



CHANGE

Change /CHānj/ *v.* to make or become different



MASSHOUSING ANNUAL REPORT 2018

AGENCY MEMBERS



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Senior Managing Director –
Chief Sales Officer
National Mortgage Insurance
Corporation



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Senior Director of Special Finance
& Government Performance Initiatives,
Executive Office for
Administration and Finance,
Commonwealth of Massachusetts
(Designee of Secretary Michael J. Heffernan)



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Director of Governance and
Compliance and Strategic Counsel,
University of Massachusetts



Janelle L. Chan
Undersecretary
Department of Housing and
Community Development,
Commonwealth of Massachusetts



Patricia A. McArdle, Esquire
Law Office of Patricia A. McArdle
& Associates, P.C.



Lisa Serafin
Principal
Redgate

Message from the Chairman and Executive Director

On behalf of the Board and staff of MassHousing, we are pleased to present this annual report for fiscal year 2018.

In response to the Commonwealth's affordable housing challenges, we provided more than \$1.2 billion in new financing for home mortgages and for rental housing. Our portfolio of existing loans reached \$8.7 billion while our cumulative financing across the Commonwealth since making our first loan in 1970 reached nearly \$23 billion.

Our balance sheet is strong. Our Issuer Credit Ratings are Aa3 from Moody's Investors Service and AA- from S&P Global Ratings. Our financial strength is allowing us to generate additional resources to confront housing challenges including the need for workforce housing, expiring affordability restrictions, and down payment and closing cost assistance, to name just a few.

We know that lending is not enough to meet our mission. This is why we continued to offer thought-leadership and innovative programs to foster stronger communities, serve vulnerable populations and encourage economic opportunity.

It is because of our unwavering commitment to mission coupled with our financial strength that we were able to achieve these things while undergoing a leadership transition. We are honored and humbled to serve as the Commonwealth's affordable housing bank. MassHousing's drive for excellence fuels our ability to create housing opportunities that help build a solid future for the Commonwealth.



Michael J. Dirrane
Chairman



Chrystal Kornegay
Executive Director



MASSHOUSING IS A DIVERSE GROUP OF COMMITTED PROFESSIONALS WHO ARE ADAPTING, EVOLVING AND CHANGING TO MEET THE HOUSING CHALLENGES THAT CONFRONT THE COMMONWEALTH TODAY.

MASSHOUSING 2018



Women Take Center Stage

Women's rights, empowerment and contributions were at the forefront of the nation's culture last year. In FY'18, MassHousing and many of the organizations and communities we work to support benefited from the voices, perspectives and vision brought by new female leaders.

"Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has."

Margaret Mead



Chrystal Kornegay

In January 2018, Chrystal Kornegay became the first woman and the first person of color to ever lead MassHousing. She brings energy and vitality to the role of executive director, as well as experience as the former Undersecretary of Housing and Community Development and CEO of Boston-based community development corporation Urban Edge.



Sarah Barnat

Sarah Barnat started Barnat Development LLC, in 2015. Her first project was Holmes Beverly, a 67 unit mixed-income rental community located adjacent to the Beverly Depot Commuter Rail station and garage. Barnat Development is also project manager for the redevelopment of 1,100 public housing units in Charlestown into a 2,800+ unit mixed-income, mixed-use community.



Yvonne Spicer

On January 1, 2018 Yvonne Spicer became the first Mayor of Framingham and the first African-American woman to be popularly elected as a mayor in Massachusetts. Prior to her inauguration, Yvonne helped celebrate the opening of the MassHousing-financed Tribune Apartments in Framingham, a 53-unit affordable housing development for disabled adults and senior citizens.



Photo (from left to right) Carolina Avellaneda, Patricia McArdle, Lisa Serafin and Janelle Chan

Women on MassHousing's Board

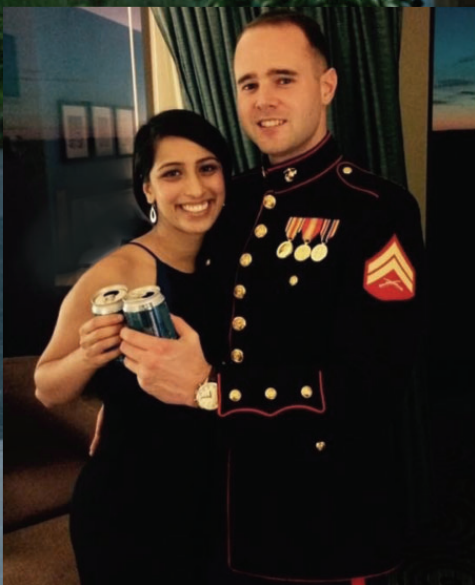
In fiscal year 2018, Governor Charlie Baker appointed Janelle Chan and Patricia McArdle to the MassHousing Board, where they joined Lisa Serafin and Carolina Avellaneda. For the first time in our 52-year history, half of MassHousing's eight Board Members (owing to one vacancy) were women.

Adapting to Changing Markets

Renters and homebuyers with modest incomes face an uphill climb in the search for affordable places to live in Massachusetts. Inventory remains low. Rents and home prices continue to rise. Student loans and other debts make it difficult to save for the initial costs of homeownership.

“You never change things by fighting the existing reality.
To change something, build a new model that makes
the existing model obsolete.”

Buckminster Fuller



Jordan Banach

Marine Corps Reservist Jordan Banach achieved his dream of homeownership when he bought a condominium in Salem using a MassHousing Operation Welcome Home loan obtained through Cross Country Mortgage. Thanks to our new down payment and closing cost assistance, Jordan closed the loan with minimal upfront costs.

How did we respond?

On the homeownership side we addressed the up-front costs issue head-on, launching down payment and closing cost assistance programs. We reduced and streamlined our product offerings to make it easier than ever for partner lenders and homebuyers to understand and access our loans.

<div>\$536.5 million</div> <div>TOTAL LENDING TO HOMEBUYERS AND HOMEOWNERS IN FY 2018</div>	<div>2,409</div> <div>MassHousing homeownership loans in FY 2018</div>
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<div>415</div> <div>MassHousing borrowers who received down payment and/or closing cost assistance from MassHousing in FY2018.</div>	
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A CHALLENGING MARKET
FOR HOMEBUYERS

\$405,000

Median price of a single-family home in
Massachusetts as of June 2018
(Mass. Assoc. of Realtors).

-18%

Year over year decrease in number of single-
family homes for sale in Massachusetts,
May 2018

-4.19%

Year over year decline in number of Massachusetts
home sales, June 2018

6.09%

Year over year increase in average sales price
of a home in Massachusetts, June 2018



Down Payment Assistance Program Development Team

In fiscal year 2018 a group of MassHousing team members from the Home Ownership and Finance groups collaborated to develop a down payment assistance program for homebuyers. Qualified borrowers can receive up to 3% of the purchase price or \$12,000, whichever is less. Pictured left to right are Chuck Karimbakas, Lisa Fiandaca, Paul Scola, Steve Payson, Mounzer Aylouche and Kathy Connolly (not pictured: Kevin Mello and Tom Norton).

On the rental side

we closed 35 financing transactions to create and preserve 4,748 affordable apartments for low- and moderate-income residents. Preserving low rents for vulnerable residents at risk from the expired 13A subsidy program was a top priority.

\$675.2 million

TOTAL FINANCING PROVIDED IN FISCAL YEAR 2018 FOR RENTAL HOUSING

4,748

Total units financed (318 new, 4,430 preserved)

2,374

Total units in 26 developments that have closed or received commitments for \$59 million in workforce housing funds (1,220 affordable and 631 workforce units).

11

13A developments with 770 income-restricted units for which MassHousing has provided new financing and helped to preserve affordability under its 13A preservation initiative. Thirty-five total developments with 3,200 income-restricted units were identified as at-risk.

THE CHALLENGES OF RENTING IN MASSACHUSETTS

\$2,187

Average rent in Greater Boston for the second quarter of 2018, a 4% increase from 2017 and the largest quarterly rent increase among 79 major metro markets. (Reis Inc.)

1/3+

Middle income residents (earning 80-120% of area median income) in Greater Boston are housing cost-burdened and pay >30% of their income for housing costs. (Urban Land Institute)

4 years

Average time on a waiting list for HUD subsidized housing in Essex County, Mass. The average wait time is 43 months in Middlesex County and more than 24 months in Suffolk County. (2016 Greater Boston Housing Report Card)



Burbank Gardens

The Fenway is one of the hottest markets in Boston. Last year MassHousing worked with Fenway CDC to structure a \$9.2 million financing package to preserve affordable apartments and designate previously unrestricted ones as workforce units at the 52-unit Burbank Gardens. The old subsidy program (13A) had expired and vulnerable residents were at risk of displacement. Fenway CDC acquired the property under Chapter 40T, which helps prevent against loss of existing affordable units. The property is undergoing extensive renovations as well.

Changing Neighborhoods for the Better

An old vacant mill building with broken windows, surrounded by weeds. An empty lot. A former school building. A sturdy but worn apartment building in need of updating. MassHousing's rental financing is the catalyst that can help turn these into high-quality residences that change the physical landscape for the better and promote economic growth and neighborhood revitalization. Here are a few of the 35 transactions from FY'18 that we think are especially transformative.

"Life will only change when you become more committed to your dreams than you are to your comfort zone."

Billy Cox

Van Brodie Mill, Lawrence

Constructed in 1919, the Van Brodie Mill over the years housed a yarn-making company as well as a company that made packaged breakfast cereals and rations for the military. Then it went vacant. It will soon be reborn as a 102-unit affordable housing community developed by Trinity Financial and financed with \$17.1 million from MassHousing. Located within a smart growth district near the border of Methuen, this adaptive reuse project will preserve a historic former mill while remediating a brownfields site. Of the 102 units, 16 will be for very low-income households earning at or below 30% of the area median income (AMI), 67 will be for low-income households earning at or below 60% of AMI, and 19 will be dedicated as workforce housing for households earning between 61 and 80% of AMI.



Dan Drazen is a project manager for Trinity Financial, the developer of Van Brodie Mill.



Gateway North, Lynn

On the site of a formerly vacant parking lot now stands Gateway North, a new 71-unit apartment community. It was the first development funded in-part through MassHousing's \$100 million Workforce Housing Initiative. There are 53 units for low-income residents, 10 workforce units for moderate-income renters, and eight market-rate units. The property is centrally located in the city's Sagamore Hill District, near a business and retail hub and across the street from North Shore Community College. Situated two blocks from a commuter rail station and close to major highways, Gateway North was made with commuters in mind. Residents have begun to move into the development and the workforce housing units are serving people working in the government, nonprofit and health care sectors. MassHousing provided \$21 million in financing, including \$1.6 million in Workforce Housing funds.



Tom Bauer (right) is managing principal of HUB Holdings, LLC. Charles Gaeta (left), is Executive Director of the Lynn Housing Authority and Neighborhood Development. The two entities jointly developed Gateway North.

Holmes Beverly

On a once vacant parcel of land adjacent to a commuter rail station and an MBTA garage, a 67-unit transit-oriented development has just been completed, helping to transform Rantoul Street in Beverly. Sixteen apartments are for moderate-income residents; 14 for people with incomes at or below 80% of AMI and two for residents with incomes at or below 100% of AMI.

MassHousing provided \$1.6 million in financing from its Workforce Housing Initiative and a \$600,000 subordinate loan.



Sarah Barnat is the Founder and President of Barnat Development, LLC, the developer of Holmes Beverly.



Gateway North



Construction at Holmes Beverly

Empowering Homebuyers and Renters to Change their Lives

A good home provides a foundation for a good life. Safe, stable housing has been tied to better health and educational outcomes. An affordable home provides the chance to save for the future, to access opportunities and reach one's potential.

“Dreams are the seeds of change. Nothing ever grows without a seed,
and nothing ever changes without a dream.”

Debby Boone



Jennifer Alleyne, Bay Meadow Apartments, Springfield

Jennifer Alleyne is an 18-year resident of the MassHousing-financed Bay Meadow Apartments in Springfield. Through the Compass Family Self-Sufficiency program offered at the site, she learned budgeting, improved her credit score and is now working toward homeownership. Jennifer is pictured above with her Compass coach, Christine Torres (top photo, right).

\$199.4 million

MASSHOUSING FIRST MORTGAGE LENDING TO 935
LOWER-INCOME BORROWERS ($\leq 80\%$ AMI) IN FY'18

\$126.5 million

MASSHOUSING FIRST MORTGAGE LENDING TO 501
MINORITY BORROWERS IN FY'18

12%

of renters, nationally, that moved into public housing during the previous year and reported **an improvement in health**, compared to 8% of renters who did not move to public housing.



Zack's House, Lowell

In November 2017, Lowell House Addiction Treatment & Recovery cut the ribbon for Zack's House, which provides safe, stable housing for seven young men in recovery. MassHousing provided a \$75,000 grant to the project through the Center for Community Recovery Innovations, which to date has awarded more than \$10 million in grants to support the creation of nearly 2,200 units of affordable housing for men, women and families in recovery.

\$700,000

Awarded to support 162 units of sober
housing for residents in recovery



Latisha Steele, MassHousing Borrower, Boston – Mattapan

Long-time renter and Boston Public School Police Officer Latisha Steele used an affordable MassHousing Mortgage with Down Payment Assistance through Fairway Independent Mortgage Corp., along with down payment assistance from the City of Boston, to purchase a townhome at Olmsted Green in the city's Mattapan neighborhood. The down payment assistance allowed Latisha to close on her home with minimal initial costs and even pay off the mortgage insurance with a single, upfront premium. Located on the site of the former Boston State Hospital, Olmsted Green is undergoing a multi-phase redevelopment that will result in more than 500 units of mixed-income housing. MassHousing provided funding for the homeownership phase of the redevelopment through its Workforce Housing Initiative.



Changing how we Work with Municipalities

No one organization or entity can single-handedly overcome the shortage of affordable housing in Massachusetts. In recent years, MassHousing took steps to better engage Massachusetts' cities and towns to more effectively plan for, permit and build affordable rental and for-sale housing units at different levels of affordability.

“They always say time changes things, but you actually have to change them yourself.”

Andy Warhol



Boyde's Crossing

Boyde's Crossing in Norfolk, a new development consisting of 40 single-family homes located near downtown and a commuter rail station, was built under Chapter 40B, the state's affordable housing zoning law. In recent years, Norfolk has become more engaged and proactive in the housing planning process. The town received a Planning for Housing Production grant from MassHousing, which will help them implement a Housing Production Plan.

In FY'18, MassHousing launched the \$2 million Planning for Housing Production Program,

which provides municipalities with additional technical capacity to help implement their own housing production goals and deliver new mixed-income housing. The newly formed Planning & Programs Department allows MassHousing to be more responsive to the different needs of individual cities and towns. And the Agency continued its outreach to communities, through the ongoing tour of the Commonwealth's 26 Gateway Cities. The goal is to create, preserve and strengthen affordable housing units in a manner consistent with each community's vision.

15

Communities receiving grants through MassHousing's Planning for Housing Production Initiative

485

DEVELOPMENTS APPROVED FOR PROJECT ELIGIBILITY BY MASSHOUSING UNDER CHAPTER 40B SINCE 1999

20,016

Units at the 158 rental developments approved under Chapter 40B. An average of 30% of these units are affordable.

15,403

Units at the 327 homeownership developments approved under Chapter 40B. An average of 25% of these units are affordable.

1,023

Residents assisted by \$37,500 in MassHousing grants to 12 local task forces working to help people with residential hoarding challenges. Seven of the grants went directly to municipal governments (Belmont, Barnstable County, Framingham, Newton, Scituate, Tewksbury and Watertown).

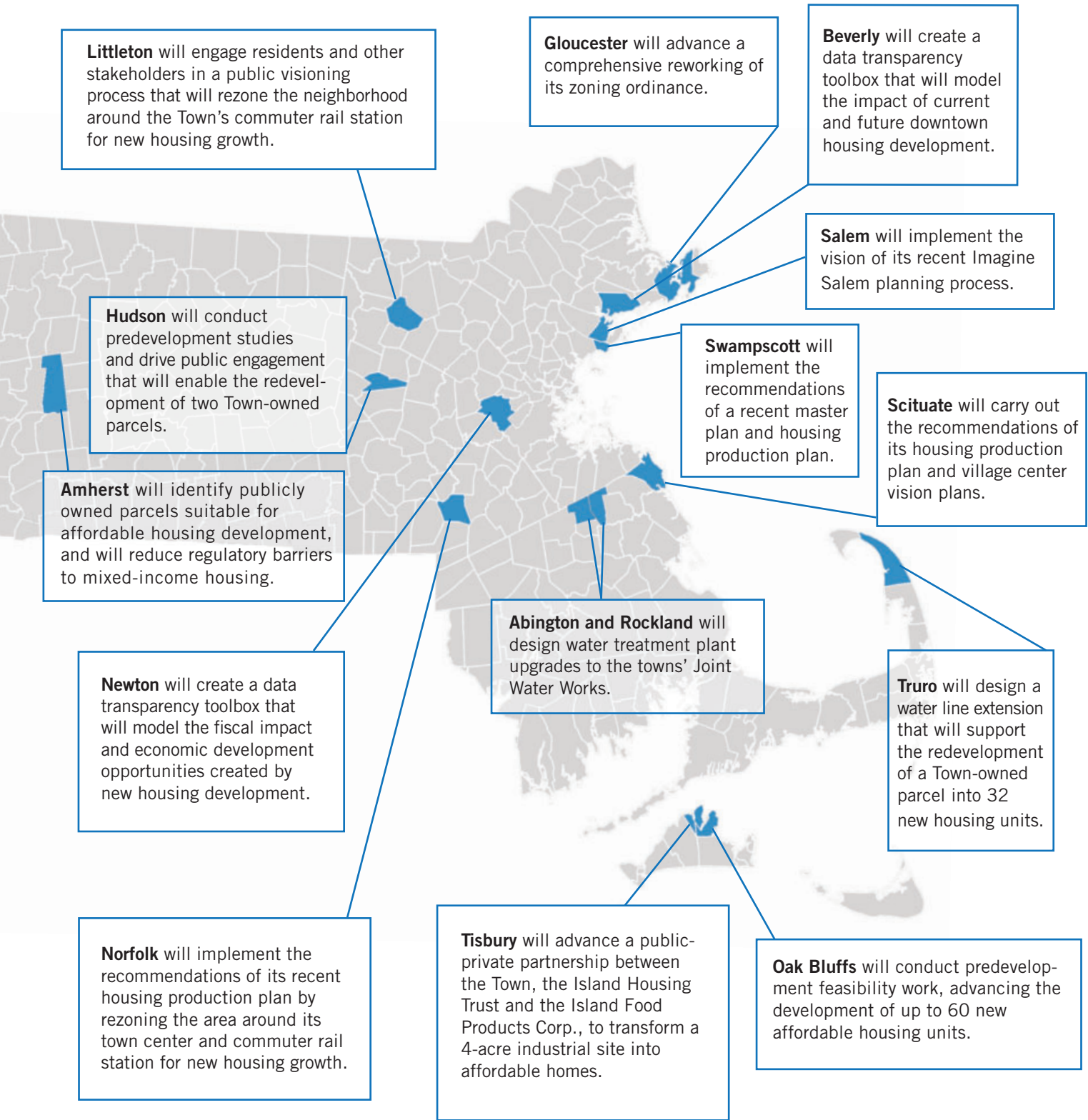


In FY'18 MassHousing joined the Massachusetts Municipal Association and exhibited at the MMA's annual convention and trade show.



MassHousing was in Methuen to meet with Mayor James Jajuga, on one of our visits to Gateway Cities, to learn more about the city's housing needs and plans.

Planning for Housing Production Grants





create

Helping to Create Jobs and Economic Opportunity

What is opportunity? It is the chance to grow, to thrive, to succeed. MassHousing has long recognized the economic opportunities created by the multifamily housing we finance and oversee, and is committed to using its strong financial foundation to positively impact the communities we serve.

“Every great dream begins with a dreamer. Always remember, you have within you the strength, the patience, and the passion to reach for the stars, to change the world.”

Harriet Tubman



Construction workers at Gateway North in Lynn



Rogerson Communities' Gina Cohen, left, connects with small business owners Ramsay and Beverly Barrett at a recent MassHousing Trade Fair.

Matchmaking

MassHousing Trade Fairs provide a venue where small businesses can showcase their goods and services to general contractors and property managers, among others. This year, small businesses were matched with prospective partners for one-on-one sessions.

"The matchmaking for us was huge. It allowed us to identify the needs and fit with one of the pain points for us... We are in the process of setting a meeting with one of the subcontractors and are looking to use him. It was a great experience."

— Philip Abrams, The Community Builders, Procurement Manager

There were 29 MassHousing-financed construction projects in FY'18, 15 of which are now complete.

Of the \$332 million in construction contracts awarded at these projects in FY'18

<div><div>\$87million</div><div>awarded to Minority Business Enterprises (MBEs)</div></div>		<div><div>\$37million</div><div>awarded to Women Business Enterprises (WBEs)</div></div>	
<div><div>Of the 1.4 million hours worked at these projects in FY'18</div><div>652,302hours</div><div>were worked by minorities</div></div>		<div><div>Of the \$221.3 million spent on goods and services at MassHousing-financed developments</div><div>\$38.4million</div><div>went to to MBEs</div></div>	
<div><div>30,483hours</div><div>were worked by women</div></div>		<div><div>\$26.2million</div><div>went to WBEs</div></div>	
		<div><div>\$2.3 million / \$2.8 million:</div><div>YEAR-OVER-YEAR INCREASE IN MANAGEMENT COMPANY CONTRACTS AWARDED TO MINORITY- AND WOMEN-OWNED BUSINESSES, RESPECTIVELY, IN FY'18</div></div>	
<div><div>MassHousing, through its Community Services Department, supports several organizations that provide summer jobs to young people. In fiscal year 2018 there were</div></div>		<div><div>9</div><div>organizations funded</div></div>	<div><div>184</div><div>total jobs provided</div></div>



Construction workers at
Gateway North in Lynn



Supporting Summer Jobs for Youth

MassHousing supports summer job opportunities for young people across Massachusetts through a number of community partners. A MassHousing award allowed The Boston Project Ministries to employ 25 teenagers for a free summer park program that serves more than 100 elementary-school-aged children and produced a mural at Elmhurst Park in Dorchester. The program helps drive attendance for The Boston Project Ministries' Family Fun & Resource Night series at Elmhurst Park, which brings live cultural entertainment and fun, along with health, housing and educational resources for neighbors of all ages.

Bringing People Together to Enable Positive Change

Bringing about change is a team effort. MassHousing works with a variety of partners to confront the Commonwealth's housing challenges. In fiscal year 2018, some of our most notable collaborations were in the areas of hoarding mitigation, older adults, inner city youth and public safety.

"Our very survival depends on our ability to stay awake, to adjust to new ideas, to remain vigilant, and to face the challenge of change."

– Martin Luther King, Jr.



Older Adults in Community Conference, June 2018
(pictured above and below)



Massachusetts Statewide Steering Committee on Hoarding

In 2007, a MassHousing conference on the issue of hoarding led to the creation of the Massachusetts Statewide Steering Committee on Hoarding, made up of professionals from the fields of housing, health, public safety, code enforcement, human services and academia. We continue to host twice-yearly meetings of the Committee.

Lynn non-profit uses MassHousing grant to address hoarding

The Greater Lynn Hoarding Outreach Partnership Effort (HOPE) used a \$3,500 MassHousing grant to support mindfulness groups, trainings, public outreach, and heavy chore and discarding services. HOPE received 49 referrals, and of the 11 at risk of eviction, all maintained their housing.

“We are so pleased with the outcome of the work our task force has been able to accomplish with the help of the funds provided to us by MassHousing. We continue to highlight hoarding disorder in the Greater Lynn community.”

– Michele Martindale,
Greater Lynn Senior Services

12

Local hoarding task forces that received a total of \$37,500 in MassHousing grants to address hoarding among residents in their communities.



Public Safety

MassHousing has a long-standing partnership with the Boston Police Department (BPD) and other public safety personnel. MassHousing’s Keyla Jackson (pictured third from left) participates in The HUB, a team of law enforcement, community partners and government agencies who meet weekly. Last year we launched the Hub + COR (Center of Responsibility) model in collaboration with the BPD. Hub + COR utilizes and mobilizes resources already in place in the community to address risks before there is an incident that requires an emergency response.



Older Adults in Community Conference

On June 13, 2018, more than 400 people attended MassHousing's annual Community Services Department conference, *Older Adults in Community*. Speakers included Alice Bonner, Secretary of Elder Affairs and Nora Moreno Cargie, President, Tufts Health Plan Foundation. Panels and workshops covered numerous topics including Age Friendly and Dementia Friendly Communities; Grandparents Raising Grandchildren; Older Adult Behavioral Health; Overview of Dementia; Housing and Healthcare; Protective Services for Older Adults; and, Creating Welcoming Communities for LGBT Older Adults in Housing.



Inspiring and empowering young people

MassHousing's Manager of Community Services Thaddeus Miles (pictured back row, center) is pictured in May 2018 with the BPS (Boston Public Schools) Street Team along with Boston's Mayor Walsh, BPS officials and other sponsors. Made up of 15 BPS high school students, the Street Team works to test and promote new products and initiatives, particularly those found in the innovation district. MassHousing is a sponsor of the Street Team, along with The Boston Foundation and Vertex Pharmaceuticals.

Notable Fiscal Year 2018 Highlights

Lending to homebuyers and homeowners

\$536.5 million

in home mortgage lending to 2,409 borrowers in 275 communities

935 Loans

FOR \$199.4 MILLION TO
LOW-INCOME BORROWERS
(80% OF AMI OR BELOW)

501 (23%)

first mortgage loans made to
minority borrowers

950 LOANS MADE

in Gateway Cities

139 LOANS MADE

for down payment and closing
cost assistance

Servicing of home mortgage loans

21,919 LOANS

with an outstanding balance of **\$3.8 billion**,
serviced in our portfolio

3.47%

delinquency rate overall,
compared favorably to MBA Conventional Fixed Rate
(3.10% in March 2018)

Lending for rental housing

\$675.2 million

in financing for 35 developments in 23 communities

4,748

TOTAL UNITS FINANCED:

4,430 preservation, **318** new production,
4,530 affordable units, **1,879** senior
housing units

Affordable Housing Trust Fund

(administered by MassHousing on
behalf of MA Department of Housing and Community Development)

28

loans closed for **\$31.8 million**
with **1,428 total units** (1,350 affordable units)
in 15 communities

Notable Fiscal Year 2018 Highlights

Oversight of rental housing assets

452

MASSHOUSING-FINANCED DEVELOPMENTS
IN 122 CITIES AND TOWNS WITH AN
OUTSTANDING DEBT OF \$4.9 BILLION

one

development only
was delinquent
at close of fiscal year

Oversight

56,770

Total rental units

46,847

Affordable units

15,364

Senior Housing units

53 |

Developments in Section 8 Performance Based Contract Administration on behalf of HUD, comprised of 58,139 total units; 51,762 affordable units and 20,229 senior housing units.

Entered into agreement with Massachusetts Department of Housing and Community Development to manage Section 811 Project Rental Assistance program funds from the U.S. Department of Housing and Urban Development. The program helps to expand the supply of integrated permanent supportive housing.

Fostering successful rental housing communities

529

developments were enrolled in our Tenant Assistance Program (TAP), which provides training and workshops for property managers and programs for residents

24,670 RESIDENTS

participated in 1,173 resident programs

1,492

management company personnel
availed themselves of 51 trainings

405

people attended our annual conference “Older Adults in Community” in June 2018

