



Massachusetts Housing Finance Agency
One Beacon Street, Boston MA 02108
TEL 617.854.1000 | VP 866.758.1435 | FAX 617.854.1091 | www.masshousing.com

Media Contacts

Eric Gedstad: 617.854.1079 | egedstad@masshousing.com
Tom Farmer: 617.854.1843 | tfarmer@masshousing.com

MassHousing multifamily preservation loans in Agawam and Greenfield are first in Massachusetts through new partnership with HUD and the U.S. Treasury

Loans are only the second and third in the nation after New York's last year

BOSTON – August 7, 2015– MassHousing has closed two multifamily preservation loans through a new partnership that provides lower interest rates on loans to owners of subsidized rental housing, giving them new incentives to refinance, make capital improvements and lock in long-term affordability for lower income residents.

The initiative is a partnership with the Obama Administration's Department of the Treasury, Department of Housing and Urban Development (HUD), and state housing finance agencies (HFAs) like MassHousing. The new initiative was first outlined by Secretary Jacob J. Lew in [a Treasury announcement in June of 2014](#). Previously only one transaction in New York had closed under the new program.

In this new partnership, the [Federal Financing Bank \(FFB\)](#) purchases a 100% participation interest in the loan. HFAs such as MassHousing service the loan and principal and interest payments flow through a custodian back to the FFB.

"Working with Treasury and HUD has been a very productive partnership, and they are to be commended for their commitment to the cause of affordable housing," said MassHousing Executive Director Tom Gleason, who also serves as President of the [National Council of State Housing Agencies](#). "HFAs have been working for several years to find an efficient affordable housing financing tool to support the HUD/HFA Risk Share Program. This new partnership is a major step forward in accomplishing that goal and provides a great value to the borrower."

"We continue to depend on the insights and expertise of MassHousing and other HFAs to help us address the lack of affordable rental housing," said Gary Grippo, the Treasury's Deputy Assistant Secretary for Public Finance. "The demand for affordable rental housing continues to rise while the supply is in real danger of shrinking. This partnership will provide HFAs with an important tool for their mission to construct and preserve affordable units."

The first MassHousing loan supported by the FFB was \$17.6 million to Pheasant Hill Village Associates, an affiliate of [SHP Acquisitions](#), to refinance [Pheasant Hill Village](#), a 200-unit Section 8 apartment community in Agawam, Massachusetts. Part of the loan will fund capital improvements such as replacement of boilers; updated plumbing; energy efficient lighting fixtures; accessibility improvements; and site and exterior repairs. Affordable rents will be maintained for at least 20 years as a condition of the loan.

The previous loan on the property, which was made in the 1970s and ensured the units would be affordable to low income renters, was set to mature in the next several years. Upon mortgage maturity the owner would have been free to explore the possibility of converting the apartments to market rents.

"This transaction was very important to SHP and all the families at Pheasant Hill Village," said Dan Smith of SHP Acquisitions. "Working successfully with MassHousing to complete this refinance, we have been able to provide funds to keep this asset in great condition for the next 20 years. Additionally, we are able to commit to keeping these rents affordable for 20 more years. Both MassHousing and HUD have worked tirelessly to provide this special finance program. A true win-win for everyone involved."

The second loan was for \$6.8 million to Greenfield Acres LLC, an affiliate of [The Congress Companies](#) to refinance [Greenfield Acres](#), a 94-unit elderly housing development in Greenfield, Massachusetts. Originally built in 1972, the property had an outstanding permanent loan that was set to mature in March of 2016. With the refinancing, the 20 Section 8 units for low-income residents will remain affordable for at least 20 more years (the remaining 74 units are market rate). Those affordable units could conceivably have converted to market rents had affordability not been preserved in this transaction. The owner will use some of the proceeds from the loan to install energy-efficient boilers, thermostats, windows and doors as well as additional installation. Four units will be converted to fully-accessible units.

"We are honored and thrilled to participate in another successful transaction with MassHousing and HUD," said William A. Nicholson, CEO of The Congress Companies. "The Risk Sharing program through the Federal Finance Bank is truly an innovative, cutting edge program, which will provide continued affordability, construction renovations and improvements to properties, and allow the continuation of our valued partnership with MassHousing and HUD. Everyone is a winner in this program, which is fundamental to a good transaction. We look forward to continuing our excellent working relationships with MassHousing, HUD and Federal Finance Bank."

"These loans had interest rates that were in the high threes and low fours, whereas a typical MassHousing loan of this kind might otherwise be in the low fives at today's rates," said MassHousing's Deputy Director Timothy C. Sullivan. "We couldn't offer a rate like that without efficient financing from the FFB, and we think this offers the potential for many owners to refinance and lock in affordable rents for residents for at least 20 years."

For example, on an \$11 million loan (the average rental loan amount for MassHousing last fiscal year) with a 40-year term and an interest rate of 5.125%, a borrower's annual principal and interest payment would be \$647,466. With an interest rate of 3.875%, which is in line with the FFB's rates for the HUD Risk Share Program, P&I payments would be \$541,461 per year, for a savings of \$106,005 per year to the borrower. As a result a borrower would have more than \$2 million in additional borrowing capacity.

"This is a perfect example of what can happen when state and federal agencies come together with the private sector to achieve a common purpose," said Benjamin T. Metcalf, HUD Deputy Assistant Secretary for Multifamily Housing. "Together, HUD and the Treasury Department are giving MassHousing the best possible tools to lower the cost of credit for building owners in order to preserve critically needed affordable housing for hundreds of families."

In addition to this new initiative, MassHousing has also recently begun closing refinancings using HUD's Multifamily Accelerated Processing (MAP) and those loans have a Ginnie Mae guaranty, which is attractive to investors.

"There are dozens of affordable rental communities in Massachusetts with subsidized mortgages that will mature in the next 5-7 years, and this new loan structure from HUD and the FFB, along with our MAP/Ginnie Mae execution, makes great sense for owners, for MassHousing and for residents," said MassHousing's Gleason. "It's really a win-win-win."

Multifamily property owners interested in learning more should contact David Keene MassHousing's Chief Preservation Officer at 617-854-1124 or dkeene@masshousing.com.

About MassHousing

MassHousing (The Massachusetts Housing Finance Agency) is an independent, quasi-public agency created in 1966 and charged with providing financing for affordable housing in Massachusetts. The Agency raises capital by selling bonds and lends the proceeds to low- and moderate-income homebuyers and homeowners, and to developers who build or preserve affordable and/or mixed-income rental housing. MassHousing does not use taxpayer dollars to sustain its operations, although it administers some publicly funded programs on behalf of the Commonwealth. Since its inception, MassHousing has provided more than \$18.5 billion for affordable housing. For more information, visit the MassHousing website at www.masshousing.com, follow us on Twitter [@MassHousing](https://twitter.com/MassHousing), subscribe to [our blog](#) and [Like us](#) on Facebook.

###