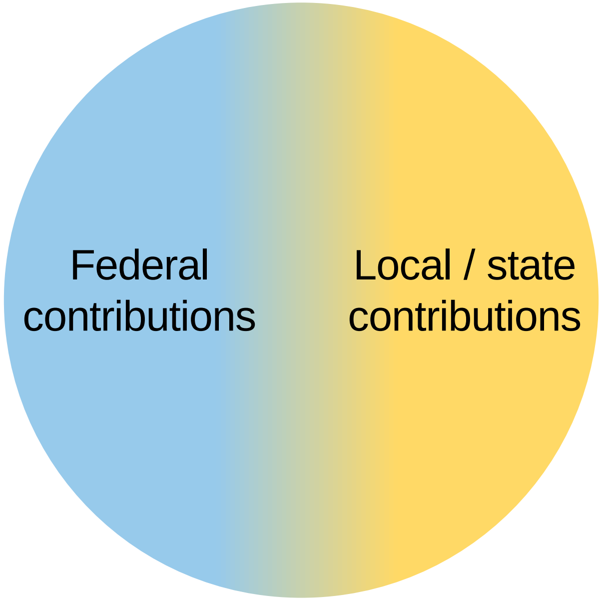
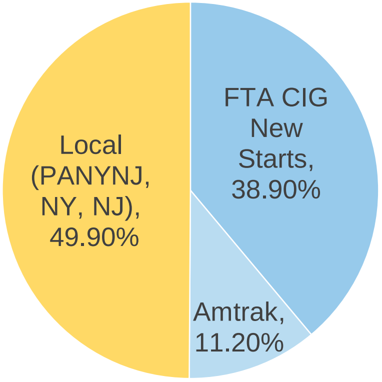
Penn Projects
Funding and Financing Considerations

Cost Sharing Model for Large-Scale Rail Infrastructure Projects

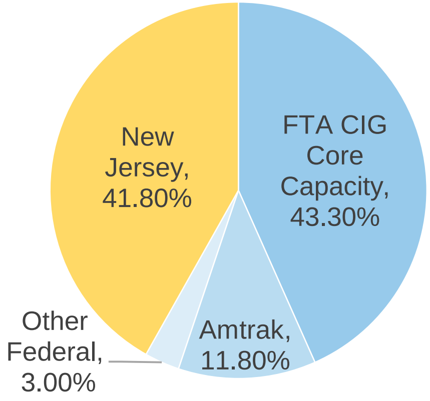


Gateway: Hudson Tunnel | ***$13.7 B***



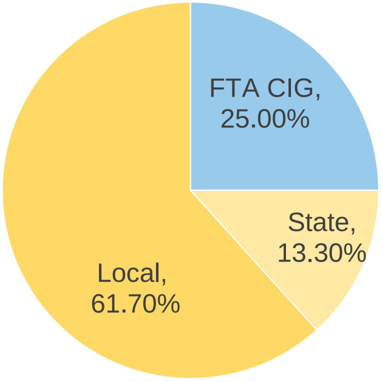
Source: FY22 Financial Plan

Portal North Bridge | ***$1.9 B***



Source: Sep. 2019 Financial Plan

BART to Silicon Valley II | ***$6.9 B***



Source: Infrastructure Journal

Financing Considerations

Timing

i. What federal grant programs would be available for the project and what are their timing and requirements?

ii. What are the conditions precedent to financing? (e.g., approval of GPP, agreements with funding partners, property acquisition, sequencing of project components, etc.)

iii. What are expectations for receipt of funds vs project spend?

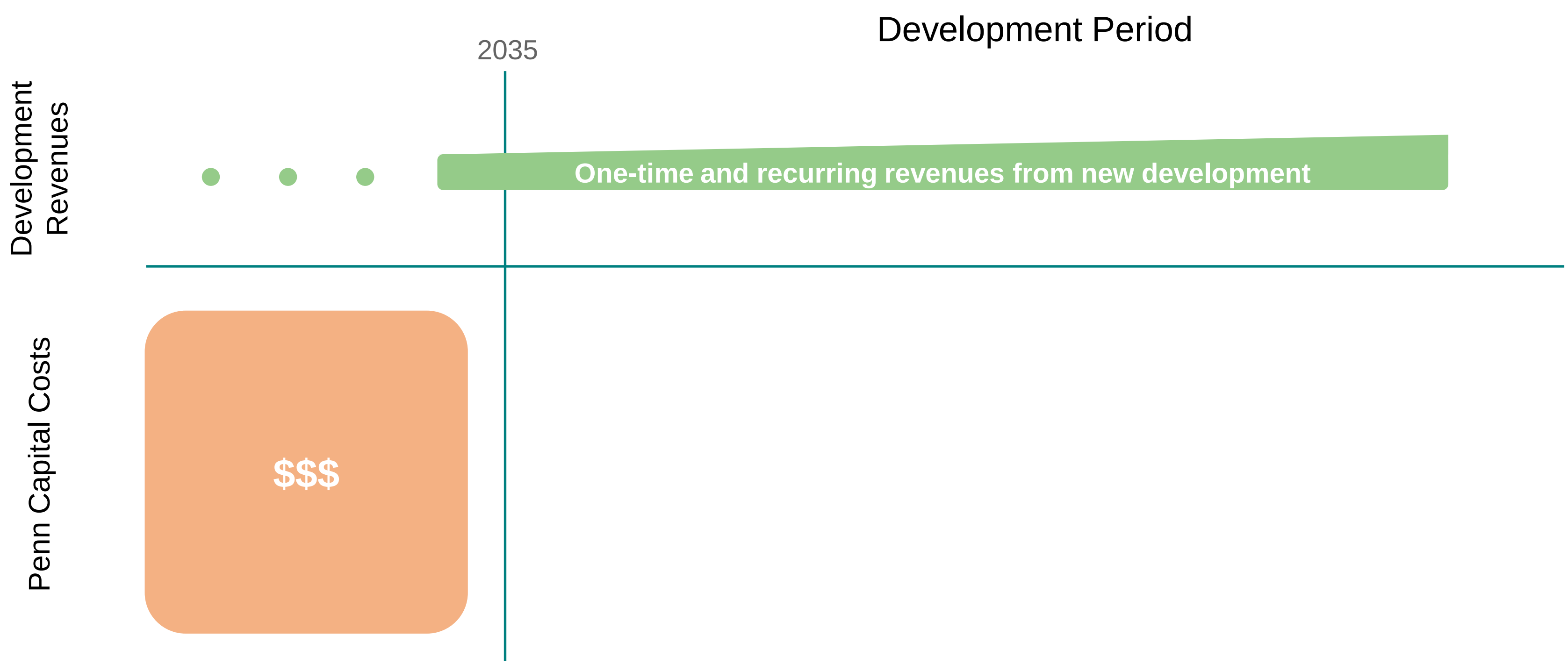
Revenue Profile

i. How do the revenue streams and project uses impact debt capacity, taxability, funding agreements, and project delivery strategy?

ii. What is the investment quality of the revenue streams; will the financing require credit enhancement to achieve investment-grade quality; and what are precedent structures for credit enhancing similar projects/revenue streams?

Timing Considerations

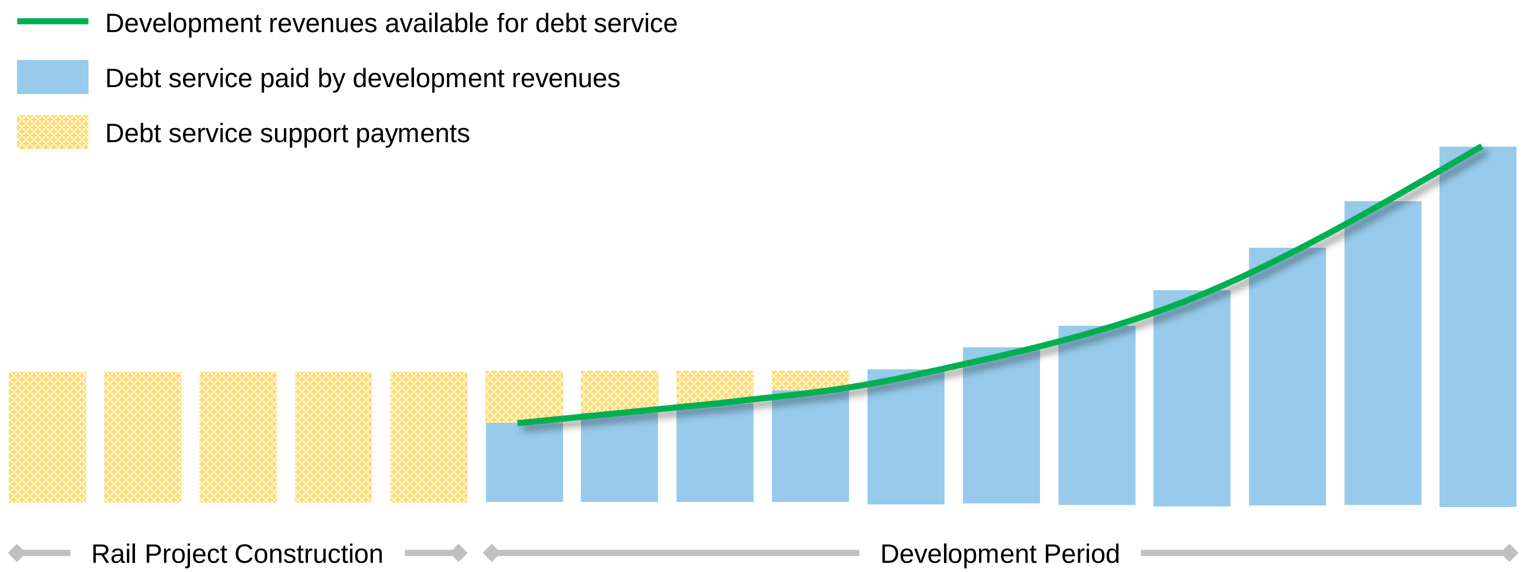
- Development-related revenues from the GPP sites can potentially serve as NY's share toward the Penn Projects' capital costs.
- However, the timing differences between project spend and receipt of these revenues is the key consideration of any financing strategy.



Revenue Profile Considerations

- Tax revenues related to potential future development carry uncertainty around timing and amount.
- Credit enhancement mechanisms are usually required in order to address this uncertainty and achieve investment-grade ratings.
- E.g., financing for the No. 7 subway line extension relies upon Interest Support Payments from the City to bridge the timing gap between project needs and development-related tax revenues.

Illustrative diagram of credit enhancement requirement



Financing Tools for Local Contributions

	Program Description	Key Precedent
Transportation Infrastructure Finance and Innovation Act (TIFIA)	• Federal loan with favorable interest rates based on Treasury rates (plus 1 bp statutory margin) • Flexible capitalization/amortization terms and 35-year term beyond project completion • Caps loans at 33% of eligible project costs • Federal government subsidizes credit risk; investment-grade rating required	
Railroad Rehabilitation & Improvement Financing (RRIF)	• Federal loan with favorable interest rates based on Treasury rates (plus 1 bp statutory margin) • Flexible capitalization/amortization terms and 35-year term beyond project completion • Can finance 100% of eligible project costs • Credit Risk Premium ranging between 0% and 5+%, depending on the credit risk of the project	
Tax-Exempt Bonds	• Current low-yield environment helps to reduce overall financing costs • Not subject to cap requirements • Term of bonds limited by useful life of projects • Financing must include public payments or public use	

Case Study: Moynihan Train Hall

Key Takeaways:

- Newly opened rail station for Amtrak seen as first step in the redevelopment of the Empire Station Complex
- Project funded from multiple sources, including upfront and long-term developer payments, federal grants, federal loan and direct state contributions
- Despite strong developer and strong commercial incentives to complete, MTA backstop for debt service reserve needed to achieve investment-grade rating

Project Sources	$m
TIFIA loan	526.1
ESD	475.3
Developer payment	230.0
PANYNJ	150.0
Amtrak	105.0
Federal CMAQ & Resiliency	62.2
MTA	54.9
PILOT during construction	14.9
Total	**1,618.4**

Project Uses	$m
Moynihan Train Hall Phase 2	1,260.0
Project Management & Other Costs	334.0
DS Reserves / Financing Costs	24.4
Total	**1,618.4**

Development revenues committed to project:

- Recurring: PILOT
- One-time: Up-front lease payment

Case Study: Denver Union Station

Key Takeaways:

- Newly configured transit hub in Downtown Denver which included substantial real estate development on former freight rail yard
- Project funded by development-related revenues, grants and local stakeholder contributions
- TIFIA and RRIF financing structure utilized annual obligations from transit agency (RTD) and City of Denver contingent support to improve financing credit profile

Project Sources	$m
RRIF loan	155.0
TIFIA loan	146.0
Federal grants	79.0
RTD FasTracks	51.0
Land sale / other	29.0
State grants	21.0
Total	**481.0**

Project Uses	$m
Bus terminal	185.0
Streets & public spaces	162.0
Light rail	70.0
Commuter rail	64.0
Total	**481.0**

Revenues committed to project:

- Recurring: FasTracks sales tax; District property taxes
- One-time: Property take downs

Ref: FHWA project profile on Denver Union Station; Build America Transportation Investment Center (BATIC) Institute presentation on Denver Union Station Innovations in Practice Webinar.

Case Study: Hudson Yards/7 Line Extension

Key Takeaways:

- Development-related revenue provided substantial funding for the extension of the 7 Line
- Revenue bonds issued for the project were backed by future development-related revenues, which necessitated credit support to appeal to investors
- Interest Support Payments (ISP) from the City provide support on interest payment shortfalls for the bonds (subject to annual appropriation).

Project Sources*	$m
Tax-exempt bonds	3,000.0
Bond premium	133.8
Total	**3,133.8**

Project Uses	$m
7 Subway extension & amenities	2,879.4
TDR purchase	200.0
Issuance costs	37.4
HYDC expenses	17.0
Total	**3,133.8**

Development revenues committed to project:

- Recurring: PILOT, Tax Equivalency Payments (TEP)
- One-time: District Improvement Bonus (DIB), Transferable Development Rights (TDR) payment, PILOMRT

** Sources & Uses table reflects consolidated project budget using 2007 and 2012 financing statements*

Potential Development-Related Revenues for NY Contribution

The following categories of revenues could be used toward the required NY contribution to the Penn Projects and GPP transit improvements.

Land value payments: Upfront and/or periodic payments received through long-term lease agreements (Sites 1-3)

Additional development rights (ADR) value: Payments for additional development rights to be used on privately-owned sites (Sites 4-8)

Payments in lieu of taxes (PILOT): Ongoing payments in lieu of ad valorem property taxes (potentially all sites)

Payment in lieu of mortgage recording tax (PILOMRT): One-time payment in lieu of mortgage recording tax (potentially all sites)

Payment in lieu of sales tax (PILOST): One-time payment in lieu of sales and use tax on construction materials for development (potentially all sites)

Challenge: Fully Funding New York's Share

Penn Projects Costs: $30-40B*

2022 – 2035

- Property Acquisition
- Relocation
- Demolition
- Service Building Construction
- Hudson Tunnel Project + Related Projects
- Penn Renovation
- Penn Expansion

** New York State is planning for total costs of $30-$40 billion, with NYS' share being $7.5-$10 billion, including GPP transit and public realm improvements not subject to a federal/NJ/NY split.*

Penn Projects Funding *(assuming 50/25/25 Cost Sharing Agreement)*: $30-40B

2022 – 2035

Anticipated Federal Share: $15-20 Billion	Anticipated NJ Share: $7.5-10 Billion	Anticipated NY Share: $7.5-10 Billion*

Anticipated New York Share: $7.5-10 Billion

2022 – 2035

Current NYS Commitments

- $1.3B NYS 2021 budget appropriation
- $2.7B NYS commitment to Hudson Tunnel Project
- $1.25B PANYNJ contribution to Hudson Tunnel Project**

Possible Financing Sources to Close Gap

- TIFIA
- RRIF
- Tax Exempt Bonds
- Other Financing Sources

Future GPP Sources

- ADR & Land Value
- Tax-related revenues (PILOT/PILOST/ PILOMRT)

*** Portion of PANYNJ's $2.5 billion contribution to Hudson Tunnel Project attributed to New York*

Conclusions

Best case scenario: a portion, but not all, of the billions of dollars necessary for New York's share could be generated by GPP real estate revenues.

A portion of the early funds would be dedicated to the GPP's transit and public realm improvements.

The urgency of the GPP is highlighted by the timing gap between when funds are needed to construct the Penn Projects and when real estate revenues are generated.

The funding gap caused by this timing problem would be closed, at least in part, by financing against future revenues, particularly PILOT.