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## BRIDGE Housing, California; General Obligation

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# BRIDGE Housing, California; General Obligation

## Credit Profile

Bridge Hsg BRIDGE Housing ICR

*Long Term Rating*

A+/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'A+' issuer credit rating (ICR) to BRIDGE Housing Corp., Calif. The outlook is stable.

The ICR reflects our view of BRIDGE's:

- Strong overall management and a strategic plan that supports its mission to provide quality low-income housing in the least affordable markets;
- Strong enterprise risk profile, which is supported by extremely strong economic fundamental (very high rental market and high dwelling price over national average and high population growth), very strong asset quality (minimal vacancies and newly developed properties), and development plans that continue to strengthen asset quality;
- Strong financial profile, reflected by BRIDGE's ability to cover operating and maintenance (O&M) costs from rental income, capacity to repay debt obligations from EBITDA in a timely manner, strong liquidity profile, and strong profitability;
- Ability to generate revenue streams from in-house development and operating activities, thereby lessening the appropriation risk associated with reliance on federal funding streams (including the risk of underfunding of federal operating fund subsidies and the federal housing choice voucher program), and potential declines in federal capital fund grants; and
- Very strong management and effective strategic planning that have established a growing and diverse portfolio of attractive housing units in multiple regions in West Coast.

Partially offsetting the aforementioned strengths is our view of BRIDGE's:

- Relatively weak profitability compared with other social housing providers, peers including international social providers;
- Higher financial leverage profile compared with U.S. public housing authority peers; and
- Dramatic changes in the external environment, including demographic, economy, government policies, and housing programs which materially affect BRIDGE's strategic plans and works.

BRIDGE is a 501(c) (3) not-for-profit entity founded in 1983, headquartered in San Francisco.

BRIDGE Housing creates high-quality, affordable homes for working families and seniors. With over 16,000 homes placed in service and a combination of over 100 properties currently under construction or finished, BRIDGE is among the largest affordable housing developers. It is also affiliated with and under common board control with other not-for-profit corporations (Affiliates) which have been formed either as supporting entities to BRIDGE or as instruments to further BRIDGE's organizational objectives.

BRIDGE's geographic footprint has formed in response to demand for affordable rental housing. It has historically developed in some of the least affordable markets in the state, first the nine Bay Area counties, then Orange and San Diego counties. Currently, it develops, owns, and operates housing along much of the urban coast of California, with forays into Sacramento, San Joaquin, and Riverside counties in California, as well as Oregon and Washington.

BRIDGE is a leveraged organization, with a consistent debt-to-EBITDA ratio (three-year average) of approximately 25.7x, compared with a 5.9x average for U.S. public and nonprofit social housing (primarily consisting of U.S. public housing authorities [PHAs]). BRIDGE's 3.2x EBITDA interest coverage is relatively low compared with its peers. However, about 44.6% of BRIDGE debts are associated with soft debts and we recognized its soft debt as subordinated debt obligations in which BRIDGE will have flexibility to pay them off if it can generate surplus cash. We believe this flexibility gives BRIDGE less pressure to manage liquidity use. In addition, the fact that BRIDGE's average loan to value (LTV) is very low (26%) and its unencumbered assets (legal and practical ability to sell the assets if necessary) valued at over 50% of debt strengthen its debt profile. The organization has shown an ability to manage debt and generate very strong liquidity while continuously leveraging assets for maximum efficiency and profit. BRIDGE's financial performance (profitability) is relatively strong and comparable with global public and nonprofit social housing providers.

Our view of the management team is a key rating factor. We believe BRIDGE has a well-developed five-year strategic plan with clearly stated goals and objectives. The organization is led by an 19-member seasoned professional executive team with a 15-member board of directors. We believe management has the wherewithal to balance new development and rehabilitation projects prudently, making efficient use of resources to increase quality housing stocks. BRIDGE has a demonstrated track record for the production and long-term, stable stewardship of quality affordable housing in challenging markets with complex parameters. BRIDGE's engagement in federal public housing programs and private-sector affordable housing allows it to access equity and better use revenue generated from financial flexibility and autonomy. BRIDGE effectively maintains financial stability while achieving its overall goals, in our view. BRIDGE launched its strategic planning process that included a detailed assessment of the changing and demanding external environment and the development of scenarios for the future, as well as an assessment of its own strengths and capabilities in the context of a changing environment. BRIDGE identified long-term goals and a series of strategic initiatives that are essential to its future success. This plan is a five-year road map for the BRIDGE Board and staff as they continue to grow the company's leadership as a producer and owner of affordable housing opportunities. We believe the company will continue to both adapt and innovate to sustain itself in these rapidly changing times.

## **Outlook**

The stable outlook reflects our view of BRIDGE's management and what we consider its clear, directive strategic plans to maximize its position in the multiple markets. We believe current and future market demand for affordable housing far outweighs regions' existing and planned portfolio, evidenced by a strong need for this housing market segment. BRIDGE's ability to maintain a liquidity score above 1x, preserve market stability, and maintain tenant occupancy for continued profitability due to its low reliance on federal subsidies, is a key factor to maintaining our 'A+' rating, in our view.

The stable outlook also reflects our view of BRIDGE's liquidity profile. If BRIDGE's financial profile is reinforced; more specifically, if its debt and liquidity is consistently strengthened and its profitability shows considerable improvement, we could raise the rating. Conversely, if BRIDGE can't maintain or increase additional leveraged resources, net working capital, or profitability, thereby impairing its long-term financial strength, we could lower the rating.

## Comparative Analysis

Standard & Poor's rates 49 public and social housing providers globally whose primary purpose we believe is to provide a public service rather than maximize profit, and whereby any surpluses are reinvested or distributed for public service needs. Examples of these entities can be found in the U.S., Sweden, the U.K., and the Netherlands.

Out of 49 outstanding ICRs, 15 are U.S.-based, and are all social housing providers and PHAs. In our view, BRIDGE is a not-for-profit social housing provider similar to rated providers in Sweden (AB Stangastaden, MKB Fastighets AB, and Uppsalahem), and U.K.-based Guinness Partnership, Town and Country Housing Group, Boston Mayflower and Thrive Homes. Table 1 details how BRIDGE compares in key measurements with the aforementioned international entities and four U.S. peers (including BRIDGE, San Diego, Vancouver, Seattle, and WHPC). The international entities are in dynamic, expanding cities with strong underlying demands for housing. These companies have minimal vacancies and high market rental prices compared to their respective social rental prices. BRIDGE shares "very strong" enterprise and "strong" financial risk profile similarities with its international peers. In particular, BRIDGE compares well with its international peers in terms of relatively strong financial performance, predictable cash flows from operations, and highly leveraged debt risk (debt-to-EBITDA and interest coverage). Overall, the U.S. peers, including BRIDGE, have relatively strong liquidity profiles.

**Table 1**

### Comparative Table

Entity	Proportion of revenues from social housing activity (%)	Proportion of revenues from traditional activity (%)	Annual population growth (%)	Average social rent as % of market rent in the main region of operation	Vacancy rates (three-year average) (%)	Average age of the portfolio (years)	EBITDA/Revenues (Three- or five-year average) (%)	Debt/EBITDA (Three- or five-year average) (x)	EBITDA/Interest (Three- or five-year average) (x)	Li
Guinness Partnership	N.A.	90.6%	0.7%	68.0%	0.9%	23	27.0%	16.5	1.3	
Town and Country Housing Group	N.A.	83.0%	1.1%	62.0%	1.8%	38	48.0%	16.3	1.8	
Boston Mayflower	N.A.	95.6%	1.2%	68.0%	2.3%	56	28.4%	14.6	1.8	
Thrive Homes	N.A.	98.4%	0.8%	47.0%	0.5%	55	23.0%	12.7	2.1	
Stangastaden	N.A.	N.A.	0.9%	N.A.	0.1%	37	28.0%	8.5	3.3	
MKB Fastighets AB	N.A.	N.A.	1.5%	N.A.	0.6%	43	30.0%	12.3	2.6	
Uppsalahem	N.A.	N.A.	1.2%	N.A.	0.1%	39	42.0%	11.3	2.9	

**Table 1**

<b>Comparative Table (cont.)</b>									
San Diego Hsg Comm, CA	60.5%	100.0%	1.2%	17.2%	6.1%	20	14.0%	3.6	7.0
Vancouver Hsg Auth, WA	39.7%	100.0%	1.3%	40.0%	3.2%	40	40.1%	8.7	3.2
Hsg Auth of the City of Seattle, WA	68.7%	100.0%	2.0%	32.1%	2.1%	40	21.8%	5.1	4.4
Wisconsin Hsg Pres Corp	2.7%	100.0%	0.4%	60.5%	4.7%	33	56.0%	8.4	2.0
BRIDGE Housing, CA	24.8%	89.0%	1.1%	40%	2.3%	15	28.1%	25.7	3.2

N.A.--Not available.

## Enterprise Profile

### Industry risk

U.S. public and nonprofit providers' collective focus on affordable housing lends further rating stability, with low competitive risk. The U.S. public and nonprofit housing industry risk scores a '2', representing a combination of individual assessments: sub-scores of '2' for cyclical and competitive risk, with no adjustment for the government's support for the industry. Economic cycles are most likely to affect U.S. public and nonprofit social housing providers more than any other social service type, in our view, because real estate fluctuations can change asset values. Real estate markets also tend to be overbuilt, leading to depressed occupancy rates, rentals, and property values. Residential rental markets typically pose less risk relative to other property classes, however, and competitive risk is fairly low due to effective entry barriers in many jurisdictions, minimal substitution risk, and overall stability in growth and margins. In addition, ongoing government subsidies and other support and oversight limit volatility, with the overall importance of the service delivered, limiting the potential for negative government intervention, in our opinion.

### Economic fundamentals and market dependencies

Thirty years ago, BRIDGE Housing began as a practical solution to a growing problem of shortage for the affordable housing industry by producing large volumes of high-quality, affordable homes in California. An anonymous donor provided seed capital to figure out how to deliver affordable housing to working-class families in the expensive Bay Area. Today, BRIDGE has a demonstrated track record for the production and long-term, stable stewardship of quality affordable housing in challenging markets with complex parameters.

Accordingly, they continue to demonstrate solid overall growth. Standard & Poor's views BRIDGE's essentiality to the market as extremely strong. Like many other social housing providers including PHAs, market demand for public housing services far exceeds available supply. Our criteria use market prices rather than market rents because of the greater availability and transparency of providers with broader missions that bring greater market connections. We consider BRIDGE a market-related, low-income social housing provider because its sustained market-based component of rental activity exceeds 15% of total revenue and where real estate property rental values are relevant to

the business. We calculate the average dwelling price for private homes in submarkets BRIDGE manages and owns to be 189.5% of the national average, which (combined with a robust population growth of 1.06% annually in fiscal 2014) suggests very strong economic fundamentals. These factors, along with business profile ratios and qualitative factors yield a score of '1' for economic fundamentals, with no qualitative adjustments applied. BRIDGE is affiliated with Bay Area Senior Services Inc. (BASS), operator of a continuing care retirement community (CCRC) as well as BRIDGE Impact Capital (BRIC), a community development finance institution (CDFI). These nontraditional housing activities account for 6.2% of BRIDGE's revenue (as of fiscal year 2014).

**Table 2**

<b>BRIDGE Housing -- Enterprise Profile</b>	
Industry Risk	<b>2</b>
Economic Fundamentals	1
<b>Market Position</b>	
Strategy and Management	1
Asset quality & operating performance	2
Enterprise Profile Score	2
<b>Financial Profile</b>	
Financial Policies	2
Financial Performance	4
Liquidity	2
Debt Profile	3
Financial Profile Score	3.00

### **Market position: strategy and management**

In our view, BRIDGE's vision is clearly defined and sets forth the organization's overall strategic plan. It launched its strategic planning process in the fall of 2011 as a participatory, iterative engagement of its Board and senior leadership. The process included a detailed assessment of the changing and demanding external environment and the development of scenarios for the future, as well as an assessment of its own strengths and capabilities in the context of a changing environment. This plan is a five-year road map that will require the company to continue to both adapt and innovate to sustain itself in these rapidly changing times. While this plan focuses on a five-year horizon, BRIDGE maintains a longer view of where and what the company aims to be. The long-range goals are to:

- Advance its mission, always in pursuit of "Quantity, Quality, and Affordability";
- Strengthen communities, starting but not ending with housing;
- Leverage experience, resources, and a culture of innovation to test new ways to achieve more in less time with fewer resources;
- Redefine how BRIDGE delivers products and services to make the company more competitive in an era of reduced subsidies and increased demand;
- Lead the repositioning of the industry as there are shifts in resources, markets, and policies; and
- Be the go-to organization for best practices in all of its lines of business.

To accomplish these goals, BRIDGE's board and staff sets nine strategic initiatives that enable it to build, lead, and sustain its projects in a volatile and demanding external environment. The initiatives are as follows:

- Product and service diversification,
- Community development (supporting and enhancing neighborhoods),
- Geographic expansion,
- Mergers and acquisitions,
- Leveraged portfolio management,
- Financial services and capital markets,
- Cost containment,
- IT, and
- Human capital.

We believe the implementation of these initiatives will facilitate growth and product and services diversification, promote innovation, and support continued improvement of BRIDGE's capacity to deliver on this strategic plan. Also, in our opinion, BRIDGE has clear measurements for each initiative, clear vision, the right leadership, and a strong base of community support.

We believe BRIDGE's Board and staff engage in a decision-making process characterized by open, effective communication, and appropriate delegation of authority, consistent with principles of sound corporate governance. The board reviews strategic plans annually and monitors the staff's progress in achieving each goal. BRIDGE's management is very strong, in our view. All 15 members of the Board have voting rights in all Board matters. No Board members are related to staff or senior executive members of staff. Board members serve uncompensated for three-year staggered terms with no limits on terms served. BRIDGE also has an informal succession plan, administered through the board's specialized professional development program.

BRIDGE has over 400 full-time staff members with extensive related experience that includes accounting, finance, real estate acquisitions, property management, construction management, governmental relations, senior living, and community services. A core staff operates in the San Francisco, Orange County, San Diego, and Portland offices. Collectively, the organizational structure presents a very strong social and financial balance of expertise, in our view.

Senior staff members work in close conjunction with one another to meet BRIDGE's mission and bring operations and projects into compliance with overall strategic goals, in our view. This garners a score of '1' for strategy and management. Internal policies and procedures are institutionalized and built into the fabric of all BRIDGE operations. We also believe BRIDGE is effectively leveraging partnerships with lenders and other BRIDGE stakeholders, allowing it to develop an income stream that does not specifically rely on federal subsidies. The organization maintains that its partnerships are aiding redevelopment and providing BRIDGE sufficient funding to increase its housing portfolio.

## **Asset Quality**

BRIDGE's geographic footprint has formed in response to demand for affordable rental housing. It has historically developed in some of the least affordable markets in the state, first the nine Bay Area counties, then Orange and San Diego counties. It currently develops, owns, and operates housing along much of the urban coast of California, with forays into Sacramento, San Joaquin, and Riverside counties in California, as well as Oregon and Washington. BRIDGE worked in 85 communities in Northern and Southern California, participated in the development of over 16,000 affordable homes, including 10,656 owned by BRIDGE itself and 8,100 that it property/asset manages. It also created

parks and wetlands, child care centers, police substations, a library, and over 500,000 square feet of commercial and retail space and offered a growing slate of educational, health, and wellness programs to residents. Residents accessed those programs nearly 60,000 times in 2014.

BRIDGE's development plan is very active. It adds additional 938 units in 2015 and expects an additional 697 in 2016. We believe it has built a good track record of timely completion of new construction and ensuring the delivery of projected tax credits. BRIDGE also has established effective procedures in place to mitigate lease-up risks. Management indicates that due to high demand and short supply in BRIDGE's served areas, new constructed properties are all fully leased and occupied within a few months. For AveVista, a newly constructed property in Oakland, more than 5,200 potential residents expressed interests for 68 units.

Our analysis involved site visits to a sampling of properties within the portfolio. Based on our findings, we rank the portfolio at '2' overall on a five-point scale (with '5' representing the lowest quality housing and '1' the highest). Physical curb appeal on newly developed and renovated properties is good, in our view, and in most cases better than surrounding neighborhood properties. Strict oversight procedures and contractual monitoring incorporate efficient methods and ensure strong management of the portfolio, in our view. In our opinion, BRIDGE demonstrates strong efficiency in its property management functions and is acting appropriately to improve its financial strength and provide quality housing. Excellent operational performance, exhibited by strong asset management practices, has led to strong operational consistency, in our view. One example of operational strength is rent collected as a percentage of gross rent, which has stayed above 97.6% for the past three years. Average occupancy for the last three years is 97%, leading to an asset quality score of '2'. The average portfolio age is 14 years, with no qualitative adjustments applied. We will closely monitor BRIDGE's ability to maintain these positive ratios amid further pending acquisitions, rehabilitations, and development plans.

## Financial Profile

BRIDGE's financial performance is very steady, in our view, with little reliance on federal appropriation risk, unlike most U.S. PHAs. The organization's EBITDA-to-revenue is relatively weak compared with other social housing peers (including international social providers), but stronger than most U.S. PHAs while its ratio of liquidity sources to uses is relatively stronger than its international peers. However, strong liquidity is offset by relative high debt obligations.

### **Financial performance: Predictable cash flow from operations and strong financial performance compared with U.S. peers**

BRIDGE's financial performance has been stable, in our opinion. The organization has maintained positive cash flow from operations. EBITDA has remained steady at over \$26 million for the past three years. The three-year average of EBITDA to revenue (29.3%) has outperformed most traditional U.S. PHAs, resulting in a final score of '4'.

BRIDGE benefits from a self-supporting revenue stream, which is highly uncharacteristic of U.S. PHAs. BRIDGE's financial health depends on maintaining this arrangement, but with contributions and grants expected to decrease in the future. We believe this projected income growth, coupled with anticipated cost controls, should strengthen the corporation's financial ratios.



### Debt profile: High debt profile among global and U.S. peers

BRIDGE's debt profile constrains its financial risk score and the overall rating. BRIDGE's debt obligations are the highest among both global and U.S. public and nonprofit social housing providers. Adding to the debt profile, in our view, are BRIDGE's extensive development plans that its 25.7x debt-to-EBITDA ratio is well above the 13.4x global and 5.9x domestic averages. Similarly, its 3.2x EBITDA-to-interest ratio (actual average of the past three years) represents solid interest coverage on a global scale. After assessing these measurements and BRIDGE's debt profile, we conclude with a final score of '3', with one positive qualitative adjustment factors. However, about 43% of BRIDGE debts are associated with soft debts and we recognized its soft debt as subordinated debt obligations in which it will have flexibility to pay them off if it can generate surplus cash. Also, all construction debt (23%) must have a known take-out funding source (either permanent debt or equity) prior to starting construction. The financial structure of BRIDGE's affordable transactions require that all financing be locked into place for the life of the tax credits to be delivered (15 years). No cash or reserves will be used to fund the pay-down of the construction debt as we move to the permanent financing sources.

We believe this flexibility gives BRIDGE less pressure to manage liquidity use. In addition, the facts that its average LTV is very low (26%) and unencumbered assets (legal and practical ability to sell the assets if necessary) valued at over 50% of debt strengthen the debt profile. We believe BRIDGE can manage its debt appropriately; still, we will closely monitor this constraint. Should asset quality and financial performance weaken, we would expect the debt profile to increase considerably.

### Liquidity: Very strong liquidity profile for a highly leveraged entity

We expect BRIDGE to have \$121 million in liquidity sources in two years. These sources include cash from operations, cash and equivalents, and current investments. Meanwhile, we expect liquidity uses, including debt service less noncash working capital (if negative), to be around \$94 million. We recognize BRIDGE's soft debt as subordinated debt obligations in which it will have flexibility to pay them off if it can generate surplus cash. In the event of nonpayment, interest will accrue to the loan and will not trigger an event of default. Also we acknowledge that BRIDGE's construction debt does not require funding the pay-down for the life of the tax credit to be delivered. Historically, BRIDGE has paid debt obligations in a timely manner. Given the current liquidity sources, we expect the organization might achieve a 1.29x liquidity ratio over the next two years. We base this view on BRIDGE's two-year debt service schedule and projected liquidity sources, which correlates to a liquidity score of '2', with one positive qualitative adjustments (strong access to external liquidity). Should the liquidity ratio fall below 0.50, a higher liquidity score of '5' would result, and the ICR would be capped at 'A'.

**Table 3**

<b>BRIDGE Housing -- Projected Liquidity Ratios</b>		
	<b>2015</b>	<b>2016</b>
<b>Sources of liquidity</b>		
Forecasted cash generated from continuing operations	64,946,000	64,946,000
Cash and liquid investments	\$ 56,948,000	\$ 56,948,000
<b>Forecasted working capital inflows</b>		
Total sources of liquidity	\$121,894,000	\$121,894,000

**Table 3****BRIDGE Housing -- Projected Liquidity Ratios (cont.)**

<b>Uses of liquidity: Forecasted cash generated from continuing operations</b>		
Forecasted working capital excluding cash outflows	\$ 67,857,000	\$ 67,857,000
<b>Expected capital expenditure over the next 12 months</b>		
Interest and principal payments due on debt over the next 12 months	\$ 23,326,706	\$ 26,467,401
Total uses of liquidity	\$ 91,183,706	\$ 94,324,401
Liquidity ratio	1.34	1.29

**Financial polices: Positive credit impact, with a high degree of transparency**

BRIDGE's financial policies are well-established and contain sufficient oversight and prudence, in our view. Our analysis measures the organization's level of transparency, liquidity, debt management, and long-term planning. The finance department handles these tasks with strong oversight from senior management and the board of trustees. Regularly scheduled reporting on all operating segments exists, thus providing a high degree of transparency. Furthermore, BRIDGE adheres to an adequate debt management policy with risk-averse practices. The organization's long-term planning includes sophisticated, multilayered financial, acquisition, and asset management strategies. Leveraging the score is BRIDGE's well-prescribed, albeit less formal, liquidity and debt management policies. The resulting score is '2', with BRIDGE exhibiting a mix of strong and adequate attributes, fostering a stable financial culture.

**Table 4****Financial Spread**

	<b>Fiscal year-end</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Balance Sheet: Assets</b>			
Total Current Assets	71,169,000	70,558,000	64,701,000
Total Long Term Assets	1,151,902,000	1,277,369,000	1,547,153,000
Total Assets	1,223,071,000	1,347,927,000	1,611,854,000
Average Total Assets	1,209,706,000	1,285,499,000	1,479,890,500
<b>Balance Sheet: Liabilities</b>			
Total Current Liabilities	56,818,000	61,311,000	93,421,000
Total Long Term Liabilities	829,603,000	950,311,000	1,096,314,000
Total Liabilities	886,421,000	1,011,622,000	1,189,735,000
<b>Balance Sheet: Net Assets/Equity</b>			
Unrestricted Net assets	287,851,000	288,251,000	417,301,000
<b>Accumulated deficit</b>			
Temporarily Restricted	47,139,000	46,394,000	3,158,000
Permanently Restricted	1,660,000	1,660,000	1,660,000
Total Net Assets / Equity	336,650,000	336,305,000	422,119,000
Average Equity	343,452,000	336,477,500	379,212,000
Total Liabilities & Net Assets / Equity	1,223,071,000	1,347,927,000	1,611,854,000

Table 4

<b>Financial Spread (cont.)</b>			
<b>Income Statement: Revenue</b>			
Rental Income	88,796,000	92,161,000	103,113,000
Total Contributions and Grants	5,400,000	5,975,000	41,296,000
Other Income	32,912,000	13,423,000	22,408,000
Total Revenues	127,108,000	111,559,000	166,817,000
<b>Income Statement: Expenses</b>			
Operations and Maintenance	121,435,197	93,777,055	129,720,365
Real Estate Taxes	1,536,803	1,662,945	1,939,570
Depreciation/Amortization	32,971,000	34,417,000	39,974,000
General & Administrative	6,921,000	7,835,000	8,745,065
Other Expenses	247,000	862,000	545,000
Total Operating Expenses	163,111,000	138,554,000	180,924,000
Total Net Operating Income	(36,003,000)	(26,995,000)	(14,107,000)
<b>Income Statement: Adjustments to Net Operating Income</b>			
<b>Gain (loss) on sale of assets</b>			
Tax Expense	214,898	245,089	251,241
Capital Contributed/capital grants	22,399,000	26,650,000	85,072,000
Interest Expense	24,101,000	24,162,000	27,746,000
other expenses	(24,315,898)	(24,407,089)	(27,997,241)
Change in Net Assets / Equity (Net Income)	(13,604,000)	(345,000)	70,965,000
Net Assets / Equity at Beginning of the Year	350,254,000	336,650,000	351,154,000
Net Assets / Equity, End of the Year	336,650,000	336,305,000	422,119,000
		<b>Fiscal year-end</b>	
		<b>2012</b>	<b>2013</b>
		<b>2014</b>	
<b>Cash Flow Statement</b>			
<b>Operating Activities</b>			
Change in Net Assets / Equity	(36,003,000)	(26,995,000)	(14,107,000)
Net Cash provided by operating activities	15,848,000	16,935,000	64,946,000
<b>Investing Activities</b>			
Net Cash provided by investing activities	(73,152,000)	(138,105,000)	(314,197,000)
<b>Financing Activities</b>			
Interest Paid	(17,561,000)	(15,517,000)	(18,490,893)
Payments of LTD	(42,084,000)	(19,892,000)	(30,346,000)
Proceeds from sale of bonds/notes	67,348,000	78,787,000	215,777,000
Other adjustments from financing activities	48,833,000	72,028,000	79,959,893
Net Cash provided by financing activities	56,536,000	115,406,000	246,900,000
Net Increase/Decrease in cash equivalents	(768,000)	(5,764,000)	(2,351,000)
<b>Key Measurement</b>			
extraordinary item	3,700,000	0	0
EBITDA (\$)	26,520,701	33,492,034	55,803,811

**Table 4**

<b>Financial Spread (cont.)</b>			
Debt (\$) including Soft Debt	820,426,000	888,724,000	1,099,542,000
Government Support Percentage (%)	4.2	5.4	24.8
Voids, Vacancy (%) of Revenues	2.6	2.3	2.3
Arrears (% of Revenues)	2.6	2.3	2.3
Average social rent (\$) - Annual	10,856.6	10,999.0	10,610.5
Market rent in the main region of operation (\$)	24,795	25,301	26,313
Average social rent as a percentage of market rent in the main region of operation	43.8	43.5	40.3
Average Market Dwelling Price (\$)		630,116	655,321
Average National dwelling Price (\$)	292,000	342,000	345,800
Average dwelling Price as (%) of national average	-	184.2	189.5
EBITDA / Revenues (%)	20.9	30.0	33.5
Debt / EBITDA (x)	30.9	26.5	19.7
EBITDA interest coverage (x)	2.5	3.2	4.0
Funds from Operations (\$)	(1,713,000)	1,418,000	46,455,107
Cash from Operation (\$)	15,848,000	16,935,000	64,946,000
Cash and Liquidity (\$)	65,063,000	59,299,000	56,948,000
Net Working Capital (\$)	14,351,000	9,247,000	(28,720,000)
Working Capital excluding Cash (\$)	(16,662,000)	(32,677,000)	(67,857,000)
Pop Growth (%)			1.06%
# of Units - owned	8,179	8,379	9,718

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Investment Guidelines, June 25, 2007
- Criteria: Methodology For Rating Public And Nonprofit Social Housing Providers, Dec. 17, 2014
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- General Criteria: Methodology: Industry Risk, Nov. 20, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

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