
MASSACHUSETTS HOUSING PARTNERSHIP

BOARD OF DIRECTORS MEETING

Tuesday, October 26, 2021
160 Federal Street, 2nd Floor
Boston, Massachusetts
Via Zoom

Members Present: Jack P. Clancy, Jr. (Chair), Mark Attia, Alicia Modestino, Alana Murphy (designee for Undersecretary Maddox), Denis Sheahan, Matthew Sosik

Participating Staff: Clark Ziegler (Executive Director), Lisa Braxton, Tesfalem Chatot, Callie Clark, Sandra Cooke, Isabel Cruz, Mark Curtiss, Karen English, Steve Gandt, Shelly Goehring, David Hanifin, Tom Hopper, Deepti Kamma, Danielle Kinkel, Katy Lacy, Rus Lodi, Stephen Lucien, Nancy McCafferty, Emma McGurran, Cynthia Mohammed, Megan Mulcahy, Mahtowin Munro, Vanessa Okonkwo, Shawna O'Neil, Dave Oteri, Kathy Riley, Elliot Schmiedl, Laura Shufelt, Charleen Tyson, Alice Wong; David Worsham.

Guests: Veronica Bulman (RSM), Troy Merkel (RSM), Brigid Ryan (Boston Private)

CALL TO ORDER

The Chair, Jack P. Clancy, Jr., called the meeting to order at 2:02 pm.

PRESENTATION OF THE FY21 AUDIT REPORT

Troy Merkel and Veronica Bulman of RSM presented the draft FY21 audit report. As always, the audit was subject to generally accepted audit standards for government agencies. There were no significant accounting policy changes, consultations or notables. RSM believes MHP may be too conservative with its allowance for loan losses and management will continue to reevaluate that process.

RSM discussed one section of the audit related to uncorrected misstatements for hedges and swaps. An adjustment was needed to correct a minor calculation error caused by a typo in an Excel schedule, which had caused the schedule to pull swap-related interest rates from 2020 instead of 2021. When the correct rates were applied, the hedges were no longer effective and moved into net asset and loss activities; as a result, income increased and assets decreased. While the error was not de minimis, it is below the materiality threshold and allows RSM to provide an unqualified opinion. This calculation error should have no impact in FY2022.

RSM noted that the materiality threshold is \$8 million. Based on discussions with management, RSM does not believe the adjustment amount would have impacted any financial decisions, nor would it require changes to any previous representation letters. MHP has a board-approved policy for reserving against its swap exposure and this adjustment would not have changed that approach.

On behalf of the Audit and Risk Management Committee, Mr. Sosik reported that RSM provided a strong presentation and he congratulated MHP staff for their hard work. Ms. English said that Dave Oteri did the bulk of the work and did a great job. Mr. Clancy expressed the board's thanks to Mr. Oteri, Ms. English and Ms. Tyson.

Staff were asked to leave the call and the board had a further discussion with RSM, without any management or staff present, from 2:25 to 2:38 pm. No additional concerns were raised and no additional topics were discussed during that part of the meeting.

The staff returned to the call.

APPROVAL OF PREVIOUS MEETING MINUTES

Upon a motion made by Mr. Sheahan and seconded by Ms. Murphy, the directors

VOTED: To approve the August 31, 2021 and September 28, 2021 meeting minutes.

Upon polling, Mr. Attia, Mr. Clancy, Ms. Modestino, Ms. Murphy, Mr. Sheahan and Mr. Sosik voted in the affirmative.

MANAGEMENT TEAM REPORT

The Management Team Report was submitted to the Board in advance of the meeting.

Rental Assistance

Ms. Mohammed updated the board regarding the portfolio and rental assistance. The Subsidized Housing Emergency Rental Assistance (SHERA) program has been extended through June 2022. Currently, \$9.6 million has been approved for owners (approximately 4,000 households in 536 properties), averaging ~\$1800 per claim. Landlords apply on behalf of tenants, and payments go directly to landlords.

The maximum amount of assistance is 18 months in rental arrearages. There has been a slower uptake on the program than expected, perhaps because other funding programs provided assistance or the rent crisis isn't as bad as originally anticipated. Mr. Attia said that the U.S. Treasury Department recognized the Massachusetts SHERA program as one of the best in the country for expediting rental assistance.

Homeownership Assistance Fund (HAF)

Mr. Ziegler reminded the board that MHP has partnered with the Executive Office for Administration and Finance (A&F) to set up and administer the Massachusetts Homeownership Assistance Fund (HAF) to protect homeowners from COVID-related foreclosures.

MHP will develop and administer the HAF program for the Commonwealth. The work includes hiring a technology vendor for the website application platform and procuring housing counseling agencies to provide supportive and legal services to homeowners who apply for HAF. After a competitive RFP process, MHP selected Tidal Basin, which is a national emergency response firm, as the technology vendor and administrator. The team is aiming for a soft launch on December 1. Tidal Basin will create a web portal for applications, staff a call center, provide case management and eligibility review services, process HAF payments, and ensure compliance. The state HAF program may reach or exceed 18,000 awards.

Mr. Ziegler acknowledged that HAF is a big lift for MHP. At the last board meeting Mr. Sheahan asked how this work would affect other things at MHP. The good news is that a terrific program director recently accepted an employment offer from MHP. Mr. Sheahan and Mr. Attia believe MHP should be very proud of being called upon to lead this statewide effort.

Organizational Goals

Ms. Clark presented on behalf of the Goals Working Group. The goals report is now organized by overarching themes and deemphasizes goals that do not have an update. Today, six goals are being highlighted.

Finance & Human Resources

Ms. English spoke about the cash flow from operations, diversity in recruitment and anti-bias training. During the first fiscal quarter MHP has exceeded its cash flow from operations goal of \$500k: cash flow is approximately \$1.3 million. Payoffs generated prepayment penalties totaling a \$400k.

Unfortunately, some return-to-office initiatives have been delayed, and hiring is very difficult in the current market. MHP is looking to broaden its employment outreach and has contracted with a consulting firm to create an equity and inclusion hiring strategy and to assist with staff retention.

Diversity, equity and inclusion (DEI) initiatives continue to be a focus. The DEI Working Group contracted with Carmen Phelps to facilitate a staff-wide workshop on racial equity in the hiring process. During the fall, MHP's DEI consultant conducted a survey on the sense of belonging at MHP, and the Working Group is reviewing the data.

Communications

The communications and public affairs team is tracking traditional media (print, radio and television), noting that MHP had good exposure in the Boston Globe, WBUR, and Bloomberg News relating to Cambridge Trust voluntary loan commitment of \$110 million. There was also good coverage of a recent "15 Minute Neighborhoods" report and event in conjunction with the Boston Foundation.

Homeownership

The homeownership team is striving to double the ONE+Boston volume this year. ONE+ is at 147 transactions this year which is well on the way to reaching the goal, and 75% of those loans are to households of color. Other municipalities have expressed interest in using local Community Preservation Act (CPA) funds to fund their own ONE+ programs, particularly in Barnstable and Lowell. MHP wants to leverage the success in Boston and bring the program to other communities to close the affordability gap; participating banks and local capacity are needed to make this happen.

Community Assistance

The community assistance team is organizing an upcoming three-part housing institute for Gateway Cities as a result of last year's virtual listening tours where the team heard that Gateway Cities felt left out of technical assistance. Topics will include housing production tools; distressed properties; leveraging state programs and tools; creating opportunities with local assets; utilizing public land for affordable housing; and unlocking local potential.

Lending

The rental finance team is making strong progress on its goals and will have issued five new loan commitments in FY22 after today's meeting. A number of factors are combining to help MHP achieve its goals this year including a strong pipeline of new production, forward movement on several 40B developments, steady refinancing demand, the availability of new bank lines of credit, and reinstatement of the Federal Financing Bank (FFB) Risk Sharing program.

Portfolio Diversification Policy

Ms. Mulcahy explained that she brings a vote request on MHP's portfolio diversification policy to the board annually. Limits are set so that MHP does not have an undue concentration of risk. This is the third year that the current limits are in place and the current limits are not expected to constrain the pipeline.

Upon a motion made by Mr. Sheahan and seconded by Mr. Sosik, it was

VOTED: To continue the current single loan limit, single/related borrower limit, and common management team limit under the Loan Portfolio Diversification Policy pursuant to the briefing materials prepared for the October 26, 2021 board meeting.

Upon polling, Mr. Attia, Mr. Clancy, Ms. Modestino, Ms. Murphy, Mr. Sheahan and Mr. Sosik voted in the affirmative.

Ms. Modestino left the meeting.

LOAN PROPOSALS

Red Tail Crossing Phase II, Wrentham

Ms. Wong presented the proposed \$10.5 million loan for the Red Tail Crossing Phase II development in Wrentham. The development will have a daycare center, café, and other elements meant to create neighborhood spaces. Ninety percent of 38 units will need to be occupied before MHP will close on this permanent financing. The development is expected to be popular in part because people have been moving to the suburbs, especially because of COVID. The sponsor has strong financials and references and builds single family homes that are rentals.

Mr. Sosik asked how MHP has a role in this development when the construction lender could stay in the transaction through permanent financing. In this instance MassHousing is the Chapter 40B subsidizing agency and the developer is therefore not obligated to obtain financing from MHP. Walpole Cooperative Bank is partnering with MHP because the sponsor's longtime lenders, including Walpole, are at their limits.

When asked about the sponsor's financials, Ms. Mulcahy responded that internal and external loan review committees have reviewed them, but they are not included with board materials because it is a public meeting and personal financials are confidential.

Upon a motion made by Mr. Sosik and seconded by Mr. Attia, it was

VOTED: To authorize a first leasehold mortgage loan of up to \$10,500,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP pursuant to Chapter 102 of the Acts of 1990 or through other agreements with banks, for the Red Tail Crossing Project in Wrentham (the Loan). The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy) and the Red Tail Crossing Credit Analysis dated 10/26/2021 including all special conditions contained therein, and presented in the 10/26/2021 MHP briefing materials, as the same may be modified pursuant to the Loan Policy. MHP commitment for the Loan shall expire if the loan closing does not occur by 4/1/2024.

Upon polling, Mr. Attia, Mr. Clancy, Ms. Murphy, Mr. Sheahan and Mr. Sosik voted in the affirmative.

Simon C. Fireman expansion, Randolph

Mr. Hanifin presented the proposed \$4.3 million loan for an expansion of an existing 160-unit community in Randolph. A new wing is being added to the existing property with 45 all-affordable, 62+ one-bedroom units at or below 60% AMI. Federal low income housing tax credit equity will provide an important funding source and the expansion will be built to passive house standards, with indoor and outdoor community spaces. Hebrew Senior Life will provide robust services for residents, including "Right Care Right Place Right Time" with an embedded team of social workers and nurses. Fireman is on an MBTA bus route and adjacent to a large park. Hebrew Senior Life is strong financially and a well-regarded leader in the senior affordable housing industry.

Upon a motion made by Mr. Attia and seconded by Ms. Murphy, it was

VOTED: To authorize a first mortgage loan of up to \$4,306,000 pursuant to MHP's Permanent Financing Programs, utilizing funds available to MHP pursuant to Chapter 102 of the Acts of 1990 or through other agreements with banks, for the Simon C. Fireman Expansion Project in Randolph (the Loan). The Loan shall be consistent with MHP's Loan Policy for its Permanent Financing Programs (the Loan Policy) and the Simon C. Fireman Expansion Credit Analysis dated 10/26/2021 including all special conditions contained therein, and presented in the 10/26/2021 MHP briefing materials, as the same may be modified pursuant to the Loan Policy. MHP commitment for the Loan shall expire if the loan closing does not occur by 4/30/2024.

Upon polling, Mr. Attia, Mr. Clancy, Ms. Murphy, Mr. Sheahan and Mr. Sosik voted in the affirmative.

Loans approved between Board meetings

Information about loans approved between Board meetings was sent in advance of the meeting.

PORTFOLIO DIVERSIFICATION REPORT

Mr. Hopper presented the portfolio diversification report and noted that MHP uses data tools to compare loan exposure by sponsor, location and property type. There is wide variation across the portfolio and some deeply affordable projects are significantly more dependent on public subsidies than others. Ms. Mulcahy noted that it is not uncommon for a loan to have seven to nine capital sources to make the debt supportable.

Adjournment

The board meeting was adjourned at 3:43 pm.

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

Denis K. Sheahan
Secretary/Treasurer
Massachusetts Housing Partnership