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STATE COMPTROLLER



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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

August 24, 1999

Mr. Lewis M. Eisenberg  
Chairman  
Port Authority of New York and New Jersey  
One World Trade Center  
New York, NY 10048

Re: Report 99-F-42

Dear Mr. Eisenberg:

Pursuant to the State Comptroller's authority as set forth in Section 7071 of the Unconsolidated Laws of New York, we have reviewed the actions taken by officials of the Port Authority of New York and New Jersey (Port Authority), as of July 21, 1999, to implement the recommendations contained in our audit report, *Regional Development Program* (Report 97-S-37). Our report, which was issued on September 30, 1998, reviewed the extent to which the Port Authority had been successful in stimulating private investment and creating or retaining jobs in the inner cities of the Port Authority region by constructing and operating industrial parks and other types of facilities.

**Background**

In 1978, the legislatures of the states of New York and New Jersey authorized the Port Authority to undertake a regional development program that included the construction and operation of industrial parks and other economic development projects in the inner cities of the Port Authority region. The intent of the program was to create and/or retain jobs, stimulate private investment, stabilize or improve the tax base, and create momentum for economic development near the industrial parks. Regional development projects undertaken by the Port Authority included the Essex County Resource Recovery Facility in New Jersey; Bathgate Industrial Park in the Bronx, New York; the Industrial Park at Yonkers, New York; the Industrial Park at Elizabeth, New Jersey; the Teleport on Staten Island, New York; and the Newark Legal Center in Newark, New Jersey.

**Summary Conclusions**

In our prior audit, we found that a number of jobs were created at the six regional development projects. However, private investment in the surrounding areas had not been

stimulated to the extent intended. In our follow-up review, we found that Port Authority officials have implemented the recommendations contained in our prior audit report. They have enhanced the marketing of vacant and underdeveloped space at the regional development projects; and have taken steps, in line with their strategy, for the disposition of regional development projects. The Port Authority has also executed an amendment in its lease with the City of New York to eliminate the Teleport's supplemental rents, making the rents more competitive; and has entered into a new agreement with the Essex County Utilities Authority for the operation of the Essex County Resource Recovery Facility. In addition, Port Authority officials have taken steps to improve the monitoring of their accounts receivable.

### **Summary of Status of Prior Audit Recommendations**

Of the seven prior audit recommendations, Port Authority officials have implemented six recommendations, and one recommendation is no longer applicable.

### **Follow-up Observations**

#### **Recommendation 1**

*Enhance marketing efforts for current and potential projects with the objective of attracting tenants and investors who can create and retain jobs.*

Status - Implemented

Agency Action - Port Authority officials have enhanced the marketing of vacant and undeveloped space at the regional development projects. For example, they are negotiating an agreement with a real estate firm to obtain exclusive real estate brokerage services for the Newark Legal Center. In addition, officials told us that they are in preliminary negotiations with a current Teleport tenant to lease vacant space in that project, and that they will shortly erect a sign on Teleport property to advertise that project. They also told us that an agreement has been reached with another party for the leasing of 9.1 acres of undeveloped space at the Teleport. Furthermore, one of two undeveloped sites at the Bathgate Industrial Park is now being developed and will be available soon for occupancy.

#### **Recommendation 2**

*Develop a strategy for the disposition of additional regional development projects that are not part of the Port Authority's core mission.*

Status - Implemented

Agency Action - Port Authority officials told us that they have a strategy for the disposition of regional development projects. This strategy includes the evaluation and marketing of

each project for possible disposition/privatization. Consistent with this strategy, they have sold the Yonkers Industrial Park and are negotiating with representatives of a tenant at the Elizabeth Industrial Park regarding the tenant's purchase of its leasehold. With the successful completion of this sale, the Port Authority will have sold the entire Elizabeth Industrial Park to private sector interests. Further, discussions are underway with a private developer interested in purchasing a vacant site at the Teleport.

### **Recommendation 3**

*Consider leasing vacant spaces at the Yonkers Industrial Park on a short-term basis until it is sold.*

Status - No Longer Applicable

Agency Action - The Yonkers Industrial Park was sold in March 1999 for \$9 million.

### **Recommendation 4**

*Consider renegotiating the lease between the Port Authority and New York City to provide Teleport tenants with a more advantageous supplemental rent arrangement. Negotiate directly with the highest level of City government to effect a change. The Port Authority should develop the analysis and support to demonstrate the need to keep these property rentals competitive as a means of keeping the area economically viable.*

Status - Implemented

Agency Action - On July 9, 1998, the Port Authority and the City of New York executed an amendment to the Teleport's ground lease that eliminated supplemental rent.

### **Recommendation 5**

*Monitor departments to ensure that all staff adhere to the Port Authority's policy for dealing with arrearages, and ensure that tenants pay their rents and other charges in a timely manner.*

Status - Implemented

Agency Action - The Port Authority's Credit, Collection and Accounts Receivable Division (CCAR) has established and implemented a uniform policy to manage the Port Authority's accounts receivable balances. CCAR officials told us that tenant billings, which are entered into the Port Authority's computerized accounts receivable system, are now being monitored aggressively. Moreover, facility managers, who meet monthly with CCAR staff, are notified when a bill is 60 days past due. This process is initiated even earlier for any major tenant with significant monthly billings. CCAR officials said that they work closely with facility staff to resolve arrearages and to ensure that rents and other charges are paid on a timely basis.

**Recommendation 6**

*Avoid significant arrearages by aggressively monitoring accounts receivable in the initial stages to determine why they are delinquent.*

Status - Implemented

Agency Action - Port Authority officials have implemented a monthly report entitled, "Schedule of Delinquent Accounts," which tracks accounts receivables that are more than 60 days late. CCAR staff also work closely with individual facility managers to determine why rents and/or other charges are delinquent.

**Recommendation 7**

*Work with officials of Essex County, the State of New Jersey, and American Ref-Fuel to explore alternative ways of protecting the Port Authority's interest in the Essex County Resource Recovery Facility and improving the Facility's financial position.*

Status - Implemented

Agency Action - The Port Authority has entered into an agreement with the Essex County Utilities Authority (ECUA) to provide for the guaranteed delivery of waste to the Essex County Resource Recovery Facility. The agreement provides for guaranteed delivery of a minimum of 350,000 tons of waste per year at a starting price of \$52.50 per ton, beginning on January 1, 2000, and escalating annually according to a CPI-based index throughout the following 10 years. In addition, ECUA will pay the Port Authority an aggregate total of \$26 million to settle damage claims.

Major contributors to this report were Santo Rendon and Kenrick Sifontes.

We thank the management and staff of the Port Authority of New York and New Jersey for the courtesies and cooperation extended to our staff during the review.

Very truly yours

Frank J. Houston  
Audit Director

cc: Charles Conaway  
Robert E. Boyle  
Edward L. Jackson