

**The Port Authority of New York and New Jersey**  
**Committee on Operations Meeting Transcripts**  
**April 26, 2012**

[Chair D. Samson] The first portion of today's meeting of this Committee on Operations is being held in public session after which the committee will meet in executive session to discuss matters involving ongoing negotiations and reviews of contracts for proposals and matters related to personnel and personnel procedures. The public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceeding via the internet. The first topic on the agenda of the public session is a presentation by Mike Francois, our Chief of Real Estate and Development, about a proposed property acquisition in Staten Island as part of the Hudson-Raritan Estuary Resources Program. Mike?

[M. Francois] Thank you Mr. Chairman. Good morning Commissioners. Today, I'm requesting your authorization to enter into agreements with the Trust for Public Land, a national non-profit land conservation organization, its designee, the New York State Department of Environmental Conservation, and the City of New York as necessary to partially fund the cost to purchase a conservation easement on a portion of a property known as the William H. Pouch Scout Camp property in Staten Island, New York. This property is identified as a natural resource and meets the requirements of the program as established by the Board. Protecting this property supports the Port Authority's sustainability goals of protecting 50 acres of land per year from development. The acquisition will provide multiple benefits to the public including providing vital public recreation space and waterfront access to an underserved community. The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary in the Port District that may be suitable for the conservation, ecological enhancement, public access, or environmental mitigation in support of port development, economic development, and other Port Authority capital programs. Funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in July 2001, for a total of \$60 million--\$30 million for New Jersey and the same amount for New York-- and was certified by the Board as a facility in November 2002. To date, the Board has approved property transactions through funding agreements and reimbursements for approximately 110 acres, totaling approximately \$26 million in New York. In New Jersey approximately \$24 million has been approved, for a total of 241 acres. The William H. Pouch Scout Camp property is owned by the Boy Scouts of America, Incorporated, Greater New York Councils in Staten Island and is approximately 113.6 acres consisting of mature forest, a natural pond, Orbach Lake and several wetlands areas. Approximately 43 acres of the property will be encumbered by a conservation easement partially funded by the Hudson-Raritan Estuary Resources Program. The facilities include a camp store, office, ranger residence, parking areas, several lean-tos for camping, the Berlin Lodge, which is a meeting facility, a climbing wall, a chapel, and several cabins without electricity. Subject to the conservation easement, the property will be accessible to both the Boy Scouts and the general public, although the Boy Scouts will have exclusive access for a limited number of days per year. The proposed conservation easement is approximately 42.7 acres located on the property as depicted in red-orange on the slide. The acquisition of the conservation easement by the Trust for Public Land would ensure the site's preservation as a publicly accessible natural area in perpetuity. Also, the easement will eliminate the potential threat of future development at the site. Acquisition of this conservation easement for preservation purposes is supported by a variety of entities including

several local community groups, the City of New York, the State of New York, key federal and state natural resource agencies, and local and state elected officials. The Trust for Public Land will acquire the conservation easement on the property from the Greater New York Council's Boy Scouts of America for \$5 million and transfer the easement to the New York State Department of Environmental Conservation. The Port Authority will fund the Trust for Public Land and its designee, the New York State Department of Environmental Conservation, in an amount not to exceed \$4 million. As evidence of support, the City of New York will provide the Trust for Public Land with \$1 million in funding. This property was appraised by the Trust for Public Land by Goodman-Marks Associates of Mineola, New York, who valued the conservation easement at \$5.26 million. The easement value is consistent with the review appraisal provided by the Port Authority's appraiser, Real Estate Solutions of Bayville, New York. Commissioners, your approval of this action is requested.

[Chair D. Samson] Michael, thank you. Before any of the Commissioners ask any questions, I'd like you to put this proposed agenda item in a context for us--

[M. Francois] Sure.

[Chair D. Samson] so that we can understand the overall program. I gather it's been in effect now for more than 10 years, and a number of properties have been acquired. And on the merits of the proposal and the program, I want to congratulate you and your team on all the acquisitions and contributions that you've made. It's important that the Port Authority receive credit for participating in a program that promotes environmental and conservation progress, but can you put this particular transaction or proposed transaction in the context of the work that the Port Authority and you in particular have been supervising in the last 10 years, and let's see what has been done and what we've achieved.

[M. Francois] This program is kind of administered through three agencies-- obviously, Real Estate Services, the Office of Environmental Services and Law. The properties that are designated and brought to the Board have to be on a list, the Harbor Estuary list, and that list is more or less certified, and a property is certified for, you might say, applicability to the program by the Environmental Services office. Law is involved in all, more or less, transactional. When the properties are determined to be applicable, the transaction is basically coordinated by Real Estate Services. We do due diligence, we do appraisals, we do environmental reviews and title searches, and when all the due diligence is done and an appropriate transaction amount has been approved, then we bring it to the Board. In New York, since 2003, the board has approved reimbursements to the Trust for Public Land for 8 property acquisitions and 1 property improvement project totalling just under \$26 million on 110 acres. These properties include the Blissenbach property, otherwise known as the North Shore Marina, the Wiman Avenue property, also known as Great Kills, the Quintard Street or South Beach wetlands properties, the Butler Manor Wood property, and the North Mount Loretto Woods property. All of these, those 5 properties I just listed, were located on Staten Island. We also funded the Idlewild Marsh in Queens, the 88th Street property in Rockaway, and the Harlem River Promenade at Depot Place in the Bronx, which is noted on the slide above before and after. In New Jersey, a memorandum of understanding was executed with the New Jersey Meadowlands Commission that sets aside up to \$10 million of New Jersey's \$30 million allocation for a land acquisition within the

Meadowlands District, which is a 30.4 square mile area comprising 14 municipalities in Hudson and Bergen County. To date, the Board has approved reimbursements to the New Jersey Meadowlands Commission totaling \$2.8 million for 105 acres. These acquisitions were before the Murray Hill property in East Rutherford, the Meadowlark Track in Bergen County, the Barge Club property in Carlstadt, which is noted on the slide above, and the Boulevard Tire property in Secaucus. The Board also authorized property acquisition funding for approximately 141 acres, which included the Bachstadt property in Holmdel, property located in South Plainfield, property for the Hackensack River Park in Jersey City, property for the Riverbank Park Extension in Newark along the Passaic River, the Adams property in South Plainfield, and the McNamee property in Hazlet Township.

[Chair D. Samson] Any questions by any Commissioners?

[Comm. D. Steiner] Mr. Chairman and Mike, I want to reinforce your comments. I read in the paper all these bad things about where our money goes at the Port Authority, and that we'll get a little sliver in the paper that we approved this. I think this is worthy of better coverage in the press and the public-- like the people on Staten Island who are complaining loudly about the money for the tolls, and look what we've done for Staten Island. I think we ought to make some special effort to get this message out so people understand the plus side of where the money goes, and I think it's a little known story that the Port Authority deserves a lot of recognition for what we've done, and people should know the pluses they're getting back, not just the minuses of paying \$8.

[Chair D. Samson] I couldn't agree with you more, Commissioner Steiner. Actually, over the last several weeks as this proposed transaction started surfacing in my universe, I've talked to Pat Foye and Bill Baroni a lot about this specific issue. And the specific issue to which I make reference is the communication aspect of this work that we're doing. There's plenty to criticize about the Port Authority, but there's also an awful lot that we do for which we don't get the credit that I believe the Authority deserves, and I know that Pat and Bill have been talking about that. Executive Director, you want to comment?

[Exec. Dir. P. Foye] If I may just briefly pick up on that. Thank you, Karen. Can I just briefly pick up on Commissioner Steiner's comment? I fully agree with that. I think this program is an important element of the environmental protection and mitigation of both governors. In this case, Governor Cuomo has been strongly urging the Camp Pouch transaction, which I think is an important one to Staten Island. I personally have been on Staten Island twice in the last 4 or 5 days, and I think that, to its credit, the Staten Island Advance has noted this transaction and commended the Port Authority and the governor for doing it. And as Mike explained, there were transactions on both sides of the Hudson, both in New York and New Jersey. We are focused, and I've spoken to Chairman Samson--Bill Baroni and I both have-- with respect to making sure that the Port Authority and this program gets the credit for the environmental good that's being done here, and we echo that and are very focused on it.

[Chair D. Samson] Great.

[Exec. Dir. P. Foye] Thank you, sir.

[Chair D. Samson] Bill, do you have something you wanted to add?

[Dep. Exec. Dir. B. Baroni] I would very much concur with both Commissioner Steiner and the Executive Director about the need to tell a very good story. And earlier this past year we've done, as you can see by Mike's presentation, on both sides of the Hudson, all throughout the Port District, a significant amount of land preservation, making the Port Authority one of the leading land preservers in the region. And, Chairman and Commissioners, I can tell you that Pat and I and Lisa and the team in media will be working overtime to make sure that we continue to tell and tell in greater volume the good things that we're doing.

[Chair D. Samson] Yeah, this is a very--I don't mean to beat a dead horse, but I don't think this horse is dead. I think this is a very positive message, and I think the Authority, through its communications staff ought to be driving it so that--not to promote something that doesn't exist but rather to shed light on what we are doing in a program that hasn't really gotten, in my view, the attention that it deserves, and with the resulting credit for the Authority. Commissioner Lynford?

[Comm. J. Lynford] Thank you, Mr. Chairman. I think this is a great program. I have 2 questions for you. How much more money do we have left in this program? That's #1.

[M. Francois] There's \$30 million in New York. I think there's only a few hundred thousand after this particular transaction is approved. In New Jersey, there's approximately \$6 million left.

[Comm. J. Lynford] And most conservation easements have a measure in them about enforcement to make sure that in perpetuity the property is used as anticipated. I notice in this one I don't think it'll be our responsibility.

[M. Francois] Right.

[Comm J. Lynford] In any of these transactions do we have any ongoing responsibility for either meeting the covenants or enforcement and if so, how do we handle that?

[M. Francois] The program has been structured in such a way so that the Port Authority tries to limit its liability. We don't take title to the property, and in this particular instance, there will be a conservation easement; title will remain in the BSA, but the conservation easement basically will be transferred or assigned from TPL to New York State Department of Environmental Conservation, which will have the requirement to do any enforcement, if you would, of the conservation measures. I'm not particular in regard to whatever types of enforcement issues there are in the conservation easement, but I'm sure there are.

[Comm. D. Steiner] Mr. Chairman, don't some of these easements run with the land that they can never be changed without-- Otherwise, we would have to have a reversion to do it.

[M. Francois] It's in perpetuity, correct.

[Comm. Steiner] So Larry, it runs with the land that's recorded?

[L. Hofrichter] Yes, but we never are in the chain of title, so we never acquire anything. [Comm. D. Steiner] I understand that.

[L. Hofrichter] We just fund others who do acquire the easements, and then they turn them over to--

[Chair D. Samson] But to the Commissioner's question, this is in perpetuity?

[Comm. D. Steiner] It's recorded?

[L. Hofrichter] I believe so.

[Chair D. Samson] Yeah.

[Comm. D. Steiner] I'd like to make sure that we're doing that-- it runs with the land that somebody can't sell the property sometime.

[L. Hofrichter] I'll check-

[Chair D. Samson] Yeah. I think the Commissioner's question goes to the kind of certainty that we as an Authority--we're funding this-- we want to have for the underlying transaction to make sure that this is a permanent easement.

[M. Francois] Yeah, for all intent and purposes, evaluation is based on as if we purchased the property.

[Chair D. Samson] Right. But let's just get confirmation of that. It's a good point. Any other comments or questions by any of the other Commissioners? Thanks, Mike. I'd like to move this for approval by the committee.

[Comm. J. Lynford] So moved.

[Comm. D. Steiner] Second.

[Chair D. Samson] All in favor?

[all] Aye.

[Chair D. Samson] So moved. The next topic will be presented by both our Executive Director and Deputy Executive Director, and as it's been previewed here, Non-Core Mission Critical Assets, arises out of a review that's been under way by the Authority both at the senior staff level and at the Board level about how in light of current economic conditions the Authority ought to move forward with its missions. Pat?

[Exec. Dir. P. Foye] Mr. Chairman, Bill Baroni--thank you, Karen--Bill Baroni and I have been working on this together so we're going to present together. As you suggested, there is a review, a comprehensive review of non-core, non-transportation assets--what we ought to do with them. We're going to focus in particular on 3 assets: the Essex County Resource Recovery Facility transaction, which Bill is going to describe, which is a recent success story, one that we're happy about, and then I'm going to talk briefly about the Teleport, and Bill will talk about the Newark Legal Center. I think the thing that's important to mention is that these projects each began-- had their own history, own story--as economic development projects some number of years or decades ago. They have now matured and are no longer in the incubator space, and I think given that their economic development role has been fulfilled and that they're non-core and non-critical to our mission, it's appropriate to take a comprehensive look. This is being done in the context of the Navigant report under the direction of the Special Committee and the Board. You all will remember that the governors directed the Commissioners Board to commence this comprehensive audit, and that one of the things that the Special Committee and Navigant have been focused on is taking a look at non-core, non-transportation assets and making individual decisions on the merits, and I'm going to turn it over to Bill.

[Dep. Exec. Dir. B. Baroni] Thanks, Pat. The Navigant report noted that this agency's work over the last decade has lead to mission drift from our core mission. In response to this, our next step in our commitment to Governors Christie and Cuomo and to the public in carrying out our organizational review is to undertake a review of all real estate and other non-core, non-mission critical assets. We plan to begin this review, at the Board's direction, by focusing on 2 of those real estate assets held by the Port Authority: the Teleport located in Staten Island, New York, and the Newark Legal and Communications Center located in Newark, New Jersey. As we advised the Board last month, we took the first step in identifying such non-core assets by restructuring the Port Authority's agreement for the Essex County Resource Recovery Facility. This facility is owned by the Port Authority and located in an industrial zoned area of Newark containing a mass burn resource recovery facility constructed and operated by Covanta Essex Company, a private full-service vendor. In 1985 the Board authorized an agreement with American Re-fuel, now Covanta, to design, construct, and operate the facility, and other agreements to effectuate the construction and operation of the facility. The restructuring of that agreement will place the facility on a path to financial self-sustainability and will transfer all capital and operating expense obligations associated with that facility from the Port Authority to Covanta. By restructuring the agreements for this facility with Covanta, the Department of Sanitation in New York in conjunction with the Department of Environmental Protection in New Jersey, the Port Authority's net present value associated with the facility will increase by \$52 million from the current negative \$12 million to a positive \$40 million. Pat?

[Exec. Dir. P. Foye] Terrific. Let me briefly review the Teleport. The idea for the Teleport began in 1980 when this Board authorized the study to review the feasibility of establishing a major communications center known as the Teleport on Staten Island. The project was intended to be in keeping with the agency's economic development mission and to ensure the region did not become economically disadvantaged in an ever growing technological age and would provide up-to-date communications enabling business to handle extensive amounts of information by satellite. In June of 1983 the Board certified the Teleport as an additional facility of the Port Authority and authorized the issuance of consolidated bonds for the purposes of capital

expenditures in connection with the facility. Teleport is a 100-acre business park which houses 5 Class A office and specialized buildings. The property is leased to the Port Authority by the City of New York since June 1984 for term ending May 2024, so basically 12 years from now. Currently there are 4 major tenants, 1 -Corporate Commons, Merrill Lynch Telehouse International Corporation of America, and the Teleport Communications Group, which is an affiliate of AT&T. I'll note that the Port Authority's technical data center is also located at the Teleport. Since 1983 the Port Authority has invested slightly under \$80 million in capital expenditures in connection with the facility. At least an additional \$7 million will be required over the next 3-4 years and perhaps additional amounts. I'll note that the facility operated at a loss in both 2010 and 2011. Staff is taking a comprehensive look at the options here, and we have had and will have discussions with the City of New York and with tenants and others to determine the Port Authority's options here. Any transaction would first, obviously, be brought back to the Board for its consultation and ultimately decision making and would be done on a competitive basis. Bill?

[Dep. Exec. Dir. B. Baroni] Thanks, Pat. In addition, the development and construction of the Legal and Communications Center and related infrastructure in Newark was undertaken by the Port Authority in cooperation with other agencies of government as part of the Port Development Project, authorized by bi-state legislation in 1962. Such legislation provided for the Port Authority to undertake all or any portion of the Port Development Project directly or through a wholly owned subsidiary corporation. Therefore, in October 1984, the Board certified the Newark Legal and Communications Center as an additional facility of the Port Authority and authorized the issuance of consolidated bonds for purposes of capital expenditures in connection with the facility. In 1988 the Newark Legal and Communications Center Urban Renewal Corporation was formed by the Port Authority to effectuate this project and was responsible for the construction of an office building with approximately 360,000 net usable square feet and its related infrastructure known as the Newark Legal and Communications Center. In December of 2001, the Port Authority entered into a net lease with Matrix One Riverfront Plaza LLC for the Newark Legal Center for a 50-year term with 4 additional 10-year renewal options. A \$36 million payment was made to the Port Authority upon commencement of the net lease. Under this agreement, the net lessee pays 1) base rent, which began at \$1.58 million annually and graduated upwards in 5-year bands over the term of the net lease; and 2) the amount if any by which 10% of the net operating income as defined in the net lease for such year exceeds the base rent payable in such year. The Port Authority has invested approximately \$97.2 million in cumulative capital expenditures in this facility. In 2011 the facility operated at a net loss of approximately \$1.9 million to the PA, and in 2010 a net loss of \$4.2 million. Like the Teleport, it is now necessary for us to review the significant impact of this asset on the agency's current and future operating budget and resources to determine if the Port Authority should continue to be involved in this area of business. Commissioners, the Port Authority's involvement in areas outside of its core transportation mission and related mission critical businesses has expanded over the years. As indicated in the Navigant report, our involvement in an array of real estate and other non-core mission critical assets including the Teleport in Staten Island and the Newark Legal and Communications Center in Newark that I just noted have a significant impact on our agency's operating budget and resources. We therefore request that the committee advance an item to enable a review to review all non-core, non-mission critical assets and non-transportation facilities beginning with the Teleport and the Newark Legal and Communications Center. It is

our intent to expand on this review with other non-essential assets in our continuing efforts to return the agency back to its core mission of providing for economic development and the movement of goods and people throughout the Port District.

[Chair D. Samson] Thank you, Pat. Thank you, Bill. Before I just turn this over to the Commissioners who I know have questions and comments, can you just expand, Bill, on the third issue up there. Is the authorization for the review which you're seeking going to include continuing review of other assets other than the Teleport and the Newark Communications Center, or are you going to come back to us as you take each step in any further reviews?

[Dep. Exec. Dir. B. Baroni] I think the review would open up all of the assets, certainly any action items. Two things we'd come back to the Board with: 1) on a regular basis update on those reviews--what we're finding as we go forward; and 2) we would obviously come back to the Board for any action items that we would take just as with--

[Chair D. Samson] That's understood, thanks. Commissioner Steiner?

[Comm. D. Steiner] I thought I heard you say that we got \$36 million back from when we entered into the deal with Matrix. What did we do with the \$36 million? Did we pay off the bonds or did we just put it in our general revenue?

[M. Fabiano] That comes in as general operating revenues. You reflect it over to the--

[Comm. D. Steiner] What did we do with the cash? I don't care about the accounting.

[M. Fabiano] The cash came in as operating cash.

[Comm. D. Steiner] Where did it go?

[M. Fabiano] It came in and went to the balance sheet.

[Comm. D. Steiner] See, from a real estate point I have a tremendous objection. If we ever do anything like that, we should have taken that money, retired the bonds; that's the way we should pay off the debt. We took the money and we used it for operating expenses when it was part of the transaction and it reduced our cost. We should have lowered our cost by paying off some of the bonds, and I hope if we ever do anything like that that we don't take the revenue and we pay off the--

[Chair D. Samson] But isn't it fungible? I mean, isn't the money fungible?

[Comm. J. Moerdler] Doesn't it also depend on--David, you can't necessarily say, "When I did this transaction, I issued this specific segment of bonds." But those bonds may not be pre-payable at the time you get the cash in. If the money--

[Comm. D. Steiner] I understand that, but in general, the idea is to pay off a real estate asset and then say, "Well, you've got \$70 million." You really don't have \$70 million; you've got \$35 million in there.

[M. Fabiano] What we do, Commissioner, in that sense is we use that \$36 million as additional monies instead of issuing additional bonds to finance other capital.

[Comm. D. Steiner] I understand.

[M. Fabiano] So as that flows, instead of issuing debt I'm using that cash.

[Comm. J. Moerdler] Is that segregated, Mike, for capital as opposed to operating or not?

[M. Fabiano] No, these dollars came in because it was under a net operating lease, but it flows into--

[Chair D. Samson] Okay, Executive Director?

[Exec. Dir. P. Foye] Okay, can I make a suggestion that Bill Baroni and I will come back as we present each transaction with a proposed use of proceeds.

[Comm. D. Steiner] Yeah, I just want-- Everyone says, "You've got \$67 million." We really don't have \$67 million; you've got to reduce that.

[Chair D. Samson] I guess we're going to check--

[Comm. D. Steiner] What you do with the money is another thing. We don't have that kind of investment.

[Chair D. Samson] I assume we're going to get a full financial picture of each of these assets and understand fully how the investment was handled and what it looks like today. Vice Chairman, you have any comments or questions?

[Vice Chair S. Rechler] Sure I do, but--

[Chair D. Samson] Oh. I'm sorry. Commissioner Lynford?

[Comm. J. Lynford] Thank you, Mr. Vice Chairman.

[Vice Chair. S. Rechler] He's a little quiet and I wanted to help him.

[Chair D. Samson] I don't think he needs it. He doesn't need your help, I can assure you.

[Comm. J. Lynford] I have 4 questions.

[Chair D. Samson] Very aggressive.

[Comm. J. Lynford] I want to thank you, Bill. I remember we've had some prior chats about an overall inventory, so I would hope that you would help us with compiling an overall inventory, not just those ones that you are seeking immediate work on. Two, and I would like that to include the Aqueduct and the ARC Assembly land in that inventory, because I'm not sure if that's core or non-core, but I think that those are important assets to think about. This is a Mike Fabiano question, so I'm not putting you on. When you say net loss, is that with or without depreciation? Is that a real cash loss? So on a cash basis are we losing money?

[M. Fabiano] No.

[Comm. J. Lynford] Okay. I just wanted to answer your question there there because I thought that was--

[M. Fabiano] The depreciation is so low. It's very close to 0.

[Comm. J. Lynford] So therefore, we are--

[M. Fabiano] Yes.

[Comm. J. Lynford] We're sort of at a break even.

[Chair D. Samson] What was the first thing you said, Mike, at the beginning of that sentence?

[M. Fabiano] On a cash basis, the depreciation numbers are factored into that log, so when we factor out the depreciation--of course, that's not cash-- that loss will be low, but it still will be a loss--not as large as the numbers.

[Chair D. Samson] Why would there be a loss without the depreciation?

[M. Fabiano] Because your depreciation of that investment is over the life of the asset, which is long-term 50-60 years so those depreciation numbers might be \$300,000-\$400,000 in a year. The loss that we were showing was \$1.8 million and \$1.9 million.

[Vice Chair S. Rechler] I think what the Chairman is getting at is if you look at the net lease project, that it seems hard to have a loss if we have an annual income and no expenses against that. That's the question, other than depreciation.

[Chair D. Samson] Right.

[Vice Chair S. Rechler] It wouldn't seem to be consistent with how one would view that.

[M. Fabiano] We've had ongoing operational expenses at that facility also with the leasing and security and those incidental things that we still maintain.

[Comm. D. Steiner] That's a net lease thing? We still take care of the property and we've leased it to someone?

[M. Fabiano] We have current responsibilities.

[Exec. Dir. P. Foye] Which asset are we talking about?

[M. Fabiano] Newark Legal with the leasing and security and things like that. That is a part of some of the stuff that we do around there.

[Comm. D. Steiner] What you're saying when you net leased it, we retained some obligation. Was it an actual true net lease?

[M. Fabiano] They're running the real estate asset. This is no different than the World Trade Center site--same exact thing. We had a net lease with Silverstein on the World Trade Center site. We still have the leasing and security operations in those buildings-- same exact concept.

[Exec. Dir. P. Foye] It's also an issue at the Teleport, which we're looking at. Not Port Authority Police Department, but there are security requirements, which I think deserve relooking.

[Chair D. Samson] Okay, we haven't closed out Commissioner Lynford yet. He's got another question.

[Comm. J. Lynford] Tell me a little about Matrix. In other words, since we're incurring a loss for whatever reasons, is Matrix making a profit? And who is Matrix?

[M. Fabiano] Matrix was a development company, and this was done through a public RFP, and they made the best proposal, and they take over the operations of the business and we have a lease agreement with them that they will pay us fixed amounts that are escalated over periods of time under a net lease concept. They take care of the leasing of the building and all the day-to-day operations and those pieces of it, and then we just get our required net lease payments.

[Comm. J. Lynford] Are they allowed to either refinance and/or sell their position?

[M. Fabiano] I don't know that we would have rights of review and approval on some of the ability for them to go out and sell their position, but as far as the ability of them to refinance this, we're not involved in their equity piece at all. They're just required to make net lease rent payments to us over a period of time, so I don't believe we would get involved.

[Comm. J. Lynford] If we were to apply some of the things we've learned in the future to such situations, we would try to have some share in that creation. Okay, good.

[Chair D. Samson] Any other questions or comments by Commissioners? Yes?

[Vice Chair S. Rechler] First, I just would like to also reiterate I think that the concept of doing a full review of our real estate holdings is a great idea, and again, emphasizing the point that when we do economic development to incubate, once we actually incubate and stabilize, it's as much our responsibility to recycle that capital so we could use it elsewhere as it was to invest it initially, so I think that doing this and being as comprehensive as possible is critical. Just as sort

of a follow-up of this last round of this conversation, I would also state that I think we've got to make sure in evaluating this that we take a commercial approach in terms of understanding what we have, understanding the economics of it, and understanding how we're going to maximize the value on the disposition, and I think that on some of the initiatives that the team has been pursuing, recently I think there's been a good back and forth of bringing expertise in to really bring this down away from an accounting analysis to what is the real property value and what are the things that impair that value and what are those things that are in our control so that we can change it? And I think that it might make sense to have a little subcommittee that the Executive Director and Deputy Executive Director set up with whoever you choose that we have some of that commercial review and that we make sure that we're maximizing value and thinking about this in that respect.

[Comm. J. Lynford] I'd like to follow on because I think that's very good. The security that we provide, the question I would ask in a commercial analysis is to whomever we sell our position to, would they have to assume the same security requirements that we have to give because they would argue with that negative number that we don't have a positive position. These are some of the things I guess you have to answer, but I think it's a fascinating exercise. I think it's a valuable one.

[Chair D. Samson] Commissioner Steiner?

[M. Francois] I think it's worth noting that with regard to the Newark Legal Center, Matrix does have the option to purchase that property.

[Chair D. Samson] Commissioner Steiner?

[Comm. D. Steiner] I want to point out 1 thing. With the Matrix I've been watching, Matrix is trying to make the Panasonic deal, and they need something from us--some easements-- and I've been saying it's a good time to not give it to them and get something back for it. Maybe it's a good time to review the whole deal. I think that we hold the key to his ability to make the Panasonic deal because he needs easements to get into something, and I think we ought to take advantage of that situation.

[Chair D. Samson] I'm assuming that all of these factors will be taken into account with management's review. Jeff?

[Comm. J. Moerdler] Obviously, Matrix is going to be the most likely buyer of the land underneath that ground lease.

[Comm. D. Steiner] They have an option.

[Comm. J. Lynford] They have the right of first refusal.

[Comm. J. Moerdler] Yeah. So we're going to have to deal with them. And maybe David's right; that gives us a little more leverage in that discussion because of whatever they need from us.

[Vice Chair S. Rechler] And again, all these things--and that's what was really to my point is if we can have that commercial review instead of maybe a smaller working group that we can flush out any of these types of issues that play through that so we can maximize the value on the disposition even in terms of the New York City ground lease. Do we need to extend that? What are the issues around that? But I encourage more and more of these types of initiatives.

[Comm. D. Steiner] Refresh my memory. Wasn't Silverstein involved with the original Teleport with Murray Weil--

[Exec. Dir. P. Foye] Yes. You're absolutely right.

[Chair D. Samson] Okay, listen. I think this is a good first--or I shouldn't say first-- a continuing step in our review of the Port Authority's use of capital and investment philosophy and where we ought to be going, and we look forward to receiving management's thoughts and recommendations. I move this for approval of the public meeting. Second?

[Vice Chair S. Rechler] Second.

[Chair D. Samson] All in favor?

[all] Aye.

[Chair D. Samson] Good. This concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters involving negotiations and reviews of contracts or proposals and matters related to personnel and personnel procedures. Thank you.