

**The Port Authority of New York and New Jersey**  
**WTC Redevelopment Subcommittee Meeting Transcripts**  
**February 24, 2011**

[Comm. A. Sartor] Can I have your attention, please? Welcome to the World Trade Center Redevelopment Subcommittee. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session after which the Subcommittee will meet in an executive session to discuss matters involving ongoing negotiations or reviews of 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. We have a number of items for discussion. The first one, Richard Gladstone, World Trade Center Systems Integration Planning authorization. Rich?

[R. Gladstone] Good morning Commissioners. Today we're seeking \$8.1 million planning authorization for the review of full site-wide operating systems to ensure their compatibility and their operability. This slide provides a graphic illustration of the complex intermingling of the below grade programs. Pieces of stakeholder programs can be wholly engulfed by other stakeholder programs and thus depend on adjacent stakeholder systems, such as stair pressurization or smoke purge to adequately address day-to-day operations and emergency situations. Because below-grade areas act as one mega-building, cross-sharing of information across and coordinating amongst separate systems is critical. As anticipated, this planning effort will identify recommendations that would produce World Trade Center life cycle costs by optimizing how individual project systems and processes interconnect and interact. This will eliminate redundant systems and reduce maintenance and long-term operating costs. Specifically, over the past year, staff and technical consultants have reviewed site-wide project documents to develop a site-wide systems integration plan. This project is required to address compatibility and operability issues arising from multiple projects being designed and procured over a multi-year period in an ever-changing environment. Provide recommendations for site-wide security connectivity necessary to support public safety, situational awareness and information exchange, develop common system interfaces and coordinate the various systems across programs and, where appropriate, across World Trade Center stakeholder boundaries to support public safety, security, and business continuity under both normal and emergency modes of operation. Resolving these issues early in the construction process will mitigate future budget and schedule impacts and reduce long-term operating and maintenance costs. This effort will include the operational review of: Fire and Life Safety Systems with associated exchange of information between stakeholder entities, Smoke Evacuation and Fire Command Station integration, integration of the Building Management Systems serving the Hub, Retail, VSC, and the Central Chiller Plant, additional Sub-metering and extension of the SCADA systems to monitor stakeholder utility usage and recoup cost recapture, Programming High-Security Keying Systems across all PA projects, coordination of below-grade level designations and discreet room electrical panel and device addresses throughout the site, inclusive of stakeholder devices shared by the Fire Alarm and Smoke Evacuation Systems, and integration of the Vertical Transportation Monitoring Systems. This authorization will include \$8.1 million for the continued planning work as follows: \$4.4 million allocation of previously authorized funds under the JLL contract. This amount will provide for multiple sub-consultants, completing the following: building systems review, site-wide utility and metering review, fire protection and code compliance review, program construction impacts, site-wide leveling and labeling, and program management. It will include \$2.5 million for reimbursement of World Trade Center

stakeholders for architectural engineering services related to the implementation of World Trade Center systems integration including Fire & Life Safety Systems, Smoke Evac Systems, site-wide Utility meterings, and \$1.2 million for G&A and financial expense. This authorization will determine what additional operating and capital costs may be required to complete systems operations. Staff will report back to the board at the end of this planning effort with the results and to discuss funding requirements. Commissioners, I request that you advance this item to the Board for approval.

[Comm A. Sartor] Are there any questions from the Commissioners?

[Comm. D. Steiner] Yes, I have a question.

[Comm. A. Sartor] Commissioner Steiner?

[Comm. D. Steiner] Yeah, the money you're asking for--is this part of an existing budget? Is this already in the budget?

[R. Gladstone] This is an allocation of contingency that is in the current landscape, so this is \$8.1 out of the-

[Comm. D. Steiner] What do you mean, "the current land-" say in English, what do you mean by "the current landscape?"

[D. Tweedy] There was \$600 million of program level contingency identified when we reset all the World Trade Center budgets in 2008, and while the Board has not authorized specific spending until today against that \$600 million, it has been reflected in our financial plans and in all of our financial budgets since that time. So we are drawing \$8 million from a \$600 million budget line item that is in our financial plan.

[Comm. D. Steiner] You're taking it out of the contingency?

[D. Tweedy] Correct.

[Comm. D. Steiner] In the hopes that the contingency won't be all used up. Is that correct?

[D. Tweedy] Correct.

[Comm. D. Steiner] So that's where the money is coming from.

[Comm. A. Sartor] So this \$8.1 million is coming from the contingency. Any additional construction costs or equipment costs will also be coming out of that contingency, Richard? I guess so--there's no other place to take it.

[R. Gladstone] Unless we can actually find that this is in--obviously, all the program budgets have contingencies as well, so I think really we need to see what exactly type expenditure it is so that would either be from a program contingency or the overall contingency.

[Comm. A. Sartor] Do you have any feel for how much this might run--ballpark? \$5 million? \$50 million?

[R. Gladstone] I think right now what we've done is as far as literally the trade costs, and because the kind of complexity of work, it's hard to say what the applicable markup is and there's an outside chance of about \$35 million worth of trade costs associated with this.

[Comm. A. Sartor] You're talking \$35 mil--okay. Which may or may not come out of the \$600 million contingency?

[R. Gladstone] Correct.

[Comm. A. Sartor] Okay. Any other questions? Seeing none, I'll entertain a motion to move this to the full committee?

[Comm. V. Bauer] I'll move.

[Comm. A. Sartor] Okay, done. Next item--Richard, you're up again. You're discussing the Retail Pre-Tenant and Subgrade Infrastructure Fit Out, Construction Management Services.

[R. Gladstone] Correct. Today, we're seeking authorization to enter into an agreement with Tishman/Turner Joint Venture III, the Joint Venture of Tishman Construction Corporation and Turner Construction Company to provide construction management services for the Retail and Parking Pre-Tenant Fit Out for an estimated 57-month term at an estimated total cost of \$27.8 million. This authorization will also include the ratification of \$400,000 for prior staff actions to obtain additional pre-construction services to identify the scope and coordinate the transfer of a portion of retail and parking Pre-Tenant Fit-Out work to Silverstein Properties, Inc. to better assure coordination with the Tower and Transportation Hub core and shell work. Tishman/Turner Joint Venture III was selected in September of 2010 to provide Preconstruction Services including cost estimating, scheduling, and preparation of trade packages for the Retail and Parking Pre-Tenant Fit-Out. In December 2010, staff exercised a 3-month extension option to extend Tishman/Turner's contract to continue to provide required Preconstruction Services. The base contract amount, including extension of scope, was \$1.5 million. Additional services totaling \$400,000 were necessary to identify Retail and Parking Pre-Tenant Fit-Out scope of work to be transferred to Two World Trade Center, Three World Trade Center, and Four World Trade Center projects in order to facilitate future coordination of work with SPI and the Transportation Hub. This work also included development of early bid packages for Retail Building Automation Temperature Controls and the Fire Alarm System to better coordinate with procurement schedules for the SPI Towers. Total contract award to Tishman/Turner Joint Venture III for Preconstruction Services totals \$1.9 million. Today, we are also seeking authorization to enter into a contract with Tishman/Turner Joint Venture III to provide Construction Management Services for the Retail and Parking Pre-Tenant Fit-Out projects and the coordination of Retail and Parking scope with Two World Trade Center, Three and Four World Trade Center. This contract was listed via selective lowest qualified price procurement process. Proposals were solicited from two firms currently providing similar services at the site. The nature of the Retail Pre-Tenant and Parking Fit-Out project is such that it interfaces with all of these projects and it is critical that the retail projects have a peer CM representation for effective project planning and coordination. Under the proposed agreement, the Scope of Work will provide Construction Management

Services for the following work: Above Grade Scope provides for the following: dedicated Retail MEP, Fire Protection, and Building Automation Temperature Control systems, Vertical Transportation, extension of the Hub Fire Alarm Systems to the interior of Tenant demised spaces, and various interior Architectural Finishes, which include masonry, carpentry, drywall, interior storefronts, vertical transportation, stone and ceramic tile. And Below Grade includes again, dedicated Retail and Parking MEP, Fire Protection and Building Automation Temperature Control Systems, Vertical Transportation, again, extension of the Hub Fire Alarm System to the interior of Tenant demised spaces, and Architectural Finishes not provided for within the Hub package, including certain public bathrooms and back-of-house support packages. The construction management Scope will include the following components: which is Retail Pre-Tenant Fit-Out, which is 523,000 square feet located above and below grade in the West Bathtub Occulis, Towers 2--and this is really the at-grade transit lobbies and below-grade at this current time, Tower 3 and Tower 4; trade estimates are estimated at \$130 million. Parking Pre-Tenant Fit-Out consists of Pre-Tenant Fit-Out work located primarily within the subgrade East Bathtub; trade costs estimated at \$12.7 million, and then it's going to include the incorporation of work to be performed by SPI, and then incorporated into the retail systems, and the trade cost for that is estimated at \$78.3 million. Total trade cost for this work to be procured or coordinated under this contract is estimated at \$220.5 million. Commissioners I requested to advance this item to the full Board for approval today.

[Comm. A. Sartor] Questions from the Commissioners?

[Comm. D. Steiner] Commissioner Steiner again, the broken record.

[Comm. D. Steiner] This \$220 million, is it already included in the budget, or where are you going to get it from?

[R. Gladstone] This is all in the--when we have discussed-

[Comm. D. Steiner] Is this another contingency item?

[R. Gladstone] This is not--no, this is the retail budget that's been discussed really for-- I think it goes back many years, from when we discussed-

[Comm. A. Sartor] Rich, can you just explain to the Commissioners how much that retail budget is?

[R. Gladstone] This is right in the current landscape; it's there for \$1.55 billion.

[Comm. A. Sartor] \$1.55?

[R. Gladstone] Correct.

[Comm. A. Sartor] So I've heard numbers as high as \$1.8.

[R. Gladstone] \$1.55 billion is what is in the current landscape.

[Comm. A. Sartor] The current landscape, but I've heard that this could go as high as \$1.88, is that

correct?

[R. Gladstone] There is no estimate that this will be at \$1.8 billion.

[Comm. A. Sartor] That \$1.55 is for 540-?

[R. Gladstone] The only reason that I'm framing the answer this carefully is because we don't know the build-out schedule for Tower 2. It's somewhat tough to know where cost escalations may or may not go, so there's a time factor in here that really we can't estimate.

[Comm. A. Sartor] I can understand that.

[R. Gladstone] And the \$1.55 was intended to be an all-inclusive budget until I actually know what the timing, really, of all 3 projects will be, it's not possible to swear.

[Comm. A. Sartor] So it's just basically a placeholder right now.

[R. Gladstone] Correct.

[Comm. A. Sartor] Okay.

[Comm. D. Steiner] Mr. Chairman, does that mean if it does run to \$1.8 that \$300 million will come out of the contingency?

[R. Gladstone] I think that there would have to be an evaluation of what was even driving the-

[Comm. D. Steiner] If you need the money--if it does run more--where's it come out of, that same contingency, that same \$600 million? I'm just trying to get the point is we're using up that \$600 million.

[C. Ward] The answer is yes. Obviously, the contingency is site-wide; it reaches referencing. We are in negotiations with our retail developer, what the size and scope of their program will be driving the \$1.55 billion. The timing of the two Towers will also be a driver in terms of final cost and if we exceed what we have programmed earlier, then it will have to come out of-

[Comm. D. Steiner] Yeah, based on past experiences, we know that it generally runs more than we figure and takes longer. I'm just worried about whether \$600 million is going to be enough for all the contingencies when we get everything done. I'm just concerned where we're going to get the money from.

[C. Ward] I think today's presentation of beginning to tracking exactly the level of risk against total project cost, and having pierced the contingencies of the earlier item. We'll be back to the Board regularly, tracking overall program costs against existing contracts with existing contingencies against overall contingencies.

[Comm. D. Steiner] Yeah, while we're on this, I forgot to ask on the last one-- we're coordinating all of the supervision services, but we have to bear in mind that some of those buildings might not be built, they

might not be owned by the people we think they're going to be owned, and somehow, we have to have some way of allocating the operational costs to all of these new entities, should they arise, because there's no guarantee that Silverstein will be there or that we'll be there in our whole thing, and-

[C.Ward] I think it's truly the value of putting this whole integration system up front so that we're not held hostage by subsequent changes and neither are landlords or tenants, so that we've built into the existing infrastructure the capacity to handle all those costs, now and-

[Comm. D. Steiner] I think that's wise.

[Comm. A. Sartor] Any other questions from the Commissioners? If not, I'll entertain a motion to move this to the full Board.

[Comm. D. Steiner] So moved.

[Vice Chair S. Grayson] Second.

[Comm. A. Sartor] Done. Next item, we're starting with Mr. Plate, Construction Trade Contracts.

[S. Plate] Good morning, Commissioners. The first item is for the award of architectural glass with a dichroic coating, to be located at the north and south entrances and behind lobby desks at One World Trade Center. The contract was competitively bid, with APG International being the lowest qualified bidder, at a base cost of \$8.5 million, which compares favorably to the staff estimate of \$8.8 million. Also for One World Trade, authorization is requested to exercise contract options under the existing agreement with Hillside Ironworks for miscellaneous iron at a total estimated amount of \$2 million, bringing the total contract amount to \$14.1 million. To date, approximately 99 percent of One World Trade Center trades have been awarded.

[Comm. A. Sartor] Any questions on this item?

[Comm. V. Bauer] How many contracts have been awarded?

[S. Plate] 99 percent. There's only about three or four left now; we're down to the last few. Okay? It's been a long journey.

[Comm. A. Sartor] Seeing no other questions, I'll entertain a motion to move it to the full Committee.

[Comm. J. Moerdler] So moved.

[Comm. V. Bauer] Second.

[Comm. A. Sartor] Go ahead, Steve.

[S. Plate] As you are well aware, Deutsche Bank continues to be an obstruction to completing the World Trade Center Vehicular Security Center, according to our original plan. To mitigate some of these impacts, we developed a revised design that results in a savings of costs of ultimately of \$10-15 million in

construction costs, but more importantly, also saves four to six months in schedule. This item requests an increase to Liberty Security Partners, our designer, in an estimated amount of \$5 million necessary to effectuate the redesign.

[Comm. A. Sartor] Steve, can you give us the history of the costs associated with this particular project? It started out at \$400 plus or minus, and it went up to--what--\$660?

[S. Plate] It's \$667 right now.

[Comm. A. Sartor] \$667 now?

[S. Plate] Yes.

[Comm. A. Sartor] Okay, and you feel that you could hold that cost?

[S. Plate] Yes, Commissioner. We've been getting some good bids and we feel pretty comfortable, we're in a good place; we have--we obviously realize we're going to have to spend some more money to keep up with the schedule, but we-

[Comm. A. Sartor] One of the things that you did do was because of the Deutsche Bank not coming down on time, is you had to revise how you approached the construction on this site-

[S. Plate] Yes.

[Comm. A. Sartor] And that's what required the additional \$200+ million.

[S. Plate] That's correct.

[Comm. D. Steiner] Is there any chance at getting recovery from that, from the people who were responsible for taking down the Deutsche? Lower Manhattan, or whatever those people are called? Since they did delay, shouldn't we put a claim in for the \$200 million?

[C. Ward] We're talking actual view of LMDC's financial obligations to the partners to withhold their financial capacities and out came the outflow of (inaudible) but we are monitoring and talk to them about this liability.

[Comm. A. Sartor] Okay, any other questions? Seeing none, I'll entertain a motion to move this to the full Board.

[Comm. R. Pocino] I'll move.

[Comm. A. Sartor] Second.

[S. Plate] Next item: Memorialize a construction trade contract, awarded by the National Memorial Foundation, for bronze name parapets. Service Metal Fabricating will perform the fabrication of the parapets with KC Fabrications performing the installation around the perimeter of the Memorial Pools.

The total costs of these contracts estimated \$10.9 million, excluding extra work, will be borne solely by the Memorial Foundation. Additionally, this item replaces a contract authorized in February 2010 for this work. Also, for the Memorial, the miscellaneous metals contract for the Museum Pavillion was competitively bid with R&L Construction being the lowest responsive bidder at a cost of \$4.6 million, excluding extra work and includes \$452,732 for Bovis CM Services. The Port Authority's estimated share of this trade contract is a little less than 10 percent, with the balance to be borne by the Memorial Foundation. Including these contracts, 98 percent of the Memorial contracts will be awarded to (inaudible); again, we're getting near the end.

[Comm. A. Sartor] Steve snuck in two projects for us, if you're looking at your sheets. Are there any questions on these? Seeing none, I'll entertain a motion to move it to the full board.

[off-camera] I'll move.

[Comm. A. Sartor] Second?

[off-camera] I'll move.

[Comm. A. Sartor] The next item, Steve--one at a time, please.

[S. Plate] Yes, sir. Sorry. The ability to effectively monitor activity and control access to the World Trade Center site is critical to ensure safe and secure operations. In support of this effort, we are requesting your approval of a \$20 million project to provide for a Situational Awareness Platform Software System that integrates the various facilities as they become operational at the site, starting with the opening of the Memorial Plaza on 9/11/11. The SAPS System will monitor a range of systems, including CCTV, access control, fire alarm, building management, radio communication, and vehicular scheduling and intradiction barrier control. This item also authorizes the contract award of \$8.4 million to DieBold Enterprise Security to develop, install, and test the software application.

[Comm. A. Sartor] Commissioner questions? I do, Steve--is this part of our budget? Is this part of our--?

[S. Plate] Yes, it's included in our--

[Comm. A. Sartor] It's included in the original--?

[S. Plate] Yes.

[Comm. A. Sartor] Budget that we have for the site?

[S. Plate] Yes.

[Comm. A. Sartor] Okay. What's the engineer's estimate for the cost of this facility? Do we have one?

[S. Plate] This is actually--this is--to give you a little more detail, basically, this is a facility located at 115 Broadway. This software and hardware design will be utilized ultimately in the site-wide one` to be located in Tower 4, so this is basically the interim and the final. So this is basically a hardware and

software design. It will actually flow through our main headquarters in the Tech Center and Teleport.

[Comm. A. Sartor] But my question is, is this consistent with the estimates that you guys have put together on this?

[S. Plate] Yes, sir, it is.

[Comm. A. Sartor] What were they?

[S. Plate] I'm sorry?

[Comm. A. Sartor] What were the estimates? Do you have them available? If not, you can do it later, but I would like to know.

[S. Plate] The estimate was \$8.8 million, the budget was about \$8.8 million and this award was about \$8.4 million.

[Comm. A. Sartor] What about the \$20 million you mentioned?

[S. Plate] That was consistent--actually, I brought that up several meetings ago as a precursor.

[Comm. A. Sartor] I don't have a good memory, so just refresh-

[S. Plate] I know, you actually have an excellent memory, sir So we brought up a few--it was the beginning part for the access control portions, but I can give you the breakdown if you'd like, sir.

[Comm. A. Sartor] Yeah, I'd like to have that--see that one more time. Okay. I'd entertain a motion to move this to the full Board.

[Comm. D. Steiner] So moved.

[Comm. V. Bauer] Second.

[Comm. A. Sartor] All right, Steve. The next one?

[S. Plate] Okay. Our next item requests a project in the amount of \$50 million for the design and construction of the World Trade Center site-wide Public Safety and Life-Safety Radio Infrastructure. This item includes a construction trade contract to Five Star Electric providing for the installation of radio equipment, interface and ancillary equipment, a radio frequency over fiber optic distribution network, alarm systems, as well as installation of the radio distribution network at a cost of \$72.7 million, including extra work. This item also authorized increase in compensation to Downtown Design Partnership of \$6.9 million for associated design and construction-related services and an increase to Tishman/Turner of \$5.3 million for associated construction management services.

[Comm. A. Sartor] Again, Steve, what were your estimates?

[S. Plate] The estimate for this was \$74.8. The budget was \$76 and this came in at \$72.

[Comm. A. Sartor] Okay.

[Comm. D. Steiner] What is the \$50 million I see over there?

[S. Plate] The \$50 million is an overall project authorization. Commissioner, if you look at this chart, what we try to show is how other stakeholders are sharing it, and so what I try to do basically-- the contract is covering the light and the dark blue. The dark blue is the overall system that's being handled as part of the site-wide system, and the light blue is being handled just for the Hub, so this is an opportunity rather, it really wouldn't be practical to have the main runs and the brain of the equipment done by different people, so what we've done is wrapped those two together, put as one system, and ultimately, you see all the other spokes in different colors-- they'll be tying in as time goes on, and they'll be done by the individual stakeholders.

[Comm. A. Sartor] So what are the Port Authority costs here? Other stakeholders participating in the costs, is that what you're saying? I'm confused.

[S. Plate] No, what I'm saying is that The Port Authority's paying for this, but in the other areas, for example, Tower 3 and Tower 4, that will be Silverstein Properties, for example. The Memorial will tie in and pay for their portion, and so forth and so on, Tower 7 and such, so this will be a complete radio system, and I think it's important to point out that this has really been a concerted effort with Ernesto Butcher and Lou Branney, who's here, and we've been working very closely with the different agencies. The FDNY and Emergency Services have bought off on this in writing, and we're continuing to-

[Comm. A. Sartor] Have you gotten anything in writing from the NYPD?

[S. Plate] No, but we've been working closely with their system. They have a system that they're in the process of-

[Comm. A. Sartor] Why haven't you gotten something in writing from them as you had from the Fire Department?

[C. Ward] Commissioner, we have been working with NYPD for two years. In terms of their systems integration and when it's working, they have appeared and what they have and what they will then be migrating to and they have, because of that ongoing conversation, they have not signed off on--in writing--on this project. We have designed this project in the fashion that will allow us to incorporate the migration of their radio system onto this. We believe it's fully compatible in the future with NYPD. Moreover then, in order to make sure that-

[Comm. A. Sartor] It's good for you to believe it, but do they believe it?

[C. Ward] They will affirmatively state that they believe that it will. But they have been reluctant to put it in writing given the ongoing discussions going forward.

[Comm. A. Sartor] I'm just concerned that we--three or four or five months down the line-- don't run into

a situation where we've got to revisit this again.

[C. Ward] We fully agree. We've really attempted to put this on a platform which is neutral in terms of where NYPD goes with their future systems, so we're confident that we are going to be able to accommodate what NYPD finally decides on what their system migrates to-

[S. Plate] We have put a lot of flexibility in this, and actually, in a real-time basis, Alan Reiss and my staff are working very closely with Lou to make sure that it's all compatible, so I understand your concerns, but we feel pretty comfortable that we'll be able to work with them to accomplish the same goal.

[Comm. A. Sartor] I want you to feel more than comfortable; I want you to come back and tell us here you've got it in writing and it's done.

[S. Plate] Yes, sir.

[Comm. A. Sartor] Thank you. I have a motion to move this--are there any other questions on this? If not, let's turn a motion to move it to the full Board?

[Vice-Chair S. Grayson] So moved.

[Comm. A. Sartor] Second. Next item.

[S. Plate] Concerning the Hub, it is requested to award the following trade contracts to the lowest priced, technically qualified proposers, including Architectural Metals and Glass for the Transit Hall to Jerome Aluminum Products at a base cost of \$8.1 million as compared to the staff estimate of \$8.2 million. Continue?

[Comm. A. Sartor] Any questions on this? Is there anything else you want to say about this item, Steve?

[S. Plate] No, sir.

[Comm. A. Sartor] Did you want to say anything else on this?

[S. Plate] No, I just wondered if I should continue.

[Comm. A. Sartor] I'll entertain a motion to move it to the full Board.

[Comm. V. Bauer] I'll move.

[Comm. A. Sartor] Second? Done.

[S. Plate] The next item--Carpentry, continuing on the Hub-- Carpentry for the Transit Hall to Component Assembly Systems at a base cost of \$12.9 million, as compared to the staff estimate of \$20.3.

[Comm. A. Sartor] I like that number.

[S. Plate] I like that number. The answer is the fellow's working at the site, he's at three different projects- - One World Trade, Memorial--he's doing a great job, and he's really hitting it hard.

[Comm. A. Sartor] And all these projects are obviously in the budget?

[S. Plate] Yes, sir.

[Comm. A. Sartor] For the Hub. Okay. I'll entertain a motion to move this to the full Board.

[S. Plate] The next item is interior glass storefronts to Champion Metal and Glass at a base cost of \$9.8 million, again, as compared to the staff estimate of \$17 million.

[Comm. A. Sartor] That's two wins in a row, Steve. You're on a roll. Hopefully, the rest of it will-

[S. Plate] Because usually, you yell at me for being too high on the estimates. I shouldn't encourage you, right?

[Comm. A. Sartor] That's right, be on a roll, I'm sure we'll have something-

[S. Plate] I just put an "x" on my chin, didn't I?

[Comm. A. Sartor] I assume you'll have something coming up that's going to be far different, but go ahead. I'll move--I'll request a motion. Second? Okay. Full Board. Go ahead.

[S. Plate] All right, the Structural Rehabilitation of the North Projection to Judlau Contracting at a base cost of \$17.5 million as compared to the staff estimate of \$16.1.

[Comm. A. Sartor] That's a little bit over.

[S. Plate] A little bit over. The other bidders were higher, though.

[Comm. A. Sartor] And what is this for, now? This is for-?

[S. Plate] This is basically the hardening of the North Projection. We just completed a hardening of the South Projection--a path. This will finish it on the North side.

[Comm. A. Sartor] Okay. Any questions on this? If not, I'll entertain a motion to move it to the full Board.

[Comm. R. Pocino] I'll move it.

[Comm. A. Sartor] Second?

[Comm. V. Bauer] Second.

[Comm. A. Sartor] Next one? Here we go.

[S. Plate] I didn't like that segue. Next, I'm proud to recommend the Construction Contract Award that represents a major milestone at The World Trade Center Project, the Oculus Structural Steel. The contract, which includes the fabrication and erection of steel for the Santiago Calatrava Design Structure that will rise 200 feet above the Grand Hall. This contract was publicly advertised with Skanska/Koch being the highest technically-rated and lowest-priced proposer at a cost of \$204.7 million, excluding extra work, as compared to the staff estimate of \$206.4 million, and includes payments of \$10.3 million to-

[Comm. S. Sartor] You missed one point, though, Steve.

[S. Plate] Sorry, did I?

[Comm. A. Sartor] What was your original budget estimate?

[S. Plate] The budget?

[Comm. A. Sartor] Yes.

[S. Plate] Was a little under \$100 million.

[Comm. A. Sartor] \$100 million--so this was a delta of over \$100 million.

[S. Plate] Yes.

[Comm. A. Sartor] That's why I want everybody to understand, but there were reasons for it, and I understand that. You should explain to the Board what the reasons are.

[S. Plate] Yes. Okay. Let me just finish this.

[Comm. A. Sartor] Go ahead.

[S. Plate] By awarding this contract, the Oculus is becoming a reality of the vision that was set by this Board, and will transform into Grand Central Lower Manhattan, by providing a vital pedestrian access for over 160,000 passengers each day, 13 MTA Subway lines, 500,000 square feet of high-end retail, restaurant space, and 10 million square feet of Class A Commercial space. With this award of these contracts, 94 percent of the World Trade Center Hub contracts will have been awarded.

[Comm. A. Sartor] Explain to us the delta.

[S. Plate] Okay. Okay, basically the reason for the delta--I should give you the full story. We had started with the bids, and they were closer to \$300. We actually sat in a series of very intensive, best and finals, understanding the contracts, means, and methods and understanding why we disagree. We were able to significantly--obviously--reduce it by almost--close to \$100 million, but the reasons for the delta as we could enumerate was that there was additional steel and that was driven from the original design back,

years ago, to now, of hardening of the building for security reasons, based on like we had to do for One World Trade. Also, some of the design criteria, working closely with our Engineering Department, we beefed up somewhat, and in addition, I think the fact that the way the contractor saw it, when we got down to the nuts and bolts, that they felt there was more complexity involved with it, and it was just their means and methods were different. And lastly, they were going to use more international fabricators, so there was some additional shipping costs.

[Comm. A. Sartor] All right, but in getting from \$300 to \$205 million, \$205 million doesn't include fireproofing of the building that was included in the \$300 million.

[S. Plate] That's correct.

[Comm. A. Sartor] So you have to add that back in at some point.

[S. Plate] That's correct, and we're actually-

[Comm. A. Sartor] What is the estimate of that number, so the Board understands everything on this?

[S. Plate] Let me start with the first question. Yes, we are in intensive discussions with both the Department of Buildings, as well as with our own Engineering Department, and we're looking at how best to effectuate this. There's a number of different products on the market and different ways of approaching it that gets us where we need to be, and we actually took it out of the contract, but not took it out of our commitment to do it, but felt it was time to take it out and deal with it separately, which works out well for scheduling and also gives us the opportunity to really understand exactly how best to effectuate it. The original number was in the neighborhood of \$25 million-

[Comm. A. Sartor] I thought it was \$30, but okay, go ahead.

[S. Plate] So \$25-30.

[Comm. A. Sartor] Thank you.

[S. Plate] Some of the new products we're looking at are in the neighborhood of \$15-20.

[Comm. A. Sartor] All right, is Peter here?

[S. Plate] Yeah.

[Comm. A. Sartor] Are you comfortable with this, Peter?

[P. Zipf] Yes.

[Comm. A. Sartor] Because you had raised some questions early on.

[P. Zipf] We looked at the analysis, and I think we have engineered a solution that looks reasonable. We're reviewing it in more detail, and we plan to be meeting with the Department of Buildings.

[Comm. A. Sartor] Okay. So in order of magnitude, you've got \$125 million bust in your budget. Where are you going to get that money from? Contingency, right?

[S. Plate] Well, some of it you'll hear in the next item, we're looking for additional funds. Some of it's out of our base contingency, which we have over \$100 million in-- about \$150 million, and-

[Comm. A. Sartor] I don't understand what that means. What do you mean "base contingency?"

[S. Plate] Oh, it's in my project, I have a project contingency of approximately-

[Comm. A. Sartor] That's above and beyond the \$600 million?

[S. Plate] Yes, separate from-

[Comm. A. Sartor] I know you've got \$250 million from FTA. Is that part of the FTA number?

[S. Plate] No, separate from that.

[Comm. A. Sartor] It's not? Okay.

[S. Plate] And the project, the way we do the project, we add up everything we know, we get to the bottom line and then add what we call a Project Contingency for unknowns. So we have about \$150 million, so a portion of that will fund this gap, a portion will come out of the next slide I'm about to do, and a portion will be shared with other stakeholders like retail.

[Comm. D. Steiner] So were there other contingencies in various parts of the budget that could be-?

[C. Ward] --make clear, they're for each project, there's a built in Project Contingency, and then this, where there's approximately \$150 million of project-specific contingencies. As we have presented to the Board about two years ago, we allocated a \$600 million project-wide contingency, recognizing this is clearly a large, high-risk project. And today, in the earlier authorization, we fear some of that sits under and we will continue to update the Board on project risks.

[Comm. A. Sartor] So we're piercing another part of that \$600 million now?

[C. Ward] Correct, yes.

[Comm. A. Sartor] How much of that are we piercing?

[S. Plate] In the next item-

[D. Tweedy] We're going to go through that, Commissioner, on the next item. Just to complete the picture, there is one other contingency source, which is an FTA, Hub-specific \$280 million of funds that we have not accounted for, but is available to this project.

[Comm. A. Sartor] We've got a total of about \$880 million.

[C. Ward] Correct.

[D. Tweedy] That's about right.

[C. Ward] We need to go to the next one, because then we-

[S. Plate] Yeah, that'll answer the question.

[Comm. A. Sartor] I'm sorry, Comm. Bauer?

[S. Plate] I'm sorry, Commissioner.

[Comm. V. Bauer] Excuse me. Why would you need to use international? fabricators?

[Comm. D. Steiner] They're cheaper.

[S. Plate] We let the market decide, but it's the transportation costs that were additional. We did it dollars per ton. The answer directly to your question is that they really understand the Santiago Calatrava designs, and we can't make this a research project, so what we find is that the ones who know him know how to deal with him, they can get in his head, is much more effective than having someone trying to begin from ground zero--no pun intended--but-

[Comm. D. Steiner] You say at the end of the day, it'll be cheaper.

[S. Plate] Yes, sir, and more importantly, more timely, too, because the risk goes up tremendously if you have someone trying to learn and understand him, and it just--you can just see the disruption. I've seen it on a number of occasions.

[Comm. H. Silverman] Steve, when you complete your presentation, could you just give us the most recent update as to what the overall costs of the Hub will be? You told me you bought out 94 percent, so you should have a pretty good idea.

[S. Plate] Okay.

[Comm. A. Sartor] And not only the Hub, but other projects that you've got that you're completing for others; I'd like to get a feel for that.

[C. Ward] If I could, Commissioner?

[Comm. A. Sartor] Yes, you can.

[C. Ward] Steve won't be able to give a response to Commisisoner Silverman's question--a ballpark sense of where we are with the Hub. There have been a series of questions that have come from Commissioners on orders of the contingencies that I think that we should come back and give a comprehensive

presentation so we're not doing this on a one-off basis and we will be responding to those series of questions in a comprehensive way, across the program as a whole. But today, with the project authorization Steve is asking for in the next item, we'll be able to respond to Commissioner Silverman, especially in regard to what as the increased authorization for the Hub amount, and then the increased authorization for the site-wide work. But clearly as the prices keep going, we are well aware on a multiple level of projects there's risks associated with each one of these reported to you. Obviously as we related to the screening center, and a variety of Commissioners have asked specific questions, but we'd like to come back and present those-

[Comm. A. Sartor] On behalf of the World Trade Center Subcommittee, at our next meeting in the month of March, I'd like to get a feel--not a feel--I would like to get a true assessment of what the costs are going to be with the Hub and the rest of the Site. You should have an ability to do that. I've been asking for this since September and we've gone back and forth with Mr. Tweedy and Mr. Plate and yourself on a number of occasions. I would like to see those numbers.

[C. Ward] Good. I'll be glad to talk about that. Before Steve moves on to the next item, the discussion of fireproofing, as the Commissioners are aware, is public meeting and a variety of press here. There was an earlier A to Z Press Report. Parts of this project in terms of fireproofing was in some way indicated, by pulling out the fireproof that we were not committed to the adequate amount of the Department abilities of the FDNY fireproofing, and I just want to emphasize, as Peter did, that it's The Port Authority's full commitment to comply with the City Department of Buildings and FDNY--all of them-

[Comm. A. Sartor] I didn't mean to imply otherwise. I'm fully cognizant of the fact that we are on top of this, that this building will be fireproofed to the appropriate standards, and we won't have any problem. I just wanted to make sure Commissioners understood that was a number that was above the \$205 million. Mr. Plate, next?

[S. Plate] Yes, sir.

[Comm. A. Sartor] I'll entertain a motion to move this to the full Board, by the way.

[Comm. V. Bauer] I'll move.

[Comm. A. Sartor] Second. Thank you. Mr. Plate?

[S. Plate] Yes, Commissioner. For our last item, we request your approval to Re-Authorize the World Trade Center Hub project at an estimated total project cost of \$3.44 billion as well as a project authorization for commercial infrastructure at an estimated total project cost of \$151 million. The Hub project increase is associated with items such as the Owner-Controlled Insurance Program presented to you several months ago as well as various construction trade contracts, including mechanical, electrical, plumbing, and the Oculus deal we just discussed. In addition, the Commercial Infrastructure project will fund such items as Tower 2 and Tower 3 work-arounds, temporary ventilation and emergency power facilities, and East Bathtub excavation acceleration to support our commitments to Silverstein Properties and other stakeholders. Commissioners, I request you advance these items to the full Board for your approval.

[Comm. A. Sartor] Any comments or questions?

[Comm. H. Silverman] Yeah, I do. I don't believe on a governance basis that we should--I, at least, for one, I have enough information to act on this motion. I believe it should be put over until we have a full explanation of how a \$2.2 billion train station is now going to cost 50 percent plus more than that. I don't feel adequately prepared to vote on this motion.

[C. Ward] I think maybe it would be worthwhile for Steve and I and Dave Tweedy to maybe go through the explanation from why the previous amount, which the Board has seen--why the incremental amount of the increase authorization is needed today. This is obviously a critical re-authorization for a project which is receiving \$2.2 billion worth of funding from the FAA and project partners. The FAA is looking for us to advance within a--FTA--I'm sorry--is looking to advance this in a systematic way to allow the funding from the Federal Government to close The Port Authority. The explanation as to why this project has gone up are fairly discreet and explanatory, and I'd be glad to--given the importance of this--be glad to go into much greater detail than this. It would be really seriously consider not to lay this over, so if it needs to be a detailed discussion on what's necessary, we'd be glad to.

[Comm. A. Sartor] I believe Commissioner Silverman was quite explicit with his request, so I think you'd better go into it.

[C. Ward] Okay.

[Comm. A. Sartor] And if we do delay this--let's say for two weeks until we have another World Trade Center Subcommittee-- what effects will that have?

[C. Ward] Well, I think it's--it would be impossible to say that there's a direct effect of the FTA is going to in some way penalize, slow down the pay, but as a project partner who has seen The Port Authority's prioritization, for example, and focus on the delivery of the Memorial Plaza and the potential impact that that focus has had on the delivery of the Transit Hall and the Transit Hub, and some very sensitive issues associated with the delivery of this project, that the FTA has clearly and strongly looked to us to make sure that it is advancing, and with that comes a calendar that we think is very helpful to The Port Authority in terms of what the total project cost estimates will end up being within the time frame that we have. This is managing a federal partner that has looked for this Board to act on this project. Could I say that there's a direct repercussion? No, but clearly, we have been representing to them that we've been advancing this project progressively, and that we are aware of certain costs that have increased over what the estimate was, and they want to see that the Agency and this Board recognizes that it's important to move-

[Comm. A. Sartor] I don't think you're going to have any trouble convincing the Agency after the approvals we gave today on the various other parts of this project that it's advancing. The question here is what happens if the Board collectively, at this point, decides not to advance the \$150 at this point in time. We would delay it to another World Trade Center--we have a World Trade Center Subcommittee coming up, I believe, in a couple of weeks. What are the implications? I want to hear from some of the other--I do want to hear from some of the other Commissioners, also, on this item.

[C. Ward] The authorization allows us, in effect, to spend up to that amount of the contracts awarded that

you've seen today, as well as allows us to spend up to that amount. Without the Board acknowledging that the overall cost of the project has increased, we would not be able to advance the particular contract amounts for the award, and therefore, it would jeopardize the process of authorization and then approval of contracts, and then we would be potentially jeopardizing some critical Bath work.

[Comm. A. Sartor] Can I have some of the other Commissioners? Commissioner Steiner?

[Comm. D. Steiner] I want to talk about the overall project of this Hub. From day one, I always thought that the Hub was the iconic structure of the whole redevelopment and another office buildings is another office building. I had a great deal of disagreement with previous administrations who thought that the World Trade Center--whatever they call the Freedom Tower-- was an icon, but to me it was just another office building, a little taller. And I remember the fuss--the little bit of fuss--almost no fuss was made when we had to spend \$250 million more for reinforcing because the Police Department said it, and it wasn't such a big fuss; they said we had to do it and nobody questioned it, except a few of us said we thought it wasn't necessary and if someone's going to blow up the building, they're going to blow up the building no matter what you do. And I think that I know it's over it, but I know we were designing a new building. I think we had wrong estimates in the beginning and I think we're going to have to somehow live with it. The project has to go ahead and we have to find a way of saving the money somewhere else. Because as far as I'm concerned, if they never build another office building there, that won't make a bit of difference to what the iconic structure of the World Trade Center is. This is what it is, this is what it should have been, and that's how I feel about it. I think the money is well worth it, and somehow, find a way to do it.

[Comm. H. Silverman] Perhaps I could reframe it. I'm concerned about being incrementalized on this project. I was here when we approved a \$2.2 billion budget and \$300 million of our cash in from the insurance proceeds, basically, and a billion nine from the FTA, and that was a \$2.2 billion train station and now it's a \$3.4 billion train station. I would just query whether any of us--any of the Commissioners--know the elements of the delta between \$2.2 and \$3.44, and I don't believe as a matter of good governance, if we don't, and I for sure do not-- perhaps former Chairman Coscia does-- that we should approve this without knowing that. Now, if somebody can explain--if we all know it and I'm the only one that doesn't-- I'll shut up, but assuming that none of us know it, I don't believe it's good governance to pass this, and I recognize we're in a public session. I would point out that we're all fiduciaries, and as a fiduciary, you need to note that you're paid--of course, we're not paid anything-- but one is paid to know; one is not paid not to know.

[Comm. R. Pocino] We have the authorization of \$2.26-

[S. Plate] Yes.

[Comm. R. Pocino] And all I'm looking for is maybe a little more detail in four or five months so we can be told-

[S. Plate] If I can, I'll take a shot at it?

[C. Ward] Please.

[S. Plate] Okay. The first--future buys, we think we need approximately \$30 million. Electrical in the past--and that's to Chris's point--we're at \$3.3 if we don't get this money, even though you've given us authorization to proceed, we could-

[Comm. A. Sartor] What was that \$30 million, Steve, for?

[S. Plate] Future buys.

[Comm. A. Sartor] Future buys? Okay.

[Comm. R. Pocino] Such as?

[S. Plate] Electrical, mechanical, the remaining few buys that we have.

[Comm. A. Sartor] The 7 percent that's left?

[S. Plate] Yes, sir. And that's the incremental cost that we think it's going to cost. Then there's electrical in the rear-view mirror of purchases that we've done that we need to true up on the numbers.

[Comm. A. Sartor] How much is that?

[S. Plate] \$34 million. And the OCIP was approximately \$50 million--\$48 million.

[Comm. A. Sartor] I thought OCIP was a \$75 million-

[S. Plate] A portion of it went--it got distributed to different buckets. It was actually \$120-something, and it went to One World Trade and all different buckets. The portion that was The Hub was \$48.

[Comm. A. Sartor] I thought it was more than that, but-

[S. Plate] Non-Hub is another--you're remembering \$79-

[Comm. A. Sartor] Yes, I am.

[S. Plate] Okay, so the difference between \$79 and \$48 goes to the non-Hub, or the Infrastructure Portion; we call it "non-Hub." And I hate to make this too complicated, but the Hub is building the Hub, and it's also building what we call the "non-Hub," and that's work for other people and general infrastructure, so-

[Comm. A. Sartor] Where does that money come from?

[S. Plate] That comes from the infrastructure--do you remember the-- Paul Blanco used to call it "the landscape?" There's a whole bunch of individual projects involving third parties-

[Comm. A. Sartor] Yeah, but this is excess OCIP--this is OCIP that wasn't planned for.

[S. Plate] Yes. This is the one that brings us to the latest number.

[Comm. A. Sartor] Where's the dollars coming from to pay for it? Is it coming out of the contingency?

[S. Plate] Yes. All these numbers I'm talking about-

[Comm. A. Sartor] All right, so we're not throwing another \$31 into the site-wide contingency.

[S. Plate] That's down below--I'll get to that in a minute.

[Comm. A. Sartor] Okay, go ahead.

[S. Plate] Okay, and then the remaining portion is the Oculus.

[Comm. A. Sartor] Well, the Oculus number now was \$105-

[S. Plate] It's \$68--is the remaining.

[Comm. A. Sartor] \$68 from here, and where are you getting the rest of it?

[S. Plate] Retail and some from contingency.

[Comm. A. Sartor] Retail--is that part of that \$1.55 or is that above the \$1.55? Can somebody answer that?

[S. Plate and C. Ward] Part of it, \$1.55.

[Comm. A. Sartor] That's a fast answer but I want to see that. So that's where you get the--and where's the fireproofing?

[C. Ward] That's what we discussed earlier, that comes back later, once-

[Comm. A. Sartor] No, no. That's not my point. Where are you going to pay for it from? Contingency again? It's not part of the \$151, it's going to be above, and so the \$151's going to grow, is what we're saying? So the \$151--and answers your question--I'm sure it's going to grow beyond the \$151.

[C. Ward] The key questions are we started with the basics, Commissioner, just roughly. We're asking for the re-authorization of a larger amount. We've now let--what percentage of total contracts are out?

[S. Plate] Ninety-four.

[C. Ward] 94 percent, and the risk available for those remaining contracts, 6 percent, will be backed, whether or not we track against the original estimate or whether or not they're coming over. But as you look at the project risks in terms of the costs of this project, the increases we are asking for today over and above what the last authorization was about 2 percent of the total project, so we look at something of this size and convincing we are tracking actually very well against what the costs of this project would

be, and we will be back to discuss the remaining 6 percent of the contract to be left for the Hub as well as the other contingencies for the rest of the program.

[Comm. H. Silverman] Fine. If the Commissioners want to vote on this, I'm not going to--I'll withdraw my concern. However, I would say that at our last discussion about the Hub, where we increased to \$3.3 roughly, there was a representation by staff made that this was the last increase or the last over-run that we would have to fund. Now what you're telling us is we have another over-run, and Chris has just said including fireproofing and other things we don't know, we're looking at yet another over-run.

[D. Tweedy] Could I comment on that, Commissioner? Just, that was last year in May, and we did identify at that time when we increased the authorization for the Hub, that that full \$600 million in programmatic contingency would still be necessary. A lot of that ends up being accounted for against the Hub contracts, not necessarily the Hub project because the Hub--through the Hub contracts, we do so much work downtown, that to the extent that we have to deal with programmatic contingency for stakeholder allocation issues, for logistical challenges, and we identified that clearly last year. That ends up affecting the Hub project, so that's why today we feel it's legitimate at this point in the life cycle of these projects-- remember, we're fully designed--when we set these budgets in 2008, and frankly, to put a number of \$3.2 billion on a project that hadn't yet been designed, we hadn't worked out our Silverstein deal, we didn't even--we had just figured out how to work under that #1 box, but we certainly hadn't executed the work. As Chris says, we're within 2 percent of that, and to move now at this point in the life cycle a bit of that programmatic contingency into the Hub project, from my point of view, is a legitimate exercise at this point. We're not drifting on this project. We did identify the need for \$600 million for future project risk a year ago, and that was part of that presentation.

[Comm. V. Bauer] Excuse me, in 2008, was that correct?

[D. Tweedy] Yes, that's correct.

[Comm. R. Pocino] I agree with Commissioner Steiner in terms of accepting this for what it is and moving forward with this project, considering all the investment we have.

[Comm. A. Sartor] I think Commissioner Silverman has suggested that we could move this.

[Comm. H. Silverman] Yes.

[Comm. A. Sartor] So I will entertain a motion that it be moved to the full Board for approval.

[Comm. D. Steiner] So moved.

[Comm. R. Pocino] Second.

[Comm. A. Sartor] All those in favor?

[assent] Aye. Next item, Steve?

[S. Plate] That's it, that's the last item.

[Comm. A. Sartor] Is that the last item? You saved the best for last. All right. That concludes--I'll entertain a motion to adjourn the public meeting into private. This concludes the public portion of today's meeting. The Subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or review of contracts or proposals. Thank you.