



AFL-CIO HOUSING INVESTMENT TRUST

Penn South Cooperative

Manhattan, NY

Project Profile

PROJECT DESCRIPTION

The AFL-CIO Housing Investment Trust (HIT) is helping refinance and rehabilitate the historic Penn South Cooperative in midtown Manhattan. The 10-building residential development occupies 12 blocks and has 2,820 units as well as schools, retail and commercial services, gardens and a power plant. The HIT funding supports the replacement of heating, ventilation and air conditioning (HVAC) systems in all ten buildings, along with remediation of asbestos from the walls and other improvements. HIT financing was also used to restructure existing debt to maintain affordability.

HIT ROLE

The HIT invested \$134 million in 2011 to pay for capital improvements at the aging co-op and to refinance the co-op's loan so it could remain affordable for its residents. The HIT worked closely on that investment with the New York City Housing Development Corporation and Housing Preservation Department, which provided subordinate loans for the project. Three years later, the HIT supplemented that loan with another \$45 million investment to enable the co-op to undertake additional rehabilitation work. The project is being financed as part of the HIT's workforce housing initiative in New York City, an effort to expand and improve the city's limited supply of housing affordable to middle-income households.

This is not the first time the HIT has helped residents of Penn South to meet their financing needs, having invested \$33 million in 2003 to help lower the debt service of the cooperative. Altogether, these investments are expected to generate approximately 1,295 union construction jobs.

SOCIAL IMPACT

By investing in capital improvements and preserving affordability at the Penn South Cooperative, the HIT is helping sustain a vital urban community that is home to thousands of working people and retirees, many of whom are active or retired union members including such essential service providers as teachers, police, and firefighters.

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ABOUT THE HIT

“We are very proud to be involved in this project that has a strong connection to labor history here in New York and is home to so many working families and retirees.”

—Gary LaBarbera, President, Greater New York Building and Construction Trades Council

The debt terms provide the least expensive financing alternative to maintain affordability at this limited equity co-op, where over 60% of the residents are older than 65. Without the HIT’s financing, these residents could not afford to live in Manhattan, where the average 1-bedroom co-op cost \$535,000 compared to \$63,000 at Penn South at the time of the 2011 investment.

All on-site construction work is being performed under collective bargaining agreements with local building and construction trades unions. Penn South’s property management staff is represented by OPEIU Local 153 while the janitors and porters belong to SEIU Local 32 BJ.

Unions have been closely tied to Penn South since it was first developed in 1962 by the old International Ladies’ Garment Workers Union. It is one of the largest developments to come out of a 1950s movement to create limited-equity cooperative housing for moderate-income people in New York. The movement was spearheaded by the United Housing Foundation, a union-created housing development entity.

The AFL-CIO Housing Investment Trust (HIT) is a fixed-income investment company registered with the Securities and Exchange Commission. It manages over \$5 billion in assets for over 370 investors, which include union and public employee pension plans. The HIT invests primarily in government and agency insured and guaranteed multifamily mortgage-backed securities. The HIT is one of the earliest and most successful practitioners of socially responsible, economically targeted investing, with a track record of over 30 years that demonstrates the added value derived from union-friendly investments. The investment objective of the HIT is to provide competitive returns for its investors and to promote the collateral objectives of constructing affordable housing and generating employment for union members in the construction trades and related industries. Since its inception, the HIT has invested nearly \$8.5 billion (in current dollars) to finance more than 100,000 units of housing nationwide, generating more than 74,000 union jobs. More information is available on the HIT’s website, www.aflcio-hit.com.

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