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Editorial: Time to show the math behind funding the much-needed Penn Station overhaul

The Editors ⁝ 3-3 minutes ⁝ 5/16/2022

Miserable Penn Station needs an overhaul, and we applaud Gov. Kathy Hochul for getting behind a plan to use tax revenues from 10 new office towers to pay the state's share of the $40 billion bill.

The city needs modern, flexible office space with convenient proximity to mass transit to compete in a hybrid work environment. We also need a transit experience that isn't dank and dungeon-like.

It looks like a mutually beneficial arrangement.

But there are significant unanswered questions about the Penn Station project, including its ultimate price and how much revenue those office buildings will generate, as the city's Independent Budget Office noted in a report last week.

Here's the worrying question: Are we setting ourselves up for a repeat of the Hudson Yards scenario, in which taxpayers had to cough up nearly $400 million to Wall Street bondholders after property-tax and other revenues failed to meet targets?

"This plan is fatally flawed," Layla Law-Gisiko, a Community Board 5 official, told *Crain's*.

On the other hand, a spokesman for the Empire State Development Corp., which is handling the project, promised "a fair financial structure" will be in place before the plan moves forward. A spokesman for Mayor Eric Adams offered similar reassurances.

It's time for the agencies orchestrating the Penn Station overhaul to show their numbers and explain their math.

The rebuilding of Penn Station is part of a broader plan to expand railroad capacity and build new tunnels underneath the Hudson River. The total bill is expected to reach up to $40 billion, with federal authorities ponying up 50% while New York and New Jersey split the rest.

Under Hochul's plan, most of New York's share would be paid by tax revenue produced from 20 million square feet of office and retail space developed by Vornado Realty Trust in the area around Penn Station. The project would be even larger than the 18 million square feet of The Related Cos.' Hudson Yards.

New Jersey does not plan to use tax proceeds from private development to fund its portion.

For Hudson Yards, which no longer relies on taxpayer support, the city's cost ran 40 times higher than expected. Let's make that a lesson learned, not repeated.