

**A. PANYNJ - World Trade Center Tower 3 Development EOF Capital (X314)**  
December 16, 2010

Authorization to Adopt the General Project Plan

**Grantee:** The Port Authority of New York and New Jersey (“PANYNJ”)

**Beneficiary Company:** 3 World Trade Center LLC (“3 WTC LLC”)

**New ESD\* Investment:** \$20,000,000 (Empire Opportunity Fund)

**Project Location:** World Trade Center Tower 3, New York, New York County

**Project Completion:** Deadline for 3 WTC LLC to qualify for funding is six years following the date which is the later of (i) completion of specified construction milestones for the Transportation Hub and the opening for ongoing use of the elements of the Transportation Hub that are described in such milestones, and (ii) November 1, 2014. Current Integrated Master Schedule estimated completion of Tower 3 project is December 31, 2015.

**Project Team:**

Project Management	Brendan Healey
Legal	Jonathan Beyer
Affirmative Action	Helen Daniels
Environmental	Rachel Shatz

**Project Description:**

Background

These materials refer to and include, in their entirety, the attached materials presented to and approved by the Directors on September 14, 2010 (the “Materials”).

On March 25, 2010, the Governor of New York State (“NYS”), the Mayor of New York City (“NYC”), the Port Authority of New York and New Jersey, and Silverstein Properties (“SPI”) reached an agreement in principle to proceed with the planned development of Towers 3 and 4 at the World Trade Center (“WTC”) site. The State, NYC and the PANYNJ agreed to provide a total of \$600 million -- \$200 million each -- toward the construction of, and credit enhancement/contingency fund for, financing Tower 3. SPI set up a private subsidiary known as 3 World Trade Center LLC to finance and construct Tower 3.

It is anticipated that ESD will enter into the Tower 3 Public Sector Support Agreement (“Tower 3 PSSA”), pursuant to which the PANYNJ will agree to fund NYS’ \$200 million share of the \$600 million public sector commitment for Tower 3. The Tower 3 PSSA provides that ESD will, in turn, pay or reimburse the PANYNJ for NYS’ \$200 million obligation by (i) making a \$20 million initial payment to the PANYNJ following the closing of the transaction of the Tower 3 PSSA funded by the

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subject grant from the Empire Opportunity Fund and (ii) allowing the PANYNJ to requisition up to the \$180 million balance of NYS share funded by payments made or to be made by the PANYNJ under the agreement between the Governor, the State of New Jersey and the PANYNJ, dated as of January 1, 1990, relating to the termination of the Fund for Regional Development and subsequently assigned to ESD.

The obligation to fund the \$600 million public sector commitment is conditioned upon benchmarks that 3 WTC LLC must achieve in order to allow construction of Tower 3 to continue past podium level. There are two primary benchmarks 3 WTC LLC must achieve to proceed with the tower and activate the public subsidies: (1) 3 WTC LLC must secure lease commitments of 400,000 square feet, at \$60 per square foot; and (2) obtain \$300 million in private equity or third-party unaffiliated mezzanine debt. If 3 WTC LLC does not achieve these benchmarks within six years following the date (the "Opening of the Transportation Hub") which is the later of (i) completion of specified construction milestones for the Transportation Hub and the opening for ongoing use of the elements of the Transportation Hub that are described in such milestones, and (ii) November 1, 2014, all public subsidies are to be returned to the public parties.

Tower 3 will rise seventy-one stories and house 2.1 million square feet of office space and 133,000 square feet of retail space. The total project cost is anticipated to be approximately \$2.35 billion. Tower 3 will feature five trading floors, five retail floors and mechanical floors at the base and crown of the building. Tower 3 will help attract and retain business, and help create and retain jobs in New York, while assisting in the revitalization of Lower Manhattan.

The Project

The project consists of a \$20 million Empire Opportunity Fund grant, which will be an initial payment toward New York State's \$200 million portion of the \$600 million public sector commitment for the development of World Trade Center Tower 3. This \$20 million grant will be paid up-front, upon execution of a Grant Disbursement Agreement ("GDA") and the Tower 3 PSSA. Disbursement and other terms of this grant will be set forth in a GDA and subject to the Tower 3 PSSA consistent with these materials.

The public sector commitment is as follows:

Financing Uses	Amount	Financing Sources	Amount	Percent
Construction	\$600,000,000	ESD EOF Grant (X314)	\$20,000,000	3.3%
		Other ESD assistance	180,000,000	30.0%
		New York City Contribution	200,000,000	33.3%
		PANYNJ Contribution	200,000,000	33.3%
Total Project Costs	\$600,000,000	Total Project Financing	\$600,000,000	100%

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**Financial Terms and Conditions:**

1. The Grantee will be obligated to advise ESD of a material adverse change in the financial condition of the Grantee or the Beneficiary prior to ESD's disbursement of the grant to the Grantee.
2. \$20,000,000 will be disbursed to the Grantee at the later to occur of (i) the execution of both the Tower 3 PSSA and GDA and (ii) the completion of all project payment approvals and transfers, including the release of funds from the Office of the State Controller. ESDC believes such approvals are substantially in progress and will be processed promptly.

**Environmental Review:**

ESD participated as an involved agency in the environmental review of the World Trade Center Memorial and Redevelopment Plan pursuant to the State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. This review includes a Final Environmental Impact Statement ("FEIS") accepted in April 2004 and Supplemental Environmental Assessments from April 2005 and September 2006. The present request for authorization to adopt the GPP does not constitute an action beyond those actions already considered in the FEIS and supplemental assessments and does not require additional environmental review under SEQRA.

**Affirmative Action:**

3 World Trade Center LLC has provided the following statement with respect to its affirmative action policies related to the project: It is the policy of 3 World Trade Center LLC to encourage meaningful participation of certified Minority and Women-owned businesses in the performance of the World Trade Center Projects and to facilitate the award of a fair share of contracts and subcontracts to such enterprises. It is also 3 World Trade Center LLC's policy to actively promote and assist equal employment opportunities for women and members of minority groups. 3 World Trade Center LLC is fully committed to the well-being and competitive strength of Minority Business Enterprises ("MBE") and Woman Business Enterprises ("WBE") and to the elimination of illegal discrimination on the basis of race and sex.

**Statutory Basis - Section 10 Findings – Empire Opportunity Fund:**

**Civic Project Findings**

1. That there exists in the area in which the projects are to be located a need for the educational, cultural, recreational, community, municipal, public service or other civic facility to be included in the projects.

The project will help to replace office space that was lost as a result of the September 2001 terrorist attacks.

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2. That such projects shall consist of a building or buildings which are suitable for educational, cultural, recreational, community, municipal, public service or other civic purposes.

The project consists of the creation of new Class A office space, which will help attract and retain business, and help create and retain jobs in New York, while assisting in the revitalization of Lower Manhattan.

3. That such projects will be leased to or owned by the State or an agency or instrumentality thereof, a municipality or an agency or instrumentality thereof, a public corporation, or any other entity which is carrying out a community, municipal, public service or other civic purpose, and that adequate provision has been, or will be made for the payment of the cost of acquisition, construction, operation, maintenance and upkeep of the projects.

The project is a collaboration between the State of New York, New York City, the PANYNJ and 3 WTC LLC. 3 WTC LLC holds a ground lease from the PANYNJ for the land upon which the project is located.

4. That the plans and specifications assure adequate light, air, sanitation and fire protection.

The project will be subject to New York City building codes, which will assure adequate light, air, sanitation and fire protection at the project.

5. That the proposed facilities or project is consistent with any existing local or regional comprehensive plan.

The project is consistent with the "World Trade Center Master Plan" prepared by Daniel Libeskind, announced jointly by former Governor Pataki of New York State, Mayor Bloomberg of NYC, the Lower Manhattan Development Corporation, and the PANYNJ on February 27, 2003.

6. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

**Empire Opportunity Fund Determinations:**

The project is in compliance with Chapter 84 of the Laws of 2002 and the Corporation's guidelines established thereunder. Individual project funding does not exceed 25 percent of the total of that project's costs, or if project funding does exceed 25 percent of that project's total costs, the Director of the Division of the Budget has authorized the provision of such amount.

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**Disclosure and Accountability Certifications:**

The Grantee and Beneficiary Company have provided ESD with the required Disclosure and Accountability Certifications. Grantee's and Beneficiary Company's certifications indicate that Grantee and Beneficiary Company have no conflict of interest or good standing violations, and, therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.

**Attachments:** ESD Directors' Materials dated September 14, 2010