

Metropolitan Transportation Authority Hudson Yards TOD



MTA: Photographer Pat Cashen Aug 2014

Robert Paley
Director, Transit-Oriented Development, MTA
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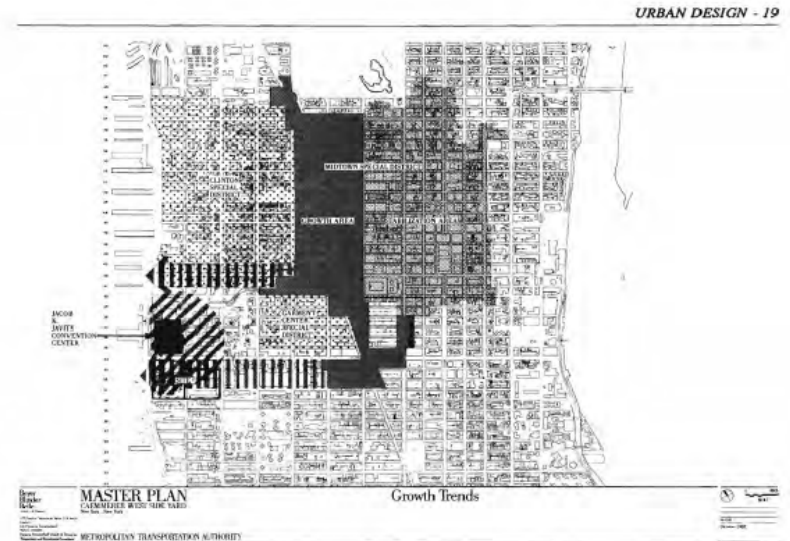


Hudson Yards Background:

LIRR Storage Yard Constructed 1987 in Manhattan's Industrial West Side



1987: 26 Acre Yard LIRR opens. Tracks are below 10th and 11th Avenues and spaced to allow columns to support future development.



1989: MTA Master Plan proposed extending midtown densities west to monetize LIRR Yard air rights.

Hudson Yards District:

New York City created comprehensive neighborhood plan and financed the #7 subway line



Source: HYDC

1990-2005: Transformation of industrial west side:

- City broadened perspective far beyond MTA site
- City highlighted relationship between transportation investment and economic development
- Collaboration among City and MTA staff began early in land use planning process
- Comprehensive land use and transit plan
- Finance strategies based on municipal powers

Hudson Yards District:

City Goals and Outcomes

City Goals

- Rezoning to expand Manhattan business district
- Provide transit by extending subway
- Fast implementation to meet Olympic bid deadline

Outcomes

- NYC created financing mechanism in zoning and through its industrial development agency
- City raised \$3.2 billion for subway and other infrastructure including parks
- Subway extension opened 2015

7 line extension to 34th St and 11th Ave



Revenue sources for 7 line extension

One Time

Development Related Revenues

- **Tax:** Payments in Lieu of Mortgage Recording Tax (PILOMRTs)
- **Zoning:** District Improvement Fund Bonus (DIB) Payments
- **Zoning:** Sale of Eastern Rail Yard Transferable Development Rights (ERY TDRs)

Recurring

Property Tax Revenues

- **Tax:** Payments in Lieu of Taxes (PILOTs) generated by commercial property
- **Tax:** Equivalency Payments (TEPs) relating mainly to new residential development

Revenue generated through zoning

Revenue Mechanisms



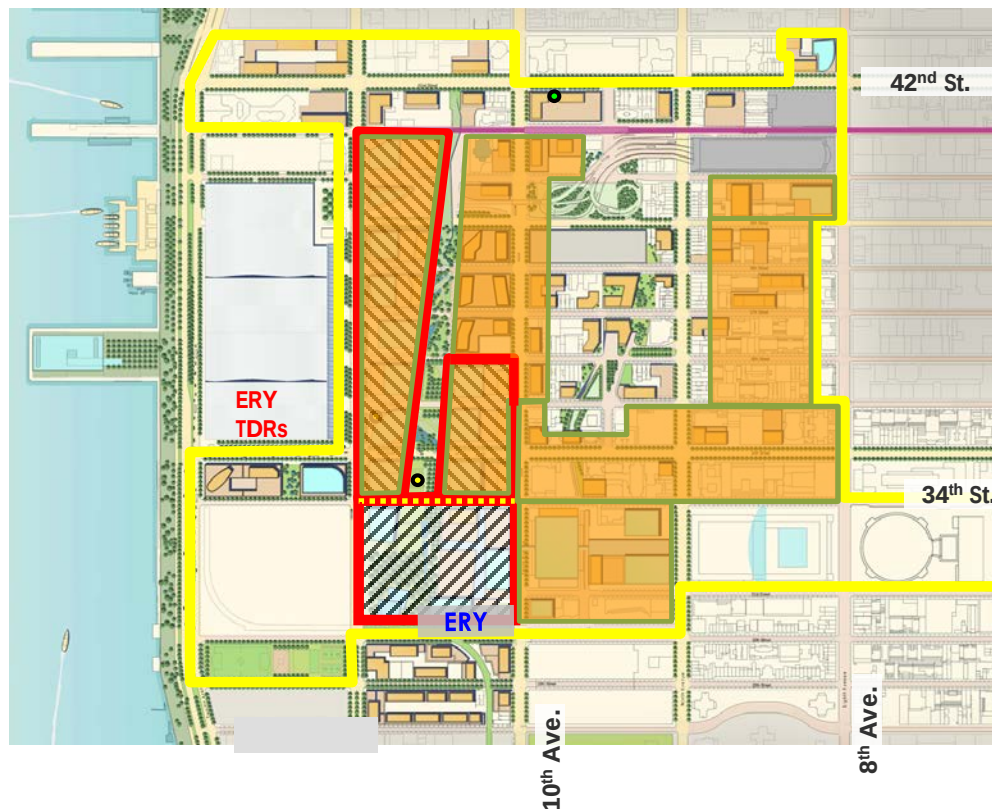
District Improvement Bonus (DIB) available on these sites



ERY TDRs Generating Site

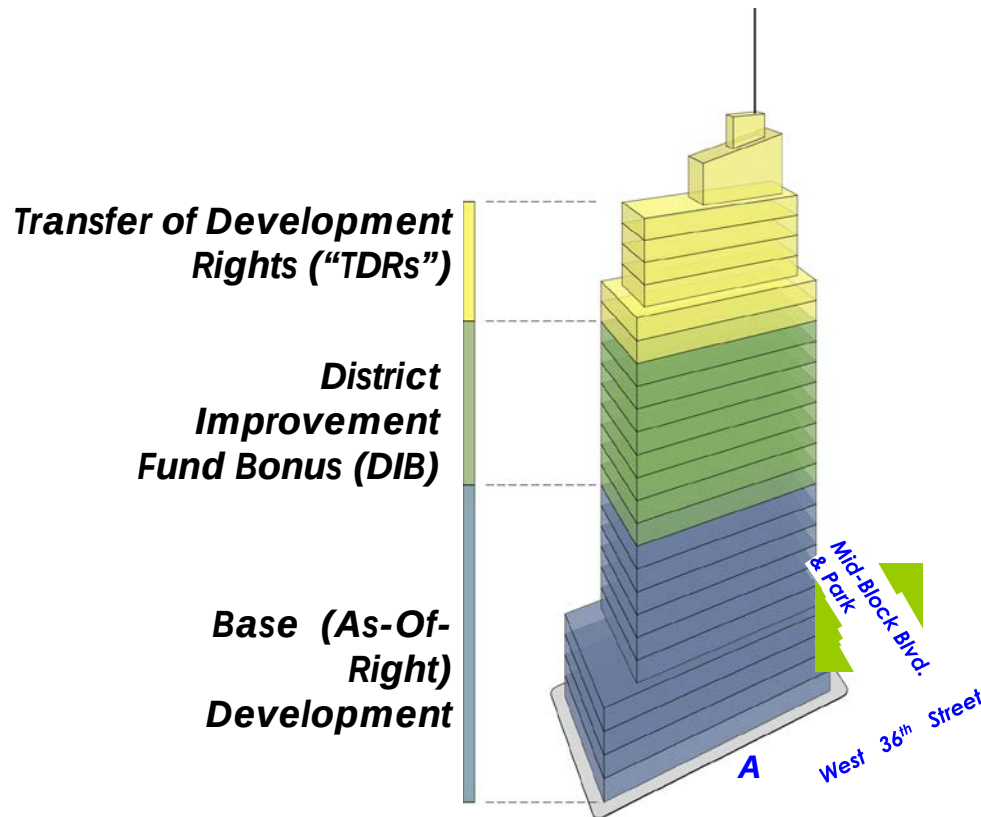


ERY TDRs Receiving Sites



- Focus development near transit
- Create a revenue source

Illustration of zoning bonus mechanisms



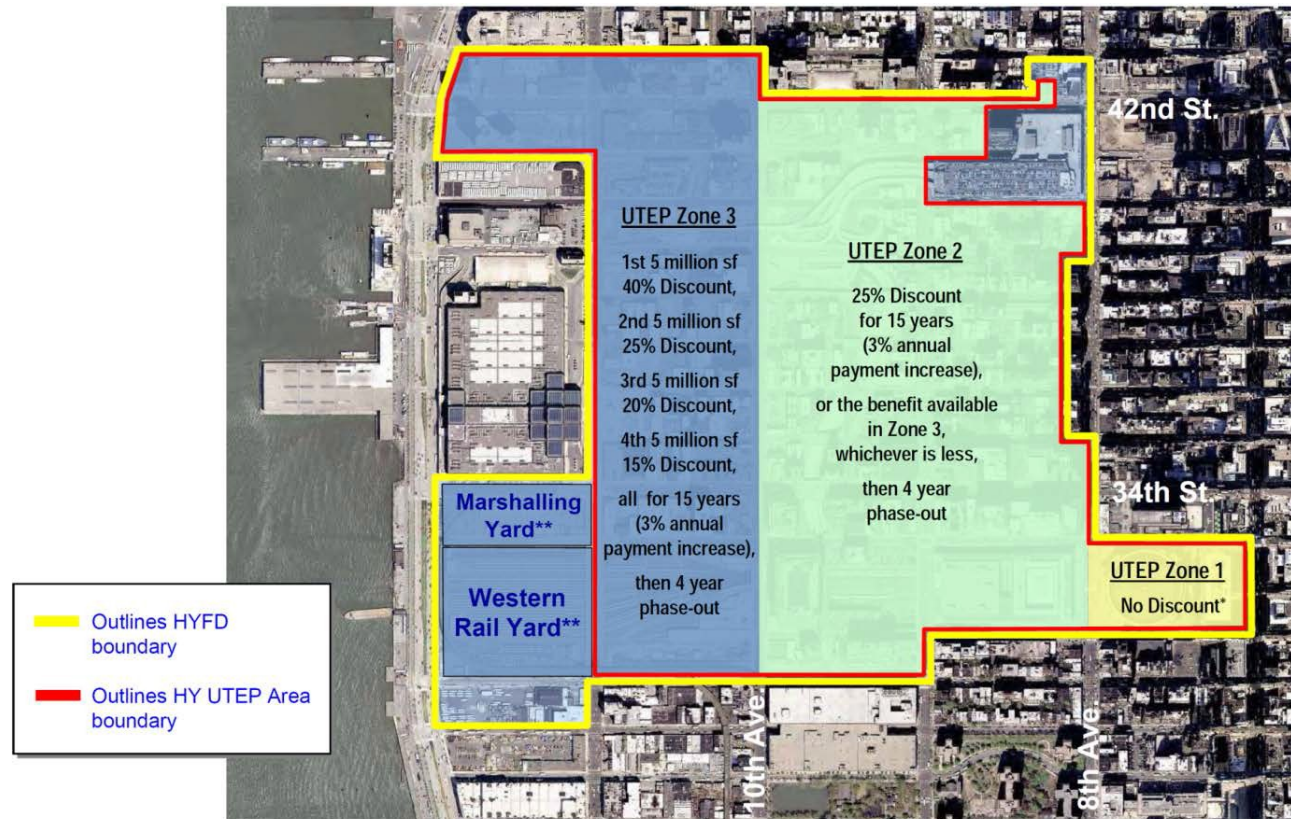
Source: HYDC

Commercial Office Tower can purchase from two zoning funds:

1) District Improvement Fund Bonus (DIB)

2) Transfer of Development Rights (TDR) from MTA eastern rail yards

Revenue generated through real estate tax plan with taxes pledged to bond repayment



Source: HYDC

Tax exemption policy provides early investors greater benefit

Hudson Yards District:

MTA LIRR Development Site



Platform construction over yard “throat” required close coordination between developer and LIRR operating personnel.

MTA Goals and Outcomes

- **2007 Development RFPs balanced real estate goals with operational needs of safety and reliability**
- **2008 Developer (The Related Companies and Oxford) jointly selected by MTA and City**
- **2013 Ground Lease executed and construction started**
- **2016 \$1 billion bond sale backed by rail yard real estate revenues**

Total MTA revenues will exceed \$1.6 billion

- Ground rent payments guaranteed
- \$720 million structural platform financed by developer
- Payment in Lieu of construction materials sales tax
- MTA receives payments for off-site air right sales



18 million sq ft total development. Eastern Yard primarily commercial. Major tenants: Coach, L'Oreal USA, SAP, Time Warner, Boston Consulting Group, Wells Fargo Securities



Time Warner will be 2nd tallest office in NYC at 1,296 feet

Factors for success in 7 line financing

- **Close coordination of land use planning and transportation planning**
 - Transit was a central concern of City
 - Coordinated environmental review
- **Strong market potential**
 - Many underbuilt sites due to existing obsolete industrial zoning which prevented development
 - Proximity to CBD and to waterfront creating opportunity for both office and residential uses
- **City assumed financial risk**
 - Backstop anticipated for uncertain timing of cash flows
 - Support based on clear relationship between development and transit improvements