Port Commerce
 Andrew S. Lynn, Director, Planning and Regional Development
 John H. Ma, Chief of Staff to the Executive Director
 Ronald Marsico, Assistant Director, Media Relations
 Michael G. Massiah, Chief, Capital Planning, Execution and Asset Management
 Daniel G. McCarron, Comptroller
 Elizabeth M. McCarthy, Chief Financial Officer
 James E. McCoy, Manager, Board Management Support, Office of the Secretary
 David J. McGrath, Acting Director, Marketing
 Carlene V. McIntyre, Assistant General Counsel
 Christopher J. Mohr, Executive Business Manager, Office of the Secretary
 Jared Pilosio, Staff External Relations Representative, Government and Community Affairs
 Emily R. Shelton, Leadership Fellow, Human Resources

Brian W. Simon, Director, Government and Community Affairs, New York
Robert A. Sudman, Director, Audit
I. Midori Valdivia, Senior Advisor to the Executive Director
Christopher M. Valens, Senior Public Information Officer, Media Relations
Lillian D. Valenti, Chief Procurement and Contract Officer
Michael L. Valletta, Assistant Director, Tunnels, Bridges and Terminals
Sheree R. Van Duyne, Manager, Policies and Protocol, Office of the Secretary
Peter J. Zipf, Chief Engineer

Guest:

Kerstin Sundstrom, Assistant Counsel, Authorities Unit, Office of the Governor of New Jersey

Speakers:

Murray Bodin, Member of the Public
Michael Carey, Aviation Safeguard, 32BJ
Scherly Charles, Member, Unite Here
Gertrudes Contreras, 32BJ
Cassandra Dock, Member of the Public
Margaret Donovan, Twin Towers Alliance
Francisco Espinal, Member, Unite Here
Mario Gomes, IBEW, Port Authority Electrician
Richard Hughes, Twin Towers Alliance
Donna Jackson, Member of the Public
Hon. Gordon Johnson, Conference Leader, New Jersey General Assembly
Benjamin Jimenez, 32BJ
Michael Klatsky, Member of the Public
Janno Leiber, Silverstein Properties, Inc.
Henry Pacheco, Member, Unite Here
Stephen Sigmund, Global Gateway Alliance
Dave Stanke, Lower Manhattan Resident
Art Vatsky, Member of the Public
Alex Walters, Member, Unite Here
Hon. Loretta Weinberg, Majority Leader, New Jersey Senate
Neile Weissman, New York Cycle Club

The public meeting was called to order by Vice-Chairman Rechler at 1:53 p.m. and ended at 3:34 p.m. The Board met in executive session prior to the public session.

Action on Minutes

The Secretary submitted for approval Minutes of the meeting of May 28, 2014. She reported that copies of these Minutes were delivered to the Governors of New York (in electronic form) and New Jersey (in paper form) on May 29, 2014. The Secretary reported further that the time for action by the Governors of New York and New Jersey expired at midnight on June 12, 2014.

Whereupon, the Board unanimously approved the Minutes of the meeting of May 28, 2014.

Report of Committee on Security

The Committee on Security reported, for information, on matters discussed in executive session at its meeting on June 25, 2014, which included discussion of matters involving public safety or law enforcement, matters involving ongoing negotiations or reviews of contracts or proposals, matters related to personnel and personnel procedures, and matters in which the release of information could impair a right to receive funds from the United States or other grantor, and the report was received.

Report of Committee on Finance

The Committee on Finance reported, for information, on matters discussed in public and executive sessions at its meeting on June 25, 2014, which included discussion of the identification of a pool of underwriters to support the future issuance of debt obligations, and discussion of matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest, matters in which the release of information could impair a right to receive funds from the United States or other grantor, and matters involving ongoing negotiations or reviews of contracts or proposals, and the report was received.

Report of Committee on Operations

The Committee on Operations reported, for information, on matters discussed in public session at its meeting on June 25, 2014, which included the sale of certain real property and transferrable development rights near the Lincoln Tunnel and the granting of associated easements associated with the property, discussion of a contract for the implementation of energy conservation improvements at John F. Kennedy International Airport, and discussion of expanding the wireless telecommunications network system at the Port Authority's commercial airports, and the report was received.

Report of World Trade Center Redevelopment Subcommittee

The World Trade Center Redevelopment Subcommittee reported, for information, on matters discussed in public and executive sessions at its meeting on June 25, 2014, which included discussion of certain contracts and agreements in connection with the continued development and operation of the World Trade Center site, and discussion of matters related to proposed, pending, or current litigation or judicial or administrative proceedings, and matters involving ongoing negotiations or reviews of contracts or proposals, and the report was received.

Report of Committee on Capital Planning, Execution and Asset Management

The Committee on Capital Planning, Execution and Asset Management reported, for information, on matters discussed in public session at its meeting on June 25, 2014, which included discussion of planning work to support future taxiway infrastructure improvements at Newark Liberty International Airport, and discussion of certain actions related to investment in the Port Authority's existing toll collection system and in support of the continued implementation of a toll collection system replacement program, and the report was received.

Report of Special Meeting of Committee on Operations

In view of the fact that, as a result of prospective recusals, there would not be a sufficient number of Commissioners present for the Board to consider an item on the agenda at its meeting on June 25, 2014, consistent with the Port Authority's By-Laws, a special meeting of the Committee on Operations was held. At the meeting, the Committee acted for and on behalf of the Board on the item. A copy of the minutes of the special meeting of the Committee on Operations held on June 25, 2014 is included with these minutes.

JOHN F. KENNEDY INTERNATIONAL, NEWARK LIBERTY INTERNATIONAL, LAGUARDIA, AND STEWART INTERNATIONAL AIRPORTS – WIRELESS TELECOMMUNICATIONS NETWORK ACCESS SYSTEM – SUPPLEMENT TO AGREEMENT AX-713

It was recommended that the Board authorize the Executive Director to enter into a supplement to Agreement AX-713 with New York Telecom Partners, LLC (NYTP), a subsidiary of Boingo Wireless, Inc., for the design, installation, operation and maintenance of an expanded wireless telecommunications (Wi-Fi) network, which would provide 30 minutes of complimentary Wi-Fi access to users at John F. Kennedy International (JFK), Newark Liberty International (EWR), LaGuardia (LGA), and Stewart International (SWF) Airports.

At its meeting of July 29, 1999, the Board authorized the Executive Director to enter into an exclusive 15-year agreement with an entity controlled by the principals of NYTP, to finance, construct and manage a wireless telecommunications network access system at major Port Authority facilities, with NYTP having the option to extend the agreement for an additional ten-year term. Under the agreement, NYTP constructed a shared-use telecommunications platform that offers all interested wireless telecommunications carriers the ability to provide their customers with radio signal coverage at the Holland and Lincoln Tunnels and at JFK, LGA, and EWR, at NYTP's own risk and expense, and at additional Port Authority facilities under certain circumstances.

Supplemental Agreement No. 3 to that agreement with NYTP, effective November 30, 2006, set forth the specifics surrounding NYTP's rights, privileges and obligations to provide unlicensed Wi-Fi services on a pay-per-use basis at the Port Authority's airports.

Under the currently proposed supplement, NYTP would provide a complimentary 30-minute Wi-Fi access session for users at JFK, LGA, EWR, and SWF, with the option to purchase additional or enhanced access, at a cost based on Wi-Fi speed. Furthermore, the proposed supplement would continue to generate revenue for the Port Authority, through a competitive market-based revenue share of Wi-Fi income. Because NYTP would provide and install, at its own expense, all required equipment, NYTP would recoup its capital investment of \$3.8 million from the gross Wi-Fi revenue over the first five years of the supplement, prior to the cost-share with the Port Authority. In the sixth through tenth years of the agreement, any additional capital investment by NYTP would be reimbursed in accordance with a schedule based on the level of average gross receipts across the first five years of the agreement. Additionally, NYTP would recover an incremental monthly operating expense, plus a portion of its share in monthly revenue shortfall, measured against 2013 baseline revenues, from gross revenue before sharing revenues with the Port Authority.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and hereby is authorized, for and on behalf of the Port Authority, to enter into a supplement to Agreement AX-713 with New York Telecom Partners, LLC, a subsidiary of Boingo Wireless, Inc., for the design, installation, operation and maintenance of an expanded wireless telecommunications network at John F. Kennedy International, Newark Liberty International, LaGuardia, and Stewart International Airports, 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 agreements in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

LINCOLN TUNNEL – NEW YORK EXPRESSWAY – SALE OF CERTAIN PROPERTY INTERESTS BETWEEN 33RD AND 34TH STREETS AND TRANSFER OF TITLE, DEVELOPMENT RIGHTS AND GRANTING OF ASSOCIATED EASEMENTS

It was recommended that the Board authorize the Executive Director to: (1) arrange for the sale of approximately 11,206 square feet of vacant land owned by the Port Authority that is located to the East of Dyer Avenue between 33rd and 34th Streets in Manhattan and known as Block 731, Lot 22 and a portion of Lot 72 on the tax maps of the City of New York, State of New York (Development Parcels); (2) arrange for the transfer of approximately 91,546 square feet of development rights appurtenant to Block 731, Lot 72 (Transferrable Development Rights) and the granting of an exclusive option to purchase an additional 85,225 square feet of development rights appurtenant to Block 731, Lot 72 (Optional Development Rights, together with the Transferrable Development Rights, to be referred to, collectively, as the Development Rights); (3) enter into a contract of sale with an affiliate of The Dermot Company, Inc. (Dermot) for the conveyance of title to the Development Parcels and transfer of the Transferrable Development Rights, for a purchase price of \$115,342,500; (4) enter into all other agreements, including the granting of perpetual easements to an affiliate of Dermot, that may be required to support a planned commercial real estate development at the Development Parcels; (5) enter into an agreement with an affiliate of Dermot granting the Port Authority a perpetual easement (at no cost) to install and maintain security and radio equipment on the Development Parcels, to ensure public safety and monitor traffic operations on the roadway below; and (6) incur all costs and expenses and execute all documents, including, without limitation, agreements with public and private entities, involving, among other matters, zoning lot mergers, subdivision applications, environmental studies, subsurface remediation, appraisals, surveys, title searches and title insurance, necessary or incidental to the disposition.

Block 731, Lot 22, which consists of a paved bus parking lot on the north side of 33rd Street immediately east of the Lincoln Tunnel Expressway, was acquired by the Port Authority in 2008 as part of a multi-agency plan to construct a second rail tunnel from west of the Hudson River to Midtown Manhattan (i.e., the Access to the Region's Core Project). Block 731, Lot 72 consists primarily of the Lincoln Tunnel Expressway (which is mostly below grade at this location) and two small strips of at-grade land on each side of the roadway cut, and was acquired by the Port Authority in 1952 as part of a series of property acquisitions in connection with the development of the third tube of the Lincoln Tunnel. Both lots are located in the Hudson Yards Special Zoning District.

The Development Parcels and the Development Rights have been identified as no longer being required for the purpose for which they were acquired. In February 2014, a publicly advertised Request for Proposals (RFP) was issued, seeking offers for the proposed Development Parcels and the Development Rights, following their identification as no longer being required for the purpose for which they were acquired. The RFP gave proposers the option to construct a building on Lot 22, transfer all of the development rights from Lot 72 onto Lot 22 for a larger structure, or construct a platform or cantilever over Dyer Avenue to support additional development. The selection criteria of the RFP clearly indicated that proposals for a development that did not require zoning approvals or waivers from The City of New York or a platform over the Dyer Avenue roadway would receive more favorable treatment than those that required one or both.

Based on the review of the proposals received in response to the RFP, Dermot's submission was deemed the highest-rated proposal, because it provides the best value to the Port Authority. Dermot is a fully integrated real estate enterprise with over 15 years of experience and nearly \$2 billion in assets under management and under development.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to: (1) arrange for the sale of approximately 11,206 square feet of vacant land owned by the Port Authority that is located to the East of Dyer Avenue between 33rd and 34th Streets in Manhattan and known as Block 731, Lot 22 and a portion of Lot 72 on the tax maps of the City of New York, State of New York (Development Parcels); (2) arrange for the transfer of approximately 91,546 square feet of development rights appurtenant to Block 731, Lot 72 (Transferrable Development Rights) and the granting of an exclusive option to purchase an additional 85,225 square feet of development rights appurtenant to Block 731, Lot 72; (3) enter into a contract of sale with an affiliate of The Dermot Company, Inc. (Dermot) for the conveyance of title to the Development Parcels and transfer of the Transferrable Development Rights, for a purchase price of \$115,342,500; (4) enter into all other agreements, including the granting of perpetual easements to an affiliate of Dermot, that may be required to support a planned commercial real estate development; (5) enter into an agreement with an affiliate of Dermot granting the Port Authority a perpetual easement (at no cost) to install and maintain security and radio equipment on the Development Parcels, to ensure public safety and monitor traffic operations on the roadway below; and (6) incur all costs and expenses and execute all documents, including, without limitation, agreements with public and private entities, involving, among other matters, zoning lot mergers, subdivision applications, environmental studies, subsurface remediation, appraisals, surveys, title searches and title insurance, necessary or incidental to the disposition; and it is further

RESOLVED, that the form of all documents and agreements necessary to effectuate the foregoing shall be subject to the approval of General Counsel or his authorized representative.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – ENERGY CONSERVATION IMPROVEMENTS TO BE IMPLEMENTED ON A PERFORMANCE BASIS – PROGRAM AUTHORIZATION – PHASE III

It was recommended that the Board authorize the Executive Director to take all actions necessary to implement the third phase of the Port Authority Multi-Facility Guaranteed Energy Savings Program (Program), under which the Port Authority would contract with an Energy Service Company (ESCO), Johnson Controls, Inc. (JCI), through an existing call-in contract issued pursuant to a publicly advertised Request for Proposals (RFP) process, at a total guaranteed maximum price of \$7.5 million, to implement certain energy conservation improvements at John F. Kennedy International Airport (JFK). These improvements would yield guaranteed annual operating savings of approximately \$700,000 per year and approximately \$10.5 million in gross savings to the Port Authority over a 15-year term. Net of project cost, the benefits to the Port Authority would be \$3 million, which, after flight fee recoveries and credits to tenants, would result in a net benefit to the Port Authority of \$2 million.

The scope of work under this proposed authorization includes extensive lighting upgrades of difficult-to-access locations, such as gantry-mounted sign lighting on roadways, obstruction lights, high-mast parking lot lighting, and lighting in the maintenance pits at the Operations and Maintenance Service Facility Building (Building 402). In addition to these locations, exterior lighting improvements would be implemented at the fuel farm, pedestrian bridges, bus shelters and Buildings 402 and 161. At Building 161, interior lighting improvements also would be performed, as well as steam system upgrades and a boiler replacement and conversion, from oil to natural gas.

The Program would utilize the Energy Performance Contracting model, through which JCI would provide a turn-key solution, performing the audit, design, construction management and commissioning of improvements, while also assuming all technical and performance risks. JCI also would be responsible for identifying and pursuing grants and incentives available to reduce the total cost of improvements. The cost of the projects would be more than offset by resultant savings.

Each improvement would have a specific monitoring and verification plan, whereby JCI would verify its own performance, to determine actual achieved energy consumption reductions, as is prevailing practice when a contractor also would guarantee the savings. Contractually, the monitoring and verification would follow established industry protocol, to determine actual energy consumption reductions achieved, and the Port Authority may audit the monitoring and verification findings at any time – either by itself or through a third party. Port Authority staff also would track savings through utility bill analysis.

JCI would be compensated by the Port Authority through construction progress payments, based on the percentage completion of items identified in the project schedule, capped at the guaranteed maximum price provided in their accepted proposal. JCI has established baseline energy usage figures for the project sites, based on metering of facility equipment, evaluation of facility occupancy characteristics, and analysis of actual utility bills – normalized for weather and other factors – and reviewed and approved by staff. JCI would perform an annual process of monitoring and verifying energy consumption reductions against this baseline, to ensure that guaranteed savings are realized.

JCI would be obligated contractually to pay the Port Authority for a shortfall of expected consumption reductions and their attributed financial value, based on mutually agreed-upon

escalation rates for energy market prices, or to modify improvements to ensure proper performance, as agreed by, and at no additional cost to, the Port Authority. In the event a specific work order were implemented at a cost below the guaranteed maximum price, the sum of the variance between the actual cost and the guaranteed maximum price would be shared between JCI and the Port Authority in a negotiated split, with JCI's share not to exceed 50 percent. If the parties were unable to resolve any disputes concerning energy savings calculations, disputes would be submitted to a third-party professional engineering firm for resolution.

In March 2010, through a competitive RFP process, the Port Authority established call-in agreements through which ESCOs (including JCI) performed audits of Port Authority and Port Authority Trans-Hudson Corporation (PATH) facilities and submitted proposals for energy conservation measures. After review of the proposals, work orders were issued for more detailed Investment Grade Audits, which resulted in the proposals for the energy upgrades at various Port Authority and PATH facilities.

At its meeting on February 9, 2012, the Board authorized the Program, and authorized the Executive Director, on behalf of the Port Authority, to contract with ESCOs Constellation Energy and JCI, through existing call-in contracts issued pursuant to a publicly advertised RFP process, at an aggregate maximum price of \$19.2 million, to implement certain energy conservation improvements at the Port Authority Bus Terminal/Lincoln Tunnel and the PATH Journal Square Transportation Center/Harrison Car Maintenance Facility. Those ESCO agreements extend through 2016, if the Port Authority exercises all available option periods.

At its meeting on September 20, 2012, the Board authorized the second phase of the Program, which authorized the Executive Director, on behalf of the Port Authority, to contract with an ESCO, Honeywell Building Solutions, through an existing call-in contract issued pursuant to a publicly advertised RFP process, at an aggregate maximum price of \$12.2 million, to implement certain energy conservation improvements at Newark Liberty International Airport and Stewart International Airport. That ESCO agreement extends through 2016, if the Port Authority exercises all available option periods.

The proposed energy conservation improvements at JFK would yield annual greenhouse gas emissions reductions of approximately 2,000 tons of carbon dioxide equivalent, valued at approximately \$240,000 in avoided greenhouse gas offset purchases over the 15-year guarantee period. In addition, by replacing older equipment, like lighting, with higher-efficiency, longer-lived equipment, the Port Authority would reduce material usage and cost, which also would yield environmental benefits.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor; Commissioner Lipper recused and did not participate in the consideration of, or vote on, this item. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take all actions necessary to implement the third phase of the Port Authority Multi-Facility Guaranteed Energy Savings Program, under which the Port Authority would contract with Johnson Controls, Inc., through an existing call-in contract issued pursuant to a publicly advertised Request for Proposals process, at

a total guaranteed maximum price of \$7.5 million, to implement certain energy conservation improvements at John F. Kennedy International Airport, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the form of any contracts and agreements in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

NEWARK LIBERTY INTERNATIONAL AIRPORT – DEVELOPMENT OF END-AROUND TAXIWAYS FOR RUNWAY 4L-22R – PLANNING AUTHORIZATION

It was recommended that the Board authorize: (1) planning work to study the feasibility of developing end-around taxiways around both ends of Runway 4L-22R at Newark Liberty International Airport (EWR), at an estimated cost of \$6.3 million; and (2) the Executive Director to award a professional services contract, to be procured through a publicly advertised Request for Proposals process, with award to the highest-rated proposer, to examine the feasibility of, and develop related documents in support of, the foregoing planning effort, at an estimated cost of \$4.2 million.

The proposed planning authorization is consistent with prior and ongoing projects to enhance safety and achieve aircraft delay reductions at the Port Authority's three major commercial airports, including EWR, through a series of aeronautical area improvements, in order to allow for the movement of aircraft around the airfield in a more efficient manner.

The proposed planning work would involve the retention of professional airfield planning services to examine the feasibility of, and develop planning documents for, end-around taxiways, including potential impacts on vehicular parking areas adjacent to the runway ends at EWR. The end-around taxiways would enhance safety, because they would allow aircraft landing on Runway 4R-22L to taxi to the passenger terminals using taxiways that would loop around the ends of departure Runway 4L-22R, which is located between Runway 4R-22L and the passenger terminals, without crossing the runway or the runway safety area.

If determined to be feasible, the integration of end-around taxiways into the aeronautical operations at EWR has the potential for significant annual delay reductions, by enabling aircraft to circumnavigate the runway ends for Runway 4L-22R, which could increase the number of operating slots on the runway. Such delay reductions would result in associated savings in airlines' direct operating costs and in the value of passenger time, as well as environmental benefits in the form of reductions in carbon dioxide and nitrogen oxide emissions as a result of aircraft burning less fuel.

Approximately \$5 million in planning costs would be recoverable through a previously approved Passenger Facility Charge application. The remaining costs would be recoverable through the EWR flight fee.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that planning work to study the feasibility of developing end-around taxiways around both ends of Runway 4L-22R at Newark Liberty International Airport, at an estimated cost of \$6.3 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 award a professional services contract, to examine the feasibility of, and develop related documents in support of, the foregoing planning

effort, at an estimated cost of \$4.2 million, consistent 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 take action with respect to contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing planning work, 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 documents and agreements in connection with the foregoing planning work shall be subject to the approval of General Counsel or his authorized representative.

PORT AUTHORITY TUNNEL AND BRIDGE FACILITIES – TOLL COLLECTION PROGRAM – REPLACEMENT TOLL COLLECTION SYSTEM – REALLOCATION OF PREVIOUSLY AUTHORIZED FUNDS AND ADDITIONAL AUTHORIZATIONS FOR THE TOLL COLLECTION PROGRAM

It was recommended that the Board authorize: (1) the reallocation of a portion of the \$175 million previously authorized by the Board, at its meeting of February 25, 2010, for the project to install a Replacement Toll Collection System (RTCS Project) at the Port Authority's bridge and tunnel crossings, to accommodate a project (Strategic Investment Project) to provide for strategic investments in the existing Integrated Toll Collection System (ITCS), at an estimated cost of \$38.8 million, in order to extend the useful life of the ITCS and ensure its continued operation through December 2020, with the Strategic Investment Project to be composed of the following components: (a) amendment of Contract No. 4600006009 with Xerox Corporation (Xerox), to include work in connection with the Strategic Investment Project, at a cost of \$25 million; (b) extension and amendment of Contract No. TBT-09-009 with Atkins Architecture and Engineering, to provide for ITCS program management services until December 31, 2017, which represents a one-year extension beyond the current expiration date of December 31, 2016, and an increase of \$900,000 in the amount of that contract, from \$10.5 million to \$11.4 million; (c) extension and amendment of Contract No. TBT-08-002 with Traffic Technologies Inc., in order to provide for technical services until December 31, 2017, which represents a one-year extension beyond the current expiration date of December 31, 2016, and an increase of \$900,000 in the amount of that contract, from \$4,718,092 to \$5,618,092; and (d) expenditures of \$12 million for all other costs in connection with the Strategic Investment Project, including costs for staffing, consultants, administration, financial charges, and other payments; (2) the award of a total of up to four contracts with prospective vendors, not to exceed \$250,000 each, to demonstrate their toll collection systems as part of the procurement for the RTCS Project; and (3) the Executive Director to: (a) extend Contract No. 4600006009, with Xerox, to maintain the existing ITCS through December 31, 2020, which represents a five-year extension beyond the current expiration date of December 31, 2015, at a cost of \$27,160,875, and provide for two one-year renewal options, at an additional total cost of \$12,039,324 to maintain the existing ITCS and the E-ZPass[®] Plus central computer (Such contract extension and costs would be in addition to the proposed amendment of Contract No. 4600006009 described above.); (b) increase by \$12 million (representing an increase of \$5 million for the base contract period and an increase of \$7 million for the three-year option period, if exercised), the amount of Contract No. 4600006947 with Xerox, for Xerox to operate the New York E-ZPass[®] Customer Service Center (Customer Service Center), in order to accommodate additional requirements for the processing of All-Electronic Tolling (AET) transactions for non-E-ZPass[®] account holders during the remainder of the base term of the contract through October 1, 2017, as well as the three-year option period; (c) extend Contract No. 4600005761, with Xerox, for an existing software license agreement to operate Open Road Tolling Lanes (tolling points where traditional toll booths do not exist) until December 31, 2019, which represents an extension of four years and three months beyond the current expiration date of September 28, 2015, at a cost of \$380,000, and provide for three one-year renewal options, at an additional total cost of \$270,000; (d) enter into a Memorandum of Agreement with the New York State Metropolitan Transportation Authority's Triborough Bridge and Tunnel Authority (TBTA), for the Port Authority to reimburse TBTA, in the amount of \$506,643, representing the Port Authority's one-third share of such costs, for TBTA's initial development work on AET, for cost-sharing related

to ongoing AET operations, and to pay TBTA an amount not to exceed \$100,000 per year for Treasury services, for the receiving and dispersing of AET toll and fee payments provided by TBTA, for a single regional AET invoice; (e) enter into a Memorandum of Understanding with the TBTA, the New York State Thruway Authority and the New York State Bridge Authority, pursuant to which the Port Authority would pay TBTA an amount not to exceed \$550,000, representing the Port Authority's one-third share of such costs, for consultant services to draft a Request for Proposals (RFP) and provide professional services in selecting a vendor to operate the Customer Service Center; (f) provide concurrence on behalf of the Port Authority for TBTA to release the joint RFP for the Customer Service Center, once completed; and (g) take all necessary actions to effectuate the safe and efficient operation of AET at the Bayonne Bridge.

The current ITCS at the Port Authority's bridge and tunnel crossings was deployed in 1997, has exceeded its design life, and requires replacement. At its February 25, 2010 meeting, the Board authorized, among other things, a project for the final design and construction of a new RTCS, with cashless AET capability, at all Port Authority bridge and tunnel vehicular crossings, at an estimated total project cost of \$175 million. As a result of the termination of a contract awarded in July 2011 for the design, implementation and maintenance of the RTCS, it now is necessary to develop a revised project implementation plan, including demonstration by prospective vendors of their toll collection system technology, as part of the RFP process. Because the existing ITCS has had no significant upgrades since its deployment, strategic investments in the ITCS are necessary to extend its useful life until December 2020, to provide for a new RTCS to be procured, designed, developed and installed.

As part of the Bayonne Bridge Navigational Clearance Program, the toll plaza at the bridge will be removed, thereby eliminating the ability to collect cash tolls, and requiring the installation of an AET system for the collection and processing of tolls by the summer of 2015. In order to implement an AET system at the Bayonne Bridge, changes would need to be made at the Customer Service Center, in conjunction with the TBTA. These changes would enable the processing, distribution, and tracking of invoices and payments, as well as development of a new website and new customer payment plans.

The current Customer Service Center contract was established pursuant to a multi-agency agreement among the Port Authority, TBTA and the New York State Thruway Authority, under which each agency enters into a separate contract with the service provider (currently Xerox). Based upon past experience in procuring multi-agency contracts, the Port Authority needs to initiate the RFP for a successor contract at this time, in order to permit sufficient time for proposers to prepare responses to the RFP, and for the agencies to evaluate proposals, award a contract, and transition operations from the current to the successor contract.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the reallocation of a portion of the \$175 million previously authorized by the Board, at its meeting of February 25, 2010, for the project to install a Replacement Toll Collection System (RTCS Project) at the Port Authority's bridge and tunnel crossings, to accommodate a project (Strategic

Investment Project) to provide for strategic investments in the existing Integrated Toll Collection System (ITCS), at an estimated total cost of \$38.8 million, in order to extend the useful life of the ITCS and ensure its continued operation through 2020, with the Strategic Investment Project to be composed of the following components: (1) the amendment of Contract No. 4600006009, with Xerox Corporation (Xerox), to include work in connection with the Strategic Investment Project, at a cost of \$25 million; (2) the extension and amendment of Contract No. TBT-09-009 with Atkins Architecture and Engineering, in order to provide for program management services until December 31, 2017, which represents a one-year extension beyond the current expiration date of December 31, 2016, and an increase of \$900,000 in the amount of that contract, from \$10.5 million to \$11.4 million; (3) the extension and amendment of Contract No. TBT-08-002 with Traffic Technologies Inc., in order to provide for technical services until December 31, 2017, which represents a one-year extension beyond the current expiration date of December 31, 2016, and an increase of \$900,000 in the amount of that contract, from \$4,718,092 to \$5,618,092; and (4) expenditures of \$12 million for all other costs in connection with the Strategic Investment Project, including costs for staffing, consultants, administration, financial charges, and other payments, be and it hereby is authorized; and it is further

RESOLVED, that the award of a total of up to four contracts with prospective vendors, not to exceed \$250,000 each, to demonstrate their toll collection systems as part of the procurement for the RTCS Project, 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) extend Contract No. 4600006009, with Xerox, to maintain the existing ITCS through December 31, 2020, which represents a five-year extension beyond the current expiration date of December 31, 2015, at a cost of \$27,160,875, and provide for two one-year renewal options at an additional total cost of \$12,039,324, to maintain the existing ITCS and the E-ZPass[®] Plus central computer (Such contract extension and costs would be in addition to the proposed amendment of Contract No. 4600006009 described above.); (2) increase by \$12 million (representing an increase of \$5 million for the base contract period and an increase of \$7 million for the three-year option period, if exercised), the amount of Contract No. 4600006947, with Xerox, to operate the New York E-ZPass[®] Customer Service Center (Customer Service Center), to accommodate additional requirements for the processing of All-Electronic Tolling (AET) transactions for non-E-ZPass[®] account holders during the remainder of the base term of the contract through October 1, 2017, as well as the three-year option period; (3) extend Contract No. 4600005761 with Xerox, for an existing software license agreement to operate Open Road Tolling Lanes, until December 31, 2019, which represents an extension of four years and three months beyond the current expiration date of September 28, 2015, at a cost of \$380,000, and provide for three one-year renewal options, at an additional total cost of \$270,000; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into the following agreements with the New York State Metropolitan Transportation Authority Triborough Bridge &

Tunnel Authority (TBTA): (1) a Memorandum of Agreement for the Port Authority to reimburse the TBTA, in the amount of \$506,643, representing the Port Authority's one-third share of such costs, for TBTA's initial development work on AET, for cost-sharing related to ongoing AET operations, and to pay TBTA an amount not to exceed \$100,000 per year for Treasury services provided by TBTA, for a single regional AET invoice; (2) a Memorandum of Understanding, to which the New York State Thruway Authority and the New York State Bridge Authority also will be parties, pursuant to which the Port Authority will pay TBTA an amount not to exceed \$550,000, representing the Port Authority's one-third share of such costs, for consultant services to draft a Request for Proposals (RFP) and provide professional services in selecting a vendor to operate the Customer Service Center; and (3) provide concurrence on behalf of the Port Authority for TBTA to release the joint RFP for the Customer Service Center; and it is further

RESOLVED, that the Executive Director be and hereby is authorized, for and on behalf of the Port Authority, to take all actions necessary to effectuate the safe and efficient operation of AET at the Bayonne Bridge; 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 projects, 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 and agreements in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

WORLD TRADE CENTER SITE – AUTHORIZATION OF ADDITIONAL CONSTRUCTION CONTRACT ACTIONS AND EXPENDITURES TO SUPPORT ONGOING POST-HURRICANE SANDY RECOVERY WORK AND RELATED COSTS

It was recommended that the Board authorize: (1) the expenditure of an additional estimated amount of approximately \$23.44 million for certain construction contract actions and expenses expected to be required through July 31, 2014 to effectuate ongoing repair and replacement of facilities and equipment at the World Trade Center (WTC) site that were damaged or destroyed as a result of Hurricane Sandy and its associated storm surge, as well as to provide compensation for costs incurred by such construction contractors related to associated delays and acceleration of work to minimize schedule impact and maintain commitments to third-party stakeholders, resulting in a cumulative total authorization of approximately \$470.64 million for construction-related activities associated with the response, recovery, restoration and mitigation efforts at the WTC site; and (2) the Executive Director to take all actions necessary to effectuate the foregoing, consistent with the terms outlined to the Board.

During the week of October 28, 2012, Hurricane Sandy and its associated storm surge caused significant flooding and devastating damage in Lower Manhattan and throughout the New York-New Jersey region. The storm resulted in severe flooding throughout the WTC site, particularly affecting the WTC Transportation Hub, Vehicular Security Center, WTC Memorial Museum, and One WTC, among other WTC projects in construction. Although the de-watering of the WTC site was substantially completed in early November, and pre-storm levels of construction activity resumed throughout the WTC site by the end of November 2012, Hurricane Sandy recovery activities are ongoing, to assess and evaluate damaged areas and equipment for future repair or replacement, including efforts to mitigate the impacts of future storms. Through separate actions at its meetings from February 6, 2013 through May 28, 2014, the Board, and the Committee on Operations, acting for and on behalf of the Board pursuant to the By-Laws, ratified and authorized certain actions for construction work and consultant services required for Hurricane Sandy response, recovery and restoration work at the WTC site and mitigation efforts through June 30, 2014, in a total estimated amount of \$548.2 million.

Comprehensive damage assessments and project impact evaluations related to Hurricane Sandy were conducted, and latent damage assessments are ongoing. Staff has ordered various contractors to repair or replace damaged and destroyed equipment and infrastructure, including the purchase or repurchase of major long-lead items, such as: electrical switchgear and substation equipment; vertical circulation equipment; and mechanical fans, air handling units and controls. Together with the previously authorized amount, the proposed increases in contract amounts are needed to compensate contractors for ongoing repairs to address storm-related damages, as well as extended overhead and impact costs. Authorization of approximately \$560,000 in increases to compensate consultants for their costs to address storm-related damages at the WTC site is being sought through a companion item being advanced at this meeting of the Board. The cumulative authorized total for construction and consultant services required for Hurricane Sandy response, recovery and restoration work at the WTC site and mitigation efforts, including past authorizations and both companion items being advanced at this meeting of the Board, would be approximately \$572.2 million.

In addition, a portion of the funding is necessary to compensate contractors for impact delays and acceleration costs that were a direct result of Hurricane Sandy and the extended recovery and restoration period, based on certain schedule adjustments that were necessary as a direct result of the extensive recovery and restoration efforts.

Consistent with previous discussions with the Board, as additional information is made available through ongoing latent damage inspections, further project evaluations and implementation decisions regarding Hurricane Sandy's impact and the potential for including additional mitigation efforts to deliver a more resilient site are being made. It is anticipated that there will be further requests for increases to construction contract amounts for actions that will be attributable to Hurricane Sandy recovery, including further equipment replacement and installation costs, construction general conditions costs and potential mitigation costs, on an ongoing basis.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lipper, Lynford, Pocino, Rosado, Schuber and Steiner voting in favor; Commissioners Moerdler and Rechler recused and did not participate in the consideration of, or vote on, this item. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the expenditure of an additional estimated amount of approximately \$23.44 million for certain additional construction contract actions and expenses expected to be required through July 31, 2014, to effectuate the repair and replacement of facilities and equipment at the World Trade Center site that were damaged or destroyed by Hurricane Sandy and its associated storm surge, as well as to provide compensation for costs incurred by construction contractors related to associated delays and the acceleration of work to minimize schedule impact and maintain commitments to third-party stakeholders, be and it hereby is authorized, consistent 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 take all actions necessary to facilitate the foregoing, consistent with the terms outlined to the Board; and it is further

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

WORLD TRADE CENTER SITE – AUTHORIZATION OF ADDITIONAL CONTRACT ACTIONS FOR ARCHITECTURAL AND ENGINEERING DESIGN AND OTHER CONSULTANT SERVICES AND EXPENDITURES TO SUPPORT ONGOING POST-HURRICANE SANDY RECOVERY WORK AND RELATED COSTS

It was recommended that the Board authorize: (1) the expenditure of an additional estimated amount of approximately \$560,000 for certain contract actions for architectural and engineering design and construction support services and other consultant services and expenses expected to be required through July 31, 2014 to effectuate ongoing repair and replacement of facilities and equipment at the World Trade Center (WTC) site that were damaged or destroyed as a result of Hurricane Sandy and its associated storm surge, as well as to provide compensation for costs incurred by such consultant contractors related to associated delays and acceleration of work to minimize schedule impact and maintain commitments to third-party stakeholders, resulting in a cumulative total authorization of approximately \$101.56 million for consultant-related activities associated with the response, recovery, restoration and mitigation efforts at the WTC site; and (2) the Executive Director to take all actions necessary to effectuate the foregoing, consistent with the terms outlined to the Board.

During the week of October 28, 2012, Hurricane Sandy and its associated storm surge caused significant flooding and devastating damage in Lower Manhattan and throughout the New York-New Jersey region. The storm resulted in severe flooding throughout the WTC site, particularly affecting the WTC Transportation Hub, Vehicular Security Center, WTC Memorial Museum, and One WTC, among other WTC projects in construction. Although the de-watering of the WTC site was substantially completed in early November, and pre-storm levels of construction activity resumed throughout the WTC site by the end of November 2012, Hurricane Sandy recovery activities are ongoing, to assess and evaluate damaged areas and equipment for future repair or replacement, including efforts to mitigate the impacts of future storms. Through separate actions at its meetings from February 6, 2013 through May 28, 2014, the Board, and the Committee on Operations, acting for and on behalf of the Board pursuant to the By-Laws, ratified and authorized certain actions for consultant services and construction work required for Hurricane Sandy response, recovery and restoration work at the WTC site and mitigation efforts through June 30, 2014, in a total estimated amount of \$548.2 million.

Comprehensive damage assessments and project impact evaluations related to Hurricane Sandy were conducted, and latent damage assessments are ongoing. Staff has ordered various contractors to repair or replace damaged and destroyed equipment and infrastructure, including the purchase or repurchase of major long-lead items, such as: electrical switchgear and substation equipment; vertical circulation equipment; and mechanical fans, air handling units and controls. Together with the previously authorized amount, the proposed increases in contract amounts are needed to compensate for construction management, program management, design support, damage evaluations and assessments, inspection and recommissioning services, and integrity monitoring services, including compensation for additional costs incurred to manage and support the repair/replacement and re-installation work. Authorization of approximately \$23.44 million in increases to compensate construction contractors for ongoing repairs to address storm-related damages at the WTC site, as well as for extended general overhead and impact costs, is being sought through a companion item being advanced at this meeting of the Board. The cumulative authorized total for construction and consultant services required for Hurricane Sandy response, recovery and restoration work at the WTC site and mitigation efforts, including past authorizations and both

companion items being advanced at this meeting of the Board, would be approximately \$572.2 million.

Consistent with previous discussions with the Board, as additional information is made available through ongoing latent damage inspections, further project evaluations and implementation decisions regarding Hurricane Sandy's impact and the potential for including additional mitigation efforts to deliver a more resilient site are being made. It is anticipated that there will be further requests for increases to consultant contract amounts for actions that will be attributable to Hurricane Sandy recovery, including oversight of further equipment replacement and installation costs and potential mitigation costs, on an ongoing basis.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the expenditure of an additional estimated amount of approximately \$560,000 for certain additional contract actions for architectural and engineering design and construction support services and other consultant services and expenses expected to be required through July 31, 2014, to effectuate the repair and replacement of facilities and equipment at the World Trade Center site that were damaged or destroyed by Hurricane Sandy and its associated storm surge, as well as to provide compensation for costs incurred by consultant services contractors related to associated delays and the acceleration of work to minimize schedule impact and maintain commitments to third-party stakeholders, be and it hereby is authorized, consistent 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 take all actions necessary to facilitate the foregoing, consistent with the terms outlined to the Board; and it is further

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

**THE WORLD TRADE CENTER – EAST SIDE SITE DEVELOPMENT PLAN –
AGREEMENTS AND RELATED DOCUMENTS – TOWER 3 UPDATE**

On August 26, 2010, as supplemented on November 18, 2010, March 29, 2011 and October 20, 2011 the Board authorized the Executive Director to take certain actions to effectuate the transaction between the Silverstein (“SPI”) net lessees of Towers 2, 3 and 4 and the Port Authority, consistent with the report to the Board with respect to the effectuation of the March 25, 2010 development plan for the east side of the World Trade Center site (the “August 26, 2010 Minutes”). At the time of the August 26, 2010 Board action, it was contemplated that the construction of the podium structure of Tower 3 (“T3”) by the SPI net lessee of T3 (“T3 Net Lessee”) would commence immediately, with the construction of the T3 office tower above the podium to follow on the condition that the T3 Net Lessee achieved certain private-market triggers for leasing and financing, including the pre-leasing of 400,000 square feet of the T3 office tower at certain minimum average rents and the provision of \$300 million of private unsupported equity and/or mezzanine debt (which may include Liberty Bonds and Recovery Zone Bonds) as part of the overall financing for T3. Other elements of the financing included a financial contribution by SPI of \$463 million of insurance proceeds; the issuance of approximately \$1.4 billion of Liberty Bonds and Recovery Zone Bonds (the “Senior Financing”); and, further, that the Port Authority, the City of New York (“NYC”) and the State of New York (“NYS”) would provide public sector support in an aggregate amount of \$600 million, with \$210 million of such amount provided by NYC and NYS as an upfront capital contribution and the remaining \$390 million of such amount (the “Backstop”) being available prior to substantial completion of T3 for certain construction hard cost overruns, after substantial completion for certain operating expense shortfalls and debt service shortfalls on the Senior Financing (“Debt Service”), and both before and after substantial completion, certain leasing cost overruns for first generation space leases.

The March 25, 2010 development plan requires the T3 financing sources to cover a “full budget” for the construction and lease-up of T3, meaning a development budget with construction contingencies and reserves for tenant improvement work, leasing commissions, capital expenditures, debt service and operating deficits, all at levels derived through arms-length negotiations with third party lending institutions. In addition to the “full budget” for T3, the Port Authority, NYS and NYC would provide the Backstop, which may only be utilized by the T3 Net Lessee to the extent necessary after all reserves established under the Senior Financing documentation and all T3 Net Lessee escrowed fees and any amounts in the “cash trap” (as described in the August 26, 2010 Minutes) have been used in full. The Backstop would fund (i) construction hard cost overruns prior to substantial completion up to a cap of 5% of budgeted hard costs (the “Hard Cost Overrun Cap”), (ii) leasing cost overruns for first generation leases prior to and after substantial completion up to a cap of 5% of budgeted leasing costs (the “Leasing Cost Overrun Cap”), (iii) building operating shortfalls after substantial completion, and (iv) Debt Service after substantial completion, subject to an overall cap for all Backstop obligations of \$390 million, as reduced from time to time by draws against the Backstop for authorized purposes (the “Overall PA Funding Cap”). To ensure that the public sector is repaid all amounts that may be advanced under the Backstop the “cash trap” arrangement (as described in the August 26, 2010 Minutes) is applicable to project cash flow from T3 and Tower 4, and, restricts the distribution of any “trapped” T3 operating income to the T3 Net Lessee until such time as any outstanding public sector support for T3 and Tower 4 is repaid and the T3 tenant support agreement (“T3 TSA”) is terminated.

As with the construction financing for Tower 4, which closed in November 2011, the Backstop for the T3 financing was initially authorized under the August 26, 2010 Minutes to be structured as an investment of Port Authority operating funds. It was recalled to the Board that certain holders of the Port Authority's Consolidated Bonds objected to that structure and in consideration of those objections, the Tower 4 financing structure was recast in a manner that resolved the dispute while preserving or improving the Port Authority's risk exposure under the March 25, 2010 development plan (the "Subordinated Financing Structure"). In order to avoid a similar issue with the T3 financing and to structure the T3 Backstop in a manner that is consistent with substance of the Tower 4 financing structure, as described below, certain amendments to the documentation entered into between the Port Authority and the T3 Net Lessee in 2010 will be required.

T3 Status Update; Financing Structure

To date, the T3 Net Lessee has constructed the T3 podium and has entered into a space lease for more than 400,000 square feet of space of T3 office tower, with base rents in excess of the minimum amounts required under the current agreements between the Port Authority and the T3 Net Lessee. In December 2013, the T3 Net Lessee entered into a 20-year lease for 515,000 square feet at the T3 office tower with Group M, a company that provides branding, advertising, marketing research, and technology services and which is affiliated with international advertising company WPP. The lease is primarily for space in the large, 68,000 square foot podium floors of T3. In order to maintain the WTC site's redevelopment progress and continue to balance private sector development with public sector support, it is recommended that the T3 TSA be modified, as more fully discussed below, in order to permit the construction of the T3 office tower to move forward. Continuing construction of the T3 office tower on this basis is necessary to meet the delivery schedule agreed to by the T3 Net Lessee under the Group M space lease, to maintain momentum in attracting other new tenants to the WTC site, and to create a critical mass of street-level retail, finished streetscape and market momentum for the WTC site. Completion of T3 will also provide significant economic benefits to the Port Authority.

At Closing, approximately \$1.4 billion of the existing World Trade Center Liberty Bonds and Recovery Zone Bonds currently held "in escrow" shall be re-designated and re-offered by the New York Liberty Development Corporation as fixed-rate bonds with interest-only payments for the first 15 years and amortizing thereafter. The bonds under the Senior Financing will be issued in two tranches comprising a "Senior Tranche" and a "Junior Tranche" and will be sized in any combination but not exceeding approximately \$1.4 billion. In structuring the Senior Financing the T3 Net Lessee would have the right to allocate availability of the Backstop, subject to the Overall PA Funding Cap, between the "Senior Tranche" and the "Junior Tranche." In addition, at Closing, \$250 million of existing World Trade Center Liberty Bonds and Recovery Zone Bonds currently held "in escrow" shall be re-designated and re-offered by the New York Liberty Development Corporation as fixed rate bonds (the "Mezzanine Financing") with interest-only payments for the first 15 years and amortizing thereafter. The Mezzanine Financing will be issued in a single tranche.

At Closing, the T3 Net Lessee and/or its affiliates shall provide no less than \$50 million of additional equity, less amounts which have been advanced by the T3 Net Lessee since October 1, 2013 (approximately \$15 million) in excess of the property insurance amounts allocated to Tower 3 under the 2010 amended and restated Master Development Agreement (approximately \$463 million).

Landlord Capital Contributions

Pursuant to an amendment of the T3 Net Lease, the Port Authority shall pay for certain capital improvements for the construction of T3 as a landlord's contribution to the work as follows: (i) the Port Authority shall make a one-time payment to the T3 Net Lessee in the amount of \$210 million to be used by the T3 Net Lessee to pay for T3 development costs pursuant to the approved development budget (the "Initial Contribution") and (ii) subject to the Overall PA Funding Cap, the Port Authority shall make additional payments to the T3 Net Lessee on an as-needed basis to be used to pay for construction hard cost overruns (up to a revised Hard Cost Overrun Cap of \$80 million rather than 5% of budgeted construction hard costs) and leasing cost overruns (up to the Leasing Cost Overrun Cap). The Initial Contribution shall be made by the Port Authority on the closing of the Senior Financing (the "Closing Date"). The terms, conditions and limitations of, and mechanics for requesting, additional payments shall be substantially the same as those currently provided for under the T3 TSA. The Initial Contribution would be advanced by the Port Authority on behalf of NYC and NYS, as provided for under the NYC and NYS Public Support Agreements entered into in 2010, which will be amended to the extent required to incorporate the revised financing structure for T3.

Net Lease Rent Deferrals

In the event of unforeseen operating expense shortfalls following the substantial completion of T3, subject to the Overall PA Funding Cap, the T3 Net Lessee shall be permitted to defer payments of rent under the T3 Net Lease ("Deferred Rents") to offset such shortfalls. Any such Deferred Rents would be deposited into an escrow account to be established for such purposes (the "Deferred Rents Escrow Account").

The T3 Net Lessee would also have the right to elect to defer the payment of up to \$40 million (escalated by annual increases in the consumer price index) of rent under the T3 Net Lease, subject to the Overall PA Funding Cap, and deposit such Deferred Rents into the Deferred Rents Escrow Account, as a reserve against future unforeseen operating expense shortfalls.

The Deferred Rent Escrow Account would be invested in a manner approved by the Port Authority, and all earnings thereon would be paid by the T3 Net Lessee to the Port Authority while the Deferred Rents Escrow Account is outstanding. Amounts on deposit in the Deferred Rents Escrow Account (but not earnings thereon) would be included in any determination of whether the Overall PA Funding Cap has been reached.

Debt Service Shortfalls

The Port Authority shall become a special limited co-obligor with respect to the Senior Financing with liability solely for payment of Debt Service after completion of construction, subject to the Overall PA Funding Cap. Under the Subordinated Financing Structure, the Port Authority would fund payments of Debt Service as a special obligation of the Port Authority payable from "Net Revenues" (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such Net Revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. This would be the same source of payment traditionally associated with the Port Authority Commercial Paper Program, Variable Rate Master Notes and Versatile Structure Obligations. The senior lender's rights with respect to the Port Authority as a special limited co-obligor under the Senior Financing shall be limited to requiring the Port Authority to pay Debt Service (i) when there are insufficient funds to make

such payment, (ii) subject to the conditions for the use of the Backstop for the payment of Debt Service, and (iii) subject to the Overall PA Funding Cap.

“Net Revenues,” solely for these purposes would, with respect to any date of calculation, be the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution. The Port Authority’s payments of debt service on the T3 Liberty Bonds would not be payable from the General Reserve Fund, and the payment thereof would be subject in all respects to payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. The Port Authority’s obligation with respect to the payment of debt service on the T3 Liberty Bonds under the Bond Payment Agreement would not create any lien on, pledge of, or security interest in, any revenues, reserve funds or other property of the Port Authority.

Continued Vertical Construction of T3

Under the current agreements between the Port Authority and the T3 Net Lessee, SPI insurance proceeds, currently held in escrow and allocated to T2, in the amount of approximately \$159 million (the “Completion Deposit”) were to be made available by SPI to fund certain construction overruns incurred for T3 prior to the use of any public sector tenant support payments. The Completion Deposit was to be pledged to the senior construction lender, if required, to secure a completion guaranty given to the lender and be available to fund only those construction overruns. In the event that, at completion of T3 core and shell any of the Completion Deposit remained, after release by the lender, the Completion Deposit was to be used on a prioritized basis to pay certain Tower 4 and T3 costs. In order to provide for the continuation of vertical construction above the capped podium structure of the T3 office building, a \$50 million portion of the Completion Deposit is to be allocated to the capital stack for T3 and shall be released prior to the Closing Date to the T3 Net Lessee, periodically, pursuant to a monthly projected requisition schedule to be provided to and approved by the Port Authority. In the event that the Closing Date occurs on or prior to July 1, 2015, on the Closing Date, the remaining approximately \$109 million would be released to the T3 Net Lessee, periodically, pursuant to a monthly requisition process in order to complete the capital stack for T3 and pay for construction costs.

Adjustment to Space Tenant Base Tax Amount Calculation

In support of the T3 Net Lessee’s lease up of T3, the T3 Net Lease would be amended to provide for an adjustment to the calculation of the base tax amount for space tenant real estate tax escalation purposes to be based on the annual increase in real estate taxes for a basket of to-be-agreed-upon comparable buildings for a nine year period, after which such amount would be based on the actual assessed value of the T3. Comparable amendments would be made to the Tower 2 and Tower 4 net leases.

Port Authority Tower 4 Space Lease

Prior to the Closing Date, the Tower 4 Net Lessee shall enter into an agreement with the Port Authority pertaining to the Port Authority's Tower 4 space lease providing for the Tower 4 Net Lessee to take over approximately 76,410 square feet of the Port Authority's space in Tower 4, commencing on the second anniversary of the rent commencement date under the Port Authority's Tower 4 space lease.

Tower 2

In order to continue to balance private sector development with public sector support at the World Trade Center site, the Port Authority shall not provide any public sector support, beyond the "T2 Structure to Grade" project described in August 26, 2010 Minutes, for the development of Tower 2.

Certain Other Amendments

Additional amendments with respect to the 2010 agreements which are necessary to implement the restructuring of the T3 financing, including with respect to the public sector support commitment by NYS and NYC, as described herein, or which are a logical and reasonable outgrowth of the matters described herein and which in each case are necessary to ensure that the Tower 2, T3 and Tower 4 transactions are implemented on a consistent basis shall also be entered into on the Closing Date, and to the extent material would be reported to the Board prior to the Closing Date.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the authorizations set forth in the August 26, 2010 minutes, entitled "*The World Trade Center – East Side Site Development Plan,*" as supplemented, are further supplemented to include the effectuation of the transactions described therein on a basis consistent with the foregoing report to the Board; and it is further

RESOLVED, that the Executive Director and his designated representatives be and they each hereby are authorized, for and on behalf of the Port Authority, to take any and all action to effectuate the transaction between the T3 Net Lessee and the Port Authority consistent with the foregoing report, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, in each case, pertaining to Towers 2, 3 and 4, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith or which are a logical and reasonable outgrowth of the matters described herein; and it is further

RESOLVED, that the form of all contracts, agreements and other documents, in each case, in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representatives.

SETTLEMENT OF CLAIM – G. ZAFFARESE v. THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY AND MODERN FACILITIES SERVICES, INC.

It was recommended that the Board authorize General Counsel to settle a personal injury claim in the action entitled “G. Zaffarese v. The Port Authority of New York and New Jersey and Modern Facilities Services, Inc.,” in the amount of \$1,625,000, inclusive of attorneys’ fees, costs and disbursements, of which \$1,600,000 would be paid by the Port Authority and \$25,000 would be paid by co-defendant, Modern Facilities Services, Inc. Plaintiff has provided a General Release and a Stipulation of Discontinuance with Prejudice, which are being held in escrow pending finalization of this settlement.

On the morning of August 8, 2011, plaintiff, Gerald Zaffarese, who was 60 years old at the time of the incident, fell while stepping off the staircase leading to the Port Authority Trans-Hudson rail system (PATH) platform level in the Lackawanna Corridor in the Hoboken PATH Station, which was partially under construction as part of the Lackawanna Corridor Rehabilitation Project. Plaintiff sustained various significant personal injuries as a result of this incident that required multiple surgeries and ultimately resulted in his loss of employment.

Pursuant to the foregoing report, the Board adopted the following resolution in executive session, with Commissioners Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that General Counsel be and he hereby is authorized, for and on behalf of the Port Authority, to settle the action entitled, “G. Zaffarese v. The Port Authority of New York and New Jersey and Modern Facilities Services, Inc.,” for a total amount of \$1,625,000, inclusive of liens, attorneys’ fees, costs and disbursements, of which \$1,600,000 would be paid by the Port Authority and \$25,000 would be paid by co-defendant, Modern Facilities Services, Inc.

Whereupon, the meeting was adjourned.

Secretary