



FitchRatings

The RAD Revolution

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CASE STUDY: RAD AND TAX-EXEMPT AND TAXABLE BONDS

CHA and Rental Assistance Demonstration Program

- CHA applied and HUD accepted applications for CHA RAD conversions for over 10,000 units.
- The Rental Assistance Demonstration (“RAD”) program allows for conversion of Public Housing units (Section 9) to Project Based Voucher (“PBV”) units (Section 8).
- Properties that convert their assistance to long-term Section 8 PBVs are no longer restricted from securing private sources of capital financing.
- Provides greater funding certainty for potential lenders and increased operational flexibility for the Authority and owners.
- Program is designed to safeguard long-term rental housing assistance for current and future tenants, improve and modernize HUD-assisted multifamily properties and stabilize these properties by placing them on a solid financial footing.
- At the time of the rating CHA had completed closings for 20 properties comprised of 3,600 units though June 30, 2018.

Security for the Series 2018AB Bonds

Key Credit and Security Features

Par	\$325 Million
	Series A: \$100 Million
	Series B: \$225 Million
Tax Status	Series 2018A: Tax Exempt
	Series 2018B: Taxable
Structure	Final Maturity: January 1, 2018
	Interest is payable semiannually each Jan 1 and July 1, with the first IPD January 1, 2019
Security	General Obligation of the Authority payable from legally available funds
Flow of Funds	1/6 and 1/12 of interest and principal, funded on the 1st of each month
Debt Service Reserve Fund	Maximum Annual Debt Service
Capitalized Interest	Through January 1, 2020

Use of 2018 AB Bond Proceeds

CHA issuance of series 2018 A (for \$100M) and taxable 2018 B (for \$225M) for a total \$325 million of General Obligation bonds for the purpose of:

- Capital expenditures and routine maintenance on its existing portfolio
- Updating and converting 10,000 of its units from typical public housing to either project based section 8 units or mixed-income units.
- Conversion process done via the HUD rental assistance demonstration (or RAD) program that CHA is actively participating in to create better safer housing, along with self-sufficiency programs for its residents.

Fitch AA- Rating: Process and Analysis Overview

- CHA requested a Fitch General Obligation Rating
 - Entailed a thorough and robust analytical approach using Fitch's ***Rating Criteria for Public Sector Revenue Supported Debt***
 - **Assessing CHAs Income Statements**
 - **Analyzing CHAs Balance Sheet**
 - **Fitch Calculated Funds available for Debt Service (FADs)**
 - **Stressed Rating Case Outcomes-Compatible with 'AA-' rating**
- ***Subsequent to the release of the General Obligation Rating, Fitch assigned its 'AA-' to the series 2018AB Bonds.***

People in pursuit of answers

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