

# THE BOND BUYER

## Gateway project sponsors trim costs in bid for federal support

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Proponents of a new Hudson River tunnel are hoping an updated plan lowering costs by \$1.4 billion will be enough to obtain federal funding for the Gateway project that was blocked after the Trump administration took office in 2017.

A revised application submitted Friday to the Federal Transit Administration cuts the price tag for a new rail tunnel linking northern New Jersey with Manhattan and rehabilitation of the existing tubes to \$11.3 billion from \$12.7 billion. The projected construction cost of the new tunnel is now \$9.5 billion (previously \$11.3 billion). Rehabbing the existing tunnel, which was damaged during Hurricane Sandy in 2012, rose to \$1.8 billion from \$1.6 billion due to inflation.



The passenger rail tunnel under the Hudson River connecting New Jersey and Manhattan is over 100 years old and sustained damage during Hurricane Sandy

in 2012. The Amtrak train (pictured) is exiting the western side in New Jersey.  
Amtrak

The new application seeks \$4.361 billion in federal capital investment grant funding, compared with \$5.646 billion previously sought. Amtrak increased its share of the costs by \$600 million to better reflect the number of passengers its trains carry into Manhattan's Penn Station. The new plan reduces the CIG portion of the project to 44% from 49.4%, Gateway officials said.

"We are continuing to do absolutely everything within our power to demonstrate that our states and our partners are 100% committed to this Project, including cutting the cost and passing legislation in both New Jersey and New York to strengthen the Gateway Program," [Jerry Zaro](#), chairman of the Gateway Development Corp., said in a statement. "We need the Federal Administration in Washington to start to recognize those efforts and meet us halfway."

Gateway officials said they were able to bring down costs because of more advanced levels of design and an "intensive" value-for-money analysis that will cut down on unexpected expenses. Project sponsors are also banking on a more efficient procurement plan that could include design-build, which would result in fewer contract packages.

New Jersey and New York State have [hit roadblocks](#) obtaining federal funding for Gateway since President Trump took office in January 2017. The two states, Amtrak, and the Port Authority of New York and New Jersey agreed to a funding framework signed off by the Obama administration to pay for 50% of the tunnel if the federal government picked up the other half. The partners reiterated in the new application their construction cost commitments of more than \$5.55 billion, which includes \$2.7 billion in the Port Authority's 10-year 2017 to 2026 capital plan.

The Trump administration rejected the \$5.5 billion local commitment, since some of the funding would derive from federal loan programs. An FTA spokesperson said the agency received the application and that it could be months before a decision is reached.

"This new financial plan demonstrates that the states are doing everything possible to facilitate federal participation, including reducing the overall cost of the project and embracing a significantly higher Amtrak contribution — which together lead to a decrease in the amount being requested from the federal government," New York Gov. Andrew Cuomo said in a statement. "New York and New Jersey are laser focused on completing this project in the most inexpensive

and efficient way possible while restoring our nation's role as a global leader in infrastructure.”

New York and New Jersey lawmakers approved [bi-state legislation](#) in July creating the Gateway Development Commission, a seven-member public authority empowered to sponsor the tunnel project through government grants and loans. The Port Authority is continuing in its role as project sponsor for the new Hudson River tunnel while newly established GDC is constituted.

New Jersey agreed to assume the entire local share of costs associated with a new Portal Bridge over the Hackensack River by [issuing](#) \$600 million of state-appropriation-backed bonds last year through the New Jersey Economic Development Authority. The state is also exploring capital funding from the New Jersey Transportation Trust Fund.

“The Gateway Program delivers critical safety improvements across the most urgently needed infrastructure projects in the country, each with far-reaching economic impacts,” New Jersey Gov. Phil Murphy said in a statement. “The President and United States Department of Transportation must stand with us and our commuters who have waited far too long.”