



FINAL ENVIRONMENTAL IMPACT STATEMENT AND FINAL SECTION 4(f) EVALUATION

APPENDIX 1

Purpose and Need

1-1: Project Sponsor Letter



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Project Sponsor Letter

June 29, 2018

Elizabeth "Sherry" Riklin
Acting Associate Administrator for Planning and Environment
Federal Transit Administration
1200 New Jersey Avenue, SE
Washington, DC 20590

Re: Hudson Tunnel Project – Section 5309 Capital Investment Grant Program – New Starts

Dear Associate Administrator Riklin:

The Port Authority of New York and New Jersey ("Port Authority"), as Project Sponsor, together with our partners, Gateway Program Development Corporation ("GDC"), New Jersey Transit Corporation ("NJ TRANSIT"), and the National Railroad Passenger Corporation ("Amtrak") (together the "Project Partners"), is pleased to submit this progress report on the Hudson Tunnel Project in connection with the Federal Transit Administration's ("FTA") 5309 Capital Investment Grant ("CIG") Program.

The Hudson Tunnel Project consists of the construction of a new Hudson River Tunnel, Hudson Yards Concrete Casing - Section 3 ("HYCC-3"), and the rehabilitation of the existing North River Tunnel (collectively the "Project"). The Project was accepted into the FTA's Project Development phase of the CIG Program on July 14, 2016.

The Project Partners remain focused on advancing this vital Project as soon as possible to enhance reliability for the Northeast Corridor ("NEC"), the rail line that directly connects rail traffic between eight states and the District of Columbia, as well as providing connections to trains serving states as far away as Florida, Illinois, and Louisiana. This critical infrastructure linking the regional and national rail network with New York City supports the United States' economy by connecting people and businesses and alleviating congestion on the nation's interstate highways throughout our country. Furthermore, given the extreme age of the asset and impacts from major weather events - like Hurricane Sandy - in recent years, the tubes of the North River Tunnel will need to be taken out of service and rehabilitated, leading to an estimated reduction of up to 75% of current capacity.

This letter will address progress in four critical areas: (1) The environmental review process and schedule for issuance of a Record of Decision, (2) progress on multiple technical activities, (3) the affirmation of existing local funding commitments and plan for updating the overall Finance Plan, and (4) addressing the issue of grant applicant and NEPA Project Sponsor. Towards this end, the Project Partners offer the following update on the major elements of the Project.

National Environmental Policy Act ("NEPA") Requirements

The Project Partners began work on the required environmental impact statement ("EIS") for the new tunnel and rehabilitation of the North River Tunnel in April 2016. The Federal Railroad Administration ("FRA") and NJ TRANSIT are the lead agencies for the EIS. Amtrak and the Port Authority are leading the preliminary engineering work in support.

The cooperation and coordination among the Project Partners and the FRA, FTA, and all of our other federal, state and local stakeholders, including the continued outreach to communities in New York and New Jersey, has been successful and has resulted in mitigation strategies that we believe are universally

supported. Public comments by the public continue to urge the Project to move ahead as quickly as possible. The completion of this effort in February 2018, in just 22 months, was a major milestone. The draft Final Environmental Impact Statement ("FEIS") was undertaken in less than half the time generally required for a project of this size and complexity, reflecting this urgency. Following the completion of its review of the draft FEIS, the U.S. Department of Transportation ("USDOT") is expected to issue a Record of Decision ("ROD").

The timetable for issuing the ROD has extended beyond the date of March 30, 2018 that was originally anticipated by all stakeholders. At this point in time, the current draft FEIS review schedule does not allow for a ROD to be issued prior to July 14, 2018 – the date by which it was anticipated the Project would have entered into the Engineering phase of the CIG Program. The FEIS and ROD are critically important to the Project Partners in advancing their decision-making process, and continuing our work on the Project's financial plan and procurement and construction activities. Therefore, considering the ongoing review of the draft FEIS by USDOT and the Project Partners' ongoing work, the Project Partners recognize that the Project must remain in the Project Development phase.

After receiving a revised ROD issuance date, the Project Partners will revise the Project's schedule accordingly and work with FTA to develop an updated timeframe for progressing in the CIG Program. This schedule will also take into account the commitment made by the States of New York and New Jersey as it pertains to GDC, as discussed further in this letter.

Technical activities

In the six months since the December 2017 submittal of a revised financial plan for the Project, the Project Partners continued to progress the Project with the aim of commencing early work in Federal FY2018. The Project's significant recent progress is detailed below.

HYCC-3:

- In the first quarter of 2018, significant design work advanced on the HYCC-3 so that early work construction may begin in 2018 on this right-of-way preservation element after receiving the required NEPA finding by the FTA.
- In June 2018, the design of the Long Island Railroad ("LIRR") Emergency Services Utility Relocation Project ("Utility Relocation Project"), an early action aspect of the project, was completed.
- The Utility Relocation Project, funded by Amtrak and the Port Authority, is anticipated to begin construction this summer. At its February 2018 meeting, the Port Authority's Board of Commissioners committed \$12.5 million to this critical path work.
- In May 2018, the GDC Board of Trustees endorsed the actions taken by Amtrak and the Port Authority to advance the Utility Relocation Project.
- In summer 2018, a request for a NEPA finding will be submitted to FTA. HYCC-3 previously received an FRA Finding of No Significant Impact under NEPA as part of the larger, three-phase Hudson Yards Concrete Casing project.
- Design of HYCC-3 is at 90% and will be completed in September, 2018 in cooperation with the Hudson Yards developer (Related Companies) and LIRR.

Hudson River Tunnel:

- As further explained below, the Port Authority will now serve in the role of CIG grant applicant and NEPA Project Sponsor for this Project on behalf of the Project Partners.

- In February 2018, the Port Authority's Board of Commissioners authorized \$31.5 million for the provision of support to GDC in the form of in-kind services, staff, contracted services on behalf of the GDC and/or funding.
- In March 2018, 30% design documents for the Hudson River Tunnel were submitted to FRA and the Project Partners for their review. Final approval is expected after FRA's issuance of the ROD.
- In June 2018, the GDC Board of Trustees directed the issuance of a Request for Proposals for a Financial Advisor, as discussed below.
- Over the past six months, a Project Management Plan was developed with component sub-plans:
 - Quality Assurance/Quality Control Program Plan
 - Safety and Security Management Plan
 - Real Estate Acquisition and Management Plan
 - Fleet Management Plan
 - Management Capacity and Capability Plan
 - Risk and Contingency Management Plan
- Over the past six months the following work has been progressed:
 - Geotechnical reports were completed
 - Preliminary safety hazard analysis and threat and vulnerability analysis were completed
 - A schedule addressing key activities, milestones and elements was developed and refined
 - Third party agreements and right-of-way have been detailed and are being pursued to the extent permitted
 - Draft value engineering report is under development
 - Safety and security design criteria are in development

Financial Plan

The Project Partners reaffirm their existing funding commitments documented in the December 2017 Financial Plan ("Financial Plan"), including the local commitment of \$5.55 billion towards the construction cost of the Project supported by the Port Authority, NJ TRANSIT, and the State of New York. The full extent of these commitments is described and set out in documents previously submitted to USDOT. Additionally, a Request for Proposals was recently issued for a financial advisor which will serve GDC and further strengthen the financial approach to delivering the Project. The financial advisor will assist with developing optimal procurement, funding and financing solutions, and will be tasked with identifying potential federal, non-federal, state and private financing and funding sources.

Furthermore, the Project Partners are committed, prior to entering into the Full Funding Grant Agreement, to identifying the sources of funding necessary to cover construction cost overrun and construction completion risk as well as the local share of the tunnel rehabilitation. Such funding sources may include measures that generate revenue that may include train usage or access fees. We are confident that the financial advisor will provide significant assistance in this effort. Also, as part of the Financial Plan, we recognize that the CIG Program guidelines require that 30% of the local share be committed prior to entering into the Engineering phase. We remain committed, as we have from the beginning, to meeting this requirement.

Grant Applicant & NEPA Project Sponsor

The Project Partners recognize that FTA has expressed the view that the GDC, as currently constituted, is not eligible to serve as the CIG grant applicant or NEPA Project Sponsor for the Hudson Tunnel Project.

To respond to this concern, this letter notifies you that the Port Authority has agreed to perform those roles on behalf of the Project Partners for this Project.

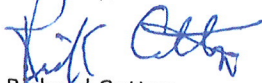
It is important, however, to recognize that based on extensive consultation among multiple federal, state, and local stakeholders, GDC was established to serve a lead role in the financing and development of the Gateway Program, including acting as a federal grant and loan applicant as well as NEPA Project Sponsor. The Project Partners intend for GDC to carry out these roles and thus, the States of New Jersey and New York have agreed to pursue legislative action in both states promptly within the framework of each state's legislative calendar that would enable GDC to perform these financing and development functions for the Hudson Tunnel Project.

Conclusion

In summary, we continue our work on the initiatives set forth above and the other critical tasks that must be accomplished in order to gain the FTA's support and to commence construction on this vital Project. The Project Partners look forward to continuing the on-going dialogue, and to cooperating and partnering with your agency during this process.

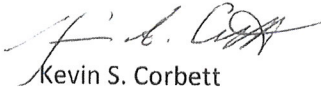
If you should have any questions, please do not hesitate to contact William Laventhal at (212) 435-6963 or wlaventhal@panynj.gov.

Sincerely,

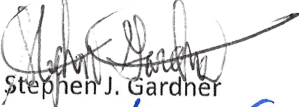


Richard Cotton
Executive Director, Port Authority of NY & NJ

Signed in support:



Kevin S. Corbett
Executive Director, NJ TRANSIT



Stephen J. Gardner
Executive Vice President, Amtrak



John D. Porcari
Interim Executive Director, GDC

cc: Governor Andrew M. Cuomo, State of New York
Governor Philip D. Murphy, State of New Jersey
Steven M. Cohen, Chairman, GDC
Anthony R. Coscia, Vice Chairman, GDC
Jerry Zaro, Trustee, GDC