

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES

Thursday, August 14, 2008

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**MINUTES of the Meeting of The Port Authority of New York and New Jersey held Thursday,
August 14, 2008 at 225 Park Avenue South, City, County and State of New York**

PRESENT:

NEW JERSEY

Hon. Anthony R. Coscia, Chairman
Hon. Virginia S. Bauer
Hon. Raymond M. Pocino
Hon. Anthony J. Sartor
Hon. David S. Steiner

NEW YORK

Hon. Henry R. Silverman, Vice Chairman
Hon. Bruce A. Blakeman
Hon. Michael J. Chasanoff
Hon. Christine A. Ferer
Hon. H. Sidney Holmes III
Hon. David S. Mack

Christopher O. Ward, Executive Director
Darrell B. Buchbinder, General Counsel
Karen E. Eastman, Secretary

Susan M. Baer, Deputy Director, Aviation/Chief Operating Officer
A. Paul Blanco, Chief Financial Officer
Ernesto L. Butcher, Chief Operating Officer
Arthur J. Cifelli, Director, PABT Air Rights Development
John C. Denise, Audio Visual Supervisor, Public Affairs
Michael P. DePallo, Director, Rail Transit
Pasquale DiFulco, Executive Communications Specialist, Media Relations, Public Affairs
Sandra E. Dixon, State Legislative Representative, Government & Community Affairs
Michael P. Dombrowski, Cinematographer, Public Affairs
William E. Ellis, Assistant Director, Port Planning, Port Commerce
Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller
Michael B. Francois, Chief, Real Estate & Development
Richard Friedman, Senior Advisor to the Executive Director
Lash L. Green, Director, Office of Business and Job Opportunity
Glenn P. Guzi, Client Manager, Government & Community Affairs
Linda C. Handel, Assistant Secretary
Mark D. Hoffer, Special Advisor to the Executive Director
Howard G. Kadin, Esq., Law
Victoria C. Kelly, Director, Tunnels, Bridges and Terminals
Kevin J. Kirchman, Deputy Director, Public Affairs
Louis J. LaCapra, Chief Administrative Officer
Christina M. Lado, Director, Government and Community Affairs
Conor Lanz, Leadership Fellow, Human Resources
Marc LaVorgna, Assistant Director, Media Relations, Public Affairs
Susan Bass Levin, Deputy Executive Director
Dennis Lombardi, Deputy Director, Port Commerce
Francis J. Lombardi, Chief Engineer
Stephen Marinko, Esq., Law
James E. McCoy, Manager, Board Management Support, Office of the Secretary

Sanjay S. Mody, Advisor to the Chairman
 Christopher J. Mohr, Senior Board Management Support Specialist, Office of the Secretary
 Summer Oesch, Special Assistant, Deputy Executive Director
 Tony F. Oliver, Senior Marketing Analyst, Public Affairs
 Diane Paonessa, Associate Board Management Support Specialist, Office of the Secretary
 Nina C. Phelps, Board Management Support Specialist, Office of the Secretary
 Stephen P. Plate, Director, World Trade Center Construction
 Desiree Ramos, Principal External Affairs Representative, Government & Community Affairs
 Richard R. Roper, Director, Planning
 Stephen H. Sigmund, Chief, Public and Government Affairs
 Gerald B. Stoughton, Director, Office of Financial Analysis
 Ralph Tragale, Client Manager, Government and Community Affairs
 David B. Tweedy, Chief, Capital Programs
 Lillian D. Valenti, Director, Procurement
 Sheree R. Van Duyne, Manager, Policies and Protocol, Office of the Secretary
 Peter J. Zipf, Deputy Chief Engineer/Director of Engineering

Guests:

Luke Bassis, Intern, Procurement
 Sara Firestone, Intern, Procurement
 Sonia Frontera, Authorities Unit, Office of the Governor of New Jersey
 Paul Niedbala, Intern, Procurement
 Stacie N. O'Brien, Management Intern, Office of the Secretary
 Sasha Paul, Intern, Procurement
 Nicole Rivera, Intern, Procurement

The public meeting was called to order by Chairman Coscia at 1:48 p.m. and ended at 2:10 p.m. The Board met in executive session prior to the public session.

Action on Minutes

The Secretary submitted for approval Minutes of the meeting of July 24, 2008. She reported that copies of these Minutes were sent to all of the Commissioners and to the Governors of New York and New Jersey. She reported further that the time for action by the Governors of New York and New Jersey has expired.

Whereupon, the Board of Commissioners unanimously approved the Minutes.

Report of World Trade Center Redevelopment Subcommittee

The World Trade Center Redevelopment Subcommittee reported, for information, on matters discussed in public session at its meeting on August 14, 2008, which included a review of the Lower Manhattan Construction Command Center's first and second quarter fiscal year 2008 budget and discussion of various trade contracts for the advancement of construction activities in connection with the redevelopment of the World Trade Center site, and the report was received.

Report of Committee on Operations

The Committee on Operations reported, for information, on matters discussed in public session at its meeting on August 14, 2008, which included discussion of an item that authorizes an airline retention incentive program at Stewart International Airport, and the report was received.

Report of Committee on Construction

The Committee on Construction reported, for information, on matters discussed in public session at its meeting on August 14, 2008, which included a report on the results of the Port Authority's Minority, Women-owned and Small Business Enterprise Programs performance for the period of January 2007 through December 2007, and the report was received.

Staff Reports

Presentations were made by staff on:

- 1) 2007 Minority, Women-owned and Small Business Enterprise Programs Performance Report;
- 2) Update on Goethals Bridge Modernization Program; and
- 3) World Trade Center Site Update.

BROOKLYN-PORT AUTHORITY MARINE TERMINAL – PAYMENT TO THE CITY OF NEW YORK IN CONNECTION WITH THE PIER 6 LEASE SURRENDER

It was recommended that the Board authorize a payment to the City of New York (City), in the amount of \$3 million, in connection with the Port Authority's surrender of Pier 6 at the Brooklyn-Port Authority Marine Terminal (BPAMT), for Port Authority lease-obligated costs for substructure priority and routine repairs necessary to bring Pier 6 to a state of good condition.

The Port Authority is surrendering its lease with the City covering Pier 6 at the BPAMT, as authorized by the Board on October 20, 2005. Pursuant to the terms of the lease, the Port Authority is required to return the pier to the City in a state of good condition. The Port Authority and the City have agreed that the pier would be returned in its current state and that the Port Authority would make a payment of \$3 million to the City, as satisfaction of the Port Authority's obligations under the lease.

The Board previously authorized the Executive Director to enter into a Memorandum of Understanding to provide for the transfer of Piers 1 through 5 at the BPAMT to the Brooklyn Bridge Park Development Corporation (BBPDC), a public corporation of the State of New York, and for the Port Authority to provide \$85 million in funding for the development of the Brooklyn Bridge Park (Park), at its meeting on December 11, 2003. At its October 20, 2005 meeting, the Board authorized the Executive Director to surrender and/or assign the Port Authority's leases with the City covering various areas within Piers 1 through 6 at the BPAMT. These actions, in conjunction with prior Board actions in 1994 and 2003, provided for the Port Authority to transfer total control of all Port Authority-owned and leased properties at Piers 1 through 6 to the BBPDC and the City, for the Park development. Title to the Port Authority-owned property on Piers 1 through 5 was transferred to the BBPDC in May 2006, and the Port Authority surrendered the City-owned parcels on Piers 1 through 5 in May 2008.

The last City-owned parcel to be surrendered for the Park development is Pier 6, which is leased to the Port Authority under a 50-year agreement that would expire in 2011. American Stevedoring, Inc. (ASI) is currently occupying three temporary fabric buildings and a maintenance garage on the upland area of Pier 6, under a lease that expired on March 31, 2007. In May 2008, the Port Authority served ASI with a Notice to Terminate Tenancy. ASI has been removing its property from the premises, and the City and the BBPDC have agreed to accept the surrender of Pier 6 and allow ASI to continue to remove its property. Under the expired lease, ASI had no responsibility for maintenance and repair of the substructure of the pier.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Ferer, Holmes, Mack, Pocino, Sartor, Silverman and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to: (1) enter into agreements with the City of New York (City) and/or other necessary parties pursuant to which the Port Authority will surrender its letting of Pier 6 at the Brooklyn-Port Authority Marine Terminal and provide the City with payment in the amount of \$3 million, to cover the cost of repairs at Pier 6; and (2) take any and all other action necessary to effectuate the foregoing; and it is further

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

**ONE WORLD TRADE CENTER, THE FREEDOM TOWER PROJECT –
AUTHORIZATION TO AWARD CONSTRUCTION TRADE CONTRACT FOR
HEATING AND AIR CONDITIONING PACKAGES 1 AND 2**

It was recommended that the Board authorize 1 World Trade Center LLC (1 WTC LLC), through its construction manager, Tishman Construction Corporation (Tishman), to enter into a construction trade contract with F.W. Sims, Inc., to perform heating and air conditioning (HAC) work (Packages 1 and 2) for construction of One World Trade Center, the Freedom Tower (Freedom Tower), in an estimated total amount of \$126,036,000, including an eight-percent allowance for extra work.

The scope of work for HAC Package 1 includes heating and air-conditioning work residing within the envelope of the Ground Floor through the 57th Floor: furnishing and installing work serving levels B4-6 for the Podium-Zone Hot Water Heating System, furnishing and installing all equipment and materials for the Low-Zone Hot Water Heating System serving Floors 20-54, furnishing and installing all equipment and materials for the Low-Zone Secondary Condenser Water System and Podium-Zone Secondary Condenser Water System, and furnishing and installing all work as it relates to the Fuel Oil Supply and Return Piping and Emergency Generator Exhaust Flues. In addition, the contractor is to perform final system-wide hydrostatic tests at the specified testing pressures, once all connections have been made for piping work.

The scope of work for HAC Package 2 includes heating and air-conditioning work residing within the envelope of the 58th Floor through the roof: furnishing and installing all associated equipment and materials for the High-Zone Hot Water Heating System serving Floors 55-88, the Upper Mechanical Equipment Room Zone Hot Water Heating System serving Floors 92-104, the Restaurant / Observation Deck Zone Hot Water Heating System serving Floors 100-102, and the Primary and High Zone Secondary Condenser Water System, as well as all work related to the Fuel Oil Supply and Return Piping and the Emergency Generator Exhaust Flues.

The form of trade contract being utilized by Tishman as construction manager was developed by Port Authority staff and maintains, to the greatest degree possible, Port Authority policies and procedures for the work, including provisions allowing for termination for convenience, and requirements for minority and women-owned business enterprise utilization, confidentiality, security and integrity monitoring, and a competitive bidding process.

The terms of the construction trade contract proposed for award were negotiated and would be awarded to the lowest responsive bidder, in accordance with the procurement procedures established in the Third Freedom Tower Amendment to the September 2003 General Contractor Agreement between Tishman and 1 WTC LLC.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Ferer, Holmes, Mack, Pocino, Silverman and Steiner voting in favor; none against; Commissioner Sartor recused:

RESOLVED, that 1 World Trade Center LLC be and it hereby is authorized to enter into a construction trade contract, through its construction manager, Tishman Construction Corporation, with F. W. Sims, Inc., to perform heating and air conditioning work (Packages 1 and 2), for construction of One World Trade Center, the Freedom Tower, in an estimated total amount of \$126,036,000, including an eight-percent allowance for extra work; and it is further

RESOLVED, that the form of the foregoing contract shall be subject to the approval of General Counsel or his authorized representative.

**ONE WORLD TRADE CENTER, THE FREEDOM TOWER PROJECT –
AUTHORIZATION TO AWARD CONSTRUCTION TRADE CONTRACT FOR
ELECTRICAL PACKAGES 1-4**

It was recommended that the Board authorize 1 World Trade Center LLC (1 WTC LLC), through its construction manager, Tishman Construction Corporation (Tishman), to enter into a construction trade contract with Five Star Electric Corporation for electrical power Packages 1-4 associated with the construction of One World Trade Center, the Freedom Tower (Freedom Tower), at an estimated total cost of \$198,180,000, including an eight-percent allowance for extra work.

The scope of work for the electrical Packages 1 through 4 will include the provision of power and emergency power for all the electrical subsystems, such as fire alarm and security, and all the mechanical, elevators, and plumbing systems, to support the base-building operation and the future tenant fit-out of the building.

The form of trade contract being utilized by Tishman as construction manager was developed by Port Authority staff and maintains, to the greatest degree possible, Port Authority policies and procedures for the work, including provisions allowing for termination for convenience, and requirements for minority and women-owned business enterprise utilization, confidentiality, security and integrity monitoring, and a competitive bidding process.

The terms of the construction trade contract proposed for award were negotiated and would be awarded to the lowest responsive bidder, in accordance with the procurement procedures established in the Third Freedom Tower Amendment to the September 2003 General Contractor Agreement between Tishman and 1 WTC LLC.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Ferer, Holmes, Mack, Pocino, Silverman and Steiner voting in favor; none against; Commissioner Sartor recused:

RESOLVED, that 1 World Trade Center LLC be and it hereby is authorized to enter into a construction trade contract, through its construction manager, Tishman Construction Corporation, with Five Star Electric Corporation, for electrical power Packages 1-4 associated with the construction of One World Trade Center, the Freedom Tower, in an estimated total amount of \$198,180,000, including an eight-percent allowance for extra work; and it is further

RESOLVED, that the form of the foregoing contract shall be subject to the approval of General Counsel or his authorized representative.

**ONE WORLD TRADE CENTER, THE FREEDOM TOWER PROJECT –
AUTHORIZATION TO AWARD CONSTRUCTION TRADE CONTRACT FOR
THE GLAZED ENCLOSURE AT PODIUM WALL**

It was recommended that the Board authorize 1 World Trade Center LLC (1 WTC LLC), through its Construction Manager, Tishman Construction Corporation (Tishman), to enter into a construction trade contract with Solera Construction, Inc./DCM Erectors, Inc., a joint venture, for the “glazed enclosure at podium wall” work associated with the construction of One World Trade Center, the Freedom Tower (Freedom Tower), at an estimated total cost of \$82,080,000, including an eight-percent allowance for extra work.

The scope of work for the podium wall provides for furnishing and installing all prismatic glass and bar-screen panels for a complete glazed enclosure system at the base of the Freedom Tower, from grade-level through the sixth-floor mezzanine.

The form of trade contract being utilized by Tishman as construction manager was developed by Port Authority staff and maintains, to the greatest degree possible, Port Authority policies and procedures for the work, including provisions allowing for termination for convenience, and requirements for minority and women-owned business enterprise utilization, confidentiality, security and integrity monitoring, and a competitive bidding process.

The terms of the construction trade contract proposed for award were negotiated and would be awarded to the lowest responsive bidder, in accordance with the procurement procedures in the Third Freedom Tower Amendment to the September 2003 General Contractor Agreement between Tishman and 1 WTC LLC.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Ferer, Holmes, Mack, Pocino, Silverman and Steiner voting in favor; none against; Commissioner Sartor recused:

RESOLVED, that 1 World Trade Center LLC be and it hereby is authorized to enter into a construction trade contract, through its construction manager, Tishman Construction Corporation, with Solera Construction, Inc./DCM Erectors, Inc., a joint venture, for the “glazed enclosure at podium wall” work associated with the construction of One World Trade Center, the Freedom Tower, in an estimated total amount of \$82,080,000, including an eight-percent allowance for extra work; and it is further

RESOLVED, that the form of the foregoing contract shall be subject to the approval of General Counsel or his authorized representative.

**ONE WORLD TRADE CENTER, THE FREEDOM TOWER PROJECT –
AUTHORIZATION TO AWARD CONSTRUCTION TRADE CONTRACT FOR
HOISTS AND SIDEWALK SHEDS**

It was recommended that the Board authorize 1 World Trade Center LLC (1 WTC LLC), through its construction manager, Tishman Construction Corporation (Tishman), to enter into a construction trade contract with Atlantic Hoisting & Scaffolding, LLC, for hoisting and sidewalk sheds for construction of One World Trade Center, the Freedom Tower (the Freedom Tower), in the estimated total amount of \$51,732,000, including an eight-percent allowance for extra work.

The scope of the work for the hoists and sidewalk sheds package includes constructing and maintaining six temporary hoisting complexes utilizing 18 hoist cars. The composition of the hoist complexes includes common platforms at each floor level, structurally integrated with the hoist tower masts and attached to the building structure. The design and loading capacities of the hoist complexes, as well as the construction load placed on the building structure, are to be prepared and stamped by a professional engineer licensed in the State of New York. The contractor is to have the engineering expertise, as well as the necessary field labor, to maintain the hoist complexes. The full-time on-site field labor is to include carpenters to repair and maintain all common platforms, ramps, and loading docks, and mechanics to repair and maintain all components of the installed system. Standby engineers are to be readily available if any issue arises, and spare parts and equipment are to be available for repairs, to ensure a safe environment for all those working in and around the Freedom Tower job site.

The form of trade contract being utilized by Tishman as construction manager was developed by Port Authority staff and maintains, to the greatest degree possible, Port Authority policies and procedures for the work, including provisions allowing for termination for convenience, and requirements for minority and women-owned business enterprise utilization, confidentiality, security and integrity monitoring, and a competitive bidding process.

The terms of the construction trade contract proposed for award were negotiated and would be awarded to the lowest responsive bidder, in accordance with the procurement procedures established in the Third Freedom Tower Amendment to the September 2003 General Contractor Agreement between Tishman and 1 WTC LLC.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Ferer, Holmes, Mack, Pocino, Silverman and Steiner voting in favor; none against; Commissioner Sartor recused:

RESOLVED, that 1 World Trade Center LLC be and it hereby is authorized to enter into a construction trade contract, through its construction manager, Tishman Construction Corporation, with Atlantic Hoisting & Scaffolding, LLC, for hoisting and sidewalk sheds for construction of One World Trade Center, the Freedom Tower, in the estimated total amount of \$51,732,000, including an eight-percent allowance for extra work; and it is further

RESOLVED, that the form of the foregoing contract shall be subject to the approval of General Counsel or his authorized representative.

DOWNTOWN RESTORATION PROGRAM – AUTHORIZATION TO ACCEPT ASSIGNMENT OF TRADE CONTRACT FOR HEATING, VENTILATING, AND AIR CONDITIONING - AIR SYSTEM FOR THE WORLD TRADE CENTER (WTC) MEMORIAL, MEMORIAL MUSEUM AND WTC INFRASTRUCTURE PROJECTS, INCLUDING ASSOCIATED PAYMENTS INTO AN ESCROW ACCOUNT

It was recommended that the Board authorize the Executive Director to: (1) accept an assignment of a construction trade contract awarded to Celtic Sheet Metal, Inc. by the National September 11th Memorial and Museum at the World Trade Center Foundation, Inc. (NS11MM) for the furnishing, installation and testing of a heating, ventilating and air conditioning (HVAC)-air system for the World Trade Center (WTC) Memorial, Memorial Museum and WTC Infrastructure Projects, in an estimated total amount of \$21,162,280, inclusive of an eight-percent authorization for extra work; (2) accept a partial assignment of the NS11MM's contract with Bovis Lend Lease LMB, Inc. (Bovis) for construction management (CM) services associated with this trade contract, at an estimated cost of \$2,906,600; and (3) make payments into an escrow account, in an amount not to exceed \$3,542,570, for the Port Authority's portion of the costs associated with the HVAC-air system and CM services contracts. Each of these authorizations would be conditioned upon the execution of a cost-sharing agreement between the NS11MM and the Port Authority.

Pursuant to a July 2006 Project Agreement with the Lower Manhattan Development Corporation, the NS11MM, the City of New York and the State of New York, the Port Authority is to assume responsibility for construction of the WTC Memorial and Memorial Museum Projects.

In December 2006, the Board authorized the Executive Director to finalize agreements with the NS11MM providing for the Port Authority to accept an assignment of the CM contract with Bovis and to manage all construction work for the WTC Memorial and Memorial Museum Projects. In anticipation of the assignment of the Bovis CM contract, the NS11MM proceeded with procurement of the HVAC-air system, as an essential component of the critical path schedule for the WTC Memorial and Memorial Museum Projects.

The NS11MM will award the HVAC-air system trade contract to Celtic Sheet Metal, Inc., the lowest qualified bidder, selected utilizing the competitive procurement procedure established in the Bovis CM contract. The scope of work for the HVAC-air system trade contract includes the furnishing, installation and testing of all elements of a complete HVAC Air Side system for the WTC Memorial, Memorial Museum and WTC Infrastructure Projects.

Approximately \$3 million of the proposed Port Authority payments are included in the \$150 million commitment authorized by the Board in July 2006 for common and exclusive site infrastructure work associated with the WTC Memorial and Memorial Museum Projects, bringing the total authorized payments under this commitment to \$84.4 million (including payments pursuant to a companion Board authorization being sought at this meeting).

An escrow account was jointly established and initially funded by the NS11MM to provide for contractor payments. The Port Authority previously had agreed to make payments into the escrow account of \$126.4 million, and the proposed authorization would bring total anticipated Port Authority payments to \$152.9 million (including payments pursuant to a companion Board authorization being sought at this meeting).

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Holmes, Mack, Pocino, Silverman and Steiner voting in favor; none against; Commissioners Ferer and Sartor recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to, subject to the execution of a cost-sharing agreement between the Port Authority and the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (NS11MM): (1) accept assignment of a construction trade contract awarded by the NS11MM to Celtic Sheet Metal, Inc., in connection with the purchase, fabrication and installation of a heating, ventilating and air conditioning (HVAC)-air system for the World Trade Center Memorial, Memorial Museum, and World Trade Center Infrastructure Projects, in an estimated total amount of \$21,162,280, which includes an eight-percent authorization for extra work; (2) accept a partial assignment of the NS11MM's contract with Bovis Lend Lease LMB, Inc. for construction management services associated with this trade contract, at an estimated cost of \$2,906,600; and (3) make payments into an escrow account, in an amount not to exceed \$3,542,570, to be used for the payment of the Port Authority's portion of the costs associated with the construction of the HVAC-air system for the aforementioned projects; and it is further

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

DOWNTOWN RESTORATION PROGRAM – AUTHORIZATION TO ACCEPT ASSIGNMENT OF TRADE CONTRACT FOR ELECTRICAL - POWER WIRING SYSTEM FOR THE WORLD TRADE CENTER (WTC) MEMORIAL, MEMORIAL MUSEUM AND WTC INFRASTRUCTURE PROJECTS, INCLUDING ASSOCIATED PAYMENTS INTO AN ESCROW ACCOUNT

It was recommended that the Board authorize the Executive Director to: (1) accept an assignment of a construction trade contract awarded to Hugh O’Kane Electric Company, Inc. by the National September 11th Memorial and Museum at the World Trade Center Foundation, Inc. (NS11MM) for the furnishing, installation and testing of an electrical power wiring system for the World Trade Center (WTC) Memorial, Memorial Museum, and WTC Infrastructure Projects, at an estimated total amount of \$40,442,926, inclusive of an eight-percent authorization for extra work; (2) accept a partial assignment of the NS11MM’s contract with Bovis Lend Lease LMB, Inc. (Bovis) for construction management (CM) services associated with this trade contract, at an estimated cost of \$5,554,761; and (3) make payments into an escrow account, in an amount not to exceed \$24,707,840, for the Port Authority’s portion of the costs associated with the electrical power wiring system and CM services contracts. Each of these authorizations would be conditioned upon the execution of a cost-sharing agreement between the NS11MM and the Port Authority.

Pursuant to a July 2006 Project Agreement with the Lower Manhattan Development Corporation, the NS11MM, the City of New York and the State of New York, the Port Authority is to assume responsibility for construction of the WTC Memorial and Memorial Museum Projects.

In December 2006, the Board authorized the Executive Director to finalize agreements with the NS11MM providing for the Port Authority to accept an assignment of the CM contract with Bovis and manage all construction work for the WTC Memorial and Memorial Museum Projects. In anticipation of the assignment of the Bovis CM contract, the NS11MM proceeded with procurement of the electrical lighting and power distribution systems, as an essential component of the critical path schedule for the WTC Memorial and Memorial Museum Projects.

The NS11MM will award the electrical-power wiring trade contract to Hugh O’Kane Electric Company, Inc., the lowest qualified bidder, selected utilizing the competitive procurement procedure established in the Bovis CM contract. The scope of work for the electrical power wiring contract includes the furnishing, installation and testing of all elements of a complete electrical power wiring system for the WTC Memorial, Memorial Museum and WTC Infrastructure Projects.

Approximately \$24.2 million of the proposed Port Authority payments is included in the \$150 million commitment authorized by the Board in July 2006 for common and exclusive site infrastructure work associated with the WTC Memorial and Memorial Museum Projects, bringing the total authorized payments under this commitment to \$84.4 million (including payments pursuant to a companion Board authorization being sought at this meeting).

An escrow account was jointly established and initially funded by the NS11MM to provide for contractor payments. The Port Authority previously had agreed to payments into the escrow account of \$126.4 million, and the proposed authorization would bring total anticipated Port Authority payments to \$152.9 million (including payments pursuant to a companion Board authorization being sought at this meeting).

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Holmes, Mack, Pocino, Silverman and Steiner voting in favor; none against; Commissioners Ferer and Sartor recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to, subject to the execution of a cost-sharing agreement between the Port Authority and the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (NS11MM): (1) accept assignment of a construction trade contract awarded by the NS11MM to Hugh O’Kane Electric Company, Inc., in connection with the furnishing, installation and testing of an electrical power wiring system for the World Trade Center Memorial, Memorial Museum, and World Trade Center Infrastructure Projects, at an estimated total amount of \$40,442,926, which includes an eight-percent authorization for extra work; (2) accept a partial assignment of the NS11MM’s contract with Bovis Lend Lease LMB, Inc. for construction management services associated with this trade contract, at an estimated cost of \$5,554,761; and (3) make payments into an escrow account, in an amount not to exceed \$24,707,840, to be used for the payment of the Port Authority’s portion of the costs associated with the construction of the electrical power wiring system for the aforementioned projects; and it is further

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

STEWART INTERNATIONAL AIRPORT – AIRLINE RETENTION INCENTIVE PROGRAM

It was recommended that the Board authorize the Executive Director to offer the airlines that provide passenger air service at Stewart International Airport (SWF) an incentive, in the form of a waiver of certain fees and rentals related to providing passenger air service for the period of September 1, 2008 through February 28, 2009, resulting in a total estimated loss to the Port Authority of anticipated revenue from fees and rentals of \$1 million.

On November 1, 2007, the Port Authority took control of the operation of SWF, with the goal of developing this underutilized facility into a strong regional airport serving the leisure and business travel needs of the Hudson Valley, while also helping to alleviate congestion and ease delays at the New York-New Jersey metropolitan area airports. In April 2008, the Board authorized \$1.5 million in planning work for the implementation of a Delay Reduction Program at the Port Authority's four passenger airports, which included \$500,000 for the development and implementation of a pilot program of incentives and other measures to encourage airlines to operate at SWF and passengers to utilize SWF. Since April 2008, there has been a dramatic change in the airline industry that developed as a result of the unprecedented and sharp increase in the cost of jet fuel. SWF has been severely impacted by these changes in the airline industry. On April 4, 2008, Skybus Airlines Inc., a promising low-cost carrier, ceased operations at SWF. On June 13, AirTran Airways, which represents approximately 30 percent of the airport's total passengers, announced it would cease operations at SWF, effective September 3, 2008. JetBlue Airways, which represents roughly 40 percent of the airport's total passengers, has already reduced its service from SWF to Florida.

In an effort to prevent a further reduction in capacity or discontinuation of routes at SWF, an incentive program was recommended at this time. This incentive is intended to maintain airline service and avoid loss of employment in the mid-Hudson Valley region. This incentive program would be in the form of a waiver of flight fees and rentals that would have been charged to each airline providing passenger air service at SWF during the period of September 1, 2008 through February 28, 2009. It is projected that this action would result in a loss of anticipated revenue from such fees and rentals of \$1 million, provided there are no further reductions in service at SWF. The revenue to be collected by the Port Authority from fees generated by SWF concession operations associated with these airline operations during this period is estimated to be \$1.5 million, based on the current level of service. The incentive program has been designed to maintain air service at SWF while longer-term solutions to attract and develop air service are developed and implemented as part of the Delay Reduction Program.

If the airlines operating from SWF were to discontinue service, the revenues generated by the fees paid by the airlines, as well as the revenues derived from the airline's passengers who secure services or make purchases at the concessions at SWF, would not be generated.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Holmes, Mack, Sartor, Silverman and Steiner voting in favor; none against; Commissioners Ferer and Pocino recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to offer the airlines that provide passenger air service at Stewart International Airport (SWF) during the period of September 1, 2008 through February 28, 2009, an incentive in the form of a waiver of fees and rentals related to providing passenger air service at SWF for the period of September 1, 2008 through February 28, 2009; and it is further

RESOLVED, that the form of any agreements or other documents necessary for such action shall be subject to the approval of General Counsel or his authorized representative.

CONFIDENTIAL ITEM

The Board authorized a claim settlement that shall remain confidential pursuant to the terms of the settlement agreement until such time as agreed to otherwise by the parties involved.

**ACQUISITION OF THE NEW YORK NEW JERSEY RAIL CORPORATION AND
AUTHORIZATION OF CERTAIN AGREEMENTS IN CONNECTION WITH
THE POTENTIAL ACQUISITION OF REAL PROPERTY FROM
CONSOLIDATED RAIL CORPORATION AT GREENVILLE YARD, NEW
JERSEY**

It was recommended that the Board authorize the Executive Director to enter into an assignment agreement with Consolidated Rail Corporation (Conrail), whereby Conrail would assign to the Port Authority all of Conrail's rights and obligations with respect to a "right of first refusal" to purchase (the Assignment Agreement) the New York New Jersey Rail Corporation LLC (the Company) on the terms and conditions of Conrail's right of first refusal, at a price not to exceed \$20 million, so that the Port Authority might exercise the right of first refusal to purchase the Company before such right expires. It also was recommended that the Board authorize the Executive Director to enter into a Letter of Intent, Term Sheet and Exclusivity Agreement (the LOI) authorizing the Port Authority to negotiate a Contract of Purchase and Sale for the purchase of certain property located in Jersey City, New Jersey (the Conrail Property). Execution of the Assignment Agreement and acquisition of the Company would neither authorize nor obligate the Port Authority to purchase the Conrail Property, and the LOI would make such acquisition subject to future action by the Boards of both parties. Accordingly, acquisition of the Conrail Property by the Port Authority would require future Board authorization.

The Company is the current tenant of approximately 27 acres of the Conrail Property. The Company has a lease with Conrail that expires on December 31, 2032. Conrail now has a right of first refusal to purchase the Company. The Company currently is for sale, and staff was conducting due diligence and negotiating a letter of intent when the Company announced it had entered into an exclusivity agreement with another potential purchaser. Staff discovered that Conrail has (1) a right of first refusal to purchase the Company, and (2) an absolute right to consent to any transfer of the lease or any sublease. Pursuant to the terms of Conrail's right of first refusal, Conrail must match the terms of the potential purchaser's offer. Conrail has indicated to staff that it has no independent interest in exercising the right of first refusal or in purchasing the Company. However, Conrail is permitted to assign its right of first refusal, which must be acted upon on or about September 7, 2008.

The Assignment Agreement would enable the Port Authority to purchase the Company in place of Conrail. As consideration for this assignment, the Port Authority would agree to the following: indemnify Conrail for any lawsuits arising as a result of the assignment; maintain the viability of the float operation; charge a fair and reasonable fee for the float service; and negotiate in good faith a railroad side track agreement covering Conrail's freight operations in Port Newark. Pursuant to the terms of Conrail's right of first refusal, Conrail must match the terms of an offer by another potential purchaser of the Company. Conrail has the right to assign its right of first refusal; however, the right to exercise such right will expire on or about September 7, 2008. The Port Authority would be obligated to honor all terms set forth in the Letter of Intent negotiated between the Company and its prospective purchaser, so long as the total acquisition cost is not in excess of \$20 million. The estimated total acquisition cost (pursuant to the Assignment Agreement) is between \$15.2 and \$17 million.

Timely acquisition of the Company would provide the Port Authority with a once-in-a-generation opportunity to address the freight capacity needs of the region by restoring and protecting the service provided by this unique intermodal facility. Although rail float is currently underutilized, interest in rail freight as a means of regional freight movement is growing, caused in part by ongoing highway congestion and rising fuel prices. Expanding freight rail and barge service are the only readily available means to add transportation capacity in the region. Such transportation capacity enhancements would not include transportation services for such things as municipal solid waste services and facilities, without further Board approval.

Conrail has also indicated a willingness to sell the leasehold property (consisting of 27 acres) and three adjacent upland parcels – a total of approximately 44 upland acres. Conrail has also indicated its willingness to sell between 40 and 72 riparian acres. The cost of the upland acreage is estimated at \$750,000 to \$1,200,000 an acre (subject to the receipt of an appraisal). The cost of the riparian acreage is subject to appraisal and negotiation. It is staff's intent to recommend purchase of the 44 upland acres and up to 72 riparian acres. In anticipation of Conrail's acquisition of the leasehold for the properties at Oak Island Yard, New Jersey, Conrail also would like to discuss funding for the Phase II of regional rail enhancements, concurrent with the property negotiations. Although authorization is being sought to negotiate a Contract of Purchase and Sale for the Conrail Property, such purchase, as well as any Port Authority commitment for Phase II regional rail enhancements, would be the subject of further Board authorization.

Due to the sensitive nature of the matters being negotiated, the actions being authorized will remain confidential until the Port Authority exercises the right of first refusal and executes all necessary agreements and contracts to purchase the Company.

Pursuant to the foregoing report, the following resolution was adopted in executive session with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Ferer, Holmes, Mack, Pocino, Sartor and Silverman voting in favor; none against; Commissioner Steiner recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, subject to prior approval of the Chairman of the Committee on Operations, to enter into an assignment agreement with Consolidated Rail Corporation (Conrail), whereby Conrail will assign to the Port Authority all of Conrail's rights and obligations with respect to a "right of first refusal" to purchase the New York New Jersey Rail Corporation LLC on the terms and conditions of Conrail's right of first refusal, at a price not to exceed \$20 million, so that the Port Authority might exercise the right of first refusal before such right expires; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, subject to prior approval of the Chairman of the Committee on Operations, to enter into a Letter of Intent, Term Sheet and Exclusivity Agreement with Conrail authorizing the Port Authority to negotiate a Contract of Purchase and Sale for the purchase of certain property located in Jersey City, New Jersey, with the final sale to be subject to further action by 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, subject to prior approval of the Chairman of the Committee on Operations, to take any and all action necessary to effectuate the foregoing, including the execution of agreements, contracts and other documents to facilitate such action, together with amendments and supplements thereof, including amendments and supplements to existing agreements, and to take action in accordance with the terms of such agreements, contracts and other documents, as may be necessary in connection therewith; and it is further

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

Whereupon, the meeting was adjourned.

Secretary