

Report on the Economic Benefits of the Second Avenue Subway and East Side Access



Prepared by the Office of Congresswoman Carolyn B. Maloney
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Introduction

Mass transit investment is an important source of jobs for our region. In previous times of fiscal crisis, local governments have often disregarded the economic benefits of transit investment and diverted funds from mass transit to other government needs. Fortunately, New York State seems have learned the lessons of the past and appears determined to maintain its commitment to complete the Second Avenue Subway (SAS) and East Side Access (ESA), along with other capital improvement projects. The SAS and ESA currently enjoy strong support from Governor David Paterson, Mayor Michael Bloomberg, Speaker Sheldon Silver and the New York Congressional delegation.¹

Infrastructure investments have a strong multiplier effect. Economists tell us that nationwide every dollar spent on public infrastructure increases GDP by an estimated \$1.59². The economic benefits are particularly great in dense urban areas like ours where mass transit is used heavily and capacity is strained.

Unlike most regions of the country, New Yorkers really use mass transit. 80% of daily rush-hour commuters to New York City's central business district take mass transit, more than any other region of the country.³ Mass transit investments in New York City will have a real and recognizable benefit.

The Second Avenue Subway and East Side Access have already created tens of thousands of jobs and generated millions in tax revenue. As these projects move forward, they will be a steady source of employment for thousands who are engaged in the construction. Other jobs will be created across the state for manufacturers of rolling stock, parts and other items.

The economic benefits of these projects will continue long after construction has ended. They will provide added capacity to support the creation of employment in New York City's Central Business Districts and to support residential development along their routes. They will shorten commuting times and relieve intolerable congestion, particularly on the Lexington Avenue subway line and the Long Island Railroad (LIRR).

¹ The Federal government and the Metropolitan Transportation Authority are working in partnership on SAS and ESA. Indeed, the Federal government, with the strong encouragement of the Congressional delegation, has entered into full funding grant agreements with respect to both projects.

²*The Economic Impact of the American Recovery and Reinvestment Act*, Mark Zandi, Chief Economist, Moody's Economy.com (January 21, 2009)
http://www.economy.com/mark-zandi/documents/Economic_Stimulus_House_Plan_012109.pdf

³<http://mta.info/mta/network.htm>

Economic Benefits of The Second Avenue Subway and East Side Access

Economists tell us that infrastructure investments are among the most cost-effective ways to invest government dollars. Every dollar spent on public infrastructure results in a \$1.59 increase in GDP. The cost for the Second Avenue Subway is currently projected to be \$4.347 billion, making the subway's contribution to GDP nearly \$7 billion. The cost for East Side Access is currently estimated to be \$7.244 billion, plus an additional \$476 million for supporting regional investment costs. Based on this estimation, East Side Access will increase GDP by \$12.275 billion.

Experts tell us that public spending on mass transit has by far the highest economic multiplier among all industries in New York State. A billion dollars in spending on public mass transit in New York State results in \$3.4 billion in total economic output, 37,500 jobs and \$1.8 billion in employee compensation.⁴

New York's transportation infrastructure is already over capacity. The Lexington Avenue IRT is widely recognized as the most overcrowded rail line in the nation. Without adequate transportation infrastructure capacity and reliable and cost-effective transportation services, the economic growth, productivity, and competitiveness of our city is at risk.

Construction

Now that the Metropolitan Transportation Authority (MTA) has made significant progress in the construction of both The SAS and ESA, we can see that these projects have already created tens of thousands of jobs. With construction likely to continue through 2015, these jobs will continue to boost our economy for many years to come.

The Second Avenue Subway broke ground on April 12, 2007. Since then, it has created over 16,000 jobs, generating \$842 million in total wages and \$2.87 billion in total economic activity.⁵

The Federal Transit Administration (FTA) issued a Record of Decision for East Side Access in May 2001, allowing construction to commence. Since then ESA is estimated to have generated over 22,000 jobs, \$1.176 billion in total wages and \$4 billion in total economic activity.⁶

⁴*New York City 2005-2006 Budget Outlook*, Fiscal Policy Institute (February 2, 2005)

⁵Numbers provided to Congresswoman Maloney by the MTA

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While construction jobs predominate, these projects will also impact manufacturers and vendors throughout New York State. In addition to the workers directly engaged in constructing the subway stations, ancillary facilities, and subway tunnels, there will be jobs for contractors and subcontractors who build rolling stock, parts suppliers and other items. Communities as far away as Buffalo, Albany and Plattsburg will provide subway cars or parts. The vast majority of these jobs involve union labor.

Post-Construction Benefits

Once the SAS and ESA are completed, they will provide additional capacity into the Central Business District (CBD). New transportation capacity is essential for regional growth. These projects will support the economic vitality of the CBD and will help reduce auto travel and associated pollution. Added capacity will enable employers to bring additional employees into the CBD, and will support the development of new office space, retail space and residential development.

Lack of Capacity Hurts New York's Ability to Attract and Retain Employers

Good access to workers is correlated with improved labor and business productivity.⁷ Congestion threatens employers and area economic development. Rising housing costs continue to push workers out of central areas, increasing commute times and costs. Adding new capacity through the SAS and ESA will help support the creation of new jobs in east and west midtown and ultimately in lower Manhattan.

New York City residents spend an average of about one full week a year getting to work, the longest commute time in the nation among large cities, according to American Community Survey data released by the U.S. Census Bureau⁸. Of the 231 counties ranked in the American Community Survey, four of New York City's five boroughs — Bronx (41.8 minutes), Queens (41.4), Richmond (Staten Island) (41.2) and Kings (Brooklyn) (39.9) — have the longest commute times in the nation, far exceeding those of other metropolitan areas. And, while New York City's boroughs have the dubious distinction of being the worst, other counties in the New York metropolitan area have similar problems, such as Nassau on Long Island (34.1) and Monmouth in New Jersey (32.4).

New York City residents take an average of 38.4 minutes to get to work each day, more than five minutes longer than Chicagoans, who face the next longest commute of 32.7 minutes.⁹

⁷http://www.uschamber.com/NR/rdonlyres/evnv2ahc4z3utixkbmmlxeyzegd5bnpbg4eejhmm4pbfle4g343ukcp5veivofqlffdfd626dski5kerk5ltwo56qof/0804trans_challenge_summary.pdf

⁸http://www.census.gov/Press-Release/www/releases/archives/american_community_survey_acs/001695.html

⁹http://www.census.gov/Press-Release/www/releases/archives/american_community_survey_acs/001695.html

Long commutes can discourage potential employers from locating in a particular region. Employers are concerned that long commutes can prevent them from attracting and retaining the best employees, plus they are aware that studies show employees who spend huge chunks of their day commuting are less productive and creative on the job. Reducing work travel in the most heavily congested, highest-value commercial corridor in the nation, would greatly enhance New York City's ability to compete for talent with other regions that may offer better climate, lower stress or other quality of life advantages. By shortening commutes, the SAS and ESA will help New York attract and retain employers.

Infrastructure Investment Generates Revenue for Local Businesses

Studies show that infrastructure investment creates jobs and helps businesses' bottom line. A national study by Cambridge Systematics, Inc. estimated that transit projects generate 570 direct and indirect jobs for every \$10 million in capital expenditures¹⁰. Furthermore, local businesses should see an increase in sales once The SAS and ESA are completed. The study shows that businesses can expect to realize a gain in sales 3 times the public sector investment in transit capital; a \$10 million investment results in a \$30 million gain in sales. Moreover, businesses also benefit from transit operations spending, with a \$32 million increase in business sales for each \$10 million in transit operations spending. Impacts in New York City may vary because of different local multipliers and the particular mix of expenditures for the SAS and ESA.

Building The Second Avenue Subway

The Second Avenue Subway will reduce overcrowding and delays on the Lexington Avenue line, improving travel for both city and suburban commuters, and providing better access to mass transit for residents of the far East Side of Manhattan. The Lexington Avenue line is the most overcrowded subway in the nation, generally considered to be 40-60% overcapacity at rush hour. When the first phase of the SAS is completed, it is expected to attract roughly 200,000 passengers per day.

The Second Avenue Subway will be a two-track line along Second Avenue from 125th Street to the Financial District in Lower Manhattan. Additionally, at 63rd Street, there will be a connection from Second Avenue to existing tracks for the Broadway line, which has extra capacity. Thus, the SAS project will create the T, a brand new line from 125th Street to Hanover Square and significantly expand service on the Q, which will provide a one seat ride from the Upper East Side to Brooklyn. In total, the SAS will create sixteen new stations, each of which will be compliant with the Americans with Disabilities Act.

¹⁰http://www.camsys.com/pubs/publictransp_nationseconomy.pdf

Under the plan¹¹, the SAS will be built in four phases. Phase One will create tunnels from 105th Street and Second Avenue to 63rd Street and Third Avenue, with new stations along Second Avenue at 96th, 86th and 72nd Streets and new entrances to the existing Lexington Ave/63 Street Station at 63rd Street and Third Avenue. At 63rd Street, the new tracks will be linked to underutilized tracks for the Broadway line and will create a minimum operating segment that will provide service from the Upper East Side to west Midtown, lower Manhattan and Brooklyn.

Phase Two will expand the line to 125th Street, making use of an existing tunnel from 110th – 120th Streets.

Phase Three will create subway tunnels and stations along Second Avenue to Houston Street, creating new subway service for East Midtown.

Phase Four will bring the subway to Hanover Square, providing subway service to the under-served Lower East Side.

Contracts Underway

Construction Contract One was awarded in March 2007, and includes construction of the tunnels between 92nd and 63rd Streets, construction of the launch box for the tunnel boring machine (TBM) at 92nd to 95th Streets, and construction of access shafts at 69th and 72nd Streets. The first surface work for Contract One began in April 2007 in the vicinity of the launch box, 91st to 95th Street. Contract One is expected to be about 45 months in duration.

Subsequent contracts will be for the construction of the stations at 96th, 72nd, and 86th Streets, and the construction of 3rd Avenue entrances to the existing 63rd/Lexington station.

Building East Side Access

The LIRR is the largest suburban commuter railroad in the country, carrying 272,000 passengers every 24 hours on 718 trains. The vast majority of those passengers exit at Penn Station, and more than half then take another form of transportation or walk a great distance to jobs on Manhattan's East Side. Additionally, the LIRR is currently operating at or near capacity. Overcrowding adds time and inconvenience to daily commutes. ESA will create a new line that will bring LIRR passengers directly into Grand Central Terminal on Manhattan's East Side. It will also create a new LIRR stop in Sunnyside, Queens, helping commuters reach the business district in Long Island City.

When completed, ESA will add nearly 50 percent more rail capacity into Manhattan from Long Island and Queens, saving East Side-bound commuters 30 to 40 minutes per day. It is expected that ESA will eventually serve approximately 160,000 customers a day. The creation of

¹¹http://www.mta.info/capconstr/sas/sas_description.htm

a direct “one-seat” LIRR service from the Long Island/Queens corridor into Grand Central Terminal will have a number of significant regional transportation benefits¹², relieve congestion at Penn Station; reduce crowding on the subway lines that use Penn Station and the No. 7 line; allow Metro-North service to Penn Station, thereby providing for a more balanced transportation system and provide convenient access between the east side of Manhattan and JFK International Airport (via the AirTrain at Jamaica).

Contracts Currently Underway¹³

Under the Manhattan Approach Tunnels contract, tunnels are presently being constructed from the existing 63rd Street Tunnel at Second Avenue to the south end of the Grand Central Terminal rail tracks. The work also includes excavation for cross passages between the tunnels and a central instrument room.

Under the Manhattan Structures I contract, caverns for the new LIRR platforms and mezzanine below Grand Central Terminal are being excavated. Construction also includes excavation and lining of the new escalator-ways and shafts in Madison Yard.

Under the Grand Central Terminal Protection Works contract, the former Madison Yard area is being prepared for construction and blasting. The work includes inspection of facilities, removal and repair of defective concrete, necessary repairs to concrete slabs, columns and beams and installation of protective mesh.

Completed Contracts¹⁴

The installation of high speed switches, signal instrument houses and signal bridges were completed in November 2008. The work within this contract provides operational flexibility for LIRR train service at Wood Interlocking in Queens to support ESA construction.

The Arch Street Yard and Shop was completed in June 2005 and is being used for the delivery, testing and acceptance of new LIRR M-7 train cars as part of the LIRR fleet replacement program. In the future, it will support mid-day inspection, maintenance and cleaning of trains that will be used in LIRR service to Grand Central Terminal.

In August 2004, the Manhattan Approach Tunnel contract was completed. This required the removal of the existing bulkhead and installation of tunnel lighting and other utilities in the 63rd Street Tunnel. A limited amount of rock excavation using roadheader technology was also performed.

¹²<http://www.mta.info/capconstr/esas/benefits.htm>

¹³http://www.mta.info/capconstr/esas/construction_update.htm#underway

¹⁴http://www.mta.info/capconstr/esas/construction_update.htm#completed

In December 2003, a new storage and maintenance facility was completed at Highbridge Yard in the Bronx. Metro North trains will now be able to use the maintenance facility and six new train storage tracks, thereby freeing up space for a new concourse at Grand Central Terminal's lower level.

In September 2003, hazardous material abatement within Grand Central Terminal's East Yard on the lower level was completed and in January 2004, the removal of asbestos-containing materials from the lower level of the 63rd Street Tunnel was completed.

In November 2003, the Queens shaft was dug, setting the stage for open-cut excavation between Northern Boulevard and the existing rail yard. It also makes the bellmouth of the 63rd Street Tunnel in Manhattan accessible to the hard-rock tunnel boring machine contractor.

In September 2003, three buildings were demolished and tracks removed from the existing rail yard in Queens. To pave the way for future contracts, a construction access road was built and new track was installed to accommodate New York & Atlantic Railway service.

Historical Overview

During the 1960s and 1970s, the state dealt with economic difficulties by disinvesting in mass transit. The result was ruinous – the system lost 17% of its riders. In 1981, the state legislature declared a transit emergency and began to reinvest in the cash-starved transit system. It wasn't until the '90s, after billions of dollars of capital investment, that the system regained the riders it had lost. By 2001, the MTA was able to boast that annual subway ridership was at its highest point since 1953 and bus ridership was at its highest point since 1975.¹⁵

The New York City Region is the largest transit market in the United States; with nearly 8 million daily trips. MTA subways, buses, and railroads move 2.4 billion riders a year, about one in every three users of mass transit in the United States and two-thirds of the nation's rail passengers. At the same time the MTA is the most efficient transit system in the country, covering over 53% percent of its operating costs from the farebox. By contrast in Chicago commuters pay 42% of the cost, while in Boston and Los Angeles, riders pay 29% and 27%, respectively.¹⁶

The FTA reports that historically, the annual benefits that transit returns to the national economy easily outpace costs. "During the 1990s, transit returned \$23 billion per year in affordable mobility for households that prefer not to drive, cannot afford a car, or cannot drive due to age or disability; \$19.4 billion per year in reduced congestion delays for rush-hour passengers and motorists; \$10 billion per year in reduced auto ownership costs for residents of

¹⁵<http://www.mta.info/capconstr/sas/documents/feis/chapter01.pdf>

¹⁶*New York City 2005-2006 Budget Outlook*, Fiscal Policy Institute (February 2, 2005)

location efficient neighborhoods; up to \$12 billion per year in reduced auto emissions; \$2 billion savings per year in local human service agency budgets; and a 2 percent boost in property tax receipts from commercial real estate.”¹⁷

The Ravitch Report¹⁸

On June 10, 2008, Governor David A. Paterson appointed the 14 members of the Commission on Metropolitan Transportation Authority Financing, with former MTA Chairman Richard Ravitch as chair (the “Ravitch Commission”) and charged them to study ways for the MTA to address its ongoing capital and operating budget needs. On December 2, 2008, the Ravitch Commission issued its report (the “Ravitch Report”). Notably, the Ravitch Commission eschewed the opportunity to address operating needs by taking money from the MTA’s capital budget. The commission recognized that the dollars saved in the short term have a devastating impact in both the short and long term. They maintain that it is crucial for New York State to continue to invest in mass transit, noting: “The dollars invested in MTA facilities, equipment, and structures give an enormous boost to economic activity across the state. The last five-year program alone is estimated to have created an average of up to 38,500 jobs annually for nine years. Continued investment in our infrastructure will not only have an immediate economic payback during these challenging times, but it will also ensure the future economic competitiveness of the region.”

The Ravitch Report also noted that the economic benefits of mass transit construction tend to remain local. The report indicated that “the most recent program alone has generated as much as 346,000 total worker-years of employment, \$29 billion in regional economic activity, \$1 billion in income taxes and \$12 billion in wages statewide.”

Conclusion

The Second Avenue Subway and East Side Access are making important contributions to New York City’s job prospects currently, and will continue deliver economic dividends long after they are completed. New York State and the Federal government need to continue to invest in these projects notwithstanding the current economic climate.¹⁹

¹⁷http://www.fta.dot.gov/publications/reports/other_reports/publications_134.html

¹⁸<http://www.rpa.org/pdf/ravitchreport.pdf>

¹⁹The economic stimulus plan passed by the House of Representatives last week includes \$1.5 billion for New Start projects like these. If the funding makes it into the final package, it could allay doubts that New York State will be able to complete these projects during this time of fiscal hardship.