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The Money Pit

Port Authority has \$2 B. to spend—but on what? World Trade Center may swallow monies once meant for transit

by Eliot Brown | 8:30 PM January 13, 2009

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Getty Images

The trade center site.

When Dick Ravitch went before a room full of reporters on the 38th floor of the governor's midtown offices in December to present his plan to save the M.T.A. from fiscal upheaval, transit advocates who closely followed the process were surprised at an omission.

As expected, the former M.T.A. chairman called in his 21-page report for East River bridge tolls, a new payroll tax and structural reforms to the agency. But missing was a call to seize a \$2 billion unallocated chunk of transportation money belonging to the Port Authority of New York and New Jersey. Mr. Ravitch had told many close to the debate

that he wanted the money, earmarked for New York but uncommitted to any specific project, saved for the M.T.A.

Governor Paterson, who commissioned the report and monitored its findings, apparently had different plans, keeping segregated the authorities' budgets, and thereby throwing the Port Authority's board and its executive director, Chris Ward, \$2 billion to spread as they pleased.

But now, more than two years after the money was initially allocated with the intention of funding a New York-based regional transportation initiative-to-be, the question has become whether the cash has sat uncommitted for so long that it will be completely swallowed by one existing project: the World Trade Center redevelopment.

If the funds all go toward the troubled, overbudget Lower Manhattan site, it would mostly betray the original intent of using the money for transportation. But if the funds go toward another project or list of projects—which would include an expansion of Penn Station—the Port Authority's capital plan would need to be expanded or stretched out, likely causing friction with New Jersey officials, who have previously warned against changes to the plan.

IN 2006, the vantage point was different.

On many capital projects, the Port Authority tends to divide its commitments dollar-for-dollar between New York and New Jersey. In crafting the agency's 10-year plan at the time, New Jersey Governor Jon Corzine set aside \$2 billion for a new rail tunnel under the Hudson River, and Governor Pataki, without committing to any specific project, saw that his state's matching share, another \$2 billion, was reserved for a New York transportation project.

Ideas abounded for a use of the money. Stewart Airport, also owned by the Port Authority, could use a rail link to Manhattan; a new rail tunnel could be built connecting Lower Manhattan to John F. Kennedy Airport; Penn Station could get a long-planned renovation and expansion.

But with a changing cast of governors ever since, New York officials have equivocated, never making a decision on any specific use.

For at least a while, the leading idea seemed to be to use the money to accomplish a major redo and expansion of Penn Station, a project on the books for years and known now as Moynihan Station. After the project stalled in the Spitzer administration, Senator Charles Schumer made a public push for the Port Authority to put its money there and take over the project, an idea embraced by the agency's leaders. But the project fell apart amid a complicated real estate deal, making a complete makeover of the station mostly impossible.

When Governor Paterson tapped Mr. Ravitch back in April to craft a plan to rescue the M.T.A.'s finances, many transportation advocates expected his final recommendations to call for transferring the money. Mr. Ravitch was in favor of the concept, as the M.T.A. currently has no hard funds for its upcoming five-year capital plan, which is likely to cost in the area of \$30 billion. Ultimately, Mr. Paterson oversaw the report, and Mr. Ravitch's final recommendations did not include a request to transfer the funds.

Mr. Ravitch said on Monday that he acknowledged the Port Authority's financial problems, particularly at the World Trade Center, but the \$2 billion could have helped out an agency in need.

“I was fully aware of that fact, and understand all the demands on the Port Authority’s money, but the Port Authority, in my day, bought a lot of buses for the M.T.A., and they could do it again,” he said.

IN AN AGE of public-sector cuts and massive budget deficits—the city and the state are projected to face a total gap of about \$40 billion in the next two and a half years—the Port Authority is doing rather well for itself.

Last month, the agency reported that it would see a major surplus, \$297 million, in operating revenues for 2008. In 2009, revenues are predicted to rise again, with an extra \$110 million in revenues expected over 2008, according to the agency’s budget. Such figures speak not so much to efficient management—critics for years regarded the Port Authority as a political patronage dumping ground, and it pays some of the highest salaries in state government—but rather are a result of the agency’s financial structure, which does not rely on volatile income streams like income tax. The Port Authority owns the area’s airports and therefore benefits from the \$2 billion in landing fees and other income associated with aviation, a revenue stream that is projected to increase next year. The amount of toll-paying vehicles at crossing points from the Holland Tunnel to the George Washington Bridge, too, was projected to see only a relatively small drop-off in 2008.

But all is relative, and regardless of how much better the Port Authority is doing than other governments or authorities, a drop in expected revenues would strain resources and could affect the size of the agency’s \$29.5 billion 10-year plan.

“We did take a financial hit both in terms of forecast and revenues,” Mr. Ward, the authority’s executive director, said Tuesday.

On top of this is more than \$2 billion in overruns at the World Trade Center site. The Port Authority’s 2009 budget put all the various components overseen by it as costing a total of \$10.85 billion, compared with the \$8.4 billion that was allocated in 2007 in its capital plan.

The World Trade Center development’s deficit, individuals on the New Jersey side of the Port Authority have argued, should be closed by spending New York–dedicated funds. Governor Corzine, through a spokesman, has forcefully insisted that the development’s deficits not interfere with the agency’s capital plan.

Thus it seems an open question whether the Port Authority would be able to put the \$2 billion toward any other project, given that something such as Moynihan Station would require expanding or stretching out the current Port Authority capital plan.

Mr. Ward, an appointee of Governor Paterson, has told advocates of Moynihan Station that he is pushing for the authority to move the project forward; and Mr. Paterson has spoken out in favor of it, though he has held back from issuing any final decision on the matter.

Mr. Ward said it would indeed be possible to fit more projects, Moynihan Station included, into the Port Authority’s existing capital plan, given that many initiatives do not need all their expenses paid within the capital plan’s 10-year time horizon.

“As the Port Authority has demonstrated before, our financial capacity can be managed within a 10-year, \$29 billion plan to accommodate a significant project, whether it is Moynihan or some other critical transportation initiative,” he said. “But, obviously, any project needs to be considered within the context of downtown as well.”

Adding Moynihan Station into the mix would surely have the backing of some transit advocates and many preservation groups who have pushed for the project.

Whether Governor Paterson and, ultimately, the full Port Authority board agree, time will tell.

Back in September, the governor pledged a report on Moynihan Station within weeks, though no report ever publicly materialized and he has remained mostly mum on the topic ever since.