Minutes of the Regular Meeting
of the Members of MassHousing
held on
April 11, 2023

The regular meeting of the Massachusetts Housing Finance Agency – doing business as MassHousing held on April 11, 2023. In accordance with Section 20 of An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency, 2021 Mass. Acts 20, as amended, no Members were physically present and the meetings were conducted remotely through a publicly accessible Zoom meeting.

Participating remotely were the Members (by roll call):

Members  Jeanne Pinado, Chair  Carolina Avellaneda, Vice Chair  Tom Flynn  Carmen Panacopoulos  Jennifer Maddox, ex officio  Patricia McArdle  Jerald Feldman  Michael Dirrane  Kaitlyn Connors, Designee of Matthew Gorzkowicz, ex officio

Members
Not Participating
None

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

Chair Pinado convened the meeting to order at 2:00 p.m. Chair Pinado then indicated that the first order of business was the approval of the minutes of the previous meeting. Upon a motion duly made and seconded, by roll call vote, of all the present Members (Kaitlyn Connors abstaining), it was:

VOTED: That the minutes of the Regular Meeting of the Members held on February 14, 2023 are hereby approved and placed on record. Kaitlyn Connors abstained as she was not present at the February 14, 2023 meeting.

Chair Pinado began the meeting by welcoming Kaitlyn Connors, Designee of Matthew Gorzkowicz, ex officio, to the Board.
Chrystal Kornegay began her report by giving an update on PCBA, our contract with HUD to provide physical and financial oversight of certain HUD-financed multifamily properties. This contract provides subsidy income annually. HUD was planning to restructure its approach to PBCA contracts to a regional administration model and was planning to put out a bid that precluded individual HFAs from responding and doing the work solely in their state. MassHousing began collaborating with its New England peers on a regional-based proposal in anticipation of HUD ultimately bidding out PBCA under this new structure.

As a result of states, HFAs and National Council of State Housing Agencies widespread advocacy to Congress, legislation passed which prohibits this restrictive approach. HUD halted its process and we continue to administer the program with HUD under our existing contract. The President’s FY24 federal budget proposal includes language from HUD proposing a new solicitation on a state-by-state basis and exempt from federal procurement regulations. The Agency continues to work with other HFAs and NCSHA to clarify and refine the proposal.

Chair Pinado commented that this has been going on for 10 years. Ms. Kornegay explained that HUD put out a re-bid of the contract in 2011. MassHousing had challenged the award then and since that time MassHousing has been on an extension. Carmen Panacopoulos asked how many units are covered by the PBCA contract.

Michael Dirrane asked what percentage of MassHousing’s income comes from the PBCA contract and whether the economics have changed. Ms. Kornegay replied the economics have changed but not as dramatically as previously proposed, as far as our percentage of net revenue, she would follow-up.

Ms. Kornegay continued by giving an update on the Open Meeting Law. On March 29, 2023, Governor Healey signed into law a supplemental budget bill which, among other things, extends certain temporary remote meeting provisions of the Open Meeting Law through March 31, 2025. MassHousing’s board and committee meetings will continue under the existing remote model.

Ms. Kornegay mentioned that she had recently been named one of “10 Inspiring Women in Affordable Housing.” Chair Pinado congratulated Ms. Kornegay on this well-deserved honor.

Ms. Kornegay next discussed the 2023 NCSHA Legislative Conference in Washington, DC attended by Colin McNiece, Tony Richards, Nancy McDonald and Ms. Kornegay.

Ms. Kornegay continued by talking about the Ginnie Mae visit on March 20, 2023 which was Ginnie Mae’s first visit post-COVID. MassHousing has been an approved issuer of Ginnie Mae mortgage-backed securities since 2015. The Ginnie Mae relationship allows us to provide taxable financing through the MAP (Multifamily Accelerated Processing) program to owners of existing properties to refinance and preserve existing rental housing. MAP allows us to stay competitive with other lenders, keep developments in our portfolio and reduces reliance on limited tax-exempt bond financing. MassHousing has done more than $2 billion in MAP lending.
and we are the #1 HFA MAP lender. MassHousing staff led a tour of GNMA-MassHousing funded properties as well as MassHousing funded properties in Boston including Castle Square, Historic South End Apartments, Symphony Towers, Newcastle Saranae, Northampton Residences and 140 Clarendon Street.

Ms. Kornegay next discussed the Opportunity Fund. The Opportunity Fund was created in 2016 to allow MassHousing to use its excess revenues for mission purposes while still maintaining financial stability. The Opportunity Fund was first capitalized with $160 million from the Working Capital Fund. The Opportunity Fund is an “incubator” of sorts from which new programs can receive initial funding and, once proven viable, can leverage outside funding sources. Initial uses of the fund were $50 million to preserve affordable rental housing where restrictions on affordability were expiring (the 13A portfolio.) In addition, $100 million was used for the Workforce Housing program which subsidizes construction of rental housing with some moderate-income units. An additional $10 million was deposited for other programs including an additional investment in HomeOwnership.

Ms. Kornegay explained that all funds we get do not go into the Opportunity Fund. The $36 million in ARPA funds we received for MassDREAMS went into a separate account.

Programs and initiatives supported by the Opportunity Fund today include $136,200,000 for Workforce Housing, $60,000,000 for the Commonwealth Builder Program and $50,000,000 for 13A Portfolio Preservation Loans/Grants.

Ms. Kornegay then reviewed the proposed charter for the Opportunity Fund and proposal to reserve $10 million for the Agency’s downpayment assistance programs.

Chair Pinado asked what is left in the fund. Ms. Madden replied the remaining undesignated funds total approximately $76 million. The Workforce Housing pipeline is funded by DHCD and we are really paying attention to what remains undesignated. Carolina Avellaneda asked if the $10 million would be consistent with the framework for MassDREAMS. Ms. Kornegay replied that we have a set of DPA programs – some are funded from external sources and some are funded through the Opportunity Fund, the proposed allocation of $10 million would not fall under the MassDREAMS program, but we are actively working with the Legislature to have MassDREAMS re-funded.

Ms. Avellaneda asked if the Opportunity Fund was legally structured. Mr. McNiece answered the account is a dedicated and reserved portion of the Agency’s Working Capital Fund. It is a “committed fund” subject to the same internal controls and administration as any of the agency’s funds and invested in accordance with the Investment Policy but requires a higher level of authority for expenditures.

Carmen Panacopoulos asked if there is a ceiling on the grants and how the charter reflects serving the BIPOC community.

Ms. Kornegay answered that we do have a cap on DPA and but include such program terms in program guidelines and not the charter. She noted that the additional DPA funds will advance the
Agency’s business goal for 50% of Homeownership loans be to BIPOC borrowers. Ms. Avellaneda asked if $10 million was enough and Ms. Kornegay replied that yes, it is enough for now.

Jennifer Maddox left the meeting at 2:30 p.m.

**Votes Relating to the Opportunity Fund**

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

**VOTED:** To approve the adopt the MassHousing Opportunity Fund Charter attached hereto as Exhibit A.
MassHousing Opportunity Fund Charter

Introduction

In December of 2013 the Agency commissioned a Risk-Based Capital Adequacy Study to identify financial resources to support Agency priorities to provide funds for new programs while still maintaining financial stability. The study provided the Agency an analysis of its then current and future capital requirements as well as its future financial flexibility to utilize its unrestricted funds to advance its mission in a manner that sustains and supports the Agency’s financial strength. The Opportunity Fund (the “Fund”) was created as the vehicle.

Purpose & Vision

The Opportunity Fund’s purpose is to support mission-driven initiatives approved by the Board. The Opportunity Fund encapsulates the spirit of the Agency as a leader and innovator in meeting the housing challenges of the Commonwealth.

Programs & Activities

Where every action of the Agency is intended to serve its mission, programs and activities financed by the Opportunity Fund should include innovations that advance or accelerate mission objectives and provide a model that others might emulate. Activities or programs supported by the Fund will assist the Agency to meet its mission including creating opportunities to deploy other agency capital. Individual Fund activities or programs will be subject to overall Fund principles including innovative techniques, partnerships, or concepts even if not contributing to the deployment of other agency capital.

New programs and activities proposed for financing from the Opportunity Fund would be reviewed and approved by the Board.

Principles

Opportunity Fund activities will embody one or more of the following principles:

- Advance the Agency’s stated strategic business goals,
- Demonstrate innovative concepts or delivery systems,
- Contribute to the growth of Agency lending activities,
- Enhance the deployment of other Agency capital or leverage capital from other sources,
- Support Agency commitment to diversity and inclusion, and
- Facilitate partnerships and collaborations that grow the affordable housing industry in Massachusetts.
Commitment

Each fiscal year, the Agency shall deposit 50% of excess earnings after bond transfers from the previous fiscal year to the Opportunity Fund.

Structure

The Opportunity Fund is a segregated revolving fund within the Agency’s Working Capital Fund. Receipts and interest earnings on the Fund shall be retained in the Fund. Investment of the Opportunity Fund shall follow the Agency’s Investment Policy, including, but not limited to, the aggregation of Opportunity Fund moneys with other Agency held funds for investment purposes. The Opportunity Fund may accept funds from other programs. The determination of whether other programmatic funds should be deposited into the Opportunity Fund will be made at the sole discretion of the Chief Financial and Administrative Officer, subject to contractual programmatic obligations.

A report of Opportunity Fund performance shall be included in the annual presentation to the Board of the Agency’s fiscal year plan at which time this Charter shall also be subject to review and modification.
Vote Relating to Additional Funds for Downpayment Assistance

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

**VOTED:** To designate and reserve $10 million of the Opportunity Fund to be applied in MassHousing’s down payment assistance programs.

Home Ownership Financing Delegation Votes

Rachel Madded presented delegation votes of authority to (i) issue Homeownership bonds and/or notes to finance up to $400 million using a mix of fixed rate and/or hedged or unhedged variable rate; and (ii) increase the existing Homeownership Line of Credit with Bank of America, N.A from $100 million to $200 million.

The bond delegation vote, along with the memorandum from cfX Incorporated (“cfX”) MassHousing’s Homeownership financial advisor, attached, provides detailed explanations and also will satisfy the requirements of the State Finance and Governance Board with respect to any potential derivative contracts associated with MassHousing financings through the end of calendar year 2023.

The Line of Credit delegation of authority authorizes the Financial Director to amend the existing line of credit agreement with Bank of America, N.A. for up to $200 million to temporarily fund Homeownership loans without depleting the Working Capital Fund.
Upon a motion duly made and seconded, by roll call vote, it was, by all Members present, the following resolutions were adopted:

**A RESOLUTION OF THE MASSACHUSETTS HOUSING FINANCE AGENCY ADOPTING SUPPLEMENTAL RESOLUTIONS AND/OR SUPPLEMENTAL TRUST INDENTURES RELATED TO THE ISSUANCE AND SALE OF NOT EXCEEDING $400,000,000 AGGREGATE PRINCIPAL AMOUNT BONDS AND/OR NOTES AND AUTHORIZING OFFICERS OF MASSHOUSING TO APPROVE CHANGES THERETO AND AUTHORIZING THE NEGOTIATION AND APPROVAL OF CERTAIN OTHER DOCUMENTS IN CONNECTION THERewith**

**WHEREAS**, the Massachusetts Housing Finance Agency (“MassHousing”) previously (i) adopted its Single Family Housing Revenue Bond Resolution (as amended to date, the “Resolution”) and (ii) entered into a Trust Indenture relating to its Residential Mortgage Revenue Bonds (Mortgage-Backed Securities) (as amended to date, the “Trust Indenture”), each authorizing the issuance of bonds and/or notes for the purposes of financing or refinancing Whole Mortgage Loans, Home Improvement Loans, Cooperative Housing Loans or Mortgage-Backed Securities, refunding other obligations of MassHousing and establishing reserves therefor, as applicable, all in furtherance of MassHousing’s Home Ownership Program;

**WHEREAS**, in order to maintain the continuity of the Home Ownership Program, and in furtherance of the provision of owner-occupied, single-family housing to low and moderate income persons and families in the Commonwealth, MassHousing desires to provide for (i) the adoption of one or more supplemental resolutions pursuant to the Resolution and (ii) the execution of one or more supplemental trust indentures pursuant to the Trust Indenture, authorizing the issuance of one or more series of bonds and/or notes to finance or refinance certain Whole Mortgage Loans and Mortgage-Backed Securities, as applicable, approved by MassHousing (collectively, the “Loans”) to be designated by an Authorized Officer;

**WHEREAS**, MassHousing desires to adopt such resolutions and agreements as may be necessary to effectuate the foregoing purposes and to provide for the modification of such resolutions to the extent necessary; now, therefore, be it

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

**Section 1.** MassHousing hereby (i) adopts one or more Supplemental Resolutions (the “Supplemental Resolutions”), authorizing the issuance of Bonds and/or Notes under the Resolution, and (ii) approves the execution of one or more Supplemental Trust Indentures (the “Supplemental Trust Indentures”), authorizing the issuance of Bonds under the Trust Indenture, with an aggregate principal amount not to exceed $400,000,000 (the “Obligations”). The Supplemental Resolutions and the Supplemental Trust Indentures shall be in substantially the forms previously used by MassHousing, with such changes as shall be deemed necessary in accordance with Section 3 of this resolution. The Obligations may be issued in one or more series and shall be secured by and payable from (i) in the case of Obligations issued under the Resolution, any and all Revenues in accordance with the Resolution and (ii) in the case of Obligations issued under the Trust Indenture, the security and collateral set forth in the applicable Supplemental Trust Indenture. Any Obligations issued pursuant to this resolution shall be delivered on or before June 30, 2024.

**Section 2.** MassHousing hereby adopts a
Supplemental Resolution, which may be part of or separate from the Supplemental Resolutions authorized in Section 1 above, for the purpose of amending the Resolution to set forth therein the treatment of hedging transactions entered into with respect to Bonds and/or Notes issued under the Resolution.

Section 3. The Obligations shall be sold to one or more members of MassHousing’s approved underwriting team in accordance with the terms of one or more bond purchase agreements in substantially the forms previously used by MassHousing with respect to its single family housing revenue bond programs, with such changes, interest rates, redemption provisions and maturity schedules as shall be approved by an Authorized Officer, and the same are authorized to execute and deliver the bond purchase agreements. The Obligations issued under the Resolution may be issued and sold as (i) one or more series of “Fixed Rate Bonds” or “Variable Rate Bonds” or “Compound Interest Bonds” or “Discount Bonds,” (ii) one or more series of Notes or (iii) “Tender Bonds,” as each such term is defined in the Resolution. The Obligations may be sold at a purchase price which reflects an aggregate underwriting fee or discount of not more than 2% of the principal amount of the Obligations issued.

Section 4. The Executive Director, Chairman, Vice President of Home Ownership Programs or Financial Director are each hereby authorized, acting singly, to take whatever action is necessary to carry out the issuance and sale of the Obligations including, without limitation, determining the amount of fixed rate, variable rate, compound interest or discount bonds to be issued and the terms and conditions thereof, including the series designation(s) thereof, the date or dates of issuance and sale thereof, the maturity and interest payment dates thereof, the redemption or tender dates, if any, therefor and the establishment of funds and accounts under the Resolution or the Supplemental Trust Indenture, as applicable, to account for the proceeds thereof. The Executive Director, Chairman, Vice President of Home Ownership Programs or Financial Director are further authorized, acting singly, to make such changes, additions and revisions to the Supplemental Resolutions, the Supplemental Trust Indentures and the documents and agreements referred to herein and therein, as are necessary to effectuate the purposes thereof and the purposes set forth in this resolution.

Section 5. In connection with the issuance of any Obligations, the distribution of one or more Preliminary Official Statements by an Authorized Officer is hereby approved. The Authorized Officers are each hereby authorized to permit the distribution of one or more final Official Statements, with such changes, omissions, insertions and revisions from the preliminary form thereof as they shall deem advisable and made pursuant to the bond purchase agreement authorized in Section 2 above, and to execute such final Official Statements.

Section 6. In connection with the issuance of any Obligations, MassHousing may enter into one or more remarketing agreements, standby bond purchase agreements, credit enhancement agreements or other liquidity agreements with respect to the Obligations (“Related Agreements”). The form of such Related Agreements shall be approved by an Authorized Officer, and the same are authorized to execute and deliver such agreements.
Section 7. In connection with the issuance of any Obligations, MassHousing may enter into one or more interest rate swap transactions, forward rate transactions, forward bond purchase transactions, cap transactions, floor transactions, collar transactions, rate lock transactions or other similar transactions (“Transactions”). The Authorized Officers are authorized to enter into such Transactions and to execute and deliver all agreements necessary or desirable therefor with one or more financial institutions selected by such Authorized Officers, and to pledge and apply such collateral held under the Resolution or the Supplemental Trust Indenture or otherwise held by MassHousing as shall be required by any such Transaction or any insurance therefor, subject to the pledge of any such collateral held under the Resolution or the Supplemental Trust Indenture, as applicable, for the benefit of the holders of all bonds and notes outstanding thereunder, in each case on such terms and conditions as such Authorized Officers shall determine to be in the best interest of MassHousing.

Section 8. The Authorized Officers are, and each of them is, authorized in their discretion to obtain a commitment from an Insurer (as such term is defined in the Resolution) selected by such Authorized Officers to insure all or any portion of the principal and interest payable on the Obligations issued under the Resolution on such terms and conditions as such Authorized Officers shall determine is in the best interests of MassHousing and approve (which terms and conditions shall be set forth in the applicable Supplemental Resolution). If MassHousing shall obtain an insurance policy from an Insurer to insure the Obligations issued under the Resolution, the Authorized Officers are further authorized to execute and deliver such agreements with the Insurer, or to include provisions in the Supplemental Resolutions, containing such terms, covenants and undertakings of MassHousing, as such Authorized Officers shall determine to be in the best interest of MassHousing.

Section 9. In the event the Obligations are not issued prior to the maturity date of all or any portion of any bonds (the “Prior Bonds”) to be refunded with proceeds thereof, the Authorized Officers are, and each of them is, authorized in their discretion to draw amounts under the Second Amended and Restated Revolving Loan Agreement dated November 9, 2017, by and between MassHousing and Bank of America, N.A., as previously amended and as it may be further amended from time to time, sufficient to pay the principal amount of such Prior Bonds and to apply such amounts to such payment on such maturity date, provided that the amount so drawn shall be repaid from the proceeds of the Obligations upon the issuance thereof as provided in the Supplemental Resolutions.

Section 10. MassHousing may make or finance, on an interim basis, certain Loans, which costs are reasonably expected to be paid or reimbursed with the proceeds of debt to be incurred by MassHousing in the maximum amount of $400,000,000 and with respect to any such expenditures, this resolution is intended to satisfy the technical requirements of Treasury Regulations §1.150-2(d)(1).

Section 11. MassHousing authorizes any Authorized Officer to submit the proposed terms of any transaction authorized above to the State Finance and Governance Board as may be necessary for their review in accordance with Section 98 of Chapter 6 of the General Laws, as amended, and the regulations promulgated thereunder.
Section 12. As used in this resolution, the term Authorized Officer shall mean MassHousing’s Chairman, Vice Chairman, Treasurer, Secretary, Executive Director, Vice President of Home Ownership Programs, Financial Director, General Counsel, Comptroller, Senior Director of Finance and Bond Compliance, or any person serving in any of the foregoing positions in an “Interim” or “Acting” capacity at the direction of the Members of MassHousing, any Member of MassHousing, or any other Authorized Officer of MassHousing as defined in the Resolution or a Supplemental Trust Indenture.

Section 13. This resolution shall take effect immediately.

Submitted: April 11, 2023
Upon a motion duly made and seconded, by roll call vote, it was, by all Members present:

**Amendment to Warehousing Line of Credit**

**VOTED:** That any one or more of the Executive Director, Financial Director, Comptroller, or Senior Director of Finance and Bond Compliance (each, an “Authorized Officer”) be, and each of them singly is, hereby authorized to negotiate, execute and deliver an amendment to the existing line of credit with Bank of America, N.A. to increase the maximum stated principal amount thereof to an aggregate amount not exceeding $200 million, with interest at a fixed rate or a floating rate, calculated on the basis of such index or other method as such Authorized Officer or Officers shall determine to be in the best interest of the Agency, and otherwise on such terms and conditions as such officers shall approve, for the purpose of warehousing the purchase of home ownership mortgage loans to be held for the credit of the Working Capital Fund pending the transfer of such mortgage loans to the Agency’s home ownership mortgage loan program under the Single Family Housing Revenue Bond Resolution or the Housing Bond Resolution or the sale of such mortgage loans to FNMA or other purchaser approved by such Authorized Officer or Officers.
Memorandum

Date: April 11, 2023

To: Rachel Madden, Paul Scola

From: Jeremy Obaditch, Alex Fields, Ben Madorsky

Re: Single Family Program: Review of Variable Rate Debt and Interest Rate Swap Opportunities for Submission to State Finance and Governance Board

A. Introduction

cFX has been engaged by the Massachusetts Housing Finance Agency (“MassHousing”) to identify and examine the benefits and risks associated with incorporating variable rate debt in furtherance of its single family program. To date MassHousing has almost exclusively used fixed rate debt to purchase single family loans to be held in the Single Family Housing Revenue Bond Resolution (the “Resolution”). Today approximately 92% of the outstanding debt in the Resolution is fixed rate. The addition of new variable rate debt, in reasonable amounts, and in combination with interest rate swaps to reduce interest rate risk, will enable MassHousing to lower the future cost of debt. This will allow MassHousing to provide lower mortgage rates to its borrowers, help fund the down payment assistance program, maintain positive net income and balance sheet growth, and preserve the high ratings of “Aa1” and “AA+” assigned by Moody’s Investors Service Inc. (“Moody’s”) and S&P Global Ratings (“S&P”), respectively.

This memorandum reviews the various types of variable rate debt and interest rate swaps available to MassHousing and examines the potential benefits and risks associated with these instruments in the context of the Resolution. Each of the proposed debt structures, swaps, counterparties and other components of future transactions in the Resolution will conform with all MassHousing requirements including delegation votes, its Swap Policy, the Debt Management Policy and the Investment Policy (collectively, “MassHousing Policies”).

B. Types of Variable Rate Debt Instruments

Today’s municipal bond market provides MassHousing with the opportunity to substitute a portion of the fixed rate debt that will be issued in the future with various types of variable rate debt instruments. Some of the more well established variable rate debt instruments used in the municipal bond market today utilized by state housing agencies include Variable Rate Demand Bonds (“VRDBs”) and Floating Rate Notes (“FRNs”). All variable rate debt instruments provide bond investors with an interest accrual rate that is reset on a specified frequency that can be daily, weekly, monthly or longer. Payment of the actual interest due on variable rate debt is traditionally semi-annual or monthly for housing issuers. Both VRDBs and FRNs are well established debt instruments in the municipal
bond market and have been used by housing finance agencies around the country to help finance the purchase of single family and multi-family loans.

VRDBs differ from FRNs in several ways. VRDBs require a remarketing agent, typically an investment bank, to reset the interest accrual rate based on market feedback, at regular intervals. VRDBs also include a ‘put’ or optional tender feature that allows investors to return their bonds to the issuer at a price of par if they no longer wish to own the bonds, at the time of each interest rate reset. At this point the remarketing agent is obligated to find new investors to purchase the bonds. Tender dates are typically the same as interest rate reset dates. To support the remarketing agent all VRDBs must also include a Standby Bond Purchase Agreement, or other equivalent so-called “liquidity facility”. This is provided by a financial institution who will purchase the bonds from the issuer if the remarketing agent is unable to find enough investors to purchase the tendered bonds at the time of the interest rate reset. The provider of the liquidity facility, or the counterparty, is an important aspect of VRDBs as investors will typically require an interest rate that is based in part on the name and credit quality of that counterparty. MassHousing VRDBs would be expected to be secured by liquidity facilities offered only by highly rated providers in compliance with MassHousing Policies.

VRDB remarketing agent agreements are specified for the life of the bonds, with a specified fee in the five to eight basis points per year range. Counterparty risk that the remarketing agent will be unable to fulfill its duties exists for all issuers of VRDBs. Replacement of a poorly performing or disabled remarketing agent occurs occasionally.

VRDB liquidity facility agreements are specified for terms ranging from one to seven years in today’s market. Longer terms require higher annual fees, and most agreements priced in today’s market are made in the three to five year range at rates of generally between 20 and 40 basis points per year. An issuer will be required to renegotiate the terms of the liquidity facility at the end of the term with the existing counterparty or solicit bids from other providers. During the debt crisis many low rated liquidity facilities were replaced before contract expiration by more highly rated counterparties. Issuers of VRDBs have both counterparty risk associated with the provider of the facility and renewal risk that the rate for the next specified term will be higher than the previous term.

FRNs, floating rate notes, are variable rate debt instruments where the interest rate is based on a specified benchmark index, such as the tax-exempt SIFMA index (Securities Industry and Financial Markets Association Municipal Swap Index) or the new taxable indexes that have emerged to replace the LIBOR index (London Interbank Offered Rate), specifically the SOFR (Secured Overnight Financing Rate) and BSBY (Bloomberg Short Term Bank Yield) indexes, plus a spread for a specified initial term, typically three to seven years. At the end of the initial term a mandatory tender occurs that requires all FRN investors to return their bonds to the issuer for cancellation. At the end of the initial term the issuer may re-issue the bonds as FRNs using a similar or different index, spread or term and a new mandatory tender date. An issuer may also decide to retire the debt or convert the debt to VRDBs or fixed rate debt.

If the issuer is unable to execute the mandatory tender and pay the principal and interest due on the bonds, the variable interest rate escalates to a pre-set, high fixed rate, such as 9%, that incentivizes the issuer to find a solution to redeem the bonds quickly. This so
called “Soft Put” feature of FRNs, which are typically designed to avoid an event of default under the resolution even if the tender fails, is an attractive feature for issuers who have adequate liquid investments or cash to repay FRNs if market access is unavailable.

Tax-Exempt FRNs use 100% of the weekly SIFMA index or typically 67.70% of a taxable index, and taxable FRNs use 100% of a taxable index. Interest is reset on a pre-specified frequency that can be weekly, monthly or longer. A fixed spread, in basis points, is determined by the underwriter at the time of the initial sale that reflects the credit quality of the issuer and to compensate the investor for the lack of any short term “put” feature or liquidity facilitation available in a VRDB. The spread is added to the index rate to arrive at the total variable interest rate for any period. FRNs do not require a remarketing agent or a liquidity agreement, and spreads have sometimes been lower than the combined cost of the fees for remarketing and liquidity in the VRDB market, sometimes making FRNs an attractive substitute for VRDBs. However recently FRN spreads have been higher than the combined cost of VRDBs and most issuers have chosen VRDBs over FRNs. While issuers do not have counterparty risk with FRNs, they do have renewal risk — that at the time of the mandatory tender the market-based spread to the benchmark index, or the overall interest rates in the market, will be higher than the prior term. FRNs also require a full remarketing and re-issuance of the bonds as opposed to the potential extension of an existing SBPA agreement supporting a VRDO. FRN remarketing costs can be as much as 0.5% of the par amount of the bonds compared to SBPA extension costs legal costs that might be only one-tenth of FRN costs. Table 1 below summarizes several differences between VRDBs and FRNs.

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C. Types of Interest Rate Swaps

In conjunction with the sale of any form of variable rate debt many issuers choose to enter into an interest rate swap with a selected counterparty. This allows an issuer to hedge all or a portion of their exposure to future rising short-term interest rates. A standard interest rate swap for an issuer of variable rate bonds is designed such that an issuer pays a fixed rate of interest in return for receiving a variable rate of interest. In simple terms this allows an issuer to receive approximately the same variable rate of interest that it is paying on the VRDBs or FRNs so that the short term interest paid and received cancel each other out. The issuer is left only with the payment of the fixed rate on the swap effectively converting variable rate debt to synthetic fixed rate debt. In practice it is almost impossible or too expensive to design a swap that will receive exactly the same interest rate that is paid on the VRDBs or FRNs. This mismatch is called basis risk which means that the basis for the short-term variable rate payments on the bonds will be somewhat different than the basis for the short-term variable rate receipts for the swap. One of the goals when designing swaps is to minimize the basis risk but some will likely be present over the life of the swap.

Most of the recent swaps used to hedge tax-exempt variable rate debt by state housing agencies are based either on the weekly SIFMA tax-exempt index or use 70% of the SOFR optimizes Affordable Housing Finance 3.
taxable index plus a 10 basis point spread now that the SOFR index has become an accepted replacement for the LIBOR index. Some swaps have also been purchased by HFAs that are so-called hybrid swaps using both the tax-exempt and the taxable indices over the life of the swap. These hybrid swaps start with the SIFMA index and then convert to a percentage (typically 67-70%) of the SOFR index plus a spread. Use of the SIFMA index to hedge tax-exempt bonds minimizes basis risk as the issuer’s tax-exempt VRDBs are expected to trade very close to SIFMA. Use of a percentage of the SOFR index to hedge tax-exempt bonds adds basis risk as the issuers tax-exempt bonds may not trade in tandem with the SOFR index. However, increased liquidity in the SOFR swap market versus the SIFMA swap market leads to SOFR based swap rates that are 50 to 75 basis points lower than SIFMA swaps.

Historically a ratio of 70% of SOFR plus 10 basis points has correlated reasonably well with SIFMA. Over the past year an increasing number of issuers have chosen to hedge their variable tax-exempt bonds with lower cost percentage-of-a SOFR index swaps. However, uncertainties related to investor behavior given uncertainties about individual marginal and corporate tax rates make it impossible to know how well this previous correlation will persist into the future. To the extent that SIFMA and tax-exempt variable rate bonds lose some of their tax advantage and the ratio of SIFMA to SOFR increases to potentially 80% or 90%, swaps receiving only 70% of SOFR plus 10 basis points will be short of the payment that will be due to the bondholder. This would require issuers to not only make the fixed payment on the swap but also to make up the shortfall from the reduced receipts on the swap to pay the variable rate bond holders. This is how basis risk could be manifest in variable rate transactions. This specific type of basis risk where an issuer is using a taxable swap to hedge a tax-exempt bond is often called tax risk.

If an issuer is looking to hedge taxable variable rate bonds, then accessing the SOFR index swap market can minimize basis risk as no tax risk will be apparent.

Interest rate swaps are negotiated with a counterparty and thus have embedded counterparty risk. If the provider of the swap is unable to perform its duties the bond issuer may no longer receive the variable rate interest payments necessary to offset the variable rate payments due on the bonds. While counterparty bankruptcies are rare, they have occurred, especially during the 2008 financial crisis. Issuers may be exposed to potential renewal risk to replace a terminated swap, which may be in addition to the administrative burden and unexpected additional economic costs of the existing swap.

One of the most important features of a swap is an issuer’s right or option to cancel a swap at par with no additional expense on or after a specified date. Today almost all housing bond issuers that enter into swaps that have a maturity date that is longer than ten years purchase par cancellation options that are no later than the optional call date on the associated fixed rate bonds, typically nine or ten years. Many of the headlines from the 2008 financial crisis that related to swaps were the result of issuers purchasing long-dated swaps without realizing that they had no means of cancelling the agreement at par if interest rates fell (although all swap agreements could have been terminated at a market cost these costs would have been prohibitive given the prevailing low interest rates used to mark the swap termination to market). Many of those issuers were forced to pay high above-market interest rates with no feasible ability to replace the swap at lower rates. While shorter cancellation options increase the rate paid by issuers on the swap, most housing agencies
are purchasing swaps with cancellation options in the five to ten-year range. Purchasing these options also allows an issuer to hedge against basis, tax, and counterparty risk by providing a costless exit on or after the optional cancellation option date.

The choice of how much of the variable rate bonds to hedge is another important decision for variable rate bond issuers. Many state housing agencies choose to hedge 75-80% of their long-dated variable rate bonds, as most agency balance sheets hold large amounts of short-term investments (in the form of money market investments) which act as a natural hedge against rising variable bond rates. If short-term interest rates rise it would be expected that the rates on both the short-term investments and short-term unhedged variable rate bonds will also rise, mitigating the risk of interest rate risk. Many state housing agencies are also purchasing short-term swaps that are designed to amortize according to an expected loan prepayment schedule and thus mimic a traditional fixed rate PAC (Planned Amortization Class) bond with a specified average life, often four to six years. These swaps are often referred to as PAC swaps and have a maturity that is typically ten years or less. In these cases state housing agencies are likely to swap 100% of the variable rate bonds and then retain the option to create unhedged variable rate bonds during the term of the swap amortization table by calling variable rate bonds in amounts less than the periodic amortization of the swap. Also given the relatively short nature of these swaps state housing agencies do not typically purchase additional par cancellation options as they are not as beneficial compared to par cancellation options applied to swaps with longer maturities.

Overall, swaps are attractive to state housing agencies as they allow issuers to lower the cost of the highest rate 30-year bonds or fixed rate PAC bonds by as much as 1% when factoring in the swap pay rate, basis risk, fees for VRDBs or spreads to FRNs and par cancellation options. Saving 1% on the long-term bonds can save as much as 20 to 40 basis points on an overall issue, allowing an issuer to offer lower mortgage rates or to generate increased earnings. Most of the state housing agencies with the lowest mortgage rates use a combination of fixed rate and variable rate bonds with swaps to finance their loan or MBS purchases. Previously, many of these housing agencies used a combination of percentage of LIBOR swaps, SIFMA-LIBOR hybrid swaps or pure SIFMA swaps with unhedged bonds to achieve their financial and programmatic goals. Today, with the impending sunset of the LIBOR index, FAs are using both the SOFR and SIFMA markets to purchase swaps and also retaining unhedged variable rate risk.

Table 2 below summarizes the risks that FAs need to consider when evaluating the use of swaps.

<table>
<thead>
<tr>
<th>Table 2. Summary of Risks Related to Interest Rate Swaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable Bond Type</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Tax-Exempt</td>
</tr>
<tr>
<td>Taxable</td>
</tr>
</tbody>
</table>
D. Pro-Forma Alternative Debt Structures

cFX has designed and evaluated several alternative MassHousing single family program debt structures that use a combination of fixed and variable rate debt to identify the costs and benefits of using variable rate debt for a portion of the financings contemplated for calendar year 2023. Due to the lack of tax-exempt volume cap available to the single family program, these alternatives assume that 75% of the bonds issued in the balance of calendar year 2023 will be issued as taxable bonds.

The alternative debt structures have between 25% and 35% of the bond issue composed of variable rate debt, either tax-exempt or taxable debt. In calendar year 2023 it is expected that each bond issue would consist of between 25% and 35% of variable rate bonds with the balance consisting of traditional fixed rate debt.

Each of the alternative debt structures assume all of the variable rate bonds are hedged with SOFR based swaps with an amortization that matches a 5 year or 6 year weighted average life PAC bonds with a maturity of approximately ten to eleven years with no par cancellation option. MassHousing may choose to leave a portion of their variable rate bonds unhedged to provide bond redemption flexibility and can rely on short-term variable rate money market assets in the Resolution that can provide a hedge against rising short term interest rates. MassHousing may also choose to purchase a par termination call option or choose a swap with a different amortization. Each of those decisions would be evaluated during the design of the structure to ensure that the swap was consistent with the MassHousing Policies and all rating agency requirements necessary to maintain the current rating.

Each of the tax-exempt and taxable variable rate debt executions outperform their 100% fixed rate counterparts across a range of reasonable interest rate and prepayment scenarios. Savings from the use of variable rate bonds range from 10 to 50 basis points depending on the percentage of variable rate debt and the type and duration of the swap.

E. Performance of Alternative Variable Rate Structures in the Resolution

cFX has evaluated selected alternative debt structures in the context of the overall Resolution to ensure that all the rating agency cash flow stress tests can be satisfied to ensure that any new debt that is issued will maintain the current high debt ratings from Moody’s (“Aa1”) and S&P (“AA+”).

The most recent set of Resolution cash flows provided to the rating agencies project $213 million of net assets on May 1, 2023, or a parity ratio of approximately 115%. The rating agencies generally expect the resolutions of large, sophisticated housing bond issuers that are using variable rate debt and swaps to finance their lending programs should have at least 110% of resolution asset parity. The $214 million of net assets means that the Resolution has approximately $72 million of additional net assets in excess of this 110% threshold.

The most recent set of Resolution cash flows including the issuance of the Series 227, Series 228 and Series 229 issue provided to the rating agencies showed that the Resolution is composed of 92% fixed rate and 8% variable rate debt. In the balance of calendar year 2023 based on up to an additional $450 million new issuance, the addition of reasonable
amounts of variable rate debt consisting of approximately 25% to 35% variable rate debt for each bond issue will increase the percentage of variable rate debt in the Resolution from 8% to up to between 14% and 16%. Moody’s criteria for Aa1 rated debt generally specifies a preferred range of no more than 10% to 25% of variable rate debt outstanding. Contemplated additional variable rate debt amounts for calendar year 2023 will result in ratios that are at well within this range. Furthermore MassHousing will retain sufficient capacity to add variable rate debt as part of combined fixed and variable rate debt structures in the coming years.

Many state housing agencies choose to hedge a majority but not all of their variable rate debt with swaps, leaving the balance of variable rate debt unhedged. Carrying unhedged variable rate debt has allowed housing agencies to lower their cost of funds, increasing income and providing lower mortgage rates to their borrowers. In addition, unhedged variable rate debt in an issue can help facilitate certain future debt transactions that may be required by the IRS tax regulations applicable to housing issuers, such as 10 Year Rule calls and yield participations.

After the issuance of the Series 227, Series 228 and Series 229 issue $213.1 million of outstanding variable rate debt is unhedged in the Resolution, representing a relatively small 1.5% of all bonds outstanding. If MassHousing decides to hedge up to all of the $113 to $158 million of variable debt contemplated for the remainder of calendar year 2023 transactions, then the amount of unhedged variable rate would decrease from 1.5% to about 1.3% of all resolution debt outstanding.

On average the Resolution carries $100 million to $150 million of funds in money market or other short term instruments, providing a significant natural hedge against rising short term interest rates. The rating agencies are comfortable with sophisticated, large parity issuers of housing bonds carrying unhedged variable rate debt based on these natural hedging resources with the expectation that short term interest rates on investments will tend to rise as the short term interest rates on unhedged variable rate bonds rise.

If MassHousing decides to hedge all of the up to $112 to $157 million of variable debt contemplated for the remainder of calendar year 2023 transactions, then the amount of hedged variable rate would increase from $97 million to between $210 and $255 million, increasing from 7% to between 12% and 15% of all resolution debt outstanding.

Each of the alternatives that we evaluated in the rating agency Resolution cash flow stress tests has passed all of the rating agency requirements, demonstrating sufficient net income and asset parity coverage to warrant an affirmation of the current Aa1 and AA+ ratings from Moody’s and S&P, respectively. Given the substantial strength of the Resolution, MassHousing, if so desires, will be able to repeat the contemplated program of fixed and variable rate single family issues for several years with no adverse impact on the ratings.

F. Summary

cFX analyzed the sale of up to $450 million of additional debt for the balance of 2023 resulting in the addition of up to between $113 and $158 million of new variable rate debt to fund the single family program. Each of the proposed debt structures, swaps, counterparties and other components of future transactions in the Resolution will conform
with all MassHousing requirements including delegation votes and the MassHousing Policies.

The combination of using fixed rate and variable rate debt to finance the single family program, in combination with interest rate swaps to reduce interest rate risk, will enable MassHousing to lower the future cost of debt. Variable rate debt creates 10 to 50 basis points of additional spread under expected interest scenarios. This will allow MassHousing to provide lower mortgage rates to its borrowers, maintain positive net income and grow the MassHousing balance sheet.

Cash flow stress tests using the adverse financial conditions required by the rating agencies were all successful. Currently only 8.5% of the Resolution debt is variable and the expected additions would keep the variable rate debt well within the levels preferred by the rating agencies. The high ratings of “Aa1” and “AA+” assigned by Moody’s and S&P would be expected to be affirmed under any of the recommended financing scenarios.

G. cfX Incorporated

cfX is a Municipal Advisor to 15 different state housing agencies nationwide including some of the largest and the most complex housing finance issuers in the country. cfX specializes in the structuring of housing bonds to finance affordable housing and the management of complex single-family and multi-family parity bond portfolios. cfX has been engaged by MassHousing since 2004 and is a registered municipal advisor with the SEC and the MSRB.
Votes Delegating Authority to Proactively Amend LIBOR-Based Bonds and Swaps

Ms. Madden presented votes to delegate authority to amend, or terminate and replace, existing interest rate swap agreements and to amend certain variable rate bonds within MassHousing’s portfolio to deal with the impending end to LIBOR and to otherwise take advantage of changes in market conditions that would result in terms more favorable to MassHousing. These delegation votes, along with a memorandum from MassHousing’s swap advisor, Evercrest Advisors LLC (“Evercrest”), will satisfy the requirements of the State Finance and Governance Board with respect to derivative contracts associated with MassHousing financings. The Evercrest memo provides an explanation of potential transactions that MassHousing may enter into, all of which are consistent with MassHousing’s debt and derivative policies.

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

**VOTED**  MassHousing hereby confirms receipt of the written analysis and recommendation of Evercrest Advisors LLC, as independent swap advisor to MassHousing, with respect to the amendment of certain Bonds and Swaps (collectively, the “Derivative Financial Products”); confirms that the transactions are consistent in all ways with the debt and derivative policies of MassHousing; and, based on such analysis and recommendation, determines the benefits of the amended Derivative Financial Products outweigh the risks of using the amended Derivative Financial Products.

**VOTED**  MassHousing may amend, or terminate and replace, as applicable, one or more series of existing Bonds and/or Swaps to replace the index on which the variable rate interest rates are calculated from LIBOR to SOFR or another index or to conform the indices used in the Bonds and the related Swaps, either by negotiation with Bondholders and Swap counterparties or, with respect to Swaps, by adhering to the related ISDA protocol. In connection with such index changes, MassHousing may make such other changes, including without limitation changes to the interest rate periods, applicable spreads, and methods of calculation reasonably necessary to effect such change in index rate, may include fallback provisions to determine subsequent interest rate indices in the event that the new index should become unavailable while the Bonds and Swaps remain outstanding. The specific form, and the index, spread and other terms of any such amended Bonds (and related series resolutions) and Swap documentation shall be approved and ratified by an Authorized Officer of MassHousing, and the same is authorized to execute and deliver such amendments.

**VOTED**  That MassHousing authorizes an Authorized Officer to submit the proposed terms of the transactions described above to the State Finance and Governance Board for its review in accordance with Section 98 of Chapter 6 of the General Laws, as amended by Section 1 of Chapter 10 of the Acts of 2009, as amended, and the regulations promulgated thereunder.
VOTED  As used herein, the term Authorized Officer shall mean MassHousing’s Chair, Executive Director, General Counsel, Financial Director, Comptroller, Senior Manager of Finance and Bond Compliance and any officer or employee of MassHousing acting in such capacity or any other Authorized Officer of MassHousing as defined in the General Resolutions.

VOTED  MassHousing authorizes an Authorized Officer to update the State Finance and Governance Board of the final terms of the transactions referenced in this vote as they occur.
MEMORANDUM

To: Agency Members

From: Rachel C. Madden

Re: LIBOR Transition Vote

Date: April 11, 2023

Below are certain votes to delegate authority to amend, or terminate and replace, existing interest rate swap agreements and to amend certain variable rate bonds within MassHousing’s portfolio to deal with the impending end to LIBOR and to otherwise take advantage of changes in market conditions that would result in terms more favorable to MassHousing. These delegation votes, along with a memorandum from MassHousing’s swap advisor, Evercrest Advisors LLC (“Evercrest”), will satisfy the requirements of the State Finance and Governance Board with respect to derivative contracts associated with MassHousing financings. The Evercrest memo provides an explanation of potential transactions that MassHousing may enter into, all of which are consistent with MassHousing’s debt and derivative policies.

Please let me know if you have any questions.

Transactions Summary:

Amendments of variable rate bonds and interest rate swap agreements to transition from LIBOR and/or reduce rates or risk – MassHousing previously issued certain variable rate bonds under its Housing Bond Resolution and its Single Family Housing Bond Resolution, as more particularly described in Exhibit A attached hereto (the “Bonds”). Such variable rates were synthetically fixed through the use of variable-to-fixed interest rate swap agreements. The interest rate swap agreements in MassHousing’s portfolio also are described in Exhibit A (the “Swaps”). Several of such Bonds and Swaps include components based on London Interbank Offered Rate (LIBOR) indices, which are expected to be unavailable for such use after June 30, 2023. Federal legislation exists that will automatically transition LIBOR-based Bonds and Swaps at June 30, 2023. Such legislation, however, introduces basis risk by applying different versions of SOFR to Bonds and to Swaps. MassHousing may obtain more advantageous terms by negotiating with Bondholders and Swap counterparties and/or, with respect to Swaps, by adhering to an ISDA protocol. Accordingly, MassHousing is seeking authority, (i) to amend existing Bonds and/or Swaps to transition from LIBOR and, as market conditions permit, to reduce interest rate spreads or basis-risk, and to add fallback provisions in case the new indices become unavailable in the future and (ii) to effect such amendments, depending on market conditions, either by direct negotiation or by adhering to an ISDA swap protocol.
Exhibit A

See: F - Exhibit A - Review of Swap Portfolio & Recommendation Memo
To: Massachusetts Housing Finance Agency  
  Rachel Madden  
  Paul Scola  
  Kathy Connolly

From: Everest Advisors, LLC  
  Peter Clerc  
  Jim Murphy

Date: March 29, 2023

Subject: Review of Outstanding Swap Portfolio

Evercrest Advisors, LLC (“Evercrest”) has reviewed Massachusetts Housing Finance Agency’s (“MassHousing”) interest rate swap portfolio and associated variable rate bonds for potential restructuring opportunities that can either decrease risk or provide interest cost savings. One pressing theme that MassHousing must address is the impending transition away from the LIBOR index which is now scheduled to occur after June 30, 2023.

In 2020, MassHousing received broad approval and authorization to take preemptive steps to manage LIBOR transition risk within the swap portfolio. At that time, it was largely expected that LIBOR would cease to be published by December 31, 2021, but that was subsequently extended to June 30, 2023. Within this memo, we identify possible restructuring opportunities (some market dependent) for a couple particular series of swaps, but Evercrest also recommends that MassHousing have authority to adhere to the ISDA protocol to manage the residual swap portfolio. The ISDA protocol streamlines “standard” transitions from LIBOR to SOFR on legacy swap portfolios through a simple online submission which applies to all outstanding swap transactions.

The table below summarizes MassHousing’s outstanding interest rate hedge portfolio as of February 26, 2023 (Exhibit A).

Exhibit A – Current Outstanding Interest Rate Hedging Agreements

<table>
<thead>
<tr>
<th>Swap Series</th>
<th>Hedged Rate</th>
<th>Hedged Period</th>
<th>Hedger</th>
<th>Termination Date</th>
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<td>HB – Series 200A</td>
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<td>12/2023</td>
<td>MassHousing</td>
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<td>MassHousing</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

Associated bonds are direct placements with Barclays; bonds/ swaps require amendment from LIBOR to SOFR. Underlying variable rate debt are VRDBs, can consider restructuring to SPA if opportunity arose.
Recommendation on HB Series 2016I and 2018B:
Proactively Amend the Bonds and Swaps from LIBOR to SOFR

The Housing Bond Series 2016I and 2018B were executed as direct placement LIBOR Floating Rate Notes (Barclays as purchaser), hedged with a LIBOR interest rate swap. The combination of the two products (called 'synthetic fixed rate debt') provides MassHousing with a fixed cost of capital at a reduced interest cost vs. where MassHousing could have sold more traditional fixed rate bonds in the marketplace at the time of issuance. Importantly for the structure, the interest rate on the bonds (70% LIBOR + a credit spread) is exactly matched to the interest rate on the swaps; there is no “basis risk” between products.

On June 30, 2023, LIBOR will cease to be "representative," a defined term by the New York Federal Reserve (the "NY Fed") which will trigger fallback language introduced by Federal Legislation (the "LIBOR Act") signed by the President in early 2022. The LIBOR Act effectively overrides all financial contracts that reference the LIBOR index and do not properly contemplate what could happen if LIBOR was no longer published and available. The LIBOR Act delegates all authority to the NY Fed on what should happen with these contracts. In late 2022, the NY Fed published formal recommendations for the transition process from LIBOR to the successor index, the Secured Overnight Financing Rate ("SOFR").

SOFR is different than LIBOR, with one key difference being that it represents a daily borrowing rate as opposed to a term borrowing rate. To help extrapolate SOFR to a longer duration of borrowing, different formulation methodologies have been developed. And within the NY Fed's decision on fallbacks under the LIBOR Act, the NY Fed decided that different variations of SOFR should be appropriate for different products types:

- **Floating Rate Notes ("FRN")** (like the ones Barayeg directly purchased from MassHousing) will fall back to "Term SOFR". Term SOFR is a daily published rate by the CME Group and based on active futures trading of where the market predicts SOFR will reset in the future.

- **Interest Rate Swaps** (like the ones MassHousing entered into to hedge the FRNs) will fall back to "Compounded SOFR". Compounded SOFR is a daily compounding rate based on actual SOFR resets throughout the entire calculation period.

Suffice to say, if MassHousing takes no action at all then the bonds and the swap will fall back to different formulas of SOFR, introducing basis risk into the structure. Because of lack of historical information on SOFR, it is impossible for us to predict if this basis risk will be positive or negative to MassHousing but it would be a new risk not previously contemplated when the structures were originally entered into in 2016 and 2018, respectively.

Barclays is amenable to proactively restructuring the FRNs and the interest rate swaps to the same formulation of the SOFR index without any changes to the fixed set of cash flows. MassHousing was trying to lock-in during original execution. Everest recommends that MassHousing pursue this restructuring to manage LIBOR transition risk and ensure no economic harm. Everest believes the restructuring would be accomplished through a revision to the related bond indentures and to the interest rate swaps. Because there are no economic changes, the transition to SOFR from LIBOR shall take effect immediately and not necessarily wait for the broader transition date of June 30, 2023.

MassHousing must also work with legal counsel and consider whether the modification might create a reissuance with respect to tax-exempt bonds under federal tax law (though the IRS has released guidelines that should mitigate this risk).

Everest also recommends that MassHousing conduct a thorough review of the entire debt portfolio for other LIBOR-based exposures that might be present. In particular, there should be a focus on any LIBOR-based direct placements...
where a mutual negotiation of the LIBOR transition could be visible. While the LIBOR Act will also apply to these pieces of debt and convert the exposures to Term SOFR, Evercrest does recommend that MassHousing proactively reaches out to the purchaser to see if a more advantageous fallback could be negotiated. There are two possible "improvements" that Evercrest could foresee:

1. A lower credit spread than 11.448 bp – SOFR historically resets lower than LIBOR so the NY Fed includes a credit spread adjustment to make up for the difference in economics. For contracts tied to 1-month LIBOR, like these FRNs, the credit spread would be 11.448 bp. Evercrest has experienced some creditors accepted a lower credit spread adjustment for some debt products, such as 10 basis points. If the purchaser was amenable to this change, that would be beneficial for MassHousing.

2. A Different Formulation of SOFR – The FRNs will transition to Term SOFR per the LIBOR Act and the NY Fed recommendations. If MassHousing were able to negotiate a different formulation of SOFR, such as a daily simple average, then that likely will result in lower interest cost through the life of the bonds. In addition, if MassHousing ever wanted to hedge this variable rate debt, then a hedge based on daily simple SOFR will price more efficiently than a hedge based on Term SOFR.

Like the Barclays’ transactions, MassHousing must work with legal counsel and consider whether the modification might create a reissuance with respect to tax-exempt bonds under federal tax law (though the IRS has released guidelines that should mitigate this risk).

Recommended Strategy for Managing LIBOR Overhaul Risk:
ISDA Protocol | Monitor for Transition to Other Indices and for Interim Risk-Mitigation Opportunities

The Single Family Series 196 and 200 include debt issued as Variable Rate Demand Bonds (VRDBs) and interest rates swaps tied to 70% 1m LIBOR. Historically the resets of the 70% 1m LIBOR swap were a close approximation to the resets of the VRDBs (approximated as the SIFMA index); especially when looking at long-term averages. As previously mentioned, after June 30, 2023, the LIBOR-based swaps will transition to SOFR per the LIBOR Act and resulting recommendations from the NY Fed.

This change alone does not materially alter the financing structure that MassHousing had originally executed (the expectation is that the SOFR-based swap will continue to serve as a reasonable hedge against the SIFMA-based VRDBs), but there will be differences. One significant difference between SOFR and both SIFMA and LIBOR is that the latter two have a credit component whereas SOFR does not (since SOFR is derived by overnight repo transactions collateralized by Treasuries). As such, we have seen cases where credit-sensitive rates have spiked during times of market stress while SOFR has declined (as the Fed typically cuts rates during such periods). This was most profound during the 2008 financial crisis but its impacts can be felt in other time periods as well. Below is a table of historical annual averages of (1) SIFMA, which represents the VRDB resets, (2) 70% 1m LIBOR, the current receipt of the swap, and (3) 70% SOFR measured, the expected economics of the swap after LIBOR transition in June 2023. The last column to the right shows the difference between the SOFR swap receipt and the LIBOR swap receipt, with the red highlighted data points showing where the resets would have been 10 basis points, or greater, worse for MassHousing.

At this time, Evercrest is not recommending any proactive restructuring to these swap agreements. Evercrest would be supportive, however, if a market opportunity presented itself in the future to transition all or a portion of the swaps to an index that was a better match for the associated variable rate debt. This type of restructuring is often popular among State HFAs but only when the market allows the conversion at reasonable pricing levels. Most often, however, the yield premium for these “better matching” cash flows is too much and issuers keep the LIBOR/SOFR-based swap, instead. Evercrest will continue to monitor.
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<table>
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<th>Observation Period</th>
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Everest Advisors’ Credentials

Everest Advisors, LLC (“Everest”) was established in 2022 as an independent advisory firm that provides interest rate strategy, risk management, and debt issuance advisory services for governments, non-profit higher education and healthcare entities, and corporations. Everest was founded by former Managing Directors at Swap Financial Group (“SFG”) after SFG filed a Certificate of Dissolution with the State of New Jersey on September 7, 2022. The team members from SFG have been working with Mass-housing for over 20 years. Everest is a limited liability company, formed in the State of New Jersey.

Everest is a Registered Municipal Advisor with both the SEC and MSRB and fulfills the duties and responsibilities of an IRMA (Independent Registered Municipal Advisor) on behalf of our municipal entity and obligated person clients. Everest also serves as a Qualified Independent Representative (“QIR”) under the regulations of the Commodity Futures Trading Commission (“CFTC”) promulgated pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Please reach out with any questions on the materials as you review.

Peter Clerc  
Managing Director  
Everest Advisors  
Phone: (508) 264-7474  
Email: peterc@everestadvisors.com

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Managing Director  
Everest Advisors  
Cell: 201-780-5691  
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Email: jimurphy@everestadvisors.com
Loan Committee

Opus Newton, Newton

Kathleen Evans presented a proposal for Approval of a Recoverable Grant for Opus Newton in Newton. The proposed grant will be made to 2Life Communities or a non-profit affiliate thereof (the “Sponsor”) with the obligation to create deeper affordability at Opus Newton (the “Development”), which is a proposed 174-unit community in Newton. Residency at the Development is restricted to persons over 62 years of age.

As a condition of receipt of the grant funding, the Sponsor has pledged to make a minimum of six (6) units (the “Benefitted Units”) without affordability restrictions affordable to households earning up to 120% of Area Median Income (“AMI”) for a period of fifteen (15) years. The model of residency will remain in line with the structure used in both the market rate and inclusionary units at the Development as described in Section 4 below.

The Sponsor initially approached the Agency seeking assistance through the Workforce Housing Program. The Agency determined that the project was not a suitable fit for that program but wanted to find a manner to support the concept of senior housing at a moderate-income tier. As the Opportunity Fund has been the Agency’s mechanism for innovation, staff recommend making a grant from the source to the Sponsor in order to support the creation of affordability at the Development.

The 5.8-acre parcel at 677 Winchester Street in the Newton Highlands neighborhood of Newton (the “Site”) will be assembled by combining undeveloped land belonging to two separate sites. The Sponsor will acquire 218,583 square feet of land from the Jewish Community Center (JCC) of Greater Boston’s 28-acre campus at 333 Nahanton Street, as well as 36,955 square feet of land from Coleman House at 677 Winchester Street, which is owned by an affiliate. Coleman House is a 142-unit, age-restricted development for which MassHousing is the Section 8 administrator.

In addition to the construction of Development, the Sponsor proposes the creation of walking trails that connect the Development to Coleman House, campus amenities at the JCC, Newton Community Farm, and Nahanton Park.

The Development will include a seven (7) story building with a parking garage and a two (2) story connector building that will connect the proposed building to Coleman House. Apartments will include one- and two-bedroom units ranging from 650 to 1,350 square feet. The Development will feature a two-story connector building offering indoor access to the Coleman House, along with a café, art studio, classroom, and meeting space.

Opus Newton will have a fitness center, outdoor patio space, and gardens.

The Sponsor proposes a model in which prospective residents pay an up-front amount (the “Opus
Share”) which varies by unit type and size for a life-lease on the unit and execute a Residency Agreement with the Sponsor prior to taking occupancy.

During their tenure at the Development, residents then pay monthly fees that cover operating costs, utilities, and basic services including care, culinary credits, programs, and events. The Residency Agreement will detail the terms under which residents will have access to a line of credit for an amount up to 80% of the Opus Share they paid. In the instance where a resident is no longer able to pay their monthly fee, they may draw from the line of credit. Heirs may receive up to 80% of the Opus Share amount the resident paid, and the line of credit is repaid using the next resident’s Opus Share.

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

VOTED: To authorize a recoverable grant in the amount of up to $1,500,000.00, to be made to 2Life Communities, Inc. or a non-profit affiliate thereof (the “Grantee”) as sponsor of the age restricted residential development known as “Opus Newton”, to be funded from the undesignated portion of the Opportunity Fund approved by the Members of MassHousing on March 8, 2016, and subject to the terms and conditions imposed upon such grant by the Vice President of Multifamily Programs or the General Counsel, each acting singly, and further subject to (1) compliance with all applicable laws and all regulations and (2) requirements of applicable financing programs;

FURTHER VOTED: To authorize the Executive Director, the Vice President of Multifamily Programs, or the General Counsel, each acting singly, to execute and deliver on behalf of the Agency such agreement(s) or other documents(s) deemed necessary or appropriate to implement the foregoing, as evidenced by the execution by one or more of the foregoing, the form and substance of which such agreement(s) or other documents(s) shall be acceptable to the General Counsel

140 Clarendon Street, Boston (Back Bay)

Bill Dunn presented a proposal for an increase of up to $7,026,000 to the permanent loan authorization from $37,224,000 to $44,250,000.

140 Clarendon (the “Development”) is a renovation project of the historic YWCA building located in the Back Bay neighborhood of Boston. The Sponsor, Beacon Communities Development, is converting the mixed-use building into 210 studio and one-bedroom apartments, and is preserving the commercial space, which includes cultural and educational uses. Of the 210 units, 111 will be designated permanent supportive housing for residents
coming out of homelessness. All 210 units are restricted as affordable and will have access to services coordinated through the Sponsor; Pine Street Inn will provide an expanded service package to residents coming out of homelessness.

On August 10, 2021, Members of the Agency approved commitments for the financing of a tax-exempt permanent first mortgage of up to $41,985,000 and a tax-exempt equity bridge loan of up to $16,653,000 to support the rehabilitation and preservation of the Development.

On October 12, 2021, Members of the Agency approved an increase to the commitment for the tax-exempt equity bridge loan ($4,159,000), bringing the committed bridge loan amount from $16,653,000 to an amount up to $20,812,000. On October 28, 2021, a subordinate Capital Magnet Fund Loan in the amount of $500,000 was approved for the Development through a delegated process.

On November 1, 2021, MassHousing, 140 Clarendon LL Limited Partnership (the “Borrower”) and Bank of America, N.A. as the construction lender entered into a Permanent Loan Agreement for the take-out permanent financing. Rehabilitation of the Development began shortly thereafter with construction currently nearing 90% completion.

On December 1, 2022, the Boston Housing Authority (the “BHA” or “Contract Administrator”) published updated payment standards. The updated payment standards for the Development’s location in Boston’s Back Bay neighborhood utilize Small Area Fair Market Rents (“SAFMR”). The revised payment standards allow for increased Net Operating Income (“NOI”) at the Development.

As such, the Sponsor recently submitted a request to the Contract Administrator for rent increases to the revised payment standard for 192 units. Upon approval, the increased rents will go into effect in June 2023 for the eligible HAP units. An estimated 185 of the 192 units will be eligible as of June 2023 or initial occupancy, and the remaining 7 units will be eligible upon turnover. The remaining 18 units are ineligible for a rent increase request until September 2023. At that time the Sponsor will submit an increase request to the Contract Administrator. If approved, the increased contract rents will be in place in advance of stabilization and the funding of MassHousing’s permanent, equity bridge and Capital Magnet Fund financing, anticipated to occur in May 2024.

The increased NOI allows for the Development to support a larger permanent loan. Proceeds from the loan increase will i) fund cost overruns, as well as ii) fund an additional scope of work addressing the main entrance, lobby and building façade.

Cost overruns are mainly attributed to i) interest carry costs from the variable rate construction loan, ii) additional technical consultants and inspections needed to address unforeseen conditions, and iii) resident relocation and income certification. While the Development has
experienced cost overruns, it is still on track for completion on schedule. Along with the increase in the permanent loan, the Sponsor anticipates additional Federal Historic equity and LIHTC equity.

The Sponsor is seeking approval of a permanent loan increase at this time as it will allow contractors to remain on site and staged to complete the additional scope of work.

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

**VOTED:** To approve the findings and determinations set forth below and to authorize an increase of up to $7,026,000 to the permanent first mortgage loan previously authorized by the Members on August 10, 2021 (the “Original Board Vote”), such that the principal amount of the first mortgage loan shall be up to $44,250,000 such first loan to be insured under the HUD HFA Risk Sharing Program, to be made to 140 Clarendon LL Limited Partnership or another single-purpose, sole-asset entity controlled by Beacon Communities Development, LLC (the “Borrower”) as owner of the multifamily residential development known as “140 Clarendon” and located in Boston, Massachusetts (the “Development”), and in accordance with the applicable general closing standards and delegations of authority previously approved, and the conditions of the Original Board Vote 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.

**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:**

210 units (100%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

2. **Shortage of Affordable Housing Units in the Market Area**

The market needs data reflects the information available to A&M staff as of the date of collection March 15, 2023, and may not fully incorporate the potentially adverse impact(s) that the COVID-19 virus has had on the overall economy or on the local housing markets, since being declared a pandemic by the World Health Organization (WHO) in March 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 1,311 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 96.4%, and range between 95% and 99%. None of the five comparables reviewed were offering rental concessions.

1st Qtr. 2023 CoStar data for the subject’s Back Bay/South End Multi-Family Submarket (10,889 units) has an overall vacancy rate at 2.8% YTD, which is decrease of .03% from one year ago. CoStar data for the Boston market (260,679 units) has an overall vacancy rate of 4.9% YTD, which is an increase of .93% from one year ago. The Back Bay/South End Multi-Family Submarket vacancy rate is projected to increase to 3.8% over the next five years, while the Boston market is projected to increase to 6.2%.

CoStar, submarket data for the 4-5 Star building type (4,987 units) indicates a 1st Qtr. 2023 vacancy rate of 4.4% and an average asking rent of $4,261, while submarket data for the subject’s 3 Star building type (2,766 units) indicates a 1st Qtr. 2023 vacancy rate of 1.0% at an average asking rent of $3,156 and 1-2 Star buildings (3,136 units) indicates a 1st Qtr. 2023 vacancy rate of 1.8% at an average asking rent of $2,809. 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 (12/21/20), the City of Boston 269,482 year round housing units, 55,509 (20.6%) of which are subsidized for low/moderate income households.

As of January 2023, 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-FY2024) 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 2017-2021 American Community Survey (ACS) indicates that of the 271,950 households in the City of Boston approximately 74.7% earned less than the HUD published 2022 AMI, approximately 44.9% earned less than 50% of 2022 AMI, approximately 51.1% earned less than 60% of the 2022 AMI, and approximately 62.8% earned less than 80% of the 2022 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 does not lead to the undue concentration of low-income households.

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:**

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<th>Number of Bedrooms</th>
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<td>Number of Units</td>
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<td>Net SF/Unit</td>
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<td>Elev./Non-Elev.</td>
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**Market Rate Rent**

- $4,132
- $4,210

**MHFA Below Market Rent**

- $3,839
- $3,918

**MHFA Adjusted Rent**

- 30% of 60% AMI

**Underwriting Rents**

- Project-based Section 8 $3,050 $3,325
- MRVP - $1,924
- LIHTC – 60% of AMI - $1,181
- Existing Voucher (HCV/PBV) $1,132 $1,280
- Market – Unrestricted - $3,192

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.
## EXHIBIT A
### COMPARISON SOURCES AND USES

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<th>Sources of Funds</th>
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<th>April 2023</th>
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<td>MassHousing Permanent Loan</td>
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<td>Federal LIHTC</td>
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<td>Federal Historic Tax Credits</td>
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<td>State LIHTC</td>
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<td>MassHousing CMF</td>
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<td>Resubordinated City of Boston</td>
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<td>Deferred Developer Fee</td>
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<td>GP Contribution &amp; Reimbursements</td>
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Total Sources                           | $120,849,085 | $131,136,764| $10,287,679|

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<td>Acquisition</td>
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<td>Construction (plus contingency)</td>
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<td>General Development</td>
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<td>Capitalized Reserves</td>
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<td>$6,519,565</td>
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<td>Developer Fee &amp; Overhead</td>
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Total Uses                             | $120,849,086 | $131,136,764| $10,287,678|
## EXHIBIT B
### COMPARISON INCOME AND EXPENSES

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<th>Income</th>
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<td>Gross Potential Residential Income</td>
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<td>$7,695,984</td>
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<td>Vacation – PB Rental Subsidy</td>
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<td>($190,748)</td>
<td>($30,156)</td>
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<td>Vacation – Non-Rental Subsidy</td>
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<td>$0</td>
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<tr>
<td>Gross Residential Income</td>
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<td>$1,239,452</td>
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<tr>
<td>Commercial Income</td>
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<tr>
<td>Vacation – Commercial</td>
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<td>($369,800)</td>
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<tr>
<td>Other Income</td>
<td>$10,920</td>
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<td>($4,992)</td>
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<td>Effective Gross Income</td>
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<td>$8,195,256</td>
<td>$1,234,460</td>
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<td>Residential Operating Expenses</td>
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<td>Commercial Operating Expenses</td>
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<td>Net Operating Income</td>
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<td>$2,768,269</td>
<td>$480,287</td>
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<td>Debt Service</td>
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<tr>
<td>Cash Flow</td>
<td>$359,521</td>
<td>$398,495</td>
<td>$38,974</td>
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| Debt Service Coverage                | 1.19x        | 1.17x      |             |
Bill Dunn presented a request to extend term of the Asset Protection Subordinate Loan for up to 12 months proposal for Warren House in Newton.

Warren House (the “Development”) is a 59-unit apartment community located in Newton. The building was originally designed as a public school and was converted to residential use by NCDF in 1992 with Low Income Housing Tax Credit equity and financing from MassHousing, the Newton Housing Authority, and the Newton Community Development Block Grant program. The Development operates under a long-term ground lease from the City of Newton with a 65-year term ending on December 11, 2056. The Development contains 15 one-bedroom units, 38 two-bedroom units, and six three-bedroom units. Twenty-one units are restricted at 50% of AMI, while the other 31 units are unrestricted.

In January 2015, MassHousing issued a $2,992,000 Asset Protection Loan (the “APL”) as a second mortgage loan, which the owner used to fund the replacement reserve account and to establish a capital improvement escrow account to address water infiltration issues with the roof and masonry. The APL was structured to be subordinate to and coterminous with the first mortgage with a 3-year initial term and six (6) annual automatic renewal options through December 1, 2023. Payments were structured as annual interest-only payments from cash flow after debt service of the first mortgage. Projections at the time of commitment demonstrated only a portion of the accrued interest would be paid through cashflow, with the remaining accrued interest and principal balance due upon maturity (current amount due $3,444,726).

Over the last several years, the Sponsor has worked to secure a refinancing execution that would allow for full repayment of the APL. These efforts have been complicated by the status of the existing ground lease. The ground lease included annual payments to the city with provisions for deferment related to cash flow. Currently the development owes remaining principal rent of $1,500,000 and interest accrued on deferred rent of approximately $2,400,000. The Sponsor and the city have participated in ongoing negotiations for repayment of the back-rent and accrued interest due.

In December 2022, the city and Sponsor reached a tentative agreement on payments for back-rent as well as accrued interest and an extension of the existing ground lease that would bring the total term to 99 years.

The extended term of the ground lease will be in conformance with Risk Share requirements and Staff is engaged with the Sponsor on the structuring of a refinancing. Extending the maturity of the APL will provide sufficient time for negotiation of the refinancing as well as eventual underwriting and presentation for commitment. Proceeds from the refinancing will i) repay the APL and accrued interest, pay ground lease rent due to the City of Newton, iii) fund window replacement and masonry repair, and iv) capitalize the replacement reserves.

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

VOTED: That MassHousing authorizes the Executive Director or the Vice President of Multifamily Programs, each acting singly, to approve an
extension of the Mortgage Note dated as of January 20, 2015 from Warren House Limited Partnership to MassHousing for twelve (12) months, on such terms and conditions as required by the Executive Director or the Vice President of Multifamily Programs.

Bunker Hill Building M, Boston (Charlestown)

Jeff Geller presented a proposal for Commitment of Tax-Exempt Construction to Permanent Loan, Commitment of Tax-Exempt Construction Equity Bridge Loan and Commitment of Taxable Construction Equity Bridge Loan for Bunker Hill Building M, Charlestown.

On November 8th, 2022 and January 10th, 2023, Agency Members approved (i) a tax-exempt construction-to-permanent loan, (ii) a tax-exempt construction equity bridge loan and (iii) a taxable construction equity bridge loan for the construction of Bunker Hill Building M, a proposed 102-unit building in Charlestown (the “Development”). Subsequent to approval, the development team changed the Development’s ownership structure, establishing new Sponsor and Borrower entities. As a result of these changes, as a technical matter, the previous loan commitment votes are required to be retaken. The vote in this technical amendment is to approve a commitment of the loans for the new entities. The previously authorized loan terms, including the loan amounts, project costs, and affordability restrictions are unchanged from the January 10th commitment proposal and votes approved by the Members.

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

VOTED: To approve the findings and determinations set forth below and to authorize (a) a construction/permanent first mortgage loan in a principal amount of up to $40,452,000, such first loan to be insured under the HUD HFA Risk Sharing Program; (b) a tax-exempt subordinate equity bridge mortgage loan in a principal amount of up to $12,680,000; and (c) a taxable subordinate equity bridge mortgage loan in a principal amount of up to $23,000,000, in each case to be made to Building M Owner LLC or another single-purpose entity controlled by BH Building M Developer LLC (the “Borrower”) as owner of the multifamily residential development known as “Bunker Hill Building M” (the “Development”) and located in Charlestown, 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.
STATUTORY FINDINGS AND DETERMINATIONS

Statutory Findings:

The Loans 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:**
   102 units (100%) in the Development will be affordable to low-income persons and families, as specified in the Act, at the adjusted rentals shown in the rent schedule below.

2. **Shortage of Affordable Housing Units in the Market Area**
   The market needs data reflects the information available to A&M staff as of the date of collection October 6, 2022, and may not fully incorporate the potentially adverse impact(s) that the COVID-19 virus has had on the overall economy or on the local housing markets, since being declared a pandemic by the World Health Organization (WHO) in March 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 705 units) in the area revealed a strong rental market. Current occupancy rates of the comparable properties reviewed averaged approximately 97.6%, and range between 97% and 99%. None of the comparables were offering concessions.

   4th Qtr. 2022 CoStar data for the subject’s Charlestown/Somerville Submarket (5,881 units) has an overall vacancy rate at 6.6% YTD, which is a decrease of 2.40% from one year ago. CoStar data for the Boston market (256,951 units) has an overall vacancy rate of 4.5% YTD, which is a decrease of .12% from one year ago. The Charlestown/Somerville Submarket vacancy rate is projected to increase to 7.6% over the next five years, while the Boston market is projected to increase to 5.7%.

   CoStar, submarket data for the 4-5 Star building type (3,056) indicates a 4th Qtr. 2022 vacancy rate of 10.1% and an average asking rent of $3,293, while submarket data for the subject’s 3 Star building type (1,654 units) indicates a 4th Qtr. 2022 vacancy rate of 2.7% at an average asking rent of $2,528 and 1-2 Star buildings (1,171 units) indicates a 4th Qtr. 2022 vacancy rate of 2.9% at an average asking rent of $1,946. 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 (12/21/20), the City of Boston 269,482 year-round housing units, 55,509 (20.6%) of which are subsidized for low/moderate income households.
As of January 2022, 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 2016-2020 American Community Survey (ACS) indicates that of the 273,188 households in the City of Boston approximately 75.8% earned less than the HUD published 2022 AMI, approximately 46.9% earned less than 50% of 2022 AMI, approximately 53.0 % earned less than 60% of the 2021 AMI, and approximately 64.3 % earned less than 80% of the 2022 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 does not lead to the undue concentration of low-income households.

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:

<table>
<thead>
<tr>
<th>Number of Bedrooms</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Units</td>
<td>32</td>
<td>36</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Net SF/Unit</td>
<td>662</td>
<td>898</td>
<td>1,215</td>
<td>1,455</td>
</tr>
<tr>
<td><strong>Market Rate Rent</strong></td>
<td>$4,505</td>
<td>$5,095</td>
<td>$5,865</td>
<td>$6,315</td>
</tr>
<tr>
<td>(10% Rate 20 Year Term)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MHFA Below Market Rent</strong></td>
<td>$2,950</td>
<td>$3,540</td>
<td>$4,310</td>
<td>$4,760</td>
</tr>
<tr>
<td>(Cost-Based Rent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MHFA Adjusted Rent</strong></td>
<td>30% of 60% AMI</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Underwriting Rents**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>PB-Section 8 30% of AMI</td>
<td>$2,950</td>
<td>$3,540</td>
<td>$4,310</td>
<td>$4,760</td>
</tr>
<tr>
<td>PB-Section 8 60% of AMI</td>
<td>$2,950</td>
<td>$3,540</td>
<td>$4,310</td>
<td>$4,760</td>
</tr>
</tbody>
</table>

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.
Chair Pinado asked if there was any other old or new business for the Members’ consideration.

There being no other old or new business, the meeting adjourned at 3:18 p.m.

A true record.

Attest,

Colin M. McNiece
Secretary