Minutes of the Meeting
of the Members of
MassHousing
held on
September 10, 2019

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing was held on September 10, 2019 at MassHousing's offices located at One Beacon Street in Boston, Massachusetts. In attendance were:

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

Members
Not Present Michael Dirrane, Chair

Staff

Carol McIver
Colin McNiece
Chrystal Kornegay
Laurie Bennett
Maureen Burke
Kaitlyn Mulcahy
Antonio Torres
Sarah Hall
Jeremy Meneses
Alisa Haskins
Zan Bross
Chris Burns
Rachel Carlson
Kathy Connolly
Gail Bishop
Linda Bosse
Paul Hagerty
Hana Migliorato
Amanda Melick
Shelby Rosenberg
Hanna Schutt
Joseph Hughes
Stephen Vickery
Joseph Mullen
Chuck Karimbakas
Mounzer Aylouche
Kathleen Evans
Cynthia Lacasse
Paul Scola
Henry Mukasa
Paul McMorrow
Tom Farmer
Mark Teden
Sergio Ferreira
Bethany Wood
Stephen Payson
Mircia Kelly
Cibele Goncalves
Nancy McDonald
Paul Mulligan
Jill Lavacchia
Francis Goyes
Monique Gibbs
Anna Reppucci
Mildred Mukasa
Nancy Slaney

Belmira Fallon
Dan Morales
Andrea Laing
Ricky Ochilo
Thomas Norton
Lisa Fiandaca
Susan Sheffer
Daniel Barbanell
Christine Bond
Joan Falloni
Deepak Karamchetti

Guests William Walker, The Fairland Company
Mike Koessel, Citi
Jeff Sula, RBC
Joe Tait, Raymond James
Jaimie Scranton, Jefferies
Matt Page, Mintz
Paul Haley, Barclays
Charles Carey, Mintz
George Jaeger, BAMC
Matt Engler, Wells Fargo
Gregory Borys, Morgan Stanley
Geoff Proulx, Morgan Stanley

Acting Chairman Chai 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 July 9, 2019 are hereby approved and placed on record.

Acting Chairman Chai then called upon Chrystal Kornegay, MassHousing's Executive Director, for her monthly report to the Members.

Executive Director's Report

Ms. Kornegay began by welcoming everyone back after the summer break.

Ms. Kornegay announced MassHousing has signed an extension to our PCBA contract through January 2021. We expect to continue to bring you updates regarding the re-procurement of the PCBA contract as they evolve.

Ms. Kornegay encouraged Board members to consider attending the NCSHA (National Council of State Housing Agencies) Annual Meeting being held in Boston October 19-22, 2019. Ms. Kornegay asked Board members to consider attending sessions on October 19, 2019. These sessions are for Board members only and will provide an opportunity to meet peers from across the country and to deepen your understanding of HFAs in general.

Ms. Kornegay went on to say that as the host state, our staff is expected to volunteer during the event. One of the unique things MassHousing is doing is hosting three tours to Jackson Square and Whittier Street, as well as one bus tour to Brockton. We are fortunate to have Governor Baker join us for the opening session on Monday, October 21st at 8:30am. Ms. Kornegay encouraged members to contact Laurie Bennett is they would like to attend.

As part of her "People Behind the Mission" program, Ms. Kornegay introduced Christine Bond, Executive Assistant to Mark Teden and Sergio Ferreira in Rental. Chris started at MassHousing in January of 1989. Ms. Kornegay thanked Chris for her many contributions to MassHousing.

Homeownership Update

Mounzer Aylouche gave a report on the Homeownership Portfolio. Mr. Aylouche began by discussing the dramatic increase in our overall servicing portfolio since a low point in 2005. Over the past 18 years the size of our loan servicing portfolio has tripled in size.

Mr. Aylouche went on to say Homeownership continues to provide consistent, high-quality customer service. We received 76,000 calls in FY19 which is a 10% increase from FY18 and 35% of those calls were phone payments. We also achieved 113% Service Level Adherence by answering 80% of inbound calls within 20 seconds.

Next Mr. Aylouche discussed the first mortgage servicing portfolio. With the exception of July 2019, purchases have outnumbered payoffs for all months. In 12 months our net portfolio grew with 2,700 new loans with a principal balance of $475 million.

Mr. Aylouche continued by discussing our delinquency rates. Our conventional loan delinquency rates have been on par with the MBA Massachusetts overall average and our government loan delinquency rates have been lower than the MBA Massachusetts FHA-insured average. Mr. Aylouche then discussed our foreclosure rates. Our foreclosure rates have been significantly lower than the MBA Massachusetts overall average.

Mr. Aylouche concluded his presentation by discussing the portfolio outlook for FY20. Our delinquency rates are anticipated to continue to be consistent with MBA Massachusetts overall average and our foreclosure rates are anticipated to be lower than the MBA Massachusetts overall average. We do anticipate a portfolio run-off due to the low interest rate environment. MassHousing does not do cash-out refinancing but we will replenish our portfolio run-off by increasing loan purchase volume and by acquiring Loan Servicing portfolios.

Acting Chairman Chai asked if 90 days+ is the threshold for delinquencies and Mr. Aylouche responded, yes. Carolina Avellaneda asked if counseling was provided when homebuyers request equity take-outs. Mr. Aylouche responded that in most cases we do not see customer requests to pay off loans, but that we do in the cases we do see.

Loan Servicing Acquisition

Mr. Aylouche next presented a vote to authorize the purchase of loan servicing rights of loan servicing portfolios. As part of the last bond bill, MassHousing anticipated the ability to grow our loan servicing business. We now have a technology platform to do that and this vote will give MassHousing the ability to acquire loan servicing business including outside of Massachusetts. This is a planned progression and something MassHousing has not done before.

Ms. Avellaneda inquired if the title "Financial Director" was still current and staff responded yes.

Ms. Serafin asked if there was any current authority for these transactions and Ms. Kornegay responded that the agency has not executed this type transaction before and so wanted to bring before the board.

Acting Chairman Chai asked whether there is a Massachusetts nexus to the proposed loans and staff responded the MassHousing has a statutory obligation to maintain its servicing portfolio with a majority of loans secured by mortgages on real property located within the Commonwealth.

Upon a motion duly made and seconded it was

VOTED: To authorize the purchase of loan servicing rights (any such purchase, a "Servicing Purchase") of loan servicing portfolios (i) available for purchase on established sales platforms, including, but not limited to, such platforms established by government-sponsored enterprises , or (ii) otherwise available for purchase, on such flow or bulk servicing purchase arrangements as determined by the Executive Director within a price range established by an independent third party analysis; provided that the sum of the purchase prices of all Servicing Purchases for any fiscal year shall not exceed the amount permitted for Servicing Purchases under MassHousing's budget for such fiscal year.

FURTHER VOTED: To authorize the Executive Director, Vice President of Homeownership, Financial Director or General Counsel, each acting singly, to execute one or more purchase agreements, service agreements, or such other documents as may be deemed necessary by the Executive Director, Vice President of Homeownership, Financial Director or General Counsel to effectuate a Servicing Purchase, the form and substance of which shall be acceptable to the General Counsel.

Multi-Family Delegation Vote

Charles Karimbakas presented a resolution for a Multi-Family Delegation of Authority to issue Multi-Family bonds and/or notes to finance up to $300 million using a mix of fixed rate and/or hedged and unhedged variable rate. This delegation vote along with a memorandum from CSG Advisors ("CSG"), MassHousing's financial advisor, will satisfy the requirements of the State Finance Governance Board with respect to derivative contracts associated with MassHousing financings. The CSG memo provided a detailed explanation of the Multi-Family potential financings through the end of fiscal year, June 30, 2020. The first transaction under this vote is expected to close late summer/early fall with Barclays as the senior underwriter.

A discussion followed where Acting Chairman Chai asked if it is more beneficial to use a straight, fixed rate. Mr. Karimbakas stated we try to issue as many fixed-rate bonds as possible, but this resolution gives us flexibility to issue at variable rates because it can be difficult to finance at fixed rates at certain points along the yield curve. Carolina Avellaneda asked if there is a time limit. Mr. Karimbakas said we generally do this every year. Colin McNiece stated that the volume is generally expended in one year's time, but generally for flexibility the authorizations in the vote are controlled by the cap on the dollar amount rather than a specific time period.

Ms. Avellaneda asked about the term "Authorized Officers" under the bond resolutions and Mr. McNiece responded that it is a standard defined term in the bond documents and though it is inclusive of the officers named in the vote, it is a narrower definition in the standard bond documents.

Ms. Avellaneda asked whether there should be a cap on the variable rate debt to mirror the conclusions in CSG's memo. Upon a motion duly made and seconded the vote was amended to limit the amount of variable rate debt to be issued to an aggregate of $60 million.

A RESOLUTION OF MASSHOUSING ADOPTING SERIES RESOLUTIONS RELATED TO THE ISSUANCE AND SALE OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF BONDS AND/OR NOTES AND AUTHORIZING OFFICERS OF MASSHOUSING TO APPROVE CHANGES THERETO AND AUTHORIZING THE NEGOTIATION AND APPROVAL OF CERTAIN OTHER DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the Massachusetts Housing Finance Agency ("MassHousing") has previously adopted various general bond and note resolutions (the "General Resolutions") authorizing the issuance of bonds and/or notes for the purposes of financing or refinancing Rental Development Mortgage Loans and Construction Loans, refunding other obligations of MassHousing and establishing reserves therefor;

WHEREAS, in order to finance or refinance certain Rental Development Mortgage Loans and Construction Loans approved by MassHousing (the "Loans") to be designated by an Authorized Officer, MassHousing desires to provide for the adoption of one or more series resolutions pursuant to the General Resolutions authorizing the issuance of one or more series of bonds and/or notes;

WHEREAS, in furtherance of the provision of mixed income residential facilities and other housing available to low and moderate income persons and families in the Commonwealth, MassHousing desires to provide for the adoption of one or more series resolutions pursuant to the General Resolutions, authorizing the issuance of one or more series of bonds and/or notes;

WHEREAS, MassHousing desires to adopt such resolutions and agreements as may be necessary to effectuate the foregoing purposes and to provide for the modification of such resolutions to the extent necessary; now, therefore, be it

RESOLVED, by the Members of MassHousing as follows:

Section l. MassHousing hereby adopts one or more Series Resolutions (the "Series Resolutions"), authorizing the issuance of Bonds and/or Notes under one or more of MassHousing's existing rental development programs with an aggregate principal amount not to exceed $300,000,000 (the "Obligations"). The Series Resolutions shall be in substantially the form previously used by MassHousing, with such changes as shall be deemed necessary in accordance with Section 4 of this Resolution. The Obligations may be issued in one or more series.

Section 2. The Series Resolutions shall provide that the Obligations to be issued thereunder and any related interest rate swap agreements or other hedge agreements, as authorized below, shall be secured by and payable from any and all Revenues in accordance with the General Resolutions. MassHousing's obligations under the Obligations, any such swap or hedge agreements or any Related Agreement deemed necessary in accordance with Section 5 of this Resolution may also be secured as a general obligation of MassHousing.

Section 3. The Obligations shall be sold to one or more members of MassHousing's approved underwriting team in accordance with the terms of one or more bond purchase agreements in substantially the forms previously used by MassHousing with respect to its rental development bond programs, with such changes, interest rates, redemption provisions and maturity schedules as shall be approved by an Authorized Officer, and the same are authorized to execute and deliver the bond purchase agreements. The Obligations may (i) be sold on a tax-exempt basis under federal tax law, provided they do not bear interest at such rates and are not sold at such prices such that the yield on the Obligations exceeds 7%; (ii) be sold on a taxable basis under federal tax law, provided they do not bear interest at such rates and are not sold at such prices such that the yield on the Obligations exceeds 10%; or (iii) bear interest at one or more variable rates to be determined in accordance with the provisions of the applicable Series Resolution; provided that at no time shall the outstanding principal amount of the Obligations authorized by this vote bearing interest at variable rates exceed $60,000,000. The Obligations may be sold at a purchase price which reflects an aggregate underwriting fee or discount of not more than 2% of the principal amount of the Obligations issued.

Section 4. The Executive Director, Chair, or Financial Director are each hereby authorized, acting singly, to approve and execute such changes, additions and revisions to the Series Resolutions, including Series Resolutions with respect to Bonds previously issued under the applicable General Resolution, and the documents and agreements referred to herein and therein as are necessary to effectuate the purposes thereof.

Section 5. In connection with the issuance of any Obligations, MassHousing may enter into one or more remarketing agreements, standby bond purchase agreements, credit enhancement agreement or other liquidity agreements with respect to the Obligations ("Related Agreements"). The form of such Related Agreements shall be approved by an Authorized Officer, and the same are authorized to execute and deliver such agreements.

Section 6. In connection with the issuance of any variable rate Obligations, MassHousing may enter into one or more interest rate swap agreements to fix the effective rate on the Obligations. The pricing and fixed rate under such swap agreements shall not exceed a nominal yield of 7%, if the related Obligations are tax-exempt, and a nominal yield of 10%, if the related Obligations are taxable. The form of such interest rate swap agreements and the terms thereof shall be approved by an Authorized Officer, and the same are authorized to execute and deliver such agreements.

Section 7. MassHousing authorizes any Authorized Officer, to submit the proposed terms of any transaction authorized above to the State Finance and Governance Board as may be necessary for their review in accordance with Section 98 of Chapter 6 of the General Laws, as amended, and the regulations promulgated thereunder.

Section 8. As used in this Resolution, the term Authorized Officer shall mean MassHousing's Chair, Executive Director, General Counsel, Financial Director, Comptroller, Manager of Finance and Bond Compliance, and any officer or employee of MassHousing acting in such capacity or any other Authorized Officer of MassHousing as defined in the General Resolutions.

Section 9. This resolution shall take effect immediately.

CSG | advisors

Via Email Delivery

MEMORANDUM

Date: **September 10, 2019**

To: **Charles Karimbakas and Paul Scola**

From: **Gene Slater**

Re: **Multi-Family Authorization for Leveraging Variable Rate Debt**

For submission to Finance Advisory Board

PROPOSED ACTION

MassHousing would like to authorize and incorporate $60 million of variable rate debt for multi-family new production and refundings of outstanding issues. These resources will be used in conjunction with at least $240 million of fixed rate debt to finance such loans.

KEY PURPOSE AND FEATURES OF THE PROPOSAL

Purpose

MassHousing seeks to provide lending for affordable multi-family housing developments involving substantial rehabilitation or new construction, in such a way as to:

- Offer attractive and feasible financing for projects that utilize 4% Low Income Housing Tax Credits;
- Provide such financing using its FHA Risk-Share program:
  - for up to 40 year fixed rate, fully amortizing loans,
  - so that borrowers can process projects significantly faster than under FHA MAP lending (whose delays have deterred many borrowers in New England);
- Enable MassHousing to add such lending to its balance sheet, so as to strengthen the agency’s long-term sustainability; and
- Help maintain and strengthen the projected cash flow performance of its large Housing Bonds Resolution.

In addition, MassHousing refunds outstanding bonds to increase the net earnings of its indenture.

Multi-Family Loans Using Tax-Exempt Bonds

Multi-family lending for affordable rental housing with tax-exempt bonds is and has been a core part of MassHousing's mission and its history and balance sheet over more than 40 years. This is especially important because tax-exempt debt is necessary for projects to be able to obtain 4% federal low income housing tax credits; such credits pay for approximately 30% of project development costs.

However, after the 2008 financial crisis, long-term tax-exempt bond rates exceeded taxable rates on government-backed debt. Following expiration of the U.S. Treasury's New Issue Bond Program in 2012, MassHousing like other HFAs sought ways to finance projects with long tax-exempt bonds at competitive rates.

As one solution, MassHousing has been the national leader in using the Treasury and HUD's program to finance risk-share loans through the Treasury's Federal Financing Bank. However this program is now closed to any new commitments.

2015 Program Using $50 million of Variable Rate Debt

The other prior approach, which MassHousing established in 2015, was to leverage fixed rate debt in order to provide a lower blended cost to the borrower. By using indenture cash in place of the longest term and highest cost long-term bonds, and a limited amount of variable rate debt, MassHousing has been able to significantly lower mortgage rates to borrowers.

The aim was to fund $250 million of new risk-share loans, using a maximum of $50 million variable rate debt (eg up to 20% of the total). In practice, MassHousing sparingly invested such variable rate debt, averaging 7% of new lending, rather than 20%. As a result, MassHousing used the $50 million of variable rate capacity to finance a total of $675 million of new loans. At the same time, it exceeded its target of earning at least 50 basis points spread; its aggregate spread was over 65 basis points in addition to its servicing fee.

This leveraging program enabled MassHousing to:

- Reduce the average bond yield on these financings by up to 50 basis points compared to traditional fixed rate financing.
- Significantly increase spread to cover MassHousing's long-term operations. The average spread of 65 basis points (in addition to servicing) was significantly greater than what the Agency would have achieved with traditional tax-exempt financing.
- Maintain and increase multi-family production, by providing attractive financing and transparency in the formula of how loan rates are set.
- Increase the return on cash in the indenture.
- Help make the successful case to S&P and Moody's to upgrade the ratings of the indenture, which have increased from AA- to AA, and from Aa3 to Aa2 respectively.

This in turn has lowered the cost on all new bonds issued under the Housing Bond indenture.

Since the program has fully utilized its commitment of variable rate debt, the Agency needs to authorize an additional amount of variable rate debt to continue a similar approach.

Proposal

Utilizing variable rate debt to help fund loans is essential for MassHousing to provide a feasible and attractive loan product for a core mission, while strengthening its Housing Bond Resolution.

As with the 2015 program, the new authorization would address this challenge, by building on the same key parameters:

- Provide at least $300 million of loans expected to be financed through the end of the next fiscal year (June 30, 2020).
- Fund the respective loans with a combination of:
  - fixed rate tax-exempt bonds for shorter maturities;
  - up to a maximum of an additional $60 million of variable rate debt, of which at least half would be hedged to protect against interest rate risk; and
  - limit the actual amount of variable rate debt to that needed to meet MassHousing's target loan rates, investment rates and spread needed for the Housing Bond Resolution.
- Potentially use a portion of the $60 million of variable rate debt for refunding existing bonds, in order to improve economics of the indenture.

Criteria

In accordance with approach and the findings of the Risk-Based Capital Adequacy Study, from April 2014 and as updated in May 2019, we utilized the following criteria in determining that the proposed authorization helps meet the Agency's long-term objectives.

1. Attractive loan product for borrowers.
2. Finances developments on-balance sheet to provide ongoing spread income to MassHousing.
3. Provides reasonable net income for MassHousing given lending and servicing costs and risk exposure.
4. Maintains or strengthens the expected performance of the Housing Bond indenture, without adversely affecting any indenture ratings.
5. Maintains or strengthens the ability of the Housing Bond indenture to provide cash income to the Working Capital Fund to help cover MassHousing operations.

Risks and Mitigations

The potential liquidity, counterparty and interest rate risks of variable rate debt are being addressed as follows:

1. **Liquidity.** The variable rate debt will be structured as either Floating Rate Notes, similar to MassHousing's current FRN's, or variable rate debt without a tender feature, or through use of variable rate demand bonds similar to MassHousing's current VRDB's. The counterparty, if VRDBs, documentation, and variable rate will be structured (along with the fixed rate debt) so as to maintain Housing Bonds' current ratings of Aa2 by Moody's and AA by S&P. The minimum length of a floating rate note interest period or liquidity facility would be at least 3 years, which is typical among state housing finance agencies in entering into new liquidity facilities. While there is liquidity roll-over risk, when facilities terminate, this is most appropriately viewed in terms of the indenture as a whole, to minimized the amount of such risk in any given year.

2. **Interest Rate Swaps.** Interest rate swaps will be entered into for portions of the variable rate debt so as to help limit MassHousing's exposure to interest rate changes. Swaps would be utilized as follows:

   Timing: The interest rate swap will only be entered into at the time when the fixed rate bonds are priced, and only after the borrowers have received firm commitment approval from MassHousing.

   Index: The swap may either be based on SIFMA, a percentage of LIBOR, a hybrid of both or any other index that is a successor to LIBOR.

   Counterparty Rating: The counterparty must meet rating agency requirements for the Housing Bond Resolution when the swap is entered into.

   Amortization: Principal amortization will be based on the amortization of the Risk-Share loan.

   Par Termination at MassHousing's Option: The interest rate swap will be terminable at par commencing no later than 7 years. The borrower does not have the option to prepay the loan for at least 10 years, so this much earlier par termination option for MassHousing provides protection well in excess of MassHousing's Swap Policy amortization provisions.

   Unswapped Debt: Some or all of the variable rate debt used to refund outstanding bonds may be unhedged. The amount of such unhedged debt under the indenture would not exceed the total amount of indenture short-term cash investments; the cash provides, in effect, a natural hedge for unswapped debt. This approach allows MassHousing to improve indenture performance in low interest rate environments. As recommended in the 2019 capital adequacy study, it is desirable for MassHousing to improve such performance and thus reduce the agency's sensitivity to future interest rates. Unswapped debt would thus be used to the extent that is hedged by cash and where cash flow projections show that such unswapped debt reduces the agency's sensitivity to future interest rates. This approach can help lower the agency's financial risks.

Potential Risks: Following are key remaining risks and how they would be addressed:

Mandatory Loan Prepayment. If there is a mandatory prepayment of the loan (due to a loan default, property condemnation, or insurance claim) and the bonds are redeemed in whole or in part before the par termination option, MassHousing can utilize the swap for other unhedged debt under the Housing Bond Resolution. Because the swap rate is expected to be well below that on MassHousing's existing swaps (3% or less in the current market), the continued use of such swap is likely to be relatively attractive.

Swap Counterparty. Each swap would need to be in accordance with MassHousing's written Swap Policy which establish guidelines on counterparties and requirements.

There are potential risks if a swap counterparty is downgraded below minimum rating agency criteria in which case the swap may be disregarded in part or in whole by the rating agency (or if a swap counterparty were to file for bankruptcy). In such cases, MassHousing can seek novation from another provider. In addition, as described in the Swap Policy, MassHousing in accordance with the Swap Policy seeks to require that in the event of a downgrade below rating agency requirements, termination "occur on the side of the bid-offered spread most beneficial to the Agency."

REVIEW

CSG Advisors. As background, CSG Advisors is an independent national financial advisor to state and local governments. CSG has been the leading financial advisor for housing revenue bonds each year since 1999 according to Securities Data, and has served as independent advisor on more than $100 billion of housing revenue bonds. We have served as financial advisor to MassHousing, primarily for multi-family bonds since 2004. In 2014, and again in 2019, we prepared the agency's Risk-Based Capital Study.

CSG does not underwrite or sell bonds or other securities. Because of our independence, we served as the Resolution Trust Corporation's national financial advisor for all tax-exempt related assets and HUD's national advisor for complex multi-family refundings. We helped initiate the design of what became the U.S. Treasury's national New Issue Bond Program and Temporary Credit and Liquidity Program for state and local housing finance agencies, in part to reduce the liquidity risks of housing finance agency from variable rate demand bonds with expiring or downgraded liquidity facilities.

SUMMARY OF FINDINGS

1. **Bond Ratings.** The variable rate bonds will be rated based on the Housing Bonds Resolution, Aa2 by Moody's and AA by S&P. The use of the amount and type of variable rate bonds proposed above should not adversely affect any of MassHousing's ratings.

2. **Swap Amortization to Reflect Loan.** The swap will fully amortize over the term of the loan. The swap will be optionally terminable at par, beginning many years before the underlying mortgage loans may optionally prepay.

3. **Replacement Liquidity.** MassHousing will have the option to terminate the swap at par in 7 years and thereafter, enabling it to refund the bonds with fixed rate bonds and limiting its further exposure to higher costs for replacement liquidity.

4. **Other Approaches.** Other approaches, such all long-term fixed rate bonds may not be economically feasible on many of these financings and can prevent MassHousing from earning a minimum spread while offering an attractive loan rate.

5. **Limited Amount of Proposed Variable Rate Debt**. The amount of proposed hedged variable rate debt is limited to a maximum of an additional $60 million under this authorization. If the full $60 million of hedged variable rate debt is issued it would be approximately 3% of the Housing Bond Resolution's total $1.9 billion of outstanding debt.

   MassHousing has used variable rate debt modestly and has paid down a significant amount of its prior variable rate debt. The maximum proposed amount plus existing Floating Rate Notes and other variable rate debt is not projected to exceed 13% of all of the agency's debt.

6. **Rating Agency Cash Flow Stress.** This authorization is projected to improve the performance of the Resolution under the rating agency stress case (which is low short-term rates).

7. **Projected Performance.** As part of the 2019 risk-based capital study analysis, we requested and reviewed Agency's cash flow projections. It is assumed that MassHousing's short-term investment rate averages the same as LIBOR. The analyses took into account scenarios where the borrowers prepaid their loans at the first possible date and also what happens if no borrower prepays its loan, using rating agency assumptions about replacement liquidity costs. These projections from cfX, the agency's cash flow advisor, indicates that this authorization is projected to strengthen the Housing Bond Resolution under expected cash flow scenarios.

CONCLUSIONS

Following are key conclusions and recommendations.

a. **Core Mission.** Helping finance multi-family housing is a part of MassHousing's core mission. This authorization enables MassHousing to provide lending for 4% tax credit projects despite the continuing inversion of long-term tax-exempt and taxable rates.

b. **Transaction(s) Would Not Otherwise Occur.** The Agency's mission and financial benefits would not be possible without being able to leverage variable rate debt.

c. **Limited and Moderate Risk.** The limited total amount of new variable rate debt is not more than $60 million. Individual transactions would be designed to minimize the amount of such variable rate debt and use as much fixed-rate as possible needed to meet the Housing Bond Resolution investment and spread criteria.

   This overall dollar limitation, the limited existing amount of variable rate debt under the Resolution, the conditions for swaps outlined above, MassHousing's Swap Policy and the requirement for optional par termination of swaps no later than 7 years all significantly reduce risk from this authorization.

d. **Proposal.** This authorization would include multiple transactions expected to be financed over the fiscal year (June 30, 2020), within the overall parameters set forth above.

Vote Amending and Restating MassHousing's Direct Purchase Agreement with Bank of America, N.A.

Charles Karimbakas next presented a vote amending and restating MassHousing's Direct Purchase Agreement with Bank of America, N.A. Upon previous Board approval, MassHousing entered into a Revolving Note Purchase Agreement (the "Note Purchase Agreement") between MassHousing and Bank of America, N.A. ("Bank of America"), dated as of June 1, 2018 for a two-year period, to purchase directly, on a revolving basis, up to $100,000,000 aggregate principal amount of notes outstanding at any time.

Bank of America has agreed to increase the line on a revolving basis, of up to $200,000,000 aggregate principal amount of notes outstanding at any time.

By way of background, this private placement with Bank of America has allowed MassHousing to meet its objective to offer low cost/fee financing alternative for construction/bridge loans, flexible terms and fixed, variable, tax-exempt and taxable options. This arrangement with Bank of America has been cost effective, with minimal fees and has proven to be flexible and efficient.

Acting Chairman Chai asked if Bank of America was the only bank offering such options. Mr. Karimbakas responded, no, in fact the agency has another facility in place with another bank and the diversity allows the agency to manage conflicts that may arise with affiliated tax credit investors that may be participating in a transaction.

The attached resolution authorizes MassHousing to amend and restate the Note Purchase Agreement and any other such agreements to the extent necessary to increase the agreement limits.

A RESOLUTION OF MASSHOUSING ADOPTING RESOLUTIONS RELATED TO THE ISSUANCE AND SALE OF NOT EXCEEDING $200,000,000 AGGREGATE PRINCIPAL AMOUNT OF NOTES OUTSTANDING AND AUTHORIZING OFFICERS OF MASSHOUSING TO APPROVE CHANGES THERETO AND AUTHORIZING THE NEGOTIATION AND APPROVAL OF CERTAIN OTHER DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, in furtherance of the provision of mixed income residential facilities and other housing available to low and moderate income persons and families in the Commonwealth, MassHousing had previously adopted a general note resolution (the "General Resolution"), authorizing the issuance of notes for the purposes of making mortgage loans to finance certain multifamily residential housing projects and to establish reserves therefore, and one or more series resolutions pursuant to the General Resolution authorizing the issuance of one or more series of notes; and

WHEREAS, MassHousing had previously entered into that certain Revolving Note Purchase Agreement dated as of June 1, 2018 (the "Note Purchase Agreement") between MassHousing and Bank of America, N.A. ("Bank of America"), to purchase directly, on a revolving basis, up to $100,000,000 aggregate principal amount of notes outstanding at any time; and

WHEREAS, MassHousing has received a proposal from Bank of America for the purchase, on a revolving basis, of up to $200,000,000 aggregate principal amount of notes outstanding at any time (the "Proposal");

WHEREAS, MassHousing desires to authorize the direct sale, on a revolving basis, of up to $200,000,000 aggregate principal amount of notes outstanding at any time (the "Obligations"), to adopt such resolutions and authorize such agreements as may be necessary to effectuate the foregoing purposes and to provide for the modification of such resolutions to the extent necessary; now, therefore, be it

RESOLVED, by the Members of MassHousing as follows:

Section l. The Obligations shall be sold to Bank of America, on a revolving basis, in accordance with the terms of the General Resolution and in conformity with the Proposal, with such changes, interest rates, redemption provisions and maturity schedules as shall be approved by the Executive Director, Chair or other Authorized Officer, and the same are authorized to execute and deliver a note purchase agreement in connection therewith. MassHousing hereby adopts one or more Series Resolutions (the "Series Resolutions"), authorizing the issuance of Notes, on a revolving basis, under the General Resolution with an aggregate principal amount not to exceed $200,000,000 outstanding at any time. The Series Resolutions shall be in substantially the form previously used by MassHousing, with exact terms to be determined by any Authorized Officer, and with such changes as shall be deemed necessary in accordance with Section 5 of this Resolution.

Section 2. The Series Resolutions shall provide that the Obligations to be issued thereunder shall be secured by and payable from any or all of the following: mortgages, mortgage loan payments and reserve funds created under the General Resolution. The Obligations shall be general obligations of MassHousing.

Section 3. The Obligations shall be delivered and sold in accordance with the Note Purchase Agreement, as amended and restated, with such changes, interest rates, redemption provisions and maturity schedules as shall be approved by any Authorized Officer, and the same is authorized to execute and deliver the final forms of such amended and restated Note Purchase Agreement.

Section 4. In connection with the issuance of the Obligations, MassHousing may enter into one or more interest rate swap agreements or other hedging agreements. The pricing and fixed rate under such swap or hedging agreements shall not exceed a nominal yield of 10%. The form of the interest rate swap agreement or other hedging agreement shall be approved by any Authorized Officer, and the same is authorized to execute and deliver such agreements.

Section 5. Any Authorized Officer is hereby authorized to approve and execute such changes, additions and revisions to the Series Resolutions and the documents and agreements referred to herein and therein as are necessary to effectuate the purposes thereof.

Section 6. MassHousing authorizes any Authorized Officer to submit the proposed terms of any transaction authorized above to the State Finance and Governance Board as may be necessary for their review in accordance with Section 98 of Chapter 6 of the General Laws, as amended, and the regulations promulgated thereunder.

Section 7. As used in this resolution, the term Authorized Officer shall mean MassHousing's Chair, Executive Director, Deputy Director, General Counsel, Financial Director, Comptroller, Manager of Finance and Bond Compliance and any officer or employee of MassHousing acting in such capacity or any other Authorized Officer of MassHousing as defined in the General Resolution.

Section 8. This resolution shall take effect immediately.

Vote Delegating Authority to Enter Into or Amend Existing Interest Rate Swap Agreements

Charles Karimbakas presented a vote delegating authority to enter into or amend existing interest rate swap agreements. MassHousing previously issued certain of its Housing Bonds and Rental Housing Mortgage Revenue Bonds, as more particularly described in Exhibit A attached hereto (the “Bonds”). In connection with the Bonds, MassHousing entered into a series of floating-to-fixed rate swap agreements with varying counterparties, as described in Exhibit A (the “Swaps”). Certain of the Swaps are, or will be within the next six months, optionally terminable at par by MassHousing and MassHousing is currently paying an interest rate on the Swaps that is above market. Accordingly, MassHousing is seeking to (i) amend certain Swaps to reflect current market rates and revised cancellation option dates; (ii) terminate certain Swaps and enter into new swap or interest rate cap agreements at current market rates or (iii) terminate certain of the Swaps and carry the related Bonds unhedged.

Acting Chairman Chai asked about the term of the swaps and if we have an exchange of collateral. Mr. Karimbakas responded that the swaps are generally very long term matching the final maturity of the related bonds but with a much shorter termination option and that the agency generally aims for asymmetrical collateral posting in its swap transactions with the counterparty posting.

Upon a motion duly made and seconded, it was

VOTED MassHousing hereby confirms receipt of the written analysis and recommendation of Swap Financial Group LLC, as independent swap advisor to MassHousing, with respect to the termination or amendment of certain Swaps and proposal to replace certain such swaps with new interest rate swap agreements or interest rate cap agreements (collectively, the “Derivative Financial Products”) or carry the related variable rate debt unhedged. MassHousing further confirms that the transaction is consistent in all ways with the debt and derivative policies of MassHousing and the benefits of the Derivative Financial Products outweigh the risks of using the Derivative Financial Products.

VOTED MassHousing may enter into or amend one or more interest rate swap agreements, interest rate cap agreements, or other hedge agreements with respect to the Bonds and the loans made with respect thereto. The form of any such agreements shall be approved by an Authorized Officer of MassHousing, and the same is authorized to executed and deliver such agreements. Any such interest rate swap agreements or other hedge agreements shall be secured by and payable from any and all Revenues in accordance with the Housing Bond Resolution or Rental Housing Bond Resolution, as applicable. MassHousing’s obligations under any such swap or hedge may also be secured by MassHousing’s general obligation. The pricing and fixed rate under any such swap agreements shall not exceed a nominal yield of 10%.

VOTED That MassHousing authorizes an Authorized Officer to submit the proposed terms of the transactions described above to the State Finance and Governance Board for its review in accordance with Section 98 of Chapter 6 of the General Laws, as amended by Section 1 of Chapter 10 of the Acts of 2009, as amended, and the regulations promulgated thereunder.

VOTED As used herein, the term Authorized Officer shall mean MassHousing's Chair, Executive Director, General Counsel, Financial Director, Comptroller, Manager of Finance and Bond Compliance and any officer or employee of MassHousing acting in such capacity or any other Authorized Officer of MassHousing as defined in the General Resolutions.

VOTED MassHousing authorizes an Authorized Officer to update the State Finance and Governance Board of the final terms of the transactions referenced in these votes.

Exhibit A

Current Outstanding Interest Rate Hedging Agreements

Identification	Notional	Pay Leg	Receive Leg	Final Maturity	Avg. Life	Optionality?	Swap Dealer
Rental - Series 2002D	4,560,000	3.6450	100% 1m LIBOR + 25 bp	1/1/2045	13.1 yrs	MassHousing CxL; Starts 7/1/2018 ***	Citibank NA
Rental - Series 2002G	7,360,000	3.9600	100% 1m LIBOR + 25 bp	1/1/2046	9.4 yrs	MassHousing CxL; Starts 5/1/2019 ***	Wells Fargo
Rental - Series 2003A	17,835,000	6.7290	100% 1m LIBOR + 25 bp	7/1/2043	15.1 yrs	None	JP Morgan
HB - Series 2008A	51,645,000	n/a	1m LIBOR > 6.00%	4/1/2024	4.4 yrs	None	SMBC
HB - Series 2008A Briston Arms	3,469,884	5.5625	100% 1m LIBOR + 65 bp	5/1/2048	18.4 yrs	MassHousing CxL; Starts 7/1/2019 ***	Bank of America
HB - Series 2008A Lebanese	2,549,301	5.1780	100% 1m LIBOR + 65 bp	5/1/2048	19.2 yrs	MassHousing CxL; Starts 11/1/2024	Bank of America
HB - Series 2009B	11,608,000	4.7650	100% 1m LIBOR + 25 bp	1/1/2044	15.8 yrs	MassHousing CxL; Starts 7/1/2019 ***	Wells Fargo
HB - Series 2016I	25,000,000	3.6550	70% 3m LIBOR + 120 bp	12/1/2041	22.2 yrs	MassHousing CxL; Starts 12/1/2025	Barclays
HB - Series 2018B	25,000,000	3.8445	70% 1m LIBOR + 105 bp	6/1/2053	32.1 yrs	MassHousing CxL; Starts 6/1/2027	Barclays
SF - Series 196	11,250,000	2.5730	70% 1m LIBOR	12/1/2048	21.2 yrs	MassHousing CxL; Starts 6/1/2027	Citibank NA
SF - Series 200	11,250,000	2.7320	70% 1m LIBOR	12/1/2048	23.5 yrs	MassHousing CxL; Starts 12/1/2028	RBC
SF - Series 208	11,250,000	2.3500	SIFMA till 12/1/2028, then 70% 1mL	6/1/2049	24.3 yrs	MassHousing CxL; Starts 12/1/2028	RBC

*** Indicates swaps with upcoming optionality that can be monetized.

Swap Financial Group

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September 3, 2019

Chuck Karimbakas
Chief Financial Officer
MassHousing
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Update of Interest Rate Swap Portfolio

In September 2017, Swap Financial Group (”SFG”) reviewed MassHousing’s interest rate hedge portfolio with particular focus on the embedded optionality. The optionality is comprised of cancellation options that allow MassHousing to terminate some of the transactions (either immediately or at some point in the future) without any termination payment. As interest rates have decreased since the swaps were originally entered into, these options have considerable value to MassHousing. Based on the review and ensuing recommendations, MassHousing monetized a portion of the cancellation options by utilizing two different strategies in September 2017:
Rental Housing – Exercise options, enter into new swap transactions at a significantly lower fixed rate with amended optionality terms
Housing Bond– Exercise options and increase unhedged variable rate debt

The purpose of this memo is to revisit the portfolio as additional option monetization strategies can be utilized on further swap transactions.

The table below summarizes MassHousing’s outstanding interest rate hedge portfolio as of September 3, 2019 (Exhibit A). Again, the portfolio provides MassHousing with opportunities to either monetize existing value or manage future risks. Our recommended strategy #1 is consistent with the September 2017 memo: for swaps with upcoming optionality, MassHousing should either plan to (i) amend existing optionality and decrease the fixed rate or (ii) exercise the cancellation option to achieve unhedged floating. Additionally, our recommended strategy #2 is for

MassHousing to terminate and cash settle swaps and receive a cash settlement payment if/when prepayments occur while swaps are "in-the-money".

Exhibit A – Current Outstanding Interest Rate Hedging Agreements

Identification	Notional	Pay Leg	Receive Leg	Final Maturity	Avg. Life	Optionality?	Swap Dealer
Rental - Series 2002D	4,560,000	3.6450	100% 1m LIBOR + 25 bp	1/1/2045	13.1 yrs	MassHousing CxL; Starts 7/1/2018 ***	Citibank NA
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HB - Series 2008A	51,645,000	n/a	1m LIBOR > 6.00%	4/1/2024	4.4 yrs	None	SMBC
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SF - Series 200	11,250,000	2.7320	70% 1m LIBOR	12/1/2048	23.5 yrs	MassHousing CxL; Starts 12/1/2028	RBC
SF - Series 208	11,250,000	2.3500	SIFMA till 12/1/2028, then 70% 1mL	6/1/2049	24.3 yrs	MassHousing CxL; Starts 12/1/2028	RBC

*** Indicates swaps with upcoming optionality that can be monetized.

Note: Information as of September 3, 2019.

<u>Recommended Strategy #1 for Swaps With Upcoming Optionality:</u>
Exercise Options, either (i) Enter Into Restructured/New Swap with Amended Optionality or (ii) Achieve Unhedged Floating Rate Debt

Much like the strategy for MassHousing's Rental Bond portfolio in September 2017, SFG's recommendation on the four swaps with upcoming optionality (asterisked swaps under Exhibit A) is to exercise the cancellation options as they become eligible and either (i) enter into restructured/new swaps with amended optionality details and decreased fixed rates (providing substantial savings to MassHousing in the future)[1], or (ii) do not enter into another swap and achieve unhedged floating rate debt. Restructured swaps would be with the same counterparty. It is anticipated that the new swaps would be with one or more of MassHousing's existing counterparties to be awarded following a competitive bidding process.

If MassHousing wishes to keep a hedge outstanding, it would be beneficial for MassHousing to adjust the notional schedule of the transactions to re-match the related variable rate debt, to the extent there may currently be a mismatch. Over time, the current swap amortization schedule and the bond amortization may have shifted to create a slight mismatch. During this process, SFG would recommend to structure the new swaps to realign these differences. The decision on how long to delay the first cancellation option date is a balance between lower rates and decreased flexibility. SFG recommends that cancellation option dates between 3 months from the date of the

[1] While economically identical, we also want to describe a second method to achieve the same results which would be to negotiate the amended optionality and fixed rate with MassHousing's existing swap counterparty with the upcoming cancellation right. These amendments would be documented with an amended and restated confirmation with the only changes being (1) extending the first option exercise to some point in the future, and (2) a lower fixed rate that MassHousing pays. The decision to either amend an existing transaction or cancel an old transaction and simultaneously enter into a new transaction will be determined by the expected transaction costs of the participating banks under either strategy. Both are viable and should be considered with our recommendation.

amendment/transaction and 2 years from the date of the amendment/transaction are utilized in order to preserve the ability in the near future to amend the structure again, if needed.

It's important to note that even under extreme financial events and conditions, there would be very limited additional interest rate or other risk to MassHousing from making this change. We specify that these additional risks are "very limited" as the exposure can only increase by the amount of time that the option exercise date is pushed into the future. MassHousing would continue to have the same types of counterparty risks and other swap-related risks it has on the existing transactions. Specifically, if a counterparty defaulted or declared bankruptcy and the swaps were out of the money, MassHousing would be responsible for making a swap termination payment (and seeking another counterparty who would fund such money).

The alternative of leaving the existing swaps in place would maintain MassHousing's current high cost of funds in all events and provides no benefits. MassHousing could consider refunding the Bonds to long-term taxable fixed rate bonds. The rates on those bonds today, however, would likely be greater than the cost of replacement interest rate swaps and would not maintain the uniquely attractive terms of the currently outstanding debt.

If MassHousing elects not to enter into another swap transaction with amended optionality terms, it can simply just exercise the existing cancellation option and achieve unhedged floating rates on the associated bonds. SFG believes this strategy may be particularly beneficial for debt secured by the Housing Bond resolution of which only 2.9% of is currently unhedged floating rate debt as of September 1, 2019.

Recommended Strategy #2 for Managing Existing Cancellable Swap Transactions:
Calling Swap/Bond Notional while Receiving a Termination Payment and Establishing a Programmatic Approach to Restructuring Future Optionality

The monetization strategy above can drastically reduce the fixed rate that MassHousing pays on its swaps, which will drastically increase the potential that the swaps could be "in-the-money" (i.e. have a valuation that is an asset) to MassHousing in the future. SFG recommends that MassHousing have the ability to terminate, and cash settle those interest rate swaps (MassHousing receiving a payment) if the related bonds are prepaid in the future and the notional amount of the swap needs to be reduced accordingly. The embedded optionality in the swap portfolio is a hedge against prepayment risk on the related mortgage loans. When interest rates fall, it's expected that prepayments will increase and MassHousing may want to call the related debt and exercise the cancellation option on the swap (par call structure). The restructured swap transactions (at low fixed rates) may provide another scenario to MassHousing where the debt is prepaid but the swap is actually "in-the-money" to MassHousing (meaning that rates increased after a restructuring). In this instance, exercising the par cancellation option at $0 in the swap is not in the best interest of MassHousing. Instead, MassHousing can look to partially terminate that transaction in order to RECEIVE a termination payment from its respective counterparty. MassHousing should obtain standing approval to manage prepayments in this way, if the opportunity presents itself.

Swap Financial Group's Credentials

Swap Financial Group was founded in 1998 and is one of the nation's leading independent swap advisor. Among governmental issuers, SFG advises more of the largest cities and states than any other firm. SFG sits exclusively on the issuer's side of the table to develop and implement strategy, and make sure the issuer gets superior pricing and terms from the swap dealers. SFG maintains no positions in any derivative product and works strictly as agents on behalf of issuers, finding the best way to meet their needs within any given market.

SFG is the most frequently used independent source of swap pricing data in the municipal market. It is the authoritative source for interest rate swap and option pricing by recognized third-party market information sources, including The Bond Buyer, Thomson Financial, and J.J.Kenny. SFG's modeling capability is of the highest quality and its valuations are used by publicly-traded corporations for their SEC-mandated shareholder disclosures and by major accounting firms for compliance with FASB requirements under FAS-133/138/157 and GASB requirements under GASB Statement 53.

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Loan Committee

Cote Village 4% - Mattapan

Antonio Torres presented a proposal for a Commitment of Tax-Exempt Permanent Loan and a Commitment of Tax-Exempt Bridge Loan.

Cote Village is a 76-unit mixed-use, mixed-income development located in Boston. The 76-unit development has been separated into two transactions – a 52-unit 4% LIHTC transaction and a 24-unit taxable 9% LIHTC transaction, to meet the requirements of the project's multiple sources. This commitment focuses on the 52-unit LIHTC transaction, Cote Village 4% (the "Development"). The proposal presents a transaction that includes a MassHousing tax-exempt permanent loan insured under the HUD/HFA Risk-Sharing Program, a tax-exempt syndication bridge loan and a workforce housing loan. This project will be a new addition to MassHousing's mortgage portfolio. An allocation of approximately $17,400,000 in tax-exempt volume capacity is expected to be required for this transaction.

Cote Village involves the redevelopment of the former Cote Ford dealership in Mattapan into 76 units of residential rental housing with outdoor community space and resident amenities. This TOD project is adjacent to the MBTA Fairmount Line commuter rail station. The 76-unit development has been separated into two transactions: a 52-unit 4% LIHTC transaction and a 24-unit 9% LIHTC transaction. The two transactions will be separately financed and separately owned.

The proposed Cote Village 4% LIHTC development will include a fitness center, management office, community room and 2,000 square feet of commercial space as well as on-site parking. This development will include 32 LIHTC units (of which 4 units will receive Section 811 rental assistance for disabled households) and 20 workforce housing units. The CICDC plans to occupy approximately half of the commercial space. Upon a motion duly made and seconded, it was

VOTED: To approve the findings and determinations set forth immediately following this vote and to authorize (i) the Agency to grant Official Action Status and consider the application for a permanent loan commitment for the multifamily development known as "Cote Village 4%" (the "Development") at such time as it is submitted; (ii) this vote to serve as a declaration of official intent under Treasury Regulations Section 1.150-2 to fund all or a portion of costs paid or incurred after this date from the proceeds of a tax-exempt debt issue of the Agency if the Agency shall approve and fund the Development; (iii) that the issuance of debt by the Agency not be in excess of $17,400,000 in principal amount for the Development; and (iv) that the issuance of debt occur not later than 18 months after the latest of (a) the date on which the earliest expenditure subject to Treasury Regulations Section 1.150-2 is paid, (b) the date on which the property is placed in service or abandoned, but in no event more than three years after the earliest expenditure is paid, or (c) the date otherwise permitted by the Internal Revenue Code or Treasury Regulations promulgated thereunder.

Official Action Status Findings

In accordance with the vote of the Agency dated June 11, 1996, staff makes the following Official Action Status findings for the proposed project:

1. The Planning Office for Urban Affairs and the Caribbean Integration Community Development Corporation, Inc. (the "Developer"), as a joint venture for this transaction, have acceptable multifamily housing development experience and acceptable credit history.

2. The Developer has demonstrated an arms'-length evidence of site control either by an option agreement, a purchase and sale agreement, a deed, a contract of sale for the site, and/or other legal evidence of site control, with the land price and/or ground lease rent evident.

3. The proposed site of the Development is acceptable for the intended housing.

4. There is a need for the proposed housing in the community.

FURTHER 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 $8,930,000, with the loan to be insured under the HUD HFA Risk Sharing Program; and (b) a subordinate bridge mortgage loan in a principal amount of up to

$8,096,000, in each case to be made to Cote Village Limited Partnership or another single-purpose entity controlled by the Caribbean Integration Community Development Corporation and the Planning Office for Urban Affairs (the "Borrower") as owner of the multifamily residential development known as "Cote Village 4%" (the "Development") and located in Boston, 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 approve a subordinate mortgage loan to the Borrower for the Development in an amount not to exceed $2,400,000 (1) to be funded from that portion of the Opportunity Fund approved by the Members of MassHousing on March 8, 2016, designated and reserved for workforce housing programs and (2) subject to the terms and conditions of MassHousing's Workforce Program Guidelines adopted by the Members on July 12, 2016, as amended, and to any applicable delegations of authority previously approved by the Members of MassHousing.

FURTHER VOTED: That the amount of 4% Credits, as set by the Executive Director, the Vice President of Multifamily Programs, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing, prior to loan closing, to be used in connection with the Development will not exceed the amount which is necessary for the financial feasibility of the Development and its viability as a qualified low-income housing project throughout the credit period, having taken into consideration:

(a) the sources and uses of funds and the total financing planned for the Development;
(b) any proceeds or receipts expected to be generated by reason of tax benefits;
(c) the percentage of the tax credit amount used for Development costs other than the cost of intermediaries; and
(d) the reasonableness of the developmental and operational costs of the Development, provided, however, that such determination shall not be construed to be a representation or warranty as to the feasibility or viability of the Development.

FURTHER VOTED: To authorize the Executive Director, the Vice President of Multifamily Programs, the Director of Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing, each acting singly, to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding vote.

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 designee.

ATTACHMENT C
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:
Twenty percent (20%) of the 52 units 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

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

In-house data for larger market and mixed-income complexes (approximately 1,988 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 97.7%, and range between 93.7% and 100%. My review of similar mixed income/subsidized portfolio properties (486 units) demonstrated a weighted average vacancy rate of approximately .843%.
REIS, Inc. data (2nd Qtr. 2019) for the subject's Boston City submarket has a vacancy rate at 4.8% YTD (5.1% Boston Metro). This rate is projected to increase to 6.5% over the next five years, while the Boston Metro is projected to increase to 5.5%. Vacancies in the Boston City submarket have averaged approximately 6.1% over the last five years, while the Boston Metro is slightly lower at 4.7% over the last five years.
REIS, Inc. submarket data for the Class A building type (9,556 units) indicates a 2nd Qtr. 2019 vacancy rate of 3.8% and an average asking rent of $2,986 and, REIS, Inc. submarket data for the subject's Class B/C building type 8,570 units) indicates a 2nd Qtr. 2019 vacancy rate of 4.9% at an average asking rent of $1,972. The development when completed along with the proposed amenities, more closely reflects the Class B/C property type, and is reflected in both the vacancy rate and market rent potential. The 2nd Qtr. 2019 REIS, Inc. data indicates that the Boston City submarket is offering .80 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (9/14/17), the City of Boston 269,482 year round housing units, 51,283 (19%) of which are subsidized for low/moderate income households.

According to the Boston Housing Authority's(BHA), the BHA owns and operates 63 family and elderly/disabled developments with a total of 10,343 units. The BHA also administers 14,481 Housing Choice Vouchers. In addition the City of Boston's Annual Plan (FY2018) indicated that BHA maintain the following wait lists: There are 1,102 households on the Section 8 tenant based assistance wait list, including 840 families with children, 256 families with disabilities and 40 elderly families. The BHA also had Single applicants on the waiting list. In addition there were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. They also maintain a Public Housing Wait list with 34,949 including 14,720 families with children, 9,524 families with disabilities and 4,154 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units.

U.S. Census data from the 2013-2017 American Community Survey (ACS) indicates that of the 263,229 households in the City of Boston approximately 70.2% earned less than the HUD published 2019 AMI ($113,300), approximately 48.0% earned less than 50% of 2019 AMI, approximately 54.8 % earned less than 60% of the 2019 AMI and approximately 61.9% earned less than 80% of the 2019 AMI.

(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 provides housing opportunities for several household incomes. Also, it is located adjacent to market-rate developments and is located in an area that includes 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.

Cote Village 9% - Mattapan

Antonio Torres presented a proposal for a Commitment of Taxable Permanent Loan for Cote Village 9% in Mattapan. Cote Village is a 76-unit mixed-use, mixed-income development located in Boston. The 76-unit development has been separated into two transactions – a 52-unit 4% LIHTC transaction and a 24-unit taxable 9% LIHTC transaction, to meet the requirements of the project's multiple sources. This commitment focuses on the 24-unit taxable 9% LIHTC transaction, Cote Village 9% (the "Development"). The proposal presents a transaction that includes a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program. This project will be a new addition to MassHousing's mortgage portfolio.

The Cote Village project involves the redevelopment of the former Cote Ford dealership in Mattapan into 76 units of residential rental housing with outdoor community space and resident amenities. This is a TOD adjacent to the MBTA Fairmount Line commuter rail station. The 76-unit development has been separated into two transactions: a 52-unit 4% LIHTC transaction and a 24-unit 9% LIHTC transaction. The two transactions will be separately financed and ultimately separately owned.

The residents of the proposed Cote Village 9% LIHTC development will have access to a fitness center, management office, community room and 2,000 square feet of commercial space located within the proposed Cote Village 4% LIHTC development as well as on-site parking. This development will include 24 LIHTC units. Upon a motion duly made and seconded, it was

FURTHER VOTED: To approve the findings and determinations contained in Attachment A hereto and to authorize a permanent first mortgage loan in a principal amount of up to $3,460,000, with the permanent loan to be insured under the HUD HFA Risk Sharing Program, to be made to Cote Village Townhomes Limited Partnership or another single-purpose entity controlled by Caribbean Integration Community Development Corporation and the Planning Office for Urban Affairs (the "Borrower") as owner of the multifamily residential development known as "Cote Village 9%" (the "Development") and located in Boston, Massachusetts, and in accordance with the applicable general closing standards and delegations of authority previously approved by the Board, 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 designee.

ATTACHMENT A
UNDERWRITING DETAIL

SOURCES AND USES:

Sources	**Total**	**Per GSF**
9% LIHTC equity	$8,809,939	$237
Deferred Developer Fee	$91,579	$2
City of Boston NHT	$375,000	$10
DND – City of Boston Funds	$1,749,856	$47
DHCD CATNHP	$1,000,000	$27
DHCD HSF	$150,000	$4
MH Permanent Loan	$3,460,000	$93
Total Sources	**$15,636,374**	**$420**

Uses		
Acquisition (Building Only)	$100	$0
Construction	$12,135,094	$326
General Development	$2,591,506	$69
Capitalized Reserves*	$214,938	$6
Developer Overhead and Fee	$694,736	$19
Total Uses	**$15,636,374**	**$420**

*Capitalized Reserves Include:

- $180,000 Operating Reserve (held by MassHousing)
- $34,938 Initial Rent-Up Reserve (held by Investor)

FIRST YEAR INCOME AND EXPENSES:

INCOME:		
Rental Income -		$449,088
Gross Potential Residential Income		$449,088
Vacancy	3.00%	($13,473)
Gross Residential Income:		$435,615
Effective Gross Income		$435,615
EXPENSES:		
Residential Operating Expenses		$223,760
Net Operating Income		$211,856
Debt Service		($187,727)
Cash Flow		$24,128
Debt Service Coverage		1.13x

RESIDENTIAL OPERATING EXPENSE DETAIL:

ITEM		TOTAL	PER UNIT
Management Fee	5.00%	$21,781	$908
Administrative Costs		$48,468	$2,020
Maintenance Costs		$48,263	$2,011
Resident Services		$3,158	$132
Security		$3,158	$132
Utilities (gas heat, electric, w/s)		$39,550	$1,648
Insurance		$13,632	$568
Taxes - Real Estate		$28,460	$1,186
Replacement Reserves		$8,640	$360
Mortgage Insurance Premium		$8,650	$360
Total		$223,760	$9,323

Operating Expenses as a Percent of EGI: 51.4%

Blue Mountain - Roxbury

Antonio Torres presented a proposal for a Commitment of Tax-Exempt and Taxable Construction/Permanent Loan for Blue Mountain Apartments in Roxbury. On November 13, 2018, MassHousing approved Official Action Status (OAS) for Blue Mountain Apartments (the "Development"). Blue Mountain Apartments is a 217-unit development located in the Roxbury neighborhood of Boston. An affiliate of The NHP Foundation (the "Developer") is seeking financing for this low-income development. The proposal presents a transaction that includes a land loan (i.e. loan to ground landlord) made in conjunction with a 4% LIHTC MassHousing construction/permanent loan (to ground tenant/building owner). The construction/permanent loan will be insured under the HUD/HFA Risk-Sharing Program upon completion. All units at the Development are covered by a project-based Section 8 HAP contract, administered by MassHousing. This Development will be a new addition to MassHousing's mortgage portfolio, and it is the Developer's first transaction with the Agency. An allocation of up to $50,000,000 in tax-exempt volume capacity is expected to be required for this transaction.

Blue Mountain Apartments comprises 217 units in 19 buildings located on scattered sites which were built in the early 1900s and substantially rehabilitated in the 1980s. All 19 buildings are located around Elm Hill Avenue in Roxbury. All units have Section 8 project-based subsidies.

The Development is an existing Section 8 development that is near the end of its affordability restrictions, and this rehab and refinancing will extend its affordability well into the future. The Sponsor plans to renew the Section 8 contract for all 217 units for the maximum allowable term, which will extend affordability through 2045. In addition to using 4% LIHTCs with the tax-exempt financing, the sponsor will apply for federal and state historic tax credits to bring additional equity to this transaction. This property is in MassHousing's Section 8 contract administration portfolio and would represent a new loan to the Agency.

The Development features a mix of 1 to 5-bedroom units. All 19 of the buildings in Blue Mountain Apartments are included in the Massachusetts Historical Commission's Historic Places inventory, either individually or as part of an inventoried area, or as contributing to National Register historic districts.

The Sponsor plans to invest approximately $162,000 per unit to rehabilitate the property. The proposed scope of work will include the following renovations: Concrete and masonry repairs, roof work, fire protection upgrades, window and door replacement, upgrades to unit interiors (kitchens/baths/flooring/appliances), HVAC system repairs and improvements, plumbing and electrical upgrades, and accessibility upgrades.

LOW-INCOME HOUSING TAX CREDITS:

The Developer has included in its financing proposal a request for the use of 4% Low-Income Housing Tax Credits (the "4% Credits"). The 4% Credits may be utilized as a result of the funding of the Building Loan with tax-exempt bonds or notes of MassHousing which are to be issued under Section 142 of the Internal Revenue Code of 1986, as amended (the "Code") and are subject to a volume capacity allocation under Section 146 of the Code.

Use of the 4% Credits must be approved by DHCD as the "housing credit agency" under Section 42 of the Code who must make the determination required under Section 42(m)(1)(D) of the Code that the development and financing proposal meets the requirements of the Commonwealth's Qualified Allocation Plan. In addition, MassHousing, as the issuer of tax exempt obligations which generate the 4% Credits must determine under Section 42(m)(2)(D) of the Code that the amount of 4% Credits does not exceed the amount necessary for the financial feasibility and long-term viability of the development. Such determination shall be made applying the standards set forth in the proposed Board vote herein, as required by Section 42(m) (2) (B) of the Code. 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 construction/permanent first mortgage loan in a principal amount of up to $49,560,000, with the permanent loan to be insured under the HUD HFA Risk Sharing Program to be made to Blue Mountain Owner LLC or another single-purpose entity controlled by NHP Foundation, Inc. (the "Borrower") as owner of the multifamily residential development known as "Blue Mountain Apartments" (the "Development") and located in Boston, 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: That the amount of 4% Credits, as set by the Executive Director, the Vice President of Multifamily Programs, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing, prior to loan closing, to be used in connection with the Development will not exceed the amount which is necessary for the financial feasibility of the Development and its viability as a qualified low-income housing project throughout the credit period, having taken into consideration:

(a) the sources and uses of funds and the total financing planned for the Development;
(b) any proceeds or receipts expected to be generated by reason of tax benefits;
(c) the percentage of the tax credit amount used for Development costs other than the cost of intermediaries; and
(d) the reasonableness of the developmental and operational costs of the Development, provided, however, that such determination shall not be construed to be a representation or warranty as to the feasibility or viability of the Development.

FURTHER VOTED: To authorize the Executive Director, the Vice President of Multifamily Programs, the Director of Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing, each acting singly, to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding vote.

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.

FURTHER VOTED: To approve the findings and determinations contained in Attachment C hereto and to authorize (a) a land loan in a principal amount of up to $13,020,000, to be made to a single-purpose entity controlled by NHP Foundation, Inc. (the "Land Borrower") as owner and ground lessor of the land in Boston, Massachusetts where the multifamily residential development known as "Blue Mountain Apartments" is located, 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: (a) the Land Loan shall only be made in conjunction with the closing of the construction/permanent first mortgage loan to Blue Mountain Owner LLC authorized herewith (the "Building Loan"); (b) the Land Loan shall be made subordinate at all times to the Building Loan; (c) the terms and conditions applicable to the Land Loan shall be determined by the Vice President for Multifamily Programs; and (d) a default of the Land Loan not be a cross-default of the Building Loan.

ATTACHMENT C
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:
At least 20% of the units 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.

(2) Shortage of Affordable Housing Units in the Market Area
In-house data for larger market and mixed-income complexes (approximately 879 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties

reviewed averaged approximately 97.7%, and range between 94.5% and 100%. My review of similar mixed income/subsidized portfolio properties (486 units) demonstrated a weighted average vacancy rate of approximately .836%.

REIS, Inc. data (1st Qtr. 2019) for the subject's Boston City submarket has a vacancy rate at 6.1% YTD (5.2% Boston Metro). This rate is projected to increase to 6.4% over the next five years, while the Boston Metro is projected to increase to 5.8%. Vacancies in the Boston City submarket have averaged approximately 6.1% over the last five years, while the Boston Metro is slightly lower at 4.8% over the last five years.

REIS, Inc. submarket data for the Class A building type (9,556 units) indicates a 1st Qtr. 2019 vacancy rate of 6.2% and an average asking rent of $2,995 and, REIS, Inc. submarket data for the subject's Class B/C building type (8,570 units) indicates a 1st Qtr. 2019 vacancy rate of 6.0% at an average asking rent of $1,920. The development when completed along with the proposed amenities, more closely reflects the Class B/C property type and is reflected in both the vacancy rate and market rent potential. The 1st Qtr. 2019 REIS, Inc. data indicates that the Boston City submarket is offering .83 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (9/14/17), the City of Boston 269,482 year-round housing units, 51,283 (19%) of which are subsidized for low/moderate income households.

According to the Boston Housing Authority's (BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments with a total of 10,343 units. The BHA also administers 14,481 Housing Choice Vouchers. In addition, the City of Boston's Annual Plan (FY2018) indicated that BHA maintain the following wait lists: There are 1,102 households on the Section 8 tenant-based assistance wait list, including 840 families with children, 256 families with disabilities and 40 elderly families. The BHA also had Single applicants on the waiting list. In addition, there were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. They also maintain a Public Housing Wait list with 34,949 including 14,720 families with children, 9,524 families with disabilities and 4,154 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units.

U.S. Census data from the 2013-2017 American Community Survey (ACS) indicates that of the 263,229 households in the City of Boston approximately 70.2% earned less than the HUD published 2019 AMI ($113,300), approximately 48.0% earned less than 50% of 2019 AMI, approximately 54.8 % earned less than 60% of the 2019 AMI and approximately 61.9% earned less than 80% of the 2019 AMI.

(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, the buildings are 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.

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	3	4	5
Number of Units		105	73	18	16	5
Net SF/Unit		491	1045	1145	1256	1356
Elev./Non-Elev.		Non	Non	Non	Non	Non
Market Rate Rent (10% Rate 20 Yr. Term)		$4,679	$5,579	$6,279	$7,154	$8,129
MHFA Below Market Rent (Cost-Based Rent)		$2,484	$3,384	$4,084	$4,959	$5,934
MHFA Adjusted Rent			30% of Income			
Underwriting Rents						
	Section 8 Project-Based	$1,750	$2,650	$3,350	$4,225	$5,200

*Underwritten rents units are net of utility allowances.

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.

191 Talbot Avenue – Dorchester

Kaitlyn Mulcahy presented a proposal for a Commitment of Taxable Permanent Loan and Commitment of a Workforce Housing Opportunity Fund Loan for 191 Talbot Avenue in Dorchester. TLee Development LLC seeks permanent financing of up to $2,725,000 and subordinate financing of up to $1,400,000 from MassHousing under the Opportunity Fund's Workforce Housing program for the construction of 191 Talbot Ave (the "Development"), a new residential rental development with 14 units and ground floor commercial space in Dorchester, to be built on a vacant parcel owned by the Borrower.

Travis Lee is a former project manager at Madison Park Development Corporation, with experience in the oversight of acquisition, financing, construction and lease-up of over 190 units of mixed-income rental housing.

Mr. Lee currently owns one property in MassHousing's debt portfolio, 246 Norwell Street, with six units. For that project, MassHousing participated in the $875,000 permanent loan with Eastern Bank and provided a $600,000 Workforce Housing loan. The team members proposed here are the same team members used for the 246 Norwell Street project, which was completed on schedule and within budget.

Travis Lee, as the principal and only employee of TLee Development LLC, has demonstrated strong development experience through the successful development and lease-up of the 246 Norwell Street project. Through a review of Mr. Lee's personal financials, staff has determined that the Sponsor has sufficient ability to fund from owner's equity the collateral, escrow and other closing requirements.

In May 2019, the Developer acquired a 13,000 square foot parcel in Dorchester (within a half-mile of the 246 Norwell Street property) onto which the Developer proposes to build a 14-unit, rental housing project with eight off-street parking spaces, and 1,825 sf of ground floor retail space. However, MassHousing is not underwriting the commercial income at the property. The Borrower has received all required zoning approvals for this project and Massachusetts Investment Housing Corporation (MHIC) will provide construction financing. MHIC's Healthy Neighborhood Equity Funds (HNEF) will also provide approximately $1.2 million in equity, and T Lee Development LLC will provide developer's cash equity in the amount of $133,750. Boston's Inclusionary Development Policy (IDP) will require that two units be affordable at 80% of AMI. Twelve units, which shall not include the two IDP units, will be restricted under MassHousing's Workforce Housing program, one at 80% of AMI and 11 at 90% of AMI.

The Workforce Housing rents will be affordable to households earning up to 80% and 90% of AMI. These rents allow for a discount to market of approximately 19% for the 1 units at 80% of the AMI and 11% for the 11 units at 90% of the AMI.

The Workforce Housing Loan will require interest-only payments during its 15-year term. In addition, 8% of the Development's cash flow in years 1-7 and 30% of the Development's cash flow in years 8-15 will be used to make principal payments on the Workforce Housing Loan.

The amount of Workforce Housing subsidy per Workforce Housing unit is $116,666 which exceeds the $100,000 per unit outlined in the Workforce Housing guidelines. Staff recommends this higher level of subsidy based on the location of the housing in a strong rental market, where market rents are expected to continue trending upward. Workforce Housing rents at 246 Norwell were underwritten at 70% of AMI in 2017, which illustrates the rapid growth that the Dorchester rental market is experiencing.

The proposed first mortgage will have a balloon term of 15 years with a 40-year amortization. The Workforce Housing loan is interest only with a 15-year term. An exit analysis has been performed and confirms that the first mortgage may be refinanced in Year 15 as long as interest rates stay below 11.50%, or 702 basis points above current rates. Both exit analyses are conservatively based on residential income only and does not include commercial income.

Ms. Chan asked if the project would be certified Passive House and Ms. Mulcahy responded, yes.

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 $2,725,000 to be made to TBD or another single-purpose entity controlled by TLee Development LLC (the "Borrower") as owner of the multifamily residential development known as "191 Talbot Ave" (the "Development") and located in Boston, 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 approve a subordinate mortgage loan to the Borrower for the Development in an amount not to exceed $1,400,000 (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs and (2) subject to the terms and conditions of MassHousing's Workforce Program Guidelines adopted by the Board on July 12, 2016, as updated, and to any applicable delegations of authority previously approved by the Members of MassHousing.

ATTACHMENT C
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:

(3) The affordability of rents for 20% of the units:
3 units (21%) 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

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

In-house data for larger market and mixed-income complexes (approximately 811 units) in the area revealed a strong rental market. Current occupancy rates at the comparable properties reviewed averaged approximately 97.7%, and range between 94.5% and 100%. My review of similar mixed income/subsidized portfolio properties (576 units) demonstrated a weighted average vacancy rate of approximately 1.32%.

REIS, Inc. data (1st Qtr. 2019) for the subject's Boston City submarket has a vacancy rate at 6.1% YTD (5.2% Boston Metro). This rate is projected to increase to 6.4% over the next five years, while the Boston Metro is projected to increase to 5.8%. Vacancies in the Boston City submarket have averaged approximately 6.1% over the last five years, while the Boston Metro is slightly lower at 4.8% over the last five years.

REIS, Inc. submarket data for the Class A building type (9,556 units) indicates a 1st Qtr. 2019 vacancy rate of 6.2% and an average asking rent of $2,995 and, REIS, Inc. submarket data for the subject's Class B/C building type (8,570 units) indicates a 1st Qtr. 2019 vacancy rate of 6.0% at an average asking rent of $1,920. The development when completed, along with the proposed amenities, more closely reflects the Class B/C property type and is reflected in both the vacancy rate and market rent potential. The 1st Qtr. 2019 REIS, Inc. data indicates that the Boston City submarket is offering .83 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (9/14/17), the City of Boston 269,482 year round housing units, 51,283 (19%) of which are subsidized for low/moderate income households.

According to the Boston Housing Authority's (BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments with a total of 10,343 units. The BHA also administers 14,481 Housing Choice Vouchers. In addition, the City of Boston's Annual Plan (FY2018) indicated that BHA maintain the following wait lists: There are 1,102 households on the Section 8 tenant based assistance wait list, including 840 families with children, 256 families with disabilities and 40 elderly families. The BHA also had Single applicants on the waiting list.

In addition, there were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. The BHA also maintain a Public Housing Wait list of 34,949 households, including 14,720 families with children, 9,524 families with disabilities and 4,154 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units.

U.S. Census data from the 2013-2017 American Community Survey (ACS) indicates that of the 263,229 households in the City of Boston approximately 70.2% earned less than the HUD published 2019 AMI ($113,300), approximately 48.0% earned less than 50% of 2019 AMI, approximately 54.8 % earned less than 60% of the 2019 AMI and approximately 61.9% earned less than 80% of the 2019 AMI.

(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 is located adjacent to market-rate developments and is located in an area that includes 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.

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	0	1	2
Number of Units	4	1	9
Net SF/Unit	420	600	720
Elev./Non-Elev.	NE	NE	NE
Market Rate Rent (10% Rate 20 Yr. Term)	$2,397	$2,429	$2,946
MHFA Below Market Rent (Cost-Based Rent)	$1,593	$1,625	$2,142
MHFA Adjusted Rent	30% of 80% of AMI		
80% AMI	$1,510	$1,625	$1,825
90% AMI	$1,675		$2,182
Utility Allowance*	$0	$0	$0

*All utilities are owner paid

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.

808 Memorial Drive – Cambridge

Kaitlyn Mulcahy presented a proposal for Commitment of Taxable Replacement Loan for 808 Memorial Drive, Cambridge. Homeowner's Rehab, Inc. ("HRI"), acting on behalf of 808-812 Memorial Drive LLC (the "Borrower"), owner of 808 Memorial Drive in Cambridge, is seeking a taxable loan commitment of $2,175,000 (the "Replacement Loan") in order to prepay the existing MassHousing first mortgage loan, originally made under the HUD Section 236 Program and maturing on March 1, 2021 (the "Section 236 Loan"). In 2015, a Rent Supplement Contract expired, resulting in 76 of the units receiving Tenant Protection Vouchers ("TPVs"), which were then project based. Prepayment of the Section 236 Loan will qualify the remaining 136 affordable units for TPVs.

Upon receipt of the TPVs, HRI will seek construction and permanent tax-exempt financing from MassHousing and 4% Low Income Housing Tax Credits to recapitalize the Development. As part of that transaction, the Borrower will seek a new 20 year PBV Contract for all 212 affordable units at the development. It is anticipated that this proposed future loan commitment will be presented to the Board in Q4 2019 and will close in Q1 2020.

The Development is an existing 300-unit mixed use development located in Cambridge. Currently, 76 units at the development are covered by a PBV HAP contract, administered by the Cambridge Housing Authority ("CHA"). HRI is requesting financing from MassHousing that will be used to prepay the original Section 236 mortgage on the property. This prepayment will trigger the issuance of TPVs by HUD for the remaining 136 affordable Section 236 units that are not currently covered by a HAP Contract. HRI will then work with the CHA, through the HUD Moving-To-Work program, to project-base these TPVs resulting in a 20-year Housing Assistance Payment ("HAP"). The new HAP contract will cover all 212 affordable units at the property with the remaining 88 units continuing to operate as unrestricted market-rate. With the project-based subsidy in place, HRI will be positioned to pursue a full 4% LIHTC transaction, anticipated to close in the first quarter of 2020.

HUD has approved HRI's request to decouple the Interest Reduction Payment ("IRP") subsidy from the existing 236 mortgage and to allow the IRP subsidy to be placed in abeyance at the time of the Replacement Loan closing, and then re-started to assist a "B" loan as part of the 2020 refinancing. The remaining IRP subsidy to be placed in abeyance amounts to approximately $50,300 per month between October 2019 and March 2021, or a total of $854,896.

The $2,175,000 Replacement Loan is being sized with a 17 month amortization and term to ensure that the new debt service remains same as the current debt service at the Development. This will allow the borrower to continue with a Budget Based Rent Increase immediately after the 236 decoupling and prepayment. This rent increase will then support the larger Q1 2020 refinancing. The Replacement Loan is expected to be repaid at the time of the larger refinancing.

The higher than average per unit operating expenses of $13,942 can be partially attributed to maintenance and repair expenses, due to the current capital needs at the property. Current Replacement Reserves contributions are $800/unit compared to the typical $500/unit for existing developments, and there is also a substantial Resident Services Expense of $811/unit. Staff expects that operating expenses will decrease as a result of the substantial rehabilitation proposed for the Q1 2020 refinancing, but have underwritten expenses based on current and historical operations at the property for the replacement financing. 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 mortgage loan in a principal amount of up to $2,175,000 to be made to 808-812 Memorial Drive LLC or another single-purpose entity controlled by Homeowner's Rehab, Inc. (the "Borrower") as owner of the multifamily residential development known as "808 Memorial Drive" (the "Development") and located in Cambridge, 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:

Prepayment conditions substantially in accordance with the November 13, 2012 Board Approval of prepayments under “HUD’s RAD and MTW Programs for MassHousing Developments”:

1. All sums due to MassHousing relating to the existing Section 236 Loan, including MCRFO and other bond related costs, as the Financial Director shall determine and as set forth in a Payoff Letter shall be paid in full on the prepayment date.

2. The existing Section 236 Loan shall be refinanced by MassHousing with a Replacement Loan, and the Owner shall agree to a long-term financing of the Development with a mortgage loan from MassHousing.

3. The new permanent loan, when authorized by MassHousing and when closed, shall provide for 30-years of affordability as defined under the Section 42 Low Income Housing Tax Credit program and as approved by the Director of Rental Underwriting.

4. The Massachusetts Department of Housing and Community Development (“DHCD”), or such other administrator acceptable to the Executive Director or their designee, whose policy and practices regarding the admission of tenants shall be satisfactory to the Executive Director or his designee, shall be designated the administrator for Enhanced and/or Project-Based Vouchers.

Other Special Conditions:

The Replacement Loan shall be subject to the terms and conditions set forth in the Section 236 IRP Decoupling approval letter from HUD, executed by Gregory Byrne, Transaction Division Director of the HUD Office of Recapitalization. In addition, any Use Agreement shall be subject to the review and approval of MassHousing’s General Counsel.

The Borrower, MassHousing, and HUD shall enter into an Agreement for Interest Reduction Payments (IRP) in form and substance satisfactory to MassHousing’s General Counsel providing for interest subsidy payments on behalf of the Development.

5. The Borrower shall enter into an agreement with MassHousing, in form and substance acceptable to the Director of Rental Underwriting, providing that, if the Borrower shall seek the use of 4% Low Income Housing Tax Credits to refinance the Development, it shall make such request through MassHousing as part of a MassHousing financing.

6. Existing reserves will remain in place and the schedule for deposits to replacement reserves shall remain unchanged.

7. The Borrower shall provide evidence of compliance with Massachusetts General Law, Chapter 40T.

8. The Borrower shall provide a) evidence that insurance that was required to mitigate any previously-identified environmental risks is currently maintained, and b) a signed statement that (i) there is no current or open violation or citing for health, safety or

environmental matters and (ii) all units in which a child under 6 reside have a Letter of Compliance with MA Lead Paint Law, all of which shall be acceptable to the Director of Rental Operations.

9. The Borrower shall obtain necessary approvals and subordination of existing subordinate lenders to the proposed Replacement Loan as shall be acceptable to MassHousing's General Counsel.

ATTACHMENT C
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:

(5) The affordability of rents for 20% of the units:
At least twenty percent (20%) of the 300 units 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

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

In-house data for larger market and mixed-income complexes (approximately 783 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 97.6%, and range between 93.4% and 100%.

REIS, Inc. data (2nd Qtr. 2019) for the subject's Cambridge/Watertown/Waltham submarket has a vacancy rate at 6.3% YTD (5.1% Boston Metro). This rate is projected to increase to 6.9% over the next five years, while the Boston Metro is projected to increase to 5.5%. Vacancies in the Cambridge/Watertown/Waltham submarket have averaged approximately 5.8% over the last five years, while the Boston Metro is slightly better at 4.7% over the last five years.

REIS, Inc. submarket data for the Class A building type (17,46 units) indicates a 2nd Qtr. 2019 vacancy rate of 7.1% and an average asking rent of $3,784. REIS, Inc. submarket data for the subject's Class B/C building type (17,652 units) indicates a 2nd Qtr. 2019 vacancy rate of 5.7% at an average asking rent of $2,256. The development when renovated along with the proposed amenities, more closely reflects the lower end of the Class A or the upper end of the Class B/C property type, and is reflected in both the vacancy rate and market rent potential. One of the comparable properties was offering ½ month free rent and the submarket is offering .82 free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (9/24/17), the City of Cambridge has 46,690 year round housing units, 6,911 (14.8%) of which are subsidized for low/moderate income households.

Per a representative of Cambridge Housing Authority (CHA) they manage the following types of public housing; 532 state and federal public housing units, 1,226 Rental Assistance Demonstration (RAD) housing units, 802 Section 8 Demonstration/ Disposition units, and 110 State assisted units that are new construction. Per the representative of CHA there are 9,200 on the waiting list and they do not currently have separate waiting list for state assisted units.

CHA also administers tenant based assistance which includes 4,179 Housing Choice vouchers, 554 Non-Moving To Work vouchers, 150 state vouchers and 120 Moderate Rehab vouchers. Per the CHA representative, there are 13, 874 applicants on the waiting list for these vouchers. The CHA representative also stated that there the number of unique applicants households across all lists are 19,332.

U. S. Census data from the 2013-2017 American Community Survey (ACS) indicates that of the 44,234 households in the City of Cambridge, approximately 60.7% earned less than the HUD published 2019 AMI ($113,3000), approximately 35.7% earned less than 50% of 2019 AMI, approximately 41.4% earned less than 60% of the 2019 AMI and approximately 49.8% earned less than 80% of the 2019 AMI.

(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 is located adjacent to market-rate developments and is located in an area that includes 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.

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	3	4
Number of Units	128	138	30	4
Net SF/Unit	589	812	1,052	1,414
Elev./Non-Elev.	Elev.	Elev.	Elev.	Elev.
Market Rate Rent (10% Rate 20 Yr. Term)	$2,874	$3,245	$3,686	$4,224
MHFA Below Market Rent (Cost-Based Rent)	$1,788	$2,159	$2,600	$3,118
MHFA Adjusted Rent	30% of Income			
Underwriting Rents				
Section 236	$900	$1,067	$1,230	$1,393
Market	$2,198	$2,809		

*Underwritten rents for the LIHTC units are net of utility allowances.

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.

Sycamore Village – Lawrence

Kathleen Evans presented a proposal to accept the assignment of a HUD-issued Firm Commitment for FHA-insurance, (2) to make the first mortgage loan described therein (the "New Loan"), and (3) to finance the New Loan through the issuance of a Ginnie Mae MBS.

In July 2019, the Agency approved a first mortgage for Sycamore Village (the "Development") of $11,586,000 under the MAP/Ginnie Mae Multifamily Joint Venture Lending Initiative, subject to the limitation that the final amount of the New Loan shall not be more than $12,744,600 nor less than $10,427,400. This proposal is for the increased commitment of a first mortgage of $14,805,100, an amount greater than $12,744,600, subject to the limitation that the final amount of the New Loan shall not be more than $17,766,120 nor less than $11,844,080.

The Borrower, an affiliate of Omni New York LLC, is seeking MassHousing's commitment for the New Loan of approximately $14,805,100, or such other amount as evidenced in the HUD Firm Commitment, in permanent first mortgage financing under the MAP/Ginnie Mae Program.

A portion of the proceeds of the New Loan will be used to prepay the Borrower's existing mortgage loan obligations to MassHousing, as authorized under and subject to the conditions set forth in the vote taken by the Board on October 14, 2014 providing prepayment approval for certain MassHousing Multifamily Mortgages. This includes a first mortgage, as well as a $1,000,000 loan from the Affordable Housing Trust Fund ("AHTF") that was directly funded by the Agency. Loan proceeds will also be used to repay a $1,750,000 Capital Improvement and Preservation Fund ("CIPF") loan from the Department of Housing and Community Development ("DHCD").

The New Loan will also be subject to the General Conditions for the MAP/Ginnie Mae Program approved by the Board on November 12, 2014, and MassHousing and the MAP Lender Partner will at all times comply with the terms of HUD's identity-of-interest guidance provided in HUD's letter to MassHousing dated June 13, 2014. Upon a motion duly made and seconded, it was

VOTED: To approve the findings and determinations contained in Attachment A and to authorize the Massachusetts Housing Finance Agency ("MassHousing") (1) to accept the assignment, from Rockport Mortgage Corporation of a HUD Firm Commitment to provide mortgage insurance through the Federal Housing Administration pursuant to Section 223(f) of the National Housing Act for a first mortgage loan in the approximate amount of $14,805,100, or such other amount as evidenced in the HUD Firm Commitment, subject to the limitation that the final amount of such loan shall not be more than $17,766,120 nor less than $11,844,080 to Sycamore Village Limited Partnership (the "Borrower") for Sycamore Village and (2) to make the FHA-insured first mortgage loan to the Borrower for Sycamore Village in the approximate amount of $14,805,100 subject to the limitation that the final amount of such loan shall not be more than $17,766,120 nor less than $11,844,080 on terms acceptable to MassHousing, in compliance with the terms of the Prepayment Approval for MassHousing Multifamily Mortgages granted by the Board on October 14, 2014 and subject to MassHousing's General Closing Conditions for loans made under MassHousing's MAP/Ginnie Mae Multifamily Joint Venture Lending Initiative approved by the Board on November 12, 2014.

FURTHER VOTED: That the Massachusetts Housing Finance Agency, acting through its officers authorized under the Ginnie Mae resolution adopted by the Agency on March 12, 2013, is hereby authorized and directed to do all acts and things, and to execute and deliver any and all documents, certificates, securities and instruments necessary or desirable to effectuate the funding of a first mortgage loan insured by the U.S. Department of Housing and Urban Development, acting through the Federal Housing Commissioner, under Section 223(f) of the National Housing Act, to the Borrower for Sycamore Village.

ATTACHMENT A

Findings and Determinations

Statutory Findings:

The Loan 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) Provision of Low-income Set-aside Units
161 of the 166 total units (97%) will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

(2) Shortage of Affordable Housing Units in the Market Area
In-house data for larger market and mixed-income complexes (approximately 1,593 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 97.3 %, and range between 93% and 100%. The subject property has been operated as an unrestricted development since 1980, and based on historic data, the development and has average a vacancy rate of 1.005% over the last six years. My review of similar mixed income/subsidized portfolio properties (1,097 units) demonstrated a weighted average vacancy rate of approximately 3.356%.

REIS, Inc. data (1st Qtr. 2019) for the subject's North Shore/Merrimack River Valley submarket have projected a vacancy rate at 4.8% YTD (5.2% Boston Metro). This rate is projected to increase 4.9% over the next five years, while the Boston Metro is projected to increase to 5.8%. Vacancies in the North Shore/Merrimack River Valley submarket have averaged approximately 3.4% over the last five years, while the Boston Metro vacancy rate has averaged 4.8%

Further, REIS, Inc. submarket data for the subject's Class A building type (15,015 units) indicates a 1st Qtr. 2019 vacancy rate of 8.4% and an average asking rent of $2,149. However, the development when completed may more closely reflects a Class B/C property type in both the vacancy rate and market rent potential. REIS, Inc. submarket data for the Class B/C building type (19,743 units) indicates a 1st Qrt. 2019 vacancy rate of 2.1% and an average asking rent of $1,745.

None of the comparables reviewed offered concessions, however the use of concessions continues in the Boston Metro and the 1st Qtr. 2019 REIS, Inc. data indicates that the North Shore/Merrimack River Valley submarket is offering.37 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (09/14/17), the City of Lawrence has 27,092 year-round housing units, 4,057 (15%) of which are subsidized for low/moderate income households.

In addition, the Lawrence Housing Authority (LHA) manages 1,056 Federally assisted units comprised of 546 family units and 510 elderly/disabled units. The family units are broken does as follows; 111- one-bedroom units, 266- two- bedroom units, 137 -three-bedroom units and 32- four-bedroom units. Per the representative of LHA the wait list for the family units is as follows, 213 applicants for one-bedroom, 363 applicants for the two-bedroom units 213 applicants, for the three bedroom 78 applicants for the four- bedroom. Regarding the federally assisted elderly/disabled units, the units are broken down as follow; 81 studios, 504 one-bedroom, and 36 two-bedroom units. Per the representative of LHA the waitlist is as follows;1,526 studios and one-bedroom units and 29 applicants for the two-bedrooms.

LHA also manages 522 State assisted units comprised of 451 family units and 71 elderly/disabled units. The family units are broken does as follows; 24- one-bedroom units, 247 -two- bedroom units, 170- three-bedroom units and 10-four- bedroom units. Per the representative from LHA, the wait list for the state-assisted family units are as follows; 902 applicants for one -bedroom, 1,525 applicants for two bedrooms, 980 applicants for three -bedrooms and 247 applicants for four-bedrooms. Lastly, LHA manages 71 state-assisted elderly/disabled one-bedroom units, per LHA, there are 1,909 applicants on the wait list.

Regarding Section 8 Housing Choice Vouchers, the Lawrence Housing Authority is authorized to administer 998 Section 8 vouchers. Per the representative of LHA they participate in the Massachusetts Section 8 Housing Choice Voucher Centralized Waiting list and the anticipated wait time is from 5 to 10 years.

U.S. Census data from the 2013-2017 American Community Survey (ACS) indicates that of the 25,807 households in the City of Lawrence, approximately 82.1% earned less than the HUD published 2019 AMI $102,100), approximately 59.7% earned less than 50% of 2019 AMI, approximately 67.1% earned less than 60% of the 2019 AMI and approximately 77.2% earned less than 80% of the 2019 AMI.

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

Based on information provided by the MAP Lender Partner, 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 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 change neither the current income mix of the Development nor that of its surrounding locality.

(5) Elimination 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. Staff is not aware of units within the same market area that require demolition or compulsory repair. 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.

Rental Determinations:

Pursuant to Section 6(a) of the Act, MassHousing makes the following rental determinations based on the underwriting performed by the MAP Lender Partner for units within the proposed Development:

RENT SCHEDULE:

Number of Bedrooms	1	2	3
Number of Units	1	119	46
Net SF/Unit	900	978	1,136
Elev./Non-Elev.	N/E	N/E	N/E
Market Rate Rent (10% Rate 20 Yr. Term)	$1,341	$1,377	$1,535
MHFA Below Market Rent (Cost-Based Rent)	$1,000	$1,035	$1,194
MHFA Adjusted Rent	30% of 80% of AMI		
Underwriting Rents	$1,000	$1,035	$1,194

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.

Powdermill Village Apartments - Westfield

Sarah Hall presented a proposal for Level One Transfer of Ownership for Powdermill Village Apartments in Westfield. Peabody-Westfield Limited Partnership (the "Current Owner" or "Borrower") requests MassHousing's approval of a Level One Transfer of Ownership for Powdermill Village in Westfield. As proposed, the property will be transferred to Powdermill Village LLC (the "Proposed Owner"), an affiliate of Affordable Housing and Services Collaborative.

Powdermill Village was originally constructed in the early 1970s and financed by MassHousing under the Section 236 loan program. In 2000, the Current Owner acquired the site, which, at that time, suffered from significant physical deterioration, and completed a substantial renovation using

9% low-income housing tax credits, DHCD subordinate debt, and a MassHousing mortgage increase. Upon completion of the property renovations, Powdermill Village had several stable years until a severe, property-wide water infiltration issue emerged in 2012. This issue affected all 15 buildings and was caused by siding replacement as part of the 2000 renovation; it remains unclear if the siding itself was faulty or if the installation was completed improperly. Either way, the cost to remedy this problem far exceeded the available replacement reserve balance and with the historically low 236 rents, there was no cash flow to support additional debt or to fund repairs out of operating.

In 2014, MassHousing, in conjunction with Boston Community Capital ("BCC"), provided a $3 million subordinate asset protection and energy conservation loan. The MassHousing loan replaced the BCC loan and originally had a three-year term and 30-year amortization with the understanding that it would be refinanced upon recapitalization of the development; it has since been extended by an additional two years, and currently matures in March 2020. The purpose of this loan was to enable the property to convert from oil to gas heat and to complete a full energy retrofit of just one building as a test-of-concept for a future comprehensive renovation of the property. Since the completion of this work, the Current Owner has worked to assemble a full recapitalization transaction to address all of the physical needs at the property.

Concurrent with these efforts, on-site management has worked diligently with MassHousing on the capital needs prioritization (starting in early 2015, the property has operated on a prioritized capital needs schedule and has been closely monitored by staff in Rental Management). This has proved challenging because the physical needs are significant (estimated, most recently in a third-party capital needs assessment, to be approximately $26 million over 20 years) and because of the 250 units total, only 50 are supported by project-based subsidy in the form of an MRVP contract.

To further complicate matters, a fire that occurred in April 2018 in one building destroyed 22 units. All displaced residents were quickly re-housed and no one was hurt. Although unfortunate, the fire presented an opportunity to fold the fire renovation work, along with the insurance proceeds, into the full refinancing transaction, an approach that was presented to DHCD as part of the Proposed Owner's request for financing in the most recent funding round. As the Proposed Owner awaits word from DHCD on the soft debt request, they are making significant progress with the insurance company and with the other pieces of the acquisition and refinancing transaction. One of those pieces is to transfer the property from the Current Owner to the Proposed Owner, such that the fire insurance proceeds can also be assigned to the Proposed Owner and applied toward the rebuilding of the destroyed building. A presentation of the full recapitalization transaction and the new MassHousing loan will be presented at the next Board meeting.

ACQUISITION:

The Development will be acquired by the Proposed Owner, an affiliate of Affordable Housing and Services Collaborative ("AHSC"). The transfer and acquisition of the Development in each case will include the assignment and assumption of (i) existing debt on the property, (ii) existing project-based subsidies, and (iii) reserves and insurance proceeds. AHSC has been involved in over 20 projects with more than 1,300 affordable units, often working in partnership with Peabody Properties, either directly through acquisition, development, rehabilitation, construction, or as a special non-profit member of the owner and providing a significant role in the project financing plan. Notable developments AHSC has preserved or constructed with MassHousing financing include Middlebury Arms and 98 Essex. Upon a motion duly made and seconded, it was

VOTED: That MassHousing approves a Level One Transfer of Ownership (the "Transfer") for Powdermill Village Apartments from Powdermill-Westfield Limited Partnership (the "Current Owner") to Powdermill Westfield LLC. (the "New Owner"), subject to the requirements of the Transfer of Ownership Policy approved by the Agency on August 14, 2007, and further subject to the Special Conditions set forth below and any additional conditions required by the Director of Rental Management and the General Counsel.

SPECIAL CONDITIONS:

1. The Current Owner will obtain consent of all subordinate lenders to the Transfer.

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

Acting Chairman Chai asked for a motion to adjourn the meeting at 2:55p.m. Upon a motion duly made and seconded, it was

VOTED: To adjourn the MassHousing meeting at 2:55 p.m.

A true record.

Attest.

Colin McNiece
Secretary