

**Minutes of the Meeting
of the Members of
MassHousing
held on
January 8, 2019**

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing was held on January 8, 2019 at MassHousing’s offices located at One Beacon Street in Boston, Massachusetts. In attendance were:

Members Michael Dirrane, Chair
Mark Attia, Designee of Michael Heffernan, ex officio
Carolina Avellaneda
Lisa Serafin
Patricia McArdle
Janelle Chan, ex officio
Jerald Feldman
Ping Yin Chai

Members
Not Present Andris Silins

| | | |
|--------------|----------------------|-------------------|
| Staff | Carol McIver | Daniel Discenza |
| | Chrystal Kornegay | Paul McMorrow |
| | Laurie Bennett | Cynthia Lacasse |
| | Maureen Burke | Henry Mukasa |
| | Daniel Staring | Paul Scola |
| | Deb Morse | Chuck Karimbakas |
| | Belmira Fallon | Rachel Madden |
| | Kelly Johnson | Stephen Payson |
| | Kathy Connolly | Mounzer Aylouche |
| | Mildred Mukasa | Lisa Fiandaca |
| | Meaghan McCarthy | Jennifer Foley |
| | Craig Merry | Andrea Laing |
| | Paul Hagerty | Michael Kilgannon |
| | Joseph Mullen | Bolade Owolewa |
| | Tom Norton | Hana Migliorato |
| | Susan Sheffer | Ricky Ochilo |
| | Beth DeFranzo | John W. McCormack |
| | Susan Lynch | Anna Reppucci |
| | Gina Micchelli | Barbara Amato |
| | Kelly Condon | Nancy Slaney |
| | Anne Marie McPherson | Josiah Madar |
| | Nicholas Pepe | Tom Perry |
| | Amy Dominici | Peter Cooper |
| | Pia DiMeco | Linda Bosse |
| | Corey Colbert | Myra Carmona |

Maureen McLaughlin
Kathleen Lynch

Bob McCuish

Guests Paul Haley, Barclays
Colin McNeice, Mintz
George Jaeger, BAMC
Susan Jun, Morgan Stanley
Lena Altomare, US Bank
Matt Engler, Wells Fargo
Jeff Sula, RBC
Lori Hindle, RBC
Joseph Hughes, MHFA
Pearse O’Baouill, WinnCompanies

Chairman Dirrane convened the meeting to order at 2:00 p.m. He indicated that the first order of business was the approval of the minutes of the previous meeting. Upon a motion duly made and seconded, it was

VOTED: That the minutes of the meeting held on December 11, 2018 are hereby approved and placed on record.

Janelle Chan and Carolina Avellaneda arrived at the meeting at 2:02 p.m., after the vote on the minutes.

Chairman Dirrane then called upon Chrystal Kornegay, MassHousing’s Executive Director, for her monthly report to the Members.

Executive Director’s Report

Ms. Kornegay began by wishing everyone a happy New Year. She continued by noting that in the first half of this fiscal year, MassHousing has done over \$1 billion in lending and she thanked everyone for all their hard work. Ms. Kornegay went on to state that even though we face challenges, she predicts this will be MassHousing’s best lending year in history. Rising rates and rising home prices will continue to make affordable housing more difficult. Ms. Kornegay continued by addressing the possible impact of the government shutdown on HUD and PCBA and mentioned the length of the government shutdown could affect our year-end results.

Ms. Kornegay then introduced Tom Wolf as part of her “People Behind the Mission” series. Mr. Wolf began working at MassHousing in 1985 and was drawn to MassHousing because of its mission to help people improve their lives while keeping an eye on the bottom line. The Agency was a sharp contrast to the Fortune 500 company Mr. Wolf worked for previously, which cared only about the bottom line. Today Mr. Wolf, who is a Wellesley resident, works in Rental and is responsible for updating MassHousing’s audited financial statements every year and for overseeing the annual financial statement review process. Ms. Kornegay went on to say that one of the most memorable developments Mr. Wolf worked on was the restructuring of Tent City Apartments, a 269-unit mixed income development in the South End whose development

represented the best of the community development in Boston. Ms. Kornegay concluded by thanking Mr. Wolf for his many contributions to helping us move the mission.

Vote Approving Delegations of Authority

Carol McIver presented a vote regarding the delegations of authority. Ms. McIver noted that on December 11, 2018, the Members approved updated delegations of authority. She went on to state that there are three additional improvements relating to the delegations of authority that the Executive Director and Agency staff were recommending. Attachment A provides greater clarity on the HomeOwnership delegations. Attachment B updates the HUD delegation to include the Director of Rental Management in the list of authorized signatories for HUD. Attachment C updates the delegations relating to the Affordable Housing Trust Fund program, including replacement of the Deputy Director with the Vice President of Multifamily Programs. Upon a motion duly made and seconded, it was

VOTED: To approve the delegations of responsibilities stated in the following attachments hereto and to thereby replace any existing vote(s) pertaining to delegations of authority in these areas, to ratify the actions taken by any person authorized in the following attachments for actions taken prior to the date hereof, including the ratification of any actions taken by persons authorized in writing by the Executive Director; and to confirm that any ratifications of prior actions contained in such earlier votes remain in full force and effect:

| | |
|---------------|-------------------------------|
| Attachment A: | HomeOwnership Programs |
| Attachment B: | HUD Programs |
| Attachment C: | Affordable Housing Trust Fund |

ATTACHMENT A **HomeOwnership Programs**

That, in connection with the Agency’s programs relating to HomeOwnership (collectively, “HomeOwnership Programs”), the Executive Director is authorized to take, or direct that Agency staff take, any action permitted under the loan documents for any mortgage loan made, acquired, or serviced by the Agency, or as otherwise allowed by law, to protect the Agency’s interests, including, without limitation, entry and taking possession of the mortgaged property by the Agency as mortgagee-in-possession, foreclosure, transfer by deed in lieu of foreclosure, and/or the commencement and prosecution of, and response to, any litigation or administrative proceeding ancillary to any such action.

That, in connection with the Agency’s HomeOwnership Programs, the Executive Director, Vice President of HomeOwnership Programs, and General Counsel, each acting singly, are authorized to execute and deliver any and all documents with respect to the servicing (including in-house servicing), modification, discharge, default, foreclosure, acquisition, management, sale and assignment of any mortgage, note or other loan document, and/or any property to which any such loan documents relate, including, but not limited to:

- a) Servicing agreements with servicers;
- b) Modifications and/or discharges of mortgages;
- c) Notices of default;
- d) Demand notices;
- e) Notices and other documents in connection with the foreclosure of any mortgages;
- f) Powers of attorney;
- g) Management agreements;
- h) Authorizations to sell or lease property acquired by the Agency;
- i) Deeds;
- j) Loan purchase agreements;
- k) Assignments; and
- l) Other documents (including, without limitation, amendments) related to the foregoing activities and documents.

With respect to the documents listed above, the Executive Director may authorize and direct that other Agency staff execute and deliver all or a specified subset of such documents as may be specified by the Executive Director.

That, in connection with the Agency's HomeOwnership Programs, the General Counsel, Agency staff attorneys, and other attorneys appointed by the General Counsel pursuant to a power of attorney, each acting singly, are authorized to execute and deliver any and all instruments, bills of complaint, orders, affidavits, notices, certificates, and any other such documents, recordings, entries, motions and deeds necessary or appropriate to undertake and prosecute a statutory foreclosure and/or effect a transfer by a deed in lieu of foreclosure.

That, in connection with the Agency's HomeOwnership Programs, Agency staff attorneys and other attorneys appointed by the General Counsel pursuant to a power of attorney, each acting singly, are authorized to (i) make entries in connection with statutory foreclosures, and (ii) execute and deliver any and all documents, including, without limitation, deeds, in connection with the sale of properties owned by the Agency.

ATTACHMENT B

HUD Programs

That the Executive Director, Chief Operating Officer, Financial Director, General Counsel, Vice President of Multifamily Programs, Vice President of HomeOwnership Programs, Director of Rental Underwriting, and Director of Rental Management, each acting singly, are hereby authorized to execute and deliver any and all agreements, documents, and instruments, and take, or direct that Agency staff take, any and all actions required under any such agreements, documents, and instruments, in connection with the Agency's participation in the programs of, or in connection with the assumption of responsibilities delegated or procured by, the United States Department of Housing and Urban Development ("HUD"), or HUD's affiliated/designated offices and divisions, including, but not limited to, the following: Section 8 Mark-to-Market Program, Section 8 Contract Administration Program, and programs of the Federal Housing Administration.

ATTACHMENT C

Affordable Housing Trust Fund

That the Executive Director, Vice President of Multifamily Programs and General Counsel, each acting singly, are hereby authorized to execute and deliver all documents, agreements, and instruments, in connection with the Agency's role, on behalf of the Commonwealth of Massachusetts, as administrator of the Affordable Housing Trust Fund ("AHTF"), including, but not limited to, the following: Notes, Mortgages, Affordable Housing Restrictions, UCC Financing Statements, Loan Agreements, Commitment Letters, as well as any other form of affordable use restrictions required or allowed by Massachusetts General Laws Chapter 121D and/or the AHTF regulations promulgated thereunder, and all other documents necessary and incident to any AHTF loan or transaction, and are hereby further authorized, each acting singly, to execute and deliver all documents, agreements, and instruments relating to the default, workout, modification, foreclosure, purchase or sale, or other transaction affecting any AHTF loan. The Executive Director may also authorize and direct that other Agency staff execute and deliver all or a specified subset of such documents as may be specified by the Executive Director.

LOAN COMMITTEE

370 Harvard Street, Brookline

Deb Morse presented a proposal for the Commitment of a Permanent Loan for 370 Harvard Street, a proposed 62-unit new construction development located in Brookline. An affiliate of 2Life Communities is seeking permanent financing upon completion of construction for this mixed-income development. The proposal presents a transaction that includes a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program, City and State subordinate debt, Federal 9% LIHTC, State LIHTC and philanthropic funds.

2Life Communities was selected via a competitive RFP process by Congregation Kehillath Israel (KI) to acquire approximately 18,000 square feet of their property in Coolidge Corner to develop 62 units of service-enriched housing for senior residents. MassHousing was, in turn, selected to provide permanent financing through a competitive procurement process.

The property will also provide retail and program space on the ground floor, as well as multiple green public open spaces. The ground floor retail/commercial space is approximately 1,000 square feet and is expected to be occupied by a community-oriented retail tenant. The development will be physically connected with the KI Synagogue, providing the residents access to extensive program space in KI's function hall, library, meeting rooms and kitchen, as well as the opportunity to participate in intergenerational, social and cultural activities sponsored by the other partners located in KI. As part of the development project, the existing Epstein Auditorium, a historic building adjacent to the KI Synagogue, will be demolished.

The development will consist of 52 one-bedroom and 10 two-bedroom units. Eight units will be LIHTC covered by a project-based Section 8 HAP contract, and 15 more units will be LIHTC covered by a project-based MRVP contract, 26 units will be unsubsidized LIHTC up to 60% of

AMI, eight units will be moderate and restricted up to 110% of AMI, four units will be unrestricted but rented below market, and there will be one site-representative unit.

The proposed building will be car-free for residents, promoting sustainable development in this transit-rich location with a Transportation Demand Management Plan that includes on-site parking for ride-share services, van service, Town of Brookline ElderBus and nearby MBTA bus and two green line options. Upon a motion duly made and seconded, it was

VOTED: To approve the findings and determinations contained in Attachment C hereto and to authorize (a) a permanent first mortgage loan in a principal amount of up to \$5,514,000 to be made to JCHE 370 Harvard LLC or another single-purpose entity controlled by 2Life Communities (formerly known as Jewish Community Housing for the Elderly, Inc.) (the “Borrower”) as owner of the multifamily residential development known as “370 Harvard Street” (the “Development”) and located in Brookline, Massachusetts, and in accordance with the applicable general closing standards and delegations of authority previously approved, and further subject to (1) compliance with all applicable laws and all regulations and requirements of applicable financing programs, and (2) the following special conditions: None.

FURTHER

VOTED: To authorize the Executive Director and Vice President of Multifamily Programs, and their respective designees, each acting singly, to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing’s mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing’s requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing’s General Counsel or his or her designee.

Rental Determinations:

Pursuant to Section 6(a) of the Act, MassHousing makes the following rental determinations for units within the proposed Development:

Rent Schedule:

| | | |
|--|------------------|----------|
| Number of Bedrooms | 1 | 2 |
| Number of Units | 52 | 10 |
| Net SF/Unit | 600 | 815 |
| Elev./Non-Elev. | Elevator | Elevator |
| Market Rate Rent (10% Rate 20 Yr. Term) | \$3,378 | \$3,858 |
| MHFA Below Market Rent (Cost-Based Rent) | \$2,146 | \$2,627 |
| MHFA Adjusted Rent | 30% of Income | |
| Underwriting Rents | | |
| S8 Units | \$1,717 | |
| Market/Unrestricted | \$2,500 | \$2,750 |
| MRVP | \$1,213 | \$1,456 |
| LIHTC 60% | \$1,093 | \$1,311 |
| Moderate 110% AMI | \$1,900 | \$2,300 |
| Site Rep | Non-Revenue Unit | |

Based on this information, MassHousing staff finds that a significant need exists for the type of development proposed here, that private enterprise alone cannot supply such housing, and that the financing of the Development will not create or contribute to an undue concentration of low-income persons or adversely impact other housing in the area.

STATUTORY FINDINGS AND DETERMINATIONS

Statutory Findings:

The Loan(s) will be financed under the provisions of Section 5 of MassHousing's enabling act, Chapter 708 of the Acts of 1966, as amended (the "Act"). Pursuant to Section 5(g) of the Act, staff makes the following findings for the proposed Development:

(1) The affordability of rents for 20% of the units:

49 units (79%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below. In addition, 23 of the 49 low-income units (37% of the 62 total) are being made available for extremely low-income households (<30% AMI) consistent with the Commonwealth's Qualified Action Plan.

(2) Shortage of Affordable Housing Units in the Market Area

In-house data for larger market and mixed-income complexes (appx. 965 units) in the area revealed a strong rental market. Current occupancy rates of the comparables reviewed averaged approximately 95.8 %, and range between 95% and 100%.

REIS, Inc. data (3rd Qtr. 2018) for the subject's submarket (Brookline/Brighton/Newton) reflects a vacancy rate at 5.1% YTD (5.8% Boston Metro). This rate is projected to increase to 5.2% over the next five years, while the Boston Metro is projected to increase to 7.1%. Vacancies in the Brookline/Brighton submarket have averaged approximately 3.3% over the last five years, while the Boston Metro has averaged slightly higher at 4.7%.

REIS, Inc. submarket data for the Class A building type (7,047 units) indicates a 3rd Qtr. 2018 vacancy rate of 8.3% and an average asking rent of \$3,026 and submarket data for the subject's Class B/C building type (12,011 units) indicates a 3rd Qtr. 2018 vacancy rate of 3.7% at an average asking rent of \$1,925. The proposed updates and renovations will position the subject in the Class B/C building type.

None of the comparables reviewed were offering rent concessions. However, the on-going use of concessions in the subject's submarket was confirmed by 3rd Qtr. 2018 REIS, Inc. data. The average lease terms in the submarket include .48 months Free Rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (9/17/2018), Brookline has 26,201 year-round housing units, 2,458 (9.4%) of which are subsidized for low/moderate income households.

Further, Brookline Housing Authority (BHA) Federally Assisted affordable rental housing stock includes properties financed through the following programs:

| Program | Properties | Units |
|----------------|------------|-------|
| Section 8 | 3 | 202 |
| LIHTC | 2 | 237 |
| Public Housing | 3 | 242 |
| Total: | 5 | 789 |

In addition, BHA provides 619 Section 8 rental vouchers in Brookline and the surrounding area.

The following data regarding the BHA, Wait List was provided by BHA Application Department.

Wait List Statistics

| Type | BR Size | Total Apps | W/ Priority | Standard/Local | Standard/Non-Local |
|--------------------------------|---------|------------|----------------|----------------|--------------------|
| <i>Public Housing</i> | | | | | |
| Elderly/Disabled | 1 | 1,640 | 3-4 months | 9-12 months | 15 years + |
| Elderly/Disabled | 2 | 42 | 15 years + | 15 years + | 15 years + |
| <i>E/F*</i> Wheelchair | 1 | 65 | 8 years + | 8 years + | 8 years + |
| Wheelchair | 2 | 18 | 8 years + | 8 years + | 8 years + |
| Wheelchair | 3 | 8 | 8 years + | 8 years + | 8 years + |
| Wheelchair | 4 | 5 | 8 years + | | |
| Family | 1 | 147 | 15 years + | 15 years + | 15 years + |
| Family | 2 | 843 | 2-4 years | 3-4 years | 8 years + |
| Family | 3 | 407 | 2-4 years | 3-4 years | 8 years + |
| Family | 4 | 217 | 8 years + | 8 years + | 8 years + |
| Family | 5 | 19 | 8 years + | 8 years + | 8 years + |
| <i>Section 8</i> | | | | | |
| Central Wait List | - | 169,326 | 1-3 years | 25 years + | 25 years + |
| Beacon Park – <i>PBV**</i> | 1 | 70 | - | - | - |
| Beacon Park – <i>PBV</i> | 2 | 39 | - | - | - |
| Brookline Village – <i>PBV</i> | 1 | 6 | - | - | - |
| Brookline Village – <i>PBV</i> | 2 | 6 | - | - | - |
| Brookline Village – <i>PBV</i> | 3 | 6 | - | - | - |

(3) Inability of Private Enterprise Alone to Supply Affordable Housing

MassHousing staff has completed an analysis of the market rate rents, as defined by Agency statute, which absent MassHousing financing, would be required to support the development and operations of the Development. Based on the substantial difference between these market rents (shown in the Rent Schedule below) and the rents for this project, MassHousing staff finds that private enterprise alone cannot supply such housing.

(4) No Undue Concentration of Low-income Households

The financing herein proposed will not lead to the undue concentration of low-income households. Although it is a low-income development, it will be located adjacent to market-rate developments and are in areas that include a mix of residential and retail uses.

(5) Elimination or Repair of Unsafe or Unsanitary Dwelling Units

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. Although staff is not aware of units within the same market area that require demolition or compulsory repair, by preserving the affordable housing proposed here, those in need of affordable housing will not be forced to accept residence in substandard units. So long as the acute shortage of affordable housing persists, actions of public agencies to increase the supply of affordable housing will reduce the market forces that allow unsafe and unsanitary units to persist. In addition, MassHousing, through its administration of housing programs, and other public agencies (e.g., local enforcement of building codes), continue to require repair of substandard units as such units are identified.

Orchard Hill Estates, Oxford

Daniel Staring presented a proposal for the approval for the continuation of two (2) subordinate non-amortizing notes, a Closing Cost Note and a Residual Receipts Note, both written in 1981 and scheduled to mature on March 1, 2019 with the maturity of the Section 236 first mortgage loan.

Orchard Hill Estates is a 215-family development in Oxford, Massachusetts, with financing approved by MassHousing under HUD's 236 mortgage program in 1972 but not completed until 1976. The property experienced cost overruns and suffered from poor workmanship prior to completion which precipitated a long history of necessary corrective actions to address physical deficiencies and poor operating performance. In 1980 a workout plan was agreed to that included an infusion of partner capital and new MassHousing debt (including the Subordinate Notes identified above) and Federal Flex Subsidy resources to help stabilize the property. Further, in 1995 the General Partner's interest was sold to an affiliate of Trinity Financial to realize a recapitalization involving 9% LIHTC equity, HOME Funds, an additional HUD Flex Subsidy loan and loan modifications from MassHousing equaling \$9.5 million of new resources, resulting in \$30,000/unit rehabilitation.

Despite all the efforts and although professionally managed since 1995, the Development has continued to struggle. Vacancy rates have historically hovered around 10%, resulting in a lack of funds for ongoing maintenance. Replacement reserve deposits were suspended from 2013-2017, so the site could pay down payables. Recently, deposits have resumed, but at only \$60,000/year. Most of the finishes, fixtures and common areas are over 20 years old. The deterioration of the units and common areas are negatively affecting operating and maintenance costs, as well as the marketability of the units. The Development's systems, including sprinkler, fire alarm, handicapped access, thermal envelope, and sewerage treatment have fallen far behind current related code requirements. The immediate and near-term improvements are estimated at approximately \$100,000 per unit.

In addition to poor property performance, the Borrower is also burdened by a sizable HUD Flex Sub obligation (\$19 million), which makes future refinancing difficult. Since 2016, the Borrower, with the aid of MassHousing, has been pursuing relief from this obligation from HUD. While the approval of a RAD conversion is a critical action needed to obtain higher rents, it isn't sufficient enough to arrive at a financially feasible deal. Additional resources will be required. MassHousing continues to work with the Borrower and HUD to arrive at a long-term solution.

Mr. Staring noted that the Borrower requests MassHousing's approval to the continuation of the Subordinate Notes, as a necessary first step to allow time to develop a recapitalization plan. The Subordinate Notes, which are scheduled to mature on March 1, 2019, are as follows:

- (i) Residual Receipts Note in the original principal amount of \$363,836 (with an outstanding balance of \$5,364,421), dated as of June 25, 1986, with a 6% interest rate; and
- (ii) Closing Cost Note in the original principal amount of \$57,318 (with an outstanding balance of \$764,472), dated as of June 25, 1986, with a 6% interest rate.

Pursuant to such terms as approved by the Executive Director, the Subordinate Notes will be extended for an initial term of twenty-four (24) months, subject to the requirement that all available cash flow after any continuing debt service payments due, will be deposited into the Development's replacement reserve account, and used for operating expenses or capital repair as approved by MassHousing. Upon a motion duly made and seconded, it was

VOTED: To approve the continuation of (i) a Residual Receipts Note in the original principal amount of \$363,836 (with an outstanding balance of \$5,364,421), dated March 11, 1981, and as amended and (ii) a Closing Cost Note in the original principal amount of \$57,318 (with an outstanding balance of \$764,472), dated as March 11, 1981, and as amended to the Agency from New Orchard Hill Limited Partnership in accordance with their terms and otherwise in accordance with such terms as required by the Executive Director.


Chairman Dirrane asked if there was any other old or new business for the Members' consideration. There was none.

Chairman Dirrane asked for a motion to adjourn the meeting at 2:14 p.m. Upon a motion duly made and seconded, it was

VOTED: To adjourn the MassHousing meeting at 2:14 p.m.

A true record.

Attest.



Carol G. McIver
Assistant Secretary