Jacksonville Housing Authority, FL Assigned 'A+' Issuer Credit Rating; Outlook Stable

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CHICAGO (S&P Global Ratings) Dec. 20, 2022--S&P Global Ratings assigned its 'A+' issuer credit rating (ICR) to Jacksonville Housing Authority (JAXHA), Fla. The outlook is stable.

An ICR reflects the obligor's general creditworthiness and its capacity and willingness to meet financial commitments when they come due. It does not apply to any specific financial obligation and does not take into account the obligation's nature and provisions, bankruptcy standing, liquidation, statutory preferences, or legality and enforceability.

With more than 20,000 families on JAXHA's waitlist needing housing, the authority's experienced yet relatively new management team has adopted an extensive growth strategy to add an additional 500 housing units per year through acquisitions and new construction. Undertaking such a development strategy will inevitably have an impact on JAXHA's debt profile; however, given conservative cash flow assumptions on pipeline projects and stable financial performance on the existing portfolio, we believe that the increased debt service requirements and administrative costs will not pose an unmanageable burden on the authority's financial performance.

"The rating reflects our view of JAXHA's experienced senior management that, while relatively new to the authority, have exhibited an ability to meet strategic initiative goals, with further efforts underway to significantly expand the authority's housing portfolio," said S&P Global Ratings credit analyst Stuart Nicol.

The rating also reflects our opinion of the authority's:

- Strong financial risk profile based on highly vulnerable and volatile financial performance that ranges from 3.2%-15.6% over a five-year period, strong debt profile that factors in additional debt associated with JAXHA's strategic portfolio growth, and extremely strong liquidity with sources exceeding uses by about 3.8x; and
- Very strong market dependencies, reflecting high demand for affordable housing in the city of Jacksonville, with vacancies at about 2.0%, which is significantly below the market vacancy rate.

Established in 1994, JAXHA provides approximately 2,000 public housing and 1,000 affordable housing units to low- and moderate-income residents in developments and scattered sites around Jacksonville. In addition, JAXHA administers about 8,500 housing choice vouchers.

JAXHA has increased its participation in the U.S. Department of Housing & Urban Development's (HUD) rental-assistance-demonstration (RAD) program, through which it converted public housing-assistance units to Section 8 project-based vouchers. The RAD program allows JAXHA to leverage grants, as well as private and other capital sources, to fund needed property improvements, among other expenses. In addition to its housing developments, JAXHA administers several resident service programs, including homeownership programs, career training, and self-sufficiency programming.

The stable outlook reflects S&P Global Ratings' opinion of JAXHA's very strong management and sustained financial performance when working within its strong debt profile to expand its housing footprint. With the continued demand for JAXHA's services, we expect the authority will maintain very strong enterprise and strong financial risk profiles throughout the two-year outlook period, supported by a measured approach to additional developments and associated debt.

We could take a negative rating action if the federal government were to markedly reduce its public housing support, which could weaken a key revenue source for JAXHA; or if operating expenses, such as debt service or administrative functions, were to increase significantly, pressuring financial performance and weakening liquidity.

We could take a positive rating action in the event financial performance were to strengthen and stabilize with an EBITDA-to-revenue ratio consistently more than 10% while maintaining very strong market dependencies, extremely strong liquidity, and at least a strong debt profile.