

MASSACHUSETTS HOUSING PARTNERSHIP

MEETING OF EXECUTIVE COMMITTEE OF MHP BOARD OF DIRECTORS

Tuesday, January 23, 2018

160 Federal Street

Boston, Massachusetts

Members Present: Vincent Manzi, Chairman; Kristin Carvalho; Bill Cole, Department of Housing and Community Development (DHCD)

Participating Staff: Clark Ziegler (Executive Director), Judy Jacobson, Mark Curtiss, Amanda Roe, Charleen Tyson, Alice Wong, Nancy McCafferty, Megan Mulcahy, David Hanifin, Cynthia Mohammed, Nantia Boampong, Rus Lodi, and Anitt Wilkinson.

CALL TO ORDER

The meeting was called to order at 1:30 p.m.

LOAN PROPOSALS

CITYWIDE APARTMENTS, SPRINGFIELD

David Hanifin presented a proposal for a \$2,350,000 first mortgage loan under the Permanent Rental Financing Program to be funded by MHP's Chapter 102 funds. The transaction will provide for the refinancing of Citywide Apartments in Springfield. This is MHP's third transaction in the last several years with this sponsor, Debra Katz, and her company Garden Park Management. The property is comprised of three buildings, two of which are former school buildings. Of the three, two are located in Springfield's South End, which is in downtown Springfield. These buildings are located within a ten minute walk of the new MGM resort which is scheduled to be open later this year.

The third property is in Springfield's Indian Orchard Neighborhood; together, all three buildings provide 127 units of housing. These are 1- bedroom units predominantly, with 7 studios, primarily geared toward small households, individuals, and seniors. The properties were renovated to their current residential use in the mid 1980's by the sponsor's family.

The borrower will be the existing limited partnership owner; Debra Katz controls the general partner. This refinancing will allow for the following:

- A reduction in the interest rate which is currently over 7 percent. The existing FHA insured first mortgage will be repaid;
- The owner will establish sufficient reserves to meet the capital needs of the property for the 11 year term of the new MHP loan. Following this, the owner is anticipating a recapitalization, possibly using tax credits at that time.

There is an existing HUD second mortgage with a principal balance of approximately \$3,000,000 which will remain. There is a special condition regarding subordinating that debt to the new MHP financing.

Project economics are strong. The project is supported by a Section 8 contract covering all of the units in the property; the term of the HAP contract extends beyond the term of the proposed MHP financing.

The project sponsor, Debra Katz, has been a good steward of the properties having made significant upgrades to them, including new boilers for all three properties and a recent elevator refurbishment. The new replacement reserve will have an initial balance of \$560,000 with annual contributions starting at \$776 per unit. This will provide the project with sufficient funds throughout the eleven year term to meet the capital needs that have been identified in the capital needs assessment. There will also be an MHP-administered hold-back reserve through which the owner will complete some minor accessibility improvements as well as near term capital needs, predominantly roofing work on two of the buildings and a new fire panel in one of the buildings.

MHP has reviewed the financial statements for the sponsor, including her most recent tax return and real estate owned schedule. There was a disputed credit score which the sponsor is seeking to have corrected; however, MHP's experience with the sponsor has been positive and lender references were positive.

Mr. Manzi asked if the issue surrounding the sponsor's credit score was significant. Mr. Hanifin responded that MHP had done credit checks on the sponsor in the past, and the sponsor has provided a reasonable explanation pertaining to a late payment that was noted. Mr. Hanifin added that MHP has included a special condition regarding this that needs to be satisfied before the loan is closed.

Upon a motion moved and seconded it was:

VOTED: To authorize a first mortgage loan of up to \$2,350,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP pursuant to Chapter 102 of the Acts of 1990 or through other agreements with banks, for the Citywide Apartments Project in Springfield (the loan).

The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy) and the Citywide Apartments Credit Analysis dated 1/23/2018 including all special conditions contained therein, and presented in the 1/23/2018 MHP briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 6/30/2018.

Mr. Cole arrived at this time.

THE CLARION BOSTON

This \$2,573,000 loan will be funded through the Treasury Risk Sharing program and will involve a forward starting swap to lock the interest rate prior to construction. The sponsor is The Community Builders (TCB).

The project is a mixed-use/mixed income development. It will connect the corridor on a major city artery by transforming underutilized land along Blue Hill Avenue, between Quincy and Holborn Streets near the Grove Hall area of Roxbury. The project site is 11 vacant parcels, including 8 parcels conveyed by the City of Boston for \$100 each.

The 4-story building will have 39 units of housing over ground floor retail. There will be 32 parking spaces and an open space amenity at the corner of Blue Hill Avenue and Quincy Street. The unit mix includes 1-, 2-, and 3- bedroom units. Twenty-seven of the 39 units are going to be affordable for households earning up to 60 percent of Area Median Income.

The ground floor commercial space has been designed to support local businesses, and has the ability to be divided into as many as five commercial units. The project underwriting does not depend on any of the revenue from the commercial space.

MHP has reviewed TCB's audited financial statements as well as a management prepared interim financial statement for FY17. Additionally, MHP had a recent telephone conversation with TCB's Chief Financial Officer and understands that their FY17 audit is nearing completion and will show a very successful year with a healthy increase in net assets and a significant increase in unrestricted cash. MHP has also imposed a special condition around the audit.

Mr. Manzi asked David Hanifin to explain what is meant by state tax credits as loans. Mr. Curtiss responded that that was referring to the State Low-Income Housing Tax Credit, where the investment is structured as a loan to the partnership for tax reasons.

Upon a motion moved and seconded it was:

VOTED: To authorize a first mortgage loan of up to \$2,573,500 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP under the HUD Housing Financing Agency Risk Sharing Program with the Federal Financing Bank, for The Clarion Project in Roxbury/Boston (the Loan).

The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy), the HUD Risk Sharing Agreement (Federal Financing Bank Financing) and The Clarion Credit Analysis dated 1/23/2018 including all special conditions contained therein, and presented in the 01/23/2018 MHP briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 7/31/2020.

THE CLARION BOSTON – INTEREST RATE SWAP

Mr. Curtiss advised that a \$2,573,500 forward starting swap is proposed for The Clarion. Mr. Curtiss noted that there were no unusual issues. MHP is in a comfortable position right now with swap exposure due, in part, to rising interest rates. This could change if the market changes. Mr. Curtiss directed the board to Tab 3 which shows MHP's swap exposure analysis.

Mr. Manzi asked Mark Curtiss to explain the effect of changing interest rates on MHP's borrowers. Mr. Curtiss responded that MHP is committed to making a \$2,573,503 loan regardless of what happens with interest rates. MHP's spread would be less but MHP would get a payment from the counterparty to offset that.

VOTED: To approve the swap transaction for The Clarion Project in accordance with the Memorandum contained in the briefing materials for the January 23, 2018 meeting of the Executive Committee of the Massachusetts Housing Partnership Fund Board ("MHP"). The Executive Committee confirms in accordance with 976 CMR 2.00 that: i) the Memorandum included a written analysis and recommendation for the proposed swap transaction by MHP's independent financial advisor Chatham Hedging Advisors; ii) the swap structure is consistent with MHP's Policy on Forward-Starting Swaps; iii) the benefits of the swap outweigh the risks of the swap; and iv) the Board hereby approves the proposed swap transaction.

EAST MAIN APARTMENTS, NORTON

Amanda Roe presented a proposal for a \$40 million loan through Fannie Mae for the acquisition of a 188-unit newly constructed 40B project called East Main Apartments, located in Norton. The project sponsor is Jones Street Investment Partners LLC. MHP had previously issued a \$15 million commitment on this project to the original sponsor, Campanelli and Thorndike Associates, LLP.

East Main Apartments consists of seven two- and three-story garden style apartment buildings. Community amenities include a clubhouse, a fitness center, an outdoor swimming pool and a children's playground. The 40B permit requires 47 units to be affordable to households with income at or below 80 percent of area median income.

MHP has received a soft quote from Fannie Mae for both a 10-year fixed rate loan and a 10-year structured adjustable rate loan, however, it appears that the borrower would like a fixed rate loan.

Mr. Manzi asked Ms. Roe to clarify the debt service coverage waiver. Ms. Roe confirmed that the debt service coverage was 1.26; 1.15 is how the loan amount is sized.

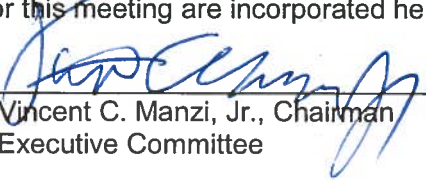
Ms. Carvalho asked if the 1.25 debt service coverage was a cap. Mr. Curtiss responded that it was a stress test.

VOTED: To authorize the making of a first mortgage loan of up to \$40,000,000 pursuant to MHP's Fannie Mae MBS Program for Affordable Housing, for the East Main Apartments in Norton (the Loan). The Loan shall be consistent with MHP's agreements with Fannie Mae, and the East Main Apartments Credit Analysis dated 1/23/18 including all special conditions contained therein, and presented in the 1/23/18 briefing materials. MHP's commitment for the loan shall expire if the loan closing does not occur by 3/30/18.

ADJOURNMENT

The meeting was adjourned at 2:18 p.m.

The documents listed in the Table of Contents in the briefing materials for the Executive Committee of the Directors of MHP for this meeting are incorporated herein by reference.



Vincent C. Manzi, Jr., Chairman
Executive Committee

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MASSACHUSETTS HOUSING PARTNERSHIP

BOARD OF DIRECTORS MEETING
Tuesday, March 6, 2018
160 Federal Street, 2nd Floor
Boston, Massachusetts

Members Present: Vincent Manzi, Chairman; Jack Clancy; Alicia Modestino; Rachel Madden; Denis Sheahan; Jennifer Maddox (DHCD).

Member Absent: Kristin Carvalho

Participating Staff: Clark Ziegler (Executive Director), Judy Jacobson, Mark Curtiss, Charleen Tyson, Cynthia Mohammed, Nancy McCafferty, Amanda Roe, Kathryn Riley, David Hanifin, Rus Lodi, David Rockwell, Karen English, Dave Oteri, Elliot Schmiedl, David Worsham, Tom Hopper, Jessica Dellert, Callie Clark, Anne Lewis, Megan Mulcahy, Susan Connelly, and Anitt Wilkinson.

CALL TO ORDER

The meeting was called to order at 1:30 p.m.

APPROVAL OF MINUTES

Upon a motion moved and seconded it was:

VOTED: To approve the minutes of the December 19, 2017 Board Meeting.
To approve the minutes of the January 23, 2018 Executive Committee Meeting.

MHP MANAGEMENT AND FINANCE

Mr. Ziegler reported that Chrystal Kornegay started her new job a couple weeks ago as Executive Director of MassHousing, and that Jennifer Maddox, Acting Undersecretary is attending the Board meeting representing DHCD. Ms. Kornegay's replacement has not yet been named.

Mr. Ziegler updated the Board on the Governor's Housing Choice Initiative. The bill filed with the legislature reduces the required vote for certain zoning changes that support housing from two-thirds, to a simple majority. It also reduces the required vote for special permits for multifamily housing and mixed-used development in smart growth locations from two-thirds to a simple majority.

Mr. Manzi congratulated Mr. Ziegler and the MHP team for their contributions in helping to move the bill forward.

Mr. Ziegler informed the Board that Judy Jacobson has been spearheading an effort around the tax assessment of affordable properties and asked Ms. Jacobson to report her findings.

Ms. Jacobson advised the Board that MHP's Portfolio Management group has observed inconsistent treatment across the state on properties that are financed by MHP. Upon further investigation, it was determined that Massachusetts has limited guidance regarding the valuation of affordable properties.

In an effort to address the issue, Ms. Jacobson convened a small working group comprised of Department of Revenue representatives, local assessors, and a property tax consultant. The assessors have developed a model for valuing affordable rent-restricted properties and recently conducted a training for 35 assessors.

Jennifer Maddox arrived at this time and Mr. Ziegler introduced her to the Board.

MID-YEAR GOALS REPORT

Mr. Ziegler provided an overview of the mid-year goals report through December 31st and asked Mark Curtiss to provide an update on the Lending team.

Mr. Curtiss advised the Board that MHP has committed loans for 1,093 units, which is 91 percent of the goal. MHP is financing 273 newly constructed units which is 42 percent of the goal. Based on MHP's pipeline for the spring, the Lending team anticipates that MHP will get very close to the goal of 650 new construction units.

Mr. Curtiss noted that the struggle has been with households with incomes below 60 percent area median income (AMI). The cost are simply too high in Massachusetts for the units to be built on an unsubsidized basis. As a result, MHP relies very heavily on the Department of Housing and Community Development's (DHCD's) funding rounds in order to get those projects into MHP's pipeline.

A significant number of the projects that were awarded last year are now coming up for permanent financing and this will increase MHP's numbers; however, depending on how much later this occurs in the year, MHP will perhaps not meet the goal by the end of this fiscal year, but will probably end up doing a little bit better next year.

Mr. Curtiss advised that it has been a very strong year for MHP in terms of dollar volume, with \$173 million committed against the \$80 million dollar goal, and \$96.9 million committed against the \$25 million goal for Fannie Mae commitments. This can be attributed to a few large 40B projects.

Ms. Modestino asked if MHP had ever done a three-year performance evaluation. Mr. Ziegler responded that he is looking at setting multi-year goals.

Ms. Modestino asked about MHP's market share.

Mark Curtiss advised that there are parts of the market that are captive. MHP is able to maintain a solid share of subsidized housing loans, approximately 35 percent.

Mr. Ziegler asked Charleen Tyson to provide a Finance update. Ms. Tyson reported that revenue is high and due largely to the volume of closings. As of the end of January MHP had \$127 million in closings.

Rus Lodi reported that Public Affairs is exploring more feasible ways of capturing an on-line audience. While feedback from Facebook and Twitter has been very positive, these mediums do not do a very good job of capturing how effective MHP is at disseminating information.

He noted that MHP has recently revamped the ONE Mortgage website. Updates have also been made to the Center for Housing Data's website and updates will be made to the Lending section within the next few months.

Regarding ONE Mortgage, Mr. Schmiedl advised the Board that statewide, MHP is doing very well and is on track for the goal to serve homebuyers in Gateway Cities or who have incomes under 80 percent AMI. The competition for lower priced properties is very fierce.

Mr. Schmiedl noted that MHP has been getting a large share of loans in deed restricted affordable properties, such as 88 Hudson Street in Chinatown and the Mosaic Riverway project in the Longwood Medical area.

Mr. Ziegler noted the increase in the number of participating ONE Mortgage lenders, currently at 45. This is the highest that MHP has ever seen in the 26 years of the program.

Mr. Manzi commended the staff for simplifying the program from SoftSecond to the ONE Mortgage Program.

Susan Connelly advised the Board that MHP's Community Assistance team is working with a number of different communities on inclusionary zoning by-laws, leasing surplus public land for the development of new affordable housing, and helping communities have better conversations locally about affordable housing and housing production.

LOAN PROPOSALS

GERSON BUILDING, HAVERHILL

Ms. Roe presented the proposal for a loan in the amount of \$3 million to be financed through the Treasury Risk-Share Program for the Gerson Building which is located in the Mt. Washington neighborhood in Haverhill, Massachusetts. This project will involve the demolition of three dilapidated buildings and the new construction of a 4-story elevator building with 44 residential units. Among the project's amenities are 2,600 square feet of commercial space, a community room, two office spaces, and 44 parking spaces.

This Low-Income Housing Tax Credit project has a 70 percent preference for veterans and their families. Veteran's services will be provided by a group called Veterans Northeast Outreach Center.

The project sponsor is Coalition for a Better Housing (CBA), a 36 year old non-profit organization based in Lowell, Massachusetts. MHP currently has four loans with CBA with an outstanding balance of approximately \$15 million. All four of those loans are performing at B or better credit rating.

Mr. Sheahan asked if the project is located in a flood zone. Ms. Row responded that it does not appear to be. It is very close to the river but there is quite a bit of elevation between the project and the river. A check will be conducted as part of MHP's due diligence as they approach the closing process.

Mr. Sheahan asked if MHP has a maximum exposure to any one borrower. Ms. Row responded that MHP had recently increased their exposure limits but were not facing it with this current borrower.

Ms. Modestino inquired about the veteran's preference. Ms. Roe responded that there will be a lottery and veterans who apply will have a preference for 70 percent of the units.

VOTED: To authorize a first mortgage loan of up to \$3,000,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP under the HUD Housing Financing Agency Risk Sharing Program with the Federal Financing Bank, for the Gerson Building Project in Haverhill (the Loan).

The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy), the HUD Risk Sharing Agreement (Federal Financing Bank Financing) and the Gerson Building Credit Analysis dated 3/6/2018 including all special conditions contained therein, and presented in the 03/6/2018 MHP briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 6/1/2020.

Mr. Clancy abstained from the vote.

GERSON BUILDING, INTEREST RATE SWAP

Meghan Mulchy advised the Board that the recommendation that Ms. Lewis will present relates to the forward starting swap for the Gerson Building project. While Ms. Roe requested the Board's approval for an up to \$3 million loan amount, the loan amount will likely be approximately \$2.75 million. If the loan amount increases, MHP's swap advisor will provide an analysis of the increased swap exposure.

Ms. Lewis advised the Board that MHP is using a forward starting interest rate swap to manage the rate risk. MHP intends to enter into the swap when the borrower closes their construction loan expected in June of this year. The duration of the swap will be for 30 months, covering the 24 month construction stabilization period and an additional six months cushion against any unforeseen circumstances that would delay the closing or any adverse rate environment in which MHP might want to delay their own settlement of the swap.

Ms. Lewis noted that MHP has four executed swaps and three approved swaps that have not yet been executed. She referred the Board to the analysis by MHP's swap advisor, Chatham Associates, as well as Exhibit B, MHP's swap exposure limit analysis, and Exhibit D, basis risk for executed swaps over time. Ms. Lewis noted that the sum of the executed and approved swaps, as well as the current proposed swap, are well under MHP's policy limit.

Mr. Curtiss advised the Board that Exhibit D illustrates that interest rates have increased by 50 basis points between January and now; however, MHP's borrowing rate from the FFB has matched the increase in swap rate so, from a swap perspective MHP is doing fine.

Mr. Manzi asked further questions about the increase in interest rates and Ms. Modestino asked about the decrease/increase in the hedged swap rate versus the estimated settlement.

Upon a motion moved and seconded it was

VOTED: To approve the swap transaction for The Gerson Building Project in accordance with the Memorandum contained in the briefing materials for the March 6, 2018 meeting of the Board of Directors of the Massachusetts Housing Partnership Fund Board (“MHP”). The Board of Directors confirms in accordance with 976 CMR 2.00 that: i) the Memorandum included a written analysis and recommendation for the proposed swap transaction by MHP’s independent financial advisor Chatham Hedging Advisors; ii) the swap structure is consistent with MHP’s Policy on Forward-Starting Swaps; iii) the benefits of the swap outweigh the risks of the swap; and iv) the Board hereby approves the proposed swap transaction.

Jack Clancy abstained from this vote.

PROGRAMS AND POLICY

ONE MORTGAGE CREDIT SCORES

Elliot Schmiedl advised the Board that this presentation is the culmination of approximately a year’s worth of effort that will review MHP’s loan loss reserves and their coverage to ensure that MHP is hedging risks appropriately for a subsequent change to decrease borrowers’ minimum credit scores by 20 points. The MHP analysis relies largely on data from the SoftSecond program.

Referring to the slides, Mr. Schmiedl illustrated the average losses within MHP’s entire Soft Second program, and the coverage that the loan loss reserve provided in the varying loss scenarios. In the ONE Mortgage Program, losses are covered in a more predictable manner. Also, ONE homeowners build equity more quickly.

The Homeownership Team has designed a chart that will be used to gauge default risks on MHP’s loan portfolio going forward. Using the chart, Mr. Schmiedl illustrated the correlation between lender default risk and the growth in the housing market.

Mr. Schmiedl noted that he believes that MHP’s proposed minimum credit scores would result in an acceptable level of risk even in a 15 percent loss scenario. The data predicts an impact with a 640-660 credit score change due in large part to increased volume. Ms. Modestino asked if MHP has ever considered placing a cap on what that volume might be. Mr. Schmiedl responded that MHP will be monitoring trends and if changes need to be implemented, that can be done.

Mr. Schmiedl added that MHP is able to cross cut quarterly delinquency data by credit score which is not done currently. Mr. Ziegler stated that even with the credit scores being tweaked, there is simply not enough inventory in the market for borrowers. Additionally, MHP’s loan loss is not insurance; MHP’s exposure is limited to a dollar amount formulated and based on the program. Additionally, lenders set their own credit standards and are not obliged to reduce credit scores.

Mr. Manzi asked if the lenders had given MHP any feedback reducing the credit scores. Mr. Schmiedl responded that MHP’s Homeownership team met with a few lenders, who are reviewing how losses would be covered during different market events.

The homeownership team will be providing periodic updates to the Board on how the program is progressing.

PRESENTATIONS - MHP'S CONTRIBUTION TO THE HOUSING SUPPLY AND AFFORDABILITY IN MASSACHUSETTS

Calandra Clark, Tom Hopper, Co-Directors of MHP's new Center for Housing Data and Anne Lewis, Senior Lending Analyst on the Lending team, provided a PowerPoint presentation on MHP's contribution to the housing supply and affordability in Massachusetts. They provided information about the population of Massachusetts, incomes, vacancy rates, housing cost burden, and available housing subsidies. Board members asked questions about housing for households with incomes below 30 percent of area median income (AMI).

It was noted that within the past five years MHP has financed roughly 10 percent of all new multi-family housing, in the Commonwealth. In addition, MHP financed 35 percent of all state subsidized new production units and approximately 25 percent of the units coming through the 40B pipeline. New production projects are approximately 60 percent of the projects that MHP finances.

Information was provided on the amount of housing that is needed to have a healthy housing market. The website for the Center for Housing Data was demonstrated along with the Housing Toolbox website.

ADJOURNMENT

The Board meeting was adjourned at 3:24 p.m.

The documents listed in the Table of Contents in the briefing materials for the Directors of MHP for this meeting are incorporated herein by reference.

Additional materials for this meeting were: PowerPoint presentation on MHP's Contribution to the Housing Supply and Affordability in Massachusetts.



Denis Sheahan, Secretary/Treasurer
Massachusetts Housing Partnership

MASSACHUSETTS HOUSING PARTNERSHIP

**MEETING OF EXECUTIVE COMMITTEE
OF MHP BOARD OF DIRECTORS
Tuesday, March 27, 2018
160 Federal Street
Boston, Massachusetts**

Members Present: Vincent Manzi, Chairman; Alicia Modestino; Alana Murphy
Department of Housing and Community Development
(DHCD).

Participating Staff: Clark Ziegler (Executive Director), Judy Jacobson, Mark
Curtiss, Charleen Tyson, Anne Lewis, Cynthia Mohammed,
Nantia Boampong, Alice Wong, David Rockwell, Steve
Gandt, David Hanifin, Nancy McCafferty, Rus Lodi, Calandra
Clark, Tom Hopper, and Anitt Wilkinson.

CALL TO ORDER

The meeting was called to order at 1:30 p.m. Mr. Manzi passed the Chair to Ms. Modestino for Mechanics Mill.

LOAN PROPOSALS

MECHANICS MILL, ATTLEBORO

David Hanifin recommended a \$1.85 million loan using MHP's Chapter 102 bank funding for Mechanics Mill, which is located in Attleboro, Massachusetts. This is Winn Development's latest adaptive reuse of a historic mill building. The mill is a former jewelry manufacturing facility that was constructed in the 1800's. It will be converted to housing with a total of 91 rental units, primarily 1- bedroom units, which will be restricted to seniors and disabled households using special permitting.

This is a tax credit transaction with Bank of America providing both the construction loan as well as investing in the tax credits. There will be 35 market units and the remaining 56 units will be available to households with incomes at or below 60 percent of area median income (AMI). Of those, eight of the units will be supported with project-based Section 8 assistance.

The project is easily accessible to the highway system, with access to interstate 95 which is within a few blocks of the project. Public transportation is also available.

Building amenities include 125 residential parking spaces; an on-site management company; a media and community room; a yoga and exercise facility; and on-site laundry. The Salmon Group, a private commercial tenant, will be leasing approximately 6,000 square feet of space to operate an adult day facility. They operate a range of facilities including assisted living facilities, memory care programs, rehab and skill nursing services, in a number of Massachusetts communities.

The building will be rehabilitated with the assistance of historic tax credits. There are four existing tenants, who currently utilize a small portion of the building and they will be relocated.

Mr. Hanifin noted that the rents that MHP is underwriting are below what the current market rents are based on a market study.

Debt service coverage is 1.33 and MHP has estimated the loan to value ratio at 23 percent. This will be confirmed via an appraisal. The underwriting does not rely on any of the income that will be derived from the adult day health facility.

WCredit LLC is the sponsor for this transaction. MHP is expecting new financial statements from the sponsor in the summer.

Ms. Modestino noted the special condition regarding a stream discoloration investigation, and asked if the project had environmental issues.

Mr. Hanifin responded that the Phase One report noted the issue so there will be further investigation though, so far, no remediation seems to be necessary.

Upon a motion moved and seconded it was:

VOTED: To authorize a first mortgage loan of up to \$1,850,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP pursuant to Chapter 102 of the Acts of 1990 or through other agreements with banks, for the Mechanic Mill Project in Attleboro (the Loan).

The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy) and the Mechanic Mill Credit Analysis dated 3/27/2018 including all special conditions contained therein, and presented in the 03/27/2018 MHP briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 7/31/2020.

Mr. Manzi abstained from this vote. While not involved in the project, he noted that he does work for Winn Development from time to time. Mr. Manzi then chaired the remainder of the meeting.

YARMOUTH GREEN, YARMOUTH

Ms. Wong presented a \$3.8 million loan for Yarmouth Green to the Board. The Town of Yarmouth created a Motel Overlay District and a Redevelopment Fund that will be used to address older motels in the area. Yarmouth Green is the first such project. The motel has been torn down and a 69 unit affordable project will be built along Route 28. The project will be affordable at the 60 percent of area median income (AMI) level and with seven of the units affordable at the 30 percent AMI level.

Ms. Wong noted there will be a waste water treatment plant on the site.

The references for the sponsor from Bank of America, the Life Initiative, BCC, and New Hampshire HFA were all strong. MHP will be paying close attention to the sponsor's service plan because there have been some issues with the service delivery at the sponsor's Village Green, Hyannis project.

Mr. Manzi asked Ms. Wong to explain the financing for the wastewater treatment plant. Ms. Wong responded that the project had to capitalize 25 percent of the hard cost towards a replacement reserve account specifically for the maintenance of the waste water treatment plant.

Ms. Modestino asked about affordable housing on the Cape. Mr. Ziegler responded that most of the projects are small.

Upon a motion moved and seconded it was:

VOTED: To authorize a first mortgage loan of up to \$3,800,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP pursuant to Chapter 102 of the Acts of 1990 or through other agreements with banks, for the Yarmouth Green Project in Yarmouth (the Loan).

The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy) and the Yarmouth Green Credit Analysis dated 3/27/2018 including all special conditions contained therein, and presented in the 03/27/2018 briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 9/1/2020.

Mr. Manzi commented that he had observed quite a number of Chapter 102 loans during the past several meetings, and asked Mr. Curtiss how MHP was doing on available funds with Chapter 102. Mr. Curtiss responded that Ms. Mulcahy manages that resource and that the next big loan agreement that expires is the Bank of America agreement in 2021. There is approximately \$30 million uncommitted.

ADJOURNMENT

The meeting was adjourned at 2:00 p.m.

The documents listed in the Table of Contents in the briefing materials for the Executive Committee of the Directors of MHP for this meeting are incorporated herein by reference.



Denis Sheahan
Secretary/Treasurer
Massachusetts Housing Partnership

MASSACHUSETTS HOUSING PARTNERSHIP

BOARD OF DIRECTORS MEETING

Tuesday, April 24, 2018

160 Federal Street, 2nd Floor
Boston, Massachusetts

Members Present: Jack Clancy, Chairman; Alicia Modestino, Vice Chair, Janelle Chan; Rachel Madden; Denis Sheahan; Kristin Carvalho; Mark Attia, Administration and Finance

Participating Staff: Clark Ziegler (Executive Director), Judy Jacobson, Mark Curtiss, Charleen Tyson, Nancy McCafferty, Steve Gandt, Megan Mulcahy, Amanda Roe, David Hanifin, Rus Lodi, David Rockwell, Tom Hopper, Elliot Schmiedl, Laura Shufelt, Manisha Bewtra, Callie Clark, Nantia Boampong, Susan Connelly, Kathryn Riley, Cynthia Mohammed, Anitt Wilkinson, Shelly Goehring.

CALL TO ORDER

The meeting was called to order at 1:30 p.m.

Jack Clancy formally introduced Janelle Chan to the Board.

APPROVAL OF MINUTES

Upon a motion moved and seconded it was:

VOTED: To approve the minutes of the March 6, 2018 Board Meeting.
To approve the minutes of the March 27, 2018 Executive Committee Meeting.

MHP MANAGEMENT AND FINANCE

OFFICERS AND EXECUTIVE ASSIGNMENTS

Clark Ziegler advised the Board that while MHP is still reeling from Vin Manzi's sudden passing, plans are underway to recognize his service in the upcoming Annual Report.

Mr. Ziegler distributed copies of the revised Officers and Committee Assignments and Executive Committee Charter to the Board.

Upon motions moved and seconded it was:

VOTED: To elect the officers of the Massachusetts Housing Partnership Fund Board (MHP) and make committee assignments for 2018 as set forth in the briefing materials for the April 24, 2018 meeting of the Directors of MHP.

VOTED: To revise the Executive Committee charter as set forth in the briefing materials for the April 24, 2018 meeting of the Directors of MHP.

VOTED: To modify the rotating board member schedule for assignments to the Executive Committee in 2018 as set forth in the briefing materials for the April 24, 2018 meeting of the Directors of MHP.

Susan Connelly introduced Manisha Bewtra, Senior Program Manager on the community assistance team. Prior to joining MHP, Ms. Bewtra spent ten years at the Metropolitan Area Planning Council. Steve Gandt, a new Loan Officer on the lending team was also introduced by Clark Ziegler. Mr. Gandt has significant experience with Fannie Mae lending.

MID-YEAR GOALS REPORT

Mr. Ziegler advised the board that MHP is having a very good year and is on track to achieving most of Fiscal Year 2018 goals by the end of the year. He asked Mark Curtiss to provide an update to the Board on the lending goals.

Mr. Curtiss advised the Board that MHP is doing extremely well on dollar volume and very well on total units. The struggle has been with new construction projects, as some 40B developers have opted to defer getting an MHP loan commitment until they are well into construction. MHP expects to have commitments for these projects next year, or the year after, when the projects are closer to closing.

Mr. Curtiss noted that the lending team has also been struggling to finance rental units for households with incomes below 60 percent of area median income (AMI). MHP is unable to finance these units without the assistance of subsidies and is very dependent on the timing of DHCD's funding rounds.

Jack Clancy asked Mark Curtiss about the determination of area median income. Mark Curtiss responded that it is based on the primary metropolitan statistical area.

Ms. Chan asked Mr. Curtiss how many of MHP's pending projects contribute to the 60 percent area median income goal. Mr. Curtiss responded that MHP finances approximately 30 projects annually, and that approximately 15 to 20 of those projects contribute to the 60 percent of AMI goal.

With regard to homeownership, Elliot Schmiedel advised the Board that statewide, MHP has closed approximately 529 ONE Mortgage loans over the last three quarters. Volume is down slightly from last year due to a number of factors including market pressures, as well as competition from other loan products. Additionally, MHP has closed more ONE Mortgage loans in Springfield within the last three quarters than in the past eight years. As of March 31, 2018, MHP's ONE Mortgage delinquency rate was three percent, which is the lowest that the program has achieved in more than a decade.

Mr. Ziegler advised the board that the proposed reduction in minimum credit scores for the ONE Mortgage program are likely to have a positive impact on volume and will be submitted to DHCD within a week for approval.

Ms. Connelly advised the board that the community assistance team continues to examine ways in which to encourage affordable housing production primarily in suburban communities, through inclusionary zoning by-laws or project-specific work. The team is prioritizing community education that can lead to a better local discourse about the role that housing production and affordable housing plays both at the local, regional and state levels.

Mr. Lodi advised the board that Twitter and Facebook are being used to drive people to the content on MHP's website. Mr. Lodi noted that MHP is creating improved landing pages for the different teams within MHP in an effort to make the website more user-friendly. Mr. Ziegler told the board that rather than measuring website users, next year's goals will likely measure links to content.

Ms. Chan asked Mr. Schmiedl if MHP maintained a breakdown of how people were referred to ONE Mortgage. Mr. Schmiedl responded that the homeownership team engages in a variety of advertising campaigns, and they test the value of those campaigns by examining web traffic and referrals.

Ms. Chan also asked Mr. Schmiedl if MHP knew what percentage of that population actually moved on to obtaining a ONE Mortgage loan. Mr. Schmiedl responded that he did not have that data.

Mr. Ziegler advised the Board that MHP has made good progress on its leadership goals and that MHP is pleased to have played a significant role in the Governor's Housing Choice Initiative. Mr. Ziegler asked Ms. Tyson to provide a Finance update.

Ms. Tyson advised the Board that MHP has already exceeded the year-end cash-flow goal and is currently at \$4.6 million against a budget for the year of \$2.8 million. This, Ms. Tyson noted, is mostly attributed to revenues. The FY19 budget as well as MHP's five-year business projection will be presented at the May 22 Finance Committee meeting. The final budget will be presented to the full board at the June 26 board meeting.

LOAN PROPOSALS

HUDNER BUILDING REFINANCE, FALL RIVER

David Hanfin presented a proposal for a loan in the amount of \$3.55 million for the refinancing of the Hudner Building in Fall River using the Treasury Risk-Share Program. This Treasury Risk-Share loan will allow MHP to provide a 40-year fully-amortizing loan to the project sponsored by Nebel Management Corporation. The MHP loan will finance minor accessibility and masonry repairs and establish a replacement reserve to meet the long term capital needs of the property which serves a mix of elderly and disabled residents.

This is a new sponsorship for MHP. The Nebelkopf family has an existing portfolio of five properties which are located in Fall River, New Bedford, Worcester and Lynn.

Underwriting is based on a 20-year project-based section 8 contract which covers all of the units in the property. The proposed loan will allow for the repayment of an existing FHA-insured first mortgage loan as well as the repayment of existing sponsor notes, and \$800,000 distribution to the limited partners. MHP will also be capitalizing a replacement reserve to meet the property's long-term capital needs. Approximately \$70,000 of minor immediate capital needs will be completed post-closing.

Upon a motion moved and seconded it was

VOTED: To authorize a first mortgage loan of up to \$3,550,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP under the HUD

Housing Financing Agency Risk Sharing Program with the Federal Financing Bank, for the Hudner Building Refinance Project in Fall River (the Loan).

The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy), the HUD Risk Sharing Agreement (Federal Financing Bank Financing) and the Hudner Building Refinance Credit Analysis dated 4/24/2018 including all special conditions contained therein, and presented in the 04/24/2018 MHP briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 8/31/2018.

WALKER PARK APARTMENTS, BOSTON

Amanda Roe presented a proposed loan increase for the Walker Park Apartments project in the amount of \$375,000 which will bring MHP's commitment to \$2.675 million. The project sponsor is Urban Edge Housing Corporation.

Ms. Roe advised the board that the project is predicting \$1.3 million in construction cost overruns. Approximately 6 percent of these costs are environmental and are soil related. Urban Edge is making a claim to their environmental engineer, who they felt did not give them a correct assessment of the soil condition.

Ms. Roe reported that loan economics are strong, even with the loan increase.

Mr. Sheahan asked if the loan had been downgraded. Mr. Ziegler responded that it had not, though another loan with the sponsor is on MHP's watch list.

Mr. Sheahan asked if there are lessons learned from this project. Ms. Connelly stated that urban sites are challenging and construction contingencies deserve a closer look.

Mr. Curtiss advised that MHP is attempting to balance appropriate risks while also stretching DHCD's subsidy resources. Mr. Clancy noted that it would be good to ask Bank of America, the construction lender, the lessons learned on their end.

Upon a motion moved and seconded it was

VOTED: To increase the permanent loan commitment amount for the Walker Park Apartments, Boston project by \$375,000 in accordance with the memorandum provided in the 4/24/18 briefing materials for the Directors of MHP.

BANK TRANSACTION

ACQUISITION OF COASTWAY BANCORP, INC. BY HARBORONE BANCORP, INC.

Judy Jacobson advised that MHP is built into certain Massachusetts banking laws and that any loan obligations to MHP are based on the assets of the bank being acquired located in the Commonwealth. HarborOne, a Brockton-based Bank, is acquiring Coastway Bank based in Providence, Rhode Island. Coastway has no branches or loan production officers based in

Massachusetts.

Upon a motion moved and seconded it was

VOTED: To authorize the Executive Director, in the name of and on behalf of the Massachusetts Housing Partnership Fund Board (“MHP”) to notify the Massachusetts Board of Bank Incorporation that “satisfactory arrangements” have been made with MHP in accordance with M.G.L. Chapter 167A, Sections 3 and 4 and guidelines adopted by MHP by HarborOne Bancorp, Inc. and HarborOne Bank in conjunction with its application to acquire Coastway Bancorp, Inc. and Coastway Bank.

ADJOURNMENT

The Board meeting was adjourned at 2:33 p.m.

The documents listed in the Table of Contents in the briefing materials for the Directors of MHP for this meeting are incorporated herein by reference.

Handouts for this meeting were: MHP Officers and Committee assignments for the remainder of 2018; revised Executive Committee Charter; and revised MHP Board and Executive Committee Schedule for 2018.

Denis Sheahan, Secretary/Treasurer

MASSACHUSETTS HOUSING PARTNERSHIP

MEETING OF EXECUTIVE COMMITTEE OF MHP BOARD OF DIRECTORS

Tuesday, May 22, 2018

160 Federal Street

Boston, Massachusetts

Members Present: Jack Clancy, Chairman; Alana Murphy (DHCD designee, via phone); Kristin Carvalho (via phone); and Denis Sheahan.

Participating Staff: Clark Ziegler (Executive Director), Judy Jacobson, Mark Curtiss, Charleen Tyson, Rus Lodi, Anne Lewis, Megan Mulcahy, Kathryn Riley, Cynthia Mohammed, Nantia Boampong, Amanda Roe, Steve Gandt, Nancy McCafferty, and Anitt Wilkinson.

CALL TO ORDER

The meeting was called to order at 1:40 p.m.

Ms. Jacobson explained that Ms. Murphy is participating remotely due to an emergency and Ms. Carvalho is participating remotely due to geographic distance.

LOAN PROPOSALS

CAMPBELL PURCELL HOUSING, EASTHAM

Ms. Roe presented a proposal for a leasehold mortgage loan in the amount of \$4,400,000 to be financed through the Treasury Risk Share program for the Campbell Purcell project in Eastman. The borrower for the project is Brackett Road Housing, LLC and the sponsor is Pennrose, LLC.

Ms. Roe advised that this will be MHP's first loan with the sponsor and the sponsor's first project in Massachusetts. MHP has previous experience with the sponsor's Regional Vice President, Charles Adams and the President of Pennrose Management Company both of whom previously worked at Preservation of Affordable Housing (POAH) in Massachusetts.

Mr. Sheahan asked Ms. Roe if MHP is concerned about the capability of Pennrose's on-site Management team. Ms. Roe responded that she is not, given the significant Massachusetts Experience of Pennrose's senior staff.

Mr. Sheahan asked about the debt service coverage ratio on the project.

Mr. Ziegler noted that DHCD recommends that their projects be at or above a 1.10x debt service coverage (DSC) ratio, but not very far above 1.10x in order to minimize the use of subsidies.

Ms. Murphy advised that DHCD usually caps their projects at 1.15x and, if there is too much cash flow, the entire request has to be adjusted. Ms. Murphy also noted that Pennrose has been examining the Massachusetts market for a while and met with DHCD several years ago when they were beginning to explore opportunities. They have been very thorough in their approach.

Ms. Carvalho advised that Milford National Bank & Trust Company recently participated in a 40B project with the sponsor in Brewster which did very well.

Mr. Clancy asked about the construction costs. Ms. Murphy responded that the cost per unit is reasonable for new construction on the Cape.

Upon a motion moved and seconded a roll call vote was taken and Mr. Clancy, Mr. Sheahan, Ms. Carvalho and Ms. Murphy each voted yes.

VOTE: To authorize a first leasehold mortgage loan of up to \$4,400,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP under the HUD Housing Financing Agency Risk Sharing Program with the Federal Financing Bank, for the Campbell Purcell Project in Eastham (the Loan).

The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy), the HUD Risk Sharing Agreement (Federal Financing Bank Financing) and the Campbell Purcell Credit Analysis dated 5/9/2018 including all special conditions contained therein, and presented in the 05/22/2018 MHP briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 9/1/2020.

CAMPBELL PURCELL HOUSING, EASTHAM – INTEREST RATE SWAP

Ms. Lewis advised the Board that MHP is proposing a \$4,400,000 forward starting swap in order to provide the rate lock for the Campbell Purcell project. MHP's swap advisor Chatham has reviewed the swap transaction, and finds it a reasonable risk for MHP to take. The transaction also satisfies MHP's exposure limits.

Mr. Clancy asked how the swap rates have been measuring against the U.S. Treasury curves. Ms. Lewis responded that they have been tracking very closely together. Mr. Curtiss noted that the basis risk is monitored very carefully.

Upon a motion moved and seconded a roll call vote was taken and Mr. Clancy, Mr. Sheahan, Ms. Carvalho and Ms. Murphy each voted yes.

Vote: To approve the swap transaction for the Campbell Purcell Project in accordance with the Memorandum contained in the briefing materials for the May 22, 2018 meeting of the Executive Committee of the Massachusetts Housing Partnership Fund Board ("MHP"). The Executive Committee confirms in accordance with 976 CMR 2.00 that: i) the Memorandum included a written analysis and recommendation for the proposed swap transaction by MHP's independent financial advisor Chatham Hedging Advisors; ii) the swap structure is consistent with MHP's Policy on Forward-Starting Swaps; iii) the benefits of the swap outweigh the risks of the swap; and iv) the Board hereby approves the proposed swap transaction.

THE FEDERAL FINANCING BANK (FFB)

Mr. Curtiss advised the Board that MHP has been watching the Federal Financing Bank HUD Risk Sharing program very carefully, as it was slated to be terminated in the president's FY19 budget. Brian Montgomery, the nominee for FHA commissioner, recently indicated strong support for the

Program.

ADJOURNMENT

The meeting was adjourned at 2:33 p.m.

Denis Sheahan, Secretary/Treasurer