

Hudson Yards Infrastructure Corp.'s 2012 Series A Senior Revenue Bonds Rated 'A'

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NEW YORK (Standard & Poor's) Oct. 5, 2011--Standard & Poor's Ratings Services assigned its 'A' rating to Hudson Yards Infrastructure Corp. (HYIC), N.Y.'s \$1 billion senior revenue bonds, fiscal 2012 series A. At the same time, we affirmed our 'A' rating on HYIC's fiscal 2007 series A parity senior revenue bonds.

"The rating is based on our assessment of the general creditworthiness of New York City ('AA' general obligation rating), and the city's success in managing large-scale infrastructure and development projects," said Standard & Poor's credit analyst Karl Jacob. While there is a direct security related to interest payments on the bonds only, the city is highly invested in the project and its commitment to interest extends until the repayment of the bonds. Standard & Poor's expects that New York City will continue to have the incentive and the capacity over a 40-year time period to ensure that sufficient development occurs in the project area to provide a viable revenue stream to retire the bonds or develop an alternative financing strategy to repay the bonds.

Additional credit strengths include the following factors:

- A strong level of city support for the project area and the infrastructure supporting development, as well as for the bonds.
- New York City is a major economic and employment center with a high-value real estate market that has experienced continued, albeit cyclical, investment and growth over time.

Proceeds of this issue will primarily be used to complete the financing of the extension of the No. 7 subway line from Times Square between 7th and 8th

avenues and to construct a new terminal station at West 34th Street and 11th Avenue. The project's groundbreaking was on Dec. 3, 2007, and the expected completion is late 2013. We understand the project remains on budget. Bond proceeds from this issue are also funding development of various parks, public open spaces, and street improvements; these projects are also underway. The city council has authorized bonds totaling \$3 billion and this sale completes the balance of the authorization.

The outlook is stable and we do not see the rating changing in the two-year outlook horizon. While the development outcome of the project area is currently uncertain, if private construction occurs at the pace expected by the city, we believe there will be sufficient resources to fund principal payments. If development does not occur on schedule, Standard & Poor's will continue to evaluate the city's commitment to the project area and the bonds.

RELATED CRITERIA AND RESEARCH

- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- USPF Criteria: Special-Purpose Districts, June 14, 2007
- USPF Criteria: Moral Obligation Bonds, June 27, 2006

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