Access to the Region's Core

Northern New Jersey

(November 2009)

The New Jersey Transit Corporation (NJT) is proposing to construct a new 9.0-mile commuter rail line adjacent to the existing Northeast (Rail) Corridor (NEC) between Secaucus, New Jersey, and Manhattan. The Trans Hudson Express Tunnel, also known as Access to the Region's Core (ARC), includes the construction of two new tunnels under the Hudson River; new rail tracks between Secaucus Junction and New York Penn Station (PSNY); a new rail station underneath 34th Street in midtown Manhattan (with pedestrian linkages to PSNY); a storage yard in Kearny, New Jersey; and the purchase of specialized dual-powered rail locomotives (electric and diesel) and bi-level coaches.

The NEC is the only Hudson River commuter rail crossing into midtown Manhattan. Already near capacity, the NEC currently experiences significant travel-time delays whenever there is a train malfunction incident; one train disruption of 15 minutes, for example, can delay as many as 15 other NJT and Amtrak trains. As passenger demand increases, congestion and service reliability are expected to worsen. Other Trans-Hudson facilities are similarly at or near capacity with limited ability to absorb additional demand. In addition, commuter rail passengers on NJT's Bergen County, Main, Pascack Valley, Port Jervis, and Raritan Valley commuter rail lines today must transfer at either Secaucus Junction or in Hoboken to reach New York City. The purpose of the ARC project is to double rail capacity between New Jersey and New York City, thereby relieving congestion and transit delays, while providing for more direct, one-seat service to midtown Manhattan.

Summary Description	
Proposed Project:	Commuter Rail 9.0 Miles 1 Station
Total Capital Cost ($YOE):	$8,699.98 Million
Section 5309 New Starts Share ($YOE):	$3,000.00 Million (34.5%)
Annual Forecast Year Operating Cost:	$209.00 Million
Ridership Forecast (2030):	254,200 Average Weekday Boardings
	24,800 Daily New Riders
Opening Year Ridership Forecast (2017):	203,000 Average Weekday Boardings
FY 2011 Local Financial Commitment Rating:	**Medium**
FY 2011 Project Justification Rating:	**Medium-High**
FY 2011 Overall Project Rating:	**Medium-High**

The proposed New Starts share of $3 billion would be the largest commitment for a single project in the history of the New Starts Program. Prior to FTA's consideration of an FFGA, the long term availability of the local funding provided by the Port Authority of New York and New Jersey and the New Jersey Transportation Trust Fund will need to be reviewed. In addition, a funding plan for the Portal Bridge project over the Hackensack River will need to be provided since the ARC project's operating plan is dependent on improvements to the Portal Bridge. Other issues that require NJT actions during final design include finalizing railroad agreements with Amtrak and engineering and project management considerations.

Project Development History and Current Status

NJT completed a major investment study on the ARC corridor in 2003. A new Hudson River rail tunnel and expanded Penn Station capacity alternative was selected as the locally preferred alternative (LPA) in early 2006. FTA approved the LPA into preliminary engineering (PE) in August 2006. A Draft Environmental Impact Statement (EIS) was published in February 2007. Because of changes to the project alignment made in response to the comments received on the Draft EIS and from the PE effort, a Supplemental EIS was prepared and published in March 2008. The Final EIS was published in November 2008, with a Record of Decision issued in January 2009. The ARC project was approved into final design in January 2009. In August 2009, an Early System Work Agreement was awarded by FTA to allow NJT to advance the first of three tunnel segment construction contract packages for the project as well as several other activities necessary to maintain the project schedule and cost.

NJT has put together an experienced design team and performed a thorough analysis of project requirements. The project scope is complex, and some uncertainties remain. At this stage of project development, scope and cost are considered reasonable.

Significant Changes Since FY 2010 Evaluation (April 2009)

The project financial plan was revised to reflect the availability of funding from the American Recovery and Reinvestment Act of 2009.

Project Justification Rating: Medium-High

The project justification rating is based on the average of the ratings for cost effectiveness and transit-supportive land use. Per FTA's 2006 *Final Guidance on New Starts Policies and Procedures*, once a project has been approved into final design, the project is not subject to any changes in New Starts policy, guidance, and procedures. Thus, the revised weighting of the project justification criteria that took effect in July 2009 does not apply to this project.

Cost Effectiveness Rating: Medium

The cost effectiveness rating reflects the level of travel-time benefits (104,000 hours each weekday) relative to the project's annualized capital and operating costs based on a comparison to a baseline alternative.

Cost Effectiveness	
	New Start vs. Baseline
Cost per Hour of Transportation System User Benefit	$20.62*
Incremental Cost per Incremental Trip	$41.87

* Indicates that measure is a component of Cost Effectiveness rating.

Transit-Supportive Land Use Rating: High

The rating is based upon the average of the ratings assigned to the subfactors below, each of which contribute one-third to the land use rating.

Existing Land Use: High

- The eastern terminus of the project is PSNY, in one of the most densely-developed commercial centers and intensively-used transportation hubs in the nation. The station area includes intense office and mixed-use commercial and ground-floor retail development, as well as some warehouses and large utilities. A dense network of sidewalks serves the area, which has an exceptionally high level of pedestrian activity, while parking is expensive and relatively scarce. Virtually all of Manhattan's streets and avenues include sidewalks with appropriately-graded curb cuts to facilitate access for persons with disabilities. The station area includes 30,900 housing units, population density exceeds 36,000 persons per square mile, and the project will serve over 9.7 million employees, well above the thresholds for a "high" rating according to FTA criteria.

Transit-Supportive Plans and Policies: High

- New York City policies, reflected in the City's comprehensive Zoning Resolution, emphasize the concentration of new development in areas well-served by transit and the preservation of the historic and unique character of local neighborhoods. The project is intended to reinforce the core of Manhattan as the center of regional economic activity, thereby reducing pressures for the continued decentralization of development to outlying areas.
- The State of New Jersey has taken significant steps to promote smart growth, reduce suburban sprawl, and preserve natural areas and working farms. The State's Development and Redevelopment Plan (SDRP) emphasizes infill development near transit stations and the preservation of open space in rural and fringe areas. The principles of the SDRP have been incorporated into local and regional master plans and into the policies and funding procedures of state agencies.
- The City's land use policies encourage transformation of the section of the station area with the potential for higher-intensity redevelopment into a mixed-use community of residential, commercial, and cultural land use that takes advantage of access to Penn Station and adjacent subways. The City has rezoned the West Side of Manhattan between Penn Station and the Hudson River to extend the Midtown Central Business District, as a strategy for developing a dynamic, transit-oriented urban center with high-density mixed commercial, residential, and cultural uses and a revitalized Hudson River Waterfront.
- The City's most powerful tool to implement land use policies is its Zoning Resolution. Additional tools applied to promote transit-supportive development include property tax incentives, housing development, designation of a Special Transit Land Use District, direct intervention by sale or lease of City property, financial support, property condemnation for redevelopment, and mitigation of development impacts on transit through the environmental review process.

Performance and Impacts of Policies: Medium-High

- In Manhattan, 25 major projects were identified for development by 2025. NJT's leadership of the Transit Village Initiative has helped to spur development in a number of designated Transit Villages in towns in rail corridors.
- Rezoning of sections of the station area will further increase the intensity of land uses, which already have highly transit-supportive densities and characteristics. The project will help to relieve crowding on existing transportation systems connecting New Jersey communities with Manhattan, thereby helping to sustain the economy of the metropolitan area's central core and reducing pressures for decentralized urban sprawl. By 2030, total population within the PSNY station area is estimated to increase by more than 20,000 persons to 65,000. Total station area employment in 2030 is projected to increase by over 115,000 jobs to 536,000.

Mobility Improvements Rating: Medium-High	
	New Start vs. Baseline
Transportation System User Benefits Per Passenger Mile (Minutes)	4.0
Number of Transit Dependents Using the Project	44,500
Transit Dependent User Benefits per Passenger Mile (Minutes)	5.3

Environmental Benefits Rating: High	
Criteria Pollutant Status	**EPA Designation**
8-Hour ozone (O_3)	Non-attainment Area
Particulate Matter ($PM_{2.5}$)	Non-attainment Area

Operating Efficiencies Rating: N/A		
	Baseline	**New Start**
System Operating Cost per Passenger Mile (current year dollars)	**N/A**	**N/A**

Local Financial Commitment Rating: Medium

The local financial commitment rating is based on the weighted average of the ratings assigned to each of the following criteria: the New Starts share of project costs is weighted 20 percent; the strength of the capital finance plan is weighted 50 percent; and the strength of the operating finance plan is weighted 30 percent.

Section 5309 New Starts Share of Total Project Costs: 34.5%
Rating: High

Locally Proposed Financial Plan		
Source of Funds	**Total Funds ($million)**	**Percent of Total**
Federal:		
Section 5309 New Starts	$3,000.00	34.5%
FHWA Flexible Funds (CMAQ/NHS)*	$1,319.98	15.2%
American Recovery and Reinvestment Act Section 5307 funds	$130.00	1.5%
State:		
Port Authority of New York and New Jersey	$3,000.00	34.5%
New Jersey Turnpike Authority	$1,250.00	14.4%
Total:	**$8,699.98**	100.0%

NOTE: The financial plan reflected in this table has been developed by the project sponsor and does not reflect a commitment by DOT or FTA. The sum of the figures may differ from the total as listed due to rounding.
* The Federal flexible funds committed by the North Jersey Transportation Planning Authority to the project will be 100 percent Federal funds that will be "soft matched" by toll revenue credits.

Capital Finance Plan Rating: Medium

The capital finance plan rating is based upon the weighted average of the ratings assigned to each of the subfactors below. The agency capital condition is weighted 25 percent, the commitment of capital funds is weighted 25 percent, and the capital cost estimate, planning assumptions and capital funding capacity subfactor is weighted 50 percent.

Agency Capital Condition: Medium

- The average age of NJT's bus fleet is 7.5 years, which is slightly older than the industry average. The average ages of the LRT and commuter rail fleets are 6.2 and 17.4 years, respectively.
- NJT's good bond rating, which was issued in April 2008, is as follows: Fitch A+.

Commitment of Capital Funds: High

- All non-New Starts funding is committed or budgeted. Funding sources include CMAQ, FTA formula funds, formula funds from the American Recovery and Reinvestment Act, New Jersey Turnpike Authority toll revenues, and Port Authority of New York and New Jersey funding.

Capital Cost Estimate, Planning Assumptions, and Financial Capacity: Medium-Low

- Capital revenue and cost assumptions in the financial plan are in line with historical experience.
- The financial plan shows a balanced budget. The plan includes a non-allocated reserve fund, which contains $643 million during the time period of ARC construction that could be used to help with cost overruns or funding shortfalls.
- The current project cost estimate is considered reliable at this stage of development.
- One shortcoming of the capital plan is the inability of the New Jersey Transportation Trust Fund (TTF) to support additional capital investment of any magnitude.

Operating Finance Plan Rating: Medium

The operating finance plan rating is based upon the weighted average of the ratings assigned to each of the subfactors listed below. The agency operating condition is weighted 25 percent, the commitment of operating funds is weighted 25 percent, and the operating cost estimates, planning assumptions and operating funding capacity subfactor is weighted 50 percent.

Agency Operating Condition: Medium

- NJT's current ratio of assets to liabilities as reported in its most recent audited financial statement (FY 2008) is 0.6. This is due to Notes Payable and Obligations under Capital Leases being classified as current liabilities, while the funds to pay for them are classified as non-current assets. When calculated correcting for this discrepancy, the current ratio is 1.15. The agency experienced funding shortfalls in four of the past five fiscal years (2004-2008) that were covered with operating reserves.

Commitment of Operating Funds: Medium

- Over 71 percent of operating funding is committed. Funding sources include fare revenues, capital transfers and project cost reimbursement from state and Federal funds, state operating assistance, and other operating revenues.

Operating Cost Estimates, Planning Assumptions, and Financial Capacity: Medium-Low

- State operating assistance comes from annual appropriations from the state's General Fund. While the assumptions on growth in state operating assistance are reasonable compared to historical experience, there is no legislative mandate that guarantees this additional funding.
- Operating and maintenance costs, inflation, and fare increase assumptions are reasonable compared to historical trends.
- NJT has no cash reserves or projected cash balances built into the operating plan.

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