



# Second Party Opinion

## EXECUTIVE SUMMARY

### ISSUER

Hudson Yards Infrastructure Corporation

### OPINION ON

Hudson Yards Revenue Bonds Fiscal 2022 Series A (Green Bonds)

### GREEN STANDARD AND CATEGORY



- Clean Transportation

### EVALUATION DATE

October 8, 2021

### SUMMARY

Kestrel Verifiers is of the opinion that the Hudson Yards Revenue Bonds Fiscal 2022 Series A (Green Bonds) ("Series 2022 Bonds") conform with the four core components of the Green Bond Principles 2021 as follows:

#### ▪ Use of Proceeds

Proceeds of the Series 2022 Bonds will refund outstanding bonds that financed an extension of a public transit rail line in The City of New York ("City") and connected the Hudson Yards development to the rest of the City through its subway system. Construction of the extension is complete and was first operational in September 2015. The subway extension and associated station support zero-direct emissions transport. The Series 2022 Bonds align with one eligible project category under the Green Bond Principles: *Clean Transportation*.

#### ▪ Process for Project Evaluation and Selection

Early in the Hudson Yards development process, the area was recognized as "underutilized" and the Department of City Planning identified key actions to catalyze further development in the area. One of these key actions included extension of the subway to support transit-oriented development.

#### ▪ Management of Proceeds

Series 2022 Bond proceeds will solely be used to refund the outstanding bonds and to pay costs of issuance.

#### ▪ Reporting

The Corporation commits to posting continuing disclosures to the Municipal Securities Rulemaking Board ("MSRB") annually through the Electronic Municipal Market Access ("EMMA") system. The Corporation and the City have not committed to providing additional use of proceeds reporting because all Series 2022 Bond proceeds will be applied promptly following the closing to redeem the outstanding 2012A Bonds that financed the Subway Extension project, which has been operational since September 2015.

#### ▪ Impact and Alignment with United Nation Sustainable Development Goals

By financing projects that expand options for zero-direct emission public transportation, the Series 2022 Bonds advance UN Sustainable Development Goals 9: *Industry, Innovation and Infrastructure* and 11: *Sustainable Cities and Communities*.

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# Second Party Opinion

<b>Issuer:</b>	<b>Hudson Yards Infrastructure Corporation</b>
<b>Issue Description:</b>	Hudson Yards Revenue Bonds Fiscal 2022 Series A (Green Bonds)
<b>Project:</b>	Subway Extension
<b>Green Standard:</b>	Green Bond Principles
<b>Green Category:</b>	Clean Transportation
<b>Par:</b>	\$454,140,000
<b>Evaluation Date:</b>	October 8, 2021

## GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond issue to evaluate conformance with the Green Bond Principles (June 2021) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the Series 2022 Bonds are aligned with the four core components of the Green Bond Principles and qualify for green bonds designation.

## ABOUT THE ISSUER

Hudson Yards Infrastructure Corporation ("Corporation") was created in 2005 by The City of New York ("City") for the purpose of financing the expansion of the subway and creation of a public park to encourage development in the Hudson Yards area. The Corporation is an instrumentality of the City but is distinct from City operations. The Corporation works closely with the Hudson Yards Development Corporation ("HYDC") that is responsible for managing and implementing the activities financed through the Corporation.

The Corporation's mission is to: *promote economic development and growth on the west side of mid-town Manhattan and conduct its activities in a cost-effective and efficient manner.* The Corporation works diligently and cooperatively with HYDC, the Metropolitan Transportation Authority ("MTA"), and the City to facilitate and implement Hudson Yards development.

Individuals from the New York City Office of Management & Budget ("OMB") manage the Corporation's operations. HYDC receives funding from the Corporation and implements development activities.

Hudson Yards is the largest private real estate development in the City since Rockefeller Center in 1939. The development includes transportation systems, public green space, and multiple large buildings with office, residential, retail, and hotel spaces. Private projects within Hudson Yards have incorporated certain aspects of sustainability and resilience into design, including maximized use of space, infrastructure for waste management, integrated stormwater management and collection, on-site power generation to minimize disruptions from grid-wide failure, and energy submetering. Construction of many components of Hudson Yards remains in progress.

## ALIGNMENT TO GREEN STANDARDS

*Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles (International Capital Market Association definition).*

### Use of Proceeds

The Series 2022 Bonds will be used to refund the Corporation's outstanding Hudson Yards Senior Revenue Bonds Fiscal 2012 Series A ("Series 2012A Bonds") and to finance costs of issuance. Of the total original \$1,000,000,000 Series 2012A Bond proceeds, \$887.64 million was used to finance design and construction of the extension of the No. 7 Subway ("Subway Extension") from Times Square to Hudson Yards. The eligible project for Green Bonds designation is the \$887.64 million Subway Extension, which is less than the total amount of the Series 2022 Bonds. All proceeds of the Series 2022 Bonds will refinance this project and pay costs of issuance. The Subway Extension is an eligible public transportation project as defined by the Green Bond Principles in the project category of *Clean Transportation*.



The Subway Extension opened to the public in September 2015 and is designed to accommodate future growth in ridership. Construction of the 1.5-mile extension began in 2007 and, while financed through the Corporation, conforms with MTA design criteria and system standards. The project is a cross-city electric-powered line and includes space for train storage and a new station, the 34 Street Hudson Yards station. The station building has three floors, two entrances, 16 escalators, eight sets of stairs, and is ADA accessible. Construction included use of Tunnel Boring Machine ("TBM") technology to bore through bedrock.

### Environmental Impact

Transportation accounts for 29% of greenhouse gas emissions in the US and efficient, accessible public transportation systems are critical to transportation sector emission reductions.<sup>1</sup> The Subway Extension is integral to the sustainable urban design of Hudson Yards. The Subway Extension only operates fully electrified passenger subway lines and has zero direct greenhouse gas emissions.

### Process for Project Evaluation and Selection

Prioritization of the Subway Extension was identified in early stages of Hudson Yards revitalization planning. Development of Hudson Yards was initiated based on demand for office space and residential housing in the City. The area was recognized as "underutilized" by the City and the Department of City Planning identified key actions to catalyze further development. One of these actions included extension of the subway to support transit-oriented development. In September 2006, MTA and the City agreed upon an arrangement for financing and construction of the extension.

### Management of Proceeds

Proceeds from the Series 2022 Bonds will solely be used to refund the outstanding Series 2012A Bonds and to pay costs of issuance. Proceeds will not be invested prior to the refunding. Upon closing, the Series 2022 Bonds will be promptly applied to redeem the outstanding Series 2012A Bonds.

### Reporting

The Corporation will submit annual continuing disclosures to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") system so long as the Series 2022 Bonds are outstanding. The Corporation and the City have not committed to providing additional use of proceeds reporting because all Series 2022 Bond proceeds applied promptly after closing to redeem the Series 2012A Bonds that financed the Subway Extension project, which has been operational since September 2015.

<sup>1</sup> "Sources of Greenhouse Gas Emissions, 2019," US Environmental Protection Agency, accessed September 21, 2021, <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>.

## IMPACT AND ALIGNMENT WITH UN SDGS

By financing a project that expands options for zero-direct emission public transportation, the Series 2022 Bonds are helping to address UN Sustainable Development Goals 9 and 11. Construction of the subway line extension supports Targets 9.1 and 11.2 through expanding the network of sustainable transport systems. The Series 2022 Bonds also support Target 11.6 by reducing transportation emissions and integrating clean transportation into the Hudson Yards development.

Full text of the Targets for Goals 9 and 11 is available in Appendix A, with additional information available on the United Nations website: [www.un.org/sustainabledevelopment](http://www.un.org/sustainabledevelopment)



### Industry, Innovation and Infrastructure (Target 9.1)

#### Possible Indicators

- Number of miles traveled on sustainable transport systems
- Reduction in fossil fuel use as a result of bond-financed projects



### Sustainable Cities and Communities (Targets 11.2, 11.6)

#### Possible Indicators

- Number of individuals with access to public transportation
- Avoided greenhouse gas emissions (tons CO<sub>2</sub>eq)
- Avoided air pollutant emissions (other than greenhouse gases)
- Number of avoided hospitalizations as a result of improved air quality

## CONCLUSION

Based on our independent external review, the Series 2022 Bonds conform, in all material respects, with the Green Bond Principles (2021) and the Subway Extension is in complete alignment with one eligible project category: *Clean Transportation*. The Subway Extension to be refinanced with the Series 2022 Bonds is integral to sustainable urban development in the City.

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## ABOUT KESTREL VERIFIERS



For 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women's Business Enterprise.

For more information, visit [www.kestrelverifiers.com](http://www.kestrelverifiers.com)

## DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (October 2021) only. By providing this Opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. Kestrel Verifiers relied on information provided by the Corporation and publicly available information. The Opinion delivered by Kestrel Verifiers does not address financial performance of the Green

Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the Corporation, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the Corporation or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

## Appendix A.

### UN SDG TARGET DEFINITIONS

#### **Target 9.1**

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

#### **Target 11.2**

By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

#### **Target 11.6**

By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management