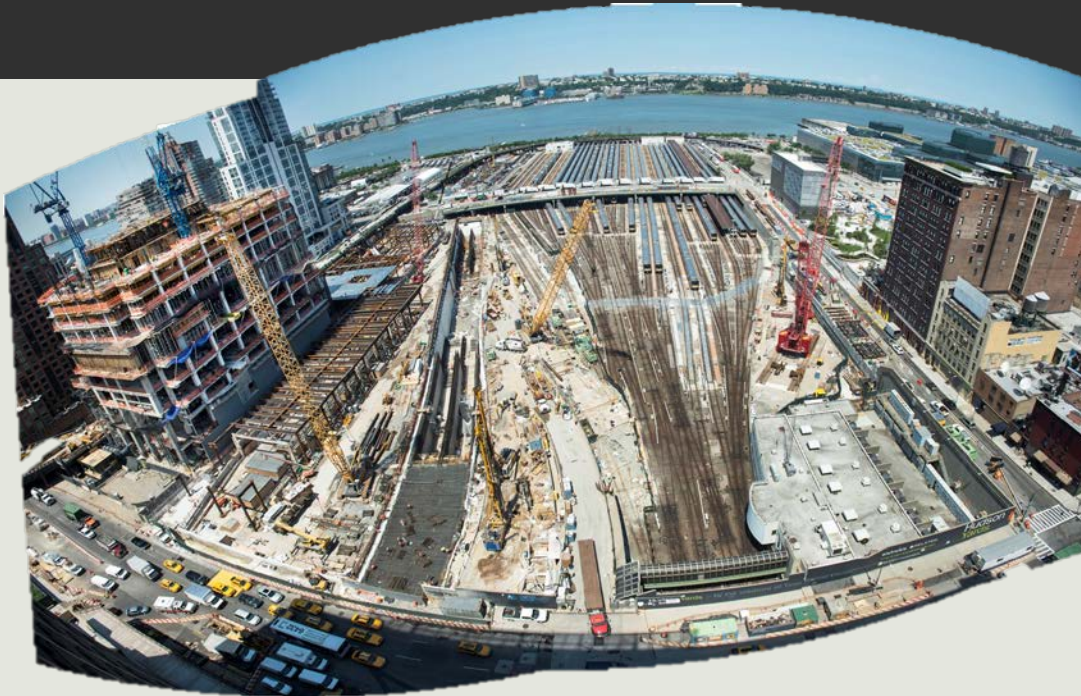


# Metropolitan Transportation Authority Hudson Yards TOD



MTA: Photographer Pat Cashen Aug 2014

Robert Paley  
Director, Transit-Oriented Development, MTA  
March 22, 2018

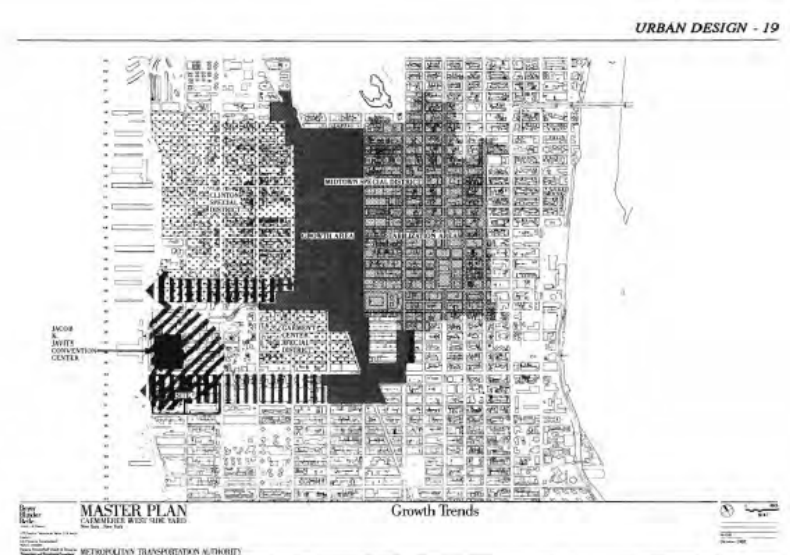


# Hudson Yards Background:

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 34<sup>th</sup> St and 11<sup>th</sup> 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



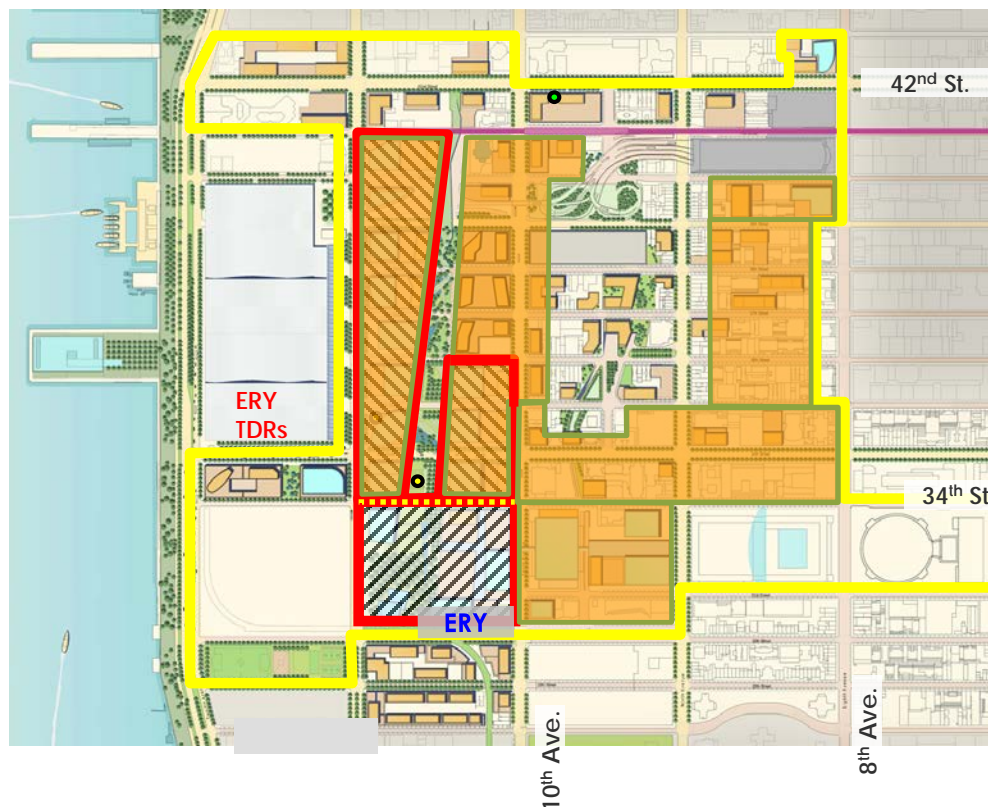
District Improvement Bonus (DIB) available on these sites



ERY TDRs Generating Site

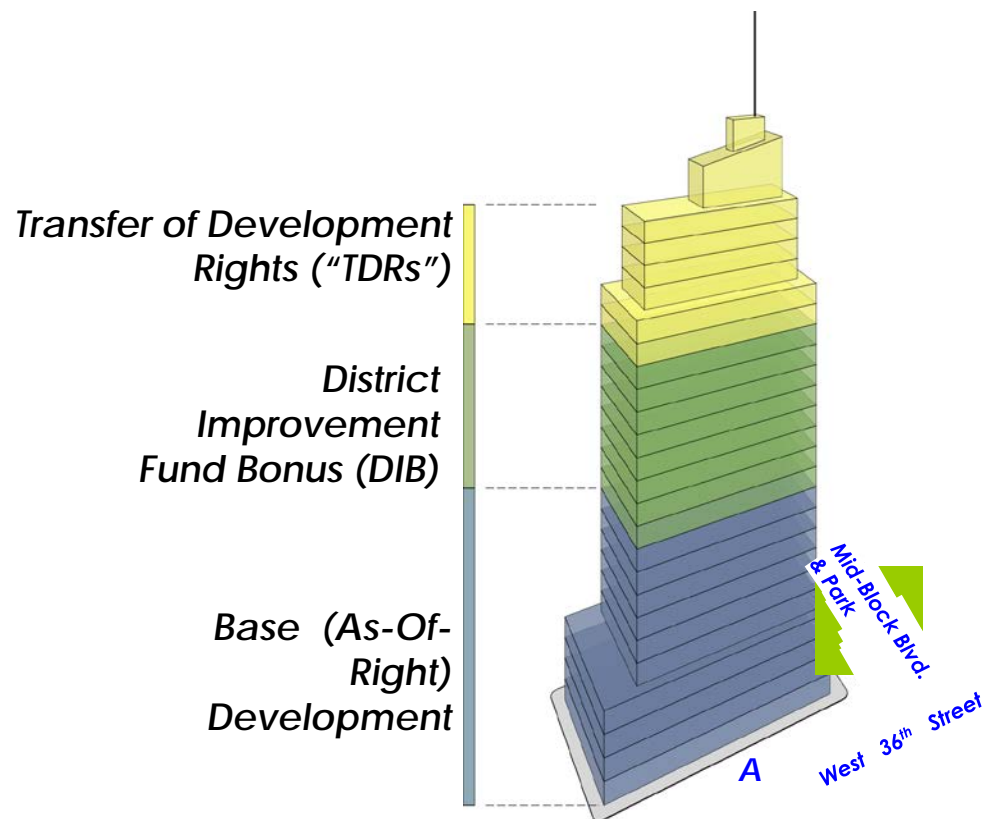


ERY TDRs Receiving Sites



- 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 2<sup>nd</sup> 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