**Minutes of the Regular Meeting**
**of the Members of**
**MassHousing**
**held on July 14, 2020**

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing - was held on June 14, 2020. In accordance with the Order Suspending Certain Provisions of the Open Meeting Law, GL.c.30A Section 20 issued by Governor Baker on March 12, 2020, no Members were physically present and the meeting was conducted remotely through a publicly accessible Zoom meeting.

Participating remotely were all the Members (by roll call):

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

**Members Not Participating** Jerald Feldman

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

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

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

Mr. McNiece asked meeting observers to identify themselves through the "raise hands" function in Zoom if anyone wished to record the meeting, so that the chair could inform the Members, as required by the Commonwealth's open meeting law. No one indicated an intent to record the meeting.

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

**VOTED:** That the minutes of the meeting held on June 9, 2020 are hereby approved and placed on record.

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

**Executive Director's Report**

Ms. Kornegay began by discussing recent social unrest and how we at MassHousing can address racial equity. Ms. Kornegay began by showing a short video by Richard Rothstein entitled, "The Color of Law."

Ms. Kornegay continued by discussing redlining and racially-restrictive deeds. In Massachusetts, there is a 34% point gap between white homeowners and homeowners of color – 69% of white people own their own home versus 35% of people of color own their own homes. In addition, in 2017 there were no home purchase loans made to Black or Hispanic people in 65 of 351 cities and towns in Massachusetts. Ms. Kornegay continued by stating Black and Hispanic people are three times more likely to be denied a mortgage than white people.

Carolina Avellaneda asked if all other factors were constant with regard to Black and Hispanic people being denied mortgages. Ms. Kornegay answered her numbers were obtained from the Massachusetts Council on Banking and she will get clarification from that source.

Ms. Kornegay continued by discussing the racial makeup of MassHousing staff as well as the MassHousing Board. Thirty-three percent of MassHousing staff and Board are people of color which is 4 points higher than the Commonwealth average. Ms. Kornegay commented that although we are doing a good job with racial diversity, we can do more. She continued by stating the percentage of loans to first-time homebuyers who are people of color has increased but we need to make that larger.

Ms. Kornegay also mentioned the Tenancy Preservation Program (TPP) that MassHousing participates in in partnership with DHCD. TPP is a homelessness prevention program. Ms. Kornegay also discussed the CommonWealth Builder Program which is intended to spur the construction of single-family homes affordable to households of moderate incomes, particularly in communities of color. We currently have $48.4 million in the pipeline out of $60 million to spend. We are doing well in moving this construction along.

In addition, through our Community Services Program, MassHousing has made 162 micro-grants in communities of color. Also, since 2014 construction loans have increased 55% to minority-owned businesses. And since 2016, almost 2015 people have received training through our REACH program.

Chairman Dirrane thanked Ms. Kornegay for her report. He asked Ms. Kornegay to work with Myra Carmona to provide a breakdown of racial diversity by job title and compare that against the makeup of other state agencies.

Patricia McArdle mentioned that as a closing attorney, she has seen that these deed restriction do still exist. A Petition to Delete can be filed, but these restrictions are still found in land that goes through the Land Court.

(At this point Chairman Dirrane lost his internet connection and Vice Chairman Chai took over as Acting Chairman. Carolina Avellaneda left the meeting at 2:22pm. A quorum of the body continued to participate)

## Finance Update

Charles Karimbakas gave a financial overview of the pandemic statistics through June 30, 2020. The Homeownership delinquency rate for 30 days was 9% or 1,763 loans. This is slightly lower than last month. The Agency has received 1,600 requests for forbearance, however some loans have left forbearance already so the net count is currently 1,375. There have been 198 claims to MI Plus in June, this is 195 more than in June of 2019. Calls to the call center are up and the call center is responding. The Homeownership portfolio is 90% backed by federal guarantees. On the multi-family side, in June, three developments were delinquent. These delinquent loans represent 1.03% of our portfolio. One loan has since been repaid.

## Working Remotely Update

Rachel Madden gave an update on working remotely. Since the staff at MassHousing has been working remotely, there have been two cyberattacks prevented due to staff action. We have 24/7 monitoring of staff emails and 85% of inbound emails have been blocked as SPAM. Ms. Madden also mentioned there has been a 200% weekly spike in malicious email traffic. Ms. Madden credited Paul Hagerty and IT training as being crucial in detecting malicious emails.

Ms. Madden went on to discuss the remote access plans going forward. We have an expedited plan that should be completed by August 5th.

The Agency has dispersed a one-time Qualified Disaster Relief Payment of $250 for all staff to improve their home offices. The estimated cost of these relief payments is $82,500 to 330 staff members. The agency has also deployed equipment to all staff including laptop, monitor, keyboard, mouse and docking station.

Mr. Silins inquired about the $250 amount in comparison to the cost of various home office equipment. Ms. Madden explained the intent of the funds to supplement the Agency's deployment of other technology and equipment.

(Chairman Dirrane rejoined the meeting at 2:31pm)

## Vote Delegating Certain Loan Approval Authority

Mark Teden presented a Vote Delegating Certain Loan Approval Authority. Over the last several years the Agency has made a concerted effort to identify areas where it can become more competitive, in terms, products and process, and has continued to look for opportunities to enhance the MassHousing customer experience. In large measure, these efforts have been driven by the two Abt Associates Competitive Analysis studies undertaken in 2014 and 2018. As we increasingly engage in markets where we are not the sole provider of capital (e.g. taxable loans, 40B projects, etc.), one area we can address is how the Agency approves loans. Currently, every loan, regardless of its size or credit exposure to the Agency, is approved in the same manner, flowing from Staff Loan Committee to Board Loan Committee and ultimately to the monthly Board meeting for approval.

Generally, credit granting financial institutions differentiate loans by various classes and assign approval bodies for each class of loans, primarily so that the institution can respond to its clients' credit needs in an efficient and timely fashion while maintaining a strong credit culture. Controls are put in place in the form of internal audit reviews to ensure compliance with the range of approvals, and approval levels are established so that increasing credit risk exposures (either by size or loan type) require higher levels of authority within the institution.

Mr. Teden explained the methodology of the analysis.
Staff reviewed each of the 109 loans the Agency committed from FY2017-FY2019 totaling $2.16 billion in production. The loans were then divided into categories and assigned the appropriate percentage of credit risk exposure to the Agency as follows:

| | |
|---|---|
| Conduit Loans – | 0% |
| MAP (JV/Solo) - | 1% |
| Risk Share - | 50% |
| Other Taxable - | 100% |

Applying these percentages to the $2.16 billion in loans committed showed that there was $743mm in credit exposure to the Agency, or 35% of the committed amounts.

We then looked at the loans by program and saw they could be divided into three program categories:

1. Third Party Platforms - full underwriting, due diligence, and credit approval are performed by a third party with MassHousing acting as originator, only ensuring statutory compliance.
   Current programs in this category: Conduit and MAP JV loans.

2. Modified Third Party Platform – MassHousing does not have credit approval authority, but does have a fiduciary obligation to the credit approval entity as we control the information flow and presentation of that information to the approving entity.
   Current program in this category: MAP Solo

3. Agency Underwriting/Balance Sheet Exposure: MassHousing has underwriting authority to commit the loan on behalf of an insuring or funding entity or is making the loan for its own account.
   Current programs in this category: Risk Share and MassHousing Balance Sheet loans, such as workforce housing loans.

I. Recommendation

Based on a review of the approvals MassHousing undertook in the last three years, staff are recommending the following changes in how loans are approved.

a. General Principles

The approach to loan approval authority is based in the following principles:

1. The level of loan approval is correlated to both the size of the loan and the level of credit exposure to the Agency which can vary by program type.
2. The Board will receive full reporting on all non-Board approved loans. Regardless of any changes to the approval mechanism for any particular loan, all staff delegated approvals would be reported to the Board at the next Board meeting following such actions. Also, loans to borrowers who are in default of any MassHousing obligation shall require full Board approval.
3. Delegated approvals would apply only to loans for projects with credit ratings that are Satisfactory (B/B/B) or above as defined by the Agency's loan rating system for multi- family loans (a summary of which is attached for reference). Any loan below this rating will require Board approval.
4. A robust internal audit process will be established to ensure compliance with a more complicated set of approval rules.

b. Approval Thresholds

By targeting potential approval authorities based on the apportioned credit risk as well as the ultimate credit approval authority we propose the following delegated loan approval authorities:

1. Third Party Platforms
    a. Staff Delegated - up to $10mm
    b. Agency Board – all other

2. Modified Third Party Platforms
    a. Staff Delegated - up to $10mm
    b. Agency Board – all other

3. Agency Underwriting
    a. Staff Delegated - up to $5mm
    b. Agency Board – all other

II. Summary of Exposures

Based on the recommendations above, the following chart shows the effect of the potential change if applied to the commitments issued over the last three years. Under such a structure, 97% of loan volume and 95% of the credit exposure to the Agency would still be approved at the Board level.

However, approving the proposed delegation will allow Staff to approve +/-20% of the number of transactions with a faster response time to the market, which is expected for the size of transactions contemplated here.

| | Transaction | | Gross Loan Volume | | Net Credit Exposure | |
|---|---|---|---|---|---|---|
| | # | % | $ | % | $ | % |
| Delegated | 22 | 21% | 62mm | 3% | 37mm | 5% |
| Board | 87 | 79% | 2.092b | 97% | 706mm | 95% |
| Total | 109 | 100% | 2.154b | 100% | 743mm | 100% |

A further breakdown of the 22 loans that would have been approved in the last three years under the delegated authority described here shows the following:

| Category | Count | Gross Loan Volume |
|---|---|---|
| Map (solo/JV)/Conduit | 4 | 29.5mm |
| Agency Underwriting | 18 | 32.3mm |
| | 22 | |

III. Delegated Approval Process

1. Staff Delegated Approval – any two of the Executive Director, Chief Operating Officer, or Vice President of Multifamily Programs plus (a) the General Counsel or the Deputy General Counsel and (b) one of the following: Director of Rental Underwriting, Director of Rental Management, or Director of Rental Business Development.

2. Board Approval– at least five Members approving (no change). Urgent Executive Authority - In rare instances, (but critical to our Borrowers), HUD will issue firm commitments to MAP loans in timeframes that do not allow us to approve the larger loans prior to the Borrower's expectation for rate lock. In those instances, and keeping in mind the 1% credit exposure and full reporting requirement to the Board, we are asking for a special delegation to approve MAP loans in excess of $5mm, but no more than $50mm as required to meet the rate lock expectations of our Borrowers by allowing three of the Executive Director, Vice President of Multifamily Programs, General Counsel or Chief Financial Officer to approve the loan.

3. Subordinate Debt - If the Agency also has Subordinate Debt (as defined below) in connection with a new first mortgage commitment, then approval of such Subordinate Debt shall be allowed pursuant to a delegation if approval of the first mortgage commitment is allowed pursuant to a delegation. For purposes hereof, Subordinate Debt shall mean (i) existing subordinate debt, and/or existing first

mortgage debt that is being subordinated, whether or not the terms of any such debt are being modified and/or the loan amount increased, and/or (ii) new subordinate debt. Notwithstanding the foregoing, if the aggregate amount of the Subordinate Debt exceeds 50% of the first mortgage loan amount being committed , then the determination of whether such new debt can be committed based on a delegated approval shall be based on the aggregate amount of (i) the first mortgage loan commitment and (ii) the amount of Subordinate Debt exceeding 50% of the first mortgage loan amount.

IV. Approvals Ancillary and Incident to a Loan

There are several other activities required to manage a loan origination process and existing portfolio which also currently require Board approval which are being recommended for modification as well:

- Approvals that will follow the same delegated approvals as the related loan:
    - Collateral releases
    - Level I Transfers
    - Modification to existing loan terms that do not otherwise modify the delegation Thresholds.
- "10%" rule: Staff is presently delegated the authority to permit an increase to an existing loan commitment up to the lesser of 10% of the loan commitment or $1mm. Based on the average commitment size over the last three years as well as the increasing competitive need to respond to modest changes to existing loans, we are proposing to:
    - increase of the dollar limit from $1MM to $2MM
    - clarify that the 10% cap is based on the aggregate principal amount of all MassHousing loans to the development
    - expand the delegated authority to include closed loans so that, once closed, a loan could be subsequently increased within the allowed limit

- Official Action Status:
    - Delegate to staff authority to grant Official Action Status (OAS)

Upon a motion duly made and seconded, it was, <u>by roll call vote</u>, approved by all present Members.

**VOTED:** (1. Third Party Platforms)
To authorize any two of the Executive Director, Chief Operating Officer, or Vice President of Multifamily Programs, together with (a) the General Counsel or Deputy General Counsel, and (b) one of the Director of Rental Underwriting, Director of Rental Management, or Director of Rental Business Development, to approve in writing any Loan Subject to Delegated Approval (as defined below) in which (i) the Agency acts as originator or nominal lender, (ii) all underwriting, due diligence, and credit approval are performed by third-parties, (iii) the Agency's credit exposure is less than or equal to one percent (1%) of the principal amount of the loan and (iv) the Loan Threshold (as defined below) is $10,000,000 or less, and, as applicable, to make the findings and rental determinations required by Sections

5(g) and 6(a) respectively, of the Agency's enabling act, Chapter 708 of the Acts of 1966 as amended (the "Act"). For purposes of these votes a "Loan Subject to Delegated Approval" shall be (a) loans with respect to developments that are new to the Agency multifamily portfolio, or (b) loans with respect to developments already in the Agency portfolio, but only if (i) the developments have Financial, Physical Condition, and Compliance ratings of "B" or higher under the Agency's Rental Risk Management Process (attached hereto), and (ii) none of the development or borrower, sponsor, management company or other party participating, or proposed to be participating, in the development are in default of any other obligation to the Agency beyond any applicable notice and/or cure period.

**FURTHER VOTED:** (2. Modified Third Party Platforms)
To authorize any two of the Executive Director, Chief Operating Officer, or Vice President of Multifamily Programs, together with (a) the General Counsel or Deputy General Counsel, and (b) one of the Director of Rental Underwriting, Director of Rental Management, or Director of Rental Business Development, to approve, in writing, any Loan Subject to Delegated Approval in which (i) the Agency acts as originator or nominal lender, (ii) credit approval is performed by third parties, (iii) the Agency's credit exposure is less than or equal to one percent (1%) of the principal amount of the loan and (iv) the Loan Threshold is $10,000,000 or less, and, as applicable, to make the findings and rental determinations required by Sections 5(g) and 6(a) respectively, of the Act; provided that, if (a) the proposed loan is to be made under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) program, (b) the borrower certifies in writing that an applicable program requirement or particular market conditions require urgent action, and (c) not less than three of the Executive Director, Vice President of Multifamily Programs, General Counsel, and Chief Financial Officer so approve, in writing, the Loan Threshold for such approval shall be $50,000,000 or less (such approvals being "Urgent MAP Approvals").

**FURTHER VOTED:** (3. Agency Underwriting)
To authorize any two of the Executive Director, Chief Operating Officer, or Vice President of Multifamily Programs, together with (a) the General Counsel or Deputy General Counsel, and (b) one of the Director of Rental Underwriting, Director of Rental Management, or Director of Rental Business Development, to approve any Loan Subject to Delegated Approval in which (i) the Agency acts as originator or nominal lender, (ii) all underwriting, due diligence, and credit approvals are performed by the Agency either for its own account and/or on behalf of a third party, (iii) the Agency's credit exposure is equal to or greater than fifty (50%) of the principal amount of the loan and (iv) the Loan Threshold is $5,000,000 or less, and, as applicable, to make the findings and rental determinations required by Sections 5(g) and 6(a) respectively, of the Act (such loans being "Agency Underwriting Loans").

**FURTHER VOTED:** (4. General Parameters)
That with respect to any Loan Subject to Delegated Approval, the following parameters shall apply: (a) any approval required to be in writing pursuant to the votes set forth herein may be by electronic means, including but not limited to e-mail, electronic or digital signature, (b) all loans approved pursuant to the votes set forth herein shall be in accordance with the applicable general closing standards and delegations of authority previously approved, and further subject to compliance with all applicable laws and all regulations and requirements of applicable financing program; and (c) the "Loan Threshold" for purposes of determining the applicability of the above delegation votes shall be determined as follows: (1) if the Agency is only making one or more senior loans, then the Loan Threshold shall be determined based on the aggregate principal amount of any senior debt to be issued by the Agency, or (2) if the Agency also holds Subordinate Debt (as defined below), then the Loan Threshold shall be determined based solely on the aggregate principal amount of any senior debt, unless the Subordinate Debt exceeds 50% of the aggregate principal amount of the senior debt. If the Subordinate Debt exceeds 50% of the aggregate principal amount of the senior debt, then the Loan Threshold shall be determined based on the aggregate amount of any senior debt plus the aggregate amount of any Subordinate Debt exceeding 50% of the senior debt. For purposes of these votes, Subordinate Debt shall mean (i) existing subordinate debt, or existing first mortgage debt that is being subordinated, whether or not the terms of such debt are being modified and/or the loan amount increased, or (ii) new subordinate debt.

**FURTHER VOTED:** (5. Reporting)
That the Vice President of Multifamily Programs, or his or her designee, shall provide a report to the Members of all developments receiving approval pursuant to the votes herein at the next regular meeting of the Members following such approvals

**FURTHER VOTED:** (6. Actions Incident and Ancillary to Approved Loan)
To authorize any two of the Executive Director, Chief Operating Officer, or Vice President of Multifamily Programs, together with (a) the General Counsel or Deputy General Counsel, and (b) one of the Director of Rental Underwriting, Director of Rental Management, or Director of Rental Business Development, to take or authorize any action with respect to a loan approved, or, as applicable, the loan that could have been approved, pursuant to the votes set forth herein as they may deem necessary or advisable to preserve the rights and interests of the Agency, including but not limited to Level I transfers in accordance with the Transfer of Ownership Policy, and releases of collateral; provided that the cumulative effect of any and all such actions relating to a development shall comply with and not exceed the criteria applicable to the original approval of the loan or, as applicable, to the loan that could have been approved, pursuant to the votes set forth herein.

**FURTHER VOTED:** (7. Modification of related delegations)
That the Vice President of Multifamily Programs is authorized (1) to increase the maximum principal amount of a loan approved by the Board by up to ten percent (10%), in the aggregate, of the original maximum principal amount so approved, provided that no loan shall be increased by more than $2,000,000, in the aggregate, without Board approval, and (2) to impose, modify or waive Special Conditions for loans approved by the Board, provided that such actions (a) shall not be inconsistent with the findings made at the time of approval with respect to such loan(s) or provisions of the Agency's Enabling Act, (b) shall not materially reduce the Agency's loan security, and (c) shall be generally consistent with the Agency's established underwriting criteria. Any such action shall be subject to the prior review and approval by the Executive Director or General Counsel of a written request describing such action.

**FURTHER VOTED:** (8. Official Action Status)
To authorize [the Executive Director, Vice President of Multifamily Programs, or Financial Director] to make the Official Action Status findings and determinations in accordance with the vote of the Members of MassHousing dated June 11, 1996 and to grant Official Action Status as a declaration of official intent under Treasury Regulations Section 1.150-2, provided that any such declaration shall be in writing, in a form approved by General Counsel, and sets forth a general description of the development and the expected maximum principal amount of tax-exempt debt that may be issued.

**FURTHER VOTED:** (9. Monthly Limits)
The aggregate principal amount of all loans approved pursuant to the votes set forth herein during any one calendar month shall not exceed $35,000,000 of Loan Threshold, excluding Urgent MAP Approvals and provided that no more than $20,000,000 of such Loan Threshold constitutes Agency Underwriting Loans.

Ms. Serafin noted the significance of the reporting to the board and asked that there be substantial detail about the project included. Mr. Attia concurred and reiterated the importance of reporting.

Mr. Chai asked for clarification about the necessary signatures and Mr. McNiece detailed the requirements for multiple signatories that would include Agency executives among others.

## Loan Committee

### Castle Square, Boston (South End)

Sarah Hall presented a proposal for Approval to Accept Assignment of a HUD-issued Firm Commitment for FHA-insurance, Commitment of a first mortgage loan; Approval to finance the New Loan through the issuance of a Ginnie Mae MBS and Approval to accept prepayment of the existing loan for Castle Square in Boston's South End.

Castle Square consists of three parcels with a total of 6.79 acres in Boston's South End neighborhood. The site occupies an entire city block and is intersected by a network of six small service streets. In addition to 25 buildings, the site includes two playgrounds, a water spray park, basketball court, and 282 surface parking spaces. An additional 150 garage parking spaces, for the exclusive use of Castle Square tenants, are provided through an easement with an adjacent property owner. Castle Square comprises 25 buildings: 19 brick and concrete townhouse buildings, four eight-story mixed-use mid-rise buildings, and two community buildings containing a commercial daycare, computer center, and other community uses. Eleven commercial tenants occupy retail space on the ground floor of the mid-rise buildings. The buildings were originally constructed in 1968, were substantially rehabilitated in 1992, and went through a deep energy retrofit, along with other renovations, between 2010 and 2012.

Rockport Mortgage Corporation is requesting FHA mortgage insurance in the amount of $160,000,000. The New Loan, which is underwritten to a 1.60 Year 1 debt service coverage ratio and 59% loan-to-value, will be used to repay over $77 million in existing first mortgage and subordinate indebtedness, complete approximately $10.3 million in critical and noncritical repairs, fund an initial deposit to replacement reserves of $8.5 million ($17,030 per unit), and fund transaction costs. The borrower will withdraw approximately $59 million in equity. The Physical Condition Risk Rating of B is due to the fact that the property currently does not have 10 years of reserves funded in the replacement reserve account. The proposed initial and annual deposits will bring the Physical Condition Risk Rating back up to A after closing. The Tenant Organization, which will receive just over half of the equity take-out proceeds, plans to use these funds toward their strategic goals, including partnering on the creation of new affordable housing in Boston, establishing a wellness center in partnership with Central Boston Elder Services, expanding existing resident services programming, and providing continuing education scholarships for young adults, among other planned initiatives

The parties propose closing the New Loan approximately two months before the existing MassHousing debt would become eligible for prepayment under the MassHousing Proactive Multifamily Preservation and Loan Prepayment Guidelines adopted by the Members on October 14, 2014 and revised on July 14, 2015 (the "Prepayment Policy"). Early prepayment has previously been approved in instances where there is a compelling public purpose, such as the extension of affordability or other high-mission reasons. As part of this transaction, the Borrower will terminate the existing HAP contracts, which are set to expire in 2029, and will execute new HAP contracts at closing for a term of 20-years, extending affordability for an additional nine years. Loan proceeds will address some necessary repairs, including sewer line replacement and elevator modernization, as part of the non-critical repairs, as well as fund a substantial initial deposit to replacement reserves to address future capital needs at the development. Moreover, as would be required by the Prepayment Policy, the New Loan allows for full repayment of all MassHousing senior and subordinate debt.

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

**VOTED:** To approve the findings and determinations set forth below 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 $160,000,000, 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 $216,000,000 nor less than $104,000,000 to CSTO Winn Owner LLC (the "Borrower") for Castle Square and (2) to make the FHA-insured first mortgage loan to the Borrower in the approximate amount of $160,000,000 (the "New Loan"), subject to the limitation that the final amount of such loan shall not be more than $216,000,000 nor less than $104,000,000 on terms acceptable to MassHousing, 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 May 14, 2019, is hereby authorized and directed to do all acts and things, and to execute and deliver any and all documents, certificates, securities and instruments necessary or desirable to effectuate the funding of a first mortgage loan insured by the U.S. Department of Housing and Urban Development, acting through the Federal Housing Commissioner, under Section 223(f) of the National Housing Act, to the Borrower for Castle Square.

**FURTHER VOTED:** That MassHousing is authorized to (i) waive the requirement under the MassHousing Proactive Preservation and Multifamily Loan Prepayment Guidelines adopted by the Agency on October 14, 2014 (and revised July 14, 2015) that the existing senior MassHousing loan have less than seven years remaining before it matures or less than five years remaining before it is eligible to prepay without MassHousing's consent and (ii) permit partial prepayment and defeasance of such senior loan otherwise in accordance with such Guidelines to facilitate its refinancing.

## 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:**
485 units (97%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

**2. Shortage of Affordable Housing Units in the Market Area**
Note: The market needs data reflects the information available to A&M staff as of the date of collection June 24, 2020, and may not fully incorporate the potentially adverse impact(s) that the ongoing COVID-19 virus may have on the overall economy or on the local housing markets. The global outbreak of the "novel coronavirus' known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) on March 11, 2020. Further, the reader is cautioned and reminded that any observations, comparisons, and/or conclusions are based on the data as of the aforementioned collection date.

In-house data for larger market and mixed-income complexes (approximately 667 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 96.4%, and range between 94% and 100%. My review of similar mixed-income/subsidized portfolio properties (1,125 units) demonstrated a weighted average vacancy rate of approximately .91%. The subject property has operated as Section 8 property since approximately 1990 and based on historical data the property had an average a vacancy rate of .45 % over the last five years.

CoStar data for the subject's Back Bay/South End a submarket (9,374 units) has an overall vacancy rate at 4.2% YTD, which is an increase of 1.70% from one year ago. CoStar data for the Boston market (225,511 units) has an overall vacancy rate of 6.7% YTD, which is an increase of 1.94% from one year ago. The Back Bay/South End rate is projected to increase to 7.6% over the next five years, while the Boston Market is projected to increase to 7.5%.

CoStar, submarket data for the 4-5 Star building type (3,800 units) indicates a 2nd Qtr. 2020 vacancy rate of 4.9% and an average asking rent of $3,949, while submarket data for the subject's 3 Star building type (2,732 units) indicates a 2nd Qtr. 2020 vacancy rate of 4.0% at an average asking rent of $3,400. 1-2 Star buildings(2,842 units) indicates a 2nd Qtr. 2020 vacancy rate of 3.4% at an average asking rent of $2,464. The development with its amenities, more closely reflects the 3 Star building type, and is reflected in both the vacancy rate and market rent potential. According to the Department of Housing and Community Development's (DHCD) Chapter 40B Subsidized Housing Inventory (9/14/17), the City of Boston 269,482 year round housing units, 51,283 (19%) of which are subsidized for low/moderate income households.

As of January 2020, the Boston Housing Authority(BHA) owns and operates 27 family and 36 elderly/disabled developments with a total of 12,501 units. The BHA also administers 14,574 units of Leased Housing, consisting of 12,216 Housing Choice Vouchers, 1,441 Project Based and 198 Moderate Rehab, . In addition, the City of Boston's Annual Plan (FY2020) indicated that the BHA maintains the following wait lists: There are 15,140 households on the Leased Housing waiting list. This is broken down by families with children, families with disabilities and elderly families. The BHA also had Single applicants on the waiting list. There were also instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. The BHA also maintains a Public Housing Wait list with 41,038 applicants.

U.S. Census data from the 2014-2018 American Community Survey (ACS) indicates that of the 274,674 households in the City of Boston approximately 68.3% earned less than the HUD published 2020 AMI ($119,000), approximately 45.4% earned less than 50% of 2020 AMI, approximately 51.7 % earned less than 60% of the 2020 AMI, and approximately 59.4% earned less than 80% of the 2020 AMI.

**3. Inability of Private Enterprise Alone to Supply Affordable Housing**

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

**4. No Undue Concentration of Low-income Households**

The financing herein proposed will change neither the current income mix of the Development nor that of its surrounding locality.

**5. Elimination or Repair of Unsafe or Unsanitary Dwelling Units**

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

**Rental Determinations:**

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

**Rent Schedule:**

| | | | | |
|---|---|---|---|---|
| Number of Bedrooms | 1 | 2 | 3 | 4 |
| Number of Units | 144 | 159 | 132 | 65 |
| Net SF/Unit | 660 | 950 | 1,080 | 1,250 |
| Elev./Non-Elev. | E | E | E | E |
| **Market Rate Rent** (insert) | $6,106 | $6,896 | $7,561 | $8,107 |
| **MHFA Below Market Rent** (Cost-Based Rent) | $2,431 | $3,221 | $3,887 | $4,432 |
| **MHFA Adjusted Rent** | 30% of 80% of AMI | | | |
| **Underwriting Rents** | | | | |
| Project-Based Section 8 | $2,600 | $3,500 | $4,320 | $5,000 |
| PB Section 8 (MH Disp. Agrmnt) | $1,895 | $2,259 | $2,903 | - |
| 80% AMI | $1,415 | $1,683 | $1,933 | $2,161 |

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.

**Grace Apartments, Boston (East End)**

Max Glikman presented a proposal for Commitment of a Taxable Permanent Loan for Grace Apartments in Boston's East End.

Grace Apartments is a proposed 42-unit elderly-restricted development to be constructed in Maverick Square in East Boston. The development will be supported by 9% LIHTC, and all the units in the property will be affordable. The site is owned by an affiliate of the sponsor, EBCDC Inc., and is currently used as parking for the existing EBCDC-controlled Woodbury Building.

The newly created site for Grace Apartments consists of 7,707 SF of land. Grace Apartments will be located within walking distance of many amenities, including the East Boston Neighborhood Health Center, a supermarket, shops, and restaurants. The development will also be steps away from the Maverick Square MBTA station which is a hub for four bus routes and the Blue Line, making it accessible in under 10 minutes to Downtown Boston.

The new seven-story, single-elevator building will meet flush against the existing Woodbury Building. A driveway will be built underneath the new building to access four parking spaces, one of which will be handicap accessible. There will be two fully accessible apartments, and an additional six apartments that could be adapted to be handicap accessible if required.

All 42 units will be affordable at or below 60% of AMI, of which 16 units will be covered under a project-based Section 8 contract, and 10 units will be covered under an MRVP contract. The existing Woodbury Building houses 16 low-income elderly and disabled households whose rent is subsidized with a HAP contract. When Grace Apartments is complete, the 16 households and the associated HAP contract will transfer to Grace Apartments.

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

**VOTED:** To approve the findings and determinations set forth below and to authorize a permanent first mortgage loan in a principal amount of up to $3,660,000, such first loan to be insured under the HUD HFA Risk Sharing Program, to be made to Grace Apartments LLC or another single-purpose, sole-asset entity controlled by EBCDC Inc. (the "Borrower") as owner of the multifamily residential development known as "Grace Apartments" and located in Boston, Massachusetts (the "Development"), and in accordance with the applicable general closing standards and delegations of authority previously approved, and further subject to (1) compliance with all applicable laws and all regulations and requirements of applicable financing programs, and (2) the following special conditions: None.

Third-Party Subordinate Mortgage Loans

**VOTED:** To authorize the Executive Director and the Vice President of Multifamily Programs, and their respective designees, each acting singly, to permit the Borrower to enter into, or assume, mortgage loans with third parties with respect to the Development, provided that (1) any such mortgage loans shall be subordinated to MassHousing's first mortgage loan, and other MassHousing debt as determined by the Executive Director or the Vice President of Multifamily Programs, and (2) such subordinate mortgage loans shall be subject to MassHousing's requirements pertaining to subordinate mortgages, in a manner acceptable to MassHousing's General Counsel or his designee.

**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:

**6. The affordability of rents for 20% of the units:**
42 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.

**7. Shortage of Affordable Housing Units in the Market Area**
Note: The market needs data reflects the information available to A&M staff as of the date of collection June 4, 2020, and may not fully incorporate the potentially adverse impact(s) that the ongoing COVID-19 virus may have on the overall economy or on the local housing markets. The global outbreak of the "novel coronavirus' known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) on March 11, 2020. Further, the reader is cautioned and reminded that any observations, comparisons, and/or conclusions are based on the data as of the aforementioned collection date.

In-house data for larger market and mixed-income complexes (approximately 667 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 96.4%, and range between 94% and 100%. My review of similar mixed-income/subsidized portfolio properties (1,125 units) demonstrated a weighted average vacancy rate of approximately 0.91

CoStar data for the subject's East Boston/Chelsea submarket (4,759 units) has an overall vacancy rate at 6.0% YTD, which is an increase of 1.78% from one year ago. CoStar data for the Boston market (224,948 units) has an overall vacancy rate of 6.4% YTD, which is an increase of 1.68% from one year ago. The East Boston/Chelsea rate is projected to increase to 7.9% over the next five years, while the Boston Market is projected to increase to 7.3%.

CoStar, submarket data for the 4-5 Star building type (2,889 units) indicates a 2nd Qtr. 2020 vacancy rate of 8.3% and an average asking rent of $2,583, while submarket data for the subject's 3 Star building type (629 units) indicates a 2nd Qtr. 2020 vacancy rate of 2.6% at an average asking rent of $2,156. 1-2 Star buildings (1,246 units) indicates a 2nd Qtr. 2020 vacancy rate of 2.2% at an average asking rent of $1,456. The development with its amenities, more closely reflects the 3 Star building type, and is reflected in both the vacancy rate and market rent potential**.**

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

As of January 2020, the Boston Housing Authority (BHA) owns and operates 27 family and 36 elderly/disabled developments with a total of 12,501 units. The BHA also administers 14,574 units of Leased Housing, consisting of 12,216 Housing Choice Vouchers, 1,441 Project Based and 198 Moderate Rehab. In addition, the City of Boston's Annual Plan (FY2020) indicated that the BHA maintains the following wait lists: There are 15,140 households on the Leased Housing waiting list. This is broken down by families with children, families with disabilities and elderly families. The BHA also had Single applicants on the waiting list. There were also instances of families that fit into more than one category. This waiting list has been closed since November 2008 and there are no plans to reopen at his time. The BHA also maintains a Public Housing Wait list with 41,038 applicants.

U.S. Census data from the 2014-2018 American Community Survey (ACS) indicates that of the 274,674 households in the City of Boston approximately 68.3% earned less than the HUD published 2020 AMI ($119,000), approximately 45.4% earned less than 50% of 2020 AMI, approximately 51.7 % earned less than 60% of the 2020 AMI, and approximately 59.4% earned less than 80% of the 2020 AMI.

**8. 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.

**9. No Undue Concentration of Low-income Households**

The financing herein proposed does not lead to the undue concentration of low-income households.

**10. Elimination or Repair of Unsafe or Unsanitary Dwelling Units**

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

**Rental Determinations:**

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

Rent Schedule:

| | | |
|---|---|---|
| Number of Bedrooms | 1 | 2 |
| Number of Units | 36 | 6 |
| Net SF/Unit | 514 | 714 |
| Elev./Non-Elev. | E | E |
| | | |
| **Market Rate Rent** (insert) | $1,909 | $2,673 |
| | | |
| **MHFA Below Market Rent** (Cost-Based Rent) | $1,411 | $2,175 |
| | | |
| **MHFA Adjusted Rent** | 30% of Income | |
| | | |
| **Underwriting Rents** | | |
| PB – Section 8 | $1,720 | $2,175 |
| MRVP | $1,440 | |
| 60% LIHTC | $1,200 | |

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.

**Old Colony Phase Three B4, South Boston**
**(Loan Increase)**

Antonio Torres presented a proposal for and Increase of $915,000 to the Bridge Loan Authorization from $2,896,000 to $3,811,000.

In February 2020, the Agency approved a tax-exempt construction/permanent first mortgage loan of $19,387,000 insured upon completion under the HUD/HFA Risk-Sharing Program, an uninsured taxable construction loan up to $31,817,000, and an uninsured tax-exempt equity bridge loan of $2,896,000 for the rehabilitation and preservation of Old Colony Phase Three B4.

Subsequent to this approval, the Sponsor incurred additional costs due to the longer construction schedule, as a result of complying with the City's recent Health and Safety Plan (HASP), to manage the impact of the COVID 19 pandemic on construction workers, winter conditions due to the later start, as well as increased sub-contractor costs to comply with HASP protocol and longer duration of work

Construction costs (including contingency) have increased by $1.8 million. This increase has been offset by a decrease in general development costs and capitalized reserves, resulting in the total net increase in Total Development Cost (TDC) of $1.2 million. The majority of the offset is due to construction interest savings resulting from lower rates (despite a longer construction schedule). The $1.2 million increase in TDC is being covered by a partial increase of State LIHTCs proceeds of $522,900, and increased funding from the BHA/City of Boston of $893,534.

The Federal LIHTC equity did not increase, because while the adjusted eligible basis increased with the higher hard costs, it was offset by the applicable rate change for LIHTCs, which dropped from 3.17% to 3.07% (resulting in only a $6,991 difference). Related to this work, the construction loan was increased by $523,000 from $31,817,000 to $32,340,000 under the Staff delegation approval (where loans may be increased by the lower of 10% of previously approved loan amount or $1,000,000). Additionally, the permanent loan was lowered by $199,000 (from $19,387,000 to $19,188,000), due to increased insurance costs. The taxable construction loan will be partially repaid by the tax-exempt bridge and permanent loans at condo conversion, and will be fully paid off by the final equity installment at stabilization.

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

**VOTED:** To authorize an increase of $915,000 in the tax-exempt bridge loan previously authorized by the Members on February 11, 2020, from $2,896,000 to a principal amount of up to $3,811,000 to be made to Old Colony Phase Three B4 Limited Partnership or another single-purpose entity controlled by Beacon Communities Development LLC (the "Borrower") as owner of the multifamily residential development known as "Old Colony Phase Three B4" (the "Development") and located in Boston, Massachusetts, and in accordance with the applicable general closing standards and delegations of authority previously approved, and further subject to (1) compliance with all applicable laws and all regulations and requirements of applicable financing programs, and (2) the following special conditions: None.

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

Chairman Dirrane asked for a motion to adjourn the meeting at 3:10 p.m. Upon a motion duly made and seconded, by roll call vote, it was

**VOTED:** To adjourn the MassHousing meeting at 3:10 p.m.

A true record.

Attest.

Colin M. McNiece
Secretary