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UPDATED FINANCIAL PLAN RELEASED FOR HUDSON TUNNEL PROJECT

Local Share Continues at 50% of Estimated Construction Costs; Escalation due to Environmental Review Delays Adds \$275 million After \$1.4 billion in Reductions Last Year

NEWARK – The Gateway Program Development Corporation (GDC) today announced that an updated financial plan for construction of the Hudson Tunnel Project (Project) has been submitted in response to the Federal Transit Administration's (FTA) annual call for projects for the Capital Investment Grant (CIG) Program.

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 109-year-old North River Tunnel, and the completion of the third and final section of the Hudson Yards Concrete Casing.

The 2020 financial plan includes a continued local share construction cost commitment of \$5.55 billion from the State of New York, State of New Jersey, and the Port Authority of New York & New Jersey. That commitment continues to meet and exceed the threshold for an improved rating in the CIG process. The Port Authority's funding commitment alone surpasses the requirement to qualify for CIG funding. The updated financial plan also includes a continued Amtrak commitment of nearly \$1.3 billion.

Overall construction costs for the Project increased \$275 million, due to escalation from the delay in starting major construction, which cannot begin until a Final Environmental Impact Statement (FEIS) and a Record of Decision (ROD) for the new tunnel and rehabilitation of the existing North River Tunnel are issued.

Additional details of the 2020 Financial Plan are outlined in the attached cover letter, including:

- Responsibly updating the Project's projected start of major construction by one year to early 2022, necessary while the Project Partners await Federal action on the FEIS and ROD and advancement on the Project's financial plan rating and funding.
- Revising the Project's estimated construction cost to account for the time-driven escalation: after reducing the estimated construction cost in the 2019 Financial Plan from \$12.7 billion to \$11.3 billion, the delay results in a new estimated construction cost of \$11.6 billion.
 - o This includes \$9.8 billion for the new tunnel and \$1.8 billion for the rehabilitation of the existing tunnel.

- Requesting \$5.5 billion from the FTA's CIG Program, which continues to be more than \$1 billion less than the request in the 2018 Financial Plan. The 2020 request represents 44.3% of the total project, which also continues to be a reduction from the 49.4% previously sought in the 2018 Financial Plan.

Steven M. Cohen, New York Trustee and Chair of the Gateway Program Development Corporation said: "All of our partners, the two states, the Port Authority, and Amtrak, remain fully committed to getting a new Hudson Tunnel built and rehabilitating the existing nearly 110-year-old tubes. Together, their funding commitments more than qualify the Project for an improved financial plan rating from FTA. Now we need a Federal Administration that works with us. With the COVID pandemic, the Project has only taken on even more urgency as the nation looks to bring back jobs and stimulate the economy, essential workers need reliable transportation in the short term, and the region and nation need 21st century rail transportation to build better infrastructure for the long term."

The Project will play a significant role in economic recovery from the impact of COVID-19. The Project provides long-term resiliency, reliability, and redundancy to the regional and national rail network, adds over 72,000 direct jobs and \$19 billion in economic activity, including an average of \$85 million per month in direct spending on materials and labor, and adds resiliency against extreme weather events.

The 2019 Financial Plan was predicated on the USDOT issuing a FEIS and ROD in calendar year 2019, and the 2020 Financial Plan is predicated on the USDOT issuing a FEIS and ROD in calendar year 2020. The FEIS and ROD continue to be critically important to advancing the Project's financial plan and design, entering into the next phase of the FTA CIG Program (Engineering), and advancing certain early work activities that would require a Letter of No Prejudice and/or Early Systems Work Agreement from FTA before starting.

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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.

August 28, 2020

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 United States Department of Transportation’s (“USDOT”) fiscal year 2022 budget proposal for the Federal Transit Administration’s (“FTA”) Section 5309 Capital Investment Grant (“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 Amtrak and NJ TRANSIT 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, resulting in major delays into and out of New York that ripple up and down the NEC. Between 2014 and 2019, infrastructure issues caused more than five hours per day of total train delays for NJ TRANSIT and Amtrak passengers on 45 separate days - resulting in 2,500 delayed trains and 65,800 train delay minutes. 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 massive 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.

This Financial Plan includes continued strong local commitments totaling \$5.55 billion, which meets and exceeds the threshold for an improved CIG financial plan rating. The actions committed to in the New York State Budget Director's letter in support of the Project are consistent with those that currently support special contractual obligations due on outstanding state appropriation-backed bonds, and the actions committed to in the Governor of New Jersey's letter supporting that state's commitment to the Project remains current. The Port Authority's funding commitment to this Project included in its Board-adopted 2017-2026 Capital Plan continues to represent over 30% of the Project's non-CIG funds.

National Goals and Project Benefits

The Project has taken on even more urgency as the nation looks to bring back jobs and stimulate the economy coming out of the Novel Coronavirus (COVID-19) pandemic. As the United States emerges from the COVID-19 pandemic, it will be crucial to invest in public transportation as a major driver of economic recovery to provide:

- immediate-term benefits by providing certainty to businesses that reliability and mobility will be improved as they develop their long-term plans, and supporting American communities; and,
- medium and long-term benefits by generating jobs through construction, maintenance, and operations, providing expanded mobility options for the hardest hit communities, and avoiding delayed transit services that could result in crowded and undesirable conditions.

The Project provides 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

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

- Over \$85 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

This submittal represents a commitment to ensuring public transportation is safe and reliable. Given the long-term benefits of the Project for the region and the nation, the anticipated return of ridership to 2019 levels over time, and based on FTA guidance, this financial plan reflects the pre-COVID-19 state of public and intercity transportation and supports a project that will provide benefits for at least a century after construction.

Environmental Review Status

USDOT has not provided the Project Partners with a new completion date for the required environmental impact statement ("EIS") and Record of Decision ("ROD") for the new tunnel and rehabilitation of the existing North River Tunnel. The Federal Infrastructure Projects Permitting Dashboard indicated, and continues to indicate, that the targeted issuance date for the Final EIS ("FEIS") and ROD would be March 30, 2018. The draft FEIS was completed on-time by the Project Partners in February 2018, was updated on-time at USDOT's request in December 2018, and was under review by USDOT throughout 2019 and much of 2020. In June 2020, the Federal Railroad Administration ("FRA") held an EIS update meeting with PANYNJ, NJ TRANSIT, and Amtrak on re-engaging on advancing the EIS and provided initial feedback on the materials submitted in December 2018. However, the Project Partners continue to await the issuance of an FEIS and ROD by FRA and FTA. The FEIS and ROD continue to be critically important to advancing the Project's financial plan and design, entering into the next phase of the CIG Program (Engineering), and initiating certain early work activities that would require a Letter of No Prejudice and/or Early Systems Work Agreement from FTA before starting.

The Project Partners continue to work diligently to further develop the Project so that it can advance immediately once a FEIS and ROD are issued.

² FY2022 Hudson Tunnel Project Financial Plan calculation

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

Changes since the 2019 Financial Plan Submittal

The Estimated Project Schedule Has Shifted While the Project Partners Await Federal Action on the FEIS and ROD:

- The 2019 Financial Plan assumed that the FEIS and ROD would be issued by the end of calendar year 2019, however, there is no date for issuing the FEIS and ROD. In the absence of a schedule, this financial plan assumes that they will be issued in calendar year 2020. Without a ROD, the HTP cannot advance into the FTA CIG Engineering Phase or be eligible to receive federal funds required for advancing into full construction.
- The 2019 Financial Plan assumed the Project's notice-to-proceed date would be in February 2021; this financial plan assumes the Project's notice-to-proceed date would be one year later to February 2022 because the Project Partners continue to await an updated target issuance date for either the FEIS or ROD.

Estimated Construction Cost Has Increased Due to the Project Schedule Shift: The estimated construction cost of the Hudson Tunnel Project elements totaling \$11.6 billion, has in whole, increased by \$275 million (2.4%) since the 2019 submittal due to escalation as a result of the delay in issuing the FEIS and ROD and the ensuing ineligibility to receive federal funds required for advancing into full construction :

- The estimated construction cost of the new Hudson River Tunnel and Hudson Yards Concrete Casing – Section 3 is \$9.8 billion (previously \$9.5 billion).
 - This estimated cost reflects the significant cost reductions included as part of the 2019 Financial Plan.
 - This estimated cost is based on the same level of engineering and design as 2019: Draft 30% engineering and design for the new Hudson River Tunnel and 100% design and engineering for the Hudson Yards Concrete Casing – Section 3.
 - The estimated cost increase is due to an additional year of delay in issuing the FEIS and ROD and assumes that a ROD is issued in 2020 and a notice-to-proceed in February 2022. The delay in the ROD also delays the HTP's request to be advanced into the FTA CIG Program's Engineering Phase, or be eligible to receive federal funds required for advancing into full construction.
 - 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. To meet the schedule and

estimated 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 \$1.77 billion).
 - This estimated cost is based on the same level of engineering and design as 2019: 10% engineering and design.
 - The estimated cost increase is due to an additional year of delay in issuing the FEIS and ROD.

Local Commitment to the Hudson Tunnel Project

- **The Local Commitment for Construction Costs Continues to Total \$5.55 Billion:** This continues to represent 100% of the local share cost for the new Hudson River Tunnel and Hudson Yards Concrete Casing – Section 3, as well as 78% 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 of the entire Hudson Tunnel Project. In September 2019, the Port Authority’s Board of Commissioners reaffirmed the \$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. This funding commitment continues to represent over 30% of the Project’s non-CIG funds (37.5%) – the amount required to be classified as “Budgeted” or “Committed” for a Medium rating from the FTA.
- **The Project Partners Have Identified the Project’s Sources of Funding:** The Port Authority’s funding, along with the continued commitments from the States of New Jersey and New York, and Amtrak, totals approximately 97% 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 Continues to be Almost \$1.3 Billion:** This financial plan continues to reflect Amtrak’s increased commitment from the 2019 Financial Plan of \$1.282 billion, increased from \$704 million in earlier financial plans.

Federal Grant Request

- **The Amount of Grant Funding Requested from the FTA CIG Program for Construction is Slightly Increased While the Project Partners Await Federal Action on the FEIS and ROD:** From \$5.646 billion⁴ in the 2018 Financial Plan, down to \$4.361 billion⁵ in the 2019 Financial Plan, and increased to \$4.498 billion⁶ in this financial plan due to an additional year of delay in issuing the FEIS and ROD.
- **The Percentage of CIG Funding Requested is Slightly Increased:** From 49.4% of eligible project costs in the 2018 Financial Plan, down to 44.0% of eligible project costs in the 2019 Financial Plan, and increased to 44.3% in this financial plan due to an additional year of delay in issuing the FEIS and ROD.
- **The Financial Plan Continues to Include an Annual CIG Appropriation Cap:** From CIG appropriations sized to match the CIG funding share in each year in the 2018 Financial Plan to a maximum annual CIG appropriation of \$600 million, which is reasonable based on the relative size of the Project, in both the 2019 and 2020 Financial Plans.

The local funding commitment will continue to 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 these critical criteria.

The Project Partners have participated in the development and review of this financial plan and supporting documentation. This submission represents our continued support and commitment to this financial plan for the Hudson Tunnel Project. 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 2022 Budget.

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

⁴ \$6.769 billion (\$5.646 billion for construction + \$1.123 billion for financing costs) in the 2018 (FY2020) Financial Plan applying FTA cost methodology to include FTA CIG-eligible financing costs.

⁵ \$5.339 billion (\$4.361 billion for construction + \$978 million for financing costs) in the 2019 (FY2021) Financial Plan applying FTA cost methodology to include FTA CIG-eligible financing costs.

⁶ \$5.510 billion (\$4.498 billion for construction + \$1.011 billion for financing costs) in the 2020 (FY2022) Financial Plan applying FTA cost methodology to include FTA CIG-eligible financing costs.

Sincerely,

Rick Cotton

Richard Cotton
Executive Director, Port Authority of NY & NJ

cc: Jamey Barbas, Commissioner, Gateway Development Commission ("GDC")
Steven M. Cohen, Chair, GPDC & Commissioner, GDC
Kevin S. Corbett, President & CEO, NJ TRANSIT
Anthony R. Coscia, Vice Chair, GPDC & Vice Chair, GDC
Marie Therese Dominguez, Commissioner, GDC
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, Trustee, GPDC & Commissioner, GDC