

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

**COMMITTEE ON OPERATIONS
MINUTES**

Thursday, September 24, 2009

Action on Minutes	1
Access to the Region's Core Project – Authorization of Agreement with C/S 12 th Avenue LLC for Permanent and Temporary Deep Subsurface Easements and a Temporary Surface Construction Easement at Block 675, Lot 1 in New York City (This matter, which was adopted in executive session by the Committee, is no longer confidential.)	2
Access to the Region's Core Project – Authorization of C/S 12 th Avenue LLC Relocation Agreement(s), Including Costs and Expenses (This matter, which was adopted in executive session by the Committee, is no longer confidential.)	4
Access to the Region's Core Project – Authorization of Agreement with Valeray Real Estate Company Inc. for Permanent and Temporary Deep Subsurface Easements and a Temporary Surface Construction Easement in New York City (This matter, which was adopted in executive session by the Committee, is no longer confidential.)	5
Access to the Region's Core Project – Authorization of Valeray Real Estate Company Inc. Relocation Agreement(s), Including Costs and Expenses (This matter, which was adopted in executive session by the Committee, is no longer confidential.)	7

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

**MINUTES OF
COMMITTEE ON OPERATIONS
225 Park Avenue South
New York, NY
Thursday, September 24, 2009**

PRESENT:

Hon. Anthony R. Coscia, Chair
Hon. Henry R. Silverman, Vice-Chair
Hon. Virginia S. Bauer
Hon. H. Sidney Holmes, III
Hon. David S. Steiner
Committee Members

Karen E. Eastman, Secretary

Ernesto L. Butcher, Chief Operating Officer
Michael B. Francois, Chief, Real Estate and Development
Linda C. Handel, Deputy Secretary
Christopher M. Hartwyk, First Deputy General Counsel
Mark D. Hoffer, Senior Counsel, Law
Richard M. Larrabee, Director, Port Commerce
Carlene V. McIntyre, Assistant General Counsel
Sanjay S. Mody, Advisor to the Chairman
Fred Rapagna, Senior Project Manager, Property Acquisition,
Access to the Region's Core Project
Howard Sackel, Director, Access to the Region's Core Project
Gerald B. Stoughton, Director, Financial Analysis
Sheree Van Duyn, Manager, Policies and Protocol, Office of the Secretary
Peter J. Zipf, Deputy Chief Engineer/Director of Engineering

Guest:

Sonia Frontera, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order in executive session by the Chair at 11:29 a.m. and ended at 11:51 a.m. The Committee also met in public session prior to the executive session.

Action on Minutes

The Secretary reported that the Minutes of the meeting of August 13, 2009 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of August 13, 2009.

ACCESS TO THE REGION'S CORE PROJECT – AUTHORIZATION OF AGREEMENT WITH C/S 12TH AVENUE LLC FOR PERMANENT AND TEMPORARY DEEP SUBSURFACE EASEMENTS AND A TEMPORARY SURFACE CONSTRUCTION EASEMENT AT BLOCK 675, LOT 1 IN NEW YORK CITY

It was recommended that the Committee on Operations (Committee) authorize the Executive Director to enter into an agreement with C/S 12th Avenue LLC, or a related entity (CS12) to obtain: (1) permanent and temporary deep subsurface easements on Block 675, Lot 1 in the City of New York, County of New York (the CS12 Property) in connection with the construction of tunnels for the Access to the Region's Core (ARC) Project; and (2) a surface easement for a ten-year period, with two one-year extension options, for the use of the CS12 Property, to facilitate construction for the ARC Project of a fan plant and an access shaft on the adjacent Block 674 in New York City, currently owned and used by Consolidated Edison Company, Inc. of New York (ConEd).

The cost for acquisition of the permanent and temporary deep subsurface easements and the temporary surface construction easement for ten years is \$95,505,921, plus potential costs for interest payments if closing occurs after March 15, 2010. Additionally, the cost of the extension options for the temporary surface easement is a minimum of \$11.5 million per year, subject to escalation based upon the Consumer Price Index, with the maximum total cost not to exceed \$25 million per year.

Initiation of construction of the ARC tunnels in Manhattan requires acquisition of ConEd property on Block 674 for the construction of an access shaft and ventilation fan plant and the temporary relocation of a portion of their operations during the tunnel construction period through, at least, 2017, as well as obtaining nearby construction staging areas. The CS12 Property (Block 675, Lot 1) is adjacent to the ConEd property. Acquiring an easement on the CS12 Property would allow the relocation of ConEd operations with minimal disruption and provide staging areas necessary during construction. Providing a viable relocation site is critical to achieving a timely agreement with ConEd regarding their property and meeting the project construction timeline.

On June 30, 2008, the Board authorized an aggregate \$3 billion commitment toward the ARC Project and the expenditure of up to \$100 million for Project costs in connection with property acquisitions, planning, final design, engineering and construction, and administrative expenses through year-end 2008. Subsequently, at its meeting of December 17, 2008, the Board extended, through 2009, the time period to use the balance of the \$100 million authorized by the Board in June 2008 for ARC Project expenditures. On July 23, 2009, the Board authorized the expenditure of an additional \$500 million for Project costs expected to be required through mid-year 2010.

The Port Authority would acquire the interest in the CS12 Property in accordance with the General Project Agreement entered into between New Jersey Transit Corporation and the Port Authority in March 2009. Moreover, the agreement to purchase the property interest is contingent upon Federal Transit Administration approval. This agreement would remain confidential until such time as it becomes a matter of public record.

The proposed action would permit the Port Authority to continue to fulfill its commitment to effectuate the development of the ARC Project through the identification and acquisition of real property in New York City.

At its meeting of June 30, 2008, the Board authorized the Committee to approve the final terms of the purchase or transfer of real property interests required in connection with the development of the ARC Project.

Pursuant to the foregoing report, the following resolution was adopted by the Committee in executive session with Commissioners Bauer, Coscia, Holmes, 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 enter into an agreement with C/S 12th Avenue LLC, or a related entity (CS12) to obtain: (1) permanent and temporary deep subsurface easements on Block 675, Lot 1 in the City of New York, County of New York (the CS12 Property) in connection with the construction of the tunnels for the Access to the Region's Core Project; (2) a temporary surface easement for a ten-year period, with two one-year extension options, for the use of the CS12 Property, to relocate Consolidated Edison Company, Inc. of New York (ConEd) to the CS12 Property in order to facilitate construction of a fan plant and an access shaft on the adjacent Block 674 in New York City, currently owned and used by ConEd; with the cost of the foregoing easements to be \$95,505,921 (plus potential costs for interest payments, if closing occurs after March 15, 2010), and the cost of the extension options for the temporary surface easement being a minimum of \$11.5 million per year, subject to escalation based upon the Consumer Price Index, with the maximum total cost not to exceed \$25 million per year; 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.

ACCESS TO THE REGION'S CORE PROJECT – AUTHORIZATION OF C/S 12TH AVENUE LLC RELOCATION AGREEMENT(S), INCLUDING COSTS AND EXPENSES

It was recommended that the Committee on Operations (Committee) authorize the Executive Director to enter into agreement(s) with, and to provide reimbursement to, existing tenants of the real property owned by C/S 12th Avenue LLC (CS12) at Block 675, Lot 1 in the City of New York, County of New York (CS12 Property) for costs associated with their relocation to another site, as a result of the easement interests in the CS12 Property being acquired by the Port Authority in connection with the Access to the Region's Core (ARC) Project.

Acquisition of the full use and possession of the CS12 Property would require the relocation of two tenants (Penske Truck Leasing and Verizon). The Port Authority would enter into separate relocation agreements with the tenants currently occupying the CS12 Property to reimburse those parties for the costs and expenses associated with their relocation to another site. The cost to relocate those parties is estimated not to exceed \$5 million, with CS12 to absorb up to \$1 million of the costs.

The relocation agreement is contingent upon Federal Transit Administration approval of the costs associated with relocation of CS12's tenants. This agreement would remain confidential until such time as it becomes a matter of public record.

The proposed action would permit the Port Authority to continue to fulfill its commitment to effectuate the development of the ARC Project through the identification and acquisition of real property in New York City.

At its meeting of June 30, 2008, the Board authorized the Committee to approve the final terms of the purchase or transfer of real property interests required in connection with the development of the ARC Project.

Pursuant to the foregoing report, the following resolution was adopted by the Committee in executive session with Commissioners Bauer, Coscia, Holmes 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, to enter into agreement(s) with the existing tenants of the real property owned by C/S 12th Avenue LLC at Block 675, Lot 1 in the City of New York, County of New York (CS12 Property) pursuant to which the Port Authority is to reimburse the tenants for their costs associated with relocation from the CS12 Property, as a result of the Port Authority's acquisition of easement interests in the CS12 Property in connection with the Access to the Region's Core Project, in an amount of up to \$4 million, subject to verification of the costs and expenses; 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.

ACCESS TO THE REGION'S CORE PROJECT – AUTHORIZATION OF AGREEMENT WITH VALERAY REAL ESTATE COMPANY INC. FOR PERMANENT AND TEMPORARY DEEP SUBSURFACE EASEMENTS AND A TEMPORARY SURFACE CONSTRUCTION EASEMENT IN NEW YORK CITY

It was recommended that the Committee on Operations (Committee) authorize the Executive Director to enter into an agreement with Valeray Real Estate Company Inc. (Valeray) to obtain: (1) permanent and temporary deep subsurface easements on Block 675, Lots 12, 24, 26, 29 and 36 in the City of New York, County of New York (the Valeray Property) necessary in connection with the construction of the tunnels for the Access to the Region's Core (ARC) Project; and (2) a surface construction easement for a ten-year period, with two one-year extension options, for the use of the Valeray Property, to facilitate construction of a fan plant and an access shaft on the adjacent Block 674 in New York City, currently owned and used by Consolidated Edison Company, Inc. of New York (ConEd), for the ARC Project.

The cost for acquisition of the permanent deep subsurface easement and the temporary surface construction easement for ten years is a minimum of \$9,879,784, plus potential adjustments based on the Consumer Price Index (CPI). The cost of the two one-year extension options for the temporary surface easement is \$2,182,125 per year, adjusted for the CPI for the second year (at a minimum of two percent).

Initiation of construction of the ARC tunnels in Manhattan requires acquisition of ConEd property on Block 674 for the construction of an access shaft, ventilation fan plant and temporary construction staging. Acquisition of the ConEd property requires relocation of ConEd's operations during the tunnel construction period through 2017. The Valeray Property is directly adjacent to the ConEd property. Acquiring an easement on the Valeray Property would allow for the relocation of the ConEd operations with minimal disruption and provide additional staging areas necessary during construction. Providing a viable relocation site is critical to achieving a timely agreement with ConEd regarding their property and meeting the project construction timeline.

On June 30, 2008, the Board authorized an aggregate \$3 billion commitment toward the ARC Project and the expenditure of up to \$100 million for Project costs in connection with property acquisitions, planning, final design, engineering and construction, and administrative expenses through year-end 2008. Subsequently, at its meeting of December 17, 2008, the Board extended, through 2009, the time period to use the balance of the \$100 million authorized by the Board in June 2008 for ARC Project expenditures. On July 23, 2009, the Board authorized the expenditure of up to an additional \$500 million for Project costs expected to be required through mid-year 2010.

The Port Authority would acquire the interests in the Valeray Property in accordance with the General Project Agreement entered into between New Jersey Transit Corporation and the Port Authority in March 2009. Moreover, the agreement to purchase the property interest is contingent upon Federal Transit Administration approval. The agreement would remain confidential until such time as it becomes a matter of public record.

The proposed action would permit the Port Authority to continue to fulfill its commitment to effectuate the development of the ARC Project through the identification and acquisition of real property in New York City.

At its meeting of June 30, 2008, the Board authorized the Committee to approve the final terms of the purchase or transfer of real property interests required in connection with the development of the ARC Project.

Pursuant to the foregoing report, the following resolution was adopted by the Committee in executive session with Commissioners Bauer, Coscia, Holmes, 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 enter into an agreement with Valeray Real Estate Company Inc. (Valeray) to obtain: (1) permanent and temporary deep subsurface easements on Block 675, Lots 12, 24, 26, 29, and 36 in the City of New York, County of New York (the Valeray Property), in connection with the construction of the tunnels for the Access to the Region's Core Project; and (2) a temporary surface construction easement for a ten-year period, with two one-year extension options, for use of the Valeray Property to relocate Consolidated Edison Company, Inc. of New York (ConEd) to the Valeray Property in order to facilitate construction of a fan plant and an access shaft on the adjacent Block 674 in New York City, currently owned and used by ConEd; with the total cost of the foregoing easements to be a minimum of \$9,879,784 (plus potential adjustments based on the Consumer Price Index), and the cost of the two one-year extension options for the temporary surface easement to be \$2,182,125 per year, adjusted for the Consumer Price Index for the second year (at a minimum of two percent); 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.

ACCESS TO THE REGION'S CORE PROJECT – AUTHORIZATION OF VALERAY REAL ESTATE COMPANY INC. RELOCATION AGREEMENT(S), INCLUDING COSTS AND EXPENSES

It was recommended that the Committee on Operations (Committee) authorize the Executive Director to enter into agreement(s) with, and provide reimbursement to, an existing tenant and subtenant of the real property owned by Valeray Real Estate Company Inc. (Valeray) at Block 675, Lots 12, 24, 26, 29 and 36 in the City of New York, County of New York (Valeray Property) for costs associated with their relocation to another site, as a result of the easement interests in the Valeray Property being acquired by the Port Authority in connection with the Access to the Region's Core (ARC) Project.

Acquisition of the full use and possession of the Valeray Property would require the relocation of a tenant and subtenant. The Port Authority would enter into separate relocation agreements with the tenant and subtenant currently occupying the Valeray Property to reimburse those parties for the costs and expenses associated with their relocation to another site. The cost to relocate those parties is anticipated to be approximately \$200,000.

The relocation agreements are contingent upon Federal Transit Administration approval of the costs associated with relocation of Valeray's tenant and subtenant. The agreement would remain confidential until such time as it becomes a matter of public record.

The proposed action would permit the Port Authority to continue to fulfill its commitment to effectuate the development of the ARC Project through the identification and acquisition of real property in New York City.

At its meeting of June 30, 2008, the Board authorized the Committee to approve the final terms of the purchase or transfer of real property interests required in connection with the development of the ARC Project.

Pursuant to the foregoing report, the following resolution was adopted by the Committee in executive session with Commissioners Bauer, Coscia, Holmes, 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 enter into agreement(s) with the existing tenant and subtenant of the real property owned by Valeray Real Estate Company Inc. at Block 675, Lots 12, 24, 26, 29 and 36 in the City of New York, County of New York (Valeray Property) to reimburse the tenant and subtenant for their costs associated with relocation from the Valeray Property, as a result of the easement interests in the Valeray Property being acquired by the Port Authority in connection with the Access to the Region's Core Project, in an amount of up to \$200,000, subject to verification of the costs and expenses; 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