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# **GATEWAY PROGRAM UPDATE**

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# Gateway Program Update



- » Gateway Program – a Responsible, Rational, and Realistic Approach
- » Focusing on Phase 1 – Portal Bridge & Hudson Tunnel
  - » Local Share Commitment
  - » Financial Submittals
  - » Expediting Construction
- » Getting Ready for Construction – Additional funding and early work to be shovel-ready

# More Portal Bridge Failures: More Delays and Cancellations





# Gateway Phase 1 is Our Primary Focus

- » The Gateway Partners are focusing on Phase 1 of the Gateway Program, which addresses the most critical, time-sensitive elements:
  - » Two new Hudson River tubes - \$11.1 B
  - » Rehabilitation of the two existing 107-year old tubes - \$1.6 B
  - » The replacement of the 107-year old Portal Bridge - \$1.5 B
- » GDC and the Gateway Partners are dedicated to focusing on, implementing, and constructing the two Phase 1 projects to eliminate the most significant single points-of-failure
- » Because of the phased approach to the Gateway Program, the scopes and costs of projects in later phases will be evaluated in the future

# The Gateway Program has Evolved Over a Period of Time

*As Time Goes On, the Tunnel & Portal Bridge are More Likely to Fail*



» **2012:** Inundated with millions of gallons of salt water

» **2014:** Amtrak Engineering Report – Massive rebuilding needed due to on-going corrosion & crumbling of infrastructure



» **Summer 2015:** Electrical failures in the existing tunnels created massive delays for hundreds of thousands of commuters and national rail travelers for almost a full week

» Trains stalled under the Hudson River and passengers endured endless waiting in crowded Penn Station New York



» **November 2016:** The Gateway Development Corporation created to advance the Gateway Program, with a priority focus on the NEC's two single points of failure

» **December 2017:** New York and New Jersey commit to \$5.55 billion of the \$11.1 billion for the Tunnel Project

# NY & NJ's \$5.5 Billion Commitment is Local Share Funding

## » A Dollar of Grants and a Dollar of Loans are Not The Same

- » USDOT has noted in the FY19 president's budget that each dollar of loan subsidy provided for TIFIA can provide approximately \$14 in credit assistance.
- » Local Funds will pay back 100% of the RRIF loan
- » **Win-Win:** This low interest loan decreases project costs, benefiting the nation & region

Funding Source To GDC	Net Proceeds
NJ TRANSIT	\$1.9 B
New York	\$1.75 B
Port Authority of NY & NJ	\$1.9 B
<b>TOTAL</b>	<b>\$5.55 B – 50% of the construction cost of the new tunnel</b>

- » GDC's financial modeling assumes it pays upfront fees on the RRIF loans in cash from local sources
- » USDOT has consistently considered loans from Build America Bureau as part of the Local Share in accordance with statute<sup>1</sup> and pronouncements<sup>2</sup>.
- » As just one of several examples, the USDOT December 2017 Project Profile for the Maryland Purple Line, which has both FTA grants and a TIFIA loan, includes the TIFIA loan in the "State/Local" category of sources of funds for that project

1. TIFIA Statute (23 USC § 603): [https://www.fhwa.dot.gov/ipd/finance/tools\\_programs/federal\\_aid/matching\\_strategies/](https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/)

2. INFRA Grant NOFO: <https://www.transportation.gov/sites/dot.gov/files/docs/policy-initiatives/buildamerica/259257/infranofofederalregister.pdf>

# Build America Loans are Dependent on the Local Revenue Stream

- » Every Build America Bureau loan is dependent on the credit quality of the local revenue stream required to repay the loan, rather than who provides the loan.
  - » For example, typical primary sources of local repayment include:
    - » Toll Revenues from local users on a toll road or
    - » Availability payments from a state or other local public authority
- » TIFIA loans made in 2017 had credit ratings varying from BBB- to AA+, because the source of repayment is always local
- » Build America Bureau makes loans supported by local revenue streams, with full expectation of repayment
- » As the independent rating agency Fitch has noted in its analysis credit considerations relating to projects with TIFIA loans:<sup>1</sup>
  - » *“TIFIA takes on risks of a typical project finance lender.”*
  - » *“...TIFIA does have a history of protecting its interests more like a commercial lender in a distressed situation than a governmental grant providing agency.”*

1. “TIFIA: Critical for U.S. Infrastructure Funding” by Fitch Ratings Inc. October 29, 2014



# Multiple Financial Submissions to USDOT for Phase 1

» The Gateway Program Partners are seeking federal grants and federal loans repaid by local cashflows

## » Hudson Tunnel Project

Submission Type	Month/Year	Status
FTA Grants	Sept./Dec. 2017	<ul style="list-style-type: none"><li>• FTA “Medium-Low” rating did not account for the December 2017 submittal</li><li>• <i>Follow-up information in development</i></li></ul>
Local/USDOT RRIF Loan	Documentation in development based on FTA Grant Submittal	

## » Portal North Bridge Project

Submission Type	Month/Year	Status
FTA Grants	Sept. 2016	<ul style="list-style-type: none"><li>• FTA “Medium-High” Rating</li></ul>
FTA Grants	Sept./Dec. 2017	<ul style="list-style-type: none"><li>• FTA “Medium-Low” rating did not account for the December 2017 submittal</li><li>• <i>Follow-up information submitted &amp; in development</i></li></ul>
Local/USDOT TIFIA Loan	Sept. 2017	<ul style="list-style-type: none"><li>• USDOT BAB Feedback received March 2018</li><li>• <i>Follow-up information in development</i></li></ul>



# The Gateway Partners are Taking Action to Expedite and Advance Phase 1 Projects

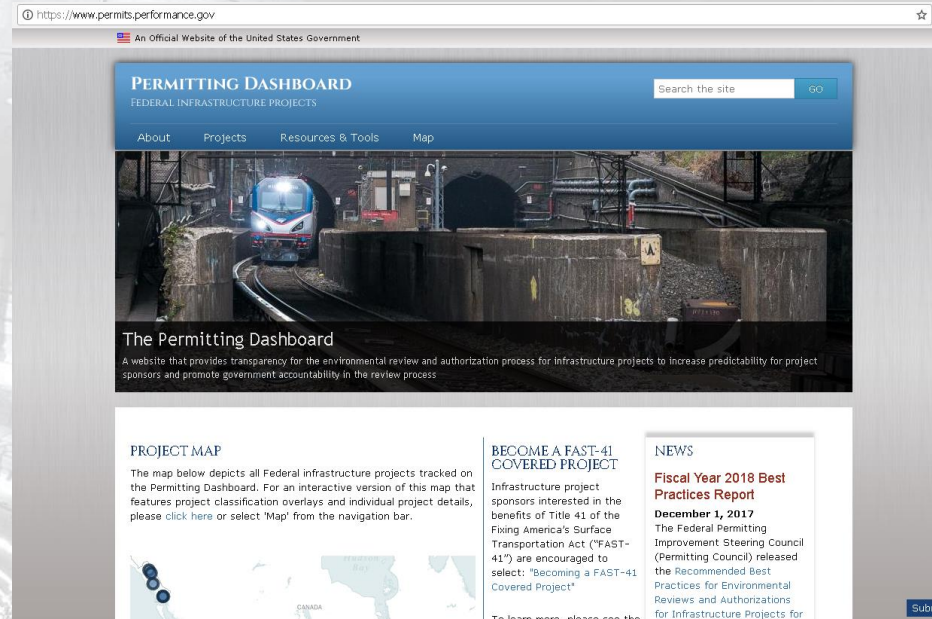
- » Delays to both Phase 1 projects can cause cost escalations that are costly to everybody – therefore GDC and its partners are taking action to expedite construction of Phase 1
  - » New Hudson Tunnel: \$1.2 million/day (starting mid-2019)
  - » New Portal North Bridge: \$150,000/day (starting mid-2018)
- » Critical Early Work and Funding:
  - » Portal North Bridge Early Work: Utility Relocation & Site Access
  - » Hudson Yards Concrete Casing – Section 3: LIRR ESB Utility Relocation
  - » \$63M committed by PANYNJ and Amtrak for engineering, design, and program management services
- » Continuing to Leverage Private Sector Industry Feedback
  - » Continuing industry engagement through RFI from fall 2017

# Phase 1 – Progress towards Shovel Readiness

Project	Design/ Engineering	Environmental Review	Local Financial Commitment	Shovel Ready
Portal North Bridge	Complete	Complete	100%	Yes
New Hudson River Tunnel	Reaching level of Design and Engineering needed for Design-Build in Spring 2018	<ul style="list-style-type: none"><li>• All local documentation and analysis completed on schedule</li><li>• Awaiting Federal Agency review and USDOT sign-off of Record of Decision (ROD)</li></ul>	100%	<i>Pending completion of Environmental Review and Design/Engineering</i>

# The Hudson Tunnel Project Has Expedited Environmental Review to 24 Months

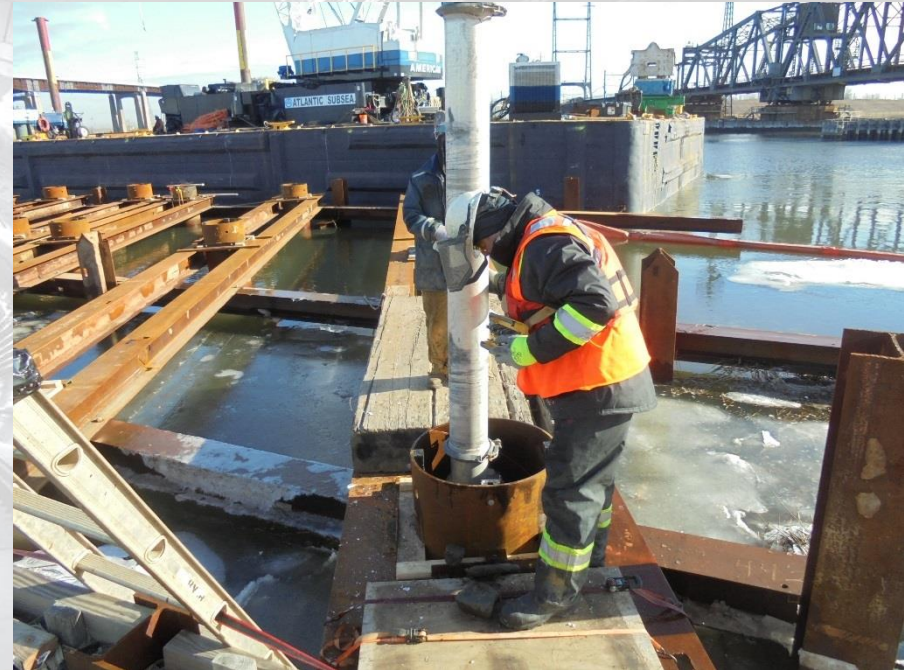
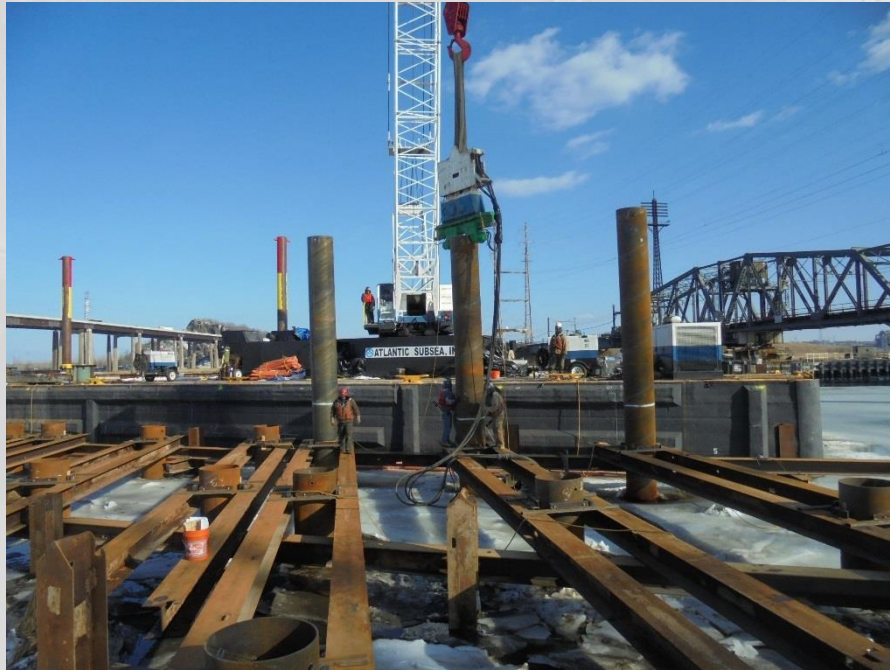
- » NEPA –Environmental Review & Permitting Process was expedited to advance the Project as quickly as possible
- » All necessary analyses and public outreach completed in less than 2 years
  - » This is half the time of typical large infrastructure projects
- » Final EIS/Record of Decision expected to be issued by FRA in March 2018
  - » FTA Record of Decision to follow





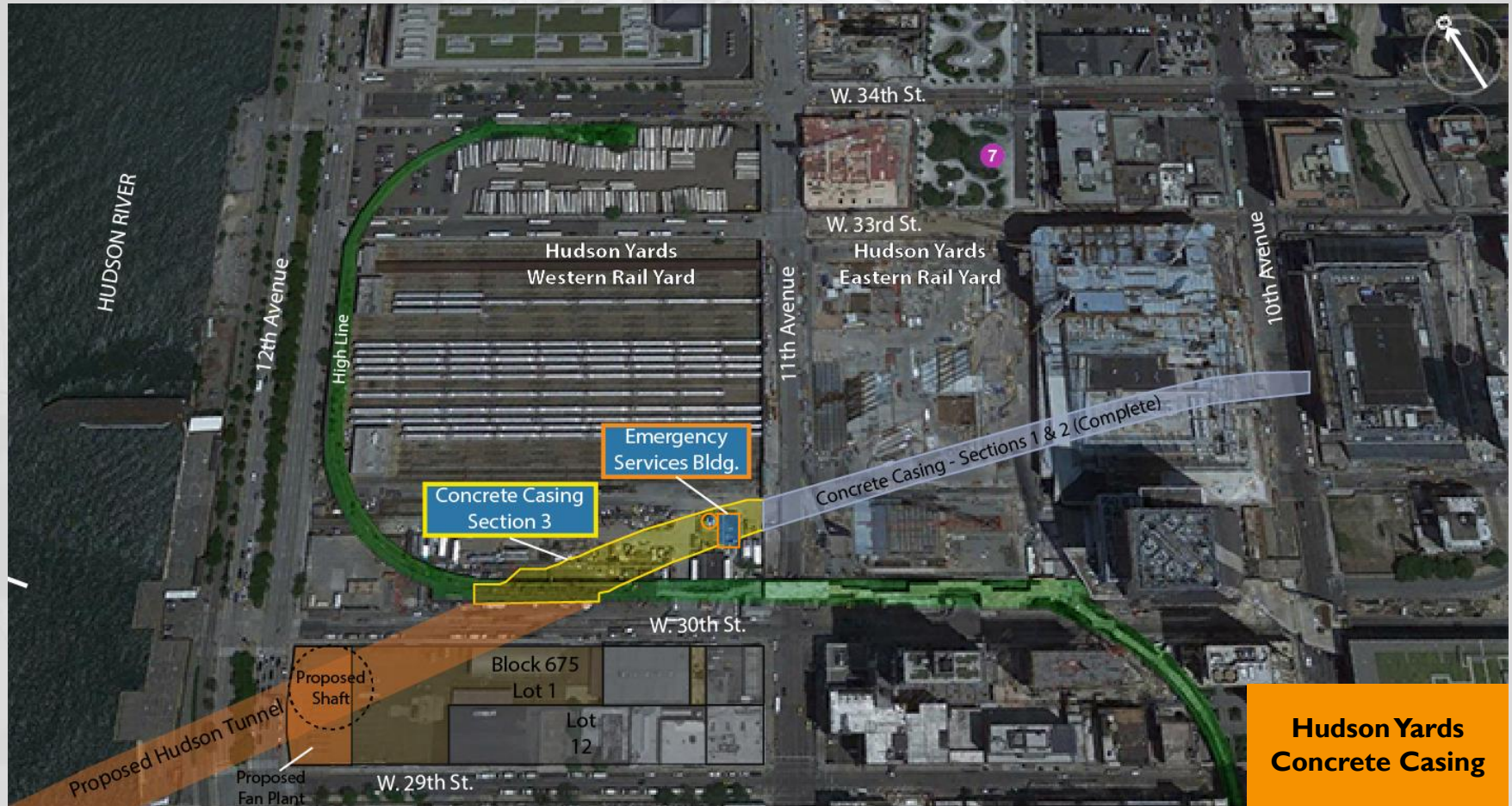
# Making Real Progress on Portal North Bridge

- » Construction on essential early work activities, including site access pier/road and utility relocation, started in 2017



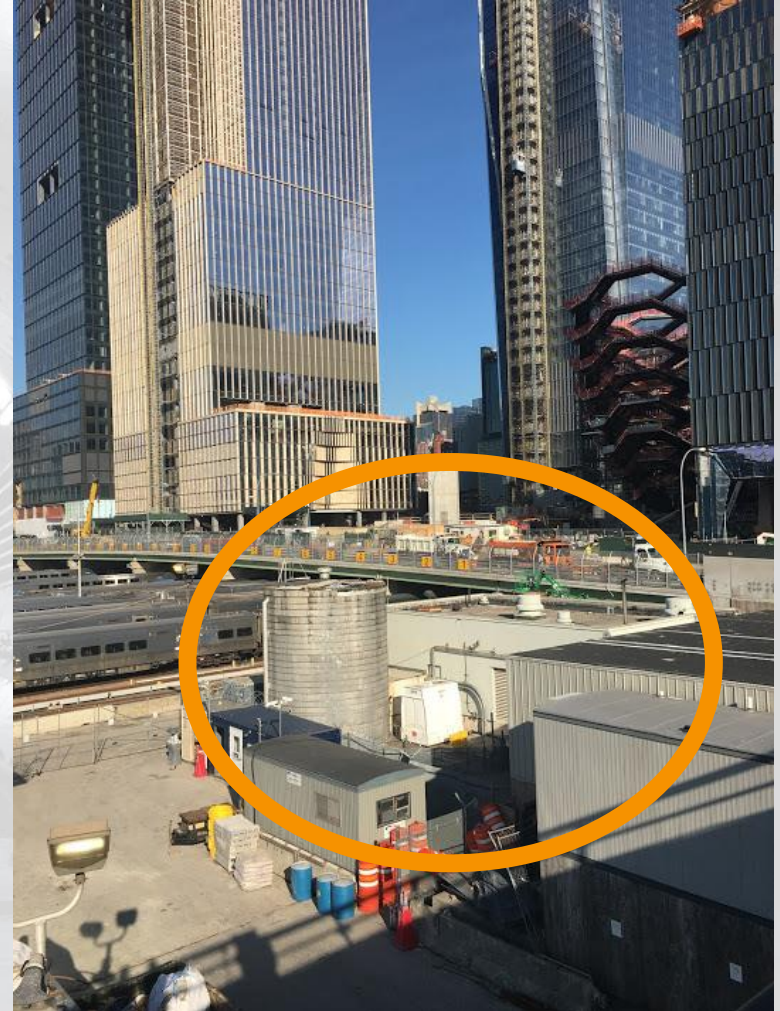


# Progress on Tunnel and Hudson Yards Concrete Casing



# Funding Identified for LIRR Emergency Services Building Early Works Utility Relocation

- » Hudson Yards Concrete Casing – Section 3
  - » Essential Right-of-Way Preservation under Hudson Yards Development Project
- » First Element is to move the Long Island Rail Road (LIRR) Emergency Services Building (ESB) out of the construction area
  - » Scope: Utility Relocation
  - » Cost: \$25 M
    - » Port Authority: \$12.5M
    - » Amtrak: \$12.5M
- » Contract Award and Construction Start for LIRR ESB- Summer 2018





# MOVING GATEWAY *FORWARD*

