

**The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Meeting Transcripts
September 30, 2010**

[Chair A. Sartor] Today's meeting of the Committee on Capital Programs and Agency Planning is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interesting in viewing today's proceedings via the Internet. And we have Susan Baer presenting today, very slowly.

[laughs]

[S. Baer] Thanks, Commissioner. Good morning. I'm here today to discuss planning for the expansion of the passenger terminal at Stewart International Airport. As you're aware, the Port Authority secured a long-term lease for Stewart with the goal of positioning it as a viable regional airport for Hudson Valley residents, and as an alternate gateway to the New York-New Jersey metropolitan region. To this end, I recommend a phased terminal expansion project that, when complete, would allow for concurrent processing of international and domestic passengers and improve the overall capacity of the terminal. Stewart's passenger terminal opened in 1997, and today includes 7 gates, 38 check-in stations, concessions, and car rental facilities. The terminal, however, is limited in its ability to process international traffic. Currently, the airport can only handle international general aviation flights of up to 20 passengers, and they do this from a hard-stand parking area in a remote location. In its current state, the terminal is expected to reach capacity at approximately 1 million annual passengers. To insure we meet our goal of developing the airport into an alternate gateway to our metropolitan region, we are planning now to address the terminal's ability to handle commercial international flights and future demand. Earlier this year, U.S. Customs and Border Protection approved our plans to develop a portion of the existing terminal as an interim federal inspection service facility, or FIS, to process scheduled or itinerant international flights of approximately 200 passengers. Customs restrictions and physical space constraints, however, do not allow simultaneous international and domestic operations in the terminal. In addition, the interim FIS operation is limited to 2 years by CBP rules. The interim FIS is expected to be completed in November of 2010. Stewart Airport's ability to attract and accommodate international carriers, charters, diversions, and general aviation, however, requires a more permanent solution to international passenger screening. A terminal expansion is necessary to construct an adequate FIS and to increase the terminal's capacity beyond 1 million annual passengers. The proposed terminal expansion will be implemented in 3 phases, with the first phase consisting of an approximate 25,000 square foot expansion of the north side of the terminal, the relocation of the interim FIS operation, and the construction of additional public restroom facilities. Phase 1 of the project, which is subject to further authorization, would cover the construction of the building shell and interior fit-out. These improvements are necessary to accommodate simultaneous domestic and international arrivals. Phases 2 and 3 of the project consist of customer service improvements including an automated baggage carousel, the installation of an elevator to facilitate passenger access, and customs support space to create a fully-functioning FIS. Commissioners, authorizations for Phases 2 and 3 would advance based on need, as passenger volumes increase. This table illustrates our plans for implementing subsequent phases. Instead of a standard time line, we have identified international and domestic triggers for each phase. Today staff is seeking authorization that would advance \$2 million for planning and engineering for Phase 1, including field inspections, documentation of existing conditions, and preparation of design

documents. Preliminary design would also be conducted for Phases 2 and 3, as part of this authorization. Completion of the proposed planning efforts anticipated by December of 2011. At that time, staff anticipates seeking project authorization for the construction of the building shell, or Phase 1 of the project. The cost associated with this project will be eligible for passenger facility charges and federal airport improvement funding. Commissioners, I ask that you advance this item to the full board for approval. Thank you.

[Chair A. Sartor] Thanks. Any questions?

[Comm. V. Bauer] Could you explain what would trigger like--you know--for international and domestic--you know--what kind of numbers are you looking for?

[S. Baer] Right now, we've actually--the last week, week before-- announced our first international operations which is a charter, a very seasonal charter, from February through April or May, but that's because we've agree-- Customs and Border Protection has actually agreed to staff an interim facility. We've also recently processed international passengers off a diverted flight. Stewart--one of the ways we're marketing Stewart and using Stewart is for diversions when we have bad weather delays at our other airports. It's been very successful. So that this expansion in the first phase would allow us to handle an additional couple of flights, a flight a day, an international flight a day, which we think is maybe a little stretch right now, but doable. If international traffic grows beyond that, we would expand--we would go into Phases 2 and 3. Or if domestic passengers grow--because the facility we're building, you can convert. You know those gym walls that you pull out, those temporary walls? That will separate it, so we'll be able-- it is needed, the ultimate build-out, if we are going to grow to about a million and a half passengers in the terminal. The current gate configuration can handle about a million and a half passengers, but we don't have enough arrivals capacity. So this would allow us to either go to the million and a half domestic passengers or additional international flights.

[Comm V. Bauer] You'll be able to judge. You may need more international and less domestic, or vice versa.

[S. Baer] Right, yes, and we'll be able to-- and because there's a temporary wall for now, and going forward, it would be a wall that we could move, we could make those changes.

[Comm. V. Bauer] Okay, terrific.

[Chair A. Sartor] Sue, how did you come up with the \$2 million?

[S. Baer] That's the planning costs. We've done a small amount of preliminary sketches and designs. You saw them up there.

[Chair A. Sartor] Yeah, but--I mean--if it's only 25,000 square feet, \$2 million is a lot of money for planning and--

[P. Zipf] It's about 9% of construction costs. Construction cost is about \$18 million. So it includes construction--

[Chair A. Sartor] What are you--what numbers are you using for construction costs? How much is that a square foot? It's about \$500, \$600 a square foot?

[P. Zipf] It's about \$50 per square foot for the base building. For the baggage carousel, it's about \$120 per square foot. And then for the finishing the elevators and the miscellaneous op support, it's about \$180. So it's \$700 per square foot total, but it's about \$400 per square foot for the base building.

[Chair A. Sartor] Is that typical of what it costs to put something in an airport?

[P. Zipf] Absolutely, absolutely.

[Chair A. Sartor] I'm in a different realm here. (laughs)

[S. Baer] And federal agencies have very specific requirements for the areas that we fit out, and we are bound by their design.

[Chair A. Sartor] Yeah, I was just scratching numbers on the back of an envelope here, saying, "How did you get there?" (laughs)

[S. Baer] Yeah, we've dealt with this before in some of our other facilities, but you'll do CBP guidelines.

[Chair A. Sartor] Okay. Any questions, other questions? Hearing none, I'll entertain a motion to move this to the full board?

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

[Vice-Chair S. Grayson] I'll second.

[Chair A. Sartor] All of those in favor? Done. Okay, Thank you, a quick meeting.

[C. Ward] Great, Sue, but can you talk about some of the other interesting news that's happening at Stewart? We have some wonderful press on a biomass energy project up there that has really galvanized a lot of local interest. Stewart just did very, very well on a customer survey.

[Chair A. Sartor] Tell me a little bit about that.

[Comm. V. Bauer] What's the biomass? I didn't hear that one.

[Chair A. Sartor] No, I didn't see that.

[C. Ward] It was in the clips. We're doing a biomass energy project which is creating energy off of collection of biomass material and selling it.

[S. Baer] That's basically garbage. She thought it was something else.

[Chair A. Sartor] Biomass.

[S. Baer] It does sound better, but I saw the look!

[Comm. V. Bauer] My daughter's room has a lot of bio mass in there.

[C. Ward] From our collection strategies at Stewart meaning, right, organic materials.

[S. Baer] Organic materials.

[C. Ward] And it's--we're doing it with a local contractor, Taylor, up there. And we're selling it back into servicing local Stewart demand load, and then selling excess energy back into the grid.

[Chair A. Sartor] How much of a facility is it? How many tons is it handling a day?

[C. Ward] It's small. It's generating less than a megawatt, so it's a small project, but part of our zero-emissions growth, particularly for Stewart-- That community around Stewart is very, very ecologically conscious and sensitive, and concerns with the airport, the emissions, the airport jet fuel. This was a really good--it's a small pilot project working with Taylor and NYSERDA. And then Stewart has been--

[S. Baer] It creates a lot of jobs too, a lot of local jobs.

[C. Ward] --for local contractors. And then Stewart is showing very well on customer service surveys, in terms of what is its both inherent flaws and its inherent values, which is since there's not a lot of traffic, you get in and out very quickly, and passengers like that. So there's a trade-off there, but--

[Comm. V. Bauer] Do we market it enough so that people know they're there? Did I open an Pandora's box?

[S. Baer] Oh, no, Operations Committee--I will be making a proposal for an incentive program for Stewart, and at full board we're going to talk about the whole-- where we are with Stewart because of all of the pieces.

[Comm. V. Bauer] People have to know you're there, in order to use it.

[S. Baer] Exactly, and we've had a lot of success so far, and we--after the economy tanked, a lot of regional airports in this country just lost all of their service. At Stewart, we are able to maintain service. It declined, in part because one of our carriers went out of business. So we plateaued, and now we're showing some very modest growth. And we're in discussions with a number of carriers. That's why the Apple tours, while it's not a huge number, is a significant move because it's international, and they're offering great fares to Cancun from the cold weather up there, so we've been able to market that really well.