

The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution and Asset Management Meeting Transcripts
December 6, 2012

[Chair S. Rechler] The Committee on Capital Planning, Execution and Asset Management. This is the public session. The first portion of today's meeting of the Committee is being held in public session, after which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews or contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet, and we have one item on the agenda with Sue Baer on LaGuardia Airport and the Capital Infrastructure Development Program. Sue, I'll turn it over to you.

[S. Baer] Thank you. Commissioners, good morning. I'm back here again seeking authorization for the completion of the planning effort on LaGuardia Capital Infrastructure Program, which will facilitate the formation of a future public-private partnership that will replace the existing CTB. This authorization would also authorize the project infrastructure element of the East Garage. Now, the CTB, which began operations in 1964, is outdated. It no longer meets the needs of our modern airport terminal in terms of a whole list of things: aircraft spacing, hold rooms, concessions, building conditions, building systems, and we cannot accommodate the future growth that we expect at LaGuardia. We began the first phase of planning in May of 2004 with an authorization for \$15 million, and then in November of 2008 we were authorized a second phase of planning for \$40 million. Both were funded with PFCs. Today's authorization would provide for the planning of the infrastructure elements that support the redevelopment of the new terminal, including demolition of hangars, construction of roadways, taxiway modifications, utilities, and parking. One of the infrastructure elements is the construction of the East End Garage, which is shown up here as the green box, and we are requesting authorization for that project as well. At the end of October, we issued an RFQ seeking a public-private partnership to perform duties within the area of the dotted white line which includes the demolition of existing structures, including a hangar, the existing parking garage and terminal, and construction of a new terminal and parking garage. This authorization today would provide the design dollars necessary to support the RFP issuance and the evaluation of the public-private partnership proposals later next year. Finally, we're seeking approval to apply for PFCs to support the planning of this program. The current parking garage serving the Central Terminal Building has nearly 2,700 public parking places. It's in its final years of its design life. Engineering estimates that the rehabilitation of the existing garage would cost \$370 million to maintain the garage in a state of good repair over the next 30 years. We are proposing that the garage be replaced with two smaller garages, the East and West Garage, and as I've said before, we're seeking project authorization for just the East Garage today. One possible rendering of what the garage could look like is before you today. It's a little wavy perhaps, but it's just a rendering. It will provide a higher level of customer service with all of the kind of current amenities we put in parking today, including preferred spots, valet parking, premium services. We would expect this garage to hold over 1,000 spaces. When the full program is authorized, the total regional impact over the life of the project is expected to result in over 17,000 jobs. The East Garage project alone we expect the total regional impact over the life of the project to result in 670 jobs, \$44 million in wages, and \$185 million in economic activity. To recap, today we're

requesting program planning authorization of \$63 million for all of the planning I discussed. We would also seek authorization for approval for the Executive Director to award the associated design project management and advisory services support for the evaluation and selection of a developer to help us evaluate the public-private partnership. Authorization for the East Garage at a total project cost is estimated at \$109.8 million and authorization for the Executive Director to award the garage construction contract which is estimated at \$86.8 million. The bids will be solicited from a publicly advertised RFQ and awarded to the lowest qualified bidder. And we anticipate that there's about \$65 million of this project that is recoverable of this planning, and we will seek approval to include that in our next PFC application. The garage construction is expected to commence in the 3rd quarter of next year and be completed by the 1st quarter of 2015. We request your approval to advance this item to the full Board.

[Chair S. Rechler] Mr. Chairman.

[Board Chair D. Samson] Okay, Sue, we're going to keep talking about this, I guess? By way of background for the Committee, I had looked at this proposal a couple of times and had a number of questions about it, and Sue and her team were kind enough to meet with me yesterday afternoon to take me through this on a briefing, and I still have some questions for you, but I want to see if I can fine-tune them and save everybody time. I understand there are two items on this proposal. One is the infrastructure which is going to support and be the foundation for the CTB project, correct? [S. Baer] The planning dollars for that. [Board Chair D. Samson] Yes, I understand that and I'm hopeful--with respect to that I don't have a problem with that except as I want to discuss later in Executive Session, I trust that the planning for that will seriously focus on our experience over the past month with the effects of the storm. [S. Baer] Yes. [Board Chair D. Samson] The whole question of where we build and how we build and if we build in places like LaGuardia need to be carefully considered in the context of the next storm that's coming, and I know I emphasized that to you yesterday, and I have your assurances that that's going to be taken into consideration in the planning stage, but my question today has to do with this garage and some of the financial aspects of it. Just to let the Committee know why I raised this, at a time when we are trying to leverage what limited capital spending and investment we have it occurred to me to at least raise the question of whether we ought to be spending \$109 million on a parking garage, and why are we doing this? One of the reasons is that it generates income and the other reason is as Sue explained to me yesterday-- you jump in when I'm misstating something, my memory is faulty--is that the existing garage probably has a life of 5 years or less because of its age and its construction, so presuming we're looking at a 5-year window, in all events we would have to shut that down, and if we didn't have some substitute for it we would lose the income that that's throwing off, which just for purposes of discussion today is estimated for this year to be about \$15 million, correct? [S. Baer] Something like that.>>[Board Chair D. Samson] About \$15 million, right? >> [Chair S. Rechler] Yes. [Board Chair D. Samson] The question for me is there something we can do either in terms of a short-term fix or a longer term vision to avoid investing \$109 million today in this project for this garage, keeping in mind that this garage, although it's only going to have about 1,000 parking spaces, which is something less than 50% of the existing garage, is still going to produce some income at some point, right? [S. Baer] It will definitely produce income. [Board Chair D. Samson] Okay, so the question I have is this. First of all--and I tried to get this information from David Kagan at 6 o'clock last night, and he didn't have it. [S. Baer] Yes, he told me, but I do have it today. [Board Chair D. Samson] You do?

Okay, great. The fear that we all have is, as you've said, if we are going to rehabilitate the existing garage it's going to cost \$370 million over the next 30 years. My question is--was to David and my question to you today is-- what is it going to cost to rehabilitate the garage to keep it operational for the next 5 years and then for the next 5 years after that as an option for investing \$109 million today? [S. Baer] Unfortunately, because the garage is in such bad shape, we currently have more than 10% of the spots we can't use already, so the deterioration is well advanced in the garage. To get the garage up to standards and in a usable place over the next 5 years we estimate over \$100 million to do that in the existing garage. So that's-- [Board Chair D. Samson] You're telling the Committee then that for \$109 million you get a brand-new garage, but it's only a garage for half. [S. Baer] It's only half.>>[Board Chair D. Samson] For less than half. What's the cost of the West Garage? [S. Baer] We have not--that's part of the planning work that we're doing now. I don't have a number for that.

[Comm. D. Steiner] I assume it's the same thing. [S. Baer] It's a similar amount. Our plan is to include that in the proposal in the public-private partnership to have that garage—

[Board Chair D. Samson] I was also going to ask why--and we talked about this yesterday too, and I thought that Pat Foye had suggested and that we all agreed that in the resolution that you're asking the Board to approve we would incorporate the possibility of including this garage either into the public-private partnership concept for the CTB or independently exploring whether a parking company would want to do a similar kind of PPP just with the parking garage, and so we could presumably avoid putting \$109 million into something and getting some sort of a revenue stream off of it.

[Comm. D. Steiner] I'd like to piggyback that before you answer. [Board Chair D. Samson] That's all I've got. [Comm. D. Steiner] Well, I just want to add some things, my thoughts. I think it's a big mistake for us to spend \$109 million now. We ought to do whatever we can to delay that, and the way I see the plan, we're not going to tear down the 1,000-car garage until the other two are done, and it seems to me I would like to know why we haven't been taking care of this garage because I was in a parking garage, but we can't spend money every year, and we had a very poor maintenance program because it should cost you \$10 million. You ought to figure if you're giving up some spaces maybe it pays to lose 20% of the spaces and not spend the \$10 million. [Board Chair D. Samson] \$100 million. >> [S. Baer] \$100 million. [Comm. D. Steiner] \$100 million over 30 years. [Board Chair D. Samson] No, no, it's \$370 over 30 years. [S. Baer] Over 5 years. [Comm. D. Steiner] Well, what I'm saying is maybe we only have half the garage or three-quarters of the garage. We should not be spending \$100 million today.

[Board Chair D. Samson] I'm only saying that we should at least explore alternative approaches to this rather than just say, okay, we want \$109 million to go forward with the design and construction projects. That's all I'm suggesting.

[S. Baer] Let me just answer the question about the monetization. There's the last sentence on the first page of the resolution that says--or not the resolution, of your summary. Staff will continue to review commercial opportunities that allow for more effective monetization of parking revenues. We had done a study in 2009. Ultimately it reduced our capital capacity. We've got the study. We found it yesterday afternoon. We're going to review it. We're going to update it. Then

we can continue that conversation, but that statement about what Pat mentioned yesterday is now in the Item. [Board Chair D. Samson] I understand it's in the memo.>> [S. Baer] But it's in the Item too. [Board Chair D. Samson] It's not in the resolution. [Comm. D. Steiner] Why don't we postpone this until the February meeting? [Chair S. Rechler] Let's let her have some dialogue on this first. [Chair D. Samson] I thought we had agreed yesterday that it was going to be in the resolution, and it's not, so that's my point. [S. Baer] Okay. I think that was just a timing issue.

[Chair S. Rechler] Commissioner Sartor, you had a question.

[Comm. A. Sartor] Yeah, I do have a question. Who made your estimate of \$109 million? [P. Zipf] We've been working with URS, one of our consultants. [Comm. A. Sartor] Do you realize that that's close to \$100,000 a space? [P. Zipf] Yes.>> [Comm. A. Sartor] David, were you in that business thing? [P. Zipf] If I could just back up for a moment. The garage is a steel garage. It basically had a 25-year lifespan in terms of design life. It's currently 40 years old. It suffers from severe water leakage. [Chair S. Rechler] He's talking about the new garage. [Comm. A. Sartor] I'm talking about your new garage, your cost estimate for the new garage. [P. Zipf] \$84 million. [Comm. A. Sartor] That's \$84,000 a space. [P. Zipf] It's about \$75,000 a space, yes. [Comm. D. Steiner] Double what it cost us-->>[Comm. A. Sartor] Absolutely. [Comm. D. Steiner] [inaudible] a space. [P. Zipf] When we built the garage at Kennedy, two garages for about \$50,000 a space, that was JetBlue. That was design-build privatized. That was about \$50,000. This is \$72,000 per space. The difficulty here is we have build conditions, and we have a problem with seismic, so it's a very extensive foundation that goes much higher than the Kennedy work. [Comm. D. Steiner] So? [P. Zipf] That's the delta between the cost we've been spending at Kennedy versus LaGuardia. [Comm. D. Steiner] I have my doubts, okay? I have my concerns, and I think instead of rushing into this thing until we get all the data I think we ought to put it off, get all this information together. Let's get another fresh look. I know when I have a garage, I don't talk to my people about designing. I bring 2 or 3 of the garage precasters in here and the skilled guys. You guys come up with a proposal. What will you charge to build this thing? We don't have to go through all this, and I don't think it's appropriate to be pushed into this thing right now.

[Chair S. Rechler] Sue, can I ask you a question? In terms of the existing garage, how many spaces are actually used? What type of revenue--I mean, we said this \$12 or \$13 million or \$15 million. Is that being generated by 2,000 spaces on average? [S. Baer] Yes, it's being generated by the garage. It doesn't fill every day. We've done a parking demand study, and so the two new garages together are fewer spots than are on the big garage. two smaller garages, it's a more nimble operation. It's easier to use. It's a better level of customer service. The idea is to replace this one very large garage with two smaller.

[Chair S. Rechler] I was going to make a comment. In the Capital Planning discussions that we had on Tuesday in executive session one of the comments--just to answer the point about why has it not been maintained--is as dollars have been pushed off on maintenance because we had to push it off, you eventually get to the situation where we are today which is we're past that curve where now the cost of maintaining has become so enormous that you get to a point where you have to either replace or move on. I think that we're at that stage, and I think there's some consensus that that's an issue, and frankly, when it comes to garages-- and you have this

experience and I have this experience-- that's an area that I get very nervous about when there's maintenance issues because of the water infractions, and there's a lot of structural issues, and you never know what happens, and so you want to be cautious. I think what you are hearing, though, is there's two themes. One is--and consistent with a lot of our other initiatives-- of trying to find a public-private alternative not only in terms of using and leveraging outside capital but holding other people accountable and maybe someone else managing a process to a lower cost than we might manage that process to, and some of the people think that should be considered in that mix, and so if that's the case, one alternative here for us to authorize some of the planning piece of the equation but give you also the authorization to take this project through the same public-private partnership design-build-manage component and actually extract a design-build-manage alternative proposal for us to consider rather than the Port building this directly.

[Board Chair D. Samson] And Scott, what I was saying is it seems like even more of a natural evolution to that kind of thinking here because we're going through the CTB which is adjacent to this. The CTB is the same kind of RFP process.

[Chair S. Rechler] And we can maybe learn from doing a smaller microcosm of that. [Board Chair D. Samson] Maybe incorporate this into that project or maybe you have some kind of piggyback arrangement here. All I'm saying is just to look at the alternatives.

[Comm. J. Moerdler] I agree to look at the alternatives. I'm not sure it makes sense to piggyback on the CTB for two reasons. Number one, we want to get the garage completed sooner so it's available to allow the CTB project to go forward, and number two, if you separate it out, you have a broader audience because now you have all the parking companies and you're not a distraction for the CTB—

[Board Chair D. Samson] That's exactly my--all I'm saying is how it gets handled I'll leave to management. I'm just saying instead of getting locked into a conditional way of approaching this construction project maybe we want to look at something in addition. [Comm. J. Moerdler] I agree with that.

[Chair S. Rechler] Deputy Executive, did you want to make a point?

[Deputy Exec. B. Baroni] Vice-Chairman Rechler, one possibility, and this is always dangerous, this sort of thinking, but if we could bifurcate the item to the planning infrastructure dollars in one category and the parking garage in the second category we could come back to the-- on the first item the Director of Aviation tells me there's a certain timely necessity. But on the parking garage issue, an idea, and it hasn't been thought really through, is that we could come back, bifurcate the item, do the infrastructure on the one hand today, and we would come back to the Board at the February Board meeting with a series of options for the Committee with a private option, a design-build option. We would come back to the Committee with the current version, the one that's presented today, and if you would allow us to have these 60 days or whatever the window is on the parking garage issue we could come back to you very quickly with a series of options for the Committee. One idea, Vice-Chairman Rechler, is to, again, bifurcate the item. The infrastructure dollars, looking at Karen, we could do the resolution just for the infrastructure dollars today, and we'll come back in February with a proposal on the parking garage.

[Chair S. Rechler] And this would be clear that also there's PFC dollars for the infrastructure as well so in terms of-- [S. Baer] We'd include the PFCs. Just for clarity, this is a design build. What you're talking about is a design-build private equity arrangement, which in the past the Board has not wanted to pursue. We will look at--we've got some work to do on that.

[Comm. D. Steiner] Mr. Chairman, I've heard all this. Now I hear you say it's 1,000 car garages, never fully filled because we don't have the demand for it. It's not 100% filled because there's structural problems in certain areas. The whole thing doesn't make sense to me. If we're not filling it, we don't need 1,000 spaces, let's use the spaces that are good and do some minimum things to keep it open and keep it-- [Chair S. Rechler] I'm not sure it's that. I don't think that was said. [Comm. D. Steiner] I heard from the engineer they're worried about the foundations. We know what the foundations are. We built this garage. Just look at the plans we used. Anybody that's going to go in, all they have to do is look at the foundations for this one. It's very similar, so there's no big unknown as far as I'm concerned. [S. Baer] Standards are different now. [P. Zipf] When we looked at the design there were some seismic concerns. [Comm. D. Steiner] There was what?>>[Chair S. Rechler] Seismic. [S. Baer] There are different standards now. [Comm. D. Steiner] Seismic doesn't affect the underground. It affects the above ground, and every garage manufacturer does that.

[Chair S. Rechler] I think if we can have a consensus around the concept that the Deputy Executive Director laid out which is we approve the infrastructure, and then we have in the February meeting a broad discussion about the garage and the financing alternatives associated with that as well as if there's any other questions in terms of usage, any briefings that could be done in advance would be helpful.

[Comm. A. Sartor] And just another question. Could you put both garages out at the same time? Put the West Garage and the East Garage? [S. Baer] Because of timing, you need to stagger the construction. LaGuardia is a very small footprint, so we would need to stagger it. You could do it but if we were talking about a garage a few years out-- we'll put that in the meeting because that's a couple years out, and then you're getting a bid today for something you won't build for 3 years. [Comm. J. Moerdler] Build one, as soon as you finish, you start building the other.

[Chair S. Rechler] Again, I think the one thing that's valuable here is that--and why I think this is attractive--is if we're going to take on a large public-private build-manage-own situation with the Central Terminal doing something smaller as a microcosm that we can learn from is probably valuable if we're going to do it, so there's another reason beyond everything else to consider it in the scope of things.

[Comm. D. Steiner] And it's a lot easier than the big project. This is a very simple thing to build, not exactly like the other thing, and believe me, we're going to make mistakes. Let's learn on a small scale.

[Chair S. Rechler] If that's okay until we modify the-- >>[S. Baer] Absolutely.

[Deputy Exec. B. Baroni] Just to be clear, Mr. Vice-Chairman, the item would be the infrastructure plus the PFC application because we specifically have to do that and then we'll come back-- that would be the item for today, and we'll come back. We'll have Peter Zipf's group and Lily and Aviation and management run through and sort of whiteboard a variety of options, including doing both at the same time, going into the market to talk to some of the private entities that do parking garages as a living. These are companies that do this and are very good at it. We'll talk to them and we'll come back to you in February with a series-- prior to the February meeting we'll come back to you in anticipation of that meeting with some options to consider.

[Comm. D. Steiner] And that way we skip those guys who bring the water in and the buildings all leak. Let's be finished with those fancy architects. We want a commercially viable building. We're not looking to build an architectural monument. I'm sick of all the money that's expended and wasted with buildings that are in fact something utilitarian like a garage.

[Chair S. Rechler] Is this a motion? Can I move this to the full Calendar? [Comm. R. Pocino] We can move it forward according to the Deputy Chairman. [Chair S. Rechler] Second?>> [Comm.] Second. [Chair S. Rechler] All in favor?>> [All] Aye. [Chair S. Rechler] Thank you, I think that ends our robust public session, and now we'll go into a quick executive session.