

THE TALENT

Dealmaker of the Week: Paul Casey of Ballard Spahr

Posted by Claire Zillman

Twenty thousand public housing units in New York City that had gone nearly a decade without direct subsidized funding for basic operations and repairs secured hundreds of millions of dollars in federal aid Monday.

The deal, one of the largest tax credit bond deals in the nation's history, came about thanks to the efforts of Ballard Spahr partner Paul Casey, representing the New York City Housing Authority. Casey (pictured right) heads up the firm's housing practice and has counted the housing authority as a client since 2004 when Ballard was hired to advise on a federal grant the authority had received to rehabilitate public housing. (NYCHA is not a pro bono client of the firm but is subject to discounted rates.)

Under the deal announced Monday, 21 complexes located throughout New York City in Brooklyn, the Bronx, Manhattan, and Staten Island and managed by the New York City Housing Authority will receive \$400 million in initial public and private funding for capital improvements. The units, providing housing for roughly 45,000 people, also will receive \$65 million to \$70 million annually for ongoing operations.

The complexes were built between 30 and 60 years ago with city and/or state money, but have never received federal operating subsidies. Funding from the city and the state was gradually eliminated starting in 1995, according to a statement from NYCHA announcing the deal. The cuts created a hardship in maintaining and operating not just the 21 buildings in this current deal, but another 313 NYHCA complexes located throughout New York City. The NYCHA had no choice but to divert federal funds from its other properties to the buildings that were in desperate need of maintenance and upkeep. In time, the authority faced an annual deficit of between \$80 million and \$90 million. "That meant that everyone got less," says Sonya Kaloyanides, NYCHA's general counsel.

Casey says the NYCHA had been trying for years to find a permanent way to "turn on a subsidy" for the 21 unaided complexes. In 2007 and 2008, the authority found a temporary solution to the funding shortage through a voluntary conversion agreement that aimed to convert 8,400 units to Section 8 housing under the U.S. Housing Act. The agreement made individual vouchers available to tenants on a voluntary basis, but tenants were slow to accept the vouchers since it required them to withdraw from public housing. The agreement converted 2,200 units.

This week's deal started to take shape in late August, when the authority and Casey's nine-lawyer team realized they could garner federal funding for the 21 properties under an obscure provision in last year's American Recovery and Reinvestment Act. The provision allows public housing authorities to receive federal funds if a combination of public and private sector money

is used to finance the transaction. There was a hitch, says Casey--the deal had to be completed by the Act's March 17 deadline. That gave NYHCA's lawyers just six months to pull together and finalize the transaction.

The time frame was the biggest challenge, according to Lila Shapiro-Cyr, a Ballard Spahr partner who worked on the matter. "It was an incredibly challenging, complex deal with many moving parts," she says.

Casey describes the work as a "roller-coaster ride," but says that intense public interest in preserving adequate housing motivated everyone to keep the negotiations going. "The differences that arose were never to the level of breaking the deal apart," Casey says.

Under the terms of the deal, NYCHA will receive \$108 million from the American Recovery and Reinvestment Act, \$42 million from New York State, \$209 million from tax credit equity investor Citibank, \$50 million from long-term bonds secured by Section 8 payments, and \$360 million from additional bond issuances.

As part of the deal, the authority sold the complexes and ground-leased the land to two limited-liability companies. The city retains management control of the properties via the authority, a provision included to ensure that the transfer of ownership was as seamless as possible for the complexes' tenants, says Casey, whose practice group advises about 60 housing authorities across the country, from New Orleans to Seattle.

"This was a tremendous victory for us," says Kaloyanides.

Joining Casey on the deal were Ballard Spahr partners Teri Guarnaccia, Lila Shapiro-Cyr, Wayne Hykan, Douglas Fox, and Christopher Fritz; of counsel Mark Maichel; and associates Amy McClain, Amy Glassman, and David Brenner.

