

# RatingsDirect®

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## Summary:

# Preservation of Affordable Housing Inc., Massachusetts; General Obligation

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## Summary:

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### Credit Profile

US\$75.0 mil GO bnds ser 2022 dtd 04/18/2022 due 12/01/2032

*Long Term Rating*

A+/Stable

New

## Rating Action

S&P Global Ratings assigned its 'A+' long-term rating to Preservation of Affordable Housing Inc. (POAH), Mass.'s taxable bonds, series 2022 (sustainability bonds). At the same time, we affirmed our 'A+' issuer credit rating (ICR) on POAH. The outlook is stable.

The ratings reflect our stand-alone credit profile (SACP) of 'a+' on POAH and our view that there is no likelihood that the U.S. government would provide extraordinary support to POAH in the event of financial distress.

The series 2022 bonds are expected to be issued with a par amount of \$75 million. The rating on the bonds reflects our ICR on POAH as the bonds constitute unsecured general obligations of the housing organization, and no specific POAH assets or revenues, other than amounts held in certain accounts established under the bond indenture, are pledged by the indenture for payment of bond debt service. No dedicated reserve fund has been established for the bonds. The securities are term bonds subject to optional redemption by POAH, in whole or in part, prior to the final maturity of Dec. 1, 2032, as described in transaction documents. The bonds are being issued pursuant to a bond indenture dated April 1, 2022, by and between POAH and Wilmington Trust N.A., the trustee. Interest on the bonds will be payable on each June 1 and Dec. 1, commencing Dec. 1, 2022.

Bond proceeds, according to preliminary transaction documents, are expected to be used by POAH to refinance certain existing debt obligations, fund portions of POAH's acquisition pipeline, and pay cost of issuance of the bonds.

POAH is a 501(c)(3) national non-profit organization focused on affordable housing preservation and development. The entity, originally established in 1998 and named POAH in 2001, is headquartered in Boston. POAH is the nonprofit developer, owner, and operator of more than 12,000 affordable housing units across 11 eastern and midwestern states and the District of Columbia. POAH's primary mission is to preserve, create and sustain affordable, healthy homes that support economic security, racial equity, and access to opportunity. The organization deploys three primary housing development strategies: acquisition rehabilitation, new construction, and community revitalization. Guiding POAH's operations and informing the pursuit of its mission are its core values of service, opportunity, citizenship, partnership, stewardship, sustainability, advocacy, performance, teamwork, diversity and inclusion, racial equity, accountability, innovation, and impact. The parent nonprofit entity POAH Inc. and POAH Communities LLC (together POAH or the company) have a total of just over 600 staff that perform all responsibilities for the company from executive senior management, office administrative functions, and all real-estate-related roles

down to property level staffing.

For additional information on POAH and the ICR, refer to our analysis published Feb. 3, 2022 on RatingsDirect.

### **Credit overview**

The ICR and rating on the bonds reflect our opinion of POAH's:

- Extremely strong management, with an experienced and dedicated board, senior and executive staff and a detailed multi-year strategic plan with measurable goals that support its mission and reflect its values;
- Very strong enterprise risk profile, supported by our assessment of very strong market dependencies and low industry risk;
- Strong financial risk profile characterized by adequate financial performance and debt profile assessments, which have incorporated the series 2022 issuance, based on average EBITDA to adjusted revenues and total debt to EBITDA ratios of 26.1% and 22.7%, respectively, and POAH's extremely strong liquidity assessment due to an estimate of nearly 4x liquidity sources over uses during the next 12 months; and
- Focus on low-income social housing initiatives coupled with its proven community partnerships and ability to fulfill strategic priorities that, in our view, will support fiscal and operational performance in line with the rating level through economic cycles.

### **Environmental, social and governance**

We analyzed environmental, social, and governance risks relative to POAH's industry risk, regulatory framework, market dependencies, management and governance, financial performance, and debt and liquidity profiles and view them to be in line with the sector standards. In our view, while virtually all areas have at least some environmental risks, the diversity of asset location across 11 states and D.C. reduces the risk that environmental disruption will occur from an acute event or chronic long-term climate change. While we think COVID-19 represents social risk that had an economic impact generally, strengths of POAH's financial and enterprise profiles, in our view, should mitigate lingering effects.

The stable outlook reflects our opinion of POAH's enterprise and financial risk profiles based on historical and projected data that indicate performance and creditworthiness will remain in line with the rating during the two-year outlook period.

## **Stable Outlook**

### **Upside scenario**

We could raise the ICR and rating on the bonds if our view of POAH's financial performance and debt profiles improve to strong from adequate resulting in a better financial risk profile assessment. A key element in the improvement of these factors would be a sustained increase in our calculation of the organization's EBITDA and related ratios due to higher operating revenues and lower operating expenses over multiple periods.

### **Downside scenario**

Conversely, and while unlikely during the outlook period, should POAH's liquidity ratio materially deteriorate, dropping below 2.5x sources over uses, we could take a negative rating action on the ICR and the bond rating. In

addition, should our assessment of any other key rating factors worsen to the point of warranting a higher numerical assessment we could revise the outlook or lower the ratings.

## **Related Research**

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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