

Staff Summary

Subject PENN STATION CONCOURSE IMPROVEMENTS
Department REAL ESTATE
Department Head Name JOHN N. LIEBER
Department Head Signature 
Project Manager Name ROBERT PALEY

Date FEBRUARY 25, 2019
Vendor Name
Contract Number LIRR CONTRACT GEC 6168A-02-01
Contract Manager Name
Table of Contents Ref. #

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance Committee	2/25/19	X		
2	Board	2/27/19	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal		
2	Chief Development Officer		
3	Chief of Staff		
4	Chief Financial Officer		

AGENCIES: MTA Capital Construction ("MTACC")
Long Island Rail Road ("LIRR")

LOCATION: The LIRR Main Concourse, running approximately beneath 33rd Street, between Seventh and Eighth Avenues (the "Concourse") and connecting corridors located within a portion of Pennsylvania Station (the "Station").

ACTIONS REQUESTED: (1) Authorization to enter Memorandum of Understanding with One Penn Plaza LLC
(2) Approval of a modification to Long Island Rail Road Contract GEC 6168A-02-01 with AECOM USA, Inc. in the amount of \$4.5 Million

COMMENTS:

This program will renovate and improve LIRR's facilities on the lower level of the Station. It improves emergency egress and addresses pedestrian overcrowding and the aging and obsolescence of operational systems and architectural finishes.

To accomplish this, MTACC and LIRR seek authorization to enter into a Memorandum of Understanding (the "MOU") with One Penn Plaza LLC ("Vornado"), which controls much of the real estate in and around the Concourse, that will provide for widening of the Concourse and adding egress. In addition, MTACC and LIRR seek approval to award a contract modification to LIRR Contract GEC 6168A-02-01 with AECOM USA, Inc. in the amount of \$4.5 Million, to complete a 30% design and associated contract documents for a new entrance from street level into the Concourse on 33rd Street.

1. The MOU

Set forth below is a summary of certain material terms of the proposed transactions contemplated by the MOU:

a. Concourse Improvements Project

The Concourse improvements, upon completion, are expected to result in a Concourse that is 57 feet wide (up from approximately 37 feet) with approximately 18-foot ceilings and a high-quality, transit-oriented retail program on the North and South frontages of the Concourse and are expected to consist of:

- widening of the Concourse improvements to four (4) connecting corridors, including the Main Gate Corridor, Central Corridor, Exit Corridor and 34th Street Corridor;
- reconfiguration of the K-Mart premises, currently located on the north side of the Concourse within Vornado controlled space, to accommodate the widened Concourse and (x) back-of-house operating space for LIRR and Metro-North and (y) retail space, and (z) new circulation for the premises to be leased by K-Mart;

Staff Summary

FINANCE COMMITTEE MEETING

Penn Station Concourse Improvements

- Generally, all costs are to be paid by MTA, including payments to Vornado to reimburse it for lost retail revenue resulting from the project, costs it incurs for construction and for overseeing the project. Vornado will (x) competitively bid the work pursuant to a to be agreed process; and (y) build the Concourse improvements for an agreed fixed price; and (z) deliver the completed project by December 2022.

b. New LIRR Entrance

- MTA and Vornado have agreed to design and complete a new entrance from street level into the Concourse on 33rd Street proximate to Seventh Avenue (the "New LIRR Entrance");
- The New LIRR Entrance will include stairs and 3 escalators to the Concourse and possibly a new elevator to provide additional access to the station;
- MTA will provide the preliminary design for the New LIRR Entrance; Vornado will then assume responsibility for completing the design, construction and delivery of the New LIRR Entrance on or before December 31, 2020 and MTA will pay Vornado an agreed fixed price; and
- In consideration of to be agreed amounts, Vornado will convey to MTA property rights necessary to accommodate the New LIRR Entrance and elevator to the Concourse.

c. Exchange of Space

- MTA and Vornado will swap an approximately 15,000 SF portion of the Station fronting on the North side of the Concourse (the "Concourse Widening Strip") conveyed to MTA for an additional approximately 19,000 SF of retail space on the South side of the Concourse (the "South Side Space") conveyed to Vornado;
- A portion of the amounts payable to Vornado will be in the form of a recurring rent credit, expected to be approximately \$1,800,000 per year (with a to be agreed upon annual inflation metric, the "Recurring Rent Credit"), subject to recalculation when costs are closer to being finalized. Vornado will lease to MTA approximately 43,750 SF of office space for LIRR and Metro-North operations, 14,750 SF of which will be located in the Concourse and 29,000 SF of which will be located on Lower Level 3 or in such other location(s) as mutually agreed (the "New MTA Operations Space").

2. Modification to AECOM's Contract

In December 2016, LIRR awarded Contract GEC 6168A-02-01 to AECOM to provide a 30% design for the Concourse program in the amount of \$6.7 million. Design studies and development performed throughout 2017 and 2018 included extensive pedestrian modeling which revealed worsening overcrowding and the need for a new entrance.

During this same period, Vornado announced its plans for re-developing 2 Penn Plaza, adding new street level retail along West 33rd Street up to their property line and moving their main entrance to West 33rd Street. Vornado is negotiating with the City of New York to design, pay for and maintain this new plaza. Vornado's plans have created both the opportunity and the necessity to work with Vornado to develop the MTA's new entrance, which was not part of AECOM's original contract.

To facilitate the current timeline for the entrance, the MTA must deliver a 30% design of the entrance and associated contract documents by April 1, 2019. MTACC and LIRR intend to return to the Board in April to seek approval to enter into a contract with Vornado for the construction of the entrance in accordance with the terms of the MOU.

The added scope to AECOM's contract includes the 30% design package for the new entrance, escalator specifications that will allow the early procurement of long-lead material and equipment, and developing a preliminary layout of certain spaces that MTA will lease from Vornado pursuant to the MOU and a lease agreement contemplated by the MOU.

The design for the remainder of the Concourse improvements will be procured separately by the MTA through a competitive Request for Proposals.

FUNDING:

LIRR has a \$170 Million project in the capital program to support this effort. The balance will be funded by the State of New York.