



# THE TWIN TOWERS ALLIANCE

April 25, 2016

Office of Inspector General  
5 Marine View Plaza - Suite 502  
Hoboken, New Jersey 07030

By email: [InspectorGeneral@panynj.gov](mailto:InspectorGeneral@panynj.gov)

Dear Sir:

The Twin Towers Alliance is an organization that has acted as a watchdog over the Port Authority for many years. We are writing to formally ask the Port Authority's Office of Inspector General to investigate a matter that we believe may well involve "fraud, waste, abuse, or other criminal or serious administrative misconduct." What we know certainly suggests possible impropriety. In addition, even though the OIG does not generally release a report on its findings when it finds no cause for the complaint, we request that the findings be made public in any case. We contend that an explanation of the conduct described below would not only serve the public interest, but could be in the PA's best interests as well.

On April 11, 2016, a *Crain's New York* headline announced "Port Authority pays for old Condé Nast office to sit empty." The piece clearly wanted to justify the wisdom of the agency's assuming the Condé Nast lease at 4 Times Square – which no one questions – but sidestepped the real issue: The move to One World Trade Center took place 16 months ago and was expected since 2011. Why hasn't a square foot of the empty space been rented?

The Port Authority has been insisting that it is a new, transparent Port Authority, but its behavior can't get much murkier than this. If we have drawn any incorrect conclusions, it is only because it is hard to connect the dots when so many of them are missing. But this is how it appears:

The Durst Corporation was awarded a 10% equity share in One World Trade Center for an initial investment of \$100 million or 2.5% of what it cost to build, underwritten by the region's commuters, and a promise to pay an additional \$100 million at some vague point in the future. Soon thereafter, Condé Nast signed on as the tower's anchor tenant under very favorable terms. The Durst Organization wasn't the only bidder for the equity stake. The main thing that differentiated Durst's offer from the Related Cos.' offer was Condé Nast.

That deal freed up over 800,000 square feet on twenty floors in a building that according to the *Wall Street Journal's* "Vacancy Is Opportunity at 4 Times Square" report in November, 2014, "has literally one of the best and most accessible locations in the world."

Condé Nast's parent corporation had locked up the space at \$40 per square foot, according to the Durst Organization's website, but, instead of releasing Advance Publications from their commitment, into 2019, and finding a new tenant(s) – at even a moderate markup for the term of the lease – the Port Authority's junior partner apparently insisted that the public authority assume the lease.

That was not unusual, except that the circumstances that had freed up the space were clearly a factor in the sweetheart deal Durst got for its share of the World Trade Center tower. But why did the public have to pay for empty space in one of the city's most desirable addresses? The Condé Nast move would not have fallen apart if the Port Authority had reserved the right to cover costs by subletting some or all of the space.

What now needs to be explained to the public that just paid \$47.6 million through 2015, and presumably, another \$16 million so far this year, for twenty empty floors is why the Port Authority did not have the right to cover its costs – or to perhaps even make a profit for assuming the risk for five years. Instead, Director Foye revealed over a year ago that the Durst Organization would charge the PA for the agent fees to fill the space, but offered the agency 50% of any profit on the new deal(s).

It is hard to imagine that Durst would not have filled at least some of the space by now, at whatever price the market would bear, if the Port Authority were not on the hook for it. Or that they would have walked away from the WTC equity deal if they weren't permitted to double-dip. As a *Forbes* headline explained in July, 2014, the "World Trade Center Is A Risk For Everyone Involved – Except The Durst Family."

As far as we know, no one other than the Twin Towers Alliance has asked why the Board of Commissioners allowed Durst to gouge the public and/or why the Port Authority wasn't required by anyone, including the governors, to justify a prohibition on subletting. Apparently, shortchanging the public at Ground Zero has just become standard operating procedure, so what's another \$50 million here or there? But how many drivers had to cross the Hudson to pay for empty space in an ultra-prime Midtown building? And what other public need could the money have supported that went unfunded instead?

The public has to rely on the media for information, but too often gets press releases in disguise. A good example of that is the story which appeared in *Crain's* last September under the headline "Condé Nast's old space at 4 Times Square won't be empty for long, landlord says." "We have enough proposals to fill 150% of Condé's space at the property," said Tom Bow, an executive at the Durst Organization who manages leasing the landlord's multimillion-square-foot portfolio of Manhattan office space. Could it be that Durst is holding out for top dollar because the public is covering their costs? Is that how a partner behaves?

We therefore ask the OIG to act on the public's behalf to establish the following:

- when did the Durst Organization started marketing the Condé Nast space after they learned, in 2011, it would become available;
- how much they have been asking for it;
- how many prospective tenants have shown an interest in the office space; how much space was each considering; and the reasons each has given for not signing on.

Finally, please look into the reason(s) for the discrepancy between the \$40 per square foot the Durst website reports that Advance Publications was paying for the space and the \$60 per square foot the PA is paying.

Releasing Condé Nast from their lease in Midtown was Durst's ticket to the World Trade Center. Now, even if Durst fills the space tomorrow, the Port Authority has paid them over \$60 million dollars that it wouldn't have had to pay if it could have sublet the cut-rate space at cost. That \$60 million was more than half of what the agency received from Durst for its 10% interest in One World Trade Center! The public is entitled to know whether the Durst Organization and the Board of Commissioners acted in the public's best interest or not.

Thank you for considering our request.

Sincerely,

The image shows two handwritten signatures in blue ink. The signature on the left is 'Margaret Donovan' and the signature on the right is 'Richard Hughes'. Both signatures are written in a cursive, flowing style.

Margaret Donovan and Richard Hughes  
for the Twin Towers Alliance