



**Senate Standing Committees on Corporations, Authorities and Commissions;
Finance; and Cities 1**

**Testimony of Empire State Development President and CEO and
Department of Economic Development Commissioner Hope Knight**

Friday, June 24, 2022

Good morning, Chairpersons Comrie, Krueger and Sepulveda and distinguished members of the New York State Senate. My name is Hope Knight, and I serve as President and CEO of Empire State Development (ESD) and as Commissioner of the Department of Economic Development. Thank you for the invitation and opportunity to be here today.

As a lifelong New Yorker who has spent much of my professional career in community revitalization and local development, including serving on the New York City Planning Commission and leading the Greater Jamaica Development Corporation, I believe the reconstruction and expansion of Penn Station is the single most important public infrastructure project being worked on today. It determines the future economic viability of New York City, the State, and the entire region. Inaction – or even delayed action – would result in a setback to our region’s competitiveness for a generation or more.

The original Penn Station – the beautiful light-filled beaux-arts masterpiece we see in iconic black and white photographs – was constructed by the Pennsylvania Railroad Company at the turn of the 20th Century.

However, in the mid-1960s, our State experienced a great civic loss when the original building was demolished, under the short-sighted belief that rail travel was obsolete, and the below-grade concourses were reconstructed, creating the cramped, and substandard corridors used today. It has been overcrowded practically since its opening in 1968, when it was built to serve a maximum capacity of 200,000 trips per day. Pre-COVID, the actual number of commuters was three times that amount, or over 600,000 daily trips. Over the coming decades, even with the pandemic, ridership is expected to grow further.

Thankfully, to rectify the deterioration and congestion of this critical asset, Governor Hochul has announced a bold vision to modernize Penn Station and bring it into the 21st Century - and we know we can accomplish this, daunting as it is, just as ESD successfully completed the adjacent Moynihan Train Hall last year. Importantly, Governor Hochul’s vision will be achieved without raising taxes or train fares and will include more affordable housing, less density, and a better financing strategy than past plans.

A critical component for achieving this vision is ESD’s adoption of a General Project Plan (or GPP) under the legal framework established by the New York State legislature within the Urban Development Corporation Act. While ESD’s GPP creates the framework for financing the reimagined Penn Station, it is important to know that this project is being undertaken in partnership

with multiple other levels of government, will take many years to complete, and will require further reviews and determinations along the way that will provide continued opportunities for public input. At ESD, we have been working tirelessly with local elected officials and other community stakeholders, the City of New York, the rail operators, the Federal Government, and our private partners, including the neighboring property owner Vornado, to bring to life Governor Hochul's vision to restore the glory of this site and surrounding neighborhood and to ensure the economic vitality of the region. These partnerships will continue for decades to come.

Regarding financing, Governor Hochul's plan guarantees a modern, well-built, and completely reimagined Penn Station – again, without raising taxes or train fares on New Yorkers. The plan will draw funding from the Federal Government, Amtrak, New Jersey and New York State, with a portion of New York State's financial support provided by private development revenues, including a portion of payments-in-lieu-of-taxes, or PILOT, that related neighborhood private investments will generate.

Leveraging private investments to fund large-scale infrastructure projects and enhance the public realm is a model that has been successfully applied in many other projects, including the 7-line subway extension in Hudson Yards, Brooklyn Bridge Park and Moynihan Train Hall, as well many other projects across the US. Revenues from private developments provide predictable revenue to fund public benefits otherwise not affordable, and they are highly favored as matching funds by Federal funders due to their long-term predictability that is not subject to annual budget negotiations.

The State and City of New York are currently having productive conversations and will reach an agreement for a comprehensive financial framework for the GPP sites, particularly with respect to PILOT, before the final GPP's approval by ESD's Directors. Such terms will include ensuring that the City experiences no loss of any existing taxes for all involved neighborhood sites, and that the City does not bear the risk of any financing mechanism used to fund the Penn projects. Upon the establishment of this framework with the City, ESD will publicly share its terms as they are available.

ESD and the State have been transparent and forthcoming about the costs of the Penn projects and the amount of funds needed, providing updates as the projects have evolved. We will continue providing updated cost information as we receive it from the rail operators, who are performing ongoing design and engineering work and are engaged with Federal authorities regarding grant funding. As of today, we still anticipate that the Penn projects will be funded through at least a 50% Federal share, with the balance split among New York, New Jersey, and Amtrak. The rail providers are encouraged by funding opportunities from the Federal Infrastructure and Investment Jobs Act (IIJA) and the possibility for a greater Federal cost share, and they will continue to seek the maximum amount of Federal funding available. Even with Federal funding, however, there will be a significant cost share required of the State and leveraging private investments through public-private partnerships will be critical to obtain Federal funding and finance the State's share of the costs.

Local input is paramount, and this plan was developed in close coordination with the surrounding community. ESD has held or participated in more than one hundred community meetings, town halls, public hearings, and other stakeholder briefings and listening sessions. One of the first actions taken by the State was the creation of a Community Advisory Committee (CAC) composed of local elected officials, community representatives, urban planners, transportation

advocates and other stakeholders to advise ESD throughout the project. I served on the CAC prior to my appointment at ESD. That group, which was later expanded to include more than 60 members, met numerous times over the past two years to advise and provide ESD with direct input. These meetings led directly to significant changes and improvements to the plan at every step in the process, including the major revisions announced by Governor Hochul last November that responded directly to a series of recommendations made by the CAC Working Group to align the plan more closely with the community's objectives.

Governor Hochul's plan reduces building heights and requires even more housing and open space. It creates new public spaces by adding pedestrian plazas and shared streets and eases cyclist and pedestrian circulation by adding protected bike lanes and expanded sidewalks throughout the neighborhood. Also of importance, it would add new quality housing for the neighborhood – including hundreds of permanently affordable units. The Governor's call for lower overall density, public realm enhancements, targeted social services, mandated affordable housing, better transit access and a safer, more pedestrian-friendly streetscape is a direct result of public input.

The public realm is such an important piece in this plan. Governor Hochul has already announced a Public Realm Task Force and Fund, inspired by the successful East Midtown Rezoning Public Realm Improvement Fund Governing Group, to help prioritize public space improvements. The proposed revisions also include stricter design controls that would foster active, diversified street frontages and encourage small business tenants. All told, the GPP reintroduces a novel "pedestrians first" approach to an area long seen as hostile to commuters and pedestrians alike. The Governor's plan also includes eight acres of new open space, a new underground concourse connecting Herald Square to Penn, eight new station entrances, and ten new subway entrances that will help eliminate pinch points and crowding that currently occurs at Penn.

In addition to these and other public benefits, the GPP will create jobs and economic opportunities at all levels by expanding and revitalizing the area's commercial office space. Clustering quality jobs around mass transit is how smart cities grow — and do it sustainably by getting people out of cars and onto mass transit.

Finally, the proposed revisions would mandate requirements for greener buildings, including that all buildings be built to be fully electric, and would include labor and MWBE commitments for project construction.

For decades, commercial office development around Penn Station has been limited by an overburdened transit infrastructure, aging building stock, and poor pedestrian circulation. No new office building has been built in the area since the 1970s, making it lag behind other business districts in the city and nationwide, despite being anchored by the busiest intercity transportation hub in the western hemisphere. This project presents a significant opportunity for sustainable mixed-use growth in New York City, paired with the long overdue modernization of Penn Station, which has been an embarrassment for way too long.

In closing, thank you for holding this hearing. The problem is obvious, as is how essential this plan is to fix it. As I mentioned at the top of my testimony, my work in Jamaica also underscored how important Penn Station is to the entire metropolitan region. Every day, hard-working New Yorkers from Queens and across Long Island passed through Jamaica on their way into Penn. They deserve better. We must not miss this once-in-a-generation opportunity to correct past

neglect, fundamentally – and finally – fix the conditions that plague the area, vastly improve the lives of hundreds of thousands of New Yorkers who live near, work by, and commute to Penn Station, and make a historic investment in the region’s future.