



Puerto Rico Housing Finance Authority Capital Fund Modernization Program Refunding Bonds (Puerto Rico Public Housing Projects), Series 2020

Investor Presentation



September 15, 2020



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- **The Authority plans to issue refunding bonds (the “Series 2020 Bonds”) on behalf of PRPHA, secured by a first priority pledge of PRPHA’s future allocated Capital Fund Grants from HUD**
 - Puerto Rico Housing Finance Authority (the “Authority”) is a public corporation responsible for financing construction and improvement of dwellings for persons of limited income throughout the Commonwealth of Puerto Rico (the “Commonwealth”)
 - Puerto Rico Public Housing Administration (“PRPHA”) operates public housing units throughout the Commonwealth, and receives operating subsidies and capital fund grants (the “Capital Fund Grants”) from the US Department of Housing and Urban Development (“HUD”) in accordance with federal formulas
- **Proceeds from the Series 2020 Bonds will be used to make a loan to PRPHA to redeem the Prior Bonds**
 - Series 2003 and Series 2008 bonds (together, the “Prior Bonds”) financed improvements and renovations for public housing units throughout the Commonwealth
 - Prior Bonds are callable at par, with outstanding balance of approximately \$300.5 million maturing 2020-2027
 - The Series 2020 Bonds will have the same maturity dates and significantly reduced annual debt service
 - The par amount will be reduced by (i) applying certain funds on hand (held with trustee for the Prior Bonds) to redeem Prior Bonds and (ii) selling Series 2020 Bonds at a premium
- **The Series 2020 Bonds will be secured by (i) a first priority pledge and assignment of PRPHA’s Capital Fund Grants and (ii) a debt service reserve fund**
 - PRPHA will assign its rights to its future annually allocated Capital Fund Grants to the trustee in an amount equal to scheduled debt service (plus ongoing fees)
 - Debt service will be paid directly from HUD to the trustee semiannually through a lock-box arrangement. Neither the Commonwealth nor any other entity has any claim on the payments from HUD to the trustee
 - Debt Service Reserve Fund equal to one-half maximum annual debt service (“MADS”) funded from proceeds of the Series 2020 Bonds and funds transferred from reserves for the Prior Bonds

Key Credit Strengths

Projected MADS Coverage

- Projected MADS coverage will be significantly greater than 3.00x for both the Planned Portfolio Changes and Minimum Portfolio Units

Strong Legal Covenants and Structure

- First priority pledge on PRPHA's future annually allocated Capital Fund Grants and debt service paid directly by HUD to the trustee
- Debt Service Reserve Fund equal to 50% of maximum annual debt service funded at closing to cover any timing delays in federal appropriations

HUD Approval and Representations

- HUD cannot recapture amounts once paid to the trustee
- No administrative sanction can reduce future allocations to PRPHA below amount required for debt service (unless required by law)

Strong Operational Management

- PRPHA's management has consistently submitted capital plans to HUD in a timely manner



The Authority is not part of the debt restructuring proceedings under Title III or Title VI of PROMESA

- The Authority is a **public corporation separate from the Commonwealth** and all of the Commonwealth's other public corporations and instrumentalities
- The Authority was created in November 1977 as a governmental instrumentality of the Commonwealth and a subsidiary corporation of the Government Development Bank ("GDB"); the Authority is legally independent of GDB
- The Authority **is not part of the Commonwealth's pending debt restructuring** proceeding under Title III of PROMESA and is not a debtor in any pending restructuring proceeding under Title III or Title VI of PROMESA.
 - The Authority has an unrelated debt with the successor entity to GDB resulting from a repurchase agreement from 2001 which will eventually be restructured pursuant to section 207 of PROMESA, that ***in no way impacts the security for the current transaction***
- The Prior Bonds and Capital Fund payments by HUD to the trustee **have not been affected in any way by the Commonwealth's pending debt restructuring proceeding**; and such funds are not available to the Authority or the Commonwealth
- The Authority, like sixty other component units of the Commonwealth, is designated as a "Covered Territorial Instrumentality" by the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), and therefore, subject to the requirements of PROMESA
- All necessary HUD and FOMB approvals have been received
- The Capital Fund Grants are not subject to any applicable authorities granted to the Oversight Board under PROMESA



HUD Capital Fund Grant Program

■ History of Public Housing and US Federal Funding

- The public housing program was created by the United States Housing Act of 1937 to provide improved housing for low-income households and to stimulate employment in the construction industry during the Great Depression
- Historically, the US federal government has provided the funding for nearly all of the costs related to the developing, maintaining, modernizing and operating public housing, to the extent that rents collected from tenants were insufficient for those purposes
- Currently, the US Congress (“Congress”) appropriates money each year for a variety of housing programs, including public housing
 - When there is a delay in the approval of annual appropriations, Congress can pass “continuing resolutions” to maintain funding at existing levels until an appropriations bill is passed

■ Funding Capital Programs with Congressionally Appropriated Money

- In 1998, Congress passed the Quality Housing and Work Responsibility Act (“QHWRA”), which provided for a capital fund program for Public Housing Authorities (“PHAs”)
- Under the capital fund program, which is administered by HUD with annually appropriated funds, PHAs receive formula-based Capital Fund Grants, which may be used, among other things, to finance the renovation and modernization of public housing developments

■ Capital Funds Grants are Allocated to PHAs Based on Formula

- The amount of Capital Fund Grants allocated to each PHA is set according to formulas developed by HUD based mostly on the following items:
 - i. the number of public housing units owned, assisted or operated by the PHA;
 - ii. the PHA’s need to carry out rehabilitation, modernization and other activities for its public housing units;
 - iii. housing construction and rehabilitation costs in the area;
 - iv. the PHA’s need to provide a “safe and secure environment” in its public housing; and
 - v. the PHA’s record of “exemplary performance” in operating its public housing.

Capital Fund Grant Program and PRPHA Allocations

■ Funding Capital Programs with Congressionally Appropriated Money

- Formula-based Capital Fund Grants may be used to finance the renovation and modernization of public housing developments
- Capital Fund Grants are federally appropriated to HUD on an annual basis, and the amount of funds appropriated by Congress for public housing modernization has varied from year to year

Federal Appropriations For Public Housing Modernization since 2008

Fiscal Year	Federal Appropriation ¹ (\$ mm)
2008	\$ 2,439
2009	2,450
2010	2,500
2011	2,040
2012	1,875
2013	1,875
2014	1,788
2015	1,773
2016	1,802
2017	1,942
2018	2,750
2019	2,775
2020	2,870

Capital Fund Allocations Received by PRPHA since 2008

Fiscal Year	Capital Fund Grant Allocation (\$ mm) ¹	Number of Portfolio Units ²
2008	\$ 137.5	57,056
2009	136.1	57,116
2010	135.7	57,095
2011	112.1	56,913
2012	102.4	55,148
2013	98.7	55,134
2014	102.1	54,602
2015	104.2	54,567
2016	102.8	53,687
2017	104.2	53,649
2018	152.9	53,736
2019	151.2	53,725
2020	154.3	53,755

¹HUD Office of Public and Indian Housing Office of the Budget.

²Allocations and unit count from Puerto Rico Public Housing Administration. As of June 30 for each respective year, except 2020 which is as of April 30. Number of Portfolio Units for years 2008-2013 are based on estimates from Puerto Rico Public Housing Administration. During these years, the 'Download' PIC tool to download information included units that already had been removed from the inventory system (demolished or sold), but still continued to appear in the list. These units were later on removed from the reports by HUD's super users.

Puerto Rico Public Housing Administration

- PRPHA is a governmental agency attached to the Puerto Rico Department of Housing (“DOH”)
- PRPHA was created with the purpose and function of achieving a highly efficient administration of public residential projects throughout the Commonwealth
- PRPHA operates units of public housing in 77 municipalities throughout the Commonwealth and is the second largest public housing agency in the country
- Similar to other public housing agencies throughout the nation, PRPHA receives operating subsidies and the Capital Fund Grants from HUD to finance the renovation and modernization of public housing developments



Lagos de Blasina

Modernized with 2008 Bond proceeds



Portfolio Considerations: Impact of Recent Natural Disasters FAFA and COVID-19 Pandemic

■ Hurricanes Irma and María

- In September 2017, Hurricanes Irma and María struck Puerto Rico. The physical damage from these natural disasters was significant and widespread, and there was substantial damage to the Commonwealth's power grid, infrastructure, buildings, residences and other structures
- 130 units out of 53,649 public housing units were rendered uninhabitable, and PRPHA is in the process of acquiring new units
- There were damages across the portfolio, and PRPHA has submitted initial claims to private insurers in the aggregate amount of \$119 million, which are currently being reviewed by the insurers
- Amounts not covered by insurance are expected to be funded by the Federal Emergency Management Administration ("FEMA")
- As of June 2020, \$8 million has been advanced by private insurers, and PRPHA has filed a lawsuit against one insurance company
- PRPHA has submitted a Damage Inventory to FEMA for 333 damaged properties totaling \$395 million. FEMA has preliminarily estimated costs for permanent repairs for 85 properties so far, for \$127.9 million, with damages agreed upon among all parties, and \$265.5 million for projects pending agreement on damages. It has finalized \$38.5 million as the total cost for four of those properties of which it has obligated \$24.7 million of its own funds
- In addition, as of September 15, 2020, FEMA has obligated \$42.5 million for hazard mitigation and emergency repairs (i.e., roofing) that have been necessary to make the affected buildings habitable

■ Earthquake

- In January and May 2020, the Commonwealth was struck with earthquakes registering a magnitude of 4.7 to 6.4 on the Richter scale (the "Earthquakes")
- The Earthquakes resulted in structural damages to certain PHA properties located in southwestern region of the island
- The physical damage is still being assessed by engineers, and there are ongoing conversations with HUD regarding which units should be rehabilitated and which units should be demolished
- It is expected that one project with 48 units is to be demolished and 568 units out of 53,755 existing total portfolio units are to be repaired. PRPHA is in the process of estimating repairs and has so far estimated \$25 million

■ COVID-19 Pandemic

- The outbreak of the COVID-19 pandemic has generally slowed the movement of people around the world and the Commonwealth has been no exception
- Although there have not been any notable outbreaks at any property, there have been some instances in recent months where prospective tenants have declined the opportunity to move during this time of uncertainty
- This has had a modest impact on near term occupancy levels, though we do not expect this to continue beyond the near term

Occupancy

- Despite each of these significant events, the occupancy rate has remained at 94%, which reflects a 2% reduction from 96% occupancy in the period prior to the earthquakes and COVID-19



Portfolio Planning

FAFAA *Planned Portfolio Changes and Minimum Portfolio Units*

In consultation with HUD and DOH, PRPHA continuously reviews its public housing unit portfolio and may add or reduce the amount of available units from time to time

■ Planned Portfolio Changes

- Based on current plans, PRPHA may reduce its unit count of 53,755 to 53,167 by fiscal year 2021 (“Planned Portfolio Changes”) and to 52,857 units by fiscal year 2028.

■ Minimum Portfolio Units

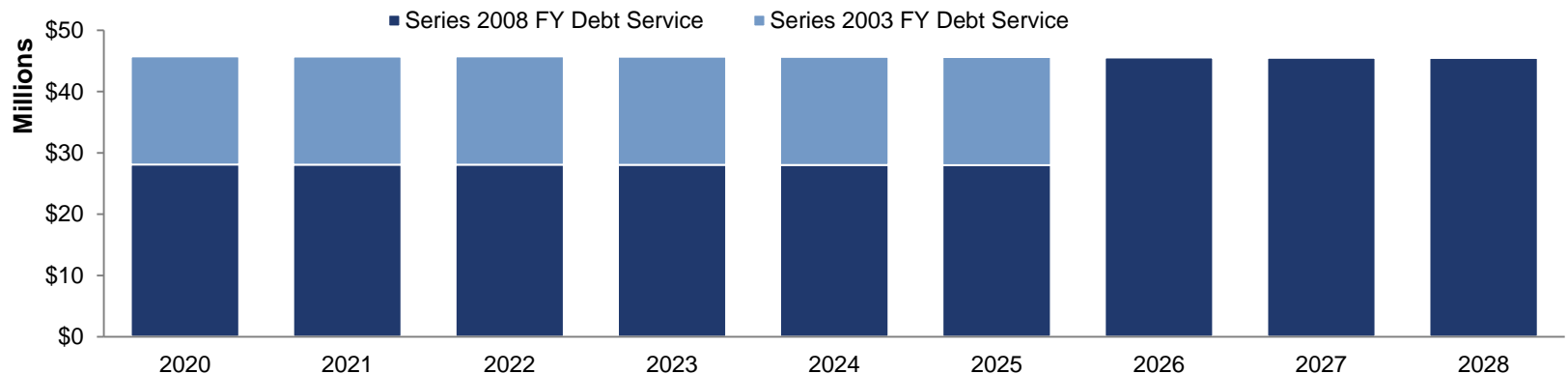
- To provide future flexibility with respect to the rebuilding or repairing of public housing units which might temporarily or permanently affect their eligibility for Capital Fund Allocations, PRPHA has negotiated with HUD that it may further reduce the number of units by up to 8,213, which could ultimately reduce the total to 46,857 units (the “Minimum Portfolio Units”). The Minimum Portfolio represents the number used for calculating debt coverage.
- Any reduction below the Minimum Portfolio Units would require PRPHA to redeem Series 2020 Bonds so as not to reduce debt service coverage below 3.0x. Although there are no specific plans for the removal of such units, the impacts of such potential future reductions on debt service coverage should be taken into account.

Existing Bonds Summary

- **2003 Bonds:** Governmental purpose to modernize projects throughout the Commonwealth
- **2008 Bonds:** Private Activity bonds with 4% Low Income Housing Tax Credits to generate approximately \$200 million of tax credit equity for modernizing 33 separate projects, owned by a tax credit partnership with DOH as general partner (Structured as subordinate bonds to comply with S&P 50% MADS debt service reserve and provide combined level overall debt service)

Series	Lien	Maturities	Outstanding Par	Coupon Range
2003	Senior	2020 – 2024	\$ 78,761,000	4.50% – 5.00%
2008	Subordinate	2020 - 2027	221,695,000	5.00% – 5.50%
Total:			\$ 300,456,000	

Prior Bond Scheduled Debt Service



Transaction Overview

Issuer	<ul style="list-style-type: none"> ■ Puerto Rico Housing Finance Authority
Par Amount*	<ul style="list-style-type: none"> ■ \$248,545,000
Security	<ul style="list-style-type: none"> ■ First priority pledge and assignment of PRPHA's future annually allocated Capital Fund Grants from HUD ■ Debt service reserve fund equal to 50% of maximum annual debt service
Rating	<ul style="list-style-type: none"> ■ AA- / Stable (S&P)
Payment Dates	<ul style="list-style-type: none"> ■ Principal: December 1 (annually from 2020 through 2027 final maturity) ■ Interest: June 1 and December 1 (commencing December 1, 2020)
Use of Proceeds	<ul style="list-style-type: none"> ■ Bond proceeds, along with funds held by the trustee related to the Prior Bonds, will be used to (i) redeem the Prior Bonds (Series 2003 and Series 2008), (ii) fund a debt service reserve fund, and (iii) pay certain costs of issuance for the Series 2020 Bonds
Redemption Provisions	<ul style="list-style-type: none"> ■ No optional redemption ■ In certain events described below, the Series 2020 Bonds are subject to extraordinary redemption at their amortized value plus accrued interest: <ul style="list-style-type: none"> — from and to the extent of insurance proceeds or condemnation awards as a result of the destruction or condemnation of all or a portion of the 2008 Project Facilities in the event that such funds are not applied toward the repair, rebuilding or replacement of such 2008 Project Facilities; and — if PRPHA reduces its public housing units more than five percent (5%) cumulatively below the Stabilized Base Unit Count, in an amount and to the extent required by Section 4(H) of the ACC Financing Amendment; provided in no event will such amount exceed an amount required to maintain a coverage ratio of Capital Fund Allocations to Bond Debt Service of more than 3.0 to 1.0.
Tax Status	<ul style="list-style-type: none"> ■ Exempt from federal, state and local tax
Transaction Timeline*	<ul style="list-style-type: none"> ■ Pricing: Week of September 28 ■ Closing: Week of October 12
Underwriter	<ul style="list-style-type: none"> ■ Lead Manager: Goldman Sachs & Co. LLC ■ Co-Managers: JP Morgan and Popular Securities

**Preliminary and subject to change.*

Legal Structure

<p>The Loan</p>	<ul style="list-style-type: none"> ■ The Authority will loan the proceeds from the sale of the Series 2020 Bonds to PRPHA pursuant to a loan agreement
<p>Closed Lien</p>	<ul style="list-style-type: none"> ■ No additional bonds are allowed
<p>No Acceleration Permitted</p>	<ul style="list-style-type: none"> ■ No acceleration of maturity of the principal upon any event of a default or loss of tax exemption
<p>Debt Service Reserve Fund</p>	<ul style="list-style-type: none"> ■ 50% of MADS for the 2020 Bonds
<p>HUD Approval Terms</p>	<ul style="list-style-type: none"> ■ Pursuant to the terms of the HUD approval letter, HUD agrees: <ul style="list-style-type: none"> — To directly pay the trustee an amount equal to debt service on a semi-annual basis (not more than 3 business days or less than one business day prior to payment date) — That funds provided to the trustee for debt service payments are not subject to recapture — That in the event of an administrative sanction, Capital Fund Grants cannot be reduced below amounts necessary to pay debt service (unless required by law)

Debt Service Coverage Projections

Debt Service Coverage Projections

Fiscal Year	<i>Projections based on Planned Portfolio Changes⁽²⁾</i>				<i>Projections based on Minimum Portfolio Units⁽³⁾</i>		
	Series 2020 Bond Debt Service (\$ mm) ¹	Number of Units	Capital Fund Grant Allocation (\$ mm)	Debt Service Coverage Ratio	Number of Units	Capital Fund Grant Allocation (\$ mm)	Debt Service Coverage Ratio
2021	37.2	53,167	146.5	3.79x	51,167	140.9	3.65x
2022	38.7	52,770	145.0	3.75x	50,270	138.0	3.57x
2023	38.7	52,552	144.1	3.73x	49,552	135.7	3.51x
2024	38.7	52,837	144.0	3.73x	49,337	134.3	3.47x
2025	38.7	52,857	144.0	3.73x	48,857	132.9	3.44x
2026	38.7	52,857	144.0	3.73x	48,357	131.5	3.40x
2027	38.7	52,857	144.0	3.73x	47,857	130.1	3.37x
2028	38.7	52,857	144.0	3.73x	46,857	127.3	3.29x

¹ Represents hypothetical debt service for a refunding of the existing debt at an assumed 2.00% yield. Not intended to be reflective of actual or anticipated market pricing.

² Projected based on the Planned Portfolio Changes which are expected to reduce the number of units managed by PRPHA from 53,755 units to 53,167 units by fiscal year 2021, and calculated based on Federal FY 2019 Congressional Funding Formula. Does not include any Demolition or Disposition Transitional Funding (DDTF) which generally provides 5 years of funding for units removed due to demolition or disposition.

³ Projected based on the Minimum Portfolio Units pursuant to the HUD Capital Fund Amendment, which may reduce the number of units by up to 8,213 for a total of 46,857 units, and calculated based on Federal FY 2019 Congressional Funding Formula. Does not include any Demolition or Disposition Transitional Funding (DDTF) which generally provides 5 years of funding for units removed due to demolition or disposition.



Preliminary Financing Timeline and Contacts

Preliminary Calendar

September 2020							October 2020						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
30	31	1	2	3	4	5					1	2	3
6	7		9	10	11	12	4	5	6	7	8	9	10
13	14	15	16	17	18	19	11	12	13	14	15	16	17
20	21	22	23	24	25	26	18	19	20	21	22	23	24
27	28	29	30				25	26	27	28	29	30	31

POS / OS Posting
 Potential Pricing
 1x1 Investor Calls
 US / PR Holiday

Preliminary Pricing Timeline

Date*	Event
Week of September 14 th	<ul style="list-style-type: none"> Post Preliminary Official Statement Availability for 1x1 investor calls
Week of September 28 th	<ul style="list-style-type: none"> Pricing Sign BPA
Week of October 5 th	<ul style="list-style-type: none"> Post Official Statement
Week of October 12 th	<ul style="list-style-type: none"> Closing

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