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Press Release

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IMMEDIATE

MTA Construction & Development President Janno Lieber Participates in Real Deal Webinar on Future of Transit and Real Estate

MTA Construction & Development President Janno Lieber joined a webinar hosted by The Real Deal Editor Erik Engquist on the future of the MTA and New York City real estate.

The entire webinar can be seen [here](#).

Excerpts from the webinar appear below.

Erik Engquist: What is the status of the funding of that five year, \$54 [sic] billion MTA Capital Plan?

Janno Lieber: We started off this year with a high level of confidence about our ability to execute. The capital program, which is a huge step up from prior capital programs, which were in the \$30 to \$35 billion range, was funded in large part by the projected revenues from congestion pricing, which the governor and the legislature passed and by additional taxes, mainly on internet sales and a couple of other real estate taxes, a small slice of real estate, mortgage recording tax and so on. So we were very optimistic in the beginning of the year. I laid out a plan where we were actually going to commit to \$13 billion of new projects, just this year. But then COVID hit, and a couple things happened. One is that the Trump administration continued to delay and not take any action on our proposal for congestion pricing, which requires a federal environmental review. I won't get into the details but they've basically just been sitting on it for over a year, so that put that piece at some risk. And then came the reality that all of those dedicated revenues that were meant to fund the capital program are being impacted by COVID. And then the third challenge to the capital program is that we may have to cannibalize the capital program in order to keep the lights on to feed the operating budget just so we can continue to operate the trains and buses and commuter railroads so all of those things, as Erik suggested, have put the capital program in some risk. However, we have managed to keep a fair amount of work going.

Engquist: We're gonna talk about the projects you have, but just to put it in perspective, I think congestion pricing was maybe \$15 billion of the capital program and then, the real estate transfer tax increase, the internet sales, it added up to another \$10 billion or so. And then all of the other things that you normally get as you mentioned, transfer tax was all of a sudden, real estate transactions, just fell off a cliff when COVID hit, so you stop getting your kind of those sales taxes, you get some money from that I think, that fell off. So how much do you actually have left?

Lieber: Well there is a fair amount, and a lot of the work that's going on is funded by prior capital programs, without getting into all the mechanics. During COVID, we managed to keep going 500 projects, 300 of them active construction projects, but most of them had been initiated and were funded in prior capital programs, so all of that work is going on. And we've been able to accelerate a ton of it at the governor's request, finding opportunities to actually get work done faster because of low ridership, hopefully to deliver a better system when the ridership comes back. But the real issue is, Erik, all those revenues that you enumerated depend on support borrowing that allows us to actually spend money on the capital side, that has historically been the MTA's way of funding the capital program. And now with the uncertainty about the MTA's financial situation, the capital markets have become much less friendly. Our borrowing costs are up by several hundred basis points, and there's a fundamental question of market access. So we don't have access to a ton more money in the capital program, unless and until the federal government steps up and does what it would do from any kind of a hurricane or other emergency, and step up and can deal with the consequences. We're waiting for Washington to act.

Engquist: If you have to cannibalize capital funding, what kind of projects would be canceled just to keep the trains running?

Lieber: We're not ready to make those decisions. We have done the homework internally to try to figure out which are the most safety sensitive projects, we obviously can't put safety at risk. What are the core, what we call state of good repair, the projects that are necessary just to keep the system from falling apart. In the past, people didn't protect that basic condition and system and it had consequences as we all know, for how well the trains ran and the system operated generally, so we're gonna prioritize safety as well. But let me tell you, the things that we're also trying to do is make sure that we can continue to attack the problem of accessibility, ADA accessibility which New York's system does not have to

the right level. That we're able to install new signals so we can run more trains safely, closer together. Those were huge priorities that we don't want to see wiped out by this financial crisis.

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Engquist: I just want to talk a little bit about things that you can control, or at least would like to control, in terms of cost. Because whenever the MTA asks for funding, usually the funders come back and say 'well your costs are too high, you know, if you would run a more efficient operation, you'd be able to do more with the funding you have.' And I'm hearing great things from the industry about progress that you have made, but it is an enormous task. So could you just give us an update on what you've been able to accomplish so far in terms of cost reductions and efficiency and what you hope to do still.

Lieber: So the first thing we want to do is to make the MTA a much better client or customer, so contractors and consultants won't add an MTA premium. So, you know, we've attacked very aggressively, the provisions of MTA contracts that make us different than others and a little one-sided, like the dispute resolution provision that basically says the MTA gets to decide any dispute between the MTA and a contractor, that's not fair, and they charge you for it. We are making sure that we're not requiring them to put more bonding up than necessary because that eats into their ability to do more projects. And again, they charge you for it. We're really aggressively attacking the timeliness of payments. If you don't pay a contractor on time, you are making them your lender, and they will charge you for that, so we've attacked that aggressively. And probably one of the biggest things is, we're simplifying the design. You know the MTA as many public agencies, has a history of over customization and getting into some arcane specs so that when you go to work for the MTA you have to supply a product or a piece of equipment that is weird and not generally available that's custom. Like if you remember Al Gore showing everybody in the Clinton-era that the Pentagon was buying hammers that cost 10 grand because they were all customized. We want to get away from that. So all those things we're doing. The other things we're doing which are huge, is we're moving to design-build, instead of the MTA taking years to design projects, handing them over to contractors, then there's a lot of disputes about whether the designs are buildable, what's wrong or right with the design. We let the contractor and their design partner do the design, simplify it, it delivers much better speed, much more innovation, because you're giving contractor flexibility. So it's the law of the state of New York and we're aggressively using design-build. The other issue is that whenever we do projects now, we look for opportunities in what we call bundle, which means that if you're going to do a project that requires a track outage or getting in the way of operations in some way, then every other project that requires that interference or that shutdown or outage, we should be looking at as a potential element of a bundle so that more work can get done every time you shut down a railroad, or a system in some way, and it also, it creates huge benefits in terms of the speed of operations and also minimizing impact to the customer. So those are some of the things we're doing. Another piece of it is, frankly, you know, at the governor, the legislature's instigation, all of the different MTA agencies were operating separate construction groups and they brought them all together under my umbrella. And now we have one group which is really all about project management and those people who are running those projects we call the project CEOs, now have the power, they're responsible for the schedule and the budget of project, and they don't have to make changes, even when someone comes in and says, 'change the design, give me a later model, oh I forgot about this.' They have the power to control scope, control the budget and the schedule in the way that they may not have had in the past. And that's a new emblem of our approach to project management. It's already yielding results in terms of costs.

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Engquist: Real estate people tend to look three or four years out, or five years or 10 years out, so I would imagine that the MTA has to do a little bit of that as well. I mean, is it realistic that in our lifetime we might see the ① train brought under the harbor to Red Hook, or, the mayor at one point wanted to take the ② train in Brooklyn, and extended farther into Brooklyn. There's a fabulous project that would connect three different boroughs using an old freight line that the Regional Plan Association has been advancing for years. Are these nuts? Should we just drop these fantasies, or do you think we could maybe see some progress on these once we get past this pandemic?

Lieber: I do and I think that we have to, Erik, we have to plan for the region's future. We have to plan for growth. I mean, remember, we're in the middle of this terrible pandemic and all the impacts to our economy and our public health situation and to individuals. But you know, many of us, I grew up in New York, and I grew up in New York in the 70s, and we lived through 9/11, we lived through Superstorm Sandy, we lived through the financial crisis, you know, Larry Silverstein always said, "Don't bet against New York." He took the long view and it's always worked out. So I do think you're right that we have to plan for the future of New York, and what it's going to need to prosper and grow in terms of its mass transit and its public infrastructure. The projects that you did, you made reference to, are serious candidates for evaluation. The Bay Ridge line, which runs from the Brooklyn waterfront up to Fresh Pond in Queens, it cuts across, I think a dozen different subway lines, which are kind of on the hub of the system coming into Manhattan, that would be obviously an appealing project. The Utica Avenue extension, they're all being studied. What I'm trying to do is make sure that those studies, that we're doing it systematically so that you can compare the economic value and the return on investment transportation-wise, economic-development-wise, of different investment options so that when the crisis passes and the world comes back to normal, we do have some basis of choosing among how we want to spend big money in the future.