

Torres Rojas, Genara

FOI#13192

From: lbs4@columbia.edu
Sent: Sunday, May 20, 2012 2:50 PM
To: Duffy, Daniel
Cc: Torres Rojas, Genara; Van Duyne, Sheree
Subject: Freedom of Information Online Request Form

Information:

First Name: Lynne
Last Name: Sagalyn
Company: Columbia Business School
Mailing Address 1: 3022 Broadway Uris 816
Mailing Address 2:
City: New York
State: NY
Zip Code: 10027
Email Address: lbs4@columbia.edu
Phone: 917.699.8130
Required copies of the records: Yes

List of specific record(s):

Letter to Chairman Coscia and Executive Director Ringle from Larry Silverstein, dated April 25, 2006, re issues Silverstein is raising about the Conceptual Framework for rebuilding the WTC site.

THE PORT AUTHORITY OF NY & NJ

Daniel D. Duffy
FOI Administrator

May 30, 2012

Ms. Lynne Sagalyn
Columbia Business School
3022 Broadway Uris 816
New York, NY 10027

Re: Freedom of Information Reference No. 13192

Dear Ms. Sagalyn:

This is a response to your May 20, 2012 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code") for a copy of the letter to Chairman Coscia and Executive Director Ringler from Larry Silverstein, dated 4/25/06, regarding issues Silverstein is raising about the Conceptual Framework for rebuilding the WTC site.

Material responsive to your request and available under the Code can be found on the Port Authority's website at <http://www.panynj.gov/corporate-information/foi/13192-WTC.pdf>. Paper copies of the available records are available upon request.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,



Daniel D. Duffy
FOI Administrator



World Trade Center Properties, LLC
530 Fifth Avenue
New York, New York 10036-5101
Telephone: 212 490-0666
Facsimile: 212 302-6847

April 25, 2006

Anthony R. Coscia
Chairman
The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003

Kenneth J. Ringler, Jr.
Executive Director
The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003

Re: World Trade Center

Dear Chairman Coscia and Executive Director Ringler:

I welcome the constructive spirit of your April 19 presentation to me of the latest proposal for a global restructuring of interests in the World Trade Center site. I especially appreciated your assurance that you view this as the beginning of a cooperative process and that you wish to inaugurate a new "partnership" approach. You have my commitment to work with you in the same spirit as we move forward to finalize the restructuring and to accelerate the entire rebuilding effort. We at Silverstein Properties are deeply sensitive to the fact that rebuilding the World Trade Center is a public mission of great significance.

Approximately four months ago, Governor Pataki asked me to work with the Port Authority (PA) to restructure our lease for the World Trade Center, and to settle various other outstanding issues. From the outset of those negotiations until the week of March 27 – when we believed we had achieved the outlines of a deal for consideration by the PA Board – the Silverstein lessees (SP) made more than \$2 billion of concessions. Key among these, we agreed to:

- Give up 38 percent of the development rights (two of the five towers), *and* give the PA 38 percent of our insurance proceeds.
- Allow the PA, which owns the retail, to take \$250 million in insurance proceeds – twice as much, on a per square foot basis, as SP is getting for the office space.
- Forgo any refund or credit for any portion of the more than \$500 million in rent paid to the PA since 9/11/01 – an amount that should be \$200 million, based on the fact that SP would be surrendering 38% of our development rights to the PA.



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- Continue to pay rent to the PA as if the Twin Towers still existed and were fully leased – even though that rent is at least double market rate (on a per square foot basis) for ground-up development sites of the type we are rebuilding now.

The proposed conceptual framework you provided us last week makes substantial changes that go even beyond the package that had been essentially agreed to last month. Among other things, it increases the rent over the term of our lease by \$1.75 billion (\$67 million NPV), and calls for the PA to receive a new right to 15% of the profits from any sale, refinancing or other capital event – an interest the PA's own proposal values at almost \$200 million. This seems to be without precedent. To my knowledge, no other developer seeking to qualify for Liberty Bonds or other economic development programs has ever been asked by government to make concessions remotely of this type or magnitude.

Nevertheless, I have come to the conclusion that the most important thing at this juncture is to resolve things so that all the finger-pointing can stop and the rebuilding can proceed. Therefore, we will enter into the agreement you propose, with clarifications outlined below. Please note that we are accepting all of your economic terms. As we have said throughout the process, this is not about profits. This is about moving the rebuilding forward as quickly as possible in order to revitalize the City's historic Downtown.

All of the points we are raising below are essential to ensure we all have the same understanding of your proposal and that the agreement will in fact bring about the ultimate goal – accelerating the rebuilding of the World Trade Center:

1. *Prompt and definitive PA Board approval.* Your proposal indicates that the Port Authority would not even seek its Board's approval for five months — *i.e.*, not until September 20 — and then only if numerous intra-governmental pre-conditions are resolved to the Port Authority's satisfaction (e.g., commitments for one million square feet of governmental tenants for Freedom Tower; PA to receive \$250 million of New York State funds; infrastructure funding from stakeholders other than SP; etc.). In light of the urgent need to finalize arrangements and start on Freedom Tower, we need the Port Authority Board to approve the Conceptual Framework agreement now. We also need approval by the States of New York and New Jersey, the City of New York and the LMDC. We cannot wait until September for all of these approvals, as contemplated by the proposal, and take the chance that the project will be further delayed by inter-governmental disagreements that have nothing to do with us. Therefore, the two states, the City and the LMDC should commit now to resolve these pre-conditions and they should be removed as contingencies.



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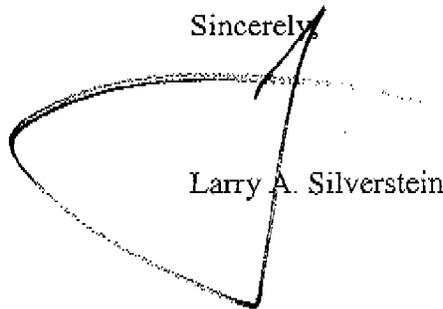
2. *No penalties for delays not caused by SP.* For the past four years, I have been pushing to get the construction going, and for the different branches of government to resolve the planning, design and security issues that have stood in the way. The prompt construction of 7 World Trade Center demonstrates what we can and will do if government gives us the opportunity to build. In keeping with this commitment, we are prepared to exercise our best efforts to meet your proposed schedule. However, we do not control all the issues affecting the schedule – for example, when the Port Authority delivers us the individual sites ready for construction – and we cannot and should not be penalized for delays that result from matters beyond our reasonable control. Indeed, financing institutions are unlikely to advance money on reasonable terms if the entire project could be taken away from us as a result of delays caused by others. We need to assure that the schedule-related guarantees are structured in a way that does not adversely affect the financing required for the project.
3. *Infrastructure.* On March 13 and again during our discussions leading up to the PA Board meeting on March 29, we and the Port Authority negotiators agreed to a formula for allocating the costs of common site infrastructure. That formula was based on *the PA's own analysis* of what portion of these costs are SP's responsibility. The new proposal in your Conceptual Framework departs from this agreement and instead provides for SP to accept liability for an open-ended amount of infrastructure costs. This provision would make it impossible for us to set a clear budget for the project, which is essential to obtaining the necessary financing. The infrastructure provision we previously agreed to was a definitive and final settlement of the various issues and – unlike the current proposal – was based on the work performed jointly by our two staffs for more than a year. We should both stand by our prior agreement to ensure successful financing of the project and establish, once and for all, a comprehensive blueprint for rebuilding.
4. *PA Participation.* As I indicated at the outset, the new demand for a 15% share of any future profit on a sale, refinancing or other capital event – worth roughly \$200 million, according to the PA – goes far beyond anything ever discussed before in our negotiations. Nevertheless, we are prepared to give the PA this new and very substantial economic interest – which would put the PA on an equal footing with all current equity partners – in the hope that it will ensure that the PA and we have the same economic motivation to assure the project is successfully completed and leased. However, we need to be clear that the PA's profit participation is subordinate to debt financing and does not adversely affect the financing required to get the project built. We believe this is the intent of your proposal but need to clarify.

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Obviously, there are a number of other finer points that will need to be addressed in connection with the definitive documentation for the transactions. For example, the language with regard to issuance of Liberty Bonds by various development entities should be restored to what was previously agreed, consistent with the intent of the leases. The proposed limitation on our use of our business interruption insurance should be clarified to make it clear that the other terms of our business interruption insurance arrangement will continue through the construction phase. Also, we have previously alerted the Port Authority about property ownership and logistical issues impacting on the Freedom Tower construction schedule: these need to be resolved in short order. And we need to tailor the Freedom Tower Work Plan to the construction schedule that has been developed by Tishman Construction, working with the design team, the PA and the Lower Manhattan Construction Command Center.

Thank you again for the cooperative spirit you have brought to bear. Your continued leadership will be essential to complete the restructuring of the leases and this entire project. I look forward to working with you to finalize this agreement, and to commencing construction of Freedom Tower.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to be 'Larry A. Silverstein', written over a horizontal dotted line.

Larry A. Silverstein