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HUD APPROVES HISTORIC FINANCIAL DEAL TO MODERNIZE AND BUILD MORE THAN 4,100 NEW PUBLIC HOUSING UNITS ON PUERTO RICO

HUD Deputy Secretary Bernardi signs agreement in New York with Puerto Rico Governor Anibal Acevedo Vila

NEW YORK – U.S. Housing and Urban Development Deputy Secretary Roy Bernardi and Puerto Rico Governor Anibal Acevedo Vila today signed a financial agreement worth more than \$600 million that will permit the Puerto Rico Public Housing Administration (PRPHA) to modernize and construct more than 4,100 public housing units. The agreement allows PRPHA to qualify for \$235 million in tax credits to accelerate the ongoing efforts to modernize public housing on the Commonwealth.

The tax credit portion of this transaction represents the largest single equity investment in the 22-year history of the Low-Income Housing Tax Credit Program.

“Puerto Rico has taken HUD’s bond financing program to a new, extraordinary level with this deal,” said Bernardi. “While it took a sophisticated financial package and a complex interagency agreement to get to this approval, the result is simple – better housing for low-income families on this beautiful island.”

In 2003, HUD approved a \$693 million bond deal for PRPHA as part of the housing agency’s effort to repair a portion of its public housing. That deal was the largest bond transaction in the history of HUD’s [Capital Fund Financing Program \(CFFP\)](#). Today’s action is HUD’s approval of the refinancing of that bond transaction.

The PRPHA is refinancing the original 2003 bonds to qualify for the tax credits. The Treasury Department’s Low-Income Housing Tax Credit Program encourages private developers to build affordable housing. HUD’s approval of PRPHA’s refinancing allows for the prepayment of a portion of the 2003 bonds; the new bond issuance of approximately \$380 million; and provides for a \$235 million tax-credit equity investment. The proceeds of the bonds will be used for comprehensive modernization of approximately 4,100 public housing units and the construction of 84 public housing units in another public housing development.

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PRPHA is using bond proceeds, tax credits, and Capital Funds appropriated by Congress to make major improvements to its public housing stock, including replacing plumbing and electrical systems; making units accessible and other modernization measures. Most of the Commonwealth's 56,000 public housing units were built in the 1940s and 1950s and have outdated utility systems. The bond proceeds allows Puerto Rico's housing officials to address major modernization needs in two years that would normally take several years if it relied only upon its annual allocation of Capital Funds from HUD.

PRPHA formed a separate business entity and entered into an interagency agreement with the Department of Housing of the Commonwealth of Puerto Rico, of which PRPHA is a subsidiary, to make this action possible. The bond underwriters include JPMorgan Securities, with Banc of America Securities, and Citigroup Global Markets. Since PRPHA is using Capital Funds to pay the debt on the bonds, HUD must approve such transactions of housing agencies. To date, HUD has approved 114 financing proposals submitted by public housing agencies totaling approximately \$3.5 billion.

This program allows public housing authorities to borrow funds on the private markets by pledging a percentage of future federal assistance (Capital Funds) to repay the debt. The Quality Housing and Work Responsibility Act of 1998 included a provision that allowed housing agencies to use this HUD funding in this way to raise funds to build new or modernize existing or build new public housing.

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HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at www.hud.gov and espanol.hud.gov.