

FOR IMMEDIATE RELEASE
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Contact:
Steve Sigmund – ssigmund@gatewayprogram.org; 917-459-7794
Craig Schulz – cschulz@gatewayprogram.org; 302-632-2865

New Financial Plan Should Qualify Hudson Tunnel Project for Improved Rating

Strengthened Partner Commitments, Acquisition of Property, Aggressive Cost Management During Four Year Delay Highlight New Filing. Gateway Partners Working Hand-in-Hand with New Administration.

Newark – The Hudson Tunnel Project should qualify for advancement to the next phase of the Federal Transit Administration (FTA)'s Capital Investment Grants (CIG) Program, based on a new financial plan submitted today by the Gateway Program Project Partners.

The Project, for funding and financing purposes, includes the construction of a new two-track rail tunnel beneath the Hudson River, the comprehensive rehabilitation of the existing 110-year-old North River Tunnel, and the completion of the third and final section of the Hudson Yards Concrete Casing.

As outlined in the attached cover letter, the new financial plan recalculates and strengthens financial commitments by the project partners based on an updated cost estimate accounting for the four-year delay in the Project during the previous Administration. Major construction on the new tunnel is estimated to begin in August 2023 and the Project's construction cost is estimated at \$12.3 billion, including \$10.1 billion for the new tunnel and \$2.2 billion for full rehabilitation of the existing tunnel.

The Project's construction cost estimate is down from the \$12.7 billion cost in 2017, despite a four-year delay by the prior Administration. However, it represents an increase from last year due to time-driven escalation and the continuing need to push back the calendar for beginning major construction. Overall, the Project Partners have taken more than \$2 billion out of the cost estimate, including \$1.4 billion based on advanced design work in the 2019 filing and more than \$900 million in property acquisition estimates since Amtrak was able to acquire a major Manhattan property in recent weeks, moving quickly after the U.S. Department of Transportation finalized its environmental review under the new Administration.

The Partners also commit to aggressively managing cost and schedule during the procurement and construction of the project, incentivizing contractors and seeking opportunities for early work to further mitigate cost and schedule risk.

"The Hudson Tunnel Project is of the utmost importance to the economic well-being of New Jersey, our region, and our country," **said New Jersey Governor Phil Murphy**. "The updated financial plan that is being submitted today exhibits the commitment of our state and that of our partners to the

commencement and completion of the single largest critical infrastructure project in the United States. We look forward to working with the Biden Administration, Amtrak, New York, and the Port Authority to begin construction and to provide reliable rail service while creating tens of thousands of jobs and billions in economic benefits to the New Jersey – New York area.”

“All of the partners are fully committed to the Hudson Tunnel Project and have collectively committed to repay more than \$6 billion in Federal loans to support construction,” said **Steven M. Cohen, Gateway Commission Co-Chair and New York Commissioner**. “The project will create thousands of jobs up and down the American supply chain and help stimulate the U.S. economy. We must act without delay.”

“Construction on the Hudson Tunnel Project cannot begin soon enough for the thousands of NJ TRANSIT customers who must continue to rely on the century-old tunnel daily,” said **Balpreet Grewal-Virk, Gateway Commission Co-Chair and New Jersey Commissioner**. “This financial plan is a major step toward finally putting shovels in the ground and getting to work building the rail infrastructure we need for the economy of the future.”

“Amtrak is pleased to have upheld its commitment to the Hudson Tunnel Project by completing the acquisition of New York property needed for a future ventilation and emergency egress shaft,” said **Tony Coscia, Gateway Commission Vice Chair and Amtrak Commissioner**. “Amtrak remains confident in the success of our partners and in the project’s success. Now is the time to move this project to construction once and for all.”

The plan seeks approximately \$5.6 billion in FTA Capital Investment Grant (CIG) funding, or approximately 44% of the CIG-eligible project costs. It is supported by more than \$6 billion in commitments towards estimated construction costs by the State of New York, State of New Jersey, and the Port Authority of New York and New Jersey to support the Commission’s borrowing of low-interest Federal loans. Amtrak has strengthened and demonstrated its commitment toward contributing \$1.4 billion toward the Project’s construction costs and has moved quickly to acquire real property in Manhattan for the project. The states of New Jersey and New York both provided strengthened commitment plans for making support payments to repay the low interest Federal loans in the plan.

The updated plan was developed in partnership with the FTA, a substantial change from the prior Administration.

Attachment

The Gateway Program is the most urgent infrastructure program in the country – a comprehensive set of rail investments 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.

August 27, 2021

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

Re: Hudson Tunnel Project – Section 5309 Capital Investment Grants 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 Development Commission (“Commission”), Gateway Program Development Corporation (“Corporation”), New Jersey Transit Corporation (“NJ TRANSIT”), the State of New Jersey, State of New York, and the National Railroad Passenger Corporation (“Amtrak”) (together the “Project Partners”), is pleased to submit documentation in support of the Project Partners’ request for the Hudson Tunnel Project to be included in the United States Department of Transportation’s (“USDOT”) fiscal year 2023 budget proposal for the Federal Transit Administration’s (“FTA”) Section 5309 Capital Investment Grants (“CIG”) 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 existing North River Tunnel opened to service in 1910 and is a nationally important element of the Northeast Corridor (“NEC”) and national rail network as it directly connects rail traffic between eight states and the District of Columbia, providing connections to trains serving states as far as Florida, Illinois, and Louisiana. The century-old tunnel (under non-pandemic conditions) carries 200,000 NJ TRANSIT and Amtrak passenger trips daily on its two aging tracks. This vital national railroad link’s internal components are under continual stress and its issues continue to be exacerbated by the on-going impact from major weather events – such as the inundation of corrosive saltwater during Superstorm Sandy. The age and condition of the existing North River Tunnel often causes one track to be shut down for maintenance or repair, thereby reducing service capacity or resulting in major delays into and out of New York that ripple up and down the NEC.

Long-term closure of one track could reduce capacity by up to 75% and force tens of thousands of commuters and travelers onto other modes of travel, pushing them onto already congested bridges, tunnels, and streets in both states. The 24 trains per hour that ordinarily use the existing tunnel during peak hours would drop to as few as 6. The resulting congestion would lead to degradation of air quality throughout the region, with the movement of people and goods to and

from the nation's largest regional economy becoming severely constrained.

National Goals and Project Benefits

The Project is well situated to support national infrastructure goals to build modern infrastructure, create good, well-paying jobs, mobilize American manufacturing, and ensure that environmental justice is a key consideration. The Project meets these goals by providing long-term resiliency, reliability, and redundancy to the regional and national rail network by constructing two new tracks and modernizing the existing two tracks, and in doing so, will provide substantial social, economic, and environmental benefits, including:

- Expanding the regional labor market, boosting business productivity, and generating thousands of jobs across the country, with far reaching economic benefits (projected below):
 - Over 72,000 direct, indirect, and induced jobs and \$19 billion in economic activity created over the Project's construction period¹
 - Over \$79 million/month, on average, of direct spending on materials & labor over the Project's construction period²
- Helping ensure economic resiliency of the Northeast Corridor region, which is home to 17% of the U.S. population and a fifth of Fortune 500 company headquarters, and generates one fifth of the national GDP³
- Increasing infrastructure resilience to mitigate extreme weather event impacts.

Changes since the 2020 Financial Plan Submittal

The USDOT Issued the Final Environmental Impact Statement ("FEIS") and Record of Decision ("ROD"):

- The Project Partners thank USDOT for its work to issue the FEIS and ROD in May 2021, a critical federal approval required to advance the Project.

The Gateway Development Commission Has Been Established and is Advancing Key Project Workstreams:

- The GDC's Board of Commissioners held its initial meeting in March 2021 and has since held additional public meetings to adopt organizational policies and appoint acting officers.
- The GDC's Board of Commissioners voted in May 2021 to formally recognize its commitment to assume the role of National Environmental Policy Act ("NEPA") Project Sponsor and federal grant recipient for the Project from the PANYNJ, prior to the signing of a CIG Full Funding Grant Agreement or other federal funding agreement, consistent with the legislative purpose of the GDC. The PANYNJ has agreed to perform the role of CIG grant applicant and NEPA Project Sponsor, on behalf of the Project Partners for the Project. The PANYNJ will

¹ "Ch. 7 Socioeconomic Conditions," Hudson Tunnel Project Draft Environmental Impact Statement, July 2017

² FY2023 Hudson Tunnel Project Financial Plan calculation of average monthly construction cost from August 2023 notice to proceed through the construction completion of the rehabilitation of the existing North River Tunnel in April 2035.

³ "Investing in the Northeast Corridor: Advancing the American Economy," Northeast Corridor Commission, 2016

remain the Project Sponsor until such time as the GDC assumes the role of Project Sponsor. The PANYNJ and the GDC anticipate that change will occur prior to the award of Federal financial assistance for the Project. The Commission intends to assume the roles of CIG grant applicant and NEPA Project Sponsor prior to FTA Risk Assessment, which will occur in advance of requesting entry into the FTA Engineering Phase, consistent with best practice and FTA guidance.

The Estimated Project Schedule Has Been Updated to Reflect Positive Recent Federal Action on the FEIS and ROD:

- The 2020 Financial Plan assumed that the FEIS and ROD would be issued by the end of calendar year 2020 and therefore the Project's notice-to-proceed date would be in February 2022. This financial plan assumes the Project's notice-to-proceed date would be August 2023 to reflect the revised project schedule.

The estimated construction cost⁴ of the Hudson Tunnel Project elements totaling \$12.3 billion has had a net increase of approximately \$700 million since the 2020 submittal. While there was a reduction in the estimated construction cost due to real estate acquisition assumptions, there have been larger increases due to updated project schedule and escalation assumptions:

- The estimated construction cost of the new Hudson River Tunnel and Hudson Yards Concrete Casing – Section 3 is \$10.1 billion (previously \$9.8 billion).⁵
 - This estimated cost reflects reductions in the cost estimate first included as part of the 2019 Financial Plan.
 - This estimated cost reflects a significant reduction in the cost estimate based on Amtrak's recent acquisition of a critical parcel in Manhattan.
 - This estimated cost reflects a reduction in the cost estimate to reflect the fact a temporary easement for staging purposes in Manhattan must be reduced in size due to owner construction on part of the site and the estimated fair market value of the property was adjusted to properly reflect the appraisal.
 - The estimated cost was updated to reflect rebased costs from 2020 dollars in the previous financial plan to 2021 dollars in this financial plan based on 5.6% per annum actual escalation based on more recent Building Cost Index for the New York area
 - The estimated cost was updated to reflect a revised long-term escalation rate on non-right-of-way project costs to 4.0% per annum from 3.5% per annum in the previous financial plans, reflecting the impact of current escalation rates.
 - This estimated cost is based on the same level of engineering and design as 2019 and

⁴ Estimated construction cost, for the purposes of this financial plan, includes all project costs such as design, construction, real estate, and professional services, but does not include financing costs.

⁵ The estimated construction cost of the new Hudson River Tunnel and Hudson Yards Concrete Casing – Section 3 was \$11.0 billion in the 2017 and 2018 HTP Financial Plans, \$9.5 billion in the 2019 HTP Financial Plan, and \$9.8 billion in the 2020 HTP Financial Plan.

2020: Draft 30% engineering and design for the new Hudson River Tunnel and 100% design and engineering for the Hudson Yards Concrete Casing – Section 3.

- This estimated cost is based on the same innovative 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.
- The estimated construction cost of the rehabilitation of the existing North River Tunnel is \$2.2 billion (previously \$1.8 billion).⁶
 - The estimated cost was updated to reflect rebased costs from 2020 dollars in the previous financial plan to 2021 dollars in this financial plan based on 5.6% per annum actual escalation based on more recent Building Cost Index for the New York area
 - The estimated cost was updated to reflect a revised long-term escalation rate on project costs to 4.0% per annum from 3.5% per annum in the previous financial plans, reflecting the impact of current escalation rates.
 - This estimated cost is based on the same level of engineering and design as 2019 and 2020: 10% engineering and design.

Local Commitment to the Hudson Tunnel Project

- **The Local Funding Commitment to the Project is Now \$6.1 Billion, an Aggregate Increase of \$552 Million, or 50% of the Total Project Construction Cost**
- **100% of the Local Commitment for the Project's Construction Costs Has Been Identified by the Project Partners:**
 - **The State of New York's Commitment is Now Included in the State's Enacted Capital Program and Financing Plan:** In summer 2021, the State of New York published the FY 2022 Enacted Capital Program and Financing Plan, which includes funds sufficient to enable the Commission to make all payments on a RRIF loan from USDOT. As detailed in that plan, the New York State Department of Budget NYSDOB expects the Governor to propose legislation with the FY 2023 Executive Budget that would (i) allow the State of New York's Budget Director to enter into the State of New York Agreement with the Commission and (ii) commit the Executive to seeking appropriations annually in future State budgets to make debt service payments on the RRIF loan.
 - **The State of New Jersey's Commitment is Now Identified:** This financial plan includes a commitment from the State of New Jersey through the New Jersey Turnpike Authority (NJTA) to make payments to the Commission in amounts sufficient to enable

⁶ The estimated construction cost of the rehabilitation of the existing North River Tunnel was \$1.68 billion in the 2017 and 2018 HTP Financial Plans, \$1.77 billion in the 2019 HTP Financial Plan, and \$1.81 billion in the 2020 HTP Financial Plan.

the Commission to meet its financing obligations under the RRIF loan. NJTA will provide funds annually, after any possible capitalized interest period, to the State Treasurer pursuant to the NJTA's statutory authority, to be dedicated to the Project through the final maturity of the RRIF loan.

- The Port Authority's Commitment Continues to Represent Over 30% of the Project's Non-CIG funds:** In June 2018, the Port Authority's Board of Commissioners formally and officially passed a resolution affirming up to \$2.7 billion in support of the entire Hudson Tunnel Project in the form of debt service support for low-cost federal borrowing by the Commission in the aggregate, inclusive of construction cost, interest during construction and the loan term (capitalized), credit risk premium, and related costs and fees of issuance. In September 2019, the Port Authority's Board of Commissioners reaffirmed the debt service support, capped at \$2.7 billion through inclusion of this support in the Board-adopted 2017-2026 Capital Plan Reassessment. These resolutions confirm the Port Authority's commitment to the Gateway Program originally documented in the Port Authority's 2017-2026 Capital Plan adopted by the Port Authority's Board of Commissioners in February 2017.

Amtrak Commitment to the Hudson Tunnel Project

- Amtrak's Funding Commitment to the Project Has Increased to \$1.374 Billion:** This financial plan reflects Amtrak's increased commitment of \$92 million, increased from \$1.282 billion in the 2020 submittal.
- Amtrak's Commitment is Now Evidenced Through Its Acquisition of Critical Property in Manhattan and a Letter from Its Chief Executive Officer:** This financial plan states that the Amtrak will fund the entire intercity rail share as well as additional project costs. The Amtrak commitment in connection with the property acquisition can now be categorized as a "Committed" non-CIG source, with the remainder categorized as a "Budgeted" non-CIG source.

Federal Grant Request

- The Amount of Grant Funding Requested from the FTA CIG Program for Construction is \$4.8 billion.⁷**
- The Percentage of CIG Funding Requested Has Remained Stable:** From 49.4% of eligible project costs in the 2017 and 2018 Financial Plans, the percentage was reduced down to 44.0% of eligible project costs in the 2019 Financial Plan, and 44.3% in the 2020 Financial Plan to 44.0% in this financial plan.
- The Financial Plan Continues to Include an Annual CIG Appropriation Cap:** A maximum annual CIG appropriation of \$600 million.

⁷ \$5.583 billion (\$4.763 billion for construction + \$820 million for financing costs) in the 2021 (FY2023) Financial Plan applying FTA cost methodology to include FTA CIG-eligible financing costs.

The local funding commitment will continue to support the repayment of Railroad Rehabilitation and Improvement Financing (RRIF) loans. The Project Partners are engaging with USDOT on development of RRIF loan letters of interest and preliminary applications.

The Commission has led the development and review of this financial plan and supporting documentation and has coordinated with Project Partners who have participated in its preparation. The Project Partners are confident that this financial plan meets 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 fiscal year 2023 Budget.

If you should have any questions, please do not hesitate to contact the Commission's Acting Chief Financial Officer, Francis Sacr at 212-435-5812 or fsacr@gatewayprogram.org or the Port Authority's Program Manager, Benjamin Engle at 212-435-6614 or bengle@panynj.gov.

Sincerely,



Richard Cotton
Executive Director, Port Authority of NY & NJ

cc: Gateway Development Commission
Balpreet Grewal-Virk, Co-Chair
Steven M. Cohen, Co-Chair
Anthony R. Coscia, Vice Chair;
Chairman, Amtrak
Jamey Barbas, Commissioner
Janine Bauer, Commissioner
Marie Therese Dominguez, Commissioner;
Commissioner, New York State Department of Transportation
Jerry Zaro, Commissioner
Francis Sacr, Acting Chief Financial Officer

Kevin S. Corbett, President & CEO, NJ TRANSIT
William J. Flynn, CEO, Amtrak
Stephen J. Gardner, President, Amtrak
Diane Gutierrez-Scaccetti, Commissioner, New Jersey Department of Transportation
Robert Mujica, Jr., Director of the Budget, State of New York
Kevin J. O'Toole, Chairman, PANYNJ