Minutes of the Annual Meeting of the
Members of MassHousing and its Affiliates:
the Massachusetts Housing Financing Agency Property Acquisition and Disposition Corporation (PADCO) and the
Center for Community Recovery Innovations, Inc. (CCRI)
held on
October 12, 2021

The annual meetings of the Massachusetts Housing Finance Agency – doing business as MassHousing – and its affiliates – the Massachusetts Housing Finance Agency Property Acquisition and Disposition Corporation (PADCO) and the Center for Community Recovery Innovations, Inc. (CCRI) were held October 12, 2021. In accordance with Section 20 of An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency, 2021 Mass. Acts 20, 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 Lisa Serafin, Acting Chair
Mark Attia, Designee of Michael Heffernan, ex officio
Carolina Avellaneda
Patricia McArdle
Thomas Flynn
Jerald Feldman

Members Not Participating Michael Dirrane
Ping Yan Chai
Jennifer Maddox, ex officio

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*

Acting Chair Lisa Serafin convened the meeting to order at 2:00 p.m.

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

VOTED: That the minutes of the meeting held on September 14, 2021 are hereby approved and placed on record.

Executive Director's Report

Chrystal Kornegay began her report by discussing the Federal and State housing proposals of 2021. On the federal level, the Build Back Better Plan calls for expanded federal subsidies to build or rehab 1 million affordable rental homes, provide incentives to remove exclusionary zoning and harmful land use policies as well as building or rehabbing 500,000 homes through the Neighborhood Home Investment Act (NHIA) which includes $20 billion of NHIA tax credits over five years.

Ms. Kornegay next discussed the National Council of State Housing Agencies (NCSHA) analysis of the reconciliation bill priorities which increase and improve volume cap and supports downpayment assistance grants with special focus on first generation homebuyers. This will help to close the racial homeownership gap nationally. Ms. Kornegay continued by discussing the Neighborhood Homes Investment Act (NHIA). This is not part of the reconciliation bill, but separate legislation that we believe it will get us into the homeownership production game. The proposal focuses on areas of high poverty and homebuyers with incomes up to 140% of the area/state median. This would be a gap filler between what it costs to build and what you can sell a home for. The states would be allocated NHIA tax credits, sponsors raise capital from investors to finance home construction and rehab, and investors then claim a tax credit after homes are completed, inspected and owner occupied. The Neighborhood Homes Investment Act has strong bipartisan support.

Ms. Kornegay went on to discuss State Act H. 3922, An Act Relative to Immediate COVID Recovery Needs, which includes $300 million first-time home buyer assistance. This allocation will reduce barriers to homeownership by expanding downpayment assistance, mortgage subsidies and mortgage insurance assistance. It also includes $200 million to the CommonWealth Builder Program to fund the production of 1,660 for-sale units to promote homeownership among households of color.

Carolina Avellaneda asked Ms. Kornegay what she sees as the potential for important diversity and inclusion work. Ms. Kornegay replied it is amazing as a Commonwealth to have a governor focused on not just housing production, but also with an equity lense. Governor Baker has sought $300 million to give residents buying power which is a huge game changer for people of color and younger families who need help to get into housing. These funds will give us additional tools to address the cost of housing in the Commonwealth. Ms. Avellaneda thanked Ms. Kornegay for all of her hard work.

Tom Flynn asked if the Reconciliation Act will be pared down and whether there are aspects of it that are more favorable to MassHousing. Ms. Kornegay answered it has the potential to be a game changer and we are fortunate in the Commonwealth to have more than one tool. The improvement of the LIHTC will allow us to be able to stretch our volume cap on the housing side, and the increase in downpayment assistance will provide us with lots of leverage in the way we do things.

IT Update

Paul Hagerty, Director of Information Technology, presented an IT update. Mr. Hagerty began by stating since the beginning of the pandemic, it has been critical that we educate our employees on the importance of cyber threats and how to mitigate them. Through leadership and encouragement from the Executive team, staff have embraced the need to stay vigilant and alert.

MassHousing believes in a model where we "Never Trust, Always Verify." Cyberattacks worldwide have increased and attacks are more sophisticated and the cost of ransoms is rising. The increase in cyberattack incidents can be linked to the changing remote workforce. To support a remote workforce we have adapted to a cloud and cloud mitigation. MassHousing is migrating many of its core IT functions from on-premises solutions to the cloud. A smaller digital footprint at One Beacon Street means a larger presence in the cloud. The use of agency-issued laptops ensures end-to-end protection when logging into our network from a remote location. MassHousing also uses analytical tools for threat detection. We look for anomalies or patterns in user behavior and network traffic. To reduce the financial risk associated with doing business connected to the internet, MassHousing has cyber insurance in place.

Mr. Hagerty continued by explaining that in FY21, MassHousing worked with Ernst & Young to help develop and embrace a long-term workplace strategy that will support its employees and deliver on its organizational mission. The workplace strategy is built around the belief that staff can work both effectively and efficiently regardless of work location. AWS embraces a hybrid workforce, whether a staff member is Resident, Flex or Mobile. This means recognizing that endpoints, users, applications, and data now go beyond the Agency firewall. On March 16, 2020, the IT Division was tasked with moving all staff members to a remote connection. Ease of access to resources with maximum security is a constant battle but one we believe is being realized.

Mr. Hagerty continued by discussing security awareness. Even without the pandemic, human error was a concern. Remote work can prove to be more problematic including the simple fact of interruptions that lead to employees being distracted and careless. Security awareness training is required and happens every month. The cybercriminals are going to be sophisticated and relentless and MassHousing is making every effort to be just as relentless.

Mr. Hagerty concluded his presentation by discussing the ways MassHousing has addressed the need for appropriate oversight and governance by establishing select committees that monitor and address technology and cyber issues. We have internal committees that cross IT and the business lines including the Information Security Task Force, the IT Security Committee, Cloud Planning Committee, AWS Technology Committee and AWS Governance & Policies. The AWS committee's focus on issues specifically related to our hybrid workforce. If an incident were to occur, an incident response plan is in place. In FY21, MassHousing had five events that were evaluated using our plan. Fortunately, each event was just that and did not require an escalation to the status of an incident.

Acting Chair Lisa Serafin commented the planning for a hybrid workforce was very impressive. Carolina Avellaneda asked if MassHousing had been involved in any ransom incidents. Mr. Hagerty replied we have not and we do have protocol in place in the event of a ransomware attack.

Mr. Flynn asked if Mr. Hagerty is confident with the amount of liability insurance we have in place. Mr. Hagerty replied yes, and that our liability insurance is reviewed annually.

Finance Presentation and Opportunity Fund Transfer

Rachel Madden began her presentation of the FY21 Year-End Results by thanking Steve Vickery, Lisa Silva-Levine, Nancy Slaney and their staff for working so hard. Homeownership and Multifamily loan production was $1.7 billion exceeding the FY21 budget of $1.3 billion by over $430 million. Budget basis net income (which does not include mark-to-market, loan loss or special items and does not capitalize certain items like servicing rights) was $61 million, $67 million above the FY21 budget of ($6) million. Net interest spread was $9 million higher than the FY21 budget, primarily due to the B-note cash collections, offset by decrease in investment income.

Net grant activity was $32 million favorable to the FY21 budget, primarily due to delays in expending CommonWealth Building Fund grants. Fee income was $33 million above the FY21 budget primarily driven by unusual MF loan-related income and HO secondary marketing gains. While administrative expenses were $8 million higher than the FY21 budget, this is due to the optional prepayment of the pension liability.

Ms. Madden went on to discuss FY2021 vs. FY2020 results. Budget basis net income (which does not include mark-to-market, loan loss or special items and does not capitalize certain items like servicing rights) was $61 million, $64 million less than FY20 income of $124 million. Net grant activity was $79 million less than FY20, primarily due to the receipt of $86 million in CommonWealth Builder funding grant income in FY20. Net interest spread was $2 million less than FY20 primarily due to decreases in investment income, offset by increased B-note cash collections.

Fee income was $30 million greater than FY20, driven primarily from unusual MF loan-related income and increased secondary marketing gains. Administrative expenses were $13 million greater than FY20, primarily due to increased pension expenditures.

Ms. Madden continued by discussing 2021 Financial Performance. MassHousing issued its FY21 financials on 9/24/2021. An unqualified audit opinion from PwC and GAAP financials were delivered with the statutorily required 90 days.

Total Net Income of $39.8 million down from FY20 income of $149.2 million. Operating Revenue without grant income was down $33.8 million – primarily due to decreases in the fair value of investments. Grant Activity was down $76.5 million and Operating Expense was down $21.6 million, primarily due to pension fund and OPEB GASB accounting expenses.

Total assets increased 6.2% to $6.32 billion and mortgage loans increased 10.8% to $3.19 billion.

In accordance with the Agency's annual practice, Ms. Madden recommended depositing $16,000,000, constituting 50% of the excess earnings after bond program transfers for FY21, to the Opportunity Fund. There was discussion about whether more than 50% could be deposited into the Opportunity Fund. Ms. Serafin asked what the process would be to add to the amount. Colin McNiece answered that the Members could adjust the amount now or we can come back and add more at any later board meeting.

Upon a motion duly made and seconded it was, by roll call vote, approved by all members present.

VOTED: To contribute $16,000,000 of the excess earnings after bond transfers from fiscal year 2021 to the Opportunity Fund established by the Members on March 8, 2016

Votes Delegating Authority to Issue Multifamily Bonds and/or Notes and Single Family Bonds and/or Notes

Ms. Madden presented delegation votes of authority to issue (i) Multi-Family bonds and/or notes to finance up to $500 million using a mix of fixed rate and/or hedged or unhedged variable rate; and (ii) HomeOwnership bonds and/or notes to finance up to $400 million using a mix of fixed rate and/or hedged or unhedged variable rate.

These delegation votes, along with the memorandum from CSG Advisors ("CSG"), MassHousing's Multi-Family financial advisor and cfX Incorporated ("cfX"), MassHousing's HomeOwnership financial advisor, will satisfy the requirements of the State Finance and Governance Board with respect to any potential derivative contracts associated with MassHousing financings.

Both the CSG memo and cfX memo are attached and provide detailed explanations of the potential financings through the end of calendar year 2022.

Upon a motion duly made and seconded the following two resolutions, by roll call vote, were approved by all members present. (Carolina Avellaneda was not present for this vote.)

RENTAL DEVELOPMENT PARAMETERS RESOLUTION

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, workforce housing 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 $500,000,000 (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 or subseries. Any Obligations issued pursuant to this resolution shall be delivered on or prior to December 31, 2022.

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 (i) may be sold on a tax-exempt basis, provided they do not bear interest at rates and are not sold at prices such that the yield on the Obligations exceeds the yield on 30-year Municipal Market Data index ("MMD") by more than 300 basis points, (ii) may be sold on a taxable basis under federal tax law, provided they do not bear interest at rates and are not sold at prices such that the yield on the Obligations exceeds the yield on 10-year U.S. Treasury securities by more than 400 basis points and (iii) may bear interest at fixed rates or at one or more variable rates determined in accordance with the provisions of the applicable Series Resolution; provided that at no time shall the outstanding principal amount of Obligations bearing interest at variable rates exceed $80,000,000. 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, (i) to take whatever action is necessary, not inconsistent with this vote, to carry out the issuance and sale of the Obligations including, without limitation, determining the amount of fixed rate and variable rate to be issued and the rates, terms and conditions thereof, including the series designations, the dates of issuance and sale, the maturities and interest payment dates, the redemption or tender dates, if any, and the establishment of funds and accounts under the applicable resolution, to account for the proceeds thereof and (ii) 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 and the purposes set forth in this resolution.

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 and to amend the same from time to time.

Section 6. In connection with the issuance of any variable rate Obligations, MassHousing may enter into one or more interest rate swap agreements, forward rate transactions, forward bond purchase transactions, cap transactions, floor transactions, collar transactions, rate lock transactions or other similar transactions to fix the effective rate on the Obligations. The pricing and fixed rate under such agreements and transactions shall not exceed the yield on 30-year MMD by more than 300 basis points, if the related Obligations are tax- exempt, and the yield on 10-year U.S. Treasury securities by more than 400 basis points, if the related Obligations are taxable. The form of such interest rate swap agreements and the rates, terms and conditions 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, Director 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

1 Post Street, Suite 575
San Francisco, CA 94104
Phone: 415.956.2454

MEMORANDUM

Date: **October 12, 2021**

To: **Rachel Madden**

From: **Gene Slater**

Re: **Multi-Family Authorization for Leveraging Variable Rate Debt for Submission to State Finance and Governance Board**

PROPOSED ACTION

MassHousing would like to authorize and potentially incorporate $80 million of variable rate debt for multi-family new production and refundings of outstanding issues through the end of calendar year 2022. These resources would be used in conjunction with fixed rate debt to finance up to $500 million of loans.

A similar amount of variable rate debt for the same purpose had been authorized in October 2020 for use during calendar year 2021. Since none of that prior $80 million authorization was utilized, this is simply a reauthorization of the same amount.

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 (the "Resolution).

In addition, MassHousing occasionally refunds its outstanding bonds when opportunities arise under the Resolution.

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. MassHousing, like other housing finance agencies, sought ways to finance projects with long tax-exempt bonds at competitive rates.

After the U.S. Treasury's New Issue Bond Program expired in 2012, MassHousing became the national leader in using Treasury and HUD's program to finance risk-share loans through the Treasury's Federal Financing Bank ("FFB"), but the FFB program then closed to any new commitments. It has recently been re-started and provides a complimentary way for MassHousing to finance risk-share loans.

In 2015, the Financial Advisory Board authorized MassHousing to use up to $50 million of variable rate debt in conjunction with fixed rate. This approach enabled MassHousing to fund a total of $675 million of new loans at attractive overall rates while achieving target spreads to help cover MassHousing operations.

After this initial authorization was fully utilized, the State Finance and Governance Board in the fall of 2019 authorized $60 million of variable rate debt for use during 2020. Due to the drop in rates due to the economic contraction from the pandemic, MassHousing was able to issue fixed rate bonds without needing to use any of that variable rate authority.

The State Finance and Governance Board similarly authorized $80 million for use during 2021, but with fixed rates continuing to remain low, MassHousing has not used any of that variable rate authority. Therefore, MassHousing is seeking authorization for $80 million of variable rate debt for issues through the end of calendar year 2022.

Proposal

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

- Fund up to $500 million of loans through the end of the next calendar year (by December 31, 2022) with a combination of:
    - fixed rate tax-exempt bonds;
    - up to a maximum of $80 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 $80 million of variable rate debt for refunding existing bonds, in order to improve economics of the Resolution.

Criteria

In accordance with approach and the findings of the Risk-Based Capital Adequacy Study 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 Resolution, without

adversely affecting any resolution ratings.

5. Maintains or strengthens the ability of the Housing Bond Resolution to provide cash income to the Working Capital Fund to help fund 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 ("FRN"), similar to MassHousing's prior FRN's, or variable rate debt without a tender feature, or through use of variable rate demand bonds ("VRDB") similar to MassHousing's current VRDB's. The counterparty, if applicable, documentation, and variable rate will be structured (along with the fixed rate debt) so as to maintain the Resolution's current ratings of Aa2 by Moody's and AA by S&P. The minimum length of an FRN interest period or liquidity facility would be expected to 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 Resolution as a whole, to minimize 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 priced at the time when the related fixed rate bonds in the same overall bond issue are priced, in order to establish an overall loan rate for the borrower, and only after the borrowers have received firm commitment approval from MassHousing.

   Index: The swap may be based on SIFMA, LIBOR or its SOFR or other successor index replacement.

   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 9 years. The borrower does not have the option to prepay the loan for at least 10 years, so this 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 resolution would not exceed the total amount of Resolution short-term cash investments; the cash provides, in effect, a natural hedge for unswapped debt. This approach allows MassHousing to improve resolution 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 (less than 3% in the current market), such swaps are 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 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 2013, 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.** Swaps will fully amortize over the term of the related loan(s). Swaps will be optionally terminable at par, beginning before the underlying mortgage loans may optionally prepay.

3. **Replacement Liquidity.** MassHousing will have the option to terminate the swaps at par in 9 years and thereafter, enabling it to refund the related variable rate bonds with fixed rate bonds and limiting its further exposure to higher costs for replacement liquidity.

4. **Other Approaches.** Other approaches, such as all long-term fixed rate bonds may not be economically feasible on many 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 variable rate debt is

limited to a maximum of an additional $80 million under this authorization, of which at least half would be hedged. If the full $80 million of variable rate debt is issued, it would be approximately 4% of the Housing Bond Resolution's total approx. $2.1 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 12% 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 the Agency's cash flow projections. It is assumed that MassHousing's short-term investment rate averages the same as LIBOR (or its successor index). 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. Projections from cfX, the agency's cash flow advisor, indicate that this authorization, including potential use of unhedged variable rate debt, would 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 $80 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 9 years all significantly reduce risk from this authorization.

d. **Proposal.** This authorization would include multiple transactions expected to be financed through December 31, 2022 within the overall parameters set forth above.

A RESOLUTION OF THE MASSACHUSETTS HOUSING FINANCE AGENCY ADOPTING SUPPLEMENTAL RESOLUTIONS AND/OR SUPPLEMENTAL TRUST INDENTURES RELATED TO THE ISSUANCE AND SALE OF NOT EXCEEDING $400,000,000 AGGREGATE PRINCIPAL AMOUNT 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") previously (i) adopted its Single Family Housing Revenue Bond Resolution (as amended to date, the "Resolution") and (ii) entered into a Trust Indenture relating to its Residential Mortgage Revenue Bonds (Mortgage-Backed Securities) (as amended to date, the "Trust Indenture"), each authorizing the issuance of bonds and/or notes for the purposes of financing or refinancing Whole Mortgage Loans, Home Improvement Loans, Cooperative Housing Loans or Mortgage-Backed Securities, refunding other obligations of MassHousing and establishing reserves therefor, as applicable, all in furtherance of MassHousing's Home Ownership Program;

WHEREAS, in order to maintain the continuity of the Home Ownership Program, and in furtherance of the provision of owner-occupied, single-family housing to low and moderate income persons and families in the Commonwealth, MassHousing desires to provide for (i) the adoption of one or more supplemental resolutions pursuant to the Resolution and (ii) the execution of one or more supplemental trust indentures pursuant to the Trust Indenture, authorizing the issuance of one or more series of bonds and/or notes to finance or refinance certain Whole Mortgage Loans and Mortgage-Backed Securities, as applicable, approved by MassHousing (collectively, the "Loans") to be designated by an Authorized Officer;

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 (i) adopts one or more Supplemental Resolutions (the "Supplemental Resolutions"), authorizing the issuance of Bonds and/or Notes under the Resolution, and (ii) approves the execution of one or more Supplemental Trust Indentures (the "Supplemental Trust Indentures"), authorizing the issuance of Bonds under the Trust Indenture, with an aggregate principal amount not to exceed $400,000,000 (the "Obligations"). The Supplemental Resolutions and the Supplemental Trust Indentures shall be in substantially the forms previously used by MassHousing, with such changes as shall be deemed necessary in accordance with Section 3 of this resolution. The Obligations may be issued in one or more series and shall be secured by and payable from (i) in the case of Obligations issued under the Resolution, any and all Revenues in accordance with the Resolution and (ii) in the case of Obligations issued under the Trust Indenture, the security and collateral set forth in the applicable Supplemental Trust Indenture. Any Obligations issued pursuant to this resolution shall be delivered on or before December 31, 2022.

Section 2. MassHousing hereby adopts a Supplemental Resolution, which may be part of or separate from the Supplemental Resolutions authorized in Section 1 above, for the purpose of amending the Resolution to set forth therein the treatment of hedging transactions entered into with respect to Bonds and/or Notes issued under the Resolution.

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 single family housing revenue 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 issued under the Resolution may be issued and sold as (i) one or more series of "Fixed Rate Bonds" or "Variable Rate Bonds" or "Compound Interest Bonds" or "Discount Bonds," (ii) one or more series of Notes or (iii) "Tender Bonds," as each such term is defined in the Resolution. 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, Chairman, Vice President of Home Ownership Programs or Financial Director are each hereby authorized, acting singly, to take whatever action is necessary to carry out the issuance and sale of the Obligations including, without limitation, determining the amount of fixed rate, variable rate, compound interest or discount bonds to be issued and the terms and conditions thereof, including the series designation(s) thereof, the date or dates of issuance and sale thereof, the maturity and interest payment dates thereof, the redemption or tender dates, if any, therefor and the establishment of funds and accounts under the Resolution or the Supplemental Trust Indenture, as applicable, to account for the proceeds thereof. The Executive Director, Chairman, Vice President of Home Ownership Programs or Financial Director are further authorized, acting singly, to make such changes, additions and revisions to the Supplemental Resolutions, the Supplemental Trust Indentures and the documents and agreements referred to herein and therein, as are necessary to effectuate the purposes thereof and the purposes set forth in this resolution.

Section 5. In connection with the issuance of any Obligations, the distribution of one or more Preliminary Official Statements by an Authorized Officer is hereby approved. The Authorized Officers are each hereby authorized to permit the distribution of one or more final Official Statements, with such changes, omissions, insertions and revisions from the preliminary form thereof as they shall deem advisable and made pursuant to the bond purchase agreement authorized in Section 2 above, and to execute such final Official Statements.

Section 6. In connection with the issuance of any Obligations, MassHousing may enter into one or more remarketing agreements, standby bond purchase agreements, credit enhancement agreements 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 7. In connection with the issuance of any Obligations, MassHousing may enter into one or more interest rate swap transactions, forward rate transactions, forward bond purchase transactions, cap transactions, floor transactions, collar transactions, rate lock transactions or other similar transactions ("Transactions"). The Authorized Officers are authorized to enter into such Transactions and to execute and deliver all agreements necessary or desirable therefor with one or more financial institutions selected by such Authorized Officers, and to pledge and apply such collateral held under the Resolution or the Supplemental Trust Indenture or otherwise held by MassHousing as shall be required by any such Transaction or any insurance therefor, subject to the pledge of any such collateral held under the Resolution or the Supplemental Trust Indenture, as applicable, for the benefit of the holders of all bonds and notes outstanding thereunder, in each case on such terms and conditions as such Authorized Officers shall determine to be in the best interest of MassHousing.

Section 8. The Authorized Officers are, and each of them is, authorized in their discretion to obtain a commitment from an Insurer (as such term is defined in the Resolution) selected by such Authorized Officers to insure all or any portion of the principal and interest payable on the Obligations issued under the Resolution on such terms and conditions as such Authorized Officers shall determine is in the best interests of MassHousing and approve (which terms and conditions shall be set forth in the applicable Supplemental Resolution). If MassHousing shall obtain an insurance policy from an Insurer to insure the Obligations issued under the Resolution, the Authorized Officers are further authorized to execute and deliver such agreements with the Insurer, or to include provisions in the Supplemental Resolutions, containing such terms, covenants and undertakings of MassHousing, as such Authorized Officers shall determine to be in the best interest of MassHousing.

Section 9. In the event the Obligations are not issued prior to the maturity date of all or any portion of any bonds (the "Prior Bonds") to be refunded with proceeds thereof, the Authorized Officers are, and each of them is, authorized in their discretion to draw amounts under the Second Amended and Restated Revolving Loan Agreement dated November 9, 2017, by and between MassHousing and Bank of America, N.A., as previously amended and as it may be further amended from time to time, sufficient to pay the principal amount of such Prior Bonds and to apply such amounts to such payment on such maturity date, provided that the amount so drawn shall be repaid from the proceeds of the Obligations upon the issuance thereof as provided in the Supplemental Resolutions.

Section 10. MassHousing may make or finance, on an interim basis, certain Loans, which costs are reasonably expected to be paid or reimbursed with the proceeds of debt to be incurred by MassHousing in the maximum amount of $400,000,000 and with respect to any such expenditures, this resolution is intended to satisfy the technical requirements of Treasury Regulations §1.150-2(d)(1).

Section 11. 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 12. As used in this resolution, the term Authorized Officer shall mean MassHousing's Chairman, Vice Chairman, Treasurer, Secretary, Executive Director, Vice President of Home Ownership Programs, Financial Director, General Counsel, Comptroller, Director of Finance and Bond Compliance, or any person serving in any of the foregoing positions in an "Interim" or "Acting" capacity at the direction of the Members of MassHousing, any Member of MassHousing, or any other Authorized Officer of MassHousing as defined in the Resolution or a Supplemental Trust Indenture.

Section 13. This resolution shall take effect immediately.

Submitted: October 12, 2021

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C F X I N C O R P O R A T E D

Memorandum

Date: October 12, 2021

To: Rachel Madden, Paul Scola

From: Jeremy Obaditch, Alex Fields

Re: Single Family Program: Review of Variable Rate Debt and Interest Rate Swap Opportunities for Submission to State Finance and Governance Board

A. Introduction

cfX has been engaged by the Massachusetts Housing Finance Agency ("MassHousing") to identify and examine the benefits and risks associated with incorporating variable rate debt in furtherance of its single family program. To date MassHousing has almost exclusively used fixed rate debt to purchase single family loans to be held in the Single Family Housing Revenue Bond Resolution (the "Resolution"). Today approximately 94% of the outstanding debt in the Resolution is fixed rate. The addition of new variable rate debt, in reasonable amounts, and in combination with interest rate swaps to reduce interest rate risk, will enable MassHousing to lower the future cost of debt. This will allow MassHousing to provide lower mortgage rates to its borrowers, help fund the down payment assistance program, maintain positive net income and balance sheet growth, and preserve the high ratings of "Aa1" and "AA+" assigned by Moody's Investors Service Inc. ("Moody's") and S&P Global Ratings ("S&P"), respectively.

This memorandum reviews the various types of variable rate debt and interest rate swaps available to MassHousing and examines the potential benefits and risks associated with these instruments in the context of the Resolution. Each of the proposed debt structures, swaps, counterparties and other components of future transactions in the Resolution will conform with all MassHousing requirements including delegation votes, its Swap Policy, the Debt Management Policy and the Investment Policy (collectively, "MassHousing Policies").

B. Types of Variable Rate Debt Instruments

Today's municipal bond market provides MassHousing with the opportunity to substitute a portion of the fixed rate debt that will be issued in the future with various types of variable rate debt instruments. Some of the more well established variable rate debt instruments used in the municipal bond market today utilized by state housing agencies include Variable Rate Demand Bonds ("VRDBs") and Floating Rate Notes ("FRNs"). All variable rate debt instruments provide bond investors with an interest accrual rate that is reset on a specified frequency that can be daily, weekly, monthly or longer. Payment of the actual interest due on variable rate debt is traditionally semi-annual or monthly for housing issuers. Both VRDBs and FRNs are well established debt instruments in the municipal bond market and have been used by housing finance agencies around the country to help finance the purchase of single family and multi-family loans.

VRDBs differ from FRNs in several ways. VRDBs require a remarketing agent, typically an investment bank, to reset the interest accrual rate based on market feedback, at regular intervals. VRDBs also include a "put" or optional tender feature that allows investors to return their bonds to the issuer at a price of par if they no longer wish to own the bonds, at the time of each interest rate reset. At this point the remarketing agent is obligated to find new investors to purchase the bonds. Tender dates are typically the same as interest rate reset dates. To support the remarketing agent all VRDBs must also include a Standby Bond Purchase Agreement, or other equivalent so-called "liquidity facility". This is provided by a financial institution who will purchase the bonds from the issuer if the remarketing agent is unable to find enough investors to purchase the tendered bonds at the time of the interest rate reset. The provider of the liquidity facility, or the counterparty, is an important aspect of VRDBs as investors will typically require an interest rate that is based in part on the name and credit quality of that counterparty. MassHousing VRDBs would be expected to be secured by liquidity facilities offered only by highly rated providers in compliance with MassHousing Policies.

VRDB remarketing agent agreements are specified for the life of the bonds, with a specified fee in the five to eight basis points per year range. Fees for remarketing agents have been declining over recent years due to competition and the entry of newer non-traditional Alternative Trading Systems offering similar remarketing services. Counterparty risk that the remarketing agent will be unable to fulfill its duties exists for all issuers of VRDBs. Replacement of a poorly performing or disabled remarketing agent occurs occasionally.

VRDB liquidity facility agreements are specified for terms ranging from one to seven years in today's market. Longer terms require higher annual fees, and most agreements priced in today's market are made in the three to five year range at rates of between 25 and 40 basis points per year. An issuer will be required to renegotiate the terms of the liquidity facility at the end of the term with the existing counterparty or solicit bids from other providers. During the debt crisis many low rated liquidity facilities were replaced before contract expiration by more highly rated counterparties. Issuers of VRDBs have both counterparty risk associated with the provider of the facility and renewal risk that the rate for the next specified term will be higher than the previous term.

FRNs, floating rate notes, are variable rate debt instruments where the interest rate is based on a specified benchmark index, such as the tax-exempt SIFMA index or the new taxable indexes that have emerged to replace LIBOR, specifically SOFR and BSBY, plus a spread for a specified initial term, typically three to seven years. At the end of the initial term a mandatory tender occurs that requires all FRN investors to return their bonds to the issuer for cancellation. At the end of the initial term the issuer may re-issue the bonds as FRNs using a similar or different index, spread or term and a new mandatory tender date. An issuer may also decide to retire the debt or convert the debt to VRDBs or fixed rate debt.

If the issuer is unable to execute the mandatory tender and pay the principal and interest due on the bonds, the variable interest rate escalates to a pre-set, high fixed rate, such as 9%, that incentivizes the issuer to find a solution to redeem the bonds quickly. This so called "Soft Put" feature of FRNs, which are typically designed to avoid an event of default under the resolution even if the tender fails, is an attractive feature for issuers who have adequate liquid investments or cash to repay FRNs if market access is unavailable.

Tax-Exempt FRNs use 100% of the weekly SIFMA index or typically 67-70% of a taxable index, and taxable FRNs use 100% of a taxable index. Interest is reset on a pre-specified frequency that can be weekly, monthly or longer. A fixed spread, in basis points, is determined by the underwriter at the time of the initial sale that reflects the credit quality of the issuer and to compensate the investor for the lack of any short term "put" feature or liquidity facility that is available in a VRDB. The spread is added to the index rate to arrive at the total variable interest rate for any period. FRNs do not require a remarketing agent or a liquidity agreement and spreads have sometimes been lower than the combined cost of the fees for remarketing and liquidity in the VRDB market. While issuers do not have counterparty risk with FRNs, they do have renewal risk - that at the time of the mandatory tender the market-based spread to the benchmark index, or the overall interest rates in the market, will be higher than the prior term. Table 1 below summarizes several of the differences between VRDBs and FRNs.

Table 1. Summary of Variable Rate Debt Instruments

Type	Public or Private Placement	Remarketing Agent	Liquidity Facility	Rate Reset	Counterparty Risk	Renewal Risk
VRDB	Public	Yes	Yes	Remarketing	Yes	Yes
FRN	Both	No	No	Index	No	Yes

C. Types of Interest Rate Swaps

In conjunction with the sale of any form of variable rate debt many issuers choose to enter into an interest rate swap with a selected counterparty. This allows an issuer to hedge all or a portion of their exposure to future rising short-term interest rates. A standard interest rate swap for an issuer of variable rate bonds is designed such that an issuer pays a fixed rate of interest in return for receiving a variable rate of interest. In simple terms this allows an issuer to receive approximately the same variable rate of interest that it is paying on the VRDBs or FRNs so that the short term rates paid and received cancel each other out. The issuer is left only with the payment of the fixed rate on the swap effectively converting variable rate debt to synthetic fixed rate debt. In practice it is almost impossible or too expensive to design a swap that will receive exactly the same interest rate that is paid on the VRDBs or FRNs. This mismatch is called basis risk which means that the basis for the short-term variable rate payments on the bonds will be somewhat different than the basis for the short-term variable rate receipts for the swap. One of the goals when designing swaps is to minimize the basis risk but some will likely be present over the life of the swap.

Most of recent swaps used to hedge tax-exempt variable rate debt by state housing agencies are based either on the weekly SIFMA tax-exempt index for the life of the swap, or start with the SIFMA index and then convert to a percentage (typically 67-70%) of the taxable 1 or 3-month LIBOR index, a so-called hybrid swap using both the tax-exempt and the taxable indices over the life of the swap. Use of the SIFMA index to hedge tax-exempt bonds minimizes basis risk as the issuer's tax-exempt VRDBs are expected to trade very close to SIFMA. Use of a percentage of the LIBOR index to hedge tax-exempt bonds has declined significantly in the last year as market participants confront the impending sunset of certain LIBOR indices beginning in December 2021. Previously percentage of LIBOR swaps had priced at a rate that is 40-50 basis points lower than a SIFMA based swap, but these LIBOR based swaps also create substantial basis risk. The pricing difference has been due to the much greater liquidity in the LIBOR market versus the relatively small SIFMA swap market.

Traditionally a ratio of 70% of taxable indices has correlated reasonably well with SIFMA and many issuers have chosen to hedge their variable tax-exempt bonds with lower cost percentage-of-a taxable index swaps. However, uncertainties related to investor behavior given uncertainties about individual marginal and corporate tax rates make it impossible to know how well this previous correlation will persist into the future. To the extent that SIFMA and tax-exempt variable rate bond rates lose some of their tax advantage and the ratio of SIFMA to taxable indices increases to potentially 80% or 90%, swaps receiving only 70% of a taxable index will be short of the payment that will be due to the bondholder. This would require issuers to not only make the fixed payment on the swap but also to make up the shortfall from the reduced receipts on the swap to pay the variable rate bond holders. This is how basis risk could be manifest in variable rate transactions. This specific type of basis risk where an issuer is using a taxable swap to hedge a tax-exempt bond is often called tax risk.

If an issuer is looking to hedge taxable variable rate bonds, then accessing the taxable index swap market can minimize basis risk as no tax risk will be apparent.

Interest rate swaps are negotiated with a counterparty and thus have embedded counterparty risk. If the provider of the swap is unable to perform its duties the bond issuer may no longer receive the variable rate interest payments necessary to offset the variable rate payments due on the bonds. While counterparty bankruptcies are rare, they have occurred, especially during the 2008 financial crisis. Issuers may be exposed to potential renewal risk to replace a terminated swap, which may be in addition to the administrative burden and unexpected additional economic costs of the existing swap.

One of the most important features of a swap is an issuer's right or option to cancel a swap at par with no additional expense on or after a specified date. Today almost all housing bond issuers enter into swaps with par cancellation options that are no later than the optional call date on the associated fixed rate bonds, typically nine or ten years. Many of the headlines from the 2008 financial crisis that related to swaps were the result of issuers purchasing long-dated noncallable swaps without realizing that they had no means of cancelling the agreement at par if interest rates fell (although such swap agreements could have been terminated at a market cost). Many of those issuers were stuck paying high above-market interest rates with no feasible ability to replace the swap at lower rates. While shorter cancellation options increase the rate paid by issuers on the swap, most housing agencies are purchasing swaps with cancellation options in the five to ten-year range. Purchasing these options also allows an issuer to hedge against basis, tax and counterparty risk by providing a costless exit.

The choice of how much of the variable rate bonds to hedge is another important decision for variable rate bond issuers. Many state housing agencies choose to hedge 75-80% of their variable rate bonds, as most agency balance sheets hold large amounts of short-term investments in the form of money market investments which act as a natural hedge against rising variable bond rates. If short term interest rates rise it would be expected that the rates on both the short-term investments and short-term variable rate bonds will also rise, mitigating the risk of interest rate risk.

Overall, swaps are attractive to state housing agencies as they allow issuers to lower the cost of the highest rate 30-year bonds by as much as 1% when factoring in the swap pay rate, basis risk, fees for VRDBs or spreads to FRNs and par cancellation options that are recommended. Saving 1% on the long-term bonds can save as much as 50 basis points on an overall issue, allowing an issuer to offer lower mortgage rates or increase earnings. Most of the state housing agencies with the lowest mortgage rates use a combination of fixed rate and variable rate bonds with swaps to finance their loan or MBS purchases. Previously, many of these housing agencies used a combination of SIFMA-LIBOR hybrid swaps or pure SIFMA swaps with unhedged bonds to achieve their financial and programmatic goals. Today, HFAs are avoiding the LIBOR market due to it's impending sunset and are almost universally purchasing SIFMA swaps or retaining unhedged variable rate risk.

Active steps are underway to replace the LIBOR index with regulators promoting the SOFR index. Table 2 below summarizes the risks that HFAs need to consider when evaluating the use of swaps.

Table 2. Summary of Risks Related to Interest Rate Swaps

Variable Bond Type	SIFMA Swap Tax Risk	Taxable Index Swap Tax Risk	Basis Risk	Counterparty Risk
Tax-Exempt	Minimal	High	Yes	Yes
Taxable	High	Minimal	Yes	Yes

D. Pro-Forma Alternative Debt Structures

cfX has designed and evaluated several alternative MassHousing single family program debt structures that use a combination of fixed and variable rate debt to identify the costs and benefits of using variable rate debt for a portion of the financings contemplated for calendar year 2022. Due to the lack of tax-exempt volume cap available to the single family program, these alternatives assume that 40% of the bonds issued in calendar year 2022 will be issued as taxable bonds.

The alternative debt structures have between 25% and 35% of the bond issue composed of variable rate debt, either tax-exempt or taxable debt. In calendar year 2022 it is expected that each bond issue would consist of between 25% and 35% of variable rate bonds with the balance consisting of traditional fixed rate debt.

Each of the alternative debt structures assume all of the variable rate bonds are hedged with SIFMA based swaps with an amortization that matches the underlying bonds and a nine and one-half year par cancellation option that matches the expected par optional call date on the fixed rate bonds. MassHousing may choose to leave a portion of their variable rate bonds unhedged to provide bond redemption flexibility and can rely on short-term variable rate money market assets in the Resolution that can provide a hedge against rising short term interest rates. MassHousing may also choose a shorter or longer par call option or choose a swap with a different amortization. Each of those decisions would be evaluated during the design of the structure to ensure that the swap was consistent with the MassHousing Policies and all rating agency requirements necessary to maintain the current rating.

Each of the tax-exempt and taxable variable rate debt executions outperform their 100% fixed rate counterparts across a range of reasonable interest rate and prepayment scenarios. Savings from the use of variable rate bonds range from 10 to 50 basis points depending on the percentage of variable rate debt and the duration of the swap.

E. <u>Performance of Alternative Variable Rate Structures in the Resolution</u>

cfX has evaluated selected alternative debt structures in the context of the overall Resolution to ensure that all the rating agency cash flow stress tests can be satisfied to ensure that any new debt that is issued will maintain the current high debt ratings from Moody's ("Aa1") and S&P ("AA+").

The most recent set of Resolution cash flows provided to the rating agencies project $208 million of net assets on August 1, 2021, or a parity ratio of approximately 121%. The rating agencies generally expect that the resolutions of large, sophisticated housing bond issuers that are using variable rate debt and swaps to finance their lending programs should have at least 110% of resolution asset parity. The $208 million of net assets means that the Resolution has approximately $109 million of additional net assets in excess of this 110% threshold.

The most recent set of Resolution cash flows provided to the rating agencies showed that the Resolution is composed of 94% fixed rate and 6% variable rate debt. In calendar year 2022 based on a $400 million total issuance target, the addition of reasonable amounts of variable rate debt consisting of approximately 25% to 35% variable rate debt for each bond issue will increase the percentage of variable rate debt in the Resolution to 11% to 14%. Moody's criteria for Aa1 rated debt specifies a preferred range of no more than 10% to 25% of variable rate debt outstanding. Contemplated variable rate debt amounts for calendar year 2022 will result in ratios that are at or below the lowest part of this range. Furthermore MassHousing will retain sufficient capacity to add variable rate debt as part of combined fixed and variable rate debt structures in the coming years.

Many state housing agencies choose to hedge a majority but not all of their variable rate debt with swaps, leaving the balance of variable rate debt unhedged. Carrying unhedged variable rate debt has allowed housing agencies to lower their cost of funds, increasing income and providing lower mortgage rates to their borrowers. In addition, unhedged variable rate debt in an issue can help facilitate certain future debt transactions that may be required by the IRS tax regulations applicable to housing issuers, such as 10 Year Rule calls and yield participations. Overall a combination of roughly 75% hedged and 25% unhedged variable rate debt is generally preferable to a 100% hedged structure.

Currently $21.3 million of outstanding variable rate debt is unhedged in the Resolution, representing a relatively small 2.1% of all bonds outstanding. If MassHousing decides to hedge 75% of the $100 to $140 million of variable debt contemplated for calendar year

2022 transactions, then the amount of unhedged variable rate would increase to between $46 and $56 million, representing 3.3% to 4.0% of all resolution debt outstanding.

On average the Resolution carries $100 million to $150 million of funds in money market instruments, providing a significant natural hedge against rising short term interest rates. The rating agencies are comfortable with sophisticated, large parity issuers of housing bonds carrying unhedged variable rate debt based on these natural hedging resources with the expectation that short term interest rates on investments will tend to rise as the short term interest rates on unhedged variable rate bonds rise.

Moody's also specifies a preference for unhedged variable rate debt of no more than 10% of all debt outstanding. The addition of $25 to $35 million of unhedged variable rate debt contemplated in calendar year 2022 will result in ratios that are well below Moody's limit for unhedged variable rate debt.

Each of the alternatives that we evaluated in the rating agency Resolution cash flow stress tests has passed all of the rating agency requirements, demonstrating sufficient net income and asset parity coverage to warrant an affirmation of the current Aa1 and AA+ ratings from Moody's and S&P, respectively. Given the substantial strength of the Resolution, MassHousing, if it so desires, will be able to repeat the contemplated program of fixed and variable rate single family issues for many years with no adverse impact on the ratings.

F. Summary

cfX analyzed the addition of between $100 and $140 million of new variable rate debt in calendar year 2022 to fund the single family program. Each of the proposed debt structures, swaps, counterparties and other components of future transactions in the Resolution will conform with all MassHousing requirements including delegation votes and the MassHousing Policies.

The combination of using fixed rate and variable rate debt to finance the single family program, in combination with interest rate swaps to reduce interest rate risk, will enable MassHousing to lower the future cost of debt. Variable rate debt creates 10 to 50 basis points of additional spread under expected interest scenarios. This will allow MassHousing to provide lower mortgage rates to its borrowers, maintain positive net income and grow the MassHousing balance sheet.

Cash flow stress tests using the adverse financial conditions required by the rating agencies were all successful. Currently only 6% of the Resolution debt is variable and the expected additions would keep the variable rate debt well within the levels preferred by the rating agencies. The high ratings of "Aa1" and "AA+" assigned by Moody's and S&P would be expected to be affirmed under any of the recommended financing scenarios.

G. cfX Incorporated

cfX is a Municipal Advisor to 14 different state housing agencies nationwide including some of the largest and the most complex housing finance issuers in the country. cfX specializes in the structuring of housing bonds to finance affordable housing and the management of complex single-family and multi-family parity bond portfolios. cfX has been engaged by MassHousing since 2004 and is a registered municipal advisor with the SEC and the MSRB.

MassHousing Annual Meeting

Acting Chair Serafin then turned her attention to the Annual Meetings of MassHousing and its affiliates. She referred the Members to the proposed slate of officers. Upon a motion duly made and seconded, by roll call vote of all the Members present, it was

VOTED: That Ping Yin Chai is hereby elected to serve as the Vice-Chair of MassHousing.

FURTHER VOTED: That Lisa Serafin is hereby elected to serve as the Treasurer of MassHousing.

FURTHER VOTED: That Chrystal Kornegay, Rachel C. Madden, and Stephen E. Vickery are hereby elected to serve as Assistant Treasurers of MassHousing.

FURTHER VOTED: That Colin M. McNiece is hereby elected to serve as the Secretary of MassHousing.

FURTHER VOTED: That Carol G. McIver is hereby elected to serve as the Assistant Secretary of MassHousing.

Other Post-Employment Benefits ("OPEB") Trust

In 2008 the Members approved the establishment of the Massachusetts Housing Finance Agency Other Post-Employment Benefits Trust (the "OPEB Trust") to fund the Agency's non-pension obligations to retired employees. In accordance with the Members' vote, the Agency executed an irrevocable trust agreement (the "OPEB Trust Agreement") to create the trust and appointed as trustee a "MassHousing OPEB Committee." The OPEB Trust Agreement, as amended in 2018, specifies that the OPEB Committee be composed of the following Agency personnel: (1) the Financial Director or equivalent position, (2) the Manager of Human Resources or equivalent position, (3) the Chief Operating Officer or equivalent position, (4) one member appointed by the Agency Members (currently, Henry Mukasa), and (5) one member appointed by the Executive Director (currently Cynthia Fernandes). In light of the recent redefinition of executive positions and appointment of Rachel Madden as Chief Financial & Administrative Officer, staff recommends further amending the OPEB Trust Agreement to replace the Chief Operating Officer seat on the MassHousing OPEB Committee with the Senior Director of Operations. The Financial Director seat would continue to be filled by Rachel Madden as Chief Finance & Administrative Officer.

Additionally, it is recommended that Henry Mukasa, the Agency's Director of Rental Management, continue to serve as the representative of the Agency Members on the MassHousing OPEB Committee until the next Annual Meeting.

Upon a motion duly made and seconded, by roll call vote of all members present, it was

VOTED: To approve amendment to the Irrevocable Trust Agreement made by the Agency and the MassHousing OPEB Committee, as trustee, dated June 26, 2008, as amended, with respect to the Massachusetts Housing Finance Agency OPEB Trust (the "OPEB Trust Agreement") to (i) update the composition of the MassHousing OPEB Committee by replacing the Chief Operating Officer with the Senior Director of Operations (or equivalent) position.

FURTHER VOTED: To authorize the Executive Director, Financial Director, or the General Counsel to execute an amendment of the OPEB Trust Agreement effectuating the change described in the immediately preceding vote.

FURTHER VOTED: That Henry Mukasa serve as the Agency Members' representative to the MassHousing OPEB Committee until the next Annual Meeting

Massachusetts Housing Finance Agency Employees' Retirement System

VOTED: That Ping Yin Chai is appointed to serve as a Member of the Massachusetts Housing Finance Agency Employees' Retirement System.

Please note that Agency Member Lisa Serafin will continue to serve on that Board, consistent with Section 20 of Chapter 32 of Massachusetts General Laws, which provides that the Treasurer of MassHousing serve on the Board of the Massachusetts Housing Finance Agency Employees' Retirement System as an *ex officio* member

Although a vote was not required, Acting Chair Serafin noted the following committee assignments proposed by the Chair for the Members:

Appointments to Committees

Home Ownership Committee
Patricia McArdle, *Chair*
Mark Attia, as designee for Michael Heffernan, ex officio

Loan Committee
Jennifer Maddox, ex officio, or her designee, *Chair*
Lisa Serafin
Jerald Feldman

Management Policy Review Committee
Jennifer Maddox, ex officio, or her designee, *Chair*
Lisa Serafin
Carolina Avellaneda

Investment and Audit Committee
Michael Dirrane, *Chair*
Ping Yin Chai
Mark Attia, as designee for Michael Heffernan, ex officio

Human Resources and Compensation Committee
Michael Dirrane, *Chair*
Ping Yin Chai
Carolina Avellaneda
Thomas J. Flynn

Mortgage Insurance Fund Committee
Michael Dirrane, *Chair*
Rachel Madden, *ex officio*
Stephen Vickery, *ex officio*
Mounzer Aylouche, *ex officio*
Peter Milewski

Acting Chair Serafin then called for a motion to recess MassHousing's Annual Meeting to conduct the annual meetings of MassHousing's affiliates: the Center for Community Recovery Innovation Inc. ("CCRI") and the Massachusetts Housing Finance Agency Property Acquisition and Disposition Corporation ("PADCO").

Upon a motion duly made and seconded, by roll call vote of all Members present, it was

VOTED: To recess the MassHousing Annual Meeting and convene the Annual Meeting of PADCO.

Massachusetts Housing Finance Agency Property Acquisition and Disposition Corporation (PADCO) Annual Meeting

Acting Chair Serafin called the Annual Meeting of the Massachusetts Housing Finance Agency Property Acquisition and Disposition Corporation (PADCO) to order. Ms. Serafin referred the Members to the proposed slate of officers.

Upon a motion duly made and seconded, by roll call vote of all the Members present, it was

VOTED: That the Board of Directors of PADCO shall consist of the Members of MassHousing.

FURTHER VOTED: That Michael J. Dirrane is hereby elected to serve as Chairman of PADCO.

FURTHER VOTED: That Chrystal Kornegay is hereby elected to serve as President of PADCO.

FURTHER VOTED: That Henry Mukasa is hereby elected to serve as Vice President of PADCO.

FURTHER VOTED: That Rachel C. Madden is hereby elected to serve as Treasurer of PADCO.

FURTHER VOTED: That Colin M. McNiece is hereby elected to serve as Clerk of PADCO.

FURTHER
VOTED: That Carol G. McIver is hereby elected to serve as Assistant Clerk of PADCO

Noting that there was no other business requiring action or discussion, Acting Chair Serafin asked if there was a motion to adjourn the PADCO meeting and convene the CCRI meeting.

Upon a motion duly made and seconded, by roll call vote of all the Members present, it was

VOTED: To adjourn the Annual Meeting of the Massachusetts Housing Finance Agency Property Acquisition and Disposition Corporation (PADCO) and convene the Annual Meeting of the Center for Community Recovery Innovations, Inc. (CCRI).

Center for Community Recovery Innovations, Inc. CCRI Annual Meeting

Acting Chair Serafin called the Annual Meeting of CCRI to order. Ms. Serafin then referred the Members to the proposed slate of officers.

Upon a motion duly made and seconded, by roll call vote of all the Members present, it was

VOTED: That the Board of Directors of the Center for Community Recovery Innovation, Inc. shall consist of the Members of MassHousing, as well as the Chair and Vice Chair of the Community Services Advisory Committee.

FURTHER
VOTED: That Michael J. Dirrane is hereby elected to serve as Chairman of the Center for Community Recovery Innovations, Inc.

FURTHER
VOTED: That Chrystal Kornegay is hereby elected to serve as President of the Center for Community Recovery Innovations, Inc.

FURTHER
VOTED: That Henry Mukasa is hereby elected to serve as Vice President of the Center for Community Recovery Innovations, Inc.

FURTHER
VOTED: That Rachel C. Madden is hereby elected to serve as Treasurer of the Center for Community Recovery Innovations, Inc.

FURTHER
VOTED: That Colin M. McNiece is hereby elected to serve as Clerk of the Center for Community Recovery Innovations, Inc.

FURTHER

VOTED: That Carol G. McIver is hereby elected to serve as Assistant Clerk of the Center for Community Recovery Innovations, Inc.

Noting that there was no other business requiring action or discussion, Acting Chair Serafin asked if there was a motion to adjourn the CCRI meeting and reconvene the MassHousing Annual Meeting. Upon a motion duly made and seconded, by roll call vote of all the Members present, it was

VOTED: To adjourn the Annual Meeting of Center for Community Recovery Innovations, Inc. (CCRI) and reconvene the MassHousing Annual Meeting.

Loan Committee

North 116 Flats, Sunderland

Greg Watson presented a proposal for a Commitment of a Taxable Permanent Loan for North 116 Flats in Sunderland. North 116 Flats is a newly constructed 150 unit mixed-income development located in Sunderland, MA. Construction was completed in August 2020 with lease-up completed in February 2021.

The development is focused on market rate student housing and 112 units are rented on a per bed basis to student populations. The 38 affordable units are restricted at 80% of AMI and available for lease to income eligible families or individuals on a per unit basis.

MassHousing issued a forward permanent loan commitment to the current owner, Sugarbush Meadow LLC, in February 2019. The commitment expired in February 2021. The owner has entered into a purchase and sale agreement with the Sponsor. MassHousing's loan will close simultaneous with or subsequent to the purchase

The property is located on an 18.25-acre site in Sunderland. The site is adjacent to a bus line that runs to downtown Amherst and the University of Massachusetts at Amherst (UMass), which is approximately three miles from the Site.

On April 26, 2006, MassHousing issued a Project Eligibility Letter (PEL) under the Commonwealth's Comprehensive Permit Program (40B) to build 150 units with 25% of the units for households earning at or below 80% of the AMI. The Town of Sunderland denied the Comprehensive Permit. Subsequently, the Housing Appeals Committee ("HAC") Decision became the official Comprehensive Permit on February 5, 2016. The Applicant was then able to apply for Final Approval under the 40B Program at MassHousing.

The development is a hybrid, purpose-built student housing and affordable family rental property. The property contains five apartment buildings with a total of 150 units and a clubhouse that includes a fitness center, yoga studio, private study rooms, entertainment lounge and the leasing center. Outdoor amenities include green space, dog parks, grilling stations and fire pits. It was completed in August2020, reached stabilized occupancy in February 2021 and recently completed re-leasing for the 2021/22 academic year.

The development contains 150 rental units, of which 38 are affordable to households earning less than 80% of the AMI and the remaining 112 are market units.The affordable units are leased on a per unit basis and are subject to affordability requirements pursuant to the Comprehensive Permit. The market units are leased on a per unit or bed basis.

Upon a motion duly made and seconded, by roll call vote of all the Members present, it was

VOTED: To approve the findings and determinations set forth below and to authorizea permanent first mortgage loan in a principal amount of up to $41,200,000,to be made to PR LMP 653 Amherst Rd, LLC or another single-purpose entity controlled by Landmark Properties Real Estate Partners LLC (the "Borrower") as owner of the multifamily residential development known as "North 116 Flats" (the "Development") and located in Sunderland, 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) Approval by the Director of Rental Management of a consulting agreement between Borrower and Appleton Corporation (or another third party acceptable to MassHousing) to provide training, guidance and oversight to the Borrower and Landmark Venture Management, LLC, as Management Company, relating to the marketing, leasing andrecertification of the affordable units;

(2) Approval by the Director of Rental Management of form(s) of leasegoverning occupancy of market rate units, including those leased on a per-bed occupancy, and/or any changes to the form(s) of lease previously approved by the Director of Rental Management; and

(3) Approval by the Manager of the Planning and Programs Departmentof the Borrower, as successor owner of the Development, that all conditionsrelating

to construction and occupancy of the Development under M.G.L.c. 40B, including those memorialized in the Interim Regulatory Agreement have been satisfied.

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:
38 units (25%) 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
The market needs data reflects the information available to A&M staff as of the date of collection September 23, 2021 and may not fully incorporate the potentially adverse impact(s) that the COVID-19 virus has had on the overall economy or on the local housing markets, since being declared a pandemic by the World Health Organization (WHO) in March 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 766 units) in the area revealed a strong rental market. Current occupancy rates of the six comparable properties reviewed averaged approximately 98.45% and range between 97% and 100%. MassHousing's review of similar mixed income/subsidized portfolio properties (1,294 units) demonstrated a weighted average vacancy rate of approximately 3.5%.

There is no submarket data for Sunderland, therefore Amherst submarket data was used. CoStar data for the subject's Amherst/East Hampshire Submarket (3,281 units) has an overall vacancy rate at .4% YTD, which is a decrease of 1.30% from one year ago. CoStar data for the Springfieldmarket 22,351 units) has an overall vacancy rate of 2.0% YTD, which is a decrease of .14% fromone year ago. The Amherst/East Hampshire Submarket vacancy rate is projected to increase to 1.4% over the next five years, while the Springfield market is projected to decrease to 1.7%.

CoStar, submarket data for the Amherst/East Hampshire 4-5 Star building type (432 units) indicates a 3rd Qtr. 2021 vacancy rate of 1.2 % and an average asking rent of $1,911, while submarket data for the subject's 3 Star building type (2,007 units) indicates a 3rd Qtr. 2021 vacancyrate of .2% at an average asking rent of $1,615 and 1-2 Star buildings (842 units) indicates a 3rd Qtr. 2021 vacancy rate of .3% at an average asking rent of $1,353. 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 (12/21/21), the Town of Sunderland has 1,718 year-round housing units, 183 (10.7%) of which are subsidized for low/moderate income households. The Town of Sunderland does not have a housing authority.

U.S. Census data from the 2015-2019 American Community Survey (ACS) indicates that of the 1,677 households in the Town of Sunderland, approximately 67.5% earned less than the HUD published 2021 AMI ($81,700), approximately 39.2% earned less than 50% of 2021 AMI, approximately 44.7% earned less than 60% of the 2021 AMI and approximately 60.4% earned lessthan 80% of the 2021 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 does not lead to the undue concentration of low-income households.

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, andsanitary housing available to low-income persons and families in the general housing market areaof 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 asthe acute shortage of affordable housing persists, actions of public agencies to increase the supplyof 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
Number of Units	30	90	30
Net SF/Unit	568	910	1,250
Elev./Non-Elev.	Elev.	Elev.	Elev.
Market Rate Rent	$2,391	$3,031	$3,545
(10% Rate 20 Yr. Term)			
MHFA Below Market Rent	$1,566	$2,206	$2,721
(Cost-Based Rent)			
MHFA Adjusted Rent	30% of 80% of AMI		
Underwriting Rents			
Market Unrestricted	$1,875	$3,176	$3,798
40B	$995	$1,256	$1,641

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 thefinancing of the Development will not create or contribute to an undue concentration of low- income persons or adversely impact other housing in the area

608 Broadway, Lawrence

Greg Watson presented a proposal for Official Action Status, Commitment of a Tax-Exempt Permanent Loan; Commitment of a Tax-Exempt Bridge Loan and Commitment of a Workforce Housing Subordinate Loan for 608 Broadway in Lawrence.

Trinity Financial proposes to transform a portion of the historic Marriner Mill in the Arlington Mills Historic District of Lawrence into 87 units of mixed-income rental housing. This project will occupy roughly 120,000 square feet of the 450,000 square-foot Marriner Mill building. 608 Broadway will be the third residential project in the multiphase redevelopment of Lawrence's 34-acre Arlington Mills Smart Growth Overlay District, which is zoned to allow for up to 1,000 residential units under the provisions of Chapter 40R.

The Project is located within the 34-acre Arlington Mills Smart Growth Overlay (AMSGO)/40R District and sits on the border of the Gateway Cities of Lawrence and Methuen, Massachusetts. 608 Broadway is approximately 120,000 square feet and represents roughly a quarter of the total floor area of the Marriner Mill building. 608 Broadway sits at the western end of the Marriner Mill building, closest to Trinity's Arlington Point property, and is separated from the rest of the structure by a firewall. The Project is part of the 450,000 square-foot Marriner Mill building, which is five stories tall (inclusive of the basement level). The Marriner Mill was constructed in phases over a series of building campaigns; the first section of the mill was completed in 1896.

Trinity's adaptive reuse of the Project will substantially rehabilitate this historic building to a residential use. These renovations will include the replacement of all existing windows with new energy-efficient windows that match the original windows' sight lines. The interior of the building will be restored to reveal the original structural columns and beams. The building's existing masonry façade will be repointed and repaired as needed. New construction will include new or updated water, sewer, electrical and HVAC infrastructure. The amenity spaces will include a large function room, community room and fitness center. Parking will be located in front of the building and in an adjacent surface lot.

Upon a motion duly made and seconded, by roll call vote of all members present, 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 loan commitment for the multifamily development known as "608 Broadway" (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 $31,500,000 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 Members of MassHousing dated June 11, 1996, staff makes the following Official Action Status findings for the proposed project:

1. The Trinity Marriner Limited Partnership ("Developer") has 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.

VOTED: To approve the findings and determinations set forth below and to authorize (a) a permanent first mortgage loan in a principal amount of up to $2,700,000, such first loan to be insured under the HUD HFA Risk Sharing Program; and (b) a subordinate equity bridge mortgage loan in a principal amount of up to $22,500,000, in each case to be made to Trinity Marriner Limited Partnership or another single-purpose entity controlled by Trinity Marriner Development LLC (the "Borrower") as owner of the multifamily residential development known as "608 Broadway" (the "Development") and located in Lawrence, 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 applicablefinancing 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 $2,100,000 (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:

To authorize the Executive Director and the 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 first mortgage loan, and other MassHousing debt as determined by the Executive Director or the Vice President of Multifamily Programs, 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.

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 multifamily development located in Lawrence, Massachusetts and known as "608 Broadway" (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 Rental Business Development, the Director of Rental Lending, the Director of Rental Operations, 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.

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:**

87 units (100%) 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**

The market needs data reflects the information available to A&M staff as of the date of collection August 26, 2021 and may not fully incorporate the potentially adverse impact(s) that the COVID-19 virus has had on the overall economy or on the local housing markets, since being declared a pandemic by the World Health Organization (WHO) in March 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 861 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 97.6% and range between 95% and 100%. One of the comparables reviewed is offering concession of one month's free rents with the signing of a 13-month lease.

3rd Qtr. 2021 CoStar data for the subject's Lawrence/Haverhill submarket (8,656 units) has an overall vacancy rate at 4.7% YTD, which is a decrease of 0.15% from one year ago. CoStar data for the Boston market (242,815 units) has an overall vacancy rate of 5.7% YTD, which is a decrease of 2.11% from one year ago. The Lawrence/Haverhill submarket vacancy rate is projected to decrease to 3.7% over the next five years, while the Boston market is projected to increase to 5.2%.

CoStar submarket data for the 4-5 Star building type (2,767 units) indicates a 3rd Qtr. 2021 vacancy rate of 6.1% and an average asking rent of $1,876, while submarket data for the subject's 3 Star building type (2,486 units) indicates a 3rd Qtr. 2021 vacancy rate of 6.5% at an average asking rent of $1,704 and 1-2 Star buildings (3,403 units) indicates a 3rd Qtr. 2021 vacancy rate of 2.3% at an average asking rent of $1,416. 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 (12/21/20), the City of Lawrence has 27,092 year-round housing units, 4,017 (14.8%) 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 down 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 units, 363 applicants for two-bedroom units, 213 applicants for the three-bedroom units, and 78 applicants for the four-bedroom units. Regarding the federally assisted elderly/disabled units, the units are broken down as follows: 81 studios, 504 one-bedroom, and 36 two-bedroom units. Per the representative of LHA, the wait list is as follows: 1,526 studios and one-bedroom units and 29 applicants for the two-bedroom units.

LHA also manages 522 State assisted units comprised of 451 family units and 71 elderly/disabled units. The family units are broken down 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 units, 1,525 applicants for two-bedroom units, 980 applicants for three-bedroom units and 247 applicants for four-bedroom units. Lastly, LHA manages 71 state-assisted elderly/disabled one-bedroom units with 1,909 applicants currently on the wait list.

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

U.S. Census data from the 2015-2019 American Community Survey (ACS) indicates that of the 25,959 households in the City of Lawrence, approximately 78.7% earned less than the HUD published 2021 AMI ($105,400), 55.5% earned less than 50% of the 2021 AMI, approximately 62.6% earned less than 60% of the 2021 AMI and approximately 87.7% earned less than 80% of the 2021 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 provides housing opportunities for several tiers of household incomes and does not lead to an undue concentration of low-income households.

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
Number of Units	27	40	20
Net SF/Unit	706	993	1,185
Elev./Non-Elev.	Elev.	Elev.	Elev.
Market Rate Rent	$1,092	$1,386	$1,371
(10% Rate 20 Yr Term)			
MHFA Below Market Rent	$920	$1,215	$1,200
(Cost-Based Rent)			
MHFA Adjusted Rent		30% of Income	
Underwriting Rents			
LIHTC 30% AMI	$498	$589	$671
LITHT 60% AMI	$981	$1,168	$1,340
Workforce 80% AMI	$1,270	$1,516	$1,742

*Underwritten rents 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.

140 Clarendon, Boston (Back Bay)

Rachel Carlson presented a proposal for an increase to the Tax-Exempt Equity Bridge Loan Authorization.

On August 10, 2021, the Agency approved a permanent first mortgage of up to $41,985,000 and a tax-exempt equity bridge loan in the amount of up to $16,653,000 to support the rehabilitation and preservation of 140 Clarendon.

Since that time there have been changes to both the development and operating budgets: the total development cost has increased by approximately $630,000; and a reduction in projected rental revenue has decreased the supportable first mortgage by $4,761,000. The Sponsor has secured alternative sources of funding to compensate for the reduced first mortgage.

A combination of the increased development costs and decreased permanent loan has resulted in the need to increase the equity bridge loan in the amount of $4,159,000 to ensure the project meets "50% test" required for tax-exempt financed tax credit deals.

Upon a motion duly made and seconded, by roll call vote of all Members present (Patricia McCardle was not present for this vote), it was

VOTED: To authorize (a) an increase of $4,159,000 in the tax-exempt bridge loan previously authorized by the Members on August 10, 2021, from $16,653,000 to a principal amount of up to $20,812,000 to be made to 140 Clarendon LL Limited Partnership or another single-purpose entity controlled by Beacon Communities Corp. (the "Borrower") as owner of the multifamily residential development known as "140 Clarendon" (the Development") and located in Boston, Massachusetts, and in accordable 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.

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:
210 units (100%) in the Development will be affordable to low-income persons

and families, asspecified in the Act, at the adjusted rentals shown in the rent schedule below.

2. Shortage of Affordable Housing Units in the Market Area

The market needs data reflects the information available to A&M staff as of the date of collection July 15, 2021 and may not fully incorporate the potentially adverse impact(s) that theCOVID-19 virus has had on the overall economy or on the local housing markets, since being declared a pandemic by the World Health Organization (WHO) in March 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 606 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 98.4%, and range between 94% and 100%. One out of the fivecomparables reviewed was offering rental concessions of two months free rent to prospective tenants.

CoStar data for the subject's Back Bay/South End Submarket (10,194 units) has an overall vacancy rate at 4.1% YTD, which is a decrease of 2.70% from one year ago. CoStar data for theBoston market (240,822 units) has an overall vacancy rate of 5.9% YTD, which is a decrease of1.63% from one year ago. The Back Bay/South End Submarket vacancy rate is projected to decrease to 3.5% over the next five years, while the Boston market is projected to decrease to 5.3%.

CoStar, submarket data for the 4-5 Star building type (4,103 units) indicates a 3rd Qtr. 2021 vacancy rate of 4% and an average effective rent of $4,130, while submarket data for the subject's 3 Star building type (3,075units) indicates a 3rd Qtr. 2021 vacancy rate of 4.3% at anaverage asking rent of $3,213 and 1-2 Star buildings (3,016 units) indicates a 3rd Qtr. 2021 vacancy rate of 4.1.% at an average asking rent of $2,574. 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 (12/21/20), the City of Boston has 269,482 year-round housing units, 55,509 (20.6%) of which are subsidized for low/moderate income households.

As of January 2021, the Boston Housing Authority (BHA) owns and operates 27 family and 36 elderly/disabled developments with a total of 12,501 units. The BHA also administers 14,574 units of Leased Housing, consisting of 12,216 Housing Choice Vouchers, 1,441 Project Based and 198 Moderate Rehab. In addition, the City of Boston's Annual Plan (FY2020) indicated that the BHA maintains the following wait lists: There are 15,140 households on the Leased Housingwaiting list. This is broken down by families with children, families with disabilities and elderly families. The BHA also had Single applicants on the waiting list. There were also 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 maintains a Public Housing Wait list with 41,038 applicants.

U.S. Census data from the 2015-2019 American Community Survey (ACS) indicates that of the269,522 households in the City of Boston approximately 69.5% earned less than the HUD published 2021 AMI ($120,500), approximately 47.7% earned less than 50% of 2021 AMI, approximately 54 % earned less than 60% of the 2021 AMI, and approximately 62.1 %earned less than 80% of the 2021 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 does not lead to the undue concentration of low-incomehouseholds.

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, andsanitary 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 andunsanitary 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 forunits within the proposed Development:

Rent Schedule:

Number of Bedrooms	0	1
Number of Units	169	41
Net SF/Unit	235	480
Elev./Non-Elev.	E	E
Market Rate Rent	$5,035	$5,226
(10% Rate 20 Year Term)		
MHFA Below Market Rent	$3,229	$3,421
(Cost-Based Rent)		
MHFA Adjusted Rent	30% of 60% of AMI	
Underwriting Rents		
BHA Section 8	$2,498	$2,738
Pine Street Inn Section 8	$2,498	$2,738
MRVP	-	$1,826

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.

Clippership Apartments, Boston (East Boston)

Sarah Hall presented a proposal for Commitment of a Tax-Exempt Bridge Loan Increase for Clippership Apartments in East Boston. The proposal is for an increase of $450,000 to the Tax-Exempt Equity Bridge authorization from $3,600,000 to $4,050,000.

On December 11, 2018, the Agency approved a tax-exempt permanent first mortgage of $4,875,000 and a bridge loan of $3,450,000 for the construction Clippership Apartments, a 22- unit multifamily development in the East Boston neighborhood of Boston.

On April 9, 2019, the Agency approved an increase of the tax-exempt permanent first mortgageby $1,725,000 to $6,600,000 (please see Exhibit B). On May 9, 2019, staff used delegated authority to approve an increase in the tax-exempt bridge loan by $150,000 to $3,600,000 in order for the project to meet the so-called 50% test.

Subsequently, the project encountered cost overruns. These increases were due to environmental remediation, including additional hazardous materials removal, as well as delays due to COVID-19. As a result, the total development cost increased, and the total approved tax-exempt proceeds were determined to be insufficient to meet the "50% test" required for tax-exempt financed tax credit developments. As such, the Sponsor has requested an increase to the equity bridge loan of $450,000

Prior to starting construction, the owner completed significant infrastructure and site work required by the City of Boston and extensive environmental remediation necessary because of the presence of contaminated fill on the site. These costs, along with the costs to demolish the existing structures, are carried in the development budget. In addition, the Development's location on the coastline necessitated certain construction methods, such as the use of pilings to secure the building.

Once construction commenced, unforeseen conditions resulted in additional demolition and soil remediation costs, and COVID construction shut-downs caused costly delays.

Finally, the Development includes a 3,100 square foot retail space. Related soft costs (architectural and engineering, environmental engineer, and legal) increased commensurate with the delay period and the higher construction costs

Upon a motion duly made and seconded, by roll call vote of all Members present, it was

VOTED: To authorize (a) an increase of $450,000 in the tax-exempt bridge loan previously authorized by the Members on December 11, 2018 and increased by Agency staff under delegated authority, from $3,600,000 to aprincipal amount of up to $4,050,000 to be made to Clippership Apartments Limited Partnership or another single-purpose entity controlled by WinnDevelopment Company Limited Partnership. (the "Borrower") as owner of the multifamily residential development known as "Clippership Apartments" (the Development") and located in Boston, Massachusetts, and in accordable 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

Acting Chair Serafin asked if there was any other old or new business for the Members' consideration. There was no other old or new business.

Acting Chair Serafin asked for a motion to adjourn the meeting at 3:21 p.m. Upon a motion duly made and seconded, it was

VOTED: To adjourn the MassHousing meeting at 3:21 p.m.

A true record.

Attest.

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Colin M. McNiece
Secretary