

The Port Authority of New York and New Jersey
Board Meeting Transcripts
August 26, 2010

[Chair A. Coscia] Good afternoon, everyone. Thank you for waiting. The special Board meeting of the Port Authority of New York and New Jersey is now called to order. Prior to today's meeting, the Commissioners met in Executive Session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Today Philippe Visser, our Assistant Director of WTC Redevelopment will present an item concerning agreements for the east side site development plan at the World Trade Center site. The development plan is the result of discussions among Silverstein Properties, the Port Authority of New York and New Jersey, the City of New York, the State of New York, the State of New Jersey, and provides for continued progress over time at the site. Mr. Visser?

[P. Visser] Good morning, Commissioners. It's a pleasure to be here to present to you a summary of the new Development Plan for the east side of the World Trade Center site. This agreement builds on significant progress at the World Trade Center site. All of the steel to build the 911 Memorial has been installed, with the two signature reflecting pools fully formed on the Memorial plaza. The plaza remains on schedule to open on the 10th anniversary of the 911 attacks. As you know, the Durst Organization recently committed to invest \$100 million of equity into One World Trade Center to become the Agency's private sector partner. The Port Authority recently signed a Letter of Intent with Condé Nast for one million square feet of office space in One World Trade Center. In addition, construction of One World Trade Center has reached the 36th floor and is scheduled to be completed in 2013. The World Trade Center Transportation Hub is also progressing with all 54 signature Calatrava design arches for the Hub connector installed, and with additional arches and giant plate girders being installed on the Hub's mezzanine level. This new Development Plan between the Port Authority and Silverstein Properties, the State of New York, the State of New Jersey, and the City of New York brings new certainty to the east side of the site. It closely reflects the March 25, 2010 framework, developed by Silverstein Properties and the public parties. It provides for the immediate restoration of the east side of the site, while phasing in the office development as follows. Completion of Tower 4 by 2013, Tower 3 built to at least podium level, and the Tower 2 site built to grade, and a "cash trap" to insure that the public gets paid back before cash flows to Silverstein Properties, and the 911, Memorial One World Trade Center and public infrastructure will continue to progress on their current schedules. Now, I'll give you a brief building-by-building summary of the transaction. On Tower 4, construction will continue on the 2 million square foot tower, with completion expected by 2013. Financing will be primarily be supported by the Port Authority with a \$1.8 billion project funded by \$1.36 billion of Liberty Bonds and \$450 million of insurance proceeds. The building is 60% pre-leased to the Port Authority's headquarters and the City of New York, which helps protect the Port Authority's backstop. On Tower 3, podium construction will commence immediately, funded by insurance proceeds, and will provide required infrastructure for the World Trade Center Transportation Hub. Should SPI meet certain private market triggers, tower construction will continue to expected completion in 2015. The tower's financing will be private-market driven with the following conditions: A 400,000 square feet pre-lease at a minimum rent of \$60 a square foot, with CPI adjustment starting in 2012. A requirement to raise \$300 million of additional equity and/or unsupported subordinated mezzanine debt dependent on the tower's economics. And securing \$1.3+ billion of Liberty Bonds or taxable debt. Should these triggers be met, capped public support for the tower will be established of \$200 million each from the Port Authority, New York City, and New

York State. Regarding Tower 2, immediate construction will commence to bring the site to street level, which will meet the infrastructure needs of the World Trade Center Transportation Hub, and also preserve flexibility for future development of the office tower, which will be based solely on market demand without any public support. A key aspect of this plan is the cash trap. All building profits--net cash flow and net capital event proceeds from T3 and T4-- are "trapped", as well as certain fees until all public sector support is repaid. The cash trap terminates only when the T3 public sector backstop is terminated and all amounts advanced thereunder are repaid, all Port Authority support payments have been repaid, and, in respect of T4 only, so long as a 1.25 debt service coverage ratio is achieved for T4. This cash trap ensures that the public is paid back before SPI can pull any profit from these buildings. The development plan represents a modest improvement to the capital capacity impact on the Port, discussed with the Board in March 2010. The impact is now projected to be \$1.1 billion to \$1.3 billion through 2016, with the higher amount of this range based on a worse-case assumption that the entire \$200 million Port Authority Tower 3 backstop would be drawn should the tower be built. The full impact of the Development Plan has already been accounted for in the Agency's capital plan efforts and will not result in any further deferral of Agency projects. The Development Plan avoids billions of dollars in potential Port Authority losses due to expensive World Trade Center Hub workarounds and the lack of future ground rent and retail revenue. In summary, this plan provides a renewed level of certainty over the development of the World Trade Center site and makes certain it will be rebuilt while sharing risk amongst all the stakeholders while limiting the Port Authority's risk. Commissioners, I request your approval of this Development Plan for the redevelopment of the east side of the World Trade Center site. Thank you.

[Chair A. Coscia] Thank you, Philippe. Thank you, and the whole team, for such a thorough review. We have one speaker on this topic, Catherine McVay Hughes from Community Board 1. Catherine?

[C. McVay Hughes] Good morning. I'm Catherine McVay Hughes, Chair of the World Trade Center Redevelopment Committee for Community Board 1. Last March I stood here sharing with you our Resolution that was unanimously passed calling for ending the impasse at the World Trade Center on the eastern portion of the World Trade Center site, and to put in place a rational financing mechanism. Six months later, I am here to share with you our July Resolution, strongly encouraging that the Port Authority and Silverstein Properties to work together in good faith to resolve any open issues, so that a definitive agreement can be approved and executed, thereby ensuring that the collective vision for developing the World Trade Center is realized as soon as possible. Now that a rational financial mechanism is in place for the eastern portion of the World Trade Center site, a plan for these 4 city blocks can be realized, including construction of the Calatrava PATH transit hub, and restoration of retail and commercial space lost on September 11. Prompt realization of the World Trade Center redevelopment plan will have significant community and commercial benefits, while making the World Trade Center site the largest green building complex in New York City, while using environmental performance credits in the process of doing so. We look forward to continue working with both parties, the Port Authority and Silverstein Properties, and respectfully submit our July Resolution. Thank you very much.

[Chair A. Coscia] Thank you. Can I have a motion to approve the item?

[Vice Chair S. Grayson] So moved.

[Chair A. Coscia] Second?

[Comm. H.S. Holmes] Second.

[Chair A. Coscia] Thank you. Any questions or comments? Okay, all of those in favor?

[All Commissioners] Aye.

[Chair A. Coscia] Any opposed? Okay, thank you very much. Can I have a motion to adjourn?

[All Commissioners] Aye.

[Chair A. Coscia] Second? All those in favor?

[All Commissioners] Aye.

[Chair A. Coscia] Okay, thank you, everyone. Good afternoon.