**FOR IMMEDIATE RELEASE**
July 20th, 2020

Contact - Adam Gypalo
adam.gypalo@resolutepublicaffairs.com
312.768.4730

# Fitch Ratings Affirms Gary / Chicago International Airport Bond Rating Upgrade to "Stable" Outlook

*Action Removes Airport from "Under Criteria Observation" and Resolved Watch List Action Designation*

**GARY, IN –** In a recent positive ratings action, Fitch Ratings has upgraded the Outlook for Gary / Chicago International Airport (GCIA) to "Stable" for its outstanding $25.4 million in airport redevelopment zone (ADZ) TIF bonds. The action affirmed the "BBB" rating and removed the Under Criteria Observation (UCO) designation, while resolving the Watch List action the airport was previously under. The Series 2014 Bonds were awarded the prestigious "*Midwest Deal of the Year*" by The Bond Buyer, a leading industry publication.

"This Fitch rating is welcome news and reaffirms our long-term strategy of increasing operations and service capacity for GCIA, ensuring we remain a vital partner within the Chicago regional air system," said **Chairman Timothy Fesko of the GCIA Authority,** the governing board of the airport. "We have made a concerted effort to cultivate public and private investments to ensure we also continue to remain a vital economic engine for Northwest Indiana."

The Gary-Chicago International Airport is the region's premier mid-sized airport and functions as a critical general aviation and cargo service hub, with easy access to major interstate routes including I-90, I-80, I-94, I-65 and the Chicago Skyway while also located proximate to key rail lines and shipping ports.

The improved outlook comes after several years of consistent growth and public and private investments to the region's premier mid-sized airport that serves as the official 3rd airport for the Chicago Metropolitan region. Among these critical investments have been the 2015 expansion of the airport's main runway to nearly 9,000 feet in length, making it the 2nd longest in the region after O'Hare International Airport, and the 2018 opening of their state-of-the-art U.S. Customs facility, allowing air travelers to visit the airport from any international destination without first needing to clear customs elsewhere.

Fitch Ratings is among the top three global credit ratings services, providing commentary and research on multiple sectors of the capital markets. To learn more about Fitch, visit their website at www.fitchratings.com. The GCIA rating report may provide information and insight for investors interested in financing future developments for the airport.

**About Gary/Chicago International Airport**
*Located minutes from the shores of Lake Michigan and just 25 miles from downtown Chicago, Gary/Chicago International Airport (GYY) is a full-service airport and a premiere destination for corporate and weekend flyers in the Chicago metropolitan region and Northwest Indiana. To learn more, visit the airport's new website at FlyGYY.com*

# # #

08 Jul 2020 Affirmation

# Fitch Affirms 'BBB' Rating of Gary/Chicago Intl Airport Auth., IN's ADZ Revs; Outlook Stable

Fitch Ratings-New York-08 July 2020:

Fitch Ratings has affirmed the 'BBB' rating on the following Gary/Chicago International Airport Authority, Indiana (GCIAA or the authority) bonds:

--$25.4 million airport development zone revenue bonds, series 2014.

As part of the same rating action, Fitch has removed the Under Criteria Observation (UCO) designation from the bonds and has also resolved the Watch List action that had resulted in the bonds being placed on Rating Watch Evolving (RWE) on Feb. 27, 2020. The Rating Outlook is Stable.

**SECURITY**
The bonds are payable from a first lien on tax increment revenues generated within the airport development zone (ADZ) located in and around the Gary-Chicago International Airport. The bonds feature a cash-funded debt service reserve fund sized at maximum annual debt service (MADS) that provides added security for the bonds.

**KEY RATING DRIVERS**
Flat Revenue Projected: The 'BBB' rating reflects Fitch's expectation that pledged revenues will remain flat as rising assessed values in the ADZ driven by property price appreciation are offset by circuit breaker tax credits. New development and/or redevelopment in the ADZ may result in higher assessed values and the net benefit to the tax levy could produce pledged revenue growth over the longer term.

Resilience through Economic Cycles: The pledged revenues demonstrate adequate resilience to revenue declines caused by cyclical downturns. Pledged revenues would be able to tolerate a 47% decline to 1.0 times coverage. A 47% revenue decline would equal 1.7 times the largest historical decline of 28%, which closely matches the revenue impact estimated by the Fitch Analytical Sensitivity Tool (FAST) and Fitch's baseline coronavirus scenario.

Past Volatility: The rating is also driven by the volatility inherent in a revenue stream that has exhibited weak collection levels and high numbers of tax appeals in the past, although Fitch notes that collections have improved notably and tax appeals have stabilized since 2014.

GCIAA Fundamentals: The rating is also affected by the underlying credit fundamentals of the GCIAA. Deterioration in the authority's credit fundamentals could lead to a downgrade of the security rating if the authority's private Issuer Default Rating (IDR) was downgraded by three or more notches.

**RATING SENSITIVITIES**
Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Stronger pledged revenue growth that translates into higher debt service coverage;

--Evidence of lower revenue volatility that improves the ADZ revenue bonds' financial resilience.
Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Declines in the pledged revenue stream that weaken debt service coverage;

--Changes to Indiana's tax increment financing (TIF) Neutralization Law that remove provisions to hold TIF revenues harmless if properties are removed from a TIF;

--The credit quality of the authority declines below a level that can support the current security rating, given the maximum notching permitted under Fitch's tax-supported criteria.

**Best/Worst Case Rating Scenario**
International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [https://www.fitchratings.com/site/re/10111579].

**CREDIT PROFILE**
**DEDICATED TAX ANALYTICAL CONCLUSION**
Fitch's affirmation of the 'BBB' dedicated tax rating on the bonds and removal of the UCO designation is based on Fitch's expectation -- based partly on management's projections -- that distributed ADZ TIF revenues (i.e. the pledged revenues) will remain flat at approximately current levels through final bond maturity. The rating also reflects the modest resilience of the security to economic downturns and very low likelihood of future debt issuance.

Fitch believes that the pledged revenues could sustain a recession-driven contraction more severe than the deepest historical revenue decline; however, resiliency is unlikely to improve much beyond current levels during the life of the bonds.

Fitch placed the rating on UCO on Jan. 17, 2020 following a revision to Fitch's "U.S. Tax-Supported Rating Criteria" that limits the amount of rating distance between a security rating and the related local government's general credit quality. Fitch then placed the rating on RWE on Feb. 27, 2020.

**Economic Summary**

The Airport Development Zone (ADZ) encompasses 4,155 acres along the western limits of Gary, Indiana centered on and including the city's airport, which is located approximately 25 miles southeast of the city of Chicago. The ADZ is a tax increment financing (TIF) district established by the airport authority in 2003 for the purpose of assisting the redevelopment of property parcels located in or directly adjacent to the airport.

**CURRENT DEVELOPMENTS**

The coronavirus outbreak and related government containment measures create an uncertain operating environment for U.S. state and local governments and related entities in the near term. While GCIAA's currently available fiscal and economic data, including data pertaining to the ADZ, are only starting to reflect significant impairment, material changes in revenues and expenditures are occurring across the country and are likely to worsen in the near term as economic activity suffers. Fitch's ratings are forward-looking in nature, and Fitch will monitor developments for state and local governments as a result of the virus outbreak as it relates to severity and duration, and incorporate revised expectations for future performance and assessment of key risks.

In its baseline scenario, Fitch assumes sharp economic contractions hit major economies in the first half of 2020 at a speed and depth that is unprecedented since World War II. Recovery begins from the third quarter of 2020 onward as the health crisis subsides after a short but severe global recession. GDP remains below its 4Q19 level until mid-2022. Additional details, including key assumptions and implications of the baseline scenario and a downside scenario, are described in the report entitled, "Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases - Update" (https://www.fitchratings.com/site/re/10120570), published April 29, 2020 on www.fitchratings.com.

**ECONOMIC RESOURCE BASE**

The Gary-Chicago International Airport is a joint military-civil airport that focuses primarily on corporate jets and cargo traffic, rather than serving commercial passenger flights. Gary is a transit hub, with several major roads and rail lines converging on the city. Major highways including I-80, I-90, I-94 and the Chicago Skyway run directly to the airport and ADZ. The airport has two runways. Major development projects within the last several years include a new airplane hangar built by B. Coleman, Boeing's Midwest corporate aircraft fleet hangar, and a U.S. Customs and Border Control Facility receiving mainly international cargo flights. The U.S. Customs facility has received 126 international flights since it opened in October 2018.

The ADZ encompasses 4,155 acres along the western limits of Gary, including portions of the airport authority. Gary's economy is weak, but development at the airport and within the ADZ has been active. Gary's population has declined since 2000 and fell a further 6% from 2010 to 2018. The poverty rate is high and resident per capita income levels are low. Gary historically benefitted from the presence of US Steel, which still maintains significant operations in the city, albeit on a smaller scale than previously. Lake Michigan sits on the city's northern border.

**DEDICATED TAX CREDIT PROFILE**

The pledged revenues supporting debt service meet the requirements set out in Fitch criteria for treatment as "pledged special revenues" under section 902(2)(C) of the U.S. bankruptcy code. Fitch treats the debt as somewhat insulated from the operating risk of the related local government

(GCIAA). Therefore the rating on the dedicated tax bonds is linked to but can be higher than the rating on the underlying (and in this case, private) IDR of the GCIAA. Indiana municipalities are not presently permitted to file for bankruptcy protection under Chapter 9 of the U.S. Bankruptcy Code. However, Indiana law could be changed to allow this in the future.

Under Indiana law, tax increment revenues collected within an airport development zone have strong statutory protections, as they cannot be used to support airport operations. Indiana's tax increment financing (TIF) Neutralization Law contains provisions to hold TIF revenues harmless if properties are removed from a TIF. The law acts as a key downside mitigant against future TIF revenue declines; no changes to the law are currently planned, according to management.

The additional bonds test is satisfactory at 1.5x revenues for any 12 of the prior 18 months and for each future year including new bonds. The boundaries of the ADZ cannot be reduced if such a contraction in the ADZ's geographic boundaries would have the effect of reducing tax increment revenues produced within the TIF district (i.e. the ADZ).

Fitch does not expect that the airport authority will further leverage the pledged revenue stream, as the bonds were issued to fund a specific capital project -- the lengthening of the airport's main runway -- that was completed in 2015. The airport authority uses a mix of grant and cash funding to support its capital improvement plan. New economic projects and redevelopment within the ADZ have been funded by a combination of private sector funds, government grants, funding derived from the Gary/Chicago Compact, and airport authority cash resources.

The ADZ consists of a mix of industrial, commercial and residential properties. Roughly half of the ADZ's net assessed value consists of residential properties, with another 30% from industrial projects. Industrial activities in the ADZ are centered on metals manufacturing, transportation and logistics, wholesale trade, and specialty contractors. Assessed values for industrial properties have been consistently declining, but are likely to benefit from upcoming development efforts. The primary commercial properties in the ADZ are a shopping center and a large truck stop immediately adjacent to an interstate highway.

The base assessment date for the TIF is March 1, 2004, on which date the TIF had a base assessment of $26 million. For 2019, the captured assessment value was $99 million, reflecting significant growth in value since the TIF's inception. The tax increment is calculated as a multiple of the tax rates of the overlapping local governments and the captured assessment. The tax increment has been limited since 2010 by Indiana's circuit breaker law, which restricts the tax rate to 1%, 2% or 3% of assessed value, depending on the type of property being assessed. The tax increment revenue collected after netting out circuit breaker tax credits is then distributed to the ADZ.

The ADZ's actual tax increment distributed (ATID), net of circuit breaker credits, remained relatively consistent from 2012 through 2019 as declining AV offset improving collection rates and a flattening of the number and amount of tax appeals. ATID, net of circuit breaker credits, was $4.1 million for 2019, essentially unchanged from 2018's level. Pledged revenues provided 1.8x coverage of debt service in fiscal 2018 and 1.9x coverage of debt service in fiscal 2019. Recent results are better than what management had projected in 2018.

Stable pledged revenue performance is supported by rising collection rates. Collections rose to 92% in 2017 from 78% the year prior, and rose to 97% in 2018. Both rates were well above the 16-year historical average of 86%. Collections rose to 100% in 2019 as taxpayers who had been delinquent remitted prior-year payments due. Fewer tax appeals and a reduction in property assessment errors have also contributed to rising collection rates.

Higher collection rates have led management to revise its future projections for collection rates to 90% from 86% beginning in 2020 based on a five-year rolling average. With an assumed 90% collection rate and projections for stable AV, management projects $3.6 million of annual ATID revenues will provide 1.7x coverage of debt service through final maturity. The management team assumes no AV growth due to additional property development, which Fitch views as conservative.

**Dedicated Tax Analysis - Flat Revenue Projected**
Fitch expects stable pledged revenues over the longer term, as rising assessed values spurred by development in the ADZ are offset by the circuit breaker tax credits; this expectation is consistent with a 'bbb' assessment for pledged revenue growth prospects. Historically, weak collection levels and a large number of appeals led to revenue volatility. However, collection levels have improved markedly since 2014 and the number of tax appeals appears to have stabilized. The protections offered by Indiana's TIF Neutralization Law are another important factor supporting the current rating.

**Adequate Resiliency Through Economic Cycles**
The security structure for the bonds has an adequate level of resiliency to anticipated revenue declines associated with typical economic downturns. The Fitch Analytical Stress Test Model (FAST) currently projects a 26% decline in its baseline scenario. Based on management's representations, Fitch does not anticipate that the airport authority will issue additional parity debt. At current leverage, pledged revenues could withstand a 47% decline before coverage falls below 1.0x, which is equal to 1.7x the largest historical decline of 28%. The largest historical decline is slightly greater than the 26% decline modeled under the FAST baseline scenario. These cushions are consistent with a 'bbb' assessment for the resilience of the security.

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**
The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations
The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Contacts:
Primary Rating Analyst
Michael D'Arcy,
Director
+1 212 908 0662
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street
New York 10019

Secondary Rating Analyst
Andrew Ward,
Senior Director
+1 415 732 5617

Committee Chairperson
Steve Murray,
Senior Director
+1 512 215 3729

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

**Applicable Criteria**
U.S. Public Finance Tax-Supported Rating Criteria (pub. 27 Mar 2020) (including rating assumption sensitivity)

**Applicable Model**
Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).
FAST States & Locals - Fitch Analytical Stress Test Model, v2.4.0 (1)

**Additional Disclosures**
Dodd-Frank Rating Information Disclosure Form
Solicitation Status
Endorsement Status
Endorsement Policy

AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

 In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001
Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.
ENDORSEMENT POLICY - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.