

Engaging Prospective Tenants in Financing Upfront Development Costs

AAPA Infrastructure Development and Financing Seminar

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The Port Authority of New York & New Jersey

- The Port Authority of New York & New Jersey (PANYNJ) is a bi-state agency governed by the States of New York and New Jersey
- In addition to the port facilities, the PANYNJ also builds, operates, and maintains many of the region's:
 - Airports - JFK, LaGuardia, Newark Liberty, etc.
 - Tunnels, bridges, and bus terminals
 - PATH commuter railroad
 - World Trade Center campus

Port District



PANYNJ Maritime Facilities



The Port of New York & New Jersey (PONYNJ)

- The PANYNJ's maritime facilities cover approximately 3,000 acres
 - Approximately 1,500 acres are used for container operations
- Landlord port business model
- Businesses include:
 - Containers
 - Autos
 - Bulks/Liquid Bulks
 - Cruise Terminals
 - Warehousing & Distribution
 - Dry Dock Operations

Business Trends and Challenges

- Containerization trend over the past 20 years
- Warehousing business shifts off-Port to private sector
 - Many older existing buildings on-Port approaching end of useful life
 - 2 million sq. ft. of warehousing space demolished or repurposed from 1995-2015
- Overall agency (PANYNJ) demand for capital creates limits on available capital resources
- Additional land is scarce
 - Container terminal growth more likely to come from land use efficiencies vs. increase in acreage footprint

Case Study: A Container Terminal Expansion

- Container terminal tenant since 2000.
- Main leasehold prior to expansion consisted of approximately 200 acres. Also includes:
 - 4,800 linear feet of berthing area (4 berths)
 - 4-acre chassis storage yard
 - 20-acre rail facility
- Tenant sought to expand and increase capacity in anticipation of post-Panamax ships

Tenant Footprint Prior to Expansion (circa 2011)



*Property lines are approximate

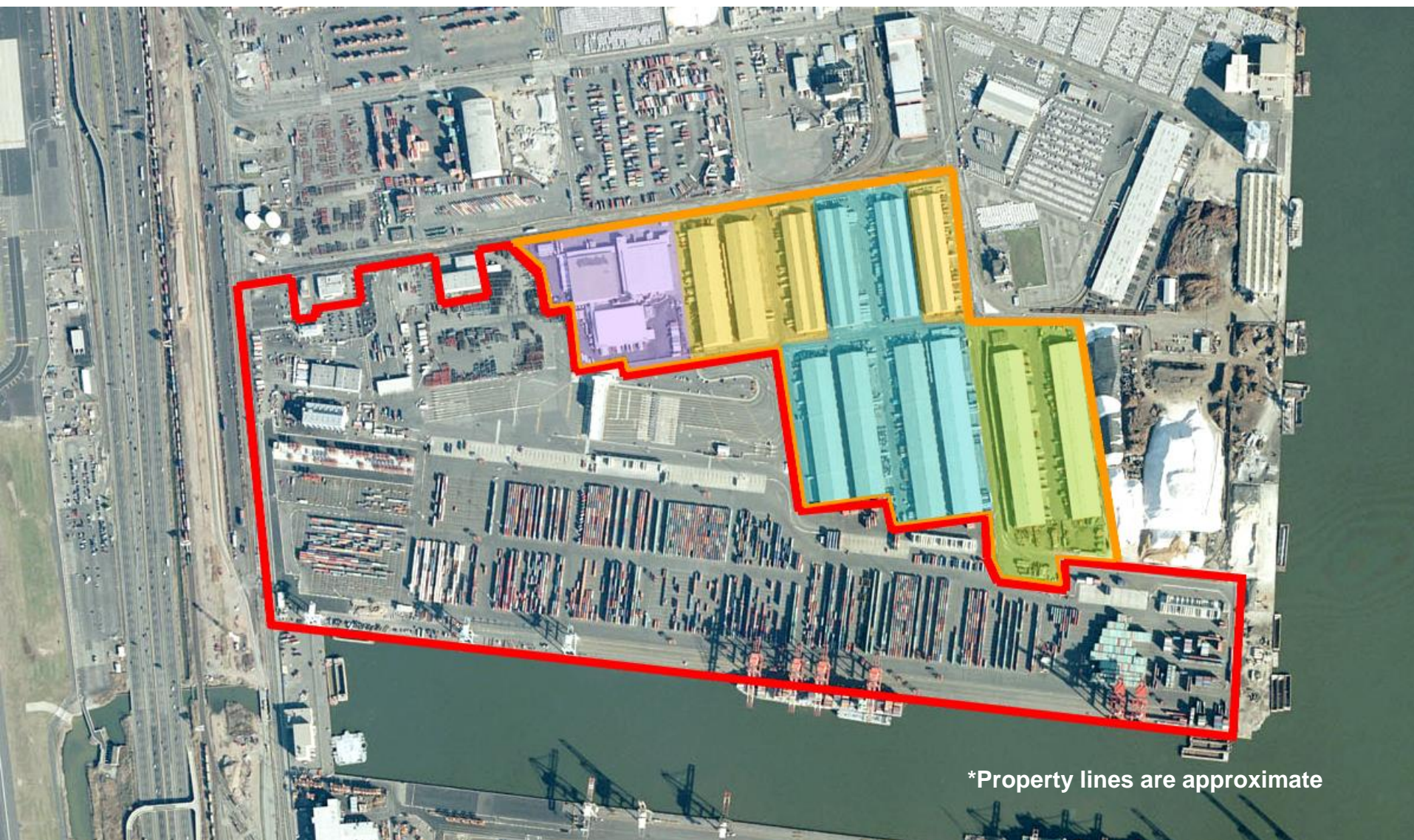
Case Study: A Container Terminal Expansion

- PANYNJ and tenant negotiated transaction to:
 - Restructure existing lease
 - Expand terminal footprint
 - Allow tenant to amortize investment to increase capacity
- Provided potential for higher revenues for both parties
- Restructured land and throughput rentals to be consistent with other terminal leases
- Provided higher level of guaranteed minimum throughput.
- Provided for port guarantee by tenant's ocean carrier partner for minimum cargo handled across all PONYNJ terminals

Case Study: A Container Terminal Expansion

- Additional expansion acreage of approximately 80 acres
- Phased expansion (4 phases) over 7-8 year period
- PANYNJ capital funding constraints
 - Tenant pays for improvements
 - Rent abatement on new parcels until earlier of construction completion or 24 months

Tenant Expansion



*Property lines are approximate

Case Study: A Container Terminal Expansion

- Total estimated value of work is \$80 million, which includes:
 - Building demolition (14 warehouses)
 - Asbestos abatement
 - Building gate complex
 - Underground utility work (power, water)
 - Electronic structures, gates, fencing, and sight lighting
 - Foundation for high mast lighting
 - Paving and line striping

Case Study: A Container Terminal Expansion

- Potential for tenant to receive up to 20-year lease extension subject to tenant completion of required capital investment by a certain date
- Tenant expected to upgrade to high density terminal to accommodate post-Panamax ships
- Potential opportunity for PANYNJ to provide tenant some amount of reimbursable tenant financing
- Tenant receives small amount of grant funding
- Majority of tenant construction work assumed to be funded by income from tenant operations

Thank You

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