

Regional Plan Association

Regional Plan Association Testimony to City Council Committees on Finance, Transportation and Economic Development

Financing Proposal for the New York Sports and Convention Center and the Value of the Hudson Rail Yards

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My name is Chris Jones, and I am the Vice President for Research at Regional Plan Association, a not-for-profit research and planning organization that has served the tri-state region since the 1920s. We appreciate this opportunity to explain why we believe that the only way to determine the value of the Hudson Yards and insure that the public maximizes this value is to solicit competitive proposals. This has been our position since last July, and the events of the last week only serve to underscore this position.

Let me begin by congratulating both the City Council and the Mayor for reaching agreement on rezoning the Far West Side. While the approved plan may not have included everything we would have liked, it contained many improvements from the original plan. More importantly, it is a critical action that enhances the city's capacity for growth by allowing for the westward expansion of Midtown.

However, the economic potential of the Far West Side will come to nothing if we fail to protect the fundamental underpinnings of New York City's economy. Most importantly, the transit system that is the lifeblood of the city's economy needs to function at a level that will keep us competitive with other regions. This not only means maintaining the system that we have. It also means modernizing it so that we are not relying on antiquated signaling and communication systems, and expanding it so that we can support additional employment on the Far West Side, Midtown, Lower Manhattan and other business districts. It means not only extending the #7 line so workers can get to the Far West Side, but building the Second Avenue Subway, connecting the Long Island Rail Road to Grand Central Station and building a new Trans-Hudson tunnel so that additional workers can get to Manhattan in the first place.

Clearly, these issues are joined at the MTA's Hudson Rail Yards. The rail yards are a key to developing the Far West Side, but they are also a valuable asset that can help fill an enormous hole in the MTA's capital budget. At a minimum, the MTA is still \$8 billion short of what it needs over the next five years to maintain the system and begin construction of the critical expansion projects. And even this assumes that the MTA

receives the full \$19 billion projected in the Governor's executive budget, even though no specific funding sources have been identified to fill a gap in the last two years of the plan.

Under these circumstances, the MTA has an undeniable responsibility to obtain full value for its development rights. And there should be no doubt that the Hudson Rail Yards are a valuable asset. The site proposed for the Jets stadium consists of 13 acres of waterfront property adjacent to Midtown Manhattan. Even considering that the site is not close to a subway line and needs to have a platform built to support construction over the tracks, the site could be profitably developed for residential or a mix of residential and commercial uses. Land prices for housing are soaring throughout Manhattan, and numerous waterfront developments without good transit access are being successfully developed and marketed. Depending on assumptions for density and land value, the development rights could be worth anywhere from nearly half a billion to a billion dollars. The MTA's appraisal supports this by concluding that the fair market value of these rights is \$923 million.

The public value of the stadium site also extends far beyond what the development rights could bring to the MTA. Development on the site could also generate property taxes for the City and income and sales taxes for both the City and State. Using conservative assumptions, RPA has estimated that the value of residential development to the MTA, the City and the State would be at least \$436 million higher than the value of the New York Sports and Convention Center.

In our report, "Urban Development Alternatives for the Hudson Rail Yards," we also articulated the advantages of mixed-use development over the stadium for making the larger district attractive to new office workers and residents. It would restore a street system on the site and maximize both visual and pedestrian access to neighboring streets and the waterfront. Traffic impacts would be far less with residential development than with stadium and convention uses. The scale and variety of buildings would enhance the pedestrian experience in and around the Hudson Yards. Mixed-use development would also provide a more effective terminus to the 32nd-34th Street corridor, encouraging the westward development of Midtown.

Given these considerations, the Jets offer of \$100 million for these rights should be a nonstarter for negotiations. Cablevision's bid of \$600 million to build mixed-use development needs to be scrutinized, but the MTA has an obligation to give it serious consideration. Clearly, the MTA's offer of less than \$300 million to the Jets and decision to proceed to binding arbitration should be rescinded. By not requiring the Jets to purchase two-thirds of the air rights, the MTA would be assuming the risk for development rights that would be greatly diluted, if not made worthless, by the act of building a stadium. Constructing the stadium takes away the only place where the development rights are likely to ever be used—over the rail yards themselves. For the MTA to sell them, the State or City would need to create the development rights, establish a mechanism for transferring them, and identify receiving sites that would be permitted to have additional density. Even if all of these things happened, a willing buyer would need to be found and the rights would likely be sold for considerably less

than they could be for onsite development. Any private owner would require the buyer to purchase all of the development rights and assume the risk of their actions.

The best course, however, is to issue a request for proposals and determine what the private market is willing to offer. Without soliciting competitive bids, there is no way of knowing the true value of the site or evaluating concrete alternatives. To create a level playing field, the RFP should offer an equal level of public subsidy to prospective bidders. It should also make clear that the successful bidder will need to agree to a set of urban design guidelines that provide the best possible waterfront access and pedestrian environment to support redevelopment goals for the rest of the district.

Thank you again for inviting us to testify. Further detail on RPA's findings and positions can be found online at www.rpa.org, and we would be happy to provide additional information as you continue your deliberations.

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