



FOR IMMEDIATE RELEASE
January 5, 2010

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Affordable Housing Acquisition one of “13 Most Creative Deals of 2009”

BOSTON – The acquisition of five affordable housing complexes in Florida by the Boston-based nonprofit, Preservation of Affordable Housing (POAH), has been recognized as one of “The 13 Most Creative Deals of 2009” by *Apartment Finance Today* Magazine. The \$49 million transaction involves a total of 846 units.

“The 2009 Deals of the Year exhibit a certain stubborn resolve and on-the-fly ingenuity that refused to concede defeat, despite the worst recession in years,” said the magazine in naming the 13 winners.

POAH operates 6,470 affordable rental units for the elderly, the disabled and low-income working families in Connecticut, District of Columbia, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, Rhode Island.

The properties in the deal are: New Horizons Communities, Cutler Manor and Cutler Meadows-Glen in Miami, Campbell Arms in Homestead and Middletowne Apartments in Orange Park. POAH acquired the properties from Greater Miami Neighborhoods, a Florida-based non-profit. Two of the properties were at risk of conversion to market-rate housing and the others were at risk of falling into deeper disrepair.

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The deal, through which POAH rescued the affordable housing portfolio of a non-profit winding down its operations in a difficult economic climate, was notable for its unconventional financing process. POAH structured the deposit funds to sustain the selling non-profit on a skeleton crew, allowing the two organizations to work collaboratively to orchestrate a bankruptcy court-supervised disposition process. The deal is even more noteworthy given that POAH's nimble financial underwriting allowed it to proceed at the height of the financial market collapse in late 2008. The purchase closed in two installments over the course of December, 2008 and January, 2009.

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Details of the deal:

- The seller and POAH worked collaboratively to orchestrate a court-supervised bankruptcy disposition process. POAH creatively structured the earnest money deposits on the property so that they could be used to fund the seller's operations, keeping it operating on a skeleton crew which permitted a Chapter 11 (restructuring) bankruptcy rather than a Chapter 7 (liquidation) bankruptcy. This was critical as it allowed POAH the time to assemble a viable transaction and preserve the properties as affordable housing.
- Restructuring of the debt on the properties: rather than attempting to refinance out of the extensive subordinate debt that existed on these properties, POAH approached the mortgage holders (Florida Housing Finance Corporation and Miami-Dade County) to negotiate a workable solution that restructured the loans in a way that was sustainable for the properties long-term. These lenders agreed to defer all payments for six years and to a repayment plan that sized the balloon payment at the 15-year maturity based on what the properties could

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be expected to support at that time. POAH's acquisition structure created a creditors' trust by which the unsecured creditors will share in the cash flow from the properties for the next five years.

- The third factor in the transaction's success was its portfolio nature. While the portfolio purchase added a level of complexity, it also opened the door to a novel solution for closing a budget gap on the Middletowne Apartments property. With lender and regulatory consent, POAH was able to cross-subsidize the Middletowne property with over \$2.2 million in funds from the other properties. In the absence of this cross-subsidy, it would have been impossible to adequately capitalize the Middletowne property for the long-term.
- The final factor -- arguably the most important one -- was the ability of the POAH team to respond rapidly to dramatic changes in the environment including significant regulatory changes and the collapse of the financial markets mid-stream. POAH's nimble and creative solutions to these external factors resulted in a completely different execution from that initially contemplated, but still allowed for a timely closing.

About POAH: Preservation of Affordable Housing was founded in 2001 with the mission of purchasing large, multifamily housing developments in order to refinance and preserve the housing for long-term affordability. POAH has rescued and restored some of America's most "at risk" rental housing. On average, the incomes of residents in POAH housing are 30 to 50% of the median income in a given area.

More info:

<http://www.housingfinance.com/aft/articles/2009/november-december/1109-coverstory-The-Mother-of-Invention.htm>

*Renovation will construct new housing, reconnect United Front to street grid
New Bedford Standard Times 11/29/09*

<http://www.southcoasttoday.com/apps/pbcs.dll/article?AID=2009911290339>

to view POAH's properties: www.poah.org