

Port Official With Financial Stake Votes on Penn Station Project

Michael D. Fascitelli Is a board member and former CEO of Vornado Realty Trust



Michael Fascitelli joined the Port Authority's board in June. Photo: Clint Spaulding/Patrick McMullan Agency
By

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A major stockholder and board member of a New York real-estate company that stands to benefit from New York Penn Station's overhaul voted last week on a matter related to the project in his new role as board member of the Port Authority of New York and New Jersey.

[Michael D. Fascitelli](#), one of 12 commissioners who oversee the Port Authority, voted in favor of extending the government agency's agreement to provide consulting services for building what is called Moynihan Station.

Mr. Fascitelli is also a board member of [Vornado Realty Trust, an office and retail giant tapped to be a developer of the station.](#)

The Moynihan project would bring Amtrak's waiting area at Penn Station into a post office building across Eighth Avenue in Manhattan, opening the door to a revamp of the cramped transit hub in an area where Vornado is by far the largest landowner.

A former Vornado chief executive, Mr. Fascitelli owned 1.9 million shares of the company as of May 21, a stake worth about \$180 million at current prices, according to FactSet.

Mr. Fascitelli, a New York appointee to the bistate agency, joined the Port Authority's board in June.

A Port Authority spokesman said neither the agency's general counsel nor Mr. Fascitelli saw a need for him to recuse himself from the Moynihan vote. The agreement in question calls for a New York state agency to reimburse the Port Authority for its work on the Moynihan project but doesn't involve any private parties, the spokesman said.

Mr. Fascitelli's positions on the Port Authority's and Vornado's boards illustrate the potential for conflicts of interest, or the appearance of them, as the agency tries to move past recent scandals and focus on major transportation projects.

"Given the recent unhappy history of conflicts of interest and possible corruption involving the Port Authority, the agency and its commissioners should be especially sensitive to any appearance of conflict of interest as well as any actual conflict of interest," said Jameson Doig, a Princeton University professor emeritus who has chronicled the agency's history and advised officials on potential reforms.

Vornado is well-positioned to benefit from one of those projects, the company's CEO and chairman, Steven Roth, said in an August conference call with analysts. The company owned at least 10 properties at or around Penn Station at the end of 2014, including three with "Penn Plaza" addresses, according to its latest annual regulatory filing.

[The Port Authority plans to oversee a project to dig two new rail tunnels under the Hudson River](#) that would enter Manhattan at an expanded Penn Station. It is part of Amtrak's broader Gateway plan, which is estimated to cost between \$15 billion and \$20 billion by the time it is completed in perhaps a decade.

Asked by a Wall Street analyst about the tunnel project, an expanded station and implications for the area, Mr. Roth said "the fact that we own all the buildings on top of Penn Station and surrounding Penn Station" is a "spectacular opportunity."

A multibillion-dollar construction project that boosts volumes of commuter-train traffic "will cause short-term disruption but long-term enormous gain," Mr. Roth said, according to a transcript of the call. "We couldn't be more delighted that there is a focus on this piece of infrastructure."

A Vornado spokeswoman didn't respond to requests for comment.

Mr. Fascitelli had been asked to serve on a working group composed of two Port Authority commissioners tasked with providing day-to-day guidance related to the early steps in setting up a special-purpose corporation to oversee the Gateway project.

After inquiries by The Wall Street Journal, Mr. Fascitelli said he would step aside from the working group.

"While I believe that there is no conflict in my participation in this working group, in an overabundance of caution to avoid the appearance of any potential conflict, I have asked the chairman and vice chairman that another commissioner serve in my place," Mr. Fascitelli said in a statement.

Port Authority Chairman John Degnan, a New Jersey appointee, said he expected Mr. Fascitelli would seek advice from the board's governance committee and outside legal counsel on whether his relationship with

Vornado would give rise to any appearance or actual conflict of interest as future Gateway matters come before the board.

The Port Authority's board adopted a policy in September outlining when commissioners should recuse themselves from discussing and voting on matters, to avoid even the appearance of a conflict of interest.

The policy in part says commissioners with a stake valued at \$100,000 or more in a company with a matter before the board should recuse themselves.

The policy was put in place amid a federal investigation into whether the agency's former chairman, [David Samson](#), potentially misused his official position to benefit his law practice.

A spokeswoman for Mr. Samson declined to comment. Mr. Samson and his law firm have said any potential conflicts were handled appropriately.

Ken Lipper, a New York commissioner who has taken a lead role in overhauling the Port Authority's ethics and governance policies, said commissioners' decisions on whether to recuse themselves should be specific to particular matters before the board.

The agency should be careful to avoid arbitrarily excluding commissioners with valuable expertise such as Mr. Fascitelli, he said.

—Eliot Brown contributed to this article.

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