



## Speaking Points for Alec G. Dreyer, Chief Executive Officer:

*Thank you Roger. And thank you, Mayor Beasley and Mayor Washington, for your counsel and guidance as we have developed our Bayport program.*

I want to thank you all for being here tonight so that we may present our Bayport Mitigation Solution to you.

When you arrived, you were given a card on which to write questions. I hope you'll use the cards to write down any questions you might have, but would encourage you to wait until I've covered the program so that your important questions get priority consideration. Someone from our staff will come by to pick them up in a little while once we get to the Q&A part of our program.

I've been with the Port Authority a little less than six months and I've tried to prioritize the many things that needed to be done. Shortly after I started, I was briefed on the Bayport neighbor situation and I've made addressing this issue one of my highest priorities. Within my first few weeks at the Port Authority, I asked the staff and the team of consultants from W.D. Schock working on this issue to expedite their work and accelerate their timetables to develop and implement a solution. We all have been waiting long enough to move forward.

While our advisors and staff were working, I focused on trying to understand the issues. I have made several trips to the area to listen, look, and meet with certain neighbors who offered good advice and counsel on what the Port Authority should do about the situation. I've also reviewed many emails and letters our neighbors sent to us and to our elected officials.

The result of this effort is a set of priorities, many of which have been important to the Port Authority from the inception of Bayport, but a few others that are now receiving more attention and emphasis. **Part of the purpose of tonight's presentation is to emphasize our continued commitment to these priorities.**

- First and foremost—**we are serious about being a responsive and responsible neighbor. This is reflected in the design of the terminal, in its construction and operations, and in our community outreach measures over the past seven years.** It's also shown by our efforts to work with other agencies and industries, to limit the intrusion of their operational sounds on your community. We fully intend to continue that interaction—on behalf of the entire community—in the future. Our operating folks know that this effort is of the highest priority for me, and that's why they are made aware of every single communication we receive from one of our neighbors about our operations.



- As part of our ongoing Good Neighbor Program, the Port of Houston Authority has implemented several projects designed to make life easier for those of you living near our Bayport facility. From planting and lighting design to our Good Neighbor Hotline, **our goal has been to minimize the impact of the Bayport facility's construction and operation on the community.** We can't change the fact that this is an industrial area, but by making these efforts, I hope you know that we are serious about being a good neighbor.
- Because we know our operations and construction present a community concern, we have expended tremendous time and resources on acoustics studies, physical buffers, and structural modifications to analyze and address the issue. It is neither our place, nor our desire to argue against the existence of this issue. **It is our goal to co-exist with you as neighbors in a manner that recognizes you and your families' desire to enjoy your properties while enabling the Bayport facility to continue contributing to the region's economic prosperity and good quality of life.**
- Importantly, I've learned that one size does not fit all in this kind of situation. Flexibility in our program is essential; flexibility that is driven by your objectives and your freedom to choose. It is not our place to tell you in what form our assistance must be taken, that is neither neighborly nor friendly. With that in mind, we've concluded that the best program is a Texas-styled one that gives each of you the latitude and resources to individually address this issue as you see fit.
- The Port Authority attorneys tell me I must inform you that we are under no legal requirement to present this plan. Nevertheless, **being a good neighbor means the Port Authority should take responsibility when our issues affect our neighbors. We are just as eager as you are to resolve this issue quickly and effectively.** Candidly, when the Port Authority began this process of sound remediation in 2007, everything was on the table. We've gone through the exhaustive process of analysis, trial, elimination and modification. The program we offer tonight is our answer.

Our most recent project—part of our commitment to you and now complete as of mid-January—has been commissioning of an independent study on sound impact by one of the nation's leading firms in this area, W. D. Schock. They have done similar studies around the country at major airports and facilities with similar issues.

**The W.D. Schock study included long-term sound monitoring, evaluation of sound data, and a testing and a mitigation phase.** We've placed a one-page summary sheet on your chairs that highlights some of the basic facts surrounding how this study was accomplished and what this study means from a technical sense. I'm not the technical person that can explain all the various details and nuances of the study used by the consultant. But we do have representatives from W.



D. Schock here tonight available to provide a brief summary on the program boundary and to answer any questions you might have.

**Because the W. D. Schock report is technically conservative, the sound program area identified by them is larger than we expected.** Be that as it may, we have made a commitment to provide a mitigation program that adopts the W. D. Schock program area and provides resources that cover the top of their expected program cost range.

We are pleased to report that **the testing and mitigation efforts conclusively demonstrate the benefits of sound insulation and related mitigation work.** Although we already have enough testing data to reach this conclusion from our two fast track homesites—and offer our mitigation solution to you tonight—**the Port Authority will continue to honor its pilot program commitment to perform sound testing and mitigation work on up to 10 remaining community homes.**

The test results from this two-year study defined a sound impact area in Shoreacres and La Porte. Since there are no established state and federal noise standards for port operations, we adopted guiding principles from the Federal Aviation Administration (the “FAA”).

FAA guidelines and targets for residential mitigation projects provide for creation of a boundary to enclose the area where exterior sounds exceed their mitigation action level. Physical geographical boundaries were also incorporated as a means of setting and identifying program boundaries, for example, in instances where the line might otherwise cut through a lot. **In preparing this boundary, W. D. Schock used a model based on the full build-out of the Bayport facility.**

Using the FAA standards, **W. D. Schock determined that 411 properties fall within the sound impact area, and the Port Authority has adopted their recommendation to establish this Sound Mitigation Solution program boundary.**

W. D. Schock further recommended several alternative mitigation measures for homes within the area, including mitigation payments, sales assistance, and mitigation improvements which were structured to strongly entice property owners in to having sound insulation work done on their homes.

**Based on this work, the Port Authority is offering to purchase an impact easement from each of these 411 residential property owners, and let the owners determine how to use these funds.** Participants are not required to make acoustical modifications, or use specified products. Instead, the Port Authority will simply pay for the easement and let each property owner determine what works best for them.



Before we get to the details, I want to remind you about the card that you received when you arrived tonight, on which to write any questions you might have. So, as questions occur to you, please write them down, and someone from our staff will come by to pick them up. I want to make sure that we answer any questions that you have.

Let's get into the details for a moment:

**1. What is the Port Authority offering to purchase?**

- We are offering to purchase an easement, which is a limited right to make use of another person's land for a stated purpose.
- The stated purposes will be outlined in the agreement documents, but **the agreement grants your "permission" for the Port of Houston Authority to construct, develop, operate and maintain the Bayport Container and Cruise Terminal without liability to you for permitted activities there.**
- I asked our team to prepare a simplified easement agreement and this slightly more than one-page agreement does not waive a property owners rights for illegal acts nor does it limit your ability to be compensated if some event at the Bayport Terminal beyond our permitted construction or operation damages your home or your property.

**2. Who is eligible to participate? Eligible property owners must :**

- Currently own a residential lot or home within the program area;
- Submit a completed application form to the Port Authority no later than 60 days from the receipt of the program information packet; and
- Clear any title issue identified by the title company examining the property, by working with the Port Authority and its title company.

**3. How much will the Port Authority pay for the easement?**

- Each eligible property that had a permanent, habitable structure on it between February 8, 2007, and January 26, 2010 is eligible for a \$40,000 program payment.
- We use this kind of broad home ownership definition for one very simple reason: some of our neighbors were adversely impacted by Hurricane Ike, and the Port Authority doesn't want these property owners to be excluded from participating because of a natural disaster.
- The size of this payment was set at a level to more than cover the estimated cost of replacing existing doors and windows with doors and windows with sound insulating attributes in the typical home in the program area. We're talking about door and window products that are similar to what was installed in our two fast-tracked pilot homes.



- An eligible property without a permanent, habitable structure is eligible for a \$5,000 program payment.

#### **4. Is the cash payment taxable for federal income tax purposes?**

- The Port Authority is not a tax advisor and so **we urge you to consult with a tax attorney or other tax advisor for questions concerning the tax implications of your program participation.**
- But, based on our advisors' review of the IRS Regulations, **we believe that a payment received by an owner for granting an easement reduces the owner's "basis" in the property, which would affect the gain or loss an owner would have when such property is sold.**
- Given the IRS excludes up to \$500,000 of gain on the sale of a residence for a jointly filed return, we believe there likely will be little if any federal tax consequences for most of the property owners resulting from this easement payment.

#### **5. When do I have to decide?**

- In the next week, property owners in the program area will receive an information packet by Federal Express or postal service delivery, with a program application for participation in the program.
- Property owners have 60 days from the date of receipt of the information packet to submit the completed application to the Port Authority.

#### **6. How do I apply?**

- Property owners should submit a completed program application to the Port Authority.
- If you are applying for a mitigation payment for a permanent, habitable structure in the program area, please also submit proof that the home was habitable between February 8, 2007, and January 26, 2010. A utility bill for just one month during that period is one form of proof; other reasonable proof will also be accepted.
- Once the Port Authority receives your completed application, if you are eligible, the Port Authority will prepare and send to you a Construction & Operations Mitigation Agreement, by which you agree to participate in the program, which you should then return fully signed.

#### **7. What will happen next?**

- The Port Authority will request that a title company confirm your legal ownership of the property, and identify matters that may affect title to your property. Title matters will be reviewed on a case-by-case basis. **But importantly, I'm expecting the title work that the Port will do to be rather routine in most instances.**



- Once the Port Authority approves the title condition, you will be asked to sign the easement document at the title company's offices (or another convenient location, if you prefer). The title company will forward the mitigation payment to you when it is prepared to record the signed notarized easement against your property.
8. **How long will the entire process take?**
- The complete process of preparing forms, reviewing title, and closing will vary on a case-by-case basis. Typically, we expect the process to be completed within 30 to 60 days for most property owners.
9. **What is the practical effect of granting the Port Authority an easement on my property?**
- Granting an easement will not alter your ability to use or build on your property, or prevent its sale, as you see fit. But since the easement constitutes your legal "permission" for the Port Authority to construct, develop, operate and maintain the Bayport Container and Cruise Terminal without liability to you for permitted activities there, this legal permission will also impact future owners of your property.
10. **If I sell an easement to the Port Authority, will it be able to tear down my home or build on my land without further permission?**
- No. The Port Authority will not have the right to tear down your home or build on your land.
11. **Where can I get more information?**
- [www.BayportMitigationSolution.com](http://www.BayportMitigationSolution.com)

**Each residential property owner in the sound impact area will receive an information packet by Federal Express or postal service delivery with a program package to complete for participation in the program. Property owners have 60 days from the date of receipt of the information packet to submit the completed application to the Port Authority. The Port Authority will process the applications for participation on a first-come, first-serve basis.**

Again, I want to thank you for being here tonight. Hopefully we've answered a lot of your questions already. But to make sure we've addressed them all, we'll move into the Q & A portion of our program right after the representative from W. D. Schock talks briefly about the program boundary.

Thank you.