

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES

Thursday, February 14, 2019

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MINUTES of the Meeting of The Port Authority of New York and New Jersey held Thursday, February 14, 2019 at 150 Greenwich Street, City, County and State of New York

PRESENT:

NEW JERSEY

Hon. Kevin J. O'Toole, Chairman
 Hon. Richard H. Bagger
 Hon. Kevin P. McCabe
 Hon. Raymond M. Pocino

NEW YORK

Hon. Jeffrey H. Lynford, Vice Chairman
 Hon. Leecia R. Eve
 Hon. Daniel J. Horwitz
 Hon. Gary LaBarbera
 Hon. George T. McDonald
 Hon. Rossana Rosado

Richard Cotton, Executive Director
 Michael E. Farbiarz, General Counsel
 Linda C. Handel, Secretary

Cheryl Ann L. Albiez, Senior Public Information Officer, Media Relations
 Arnaz Ali, Manager, Corporate Transparency, Office of the Secretary
 James K. Allen Jr., Chief of Staff to the Vice Chairman
 Adam L. Barsky, Chief of Staff to the Executive Director and Special Counselor
 Susan J. Berkwitt, Assistant General Counsel
 Justin E. Bernbach, Director, Government and Community Affairs, New York
 John Bilich, Chief Security Officer
 Benjamin M. Branham, Chief Communications Officer
 Michael Brown, Assistant Chief, Port Authority Policy Department
 Rebecca L. Cassidy, General Manager, Board Unit, Office of the Secretary
 Edward T. Cetnar, Director, Public Safety/Superintendent of Police
 Steven J. Coleman, Deputy Director, Media Relations
 Jennifer S. Davis, Chief Intergovernmental Affairs Officer
 John C. Denise, Audio Visual Supervisor, Marketing
 Michael P. Dombrowski, Audio Visual Specialist, Marketing
 Diannae C. Ehler, Director, Tunnels, Bridges and Terminals
 Benjamin Feldman, Senior External Relations Executive, Intergovernmental Affairs
 Amy H. Fisher, First Deputy General Counsel
 Ryan Flanagan, Senior Property Representative, Port
 Kevin Frick, Attorney, Law
 Robert E. Galvin, Chief Technology Officer
 Gary Goldman, Manager, Leasing, Real Estate
 Mercedes Guzman, Secretary to the Executive Director
 Mary Lee Hannell, Chief, Human Capital
 Charles Huang, Assistant Manager, Port Leasing and Development, Port
 Natasha G. Jean Philipp-Cumberbatch, Senior Executive Correspondence and Support
 Coordinator, Office of the Secretary
 Kirsten Jones, Executive Advisor, Tunnels Bridges and Terminals
 Morgan Keane, Deputy Chief of Staff to the Executive Director
 Sherien Khella, Deputy Director, Office of Financial Planning

Duncan Kisia, Assistant Director Planning and Regional Development, Planning and Regional Development
 Milena Kosci, Principal Board Management and Support Specialist, Office of the Secretary
 Scott Ladd, Assistant Director, Media Relations
 Cristina M. Lado, Director, Government and Community Affairs, New Jersey
 Huntley A. Lawrence, Director, Aviation
 Andrea Leconte, Senior Business Manager, Port
 Stephen Marinko, Assistant General Counsel
 Ronald Marsico, Director, Media Relations
 Michael G. Massiah, Chief Diversity and Inclusion Officer
 Hugh G. McCann, Director, World Trade Center Operations
 Elizabeth M. McCarthy, Chief Financial Officer
 James E. McCoy, Deputy Secretary, Office of the Secretary
 Christopher Mohr, Executive Policy Analyst, Real Estate
 Alec Nadeau, Special Assistant to the Executive Director
 Michael Nestor, Inspector General
 Maria Oliveri, Associate Board Management and Support Specialist, Office of the Secretary
 Steven P. Plate, Chief, Major Capital Projects
 Roger Prince, Deputy Director, Operational and Capital Planning Delivery, Tunnels, Bridges and Terminals
 Alan L. Reiss, Director, World Trade Center Construction
 Sam Ruda, Interim Director, Port
 Andrew Saporito, Deputy Director, Port
 Peter D. Simon, Chief of Staff to the Chairman
 Mark B. Spector, Director, Real Estate
 James A. Starace, Chief Engineer/Director of Engineering
 Janess Steele, Senior Executive Secretary, Office of the Secretary
 Debra M. Torres, Chief Ethics and Compliance Officer
 Derek H. Utter, Chief Development Officer
 Lillian D. Valenti, Chief Procurement and Contracting Officer
 Cheryl A. Yetka, Treasurer

Guest:

Edmund Caulfield, Associate Counsel, Authorities Unit, Office of the Governor of New Jersey

Speakers:

Murray Bodin, Member of the Public
 Neile Weissman, Complete George

Topic:

Transportation Issues
 Widening Paths on GWB

The public meeting was called to order by Chairman O’Toole at 12:20 p.m. and ended at 12:49 p.m. The Board also met in executive session prior to the public session.

Report on Prior Meeting’s Minutes

Copies of the Minutes of the meeting of December 13, 2018 were delivered to the Governors of New York (in electronic form) and New Jersey (in paper form) on December 14, 2018. The time for action by the Governors of New York and New Jersey had expired at midnight on December 31, 2018.

Moment of Silence

The Chairman requested a moment of silence in observance of the upcoming 26th anniversary of the February 26, 1993 terrorist attack on The World Trade Center.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – AUTHORIZATION TO SUPPLEMENT AMENDED AND RESTATED LEASE NO. AYB-085R WITH AMERICAN AIRLINES, INC. FOR EXPANSION OF TERMINAL 8

It was recommended that the Board authorize the Executive Director to enter into a supplemental agreement amending Amended and Restated Lease No. AYB-085R with American Airlines, Inc. (“AA”), in order to permit AA to make a \$319 million investment to refurbish and expand John F. Kennedy International Airport (“JFK”) Terminal 8 (the “Terminal Facility”) so that it can accommodate larger aircraft in new and expanded gates, and to improve adjacent property for additional remote aircraft parking capacity, upgrade the baggage handling system to serve additional demand, add a security screening lane, enhance lounge facilities and implement an updated concessions program (the “Facility Improvements”), which Facility Improvements would permit British Airways PLC (“BA”) and its affiliate, Iberia Airlines (“Iberia”), to relocate from Terminal 7 to Terminal 8.

The proposed actions accord with the JFK redevelopment program recommended by Governor Andrew Cuomo’s Airport Advisory Panel. In implementing the recommendations, the Board initially authorized the expenditure of \$50 million in planning costs on February 16, 2017, which was increased to include early works, in an aggregate amount not to exceed \$150 million, in December 13, 2018.

In providing expanded and upgraded amenities in Terminal 8, this transaction would allow BA and Iberia to vacate the Terminal 7 premises at lease termination in late 2022. This transaction would provide a newly refurbished Terminal 8 with expanded capacity to allow efficient operations and add aircraft capacity. In addition to the investment for expansion of the Terminal Facility, AA would also agree to invest an additional \$25 million in upgrades to the existing terminal areas, such as restroom amenities, wayfinding, cohesive airport branding and other customer service improvements.

This transaction would require no Port Authority capital, and therefore is completely consistent with the Port Authority’s 2017-2026 Capital Plan.

Pursuant to the proposed transaction, the lease would also be conformed to: (i) incorporate recent construction requirement revisions; (ii) add compliance directives; (iii) require participation by Minority-owned Business Enterprises and Woman-owned Business Enterprises; (iv) require contribution to local business and community development goals; and (v) drive good performance through incorporation of key performance indicators, measuring performance against goals for passenger satisfaction, service quality, systems availability, capacity management and environmental stewardship. The terms relating to subleasing fees and concession revenues paid to the Port Authority would also be modified as part of the transaction. Lease expiration would remain December 2036.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O’Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a supplemental agreement to amend Amended and Restated Lease No. AYB-085R with American Airlines, Inc. (American Airlines) allowing American Airlines to expand and refurbish Terminal 8 and related facilities at John F. Kennedy International Airport, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into such other contracts, amendments and agreements as are necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, amendments, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, amendments, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

**JOHN F. KENNEDY INTERNATIONAL AIRPORT – BUILDING 262 AND HANGAR 6 –
FEDERAL EXPRESS CORPORATION – LEASE AYD-912 - LEASE
SUPPLEMENT**

It was recommended that the Board authorize the Executive Director to enter into a supplemental agreement (Lease Supplement) to amend Lease AYD-912 for Building 262 and Hangar 6 at John F. Kennedy International Airport (JFK) with Federal Express Corporation (FedEx), providing for: (1) FedEx’s continued use, occupancy and management of its express package and cargo operations at Hangar 6 and Building 262 at JFK, for an additional five-year period, through October 31, 2023; (2) the eventual surrender of approximately 4.53 acres of land from, and the potential addition of approximately 1.1 acres of land to, the leasehold premises to accommodate adjacent construction; (3) a total aggregate rental amount of an estimated \$69,898,627 over the five-year extension term; and (4) one mutual option to extend the term, exercisable by mutual consent of both parties, for an additional five-year period under the Lease Supplement. The term of the Lease Supplement would be retroactive to November 1, 2018, the date on which the existing lease expired.

Due to upcoming construction in the vicinity of the leasehold, modification of the land acreage of the FedEx leasehold is required, so the Lease Supplement would provide for a reduction in the site footprint by approximately 4 acres over the extension term. FedEx also would be required to invest a minimum amount for physical improvements to its leasehold, and the Port Authority would reimburse FedEx for a portion of such investment.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O’Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a supplemental agreement to amend Lease AYD-912 with Federal Express Corporation (FedEx) covering FedEx’s continued use, occupancy and management of its express package and cargo operations at Hangar 6 and Building 262 at John F. Kennedy International Airport, for an additional five-year period, from November 1, 2018 through October 31, 2023, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts and agreements necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

PORT NEWARK – FAPS, INC. – LEASE LPN-309 – SUPPLEMENT

It was recommended that the Board authorize the Executive Director to enter into a supplemental agreement to amend Lease LPN-309 with FAPS, Inc. (FAPS) covering approximately 120 acres at Port Newark, to provide for a lease extension of up to 15 years, composed of three five-year extension options, conditioned on a specific capital investment obligation being met prior to the exercise of each successive option, and on FAPS then being in compliance with the lease. The lease extension would allow for the continued operation of FAPS' Port Newark import and export automobile processing facility. The proposed supplement also would provide for approximately 18 additional acres, consisting of otherwise fragmented open parcels and the former Building 292 footprint, to be added to the leasehold. During the extended term, as each extension option is exercised, the rent would increase at a fixed rate annually, except for a fair market value rental rate reset, at the Port Authority's option, in 2030.

FAPS was granted an extension option through December 31, 2024, pursuant to the previous authorization of Lease LPN-309 by the Board in November 2012, as set forth in the first supplemental agreement to the lease. FAPS was required to make a minimum \$1 million capital investment in the leasehold premises by December 31, 2019. The proposed supplement would restate that condition to FAPS' ability to exercise the extension option through 2024 as a requirement for FAPS to substantially complete the demolition of Building 292 and certain improvements to Building 371, which are projected to cost more than \$1 million, by December 31, 2019. The new lease supplement would provide for a six-month cure period should it fail to complete this capital investment by such date.

The supplemental agreement also would require FAPS to complete an additional minimum of \$3 million in Port Authority-preapproved capital investments into the premises in order to receive up to three, five-year extension terms, as follows: FAPS must complete a minimum of \$1 million in capital investments by December 31, 2024, December 31, 2029 and December 31, 2034, respectively, to be granted the three discrete five-year extension options from 2025 to 2039.

Notwithstanding the foregoing, the Port Authority would have the right to recapture any portion of the premises to facilitate the Port Authority's Port Street Corridor Improvements Project, on 90-days' prior written notice. In addition, the Port Authority and FAPS would have the mutual right to terminate or surrender any other acreage of the premises, subject to the other party's consent, on 365-days' prior written notice.

Under the proposed supplement, FAPS would guarantee a minimum throughput of FAPS vehicles annually (Minimum Annual Guarantee) at the premises, commencing in 2020. Should FAPS not meet the Minimum Annual Guarantee, it would be subject to a per-vehicle shortfall additional rental, on the basis of a specified per-vehicle rate (the Annual Throughput Rental), with the per-vehicle shortfall additional rental unit rate escalating from time to time, proportionately to the increase in the wharfage rate for unboxed autos set forth in the Marine Terminal Tariff – FMC Schedule No. PA 10 (Tariff).

In addition, FAPS would have the right of first refusal to assume an adjacent parcel, known as “the BP Marine footprint,” located south of Port Street, following its decommissioning. If assumed, the parcel would be subject to all rates and obligations under Lease LPN-309, and volume guarantees would be increased proportionately to the added premises. After the BP Marine parcel is decommissioned, an environmental baseline would be performed. FAPS would not be responsible for the pre-existing environmental condition of the parcel, with certain exceptions.

The proposed supplement would permit FAPS to handle non-waterborne vehicles, up to and including 25 percent of total vehicle volumes per lease year. FAPS would pay a non-waterborne rental for each non-waterborne vehicle handled in excess of the threshold. The non-waterborne rental unit rate would increase from time to time, proportionately to the increase in the wharfage rate for unboxed autos set forth in the Tariff.

In the event of a change of control of FAPS, the Port Authority would have the right to consent to such change and receive a consent fee or non-monetary concessions (such as imposition of additional restrictions on FAPS’ operations). As to consents to assign or sublease to third parties (i.e., other than in connection with a change of control), the supplement would set specific assignment consent fees and overage rental for subleases.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O’Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a supplemental agreement to Lease LPN-309 with FAPS, Inc. covering approximately 120 acres at Port Newark, pursuant to which the term of the lease would be extended for up to 15 years, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts and agreements necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

**PORT NEWARK – TOYOTA MOTOR NORTH AMERICA, INC. – NEW LEASE
LPN - 347**

It was recommended that the Board authorize the Executive Director to enter into a lease agreement (Lease) with Toyota Motor North America, Inc. (Toyota), to provide for the letting of an estimated 90.82 acres at Port Newark, composed of open area and an automobile processing center (Premises). Toyota operates an import and export automobile processing facility at the Premises.

Toyota has operated a vehicle processing facility at the Premises since 1976, currently occupying the Premises as a holdover tenant. The Lease would allow Toyota to continue to operate at the Premises for a fifteen-year and three-month term, commencing retroactively on November 1, 2018 and expiring on January 31, 2034. Toyota would be required to invest a minimum of \$2 million in eligible capital improvements in the Premises by October 31, 2031, and would be required to pay a penalty if it failed to invest such minimum amount.

The aggregate fixed rental over the term of the Lease would be approximately \$129 million. In addition, Toyota would pay a rental unit rate for each non-waterborne vehicle handled at the Premises. Toyota would guarantee an annual minimum throughput of vehicles to be handled at the Premises, and would be assessed a per-vehicle rate for any shortfall. The per-vehicle shortfall rate would be adjusted pursuant to the percentage increase in the Marine Terminal Tariff – Federal Maritime Commission Schedule No. PA-10 (Tariff) wharfage rate for unboxed vehicles, so that the Port Authority would be assured of achieving a specified revenue from import/export of vehicles at the Premises. Toyota would continue to have a non-exclusive, preferential right to use Berth 25 at Port Newark.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O'Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a lease agreement with Toyota Motor North America, Inc. to provide for the letting of an estimated 90.82 acres at Port Newark, composed of open area and an automobile processing center, for a fifteen-year and three-month term, commencing November 1, 2018, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts or agreements necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

PORT NEWARK – PUBLIC SERVICE ELECTRIC AND GAS COMPANY – NEW LEASE LPN-341

It was recommended that the Board authorize the Executive Director to enter into a lease agreement (Lease) with Public Service Electric and Gas Company (PSE&G) for the use and occupancy of approximately 34,000 square feet of open area at Port Newark, for the operation and maintenance of PSE&G's power transformers and a switchgear station as part of its electrical substation in Port Newark, for a 20-year term commencing retroactively on April 1, 2018, at an aggregate rental over the lease term of approximately \$2,058,000.

PSE&G has been a tenant at Port Newark since 1953, pursuant to Lease LNS-120, operating and maintaining its electrical substation and related equipment on a portion of open area on Inner Port Street. PSE&G currently occupies the premises on a holdover basis. On May 15, 2017, the Port Authority and PSE&G entered into a space permit for approximately 3,851 square feet of open area adjacent to the Lease LNS-120 premises. This additional area, along with an additional parcel of approximately 4,135 square feet of open area, also would be incorporated into the Lease.

PSE&G requested the additional open area and a long-term lease in order to upgrade, replace, protect and expand its electrical infrastructure, including the substation. PSE&G's electric power infrastructure provides service to various entities located at Port Newark and Newark Liberty International Airport, as well as areas adjacent to the port. Upon completion of construction and commissioning of the replacement substation, PSE&G would remove all existing electric improvements that are no longer in service, at its own expense.

All design and installation work would be coordinated with PSE&G's Energy Strong Program, in which the utility company is proactively protecting and strengthening its electric and gas systems against severe weather damage, and would be constructed in accordance with new Federal Emergency Management Agency flood elevation guidelines. The Lease would require that all plans and specifications for those improvements be submitted to the Port Authority for review and approval.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O'Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a lease agreement with Public Service Electric and Gas Company providing for the use and occupancy of approximately 34,000 square feet of open area at Port Newark, for the operation and maintenance of power transformers and a switchgear station, as part of its electrical substation, for a 20-year term, commencing on April 1, 2018, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts or agreements necessary in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

**PORT AUTHORITY BUS TERMINAL – TERMINAL FOOD SERVICE, LLC D/B/A
BROOKLYN NATIONAL DELI – LEASE LBT-759 – NEW LEASE**

It was recommended that the Board authorize the Executive Director to enter into a lease agreement (Lease), with a 30-day Port Authority right of termination, without cause, at any time during the initial term, or extension options (if exercised), with Terminal Food Service, LLC d/b/a Brooklyn National Deli (Brooklyn Deli), to provide for the letting of approximately 1,200 square feet of retail space on the first floor of the South Wing of the Port Authority Bus Terminal (PABT). Brooklyn Deli would occupy the premises for the operation of a delicatessen.

The Lease would commence on or about March 15, 2019 and run for a term of five years, with two, five-year extension periods, exercisable at Brooklyn Deli's option. For the avoidance of doubt, the Port Authority would have the right to terminate the Lease, without cause, upon 30 days' notice, including in the event of a redevelopment of the PABT, subject to reimbursement of Brooklyn Deli's unamortized capital investment of up to \$1.2 million. Over the initial five-year term of the Lease, the Port Authority would receive a total aggregate rental of approximately \$2.2 million, including base rent and index rent. Brooklyn Deli also would pay percentage rental on the portion of its gross receipts that exceeds an annual threshold amount. It is expected that Brooklyn Deli would invest approximately \$1.2 million in the retail space and would receive a nine-month free rent period during build-out of the space.

The proposed lease would be subject to a brokerage commission payable to Cushman & Wakefield (C&W), in accordance with the terms of the Retail Management Agreement between the Port Authority and C&W.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O'Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into lease agreement LBT-759, with a 30-day Port Authority right of termination, without cause, at any time during the initial term, or extension options (if exercised), with Terminal Food Service, LLC d/b/a Brooklyn National Deli to provide for the letting of approximately 1,200 square feet of retail space on the first floor of the South Wing of the Port Authority Bus Terminal for a five-year term, with two five-year extension periods, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts and agreements necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

PORT AUTHORITY BUS TERMINAL – BUS TERMINAL BREWING D/B/A HEARTLAND BREWERY – LEASE LBT-702 – AMENDMENT

It was recommended that the Board authorize the Executive Director to enter into an agreement to amend Lease LBT-702 with Bus Terminal Brewing d/b/a Heartland Brewery (Heartland) to provide for a revised lease term, to expire on December 31, 2019, as well as revised rental terms tied to Heartland's operating results. Heartland currently leases approximately 5,000 square feet of space at the main entrance and exit of the South Wing of the Port Authority Bus Terminal (PABT) at 8th Avenue and 41st Street for the operation of a restaurant.

On October 24, 2002, the Board authorized a lease agreement with Culinary Gateways LLC covering the retail premises at the PABT currently occupied by Heartland. In September 2009, the Port Authority consented to the assignment of the remaining twelve-year term of that lease to Heartland, through September 30, 2021. In October 2018, the owner of Heartland advised the Port Authority that it planned to close its PABT location by December 31, 2018, due to poor financial performance. Over the past three years, Heartland has closed three other New York locations, including its flagship location in Union Square and locations in Port Chester and near Columbia University, due to operating losses.

The proposed lease amendment would provide for a revised lease expiration date of December 31, 2019, in exchange for Heartland agreeing to continue operating its restaurant until the end of the revised lease term. Additionally, the lease amendment would provide for an adjustment to Heartland's rental terms, in the form of a monthly rent credit tied to Heartland's operating results. The Port Authority would waive its right to terminate the lease on 30 days' notice, without cause, for the remainder of the amended lease term. The amendment of the lease would allow the Port Authority time to market and lease the space to a new tenant.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O'Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement to amend Lease LBT-702 with Bus Terminal Brewing d/b/a Heartland Brewery covering the letting of approximately 5,000 square feet of space at the main entrance and exit of the South Wing of the Port Authority Bus Terminal, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts and agreements necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts, agreements and other documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative, and the terms of such contracts, agreements and other documents shall be subject to review by General Counsel or his authorized representative.

**PORT AUTHORITY BUS TERMINAL – HUDSON GROUP RETAIL, LLC – LEASE
LBT-735 – LEASE AMENDMENT**

It was recommended that the Board authorize the Executive Director to enter into an agreement with Hudson Group Retail, LLC (Hudson) to amend its existing lease covering approximately 13,300 square feet of retail, office and storage space at 17 locations at the Port Authority Bus Terminal (PABT). The amendment would be effective on January 1, 2019, and the lease term, ending December 31, 2025, would remain unchanged. The amended lease also would remain subject to termination by the Port Authority, without cause (including, as necessary or desirable, for redevelopment of the PABT), upon 30 days' notice and reimbursement to Hudson of the unamortized value of its capital investment in the lease premises, up to \$5.4 million.

Hudson would continue to use the premises for the operation of typical Hudson News stores selling newspapers, magazines, candy, souvenirs and lottery tickets. One location also incorporates a Dunkin Donuts franchise.

Under Hudson's current lease, Hudson was required to renovate all retail locations. Coincident with construction completion, rent was to adjust to preset levels. The rent at the preset levels which accrued during the construction period will be reduced by \$375,000 in the amended lease, to reflect unforeseen conditions and scope changes during construction.

The proposed lease amendment would also provide for an annual aggregate minimum annual guarantee (MAG) of rent payments to the Port Authority from all the spaces occupied by Hudson, in lieu of the current space-by-space MAGs, which would no longer apply. In addition to an annual MAG, Hudson would continue to pay percentage rent of gross receipts for different categories of goods, either as a fixed percentage of gross receipts or as a percentage above a specific threshold. Index rent would continue to be paid by Hudson on the retail and office spaces.

There would be a minor adjustment to the total square footage of the leasehold, because Hudson would continue to operate out of one location, rather than surrender it in exchange for another space of similar size. The alternate space would not become part of the leasehold, as originally contemplated.

Pursuant to the foregoing report, the following resolution was adopted, with Commissioners Bagger, Eve, Horwitz, LaBarbera, Lynford, McCabe, McDonald, O'Toole, Pocino and Rosado in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement with Hudson Group Retail, LLC to amend its existing lease covering approximately 13,300 square feet of retail, office and storage space at 17 locations at the Port Authority Bus Terminal, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts and agreements necessary or appropriate in connection with the foregoing; and it is further

RESOLVED, that the form of all contracts and agreements in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

Whereupon, the meeting was adjourned.

Secretary