



**Hudson Yards  
Infrastructure Corporation**

**(A Component Unit of The City of New York)**

**Financial Statements  
(Together with Independent Auditors' Report)**

**June 30, 2024 and 2023**

**HUDSON YARDS INFRASTRUCTURE CORPORATION**  
**(A Component Unit of The City of New York)**

**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**

**JUNE 30, 2024 AND 2023**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors  
Hudson Yards Infrastructure Corporation  
New York, NY

### *Opinions*

We have audited the financial statements of the governmental activities and governmental funds of Hudson Yards Infrastructure Corporation ("HYIC"), a component unit of The City of New York, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise HYIC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of HYIC as of June 30, 2024 and 2023, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HYIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HYIC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HYIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HYIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.





### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*CBIZ CPAs P.C.<sup>1</sup>*

New York, NY  
September 30, 2024

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited)

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### Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of Hudson Yards Infrastructure Corporation ("HYIC") as of June 30, 2024 and 2023, and for the years then ended. It should be read in conjunction with HYIC's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statements of net position (deficit) and the statements of activities, are presented to display information about HYIC as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of HYIC's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

HYIC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable.

The reconciliations of the governmental funds balance sheets to the statements of net position (deficit) and reconciliations of the governmental funds statements of revenues, expenditures and changes in fund balances to the statements of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

### Organizational Overview

HYIC's purpose is the financing of certain infrastructure improvements in the Hudson Yards Financing District on the West Side of Manhattan (the "Project"). HYIC does not engage in the development directly, but finances the development which is managed by Hudson Yards Development Corporation ("HYDC") and carried out by existing public entities. The Project is in an area generally bounded by Seventh and Eighth Avenues on the east, West 43<sup>rd</sup> Street on the north, Twelfth Avenue on the west and West 29<sup>th</sup> and 30<sup>th</sup> Streets on the south (the "Project Area"). The Project consists of: (1) design and construction of an extension of the No. 7 Subway from Seventh Avenue and 41<sup>st</sup> Street to Eleventh Avenue and West 34<sup>th</sup> Street (the "Subway Extension"), (2) acquisition from the Metropolitan Transportation Authority ("MTA") of certain transferable development rights ("TDRs") over its rail yards between Tenth and Eleventh Avenues and between West 30<sup>th</sup> and West 33<sup>rd</sup> Streets ("Eastern Rail Yards" or "ERY"), (3) construction of a system of parks, public open spaces, and streets in the Project Area ("Public Amenities") and (4) property acquisition for the Project. The Subway Extension began service in September 2015 and the construction of a portion of Hudson Park and Boulevard was completed and opened to the public in August 2015.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited) (continued)

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### Organizational Overview (continued)

HYIC fulfills its purpose through borrowing to finance the Project and the collection of revenues to support its operations and service its debt. HYIC revenues include: (1) Interest Support Payments ("ISP") made by The City of New York (the "City") under the terms of the Amended and Restated Support and Development Agreement and the Additional Borrowing Hudson Yards Support Agreement, (together the "Agreement") that obligates the City to pay to HYIC, subject to annual appropriation, ISPs on up to \$3.4 billion of HYIC debt in an amount equal to the difference between the amount of funds available to HYIC to pay interest on such debt and the amount of interest due on such debt; (2) payments in lieu of real estate taxes ("PILOT") that have been assigned to HYIC under agreements with the New York City Industrial Development Agency ("IDA"), the City, and the MTA, and that are to be made in accordance with agreements between developers and the IDA and others ("PILOT Agreements"); (3) Tax Equivalency Payments ("TEP") made by the City under the terms of the Agreement, which obligates the City to pay to HYIC, subject to annual appropriation, the amount of real property taxes collected by the City on new development (including substantial rehabilitation of existing buildings) in the Project Area; (4) District Improvement Bonuses ("DIB") paid by private developers in exchange for the right to create additional density in the Project Area; and (5) payments in lieu of the mortgage recording tax ("PILOMRT") required to be made by private developers entering into PILOT Agreements. PILOT Agreements that are entered into by developers are done so because PILOT payments during the first 19 years are substantially lower than the real estate taxes that would otherwise be due. HYIC has not received ISP since Fiscal Year 2015 and does not expect to need ISP in the future. Application of revenues, transfers of funds and payments are done in accordance with the terms of the Trust Indenture between HYIC and US Bank dated December 1, 2006, as amended (the "First Indenture"), the Second Trust Indenture dated May 1, 2017, (the "Second Indenture") and Third Supplemental Trust Indenture dated February 1, 2019 (the "Third Indenture"), collectively, the ("Indentures").

HYIC initially financed the Project through the issuance of \$2 billion of Fiscal 2007 Series A Senior Revenue Bonds ("FY07 Bonds") on December 21, 2006, and \$1 billion of Fiscal 2012 Series A Senior Revenue Bonds ("FY12 Bonds") on October 26, 2011.

On May 30, 2017, HYIC issued \$2.1 billion Fiscal Year 2017 Series A Subordinate Bonds and \$33.3 million Series B Subordinate Bonds (together known as "FY17 Bonds") under the Second Indenture. Proceeds of the FY17 Bonds were applied, with other available funds, to refund all of the FY07 Bonds and \$391 million of the FY12 Bonds. This refinancing caused the remaining First Indenture Bonds to be amortized on a substantially level debt service basis to maturity in 2047 through annual sinking fund installments.

On February 1, 2019, HYIC entered into a Term Loan Agreement ("Loan") which presently provides up to \$380 million to finance additional infrastructure projects in the Project Area. The Loan was extended in June 2022 to a scheduled expiration date of June 30, 2027. As of June 30, 2024 and 2023, the Loan had an outstanding balance of \$90.1 million and \$10.6 million, respectively.

On October 27, 2021, HYIC issued \$454 million Fiscal Year 2022 Series A Bonds ("FY22 Bonds") under the Second Indenture. Proceeds of the FY22 Bonds were applied, with other available funds, to refund all of the outstanding FY12 Bonds. As a result of this transaction, HYIC reduced its debt service by \$269 million and obtained an economic benefit of \$212 million.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited) (continued)

### Financial Highlights and Overall Analysis — Government-Wide Financial Statements

The following summarizes the activities of HYIC for the years ended June 30,

	2024	2023	2022	Variance	
				2024 vs 2023	2023 vs 2022
			(in thousands)		
Revenues:					
Program revenue	\$ 408,290	\$ 338,971	\$ 325,604	\$ 69,319	\$ 13,367
Other revenue (loss)	34,803	17,674	(1,687)	17,129	19,361
Total revenues	443,093	356,645	323,917	86,448	32,728
Expenses:					
Project	26,184	62,060	5,407	(35,876)	56,653
Interest expenses	95,446	95,603	100,451	(157)	(4,848)
Payments to The City of New York	325,000	200,000	-	125,000	200,000
Cost of bond issuance	-	-	4,384	-	(4,384)
General and administrative	1,396	1,523	1,281	(127)	242
Total expenses	448,026	359,186	111,523	88,840	247,663
Change in net position (deficit)	(4,933)	(2,541)	212,394	(2,392)	(214,935)
Net position (deficit) - beginning of year	(2,427,290)	(2,424,749)	(2,637,143)	(2,541)	212,394
Net position (deficit) - end of year	<u>\$(2,432,223)</u>	<u>\$(2,427,290)</u>	<u>\$(2,424,749)</u>	<u>\$ (4,933)</u>	<u>\$ (2,541)</u>

Program revenue consists of recurring revenues of PILOT and TEP payments and non-recurring revenues of DIB and PILOMRT. These amounts fluctuate each year as the payments are mainly based on developers entering into new agreements, property assessments, and construction completion. Other revenue (loss) is primarily composed of: 1) IDA fees that fluctuate based on IDA agreements entered into by developers, and 2) investment income (loss) which fluctuates based on the balance of cash holdings, interest rates, and market conditions. The negative investment income reported in fiscal year 2022 resulted from the mark to market valuation on investments held by HYIC. All investments held by HYIC are expected to be held to maturity and, as such, will not realize losses on market valuations.

Project expenses fluctuate each year based on timing, progress of construction, and final closeout of project expenses. In fiscal year 2024, project expenses decreased \$36 million primarily due to a decrease in the estimated liability for condemnation expenses compared to fiscal year 2023. In fiscal year 2023, the City condemned and acquired nine property interests for Phase II of the Hudson Yards Project under the principles of eminent domain. The property acquisition caused an increase of \$57 million in project expenses in fiscal year 2023.

Payments to the City fluctuate each year depending on surplus funds available to transfer to the City in accordance with the Indentures.



# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited) (continued)

### Financial Highlights and Overall Analysis — Government-Wide Financial Statements (continued)

The following summarizes HYIC's assets, liabilities and net position (deficit) as of June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u> (in thousands)	<u>Variance</u> <u>2024 vs 2023</u>	<u>2023 vs 2022</u>
Assets:					
Non-capital	\$ 575,906	\$ 601,711	\$ 588,199	\$ (25,805)	\$ 13,512
Total assets	<u>575,906</u>	<u>601,711</u>	<u>588,199</u>	<u>(25,805)</u>	<u>13,512</u>
Liabilities:					
Current liabilities	97,466	150,069	95,875	(52,603)	54,194
Long-term liabilities	<u>2,759,215</u>	<u>2,748,223</u>	<u>2,808,637</u>	<u>10,992</u>	<u>(60,414)</u>
Total liabilities	<u>2,856,681</u>	<u>2,898,292</u>	<u>2,904,512</u>	<u>(41,611)</u>	<u>(6,220)</u>
Deferred inflows of resources:					
Prepaid PILOT	125,850	103,947	80,511	21,903	23,436
Unamortized deferred bond refunding costs	<u>25,598</u>	<u>26,762</u>	<u>27,925</u>	<u>(1,164)</u>	<u>(1,163)</u>
Total deferred inflows of resources	<u>151,448</u>	<u>130,709</u>	<u>108,436</u>	<u>20,739</u>	<u>22,273</u>
Net position (deficit):					
Unrestricted	<u>(2,432,223)</u>	<u>(2,427,290)</u>	<u>(2,424,749)</u>	<u>(4,933)</u>	<u>(2,541)</u>
Total net position (deficit)	<u><u>\$(2,432,223)</u></u>	<u><u>\$(2,427,290)</u></u>	<u><u>\$(2,424,749)</u></u>	<u><u>\$ (4,933)</u></u>	<u><u>\$ (2,541)</u></u>

Assets fluctuate each year depending on revenue collections retained by HYIC. The capital assets financed by HYIC are not owned by HYIC; therefore, they do not appear on the financial statements of HYIC (see Note 2).

The decrease in current liabilities in fiscal year 2024 compared to fiscal year 2023 was primarily due to the payments on Phase II property acquisitions costs previously discussed. The increase in long-term liabilities in fiscal year 2024 was primarily due to drawdown of additional construction loan for Phase II projects. The decrease in fiscal year 2023 compared to fiscal year 2022 was primarily due to the FY2022 bond refunding, annual principal payments, and amortization of bond premium.

PILOT payments received for assessments owed in the following fiscal years are treated as prepaid amounts and reported as deferred inflows of resources. The deferred bond refunding costs resulted from the bond refunding transaction and represent the difference between removing the carrying amount of the refunded bonds and recording the refunding bonds. Such amount declines each year as the amount is amortized over the life of the bonds.

The large negative unrestricted net position (deficit) balances at June 30, 2024, 2023 and 2022 were primarily due to the issuance of bonds that will be repaid from future revenues.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited) (continued)

### Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

HYIC reports governmental activity using three funds: (1) a general fund (“GF”), (2) a debt service fund (“DSF”), and (3) a capital projects fund (“CPF”).

The following summarizes the changes in the GF balances for the years ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			(in thousands)	<u>2024 vs 2023</u>	<u>2023 vs 2022</u>
Revenues:					
Program revenue	\$ 531	\$ 764	\$ 782	\$ (233)	\$ (18)
Investment income	28,234	10,808	82	17,426	10,726
Total revenues	28,765	11,572	864	17,193	10,708
Expenditures	326,396	201,523	1,281	124,873	200,242
Other financing sources (uses)	247,677	483,235	60,283	(235,558)	422,952
Net change in fund balances	(49,954)	293,284	59,866	(343,238)	233,418
Fund balance - beginning of year	468,146	174,862	114,996	293,284	59,866
Fund balance - end of year	<u>\$ 418,192</u>	<u>\$ 468,146</u>	<u>\$ 174,862</u>	<u>\$ (49,954)</u>	<u>\$ 293,284</u>

The amount of program revenue deposited in the GF was based on the difference between projected administrative expenditures and cash on hand needed to fund those expenditures.

Operating expenditures in fiscal years 2024 and 2023 included payments of surplus revenues to the City of \$325 million and \$200 million, respectively. There were no payments to the City in fiscal year 2022. These amounts fluctuate, as previously discussed.

Other financing sources (uses) primarily consists of transfers of Second Indenture surplus funds from the DSF to the GF. These amounts fluctuate, as previously discussed.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited) (continued)

### Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the changes in the DSF balances for the years ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			(in thousands)	<u>2024 vs 2023</u>	<u>2023 vs 2022</u>
Revenues:					
Program revenue	\$ 407,759	\$ 338,207	\$ 324,822	\$ 69,552	\$ 13,385
Investment income (loss)	6,569	6,866	(1,769)	(297)	8,635
Total revenues	414,328	345,073	323,053	69,255	22,020
Expenditures	163,495	161,978	708,009	1,517	(546,031)
Other financing sources (uses)	<u>(248,558)</u>	<u>(486,389)</u>	<u>476,738</u>	<u>237,831</u>	<u>(963,127)</u>
Net change in fund balances	2,275	(303,294)	91,782	305,569	(395,076)
Fund balance - beginning of year	<u>29,367</u>	<u>332,661</u>	<u>240,879</u>	<u>(303,294)</u>	<u>91,782</u>
Fund balance - end of year	<u>\$ 31,642</u>	<u>\$ 29,367</u>	<u>\$ 332,661</u>	<u>\$ 2,275</u>	<u>\$ (303,294)</u>

Program revenue was greater in fiscal year 2024 when compared to fiscal years 2023 and 2022 due to increased collections, as previously discussed. The investment loss reported for the year ended June 30, 2022 resulted from the mark to market valuation on investments held by HYIC. All investments held by HYIC are expected to be held to maturity and, as such, will not realize losses on market valuations.

Expenditures during fiscal years 2024, 2023 and 2022 were mainly comprised of bond principal and interest payments. The decrease in fiscal year 2023 when compared to fiscal years 2022 was due to the refinancing completed in fiscal year 2022.

Other financing sources (uses) in fiscal years 2024 and 2023 mainly consist of transfers of Second Indenture surplus funds from the DSF to the GF, as previously discussed. Other financing sources (uses) in fiscal year 2022 mainly consisted of the proceeds from the refunding transaction.

**HUDSON YARDS INFRASTRUCTURE CORPORATION**  
(A Component Unit of The City of New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2024 AND 2023 (unaudited) (continued)**

**Financial Highlights and Overall Analysis — Governmental Funds Financial Statements**  
**(continued)**

The following summarizes the changes in the CPF balances for the years ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<b>Variance</b>	
			(in thousands)	<b>2024 vs 2023</b>	<b>2023 vs 2022</b>
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Project costs	22,665	62,060	5,407	(39,395)	56,653
Other financing sources (uses)	80,381	9,324	3,131	71,057	6,193
Net change in fund balances	57,716	(52,736)	(2,276)	110,452	(50,460)
Fund balance - beginning of year	(59,545)	(6,809)	(4,533)	(52,736)	(2,276)
Fund balance - end of year	<u>\$ (1,829)</u>	<u>\$ (59,545)</u>	<u>\$ (6,809)</u>	<u>\$ 57,716</u>	<u>\$ (52,736)</u>

The CPF revenues are comprised of interest earnings.

Project expenditures fluctuate each year based on the timing and progress of construction. The large increase in fiscal year 2023 was due to the Phase II property acquisition previously discussed.

Other financing sources (uses) during fiscal years 2024, 2023, and 2022 mainly reflect the draw of construction loan proceeds.

The negative fund balance at fiscal year-end 2024, 2023, and 2022 represents estimated project expenditures incurred that have not been paid. Upon receipt and verification of the invoice, the expenditures will be paid from loan proceeds when drawn.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023 (unaudited) (continued)

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### Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the GF assets, liabilities, and fund balances as of June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			(in thousands)	<u>2024 vs 2023</u>	<u>2023 vs 2022</u>
Assets:					
Unrestricted cash equivalents and investments	\$ 417,307	\$ 467,967	\$ 174,919	\$ (50,660)	\$ 293,048
Other receivables	1,107	430	108	677	322
Total assets	<u>\$ 418,414</u>	<u>\$ 468,397</u>	<u>\$ 175,027</u>	<u>\$ (49,983)</u>	<u>\$ 293,370</u>
Liabilities:	<u>\$ 222</u>	<u>\$ 251</u>	<u>\$ 165</u>	<u>\$ (29)</u>	<u>\$ 86</u>
Fund Balances:					
Unassigned	<u>418,192</u>	<u>468,146</u>	<u>174,862</u>	<u>(49,954)</u>	<u>293,284</u>
Total fund balances	<u>418,192</u>	<u>468,146</u>	<u>174,862</u>	<u>(49,954)</u>	<u>293,284</u>
Total liabilities and fund balances	<u>\$ 418,414</u>	<u>\$ 468,397</u>	<u>\$ 175,027</u>	<u>\$ (49,983)</u>	<u>\$ 293,370</u>

The GF assets are mainly comprised of transfers of Second Indenture surplus funds from the DSF to the GF, which fluctuates each year, as previously discussed.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023 (unaudited) (continued)

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### Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the DSF assets, liabilities, and fund balances as of June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			(in thousands)	<u>2024 vs 2023</u>	<u>2023 vs 2022</u>
Assets:					
Restricted cash equivalents and investments	\$ 157,096	\$ 133,216	\$ 413,126	\$ 23,880	\$ (279,910)
Interest and other receivables	396	98	46	298	52
Total assets	<u>\$ 157,492</u>	<u>\$ 133,314</u>	<u>\$ 413,172</u>	<u>\$ 24,178</u>	<u>\$ (279,858)</u>
Deferred inflows of resources:					
Prepaid PILOT	<u>\$ 125,850</u>	<u>\$ 103,947</u>	<u>\$ 80,511</u>	<u>\$ 21,903</u>	<u>\$ 23,436</u>
Fund balances:					
Restricted	<u>31,642</u>	<u>29,367</u>	<u>332,661</u>	<u>2,275</u>	<u>(303,294)</u>
Total fund balances	<u>31,642</u>	<u>29,367</u>	<u>332,661</u>	<u>2,275</u>	<u>(303,294)</u>
Total deferred inflows of resources and fund balances	<u>\$ 157,492</u>	<u>\$ 133,314</u>	<u>\$ 413,172</u>	<u>\$ 24,178</u>	<u>\$ (279,858)</u>

The change in total assets between fiscal years is generally based on the difference between the collections of revenue and amounts retained for debt service.

HYIC received PILOT payments for assessments attributable to the next fiscal year; the prepaid amount is reported as deferred inflows of resources.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited) (continued)

### Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the CPF assets, liabilities, and fund balances as of June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			(in thousands)	<u>2024 vs 2023</u>	<u>2023 vs 2022</u>
Assets:					
Restricted cash equivalents and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:					
Project costs payable	\$ 1,829	\$ 59,545	\$ 6,809	\$ (57,716)	\$ 52,736
Total liabilities	<u>1,829</u>	<u>59,545</u>	<u>6,809</u>	<u>(57,716)</u>	<u>52,736</u>
Fund balances (deficit):					
Restricted	-	-	-	-	-
Unassigned	<u>(1,829)</u>	<u>(59,545)</u>	<u>(6,809)</u>	<u>57,716</u>	<u>(52,736)</u>
Total fund balances (deficit)	<u>(1,829)</u>	<u>(59,545)</u>	<u>(6,809)</u>	<u>57,716</u>	<u>(52,736)</u>
Total liabilities and fund balances (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The negative fund balances at fiscal year-ends 2024, 2023, and 2022 reflects estimated Project expenditures incurred, but not paid, as previously discussed.

### Economic Outlook

In August 2021, Fitch revised their outlook to stable on HYIC debt. In connection with the refunding undertaken in October 2021, Moody's, S&P Global, and Fitch raised their ratings on Second Indenture debt (which became the senior lien, as discussed earlier) to Aa2, AA-, and A+, respectively, with S&P Global assigning a positive outlook. In May 2022, Fitch also revised the outlook to positive on HYIC debt. On February 17, 2023, Fitch upgraded their rating on HYIC from A+ to AA-. On September 26, 2023, S&P Global raised their rating on HYIC from AA- to AA.

This financial report is designed to provide a general overview of HYIC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Investor Relations, Hudson Yards Infrastructure Corporation, 255 Greenwich Street, New York, NY 10007.

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# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
	(in thousands)	
<b>ASSETS:</b>		
Unrestricted cash equivalents	\$ 73,696	\$ 87,980
Restricted cash equivalents	157,096	105,192
Unrestricted investments	343,611	379,987
Restricted investments	-	28,024
Interest receivable	1,467	492
Other receivables	36	36
	<hr/>	<hr/>
Total assets	575,906	601,711
	<hr/>	<hr/>
<b>LIABILITIES:</b>		
Project costs payable	1,034	57,354
Accounts payable	222	251
Grant due to HYDC	795	2,191
Accrued bond interest payable	42,806	43,448
Contingent liabilities	3,519	-
Long-term debt:		
Portion due within one year	49,090	46,825
Portion due after one year	2,759,215	2,748,223
	<hr/>	<hr/>
Total liabilities	2,856,681	2,898,292
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Prepaid PILOT	125,850	103,947
Unamortized gain on refunding	25,598	26,762
	<hr/>	<hr/>
Total deferred inflows of resources	151,448	130,709
	<hr/>	<hr/>
<b>NET POSITION (DEFICIT):</b>		
Unrestricted (deficit)	(2,432,223)	(2,427,290)
	<hr/>	<hr/>
Total net position (deficit)	\$ (2,432,223)	\$ (2,427,290)
	<hr/>	<hr/>

See notes to financial statements.



# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
	(in thousands)	
REVENUES:		
District improvement bonus revenue	\$ 6,534	\$ 2,656
Tax equivalency payment revenue	189,270	154,574
PILOMRT revenue	5,000	22,097
PILOT revenue	207,486	159,644
Investment income	34,803	17,674
	<u>443,093</u>	<u>356,645</u>
Total revenues		
	<u>443,093</u>	<u>356,645</u>
EXPENSES:		
Project - land acquisition and public amenities	17,986	57,367
Project - transfer to HYDC	878	955
Grant to HYDC	7,320	3,738
Interest expenses	95,446	95,603
Payments to The City of New York	325,000	200,000
General and administrative	1,396	1,523
	<u>448,026</u>	<u>359,186</u>
Total expenses		
	<u>448,026</u>	<u>359,186</u>
CHANGE IN NET POSITION	(4,933)	(2,541)
NET POSITION (DEFICIT) - beginning of year	<u>(2,427,290)</u>	<u>(2,424,749)</u>
NET POSITION (DEFICIT) - end of year	<u>\$ (2,432,223)</u>	<u>\$ (2,427,290)</u>

See notes to financial statements.

## HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

### GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
<b>ASSETS:</b>				
Unrestricted cash equivalents	\$ 73,696	\$ -	\$ -	\$ 73,696
Restricted cash equivalents	-	157,096	-	157,096
Unrestricted investments	343,611	-	-	343,611
Interest receivable	1,071	396	-	1,467
Other receivables	36	-	-	36
Total assets	\$ 418,414	\$ 157,492	\$ -	\$ 575,906
<b>LIABILITIES:</b>				
Project costs payable	\$ -	\$ -	\$ 1,034	\$ 1,034
Accounts payable	222	-	-	222
Grant due to HYDC	-	-	795	795
Total liabilities	222	-	1,829	2,051
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Prepaid PILOT	-	125,850	-	125,850
Total deferred inflows of resources	-	125,850	-	125,850
<b>FUND BALANCES (DEFICIT):</b>				
Restricted for:				
Debt service	-	31,642	-	31,642
Unassigned	418,192	-	(1,829)	416,363
Total fund balances (deficit)	418,192	31,642	(1,829)	448,005
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 418,414	\$ 157,492	\$ -	\$ 575,906

See notes to financial statements.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
<b>ASSETS:</b>				
Unrestricted cash equivalents	\$ 87,980	\$ -	\$ -	\$ 87,980
Restricted cash equivalents	-	105,192	-	105,192
Unrestricted investments	379,987	-	-	379,987
Restricted investments	-	28,024	-	28,024
Interest receivable	394	98	-	492
Other receivables	36	-	-	36
	<b>\$ 468,397</b>	<b>\$ 133,314</b>	<b>\$ -</b>	<b>\$ 601,711</b>
<b>LIABILITIES:</b>				
Project costs payable	\$ -	\$ -	\$ 57,354	\$ 57,354
Accounts payable	251	-	-	251
Grant due to HYDC	-	-	2,191	2,191
	251	-	59,545	59,796
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Prepaid PILOT	-	103,947	-	103,947
	-	103,947	-	103,947
<b>FUND BALANCES (DEFICIT):</b>				
Restricted for:				
Debt service	-	29,367	-	29,367
Unassigned	468,146	-	(59,545)	408,601
	468,146	29,367	(59,545)	437,968
	<b>\$ 468,397</b>	<b>\$ 133,314</b>	<b>\$ -</b>	<b>\$ 601,711</b>

See notes to financial statements.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Total fund balances - governmental funds	\$ 448,005	\$ 437,968
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(256,465)	(275,883)
The governmental funds financial statements recognize refunding bond proceeds and payments to the refunding escrow agent in the year the refunding occurs, however, in the statements of net position (deficit), the gain or loss as a result of the refunding is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	(25,598)	(26,762)
Some liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities are:		
Bonds payable	(2,461,710)	(2,508,535)
Accrued bond interest payable	(42,806)	(43,448)
Construction loan	(90,130)	(10,630)
Contingent liabilities	(3,519)	-
Net position (deficit) - governmental activities	<u>\$ (2,432,223)</u>	<u>\$ (2,427,290)</u>

See notes to financial statements.

## HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

### GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
(in thousands)				
REVENUES:				
District improvement bonus revenue	\$ -	\$ 6,534	\$ -	\$ 6,534
Tax equivalency payment revenue	531	188,739	-	189,270
PILOMRT revenue	-	5,000	-	5,000
PILOT revenue	-	207,486	-	207,486
Investment income	28,234	6,569	-	34,803
	28,765	414,328	-	443,093
Total revenues				
EXPENDITURES:				
Project - land acquisition and public amenities	-	-	14,467	14,467
Project - transfers to HYDC	-	-	878	878
Grant to HYDC	-	-	7,320	7,320
Interest expenses	-	116,670	-	116,670
Principal amount of bonds retired	-	46,825	-	46,825
Payment to The City of New York	325,000	-	-	325,000
General and administrative	1,396	-	-	1,396
	326,396	163,495	22,665	512,556
Total expenditures				
OTHER FINANCING SOURCES (USES):				
Construction loan	-	-	79,500	79,500
Transfers in (out)	247,677	(248,558)	881	-
	247,677	(248,558)	80,381	79,500
Total other financing sources (uses)				
Net changes in fund balances	(49,954)	2,275	57,716	10,037
FUND BALANCES (DEFICIT) - beginning of year	468,146	29,367	(59,545)	437,968
FUND BALANCES (DEFICIT) - end of year	\$ 418,192	\$ 31,642	\$ (1,829)	\$ 448,005

See notes to financial statements.

## HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

### GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
(in thousands)				
REVENUES:				
District improvement bonus revenue	\$ -	\$ 2,656	\$ -	\$ 2,656
Tax equivalency payment revenue	764	153,810	-	154,574
PILOMRT revenue	-	22,097	-	22,097
PILOT revenue	-	159,644	-	159,644
Investment income	10,808	6,866	-	17,674
	<u>11,572</u>	<u>345,073</u>	<u>-</u>	<u>356,645</u>
Total revenues				
EXPENDITURES:				
Project - land acquisition and public amenities	-	-	57,367	57,367
Project - transfers to HYDC	-	-	955	955
Grant to HYDC	-	-	3,738	3,738
Interest expenses	-	117,303	-	117,303
Principal amount of bonds retired	-	44,675	-	44,675
Payment to The City of New York	200,000	-	-	200,000
General and administrative	1,523	-	-	1,523
	<u>201,523</u>	<u>161,978</u>	<u>62,060</u>	<u>425,561</u>
Total expenditures				
OTHER FINANCING SOURCES (USES):				
Construction loan	-	-	6,170	6,170
Transfers in (out)	483,235	(486,389)	3,154	-
	<u>483,235</u>	<u>(486,389)</u>	<u>9,324</u>	<u>6,170</u>
Total other financing sources (uses)				
Net changes in fund balances	293,284	(303,294)	(52,736)	(62,746)
FUND BALANCES (DEFICIT) - beginning of year	<u>174,862</u>	<u>332,661</u>	<u>(6,809)</u>	<u>500,714</u>
FUND BALANCES (DEFICIT) - end of year	<u>\$ 468,146</u>	<u>\$ 29,367</u>	<u>\$ (59,545)</u>	<u>\$ 437,968</u>

See notes to financial statements.

## HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

### RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
	(in thousands)	
Net change in fund balances - total governmental funds	\$ 10,037	\$ (62,746)
Amount reported in the statements of activities are different because:		
Governmental funds financial statements report bond premiums as other financing source upon issuance. However, on the statements of activities, premiums are amortized as an offset of interest expense over the life of the bonds.	19,418	19,759
Payment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces long-term liabilities in the statements of net position (deficit).	46,825	44,675
Loan proceeds provide current financial resources to the governmental funds, but debt issued increased long-term liabilities on the statements of net position (deficit).	(79,500)	(6,170)
The governmental funds financial statements recognize refunding bond proceeds and payments to refunding bond escrow agent in the year the refunding occurs, however, in the statements of activities the gain or loss as a result of the refunding is amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	1,164	1,163
Contingent liabilities are reported on the statements of activities on the accrual basis. However, contingent expenditures are reported in the governmental funds financial statements when they are incurred or paid.	(3,519)	-
Interest expense is reported in the statements of activities on the accrual basis. However, interest is reported as an expenditure in governmental funds financial statements when the payment is due.	642	778
Change in net position (deficit) - governmental activities	\$ (4,933)	\$ (2,541)

See notes to financial statements.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### 1. Organization

Hudson Yards Infrastructure Corporation (“HYIC”) is a local development corporation established by The City of New York (the “City”) under Article 14 of the Not-for-Profit Corporation Law of the State of New York. HYIC’s purpose is the financing of certain infrastructure improvements in the Hudson Yards Financing District on the West Side of Manhattan (the “Project”). HYIC does not engage in development directly, but finances development managed by Hudson Yards Development Corporation (“HYDC”) and carried out by existing public entities. The Project is in an area generally bounded by Seventh and Eighth Avenues on the east, West 43<sup>rd</sup> Street on the north, Twelfth Avenue on the west and West 29<sup>th</sup> and 30<sup>th</sup> Streets on the south (the “Project Area”). The Project consists of: (1) design and construction of an extension of the No. 7 Subway from Seventh Avenue and 41<sup>st</sup> Street to Eleventh Avenue and West 34<sup>th</sup> Street (the “Subway Extension”), (2) acquisition from the Metropolitan Transportation Authority (“MTA”) of certain transferable development rights over its rail yards between Tenth and Eleventh Avenues and between West 30<sup>th</sup> and West 33<sup>rd</sup> Streets (“Eastern Rail Yards” or “ERY”), (3) construction of a system of parks, public open spaces, and streets in the Project Area (“Public Amenities”) and (4) property acquisition for the Project. The Subway Extension began service in September 2015 and the construction of a portion of Hudson Park and Boulevard was completed and opened to the public in August 2015.

HYIC fulfills its purpose through borrowing to finance the Project and the collection of revenues, including payments in lieu of taxes and district improvement bonuses from private developers and appropriations from the City to support its operations and pay principal and interest on its outstanding debt. HYIC is governed by the Board of Directors elected by its five members, all of whom are officials of the City. HYIC’s Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor prior to any such actions. HYIC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which HYIC pays a management fee and overhead based on its allocated share of personnel and overhead costs.

Although legally separate from the City, HYIC is an instrumentality of the City and, accordingly, is included in the City’s financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board (“GASB”) standards.

### 2. Summary of Significant Accounting Policies

#### *Measurement Focus and Basis of Accounting*

The government-wide financial statements of HYIC, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.



# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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### 2. Summary of Significant Accounting Policies (continued)

HYIC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenue is generally considered available if expected to be received within sixty-days after period end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and estimated arbitrage rebate liability, which are recognized when due.

HYIC uses three governmental funds for reporting its activities: a General Fund ("GF"), a Debt Service Fund ("DSF") and a Capital Projects Fund ("CPF"). The DSF is used to account for the receipt and disbursement of resources used to pay interest on and principal of long-term debt. The CPF is used to account for the bond issuances and proceeds and for project expenditures. The GF is used to account for all financial resources not accounted for in the DSF or the CPF, generally those used or held for use for administrative expenditures and arbitrage rebate expenditures. HYIC accounts for its activities in accordance with the Trust Indenture between HYIC and US Bank dated December 1, 2006, as amended (the "First Indenture"), Second Trust Indenture dated May 1, 2017 (the "Second Indenture") and Third Supplemental Trust Indenture dated February 1, 2019 (the "Third Indenture"), collectively, the ("Indentures").

#### *Fund Balance*

Fund balances are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned in accordance with GASB standards.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with HYIC's Indentures are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board of Directors of HYIC ("Board") constitutes HYIC's highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose unless, and until, a subsequent resolution altering the commitment is adopted by the Board.

Fund balances, if and when constrained for use for a specific purpose based on the direction of any officer of HYIC duly authorized under its bond Indentures to direct the movement of such funds, are accounted for and reported as assigned for such purpose. This assignment will remain, unless and until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

When both restricted and unrestricted resources are available for use for a specific purpose, it is HYIC's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is HYIC's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### 2. Summary of Significant Accounting Policies (continued)

Resources constrained for debt service or redemption in accordance with HYIC's Indentures are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

#### *Cash Equivalents*

Cash equivalents consist of money market funds and investments maturing within 90 days from the purchase date.

#### *Capital Assets*

HYIC is not the owner of the Project assets that are constructed or acquired with the proceeds of its borrowing. Assets related to the parks and boulevard are property of the City. Assets related to the Subway Extension are owned by the City and leased to the New York City Transit Authority pursuant to a long-term lease, and are treated as assets of the New York City Transit Authority on its financial statements. Therefore, HYIC reports no infrastructure assets or construction work in progress.

For fixed assets used in the operations of HYIC, HYIC's policy is to capitalize the purchase of assets having a minimum useful life of five years (three years for certain technology assets) and having a cost of more than \$50 thousand. No such assets have been acquired.

#### *Revenues*

HYIC revenues include:

- (1) Interest Support Payments ("ISP") are made by the City under the terms of the Amended and Restated Support and Development Agreement and the Additional Borrowing Hudson Yards Support Agreement (together the "Agreement") that obligates the City to pay to HYIC, subject to annual appropriation, ISP on up to \$3.4 billion of HYIC debt, for so long as such debt is outstanding, in an amount equal to the difference between the amount of funds available to HYIC to pay interest on debt and the amount of interest due on such debt;
- (2) Payments in lieu of real estate taxes ("PILOT") which have been assigned to HYIC under agreements with the New York City Industrial Development Agency ("IDA"), the City, and the MTA, and that are to be made in accordance with agreements between developers and the IDA and others ("PILOT Agreements");
- (3) Tax Equivalency Payments ("TEP") are made by the City under the terms of the Agreement that obligates the City to pay to HYIC, subject to annual appropriation, the amount of real property taxes collected by the City on new development (including substantial rehabilitation of existing buildings) in the Project Area;
- (4) District Improvement Bonuses ("DIB") paid by private developers in exchange for the right to create additional density in the Project Area;

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### 2. Summary of Significant Accounting Policies (continued)

- (5) Payments in lieu of the mortgage recording tax (“PILOMRT”) required to be made by private developers entering into PILOT Agreements; and
- (6) Interest earned on unspent bond proceeds is generally used for debt service.

#### *Arbitrage Rebate*

To maintain the exemption from Federal income tax of interest on HYIC tax exempt debt, HYIC will fund amounts required to be rebated to the Federal Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, or within 60 days after retirement of the bonds.

#### *Bond Premium and Issuance Costs*

Bond premiums and discounts are capitalized and amortized over the life of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts during the current period. Bond premiums and discounts are presented as additions or reductions to the face amount of the bonds payable. Bond issuance costs, except for prepaid bond insurance, are recognized as an expense/expenditure in the period incurred in the government-wide and governmental funds financial statements, respectively.

#### *Deferred Bond Refunding Costs*

Deferred bond refunding costs represent the accounting gain or loss incurred on a refunding of outstanding bonds and are reported as deferred outflows of resources or deferred inflows of resources in the government-wide financial statements. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In the DSF, costs of the bond issuance/refunding are reported as expenditures when incurred.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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### 2. Summary of Significant Accounting Policies (continued)

#### *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires HYIC's management to make estimates and assumptions in determining the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### *Recent Accounting Pronouncements*

As a component unit of the City, HYIC implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact HYIC in future years:

- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections-An Amendment to GASB Statement No. 62*, ("GASB 100"). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements for GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early application is encouraged. The adoption of GASB 100 did not have an immediate impact on HYIC's financial statements as there were no accounting changes or error corrections in the current fiscal year.
- In June 2022, GASB issued Statement No. 101, *Compensated Absences*, ("GASB 101"). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Early application is encouraged. HYIC has not completed the process of evaluating GASB 101 but does not expect it to have an impact on HYIC's financial statements as it does not have employees.
- In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, ("GASB 102"). GASB 102 improves financial reporting by requiring disclosures of certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements for GASB 102 are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. HYIC has not completed the process of evaluating GASB 102 but expects it to have an impact on HYIC's disclosures.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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### 2. Summary of Significant Accounting Policies (continued)

- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, (“GASB 103”). The requirements for GASB 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. HYIC has not completed the process of evaluating GASB 103 but expects it to have an impact on the presentation of HYIC’s financial statements.

### 3. Cash and Cash Equivalents

HYIC’s cash and cash equivalents consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
	(in thousands)	
<b>Unrestricted cash equivalents:</b>		
Cash equivalents	\$ 73,696	\$ 87,980
<b>Total unrestricted cash equivalents</b>	<u>73,696</u>	<u>87,980</u>
<b>Restricted cash equivalents:</b>		
Cash equivalents	157,096	105,192
<b>Total restricted cash equivalents</b>	<u>157,096</u>	<u>105,192</u>
<b>Total cash equivalents</b>	<u>\$ 230,792</u>	<u>\$ 193,172</u>

# HUDSON YARDS INFRASTRUCTURE CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

### 4. Investments

HYIC's investments consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
	(in thousands)	
<b>Unrestricted investments and cash equivalents:</b>		
Money Market Funds	\$ 73,696	\$ 87,980
U.S. Treasury Bill (maturing within one year)	-	168,357
U.S. Treasury Note (maturing within one year)	<u>343,611</u>	<u>211,630</u>
<b>Total unrestricted investments and cash equivalents</b>	417,307	467,967
Less: amounts reported as unrestricted cash equivalents	<u>(73,696)</u>	<u>(87,980)</u>
<b>Total unrestricted investments</b>	<u>\$ 343,611</u>	<u>\$ 379,987</u>
<b>Restricted investments and cash equivalents:</b>		
Money Market Funds	\$ 157,096	\$ 1,354
U.S. Treasury Bill (maturing within one year)	-	129,972
U.S. Treasury Notes (maturing within one year)	<u>-</u>	<u>1,890</u>
<b>Total restricted investments and cash equivalents</b>	157,096	133,216
Less: amounts reported as restricted cash equivalents	<u>(157,096)</u>	<u>(105,192)</u>
<b>Total restricted investments</b>	<u>\$ -</u>	<u>\$ 28,024</u>

HYIC's management invests funds which are not immediately required for operations, debt service or capital project expenses. Each account of HYIC is held pursuant to the Indentures and may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indentures. Investments are reported at fair value using market prices in an active market as of the financial statement date.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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### 4. Investments (continued)

#### *Fair Value Hierarchy*

HYIC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

HYIC has the following recurring fair value measurements as of June 30, 2024 and 2023:

- Money Market Funds are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$344 million and \$512 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).

#### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the custodian, HYIC may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are registered and are held by HYIC's agent in HYIC's name.

#### *Credit Risk*

All investments held by HYIC at June 30, 2024 and 2023 are obligations of, or guaranteed by, the United States of America, which are rated by S&P Global AA+, Moody's Aaa, and Fitch AA+; and money market funds invested in eligible government obligations, which are rated by S&P AAAm and Moody's Aaa-mf.

#### *Interest Rate Risk*

HYIC's short-term investments are subject to minimal risk of fair value declines due to changes in market interest rates because such investments have very short maturities. Investments with longer terms are expected to be held until maturity thereby limiting the exposure from rising interest rates.

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of HYIC's investments in a single issuer (5% or more). HYIC's investment policy places no limits on the amount HYIC may invest in any one issuer of eligible investments as defined in the Indentures. As of June 30, 2024 and 2023, 100% of HYIC's investments are in eligible government obligations or in money market funds invested in eligible government obligations.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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### 5. Long-Term Debts

#### *Changes in Long-term Debts*

HYIC financed the Project through the issuance of \$2 billion of Fiscal 2007 Series A Senior Revenue Bonds (“FY07 Bonds”) on December 21, 2006, and \$1 billion of Fiscal 2012 Series A Senior Revenue Bonds (“FY 12 Bonds”) on October 26, 2011.

On May 30, 2017, HYIC issued \$2.1 billion in Fiscal Year 2017 Series A Subordinate Bonds and \$33.3 million in Series B Subordinate Bonds (together known as “FY17 Bonds”) under the Second Indenture. The FY17 Bonds were serial and terms with semi-annually interest payment dates of February 15 and August 15 and maturing on February 15, 2047. Proceeds of the FY17 Bonds were applied, with other available funds, to refund all of the FY07 Bonds and \$391 million of the FY12 Bonds. The refinancing required that the unrefunded \$609 million of FY12 Bonds be amortized on a substantially level debt service basis to maturity in 2047 through annual sinking fund installments.

On June 21, 2021, HYIC defeased \$38.6 million of FY12 Bonds using its existing resources, which resulted in an accounting gain of \$967 thousand, which represents the difference between the carrying value of the bonds and the amount paid to remove the bonds.

On October 27, 2021, HYIC issued \$454 million Fiscal Year 2022 Series A Bonds (“FY22 Bonds”) under the Second Indenture. The FY22 Bonds are serial with semi-annual interest payment dates of February 15 and August 15, and maturing on February 15, 2047. Proceeds of the FY22 Bonds were applied, with other available funds, to refund all of the outstanding FY12 Bonds. As a result of this transaction, HYIC reduced its debt service by \$269 million and obtained an economic benefit of \$212 million.

On February 1, 2019, HYIC entered into a Term Loan Agreement (“Loan”) which presently provides for up to \$380 million to finance additional infrastructure projects in the Project Area. The Loan was extended in June 2022 to a scheduled expiration date of June 30, 2027. As of June 30, 2024 and 2023, the Loan had an outstanding balance of \$90.1 million and \$10.6 million, respectively.



# HUDSON YARDS INFRASTRUCTURE CORPORATION

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### 5. Long-Term Debts (continued)

Outstanding debt: 1) is secured by the revenues (as defined in the Indentures) and with pledged collateral consisting of all money and securities deposited in funds, accounts, and subaccounts as provided pursuant to the applicable Indentures, and 2) bears interest at fixed rates ranging from 3% to 5%.

A summary of changes in outstanding bonds and other long-term debt during the years ended June 30, 2024 and 2023 follows:

	<u>Balance at</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2024</u>	<u>Due within</u> <u>one year</u>
	(in thousands)				
<b>Bonds:</b>					
Fiscal 2017 Series A	\$ 2,021,100	\$ -	\$ (46,825)	\$ 1,974,275	\$ 49,090
Fiscal 2017 Series B	33,295	-	-	33,295	-
Fiscal 2022 Series A	454,140	-	-	454,140	-
Total before premium	2,508,535	-	(46,825)	2,461,710	49,090
Premium	275,883	-	(19,418)	256,465	-
Total bonds	2,784,418	-	(66,243)	2,718,175	49,090
<b>Loan:</b>					
Construction loan	10,630	79,500	-	90,130	-
<b>Total Debt</b>	<b>\$ 2,795,048</b>	<b>\$ 79,500</b>	<b>\$ (66,243)</b>	<b>\$ 2,808,305</b>	<b>\$ 49,090</b>

	<u>Balance at</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2023</u>	<u>Due within</u> <u>one year</u>
	(in thousands)				
<b>Bonds:</b>					
Fiscal 2017 Series A	\$ 2,065,775	\$ -	\$ (44,675)	\$ 2,021,100	\$ 46,825
Fiscal 2017 Series B	33,295	-	-	33,295	-
Fiscal 2022 Series A	454,140	-	-	454,140	-
Total before premium	2,553,210	-	(44,675)	2,508,535	46,825
Premium	295,642	-	(19,759)	275,883	-
Total bonds	2,848,852	-	(64,434)	2,784,418	46,825
<b>Loan:</b>					
Construction loan	4,460	6,170	-	10,630	-
<b>Total Debt</b>	<b>\$ 2,853,312</b>	<b>\$ 6,170</b>	<b>\$ (64,434)</b>	<b>\$ 2,795,048</b>	<b>\$ 46,825</b>

HYIC's Indentures contain provisions that in the event of a payment default, the outstanding debt shall be subject to mandatory redemption and payment in accordance with the Indentures.

# HUDSON YARDS INFRASTRUCTURE CORPORATION

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### 5. Long-Term Debts (continued)

Debt service requirements, including principal and interest, at June 30, 2024, are as follows:

Years Ended June 30,	<u>Second Indenture Bonds</u>			<u>Direct Borrowing Term Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>
	(in thousands)					
2025	\$ 49,090	\$ 112,640	\$ 161,730	\$ -	\$ 3,840	\$ 3,840
2026	58,555	110,226	168,781	-	3,840	3,840
2027	61,495	107,305	168,800	90,130	3,840	93,970
2028	68,845	104,245	173,090	-	-	-
2029	74,255	100,803	175,058	-	-	-
2030 to 2034	430,685	444,610	875,295	-	-	-
2035 to 2039	546,210	329,086	875,296	-	-	-
2040 to 2044	686,050	189,232	875,282	-	-	-
2045 to 2047	486,525	38,429	524,954	-	-	-
Totals	<u>\$ 2,461,710</u>	<u>\$ 1,536,576</u>	<u>\$ 3,998,286</u>	<u>\$ 90,130</u>	<u>\$ 11,520</u>	<u>\$ 101,650</u>

(a) The variable interest rate used in this table was 4.26% on the term loan.

### 6. Property Acquisition

As of June 30, 2023, the City had condemned nine property interests for Phase II of the Hudson Yards Project. Although the City is the condemnor of the property interests, HYIC is responsible for funding any payments ultimately determined to be payable on claims resulting from the condemnations. As of June 30, 2024, claimants have made 18 claims, comprising ten easement claims and eight fixtures claims. Based upon available information, for fiscal year 2024 and fiscal year 2023, HYIC accrued contingent liabilities of \$4.5 million and \$57.2 million, respectively. In fiscal year 2024, \$1.0 million of contingent liabilities was recorded as project costs payable. The liabilities comprise unpaid advanced payments offered to claimants, unpaid settled claim amounts, estimated liabilities for claims where the City has completed appraisals, and accrued interest. For claims with completed appraisals, the estimated liabilities are calculated as 50% of the City's appraised value.

As the City has not completed appraisals for all claims, additional potential future liabilities beyond the accrued contingent liabilities cannot be reasonably estimated at this time.

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