

Rebuilding the World Trade Center

“[The original twin towers] ... were built at a time when New York’s future seemed uncertain, the towers restored confidence and helped bring a halt to the decline of lower Manhattan. Brash, glitzy, and grand, they quickly became symbols of New York.”

—David Johnson and Shmuel Ross, *World Trade Center History*

It was April 4th, 1973, when the ceremonial ribbon was cut at the World Trade Center (WTC). That date concluded seven long years of construction—preceded by more than a decade’s worth of planning—that transformed 16 acres of Lower Manhattan into a singular international business hub.

Now, just over a decade after the tragic events that occurred September 11th, 2001, Lower Manhattan is amidst another major transformation. While Manhattan will continue to be the financial capital of the world it is also becoming a magnet for creative companies that are so much a part of New York’s present and future. The buildings completed to date, and the diverse tenants signed give positive expectation for the remaining buildings in the project. In the end, the new development will include:

- Five new skyscrapers (1, 2, 3, 4 and 7 WTC)
- The National September 11 Memorial & Museum at the World Trade Center
- The World Trade Center Transportation Hub
- 550,000 square feet of retail space
- A Performing Arts Center

This vision represents an unprecedented merging of architects, artists, and urban developers, including Santiago Calatrava, David Childs, Norman Foster, Frank Gehry, Daniel Libeskind, Fumihiko Maki, and Richard Rogers. The singular goal is a striking new urban center for 21st century New York. Given the timeliness of this project and due to Larry Silverstein’s acceptance of the CRER 2012 Industry Leader Award, the Cornell Real Estate Review (CRER) felt that it was appropriate to make this a feature in this year’s publication. This public private partnership embodies the interdisciplinary nature of real estate and aptly reflects educational mission of the Cornell Baker Program in Real Estate. The CRER team had the opportunity to speak to some of the key individuals involved in the development of the new WTC. The following interviews paint an interesting picture of the intricacies of a public private partnership and give light to one of the nation’s most visible development site:

- Joseph C. Daniels, President, National September 11 Memorial & Museum
- Robin Panovka, Partner, Wachtell Lipton Rosen & Katz
- Seth W. Pinsky, President, New York City Economic Development Corporation
- John N. Lieber, President, World Trade Center Properties LLC
- Leading the project is the 2012 CRER Industry Leader of the Year Award recipient, Larry A. Silverstein.

We would like to thank Robin Panovka, partner of Wachtell, Lipton, Rosen & Katz, for all of his help in coordinating this effort as well as the others involved in making this feature possible.



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By Larry A. Silverstein
President & CEO, Silverstein Properties, Inc.

We've come a long way in the past 10 years. Although, needless to say, it wasn't as fast as many of us would have hoped.

After 9/11, it took some time to develop a plan that reconciled all the different goals New Yorkers had for a rebuilt Trade Center site, beginning with an appropriate memorial that will honor the memory of the 2,752 people who lost their lives here on 9/11. For me, that includes four Silverstein employees who - we can't forget - had a total of six children.



Of course, the rebuilding effort didn't follow a straight line, and everyone didn't always have the same perspective. But the one thing everyone did have in common - and what drove us all - was a passion to create something even better than existed before.

Fortunately, Daniel Libeskind's Master Plan reconciled everyone's goals in a very meaningful way. It turned half of the site into public space and re-introduced Manhattan's historic streets through the site, connecting the new World Trade Center seamlessly to the surrounding neighborhoods. It added several new elements like an iconic transit gateway to lower Manhattan, a performing arts center, and a livelier retail streetscape. It also ensured that we could rebuild the core of Downtown's office district, which had been destroyed by the terrorist attacks of 9/11.



Our mission was to forge a new community based on top-tier design and architecture, employing the finest architects in the world. In addition to One WTC, which was designed by David Childs of Skidmore, Owings & Merrill, the site also will include a world-class transportation hub designed by Santiago Calatrava, and a Frank Gehry-designed performing arts center, as well as the stirring and dignified Memorial designed by Michael Arad and Peter Walker.

My company is currently developing 2, 3 and 4 WTC, which were designed by Pritzker-Prize winning architects Norman Foster, Richard Rogers and Fumihiko Maki. Together with 7 WTC, these buildings will form the heart of the new Greenwich Street.

Right after 9/11, businesses and residents started leaving the area in droves. My team and I felt it was important to do something positive and proactive for Downtown. We needed to show the world that New York could and would come back stronger than before. I believed that Downtown had enormous potential both as a residential neighborhood and as a business district – that it could and would become THE model 24/7 live-work mixed-use community.

We held our first design meeting for 7 World Trade Center less than a month after 9/11. Our goal was to design a building that would become the safest office tower in America; the greenest building in New York; and a model for all the other towers at the new World Trade Center.

We built, financed and opened 7 WTC four years later in May 2006, as the first LEED-certified office building in New York – achieving the Gold standard. It boasts an array of innovative sustainable design and energy efficient features, which ultimately make it a healthy and productive place to work.

The building leased up beautifully to a wide range of world-class companies, including creative, advertising and publishing companies, non-profit organizations, as well as financial services firms such as Moody's and Ameriprise. Many of these companies moved to 7 WTC because of its sustainable features and LEED designation.

Like 7 WTC, each of the coming WTC towers has been designed to LEED-gold standards. Each will be a model of energy efficiency. The best architecture and the greenest, most high-tech buildings: that's a winning combination.

And today, for the first time since 9/11, every part of the new World Trade Center is under construction. Today, more than 3,000 construction workers shape millions of tons of concrete, steel and glass into iconic buildings that will soon reclaim New York's skyline.

The Memorial opened on schedule on the 10th anniversary last September. When I look out of my office window, I see hundreds of people visit every day – without hard hats! The public is able to visit the World Trade Center for the first time in 10 years.

The foundation work on 2 WTC – designed by Norman Foster, and 3 WTC – designed by Richard Rogers – is complete and each building is now well above sidewalk level. Work on the transit hub is also well underway.

One WTC is now the tallest building in Lower Manhattan. And as of this spring, 4 WTC has reached its top height of almost 1,000 feet. When these buildings open in 2013, our skyline will be restored.

A lot of people ask me whether these buildings will be a success. After all, the American economy is in a rough patch.

However, with 55 years in the business, I've been through a few of these up and down cycles: the 1950's, the oil crisis and the stag-flation of the 1970's, and the early 1990's recession. More recently, of course, we've been through the dot-com collapse, the September 11th attacks and the Great Recession following the collapse of Lehman Bros.

From these experiences, I've learned a few things:

First and foremost, I've learned that you should never bet against New York. Never. This town always comes back – stronger than ever.



Second, I learned that if you build it, they will come. You can't always predict how quickly, but I do know that in New York City first-class office buildings always fill up. And with our City's stock of office buildings aging fast – 60 percent are more than 50 years old – we need new buildings to protect New York's ability to compete for top-tier jobs.

Finally, I learned that the best time to build is during a downturn. Because, by the time you're done, there's a good chance New York will once again be on the upswing.

Today, we are clearly at a pivotal moment in Downtown Manhattan's reemergence. With the impressive construction progress all across the WTC site; the opening of the Goldman Sachs headquarters; the success of 7 World Trade Center; and with Condé Nast's decision to move its headquarters to One World Trade Center, the world has really begun to take notice of what is happening Downtown.

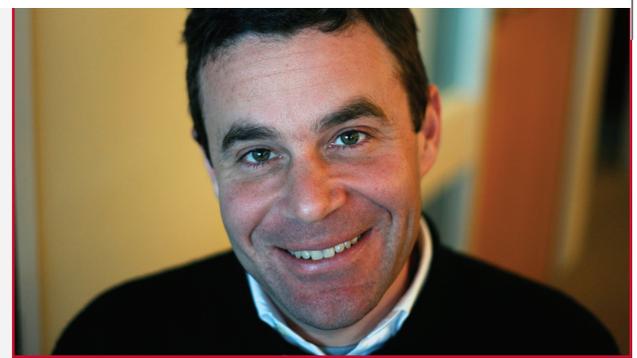
They have come to recognize that Downtown has a bright future – in part because great companies want to be in high tech, green buildings – but also because they want to be right next to the best mass transit and dynamic residential neighborhoods filled with creative talent.

Over the past decade, Lower Manhattan has undergone a remarkable transformation. The number of people living Downtown has doubled to 60,000. The area around the WTC has become a one-of-a-kind model of sustainable urban development. Downtown boasts perhaps the best mass transit connections of any area in the City – maybe even the entire country. More than 25% of Downtown residents walk to work – a figure much higher than any other area in the U.S. And it has by far New York's densest concentration of green buildings.

Downtown is home to some of the best schools in the city, including Stuyvesant high school and PS 234. The neighborhood features some of the best restaurants, bars and nightlife, as well as unique waterfront parks and recreational facilities. Downtown attracts almost six million visitors a year and is fast becoming one of the best places in the country to visit, to work and to live.

I sincerely hope that our work at the World Trade Center will be viewed as a fitting honor to those who died on 9/11, and also as a tribute to all New Yorkers, who have gone through so much in the last ten years.

Together we are reinventing what it means to be a city for the 21st Century.



Joseph C. Daniels

Joe Daniels is the President and CEO of the National September 11th Memorial & Museum. Mr. Daniels directs planning, construction, development and operations for the project, which is expected to be visited by millions of people each year. Mr. Daniels has also been instrumental in the project's fundraising campaign, which has raised in excess of \$400 million thus far.

After joining the World Trade Center Memorial Foundation in 2005 as General Counsel, Mr. Daniels served as Acting President and CEO for several months before being named President and CEO by the Chairman of the organization, Mayor Michael R. Bloomberg, in October 2006.

Prior to his work with the September 11th Memorial & Museum Mr. Daniels was Chief of External Initiatives at the Robin Hood Foundation, leading the expansion and roll-out of the second phase of the Library Initiative, a \$45 million public-private partnership that put state-of-the-art libraries into under-performing New York City elementary schools. Prior to Robin Hood, Mr. Daniels was a consultant at McKinsey & Co. and an attorney at Cravath, Swaine & Moore. He holds a J.D. from the University of Pennsylvania Law School, and a B.A. in History from Washington University. He lives in New York City with his wife and three children.



From your perspective, what have been the greatest challenges regarding the public-private partnership for this large, complex project?

I think that the greatest challenge is the number of different stakeholders that have a legitimate connection to this project. Given their diversity, there is no way that all of those stakeholders can be completely satisfied with any one particular decision that had to be made. There are commercial interests, government interests, the interests of the residents in lower Manhattan, who have been living with this construction site for over 10 years, and, most importantly, the vast 9/11 family community. With almost 3,000 victims, there is a victims' family pool of tens of thousands of people worldwide.

The biggest challenge has been navigating that sea of interests. Your sole objective cannot be satisfying all of these groups absolutely. You have to make the decisions that you believe are right for the project, and which are supported by your board of directors. It has been tremendously valuable to have a number of 9/11 family members and other stakeholders on our board.

Seeing the memorial for the first time was an extremely emotional experience for us - something that we really didn't expect. Have you found that the memorial elicits an emotional response from most visitors, and of course the victims' families?

I've been working on this project for six and a half years, through many ups and downs, yet the way in which the public has reacted to the memorial has exceeded every expectation that I've ever had. This started on 9/11/11 when many of the victims' families came to the site. This is one of the few places in the country where "sacred ground" is a fitting term. Keep in mind that nearly forty percent of all of the victims of 9/11 were never identified, which means that for all of those families, they didn't have that fundamental human ritual of being able to bury their loved ones. For many

families, this is the place where their loved ones took their last breath, and it is a tremendously emotional place.

It was something that you could see on the faces of the thousands of 9/11 family members who found the names of their loved ones on the memorial on the 10th anniversary of the attacks. It was an important moment. For some people, it meant closure. For others, it was about memory. But for everyone, it was significant.

Because of the Internet age, we have an incredible ability to receive almost instantaneous feedback. Many of the people who come here, either 5 minutes after they visit or during their visit, post to Facebook or Flickr or YouTube or some other online forum to share their experiences. Our goal is to have as many people from around the world come and visit and remember that this is a place which, while it has seen a great deal of pain, is also a place people come together in support of one another.

Can you tell us about the decision to utilize the site as a memorial and museum rather than for for-profit uses? What factors influenced the decision to reserve some of the world's most valuable real estate for this purpose? What other uses were considered (non-profit or otherwise)?

There have been differing views. Mayor Giuliani said at one point, for example, that nothing commercial should be built at the site - that it should be entirely a memorial site. Others said that our response should be to show that we can rebuild.

The fact that there was an immense number of victims that were never identified, that this was the location of the largest loss of human life in an attack by a foreign entity makes this sacred ground. Think about the other sites in the country that are full of meaning - Gettysburg, Pearl Harbor or the Alfred P. Murrah Federal Building in Oklahoma City. We as a country have an obligation to remember, and having the 9/11 memorial mark the footprints where the towers stood just felt right. In the long run there is plenty of commercial space being developed. There was ten million square feet of office space destroyed on 9/11, and a significant amount is being rebuilt, yet we were also able to mark the site as sacred ground.

Why was the preservation of the footprints deemed to be such an important design decision in the end?

The towers themselves were iconic symbols of America. On 9/11, there were more than ninety nations that lost people, people who were pursuing the classic American dream in those buildings. We consider the footprints [of the Twin Towers] to be very important and the notion of protecting this space was compelling. The phrase "from bedrock to infinity" has become a special sentiment in expressing the idea that there is nothing above these pools except sky. It's a beautiful notion, really. Another beautiful memorial to 9/11 is Tribute in Light - the two beams of light going up into infinity that were created not long after the attack. Protecting and marking the footprints without obscuring them is very fitting.

The memorial and museum touch upon not only the September 11 attacks, but also the February 26, 1993 bombing of the World Trade Center - an often forgotten moment in history. Will visitors find that the memorial and museum preserve the memory of those victims as well?

On the memorial, among the 2,983 names, are the six names of the individuals who died in the 1993 attack. In the museum, part of the historical exhibition will discuss the 1993 attack. It is important to remember that the site was attacked twice and that 9/11 was not an isolated incident, that it is part of a fabric and narrative that existed before that day and continues. 1993 is certainly an important part of this project.

We understand that a wide variety of stakeholders, including victims' families, first responders and community members participated in the conceptualization, design and development of the site. Can you tell us about that process and how it influenced the project?

Various input was provided from family groups, and when the decision to build a memorial first came about, the Lower Manhattan Development Corporation created a series of advisory groups, many of which had family members who served on them. A great

deal of this valuable input captured during the consultation process was provided by these family members.

For example, family members were very strong advocates for the notion of preserving the bedrock beneath the memorial – the space seventy feet below street level. Victims' families also played a crucial role in the memorial's name arrangement. There has been an incredible amount of family influence, but it is important to remember that because family members are not any different than you and I and are not a homogenous group, that a wide variety of views often existed. The way we have dealt with that robust range of opinion is through our board of directors chaired by Mayor Bloomberg. Eleven of those individuals are victims' family members, who serve as great representatives for staff and play an incredibly important role as a decision-making body, particularly focused around the content of the museum.

By utilizing our relationship with victims' family members on our board we can make decisions that have gone through a thoughtful process on behalf of the many thousands of family members across the country and around the world.

Attendance at the memorial site has been tremendous since its opening. What do you think still resonates so strongly with people that so many tourists and locals alike continue to visit the site?

Attendance has been great so far, and has certainly exceeded what we thought we'd see. Since opening on 9/11, we have had more than 2 million visitors and reservations [for free visitor passes] from at least 150 countries, a good percentage of all of the countries in world.

Certainly when people come to New York City, the memorial is a place that they feel extremely drawn to. A fundamental reason that they come is that there is a certain set of iconic images that people have in their minds when they think of the World Trade Center. They remember the Twin Towers, their horrific collapse, the devastation afterwards, and the empty pit that existed for such a long time as the project's challenges, complexities, design process and engineering were

worked out. So to have this as the final iconic image of a place that has been transformed, with these two enormous reflecting pools that are the largest man-made waterfalls in the country, and a grove of hundreds of trees, is extremely powerful. People like this idea that they're setting foot in this place that the public hasn't touched for ten years.

One thing about 9/11 that resonates so strongly with people, other than fact it was perhaps the most digitally documented event in history, is the idea that this was not an attack on a military force by another military force but rather an attack on innocent people who simply got up in the morning and went to work. It is this notion that they were like us and that we are like them, and that is why people identify with it so strongly.

What development/construction and ongoing operational issues are unique to this kind of private-public project? Has the uniqueness of the project presented any particularly daunting challenges?

It is an incredibly complex 16-acre site, with the memorial and museum occupying half of the site. It is notable that the site runs over two active train lines that essentially haven't stopped since 9/11. The PATH train that comes across the Hudson River runs right through our site. In fact, in certain places at the bedrock level, you can hear train come in as it is literally behind a wall. You also have the No.1 subway line right above you and the huge transportation hub that is being built. There is also very complicated infrastructure in place.

All of those physical issues surround a site that is infused with such emotional sensitivities, considering that forty percent of family members never had their loved ones remains identified. This makes every decision challenging. The fact that the site has been attacked twice means that our design is all set against the backdrop of what happened here on 9/11. This makes the project far more complicated, but our obligation is to keep people safe, and we're very fortunate that we work closely with Commissioner Kelly of the NYPD.

What can we expect from the soon-to-be-opened museum?

The museum will not only remember each of the 2,983 victims, but will also be a premiere educational institution. It will fulfill our fundamental obligation to explore what happened on that day, preserve the history, and talk about what led up to it. The museum will discuss why the attacks happened, the rise of al-Qaeda, the post-9/11 period, as well as touch on various other questions that we face in balancing civil liberties and national security.

We have an obligation to all people, including people who weren't yet alive or who were too young to remember, to help provide understanding and show the importance of defending our freedoms and the things that make us who we are. This is a good place to remind people of those very important things.

What does the museum and memorial site say about, and mean to New York City and to New Yorkers specifically? What role does the site now play in Manhattan?

9/11 was an attack on our entire country. There were three attacks spanning three states, but people from all over the country responded with support in the aftermath.

That said, as a New Yorker, there is something about this attack happening in our proud city. People here feel ownership and responsibility to make sure that we do the right thing. This will always be a special place for New Yorkers – and we set out to create something that was not just a place of remembrance of those who died but also a place that is a beautiful and transformative place for New York City. This is an important part of the healing – when you're standing at the bronze parapets around the pools and hear water falling thirty feet below it creates an envelope of sound that, in some sense, blocks you from hustle and bustle of New York City. You are, at

the same time, surrounded by this incredible city.

You've played a key role in developing one of America's most significant historical sites. We imagine that it must have felt like working under a giant microscope given the public attention that it received and the considerable expectations that so many people had for the site. With the memorial now open and the museum well on its way to completion, how satisfied are you with the results of all of the work and care that has gone into the project?

It's been the absolute privilege of a lifetime. To see everyone react the way that they have, to see the little bit of comfort that it provides to 9/11 families, to know that the public just feels they are at a place that is uniquely special – I'm incredibly lucky to have played a role in all of this.



Robin Panovka

Robin Panovka is a partner at the law firm Wachtell, Lipton, Rosen & Katz, where he co-heads the firm's Real Estate and REIT Mergers and Acquisitions (M&A) group. His expertise is in cross border M&A, private equity, strategic transactions and corporate governance. Mr. Panovka has been active in many recent noteworthy M&A transactions in the REIT sector including representing AMB Property Corporation in the merger with ProLogis, and representing Ventas in its acquisition of National Health Properties. Since 2001 he has also played a crucial role in the redevelopment of the World Trade Center, as counsel to Silverstein Properties. He has been instrumental in negotiating the master development agreement and master plan for the redevelopment, the exchange of the Twin Towers' footprints for five adjacent office sites that enabled the redevelopment to proceed, and the multiple public-private arrangements for building and integrating the office towers, retail space, memorial, museum and infrastructure on the site.

Mr. Panovka is a frequent speaker and author on topics involving M&A, REITs and commercial real estate. Among other publications, he is co-author of "REITs: Mergers and Acquisitions," an article published by Law Journal

Press. Mr. Panovka was born in Johannesburg, South Africa, lived in Israel for eleven years, and currently resides in Manhattan with his family. He holds honors degrees from Cornell University and Duke Law School and is a member of the New York Bar.

Cornell Real Estate Review Questions for Robin Panovka, Partner Wachtell Lipton Rosen & Katz

How did Wachtell Lipton first get involved in the rebuilding efforts?

Larry Silverstein hired us a few days after 9/11 to help him address the myriad issues that arose from the destruction of the World Trade Center, which he had taken over from the Port Authority just a few months before 9/11 under a 99-year lease. Our role initially included a heavy focus on the insurance claims. Our litigators developed the argument, which ultimately prevailed in court, that Silverstein was entitled to collect for "two occurrences" under some of the insurance policies. The insurance battle ultimately yielded \$4.6 billion of insurance proceeds needed to rebuild. Our role also included representing Silverstein in negotiating a framework for the rebuilding effort, which was my primary focus. Our firm strongly supported Silverstein's mission to rebuild the Trade Center, and we dedicated a huge amount of time and energy toward the effort over the last 10 years.

What were the early days after 9/11 like, down at Ground Zero?

Initially, it was fairly chaotic, as you would expect given the traumatic events of 9/11. The federal

government took over the site under its emergency powers., tThere were rescue and recovery attempts ongoing, and continuing concerns about security. There was also an understandable sense that Ground Zero belonged to the public and not to any one person or institution, that it was more than just land and buildings, and it seemed as if customary private property rights were suspended for a period. There were many strongly-held views about what should happen at the site, coming from many different stakeholders—property -- property owners, lessees, politicians, families of victims, the press and everyone else.

What was the process for resolving the uncertainty over what, if anything, should be rebuilt?

There was no clear process initially -- just lots of voices calling for different things, including a push by some for the government to take over the site permanently. What was needed in the midst of all the confusion was leadership, and Larry Silverstein quickly stepped in to provide it. From the very early days, Larry believed passionately in the importance of rebuilding as the appropriate response to the terrorist attacks, and he never wavered. Within weeks we formulated what became somewhat of a mantra—we -- we have the right, we have the responsibility, and we have the resources to rebuild—and -- and it turned out to be an important force in shaping the debate. It sounded short and simple, but was actually a carefully constructed position, backed by legal, moral, political and financial analysis and strategic thinking. Each component—the -- the right (a reminder that there was a binding 99-year lease in place which gave Silverstein the right to rebuild), the responsibility (both moral and contractual) and the resources (a reference to the billions of dollars of insurance proceeds to which only Silverstein was entitled and which were essential to rebuilding)—was -- was carefully constructed to blunt arguments against Silverstein rebuilding.

Judging by the many volumes of documents involved, there must have been many agreements devoted to the rebuilding efforts. Do any stand out in

particular?

There were a succession of important agreements, each more detailed and voluminous than its predecessor, including so-called Master Development Agreements that tied everything together, but if I were to pick one, it would be what we called the 12/1/03 “immediate swap” letter agreement. The “swap” agreement resolved what, at the time, towards the end of 2003, seemed like an impossible deadlock, and paved a path for rebuilding to proceed. It was a very short, unusual letter agreement which, in the stroke of a pen, or actually the stroke of a color-coded diagram, established the master plan for the site and created the blue print for all the agreements that followed.

How did this “immediate swap” agreement come about?

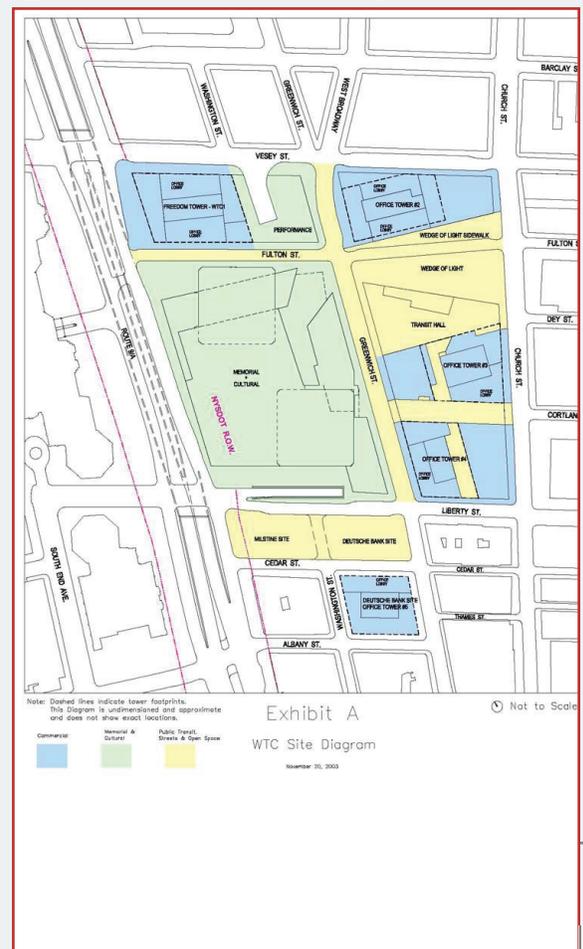
Long story short, by mid-2003, Larry Silverstein, the Port Authority, Governor Pataki and most stakeholders had generally agreed on two broad principles. First, that that the footprints of the Twin Towers, where so many lives had been lost, should become a memorial. And, second, that it was important to re-open the Manhattan street grid (including Greenwich Street) which had run through the site before the original World Trade Center had been built in the 1960’s, but had been blocked by the “super-block” design of the original WTC. The reasons for re-establishing the grid and the related urban planning considerations is a whole separate topic for another day, but the important point here is that these two principles had taken hold and were strongly felt—don’t -- don’t build on the old footprints, and do re-open the grid.

There was just one problem. The entire legal regime for the site, Silverstein’s 99-year lease and all the other ownership and leasehold stakes, were completely inconsistent with these two principles. In fact, the 99-year lease provided that Silverstein would rebuild the Twin Towers exactly where they had been pre-9/11, exactly where everyone agreed a memorial should be built. There was massive pressure. The Port Authority and Governor took the position that the pre-9/11 legal arrangements had to

be thrown out, and that the whole situation was too complicated to sort through and renegotiate. Their positions was that we should just start with a clean page entirely controlled by government agencies and without any private interests. But Silverstein was, as always, passionate about rebuilding and we believed that stepping aside would be counter-productive and just lead to more delay.

Sounds like an impossible situation. How was it resolved?

Well, with this backdrop, after coming back from a summit one night where Silverstein had been given an ultimatum to either come up with a solution or step aside, Larry Silverstein, Marty Lipton, Janno Lieber and I sat down to try to come up with something. Marty pressed us to formulate a short and to-the-point written proposal by the following morning, so that we could cut through the deadlock, show that the problem could in fact be solved, and start shaping people’s thinking about the way forward. What we came up with was the idea of the “immediate swap”, which we did in fact present to the Port Authority the



following morning in the form of two short paragraphs and a color-coded diagram. Essentially what we said was that Silverstein would swap his leasehold for the Twin Towers—so -- so their footprints could become a memorial—for -- for a leasehold on five adjacent sites surrounding the memorial, with development rights to build the same quality and amount of office space in the five towers as had existed in the Twin Towers before 9/11—“ -- “10 million square feet of commercially viable Class A above-grade rentable office space ... [each with] an at-grade lobby”. We slapped a three colored diagram on the back that showed what was transferred to the memorial in green, what went to Silverstein for office space in blue, and what would become a train station and infrastructure in yellow. And we agreed to some negotiating principles to fill in the details later, including that everyone would act reasonably and in good faith to negotiate all other issues. That was basically it. Every word was chosen carefully, but it was short and easy to understand. The key was that this was a final, binding agreement, not an aspirational letter of intent that may or may not be implemented. There was no turning back. Once the letter was signed on 12/1/03, the swap was immediately effective, the master plan for the site was legally adopted and final, and rebuilding could proceed. It was a risky move, but it was essential to resolving a paralyzing deadlock.

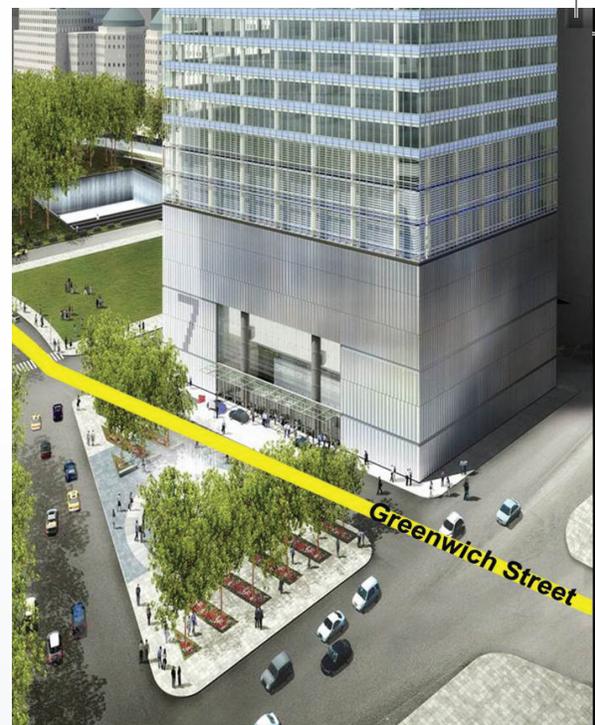
Were there other key breakthroughs? What about the deal to rebuild 7 World Trade Center?

There were many breakthroughs along the way— issues – issues arose frequently that threatened the project and needed to be resolved—but – but, yes, getting 7 WTC up, starting in 2002 when nothing else was moving at the site, was important because it showed that the WTC rebuilding effort wasn't hopelessly deadlocked and created a model for

resolving future issues. 7 WTC was the last building to go down on 9/11 and fortunately no one died there, so it was less controversial to rebuild. In fact, there was a need to rebuild 7 quickly because its base included a ConEd power substation that was needed to power Lower Manhattan. But there were two problems.

First, as I mentioned, the pre-9/11 7 World Trade Center had straddled Greenwich Street and completely blocked it, and there was a strong feeling by many people involved, including Larry Silverstein, that Greenwich Street should be re-opened and that, since the Master Plan had not yet been agreed upon, whatever was to be built at 7 should not interfere with the ultimate Master Plan. This was a simple proposition, but it was on a collision course with an equally simple fact. If the new 7 were to be built on only one side of Greenwich Street so as to re-open the street, the building's footprint would be too small to accommodate an office tower. The solution was to expand the footprint into another adjacent street, the NYC-owned Vesey Street, but here we ran into another “roadblock”. While the City was willing to trade the required strip of Vesey Street for the re-opened Greenwich Street, it couldn't just convey the strip to Silverstein. Rather, a series of complex regulations needed to be addressed by having the required strip condemned, which was a court process that could be challenged and which carried various risks. There was no certainty it could be accomplished, and in any event, it would take much longer than circumstances allowed. We needed to build right away, and we couldn't wait for the condemnation. Never shy about taking calculated risk, Larry Silverstein stepped up and proceeded to build 7 on a strip of land he didn't own or lease, ultimately getting most of the building up by the time the strip was acquired. Luckily we never had to find out what would have happened if something were to have gone wrong.

The second problem was also caused by the need to rebuild quickly. The rebuilding of 7 included the ConEd power substation I mentioned earlier, in the first 77 feet, with the office tower directly above it. Construction was to be on a super-fast track, before the plans for the building were complete,



and it was not possible to allocate costs between Con Ed and Silverstein in advance of building. There was no way to know how much of the foundation, elevator banks, façade and other elements was attributable to the office versus the substation until full plans and cost estimates were completed, and there was no time to wait for the final plans. So, given the urgent need to rebuild, Silverstein elected to proceed based on weekly agreements rather than wait until a comprehensive approach was possible. Each week during construction, Silverstein and Con Ed, with the help of the general contractor, Tishman Construction, entered into a weekly agreement allocating costs for the prior week and agreeing on what was to happen the following week. No one knew what would happen if we couldn't reach agreement the following week, but here again luckily we never had to find out.

Are there any lessons about negotiating that you've taken away from your experience at the Trade Center, that perhaps might have broader applicability to other complex, multi-party negotiations?

It's hard to boil down ten years into one simple answer— – some daysomeday I'll write a book about all this—but – but I would emphasize the importance of arrangements that align parties interests and create long term incentive to perform (not so simple when you're dealing with

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as many diverse stakeholders and motivations as we had at the Trade Center); the importance of building trust and negotiating protocols among the negotiators; getting into the heads of counterparties in order to understand exactly what they are trying to achieve and to help them get there; understanding that in complex multi-party terrain like Ground Zero it's impossible to please everyone, to find the perfect solution or to draft the perfect agreement, so it's often wise to seek Pareto optimality and avoid getting bogged down trying to achieve perfection; trying to resolve disputes and deadlock relatively quickly before they spin out of control or spill into the press, by changing the dynamics or parties at the table, seeking third party intervention, by forming alliances or through PR; getting out ahead of complexity and shaping people's thinking with simple, bold proposals like the "immediate swap"; respecting "off the record" discussion; and avoiding ad hominem attacks if at all possible. Much of negotiation is art, not science, like judging when to stick to your guns and when to compromise, when to draw lines in the sand and when to roll with the punches, and the applicability of any rule will depend on the specific facts and circumstances.

What do you mean by negotiating protocols? Can you give us an example?

Two good examples were the related "resolve what you can and punt on the rest" and "no thumb on the scale" protocols that we established early on with the Port Authority negotiators. The idea was that at any given stage in the process we would resolve only what needed to be resolved and could be resolved at that time, with other issues deferred by articulating even-handed, broad principles for future negotiation. It was not possible, for example, to agree on all of the terms of redevelopment when we signed the 12/1/03 immediate swap letter—there were too many moving pieces, too many unknown and unknowable facts—so -- so we had to proceed in incremental steps. It was understood that after each incremental step no one would try indirectly to influence the outcome of future negotiations, but rather that we would table the issue until it was ripe

for resolution. Any attempt to slant drafting or facts on the ground in a way that would create future advantage, or any collateral agreement that would prematurely change the status quo, was an impermissible "thumb on the scale" entitling the other parties to cry foul. It took a lot of mutual respect and trust to make this work.

Any other general lessons from how the complexity and many obstacles in the way of rebuilding were overcome?

Many, but I would say that Silverstein's sheer determination and passion to rebuild, willingness to take huge (albeit calculated) risks to

make it happen, and willingness to cooperate and compromise in order to craft solutions, were all critical ingredients. 7 World Trade Center might never have been built if Silverstein had not been willing to give up Greenwich Street and build on a week-to-week basis on a City street he didn't own, and the Master Plan might never have been adopted if Larry had not been willing to agree to the "immediate swap" in which he gave up well defined multi-billion dollar leases in exchange for a few (admittedly carefully crafted) paragraphs with a basic outline and principles for future negotiation.



Seth Pinsky

Seth Pinsky was appointed President of the New York City Economic Development Corporation (NYCEDC) by Mayor Bloomberg in February 2008, just months before the financial crisis swept in and altered the economic landscape in New York City and other global markets.

Seth has worked hard to meet the challenges presented by the crisis, re-evaluating the agency's strategy for expanding the City's economy and re-focusing the efforts to position the City as the international center for innovation in the 21st century. This is evidenced by the numerous on-going projects in the City that support education and entrepreneurship like the Roosevelt Island redevelopment in conjunction with Cornell University.

During Seth's tenure as President of the NYCEDC, more than 60 programs have launched that have sought to diversify the economy of New York City by supporting industries ranging from fashion to bioscience to manufacturing and media. Across the City, new incubator spaces provide hundreds of low-cost work stations, which facilitate greater opportunities for business development for startups. The NYCEDC has also put together the first-ever City-sponsored investment fund - it is the only one of its kind aside from the fund in Silicon Valley.

Aside from the above economic development programs, Seth has also been instrumental in modernizing the NYCEDC's

property management portfolio by overseeing \$2.5 billion in capital investments which range from basic infrastructure improvements to new parks and streetscapes across the City. Seth has also helped the NYCEDC to negotiate and structure the City's involvement in some of the most complex development projects in recent years, including the World Trade Center, Yankee Stadium and Citifield.

Prior to joining the NYCEDC, Seth gained valuable experience that prepared him well for his role as President. He was an associate at the law firm of Clearly Gottlieb, Steen & Hamilton in the Real Estate practice and a financial analyst at the Mergers & Acquisitions boutique, James D. Wolfensohn Incorporated. Seth is a graduate of Columbia College, where he majored in Ancient History and also Harvard Law School.

How do you feel that your background as an attorney and financial analyst prepared you for your role at the NYCEDC?

A lot of what we do at NYCEDC has a lot of legal and transaction elements to it. The experience that I had in the private sector taught me both how to get transactions done in a timely fashion and how private sector counterparties think about transactions. I think that aspect of my background has helped in our negotiations with our partners. Also, knowing how to structure deals in the optimal fashion to ensure that all parties get what they bargained for has been helpful.

With respect to the World Trade Center (WTC) redevelopment, what do you see as the longer-term impacts of this project on the city of NY and broader metro area economy?

The World Trade Center project is important on two different levels. First of all, symbolically it has been a priority for the Mayor Bloomberg since he came into office just after the Sept 11 attacks to heal the scar in Lower Manhattan and to send a message to the city and indeed to the rest of the world that New York would recover and that NY would continue to prosper. But also, on a much more concrete level, the WTC site is at the heart of one of the largest central business districts in the world, being located in Lower Manhattan. Bringing new transportation, retail, and modern, 21st century office space to Lower Manhattan is of vital importance to keeping that neighborhood a dynamic place in which businesses wish to locate.

With so much of the NYCEDC's focus on expanding the economy and bringing innovative industries to the city – what role has been identified for the WTC development to play in attracting and retaining companies and jobs to the city?

One of the challenges that NYC faces is that because the current office stock is so large; a very significant portion of that office stock is now several decades old. In order for us to remain competitive and continue to attract cutting edge companies, we need to have space that matches their needs. 10 million sf of development potential at the WTC—office buildings that have the latest in technology, layout, and green features—is a major benefit, not just to Lower Manhattan but to the city as a whole more generally.

What is EDC's direct role in bringing in these companies?

The World Trade Center is continuing to be tenanted, so the conversations are ongoing, but we are talking to companies all the time that are interested in either expanding in or relocating to NYC and certainly the WTC is one of the development sites that we focus on most closely. The benefits that the site has are something that companies are increasingly recognizing. With businesses like Conde Nast choosing to move their HQ down to the WTC, many of their competitors, as well as businesses in

other industries, are seeing that the WTC offers advantages that you really can't find anywhere else in the world.

Are you finding that there are financial incentives in place for these companies to move there?

After Sept. 11th, the Mayor Bloomberg, working with Speaker Silver and the State Legislatures as well as then-Governor Patacki, put in place a package of financial incentives to lure businesses back downtown. Don't forget that the theory at the time was that no one would want to live or work in Lower Manhattan. Thanks to those incentives, we were able to stabilize the market and now are starting to see real growth. I think that the businesses that are there are in part attracted by the incentives, and they are also in part attracted by the fact that rents tend to be somewhat lower in Lower Manhattan than they are in Midtown. But I think that businesses ultimately make the decision to locate in one neighborhood versus another because there is a compelling business reason to do so. I think that the assumption needs to be that if major corporations are making the decision to come downtown, that there's a reason that they are doing it.

What was the greatest challenge with respect to the WTC project? In facilitating the numerous public/private partnership negotiations, what skills do you find were most valuable in helping both sides come together to make this project a success?

The city, as you may know, has a limited formal role in the WTC site redevelopment. The site is owned by the Port Authority of New York and New Jersey, which is jointly controlled by the Governor of New York and the Governor of New Jersey. A portion of it is leased to private entities like Silverstein Properties. And so, the specific levers that the Mayor controls are few. But in 2006, we saw that the site was at the time stalled, there had been a series of groundbreakings that were followed by very little activity on the site. What we did was we spent some time collecting information and analyzing the structure of the

financial arrangement at the site and came to understand that there were fundamental problems with the way that the relationship between the parties was structured. Based on that knowledge the Mmayor very publically went out and called for both sides to come back to the table and rethink that relationship. I think that in terms of what it was that the administration played in that role, it was a combination of understanding how to use the bully pulpit, which ultimately is the mayor's greatest power, but also taking the time to do very rigorous analysis to ensure that we really understood what the problems were and how to solve them. And that step, when the Mmayor went out publically in 2006 and started calling for a renegotiation that was really what got the site unstuck. It took a number of months, but the players all eventually came to the table and we all collectively worked together in good faith and came up with a structure that then allowed us to move forward and it hasn't stopped since.

What do you see as the biggest legacy of this project?

It is really bringing confidence back to Lower Manhattan. I think that, certainly after the attacks, people wondered whether there was a future in Lower Manhattan and even after the site was cleared, when it sat empty with very little activity, the question arose in many people's minds whether the city had the will to redevelop the site. I think that now that the redevelopment is moving forward, the Mmemorial is open and it has become a very moving tribute to the events that occurred 11 years ago., and Nnow that people can look on the skyline from all over the metropolitan area and see 1 WTC and 4 WTC poking through the thicket of skyscrapers, I think that it is becoming increasingly clear to people that in fact not only is there a future in Lower Manhattan but that that future is a bright one.

What elements of the redevelopment are most meaningful to you, both as a New Yorker and as President of NYCEDC?

It's really a combination of factors. One is the Mmemorial, and

that is the most important part of the redevelopment—a physical location where people can come and learn about what happened on Sept. 11 and reflect on both the horror of that day and the resilience of the city. I think that in addition to that, the transit infrastructure that ties Lower Manhattan to the region is also very important and I think that creating new modern space for retailers and for office tenants ensures that Lower Manhattan will be able to attract the best businesses and will continue to play a significant economic role in the city.

Moving forward, what are the most valuable takeaways you have from this project that will prove, or have already proven, helpful in other projects around the city?

One, never assume that anything is impossible, there is an answer for every question, even the most complicated questions. Two, there is no substitute for getting people around a table and hashing through issues and no matter how thorny those issues are, and no matter how complicated they might be, if people are sitting down across from one another, there is almost always a way to get to a mutually beneficial resolution. The last thing is that information is critical. There is no substitute for rigorous analysis. That gut instinct and guesses are frequently wrong but if you take the time to do the analysis, then you can usually figure out where the real obstacles are and once you know where the obstacles are, it then becomes possible to start to fashion solutions.

How has the redevelopment of the WTC site been a successful public/private partnership?

Ultimately, I think that the most important measure will be when the project gets completed and to see who is occupying it upon completion. I think that that will be the ultimate test. The reason why I think it has been a successful public/private partnership is that there are so many elements to the project that require expertise that either the public sector has in greater abundance or that the private sector tends to have in greater abundance. I don't think that you could have gotten it right if it had just been a

public project or just been a private project. When the original World Trade Center was built, it was built entirely by the Port Authority and for many, many years, it was filled almost exclusively by government tenants. One can speculate that if the Port Authority had received more private sector input, the buildings perhaps would have been designed in a way that they would have been more desirable to private sector tenants, and the consequent tenancy could have been more diverse. Here, the public sector has played the critical role of cutting through the regulatory thicket, ensuring that the transportation infrastructure is in place and the sorts of things that the public sector is very good at. While the private sector, whether its Silverstein Properties at 2,3 and 4 WTC or Durst, which is a partner with the Port Authority at 1 WTC, has helped to ensure that the design and the marketing and the tenanting of the space is done in a way that will be as successful as possible.

Do you see more projects like this in the pipeline of the city?

There is never going to be another project exactly like the WTC, and we hope there never is. What made it so complicated was the way the project came into being. The site had to be cleared in a way that we they hope no site ever has to be cleared, the demands of the public around the design and the passion that was felt about the site is something that I hope will never again have to be replicated. Just the amount of program that needed to be fit into such a small space is also something that will never have to be repeated. That being said, there are big, complicated projects that are being developed by a partnership of the public sector and the private sector all over the city. Whether it's Hudson Yards on the far west side or Atlantic Yards in downtown Brooklyn, or Hunter's Point South, which is a major housing development in Long Island City, Queens and the list goes on and on. I think that none of those projects

have all of the complicating factors, but certainly all of them have some of the complicating factors.

With sustainable development front-and-center in new development projects around the city, including Cornell's new Roosevelt Island campus, what are the environmental impacts of the development and how has NYCEDC worked with developers to encourage a reduction in negative impacts and incentivize innovation in a project's environmental impact?

These buildings are among the most sustainable and energy efficient in the city. That has been an important part of the project from the beginning. But I think that there is an important point that needs to be made which is that dense development, by its very nature, is environmentally sound. People will look at a development like the World Trade Center and they'll say wow, 10 million square feet, squeezed into however many square blocks, that's going to have a really negative impact on the environment, but that's the wrong way to think about it. The question is, if the development occurs, it's obviously filling a demand. And if the demand exists, if it doesn't go here, then it's going to go somewhere else. And if it goes anywhere that is not as dense as this, what comes with that is sprawl, what comes with that is worse transit access and therefore more pollution from automobiles and other less efficient means of transportation, which means higher occupancy costs per square foot for users, which means greater energy use. I argue very strongly for this kind of transit oriented development in central business districts. It's the only way that this country, and indeed, our world, can continue to function going forward. Given the increasing demand on our planet only through density will we be able to continue to sustain the growth that we've seen in the last century and beyond.



Janno Lieber

As President of World Trade Center Properties LLC, John ("Janno") Lieber is responsible for managing all aspects of the Silverstein organization's efforts to rebuild at the World Trade Center site. Since joining the Silverstein organization Mr. Lieber has overseen the planning, design and construction issues relating to the World Trade Center office buildings; business, financing and legal matters; and public affairs, government and community relations.

Prior to joining the World Trade Center, Mr. Lieber served as Senior Vice President of Lawrence Ruben Company, where he headed the company's public-private development efforts. In this capacity, Mr. Lieber headed the company's public-private development

efforts, including the planned redevelopment of the Port Authority Bus Terminal as part of a 1.45 million square foot retail and office space project.

From 1999 to 2001, Mr. Lieber was an independent consultant specializing in public-private development issues. Among other projects, he helped create the financial and legal structure for the \$700 million-plus conversion of the James A. Farley Post Office Building into Moynihan Station, a new terminal for Penn Station.

From 1994 to 1998, Mr. Lieber served at the U.S. Department of Transportation, first as Deputy Assistant Secretary for Policy, and later rising to Acting Assistant Secretary.

Earlier in his career, Mr. Lieber practiced law at the New York firm of Patterson, Belknap Webb & Tyler, and served in the office of New York City Mayor Ed Koch and on the staff of The New Republic magazine. Mr. Lieber is a graduate of Harvard University and New York University Law School. He lives in Brooklyn with his wife and three children.

How did you establish your relationship with Larry Silverstein? What has been the most satisfying part of working with such a transformative real estate developer?

A mutual friend and business colleague, now a part of the Obama administration, introduced me to Larry. He mentioned that I might be a good fit for this role and Larry and I hit it off at our first meeting.

One thing that's made more of an impression than anything is Larry's ability to be a long-term thinker. Larry is very determined, very optimistic and he thinks very long-term. These traits are absolutely necessary for a private developer to be successful in a project of this magnitude.

To what do you attribute Silverstein Properties' success in this project? How do you manage a development project with so many stakeholders?

We have very high standards for design, business, image and marketing. Everybody who has worked with us recognizes that. We have been able to solve problems that our partners in government haven't been able to solve at times. We have successfully rebranded the area as an office district. And we have reframed the image of the redevelopment as a positive part of our collective response to 9/11.

The site has so many physical complexities. We are combining a private development program with a mass transit network, a memorial, and a performing arts center, not to mention new streets and sidewalks. There is no way around the complexity. We have done our best; it has certainly taken some time to build the trust to effectively collaborate with the different stakeholders (public at large, Downtown business community, government). It definitely would have been easier without so many stakeholders; however that simply wasn't an option.

It was bound to take the time that it did, given the history and the number of interested parties.

What have the greatest challenges been in the public-private partnership component of the World Trade Center redevelopment?

The business agreements drawn up before 9/11 didn't contemplate a rebuilding of this scale and complexity -- or a rebuilding at all, for that matter. Therefore they didn't really strive to align the interests of a private developer who is obligated and seeking to rebuild with those of a government agency (the Port Authority) that wanted the developer to pay rents of over \$100 million per year during the rebuilding. It took years -- and several different business deals -- to fix this.

The complex nature of the WTC redevelopment allows for a number of unanticipated risks. Mr. Silverstein mentioned that realizing the original Freedom Tower location and design would need to be altered due to

a NYPD report on the danger of vehicular bombs was a "gut wrenching moment." Looking back at hurdles like that and others, could they have been foreseen and avoided? What other unanticipated risks/ hurdles have appeared to date?

Some of the crises were avoidable. For instance, everyone knows that the redesign of the original Freedom Tower could have been avoided. Between the [NY] Police Department and the [NY/ NJ] Port Authority there was no real agreement on the fundamental security features of the master plan. Had there been more communication among the different branches and levels of government, that crisis could have probably been avoided.

Another complexity or hurdle that comes to mind concerns the building program itself. The government, without discussion, unilaterally barred placing mechanical systems near the footprint of the Towers in an already small area. This was a predominately political decision rather than a decision based on engineering analysis.

Lastly, the difficulty of getting all of the sites up and running at the same time when the Port Authority was struggling to produce the infrastructure was avoidable.

Some of these problems did cause cost overruns; they were avoidable with better project management -- especially on the government side. Others were unavoidable and were simply due to the number and variety of stakeholders.

Up to now, what has been the most satisfying benchmark reached on the project?

There have been a lot of satisfying benchmarks reached to date, but two in particular stand out. In the fall of 2006 we were commanded by government to design the whole East Bathtub -- everything on the east side of Greenwich Street including the three towers -- in a matter of four months. We were required to do this to a schematic level of design or else the project would be taken away from us. Not only did we do it, but the plan, including the renderings and images of the buildings, was well received by the public when it was rolled out.

Additionally, it was a great accomplishment to achieve full leasing on 7 World Trade Center, which happened in 2011. Many people had talked about the construction of the building as if it was a reckless exercise or a real estate folly. People said that Larry would never lease this space, that is was just a white elephant. It's been fully leased for nearly a year now and it's leased to a variety of companies in creative businesses -- technology, publishing, advertising and law. That variety really highlights the rapid progress of Downtown tenant diversification. While New York City is known as the financial capital of the world, it is also a magnet for creative companies that are so much a part of the City's present and future. And the success of 7 WTC also gives positive momentum for the remaining buildings.

What major hurdles or benchmarks must be reached for the remaining towers?

4 WTC has achieved its most difficult milestone and obtained financing last fall. That ensures its completion next year. We need to get at least 400,000 sf leased in 3 WTC to get the credit backstop for that building so we can get a construction loan. Similarly we have to identify an anchor tenant that will take enough space in 2 WTC to allow it to be financed fully.

What skills or attributes must a developer possess in order to be successful in high profile developments such as the WTC?

Among others, a developer must have a very clear sense of purpose, very thick skin, a bottomless well of optimism, and a willingness to respect -- though not always defer to -- the opinion of elected officials and the public at large.

Most business people roll their eyes at government. However, as part of any major project in Manhattan, especially after what took place 10 years ago, the public and elected officials will require

you to explain what you are doing in terms of the future of the City. One of the things I am proudest of is that we have done a pretty good job of making our case in those terms over the last five or six years. Although many people don't love office buildings, it is undeniable that they are essential to New York City's economic future.

With respect to your academic and professional background what do you feel has best prepared you for your position leading the redevelopment of the WTC?

I don't think it's really an academic or a professional experience that's helped me the most – it's about being a passionate New Yorker. There are times when it's been helpful to have a law background, to have worked at various levels of government, or to have been a political operative. Really though, it's always been about believing in the project and committing to the larger challenge of galvanizing people's energy to shape the City's future.

With that said, how did you choose your development team for the WTC?

We have a top-tier professional team. Many have been involved with some of the largest development projects in recent memory – including the TimeWarner Center for example. Not only were these projects large in terms of scale and complexity, but they were developed in difficult environments. Their most important qualification, aside from being the first class professionals that they are, is their sense of mission.

If you were not currently involved with the World Trade Center, what would you be doing?

I love projects that I can get passionate about, projects connected to making the City better. Assuming Downtown will be fully redeveloped, we will need to prioritize satellite business districts - Brooklyn, Long Island

City, maybe the Hub in the Bronx. They have great mass transit and want to be quality satellite business districts. This is essential in order to keep middle class jobs in the City that might otherwise go elsewhere. I would be interested in trying to deliver moderately priced office space to better attract and retain middle class jobs.

