S&P Global
Ratings

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Summary:

National Community Renaissance of California; General Obligation

Primary Credit Analyst:
Ki Beom K Park, San Francisco + 1 (212) 438 8493; kib.park@spglobal.com

Secondary Contact:
David Greenblatt, New York + 1 (212) 438 1383; david.greenblatt@spglobal.com

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Credit Profile		
US$100.0 mil taxable bnds (social bnds) ser 2022 due 12/02/2031		
Long Term Rating	A+/Stable	New
Natl Comnty Renaissance of California ICR due 01/01/2099		
Long Term Rating	A+/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'A+' long-term rating to the National Community Renaissance of California's (NCRC) taxable bonds, series 2022 (social bonds).At the same time, S&P Global Ratings affirmed its 'A+' issuer credit rating (ICR) on the company. The outlook is stable.

The ratings on NCRC reflect S&P Global Ratings' stand-alone credit profile (SACP) of 'a+' on the company and our view that there is a no likelihood that the U.S. government would provide extraordinary support to NCRC in the event of financial distress.

Series 2022 bond proceeds are expected to total approximately $100 million when issued and will be used for the refunding of existing debt obligations of certain NCRC properties, financing portions of its development pipeline, financing the buyout of limited partner investors in certain NCRC projects, and financing acquisitions of target properties or property portfolios. The bonds will be unsecured general obligations of the company.

Credit overview

The ICR reflect our view of NCRC's strengths, including :

- A very strong enterprise risk profile, supported by our assessment of NCRC's very strong market position and low industry risk;
- A strong financial risk profile based on an adequate debt profile and very strong liquidity position (2.1x more sources of funding to cover funding uses);
- A strong focus on low-income social housing activities which supports our view that NCRC will maintain adjusted EBITDA over adjusted operating revenue at a level above 24.5% amid the continuing economic effects of the COVID-19 pandemic; and
- Our assessment of management and governance as very strong as evidenced by a senior team who demonstrates strong leadership and organizational capabilities through strategic planning that has sustained the company's progressive mission to offer affordable housing for an underserved population throughout Southern California

NCRC is a 501(c)(3) not-for-profit entity founded in 1992, headquartered in Rancho Cucamonga. It has addressed housing social service and educational needs, along with a range of community development gaps essential to long-term personal and community growth. NCRC's portfolio consists of 77 properties, including one in Northern California and 76 in Southern California (7,081 units in total) and more than 4,100 in the development pipeline over the next 10 years.

As part of our ICR on NCRC, we review its operations and initiatives of certain housing affiliates formed as general partners in low-income housing tax credit (LIHTC) developments because of the nature and significance of their relationship with NCRC.

The stable outlook reflects S&P Global Ratings' opinion of NCRC's very strong management, stabilized rental collection and various fee incomes through times of economic stress, and continued demand for its services from Southern California residents despite reported relatively lower rent collections as of June 2021 than in past years. We expect the organization will likely maintain a very strong enterprise profile and a strong financial risk profile throughout the two-year outlook, supported by its diligent and thorough strategic planning process, proactive development model, and flexibility to address affordable housing needs.

Environmental, social, and governance

We have analyzed NCRC's environmental, social, and governance (ESG) risks relative to its market position, management and governance, financial performance, and debt/liquidity profile and have determined that all are in line with our view of the sector standard. Although most of Southern California is exposed to environmental risks, the company's diversity of assets in different locations reduces the risk that disruption would occur from an acute event or chronic long-term climate change. We believe NCRC's management experience and internal and external liquidity insulate it from near-term volatility resulting from COVID-19. We believe governance risks for NCRC is in line with the sector standard.

Stable Outlook

Downside scenario

Although unlikely, a negative rating action could result if NCRC's adjusted EBITDA-to-adjusted operating revenues ratios materially deteriorate or substantial disruption or turnover in senior management positions occurs, impairing the company's ability to continue successful operations. If NCRC's liquidity ratio drops below 1.75x or adjusted EBITDA interest coverage declines below 1.25x in the forecast period, we could also consider a negative rating action. In addition, since its business model relies heavily on the local economy, government policies, and housing programs (e.g., LIHTCs), if the current external environment dramatically shifts due to, for example, external events such as a change in local or federal policy such that there are significant negative effects on NCRC's ongoing or future developments and leveraged positions, we could also lower the rating.

Upside scenario

We could raise the rating if the company can demonstrate consecutive years of improved adjusted EBITDA coverage, along with a sustained liquidity position. We also believe another key factor is its ability to leverage the needed resources to carry out its development plans, to continue to engage in business activities that provide it with diverse income sources, and to continue to implement operational and administrative efficiencies. These factors could result in a higher ICR.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020