

Port Authority Goes Long for World Trade Center

Agency Selling \$1B Of 40-Year Taxables

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By [Paul Burton](#)

The Port Authority of New York and New Jersey has some tailwinds at its back Tuesday when it sells a record \$1 billion of taxable 40-year bonds to finance World Trade Center reconstruction.

“Interest rates are at a record low and contractors are desperate for work. This is when public agencies should be investing in capital projects. It makes enormous economic sense,” said Mitchell Moss, director of the Rudin Center for Transportation Policy and Management at New York University’s Wagner Graduate School of Public Service.

The authority will use the proceeds to help rebuild the 16-acre site in lower Manhattan, which includes One World Trade Center, a vehicle-security center, and a transportation hub, according to the preliminary official statement.

Citi will manage the negotiated sale of the Port Authority’s 168th series consolidated bonds, which Moody’s Investors Service has rated Aa2 with a negative outlook.

Standard & Poor’s and Fitch Ratings have each rated them AA-minus with a stable outlook.

The bonds have a final maturity in 2051.

Moss sees no problem with the agency selling 40-year bonds.

“The Port Authority is wise to go long,” he said. “Most of the money will go to Ground Zero. Forty years is a smart time frame, especially with the opportunity to get money at this rate.”

Condé Nast, publisher of Vogue, Vanity Fair and the New Yorker magazines, has signed an agreement to lease one million square feet of office space at One World Trade Center for 25 years, with renewal options for up to an additional 20 years.

Construction of the building is expected to finish by the end of 2013.

The World Trade Center’s Twin Towers were leveled in the Sept. 11, 2001, terrorist attacks.

Last week, the New York State Court of Appeals ruled that the Port Authority is immune from claims that it failed to avert the earlier 1993 parking garage bombing.

“The authority’s rating is well-positioned at Aa2,” Moody’s said in a report, citing the agency’s implementation of toll and fee adjustments that enhance self-sufficiency, and debt-service coverage ratios well above two times.

Moody’s added that more clarity about the 10-year capital plan could stabilize the rating outlook and “exert positive credit pressure.”

The authority’s board of commissioners last month approved toll and fare hikes for several New York-area bridges and its Port Authority Trans-Hudson, or PATH, trains between Manhattan and New Jersey.

Those multi-phased increases “should stabilize the authority’s finance profile as it continues with its complex and costly capital plan,” Fitch said.

Standard & Poor’s said it could lower its ratings if the authority’s liquidity and financial margins erode considerably.

“We do not expect to raise the ratings during the next two years due to the authority’s significant additional debt needs,” Standard & Poor’s said.

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