Overview: Trends, Use of Leases vs. Tariffs, Leasing Policies

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Port Authority Real Estate – Overview

♦ Governance Overview
♦ Operating Port and Landlord Port
♦ Real Estate manages 150+ leases of various types and sizes

♦ Properties:
  Developed ~ ~ 3,348 acres
  Undeveloped ~ ~ 3,635 acres
  Dredge Placement ~ ~ 4,852 acres
  Submerged Lands ~ ~ 11,800 acres
  PTRA Rail Line ~ ~ 800 acres
  Vertical Improved ~ ~ 5.0 million sf

Deep Water ♦ Great Rail Access ♦ Freeway Access ♦ FTZ Zones
Lease versus Tariff at the Authority/Trends

General Cargo Terminal Leases - *Authority is both Operator and Landlord*
- Largely Tariff Driven with MAG component
- Too many cargo types to track by lease

Container Terminal Leases - *Authority is Sole Operator*

Liquid Bulk Terminal Leases - *Authority is Landlord*
- Legacy Leases: Largely Tariff Driven
- New Leases – Lease Term Driven
- Magnitude of Capital Investment
- Requirement: Certainty of Pricing and Liability

Commodity Terminal Leases - *Authority is Landlord*
- Lease Driven with threshold Incentives
- Magnitude of Capital Investment
- Requirement: Certainty of Pricing and Liability
- Highly cyclical business model
Lease Policies - Policies work well when policies implemented can be universally and uniformly executed and enforced, such as:

♦ Annual Rate Escalator
♦ Security ♦ Environmental
♦ Engineering Plan Review ♦ Safety
♦ Transfer and Assignment Approvals
♦ Ownership of Improvements
♦ Tariff Based Leases - MAG Volumes/Shortfall Assessment
♦ Indemnity ♦ Force Majeure

Lease Policy Challenges -

♦ Permitted Use of Property vary widely
♦ Property, infrastructure, entitlements vary widely
♦ Tenant’s Creditworthiness may vary widely
  ♦ Risk Insurance Requirements may vary
  ♦ Rate ♦ Performance Assurance ♦ Term
  ♦ Capital Investment ♦ Lease Structure may vary