

**Minutes of the Meeting  
of the Members of  
MassHousing  
held on  
September 12, 2017**

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing – was held on September 12, 2017 at MassHousing’s offices located at One Beacon Street in Boston, Massachusetts. In attendance were:

**Members** Michael Dirrane, Chair  
Ping Yin Chai, Vice Chair  
Rachel Madden, Designee of Kristen Lepore  
Carolina Avellaneda  
Lisa Serafin  
Andy Silins  
Marc Cumsky

**Members**  
**Not Present** Chrystal Kornegay

**Staff** Tim Sullivan  
Beth Elliott  
Tom Lyons  
Chuck Karimbakas  
Laurie Bennett  
Maureen Burke  
Andrea Laing  
David Keene  
Meaghan McCarthy  
Daniel Staring  
Hanna Schutt  
Matthew Deych  
Sheila Burns Magnan  
Leanne McGinty  
Nancy Slaney  
Paul Mulligan  
Kaitlyn Mulcahy  
Daniel Barbanell  
Hana Migliorato  
Casey Baines  
Belmira Fallon  
Stephen Payson  
Mildred Mukasa  
Juan Pena  
Susan Lynch

Nick Pepe  
Mary Magliozzi  
Rachel Carlson  
Linda Bosse  
Rachael Weaver  
Kathy Connolly  
Sarah Hall  
Deb Morse  
Eric Gedstad  
Bill Dunn  
Anne Marie MacPherson  
Nancy McDonald  
Lisa Fiandaca  
Patricia Weems  
Paul Garrity  
James Fortune  
Ricky Ochilo  
Steve Vickery  
Zan Bross  
Deepak Karamcheti  
Kelly Condon  
Joseph Mullen

**Guests** George Jaeger, BAMC  
Charles Carey, Mintz Levin  
Paul Haley, Barclays  
Vikram Shah, Barclays  
Paul Johnson, FUSE  
Alan Jaffe, Jeffries  
James Tansey, HPAD  
Lori Hindle, PFM  
Jeff Sula, RBC  
Joe Monitto, BAMC  
John Rosenthal, Meredith Management  
Madeligne Tena, MRCA  
Tomiqua Williams, Roxse Homes  
Colin McNeice, Mintz Levin  
Tim Santucci, Winn Companies  
Matt Engler, Wells Fargo

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 July 11, 2017 are hereby approved and placed on record.

At this point, Rachel Madden arrived.

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 describing that today's Board package contains 13 loans totaling more than \$200 million in permanent lending, as well as \$9.5 million of Opportunity Funds. He continued that we are also seeking approval of general closing conditions for a conduit loan program to formalize the one-off conduit lending we have done over the past several years. The loans presented to the Board today represents the year-end push to close our tax-exempt deals by the end of the calendar year. We are working on 18 deals to utilize the \$380 million of volume cap prior to the end of the year.

Mr. Sullivan then discussed the Community Scale Housing Initiative (CSHI). The decisions regarding the applications for funding were announced in August. Out of the 11 applications received, three deals will be funded in Arlington, Norwell and Martha's Vineyard. We expect to have Round 2 in March 2018.

Mr. Sullivan next turned to the single-family business line. MassHousing extended the summer single family closing cost credit to the end of the calendar year, and August represented the single biggest volume of web traffic to MassHousing in Agency history as we continued to market that program. On the servicing side, the end of June saw our lowest level of single-family delinquencies in ten years and our HomeOwnership program was upgraded by S&P in July.

Mr. Sullivan then noted that the Agency's annual audit is on schedule for completion by the statutory deadline and that Agency performance is right in line with Chuck Karimbakas's spring forecast.

Mr. Sullivan noted that this is Frank Creedon's final MassHousing Board Meeting before his retirement. Mr. Sullivan thanked Mr. Creedon for his 35 years of service to MassHousing. Chairman Dirrane joined in these thanks and remarked that he and Frank Creedon started at MassHousing on the same day in 1982.

Mr. Sullivan went on to conclude his report regarding the single-family business line. There has been a good start in FY18 in FY18 and are trending on target, but low inventory has been a hindrance. Turning to the rental business line, Mr. Sullivan noted that rental production is pretty far ahead of forecast, with 6 deals totaling \$262 million.

Next, Mr. Sullivan provided an overview of MassHousing's Diversity and Inclusion efforts. MassHousing is unique in its Diversity and Inclusion efforts, which totaled more than \$171 million in FY17. MassHousing is the only affordable housing lender nationwide to do this. MassHousing sponsored trade fairs, and MassHousing's customers and business partners paid \$79 million to M/WBE businesses in FY17 – 11% MBE's and 5% WBE's. In addition, MassHousing's Supplier

Diversity Program is a top-tier Agency goal. The Construction Contract Financing Program (CCFP), a partnership between MassHousing and the Massachusetts Growth Capital Program (MGCC), which was funded by an initial commitment of \$1 million from the Opportunity Fund has not yet achieved the success that was envisioned, and we need to grow this program.

Carolina Avellaneda asked what the goal is as far as the M/WBE supplier diversity program. Andrea Laing explained the State goals are 7% MBE and 13% WBE. Mr. Sullivan explained the Agency is using the State's goals as a benchmark. He also mentioned that Massport is the only other Massachusetts agency that is doing this. Ms. Laing also mentioned she will be presenting at the Diversity and Inclusion Summit and will share these results.

Chairman Dirrane remarked that diversity and inclusion are long-time core goals of MassHousing and that the Agency is doing a good job with regard to diversity and inclusion. Mr. Sullivan then concluded his remarks by discussing MassHousing's STARR Mentor Program. The STARR Mentor Program was established by MassHousing 27 years ago and has fostered 375 mentor/mentee relationships.

#### **Direct Purchase of Construction Loan Notes with Bank of America, N.A.**

Charles Karimbakas presented an offer from Bank of America, N.A. to purchase construction/bridge notes issued by MassHousing. The notes will be a direct placement to Bank of America, N.A. with minimal costs and fees. Mr. Karimbakas explained that executing a Direct Placement Construction Loan Program achieves several Agency objectives, including low cost/fee financing alternative for construction/bridge loans, flexible terms and fixed, variable, tax-exempt and taxable options. This offer from Bank of America, N.A. will be cost effective for MassHousing as well as very flexible and quick.

Rachel Madden asked what the process was for selection of Bank of America, N.A., and Mr. Karimbakas replied that it was part of the underwriting process. Ping Yin Chai asked what the length of the commitment would be, and Mr. Karimbakas replied it would be for two years.

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

**WHEREAS**, MassHousing has received a preliminary proposal from Bank of America, N.A., to purchase directly on a revolving basis, up to \$100,000,000 of notes outstanding at any time (the "Proposal"); and

**WHEREAS**, MassHousing desires to authorize the direct sale of notes on a revolving basis not exceeding \$100,000,000 in aggregate principal amount outstanding at any time (the

“Obligations”), adopt such resolutions and authorize such agreements as may be necessary to effectuate the foregoing purposes and to provide for the modification of such resolutions to the extent necessary; now, therefore, be it

**RESOLVED**, by the Members of MassHousing as follows:

**Section 1.** The Obligations shall be sold to Bank of America, N.A. on a revolving basis in accordance with the terms of the General Resolution and in conformity with the Proposal, with such changes, interest rates, redemption provisions and maturity schedules as shall be approved by the Executive Director, Chairman or other Authorized Officer, and the same are authorized to execute and deliver a note purchase agreement in connection therewith. MassHousing hereby adopts one or more Series Resolutions (the “Series Resolutions”), authorizing the issuance of Notes, on a revolving basis, under the General Resolution with an aggregate principal amount not to exceed \$100,000,000 outstanding at any time. The Series Resolution shall be in substantially the form attached hereto, with exact terms to be determined by any Authorized Officer, and with such changes as shall be deemed necessary in accordance with Section 5 of this Resolution.

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

**Section 3.** The Obligations shall be delivered and sold in accordance with the note purchase agreement, with such changes, interest rates, redemption provisions and maturity schedules as shall be approved by any Authorized Officer, and the same is authorized to execute and deliver the final forms of such term sheets.

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

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

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

**Section 7.** As used in this Resolution, the term Authorized Officer shall mean MassHousing’s Chairman, Executive Director, Deputy Director, General Counsel, Financial Director, Comptroller, Manager of Finance and Bond Compliance and any officer or employee of

MassHousing acting in such capacity or any other Authorized Officer of MassHousing as defined in the General Resolutions.

**Section 8.** This resolution shall take effect immediately.

### **Swap Transactions**

Mr. Karimbakas then presented a request for changes to MassHousing's Master Swap Policy.

From time to time, MassHousing utilizes swap transactions as an important financing tool in its effort to maintain a competitive edge in low-cost financing for affordable housing. Swaps can be an important interest rate management instrument that, when used properly, can increase MassHousing's financial flexibility, provide opportunities for interest rate savings, and limit or hedge variable rate payments. In order to assist MassHousing in understanding the risks and potential rewards of swap products and to properly evaluate them as a financial tool, the Members of MassHousing adopted a Master Swap Policy in January 2006 and have re-adopted it without amendment in 2011, 2013 and 2015. The Master Swap Policy establishes guidelines for the use and management of variable rate debt and the use of various swap products in conjunction with MassHousing's management of its assets and liabilities. All new swap transactions are further submitted to the Members of the Board in connection with the approval of any such financings.

The attached Master Swap Policy incorporates changes advised by our Swap Advisor, Swap Financial Group, LLC, relating to the credit standards and minimum rating categories of potential swap counterparties in order to broaden the pool of potential investors and/or counterparties.

Ping Yin Chai asked Mr. Karimbakas about collateral posting practices, and Mr. Karimbakas agreed to look into bilateral collateral posting requirements.

Upon a motion duly made and seconded, it was:

**VOTED:** To adopt the attached Master Swap Policy.

Massachusetts Housing Finance Agency  
MASTER SWAP POLICY

I. Purpose

The purpose of this Master Swap Policy (“the Policy”) is to establish guidelines for the use and management of variable rate debt and the use of various derivative financial products such as swaps, caps, floors, collars and options (collectively referred to herein as “Swaps”) in conjunction with the Massachusetts Housing Finance Agency’s (“MassHousing” or the “Agency”) management of its assets and liabilities.

Over the past several years MassHousing has increased the utilization of variable rate debt to more efficiently finance and refinance its purpose investments (loans).

The use of variable rate debt to finance fixed rate assets produces interest rate savings in most market conditions but also creates risks that the Agency must take into consideration and monitor on an ongoing basis. In order to mitigate the risk of its exposure to interest rate movements, MassHousing may partially or fully hedge this risk by entering into a Swap.

In its use of Swaps, the Agency assumes a more active role in managing its outstanding debt and related Swaps than is typically required for traditional fixed rate financings.

This Policy sets forth a framework for the utilization of Swaps with particular emphasis on their content and execution. As a framework, the intent of this Policy is to set forth guidance, while maintaining the flexibility needed to effectively use and manage Swap structures under changing market conditions.

II. Scope

This Policy describes the circumstances where Swaps may be used, the methods and guidelines to be employed when Swaps are used and the management and reporting responsibilities of staff and others necessary in carrying out this Policy.

**III. Legal Authority**

MassHousing may enter into Swaps in order to reduce the amount and duration of rate, spread, or similar risk, when used in combination with the issuance of debt obligations . MassHousing has the statutory authority under its Enabling Act to make and execute contracts and all other instruments, including Swap agreements, necessary or convenient for the exercise of its powers and functions.

Prior to or on the effective date of any Swap transaction the Agency will receive an opinion acceptable to it from a nationally recognized bond counsel firm substantively to the effect

that the Agency has the power and authority to enter into and perform the agreements relative to the Swap, that the agreements have been duly executed and delivered by the Agency, that the agreements are legal, valid and binding obligations of the Agency, that no further authorization, consent or other approval is required for the execution, delivery and performance by the Agency, and that the execution, delivery and performance of the agreements by the Agency will not contravene or be a default under any applicable law, regulation, order or judgement applicable to the Agency.

a. Approval

MassHousing may enter into Swap agreements as authorized by the Members of the Agency (the “Board”) in connection with the issuance or payment of certain debt obligations, before, concurrently with, or after the actual issuance of the debt, as well as in connection with management of the Agency’s assets.

The Board’s authorization of the use of each Swap will be contained in a resolution or other vote of the Board (a “Swap Resolution”) and may be included in a series resolution or supplemental bond resolution authorizing the issuance of a related series of debt obligations. The Swap Resolution will authorize the Swap agreement and its provisions and such parameters applicable to the Swap. The Swap Resolution will specify Agency officials to whom authority is delegated to carry out the necessary steps to enter into, monitor, and administer the Swap. In the event of a conflict between a Swap Resolution and this Policy, the terms and conditions of the Swap Resolution will govern.

This Policy shall govern MassHousing’s use and management of all Swaps. While adherence to this Policy is required in applicable circumstances, the Agency recognizes that changes in the capital markets, Agency programs, and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate, provided sufficient authorization from the Board is obtained.

The Policy shall be reviewed by MassHousing’s Audit and Investment Committee and updated periodically and presented to the Board for approval. The Financial Director and Comptroller are the designated administrators of the Policy. The Financial Director shall have the day-to-day responsibility and authority for structuring, implementing, and managing Swaps.

The Financial Director or Comptroller shall approve any transaction involving a Swap. MassHousing shall be authorized to enter into Swap transactions only with qualified Swap counterparties, as described in Section VI below. The Financial Director or Comptroller shall have the authority to select the counterparties, so long as the criteria set forth in the Policy are met.



## Use of Variable rate debt and Interest Rate Swaps

### b. Appropriate Usage

MassHousing will use Swaps to hedge identified risks, by locking-in a fixed rate or by creating appropriate variable rate exposure. Swaps may be used to produce interest rate savings, to limit or hedge variable rate payments, to alter the pattern of debt service payments, to lock in a specific interest rate for future use or for asset/liability matching purposes.

### c. Acceptable Strategies

Because of the effects of continual innovation in the financial markets, the Policy recognizes that the reasons for using Swaps may change over time, taking advantage of market developments as they evolve. The strategies the Agency will consider in applying Swaps include, but are not limited to, the following:

- To achieve savings over alternative products existing in the capital markets;
- Managing the Agency's exposure to floating and fixed interest rates;
- Hedging floating rate risk;
- Locking in fixed rates in current markets for future financings through the use of forward swaps, caps, swaptions, rate locks, options and other credit management products;
- More rapidly accessing the capital markets than may be possible with conventional debt instruments;
- Managing the Agency's exposure to the risk of changes in the legal and regulatory treatment of tax-exempt bonds;
- Managing the Agency's credit exposure to financial institutions and other entities through the use of offsetting Swaps and other credit management products;
- Other applications to enable the Agency to increase income, lower costs, or strengthen the Agency's balance sheet and
- To achieve greater flexibility in meeting the Agency's overall financial objectives than those that can be achieved in conventional markets.

### d. Prohibited Strategies

MassHousing shall not enter into Swaps where one or more of the following conditions exist:

- The Swap serves a purely speculative purpose, such as entering into a Swap for the sole purpose of trading gains; or
- The Agency will have insufficient liquidity or financing capacity to terminate the Swap at current market rates; or
- There is insufficient pricing data available to allow the Agency and its advisors to adequately value the swap instrument; or

- The benefit of the transaction is disproportionately realized in advance of the relative risks, such as the receipt of upfront payments.

e. Procedure

Recommendations to enter into Swaps will be made based on MassHousing's analysis of proposals submitted by its financial advisors. No Swap shall be entered into prior to notification to appropriate bond rating agencies. Recommendations should consider the following elements:

- The appropriateness of the transaction for the Agency based on the balance of risks and rewards, including a description of the transactional structure, a description of the risks it presents, and risk mitigation measures;
- The legal framework for the transaction within the context of the Agency's Enabling Act, Massachusetts statutes, Agency resolutions, and relevant indenture and contractual requirements (including those contained in credit agreements), as well as any implications of the transaction under federal tax regulations;
- Potential effects that the transaction may have on the credit ratings of any Agency obligations assigned by the rating agencies;
- The potential impact of the transaction on any areas in which the Agency's capacity is limited, now or in the future, including the use of variable-rate debt, bank liquidity facilities or letters of credit, and bond insurance;
- The ability of the Agency to handle any administrative burden that may be imposed by the transaction, including accounting and financial reporting requirements;
- The impact of Swaps used with variable rate debt on the availability and cost of liquidity support for other Agency financing programs; and
- Other implications of the proposed transaction as warranted.

## V. Interest Rate Swap Features

### Interest Rate Swap Agreement

The Agency will use, to the extent possible, terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement. The Swap agreement between the Agency and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as the Agency, in consultation with its legal counsel and financial advisors deems necessary or desirable.

In general, the terms and conditions of any Agency Swap agreement shall use, but not be limited, to the following guidelines:

- Downgrade provisions triggering termination shall in no event be worse than those affecting the counterparty.

- The specified indebtedness related to credit events in any Swap agreement shall be narrowly defined and refer only to indebtedness of the Agency that could have a materially adverse effect on the Agency's ability to perform its obligations under the Swap. Debt will typically only include obligations within the same or higher lien as the Swap obligation.
- Collateral thresholds for the Swap provider shall be set on a sliding scale reflective of credit ratings. Collateral requirements shall be established and based upon the credit ratings of the Swap provider or guarantor.
- Eligible collateral will generally be limited to Treasuries and obligations of Federal Agencies where the principal and interest are guaranteed by the United States. At the discretion of the Financial Director, other high-quality, highly liquid obligations of Federal agencies, not secured by the full faith and credit of the U.S. government, may be used as collateral.
- The Agency shall have the right to optionally terminate a Swap agreement at "market," at any time over the term of the agreement.
- Payments on early termination as a result of a dealer credit event shall be set by a "market quotation" methodology, unless the Agency deems an alternate appropriate.

## VI. Swap Counterparties

Unlike conventional fixed rate bonds many Swap products may create, for the Agency, continued exposure to the creditworthiness of financial institutions that serve as the Agency's counterparties on Swap transactions. In general, the Agency will utilize the following standards in selecting counterparties:

- Credit Standards

Standards of creditworthiness, as measured by credit ratings, will determine eligible counterparties. Differing standards may be employed depending on the term, size and interest-rate sensitivity of a transaction, type of counterparty, and potential for impact on the Agency's or a specific enterprise-fund's credit rating. As a general rule, the Agency will enter into transactions only with highly rated counterparties (i.e. at least two credit ratings in the A category, or better) who are nationally recognized as reputable providers of Swaps products.

When negotiating terms with any counterparty, the Agency may consider requiring the counterparty to post collateral under a collateral support agreement in sufficient amount and form acceptable to the Agency. Typically, full collateral posting (i.e. \$0 collateral threshold) would be expected below the A rating category.

In cases where the counterparty's obligations are rated based on a guarantee or specialized structure to achieve the required credit rating, the Agency shall thoroughly investigate the nature and legal structure of the guarantee or structure in order to determine that it meets the Agency's requirements in full.

In general, the Agency will enter into Swap transactions with continuing subsidiary entities rather than terminating subsidiary entities.

- Diversification of Exposure

The Agency will seek to avoid excessive concentration of exposure to a single counterparty by diversifying its counterparty exposure over time. Counterparty exposure is measured not solely by the notional value of the underlying instrument but factors such as term, relative interest, call options, etc. may be more significant to the relative credit exposure of a derivative instrument. The Agency will periodically perform a risk exposure analysis to quantify counterparty exposure. When making new derivative decisions, MassHousing will seek to limit concentration so that exposure to a single counterparty is limited to no more than fifteen percent of Agency net assets. When making new derivative decisions, the Agency will also endeavor to limit overall derivative counterparty exposure to no more than 50% of Agency net assets. In making this assessment the underlying rating of the relevant counterparty will be considered as an important factor in concentration risk. These limits may be exceeded under appropriate circumstances that mitigate risk, which may include, but are not limited to, the short term of the derivative, its amount and nature, the rating of the counterparty, or by pledge of collateral or other security by the counterparty.

- Termination:

If a counterparty's credit is downgraded below a designated additional termination event threshold, even with collateralization, the Agency may exercise a right to terminate the transaction prior to its scheduled termination date. The Agency will seek to require, whenever possible, that terminations triggered by a counterparty credit downgrade will occur on the side of the bid-offered spread which is most beneficial to the Agency, and which would allow the Agency to go back into the market to replace the downgraded party with another suitable counterparty at no out-of-pocket cost to the Agency.

- Term and Notional Amount

In connection with the issuance or carrying of bonds, the term of the Swap agreement shall not extend beyond the final maturity date of the related bonds. At Swap execution the total "net notional amount" shall not exceed the amount of bonds related to the Swap transaction. For purposes of calculating the net notional amount, credit shall be given to any fixed versus variable rate Swaps that offset for a specific bond transaction.

- Collateral Requirements

As part of any Swap agreement, the Agency may, based on credit ratings of the counterparty, require collateralization or other forms of credit enhancements to secure any or all Swap payment obligations. As appropriate, the Agency, in consultation with its legal counsel and financial advisors, may require collateral or other credit

enhancement to be posted by any Swap counterparty if the credit rating of the counterparty or parent falls below the AA credit rating category. Each counterparty shall post additional collateral for further decreases in credit ratings, in accordance with the provisions contained in the collateral support agreement.

Threshold collateral amounts shall be determined by the Agency on a case-by-case basis. The Agency will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter. Collateral shall be deposited with a third party trustee, or as mutually agreed upon between the Agency and the counterparty. A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the Swap agreement. The market value of the collateral shall be determined on a daily basis, or less frequently if the Agency determines it is in its best interest, given the specific collateral security and Swap transaction.

The Agency's Swap counterparties will be required to notify the Agency in the event a credit rating agency takes negative action with regard to the counterparty's credit rating, including both an actual downgrade of the credit rating as well as the publication of a notice by a rating agency that the counterparty's rating is in jeopardy of a downgrade (i.e. being placed on Standard & Poor's Credit Watch or being assigned a negative outlook by Moody's).

## VII. Internal Management Of Obligations and Exposure

Achieving the Agency's purposes through variable rate and synthetic fixed rate structures requires the Agency to address several risks. The use of Swaps in connection with the issuance of variable rate bonds addresses some of these risks while presenting additional risks. The provisions of this policy are designed to create a framework for evaluating and addressing these risks in transaction structuring and ongoing management. The following paragraphs describe pertinent risks and the means through which the Agency may mitigate them.

### **Risks Related to Variable Rate Bonds**

**Interest Rate Risk** is the risk that unhedged variable rates may rise, producing either losses in allowed spread income or absolute losses as compared to purpose and non-purpose reinvestment rates. The Agency may enter Swaps to hedge interest rate risk, either by determining its interest expense through fixed-payer swaps or by determining its maximum interest expense through interest rate caps or swaptions. The Agency may also choose to incur an appropriate level of interest rate exposure given its asset portfolio or specifically to fund short-term or variable rate purpose investments. In defining the desired amount of rate exposure, the Agency will consider its ability to accelerate redemptions and to withstand losses in a rising rate environment.

**Credit Risk** is the risk that the credit rating of the issuer may deteriorate, weakening its ability to access the variable rate debt and liquidity markets efficiently. The Agency will

monitor its ratings (and that of its insurers as applicable) and consider the impact of proposed transactions and other actions on its ratings. The Agency may also issue index bonds that reset at a spread to the index determined at initial pricing. The Agency also incurs credit risk to liquidity providers since their ratings determine the short-term ratings on variable rate bonds with put features. The Agency may enter Standby Bond Purchase Agreements and other liquidity agreements that provide for replacement of the liquidity banks upon certain ratings downgrades. The Agency may also eliminate this risk by issuing auction rate securities, which do not have a put feature.

**Remarketing Risk** is the risk that variable rate demand obligations (“VRDO’s”) cannot be remarketed and they become costly bank bonds held by the liquidity provider. This outcome may be related to a credit event that prompts many investors to put the bonds back to the issuer. The Agency will act to preserve its credit and to redeem bank bonds as quickly as possible in the event of a failed remarketing.

**Liquidity Rollover Risk** is the risk that an issuer may be unable to extend or replace a liquidity facility, since such facilities typically expire within one to five years and must be replaced several times while the related variable rate bonds remain outstanding. The holders of VRDOs may optionally tender the bonds, creating the need for liquidity; the Agency will generally offer VRDOs that allow for conversion to auction rate and fixed rate modes. The Agency will evaluate the availability and cost of liquidity support and use the auction market when liquidity fees render the all-in cost of variable rate demand obligations unattractive.

### **Risks Related to Swaps**

**Tax Risk** is the risk that the value of tax exemption may decline through tax law changes and the variable interest rates will rise toward taxable levels. The Agency should consider the likelihood of tax law changes and the impact of potential changes in tax law on its debt portfolio. The Agency may also enter swaps in which the counterparty assumes tax risk, such as actual rate or Securities Industry and Financial Markets Association (“SIFMA”) indexed swaps, although SIFMA swaps may not fully protect the Agency against tax risk because the SIFMA index is Non- alternative minimum tax (“AMT”), while the bonds issued by the Agency are generally AMT and would be affected by increases in the AMT premium.

**Basis Risk** refers to the mismatch between actual variable rate debt service and the variable rate Swap payment received by the Agency to offset debt service. The Agency will review historical trading differentials between the variable rate bonds and the index. The Agency may seek to reduce or eliminate basis risk where economically feasible by entering Swaps in which the floating payment received precisely matches the variable rate debt service.

**Amortization Risk** is the risk that the optimal or actual redemption pattern of the bonds may differ from the Swap schedule, possibly producing a mismatch between the outstanding principal amount of the bonds and the notional amount of Swap. This risk is especially pertinent to the Agency given the nature of its financed assets and uncertainties

inherent to their repayment patterns. The term of the Swap should not exceed the term of the underlying variable rate bonds, but ensuring that the notional schedule precisely matches the optimal debt amortization may not be possible. Divergence between the optimal bond redemption pattern and the Swap notional schedule would arise from distinctions between structuring assumptions and actual origination and repayment experience. Specific examples include non-origination, the prepayment speed of single-family loans and borrower actions upon the prepayment lockout on multi-family loans. Careful transaction structuring is critical to mitigating this risk. The Agency will generally finance long-term assets that feature uncertain repayment patterns with Swap structures that integrate unhedged variable rate bonds and fixed rate bonds. These support bonds provide flexibility to either be redeemed with unexpected revenues or unexpended acquisition funds or to fund loan recycling, allowing the Agency to redeem the hedged bonds in accordance with the Swap schedule. Further, the Agency will enter swaps relating to bonds offered under parity resolutions that allow cross calling. This flexibility broadens both the pledged asset base with which to redeem hedged bonds and the portfolio of bonds that may be redeemed with revenues exceeding Swap structuring assumptions.

*To address amortization risk resulting from non-origination*, the Agency may seek to price debt in increments sufficient to fund no more than approximately four weeks of demand, so that lending rates are always competitive. Frequent, small issue strategies and Swaps may be used to support this goal.

*To address amortization risk resulting from slow prepayments*, the Agency will evaluate the range of reasonably expected repayment patterns for the financed assets and ensure that the Swap schedule may be met assuming the minimum expected revenue stream. The Agency may also allow the bonds to become unhedged as the swap notional declines, thereby increasing its interest rate risk.

*To address amortization risk resulting from rapid prepayments*, the Agency will monitor actual revenues and evaluate reinvestment options to maximize income. Such options may include bond redemptions through cross calling, purpose investments (loan recycling), non-purpose investments (investment contracts that allow revenues to accumulate and other securities), and applying revenues to Swap termination payments. The Agency may purchase par cancellation rights to become effective on dates for which it has less certain asset repayment projections such that the optimal redemption schedule may diverge from the Swap schedule significantly. The Agency will seek to attain the greatest pricing advantage while purchasing the call protection needed over time based on a range of reasonable asset repayment patterns. Terminating the existing Swaps may enable the Agency to enter new Swaps or other financing mechanisms that are better tailored to the actual financed assets and repayment experience.

*To address amortization risk resulting from multi-family prepayments*, when economically feasible the Agency may purchase par cancellation rights to coincide with the expiration of the loan prepayment lockouts.

*To address amortization risk resulting from tax law changes, such that the tax exempt variable debt service exceeds the floating swap payments and the Agency would optimally accelerate redemptions of the variable rate debt, the Agency may purchase par cancellation rights or enter swaps in which the floating payment would approximate the variable debt service even if the value of the tax exemption declines (SIFMA or actual rate trades).*

**Termination Risk** is the risk that due to some event or exercise of a right the Swap may terminate or be terminated prior to its scheduled expiration which could result in a termination payment becoming payable by the Agency. To mitigate this risk, the Agency will enter Swaps with appropriate termination provisions. If a Swap terminates, the Agency must decide whether to allow the debt to remain unhedged, to redeem bonds, or to replace the Swap. The Agency would evaluate the nature and scope of its interest rate risk without the terminated hedges and its ability to make any termination payments without entering a replacement. Since any termination payment owed by the Agency will generally be funded by payment from the replacement counterparty, the Agency considers its exposure to be market risk (as discussed below) and the aggregate value of the bid-ask spread or the difference between the payments it would receive and make on each Swap. The replacement of a Swap in which the counterparty paid the actual debt service may require either conversion to an index-based floating payment or replacement of the remarketing agent.

**Market Risk** is the risk that under a termination event, the Agency will not be able to obtain a replacement Swap because the Swap market has suffered a loss of liquidity or collapsed. The Agency utilizes Swaps knowing that the risk of the failure of this liquid market is extremely remote. The Agency may consider redeeming the underlying bonds or remarketing the bonds to fixed rates, although such a scenario implies widespread market dislocation that may impact the Agency's financings more broadly.

**Credit Risk** is the risk that under a termination event, the Agency will not be able to obtain a replacement Swap because its credit has deteriorated. It is important to note that the termination value or the price the Agency must either pay or receive upon early termination is determined without regard to its current credit since the market quotations are not issuer specific. However, the Agency may be unable to actually find a replacement counterparty if its credit has become insufficient for efficient use of the Swap market. This difficulty would be exacerbated by simultaneous credit events related to the Agency's liquidity facilities and puts by VRDO investors (or cheapening of auction rate securities). As in the credit risk associated with utilizing variable rate debt itself and liquidity, the Agency will carefully monitor its credit and act to maintain its rating.

**Counterparty Risk** is the risk that a counterparty will fail to make required payments. In order to limit the Agency's counterparty risk, the Agency will seek to avoid excessive concentration of exposure to a single counterparty or guarantor by diversifying its counterparty exposure over time. Exposure to any counterparty will be measured based on the termination value of any Swap contracts entered into with the counterparty, as well as such other measurements as the Agency may deem suitable to measure potential changes



in exposure, such as “value at risk” or “peak exposure.” Termination value will be determined regularly, based on a mark-to-market calculation of the cost of terminating the Swap contract given the market conditions on the valuation date. Aggregate Swap termination value for each counterparty should take into accounting netting of offsetting transactions (i.e. fixed-to-floating vs. floating-to-fixed). As a matter of general principle, the Agency may require counterparties to provide regular mark-to-market valuations of Swaps they have entered into with the Agency, and may also seek independent valuations from third party professionals.

**Rollover Risk** is the mismatch of the maturity of the Swap and the maturity of the underlying bonds and specifically the risk that the issuer may not be able to obtain a replacement swap if desired (for either credit or market reasons as described above). While the scheduled maturities of the bond may not match the Swap notional reduction, the Agency generally expects to redeem the variable rate bonds in accordance with the related Swap schedules, rendering rollover risk relatively low (please see Amortization Risk, above). Similarly, the Agency will evaluate the need to renew or replace interest rate caps one year ahead of their expiration.

As a general rule, the Agency will manage the risks of its Swap exposure on an enterprise-wide or “macro” basis, and will evaluate individual transactions within the larger context of their impact across the relevant enterprise. In each case, the degree of risk should be evaluated in comparison with degree of benefit provided.

## VIII. Disclosures and Financial Reporting Requirements

Periodic reports of all Swaps shall be made to the Audit and Investment Committee of the Board, to rating agencies, and in disclosure documents. Reports shall provide a clear summary of the special risks involved with Swaps and any potential exposure to interest rate volatility or unusually large and rapid changes in market value. With respect to its financial statements, the Agency will adhere to the guidelines for the financial reporting of Swaps, as set forth by the Government Accounting Standards Board.

## IX. Selecting and Procuring Interest Rate Swaps

The Agency will choose counterparties for entering into Swap contracts on either a negotiated or competitive basis. Most MassHousing bond financings are executed on a negotiated basis. For this reason, most Swap contracts will be procured on a negotiated basis as well. The Agency may consider a competitive selection process when the product is relatively standard, if it can be broken down into standard components, if two or more providers have proposed a similar product to the Agency, or if competition will not create market pricing effects that would be detrimental to the Agency’s interests. Negotiated procurement may be used for original or proprietary products, for original ideas of applying a specified product to Agency need, to avoid market pricing effects that would be detrimental to the Agency’s interests, or on a discretionary basis in conjunction with other business purposes.

Consideration may be given in negotiated transactions to those counterparties who have demonstrated their willingness to participate in competitive transactions and have performed well. If it is determined that a Swap should be competitively bid, the Agency may employ a hybrid structure to reward unique ideas or special effort by reserving a specified percentage of the Swap to the firm presenting the ideas on the condition that the firm match or better the best bid. To provide safeguards on negotiated transactions, the Agency should generally secure outside professional advice to assist in the process of structuring, documenting and pricing the transaction, and to verify that a fair price was obtained. In any negotiated transactions, the counterparty shall be required to disclose all payments to third parties (including lobbyists, consultants and attorneys) who had any involvement in assisting the counterparty in securing business with the Agency.

Re-adopted as amended September 12, 2017

## **LOAN COMMITTEE**

### **Conduit Loan Program Policies**

Dan Staring presented a proposal for a Conduit Loan Program to streamline conduit transactions.

At the June 14, 2017 meeting of its Board members, Agency staff announced its plan to initiate a Conduit Loan Program with the intention of establishing a working partnership with certain commercial banks. Under this program, a commercial bank will underwrite a loan that the Agency will make on a “conduit basis.” The loan will be funded with proceeds from tax-exempt obligations issued by the Agency in a sufficient amount to meet the 50% test and thus generate 4% Low Income Housing Tax Credits.

This initiative stems from the Agency’s strategic plan to further expand upon the Agency’s traditional lending products: to allow for more flexibility for borrowers in support of their efforts to create and preserve affordable housing units; and assist in the Rental Business Development division’s efforts to attract new borrowers and drive higher loan production levels.

Although the Agency has previously made conduit loans, the development of a formal program: 1) communicates to all parties that the Agency provides conduit loans as a normal course of business, thereby fostering greater transparency; 2) streamlines the process for better understanding and acceptance by borrowers and lending partners, allowing for greater efficiency; and 3) offers a product already offered by others in Massachusetts and one of the most common products offered by affordable housing lenders nationwide. Upon a motion duly made and seconded, it was

**VOTED:** (i) That the Massachusetts Housing Finance Agency (the “Agency”) approve the use of the Conduit Loan Program Closing Standards, in substantially the form attached hereto as Attachment 1, with such modifications as the Executive Director, Deputy Director or General Counsel, each acting singly, may from time to time approve, for all conduit loan transactions for which the Agency acts as issuer of the tax-exempt obligations (each, a “Conduit Loan Transaction”);

(ii) To waive the requirement that the form of commitment letter (including its term sheet and general closing standards) approved by the Agency's Board on July 12, 2016 be used for any Conduit Loan Transaction;

(iii) To delegate to each of the Executive Director, Deputy Director and General Counsel, each acting singly, the authority to approve, and from time to time update or modify, the form of commitment documentation that the Agency will enter into with its borrowers with respect to a Conduit Loan Transaction;

(iv) To waive that portion of 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") requiring any balance of borrower's equity that had been escrowed in accordance with the Agency Equity Policy in excess of the allowed distribution of equity to borrower to become the Agency's funds following repayment in full of the tax-exempt obligations, provided that at all times the tax-exempt obligations are outstanding, the development be subject to a recorded regulatory agreement between the borrower and the Agency containing a provision acceptable to the Agency's General Counsel regarding borrower's equity in excess of the equity distribution allowed under the Agency's enabling legislation;

(v) To waive that portion of the Tenant Selection Regulations of the Agency published in November 1997 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 Tenant Selection Regulations as Exhibit 3) for a development financed through a Conduit Loan Transaction; and

(vi) To authorize tax-exempt obligations and/or corresponding conduit loans made by the Agency in connection with a Conduit Loan Transaction be secured by cash collateral, funded at the participating owner's obligation, for the full amount of tax-exempt obligations 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 obligations and/or conduit loans.

### **Loan Commitments, Official Action Status and Prepayments**

At this point Lisa Serafin recused herself from the three Whittier deals to be presented by Sarah Hall and departed the Board room.

## Whittier at Cabot 4% - Roxbury

Sarah Hall presented a proposal for Whittier at Cabot 4%. Whittier at Cabot 4% will be the new construction of 58 mixed-income housing units on the top floors of a mid-rise apartment building and in adjacent townhouse buildings in the Roxbury neighborhood of Boston. The Development is part of the Whittier Choice Neighborhood Initiative (“WCNI”), which was awarded a Choice Neighborhood Implementation Grant by the U.S. Department of Housing and Urban Development (“HUD”) in January 2017. Preservation of Affordable Housing (“POAH”) has presented a proposal to redevelop on-site the existing public housing in the Whittier Choice Neighborhood (WCN) as one of three WCNI sites. This proposal presents a transaction that includes 4% LIHTC, a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program, an uninsured tax credit equity bridge loan and a Workforce Housing subordinate loan.

The Development is a part of the Whittier Choice Neighborhoods Initiative, which has received competitive HUD Choice Neighborhood funding. Through three years of engaging the community and project partners, the WCNI developed a plan that harnesses the strengths of the Roxbury neighborhood and its anticipated investments while actively including the neighborhood’s significant population of low-income residents. The WCNI vision recognizes that housing is needed for a wide range of income levels, including middle-income housing. The WCNI seeks to embrace Roxbury’s prime location, rich heritage, and history of strong community engagement while addressing the neighborhood’s continued struggle for economic growth and social cohesion. The Development contributes to the goals outlined in Mayor Walsh’s *Housing a Changing City: Boston 2030* plan.

The construction of the Whittier at Cabot 4% is one of three parts (Phase 1A) of the first phase of construction in the WCNI, which also includes Madison Melnea Cass Apartments and 2101 Washington Street, a MassHousing-financed project currently under construction. The WCNI Housing Strategy aims to “preserve affordability while creating a better balance of housing options in the neighborhood.” (FY2016 Choice Neighborhoods Application).

The affordability structure provides three tiers of affordability, with about three-fourths of the property available to low-income households and over one-eighth available to moderate-income households. The Workforce Housing agreement will restrict the 8 moderate-income units to households earning 100% of AMI or below. The Development will contain 24 project-based Section 8 contract units. Upon a motion duly made and seconded, it was

**VOTED:** (i) that the Massachusetts Housing Finance Agency (the “Agency”) grant Official Action Status and consider the application for a permanent loan commitment for the multifamily development known as Whittier at Cabot 4%, in Boston, Massachusetts (the “Development”); (ii) that this vote serve as a declaration of official intent under Treasury Regulations Section 1.150-2 for the Agency 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 tax-exempt debt by the Agency is not in excess of \$20,427,000 in principal amount for the Development; and (iv) that issuance of debt occur not later than 18 months after the latest of (a) the date on which the earliest expenditure subject to Treasury Regulators 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.

## **Mortgage Loans**

Staff has reviewed the proposal for permanent financing and proposes the following vote for approval by the Board:

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a permanent first mortgage loan(s) in a principal amount of up to \$9,200,000, with the permanent loan to be insured under the HUD Risk Sharing program; and (b) a subordinate bridge loan in a principal amount up to \$11,277,000 to be made to Whittier Phase 1 4% Limited Partnership as owner of the Development, 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.

## **FURTHER**

**VOTED:** That MassHousing approves a subordinate loan to the Borrower in an amount not to exceed \$800,000 (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs, and (2) subject to the terms and conditions of MassHousing's Workforce Housing Guidelines adopted by the Board on July 12, 2016, and subject to any applicable delegations of authority previously approved by the Board, subject to the Special Conditions set forth below:

1. The underwriting rents and Workforce Housing units AMI tier are subject to a final third party market study acceptable to MassHousing and may be adjusted accordingly.

## **FURTHER**

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

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

**FURTHER**

**VOTED:** That the Agency authorizes the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel.

**ATTACHMENT A  
OFFICIAL ACTION STATUS FINDINGS**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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 is acceptable for the intended housing.
4. There is a need for the proposed housing in the community.

## Whittier at Cabot 9% - Roxbury

Sarah Hall presented a proposal for Whittier at Cabot 9%. Whittier at Cabot 9% (the “Development”) will be the new construction of 34 mixed-income housing units on the lower floors of a mid-rise building in the Roxbury neighborhood of Boston. The Development is a part of the Whittier Choice Neighborhood Initiative (“WCNI”), which was awarded a Choice Neighborhood Implementation Grant by the U.S. Department of Housing and Urban Development (“HUD”) in January 2017. Preservation of Affordable Housing (“POAH”) has presented a proposal to redevelop on-site the existing public housing in the Whittier Choice Neighborhood (“WCN”) as one of three WCNI sites. The proposal presents a transaction that includes 9% LIHTC, a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program and a Workforce Housing subordinate loan.

The Development is a part of the Whittier Choice Neighborhoods Initiative, as described with respect to the preceding transaction. The construction of the Whittier at Cabot 9% is one of three parts (Phase 1B) of the first phase of construction in the WCNI, which also includes Madison Melnea Cass Apartments and 2101 Washington Street, a MassHousing-financed project currently under construction.

The affordability structure provides three tiers of affordability, with almost two-thirds of the property available to low-income households and one-fifth available to moderate-income households. The Workforce Housing agreement will restrict the 7 moderate-income units to households earning 100% of AMI or below. The Development will contain 19 Project-Based Voucher units. Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment A hereto and to authorize (a) a permanent first mortgage loan(s) in a principal amount of up to \$5,550,000, with the permanent loans to be insured under the HUD Risk Sharing program to be made to Whittier Phase 1 9% Limited Partnership as owner of the Development, 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.

### **FURTHER**

**VOTED:** That MassHousing approves a subordinate loan to the Borrower in an amount not to exceed \$700,000 (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs, and (2) subject to the terms and conditions of MassHousing’s Workforce Housing Guidelines adopted by the Board on July 12, 2016, and subject to any applicable delegations of authority previously approved by the Board, subject to the Special Conditions set forth below:

1. The underwriting rents and Workforce Housing units AMI tier are subject to a final third party market study acceptable to MassHousing and may be adjusted accordingly.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel.

**Madison Melnea Cass Apartments – Roxbury**

Sarah Hall presented a proposal for Madison Melnea Cass Apartments in Roxbury.

Madison Melnea Cass Apartments (the "Development") will be a new construction 76-unit property in two buildings in the Roxbury neighborhood of Boston. The Development is a part of the Whittier Choice Neighborhood Initiative ("WCNI"), which was awarded a Choice Neighborhood Implementation Grant by the U.S. Department of Housing and Urban Development ("HUD") in January 2017. Madison Park Development Corporation has presented a proposal to develop a parcel in the Whittier Choice Neighborhood ("WCN") as one of three WCNI sites. The proposal presents a transaction that includes 4% LIHTC, a MassHousing construction and permanent loan insured under the HUD/HFA Risk-Sharing Program, an uninsured tax credit equity bridge loan and a Workforce Housing subordinate loan.

The Development is a part of the Whittier Choice Neighborhoods Initiative, as described with respect to the two preceding transactions.

The construction of the Madison Melnea Cass Apartments is one of three parts (Phase 1B) of the first phase of construction in the WCNI, which also includes the initial phases of the on-site redevelopment and 2101 Washington Street, a MassHousing-financed project currently under construction.

The affordability structure provides three tiers of affordability, with over two-thirds of the property available to low-income households and one-fourth available to moderate-income households. The Workforce Housing agreement will restrict the 19 moderate-income units to households earning 80% AMI or below. The Development will contain 33 Project-Based Voucher units, which will be set aside for families relocated as part of the demolition associated with the Whittier Choice Neighborhood Initiative. Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a construction and permanent first mortgage loan(s) in a principal amount of up to \$10,900,000, with the construction and permanent loans to be insured under the HUD Risk Sharing program; and (b) a subordinate bridge loan in



a principal amount up to \$9,100,000 to be made to Madison Melnea Cass LLC as owner of the Development, 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.

**FURTHER  
VOTED:**

That MassHousing approves a subordinate loan to the Borrower in an amount not to exceed \$1,900,000 (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs, and (2) subject to the terms and conditions of MassHousing's Workforce Housing Guidelines adopted by the Board on July 12, 2016, and subject to any applicable delegations of authority previously approved by the Board, subject to the Special Conditions set forth below:

1. The underwriting rents and Workforce Housing units AMI tier are subject to a final third party market study acceptable to MassHousing and may be adjusted accordingly.

**FURTHER  
VOTED:**

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

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

**FURTHER  
VOTED:**

That the Agency authorizes the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4%

Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**FURTHER  
VOTED:**

To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel.

Lisa Serafin returned to the Board room and rejoined the meeting following these votes.

**Landfall Community Associates II – East Boston**

Deborah Morse presented a proposal for Landfall Community Associates II in East Boston.

Landfall Community Associates II (the "Development") is a 111-unit scattered-site development located in East Boston. An affiliate of East Boston Community Development Corporation (EBCDC) (the "Developer") is seeking permanent financing for the acquisition and rehabilitation of this maturing 13A low-income residential rental property. The proposal presents a transaction that includes 4% LIHTC, a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program, a Tax-Exempt syndication bridge loan, a MassHousing Capitalized 13A Payment Loan and \$1,000,000 from the 13A Opportunity Fund.

This proposal involves the consolidation of two existing developments: Landfall Apartments and East Boston Rehab. Landfall Apartments is a 15-unit property financed under the federal Section 236 program. The original Section 236 mortgage was prepaid in 2016, which enabled and led to the conversion of all 15 units at the property to project-based Section 8 assistance. East Boston Rehab is a 96-unit property financed under the Section 13A program. The 13A mortgage is due to mature in March of 2019, at which point the affordability restrictions tied to that mortgage would expire. This transaction will ensure that these two affordable housing assets continue to serve the low-income community well into the future.

The Development is a combination of five low- and mid-rise buildings scattered throughout East Boston. While the buildings have been well maintained, new sources of funding are required to keep these homes livable and affordable.

The proposed scope of the rehabilitation includes the renovation of all kitchens and bathrooms, replacement of several portions of roofs, window replacement/refurbishment, flooring, brick and masonry repairs, building system upgrades, replacement of fire alarm systems and other repairs and upgrades. Upon a motion duly made and seconded, it was

**VOTED:** (i) that the Massachusetts Housing Finance Agency (the "Agency") grant Official Action Status and consider the application for a permanent loan commitment for the multifamily development known as Landfall Community Associates II (the "Development") at such time as it is submitted; (ii) that this

vote 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 by the Agency if the Agency shall approve and fund the Development; (iii) that the issuance of debt by the Agency shall not be in excess of \$11,539,000 in principal amount for the Development; (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.

**FURTHER  
VOTED:**

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

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

**FURTHER  
VOTED:**

That the Agency authorizes the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**Mortgage Loans**

Staff has reviewed the proposal for permanent financing and proposes the following vote for approval by the Board:

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a permanent first mortgage loan in a principal amount of up to \$5,790,000, with the permanent loan to be insured under the HUD Risk Sharing Program; and (b) a subordinate equity bridge loan in a principal amount of up to \$4,700,000, in each case to be made to Landfall Community Associates II LLC or another single-purpose entity controlled by East Boston Community Development Corporation (the “Borrower”) as owner of the multifamily residential development known as Landfall Community Associates II (the “Development”) and located in Boston, Massachusetts, and in accordance with the applicable general closing standards and delegations of authority previously approved by the Board, and further subject to (1) compliance with all applicable laws and regulations and requirements of applicable financing programs; and (2) the following special condition(s): None.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, assume or continue mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing’s mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing’s requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing’s General Counsel.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to forgive that portion of the existing subordinate MassHousing debt required for the financial viability of the proposed transaction (estimated to be \$2,461,135), and/or to permit the assignment of the balance of such debt to the Borrower, as set forth in the Loan Commitment Proposal, as such amount may be adjusted at the discretion of the Executive Director.

**FURTHER**

**VOTED:** That MassHousing approves a Capitalized 13A Payment Loan in an amount not to exceed \$134,401.

**ATTACHMENT A**  
**OFFICIAL ACTION STATUS FINDINGS**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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.

### **Russell Apartments - Cambridge**

Deborah Morse presented a proposal for Russell Apartments in Cambridge. An affiliate of the Cambridge Housing Authority (“CHA”) seeks an allocation of up to \$13,950,000 in tax-exempt loan proceeds for the financing of Russell Apartments in Cambridge (the “Development”). As further described below, MassHousing’s role in this transaction will be to act as the nominal lender under the Conduit Loan Program, voted by the Board earlier in this meeting. The conduit loan will be made by MassHousing via bond proceeds pursuant to a public issue funded through Wells Fargo, who will assume construction loan risks.

Located in Cambridge, Russell Apartments is a four-to-six story midrise building with 51 one-bedroom units and a ground floor commercial space leased to a City-affiliated senior center. The building was constructed and first occupied in 1984 and serves low-income elderly and disabled residents. All 51 units are federally-assisted public housing affordable at or below 80% of AMI. As part of the transaction, CHA will be converting all of the units to project-based voucher housing, covered by a Housing Assistance Payment (HAP) contract.

Since its original construction, there has been limited work done at the property. Work completed to date includes: partial replacement of elevator equipment in 2000, the installation of an emergency back-up generator in 2005, replacement of the fire alarm system panel in response to water damage in 2008, the replacement of window sashes in 2010, and emergency repair of portions of the southeast exterior EIFS wall which fell off the building in 2010. Given the current age of the property, the building and units are in need of substantial rehabilitation and modernization.

The scope of work for Russell Apartments will include: new kitchens and bathrooms in all units, common area improvements, HVAC systems, elevator replacement, fire protection, siding and structural repairs. In addition, the owner plans to increase the unit count to 52 by creating an additional unit as part of the scope of work.

All units will remain affordable as part of this transaction. Upon a motion duly made and seconded, it was

**VOTED:** (i) that the Agency grant Official Action Status and consider the application of the developer for Multifamily Conduit Tax-Exempt financing for the rental residential development known as Russell Apartments, in Cambridge, Massachusetts (the “Development”) at such time as it is submitted; (ii) that this vote 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 tax-exempt debt by the Agency not be in excess of \$13,950,000 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 Code or Treasury Regulations promulgated thereunder.

### **Loan Commitment**

Staff has reviewed the development proposal for conduit financing and recommends the following votes for approval by the MassHousing Board of Directors.

### **FURTHER**

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize the issuance of Multifamily Conduit Tax-Exempt obligations to be purchased pursuant to a public issue and funded through Wells Fargo (the “Bank”) or another entity controlled by the Bank, with such proceeds to be lent via conduit lending to Russell Apartments LLC or another single-purpose entity controlled by Cambridge Housing Authority (the “Borrower”) as owner of the multifamily residential development known as “Russell Apartments” (the “Development”) and located in Cambridge, Massachusetts, and in accordance with the applicable Conduit Loan Closing Standards approved by the board on September 12, 2017 and delegations of authority previously approved by the Board, and further subject to (1) compliance with all applicable laws and all regulations and requirements of applicable financing programs, and (2) the following special conditions: None.

### **FURTHER**

**VOTED:** That MassHousing approves, rather than the placement of a mortgage lien on the Development, that the tax-exempt bonds or notes be secured by either cash collateral or a letter of credit in form and substance and by an issuing institution acceptable to the General Counsel, in each case in the full amount of the tax-exempt debt issued by the Agency for the Development, and that this vote serves as the resolution required for alternative security under Section 1.4 of Mass. Gen. Laws ch. 23A App., §1-1 et seq. (the “Enabling Act”).

### **FURTHER**

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

**FURTHER**

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

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

**FURTHER**

**VOTED:** To authorize the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**ATTACHMENT A**  
**OFFICIAL ACTION STATUS FINDINGS**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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.

## Highland Village, Ware

Deb Morse presented a proposal for Highland Village in Ware. Highland Village (the “Development”) is a 110-unit apartment community located in Ware. In September 2014, MassHousing approved a bridge loan and Interest Reduction Payment (IRP) loan that allowed the owner to decouple and prepay its original Section 236 financing and participate in the HUD Rental Assistance Demonstration (RAD) program. Under the RAD program, the owner secured a Section 8 Project Based Voucher Housing Assistance Payment contract for all 110 units with a 15-year term. The Development is now positioned to move forward with a request for a permanent taxable loan financed under the HUD/FFB Risk Sharing Initiative.

Highland Village consists of a single land parcel with 26 one- and two-story apartment buildings with a total of 110 residential units, as well as a one-story community/office building. The construction of this property was originally financed by MassHousing under the Federal Section 236 program.

Loan proceeds will be used to pay off the existing MassHousing bridge loan (which matures 1/1/2018) and a permanent increase loan, recapitalize the property’s replacement reserve account, pay off an existing DHCD HOME loan, cover transaction costs, and provide the owner with an equity take-out. Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment A hereto and to authorize a permanent first mortgage loan in a principal amount of up to \$8,502,000, with the permanent loan to be insured under the HUD Risk Sharing program, to be made to Highland Ware Associates Limited Partnership or another single-purpose entity controlled by Meredith Management Corporation (the “Borrower”) as owner of the multi-family residential development known as “Highland Village” (the “Development”) and located in Ware, Massachusetts, and in accordance with applicable general closing standards and delegations of authority previously approved 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.

### **FURTHER**

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



## 246-248 Norwell Street, Dorchester

Deb Morse presented a proposal for 246-248 Norwell Street, Dorchester. T Lee Development LLC seeks subordinate financing of up to \$600,000 from MassHousing under the Opportunity Funds Workforce Housing program for the construction of a new residential rental development with six (6) two-bedroom units in the Codman Square – East Codman Hill neighborhood of Dorchester, to be built on a vacant parcel owned by the Borrower. All six (6) units will be Workforce Housing Units and will be restricted to households earning at least 61% and no more than 70% of Area Median Income. The Borrower has executed a term sheet from Eastern Bank for a senior construction and permanent loan of approximately \$795,000 and a bridge loan of approximately \$540,000. Staff propose that MassHousing invest in the Eastern Bank loan by acquiring a participation interest in the senior permanent loan, which is consistent with the intent of the Workforce Housing program requirement that the first mortgage loan be made by MassHousing or one of its lending partners. The Workforce loan and MassHousing's participation investment will close simultaneously after completion of construction of the development and its achievement of stabilized occupancy. The local neighborhood association as well as the Boston City Council and Zoning Board of Appeals support the project. Upon a motion duly made and seconded it was

**VOTED:** To approve the findings and determinations contained in Attachment A hereto and to authorize a subordinate loan to T Lee Development LLC (the "Borrower") for 246-248 Norwell Street in Dorchester, Massachusetts (the "Development") in the amount not to exceed \$600,000 (the "Workforce Loan"), to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for programs and investments related to the creation of workforce housing and subject to the terms and conditions of MassHousing's Workforce Housing Guidelines adopted by the Board on July 12, 2016, as duly modified from time to time (the "Workforce Housing Guidelines"); provided that the First Mortgage Requirements of the Workforce Housing Guidelines shall not apply; and further subject to (i) any applicable delegations of authority previously approved by the Board; (ii) compliance with all applicable laws and regulations and requirements of applicable financing programs, including those General Multifamily Loan Closing Standards, approved by the Board on July 12, 2016, as duly modified from time to time (the "Closing Standards") deemed applicable by the Agency to the Workforce Loan for the Development; and (iii) the following special condition: the Participation Investment (as defined below) shall close concurrently with the closing of the Workforce Loan.

**VOTED:** To authorize the Agency, concurrently with or after the closing on the Workforce Loan, to purchase as an investment (the "Participation Investment") a 100% participation interest (or, with the written approval of the Financial Director, a lesser participation interest) in the first-priority construction/permanent loan to the Borrower for the Development (the "Senior Loan") made by Eastern Bank (the

“Senior Lender”), which Participation Investment shall be in an amount equal to the principal balance of such Third-Party Senior Loan (or, if the Agency purchases less than a 100% participation interest, the portion of such principal balance corresponding to the participation interest being acquired) but not to exceed seven hundred ninety-five thousand dollars (\$795,000) (the “Investment Amount”) and subject to the following condition(s):

- (i) construction of the Development, as reflected in the plans and specifications approved by Agency staff, shall have been completed;
- (ii) the Development shall be performing in accordance with the Senior Lender’s underwriting terms reflected in its term sheet, including, but not limited to, achievement of stabilized occupancy, defined as (1) the Development’s achieving rents as underwritten by the Senior Lender and (2) the Development’s rental income, less the greater of underwritten operating expenses or annualized actual operating expenses, resulting in a debt service coverage ratio equal to or better than the coverage assumed by the Senior Lender as part of such underwriting, in each case for at least a ninety (90)-day period preceding the closing on such Participation Investment;
- (iii) the Borrower shall have fully funded an operating reserve, in an amount approved by Agency staff;
- (iv) the Senior Loan shall have been closed and funded in an amount acceptable to the Director of Rental Underwriting and on terms approved by Agency staff, in consultation with the General Counsel, and shall convert to permanent status concurrently with (or prior to) the closing of the Participation Investment;
- (v) the Senior Loan shall be in a sole, first-priority position, and no default, nor any condition that with the giving of notice and/or the lapse of time would constitute a default, shall exist thereunder;
- (vi) Agency staff shall have determined that there is a reasonable likelihood that the Senior Loan will be fully repaid at maturity;
- (vii) the Agency shall have closed and funded (or shall concurrently close and fund) the Workforce Loan for the Development, which shall be in a sole, second-priority position;
- (viii) the Participation Investment shall satisfy those terms and conditions of the Agency’s Investment Policy adopted March 10, 2015 that are applicable to investing in a participation interest in a third-party senior mortgage loan, as determined by the Financial Director;
- (ix) the Agency shall have entered (or shall concurrently enter) into one or more agreements with the Senior Lender to document the terms and conditions of the Participation Investment on terms and conditions approved by the Financial Director, Director of Rental Underwriting, and General Counsel; and
- (x) the Borrower shall have confirmed, with supporting evidence satisfactory to Agency staff, in consultation with the General Counsel, that no consent by the Borrower, any constituent Borrower entity or any other party (other

than the Senior Lender) is required for the Agency's participation investment in the Senior Loan, or, if so required, that (each) such required consent has been duly granted.

**FURTHER**

**VOTED:** The Financial Director is hereby authorized to designate in the Agency's financial records that funds in the amount of the Participation Investment Amount authorized by the foregoing vote are restricted to the fulfillment of the foregoing, in such manner as the Financial Director shall deem appropriate in accordance with generally accepted accounting principles and subject to his determination that (i) the Participation Investment would not have a material adverse effect on the financial position of MassHousing, and (ii) the use of the Agency assets designated by the Financial Director to fund the Participation Investment would not violate any agreements with third-party credit providers for its bonds; and

**FURTHER**

**VOTED:** The Executive Director, Deputy Director and General Counsel, each acting singly, is hereby authorized to execute and deliver on behalf of the Agency such agreement(s) to effectuate the foregoing as the General Counsel shall advise to be necessary or appropriate.

**Pine Grove Village, Lexington**

Kathleen Evans presented a proposal for Pine Grove Village (the "Development"), a 16-unit townhouse community in Lexington originally financed with a Section 13A mortgage which will maturing on March 1, 2019. The Development currently operates as a cooperative, with rental and homeownership units. The Pine Grove Village Cooperative Corporation (the "Current Owner") has requested that the Agency make a grant to the Lexington Housing Authority ("LHA") from Opportunity Funds designated for 13A projects in connection with its proposal to: (i) prepay the existing 13A mortgage, (ii) convert the Development to a condominium structure, (iii) transfer ownership and management of five project-based MRVP rental units to LHA; (iv) rehabilitate the rental units and common areas and (v) preserve the long-term affordability at the Development for both the low and moderate-income units.

The Development contains both rental and homeownership units, with two tiers of affordability: the five rental units are restricted to extremely low-income households and are subsidized through a project-based MRVP contract, and the remaining 11 homeownership units are restricted to households at 80% AMI. The households occupying the homeownership units have purchased shares in the cooperative. While only households at or below 80% AMI may purchase co-op shares, the price of those shares is unrestricted.

This transaction would convert the cooperative to a condominium structure. The five project-based MRVP units would be conveyed to the Lexington Housing Authority, which would operate them as rental units, and the existing cooperative shareholders will use their cooperative shares to purchase their units. Going forward, the homeownership units will be subject to the same 80% AMI income restriction, but they will also be subject to a price restriction, setting the maximum

purchase price at an amount affordable to households at 80% AMI. Upon a motion duly made and seconded, it was

**VOTED:** To approve a grant to the Lexington Housing Authority or another entity approved by the Massachusetts Housing Finance Agency (the “Grantee”) with respect to the development known as Pine Grove Village (the “Development”) in an amount not to exceed \$683,380, comprised of \$95,670 of previously disbursed funds, \$532,000 funded from the portion of the Opportunity Fund approved by the Board on March 8, 2016 designated and reserved for preservation of the Section 13A portfolio, and \$55,710 from the 13A and 13R subsidy associated with the Development, subject to the following special condition as they may be modified by the Executive Director: (1) Grantee shall take ownership of five units within the Development, (2) affordability for the 11 moderate-income homeownership and 5 low-income rental units at the Development shall be preserved to the satisfaction of the Director of Rental Underwriting; (3) the Director of Rental Underwriting shall approve a sources and uses of funds detailing the allocation of the grant funds, (4) all applicable requirements of Massachusetts General Laws C. 40B and 40T shall be met, and (5) subject to such other terms and conditions as required by the Executive Director or his designee; all of the foregoing, including the creation of the so-called Moderate-Income Purchase Reserve at the Development, to be memorialized with transaction documents in form and substance acceptable to the General Counsel.

**FURTHER**

**VOTED:** To authorize the Executive Director, or his designee, to permit the prepayment, in connection with the foregoing, of the existing loan(s) from the Massachusetts Housing Finance Agency for the Development without the need to make the findings set forth in the original mortgage.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director, and General Counsel, each acting singly, to execute and deliver on behalf of the Agency such documents and agreements to effectuate the grant and prepayment described in the preceding votes as the General Counsel shall advise to be necessary and appropriate.

Chairman Durrane made a motion to adjourn the meeting at 3:03 p.m. Upon a motion duly made and seconded, it was

**VOTED:** To adjourn the MassHousing meeting at 3:03 p.m.


A true record.

Attest.



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Beth M. Elliott  
Secretary



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Carol G. McIver  
Assistant Secretary

## MEMORANDUM

**To: Agency Members**

**From: Beth Elliott, General Counsel & Agency Secretary**

**Date: September 11, 2018**

**Re: Amendment to the Minutes of the Meeting of the Members of MassHousing held on September 12, 2017**

It has recently come to staff's attention that the minutes of the meeting of the Members of MassHousing held on September 12, 2017 erroneously omitted certain of the loan findings and the Loan Committee agenda items pertaining to Wellington Community, Residences at Brighton Marine, Bowdoin Apartments, Concord Houses, and Hope Gardens House. Staff recommends the following vote to rectify this:

**VOTED:** That the minutes of the meeting of the Members of MassHousing held on September 12, 2017 are hereby amended by replacing the Loan Committee section set forth in such minutes with the contents of Attachment A hereto and that the minutes, as thereby amended, are approved and placed on record.

Attachment A

**LOAN COMMITTEE**

**Conduit Loan Program Policies**

Dan Staring presented a proposal for a Conduit Loan Program to streamline conduit transactions.

At the June 14, 2017 meeting of its Board members, Agency staff announced its plan to initiate a Conduit Loan Program with the intention of establishing a working partnership with certain commercial banks. Under this program, a commercial bank will underwrite a loan that the Agency will make on a “conduit basis.” The loan will be funded with proceeds from tax-exempt obligations issued by the Agency in a sufficient amount to meet the 50% test and thus generate 4% Low Income Housing Tax Credits.

This initiative stems from the Agency’s strategic plan to further expand upon the Agency’s traditional lending products: to allow for more flexibility for borrowers in support of their efforts to create and preserve affordable housing units; and assist in the Rental Business Development division’s efforts to attract new borrowers and drive higher loan production levels.

Although the Agency has previously made conduit loans, the development of a formal program: 1) communicates to all parties that the Agency provides conduit loans as a normal course of business, thereby fostering greater transparency; 2) streamlines the process for better understanding and acceptance by borrowers and lending partners, allowing for greater efficiency; and 3) offers a product already offered by others in Massachusetts and one of the most common products offered by affordable housing lenders nationwide. Upon a motion duly made and seconded, it was

- VOTED:**
- (i) That the Massachusetts Housing Finance Agency (the “Agency”) approve the use of the Conduit Loan Program Closing Standards, in substantially the form attached hereto as Attachment 1, with such modifications as the Executive Director, Deputy Director or General Counsel, each acting singly, may from time to time approve, for all conduit loan transactions for which the Agency acts as issuer of the tax-exempt obligations (each, a “Conduit Loan Transaction”);
  - (ii) To waive the requirement that the form of commitment letter (including its term sheet and general closing standards) approved by the Agency’s Board on July 12, 2016 be used for any Conduit Loan Transaction;
  - (iii) To delegate to each of the Executive Director, Deputy Director and General Counsel, each acting singly, the authority to approve, and from time to time update or modify, the form of commitment documentation that the Agency will enter into with its borrowers with respect to a Conduit Loan Transaction;
  - (iv) To waive that portion of 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”) requiring any balance of borrower’s equity that had been escrowed in accordance with the Agency Equity Policy in excess of the allowed

distribution of equity to borrower to become the Agency's funds following repayment in full of the tax-exempt obligations, provided that at all times the tax-exempt obligations are outstanding, the development be subject to a recorded regulatory agreement between the borrower and the Agency containing a provision acceptable to the Agency's General Counsel regarding borrower's equity in excess of the equity distribution allowed under the Agency's enabling legislation;

(v) To waive that portion of the Tenant Selection Regulations of the Agency published in November 1997 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 Tenant Selection Regulations as Exhibit 3) for a development financed through a Conduit Loan Transaction; and

(vi) To authorize tax-exempt obligations and/or corresponding conduit loans made by the Agency in connection with a Conduit Loan Transaction be secured by cash collateral, funded at the participating owner's obligation, for the full amount of tax-exempt obligations 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 obligations and/or conduit loans.

### **Loan Commitments, Official Action Status and Prepayments**

At this point Lisa Serafin recused herself from the three Whittier deals to be presented by Sarah Hall and departed the Board room.

### **Whittier at Cabot 4% - Roxbury**

Sarah Hall presented a proposal for Whittier at Cabot 4%. Whittier at Cabot 4% will be the new construction of 58 mixed-income housing units on the top floors of a mid-rise apartment building and in adjacent townhouse buildings in the Roxbury neighborhood of Boston. The Development is part of the Whittier Choice Neighborhood Initiative ("WCNI"), which was awarded a Choice Neighborhood Implementation Grant by the U.S. Department of Housing and Urban Development ("HUD") in January 2017. Preservation of Affordable Housing ("POAH") has presented a proposal to redevelop on-site the existing public housing in the Whittier Choice Neighborhood (WCN) as one of three WCNI sites. This proposal presents a transaction that includes 4% LIHTC, a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program, an uninsured tax credit equity bridge loan and a Workforce Housing subordinate loan.

The Development is a part of the Whittier Choice Neighborhoods Initiative, which has received competitive HUD Choice Neighborhood funding. Through three years of engaging the community and project partners, the WCNI developed a plan that harnesses the strengths of the Roxbury neighborhood and its anticipated investments while actively including the neighborhood's significant population of low-income residents. The WCNI vision recognizes that housing is needed for a wide range of income levels, including middle-income housing. The WCNI seeks to embrace Roxbury's



prime location, rich heritage, and history of strong community engagement while addressing the neighborhood's continued struggle for economic growth and social cohesion. The Development contributes to the goals outlined in Mayor Walsh's Housing a Changing City: Boston 2030 plan.

The construction of the Whittier at Cabot 4% is one of three parts (Phase 1A) of the first phase of construction in the WCNI, which also includes Madison Melnea Cass Apartments and 2101 Washington Street, a MassHousing-financed project currently under construction. The WCNI Housing Strategy aims to "preserve affordability while creating a better balance of housing options in the neighborhood." (FY2016 Choice Neighborhoods Application).

The affordability structure provides three tiers of affordability, with about three-fourths of the property available to low-income households and over one-eighth available to moderate-income households. The Workforce Housing agreement will restrict the 8 moderate-income units to households earning 100% of AMI or below. The Development will contain 24 project-based Section 8 contract units. Upon a motion duly made and seconded, it was

### **Official Action Status**

**VOTED:** (i) that the Massachusetts Housing Finance Agency (the "Agency") grant Official Action Status and consider the application for a permanent loan commitment for the multifamily development known as Whittier at Cabot 4%, in Boston, Massachusetts (the "Development"); (ii) that this vote serve as a declaration of official intent under Treasury Regulations Section 1.150-2 for the Agency 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 tax-exempt debt by the Agency is not in excess of \$20,427,000 in principal amount for the Development; and (iv) that issuance of debt occur not later than 18 months after the latest of (a) the date on which the earliest expenditure subject to Treasury Regulators 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.

### **Mortgage Loans**

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a permanent first mortgage loan(s) in a principal amount of up to \$9,200,000, with the permanent loan to be insured under the HUD Risk Sharing program; and (b) a subordinate bridge loan in a principal amount up to \$11,277,000 to be made to Whittier Phase 1 4% Limited Partnership as owner of the Development, 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.

**FURTHER  
VOTED:**

That MassHousing approves a subordinate loan to the Borrower in an amount not to exceed \$800,000 (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs, and (2) subject to the terms and conditions of MassHousing's Workforce Housing Guidelines adopted by the Board on July 12, 2016, and subject to any applicable delegations of authority previously approved by the Board, subject to the Special Conditions set forth below:

1. The underwriting rents and Workforce Housing units AMI tier are subject to a final third party market study acceptable to MassHousing and may be adjusted accordingly.

**FURTHER  
VOTED:**

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

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

**FURTHER  
VOTED:**

That the Agency authorizes the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**FURTHER  
VOTED:**

To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be

subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel.

## **ATTACHMENT A OFFICIAL ACTION STATUS FINDINGS**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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 is acceptable for the intended housing.
4. There is a need for the proposed housing in the community.

## **ATTACHMENT B STATUTORY FINDINGS AND DETERMINATIONS**

### **Statutory Findings:**

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

#### *(1) Provision of Low-income Set-aside Units*

Forty-three units (74%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (appx. 1,238 units) in the area revealed a strong rental market. Current occupancy rates of the 6 comparable developments reviewed had an average occupancy of approximately 97.8 %, and range between 94.5% and 100%. My review of similar mixed income/subsidized portfolio properties (1,813 units) demonstrated a weighted average vacancy rate of approximately 1.12%.

*REIS, Inc.* data (1<sup>st</sup> Qtr. 2017) for the subject's Central City/Back Bay/Beacon Hill submarket have projected a vacancy rate at 4.6% YTD (4.9% Boston Metro). This rate is projected to increase to 5.5% over the next five years, while the Boston Metro is projected to increase to 6.1%. Vacancies in Central City/Back Bay/Beacon Hill submarket have averaged approximately 4.6% over the last five years, while the Boston Metro has averaged 4.4%.

*REIS, Inc.* submarket data for the subject's Class A building type (15,216 units) indicates a 1<sup>st</sup> Qtr. 2017 vacancy rate of 6.8% at an average asking rent of \$4,008. The proposed development would

most likely reflect the lower end of the Class A property type, and is reflected in both the vacancy rate and market rent potential.

Of note, *REIS, Inc.* submarket data for the subject's Class B/C building type (11,109 units) indicates a 1<sup>st</sup> Qtr. 2017 vacancy rate of 1.5% at an average asking rent of \$2,354.

None of the comparable reviewed were offering rent concessions, although the use of concessions continues in the Boston Metro. The 1<sup>st</sup> Qtr. 2017 REIS, Inc. data indicates that the Central City/Back Bay/Beacon Hill submarket is offering .46 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the City of Boston has 269,482 year-round housing units, 49,324 (18.3%) of which are subsidized for low/moderate income households. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units. In addition to housing developments, BHA administers approximately 14,284 Section 8 housing rental assistance vouchers.

According to the Boston Housing Authority's (BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments. The BHA also administers Housing Choice Vouchers (Section 8 or Leased Housing) to over 11,000 families. In addition, the City of Boston's Consolidated plan (FY2016) indicated that BHA maintain the following wait lists: There are 2,432 households on the Section 8 tenant based assistance wait list, including 1,189 families with children, 617 families with disabilities and 75 elderly families. The BHA also had Single applicants on the waiting list. There were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. They also maintain a Public Housing Wait list with 30,411 including 12,845 families with children, 8,068 families with disabilities and 8,760 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 256,294 households in the City of Boston approximately 69.7% earned less than the HUD published 2017 AMI (\$103,400), approximately 47.0% earned less than 50% of 2017 AMI, approximately 53.1% earned less than 60% of the 2017 AMI and approximately 61.8% earned less than 80% of the 2017 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 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. The development will serve as a mixed-income development, providing housing for tenants earning less than 100% and 60% of AMI.

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

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

**Rental Determinations:**

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

**Rent Schedule:**

Number of Bedrooms	1	2	3
Number of Units	18	18	17
Net SF/Unit	615	896	1,369
Elev./Non-Elev.	E	E	E
<b>Market Rate Rent</b> (10% Rate 20 Yr. Term)	\$4,132	\$4,457	\$4,548
<b>MHFA Below Market Rent</b> (Cost-Based Rent)	\$2,352	\$2,678	\$2,768
<b>MHFA Adjusted Rent</b>	30% Income		
<b>Underwriting Rents</b>			
S8 Units		\$1,756	\$2,178
Market/Unrestricted	\$1,900		\$2,800
Restricted at 100% (pending mkt study)	\$1,710		\$2,520
Tax Credit at 60%	\$1,025		\$1,382

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.

## Whittier at Cabot 9% - Roxbury

Sarah Hall presented a proposal for Whittier at Cabot 9%. Whittier at Cabot 9% (the “Development”) will be the new construction of 34 mixed-income housing units on the lower floors of a mid-rise building in the Roxbury neighborhood of Boston. The Development is a part of the Whittier Choice Neighborhood Initiative (“WCNI”), which was awarded a Choice Neighborhood Implementation Grant by the U.S. Department of Housing and Urban Development (“HUD”) in January 2017. Preservation of Affordable Housing (“POAH”) has presented a proposal to redevelop on-site the existing public housing in the Whittier Choice Neighborhood (“WCN”) as one of three WCNI sites. The proposal presents a transaction that includes 9% LIHTC, a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program and a Workforce Housing subordinate loan.

The Development is a part of the Whittier Choice Neighborhoods Initiative, as described with respect to the preceding transaction. The construction of the Whittier at Cabot 9% is one of three parts (Phase 1B) of the first phase of construction in the WCNI, which also includes Madison Melnea Cass Apartments and 2101 Washington Street, a MassHousing-financed project currently under construction.

The affordability structure provides three tiers of affordability, with almost two-thirds of the property available to low-income households and one-fifth available to moderate-income households. The Workforce Housing agreement will restrict the 7 moderate-income units to households earning 100% of AMI or below. The Development will contain 19 Project-Based Voucher units. Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment A hereto and to authorize (a) a permanent first mortgage loan(s) in a principal amount of up to \$5,550,000, with the permanent loans to be insured under the HUD Risk Sharing program to be made to Whittier Phase 1 9% Limited Partnership as owner of the Development, 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.

### **FURTHER**

**VOTED:** That MassHousing approves a subordinate loan to the Borrower in an amount not to exceed \$700,000 (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs, and (2) subject to the terms and conditions of MassHousing’s Workforce Housing Guidelines adopted by the Board on July 12, 2016, and subject to any applicable delegations of authority previously approved by the Board, subject to the Special Conditions set forth below:

1. The underwriting rents and Workforce Housing units AMI tier are subject to a final third party market study acceptable to MassHousing and may be adjusted accordingly.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel.

**ATTACHMENT A  
STATUTORY FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(3) Provision of Low-income Set-aside Units*

Twenty-two units (64%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (appx. 1,238 units) in the area revealed a strong rental market. Current occupancy rates of the 6 comparable developments reviewed had an average occupancy of approximately 97.8 %, and range between 94.5% and 100%. My review of similar mixed income/subsidized portfolio properties (1,813 units) demonstrated a weighted average vacancy rate of approximately 1.12%.

*REIS, Inc.* data (1<sup>st</sup> Qtr. 2017) for the subject's Central City/Back Bay/Beacon Hill submarket have projected a vacancy rate at 4.6% YTD (4.9% Boston Metro). This rate is projected to increase to 5.5% over the next five years, while the Boston Metro is projected to increase to 6.1%. Vacancies in Central City/Back Bay/Beacon Hill submarket have averaged approximately 4.6% over the last five years, while the Boston Metro has averaged 4.4%.

*REIS, Inc.* submarket data for the subject's Class A building type (15,216 units) indicates a 1<sup>st</sup> Qtr. 2017 vacancy rate of 6.8% at an average asking rent of \$4,008. The proposed development would most likely reflect the lower end of the Class A property type, and is reflected in both the vacancy rate and market rent potential.

Of note, *REIS, Inc.* submarket data for the subject's Class B/C building type (11,109 units) indicates a 1<sup>st</sup> Qtr. 2017 vacancy rate of 1.5% at an average asking rent of \$2,354.

None of the comparable reviewed were offering rent concessions, although the use of concessions continues in the Boston Metro. The 1<sup>st</sup> Qtr. 2017 *REIS, Inc.* data indicates that the Central City/Back Bay/Beacon Hill submarket is offering .46 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the City of Boston has 269,482 year-round housing units, 49,324 (18.3%) of which are subsidized for low/moderate income households. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units. In addition to housing developments, BHA administers approximately 14,284 Section 8 housing rental assistance vouchers.

According to the Boston Housing Authority's (BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments. The BHA also administers Housing Choice Vouchers (Section 8 or Leased Housing) to over 11,000 families. In addition, the City of Boston's Consolidated plan (FY2016) indicated that BHA maintain the following wait lists: There are 2,432 households on the Section 8 tenant based assistance wait list, including 1,189 families with children, 617 families with disabilities and 75 elderly families. The BHA also had Single applicants on the waiting list. There were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at this time. They also maintain a Public Housing Wait list with 30,411 including 12,845 families with children, 8,068 families with disabilities and 8,760 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 256,294 households in the City of Boston approximately 69.7% earned less than the HUD published 2017 AMI (\$103,400), approximately 47.0% earned less than 50% of 2017 AMI, approximately 53.1% earned less than 60% of the 2017 AMI and approximately 61.8% earned less than 80% of the 2017 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 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. The development will serve as a mixed-income development, providing housing for tenants earning less than 100% and 60% of AMI.

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

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. Staff is not aware of units within the same market area that require demolition or compulsory repair. So long as the acute shortage of affordable housing persists, actions of public agencies to increase the supply of affordable housing will reduce the market forces that allow unsafe and unsanitary units to persist. In addition, MassHousing, through its administration of housing



programs, and other public agencies (e.g., local enforcement of building codes), continue to require repair of substandard units as such units are identified.

**Rental Determinations:**

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

**Rent Schedule:**

Number of Bedrooms	1	2	3	4
Number of Units	15	9	9	1
Net SF/Unit	615	896	1,188	1,420
Elev./Non-Elev.	E	E	E	E
<b>Market Rate Rent</b> (10% Rate 20 Yr. Term)	\$4,132	\$4,457	\$4,548	\$5,089
<b>MHFA Below Market Rent</b> (Cost-Based Rent)	\$3,812	\$3,932	\$4,377	\$4,592
<b>MHFA Adjusted Rent</b>	30% Income			
<b>Underwriting Rents</b>				
Market/Unrestricted	\$1,900	\$0	\$0	
Vouchers	\$0	\$1,756	\$2,202	\$2,416
Workforce at 100% (pending mkt study)	\$1,710	\$0	\$0	\$0
Tax Credit at 60%	\$1,025	\$0	\$0	\$0
Average underwriting rents for LIHTC units are shown net of tenant paid utilities				

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.

**Madison Melnea Cass Apartments – Roxbury**

Sarah Hall presented a proposal for Madison Melnea Cass Apartments in Roxbury.

Madison Melnea Cass Apartments (the “Development”) will be a new construction 76-unit property in two buildings in the Roxbury neighborhood of Boston. The Development is a part of the Whittier

Choice Neighborhood Initiative (“WCNI”), which was awarded a Choice Neighborhood Implementation Grant by the U.S. Department of Housing and Urban Development (“HUD”) in January 2017. Madison Park Development Corporation has presented a proposal to develop a parcel in the Whittier Choice Neighborhood (“WCN”) as one of three WCNI sites. The proposal presents a transaction that includes 4% LIHTC, a MassHousing construction and permanent loan insured under the HUD/HFA Risk-Sharing Program, an uninsured tax credit equity bridge loan and a Workforce Housing subordinate loan.

The Development is a part of the Whittier Choice Neighborhoods Initiative, as described with respect to the two preceding transactions. The construction of the Madison Melnea Cass Apartments is one of three parts (Phase 1B) of the first phase of construction in the WCNI, which also includes the initial phases of the on-site redevelopment and 2101 Washington Street, a MassHousing-financed project currently under construction.

The affordability structure provides three tiers of affordability, with over two-thirds of the property available to low-income households and one-fourth available to moderate-income households. The Workforce Housing agreement will restrict the 19 moderate-income units to households earning 80% AMI or below. The Development will contain 33 Project-Based Voucher units, which will be set aside for families relocated as part of the demolition associated with the Whittier Choice Neighborhood Initiative. Upon a motion duly made and seconded, it was

### **Official Action Status**

**VOTED:** (i) that the Massachusetts Housing Finance Agency (the “Agency”) grant Official Action Status and consider the application for a construction and permanent loan commitment for the multifamily development known as Madison Melnea Cass Apartments, in Boston, Massachusetts (the “Development”); (ii) that this vote serve as a declaration of official intent under Treasury Regulations Section 1.150-2 for the Agency 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 tax-exempt debt by the Agency is not in excess of \$20,000,000 in principal amount for the Development; and (iv) that issuance of debt occur not later than 18 months after the latest of (a) the date on which the earliest expenditure subject to Treasury Regulators 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.

### **Mortgage Loans**

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a construction and permanent first mortgage loan(s) in a principal amount of up to \$10,900,000, with the construction and permanent loans to be insured under the HUD Risk Sharing program; and (b) a subordinate bridge loan in a principal amount up to \$9,100,000 to be made to Madison Melnea Cass LLC as owner of the Development, 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.

**FURTHER  
VOTED:**

That MassHousing approves a subordinate loan to the Borrower in an amount not to exceed \$1,900,000 (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs, and (2) subject to the terms and conditions of MassHousing's Workforce Housing Guidelines adopted by the Board on July 12, 2016, and subject to any applicable delegations of authority previously approved by the Board, subject to the Special Conditions set forth below:

1. The underwriting rents and Workforce Housing units AMI tier are subject to a final third party market study acceptable to MassHousing and may be adjusted accordingly.

**FURTHER  
VOTED:**

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

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

**FURTHER  
VOTED:**

That the Agency authorizes the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel.

**ATTACHMENT A  
OFFICIAL ACTION STATUS FINDINGS**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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 is acceptable for the intended housing.
4. There is a need for the proposed housing in the community.

**ATTACHMENT B  
STATUTORY FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(5) Provision of Low-income Set-aside Units*

Sixty-two units (82%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (appx. 1,238 units) in the area revealed a strong rental market. Current occupancy rates of the 6 comparable developments reviewed had an average occupancy of approximately 97.8 %, and range between 94.5% and 100%. My review of similar mixed income/subsidized portfolio properties (1,813 units) demonstrated a weighted average vacancy rate of approximately 1.12%.

REIS, Inc. data (1<sup>st</sup> Qtr. 2017) for the subject's Central City/Back Bay/Beacon Hill submarket have projected a vacancy rate at 4.6% YTD (4.9% Boston Metro). This rate is projected to increase to 5.5% over the next five years, while the Boston Metro is projected to increase to 6.1%. Vacancies in

Central City/Back Bay/Beacon Hill submarket have averaged approximately 4.6% over the last five years, while the Boston Metro has averaged 4.4%.

*REIS, Inc.* submarket data for the subject's Class A building type (15,216 units) indicates a 1<sup>st</sup> Qtr. 2017 vacancy rate of 6.8% at an average asking rent of \$4,008. The proposed development would most likely reflect the lower end of the Class A property type, and is reflected in both the vacancy rate and market rent potential.

Of note, *REIS, Inc.* submarket data for the subject's Class B/C building type (11,109 units) indicates a 1<sup>st</sup> Qtr. 2017 vacancy rate of 1.5% at an average asking rent of \$2,354.

None of the comparable reviewed were offering rent concessions, although the use of concessions continues in the Boston Metro. The 1<sup>st</sup> Qtr. 2017 REIS, Inc. data indicates that the Central City/Back Bay/Beacon Hill submarket is offering .46 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the City of Boston has 269,482 year-round housing units, 49,324 (18.3%) of which are subsidized for low/moderate income households. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units. In addition to housing developments, BHA administers approximately 14,284 Section 8 housing rental assistance vouchers.

According to the Boston Housing Authority's (BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments. The BHA also administers Housing Choice Vouchers (Section 8 or Leased Housing) to over 11,000 families. In addition, the City of Boston's Consolidated plan (FY2016) indicated that BHA maintain the following wait lists: There are 2,432 households on the Section 8 tenant based assistance wait list, including 1,189 families with children, 617 families with disabilities and 75 elderly families. The BHA also had Single applicants on the waiting list. There were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. They also maintain a Public Housing Wait list with 30,411 including 12,845 families with children, 8,068 families with disabilities and 8,760 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 256,294 households in the City of Boston approximately 69.7% earned less than the HUD published 2017 AMI (\$103,400), approximately 47.0% earned less than 50% of 2017 AMI, approximately 53.1% earned less than 60% of the 2017 AMI and approximately 61.8% earned less than 80% of the 2017 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 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. The development will serve as a mixed-income development, providing housing for tenants earning less than 90%, 80% and 60% of AMI.

1.

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

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

**Rental Determinations:**

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

**Rent Schedule:**

Number of Bedrooms	1	2	3	4
Number of Units	5	40	29	2
Net SF/Unit	650	875	1,100	1,257
Elev./Non-Elev.	E	E	E	E
<b>Market Rate Rent</b> (10% Rate 20 Yr. Term)	\$2,702	\$2,791	\$3,037	\$3,516
<b>MHFA Below Market Rent</b> (Cost-Based Rent)	\$1,789	\$1,878	\$2,124	\$2,603
<b>MHFA Adjusted Rent</b>	30% of 60% of Area Median Income			
<b>Underwriting Rents</b>				
Rent Subs LIHTC	\$1,438	\$1,765	\$2,210	\$2,419
Unassisted LIHTC	\$1,070	\$1,278	\$1,466	
WFH – 80% AMI		\$1,854	\$2,086	
Market	\$2,040	\$2,331	\$2,623	
Average underwriting rents for LIHTC units are shown net of tenant paid utilities.				

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.

Lisa Serafin returned to the Board room and rejoined the meeting following these votes.

### **Landfall Community Associates II – East Boston**

Deborah Morse presented a proposal for Landfall Community Associates II in East Boston.

Landfall Community Associates II (the “Development”) is a 111-unit scattered-site development located in East Boston. An affiliate of East Boston Community Development Corporation (EBCDC) (the “Developer”) is seeking permanent financing for the acquisition and rehabilitation of this maturing 13A low-income residential rental property. The proposal presents a transaction that includes 4% LIHTC, a MassHousing permanent loan insured under the HUD/HFA Risk-Sharing Program, a Tax-Exempt syndication bridge loan, a MassHousing Capitalized 13A Payment Loan and \$1,000,000 from the 13A Opportunity Fund.

This proposal involves the consolidation of two existing developments: Landfall Apartments and East Boston Rehab. Landfall Apartments is a 15-unit property financed under the federal Section 236 program. The original Section 236 mortgage was prepaid in 2016, which enabled and led to the conversion of all 15 units at the property to project-based Section 8 assistance. East Boston Rehab is a 96-unit property financed under the Section 13A program. The 13A mortgage is due to mature in March of 2019, at which point the affordability restrictions tied to that mortgage would expire. This transaction will ensure that these two affordable housing assets continue to serve the low-income community well into the future.

The Development is a combination of five low- and mid-rise buildings scattered throughout East Boston. While the buildings have been well maintained, new sources of funding are required to keep these homes livable and affordable. The proposed scope of the rehabilitation includes the renovation of all kitchens and bathrooms, replacement of several portions of roofs, window replacement/refurbishment, flooring, brick and masonry repairs, building system upgrades, replacement of fire alarm systems and other repairs and upgrades. Upon a motion duly made and seconded, it was

### **Official Action Status**

**VOTED:** (i) that the Massachusetts Housing Finance Agency (the “Agency”) grant Official Action Status and consider the application for a permanent loan commitment for the multifamily development known as Landfall Community Associates II (the “Development”) at such time as it is submitted; (ii) that this vote 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 by the Agency if the Agency shall approve and fund the Development; (iii) that the issuance of debt by the Agency shall not be in excess of \$11,539,000 in principal amount for the Development; (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.

**FURTHER**

**VOTED:**

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

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

**FURTHER**

**VOTED:**

That the Agency authorizes the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**Mortgage Loans**

**VOTED:**

To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a permanent first mortgage loan in a principal amount of up to \$5,790,000, with the permanent loan to be insured under the HUD Risk Sharing Program; and (b) a subordinate equity bridge loan in a principal amount of up to \$4,700,000, in each case to be made to Landfall Community Associates II LLC or another single-purpose entity controlled by East Boston Community Development Corporation (the "Borrower") as owner of the multifamily residential development known as Landfall Community Associates II (the "Development") and located in Boston, Massachusetts, and in accordance with the applicable general closing



standards and delegations of authority previously approved by the Board, and further subject to (1) compliance with all applicable laws and regulations and requirements of applicable financing programs; and (2) the following special condition(s): None.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to permit the Borrower to enter into, assume or continue mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director or his or her designee to forgive that portion of the existing subordinate MassHousing debt required for the financial viability of the proposed transaction (estimated to be \$2,461,135), and/or to permit the assignment of the balance of such debt to the Borrower, as set forth in the Loan Commitment Proposal, as such amount may be adjusted at the discretion of the Executive Director.

**FURTHER**

**VOTED:** That MassHousing approves a Capitalized 13A Payment Loan in an amount not to exceed \$134,401.

**ATTACHMENT A  
OFFICIAL ACTION STATUS FINDINGS**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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.

**ATTACHMENT B  
STATUTORY FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(7) Provision of Low-income Set-aside Units*

One hundred and seven units (96.4%) 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.

*(8) Shortage of Affordable Housing Units in the Market Area*

In-house data for larger market and mixed-income complexes (appx. 1,379 units) in the area revealed a strong rental market. Current occupancy rates of the five comparable developments reviewed had an average occupancy of approximately 98.3 %, and range between 95.5% and 100%. My review of similar mixed income/subsidized portfolio properties (705 units) demonstrated a weighted average vacancy rate of approximately 1.3%. East Boston Rehab has as operated as a Section 13A property since 1975 and has an average vacancy rate of 2.49% over the last six years. Landfall Apartments has operated a Section 236 property since 1973 and has had an average vacancy rate of 2.4% over the last six years.

REIS, Inc. data (2nd Qtr. 2017) for the subject's Boston City submarket have projected a vacancy rate at 5.3% YTD (4.9% Boston Metro). This rate is projected to increase to 8.1% over the next five years, while the Boston Metro is projected to increase to 5.8%. Vacancies in Boston City submarket have averaged approximately 4.3% over the last five years, while the Boston Metro has averaged 4.5%.

Further, REIS, Inc. submarket data for the subject's Class B/C building type (8,765 units) indicates a 2nd Qtr. 2017 vacancy rate of 3.0% at an average asking rent of \$1,733. The development when completed along with the proposed amenities, more closely reflects the Class B/C property type, and is reflected in both the vacancy rate and market rent potential. None of the comparable reviewed were offering rent concessions, although the use of concessions continues in the Boston Metro. The 2nd Qtr.2017, REIS, Inc. data indicates that the Boston City submarket is offering .75 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the City of Boston 269,482 year-round housing units, 49,324 (18.3%) of which are subsidized for low/moderate income households. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units. In addition to housing developments, BHA administers approximately 14,284 Section 8 housing rental assistance vouchers.

According to the Boston Housing Authority's(BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments. The BHA also administers Housing Choice Vouchers (Section 8 or Leased Housing) to over 11,000 families. In addition, the City of Boston's Consolidated plan (FY2016) indicated that BHA maintain the following wait lists: There are 2,432 households on the Section 8 tenant based assistance wait list, including 1,189 families with children, 617 families with disabilities and 75 elderly families. The BHA also had Single applicants on the waiting list. In addition, there were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. They also maintain a Public Housing Wait list with 30,411 families including 12,845 families with children, 8,068 families with disabilities and 8,760 elderly families. The BHA also had single

applicants on the waiting list and families that fit into one or more categories. This waiting list is open.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 256,294 households in the City of Boston approximately 69.7% earned less than the HUD published 2017 AMI (\$103,400), approximately 47.0% earned less than 50% of 2017 AMI, approximately 53.1 % earned less than 60% of the 2017 AMI and approximately 61.8% earned less than 80% of the 2017 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 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 not lead to the undue concentration of low-income households. Although it is a low-income development, it is immediately adjacent to a new fully-market development and it is located in an area that includes a mix of residential and retail uses.

3.

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

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

**Rental Determinations:**

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

**Rent Schedule:**

	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Number of Units	6	75	12	14	4
Net SF/Unit	676	693	898	1,514	1,657
Elev. (E) / Non-Elev. (N)	E	E	E	E	N
<b>Market Rate Rent</b>					
(10% Rate 20-year term)	\$1,361	\$1,473	\$1,755	\$1,848	\$2,036
<b>MHFA Below Market Rent</b>					
(Cost-based Rent)	\$1,052	\$1,199	\$1,481	\$1,574	\$1,762

<b>MHFA Rent Adjusted</b>	30% of 60% of area median				
<b>Average Underwriting Rents</b>	\$1,080	\$1,192	\$1,474	\$1,567	\$1,755

*Average includes Rent Subsidized Rents where tenant contribution is limited to 30% of actual income.*

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.

### **Russell Apartments - Cambridge**

Deborah Morse presented a proposal for Russell Apartments in Cambridge. An affiliate of the Cambridge Housing Authority (“CHA”) seeks an allocation of up to \$13,950,000 in tax-exempt loan proceeds for the financing of Russell Apartments in Cambridge (the “Development”). As further described below, MassHousing’s role in this transaction will be to act as the nominal lender under the Conduit Loan Program, voted by the Board earlier in this meeting. The conduit loan will be made by MassHousing via bond proceeds pursuant to a public issue funded through Wells Fargo, who will assume construction loan risks.

Located in Cambridge, Russell Apartments is a four-to-six story midrise building with 51 one-bedroom units and a ground floor commercial space leased to a City-affiliated senior center. The building was constructed and first occupied in 1984 and serves low-income elderly and disabled residents. All 51 units are federally-assisted public housing affordable at or below 80% of AMI. As part of the transaction, CHA will be converting all of the units to project-based voucher housing, covered by a Housing Assistance Payment (HAP) contract.

Since its original construction, there has been limited work done at the property. Work completed to date includes: partial replacement of elevator equipment in 2000, the installation of an emergency back-up generator in 2005, replacement of the fire alarm system panel in response to water damage in 2008, the replacement of window sashes in 2010, and emergency repair of portions of the southeast exterior EIFS wall which fell off the building in 2010. Given the current age of the property, the building and units are in need of substantial rehabilitation and modernization.

The scope of work for Russell Apartments will include: new kitchens and bathrooms in all units, common area improvements, HVAC systems, elevator replacement, fire protection, siding and structural repairs. In addition, the owner plans to increase the unit count to 52 by creating an additional unit as part of the scope of work. All units will remain affordable as part of this transaction. Upon a motion duly made and seconded, it was

### **Official Action Status**

**VOTED:** (i) that the Agency grant Official Action Status and consider the application of the developer for Multifamily Conduit Tax-Exempt financing for the rental residential development known as Russell Apartments, in Cambridge, Massachusetts (the “Development”) at such time as it is submitted; (ii) that this vote 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 tax-exempt debt by the Agency not be in excess of \$13,950,000 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 Code or Treasury Regulations promulgated thereunder.

### **Loan Commitment**

#### **FURTHER**

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize the issuance of Multifamily Conduit Tax-Exempt obligations to be purchased pursuant to a public issue and funded through Wells Fargo (the “Bank”) or another entity controlled by the Bank, with such proceeds to be lent via conduit lending to Russell Apartments LLC or another single-purpose entity controlled by Cambridge Housing Authority (the “Borrower”) as owner of the multifamily residential development known as “Russell Apartments” (the “Development”) and located in Cambridge, Massachusetts, and in accordance with the applicable Conduit Loan Closing Standards approved by the board on September 12, 2017 and delegations of authority previously approved by the Board, and further subject to (1) compliance with all applicable laws and all regulations and requirements of applicable financing programs, and (2) the following special conditions: None.

#### **FURTHER**

**VOTED:** That MassHousing approves, rather than the placement of a mortgage lien on the Development, that the tax-exempt bonds or notes be secured by either cash collateral or a letter of credit in form and substance and by an issuing institution acceptable to the General Counsel, in each case in the full amount of the tax-exempt debt issued by the Agency for the Development, and that this vote serves as the resolution required for alternative security under Section 1.4 of Mass. Gen. Laws ch. 23A App., §1-1 et seq. (the “Enabling Act”).

#### **FURTHER**

**VOTED:** To authorize the Executive Director and Deputy Director, and their respective designees, to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing’s mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing’s requirements pertaining to

subordinate mortgages, in a manner acceptable to MassHousing's General Counsel or her designee.

**FURTHER**

**VOTED:**

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

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

**FURTHER**

**VOTED:**

To authorize the Executive Director, the Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**ATTACHMENT A  
OFFICIAL ACTION STATUS FINDINGS**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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.

## ATTACHMENT B FINDINGS AND DETERMINATIONS

### **Statutory Findings:**

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

(1) *Provision of Low-income Set-aside Units*

At least twenty percent (20%) of the units in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (approximately 1,145 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 94.9 %, and range between 85% and 100%. My review of similar mixed income/subsidized portfolio properties (922 units) demonstrated a weighted average vacancy rate of approximately 1.47%.

REIS, Inc. data (2nd Qtr. 2017) for the subject's Cambridge/Watertown/Waltham submarket has a vacancy rate at 5.8% YTD (4.9% Boston Metro). This rate is projected to increase to 8.0% over the next five years, while the Boston Metro is projected to increase to 5.8%. Vacancies in the Cambridge/Watertown/Waltham submarket have averaged approximately 5.3% over the last five years, while the Boston Metro is slightly better at 4.5% over the last five years.

Further, REIS, Inc. submarket data for the subject's Class B/C building type (17,652 units) indicates a 2nd Qtr.2017 vacancy rate of 5.0% at an average asking rent of \$1,927. The development, along with the proposed updates/renovations, more closely reflects the Class B/C property type, and is reflected in both the vacancy rate and market rent potential.

One of the comparables reviewed was offering rent concession of a \$99 security deposit with good credit. The 2nd Qtr. 2017 REIS, Inc. data indicates that the Cambridge/Watertown/Waltham submarket is offering only .20 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/5/14), the City of Cambridge has 46,690 year-round housing units, 7,084 (15.2%) of which are subsidized for low/moderate income households.

Per the City Cambridge Consolidated Plan FY2016-2020 the Cambridge Housing Authority (CHA) owns/operates 2,447 units of State public housing (1,736 family and 711 elderly/disabled). CHA public housing portfolio consists of 2,441 federal units and 109 units identified as State-assisted housing supported through the Section 8 New Construction Program. In addition, CHA has one former State public housing site that has been demolished

and will be replaced with new construction under a project-based subsidy structure. Per the CHA Annual Plan 2017, which was approved by HUD on June 2016, there are at total of 18,101 applicants on the CHA wait list. 15,468 applicants are on the public housing waiting list, 2,633 applicants are on the wait list for Putnam Square Apartments, HCV SROs and PH SROs. Included in that number are 8,027 applicants that may be eligible for multiple programs and therefore are on more than one waitlist.

The Cambridge Housing Authority tenant based assistance programs (e.g. Housing Choice Vouchers) includes 4,009 vouchers. Per Cambridge Housing Authority, the Section 8 Housing Choice Waiting list was re-opened on October 3, 2016 and remains open.

U. S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 43,801 households in the City of Cambridge, approximately 23.0% earned less than 30% of the HUD published 2017 AMI (\$103,400), approximately 34.8% earned less than 50% of the 2017 AMI, and 40.5% earned less than 60% of the 2017 AMI and 49.0% of households earned less than 80% of the 2017 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 below) and the rents for this project, MassHousing staff finds that private enterprise alone cannot supply such housing.

(4) *No Undue Concentration of Low-income Households*

The financing herein proposed will change neither the current income mix of the Development nor that of its surrounding locality. Although it is a low-income development, it is located in an area that includes a mix of residential and numerous retail and restaurant uses.

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

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. 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:

\*Rents are net of utility allowance



Number of Bedrooms	1 BR
Number of Units	52
Net SF/Unit	540
Elev. (E) / Non-Elev. (N)	E
Market Rate Rent	
(10% Rate 20-year term)	\$2,257
MHFA Below Market Rent	
(Cost-based Rent)	\$1,452
MHFA Rent Adjusted	30% of Income
Underwriting Rents:	
ELI 30% - RA*	\$1,452
LI 60% - RA*	\$1,452

### Highland Village - Ware

Deb Morse presented a proposal for Highland Village in Ware. Highland Village (the "Development") is a 110-unit apartment community located in Ware. In September 2014, MassHousing approved a bridge loan and Interest Reduction Payment (IRP) loan that allowed the owner to decouple and prepay its original Section 236 financing and participate in the HUD Rental Assistance Demonstration (RAD) program. Under the RAD program, the owner secured a Section 8 Project Based Voucher Housing Assistance Payment contract for all 110 units with a 15-year term. The Development is now positioned to move forward with a request for a permanent taxable loan financed under the HUD/FFB Risk Sharing Initiative.

Highland Village consists of a single land parcel with 26 one- and two-story apartment buildings with a total of 110 residential units, as well as a one-story community/office building. The construction of this property was originally financed by MassHousing under the Federal Section 236 program.

Loan proceeds will be used to pay off the existing MassHousing bridge loan (which matures 1/1/2018) and a permanent increase loan, recapitalize the property's replacement reserve account, pay off an existing DHCD HOME loan, cover transaction costs, and provide the owner with an equity take-out. Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment A hereto and to authorize a permanent first mortgage loan in a principal amount of up to \$8,502,000, with the permanent loan to be insured under the HUD Risk Sharing program, to be made to Highland Ware Associates Limited Partnership or another single-purpose entity controlled by Meredith Management Corporation (the "Borrower") as owner of the multi-family residential development known as "Highland Village" (the "Development") and located in Ware, Massachusetts, and in accordance with

applicable general closing standards and delegations of authority previously approved 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.

**FURTHER**

**VOTED:** To authorize the Executive Director and Deputy Director, and their respective designees, to permit the Borrower to enter into, assume or continue, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel or her designee.

**ATTACHMENT A  
STATUTORY FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(1) Provision of Low-income Set-aside Units*

110 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*

In-house data for larger market and mixed-income complexes (approximately 345 units) in the area revealed a strong rental market. Current occupancy rates of the five comparable properties reviewed averaged approximately 99.2%, and range between 96.4% and 100%. The subject property has operated as a subsidized property since 1973 and has had a historical vacancy rate of 1.24%. My review of similar mixed income/subsidized portfolio properties (1,294 units) demonstrated a weighted average vacancy rate of approximately 3.5%.

REIS, Inc. data (1st Qtr. 2017) for the subject's Springfield metro area have projected a vacancy rate at 1.6% YTD (4.9% Boston Metro). This rate is projected to increase to 2.0% over the next five years, while the Boston Metro is projected to increase to 6.1%. Vacancies in the Springfield metro area have averaged approximately 2.1% over the last five years, while the Boston Metro vacancy rate has averaged 4.4%.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the Town of Ware has 4,539 year-round housing units, 425 (9.4%) of which are subsidized for low/moderate income households.

Further, the Ware Housing Authority (WHA) owns and /or operates 108 Public Housing units which consist of 22 family housing units and 86 Elderly/Disabled housing units. The waiting list consists

of 51 Elderly/Disabled. 110 Family – 69 - 2 Bedroom and 41 - 3 Bedroom applicants. WHA also administers 61 Section 8 Housing Vouchers and they participate in the Massachusetts Section 8 Housing Choice Voucher Centralized Waiting List. At this time the list is open and it expected to remain open indefinitely.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 4,067 households in the Town of Ware , approximately 50.3% earned less than the HUD published 2017 AMI (\$66,600), approximately 40.8% earned less than 50% of 2017 AMI, approximately 50.0% earned less than 60% of the 2017 AMI and approximately 62.3% earned less than 80% of the 2017 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 below) and the rents for this project, MassHousing staff finds that private enterprise alone cannot supply such housing.

*(4) No Undue Concentration of Low-income Households*

The financing herein proposed will not lead to the undue concentration of low-income households. Although it is a low-income development, it is located in an area that includes a mix of residential and numerous retail uses.

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

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

**Rental Determinations:**

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

**Rent Schedule:**

Number of Bedrooms	1	2	3
Number of Units	50	50	10
Net SF/Unit	590	880	1,076
Elev./Non-Elev.	N	N	N
<b>Market Rate Rent</b> (10% Rate 20 Yr. Term)	\$1,274	\$1,477	\$1,741
<b>MHFA Below Market Rent</b> (Cost-Based Rent)	\$846	\$1,049	\$1,313
<b>MHFA Adjusted Rent</b>	30% of Income		
<b>Underwriting Rents</b> Section 8	\$846	\$1,049	\$1,313

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.

**246-248 Norwell Street – Dorchester**

Deb Morse presented a proposal for 246-248 Norwell Street, Dorchester. T Lee Development LLC seeks subordinate financing of up to \$600,000 from MassHousing under the Opportunity Funds Workforce Housing program for the construction of a new residential rental development with six (6) two-bedroom units in the Codman Square – East Codman Hill neighborhood of Dorchester, to be built on a vacant parcel owned by the Borrower. All six (6) units will be Workforce Housing Units and will be restricted to households earning at least 61% and no more than 70% of Area Median Income. The Borrower has executed a term sheet from Eastern Bank for a senior construction and permanent loan of approximately \$795,000 and a bridge loan of approximately \$540,000. Staff propose that MassHousing invest in the Eastern Bank loan by acquiring a participation interest in the senior permanent loan, which is consistent with the intent of the Workforce Housing program requirement that the first mortgage loan be made by MassHousing or one of its lending partners. The Workforce loan and MassHousing’s participation investment will close simultaneously after completion of construction of the development and its achievement of stabilized occupancy. The local neighborhood association as well as the Boston City Council and Zoning Board of Appeals support the project. Upon a motion duly made and seconded it was

**VOTED:** To approve the findings and determinations contained in Attachment A hereto and to authorize a subordinate loan to T Lee Development LLC (the “Borrower”) for 246-

248 Norwell Street in Dorchester, Massachusetts (the “Development”) in the amount not to exceed \$600,000 (the “Workforce Loan”), to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for programs and investments related to the creation of workforce housing and subject to the terms and conditions of MassHousing’s Workforce Housing Guidelines adopted by the Board on July 12, 2016, as duly modified from time to time (the “Workforce Housing Guidelines”); provided that the First Mortgage Requirements of the Workforce Housing Guidelines shall not apply; and further subject to (i) any applicable delegations of authority previously approved by the Board; (ii) compliance with all applicable laws and regulations and requirements of applicable financing programs, including those General Multifamily Loan Closing Standards, approved by the Board on July 12, 2016, as duly modified from time to time (the “Closing Standards”) deemed applicable by the Agency to the Workforce Loan for the Development; and (iii) the following special condition: the Participation Investment (as defined below) shall close concurrently with the closing of the Workforce Loan.

**VOTED:** To authorize the Agency, concurrently with or after the closing on the Workforce Loan, to purchase as an investment (the “Participation Investment”) a 100% participation interest (or, with the written approval of the Financial Director, a lesser participation interest) in the first-priority construction/permanent loan to the Borrower for the Development (the “Senior Loan”) made by Eastern Bank (the “Senior Lender”), which Participation Investment shall be in an amount equal to the principal balance of such Third-Party Senior Loan (or, if the Agency purchases less than a 100% participation interest, the portion of such principal balance corresponding to the participation interest being acquired) but not to exceed seven hundred ninety-five thousand dollars (\$795,000) (the “Investment Amount”) and subject to the following condition(s):

- (i) construction of the Development, as reflected in the plans and specifications approved by Agency staff, shall have been completed;
- (ii) the Development shall be performing in accordance with the Senior Lender’s underwriting terms reflected in its term sheet, including, but not limited to, achievement of stabilized occupancy, defined as (1) the Development’s achieving rents as underwritten by the Senior Lender and (2) the Development’s rental income, less the greater of underwritten operating expenses or annualized actual operating expenses, resulting in a debt service coverage ratio equal to or better than the coverage assumed by the Senior Lender as part of such underwriting, in each case for at least a ninety (90)-day period preceding the closing on such Participation Investment;
- (iii) the Borrower shall have fully funded an operating reserve, in an amount approved by Agency staff;
- (iv) the Senior Loan shall have been closed and funded in an amount acceptable to the Director of Rental Underwriting and on terms approved by Agency staff, in consultation with the General Counsel, and shall convert to permanent

- status concurrently with (or prior to) the closing of the Participation Investment;
- (v) the Senior Loan shall be in a sole, first-priority position, and no default, nor any condition that with the giving of notice and/or the lapse of time would constitute a default, shall exist thereunder;
  - (vi) Agency staff shall have determined that there is a reasonable likelihood that the Senior Loan will be fully repaid at maturity;
  - (vii) the Agency shall have closed and funded (or shall concurrently close and fund) the Workforce Loan for the Development, which shall be in a sole, second-priority position;
  - (viii) the Participation Investment shall satisfy those terms and conditions of the Agency's Investment Policy adopted March 10, 2015 that are applicable to investing in a participation interest in a third-party senior mortgage loan, as determined by the Financial Director;
  - (ix) the Agency shall have entered (or shall concurrently enter) into one or more agreements with the Senior Lender to document the terms and conditions of the Participation Investment on terms and conditions approved by the Financial Director, Director of Rental Underwriting, and General Counsel; and
  - (x) the Borrower shall have confirmed, with supporting evidence satisfactory to Agency staff, in consultation with the General Counsel, that no consent by the Borrower, any constituent Borrower entity or any other party (other than the Senior Lender) is required for the Agency's participation investment in the Senior Loan, or, if so required, that (each) such required consent has been duly granted.

**FURTHER**

**VOTED:**

The Financial Director is hereby authorized to designate in the Agency's financial records that funds in the amount of the Participation Investment Amount authorized by the foregoing vote are restricted to the fulfillment of the foregoing, in such manner as the Financial Director shall deem appropriate in accordance with generally accepted accounting principles and subject to his determination that (i) the Participation Investment would not have a material adverse effect on the financial position of MassHousing, and (ii) the use of the Agency assets designated by the Financial Director to fund the Participation Investment would not violate any agreements with third-party credit providers for its bonds; and

**FURTHER**

**VOTED:**

The Executive Director, Deputy Director and General Counsel, each acting singly, is hereby authorized to execute and deliver on behalf of the Agency such agreement(s) to effectuate the foregoing as the General Counsel shall advise to be necessary or appropriate.

**ATTACHMENT A  
STATUTORY FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(1) Provision of Low-income Set-aside Units*

At least twenty percent (20%) of the units in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (appx. 1,235 units) in the area revealed a strong rental market. Current occupancy rates of the 6 comparable developments reviewed had an average occupancy of approximately 97.7 %, and range between 94.5% and 100%.

*REIS, Inc.* data (4th Qt. 2016) for the subject's Boston City submarket have projected a vacancy rate at 5.9% YTD (4.7% Boston Metro). This rate is projected to increase to 8.0% over the next five years, while the Boston Metro is projected to increase to 5.5%. Vacancies in Boston City submarket have averaged approximately 4.3% over the last five years, while the Boston Metro has averaged 4.4%.

Further, *REIS, Inc.* submarket data for the subject's Class A building type (7,886 units) indicates a 4th Qt. 2016 vacancy rate of 10.5% at an average asking rent of \$2,532. The development when completed along with the proposed amenities, more closely reflects the Class A property type, and is reflected in both the vacancy rate and market rent potential.

None of the comparable reviewed were offering rent concessions, although the use of concessions continues in the Boston Metro. The 4<sup>th</sup> Qt. 2016 *REIS, Inc.* data indicates that the Boston City submarket is offering .56 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the City of Boston 269,482 year-round housing units, 49,324 (18.3%) of which are subsidized for low/moderate income households. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units. In addition to housing developments, BHA administers approximately 14,284 Section 8 housing rental assistance vouchers.

According to the Boston Housing Authority's(BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments. The BHA also administers Housing Choice Vouchers (Section 8 or Leased Housing) to over 11,000 families. In addition, the City of Boston's Consolidated plan (FY2016) indicated that BHA maintain the following wait lists: There are 2,432 households on the Section 8 tenant based assistance wait list, including 1,189 families with children, 617 families with disabilities and 75 elderly families. The BHA also had Single applicants on the waiting list. In addition, there were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. They also maintain a Public Housing Wait list with 30,411 including 12,845 families with children, 8,068

families with disabilities and 8,760 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 256,294 households in the City of Boston approximately 68.1% earned less than the HUD published 2017 AMI (\$103,400), approximately 47.0% earned less than 50% of 2017 AMI, approximately 53.1 % earned less than 60% of the 2017 AMI and approximately 61.8% earned less than 80% of the 2017 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 below) and the rents for this project, MassHousing staff finds that private enterprise alone cannot supply such housing.

*(4) No Undue Concentration of Low-income Households*

The financing herein proposed will change neither the current income mix of the Development nor that of its surrounding locality. Although it is a low-income development, it is located in an area that includes a mix of residential and numerous retail and restaurant uses.

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

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. 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:

Number of Bedrooms	2BR
Number of Units	6
Net SF/Unit	
Elev. (E)/Non-Elev (N)	N
Market Rate Rent	
(10% Rate 20-year term)	\$2,293



MHFA Below Market Rent	
(Cost-based Rent)	\$1,566
MHFA Rent Adjusted	
Underwriting Rents	
Market Rents	\$1,740
WFH < 70%	\$1,566
Utility Allowance	\$0

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.

### **Pine Grove Village - Lexington**

Kathleen Evans presented a proposal for Pine Grove Village (the “Development”), a 16-unit townhouse community in Lexington originally financed with a Section 13A mortgage which will maturing on March 1, 2019. The Development currently operates as a cooperative, with rental and homeownership units. The Pine Grove Village Cooperative Corporation (the “Current Owner”) has requested that the Agency make a grant to the Lexington Housing Authority (“LHA”) from Opportunity Funds designated for 13A projects in connection with its proposal to: (i) prepay the existing 13A mortgage, (ii) convert the Development to a condominium structure, (iii) transfer ownership and management of five project-based MRVP rental units to LHA; (iv) rehabilitate the rental units and common areas and (v) preserve the long-term affordability at the Development for both the low and moderate-income units.

The Development contains both rental and homeownership units, with two tiers of affordability: the five rental units are restricted to extremely low-income households and are subsidized through a project-based MRVP contract, and the remaining 11 homeownership units are restricted to households at 80% AMI. The households occupying the homeownership units have purchased shares in the cooperative. While only households at or below 80% AMI may purchase co-op shares, the price of those shares is unrestricted.

This transaction would convert the cooperative to a condominium structure. The five project-based MRVP units would be conveyed to the Lexington Housing Authority, which would operate them as rental units, and the existing cooperative shareholders will use their cooperative shares to purchase their units. Going forward, the homeownership units will be subject to the same 80% AMI income restriction, but they will also be subject to a price restriction, setting the maximum purchase price at an amount affordable to households at 80% AMI. Upon a motion duly made and seconded, it was

**VOTED:** To approve a grant to the Lexington Housing Authority or another entity approved by the Massachusetts Housing Finance Agency (the “Grantee”) with respect to the

development known as Pine Grove Village (the “Development”) in an amount not to exceed \$683,380, comprised of \$95,670 of previously disbursed funds, \$532,000 funded from the portion of the Opportunity Fund approved by the Board on March 8, 2016 designated and reserved for preservation of the Section 13A portfolio, and \$55,710 from the 13A and 13R subsidy associated with the Development, subject to the following special condition as they may be modified by the Executive Director: (1) Grantee shall take ownership of five units within the Development, (2) affordability for the 11 moderate-income homeownership and 5 low-income rental units at the Development shall be preserved to the satisfaction of the Director of Rental Underwriting; (3) the Director of Rental Underwriting shall approve a sources and uses of funds detailing the allocation of the grant funds, (4) all applicable requirements of Massachusetts General Laws C. 40B and 40T shall be met, and (5) subject to such other terms and conditions as required by the Executive Director or his designee; all of the foregoing, including the creation of the so-called Moderate-Income Purchase Reserve at the Development, to be memorialized with transaction documents in form and substance acceptable to the General Counsel.

**FURTHER**

**VOTED:** To authorize the Executive Director, or his designee, to permit the prepayment, in connection with the foregoing, of the existing loan(s) from the Massachusetts Housing Finance Agency for the Development without the need to make the findings set forth in the original mortgage.

**FURTHER**

**VOTED:** To authorize the Executive Director, Deputy Director, and General Counsel, each acting singly, to execute and deliver on behalf of the Agency such documents and agreements to effectuate the grant and prepayment described in the preceding votes as the General Counsel shall advise to be necessary and appropriate.

**Wellington Community - Worcester**

Meaghan McCarthy presented a proposal for Wellington Community in Worcester. An affiliate of WinnDevelopment seeks approval for Official Action Status, a \$16,400,000 permanent loan on completion of rehabilitation, a \$600,000 tax-exempt equity bridge loan and the use of 4% low income housing tax credits, with the permanent loan insured under the HUD/HFA Risk Sharing Program.

Wellington Community is an existing 180-unit scattered site family development located in Worcester; located in a historical district, all but one of the eleven buildings are listed on the National Register of Historic Places. This transaction represents an opportunity to preserve and recapitalize this affordable housing development. As part of this transaction, Wellington Redevelopment 2 Limited Partnership will acquire the development from a Winn affiliate, with Winn buying out the limited partners of the existing borrower and undertake a significant rehabilitation of the development. The development is currently in MassHousing’s portfolio and hasn’t undergone a substantial rehabilitation since 1981. Upon a motion duly made and seconded, it was

**Official Action Status**

**VOTED:** (i) that the Agency grant Official Action Status and consider the application for a permanent loan commitment for the multifamily development known as “Wellington Community” (the “Development”) at such time as it is submitted; (ii) that this vote serve as a declaration of official intent under Treasury Regulations Section 1.150-2 to fund all or a portion of costs paid or incurred after this date from the proceeds of a tax-exempt debt issue of the Agency if the Agency shall approve and fund the Development; (iii) that the issuance of debt by the Agency not be in excess of \$17,000,000 in principal amount for the Development; (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 Code or Treasury Regulations promulgated thereunder.

### **Mortgage Loans**

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a permanent first mortgage loan in a principal amount of up to \$16,400,000, with the permanent 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 \$600,000, in each case to be made to Wellington Redevelopment 2 Limited Partnership or another single-purpose entity controlled by WinnDevelopment Company Limited Partnership (the “Borrower”) as owner of the multifamily residential development known as “Wellington Community” (the “Development”) and located in Worcester, Massachusetts, and in accordance with the applicable general closing standards and delegations of authority previously approved by the Board, and further subject to (1) compliance with all applicable laws and all regulations and requirements of applicable financing programs, and (2) the following special conditions: None.

### **FURTHER**

**VOTED:** That the amount of 4% Credits, as set by the Executive Director, the Deputy Director, 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 Worcester, Massachusetts and known as “Wellington Community” (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 Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**FURTHER**

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

**ATTACHMENT A**  
**Official Action Status Findings**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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 is acceptable for the intended housing.
4. There is a need for the proposed housing in the community.

**ATTACHMENT B**  
**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:*

36 units (20%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (appx. 1,547 units) in the area revealed a strong market, with increasing rental and occupancy rates over that past three years. The current occupancy rates of the six developments reviewed averaged approximately 97.2%, and range between 97% and 100%. The subject property has operated as a Section 8 property since 1981 and has had a historical vacancy rate of .29%. A review of similar mixed income/subsidized portfolio properties (1,632 units) demonstrated a weighted average vacancy rate of approximately of 4.60%.

There is no submarket data for Worcester; therefore, we use the Worcester metro area data. REIS, Inc. data (2nd. Qt. 2017) for the Worcester metro has a 2nd quarter vacancy rate at 3.9% and 4.0% for the YTD. This rate is projected to increase to 4.7% over the next five years.

Based on information obtained from the City of Worcester's Five Year Consolidated Plan (2015-2020), Worcester Housing Authority (WHA), the authority maintains 3,934 units of housing, (3,595 Federal and 339 State). The WHA also administers 2,027 tenant based assistance programs of which 301 are Project-based vouchers and 1,726 are Tenant-based vouchers. They also administer 547 Special Purpose Vouchers of which 246 are Veterans Affairs Supportive Housing and 301 are Family Unification Program vouchers. Worcester has participated in the Massachusetts Section 8 Housing Choice Waiting list since 2006 which is currently open, with a wait of up to 10 years for the HCV. Per the consolidated plan, there are more than 12,300 families on the WHA combined public and leased housing waiting lists and the demand keeps growing. Approximately 10,650 applicants are on the waiting list for the Section 8 housing vouchers.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/5/2014), the City of Worcester has 74,383 year round housing units, 9,974 (13.4%) of which are subsidized for low/moderate income households.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 68,576 households in the City of Worcester, approximately 73.5% earned less than the HUD published 2017 AMI (\$86,700), approximately 47.8% earned less than 50% of the 2017 AMI, approximately 55.0% earned less than 60% of the 2017 AMI, and approximately 66.3% earned less than 80% of the 2017 AMI.

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

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

*(4) No Undue Concentration of Low-income Households*

The financing herein proposed will not lead to the undue concentration of low-income households. This is an existing development, and although it is a low-income development, it is located in an area that includes market rate developments and it is located in an area that includes a mix of residential and retail uses.

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

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. 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 BR	2 BR	3 BR	4 BR
Number of Units	69	85	20	6
Net SF/Unit	648	822	977	970
Elev. (E) / Non-Elev. (N)	E	E	E	E
Market Rate Rent (10% Rate 20-year term)	\$2,231	\$2,508	\$2,622	\$2,742
MHFA Below Market Rent (Cost-based Rent)	\$1,921	\$2,198	\$2,312	\$2,432
MHFA Rent Adjusted	30% of income			
Underwriting Rents:				
Section 8 HAP Rents	\$1,259	\$1,535	\$1,650	\$1,770
Utility Allowance	\$43	\$58	\$94	\$131

Note: Underwriting rents for Section 8 project based units are net of utility allowance.

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.

## **Residences at Brighton Marine - Brighton**

Meaghan McCarthy presented a proposal related to the Residences at Brighton Marine, a proposed 102-unit family development to be located in Brighton. WinnDevelopment, in partnership with Brighton Marine Health Center, is seeking \$9,400,000 in permanent financing upon completion of construction, as well as a \$14,000,000 tax credit equity bridge loan, a \$5,000,000 workforce housing subordinate loan and approval for the use of 4% low income housing tax credits. The permanent loan will be insured under the HUD/HFA Risk Sharing Program. Construction financing will be obtained from Bank of America, which will also serve as the tax credit investor.

The development will include a variety of income levels ranging from 30% AMI to 120% of AMI, and there will be a preference for veterans, men and women in active military service and their families. Upon a motion duly made and seconded, it was

### **Official Action Status**

**VOTED:** (i) that the Agency grant Official Action Status and consider the application for a permanent loan commitment for the multifamily development known as “Residences at Brighton Marine” (the “Development”) at such time as it is submitted; (ii) that this vote 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 \$23,400,000 in principal amount for the Development; (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 Code or Treasury Regulations promulgated thereunder.

### **Mortgage Loans**

**VOTED:** To approve the findings and determinations contained in Attachment B hereto and to authorize (a) a permanent first mortgage loan in a principal amount of up to \$9,400,000, with the permanent 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 \$14,000,000, in each case to be made to Brighton Marine Housing Limited Partnership or another single-purpose entity controlled by Brighton Marine GP LLC (the “Borrower”) as owner of the multifamily residential development known as “Residences at Brighton Marine” (the “Development”) and located in Brighton, Massachusetts, and in accordance with the applicable general closing standards and delegations of authority previously approved by the Board, and further subject to (1) compliance with all applicable laws and all regulations and requirements of applicable financing programs, and (2) the following special conditions: None.

**FURTHER  
VOTED**

To authorize a subordinate leasehold loan in a principal amount not to exceed \$5,000,000, to be made to the Borrower for the Development and (1) to be funded from that portion of the Opportunity Fund approved by the Board on March 8, 2016, designated and reserved for workforce housing programs, and (2) subject to the terms and conditions of MassHousing's Workforce Housing Guidelines adopted by the Board on July 12, 2016, and subject to any applicable delegations of authority previously approved by the Board.

**FURTHER  
VOTED:**

That the amount of 4% Credits, as set by the Executive Director, the Deputy Director, 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 Brighton, Massachusetts and known as "Residences at Brighton Marine" (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 Deputy Director, the Director of Rental Business Development, the Director of Rental Underwriting, the General Counsel or the designee of any of the foregoing to set the amount of 4% Credits to be used in connection with the Development applying the standards set forth in the immediately preceding Board vote.

**FURTHER  
VOTED:**

To authorize the Executive Director and Deputy Director, and their respective designees, to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's mortgage loans, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel or her designee.



**ATTACHMENT A**  
**Official Action Status Findings**

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

1. The Mortgagor/Developer has acceptable multifamily housing development experience and acceptable credit history.
2. The Mortgagor/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 is acceptable for the intended housing.
4. There is a need for the proposed housing in the community.

**ATTACHMENT B**  
**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:*

21 units (20%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (appx. 1,469 units) in the area revealed a strong rental market. Current occupancy rates of the five comparable developments reviewed had an average occupancy of approximately 98.6 %, and range between 95.5% and 100%. My review of similar mixed income/subsidized portfolio properties (705 units) demonstrated a weighted average vacancy rate of approximately 1.3%.

*REIS, Inc.* data (2nd Qtr. 2017) for the subject's Brookline/Brighton/Newton submarket have projected a vacancy rate at 3.8% YTD (5.0% Boston Metro). This rate is projected to increase to 4.2% over the next five years, while the Boston Metro is projected to increase to 5.8%. Vacancies in Brookline/Brighton/Newton submarket have averaged approximately 2.9% over the last five years, while the Boston Metro has averaged 5.8%.

Further, REIS, Inc. submarket data for the Class A building type (6,561) indicates a 2nd Qt. 2017 vacancy rate of 5.4% and an average asking rent of \$3,093 and, *REIS, Inc.* submarket data for the subject's Class B/C building type (11,939 units) indicates a 2nd Qtr. 2017 vacancy rate of 2.8% at an average asking rent of \$1,961. The development when completed along with the proposed amenities, more closely reflects the Class A property type, and is reflected in both the vacancy rate and market rent potential. None of the comparable reviewed were offering rent concessions, although

the use of concessions continues in the Boston Metro. The 2<sup>nd</sup> Qtr.2017, REIS, Inc. data indicates that the Boston City submarket is offering .75 months free rent and the Brookline/Brighton/Newton is offering .44 months free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the City of Boston 269,482 year-round housing units, 49,324 (18.3%) of which are subsidized for low/moderate income households. Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments of which 36 are elderly/disabled and 27 are family for a total of 12,623 housing units. In addition to housing developments, BHA administers approximately 14,284 Section 8 housing rental assistance vouchers.

According to the Boston Housing Authority's (BHA) 5-year plan (2015-2019), the BHA owns and operates 63 family and elderly/disabled developments. The BHA also administers Housing Choice Vouchers (Section 8 or Leased Housing) to over 11,000 families. In addition, the City of Boston's Consolidated plan (FY2016) indicated that BHA maintains the following wait lists which are filled as follows: There are 2,432 households on the Section 8 tenant based assistance wait list, including 1,189 families with children, 617 families with disabilities and 75 elderly families. The BHA also had Single applicants on the waiting list. In addition, there were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. They also maintain a Public Housing Wait list with 30,411 including 12,845 families with children, 8,068 families with disabilities and 8,760 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 256,294 households in the City of Boston approximately 69.7% earned less than the HUD published 2017 AMI (\$103,400), approximately 47.0% earned less than 50% of 2017 AMI, approximately 53.1 % earned less than 60% of the 2017 AMI and approximately 61.8% earned less than 80% of the 2017 AMI.

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

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

*(4) No Undue Concentration of Low-income Households*

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

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

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. Although staff is not aware of units within the same market area that require

demolition or compulsory repair, by preserving the affordable housing proposed here, those in need of affordable housing will not be forced to accept residence in substandard units. So long as the acute shortage of affordable housing persists, actions of public agencies to increase the supply of affordable housing will reduce the market forces that allow unsafe and unsanitary units to persist. In addition, MassHousing, through its administration of housing programs, and other public agencies (e.g., local enforcement of building codes), continue to require repair of substandard units as such units are identified.

**Rental Determinations:**

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

**Rent Schedule:**

Number of Bedrooms	0	1	2	3
Number of Units	11	47	33	11
Net SF/Unit	523	697	980	1247
Elev./Non-Elev.	E	E	E	E
<b>Market Rate Rent</b> (10% Rate 20 Yr. Term)	\$2,867	\$3,025	\$3,309	\$3,726
<b>MHFA Below Market Rent</b> (Cost-Based Rent)	\$1,767	\$1,925	\$2,209	\$2,626
<b>MHFA Adjusted Rent</b>	30% of Income			
<b>Underwriting Rents</b>				
Rental Assisted PBV	\$1,145	\$1,310	\$1,608	\$2,013
Tax Credit at 30% AMI	\$471	N/A	\$584	N/A
Tax Credit at 60% AMI	\$987	\$1,047	\$1,249	\$1,436
Workforce (80% AMI)	\$1,300	\$1,390	\$1,650	\$1,900
Workforce (120% AMI)	\$1,686	\$2,044	\$2,700	\$3,200

\*Underwriting rents for PBV , 30% AMI and 60% AMI units are net of utility allowances

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

**Bowdoin Apartments - Malden**

Meaghan McCarthy presented a proposal for a taxable permanent loan for Bowdoin Apartments in Malden, which is 226-unit family development consisting of 15 three-story garden-style apartments

that were constructed in 1965. The taxable permanent loan would be made pursuant to MassHousing's MAP/Ginnie Mae Joint Venture Lending Initiative, with Rockport Mortgage as the MAP Lender Partner. MassHousing's credit exposure for loans insured by FHA under Section 223(f) of the National Housing Act is approximately one percent (1%). The proposal also calls for the prepayment of an existing senior MassHousing loan, repayment of a subordinate loan from the Massachusetts Housing Partnership, and resubordination of a loan from the Massachusetts Technology Collective (which has since been acquired by a party related to the borrower). Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment A and to authorize the Massachusetts Housing Finance Agency ("MassHousing") (1) to accept the assignment, from Rockport Mortgage Corporation of a HUD Firm Commitment to provide mortgage insurance through the Federal Housing Administration pursuant to Section 223(f) of the National Housing Act for a first mortgage loan in the approximate amount of \$32,826,200, or such other amount as evidenced in the HUD Firm Commitment, subject to the limitation that the final amount of such loan shall not be more than \$ 49,239,300 nor less than \$ 16,413,100 to Lisbon Street Limited Partnership ("Borrower") for Bowdoin Apartments and (2) to make the FHA-insured first mortgage loan to Lisbon Street Limited Partnership for Bowdoin Apartments in the approximate amount of \$ 32,826,200 subject to the limitation that the final amount of such loan shall not be more than \$ 49,239,300 nor less than \$ 16,413,100 on terms acceptable to MassHousing, in compliance with the terms of the Prepayment Approval for MassHousing Multifamily Mortgages granted by the Board on October 14, 2014 and subject to MassHousing's General Closing Conditions for loans made under MassHousing's MAP/Ginnie Mae Multifamily Joint Venture Lending Initiative approved by the Board on November 12, 2014.

**FURTHER**

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

**FURTHER**

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

**ATTACHMENT A**  
**FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(1) Provision of Low-income Set-aside Units*

46 of the 226 total units (20%) 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*

A strong market need for the affordable units is demonstrated by the large number of low-income persons in the City of Malden in relation to the number of subsidized housing units.

In-house data for larger market and mixed-income complexes (apex. 1,872 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 94.08%, and range between 92.5% and 96%. The subject property has been operated as subsidized development since 1965, and based on historic data the development and has average a vacancy rate of .81% over the last six years. A review of similar mixed income/subsidized portfolio properties (1,230 units) demonstrated a weighted average vacancy rate of approximately 4.66%.

REIS, Inc. data (1st Qt. 2017) for the subject's Comparable Group submarket have a year-to-date vacancy rate at 4.7% , the Mystic River N/Rt. 128 has a rate of 7.3% and Boston Metro has a 4.9% vacancy rate. This rate is projected to increase to 8.6% over the next five years, while the Boston Metro is projected to increase to 6.1%. Vacancies in Mystic River N/Rt. 128 submarket have averaged approximately 5.2% over the last five years, while the Boston Metro has averaged 4.4%.

Further, REIS, Inc. submarket data for the subject's Class B/C building type (15,337 units) indicates a 1st Qt. 2017 vacancy rate of 5.1% at an average asking rent of \$1,501. The existing development, along with the proposed updates/renovations, more closely reflects the Class B/C property type, and is reflected in both the vacancy rate and market rent potential. Several of the comparable properties reviewed were offering rent concessions, and the use of concessions continues in the Boston Metro. Although, the 1<sup>st</sup> Qt. 2017 REIS, Inc. data indicates that the Mystic River North/Route 128 submarket is offering only .44 months free rent.

Per the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/ 14), the City of Malden has 25,122 year-round housing units, 2,562 (10.2%) of which are subsidized for low/moderate income households. Per the City of Maiden's Consolidated Plan, Malden Housing Authority (MHA) owns and/or operates approximately 165 State elderly/disabled and 1,195 Federal (473 general population and 722 mixed population) public housing units, and oversees 986 vouchers of which 976 are Baseline and 20 are Shelter Plus Care. In addition, the City of Maiden's Consolidated plan indicated that MHA maintain the following wait lists: There are 4,409 households on their public housing wait lists (630 elderly households; 2,811 family households and 968 families with disabilities). They also maintain a Project-Based Wait list

with 1,561 households (473 elderly households, 959 family households, 6 families with disabilities and 123 single room occupancy units).

Regarding Housing Choice vouchers, Malden participates the MassNAHRO Centralized HCV Waiting list with a total waiting list of 148,674, and the list is currently open.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that of the 22,914 households in the City of Malden, approximately 71.2% earned less than the HUD published 2016 AMI (\$98,100), approximately 45.2% earned less than 50% of 2016 AMI, approximately 52.7% earned less than 60% of the 2016 AMI and approximately 63.2% earned less than 80% of the 2016 AMI.

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

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

*(4) No Undue Concentration of Low-income Households*

The development will continue a 10-year history of serving households earning less than 60 percent of the Area Median Income.

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

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

**Rental Determinations:**

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

**RENT SCHEDULE:**

Number of Bedrooms	1	2	3
Number of Units	59	95	72
Net SF/Unit	532	718	1047
Elev./Non-Elev.	N	N	N
<b>Market Rate Rent</b>	<b>\$2,092</b>	<b>\$2,361</b>	<b>\$2,630</b>

(10% Rate 20 Yr. Term)			
<b>MHFA Below Market Rent</b> (Cost-Based Rent)	\$1,290	\$1,559	\$1,829
<b>MHFA Adjusted Rent</b>	30% of Income		
<b>MAP Lender Partner</b>			
<b>Underwriting Rents</b>			
Section 8	\$1,540	\$1,850	\$2,250
60% AMI	\$1,104	\$1,309	\$1,503
"BRO" Restricted	\$904	\$1,041	\$1,238
Market	\$1,157	\$1,404	\$2,250

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.

#### **Concord Houses - Boston (South End)**

David Keene presented a proposal with respect to Concord Houses, in the South End of Boston. Concord Houses is a 181-unit family apartment development consisting of two seven-story buildings that were constructed under the HUD Section 236 program in 1976. The taxable permanent loan would be made pursuant to MassHousing's MAP/Ginnie Mae Joint Venture Lending Initiative, with Rockport Mortgage as the MAP Lender Partner. MassHousing's credit exposure for loans insured by FHA under Section 223(f) of the National Housing Act is approximately one percent (1%). Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment A and to authorize the Massachusetts Housing Finance Agency ("MassHousing") (1) to accept the assignment from Rockport Mortgage Corporation of a HUD Firm Commitment to provide mortgage insurance through the Federal Housing Administration pursuant to Section 223(f) of the National Housing Act for a first mortgage loan in the approximate amount of \$35,000,000, or such other amount as evidenced in the HUD Firm Commitment, subject to the limitation that the final amount of such loan shall not be more than \$52,500,000 nor less than \$17,500,000 to Concord Houses Associates LP (the "Borrower") for Concord Houses in Boston, MA (the "Development") and (2) to make the FHA-insured first mortgage loan to the Borrower for the development in the approximate amount of \$35,000,000, subject to the limitation that the final amount of such loan shall not be more than \$52,500,000 nor less than \$17,500,000 on terms acceptable to MassHousing, in compliance with the terms of the Prepayment Approval for MassHousing Multifamily Mortgages granted by the Board on October 14, 2014 and subject to

MassHousing's General Closing Conditions for loans made under MassHousing's MAP/Ginnie Mae Multifamily Joint Venture Lending Initiative approved by the Board on November 12, 2014, and further subject to the following special condition: Satisfactory resolution of future affordability and land use requirements as approved by the Executive Director.

**FURTHER**

**VOTED:**

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

**ATTACHMENT A  
FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(1) Provision of Low-Income Set-aside Units*

At least twenty percent (20%) of the units in the Development will be affordable to low-income persons and families (i.e. at or below 80% of Area Median Income), as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (900 approximate units) in the area revealed a strong rental market. Current occupancy rates of the comparables reviewed averaged approximately 99.5% and range between 99% and 100%. The subject property has operated as a Section 236 property since 1978 and has had a historical vacancy rate of 1.13% over the last 6 years.

*REIS, Inc.* data (1st Qt. 2017) for the subject's Boston City submarket area indicated a vacancy rate at 5.5% YTD (4.9% Boston Metro). This rate is projected to increase to 8.3% over the next five years, while the Boston Metro is projected to increase to 6.1%. Vacancies in the Boston City 1 submarket have averaged approximately 4.3% over the last five years, while the Boston Metro has averaged 4.4%.

Further, *REIS, Inc.* submarket data for the subject's Class B/C Properties (8,765) indicates a 1st Qtr. 2017 vacancy rate of 3.0%. The existing development, along with the proposed updates/renovations, reflects the Class B/C property 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 (12/5/2014), the City of Boston has 269,482 year-round housing



units, 49,324 (18.3%) of which are subsidized for low/moderate income households.

The Boston Housing Authority (BHA) owns and/or operates approximately 63 housing developments, of which 36 are elderly/disabled and 27 are family occupied for a total of 12,623 housing units. In addition to housing developments, BHA administers approximately 14,284 Section 8 housing rental assistance vouchers.

In addition, the City of Boston's Consolidated Plan (FY 2016) indicated that the BHA maintains the following waiting lists: there are 2,432 households on the Section 8 tenant-based assistance waiting list, including 1,189 families with children, 617 families with disabilities, and 75 elderly families. The BHA also had Single applicants on the waiting list. In addition, there were instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen it at this time. The BHA also maintains a Public Waiting List with 30,411, including 12,845 families with children, 8,068 families with disabilities and 8,760 elderly families. The BHA also had single applicants on the waiting list and families that fit into one or more categories. This waiting list is open.

U.S. Census data from the 2010-2014 American Community Survey (ACS) indicates that, of the 256,294 households in the City of Boston, approximately 69.7% earned less than the HUD published 2017 Area Median Income (AMI) of \$103,400; approximately 47% earned less than 50% of the 2017 AMI; approximately 53.1% earned less than 60% of the 2017 AMI; and approximately 61.8% earned less than 80% of the 2017 AMI.

Based on the market data reviewed, a demand exists for the subject units, both the low-income and market-rate units in the City of Boston.

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

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

### *(4) No Undue Concentration of Low-Income Households*

The financing herein proposed will change neither the current income mix of the Development nor that of its surrounding locality. Although it is a low-income development, it is in an area that includes a mix of residential and numerous retail uses.

### *(5) Elimination of Unsafe or Unsanitary Dwelling Units*

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. 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 based on the underwriting performed by the MAP Lender Partner for units within the proposed Development:

**RENT SCHEDULE:**

Number of Bedrooms	1	2	3	4
Number of Units	144	27	8	2
Net SF/Unit	575	850	1,248	1,728
Elev./Non-Elev.	E	E	E	E
<b>Market Rate Rent</b> (10% Rate 20 Yr. Term)	\$3,184	\$3,561	\$4,527	\$4,144
<b>MHFA Below Market Rent</b>	\$1,901	\$2,278	\$3,244	\$2,861
(Cost-Based Rent) <b>MHFA Adjusted Rent</b>	30% of income			
<b>MAP Lender Partner Underwriting Rents</b>				
80% AMI Rents	\$1,413	\$1,695	\$1,954	\$2,106
Section 8 Rents	\$2,450	\$3,000	\$4,125	\$4,800

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.

**Hope Gardens House - Attleboro**

David Keene presented a proposal with respect to Hope Gardens House, in Attleboro Hope Gardens is a 160-unit elderly apartment development consisting of three 3-story buildings that were constructed under the HUD Section 8 program in 1981. The taxable permanent loan would be made pursuant to MassHousing’s MAP/Ginnie Mae Joint Venture Lending Initiative, with Rockport Mortgage as the MAP Lender Partner. MassHousing’s credit exposure for loans insured by FHA under Section 223(f) of the National Housing Act is approximately one percent (1%). Upon a motion duly made and seconded, it was

**VOTED:** To approve the findings and determinations contained in Attachment A and to authorize the Massachusetts Housing Finance Agency ("MassHousing") (1) to accept the assignment from Rockport Mortgage Corporation of a HUD Firm Commitment to provide mortgage insurance through the Federal Housing Administration pursuant to Section 223(f) of the National Housing Act for a first mortgage loan in the approximate amount of \$15,440,000, or such other amount as evidenced in the HUD Firm Commitment, subject to the limitation that the final amount of such loan shall not be more than \$23,160,000 nor less than \$7,720,000 to Hope Gardens Associates (the "Borrower") for Hope Gardens Apartments in Attleboro, MA (the "Development") and (2) to make the FHA-insured first mortgage loan to the Borrower for the Development in the approximate amount of \$15,440,000, subject to the limitation that the final amount of such loan shall not be more than \$23,160,000 nor less than \$7,720,000 on terms acceptable to MassHousing, in compliance with the terms of the Prepayment Approval for MassHousing Multifamily Mortgages granted by the Board on October 14, 2014 and subject to MassHousing's General Closing Conditions for loans made under MassHousing's MAP/Ginnie Mae Multifamily Joint Venture Lending Initiative approved by the Board on November 12, 2014.

**FURTHER**

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

**ATTACHMENT A  
FINDINGS AND DETERMINATIONS**

**Statutory Findings:**

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

*(1) Provision of Low-Income Set-aside Units*

At least twenty percent (20%) of the units in the Development will be affordable to low-income persons and families (i.e. at 80% of Area Median Income), as specified in the Act, at the adjusted rentals shown in the rent schedule below.

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

In-house data for larger market and mixed-income complexes (approximately 721 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties averaged approximately 98.3%, and ranged between 96.3% and 100%. The subject has operated as a 100%

Section 8 elderly development since approximately 1981, and based on historic data, the development has averaged a vacancy rate of .729 % over the last six years. Our review of similar mixed income/subsidized portfolio properties (1,006 units) demonstrated a weighted average vacancy rate of 3.05%.

REIS, Inc. data (2nd Qt. 2017) for the subject's South/SE Suburban submarket have projected a vacancy rate at 4.1% YTD (4.9% Boston Metro). This rate is projected to increase to 4.7% over the next five years, while the Boston Metro is projected to increase to 5.8%. Vacancies in the South/SE Suburban submarket have averaged approximately 4.7% over the last five years, while the Boston Metro vacancy rate has averaged 4.5%.

Further, REIS, Inc. submarket data for the subject's Class A building type (4,137) indicates a 2nd Qt. 2017 vacancy rate of 6.5% and an average asking rent of \$1,705. However, the development when completed may more closely reflect a Class B/C property type in both the vacancy rate and market rent potential. REIS, Inc. submarket data for the Class B/C building type (11,797 units) indicates a 2nd Qt. 2017 vacancy rate of 3.3% and an average asking rent of \$1,412.

None of the comparable reviewed offered concessions. However, the use of concessions continues in the Boston Metro and the 2nd Qt. 2017 REIS, Inc. data indicates that the South/SE Suburban submarket is offering 0.48 months' free rent and the Boston Metro is offering 1.13 months' free rent.

According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (12/05/14), the City of Attleboro had 17,798 year-round housing units, 1,177 (6.5%) of which are subsidized for low/moderate income households.

Further, the Attleboro Housing Authority (AHA) owns and /or operates four State-funded Elderly/Disabled Public Housing developments which have 319 one bedroom units. Per the representative of AHA, there are 503 applicants on the waiting list for these units and the wait list is approximately 2 or more years. They also own and/or operate one State-funded family site with 52 two-bedroom units and 39 three-bedroom units. In addition, they operate 2 one-bedroom and 13 two-bedroom units offsite and 6 three-bedroom units located in three separate duplexes within the city limits. Per the representative of AHA, the approximate wait time for these units is over 7 years. The breakdown of applicants for the family units is as follows: 1BR-175 applicants, 2BR-818 applicants and 3BR-298 applicants. They also participate in the Massachusetts Rental Voucher Program (MRVP), and the breakdown of MRVP applicants is as follows: 1BR – 240 applicants, 2BR-454 applicants and 3BR- 179 applicants. Also per the AHA representative, they administer 195 Section 8 Housing Choice Vouchers in the centralized waiting list administered through the state, and wait time is over ten years.

U.S. Census data from the 2011-2015 American Community Survey (ACS) indicates that, of the 6,035 households in the City of Attleboro, approximately 48.4% earned less than the HUD published 2017 AMI (\$81,000); approximately 21.6% earned less than 50% of 2017 AMI; approximately 27.7% earned less than 60% of the 2017 AMI; and approximately 39.5% earned less than 80% of the 2017 AMI.

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

Based on information provided by the MAP Lender Partner, MassHousing staff has completed an analysis of the market rate rents, as defined by Agency statute, which absent MassHousing financing, would be required to support the development and operations of the Development. Based on the

substantial difference between these market rents (shown below) and the rents for this project, MassHousing staff finds that private enterprise alone cannot supply such housing.

*(4) No Undue Concentration of Low-Income Households*

The financing herein proposed will change neither the current income mix of the Development nor that of its surrounding locality. Although it is a low-income development, it is in an area that includes a mix of residential and numerous retail uses.

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

As evidenced by data cited in Finding No. 2 above, there is an acute shortage of decent, safe, and sanitary housing available to low-income persons and families in the general housing market area of the Development. 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, other public agencies (e.g. local enforcement of building codes), continue to require repair of substandard units as such units are identified.

**Rental Determinations:**

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

**Rent Schedule**

Number of Bedrooms	1	2
Number of Units	145	15
Net SF/Unit	575	850
Elev./Non-Elev.	E	E
<b>Market Rate Rent</b> (10% Rate 20 Yr. Term)	\$1,744	\$1,939
<b>MHFA Below Market Rent</b> (Cost-Based Rent)	\$1,206	\$1,401
<b>MHFA Adjusted Rent</b>	30% of Income	
<b>Underwriting Rents</b>		
Section 8	\$1,245	\$1,435
80% AMI	\$1,052	\$1,265

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.