Minutes of the Meeting
of the Members of
MassHousing
and
The Center for Community Recovery Innovations, Inc.
held on
May 9, 2017

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing – and a special meeting of its affiliate – the Center for Community Recovery Innovations, Inc. ("CCRI") – were held on May 9, 2017 at MassHousing's offices located at One Beacon Street in Boston, Massachusetts. In attendance were:

Members Michael Dirrane, Chair
Mark Attia, Designee of Kristen Lepore
Chrystal Kornegay
Lisa Serafin
Carolina Avellaneda

Members Not Present Ping Yin Chai
Andy Silins
Marc Cumsky
Mary Nee

Staff Tim Sullivan
Frank Creedon
Beth Elliott
Tom Lyons
Chuck Karimbakas
Paul Scola
Sergio Ferreira
Eric Gedstad
Henry Mukasa
Antonio Torres
Carol McIver
Nancy McDonald
Deb Morse
Tina Keophannga
Belmira Fallon
Nancy Slaney
Paul McMorrow
Matthew Deych
Anna Reppucci
Kaitlyn Mulcahy
Carmen Beato

Gail Bishop
Andrea Laing
Craig Merry
Lynn Shields
Susan Sheffer
Hana Migliorato
Laurie Bennett
Chris Burns
Kathleen Evans
Cynthia Lacasse
Maureen Burke
Ed Chase
Rachel Carlson
Bill Dunn
Zan Bross
Kathy Connolly
Kathleen Lynch
John W. McCormack
David Keene
Meaghan McCarthy
Paul Garrity
Doug O'Brien
Kelly Johnson
Ken Penta
Joe McNiff
Karla Ocegueda
Maura Coppney
Jean-Claude Dantus
Jeremy Meneses
Mounzer Aylouche
Joseph Mullen
LaVergne Randolph
Stephen Vickery
Joseph Hughes
Paul Hagerty
Beth DeFranzo
Amy Dominici
Deepak Karamcheti
Mary Magliozzi

Guests John W. Keith, Keith Properties
Brandon Wolanski, Barclays
Geoff Proulx, Morgan Stanley
Sawyer Middeleer, Mullins Company
Joe Tait, Raymond James
Paul Ladd, BofA-Merrill Lynch

Bill Veronda, BofA-Merrill Lynch
George Jaeger, Bank of America
Raymond High, Citigroup
Jeff Sula, RBC
Nick Fluehr, Wells Fargo
Michael McKeeman, Wells Fargo
Charles Carey, Mintz Levin
Paul R. Haley, Barclays
Lena Altomare, US Bank
Lori Hindle, PFM
David Reeser, PFM
Ray Lawson, Loop Capital
Ken Schneider, Loop Capital

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

VOTED: That the minutes of the meeting held on April 11, 2017 are hereby approved and placed on record.

Chairman Dirrane then called upon Timothy Sullivan, MassHousing's Executive Director, for his monthly report to the Members.

Executive Director's Report

Mr. Sullivan began by discussing the origins of MassHousing's Opportunity Fund. He noted that the Board created the Fund in March 2016, and that it was initially capitalized by the Agency with $160 million to confront key housing challenges facing the Commonwealth. Mr. Sullivan indicated that his report would be focused on how the Opportunity Fund is being deployed to protect vulnerable households living in Section 13A-assisted units, and that Cynthia Lacasse would be addressing the needs of middle-income households that the Agency is trying to serve through its workforce housing program.

Mr. Sullivan explained that the 13A program came about in the 1970s and it was modeled after the Federal Section 236 program which provided a "debt service subsidy" from the Commonwealth which reduced the interest rate on the mortgage to 1%. The interest rate savings are passed on to the residents in the form of a reduced, budget-based rent known as "Basic Rent". 13A Basic Rents are well below both market and LIHTC rents, Mr. Sullivan pointed out. While many of the units are concentrated in Boston, there are 13A units throughout the Commonwealth.

Mr. Sullivan explained that 13A subsidy was the subject of annual appropriations from the Commonwealth and had been funded at approximately $8 million a year. Beginning in 2004, the Commonwealth reduced its funding commitment to the program, and, in 2009, the Commonwealth stopped funding the program entirely. MassHousing, as the mortgagee, stepped in to make up the appropriation shortfalls approximating $80 million over time.

Mr. Sullivan explained that up until 2013, HUD had been providing enhanced Section 8 vouchers to preserve household and unit affordability at state-assisted 13A developments at mortgage maturity or prepayment to protect tenants from displacement. Beginning in 2013, however, HUD reneged that support making the preservation of those households and units more challenging, and deep affordability harder to achieve.

Mr. Sullivan explained many projects matured or prepaid out of the portfolio at a time when those federal resources were available. Progress continued after those federal resources were no longer available, but preservation outcomes were not as strong. Nearly half the units remained in the program and very few tools were available for preservation.

Mr. Sullivan went on to say that the sudden loss of access to federal resources created an urgent need for tenant protection and unit preservation. The Commonwealth stepped in with the following resources: MRVP rent increase to LIHTC levels from DHCD; priority for tax-exempt volume cap; $100 million from MassHousing and DHCD and "To Go" subsidy from MassHousing. Mr. Sullivan explained that MassHousing has three priorities: protecting existing tenants; unit preservation; and long-term affordability. Resources are targeted toward the protection of all 13A households and the preservation of the greatest possible number of units. Mr. Sullivan added that demand for resources is high and demand still outpaces supply. Working groups, consultants and staff have worked to arrive at an allocation methodology for providing preservation funds.

Agency Member Chrystal Kornegay stated that DHCD is committed to this preservation challenge.

Mr. Sullivan added that the City of Boston and other municipalities are also stepping up to the plate to address these challenges.

Mr. Sullivan reported that of the 34 properties remaining in the portfolio, 20 properties (1,740 units) have received subsidy offers; 8 properties (1,335 units) would require a different approach to achieve preservation. Staff are working to model potential transactions that effectuate full tenant protection and partial unit preservation. Of the remaining 6 properties (225 units), early offers of preservation tools were declined and these properties are unlikely to preserve. Staff are working with DHCD to engage owners in creative, flexible approaches that provide full tenant protection.

Mr. Sullivan stated preservation transactions allowed us to preserve two 13A developments and assist DHCD in preserving two 40T developments at risk of market conversion including Burbank Gardens in the Fenway neighborhood of Boston and Glen Meadow in Franklin.

Mr. Sullivan continued by stating preservation challenges remain, and MassHousing's ability to gain traction is limited by owner priorities and market conditions. He added that success will not look the same at each property and will be measured against our ability to be flexible in order to protect every 13A household; prudently deploy scarce public resources to preserve units; and to make credible subsidy offers to owners open to preservation.

Workforce Housing Fund Update

Cynthia Lacasse presented an update on MassHousing's Workforce Housing Fund. In 2016, the Urban Land Institute produced a report that highlighted the challenges facing middle-income households as well as the challenge the housing shortage poses to the area's economy. The report stated that Greater Boston will need an additional 200,000 units of new housing, including 21,000 units targeted to middle-income households by the year 2030. The report recommended that construction of new units targeting all income levels needs to increase, including development of affordable and middle income housing in wealthier suburbs as well as Gateway Cities.

Ms. Lacasse stated MassHousing's response to this challenge was the creation of the $100 million Workforce Housing Fund. Goals for the Fund include creating more housing options, especially for those not served by traditional affordable housing programs: younger professionals, teachers, healthcare workers, researchers, etc. as well as incentivizing development of new apartment units in Greater Boston, the Gateway Cities as well as throughout the Commonwealth. In addition, MassHousing seeks to partner closely with DHCD to attract new borrowers to participate.

Ms. Lacasse went on to highlight the high-level program guidelines that were approved last May. Specifically, the program provides subordinate loans with an interest rate as low as 0% and repayment deferred for up to 40 years to developments targeting middle-income households earning between 61% and 120% of area median income. To date, MassHousing has committed about one-third of the funds: $33.5 million to 14 developments with 1,285 total units, of which 363 are workforce housing units. Total development costs of the 14 properties is projected to be about $375 million. These properties are located in 10 cities and towns: Beverly, Boston (4), Bourne, Franklin, Hanover, Lawrence, Lynn, Newton, Quincy and Worcester (2). Five of the 14 projects (about one-half of the funds committed to date) are located in Gateway Cities. These Gateway City developments include Gateway Residences in Lynn which is under construction and The Watson in Quincy, which is scheduled to start construction shortly.

Ms. Lacasse further stated that the ULI report indicated that demand exists at all income levels and MassHousing's projects are delivering. Each of the 14 developments serve a range of incomes. Eight of the developments have three tiers of affordability, including affordable (defined for purposes here of up to 60% of AMI), workforce and market. The remining six deals mix affordable or market units with a workforce tier. The 363 workforce housing units are serving a wide range of middle-income renters from 70% to 120% of AMI.

Ms. Lacasse went on to explain in keeping with the stated goal of facilitating new production, 10 of the 14 properties are new construction or adaptive reuse. Workforce housing funds have also been used as an effective tool in creating positive preservation outcomes for at-risk properties, including two 13A developments and two additional developments that are reaching the end of their initial affordability restrictions and were at risk of market conversion.

Ms. Lacasse was happy to report that we are achieving our goals of attracting new borrowers to MassHousing. Of the 14 deals closed or committed, 7 of the developers were new to MassHousing. A great example of a market-oriented transaction with a new developer is 112

Rantoul. The new borrower of this development in Beverly is a woman-owned firm with whom we hope to do additional business in the future.

In summary, Ms. Lacasse stated we have learned there is clearly an overwhelming demand for funds to finance the development of rental units targeted to middle-income households in Massachusetts. The deals for these developments are different in terms of unit mix and other key characteristics. Therefore, the flexibility of the program guidelines has proven critical.

Lastly, Ms. Lacasse reported we have a robust pipeline and are confident we will be able to deploy the remainder of the $100 million to achieve the goals of the Fund. As we move through the pipeline, we expect to see a higher percentage of new construction projects and units; greater geographic distribution; more partnerships with DHCD, including on HDIP deals; and continued engagement with new borrowers. We have provided letters of interest to several projects in DHCD's current funding round and are awaiting those awards. In addition, we expect the vast majority, if not all, of the remaining funds to go toward new production.

Vote Selecting an Underwriting Team

Paul Scola presented a recommendation selecting the Agency's Investment Banking team for a three-year term. By way of background, Mr. Scola reviewed the solicitation and selection process as well as the role of a Senior Manager and a Co-Manager on the team. He indicated that MassHousing typically sells its bonds and notes through negotiated public offerings to a team of underwriters selected by the Agency to provide investment banking services. MassHousing engages in a selection process for the team periodically, with the last such process completed in 2014.

MassHousing's underwriting team, Mr. Scola explained, consists of "Senior Managers" and "Co-Managers". The Senior Managers bear principal responsibility for structuring and marketing bonds or notes. One Senior Manager is designated to be the "book-running" Senior Manager for a particular bond issue, and this Senior Manager plays the lead role in organizing the underwriting effort for that transaction. Co-Managers play a secondary, but important, role in helping develop, support, market and sell MassHousing's debt offerings.

Mr. Scola stated that the Request for Proposals (RFP) was issued on February 21, 2017, and responses to the RFP were due on March 17, 2017. Twenty-four responses were received, including eighteen applicants seeking the Senior Manager designation. A selection committee, with representation from the Executive, Finance, Diversity & Inclusion, Homeownership, Rental and Legal divisions, was assembled to review the proposals and determine which of the respondents would be invited to an interview. This staff committee conducted twelve such interviews over a three-day period, and selected the four finalists as "Senior Managers".

The selection committee determined that the remaining eight firms that were interviewed would serve the team well as Co-Managers, which was supplemented by three additional firms which applied as co-managers only.

The selection will be limited to a term of three years, commencing on July 1, 2017, with up to two one-year extensions at the discretion of the Executive Director. MassHousing will reserve the right to terminate any such services prior to the end of this period at its sole discretion. MassHousing also reserves the right to use other underwriting and financial service firms from time to time on a case-by-case basis as circumstances warrant. Given the relatively large size of the investment banking team, the Financial Director may assign the appropriate number of Senior Managers or Co-Managers on a deal based on the size and type of financing on a case-by-case basis.

Carolina Avellaneda asked if there was a commitment to diversity by the firms selected as Senior Managers. Mr. Scola replied all have minorities on their senior management teams. Chairman Dirrane then asked how the decisions were made and if the decisions were "staff driven." Mr. Scola confirmed that the process was entirely staff driven.

Upon a motion duly made and seconded, it was

VOTED: The Board hereby approves the selection of the investment banking firms listed on Exhibit A attached hereto to serve as Senior Managers and Co-Managers for a term of three years, commencing on July 1, 2017 with up to two one year extensions at the discretion of the Executive Director.

EXHIBIT A
[Senior Managers and Co-Managers selected listed in alphabetical order]

<u>Senior Managers</u>
Bank of America Merrill Lynch
Barclays Capital Inc.
Morgan Stanley & Co. LLC
RBC Capital Markets, LLC

<u>Co-Managers</u>
Academy Securities, Inc.
Citigroup Global Markets Inc.
Fidelity Capital Markets
Jefferies LLC
JP Morgan
Loop Capital Markets
Ramirez & Co., Inc.
Raymond James & Associates, Inc.
Rice Financial Products Company
Stifel, Nicolaus & Company, Incorporated
Wells Fargo Securities

CCRI Funding Recommendations

Chairman Dirrane called for a motion to recess the MassHousing meeting in order to conduct a special meeting of MassHousing's affiliate: the Center for Community Recovery Innovations, Inc. (CCRI). Upon a motion duly made and seconded, it was

VOTED: To recess the MassHousing Meeting.

Chairman Dirrane then call the Special Meeting of the Center for Community Recovery Innovations, Inc. (CCRI) to order.

Ed Chase then presented three applications that the Community Services Advisory Committee had endorsed for consideration by the CCRI Board of Directors.

GAAMHA, Inc., Gardner
Requests funding to help rehabilitate eight units and create one additional unit of affordable sober housing for men in recovery at Pathways Supportive Housing in Gardner. Scope of work includes rehab of bedrooms and kitchen, plumbing and electrical updating, windows and siding.
Recommendation: $75,000. Commitment expires June 30, 2018.

Father Bills & Mainspring, Hingham
Requests funding to help acquire and renovate four affordable SROs and one studio apartment at Rust House in Hingham for women in recovery who have been victims of domestic violence or sexual assault.
Recommendation: $75,000. Commitment expires June 30, 2018.

The Megan House Foundation, Dracut
Requests down payment funding to help acquire Erin's Home, a newly constructed house in Dracut to become a sober living home for ten young women ages 18-26. A P&S is signed, and primary financing is pending.
Recommendation: $75,000. Commitment expires June 30, 2018.

Upon a motion duly made and seconded, it was

VOTED: That the Center for Community Recovery Innovations, Inc. ("CCRI"), an affiliate of the Massachusetts Housing Finance Agency (the "Agency"), approve a grant in the amount of $75,000 to GAAMHA, Inc., Gardner, for the purposes described in the application endorsed by the Agency's Community Services Advisory Committee (the "Advisory Committee"), subject to the contingencies and requirements set forth in the Advisory Committee's recommendation.

FURTHER VOTED: That CCRI approve a grant in the amount of $75,000 to Father Bills & Mainspring, Hingham, for the purposes described in the application endorsed by the Advisory

Committee, subject to the contingencies and requirements set forth in the Advisory Committee's recommendation.

FURTHER VOTED: That CCRI approve a grant in the amount of $75,000 to The Megan House Foundation, Dracut, for the purposes described in the application endorsed by the Advisory Committee, subject to the contingencies and requirements set forth in the Advisory Committee's recommendation.

FURTHER VOTED: That the officers of CCRI and the Manager of the Agency's Community Services Department are hereby authorized and directed to do all acts and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by the three foregoing votes.

With no other CCRI business, Chairman Dirrane asked if there was a motion to adjourn. Upon a motion duly made and seconded, it was

VOTED: To adjourn the CCRI meeting and resume the MassHousing meeting.

LOAN COMMITTEE

A.O. Flats – Jamaica Plain

Kathleen Evans then presented a proposed recommitment for A.O. Flats in Jamaica Plain. On August 9, 2016, the Board authorized a financing commitment for the construction of A.O. Flats, a 78-unit, mixed-income, mixed-use development sponsored by The Community Builders ("TCB"). The site is a formerly MBTA-owned parcel immediately adjacent to the Forest Hills Station on the Orange Line. Roughly half of the units at A.O. Flats will be affordable to low and extremely low income households and the balance will be Workforce Housing units.

Ms. Evans explained that TCB received construction pricing that was well in excess of their projected costs and initiated value engineering to reduce costs. While TCB was engaged in value engineering, however, interest rates climbed. The projected processing rate (at the time of the meeting) was 84 basis points higher than at initial commitment, she explained. While TCB worked to mitigate the effect by refining the operating budget to make additional cash available for debt service, the first mortgage had to be reduced by $2 million. The resulting gap was in large part solved by TCB increasing its sponsor loan and deferring additional fees. However, given that the project's total development cost (TDC) is roughly the same and the first mortgage has shrunk significantly, Ms. Evans stated that a larger tax-exempt bridge loan is needed to meet the 50% test.

Accordingly, Ms. Evans recommended the following vote for the Board's consideration. Upon a motion duly made and seconded, it was

VOTED: To approve a subordinate bridge loan in a principal amount up to $6,190,000 to be made to A.O. Flats LLC (or an alternatively-named single-purpose limited partnership for the purpose of making use of 4% Low-Income Housing Tax Credits ("LIHTC") and owning A.O. Flats) as owner of the multifamily residential development known as "A.O. Flats" and located in Jamaica Plain, Massachusetts, each such loan to be made in accordance with the applicable general closing requirements for loans previously approved by the Board and the general delegations of authority previously adopted by the Board; and further subject to (1) compliance with all applicable laws and regulations and requirements of applicable financing programs; and (2) the following special condition(s): None.

Vote Approving Agency Policies Authorizing In-house MAP/Ginnie Mae Transactions Insured under Section 223(f)

Chris Burns presented a procedural vote giving MassHousing the ability to process MAP transactions "in-house" as opposed to the joint venture with CBRE and Rockport Mortgage. Mr. Burns explained that the proposed vote is almost identical to the vote taken by the Board in 2014 which authorized the creation of the MAP Joint Venture platform. The vote approves General Closing Conditions specific to MAP and waives certain MassHousing requirements not applicable to MAP. By way of background, under the joint venture, existing loans are referred to and underwritten by a joint venture partner and then submitted to HUD for FHA Insurance. After HUD issues a commitment for FHA insurance, MassHousing purchases the commitment. MassHousing then issues Ginnie Mae Mortgage-Backed Securities to fund and close the loans.

Mr. Burns continued by stating the platform has been remarkably successful. Since the program's inception, MassHousing has generated $390 million in new loan production using this platform. In FY2016, MAP accounted for nearly 25% of rental production, and that same share is projected in FY2017.

Mr. Burns stated that with the approval of this vote, he anticipates MassHousing's first "in-house" transaction will be presented to the Board next month.

Upon a motion duly made and seconded, it was

VOTED: (i) That the Massachusetts Housing Finance Agency (the "Agency") approve the use of the MAP 223(f) General Closing Conditions, in substantially the form attached hereto as Attachment 1, with such modifications as the Deputy Director may from time to time approve, for all multifamily loan transactions for which the Agency receives a firm commitment for mortgage insurance under the provisions of Section 207, pursuant to Section 223(f), of the National Housing Act from the U.S. Department of Housing and Urban Development (acting through the Federal Housing Commissioner) (each, a "FHA-Insured 223f Loan");

(ii) To waive the requirement that the form of commitment letter approved by the Agency on July 12, 2016 (including its term sheet, general closing standards, insurance requirements and requirements for subordinate mortgages) be used for FHA-Insured 223(f) Loans;

(iii) To delegate to the Deputy Director the authority to approve, and from time to time update or modify, the form of commitment documentation that the Agency uses for FHA-Insured 223(f) Loans;

(iv) To delegate to the Deputy Director the authority to approve, and from time to time update or modify, the form of loan documentation (including applicable affordability restrictions) that the Agency uses for FHA-Insured 223(f) Loans;

(v) To approve the use of the MAP 223(f) Insurance Requirements, in substantially the form attached hereto as Attachment 2 and as periodically updated either by HUD or upon the advice of an insurance consultant acceptable to the Director of Underwriting, for all FHA-Insured 223(f) Loans;

(vi) To waive the Transfer of Ownership Policy approved by the Agency's Board on August 14, 2007, with respect to any owner of a development receiving a FHA-Insured 223(f) Loan (a "Participating Owner" and "Participating Development," respectively) during the period in which the Agency's insured mortgage from such Participating Owner remains unpaid (such period, the "Term");

(vii) To waive Section 6A of the equity policy promulgated by the Agency on July 14, 1998, as amended by the Agency on November 9, 1999 (the "Agency Equity Policy"), with respect to any Participating Owner during its Term, provided that, at all times during such Term, the Participating Development be subject to a recorded regulatory agreement between the Participating Owner and the Agency (a "MassHousing Regulatory Agreement") containing a provision acceptable to the Agency's General Counsel regarding owner's equity in excess of the equity distribution allowed under the Agency's enabling legislation;

(viii) To waive that portion of the November 1997 Tenant Selection Regulations of the Agency requiring, through mandatory inclusion of such provisions in each tenant selection plan, an applicant conference procedure for applicants rejected from housing or reclassified in a lower tenant-selection priority category (which is attached to such Regulations as Exhibit 3) for a Participating Development during its Term;

(ix) To authorize distributions of equity allowed under the Agency Equity Policy to be made two times per year to a Participating Owner during its Term without further action by the Executive Director, substantially on the terms set forth in a MassHousing Regulatory Agreement; and

(x) To authorize tax-exempt debt and/or corresponding bond loans made by the Agency in connection with the FHA Tax Credit Pilot Program be secured by cash collateral, funded at the Participating Owner's obligation, for the full amount of tax-exempt debt issued by the Agency for the Participating Development, and to determine that this vote serves as the resolution required for alternative security under Section 4(a) of Chapter 708 of the Acts of 1966, as amended, for the usage of cash collateral as security for any such tax-exempt debt and/or bond loans.

Chairman Dirrane asked if there was any other old or new business for the Members' consideration.

Hearing none, Chairman Dirrane then presented a motion to enter into an Executive Session pursuant to M.G.L. c. 30A, § 21(a)(3) to discuss strategies with respect to litigation. The Chairman indicated that a roll call vote would be taken, adding that the Board did not intend to reconvene in open session upon conclusion of the Executive Session. Upon a motion duly made and seconded, with Chairman Dirrane, Chrystal Kornegay, Mark Attia, Lisa Serafin, and Carolina Avellaneda voting in the affirmative, it was

VOTED: To meet in Executive Session to discuss strategy with respect to litigation pursuant to G.L. c. 30A, § 21(a)(3).

A true record.

Attest.

Beth M. Elliott
Secretary

Francis P. Creedon
Assistant Secretary