



World Trade Center

3 WTC: Proposed Restructuring

April 23, 2014

3 World Trade Center – Existing 2010 Agreement

One of the final components for completing the site is moving forward on 3 World Trade Center

- **Under the 2010 Agreement, public support would commence once SPI met the following conditions:**
 - Pre-lease 400,000 square feet at minimum rent of at least \$60 per square foot
 - Raise \$300 million of equity and/or subordinated mezzanine debt
 - Raise \$1.3+ billion in Liberty Bonds/taxable debt issuance
- **Leasing Conditions Achieved:**
 - In December 2013, GroupM, a major media/technology company, signed 515,000 square foot lease term sheet at above \$75 sq/ft to become anchor tenant
 - The largest tenant relocation of 2013



Existing Condition of T3

3 World Trade Center – Proposed Agreement

The Port Authority's position under the proposed agreement provides upside potential and strong downside protections:

- Total capitalization reduced from 60/40 Debt/Equity to more conservative 50/50 Debt/Equity under proposed restructure
 - \$1.2 billion in total equity/mezzanine debt supporting the senior debt
- SPI must increase mezzanine debt and equity contribution by 50% from \$300 Million to \$450 Million, including at least a \$50 million in equity from SPI
- \$75 Million in T2 insurance proceeds immediately advanced for construction
- \$210 Million from NYC and NYS advanced for construction
- \$463 Million of insurance proceeds invested in construction
- PA would become co-obligor to \$1.2 Billion in senior secured debt
 - \$786 Million fixed rate
 - \$393 Million floating rate (Interest Rate Capped and PA relieved from obligation after 15 years on this portion)

New and Accelerated Revenue Along with Significant Protections to the Port Authority

- **New Revenue Sources:**
 - \$101M in credit enhancement fees (*Not included in the 2010 agreement*)
 - Increased profit participation (*Not included in the 2010 agreement*)
- **Accelerated Revenue:**
 - \$230M in Retail Condo Proceeds (PA will not receive until project advances)
 - \$70M in additional net lease rent payments (Decreases each year of construction delay through 2021)
 - \$28M in CAM payments (Through 2028; decreasing with each year of delay)
- **Enhanced Protections to the PA:**
 - Only 90 days to pay back any past-due PA funds at an interest rate of 12.5 percent per annum (not included in the 2010 agreement)
 - Foreclosure rights; in the event of foreclosure the Port Authority would take ownership at 50 percent of the cost of construction
 - Cash Trap Protection Remains – SPI prevented from taking any profit from T3 or T4 until Port Authority is repaid
- **Under base case leasing assumptions, proposed agreement has no impact to the ten-year Capital Plan**
- **Third-Party Financial Advisor will provide a Fairness Opinion to the Port Authority**

Minimal Downside Risk to the Port Authority

- **Under base case leasing assumptions, the Port Authority support will not be called upon**
 - Healthy debt service coverage ratios
- **Under a downside scenario of 50% occupancy at average rents of \$75 per square foot, PA credit support would not be drawn until 2032**
 - Based on availability of \$84 million in escrowed completion funds
- **An alternative scenario indicates senior debt service will be covered with stabilized occupancy of 95%, with minimum average rents of \$46 per square foot for the spec space**
 - GroupM lease is above \$75 per square foot for 515,000 square feet

Conclusion

Restructured 3WTC transaction provide significant benefits to the Port Authority including upside participation and strong downside protections

- Provides accelerated and incremental revenues to PA and stronger protections than the 2010 agreement
- The transaction is subject to private market validation through sale of mezzanine debt and equity
- All leasing conditions have been met via GroupM lease
- Finish what the Port Authority started over a decade ago



**Positive WTC
leasing
momentum
continues**



**3,000+ jobs
created by
GroupM alone**



**Promise of a
revitalized Lower
Manhattan
fulfilled**



Rendering of completed T3