

# Port Authority Chairman Questions Funding on Penn Station Revamp

Authority is pegged to put in \$150 million of the \$325 million in government funds



ENLARGE

A rendering of the Midtown Manhattan station complex. *PHOTO: OFFICE OF THE GOVERNOR ANDREW CUOMO*

By

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The chairman of the Port Authority of New York and New Jersey is questioning his agency's potential contribution of nearly half the public funding expected for a recently [proposed overhaul of New York's Penn Station](#).

The revamp of the Midtown Manhattan station complex is estimated to cost more than \$3 billion, and private developers are expected to pay for nearly all of it. Government funds are expected to take care of the remaining \$325 million, of which \$150 million is to come from the Port Authority.

But John Degnan, the Port Authority chairman, is asking the agency's staff about the expected financing at a time when it also needs to come up with funding for other big projects.

The questions about financing come in the early stages of a plan announced last week to overhaul Penn and revive a long-stalled effort to build a train hall inside a neighboring post-office building—a project New York Gov. [Andrew Cuomo](#) dubbed the Empire Station Complex.

At issue is a 15-year-old agreement under which the Port Authority would pay \$10.5 million annually over 35 years to lease 250 square feet inside the new train hall for two ticket counters and a kiosk.

The Port Authority's expected rental payments—its share of the \$325 million government contribution toward the Empire Station project—were valued at \$150 million, according to a Cuomo administration official.

The terms of this unexecuted lease deal shifted significantly during negotiations in 2000. Initially the Port Authority agreed to \$8.3 million annual rental payments for 40,000 square feet.

Mr. Degnan, a New Jersey appointee who became Port Authority chairman in July 2014, has peppered the agency's staff with questions, including how to justify the unexecuted lease deal “in the face of the dramatic reduction of leased space” yet increased rent, according to a memo sent Saturday that was reviewed by The Wall Street Journal.

Mr. Degnan noted in the memo that the agency hadn't factored lease payments into its capital and operating plans. He questioned the lease's current market value and its accounting treatment, and said the Port Authority board would revisit the deal at its February meeting.

A state official said the Cuomo administration is “confident that this vital project will be funded and completed.”

In a brief interview, Mr. Degnan said the Port Authority board had a fiduciary responsibility to determine whether the agency should still honor the lease and “confirm that it was properly handled.”

“If those funds for any reason are no longer available for Penn Station, then the board should consider whether, in the context of the capital plan and other competing needs, we are able to make a financial contribution to an otherwise worthy project,” Mr. Degnan said.

The Port Authority operates major New York City airports, the PATH train between New York and New Jersey and major bridges and tunnels between both states. It is largely funded by tolls and airport fees.

Officials there have been grappling with how to pay for an increasing list of major projects, including a [replacement of its aging Port Authority Bus Terminal in Midtown Manhattan](#) and an [overhaul of La Guardia Airport](#).

The Port Authority is also planning to play a major role in digging two new Hudson River rail tunnels, part of [Amtrak's Gateway project](#). The estimated \$15 billion to \$20 billion plan would also expand the current Penn Station, making way for new tracks and platforms for more trains.

Mr. Cuomo's separate Empire Station plan aims to bring more natural light and improved passenger flow to remake Penn, which has long widely bemoaned by travelers, transportation experts and civic groups.

His plan would revive the stalled effort to put a train hall in the James A. Farley Post Office building, a project long known as [Moynihan Station](#).

Patrick Foye, a Cuomo appointee who is the Port Authority's executive director, said the "new train hall would benefit commuters in both states and beyond."

Solicitations for developers who would construct the project in exchange for leveraging the busy transit hub's real-estate value were expected to be released over the weekend.



New York Gov. Andrew Cuomo. PHOTO: PETER FOLEY/BLOOMBERG NEWS

The Cuomo administration official said the Port Authority's contribution was tied to an "air train" hub, including to La Guardia Airport. Mr. Cuomo has proposed such a rail link to the Queens airport, which isn't accessible by train.

Another \$75 million is expected from federal transportation grants, specifically those intended to improve air quality and infrastructure resiliency, the Cuomo official said.

A federal transportation official said it wasn't immediately clear which already-awarded grants New York officials could potentially tap for the project.

The Cuomo administration official said Amtrak is expected to contribute \$100 million in capital, but said a final agreement for that amount hadn't been reached.

An Amtrak spokesman said the passenger railroad is still negotiating the terms for occupying the Moynihan train hall.

Once developers respond to a request for proposals, he said Amtrak would have "a better sense of what—if any—additional funds may be necessary to complete the project."

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