



PHA Proves It's A Strong Investment

A newly released evaluation by Standard & Poor's rates the Philadelphia Housing Authority on the same credit-worthiness level as such companies as Procter & Gamble, Merck & Co. and United Parcel Service.

S&P says PHA is strong and stable, an endorsement of PHA's ability to carry out its mission of developing and managing quality public housing during a time of continuing cuts in Federal funding. This striking endorsement of the agency's fiscal prudence suggests PHA is in the forefront of reinventing the public-housing mission to succeed in an age of limits.

S&P cited several factors as contributing to PHA's investment grade (AA-) rating:

- Strong overall management and a strategic plan that supports the authority's mission to deliver quality, affordable housing;
- A strong real estate development arm that maximizes external resources and has successfully developed mixed-finance projects;
- Very strong demand for PHA housing as evidenced by a waiting list of almost 50,000 applicants.

"We are obviously highly gratified S&P thoroughly reviewed all aspects of our business, our finances, and the product we provide and determined we rate with America's best companies," said PHA Executive Director Carl Greene. "The biggest 'negative' S&P found is that we invest our revenues back into our mission of developing more housing instead of stockpiling cash. That's a criticism we are happy to live with."

Valerie White, primary credit analyst for S&P, says reduced Federal funding for public housing and PHA's aggressive long-term capital plan for redevelopment and revitalization leave PHA without a large cash reserve, but that the strategy has positive long-term implications.

"Standard & Poor's believes PHA has exercised prudent management in its decisions to heavily invest its long term capital into its housing stock," White said. "It is our belief as the properties are rebuilt or substantially rehabbed over time, overall maintenance costs and related operations costs should decline and over a period of time that could positively affect the earnings position."

PHA enjoys a special status that allows the agency the flexibility to break away from

normally-rigid Federal public-housing guidelines and to use innovating financing techniques. This flexibility also contributed to PHA's strong credit rating because the designation – called Moving to Work – allows the agency to maximize or consolidate funding streams for the best and most efficient use of resources. The authority is currently negotiating a new 10-year MTW agreement and expects to have one by the end of this summer.

White says although Federal subsidies are declining, PHA has improved its revenue streams through its nonprofit subsidiaries: Philadelphia Housing Authority Development Corp., Philadelphia Area Property Management Co. and the Philadelphia Housing Authority Homeownership Corp. The combination of outside revenue streams and cost cutting is a real plus; Standard & Poor's believes PHA is well positioned to handle further declines.

As part of the credit review process, S&P visited several PHA developments. The reviewers said that the agency's new and redeveloped properties are in excellent condition, yet it faces challenges at other older sites, including its scattered site inventory. Still, S&P reviewers felt PHA demonstrates "strong efficiencies in its property management functions." Improvements in unit turnaround time, occupancy rate, and rent collection were cited in the credit report.

PHA is the first housing authority in the US to be rated by S&P. The rating agency developed a data test pool of five or six housing authorities in order to create a system to determine a housing authority's credit worthiness. S&P also rates social housing providers outside the US, in Canada, France, Sweden and the United Kingdom.

"We certainly hope the Federal government reverses course from the past several years of declining support for public housing, but we also hope those who depend on public housing in Philadelphia feel reassured by Standard & Poor's assessment that PHA has positioned itself for long-term continued success," said Greene.

PHA is the nation's fourth largest public housing authority, serving 84,000 mainly low-income residents.