



NEW YORK STATE SENATOR

Liz Krueger

Daily News Op-Ed: Slam the brakes on state's Penn Station project

LIZ KRUEGER February 14, 2022

| ISSUE: **PENN STATION**



New York - Today, in an op-ed published in the [New York Daily News](#), Senators Liz Krueger and Brad Hoylman urge Empire State Development to pause on moving forward with the Penn Station area redevelopment plan until key questions are answered.

Slam the brakes on state's Penn Station project

Here's the deal: A developer is willing to pay for the cost of a new train station in return for rights to build new office space. Sounds good, right? Yes, except we don't know how much the train station costs, how much money the developer is paying, how much money the developer is making, or how big the development is going to be.

Plus, who's the backstop for such an ambitious proposal if it doesn't work out? You, the taxpayer.

That is exactly the deal New York State is about to make. Except the project that Empire State Development is set to approve would not be just a little bit of office space; it would be 10 new towers totaling more than 18 million square feet of new office space.

If approved, the project around Penn Station, proposed by former Gov. Cuomo, would be one of the largest commercial developments in the history of New York, the size of a new Hudson Yards smack in the middle of Manhattan. In theory, the project will yield billions of dollars in new tax revenues over time that would be used to upgrade Penn Station — but far too many questions remain unanswered.

We can all agree that we need to find creative ways to ensure that our transportation infrastructure is in good condition and sufficiently funded. This is especially true of the aging, embarrassing mess that is Penn Station.

But the precedent that the state is attempting to set to raise money for a rehab — diverting billions of dollars of property tax revenue that would otherwise go to the city — demands close scrutiny. Property taxes are the main way that the city pays for our schools, hospitals and first responders. If the state approves this plan, it will tie up the taxes from new development on some of the most valuable property in the city in perpetuity. And taxpayers have almost no guarantees about what they get in return.

By circumventing normal city and state planning laws and reviews, the Empire State Development board now has sole authority to propose and approve the plan, without seeking community input and support — a necessity for any project in a normal land-use procedure. ESD, by asserting authority through a mechanism called a General Project Plan, has removed the city's authority not only to decide what is built around Penn Station, but also where the new tax revenue from it goes. The agency's board could sign off on it within the next few months after only a superficial public review.

The state has not released an economic analysis of how much the new development would yield in taxes to support Penn Station, which is all the more concerning since COVID put the market for commercial office space into the basement. The commercial vacancy rate in Midtown is currently hovering around 19%.

Nor do we have answers to other burning questions: How much will Vornado, the project's main developer, get in subsidies? Will the payments in lieu of taxes (PILOTs) paid by Vornado be equal or less than New York City property tax? How much added floor area ratio will Vornado get? How much tax revenue will the city lose per year, and what is the state's plan to make the city whole? What are the state's bond liabilities? ESD may borrow upwards of \$5.7 billion based on potential Vornado development revenue, requiring upwards of \$330 million a year in bond payments. What happens if the expected rents from the project don't materialize? Will taxpayers still be on the hook?

Top of Form
Bottom of Form

And what else is it for New Yorkers? For example, will the plan bring much-needed social services and housing to the street homeless who inhabit the area?

The state is doing all this at a moment when it is awash in infrastructure funds from the federal government. Why not spend some of that on Penn Station? It is also worth noting that the Penn Station improvement plan has not even been finalized yet. If we do not know

how much this will cost, it is premature to decide how much new development we need to pay for it.

The ESD board must not vote on this plan until it has done a proper public analysis of the project, given the community a chance to weigh in, filled in the blanks of how much this will cost taxpayers, negotiated how much revenue taxpayers receive from Vornado and reached an agreement with the city on what our residents get in return.

We've asked for an analysis of this project from the Independent Budget Office. In the meantime, Mayor Adams and the City Council should be appalled. New Yorkers and commuters should be aghast. And most importantly, Gov. Hochul should continue correcting the mistakes of her predecessor by pumping the brakes on this runaway train.

Krueger and Hoylman represent parts of Midtown in the state Senate.