

**Minutes of the Regular Meeting
of the Members of MassHousing
held on
December 8, 2020**

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing - was held on December 8, 2020. In accordance with the Order Suspending Certain Provisions of the Open Meeting Law, GL.c.30A Section 20 issued by Governor Baker on March 12, 2020, no Members were physically present and the meetings were conducted remotely through a publicly accessible Zoom meeting.

Participating remotely were the Members (by roll call):

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

**Members
Not
Participating** None

Staff *Due to the remote convening, a list of MassHousing staff participating or observing the meeting was not available*

Guests *Due to the remote convening, a list of guests observing the meeting was not collected*

Chairman Dirrane convened the meeting to order at 2:00 p.m.

He indicated that the first order of business was the approval of the minutes of the previous meeting. Upon a motion duly made and seconded, it was, by roll call vote of all the present Members:

VOTED: That the minutes of the meeting held on November 10, 2020 are hereby approved and placed on record.

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

Executive Director's Report

Ms. Kornegay began by discussing MassHousing's participation in the 28th Annual "Pie in the Sky" fundraising event by Community Servings. This annual event raises funds to provide meals to high-risk/moderate-income residents across Massachusetts. Over 100 Thanksgiving pies were delivered by MassHousing volunteers to staff across 58 cities and towns in Massachusetts as well as to one town in Maine.

Ms. Kornegay next discussed Massachusetts Paid Family and Medical Leave, a state-offered benefit for eligible workers in the Commonwealth. Under PFML, workers could take up to 26 weeks of paid leave for medical or family reasons and could earn up to \$850 a week.

Ms. Kornegay continued by explaining that to fund the new benefit, employers and employees were required to start contributing to a payroll tax on October 1, 2019. As the benefit is unavailable to access until January 2021, MassHousing decided to absorb the costs and pay the payroll tax on behalf of both the employer and employees. MassHousing has decided to continue paying both the employer and employee contributions through 2021, at a total monthly cost of \$20,000.

Ms. Kornegay announced MassHousing has closed on a \$160 million first mortgage loan for the preservation of Castle Square. This is MassHousing's largest loan in its more than 50 year history. The project is sponsored by the Castle Square Tenants Organization and WinnCompanies and consists of 500 units, 485 of which are affordable. The owner will also complete over \$10 million in critical and non-critical repairs, fully fund the replacement reserve account and withdraw equity. The Tenant Organization will use equity proceeds to support new affordable housing in Boston, establish a wellness center, expand resident services programming and provide continuing education scholarships for young adults.

Finance Update

Charles Karimbakas began his presentation by discussing the S&P Global Ratings for MassHousing's housing bonds. S&P revised their outlook to positive from stable and affirmed its "AA" rating for MassHousing's housing bonds. S&P's outlook revision reflects MassHousing's growing percentage of FHA-insured loans, our continued performance in line with the very strong history and continued minimal delinquencies especially in light of COVID-19. This rating also reflects MassHousing's very strong management and governance by the executive team and senior staff. Mr. Karimbakas continued by stating we should be very proud of our competitive pricing which is meaningful in the marketplace for affordable deals.

Chairman Dirrane congratulated the Board, executive team and staff for their exceptional work.

Mr. Karimbakas next announced MassHousing's first sale of Social Bonds for homeownership products. The new MassHousing Social Bonds are in line with four of the United Nations Sustainable Development Goals. Proceeds of the Social Bonds will finance new mortgage loans including down payment assistance loans. MassHousing currently collects all the data necessary to report on the activity related to using Social Bonds.

Chairman Dirrane asked how these Social Bonds were received in the marketplace. Mr. Karimbakas replied they were priced today so we do not yet have a full look. The bonds did grow our pool of investors as more were looking at the Social Bonds.

Mr. Karimbakas continued by discussing the most recent Covid numbers which are fairly consistent with last month. Homeownership delinquencies are at 1,674 (30 days delinquent) which is 8.94% of the portfolio and a total of \$338.4 million in outstanding principal balance. There are 1,264 loans in forbearance for a total outstanding principal balance of \$267.6 million. There has also been \$3.3 million in outstanding advances for tax and insurance payments. There were 80 MIPlus claims for a total of 1,051 claims since March 17, 2020. There is currently \$130.4 million in the Mortgage Insurance Fund. Call volume has lowered since June and our answering speed and abandonment rate are low. Our homeownership portfolio has seen continued high payoff activity, but loan activity has increased.

Mr. Karimbakas went on to discuss a recent editorial in the Wall Street Journal by Arthur Lapper and Alan Dershowitz in which they discuss an effective new product: lender-paid mortgage insurance that covers mortgage payments in the event of involuntary unemployment. In a subsequent letter to the editor of the WSJ, it is pointed out that this product is far from new. MassHousing launched the MIPlus program in 2004.

A discussion ensued as to how MassHousing built the MIPlus fund. Mr. Karimbakas answered it was initially capitalized with a one-time payment and has been profitable ever since.

Chairman Dirrane commented that this is a tremendous affirmation of what we do.

Mr. Karimbakas went on to discuss the multi-family portfolio. There is currently only one development that is delinquent and no loans are in forbearance. Ms. Kornegay stated that she, Mr. Karimbakas and Mark Teden regularly meet with the developers and ask how we can help them.

Chairman Dirrane asked about rent forbearance and whether developers will get their money back. Ms. Kornegay answered about 85% of our multi-family portfolio is supported through project-based Section 8 contracts which gives us a buffer. In addition, we will be able to access the federal funds designated to assist moderate-income residents pay their rent.

Vote Authorizing Transfer of FHLB Grant Funds to Opportunity Fund

Mr. Karimbakas next presented a vote to transfer FHLB grant funds to the Opportunity Fund. In calendar year 2019 and 2020, MassHousing received \$4 million in grant funds from the Federal Home Loan Bank of Boston under its Helping to House New England program. These funds have been allocated to CCRI (\$2.1 million) and for the Agency's recently announced Workforce Advantage down payment assistance program (\$1.9 million). Upon a motion made and seconded, by roll call vote, it was

VOTED: To transfer \$1.9 million received under the Federal Home Loan Bank of Boston *Helping to House New England* program from the Working Capital Fund to the Opportunity Fund to be used for down payment assistance loans under the Workforce Advantage 2.0 Program.

FURTHER

VOTED: This resolution shall take effect immediately.

Loan Committee

Bergen Circle, Springfield

Sarah Hall presented a proposal for Commitment of a Taxable Construction and Permanent Loan, Commitment of a Subordinate Capital Repair Loan and Restructuring of Existing Debt for Bergen Circle in Springfield.

Bergen Circle sits on a 6.96-acre site in the McKnight neighborhood of Springfield. It is located one mile east of the city's downtown. In addition to the residential buildings, there is also a children's play structure, 160 parking spaces, and a single-story masonry block commercial building, which will be demolished as part of the scope of work.

There is a seven-story, steel-frame building with 161 units and seven two-story wood-frame townhouse structures with the remaining 40 units. Deferred maintenance and water infiltration are evident throughout the buildings, so this proposal involves the substantial rehabilitation of all the structures to ensure the long-term viability of the property. The mid-rise building envelope will be fully repaired, with brick veneer replacement on the first floor and Hardie plank on floors two through seven, new windows, and a new roof. Interior improvements include new flooring, kitchen and bath upgrades, and new appliances. The HVAC system will be repaired and the sanitary and water risers in the mid-rise building will be replaced.

There are 75 project-based Section 8 units under a contract administered by MassHousing. Twenty-three of those units must be rented to households at or below 50% of AMI and the remaining 52 units are restricted at 80% of AMI. Ninety-five of the units have RAD project-based assistance and are restricted at 50% of AMI. The remaining 31 units are unrestricted market-rate. Upon a motion duly made and seconded, it was, by roll call vote

VOTED: To approve the findings and determinations set forth below and to authorize a construction/permanent first mortgage loan in a principal amount of up to \$13,316,000, such first loan to be insured under the HUD HFA Risk Sharing Program, to be made to Century Pacific Housing Partnership X or another single-purpose entity controlled by Michaels Development Company (the "Borrower") as owner of the multifamily residential development known as "Bergen Circle" (the "Development") and located in Springfield, 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:

1. Development cash flow from operations shall be split, with 50% going to the Borrower and 50% to MassHousing to pay down the subordinate capital repair loan. To the extent the subordinate capital repair loan is paid in full, MassHousing's share of the cash flow will go toward repayment of the existing debt.

**FURTHER
VOTED:**

To authorize a subordinate capital repair loan to the Borrower for the Development in an amount not to exceed \$7,950,000, (1) to be funded from unrestricted funds in the Opportunity Fund approved by the Members of MassHousing Agency on March 8, 2016 and/or the Working Capital Fund, as determined by the Executive Director, and (2) subject to such terms and conditions as approved by the Executive Director or Vice President of Multifamily Programs, or their respective designees, each acting singly, and to any applicable delegations of authority previously approved by the Members of MassHousing.

**FURTHER
VOTED:**

To authorize the Executive Director and the Vice President of Multifamily Programs, and their respective designees, each acting singly, to permit the existing MassHousing debt on the Development to be subordinated and/or restructured in such priority and on such terms as may be determined by the Executive Director or the Vice President of Multifamily Programs, and/or forgiven and/or assigned to a non-profit entity to the extent required for the financial feasibility for the proposed transaction, all as may be determined at the discretion of the Executive Director or the Vice President of Multifamily Programs.

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:

170 units (84.5%) 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

Note: The market needs data reflects the information available to A&M staff as of the date of collection November 17, 2020 and may not fully incorporate the potentially adverse impact(s) that the ongoing COVID-19 virus may have on the overall economy or on the local housing markets. The global outbreak of the “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) on March 11, 2020. Further, the reader is cautioned and reminded that any observations, comparisons, and/or conclusions are based on the data as of the aforementioned collection date.

In-house data for larger market and mixed-income complexes (approximately 1,010 units) in the area revealed a strong rental market. Current occupancy rates of the five comparable properties reviewed averaged approximately 95.6%, and range between 88% and 100%. Staff review of similar mixed income/subsidized portfolio properties (1,241 units) demonstrated a weighted average vacancy rate of approximately 1.94%. None of the comparables were offering concessions.

3rd Qtr. 2020 CoStar data for the subject’s Springfield submarket (6,440 units) has an overall vacancy rate at 2.0% YTD, which is a decrease of 2.97% from one year ago. CoStar data for the Springfield market (21,950 units) has an overall vacancy rate of 2.2% YTD, which is a decrease of 1.3% from one year ago. The Springfield submarket vacancy rate is projected to decrease to 1.2% over the next five years, and the Springfield Market is projected to decrease to 1.7%.

CoStar submarket data for the 4-5 Star building type (262 units) indicates a 3rd Qtr. 2020 vacancy rate of 0% and an average asking rent of \$1,307, while submarket data for the subject’s 3 Star building type (1,872 units) indicates a 3rd Qtr. 2020 vacancy rate of 1.9% at an average asking rent of \$1,057 and 1-2 Star buildings 4,306 units) indicates a 3rd Qtr. 2020 vacancy rate of 2.2% at an average asking rent of \$1,002. The development with its amenities, more closely reflects the 3 Star building type, and is reflected in both the vacancy rate and market rent potential.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (9/24/17), the City of Springfield 61,556 year-round housing units, 10,192 (16.6%) of which are subsidized for low/moderate-income households.

Further, the Springfield Housing Authority (SHA) owns and /or operates 2,397 Public Housing units in 27 units broken down by 5 districts in Springfield. These include 13 developments for elderly and disabled residents and 14 developments for families. According to the city of Springfield’s Five-Year Consolidated plan (2016-2021), there are 2,081 applicants on the waiting lists. 90.7% of those applicants are extremely low income, with household incomes below 30% of the area median income (AMI), 7.7% are very low-income households with incomes of 30-50% of AMI, and 1.5% are low income households with incomes of 50-80% of AMI. Further, 40.6% of the applicants are families with children, 14.8% elderly and 44.4% are disabled.

SHA also administers 2,733 Section 8 Housing Vouchers and they participate in the Massachusetts Section 8 Housing Choice Voucher Centralized Waiting List. At this time the list is open, and it expected to remain open indefinitely.

U.S. Census data from the 2014-2018 American Community Survey (ACS) indicates that of the 56,476 households in the City of Springfield approximately 76.8% earned less than the HUD published 2020 AMI (\$77,200), approximately 54.8% earned less than 50% of 2020 AMI, approximately 61.9 % earned less than 60% of the 2020 AMI, and approximately 72.3% earned less than 80% of the 2020 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 change neither the current income mix of the Development nor that of its surrounding locality.

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	89	72	20	20
Net SF/Unit	800	1,100	1,100	1,200
Elev./Non-Elev.	E	E	E	E
Market Rate Rent (insert)	\$1,405	\$ 1,571	\$2,009	\$2,238
MHFA Below Market Rent	\$1,015	\$1,180	\$1,618	\$1,847

(Cost-Based Rent)

MHFA Adjusted Rent

30% of Income

Underwriting Rents

Project-Based Section 8	\$1,024	\$1,250		
RAD Project-Based Vouchers	\$1,054	\$1,1288	\$1,618	\$1,847
Unrestricted Market	\$863	\$1,091		

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.

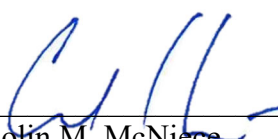
Chairman Dirrane asked if there was any other old or new business for the Members' consideration. There was none.

Chairman Dirrane asked for a motion to adjourn the meeting at 2:50 p.m. Upon a motion duly made and seconded, it was

VOTED: To adjourn the MassHousing meeting at 2:50 p.m.

A true record.

Attest.



Colin M. McNiece
Secretary