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Port Authority: Amid Delays, WTC Price Tag to Rise

June 30, 2008

By: Michael Fickes, Contributing Correspondent

A report released this afternoon by the Port Authority of New York and New Jersey said that the World Trade Center rebuilding project in Lower Manhattan would take substantially longer and cost substantially more to build than estimates have indicated.

In a letter to Governor David Paterson of New York, who requested the report, Chris Ward, executive director of the Port Authority, wrote that the schedule and cost estimates of the rebuilding effort that have been communicated to the public are not realistic. While the report itself did not revise the schedule or the budget, a story in this morning's *Wall Street Journal* cited sources familiar with the report as saying that the \$15 billion World Trade Center, including a September 11 Memorial, three office towers and a transportation hub, will probably take one to three years longer to build and cost \$1 billion to \$3 billion more than previously estimated.

What happened? The report identified and explored four main factors that contributed to the problem:

- * The project's unprecedented size and complexity
- * The unique interdependencies of each of the projects on the site
- * The change in market conditions that has resulted in significant construction cost escalations
- * Given the lack of an effective decision-making process and governance structure, the inability to work through issues that fundamentally drive schedule and cost

"No one should be surprised that the project has fallen into its own miasma," Barry LePatner, an attorney and principal with LePatner & Associates L.L.P., a firm that provides business and

construction counsel to clients, told *CPN* today.

“A combination of political, economic and financing problems has put this project into a slow grind. And if it continues, Ground Zero will become New York’s Big Dig,” he said, alluding to the Boston highway expansion project that took nearly three decades to design and complete, falling victim to constant cost overruns and missed deadlines. By the time the 7.8-mile project was completed, it had cost \$14.8 billion, up from the original estimate of \$2.6 billion.

“Projects like these, even though complicated, are not impossible to complete within a reasonable schedule and budget,” said LePatner, who is the author of *Broken Buildings, Busted Budgets: How to Fix America’s Trillion-Dollar Construction Industry*, a book published recently by the University of Chicago. “Look at 7 WTC, a building that went down with the Twin Towers. It contained a Con Ed generating plant that had to come back on line quickly, and it was done quickly--within four years.”

Governor Paterson ordered the Port Authority report in early June after expressing shock over the state of the project’s planning and construction progress.

In a statement today, Larry Silverstein, president of WTC developer Silverstein Properties Inc., said, "New Yorkers are entitled to an aggressive, reliable schedule for rebuilding the World Trade Center, backed by absolute accountability from the people responsible for getting the job done.... As of today, my company's projects--Towers 2, 3 and 4--are fully designed and on schedule." Silverstein went on to note that, "Construction of Towers 3 and 4 is underway, and all three buildings are slated for completion, as projected, by the end of 2012."

“As demonstrated by the success of 7 World Trade Center, as well as other recent developments in the area, Downtown is energized like never before. It is vital that we maintain that momentum and finish the rebuilding,” Silverstein said.

LePatner: Delays, Disputes, Mar WTC Rebuilding

September 14, 2009

By: Tonie Auer, Contributing Correspondent

Eight years after terrorists destroyed the World Trade Center, construction is underway on replacing the destroyed Twin Towers. But what has really been accomplished on the site? Not much, according to New York City construction lawyer Barry LePatner.

On the heels of the 9/11 remembrances, LePatner lamented the lack of progress and criticized the governmental agencies leading the lagging project to replace the WTC.

The World Trade Center redevelopment project includes a memorial and several office towers. The City and the Port Authority of New York and New Jersey have overseen the rebuilding efforts with development company World Trade Center Properties operated by Silverstein Properties, which purchased the World Trade Center just six weeks before 9/11.

Disputes between the developers and the governmental entities have led to many delays in the process. In August, Silverstein's company request arbitration, citing delays stemming from the Port Authority's part of the rebuilding efforts impacting the developer's part in the project.

"Looking back, the project was doomed at the outset to be a long-running saga," Barry LePatner, founding partner with LePatner & Associates LLP, told CPE. "This is because both the political entities--which had vested interests--and the Port Authority who owned it have no experience in developing complex infrastructure and major building elements." Additionally," the major developer [Silverstein Properties head Larry Silverstein] has a singular interest in the entire process," LePatner said. That interest was to expeditiously rebuild so that he could restore his business interest, which had been destroyed and covered by insurance," he added.

"There was a classic clash of interests, because the public authorities could never agree on what they wanted there." And those agencies wanted to show the public that they were doing something, so they proceeded without a full understanding of what the process was going to be, LePatner said.

On Sept 9, Janno Lieber, president of World Trade Center Properties, addressed the New York State Senate's Standing Committee on Corporations, Authorities and Commissions to discuss redevelopment of the World Trade Center.

Lieber noted that the federal government provided funding to the Port Authority to rebuild the PATH station and other transportation infrastructure, while Congress put tax-exempt financing in place to speed up the efforts without waiting to satisfy conventional market economics.

With a master plan for the new World Trade Center created to build retail and office space, a memorial, a new above-ground mass transit hub and a performing arts center, the Port Authority signed on to that plan and promised to give us construction-ready sites so that Silverstein Properties could start to build the new buildings.

The Port also agreed to complete critical infrastructure - the PATH Transportation Hub, the Vehicle Security Center and underground roadway, Greenwich Street and utilities - so that we could finish and open the new Trade Center. "Just as we were getting to build, after years of the Port Authority insisting that everything was going just fine at the site, the agency admitted the truth - that every project for which the port is responsible had fallen years behind schedule and hundreds of millions of dollars over budget, threatening the entire WTC rebuilding effort," Lieber said in the address

Illustrating the slow pace of the redevelopment project, LePatner noted, "It is taking a month for each floor to be built. When 7 World Trade Center was being built, each floor went up in four to seven days." World Trade Center Properties worked with the city, the state and the Port Authority to rebuild 7 World Trade Center, the last tower to fall on 9/11. Construction began on that project in May 2002 and the building opened in May 2006.

"Right now the most efficacious step that could be taken is to halt the project entirely," LePatner said. "Get a complete set of design drawings and specifications that can be bid on for a fixed price by contractors and do not keep haphazardly building in a way that will only add billions and billions of dollars without a benefit to the public." The public agencies "do not have the wherewithal to be entrusted with a project of this magnitude. They've proven that," LePatner said.

LePatner's insight into the project comes from his representation of the architect for one of the proposed towers as well as his involvement in negotiations for the now-shelved performing arts center for a client. Additionally, he represents one of the companies that now occupies 7 World Trade Center.