

PORT AUTHORITY TRANS-HUDSON CORPORATION

**COMMITTEE ON OPERATIONS
MINUTES OF SPECIAL MEETING**

Thursday, March 29, 2012

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**COMMITTEE ON OPERATIONS
MINUTES OF SPECIAL MEETING**

225 Park Avenue South

New York, NY

Thursday, March 29, 2012

PRESENT:

Hon. David Samson, Chairman
Hon. Scott H. Rechler, Vice-Chairman
Hon. Virginia S. Bauer
Hon. Jeffrey A. Moerdler
Hon. Raymond M. Pocino
Hon. Anthony J. Sartor
Hon. William P. Schuber
Hon. David S. Steiner
Committee Members

Patrick J. Foye, President
Ernesto L. Butcher, Vice-President
Darrell B. Buchbinder, Counsel

Susan M. Baer
William Baroni, Jr.
Steven A. Borrelli
Madaline D. Bowie
Steven J. Coleman
Rebecca C. Croneberger
John C. Denise
Michael P. DePallo
Michael P. Dombrowski
Daniel D. Duffy
Karen E. Eastman
Regina Egea
Michael G. Fabiano
Michael A. Fedorko
Michael B. Francois
Cedrick T. Fulton
Lash L. Green
Glenn P. Guzi
Linda C. Handel
Mary Lee Hannell
Andrew T. Hawthorne
Anthony Hayes
Alan H. Hicks
Sara Beth Joren

Howard G. Kadin
Justine Karp
Kirby King
Louis J. LaCapra
Cristina M. Lado
Richard M. Larrabee
John H. Ma
Lisa MacSpadden
Stephen Marinko
Ron Marsico
Michael G. Massiah
Daniel G. McCarron
James E. McCoy
Anne Marie C. Mulligan
Toni L. Munford
Lynn A. Nerney
Patrick O'Reilly
Ann M. O'Rourke
Hunter Pendarvis
Paul A. Pietropaolo
Steven P. Plate
Monika A. Radkowska
Richard Rebisz
Alan L. Reiss
Shane Robinson
Gerald B. Stoughton
Robert A. Sudman
Esselyn Thomas
I. Midori Valdivia
Lillian D. Valenti
Sheree Van Duyne
David M. Wildstein
Peter J. Zipf

Guests:

Regina Egea
Johanna Jones

Speakers:

Joseph Clift
Joseph DiDomizio
Margaret Donovan
Yvonne Garrett-Moore
Richard Hughes
George Miranda

In view of the fact that there would be an insufficient number of affirmative votes cast to constitute a quorum with respect to the matters to be considered at today's Board meeting, the Vice-President reported that, pursuant to the By-Laws, a special meeting of the Committee on Operations was called to permit the Committee to act on these items for and on behalf of the Board.

The public meeting was called to order by Chairman Samson at 1:09 p.m. and ended at 1:50 p.m.

PATH – REPLACEMENT AND UPGRADE OF THE CHRISTOPHER STREET SUBSTATION – PROJECT RE-AUTHORIZATION AND AWARD OF CONTRACT

It was recommended that the Board: (1) re-authorize a project for the replacement and upgrade of the Christopher Street Substation of the Port Authority Trans-Hudson Corporation (PATH) rail system, at a total estimated project cost of \$71 million; and (2) authorize the President of PATH to: (a) award construction trade Contract PAT-624.154 to Mass. Electric Construction Company to construct the improvements to the substation, at a total estimated cost of \$31.8 million (inclusive of net cost work and extra work); and (b) expend an additional \$1.8 million (resulting in a total estimated amount of \$4.2 million) for final engineering design and construction support services in connection with the previously authorized professional services agreement with Jacobs Engineering Group, Inc. (Jacobs) (formerly known as Edwards and Kelcey Engineering, Inc.), as part of the proposed project re-authorization.

The Christopher Street Substation, located in New York City, provides electrical power to the uptown Manhattan portion of the PATH rail system. The substation equipment is over 40 years old, and is nearing the end of its useful service life. Replacement parts are no longer available to keep the equipment operational. Previous studies have recommended the replacement and upgrade of the substation with larger capacity, more reliable, energy efficient equipment with energy storage capability. The larger equipment would meet the increased future demand for electrical power attributable to the PATH system's growing service needs and the operational requirements of PATH's new railcar fleet.

At its February 21, 2008 meeting, the Board authorized a project for the replacement and upgrade of the Christopher Street Substation, at an estimated total project cost of \$60 million. The project scope included the replacement and upgrade of the Christopher Street Substation electrical equipment, including the construction of a second electrical ductbank, structural modifications necessary to support larger and heavier equipment and an upgrade of the 100-year-old substation building to comply with the latest building code standards, including the provision of a second means of egress.

Subsequent to the Board's authorization of the project, as the design matured, certain challenges associated with the original design were encountered, related to the construction of a second ductbank for power cables connecting the substation and PATH tunnels, which was recommended originally in order to provide a second access point from the substation in the event of an issue with one of the ductbanks. Specifically, the construction would require the disturbance of Greenwich and Christopher Streets, the relocation of underground utility infrastructure owned by the City of New York and Consolidated Edison Company of New York to accommodate the second ductbank, as well as closures to the PATH Christopher Street Station. As a result of these issues, the original design represented significant risks to overall project costs and schedule.

In order to minimize the impact on the surrounding community and users of the Christopher Street Station, mitigate the potential for significant cost and schedule increases, and eliminate the need for station closures, an alternate design that included re-use of the existing ductbank and removed the construction of the second ductbank was successfully undertaken.

The proposed increase in the project amount is necessary to accommodate additional costs associated with the redesign of the improvements and preparation of associated revised construction documents to simplify the project scope, while maintaining the original project goals of providing the necessary additional power-handling capacity to accommodate PATH's new railcar fleet and upgrading the substation building to the latest building code standards. It was necessary to increase construction support for facility forces and construction management staff to execute complex construction staging while maintaining PATH revenue service.

Jacobs was retained in December 2006 under an agreement authorized by the President, to provide architectural and engineering services to support the implementation of the project. The proposed increase of \$1.8 million in the agreement with Jacobs, which is necessary to ensure the continued availability of the firm's services through project completion, including post-award services, would result in an estimated total compensation amount of \$4.2 million. The firm originally was recommended for retention as the highest-rated proposer in response to a publicly advertised Request for Proposals process.

Mass. Electric Construction Company, the recommended awardee for Contract PAT-624.154, was the lowest bidder in response to a publicly advertised competitive bid process.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution, with Directors Bauer, Moerdler, Pocino, Rechler, Samson, Schuber and Steiner voting in favor; Director Sartor recused and did not participate in the consideration of, or vote on, this item. Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that a project for the replacement and upgrade of the Christopher Street Substation of the Port Authority Trans-Hudson Corporation (PATH) rail system, at an estimated total project cost of \$71 million, be and it hereby is re-authorized; and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, to award construction trade Contract PAT-624.154 to Mass. Electric Construction Company to construct the improvements to the Christopher Street Substation, at a total estimated cost of \$31.8 million (inclusive of net cost work and extra work); and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, to expend an additional \$1.8 million (resulting in a total estimated amount of \$4.2 million) for final engineering design and construction support services in connection with the previously authorized professional services agreement with Jacobs Engineering Group, Inc., which is necessary to support the project through completion; and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, to take action with respect to construction contracts, contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing project, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; 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 Counsel or his authorized representative.

PATH – REPLACEMENT AND UPGRADE OF HARRISON STATION – PROJECT AUTHORIZATION

It was recommended that the Board authorize: (1) a project for the replacement and upgrade of the Port Authority Trans-Hudson Corporation (PATH) Harrison Station (Harrison Station) located in Harrison, New Jersey (Project), at a total estimated cost of \$256.2 million; (2) the President of PATH to take action with respect to the award of a contract for professional and advisory services to effectuate final design of the Project, at a total estimated cost of \$5.9 million, exclusive of a contingency allowance; (3) the President to enter into such other contracts and agreements as may be necessary to effectuate the construction required for the Project, including, but not limited to, the award of a Construction Manager-General Contractor (CM/GC) agreement to expedite the construction of the Project, at a total estimated cost of \$153.8 million; and (4) the President to acquire, for and on behalf of PATH, such property interests by voluntary acquisition or by condemnation pursuant to applicable law, and incur all costs and expenses and execute all documents, including, but not limited to, conveyances relating to the transfer of property interests to or from PATH, and agreements with the Town of Harrison and other public and private entities, involving, among other matters, maintenance, environmental studies, subsurface environmental remediation and removal of existing structures thereof, appraisals, surveys, title searches and title insurance, necessary or incidental to such acquisition or to effectuate the Project, the total cost for which, including certain prior Board actions relating to such property interests, would not exceed \$27 million, which is included in the total estimated Project amount.

A number of developers have commenced construction and are planning to implement projects of a substantial scope in Harrison. These projects include the now completed sports arena (Red Bull Arena) and residential and commercial development, which are expected to result in increased population in Harrison. As a result, Harrison Station is experiencing an increase in ridership, which is expected to continue to increase as development progresses. The various development plans call for a mix of uses that capitalize on the presence of Harrison Station.

Harrison Station was built in 1936, and its structural and infrastructure elements, such as platforms, canopies, mechanical and electrical systems, have reached the end of their useful life. The proposed improvements at Harrison Station would accommodate the ten-car train operation (up from the current eight-car trains) needed for the PATH service line between Newark and the World Trade Center to meet projected passenger demands, comply with the requirements of the Americans with Disabilities Act and National Fire Protection Association (NFPA 130) standards, and adhere to Port Authority sustainability guidelines.

In January 2008, staff completed an urban design and planning study for Harrison Station, based on the anticipated development of the area. The study included validation of prior studies, contextual urban analysis with station planning concepts, an order-of-magnitude construction cost estimate, updated traffic analysis, and analysis of occupant loads, pedestrian and vehicular circulation counts, vertical circulation requirements, utilities and potential property acquisitions/conveyances.

Beginning in 2008, staff evaluated design alternatives to meet the needs of PATH and the surrounding community, and ultimately advanced design of the new Harrison Station on the basis of four head-houses. The design provided for access improvements to the station, with an

elevator and other modifications in each head-house, and weather-protected facilities from the entry vestibules through platform-level waiting areas. Work to be undertaken under this Project authorization would take the Project through to completion. In order to start and complete the Project sooner and potentially reduce costs, the following processes would be conducted: an independent value-engineering review; independent constructability reviews addressing staging of the work and contract packaging; the award of a CM/GC agreement; and the refinement of current designs to address scope reductions or other cost-reduction initiatives identified through the value-engineering, design-review process.

A critical element of the planning effort included the identification of parcels, both publicly and privately owned, consisting of approximately three acres in four quadrants required to construct the new station. In total, approximately \$27 million would be required for land acquisition, subsurface environmental remediation, and abatement and demolition of existing structures or portions of structures in connection with this Project. On November 18, 2010, the Board authorized the purchase of vacant land in the northwest quadrant from CJUF II Harrison Phase I Urban Renewal Company, LLC (CJUF II), at a total cost (including PATH's closing costs and reimbursement of subdivision costs) not to exceed \$745,000. On October 20, 2011, the Board authorized the acquisition of property from Benharjay Realty in the southeast quadrant at a total cost (including closing and contingency costs and the cost of subsurface environmental remediation) estimated at \$2.85 million, and, in a separate action, authorized a project to abate and demolish structures on that property, at an estimated total project cost of \$4.8 million.

There are additional properties that need to be acquired in connection with the Harrison Station redevelopment. The proposed acquisitions would enable PATH to construct new station head-houses at Harrison Station, which would improve passenger flow to and from the station platforms. Acquisition of the southwest quadrant property also would allow PATH to construct a new Substation #9. Further, the acquisitions would provide for a wider Northeast Corridor right-of-way, which would expand the track area to accommodate the realignment of Amtrak and PATH tracks as part of Amtrak's contemplated future rail expansion to a "4th track" in the vicinity of the expanded Harrison Station.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution, with Directors Bauer, Pocino, Rechler, Samson, Schuber and Steiner voting in favor; Directors Moerdler and Sartor recused and did not participate in the consideration of, or vote on, this item. Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that a project for the replacement and upgrade of the Port Authority Trans-Hudson Corporation (PATH) Harrison Station, located in Harrison, New Jersey (Project), at a total estimated project cost of \$256.2 million, be and it hereby is authorized; and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, to take action with respect to the award of a contract for professional and advisory services to effectuate final design of the Project, at a total estimated cost of \$5.9 million, exclusive of a contingency allowance; and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, to enter into such other contracts and agreements as may be necessary to effectuate the construction required for the Project, including, but not limited to, the award of a Construction Manager/General Contractor agreement to expedite the construction of the Project, at a total estimated cost of \$153.8 million; and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, to take action with respect to additional contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing Project, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, to acquire property interests, by voluntary acquisition or by condemnation pursuant to applicable law, and incur all costs and expenses and execute all documents, including, but not limited to, conveyances relating to the transfer of property interests to or from PATH, and agreements with the Town of Harrison and other public and private entities, involving, among other matters, maintenance, environmental studies, subsurface environmental remediation and removal of existing structures thereof, appraisals, surveys, title searches and title insurance, necessary or incidental to such acquisition or to effectuate the Project, the total cost for which, including prior Board actions relating to such property interests, will not exceed \$27 million; and it is further

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

**PATH – JOURNAL SQUARE TRANSPORTATION CENTER – DUANE READE –
LEASE LRR-352 – NEW LEASE**

It was recommended that the Board authorize the President of Port Authority Trans-Hudson Corporation (PATH) to terminate an existing lease and enter into a new lease agreement with Duane Reade for the letting of approximately 11,423 square feet of retail space on the Concourse and Plaza Levels of the Journal Square Transportation Center (JSTC) for a 15-year term, commencing December 1, 2011 and expiring November 30, 2026, for Duane Reade's continued operation of a pharmacy and convenience store.

Over the term of the proposed lease agreement, PATH would receive a total aggregate rental of approximately \$12.9 million, in addition to percentage rent of gross receipts above specific thresholds. Duane Reade would invest approximately \$1.5 million in capital improvements to the premises to refurbish its existing space.

The proposed lease agreement would include a mutual right of termination, without cause, upon 30 days' prior written notice. In the event PATH terminated the lease agreement without cause, Duane Reade would be reimbursed on a straight-line basis for its unamortized initial capital investment to refurbish the premises, up to \$1.5 million. The reimbursement would be only for investments made under the proposed new lease, and not with respect to any investments made under Duane Reade's existing lease. Duane Reade would have the right to install a satellite dish on the roof of the JSTC, to be used solely to facilitate its operations, at no cost to PATH. PATH would have the right to revoke the satellite dish rights, without cause, on 30 days' prior written notice.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution, with Directors Bauer, Moerdler, Pocino, Rechler, Samson, Sartor, Schuber and Steiner voting in favor. Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that the President be and he hereby is authorized, for and on behalf of Port Authority Trans-Hudson Corporation (PATH), to terminate an existing lease and enter into a new lease agreement with Duane Reade for the letting of approximately 11,423 square feet of retail space on the Concourse and Plaza Levels of the Journal Square Transportation Center, for a 15-year term, commencing December 1, 2011 and expiring November 30, 2026, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the President be and he hereby is authorized, for and on behalf of PATH, 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 Counsel or his authorized representative.

AMENDMENT OF BY-LAWS

It was recommended that the By-Laws of Port Authority Trans-Hudson Corporation (PATH) be amended to provide that public notice be given of any proposed sale of real property owned by PATH, not less than ten days in advance of any meeting at which the Board of Directors is to consider such proposed action. Notice would be provided by means of the Port Authority's Internet site, or any successor electronic media designated by the President of PATH for such purposes. A conforming change also would be made to other By-Laws' references to "Internet site."

Bi-State legislation provides that any real property acquired by the Port Authority may be sold only if it is determined that such real property is no longer required for the purposes for which it was acquired. Consistent with that legislation, the provision of advance public notice of any proposed Board action considering the sale of fee interest in real property would afford members of the public the opportunity to attend the meeting and offer comments to the Board, to facilitate the Board's determination as to whether the real property is no longer required for the purposes for which it was acquired.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution, with Directors Bauer, Moerdler, Pocino, Rechler, Samson, Sartor, Schuber and Steiner voting in favor. Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that Article X of the By-Laws of Port Authority Trans-Hudson Corporation be and the same hereby is amended, by renumbering the present Paragraph (f) as (f)(1) and adding a new Paragraph (f)(2), which shall read as follows (and other references in the By-Laws to "Internet site" would be conformed accordingly):

"Not less than ten days in advance of any meeting of the Board of Directors at which the Board is to consider an action to authorize the sale of real property owned by Port Authority Trans-Hudson Corporation, the President shall provide public notice of such proposed action, by posting on the Port Authority's Internet site or any successor electronic media designated by the President for such purposes."

PATH – ELIMINATION OF PASSES FOR FREE TRAVEL PROGRAM

It was recommended that the Board of Directors authorize the elimination of the Port Authority Trans Hudson Corporation's (PATH) Passes for Free Travel program for Port Authority Commissioners, present and former PATH Directors, PATH officers and all other individuals who report to the President of PATH; all retired PATH employees who were not represented at the time of their retirement; all non-represented PATH active employees for non-job connected use, including commutation and incidental travel purposes; for all spouses, same sex domestic partners and any family members of non-represented active, non-represented retired and non-represented deceased PATH employees ; for all Port Authority employees on assignment to PATH and for all other individuals having business associations with PATH who have been issued free PATH passes for any non-job connected purpose, effective April 29, 2012.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution, with Directors Bauer, Moerdler, Pocino, Rechler, Samson, Sartor, Schuber and Steiner voting in favor. Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that the Port Authority Trans Hudson Corporation's Passes for Free Travel Program shall be modified consistent with the terms presented to the Board of Directors.

Whereupon, the meeting was adjourned.

Vice-President