

**New York State Senate**  
**Committee on Corporations, Authorities and Commission**  
**Statement submitted for the record by**  
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**The Port Authority of NY & NJ**  
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Thank you, Chairman Perkins, for convening this hearing and for inviting me to participate. I also would like to thank the members of this Committee for the focus you have brought to this critical project. It is a pleasure to be here.

As you know, over the last three years, the Port Authority has assumed increasing responsibility over the various components of the World Trade Center site. Since that time, we have transformed what was essentially a stalled site into one that is humming with activity – with nearly 1,000 construction workers driving the public projects forward with increasing momentum.

But before I give you an update on our progress as well as our challenges, I would first like to take a step back and try to make sense of all of the moving parts and players that are a part of this rebuilding effort.

While there are as many as 19 different public agencies at every level of government, two private developers and well over 100 different contractors, sub-contractors, designers, architects and consultants involved with one element of the project or another, the major entities in control of the site's development include:

The Port Authority, which is responsible for most of the public infrastructure at the site, including overseeing the construction of the 9/11 Memorial and Museum, the World Trade Center Transportation Hub, which will serve 200,000 commuters from the PATH and New York City Subway systems as well as connect the World Financial Center and Battery Park City with the World Trade Center site and all points East, the Vehicle Security Center, the reestablished Greenwich and Fulton Streets and the development of One World Trade Center and Tower 5, which will be built where the former Deutsche Bank Building currently stands.

Silverstein Properties is responsible for building and financing the bulk of the private office space – Towers 2, 3 and 4.

The Federal Transit Administration is a crucial partner, overseeing the expenditure of several billion dollars in federal funding for the Transportation Hub and key projects within the immediate vicinity of the site. Their resources and partnership are critical to the project's success.

The 9/11 Memorial Foundation is another critical partner and we work closely with them and the Mayor's Office on the oversight of the 9/11 Memorial and Museum. Mayor Bloomberg, Joe Daniels and the entire Foundation have been essential to the project's success to date. I also want to recognize all of the work Speaker Silver has contributed to this endeavor. While we obviously have not agreed on every aspect of this project, the redevelopment of Lower

Manhattan would not have made nearly the amount of progress that I will describe in a moment without his tireless and steadfast support.

The Metropolitan Transportation Authority is yet another public agency that we must partner and coordinate with on a daily basis given that they have an active train line running directly through our site every few minutes, and will be building in partnership with the Port Authority a new Cortlandt Street Station within the site.

We also must coordinate with the New York State Department of Transportation, which is responsible for the rebuilding of the 9A/West Side Highway project adjacent to the site.

And we must coordinate with the Lower Manhattan Development Corporation and the Lower Manhattan Construction Command Center, which, among their many responsibilities, include the decontamination and demolition of the former Deutsche Building, otherwise known as 130 Liberty Street.

This gives you the big picture of how the major projects break down, but it really just scratches the surface. It was in part because of all the necessary coordination and tracking of projects that, shortly after becoming the Port Authority's executive director in mid-2008, Governor Paterson asked us to do a complete top-to-bottom review of all of the site's public projects to get the rebuilding on track and to provide the public with realistic schedules and budgets. Since that assessment process, we have not only published a more realistic set of schedules and budgets, but we have addressed some of the most significant challenges that were preventing progress.

This is not to suggest that there haven't been real challenges along the way. There have been many. However, as a result of that assessment process, we have addressed some of the most significant challenges that were preventing progress, and we will continue to meet the challenges that arise every day.

Unfortunately, just as we have gotten the public projects on track, we have seen that, like everything else, the rebuilding effort is not immune to the economic crisis. That has raised serious questions about the private office development on the eastern portion of the site. I will address this issue later in my testimony, but first I would like to elaborate on the construction progress we have made in recent months, as well the challenges we face ahead.

Visible progress has been made on all of the projects the Port Authority is responsible for building, specifically: the World Trade Center Transportation Hub; One World Trade Center; Greenwich and Fulton Streets; the Vehicle Security Center; and, of course, the 9/11 Memorial, which is our highest priority and remains on schedule to open on the 10<sup>th</sup> anniversary of the attacks.

One of the important results that came out of last year's assessment process was the Port Authority's commitment to publish specific quarterly milestones to give the public a tangible way to track our progress. These regular installments are published on our new World Trade Center website – [www.wtcprogress.com](http://www.wtcprogress.com) – and contain complete accountings of the interim milestones that the Port Authority established in October 2008.

I am pleased to report that to date we have met 34 of 37 milestones, and have since mitigated the three milestones we missed.

But before I get into where we are on each of the major public projects, I would like to personally invite all of the members of this committee to a complete tour of the site. The site truly can no longer be called a “pit.” In the past week, I have had the pleasure of touring it with Chairman Perkins and Senator Squadron, and if the other members have not been there, you should really come down to see the transformation for yourself. You will also see the daily challenges we face up close and I think it will make the issues we will discuss today much more real.

### National September 11<sup>th</sup> Memorial and Museum

First, let me give you an update on the 9/11 Memorial – the Port Authority’s highest priority. As you know, before our assessment effort last year, the 9/11 Memorial’s opening date had slipped well beyond the 10<sup>th</sup> Anniversary of the attacks, perhaps by several years. This was unacceptable, so we stepped in and made significant changes. Thanks to innovative new construction solutions, along with a new management structure and a renewed and productive partnership with the 9/11 Memorial Foundation, we have been able get this project on track to the point where we are confident that the Memorial will open by 9/11/11.

In fact, during the past year alone, we have installed 80 percent of the Memorial’s steel, forming the two reflecting pools that are the signature element of this project. Just this past quarter, we completed the Memorial’s Sector 4 steel, which consisted of 2,400 tons of steel. Just to give you a sense for how much steel that one sector contains, it’s the equivalent of almost 20 Statues of Liberty. We have also poured more than 20,000 cubic yards of concrete. Again, to put that in perspective, that’s enough concrete to pave 100 miles of New York City sidewalks.

In fact, enough progress has been made over the past year that the 9/11 family members will have their first chance to walk out onto the Memorial Plaza later this week during the 9/11 ceremony. On that day, family members will be able to stand on the southern portion of the Memorial Plaza and overlook the south reflecting pool and the north pool behind it where the original towers once stood. No one thought this would be possible just one year ago.

### One World Trade Center

Adjacent to the Memorial is One World Trade Center, which has risen more than 200 feet – 80 feet to grade and another 105 feet above street level. We recently completed the first concrete pour of the tower’s plaza and main entrance. Construction workers spent 14 consecutive hours pouring 1,250 cubic yards of concrete to bring the plaza to street level. That record pour, which started in the pouring rain, is a real credit to all the construction workers who work tirelessly day in and day out on this job.

In addition, last month we installed the first of the perimeter jumbo steel columns – which are 60 feet long and weigh 70 tons each. To put that in perspective, every 12 inches of steel equals the weight a Honda Civic. The 24 columns, once installed, will allow for the build-out of the tower’s first three floors. Once that happens, floors will begin rising more rapidly.

### WTC Transportation Hub

The World Trade Center Transportation Hub touches nearly every corner of the site and we have recently taken several actions that will ensure the successful completion of this project.

One of the most significant actions is changing the way the project is managed and procured. In April, the Port Authority modified its contract with Phoenix Constructors to allow us to competitively bid all future Hub contracts to take advantage of the highly competitive construction market. And earlier this summer, we retained a new world-class construction manager in Tishman/Turner to provide the kind of support we need to keep this project on track.

I am pleased to report that this restructured procurement process is already paying off. Last month, we awarded a critical \$177 million contract to underpin the box that carries the MTA's #1 subway line, which will serve as the foundation for the future Greenwich Street. This is not only a critical project for the Transportation Hub, but also will allow public access to the 9/11 Memorial on the 10<sup>th</sup> anniversary of the attacks. Moreover, the contract came in 28 percent under our engineer's estimate, which is a real credit to the restructured procurement process that I just discussed.

Beyond the procurement process, among the most tangible and visually dramatic Hub milestones is the completion of 51 Calatrava arches that will support the new Fulton Street above it and the East-West Connector beneath it, which will connect 100,000 commuters from the World Trade Center to the World Financial Center and Battery Park City.

#### Site Turnover

I also want to update you on our site turnover status to Silverstein Properties. As of mid-August, we have turned over the sites for Towers 2, 3 and 4, completing the Port Authority's final turnover obligations to Silverstein Properties as set under the 2006 Master Development Agreement. This marks the end of the agency's \$300,000 per day obligation and starts the clock on Silverstein Properties' obligation to construct its three towers.

#### Community Outreach

In addition to the construction progress we have made, we have also worked hard to be better neighbors as construction activity ramps up. We are doing everything we can to accommodate the needs of local residents and businesses.

Since last year's assessment, the Port Authority has established the World Trade Center Office of Program Logistics, which is now the focal point for planning the coordinated movement of vehicles and pedestrians around the site. It is essential that there is a mechanism in place to communicate regularly and openly with the residents, businesses and public officials of Lower Manhattan, and work together to mitigate what will inevitably be necessary inconveniences due to the reality of how much is being built in such a small, congested area of the City.

As part of this effort, we hired traffic expert Sam Schwartz and his firm to help find creative solutions to improve the movement of people and equipment around the site; we have also improved the sites perimeter with a clean, informative fence wrapping, better nighttime lighting and widened sidewalks around the crowded streets; in addition, we have implemented a local window sound-proofing program; and we have launched a new website to increase public transparency.

Finally, just last month, the Port Authority took action on an issue that I know has been of particular concern to the Lower Manhattan community. Starting later this year, we will extend the Vesey Street pedestrian bridge that crosses West Street from its current entry/exit point on the east side of West Street all the way to the temporary PATH station so we can separate pedestrians from increasingly heavy truck traffic at the intersection of Vesey and Washington streets. Untangling pedestrian movements from truck movements will ensure a safer pedestrian experience and greater construction productivity on the site.

### Challenges Going Forward

Having described some of the progress we have made, we also face real challenges ahead, which we have to zero in on.

In recent months, the Lower Manhattan Development Corporation – the owner the former Deutsche Bank Building, and the agency in charge of its abatement and demolition, the Lower Manhattan Construction Command Center – have announced further delays for the demolition of the building. The ongoing delays have forced us to rethink the construction staging of the Vehicle Security Center and could cause further issues if delays continue.

We also face ongoing challenges of managing multiple construction projects on such a small and crowded site in what is one of the most congested areas of the City. Plus, we have two active train lines running directly through the site that we have to manage around. This will require constant focus from our integrated logistics team and real-time cooperation from all of our project partners.

Yet another challenge is the volatility of the construction market. Right now, it appears favorable, but we must carefully calibrate our procurement process to make sure we take full advantage of the marketplace and adjust when necessary.

But, as you are well aware, our greatest challenge remains the private office development on the eastern portion of the site. To this end, I would like to spend my remaining time giving the Committee a better understanding of the Port Authority's financial commitment to Lower Manhattan, its implications to our budget and transportation program, and how all of this fits into our current dispute with Silverstein Properties over financing the site's private office space.

During the past three years, the Port Authority has made an unprecedented commitment to rebuilding the World Trade Center site – investing \$11 billion dollars of our total Capital Plan into the rebuilding program – the majority coming directly out of the Port Authority's own revenues, with the rest made up of federal grants and insurance funds received from our World Trade Center coverage. No entity public or private has come close to matching that financial commitment.

Yet while the cost of rebuilding has risen, our revenues have come under significant pressure as the economic recession gets wider and deeper. For example, during the first quarter of 2009, activity levels were down nearly 12 percent at our airports, 17 percent at our ports, more than 5 percent at our tunnels and bridges, and 2 percent on the PATH system.

Given this context, and all of the infrastructure needs of the region, it becomes that much more difficult to consider publicly subsidizing the amount of speculative office space that is being demanded by Silverstein Properties.

To be clear, the Port Authority's proposal to Silverstein Properties would deliver all of the public projects on the site, including the 9/11 Memorial, in the current timeframe we have committed to. In addition, it would ensure robust retail that we know Lower Manhattan needs today, plus at least one of Silverstein's office towers in addition to One World Trade Center. Finally, our proposal goes further to commit to publicly participating in a second of Silverstein's office towers so long as, over the next two years, Silverstein or the private sector is willing to match that public risk with risk of their own – so we can ensure a level of private market discipline in what would otherwise be a purely speculative venture backed solely by the public's balance sheet.

Yet this and three of our other proposals have been rejected. Their rationale being that they have no access to private capital as a result of current economic conditions. If that is true, it only proves the point we have been making – that the public should not be asked to take on risk that the private developer or the private sector will not take on themselves.

It is clear that if we were to accept the offer made by Silverstein Properties – to fully subsidize both of his towers – we would be choosing private office space over public transportation projects. That is why so many civic groups, transportation advocates and business organizations have supported the Port Authority's current offer to rationalize the private office development while protecting what limited public resources we have for critical public projects on the site and throughout the region.

We remain willing to discuss a structure to develop the private office towers, but only if that transaction recognizes the need for real private sector risk so that we can ensure real private market discipline. In the meantime, the Port Authority continues to move forward with construction of the public projects at the site and is developing plans that, regardless of the outcome of our negotiations over private office space, will ensure the public projects continue moving forward to completion.

Thank you again for the opportunity to testify. I look forward to your questions.

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