The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
April 23, 2014

[Vice-Chair S. Rechler] We're going to begin the Committee on Operations. Today's meeting of the Committee of Operations is being held in public session in its entirety, and it's being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. At this point I'd like to ask the Board Secretary to advise the committee of any commissioner recusals on items before the committee at today's session. Madame Secretary?

[K. Eastman] Thank you. There are no recusals to note on the Automotive Manufacturers' Incentive Program, and with regard to the Lincoln Tunnel Park and Ride, Commissioner Schuber would be recused. Good, thank you. We had a very good discussion about the Hudson-Raritan Estuary Resources Program in our Finance Committee and voted to move that to the full Board for a vote, so we're not going to duplicate that, but for anyone who missed that discussion you can actually watch that on our Internet replay. It was a good counterpoint, so I encourage you to tune in. We're going to jump to the second item on the agenda, which is the Port of New York and New Jersey Automotive Manufacturers' Incentive Program, and we're going to ask Dennis Lombardi to provide some update on that. Dennis?

[D. Lombardi] Good morning, commissioners. Historically the Port of New York and New Jersey has been the #1 auto port in the country, and in 2008 we handled over a million vehicles. The economic downturn that took place after that, our volumes dropped down to 620,000 vehicles in 2009. Volumes have slowly grown back up to 745,000 vehicles in 2013, but we feel we have a lot of capacity to handle some additional growth. Today authorization is requested to implement a targeted incentive program to encourage the automotive manufacturers to use our marine facilities as a port of call, and it's a 5-year program hoping to attract new automobile cargo to the port. In order for us to be in a position to increase our auto volume over the next 5 years in this very competitive environment—and we've lost cars in recent years to neighboring ports to the south, particularly Philadelphia and Baltimore— we want to target the auto manufacturers themselves that do not call at the port, but we also have to offer to the manufacturers that are currently doing business in the port. We currently have 3 auto processing tenants in the port. We have Toyota and FAPS in Port Newark, and we have BMW over in Port Jersey. BMW and Toyota are vertically integrated companies, and they bring cars from factory to dealerships, where FAPS is a 3rd party independent processor that handles a variety of manufacturers in the port. As a landlord port, we directly control the public berths that the car ships use to bring automobiles to the port, and in that we collect dockage and wharfage on all the ships and the automobiles, trucks that come off those vessels. That wharfage is paid directly to the Port Authority, and that gives us a financial opportunity to encourage some growth. The proposed incentive program targeting, again, at the manufacturers and not the shipping lines, because manufacturers today are the ones that make decisions on which ports to use. And we've been told by our customers that the cost of doing business is a very important factor in port choice. We're seeking a way of giving a financial incentive and at the same time providing for potential increased revenues to the Port Authority. This is a snapshot of the proposed 5-year targeted incentive program. It defines an eligible vehicle as a vehicle that basically pays a wharfage fee through our tariff. It ships over our public berths, and we only have public berths in Newark and Port Jersey. The incentive would be worth 50% of the automobile wharfage fee. So the value of that is about $6.50 per vehicle. In the first year of the program we're encouraging if they didn't do business in '13 you're eligible. And we're projecting a growth of '14 compared to '13 of 2.7%. We've set the threshold in order to qualify for the incentive at 3%. In future years, we anticipate in years 4 through 5 we anticipate growth to be less than 1% per year based on our projection. We've set the threshold in those later years to just be that 1% growth. And the way the program would work, it would be rebated to the manufacturer at the end of a whole calendar year. They actually wouldn't get their rebate until next year in 1st quarter 2015 after we tally up all the numbers and get the reports. The proposed program is expected to stimulate growth we're hoping at overall wharfs and could result in new business and some incremental revenue. That's what we're hoping for. We're hoping that it also retains employment levels and possibly increases employment opportunities in the port and the region. Today commissioners I request you advance this item to the full Board for approval. Any comments or questions? Just to maybe sum this up, we're saying we have excess capacity, so we're trying to create this discounted program to use our fixed costs and our capacity to bring more velocity into it, right? Yes, and it's to encourage growth above current levels and projected growth that we have. It's an organic amount of growth that we expect.

[Vice-Chair S. Rechler] The 3% you're saying, is that organic growth? Yes, for this year. And are there protections to make sure we're not losing revenue we otherwise would have gotten anyway? That's a question that was honestly discussed, somewhat debated by staff throughout the agency. There is some risk of that, to be honest, but we think there's more upside than risk. Have you felt out any of the automobile companies to see their interest in this, if this is something that if we did this they would actually use it? We've talked to BMW is the only automotive tenant that we've told. We haven't given them details of the program. They seemed interested. We talked to FAPS, our 3rd party processor, who in their mind on behalf of their manufacturers think that they'd be very interested. But we haven't taken it out further than that in discussions.

[Vice-Chair S. Rechler] Question.

[Comm. J. Moerdler] Would it make sense that staff consider either having the program operate on an incremental basis, that you only get the rebate if you not put 1 car additional but you have to put a certain number. You get the rebate at every 100 cars or every 10,000 cars or every half percent increase so that you have to have a quantity, and you force people to go to the next hurdle or have the scope of the rebate phased in, and maybe for the first percent it's X, and it's 2X for the next percent and 3X, so you have it scaled to encourage further development. Well, I think the answer, Commissioner, is that we've looked at a whole range of different alternatives, including some of those that you just discussed, but we compared ourselves in wharfage, just on the wharfage alone, to ports to the north and south of us, and we find we're about double the actual cost per car. We're closer to $13, and they're closer to $6 than most of our competitors and we were looking—

[Comm. J. Moerdler] Between what, Richmond? Boston, Rhode Island, Philadelphia, Baltimore primarily. While we've looked at those alternatives, we opted for and recommend this as the alternative of choice because we think it's going to encourage the most throughput. It's the biggest incentive.

[Vice-Chair S. Rechler] So people that pay $13 versus $6 do so because they want to be in this region closer to where delivery is, and they're willing to pay that extra price. But people that are going to other places aren't, and so you're trying to capture some of that market share that's less sensitive about being in this geography and try to match that pricing. Is that a fair way to describe it? I'd say that's a part of it. A lot of factors go into the supply chain to bring a car to this region. But all of what you said, sir, is a factor in that, and we're hoping that this influences it just enough for them to take a look at us and try putting some cars through.

[Comm. R. Pocino] So where does your rebate number come in terms of the $13 or $6? Where does it bring it into?

[D. Lombardi] Close. You mean compared to our competitors? Compared to the competitors.>>Yeah, it brings it close. And the average looks like somewhere around $6, and this would bring ours to a little less than $6.50. So instead of it being closer to $13, it's closer to the mark. Not at the mark, but closer.

[Comm. R. Pocino] So it's a significant enticement for them to want to move over.

[Comm. D. Steiner] As I understand, this is only for incremental business. This doesn't double back what they already have. It's only for the added portion.

[D. Lombardi] Yeah, we would make that clear. The manufacturers would actually have to enter into an agreement with us, and there would be a document that would—

[Comm. D. Steiner] You only pay the incentive on the incremental business, or you're going to go back and pay the incentive on the whole business?

[D. Lombardi] Only on the incremental.

[Comm. K. Lipper] So you're going to have a baseline for how many years? You're going to say the average of the last 3 years or the average of the last year? What is the baseline on which the increment occurs? In the first year we're starting with '13. Thirteen is the base, and you need to do 3% better than your volume in '13 if you're a current manufacturer. If you've never been here before, than all your cars are open for an incentive. If you come here in '14, you've never brought cars before, we give it to you from the first car. That's the idea.

[Comm. K. Lipper] And than in subsequent years?

[D. Lombardi] In subsequent years you have to hit what you hit the year before plus 1% to get the incentive in the most simple example.

[Comm. K. Lipper] So if it's 2013 it's A, and 2014 is B, it's A+, and 2013 is A++. If we could use some real numbers, I'll use an example. If you handled 10,000 cars last year, and you get the incentive, the 3% would bring you to 10,300. You bring us 11,000 cars for 2014, you'd get paid on that 700 cars over the 3%, so instead of 10,300 compared to 11,000 you'd get the incentive just on that 700 cars.

[Comm. K. Lipper] And what about the next year? The next year you'd start at the 11,000 base. You've got to grow that by 1% to qualify.

[Comm. K. Lipper] So back to the original base.

[D. Lombardi] No, it's the new base. So the 2014 base becomes the base of 2015 plus 1%. Correct, plus 1%. And is there any exit ramp if we find this is not working? Can we stop it at anytime? It's subject to each individual manufacturer entering into agreement with us, so after the first year or two, when people approach us it's a program that we're going to have, we may have some difficulty saying no if we've entered into it with others during that window. We'd have to have a good reason to say no, but if we do, we could stop the program. I guess my question is if in year 3 if we look back and say, "You know what, it has actually not worked," we actually end up not gaining the extra uses we anticipated, can we terminate the program? Is there any—

[Comm. D. Steiner] You have to do it the way it's stated. If they don't qualify, they don't qualify. No, what I'm concerned about is that preexisting users that would have come anyway could start qualifying, so we end up giving a discounted price to people that would otherwise wind up in the region anyway. It's going to be hard for us to figure out if that was the case. There's 2 big risks. One on the financial side is that we have somebody who brings cars in, in increases, but the overall volume in the port decreases. So there's 1 manufacturer getting an incentive, but our whole base has shrunk. That's a potential risk. The other risk that I see is that we don't get any cars in the program. No one signs up to the program, and our competitors use it against us. They say, "Poor New York has got a great program, and we and other ports have cars."

[Exec. Dir. P. Foye] Because the cost of wharfage is a relatively small portion of the cost. For instance, what's the differential in rent between Baltimore and our rent per square foot? Dramatic, Pat. We're more than double Baltimore's rent. Dennis's first risk I don't think is a risk, because it will presumably have an impact on the manufacturer that's coming and sending in lots of cars, and the port is better off in a declining market having that manufacturer come. The second—and I agree with Commissioner Steiner. I think it's worth trying, and I think the downside is limited, and it's tied in all cases to increments over the prior year. It's cars we didn't have before, and to what extent you can make a causal link between the program and changing the manufacturer's behavior is a question that in all these economic development deals is hard to figure out.

[Comm. D. Steiner] They're going to do it as long as they can make money on it. It pays them to ship here, and then they save the $6, but they're not going to take cars here and ship them to Boston. That's highly unlikely.

[Exec. Dir. P. Foye] I agree. It's all a matter of economics, and they're smart, and they can figure it out. They don't need our help. If it works, it will bring us the business. If it doesn't, it doesn't. Nothing ventured, nothing gained.

[Comm. R. Pocino] If we fill available spaces,

[inaudible]. Any other comments from any other commissioners? Question? Can I have a motion to move this to the public Board meeting?

[Comm. J. Moerdler] So moved.>>A second?

[Comm. J. Lynford] Second. All in favor?>>Aye. Anyone that declines? Okay, this is passed. Thank you very much. I appreciate that. Our next discussion is the Lincoln Tunnel, the North Bergen Park and Ride agreement. Mike Francois, we actually discussed this at our last Board meeting and asked you to come back with additional information before we make any decision with that. Mike.

[M. Francois] Thank you. Today I'm asking the board to rescind the— Good morning, commissioners. Today I'm asking the board to rescind the February 9th, 2012 authorization for a lease supplement with New Jersey Transit Bus Operations and to authorize the Executive Director to negotiate and enter into a lease amendment between the Port Authority and New Jersey Transit with final terms based on the fair market value of the net rental of the property effective May 2012. As reported at last month's committee meeting in February 2012 the Board approved a lease supplement between the Port Authority and New Jersey Transit for the 1,500 space Lincoln Tunnel Park and Ride lot located in North Bergen, New Jersey. The proposed lease supplement was for a period coterminous with New Jersey Transit's proposed 3rd party concession agreement not to exceed 49 years and a reduction in rent to $1 per year. The Port Authority and New Jersey Transit have not agreed to the terms of the lease supplement. The current lease was executed in 2008 for a 5-year period which expired in 2013. New Jersey Transit executed its option to extend the lease for a 5-year period until 2018. New Jersey Transit's rent in 2011 was approximately $907,000 per year, which was to be escalated annually by inflation with a minimum of 3% and a maximum of 5%. Rescission of the February 2012 authorization would allow the Port Authority to enter into a new lease amendment that would set a new fair market rate rental until the lease expires in 2018.

[male speaker] And what was the fair market rental. Do we have a number? Based on previous valuations and staff calculations we anticipate that the fair market net rental rate to be in the neighborhood of around $700,000 per year. That number is around 2012. That would be the number in 2012.

[Comm. D. Steiner] Again, it's more than the dollar we were going to get.

[male speaker] I heard a dollar mentioned.

[Comm. D. Steiner] Forget the dollar. We're not going to do it for a dollar a month fair market value.

[Comm. K. Lipper] Okay, case closed. That's it.

[Vice-Chair S. Rechler] Keep going, Mike. The proposed lease amendment would retain all the terms and conditions of the 2008 agreement with the exception of the new rental rate.

[Comm. J. Lynford] Can you explain, is there a 49-year extension? Is that 2008 or 2012? No, Commissioner, what we are doing is we're maintaining the existing relationship we have with New Jersey Transit. We are not entering into any supplemental lease with New Jersey Transit. All we're doing is keeping the existing lease intact, and we are modifying the rental rate from $1 to a fair market value.

[Comm. J. Lynford] Let me state it again. I guess I don't know the existing lease, 2008 and 2012 as well as you do. At the end of 2018, is not a 49-year term available to New Jersey?

[M. Francois] No, sir, it terminates in 2018. Thank you.

[Comm. D. Steiner] So in essence, it's about a 40-year extension in the lease at the market value rather than $1.

[M. Francois] Correct. I'm running a terrible meeting, Mike, and I'm not letting you finish your presentation. We'll keep these guys in order here. I apologize in advance.

[Comm. D. Steiner] But we really want to cut—I don't understand all those fancy words. In other words, I'm not going to get $1. I'm going to get a fair market value in 2018

[inaudible] and we start all over again. Yes, sir. That's it. That's essentially it.

[Comm. J. Lynford] I asked—and I'm sorry to butt in.

[Vice-Chair S. Rechler] I've already let this go to mayhem.

[Comm. J. Lynford] I asked for a couple of things, for those conditions prescient to approving this. Do you recall that conversation? David and I raised some questions about how we determine the value, whether we would have a share of the upside. I would imagine they're in the minutes somewhere, these questions. But I didn't see the responses in this.

[male speaker] There is no deal on that extension. That was

[inaudible].

[Comm. J. Lynford] Then how did we decide that if we're getting $907,000 up until 2012 and now the property is only worth $740,000 for the same use? That rental was based on some valuations that probably occurred between 2006 and 2008 when this particular lease was executed, and I can only assume—because I didn't bring that to the Board— it was based on some market values at that point in time in which the market was higher probably in 2006-2007 than it is right now.

[Comm. J. Lynford] I can't subscribe to that. Go ahead, please, Libby.

[E. McCarthy] I'm sorry. What we did in coming up with this new proposed market rent was we looked at multiple factors. We had an appraisal that was done in 2011.

[M. Francois] In 2011.>>In 2011. We looked at that. We applied a market inflation factor to that. We looked at comparable listings for open land for both sales of land and for rentals of land. On the basis of taking those 3 data points, they all should have—I would say—circled around the numbers that are being recommended here. We did do some diligence in having that outstanding appraisal. We didn't go back to the values that were done previous. But you did decide not to have any annual inflators like the previous lease had. No, but this takes the existing lease parameters which has an annual inflation factor with a floor and a ceiling, and that survives. That will be 2018 but not— Through to 2018, and it terminated in 2018. Because what it says here is at an annual fair market rental of 740 with no annual escalations for the balance of the existing term. We modified that.>>Oh, you modified that. Yes.

[Comm. D. Steiner] Mr. Chairman, may I say something? That's great as a guide. We shouldn't make it less than—when I grew up in real estate we charged whatever the market will bear. You've got a situation where they don't have a choice. They have no other place to go. You could charge what you think it's worth to you, not what some appraiser thinks it's worth. Mr. Moerdler?

[Comm. J. Moerdler] Yeah, I want to follow up on that, which is do we know is New Jersey Transit charging for use of this parking lot to the Park and Ride customers? Yes, they are. It's a package fee, from what I understand, a combination of parking as well as a bus ticket into New York City.

[Comm. J. Moerdler] That's where I was going. We looked at the income and expense of operating this facility to determine where the break point is in terms of are they profiting from it based upon the old rent or the new proposed rent, and should there be some percentage rent component in addition to a base rent component? I'd suggest that staff take that into account as part of the negotiations and get income and expense statements from them going back several years so that we can see what's happening.

[M. Francois] We can do that, Commissioner. My other question, pointing at our sage counsel, is are you comfortable with the way this is all working, that we gave a prior approval, and we're now rescinding it? That we are not creating a legal problem or we're extricating ourselves from one so we don't have an issue of breach of contract or something with New Jersey Transit?

[male speaker] I think the answer is yes to the first part and no to the second part. Yes, we're fine, and no, we're not breaking it.

[Comm. J. Moerdler] Thank you, I just wanted to hear it.

[Comm. K. Lipper] I just have 1 point to add. I think that it's being adequately explored, but the

1 point I would have is there's a big difference between the market in 2011 and 2014 for real estate. Would it be inconvenient or cost prohibitive to update the appraisal from 2011 to 2014? It's just so that nobody thinks we're negligent in missing one of the big real estate turns.

[Comm. J. Moerdler] And in fact, that neighborhood is a neighborhood that is changing as a result of the development, redevelopment now of the Meadowlands shopping mall.

[Comm. D. Steiner] And look what

[inaudible]. We're very naive. You guys go by what someone says. I go whatever the market will bear.

[Vice-Chair S. Rechler] Is that a challenge time-wise and cost prohibitive to be able to get an updated appraisal?

[E. McCarthy] Yeah, I think we can do that. Again, we took the appraisal and escalated it. Also the market comps for the other data were current, but I think we can do that.

[Vice-Chair S. Rechler] Mr. Lynford?

[Comm. J. Lynford] So the takeaway from walking out of this meeting is you were going to have until 2018 to renegotiate, analyze this so that starting in 2019 we will have a lease that's more to our liking? Is that what your thinking was in this document? I don't understand.

[Vice-Chair S. Rechler] I think the takeaway that I'm hearing is that—

[Comm. J. Lynford] Let me say the question first, okay? I want to hear what he has to say. Is that okay?

[Vice-Chair S. Rechler] I have some authority here, I think. I think.

[Comm. J. Lynford] Can I speak, Mr. Chairman?>>[Vice-Chair S. Rechler] Yes, you can.

[M. Francois] We have an existing lease.

[Comm. D. Steiner] Yes, you can speak, but may you speak?

[Vice-Chair S. Rechler] Mike?

[Comm. D. Steiner] Mr. Harvard-Princeton-Yale. We have an existing lease with New Jersey Transit, which they've entered their option period, and our existing arrangement with them expires in '18. And what we're saying is we're keeping that in place. We're just readjusting the rent to make it market, and we will follow up on all the commissioners' recommendations. These are updating the appraisal and looking at their profit. We'll take that into consideration.

[Comm. J. Lynford] So we can walk out with a statement of our day, is it an existing lease?

[M. Francois] Correct. In 2018—>> [M. Francois] Is the expiration.

[Comm. J. Lynford] We are meeting our obligations pursuant to that lease. But we have decided—maybe we haven't decided— that we're going to reduce the rent and not have escalators. That's what this document said that I got today. Now based on this conversation you're going to go out and get an updated appraisal and come back to us and tell us what your final recommendation is to New Jersey, but in that final recommendation there should be a provision in there possibly sharing in the upsides if the 3rd party is making money off it, paying some of it too.

[Vice-Chair S. Rechler] Like I said—and this is what I was trying to get to— it sounds to me like we're trying to maintain the framework of the agreement we had with the New Jersey Transit lease beforehand, and that all we were trying to do was modify the rent to a fair market value rent, which seems to be the legitimate thing from now until 2018. To your point, in 2018 we can then take another step back and say what are the other alternatives to this property? Do we still want to have this lease? Do we still want to have this commercial relationship? Is there a higher and better use at that point? And I think the only modification we're asking to make now is to go confirm that this is a current appraised fair market value rent, or if not, market to that fair market value rent.

[Comm. D. Steiner] Mr. Chairman, may I speak quick? You may. I appreciate that respect. I would point out that all sounds well and good to me. But I think if you're smart, you ought to go see what Edison gets there for their parking, and you ought to go see what someone got for building some apartments on that site next to Edison. This is a very valuable piece of land, and there might be another alternative use. I think it's tremendously undervalued. I think you could get $30,000 or $40,000 a unit if it sold for housing and combined with some situation where they would bus you in or put you on a train. I think we're looking at this 30 years back instead of today, and I think that appraisals are okay, but you've got to think out of the box, and you've got to see what the traffic will bear. What's the best use that we could put this to, and how much more can we get from the Port Authority? We could have a long-term lease to an apartment house builder. We could sell it. There are so many possibilities. I think we have to go around and see what everybody else is doing. Appraisers, MAI, right? Made as instructed, is what I usually say. I don't mean to put down the appraisers.

[Comm. K. Lipper] But we hire the appraiser, don't we? We hire the appraiser.

[Vice-Chair S. Rechler] Yes. Commissioner Lynford, you wanted to add something?

[Comm. J. Lynford] Mr. Floor Manager, if I can continue for a second before— I still don't understand if there's an existing lease until 2018. If there is an existing lease to 2018, which had an inflator annually, and it was at a higher number than 740, why are we reducing it? What is the rationale?

[M. Francois] I think the rationale is when we came to the Board last time we said we would readjust it from $1 to market rent, and we will also look at putting in an escalator on that number once we determine the appropriate market rent.

[Comm. J. Lynford] I don't recall saying that. What I said was $1 was too little. We were getting 970 or 940. Could someone go out and justify what the value is? I didn't say anything about bringing it from 9 down below the existing rent. I just don't understand. I think I'm speaking for my colleagues here. We just don't understand the business thinking. And since this is such a radioactive point, we're trying to understand the business judgment and what our responsibility is in reviewing this decision.

[Comm. D. Steiner] I'd like to reinforce that. You're in the real estate business. Moerdler is in the real estate business. We all are. You get whatever the market will bear. It's not what some appraiser says it is. It's what's the highest and best use that you can find for that piece of land, not be bound by what some appraiser says but what somebody will pay you, for what a ready, willing and able purchaser will pay you to buy it or lease it. And that's what establishes the value.

[Comm. K. Lipper] I think that's obviously the case in the private sector. And I agree with that. I just don't know enough about the relationship between us and New Jersey Transit and how this plays into our role as a provider of bus transportation. I'm not sure that this is an arm's-length arrangement. I don't mean in a bad sense. I think we might not be thinking of this as an apartment building only because we can't do that to New Jersey commuters that we have a responsibility for. That's the only thing I'm—

[Vice-Chair S. Rechler] I think that's why I think the framework and all the points that you made I agree with. But I think that's a 2019 decision. I think there's a commitment that's been made to New Jersey Transit for them to use this through 2018 when that lease expires, and I think really the issue at hand in my opinion is how much we charge, and I think that's a question as to is this a fair value or not a fair value, and are we comfortable with that for this use?

[Comm. K. Lipper] I think David's point about looking at what Edison gets as a parking lot, that's a more comparable—

[Vice-Chair S. Rechler] An appraiser should do that.>>[Comm. K. Lipper] An appraiser should do that.

[Vice-Chair S. Rechler] And if they don't do that, then it's not really adequate with our evaluating what the market is.

[Comm. K. Lipper] That's really what we should be doing is maybe not looking for highest and best use, which I think David's point is right. If it was our property, we would do that. But look at it as to what a comparable function or use would be there, and Edison maybe—

[Comm. J. Moerdler] In order to make an informed decision, I think we ought to have the appraiser look at both and give us both numbers.

[Comm. K. Lipper] That's fine with me.

[Comm. J. Moerdler] Can I ask 1 other question? Because I have no sense of where this is. Is this adjoining other properties that we own? Is this next to some port facilities? Why do we have this piece of land sticking out in the middle? Is it stuck in the middle or nowhere? Or is it a piece of—

[M. Francois] It is part of the construction of the Lincoln Tunnel, and it's basically at the intersection of some major thoroughfares with the turnpike, 1 and 9 and 495. And there is substantial utility easements running through this parcel as well, which does limit its development capability. And I'm not sure, but I believe the zoning was the basis for some of the valuations before. We will make sure there's no changes in zoning as a result of any developments in and around there.

[Comm. D. Steiner] In your analysis you should put down what it would be if the zoning were changed. It's very possible—

[Comm. J. Moerdler] That's also an issue for highest and best use.

[Comm. D. Steiner] How many square feet do we have at that site?

[M. Francois] There's 13 acres on that site total.

[Vice-Chair S. Rechler] Unless I'm missing something, I think we've voiced enough of this discussion to frame the issue, and so I think the issue is that we're asking you to go back and get an appraisal, one for this use and then one if we want to determine the highest and best use with the recognition that comes in 2018 we're going to reevaluate whether or not we want to continue this arrangement with New Jersey Transit or use this as an asset to the Port Authority to monetize for that higher and better use.

[Comm. J. Moerdler] And at the same time look at whether there is any utility to the Port Authority of maintaining this property or an interest in it. Is it excess property as of 2018 or not?

[Comm. J. Lynford] And somewhere in this organization we have a planning department. It would seem to me we might want to deck the property so the buses can still be there or the cars can still be there and have the other half be something that's higher and better as a ground lease so we have more revenue.

[Comm. D. Steiner] Look at what Extell is doing over here next to the bus terminal. You guys have got to look to the future. Forget the past. Look out of the box.

[Vice-Chair S. Rechler] We're trying to move to the future. Does this mean we're not going to take a vote to this? Or we take a vote subject to us getting a final appraisal?

[Comm. J. Moerdler] I wouldn't take a vote on it.

[Exec. Dir. P. Foye] I think you ought to direct the real estate department to go get the appraisal and come back next week.

[Comm. D. Steiner] I don't want to vote on this today.>> [Vice-Chair S. Rechler] So that's what we're going to do. We're going to defer the vote, and we're going to ask you to get us an appraisal.

[Comm. J. Lynford] Not just an appraisal but this whole analysis. This whole analysis. >>

[Comm. D. Steiner] I want to see the whole picture, not just an appraisal. I want somebody in Planning to sit down or get some astute person outside. Pay them to do some ideas.

[Vice-Chair S. Rechler] Maybe in the context of how when we had the situation with the Kennedy Airport with the arc there, what was it? In terms of a memo coming out. Why don't we seek to have a memo prepared for the commissioners in advance of the meeting that outlines how the valuation was done, and the whole picture is discussed so we can come into that meeting well informed and make a final decision.

[Comm. D. Steiner] What I'm suggesting is—>> [Vice-Chair S. Rechler] You're not asking to speak.

[Comm. D. Steiner] May I speak?>> [Vice-Chair S. Rechler] Yes, sir. I was just about to adjourn.

[Comm. D. Steiner] I just wanted to say you have to start thinking what would you do if it was your property, not the Port Authority's? Think as if you're the owner, and how could you maximize the value to yourself? We've got to start having a government approach. We've got to start to think of this is a business. Start to think like a businessman.

[Vice-Chair S. Rechler] I think this is a good discussion. Thank you.

[Comm. D. Steiner] I don't have anything further to say, and I yield the floor to the gentleman with the nice tie.

[Vice-Chair S. Rechler] Thank you very much, Commissioner. Can I have a motion to adjourn the Operations Committee? A motion to adjourn?>> [Comm. J. Lynford] Motion to adjourn.

[Vice-Chair S. Rechler] Okay, motion approved. We're now going to be moving into the—that was a good discussion.