

BUSINESS

What Penn Station's \$6 Billion Makeover Means for NYC

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For decades, New York City's Pennsylvania Station has been an eyesore. The Western Hemisphere's busiest transit hub, it's a deflating gateway to the the Big Apple for tourists and a daily ordeal for commuters from Long Island and New Jersey. Now it's poised to get an expensive makeover. That is, if government officials, neighborhood activists, investors and real estate developers can agree on how to carry out a \$6 billion renovation that, while a step down from a plan originally put forward by former Governor Andrew Cuomo, would be one of the biggest transportation projects in recent New York history.

1. Who uses Penn Station?

The station is owned by Amtrak, serving as the national rail carrier's main hub. New Jersey Transit, the Long Island Rail Road and the New York City subway system also use it. The Metropolitan Transportation Authority, which runs the LIRR and the subways, has plans to create an extension of its Metro-North Railroad's New Haven Line to reach Penn Station. Prior to the pandemic, the station served 600,000 daily passengers.

2. What's the problem?

Built in 1910, it was regarded as a masterpiece of the Beaux-Arts architectural style, with soaring steel and glass giving travelers plenty of light and space.

It was torn down in 1963 and rebuilt in 1968 to make room for the latest version of Madison Square Garden, an act that sparked international outrage and helped create the modern architectural preservation movement. The Garden, a concert and sports arena, was built on top of what remained of the station -- a warren of crowded corridors under low ceilings that more than a few people have labeled a "hellhole." Tourists flock to Grand Central Terminal across town for photo opportunities; they trudge or scurry through Penn Station if they must. Commuters? Don't ask.

3. What's the plan?

Ideas for replacing, removing or renovating Penn Station have circulated for decades. The biggest question has been whether to relocate Madison Square Garden to create room for something akin to the original station. That's what Cuomo wanted to do. A prior budget included \$1.3 billion to redevelop Penn Station and the surrounding neighborhood, adding 10 buildings with about 20 million square feet of hotel space, offices, retail and possibly residential units. The plan drew criticism from city and state lawmakers including former Mayor Bill de Blasio, who said the money was a giveaway to big developers, particularly Vornado Realty Trust, which owns much of the land targeted for development and was set to be partner for the state's project. Cuomo resigned in 2021 as the legislature prepared to consider impeaching him over allegations of sexual harassment. After Kathy Hochul, who had been lieutenant governor, replaced Cuomo, she scaled back his plan.

4. What does Hochul want to do?

Hochul's plan focuses on modernizing the existing rail hub instead of building a new terminal. It calls for:

- A single-level modern train hall with wider corridors, a main concourse on each side, and a 460-foot (140-meter) high atrium with a skylight. The new public concourse would be double the height of the current station's and would feature more stairways, escalators and elevators through its 11 platforms. The eastern side would have a huge open space equal to the combined area of the central halls of Grand Central and Moynihan Train Hall, the soaring new Amtrak hub just across Eighth Avenue.
- A new underground concourse connecting 34th Street Herald Square to Penn Station.
- The addition of new commercial and residential space in the surrounding area, with 10 new buildings on eight development sites. The governor's plan for the surrounding area lowers the building heights of the previous proposal, reducing the density by 1.4 million square feet. It includes as many as 1,800 residential units.
- Eight acres (3.2 hectares) of public space would be added, and traffic would be limited on 33rd Street from Sixth to Ninth avenues.

5. How would this get built?

Hochul has said the project would take four to five years and cost \$6 billion to \$7 billion. But documents released by the state's economic development agency put the cost of Hochul's overall plan at about \$22 billion. Under a funding deal announced in July by Hochul and current Mayor Eric Adams, the state would sell development rights to private real estate companies and would also collect payments-in-lieu-of-taxes, known as PILOTs, on anything new built in the neighborhood. The city would collect a share of the PILOT payments equal to current taxes on each development site with a 3% increase each year. The remainder of the station renovation costs would be funded by the federal government, New Jersey, New York state, Amtrak and other public sources.

6. Where do things stand?

The Public Authorities Control Board, a state entity that has the final power to approve state public financing deals, voted in July to approve the funding plan. The MTA finished accepting bids from design firms and architects for the renovation and will select winners this fall.

7. What's the reaction?

Unlike de Blasio, Adams has been supportive of the project, as has New Jersey Governor Phil Murphy. A transit activist group, ReThinkNYC, says Hochul's plan goes far beyond a train station renovation and constitutes a "neighborhood replacement scheme." New York state Comptroller Thomas DiNapoli, in a letter dated July 27 to the PACB, recommended the board take additional time to determine that sufficient information and funding commitments are in place.

8. What do real estate developers stand to gain?

Potentially a lot, depending on the commercial real estate market. Many tech and finance firms have been flocking to the far west side of Manhattan to newer skyscrapers in Hudson Yards and Manhattan West, two developments built on former train yards. That demand could trickle to the Penn Station area. At the same time, the city is contending with a glut of empty office space caused by the pandemic, which may weaken demand. The current plan allows developers to build large towers on sites they already own. According to a report by Reinvent Albany, a government watchdog organization, Vornado could see up to \$1.2 billion in tax breaks.

9. What do commuters stand to gain?

The prospect of a new, more pleasant Penn Station comes as work moves forward on the Gateway Project, which aims to ease the US East Coast's toughest train bottleneck. That project will double the rail capacity between New Jersey and midtown Manhattan by building a new tunnel under the Hudson River and rehabilitating an existing tube.

10. What about the name?

Hochul has also touted the idea of renaming Penn Station, saying that a new station should be named for a New Yorker or "something to do with how iconic New York State is." The current name comes from the original owner, the Pennsylvania Railroad, which built several similar stations in other cities in the early 20th century. Moynihan Train Hall was named after New York Senator Daniel Patrick Moynihan, who spent years pushing for the conversion of the former post office building. Amtrak says that if the station were to be renamed, that decision would have to be made jointly among the partners.

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