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## **Strengthened Financial Plan for Hudson Tunnel Project Trims \$1.4 Billion**

*Early Work Package, Private Sector Input Through Request for Information Among Major Factors Driving Cost Savings; Project Still Needs Federal Permits to Move Ahead*

NEWARK, NJ – Construction of a new rail tunnel beneath the Hudson River and the comprehensive rehabilitation of the existing 108-year-old tunnel will cost approximately \$1.4 billion less than previously anticipated, resulting in an estimated cost of \$9.5 billion for the new tunnel and \$1.8 billion for the rehabilitation. The revised figures are included in an updated financial plan submitted today to the Federal Transit Administration (FTA).

The reduced cost results from work conducted at the request of Governors Cuomo and Murphy to position the Project to advance quickly once the federal permits are issued. This work includes a more advanced level of design, and an intensive value-for-money analysis, including analysis of risks and associated mitigations, a more efficient contracting plan resulting in fewer contract packages, and consideration of delivery methods including design-build. The new Hudson River Tunnel's level of design is now at the 30% threshold - the level typically used to move forward to bid for projects of this type.

In addition, the financial plan submitted today reflects the Project Partners' intent to request an "Early Systems Work Agreement" that would allow boring of the new Hudson River Tunnel in anticipation of a Full Funding Grant Agreement, saving the overall project considerable time and money and providing a clear pathway for the completion of the remainder of the new tunnel and rehabilitation of the existing tunnel.

Amtrak's funding levels have been adjusted by \$600 million to better reflect its allocated share of passenger trips through the trans-Hudson rail tunnel, which along with project cost savings, reduces the amount sought from the FTA's Capital Investment Grant (CIG) Program to \$5.4 billion, down from the \$6.8 billion previously sought. This represents a reduction in the percentage of the total project, from 49.4% to 44%. The State of New York, State of New Jersey, and Port Authority of New York & New Jersey reiterated their construction cost commitments of more than \$5.55 billion, including the \$2.7 billion commitment to the Project in the Port Authority's board-approved 10-year (2017 – 2026) Capital Plan.

Additional details of the financial plan are outlined in the attached cover letter, including:

- Fully maintaining the local partner's previous commitment of \$5.55 billion towards the Project, which, following the reduction in overall project cost, allows \$700 million to be committed to the local share of rehabilitating the damaged North River Tunnel (the existing 108 year-old one-track-in, one-track-out link between New York and the entire Northeast Corridor).
- The Port Authority continuing as the Project Sponsor for the new Hudson Tunnel, while the newly established bi-state Gateway Development Commission is constituted.
- Responsibly updating the Project's projected start of major construction to early 2021, necessary because the Federal government has yet to provide a Record of Decision on the EIS that was completed in under 22 months in February of 2018, or to move the project's funding forward.

The cost savings were achieved despite this schedule change in the start of the Project's major construction, which has cost the Project in projected escalation from inflation. The financial impact of escalation was overcome via the Gateway Program's advancement of design, engineering, and technical efforts, as well as encouraging private sector feedback and innovation through the Request for Information to reduce Project unknowns and refine Project cost estimates.

**New York Governor Andrew Cuomo** said. "Gateway is the most vital infrastructure project in the nation and a federal asset that is critical not only for our region but for the entire country's economy. This new financial plan demonstrates that the states are doing everything possible to facilitate federal participation, including reducing the overall cost of the project and embracing a significantly higher Amtrak contribution - which together lead to a decrease in the amount being requested from the federal government. New York and New Jersey are laser focused on completing this project in the most inexpensive and efficient way possible while restoring our nation's role as a global leader in infrastructure."

"With hundreds of millions in savings for taxpayers, the strength of this latest financial submission is further proof that the State of New Jersey and its partners are ready to step up and do whatever is in our power to ensure that construction of the Hudson Tunnel Project moves forward," said **New Jersey Governor Phil Murphy**. "The Gateway Program delivers critical safety improvements across the most urgently needed infrastructure projects in the country, each with far-reaching economic impacts. The President and United States Department of Transportation must stand with us and our commuters who have waited far too long."

**Jerry Zaro, New Jersey Trustee and Chairman of the Gateway Program Development Corporation**, said, "There is no infrastructure project in the country more urgent than Gateway. We are continuing to do absolutely everything within our power to demonstrate that our states and our partners are 100% committed to this Project, including cutting the cost and passing legislation in both New Jersey and New York to strengthen the Gateway Program. We need the Federal Administration in Washington to start to recognize those efforts and meet us halfway."

**Tony Coscia, Vice Chairman of GDC and Chairman of Amtrak**, added, “The Gateway Program Partners continue to go the extra mile to demonstrate the resolve to getting a new tunnel built. We feel strongly that we can work with the FTA and get to a place that funds this project and meets a real need for this nation.”

“The nation would lose \$16 billion if even one of the current tubes had to be taken out of service. We simply can’t wait for reliable, resilient 21<sup>st</sup> Century rail travel linking New York City to the rest of the country,” said **New York Trustee Steven M. Cohen**. “The local partners are doing our part by constantly strengthening our applications. Now it’s time the Federal Administration did its part not just for rail passengers throughout the Northeast Corridor, but for the nation’s economy.”

**Port Authority of New York and New Jersey Executive Director Rick Cotton** said, “The Port Authority is committed to the success of the Gateway Program. The Port Authority Board has specifically authorized \$2.7 billion for this critical project. We are a full partner with GDC in ensuring Project Sponsorship for the new Tunnel project doesn’t miss a beat while the Gateway Development Commission is established and built.”

The plan also includes proposed funding for completion of the third and final section of the Hudson Yards Concrete Casing on the west side of Manhattan, which is fully designed. A request for an environmental determination for this element has been submitted and is awaiting approval from FTA.

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*The Gateway Program is the most urgent infrastructure program in the country – a comprehensive rail investment program that will improve commuter and intercity services, add needed resiliency and create new capacity for the busiest section of the Northeast Corridor (NEC). The NEC is the most heavily used passenger rail line in the country hosting more than 2,200 train movements and 800,000 passenger trips daily. The Gateway Program Development Corporation (GDC) is a New Jersey not-for-profit entity with Board members representing Amtrak and the States of New York and New Jersey. It was incorporated in 2016 to oversee and effectuate the Gateway Program in coordination with federal and local partner agencies. Follow the GDC on Twitter [@GatewayProgNews](https://twitter.com/GatewayProgNews).*

Richard Cotton  
*Executive Director*

August 23, 2019

Felicia James  
Associate Administrator of Planning and Environment  
Federal Transit Administration  
1200 New Jersey Avenue, SE  
Washington, DC 20590

Re: Hudson Tunnel Project – Section 5309 Capital Investment Grant Program – New Starts

Dear Ms. James:

The Port Authority of New York and New Jersey (“Port Authority”), as Project Sponsor, together with our partners, Gateway Program Development Corporation (“Corporation”), New Jersey Transit Corporation (“NJ TRANSIT”), and the National Railroad Passenger Corporation (“Amtrak”) (together the “Project Partners”), is pleased to submit documentation in support of our request for the Hudson Tunnel Project to be included in the US Department of Transportation’s (“USDOT”) fiscal year 2021 budget proposal for the Federal Transit Administration’s (“FTA”) Section 5309 Capital Investment Grant Program.

The Hudson Tunnel Project, for funding and financing purposes, continues to consist of the construction of a new Hudson River Tunnel, Hudson Yards Concrete Casing – Section 3 (“HYCC-3”), and the rehabilitation of the existing North River Tunnel (collectively the “Project”).

The Project Partners are again requesting to be included in the annual budget proposal and, with each passing year, the risk of a significant failure and long-term shutdown of the North River Tunnel increases. As USDOT is aware, the existing North River Tunnel opened to service in 1910, is a nationally important element of the Northeast Corridor (“NEC”), which directly connects rail traffic between eight states and the District of Columbia, and provides connections to trains serving states as far as Florida, Illinois, and Louisiana. This vital national railroad link is extremely old and its internal components are under continual stress, and its issues are being exacerbated by the on-going impact from major weather events – such as seawater inundation during Superstorm Sandy. Amtrak performs maintenance that keeps the existing tunnel safe and operational to the fullest extent possible without requiring a long-term closure, however, with each day, month, and year that passes without rehabilitating the existing tunnel, rail service for the more than 200,000 daily passengers that travel on NJ TRANSIT and Amtrak across the Hudson River will continue to degrade and become less and less reliable.

The Project provides resiliency, reliability, and redundancy by allowing for the rehabilitation of the North River Tunnel without disrupting existing levels of train service. If one tube of the North River Tunnel is forced out of service for emergency repairs before the new tunnel is constructed, it is estimated that current capacity would be reduced by up to 75%. The 24 trains per hour during peak hours that ordinarily

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use the existing tunnel would drop to as few as 6. The Regional Plan Association, in their report, “A Preventable Crisis: The Economic and Human Costs of a Hudson River Rail Tunnel Shutdown” estimates that a partial shutdown would have significant social, economic, and environmental impacts and would cost the national economy \$16 billion over four years.<sup>1</sup>

While the Project Partners completed the required environmental impact statement (“EIS”) for the new tunnel and rehabilitation of the existing North River Tunnel in just 22 months in February 2018, which is half the time typically required for a large-scale project, and provided USDOT with timely responses to all of their questions throughout 2018, USDOT has not provided the Project Partners with any timeline and has not described what steps remain outstanding for issuing the Final EIS (“FEIS”) and Record of Decision (“ROD”). The FEIS and ROD continue to be critically important to advancing the Project’s financial plan and design, and early work activities that would require a Letter of No Prejudice and/or Early Systems Work Agreement from FTA before starting. While it is difficult to develop an accurate schedule without a revised FEIS and ROD issuance date, consistent with our efforts to mitigate cost increases due to delay, this submittal assumes that the FEIS and ROD will be issued in 2019, enabling early work in 2020 while procurement activities are underway to facilitate the Notice to Proceed date assumed in this financial plan.

Despite not receiving an updated FEIS and ROD issuance date from USDOT, the Project Partners have continued to work aggressively and creatively to position the Project so that it can advance immediately once a FEIS and ROD are issued. This revised financial plan submittal reflects the commitment and ingenuity of the Project Partners, as well as private sector engagement, and addresses FTA’s comments, including:

#### Historic Bi-State Legislation

In July 2019, the States of New York and New Jersey created the Gateway Development Commission (“Commission”) through the enactment of the Gateway Development Commission Act. The Commission is a seven-member public authority and a government sponsored authority (with three Commissioners from the State of New York, three Commissioners from the State of New Jersey, and one Commissioner directly appointed by Amtrak) that is empowered to facilitate and coordinate activities and encourage the actions of others to effectuate the Gateway Program, of which the Hudson Tunnel Project is a critical component.

The Commission’s enabling legislation states that the Commission is “intended to qualify for, be authorized and empowered to apply for and accept, financial assistance, loans, grants, or any other funding for such purposes under federal, state, or local laws, and to make application directly to the appropriate officials or agencies for the application for and receipt of federal, state or local assistance, loans, grants or any other funding in aid of any of the purposes of this act”<sup>2</sup> “at such times as it is appropriate to do so.”<sup>3</sup>

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<sup>1</sup> <http://www.rpa.org/publication/preventable-crisis-economic-and-human-costs-of-hudson-river-rail-tunnel-shutdown>

<sup>2</sup> NYS S6372A, Section 3(c); NJS A5570, Section 4(3) (“Creation of the Commission; purposes”)

<sup>3</sup> NYS S6372A, Section 6; NJS A5570, Section 7 (“Duties of the Commission”)

The completion of this legislative process to create the Commission is evidence of the strong commitment by the States of New Jersey and New York towards the Hudson Tunnel Project. The Project Partners intend for the Commission to carry out the lead role in the financing and development of the Hudson Tunnel Project as soon as it has been established and provided with the appropriate resources from the State of New Jersey, State of New York, and Amtrak.

#### Advancing the Technical Activities to Build the Hudson Tunnel Project

- **Advancing Project Design Creates More Cost Certainty:** In March 2018, 30% design documents for the new Hudson River Tunnel were completed and submitted to FRA for their review, which is pending subject to the issuance of a ROD. To continue to prepare for procurement, we have used this 30% design to help revise the Project cost, as discussed below.
- **Undertaking Contract Packaging and Delivery Method Analysis Identified Potential Efficiencies:** With the goal of delivering the Hudson Tunnel project for the best value-for-money, the Project Partners have undertaken a risk identification, contract packaging and delivery method analysis, comparing the relative advantages and disadvantages under different approaches to identify potential efficiencies from bundling expected contract scopes of work into larger contract packages and utilizing Design-Build procurement to encourage innovative solutions.
- **Providing Data Early to, and Receiving Feedback from, the Private Sector is Helpful to Reducing Unknowns:** The Corporation, acting on feedback received from the private sector during an extensive Request for Information process, launched an innovative Pre-Procurement Virtual Data Room to allow all responding parties to, among other things, better understand the geotechnical characteristics of the Hudson River and New Jersey Palisades, reduce unknowns, and reduce risk.

#### Project Cost Improvements

**Technical Progress and Private Sector Engagement Help Decrease Project Cost:** The construction cost of the Hudson Tunnel Project elements totaling \$11.3 billion, has, in whole, decreased by \$1.4 billion (11%) since our previous submittals:

- The estimated construction cost of the new Hudson River Tunnel and Hudson Yards Concrete Casing – Section 3 is \$9.5 billion (previously \$11.1 billion).
  - This cost is based on the draft 30% engineering and design for the new Hudson River Tunnel and 100% design and engineering for the Hudson Yards Concrete Casing – Section 3, which provided more design certainty to inform the cost estimate, and assumes that a ROD is issued by USDOT in 2019 and a notice-to-proceed in February 2021.
  - This cost is also based on a contract packaging solution that includes, as a first package, Design-Build procurement of the new tunnel’s civil works (boring the tunnel and installing the concrete tunnel shell) from North Bergen, New Jersey, under the Hudson River, and approaching Penn Station New York in New York City, including the Hudson Yards Concrete Casing – Section 3, to promote ultimate completion of the Project more rapidly and at less cost. To meet the schedule and cost assumptions in this financial plan, we intend to seek an Early Systems Work Agreement with respect to this package while we work with the FTA to finalize a Full Funding Grant Agreement.



- The estimated construction cost of the rehabilitation of the existing North River Tunnel is \$1.8 billion (previously \$1.6 billion).
  - Since this work is scheduled to be performed after the completion of the new Hudson River Tunnel, this cost is based on the 10% engineering and design and the only cost increase is due to escalation as a result of the FEIS and ROD being delayed for over a year.

#### Local Commitment to the Hudson Tunnel Project

- **The Local Commitment for Construction Costs Continues to Total \$5.55 Billion:** This represents 100% of the local share cost for the new Hudson River Tunnel and Hudson Yards Concrete Casing – Section 3 as well as 93% of the local share cost for the rehabilitation of the North River Tunnel.
- **The Port Authority’s Commitment Continues to Represent Over 30% of The Project’s Non-CIG funds:** In July 2018, the Port Authority’s Board of Commissioners formally and officially passed a resolution affirming the \$2.7 billion in support for the entire Hudson Tunnel Project. This resolution confirms the Port Authority’s commitment to the Gateway Program documented in the Port Authority’s 2017-2026 Capital Plan adopted by the Port Authority’s Board of Commissioners in February 2017. This funding commitment continues to represent over 30% of the Project’s non-CIG funds (38.1%) – the amount required to be classified as “Budgeted” or “Committed” for a Medium rating from the FTA.
- **The Passing of the Gateway Development Commission Act Represents a Strong Bi-State Commitment:** The State of New Jersey and the State of New York’s commitment to the Hudson Tunnel Project was codified by Gateway Development Commission Act.
- **The Project Partners Have Identified the Project’s Sources of Funding:** The Port Authority’s funding, along with the commitments from the States of New Jersey and New York, and Amtrak, totals approximately 99% of the non-CIG funds needed for the construction of the entire Hudson Tunnel Project.

#### Amtrak Commitment to the Hudson Tunnel Project

- **Amtrak’s Funding Commitment to The Project Has Substantially Increased:** From \$704 million in the FY 2020 Financial Plan to \$1.282 billion in the updated plan.

#### Federal Grant Request

- **The Amount of Grant Funding Requested from the FTA CIG Program for Construction is Substantially Reduced:** From \$5.646 billion<sup>4</sup> in the FY 2020 Financial Plan to \$4.361 billion<sup>5</sup> in the updated plan due to the additional Amtrak funding commitment and the construction cost reductions.

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<sup>4</sup> \$6.769 billion (\$5.646 billion for construction + \$1.123 billion for financing costs) in the FY 2020 Financial Plan applying FTA cost methodology to include FTA CIG-eligible financing costs.

<sup>5</sup> \$5.339 billion (\$4.361 billion for construction + \$978 million for financing costs) in the FY 2021 Financial Plan applying FTA cost methodology to include FTA CIG-eligible financing costs.

- **The Percentage of CIG funding Requested Has Been Substantially Reduced:** From 49.4% of eligible project costs in the FY 2020 Financial Plan to 44.0% of eligible project costs in the updated Financial Plan given the increased Amtrak contribution.
- **The Financial Plan Now Includes an Annual CIG Appropriation Cap:** From CIG appropriations sized to match the CIG funding share in each year in the FY 2020 Financial Plan to a maximum annual CIG appropriation of \$600 million, which is reasonable based on the relative size of the Project. Any unused portion of the \$600 million annual grant appropriation in any given year will be made available for disbursement in future years.

The local funding commitment will support the repayment of Railroad Rehabilitation and Improvement Financing (RRIF) loans. Upon receiving a revised ROD issuance date, the Project Partners look forward to engaging with USDOT on development of RRIF loan letters of interest and preliminary applications based upon a timeline which accounts for this critical criteria.

The Project Partners have reviewed this financial plan and documentation. This submission represents our support of and commitment to this financial plan for the Hudson Tunnel Project. The Project Partners are confident that the substantial revisions and improvements to this financial plan will result in the Project meeting the requirements identified in the FTA CIG Program guidelines for obtaining at least a "Medium" rating necessary for recommendation for inclusion of the Project in the President's 2021 Budget.

If you should have any questions, please do not hesitate to contact Benjamin Engle at 212-435-6614 or [bengle@panynj.gov](mailto:bengle@panynj.gov).

Sincerely,



Richard Cotton

Executive Director, Port Authority of NY & NJ

cc: Steven M. Cohen, Trustee, GPDC  
Kevin S. Corbett, President & CEO, NJ TRANSIT  
Anthony R. Coscia, Vice Chairman, GPDC  
Stephen J. Gardner, Sr. Executive Vice President, Chief Operating & Commercial Officer, Amtrak  
Robert Mujica, Jr. Director of the Budget, State of New York  
Francis Sacr, Interim Executive Director, GPDC  
Jerry Zaro, Chairman, GPDC