

# Port Authority Executive Balked at Penn Station Lease

Robert Boyle, executive director of authority in 2000, calls agreement 'snake oil'



The James A. Farley Post Office building across from Penn Station at 34th Street and Eighth Avenue. *PHOTO: STEVE REMICH FOR THE WALL STREET JOURNAL*

By

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In 2000, the Port Authority of New York and New Jersey agreed to lease about 250 square feet inside a grand train hall planned next to Penn Station. It was enough for two ticket counters and a kiosk, a space roughly equal to a typical Manhattan hotel room, or tiny studio apartment. The transportation agency agreed to pay \$10.5 million annually for 35 years.

But Robert Boyle, the Port Authority's executive director at the time, refused to sign the lease with a New York state agency.

In an interview this week, Mr. Boyle called the agreement “snake oil,” saying it shortchanged the Port Authority by disguising a development grant as a rental lease. “The whole idea was smoke and mirrors from the Empire State Development Corp. and that’s why the lease never got signed,” said Mr. Boyle, 79 years old.

More than 15 years later, the unexecuted lease has emerged in a plan to revive the train-hall project and remake New York Penn Station—part of a larger plan New York Gov. [Andrew Cuomo](#) calls [the Empire Station Complex](#).

Mr. Cuomo’s administration expects the Port Authority’s lease, which it said is currently valued at \$150 million, [to contribute nearly half](#) of the project’s estimated government funding of \$325 million.

Private developers are expected to shoulder most of Empire Station’s more than \$3 billion in costs, in exchange for property and air rights at the busy transit hub.

Now, current Port Authority officials are expected to reconsider the 2000 deal and weigh whether the agency should honor it—and if so, where they would find the money.

Because the lease wasn’t executed, the Port Authority never budgeted for the payments, according to a recent internal memo by the agency’s current chairman, John Degnan.

A Port Authority spokesman said Mr. Degnan asked the agency’s staff to review the circumstances surrounding the lease. A Cuomo official said the administration remains confident that the project will be funded and built.

The questions about the 2000 deal come as the agency grapples with how to pay for a growing list of capital projects, including a Port Authority Bus Terminal replacement, La Guardia Airport overhaul and two new Hudson River rail tunnels.

In 2000, the Port Authority’s then-vice chairman, New York appointee Charles Gargano, was also in charge of the Empire State Development Corp., a state economic development agency.

In his role as a Port Authority commissioner, Mr. Gargano voted in June 2000 to authorize Mr. Boyle to enter a lease with the Empire State Development Corp. Under the 35-year lease’s initial terms, the Port Authority would pay \$8.3 million annually for 40,000 square feet at the planned train hall inside the James A. Farley Post Office building across Eighth Avenue from Penn Station, according to meeting minutes.

Mr. Gargano, now 80, said the lease needed to be viewed in proper context and noted it was supported by Port Authority commissioners from New Jersey. He suggested that Mr. Degnan’s scrutiny more than 15 years later was a part of a negotiating posture aimed at securing more transportation funding for New Jersey.

Mr. Degnan, a New Jersey appointee to the agency, declined to comment.

“The Port Authority’s contribution is and was a sound investment for New Jersey as well as New York,” Mr. Gargano said.

The idea behind the lease was partly to give the Port Authority space in the train hall for passengers at major New York City airports it operates. The space was for an “intermodal transportation hall” that included a waiting and baggage check-in areas, the minutes show.

The intent also was to accommodate an eventual one-seat “air train” ride connecting John F. Kennedy International Airport, Mr. Gargano said. The JFK AirTrain runs on the same track gauge, or width between the rails, as those used by the Long Island Rail Road, which terminates at Penn.

Mr. Boyle, an appointee of then-New York Gov. [George Pataki](#), said in the interview this week that no one back then could pinpoint the Port Authority’s leased space on a floor plan of the train hall, and the agency’s staff concluded the agency would effectively be renting a stairwell and a platform.

In September 2000, the Port Authority board’s operations committee, led by Mr. Gargano, approved the lease’s final terms, which reduced the space at the train hall to about 250 square feet and increased the rent to \$10.5 million a year. Minutes show Mr. Gargano abstained from the matter. He said this week that the increased rent was aimed at protecting the Port Authority against potential escalating costs.

Mr. Gargano said he couldn’t recall many details about the lease from so long ago. He said he likely recused himself from the second lease vote because of a conflict of interest with his role then as chairman and chief executive of the Port Authority’s landlord in the deal, the Empire State Development Corp.

Asked why he didn’t sit out the Port Authority board’s initial vote, Mr. Gargano said he didn’t see a conflict. “I don’t recall exactly, but I don’t think it would have meant anything anyway because it’s a majority vote on the board,” he said. Minutes show that resolution passed 9-0.

Mr. Boyle said the merits of the lease mattered more than any potential conflict. The former Port Authority executive director lives in Pennsylvania and said he is mostly retired, but consults part-time for clients who do business with the Port Authority.

Mr. Gargano lamented that [Moynihan Station](#), as the train hall inside the Farley building came to be known, has yet to become a reality.

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