

**The Port Authority of New York and New Jersey**  
**WTC Redevelopment Subcommittee Meeting Transcripts**  
**May 29, 2013**

[Chair A.Sartor] The World Trade Center Subcommittee is being held in public session, after which the Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals, and matters related to the purchase, sale, or lease of property, or securities where disclosure would affect the value thereof or the public interest. In addition, this portion this meeting is being broadcast live. Live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item of business is Steve Plate, Authorization of Expenditures for Project Recovery Following Hurricane Sandy.

[S. Plate] Thank you, Commissioners. This item presented to you today is a continuation of each month I come to you for an authorization of the monies that we're going to be spending in the future, so where we are as of this date is we've authorized through May of this year a little over \$235 million. Today I'm asking for another \$71 million, which will bring us to a total of \$306 million. We continue to replace and repair the impact relative to Sandy and it's going very well, and the work is progressing very nicely, and the staff is really redefining recovery and resiliency as relative to the impact of Sandy. In fact I think the industry is seeing us as a model, and this is a continuation of that in the sense of keeping you posted on where we are relative to money. The next item, which is really going to be covered in its entirety by the Executive Director and the Deputy Executive Director, is something that we at World Trade wanted to get ahead of. Obviously as of June 1, officially, the hurricane season is in effect and relative to that, we've done a full 360 on the site and the vulnerabilities as we build it, keeping in mind this building, still many cases, doesn't have a roof on it, doesn't have walls, so you could see the potential for damage similar to what happened during Sandy, so what we've done to be proactive and aggressive in handling that, we've developed a plan which will tell us and inform us as to how to protect the site in total. What's shown behind me in the various colors is basically the areas that have been identified and need to be mitigated in the short term, keeping in mind that, as I said, it's open architecture right now. When the building's finished and completed, we'll be doing all the necessary things to protect it in its ultimate capacity and even with that, looking at some cutting edge approaches, but in the short term, what we're looking for here is a series of a number of different things to protect the site. I have the SWAT team geared up to protect the site. So for example this weekend we had the heavy rains, we had to have people working through the weekend to make sure the site was protected, especially in the vulnerable areas where there's an open well, open staircases or equipment. Specifically what we're seeking to spend that money on is a series of sandbags, not just sandbags placed, but designed in a way that will provide both structural and water penetration protection, as well as HESCO bags (sic) bastions, which are used by the Army Corps in a very severe situation with fabric bags with steel fibers through them, as well as purchasing of the sand. We worked out a plan to deliver the sand to the site within a very short time period as well as necessary pumps to get the water away from the site.

[Board Vice Chair S. Rechler] Steve, what goes in the HESCO bags? [S. Plate] Actually sand. [Board Vice Chair S. Rechler] That doesn't look like sand up there. [S. Plate] No, that happens to be gravel, but we put sand, we found it's actually more effective to put sand, and it's actually, we've worked out the logistics. We've got to bring 120 trucks in.

[Comm. D. Steiner] Where is the material stored? [S. Plate] In Red Hook. We're going to store it in Red Hook, come right through the tunnel, and bring it in and place it. We have a plan worked out now with our staff to-- [Comm. D. Steiner] Through what tunnel? [S. Plate] The Brooklyn Battery.

[Comm. D. Steiner] If that's flooded, you can't get the material there. [S. Plate] Well, no. This is well in advance. I mean, the logistics of this is that you know several days in advance, if not a week in advance is something impending, we will take a very proactive stand. Even if it doesn't come, we'll put these in place and leave them in place. So we're trying to be very proactive. We're not going to do this, like, 2 hours before. It's going to be done several days before, and it'd be done through the night, whatever it takes.

[Comm. D. Steiner] How long does hurricane season last, through September? [S. Plate] It lasts through October. [Comm. D. Steiner] So you might have to keep this in place from once you set it up until October. [S. Plate] That's correct. That's correct. And the last thing is diesel generators, because God forbid the power for any reason is disrupted, we will have sufficient capacity to run the pumps and any equipment we need at the site, which was invaluable to the Sandy operation.

[Comm. D. Steiner] Where are you storing the diesel generators? [S. Plate] We'll just store them onsite. [D. Steiner] What about elevation, is what I'm concerned. [S. Plate] Elevation, we did the last time we put them adjacent to Tower 1 on the east side and adjacent to Liberty Street.

[Comm. D. Steiner] Liberty above 312 with a couple feet extra. [S. Plate] Thank you for pointing that out, the last Hurricane Sandy reached 308.5. We're designing this to handle 312. [Comm. D. Steiner] So you've got a little cushion in there, because you don't know if it's going to come hard. [S. Plate] exactly. We figured we'd build some cushion in there.

[Comm. D. Steiner] It sounds like a good plan to me. [Board Vice Chair S. Rechler] Yeah, me too.

[S. Plate] That's it for that item. The last item is in response to our new partners at Westfield. They've made some suggestions relative to how to operate and maintain the facility, and they provide us with some efficiencies, and these are things that are somewhat mundane at times but also could generate a lot of expense if you don't have the proper maintenance equipment in place. So it's a combination of mezzanine structures, access platforms and ladders, and maintenance equipment tracks so they can clean windows and necessary equipment. Absent this, we probably will use scaffolding and it would disrupt the operation. So when they came in, we had a very good conversation with Philippe's group and his staff as well as with Westfield. They made these suggestions. We're actually moving very quickly on this project, so we're

utilizing a contractor that's in place and he'll put that in very quickly, and we'll be able to continue to make that very good progress.

[Board Vice Chair S. Rechler] Any other comments, questions? So then move these both to these to the Consent Calendar. >> [Chair A. Sartor] So moved.

[Board Vice Chair S. Rechler] The two of us both agree, thus to considered moved.

[P. Visser] Okay. Good morning, Vice Chairman, Commissioner Steiner. Today I'd like to present a proposal to authorize the contract to provide site-wide property management services for the common facilities at the World Trade Center site, a critical step as the site transitions to operations. The objective of this award is to retain a best-in-class third-party management firm to manage the Port Authority responsible assets throughout the World Trade Center. I'll give you a sense of what those are in a little bit. Maintain a Class-A standard and enhance customer experience, and enhance value to Port Authority and our business partners by operating a world-class complex befitting what the World Trade Center is and will become. These services include broadly cleaning, repairs and maintenance, utility management, grounds maintenance, and administrative reporting and financial tracking on behalf of the Port Authority. This was a publicly advertised request for proposals process run very effectively by Lillian Valenti and her team led by Mario Socrates. In conjunction with World Trade Center redevelopment with our team led by Jim Kleeman who brought his experience at the Time Warner Center, as well as PA law and MBD. Cushman & Wakefield, Inc. is the Port Authority's recommended choice for Board Approval based on the following: it's a top tier real estate service company, as you know, one of the leading in the world, it had a demonstrated ability to align with our positions on key contract terms. It have favorable, attractive pricing to the Port Authority and a committed and experienced team that we feel confident is going to hit the ground running should the Board approve and take place over the next couple of months. Just a reminder, the scope of these areas, and I won't go over any huge amount of detail, it incorporates the Central Chiller Plant, CCP, Site Wide Mechanical and Electrical systems, the Primary Electrical Distribution Center, Property Management Facility, Vehicular Security Center along with appropriate law enforcement, PAPD, as well as jointly managed infrastructure including the VSC Security Operations and campus plan elements.

[Comm. D. Steiner] I have a question if I may Mr. Chairman, does that mean all of those maintenance people will not be working for the Port Authority they'll be hired as independent contractors, so we're not going to have to staff that our manager is going to hire whoever he needs to take care of it? [P. Visser] That's correct, that's absolutely correct. The contracts, Cushman & Wakefield will be the overall manager and just like any other facility they will bring in subs under them for those various services.

[Comm. D. Steiner] And they will take the competitive goods and report them? [P. Visser] Absolutely. [Comm. D. Steiner] So our property manager, if you had a hotel or a store or a apartment house, they're serving that function. So who will they report to at the Port Authority? [P. Visser] They will report to World Trade Center Redevelopment on operations matters and on security matters-- [Comm. D. Steiner] What's that mean, a department, is there one person in

charge or something? [P. Visser] I'm the director of that department. [Comm. D. Steiner] Okay so they report really to you.

[P. Visser] And our staff and senior staff at the World Trade Center Redevelopment, and then on security matters, they report directly to the CSO.

[Board Vice Chair S. Rechler] It's a similar relationship like we have with Jones Lange, the thing on the construction advisory work. [P. Visser] That's correct, absolutely.

[S. Plate] The other thing to add is that we found a way in construction to start turning over segments of this complex early as opposed to waiting to the very end, so some of these things will be coming on in the near future, and we have to get ready with this item. [P. Visser] That's right. [S. Plate] Phillippe and I are working closely to make that as seamless as possible.

[Comm. D. Steiner] Would you explain to me how they're compensated? Are they on a cost plus basis with a fee?

[P. Visser] They're compensated and I'll get to the terms on a fee basis. So just in terms of the agreement, it's a seven-year terms plus three, one-year options at the Port Authority's election. It's termination with cause would be immediate termination without cause, so at our election, the Port Authority's election, we have to give 90 days' notice. As I said, they will procure sub-contracted services with compliance with -- [Comm. D. Steiner] Is the termination mutual or only at our choice? [P. Visser] No, at our choice.

[Comm. D. Steiner] So they can't terminate; we can. [P. Visser] That's correct, yes. And it's similar to a standard property management agreement which you can terminate. Obviously this is a fairly complex site, so the 90 days is probably a little longer than standard. [Comm. D. Steiner] Let me tell you this, what's standard is what you can get.

[P. Visser] Fair enough. Their compensation is a management fee, which is bifurcated into a base and performance-based portion. I'll get into the fee in a second. With the performance-based portion, 20 percent of the total management fee which will be awarded for good performance based on certain metrics, and that's to incent them to make sure that they're paying attention and putting a certain amount of their fee at risk, depending on how they perform. So in terms of pricing and budget, I'm going to go to the bottom of this slide, which gives you the total management fee. For year one it's \$400,000. That's to take on the scope that Steve said as they start transitioning to the site. And their average management fee over the seven-year term is about \$786,000. We think it's a good, competitive fee, and it's part of this procurement. Certainly the pricing was driven down.

[Comm. D. Steiner] Excuse me, so it looks like it's about 10 percent of the cost. [P. Visser] Well the cost isn't-- [Comm. D. Steiner] You're going to pay them 450 and it's going to cost about 4.7, so it's about 10 percent of their cost. [P. Visser] Yeah, that's correct, sir.

[Comm. D. Steiner] I just want to get a-- [P. Visser] Yeah, for year one. And in terms of this total board item, the total board item request is \$15.328 million. That consists of the

management fee, which I just talked about for that seven-year term which is \$5.5 million. It also consists of management and oversight staff and maintenance staff for the subcontracts for \$4.7 million to get us through that first year of operations as well as certain service contracts for cleaning, repairs and maintenance and grounds maintenance of \$5 million.

[Comm. D. Steiner] Do we have to approve the contracts that they do. Are you going to have to come to the Board for approval?

[P. Visser] We do not have to have Board approval. There are procurement mechanisms in place and guidelines that the Port Authority has certain contract approvals and there's certain mechanisms for under certain thresholds small amounts, they can do without us. Certain and over, they have to get our approval.

[Comm. D. Steiner] As Chair of the Audit Committee I have to ask this question. Do we have the right to audit this outside contract? [P. Visser] Absolutely.

[Comm. D. Steiner] I want to make sure your agreement provides our audit people can go in without any special permission. All the records will be opened.

[P. Visser] One-hundred percent, and that's important, because certainly as we look to get reimbursed through other stakeholders for these services and operating the common facilities, it's important that there's that audit.

[Comm. D. Steiner] Well we do that with the construction and I just want to make sure we have that right, because that's a lot of money. If it's \$5 million a year roughly for seven years, that's a lot of money. [P. Visser] Agreed. So thank you, and I'd like to request to move this to the floor.

[Board Vice Chair S. Rechler] How many people respond to the RFP again? How many companies? [P. Visser] We got three firms responded, and Jones Lange LaSalle was precluded because they were an advisor. It was the top three firms in the city plus Jones Lange LaSalle.

[Board Vice Chair S. Rechler] And what were the biggest differentiating factors? Was it the terms of the financial terms? Was there more of an operational issue that were? [P. Visser] The biggest differentiating factor between the top two firms, pricing was certainly a factor, although not the factor and how the firms treated certain liability issues. In certain circumstances with the other firm looking for a cap liability with Cushman & Wakefield not looking for specific caps, and that was something that was important to the Port Authority.

[Comm. D. Steiner] And I hope that in our overall insurance coverage that they'll be named as an additional insurer under our general insurance. We don't have this, we don't want this fighting back and forth. I think that where our Port Authority agency should be, or whoever is responsible should be named in their policies as additional insurer to us and that we counter through that in our main policy for the building to make sure that we don't have any cross claims; otherwise we'll be going who did what. it's like the RAP insurance. [P. Visser] We'll double check the document. I believe that's the case.

[Comm. D. Steiner] I just want to bring it to your attention. It's my obligation to point that out to you.

[Board Vice Chair S. Rechler] How long was the procurement process itself? [P. Visser] It was about a year-long process. It was a fairly complex scope. I think the team did a good job putting together and trying to simplify it so the market could respond to it with all these different moving parts, including the campus security program, and we went through, got the initial RP's, presentations, and then final bids.

[Board Vice Chair S. Rechler] Any questions? >> [Comm. D. Steiner] No more questions.  
[Board Vice Chair S. Rechler] I'm okay with this, too, so why don't we move this to the Consent Calendar and this concludes the public portion of today's meeting. This subcommittee will now adjourn to Executive Session, discuss matters involving ongoing negotiations and reviews of contracts or proposals, and matters related to the purchase, sale, or lease of real property or securities where disclosure would affect the value thereof or the public interest. Philippe, good job.