COLLABORATIVE

PROBLEM SOLVERS
Responsive

results oriented

MISSION DRIVEN
Nimble

continuously improving

SERVICE ORIENTED
inclusive

Customer Focused

Engaged

Consistent and Reliable

Valued Partner

fair

Good Listeners

lender of choice

Financially Strong

Highly Competent

FORWARD THINKING
CONTENTS

04 FISCAL YEAR HIGHLIGHTS
05 BOARD OF DIRECTORS
06 MESSAGE FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

HOMEOWNERSHIP
08 Affordable Lending Remains Strong
10 Meeting our Public Lending Mission
10 Homebuyer Profile: Rosario Family
12 Loan Servicing and Portfolio Management
13 Partner Profile: Mortgage Network
14 Partner Profile: Chelsea Restoration Corporation
16 Homebuyer Profiles

AGENCY
20 Lending Activity Since Agency Inception

RENTAL
24 Lending: More than $200 Million in Loans to Preserve and Produce Affordable Apartments
25 MAP/HHFA-MBS Lending: Better Options for Property Owners
26 New Production Profile: Princeton Weaford
28 Preservation/13A Profile: River Place Towers
29 Affordable Housing Trust Fund
30 MassHousing’s Design and Construction Staff: Unique Expertise, Insight, Aids Historic Projects
30 Preservation Profile: Historic South End Apartments
32 Worcester Loomworks
34 Preservation Profile: Middlebury Arms
35 MassHousing’s Rental Portfolio Oversight: Adapting to Better Serve Property Owners, Managers
38 Listening Tours Foster Dialogue, Yield New Processes
40 Rental Resident Profile: Peter Strickman, Beacon House
42 Community Services and Hoarding Conference
44 Rental Lending Summary
44 “New Lease” Program
56 Mel King Institute
58 SAVI Mentor Program
60 Diversity and Inclusion
62 Financial Discussion
IN FISCAL YEAR 2014 MASSHOUSING ADOPTED A STRATEGIC PLAN THAT WILL HELP TO CLARIFY AND CRYSTALIZE THE AGENCY’S MISSION FOR THE NEXT FIVE YEARS. THE PLAN CAME ABOUT AFTER A LENGTHY AND COMPREHENSIVE PROCESS WHEREBY MASSHOUSING CONTRACTED WITH ABT ASSOCIATES, WHICH INTERVIEWED MORE THAN 200 OF THE AGENCY’S CUSTOMERS AND BUSINESS PARTNERS AND SURVEYED THE AFFORDABLE HOUSING AND REAL ESTATE FINANCE LANDSCAPES.

The Strategic Plan sets priorities and goals for all aspects of MassHousing’s business and operations in five main areas: preserve and expand the supply of affordable rental housing; expand sustainable homeownership opportunities; increase MassHousing’s transparency and accountability; strengthen organizational capacity; and broaden and strengthen partnerships.

We are energized and enthusiastic about the plan, which will help us to remain relevant and responsive to the needs of our business partners and customers. Given our commitment to transparency and accountability, progress reports and opportunities to provide input are available on our website, www.masshousing.com.

FISCAL YEAR 2014 HIGHLIGHTS

Second best lending year ever

$885.2 MILLION in total financing

Provided $786 MILLION to help 3,456 borrowers buy or refinance a home

Provided $208.5 MILLION for rental housing

$174.5 million from MassHousing bonds for 17 developments with 2,072 units

$33.9 million from the Affordable Housing Trust Fund for 30 developments with 2,011 units

Adopted a new strategic plan

Total cumulative investment in Massachusetts since Agency’s creation topped $17 BILLION

Moody’s Investor Service upgraded our bond issuer credit rating from A2 to Aa3

Received three awards for program excellence from the National Council of State Housing Agencies in the categories of Empowering New Homebuyers, Financial Innovation and Special Achievement
CHAIRMAN
Ronald A. Homer
President
Access Capital Strategies
RBC Global Asset Management (US) Inc.

VICE CHAIR
Thomas N. O’Brien
Managing Director
The HYM Investment Group, LLC

TREASURER
Andris J. Silins
General Secretary-Treasurer
United Brotherhood of Carpenters and Joiners of America

Aaron Gornstein
Undersecretary
Department of Housing and Community Development
Commonwealth of Massachusetts

Marc D. Cumsky, Esq.
Founder and Managing Partner
Cumsky & Levin LLP

Michael J. Dirrane
Managing Director - National Accounts
National Mortgage Insurance Corporation

James LeBlanc
Assistant Budget Director
Executive Office for Administration and Finance
Commonwealth of Massachusetts
(Designee of Secretary Glen Shor)

Mary Nee
President
Animal Rescue League of Boston
Fiscal year 2014 will likely be remembered as a year of transition, both for the Massachusetts housing market and for MassHousing itself. Although there is more change yet to come, we are now far enough away from the tumult of the financial crisis of 2008-2011, and the subsequent federal and state reforms, that we can make out the future of the housing finance landscape with some clarity. The Massachusetts real estate market, which took less of a hit than many other states during the crisis, is showing signs of renewed strength. Although some areas of the state have not experienced a full resurgence, others have come back with remarkable and somewhat surprising speed. While there are many advantages to increasing housing prices – most notably to homeowners whose homes were “underwater” – a rapid escalation of home prices and rents, coupled with a shortage of affordable housing supply often creates more problems than it solves. In particular it places significant burdens on low- and moderate-income families. It remains to be seen whether the market will reach some sort of equilibrium or again spiral upward at an unsustainable rate.

Fiscal year 2014 also saw the beginnings of a new, exciting and forward-looking chapter in MassHousing history. The Board adopted a new strategic plan, which charts a course for the Agency to preserve and expand the supply of affordable rental housing; expand sustainable homeownership opportunities for underserved populations and communities; increase MassHousing’s transparency and accountability; strengthen MassHousing’s organizational capacity; and broaden and strengthen MassHousing’s partnerships. The plan represents the Board’s and staff’s commitment to staying relevant and innovative in a constantly changing world. We believe the plan will strategically position us to continue to be the leading provider of financial resources for affordable housing in Massachusetts.

While MassHousing’s mission has broadened somewhat in the 48 years since our founding in 1966, we remain fundamentally a lender, and we are pleased to report that fiscal year 2014 was our second best lending year ever. We provided $985.2 million for affordable home ownership and to build or preserve affordable and mixed-income rental housing. As was the case last fiscal year, the main driver of our lending was the high demand for our affordable home mortgage loans, which accounted for $766 million of our lending activity. These loans helped 3,456 borrowers buy or refinance their home. Consumers are drawn to certain features of our loans that cannot be found in the conventional market, such as downpayments as low as 3%, no mortgage insurance premiums, job-loss protection insurance, and our newest offering – lender-paid mortgage insurance. Our Mortgage Insurance Fund, which primarily insures MassHousing-financed loans, was also leveraged by our partner lenders to insure $10.6 million in affordable, non-MassHousing loans.

On the rental housing side of our business, we closed $208.5 million in loans. Of that, $174.5 million came from the sale of MassHousing bonds and was lent to owners of 16 existing rental apartment communities with 2,045 units to renovate the properties and extend affordability for the residents, and one developer to build 27 new units. The remaining $33.9 million came from the Affordable Housing Trust Fund (AHTF), which is funded by the Commonwealth of Massachusetts and administered by MassHousing. Those AHTF funds will support 30 rental housing developments with 2,011 units. Twenty-three of those developments (1,049 units) are new construction and seven of them (962 units) are existing properties that will be renovated and have affordable rents preserved.
There were other milestones as well. In fiscal year 2014 we received a bond rating upgrade from Moody’s Investor Service, from A2 to Aa3. Only three other HFAs received an upgrade from Moody’s in 2014, and MassHousing was the only HFA to receive a two-level upgrade. We became a Ginnie Mae MBS Seller/Service (making us the third HFA to receive such a designation), which will allow us to offer lower-cost borrowing solutions to our rental housing customers. We were approved for the Federal Home Loan Bank of Boston’s Affordable Mortgage Partnership Program, which will provide a gateway to making FHA-insured loans to homebuyers. We received three awards for program excellence from the National Council of State Housing Agencies in the categories of Empowering New Homebuyers, Financial Innovation and Special Achievement (for our efforts to raise awareness of the issue of hoarding by residents of multi-family properties).

This year we wish to draw special attention to our numerous partners and thank them for their commitment to responsible lending for homebuyers and for their dedication to doing the hard work that is necessary to house those members of our society who are underserved by the conventional housing market, especially the elderly, disabled and developmentally challenged. The building and preservation of affordable housing can be difficult, time consuming, and politically unpopular. Yet dozens of non-profit and for-profit developers and owners engage in it with the utmost enthusiasm, and they do it exceptionally well, even though some of them stand to profit far more by concentrating on market-rate and luxury housing. Underwriting home mortgage loans for low- and moderate-income consumers is challenging as well, especially in today’s highly-regulated environment. Yet more than 150 MassHousing-approved lenders do this work day in and day out, their loan officers taking pride in their work to serve borrowers of modest means. Our partners also include contractors, architects, attorneys, Realtors®, homebuyer counseling agencies, community development corporations, property managers, advocates and other government entities, most notably the state Department of Housing and Community Development (DHCD), Massachusetts Housing Partnership (MHP) and the Community Economic Development Assistance Corporation (CEDAC). We salute all of these partners and thank them for their dedication and for their business. Their work fortifies the strands of the web that make up the social service safety net. We also acknowledge the work of the MassHousing professionals, who embody the same spirit of public service and innovation that has been the hallmark of the Agency since its first loans closed in the early 1970s.

We also thank the many investors who buy our bonds as well as other stakeholders for their financial and public support. With nearly a half century of service, MassHousing has a well-established track record of using private investment to meet the public mission of housing people of modest means. MassHousing is a financially strong organization. We are well-positioned to meet the affordable housing needs of the Commonwealth for many years to come.

It is our great honor and privilege to lead this organization and to present this report.

Ronald A. Homer
Chairman

Thomas R. Gleason
Executive Director

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 $17 billion for affordable housing. For more information, visit the MassHousing website at masshousing.com.

The report for the fiscal year ended June 30, 2014 as required by Section 34 of Chapter 708 of the Acts of 1966 as amended, is respectfully submitted to:

His Excellency Charles D. Baker
Governor of the Commonwealth
The Honorable Karen E. Spilka
Chair, Senate Ways and Means Committee
The Honorable Brian S. Dempsey
Chairman, House Ways and Means Committee
Secretary Kristen Lepore
Executive Office for Administration and Finance
Martin J. Benison
Comptroller, Commonwealth of Massachusetts
RESULTS ORIENTED

DRIVEN BY CONTINUED STRONG DEMAND FOR MASSHOUSING’S LOW-DOWNPAYMENT MORTGAGES, ALONG WITH NEWER FEATURES LIKE LOANS WITH NO MORTGAGE INSURANCE OR LENDER-PAID MORTGAGE INSURANCE, MASSHOUSING HAD ITS SECOND-BEST HOMEOWNERSHIP LENDING YEAR EVER. WHILE THE STRONG PRODUCTION — WHICH WAS SECOND ONLY TO LAST YEAR’S RECORD OF MORE THAN $1 BILLION IN HOME MORTGAGE LOANS — WAS THE DOMINANT STORY WE WERE ALSO SUCCESSFUL IN KEEPING BORROWERS IN THEIR HOMES OR HELPING THEM WORK OUT TROUBLED LOANS.

AFFORDABLE LENDING REMAINS STRONG

In fiscal year 2014, MassHousing closed 3,456 loans for $766.5 million to low- and moderate-income borrowers who purchased or refinanced a home. For loans used to purchase a home, the average purchase price was $237,576 and the average loan amount was $225,597. The average borrower income was $75,140.

Our low-downpayment loans, which give borrowers flexible options such as no mortgage insurance premium, or mortgage insurance with MIPlus™ mortgage payment protection, were once again extremely popular, especially as conventional lenders continued to tighten credit standards in the wake of the financial and foreclosure crises of recent years and the subsequent regulatory reforms.

Our lending, which has seen remarkable growth over the last several years, would not be possible were it not for the strong partnerships we have with lenders, real estate professionals and non-profit agencies that work with us to educate borrowers and prepare them for successful homeownership.

MassHousing makes its home mortgage loans through a network of more than 150 community banks and mortgage lenders.

We also partner with more than 50 non-profit agencies across Massachusetts to provide homebuyer education courses. Thirty of them now offer MassHousing’s “The Road Home” online homebuyer counseling course, which was introduced in FY14. MassHousing has long believed that formal homebuyer education is a vital step in the homebuying process, going as far as to make it a requirement to obtain a MassHousing Mortgage. In the past, homebuyer counseling only occurred in scheduled classes; “The Road Home” online option now makes it easier than ever for a buyer to complete the curriculum as their schedule permits.

MassHousing’s Mortgage Insurance Fund (MIF) is also being put to use to help spur affordable lending in non-traditional ways. In addition to insuring MassHousing-financed loans with the Agency’s signature MIPlus™ product, the MIF is being utilized by more and more lenders to insure loans that the lenders fund themselves, but that still meet our affordability criteria. In FY14 we insured 47 of these loans which are valued at $10.6 million.

The Mortgage Insurance Fund introduced a new Lender Paid Mortgage Insurance (LPMI) program that increases borrowers’ buying power and puts the dream of homeownership within reach for more buyers. With LPMI, the lender pays the full mortgage insurance premium for the borrower at the time of closing, which is good for the life of the loan. This cost is offset by a higher interest rate on the mortgage, compared to a loan with Borrower Paid Mortgage Insurance (BPMI). Even with the higher rate, LPMI generally results in a lower monthly payment for the borrower for the first several years of the loan, and still provides the MIPlus™ unemployment benefit protection that pays a borrower’s monthly principal and interest payment for up to six months if they lose their job.

Baez family
REVERE

MassHousing was able to create the new LPMI program in part due to the Mortgage Insurance Fund entering into an agreement in FY14 with an internationally recognized reinsurance brokerage firm that will increase by tenfold the MIF’s capacity. MassHousing created its own Mortgage Insurance Fund in 1988 and to date has insured 24,000 loans for $4.1 billion and currently has $1.6 billion in insurance in force.
Rosario family kids enjoy their new home

Lawrence

Roemmele family kids enjoy their new yard

West Boylston

Baez family

Revere

Rosario family kids enjoy their new home
MEETING OUR PUBLIC LENDING MISSION, ESPECIALLY IN GATEWAY CITIES

In FY14 MassHousing provided loans to low- and moderate-income residents in 258 (74%) of the Commonwealth’s 351 communities. The Agency’s overall loan portfolio includes loans in 347 communities (99%).

Our effort to serve the 26 Gateway Cities and minority borrowers was again strong. In FY14 MassHousing provided 817 loans for $224.1 million to residents living in Gateway Cities, accounting for 23% of our loans. Nine of our top lending communities were Gateway Cities, with Boston being the other. Gateway Cities accounted for 13 of the top 15 communities in the Agency’s servicing portfolio.

MassHousing provided 504 loans for $110.5 million in FY14 to borrowers identified to be minorities, accounting for 14.6% of our loans. Overall, MassHousing provided 1,375 loans for $247 million to borrowers who earned less than 80% of their area median income, accounting for 40% percent of our loans.

Rosario Family
LAWRENCE, MA

Eliezer Rosario’s effort to purchase a two-family home in Lawrence shows how challenging certain homebuying transactions can be. But it also shows the power of partnerships when everyone is committed to a common goal.

Mr. Rosario had obtained a MassHousing Purchase & Rehab loan from Sage Bank to acquire the property and make significant repairs. He was also approved by Sage Bank for $10,000 from the Equity Builder program provided by the Federal Home Loan Bank of Boston.

But while reviewing the appraisal of the dwelling, it was determined that the property needed de-leading. Pilar Naveo from Sage Bank contacted MassHousing Relationship Manager Mounzer Aylouche, who in turn worked to get Mr. Rosario a MassHousing “Get the Lead Out” loan through Frank Carvalho at the non-profit Mill Cities Community Investments based in Lowell.

Mr. Rosario was finally able to close his financing and get to work rehabilitating his new home, which had been a vacant eyesore on his Lawrence neighborhood. “You cannot believe what happened with this house,” said Rosario. “In addition to the financing I got, I put a lot of extra money into the house and now it’s a different home. Everyone in the neighborhood is happy.” Rosario, a bio-medical technician, moved his family into the home after all the improvements were completed.

“I really appreciate what MassHousing did,” he said. “There were three or four times I said it’s no longer possible to be able to buy this home but my real estate agent kept saying to stick with it. MassHousing really worked through several issues that finally allowed me to complete the purchase.”

Pictured with the Rosario family: (top row, beginning second from left) Michael Breda, Sage Bank; Anna Camargo, City of Lawrence; Frank Carvalho, Mill Cities CDC; Bob Ciccarelli, Ciccarelli Homes; and Mounzer Aylouche, MassHousing.
“I thank Sage Bank and Pilar Naveo for helping me to buy my first house and guiding me since day one. Pilar made a correct assessment of my chances by putting me in the MassHousing program. I could feel that I was more than a transaction. I felt respected and valued as a customer. What was a plan and a dream is now a reality. I have my first home.”

– Eliezer Rosario
MassHousing takes pride in not only making affordable loans to low- and moderate-income homebuyers and homeowners, but also in helping these homeowners stay in their homes for the long term. Our loan portfolio stands at its largest number ever, and our customer service staff works closely with borrowers at the first sign of difficulty in making their monthly payment. We believe this is one of our most distinguishing features as a lender, and it’s a big part of why our delinquency and foreclosure rates consistently beat industry averages.

At the close of FY14, MassHousing’s mortgage portfolio stood at its highest level in history with 21,585 loans totaling $3.59 billion. The portfolio grew by 1,631 loans ($415 million), an 8% increase in loan count and a 13% increase in outstanding loan amount. The overall growth of the portfolio in FY14 is the second-largest in Agency history.

We now service 99% of our loans (the remaining few are serviced by partner lenders) and our staff was once again able to keep more troubled borrowers in their homes who had suffered the negative impact of the Great Recession. With the continued use of our Streamlined Modification Program, MassHousing realized a 42% increase in modified loans over the previous year. In FY14, the Agency closed out 332 work-outs of which 270 were modifications that kept borrowers in their homes. Since the start of the foreclosure crisis in 2009, MassHousing has been able to work out 1,298 troubled loans.

The work by the HomeOwnership Retention staff resulted in MassHousing’s foreclosure ratio of 0.41%, which was 62% lower than the state-wide ratio of 1.07% for the Conventional, Prime, Fixed-rate Portfolio (CPFR). By comparison, the foreclosure rate for FHA loans in Massachusetts in FY14 was 1.94%.
As we are not a direct lender, MassHousing relies on more than 150 partner lenders who originate our loans. One of those valued partners is Mortgage Network, Inc., one of the largest independent mortgage companies headquartered on the East Coast. Mortgage Network was one of MassHousing’s top lenders in FY14 and closed 233 MassHousing-financed loans for $51.4 million in financing.

Partner Profile
MORTGAGE NETWORK

“I believe our partnership provides us the opportunity to deliver the best affordable mortgage products to first-time borrowers. We look forward to another strong year with MassHousing.”

— Robert McInnes, President and co-founder of Mortgage Network
The Chelsea Restoration Corporation has been partnering with MassHousing for more than 20 years and has provided homebuyer education to approximately 7,000 Massachusetts residents. Most recently, CRC began offering MassHousing’s “The Road Home” online education course and more than 80 people completed the course in FY14. They will soon be offering the course in Spanish as well.

“We do believe it is extremely important to get an education, especially the first-time homebuyer and MassHousing is a great partner by coming in to do (education) workshops and providing materials, especially in other languages,” said CRC Assistant Director Marilyn Garcia.

In addition to homebuyer education, CRC provides a host of services in collaboration with MassHousing including: homeowner retention courses; trainings for bankers, attorneys, real estate professionals, municipal officials and other non-profit agencies; downpayment assistance programs; and home rehabilitation programs.

“Homeowner retention is very important to us,” said Garcia. “It’s very important that we keep people in their homes and help them avoid foreclosure. Things are getting better but we had to help a lot of owners stay in their homes.”

CRC additionally has partnered with several communities and the Attorney General’s receivership program to claim foreclosed and abandoned properties and rehabilitate them for new homeowners.

“It is very satisfying helping people with homeownership; what we are seeing now is the first-time homebuyers are very eager to learn. They have excellent questions and they want to learn as much as we want to teach them.”

—Marilyn Garcia
CUSTOMER FOCUSED
“It’s great, the kids love it. They have their own yard and place to play and we are very happy with how everything worked out. I didn’t think it was ever possible to own our own home. MassHousing made the process easy.”  —Jose Baez
Jose Baez had heard a lot of negative things about getting a home mortgage but his experience getting a MassHousing Mortgage through Leader Bank was nothing but positive. “It went fine, really,” he said. “There were no issues. I thought it was going to be difficult from what I heard other people say but I didn’t really experience that.”

Mr. Baez, an electrician, is a first-time homebuyer and purchased a single family home in Revere using a MassHousing Mortgage with no mortgage insurance premium and a 3% downpayment. He got his MassHousing loan through Kristin Callahan, a senior loan officer at Leader Bank.

Jose is engaged and has two young daughters. Previously, they lived in a basement apartment in a neighboring community but his family is excited to be living in their own spacious home with a yard complete with a white picket fence. “They love it. They have their own yard and we are very happy with how it worked out. I didn’t think it was ever in our own home. MassHousing made it easy.” —Jose Baez
Roemmele Family
WEST BOYLSTON, MA

Partners: Coldwell Banker Residential Brokerage, Salem Five Mortgage, Department of Housing and Community Development, Fannie Mae

Tom and Heidi Roemmele found a nice home on a quiet street in West Boylston. Their real estate agent, Vanessa Epro, from Coldwell Banker Residential Brokerage in Leominster, put them in touch with Jacqui Keogh, a vice president and senior loan officer at Salem Five Mortgage. Jacqui recommended a MassHousing Mortgage and soon Tom and Heidi were moving quickly through the homebuying process.

Then, as can sometimes happen, the process slowed. There was a deed restriction on the home. Numerous parties would need to review it before the sale could continue. “We were worried we wouldn’t be able to buy the house and then worried we might have to go find another apartment,” said Tom.

MassHousing worked with the state Department of Housing and Community Development and Fannie Mae to get the deed rider approved and the Roemmeles were able to close on their home only a few days later than originally planned.

“We’re very thankful that the right people got involved and that they cared so much about a single loan,” said Tom. “Everyone was fantastic. It went far beyond the normal homebuying process.”

“The kids love it. We were able to get a cat because we are out of the apartment. They love the schools and they can ride their bikes on the street because we live in a quiet neighborhood. We are all very happy to be in our own house.”

—Tom Roemmele
This graph shows the annual financing amounts, by loan type, from MassHousing for every year since the Agency made its first loan in 1970. Over that time, MassHousing has provided more than $17 billion, with 60% provided between fiscal years 2002 and 2015.
TOTAL MASSHOUSING LENDING
each year since Agency's founding

This graph illustrates the total amount of financing provided by MassHousing in every fiscal year since we began lending in 1970. Note that Home Ownership lending did not begin until 1979. Total MassHousing financing is more than $17 billion over 44 years.
Innovation, cooperation and evolution drove forward MassHousing’s multifamily lending and management business in FY 2014, and laid the foundation for a variety of new programs, processes and partnerships in the years ahead.

On the rental housing side of our business, we closed $208.5 million in loans. Of that, $174.5 million came from the sale of MassHousing bonds and was lent to owners of 16 existing rental apartment communities with 2,045 units to renovate the properties and extend affordability for the residents, and one developer to build 27 new units. The remaining $33.9 million came from the Affordable Housing Trust Fund (AHTF), which is funded by the Commonwealth of Massachusetts and administered by MassHousing. Those AHTF funds will support 30 rental housing developments with 2,011 units. Twenty-three of those developments (1,049 units) are new construction and seven of them (962 units) are existing properties that will be renovated and have affordable rents preserved.

Developments ranged in size from 10 units (North Bellingham Veterans Home in Chelsea) to 500 units (Colonial Estates in Springfield). Rental housing loans ranged in size from $556,546 for the Brayton Hill Apartments in North Adams to $33 million to preserve the affordable Historic South End Apartments in the South End of Boston. Rental properties that received loans from MassHousing in FY 2014 are located in Amherst, Barnstable, Boston, Brockton, Cambridge, Chelsea, Easthampton, Fall River, Lawrence, Lowell, Ludlow, Lynn, Marion, Middleborough, North Adams, Norton, Pittsfield, Revere, Springfield, Stow, Sudbury, Wareham, Webster, Westford and Winthrop.

Preservation transactions involved preserving affordable rents for a minimum of 20 years and in one case—Beacon House on Boston’s Beacon Hill—affordability will be maintained in perpetuity.

“The housing market has rebounded strongly in Massachusetts and as a result, a growing number of families in the Commonwealth are increasingly rent-burdened,” noted Timothy Sullivan, MassHousing’s Deputy Director. “We applaud the many for-profit and non-profit developers that are working to meet this need and who have borrowed from MassHousing in order to increase and preserve our stock of affordable apartments.”

“We love it, we were able to get a cat and they can ride their bikes on the cause we live in a quiet neighborhood. I very happy to be in our own house.”

—Tom Roemmele
With half of MassHousing’s multifamily loan portfolio set to mature or be eligible to prepay in the next decade, preservation remains the focus of our rental lending. Thankfully, MassHousing now has a new tool to help keep existing developments affordable for the long term.

“Our challenge has been that we didn’t have a competitive mortgage refinancing product to effectively retain this portfolio and preserve affordability,” said MassHousing’s Acting Director of Rental Operations Sergio Ferrera. “We realized that as the loan got closer to maturity, it became harder and harder to convince borrowers to refinance with MassHousing.”

The Agency’s approval as a Ginnie Mae seller/servicer, along with our status as a HUD-approved Multifamily Accelerated Processing (MAP) program lender, will allow MassHousing to offer competitive rates and terms to owners of multifamily developments whose loans are nearing maturity, and could therefore convert to market rents. MassHousing is one of only three housing finance agencies across the country to receive Ginnie Mae approval.

In order to move swiftly into this lending space and handle the expected borrower demand, MassHousing has partnered with two lenders to help guide us through the process: CBRE and Rockport Mortgage. CBRE is one of the largest multifamily GSE lenders in the country. Rockport Mortgage is one of MAP’s consistent top producers with exceptionally strong expertise in New England. These MAP lender partners will process loans and then assign them at closing to MassHousing, who will be mortgagee of record and loan servicer.

**MAP/Ginnie Mae Lending: Better Options for Property Owners**

**Partners:** CBRE, Rockport Mortgage
Developed by Princeton Properties under the state’s affordable housing law, Chapter 40B, the new 200-unit Princeton Westford was made possible in large part through a first-of-its-kind financing partnership between MassHousing and the Massachusetts Housing Partnership (MHP). MassHousing issued variable rate, tax-exempt bonds to fund the loan, while MHP utilized its existing banking relationships to arrange for credit enhancement and liquidity for the loan throughout its term. MHP will act as the loan servicer, and both agencies will share the risk.

“This has been an innovative and collaborative effort and we are excited to do more of these,” said MHP Managing Director Mark Curtiss. “This is exciting for this region to have such a high quality development. More rental housing is sorely needed and this will help our local economy moving forward.”

Princeton Westford is comprised of 48 one-bedroom units and 152 two-bedroom units housed in five four-story buildings. Forty of the units will remain affordable for eligible tenants. Princeton Properties President Andrew Chaban said the permitting and development process was long and arduous but in the end the developer and the town were able to work together to make Princeton Westford a reality.

“When you involve 40B you expect sparks to fly and it takes careful planning to make it possible. Westford assisted us until we got to yes.”

–Princeton Properties President
Andrew Chaban

“New Production Profile
PRINCETON WESTFORD

Developed by Princeton Properties under the state’s affordable housing law, Chapter 40B, the new 200-unit Princeton Westford was made possible in large part through a first-of-its-kind financing partnership between MassHousing and the Massachusetts Housing Partnership (MHP). MassHousing issued variable rate, tax-exempt bonds to fund the loan, while MHP utilized its existing banking relationships to arrange for credit enhancement and liquidity for the loan throughout its term. MHP will act as the loan servicer, and both agencies will share the risk.

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“When you involve 40B you expect sparks to fly and it takes careful planning to make it possible. Westford assisted us until we got to yes.”

“This is very replicable,” added MassHousing Deputy Director Tim Sullivan. “This is a partnership we hope to repeat, particularly for new production.”
River Place Towers is a 448-unit affordable rental community built in 1973-74 and originally financed by MassHousing through Section 13A, a state rental development program that provided subsidies to reduce a property owner’s interest rate on multifamily financing to 1%. In 2004, the Commonwealth began reducing its funding of 13A subsidies and stopped funding the program altogether in 2009. MassHousing committed to absorbing 13A expenses through the 2020 fiscal year.

Mortgages for 46 13A developments will mature between 2014 and 2020, placing affordability at risk for thousands of residents across the Commonwealth.

River Place Towers could serve as a model for preserving the affordability of 13A developments. Princeton Properties of Lowell used $16.1 million in construction and permanent financing from MassHousing—as well as $8.7 million in Low Income Housing Tax Credits from DHCD—to acquire and improve the development. All 448 units will remain affordable for 40 years.
River Place Towers is a 448-unit affordable rental community built in 1973-74 and originally financed by MassHousing through Section 13A, a state rental development program that provided subsidies to reduce a property owner’s interest rate on multifamily financing to 1%. In 2004, the Commonwealth began reducing its funding of 13A subsidies and stopped funding the program altogether in 2009. MassHousing committed to absorbing 13A expenses through the 2020 fiscal year.

Mortgages for 46 13A developments will mature between 2014 and 2020, placing affordability at risk for thousands of residents across the Commonwealth.

River Place Towers could serve as a model for preserving the affordability of 13A developments. Princeton Properties of Lowell used $16.1 million in construction and permanent financing from MassHousing—as well as $8.7 million in Low Income Housing Tax Credits from DHCD—to acquire and improve the development. All 448 units will remain affordable for 40 years.

The Affordable Housing Trust Fund (AHTF) supports private housing projects that involve the acquisition, construction or preservation of affordable rental, for-sale and mixed-use developments. MassHousing manages the AHTF on behalf of the Massachusetts Department of Housing and Community Development.

AFFORDABLE HOUSING TRUST FUND
LOANS CLOSED IN FISCAL YEAR 2014

<table>
<thead>
<tr>
<th>Location</th>
<th>Project Description</th>
<th>Amount</th>
<th>Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>525 Beach, Revere</td>
<td>$1,000,000 to The Neighborhood Developers for 30 rental units</td>
<td></td>
<td>Chapman Arms, Cambridge</td>
</tr>
<tr>
<td>108 Newbury Street, Lawrence</td>
<td>$900,000 to Lawrence Community Works for 18 rental units</td>
<td></td>
<td>CHOICE Veterans Housing, Watford</td>
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<tr>
<td>S25 Beach, Revere</td>
<td>$1,000,000 to The Neighborhood Developers for 30 rental units</td>
<td></td>
<td>Colossal Arms, Stafford</td>
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<tr>
<td>Colonial Estates, Springfield</td>
<td>$2,000,000 to Beacon Communities for 500 rental units</td>
<td></td>
<td>Cottage Square Apartments, Easthampton</td>
</tr>
<tr>
<td>Copley at Sudbury, Sudbury</td>
<td>$1,000,000 to Beverley Housing New England for 64 rental units</td>
<td></td>
<td>Country Square Apartments, Westport</td>
</tr>
<tr>
<td>Coolidge at Sudbury, Sudbury</td>
<td>$1,000,000 to Beverly Housing New England for 64 rental units</td>
<td></td>
<td>Country Square Apartments, Westport</td>
</tr>
<tr>
<td>Cottage Square Apartments, Easthampton</td>
<td>$1,050,000 to Arch Street Development LLC for 50 rental units</td>
<td></td>
<td>Country Square Apartments, Westport</td>
</tr>
<tr>
<td>Counting House Lofts, Lowell</td>
<td>$1,000,000 to Win Development for 52 rental units</td>
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<td>Counting House Lofts, Lowell</td>
</tr>
<tr>
<td>Jackson Commons – LIHTC (Unit One), Boston (Roxbury)</td>
<td>$616,000 to Urban Edge Housing Corporation for 29 rental units</td>
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<td>Jackson Commons – LIHTC (Unit One), Boston (Roxbury)</td>
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<tr>
<td>Jackson Commons – NMAC (Unit Two), Boston (Roxbury)</td>
<td>$712,764 to Urban Edge Housing Corporation for 8 rental units</td>
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<td>Jackson Commons – NMAC (Unit Two), Boston (Roxbury)</td>
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<tr>
<td>Marion Village Estates, Marion</td>
<td>$1,000,000 to Baywatch Realty Trust for 60 rental units</td>
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<td>Marion Village Estates, Marion</td>
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<tr>
<td>Middlebury Arms, Middleborough</td>
<td>$1,300,000 to Affordable Housing and Services Collaborative, Inc. to preserve 64 rental units</td>
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<td>Middlebury Arms, Middleborough</td>
</tr>
<tr>
<td>North Bellingham Veterans Home, Chelsea</td>
<td>$1,000,000 to The Neighborhood Developers, Inc. for 10 rental units</td>
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<td>North Bellingham Veterans Home, Chelsea</td>
</tr>
<tr>
<td>Northampton Tower, Boston (Roxbury)</td>
<td>$2,500,000 to Trinity Financial, Inc. to preserve 245 rental units</td>
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<td>Northampton Tower, Boston (Roxbury)</td>
</tr>
<tr>
<td>Old Colony Phase Two C, Boston (South Boston)</td>
<td>$1,000,000 to Beacon Communities Services LLC for 40 rental units</td>
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<td>Old Colony Phase Two C, Boston (South Boston)</td>
</tr>
<tr>
<td>Olympia Oaks, Amherst</td>
<td>$1,000,000 to HAP, Inc. for 42 rental units</td>
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<td>Olympia Oaks, Amherst</td>
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<tr>
<td>Outing Park Apartments 2, Springfield</td>
<td>$2,000,000 to First Resource Development Company LLC to preserve 94 rental units</td>
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<td>Outing Park Apartments 2, Springfield</td>
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<tr>
<td>Parcel 24, Boston (Charlestown)</td>
<td>$2,000,000 to Asian Community Development Corporation (c/o New Boston Development Partners) for 95 rental units</td>
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<td>Parcel 24, Boston (Charlestown)</td>
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<tr>
<td>Pilot Grove Apartments 2, Stow</td>
<td>$710,000 to Stow Community Housing Corporation for 30 rental units</td>
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<td>Pilot Grove Apartments 2, Stow</td>
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<tr>
<td>Residences at Center and Main Phase 1A, Brockton</td>
<td>$50,000 to Trinity Financial, Inc. for 71 rental units</td>
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<td>Residences at Center and Main Phase 1A, Brockton</td>
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<tr>
<td>Winslow Apartments, Winthrop</td>
<td>$1,000,000 to Chelsea Jewish Foundation/Affirmative Investment for 40 rental units for the elderly</td>
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<td>Winslow Apartments, Winthrop</td>
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<tr>
<td>Zavala Place, Chelsea</td>
<td>$1,000,000 to Planning Office for Urban Affairs, Inc. for 33 rental units</td>
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<td>Zavala Place, Chelsea</td>
</tr>
<tr>
<td>Zavala Place, South Boston</td>
<td>$2,500,000 to Beacon Communities Services LLC for 40 rental units</td>
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<td>Zavala Place, South Boston</td>
</tr>
<tr>
<td>Zavala Place, West Boston</td>
<td>$1,000,000 to Housing Assistance Corporation for 40 rental units</td>
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<td>Zavala Place, West Boston</td>
</tr>
<tr>
<td>Zavala Place, Worcester</td>
<td>$1,000,000 to Beacon Communities Services LLC for 40 rental units</td>
<td></td>
<td>Zavala Place, Worcester</td>
</tr>
<tr>
<td>Zavala Place,1A</td>
<td>$1,000,000 to Beacon Communities Services LLC for 40 rental units</td>
<td></td>
<td>Zavala Place,1A</td>
</tr>
</tbody>
</table>
MassHousing’s Design and Construction Services Department provides insight and oversight for all rental projects in our portfolio. For developments entering the Agency’s portfolio or refinancing, Design and Construction conducts and reviews a capital needs assessment to identify needed repairs, improvements and upgrades, and works with the developer, architect and general contractor to implement changes. Design and Construction also works with Rental Management staff as needed to ensure the physical health of MassHousing communities.

For Diane Georgopoulos, MassHousing’s Design and Construction Manager, the experience and expertise of Agency staff and our relationships with architects and contractors yield “better design and better, more livable outcomes.”

Preservation Profile
HISTORIC SOUTH END APARTMENTS

The Community Builders used $33 million in MassHousing financing to improve and preserve the affordability of the 146 units at the Historic South End Apartments, which combines three existing properties into one scattered-site development. Two—the 83-unit Dartmouth Apartments and 31-unit Project III—were owned by TCB, which acquired the 32-unit Ebenezer Homes as part of the transaction. Affordability will remain in place for all 146 units for an additional 20 years.

“The Community Builders has been part of Boston’s South End for nearly 50 years. We are pleased to partner with MassHousing on our newest investment in the neighborhood,” said TCB President and CEO Bart Mitchell. “Residents of the Historic South End Apartments will enjoy continued affordability, along with new systems to make their homes safer and more comfortable.”

TCB and general contractor CWC Builders will implement building envelope improvements; some roof replacement; upgrades to HVAC, plumbing, electrical, fire alarm and sprinkler systems; improvements to kitchens, bathrooms and common areas; and energy efficiency upgrades such as insulated windows, high efficiency boilers and heating equipment, water conserving fixtures and increased insulation.

A national developer based in Boston, TCB has fast become one of MassHousing’s strongest multifamily partners. Since FY 2009, MassHousing and TCB have closed $198.3 million in financing at eight developments with 1,126 units. MassHousing and TCB are already working on another ‘historic’ property, which will convert an abandoned factory in downtown Worcester into 94 affordable apartments.

Pictured: Bruce Polishook, President, CWC Builders, Inc. (left) and Clifford J. Boehmer, Principal, Davis Square Architects
Far right: one of the Historic South End Apartment buildings
Construction is underway at the Worcester Loomworks where a vacant, blighted factory building is being converted into 94 new affordable apartments for families in Worcester’s Main South neighborhood.

The Worcester Loomworks is being developed in two phases by The Community Builders (TCB) of Boston with a total development cost of $27 million. MassHousing is providing (in fiscal year 2015) approximately $17 million in financing for the project.

Located on a 1.7-acre site at 93 Grand St. in the Main South neighborhood near Clark University, TCB purchased the five-building property from the Main South Community Development Corporation and will demolish three unusable portions of the mill and redevelop the property into a 94-unit apartment community.

"The Community Builders is proud to deepen our long-time commitment to the City of Worcester with the redevelopment of the Loomworks site," said Bart Mitchell, TCB president and CEO. "Worcester Loomworks will provide quality affordable housing for dozens of families and bring good construction jobs to the area."
RENTAL

From owner to manager to lender, a strong team is also making Middlebury Arms in Middleborough better than new.

Built in 1974, Middlebury Arms experienced structural problems from the onset. In the early 1980s, MassHousing asked Peabody Properties to take over operations and lead the 64-unit property through a number of complicated issues.

In FY14, Affordable Housing and Services Collaborative, Inc. (AHSC)—which has partnered with Peabody Properties to rehabilitate 15 affordable housing communities with 1,224 units—used $10.5 million in MassHousing financing (including $1.3 million from the Affordable Housing Trust Fund and nearly $4 million from the Priority Development Fund) to acquire and renovate Middlebury Arms. MassHousing also forgave $5 million in arrearage debt to help make the transaction possible.

“We are fortunate to have a fantastic team working together on this project and we look forward to preserving the property’s affordability, as well as the quality of life for the residents for many years ahead,” said AHSC Executive Director Michael Mattos.

Renovations will include the replacement of roofs, exterior siding, windows and HVAC, plumbing and life-safety systems as well as the repair of balconies. Common areas and individual units will be refurbished and appliances replaced. Accessibility upgrades will bring the property into full ADA compliance.

Preservation Profile
MIDDLEBURY ARMS

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Partners: Affordable Housing and Services Collaborative, Peabody Properties
At the close of FY14, MassHousing was responsible for a rental portfolio of 902 developments with 97,749 units. Of these, 507 developments with 61,893 units had a total outstanding debt of $3.3 billion. MassHousing provides oversight to the remaining 395 developments with 35,856 units, ensuring their physical and financial well-being.

MassHousing’s ongoing relationships with property owners and managers are central to multifamily housing that is healthy and successful over the long term. In FY14, the Agency initiated a number of new initiatives aimed at improving those relationships, fostering collaboration, and becoming more responsive to the needs of our multifamily partners.

“We’ve been very successful in transforming our relationships with these companies,” said Director of Rental Management Henry Mukasa, who noted that as the affordable housing landscape has changed both locally and nationally, so too have the expectations of multifamily partners.

Mukasa believes our multifamily partners will now find a MassHousing that is more flexible and less bureaucratic, more collaborative and less isolated. A survey of management company staff showed high (74%) overall satisfaction with MassHousing, and reflected the Agency’s renewed focus on responsiveness.

To that end, Rental Management re-organized; established a training program to improve consistency among its own staff; revised the audit review process; overhauled replacement reserve processing; and developed a new property inspection form.
Many of the recent and upcoming changes in Rental Management were a result of two statewide “Listening Tours” hosted by MassHousing during the 2014 fiscal year. Held in Boston, Lynn, Fairhaven, Springfield and Worcester, the Listening Tours invited management company staff to ask questions of and share issues, concerns and suggestions with the Agency.

“My questions were addressed in a very honest and professional manner with much clarification,” said Kristin Pine, Director of Education and Training at Peabody Properties. “Walking out of the Listening Tour, I felt that MassHousing is looking to partner with management companies to help better our affordable housing communities.”

Attendance increased nearly 30% from the first to the second round of listening tours, where half of all MassHousing developments were represented. Rental Management has committed to hosting two Listening Tours each year.

To MassHousing’s Manager of Portfolio Management Anne Marie MacPherson, the Listening Tours and the fact that many suggestions were put into practice, illustrate how MassHousing differs from other lenders.

“We are a lender who stands with you,” she said. “We are a lender who listens, who is able to adapt to changes in the environment, who is able to work with management companies as partners.”

“Walking out of the Listening Tour, I felt that MassHousing is looking to partner with management companies to help better our affordable housing communities.”

–Kristin Pine, Director of Education and Training at Peabody Properties
“Walking out of the Listening Tour, I felt that MassHousing is looking to partner with management companies to help better our affordable housing communities.”

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In fiscal year 2014 MassHousing closed loans for $16.6 million to Rogerson Communities to make renovations to Beacon House, a 135-unit building for seniors in Boston’s high-cost Beacon Hill neighborhood. Peter Strickman has lived in the building since it first became affordable housing in the 1980s. He praises the “tremendous and incomparable staff” that helped to create a “calm, peaceful and congenial community” for him and his fellow residents. Rogerson Communities, MassHousing and the City of Boston negotiated an agreement that will keep the units in Beacon House affordable in perpetuity for lower-income seniors.

Resident Profile
PETER STRICKMAN, BEACON HOUSE, BOSTON

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COMMUNITY SERVICES GROUP TACKLES ISSUES FACING HOUSING

Through our Community Services Department, MassHousing is also able to help address a number of issues facing rental communities, and to equip management, staff and residents to succeed.

“Community Services works hard to be a valuable resource for all sites within our portfolio,” said Manager of Community Services Tom Lyons. “We look at our work as changing the quality of life for the residents.”

In FY14, 88 management companies enrolled 482 developments with nearly 55,000 units in TAP, the Tenant Assistance Program, which offers access to trainings for site staff, on-site programs for residents, and access to mediation and dispute resolution services. The 35 management trainings offered through TAP drew 1,041 attendees; 814 resident programs attracted 20,248 attendees. Ninety-five sites received dispute resolution services (mediation, facilitation, consultation or workshops).

Community Services oversees several other initiatives that drive forward the Agency’s mission. The Tenancy Preservation Program works with the Housing Courts, state agencies, housing authorities and others to help prevent homelessness among people with disabilities. TPP has been recognized on the state and national level for its effectiveness. The Youth Resident Activities Program or Youth RAP began in 1991 at seven Boston developments to address the lack of resources for young residents of MassHousing rental communities. The program is now offered statewide and year-round, providing educational support; recreational activities; programs that promote youth leadership, self-esteem and respect; violence prevention/dispute resolution; and part-time or summer jobs. Nearly 88% of Youth RAP participants come from households with very low incomes.

MassHousing also supports a number of community-based initiatives in and around our rental developments that promote academic and physical fitness. We partner with universities, schools, nonprofits, resident groups and other organizations to increase opportunities for community residents, and to foster a more positive environment.
PROBLEM SOLVERS

MASSHOUSING CONTINUES LEADERSHIP ON HOARDING

Each year, Community Services brings together housing and social service professionals to address a specific issue facing affordable rental housing in a single-day conference. Seven years after hosting the first statewide event on the topic, MassHousing once again took up the issue of hoarding.

 Appropriately enough, the conference was hosted in partnership with the Massachusetts Statewide Steering Committee on Hoarding, which was a product of the first hoarding conference in 2007. Local and national experts on hoarding drew more than 500 attendees to the event, titled “Using a Team Approach to Address Hoarding.”

“MassHousing and Massachusetts are national leaders in the effort to reach and respond in novel ways to the broad and pressing needs of people who hoard,” said Dr. Michael Tompkins, who presented at the conference. “The attendees had a far greater understanding of hoarding than attendees at other similar conferences in the United States and this is a testament to the extraordinary work MassHousing has done in the field.”

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–Dr. Michael Tompkins

Pictured at left: Hoarding conference attendees
Pictured below: Dr. Michael Tompkins
RENTAL HOUSING FINANCED BY
MASSHOUSING IN FISCAL YEAR 2014

Beacon House
BOSTON (Beacon Hill)
Loan Amount: $16.6 million
Borrower/Developer: Rogerson Communities
Management Agent: Rogerson Communities
Total Units: 135

Without the commitment of the new owner (an affiliate of Rogerson Communities), the City of Boston and MassHousing, this rare 135-unit affordable housing for seniors and disabled residents on Beacon Hill might have converted to market rents. Instead, affordability will continue in perpetuity. The property was originally financed by MassHousing in 1983 and the loan matured in October 2013. The owner has renewed the 20-year Section 8 contract for 85 apartments occupied by low-income seniors and 32 apartments are regulated by the Boston Redevelopment Authority and rented to individuals with low and moderate incomes. The remaining 18 apartments are subject to a long-term lease with Massachusetts General Hospital (MGH) for use by out-of-town patients and visitors. The property is located at 19 Myrtle St. and is comprised of 126 studio apartments and 9 one-bedroom apartments. The owner provides free office space to Beacon Hill Village, a service provider that assists seniors with living independently. MGH operates a community-based health promotion program and Kit Clark Senior Services runs a meals program out of the property for the Beacon Hill community. Other financial support came from the City of Boston and the Boston Redevelopment Authority.

BHP Codman Square Apartments
BOSTON (Dorchester)
Loan Amount: $10.5 million
Borrower/Developer: New Codman Square Apartments LLC
Management Agent: Winn Residential
Total Units: 80

An affiliate of Codman Square Neighborhood Development Corporation is the developer for this 80-unit scattered site housing redevelopment for low-income families that has been renovated and affordability preserved. CSNDC acquired it as part of a Boston Housing Partnership program known as BHP-1, a collaboration between the Metropolitan Boston Housing Partnership and local community development corporations that provided the opportunity to have undeveloped and/or vacant properties redeveloped by local sponsors. Previous financing from MassHousing prevented foreclosure by a prior lender. Additional financing was provided by the state Department of Housing and Community Development and the City of Boston.

LBB Housing (formerly known as BHP Lena Park)
BOSTON (Mattapan)
Loan Amount: $12.4 million
Borrower/Developer: Urban Edge Housing Corp. and Lena Park CDC
Management Agent: Winn Residential
Total Units: 101

An affiliate of the Lena Park Community Development Corporation received $12.4 million in MassHousing financing for the rehabilitation of LBB Housing, a 101 unit scattered site housing development for low-income households. Previous financing from MassHousing prevented foreclosure by a prior lender. The properties have been renovated and affordability preserved for forty years. Other financing came from the state Department of Housing and Community Development and the City of Boston.
Brayton Hill Apartments
NORTH ADAMS
Loan Amount: $556,546
Borrower/Developer: HallKeen
Management Agent: HallKeen Management
Total Units: 100

This 100-unit family development received a MassHousing loan of $556,546 to prepay an existing loan which facilitated participation in the HUD Rental Assistance Demonstration (RAD) Program.

Central Annex Apartments
PITTSFIELD
Loan Amount: $8,933,000
Borrower/Developer: Preservation of Affordable Housing Inc. (POAH)
Management Agent: Preservation Housing Management, LLC
Total Units: 101

The developer has renewed the Section 8 contract on all 101 apartments, which will keep them affordable for at least the next 20 years. POAH is also making substantial renovations to the property, including upgrades to plumbing, HVAC and fire safety systems, as well as kitchens, bathrooms and elevators. The property will also receive a new roof and limited masonry repointing. Other financing was provided by the Affordable Housing Trust Fund and equity from the sale of Low-Income Housing Tax Credits provided by DHCD.

Dalrymple School
WINTHROP
Loan Amount: $6,000,000
Borrower/Developer: Dalrymple School Apartments LP (an affiliate of the East Boston Community Development Corp.)
Management Agent: Metro Management
Total Units: 27

The former Dalrymple School is being redeveloped into 27 new affordable units for seniors by an affiliate of the East Boston Community Development Corporation. It is being built in accordance with Enterprise Green Building Criteria and HUD’s Energy Start Homes Program and will remain affordable for at least 55 years. The project is also receiving funding from HUD’s Section 202 Supportive Housing for the Elderly Program, the Town of Winthrop and equity from the sale of Historic and Low-Income Housing Tax Credits.

Historic South End Apartments
BOSTON (South End)
Loan Amount: $33,000,000
Borrower/Developer: The Community Builders, Inc.
Management Agent: The Community Builders, Inc.
Total Units: 146

The largest transaction of the fiscal year will preserve 146 rental units of existing Section 8 assisted housing by combining two TCB-owned properties, Dartmouth Apartments and Project III, with the acquisition of Ebenezer Homes into a single new scattered-site development. TCB is recapitalizing the properties and undertaking a comprehensive rehabilitation of the buildings, the scope of which will include improvements to kitchens, baths and new life safety systems; significant energy efficiency upgrades to heating systems and building envelopes; and improved accessibility features. The redevelopment plan will entail tenant-in-place rehab of all 29 historic South End row house buildings. The units will remain affordable for 20 years of the mortgage. Other sources include equity proceeds from the sale of federal historic and Low-Income Housing Tax Credits.
Kings Landing
BREWTHER
Loan Amount: $10,105,000
Borrower/Developer: Preservation of Affordable Housing LLC (POAH)
Management Agent: Preservation Housing Management
Total Units: 108

Built in 1975, Kings Landing is a 108-unit family apartment community with 26 one-bedroom units, 66 two-bedroom units, 12 three-bedroom units and 4 four-bedroom units. The units will now remain affordable for at least 40 years as a result of this refinancing transaction. Renovations included new windows and glass sliders, rebuilt balconies, decks and railings, improvements to all bathrooms, painting and new carpets in common areas and some floor replacement. There were also mechanical, electrical and lighting system upgrades and the septic system will be replaced with a new wastewater treatment plant to bring the property into compliance with the state Department of Environmental Protection's requirements. Other funding was provided by HUD, DHCD, CEDAC and the Housing Assistance Corporation (HAC).

Leisure Tower
LYNN
Loan Amount: $18,135,000
Borrower/Developer: Silver Street Development Corporation
Management Agent: Housing Management Resources
Total Units: 181 units

First built in 1972, Leisure Tower, with 181 units for seniors, was refinanced through MassHousing’s Section 8 Proactive Preservation Program, which seeks to extend affordability at developments where Section 8 Housing Assistance Payment (HAP) contracts are due to expire. As a condition of the loan, the owner will seek to extend for 20 years the HAP contract and the affordability at Leisure Tower when the current HAP contract expires in 2018. Improvements will include the installation of high-efficiency boilers and an energy-efficient cogeneration system, as well as apartment and common area floor replacement and painting and elevator upgrades.

Mary Colbert Apartments
BOSTON (Charlestown)
Loan Amount: $3,290,000
Borrower/Developer: Charlestown Economic Development Corporation
Management Agent: Barkan Management Company
Total Units: 30

Low-income senior citizens living at the 30-unit Mary Colbert Apartments in Charlestown will see major improvements to the property as a result of this $3.2 million MassHousing construction and permanent loan. Located at 20 Devens St. in Charlestown, the building was constructed in the 1870s and operated as a school until the 1970s. It was converted to senior housing in 1982 as a HUD Section 202 assisted development and all 30 units are subsidized by a HUD Section 8 Housing Assistance Payment Contract that runs through 2032. Renovations planned for the property include repair of exterior brick walls, replacement of the original slate roof and windows, installation of new electrical breaker panels and ADA improvements to a common kitchen and laundry area.
Residents of the 64-unit Middlebury Arms apartment community in Middleborough will see major renovations to the property. Originally constructed in 1974 at 89 East Grove St., the property has 16 one-bedroom units, 40 two-bedroom units and 8 three-bedroom units in four, wood-frame buildings. Middlebury Arms was acquired by Affordable Housing and Services Collaborative, Inc. (AHSC) which will undertake a substantial rehabilitation of the distressed property and preserve affordability for residents there. Renovations will include the replacement of roofs and HVAC, plumbing and life-safety systems, exterior siding, windows and balcony repairs, refurbished common areas and apartments and the replacement of appliances. Accessibility upgrades will bring the property into full ADA compliance. The project also received $1.3 million from the Affordable Housing Trust Fund and $3.9 million from MassHousing’s Priority Development Fund.

Norton Glen
NORTON
Loan Amount: $2,600,000 (mortgage increase)
Borrower/Developer: PRI Norton Glen, LLC (Rhode Island Homes, Inc.)
Management Agent: Wingate Management
Total Units: 150

This tax-exempt permanent loan was made in addition to a $16.3 million acquisition and rehabilitation loan that closed in 2010. Proceeds from this mortgage increase loan were used to repay the seller-financed acquisition note and to fund transaction costs. The loan in 2014 was part of a large multi-property transaction whereby Rhode Island Homes purchased affordable housing developments that were sold by the previous owner, Equity Residential. All of the properties were preserved as affordable housing and rehabilitated as needed.

Rita Hall
LAWRENCE
Loan Amount: $6,535,828
Borrower/Developer: Peabody Properties, Inc.
Management Agent: Peabody Properties, Inc.
Total Units: 90

Rita Hall was built at 490 Hampshire St. in 1976 and originally financed by MassHousing. The property was refinanced through MassHousing’s Section 8 Proactive Preservation Program, which seeks to extend affordability at developments where Section 8 HAP contracts are due to expire. As a condition of the loan, Rita Hall Associates, an affiliate of Peabody Properties, will extend the Section 8 Housing Assistance Payment (HAP) contract and the affordability on all 90 apartments for 20 years when the current HAP contract expires in July 2016. The 90 apartments include 80 one-bedroom units and 10 two-bedroom units in a six-story building. Improvements will include exterior repairs, sprinkler system plumbing upgrades, and emergency generator and electrical repairs.

River Place Towers
LOWELL
Loan Amount: $16,125,000
Borrower/Developer: Princeton Properties
Management Agent: Princeton Properties Management, Inc.
Total Units: 448

With $16.1 million from MassHousing River Place Towers was acquired by an affiliate of Princeton Properties of Lowell. As a condition of the financing, all 448 apartments will remain affordable for at least 30 years. The development was built in 1973-74 and was originally financed by MassHousing. Improvements will include building envelope improvements and waterproofing, roof replacement, modernization of elevators, new boilers and updates to kitchens and bathrooms. Additional funding will come from equity from the sale of federal Low-Income Housing Tax Credits.
Tecumseh Mill
FALL RIVER
Loan Amount: $7,100,000
Borrower/Developer: Tecumseh Holdings LLC
Management Agent: All City Management
Total Units: 124

Tecumseh Mill, originally a steam-powered cotton mill, was built in 1866. It was converted in 1984 for its current use as an affordable apartment community under the HUD Section 8 Program. As a condition of this $7.1 million loan, the property owner will extend the HUD Section 8 Housing Assistance Payment (HAP) contract and the affordability on 124 apartments for 20 years when the current HAP contract expires. The property was refinanced through MassHousing’s Section 8 Proactive Preservation Program, which seeks to extend affordability at MassHousing-financed developments.

Victory Gardens
BOSTON (East Boston)
Loan Amount: $8,308,000
Borrower/Developer: Victory Gardens Associates
Management Agent: Peabody Properties Inc.
Total Units: 87

Built in 1979 at 54 Orleans St. in East Boston, Victory Gardens has 87 apartments for low-income seniors; 83 are one-bedroom units and 4 are two-bedroom units. The original MassHousing loan was set to mature in July 2019. Victory Gardens was refinanced through MassHousing’s Section 8 Proactive Preservation Program, which seeks to extend affordability at MassHousing-financed developments where MassHousing mortgages are due to mature and Section 8 HAP contracts are due to expire. Affordability has been preserved and extended as a result of the $8.3 million loan. Renovations will include 504/ADA upgrades to common areas, refurbishment of common areas, boiler and emergency generator upgrades and roof and window replacement.

Woods at Wareham
WAREHAM
Loan Amount: $9,145,000
Borrower/Developer: Riverview Village, LLP
Management Agent: HallKeen Management Inc.
Total Units: 100

Residents at the 100-unit Woods at Wareham, originally built in 1972, will see affordability there extended along with substantial improvements to the property as a result of $9.1 million in MassHousing loans. The property is owned by Riverview Village Associates in partnership with HallKeen Management, which has extended for 20 years the HUD Section 8 Housing Assistant Payment (HAP) contract on 78 of the apartments. DHCD has approved a new 15-year HAP contract for the remaining 22 apartments under the Moving to Work Initiative. The 100 apartments are contained in 17 two-story buildings, with 16 one-bedroom units, 71 two-bedroom units and 13 three-bedroom units. Among the improvements planned for the property are new siding, windows, doors and roofs and porch and stair repairs, as well as electrical and fire alarm upgrades and boiler replacements.
MassHousing is pleased to be a partner and founding sponsor of an innovative and collaborative effort to house homeless families, called the New Lease for Homeless Families program. It is the first coordinated effort in the nation of multifamily property owners to come together to make a preference for homeless families effective.

New Lease was started in 2013 by a group of affordable housing development professionals, including Howard Cohen of Beacon Communities, Lawrence Curtis of WinnCompanies, Richard Henken of Schochet Companies, Lisa Alberghini of the Planning Office of Urban Affairs, Karen Fish Will and Melissa Fish Crane of Peabody Properties, Bart Mitchell of The Community Builders, Kate Franco of Trinity Management and Amy Anthony of POAH. Through the program, homeless families in the state-supported shelter system are placed into existing permanent affordable housing units in the Commonwealth’s inventory of affordable housing. Others who contributed to the success of the program include Deborah Goddard, then-General Counsel of the state Department of Housing and Community Development; Joe Crisafi and Carol Galante of HUD and Roberta Rubin from the Law firm of Klein Hornig. While the idea sounds simple, most of the sheltered families face significant barriers when finding safe affordable housing and they often do not receive sufficient stabilization supports to maintain tenancies once placed in affordable housing. New Lease leverages the good will of the owners and managers of affordable housing in the Commonwealth with the expertise of shelter providers to make such a matching system work. Services are delivered by the shelter providers, each of which was chosen because of its strong track record in managing their homeless family caseload. The providers conduct initial eligibility screening, refer households to New Lease and assist them in completing applications and assembling supporting documents.

New Lease manages a referral list of families for each participating development and checks applications for completeness, thus ensuring a quick response when a vacant unit becomes available. Importantly, New Lease facilitates face-to-face meetings between property managers and families if it appears that a New Lease household is going to be denied through the tenant selection process. In a “pre-rejection” meeting with the owner, families have the opportunity to bring attention to mitigation aspects of the applicant’s history or otherwise engage the manager in addressing questions or misunderstandings about the household’s application.

As of the end of fiscal year 2014, 60 formerly homeless families had been placed into affordable units. New Lease staff estimate that one-third of these families would have been rejected were it not for the unique mediation services offered by the program. We are proud to sponsor this innovative program and we salute the property owners, shelter providers and public servants who have worked, and are working to make it a success.
CONSTANTLY IMPROVING

Pictured: Thomas Pihcik, Executive Director, New Lease for Homeless Families
At its fifth anniversary celebration on June 13, 2014 the Mel King Institute (MKI) honored MassHousing and long-time community activist Mat Thall for their support of the Institute and its work to train and educate the next generation of community development workers. MassHousing has provided financial support for the MKI’s operations since it began in 2009, and in fiscal year 2014 provided $75,000.

Mel King is a former Massachusetts state representative, candidate for mayor of Boston and long-time community organizer, activist and educator. The Institute which bears his name fosters vibrant and thriving Massachusetts communities by advancing the skills of professional practitioners and volunteers in the community development field. MassHousing salutes the MKI on five years of outstanding service as well as fellow honoree Mat Thall.

We are pleased to be able to support an organization dedicated to strengthening community development corporations and other non-profits.
The S.T.A.R.R. (Striving Toward Academic Recognition and Respect) Mentor Program is a unique partnership born in 1990 between MassHousing and the Quincy Dickerman Elementary School, a K-5 public school located in Boston’s Dorchester neighborhood. The program originated in response to a school administrator’s call for role models and volunteers for the students, many of whom live in or near MassHousing-financed developments in the neighborhood. In 2009, the S.T.A.R.R. Mentor Program moved to the Martin Luther King School, which merged with the Dickerman School. MassHousing makes an ongoing commitment to follow the students beginning in the third grade until they graduate in the fifth grade. To date, more than 300 students have participated in the program. Many have moved on to advanced academic work programs, charter and exam schools, and college.

MassHousing staff volunteers work one-on-one with children to raise their levels of aspiration and academic achievement. Each mentor provides assistance to the classroom teachers on a weekly basis and tutors individual students as needed. Throughout the academic year, mentors continue to encourage students to be positive and productive learners. Acknowledgment is given for consistent attendance, proper dress, completing quality work, paying attention, contributing to class discussions, and having overall positive attitudes toward classmates, teachers, mentors, and other supportive adults.

In addition to classroom support, the S.T.A.R.R. program also takes students on field trips; purchases additional computer hardware, software and other in-classroom materials; and continues to underscore the importance of saving money. A special feature of the program is an after-school tutorial program that focuses on students’ academic needs. Parents participate in workshops focused on enhancing the financial literacy and preparedness for first-time homeownership.

A year-end awards ceremony recognizes students’ academic achievement over the course of the program for achievements in attendance; homework completion; excellence in reading, science, social studies, math and writing; most improved student; and highest academics overall.
In fiscal year 2014, MassHousing continued its decades-long commitment to fostering economic opportunities for minority- and women-owned businesses. Our Division of Diversity and Inclusion (formerly known as Compliance and Diversity), administered a variety of initiatives, including working with general contractors and property management companies to set and achieve goals for contracting with minority-owned and women-owned businesses.

At the close of the year, the companies that manage the developments in the MassHousing portfolio reported spending $192.3 million on goods and services. Of that amount, $54 million, or 28%, was spent with minority-owned and women-owned businesses. General contractors doing work at MassHousing-financed rental developments reported spending $297 million, of which $70 million or 24% went to minority-owned and women-owned businesses.

MassHousing prides itself in going above and beyond setting goals for minority-owned and women-owned business utilization. We devote staff time and financial resources to helping management companies meet their goals and also to helping small businesses build their capacity. We also serve as a liaison between small businesses and management companies. We held eight regional meetings in FY14 for management company staff to assist them with meeting their goals. We held our two annual trade fairs, one in the Boston region and the other in Western Massachusetts. Approximately 100 exhibitors and 300 management company representatives attended the Boston-area fair and approximately 50 small businesses exhibitors and 150 management company staff attended the Western Massachusetts event.

MassHousing also provides, via the Web, a robust listing of business opportunities that are available at MassHousing-financed developments. Contracting opportunities are listed in 57 categories, such as accounting and financial services, carpentry, drywall, insurance, waterproofing and more. Small businesses can also register their companies on our website dedicated to rental housing, masshousingrental.com. Management companies that are in need of services can then use this database to find minority-owned and women-owned businesses.

Our strategic plan, adopted in 2014, calls for MassHousing to take a comprehensive look at its inclusionary policies, ensure that they are aligned with those of the Commonwealth, and to search for new and better ways to engage with minority- and women-owned businesses.
MassHousing continues to maintain a strong financial position, both in terms of its own administrative expenses and its ability to raise capital to finance affordable housing. A full explanation of our fiscal year 2014 performance can be found on our website at www.masshousing.com/financials. For the casual reader who is interested in the bigger picture, and some notable financial highlights, we offer the following.

MassHousing is a self-sustaining agency that receives no appropriation of taxpayer dollars for its administrative expenses. As a public agency, we do not generate a profit in the traditional business sense. However, when our income (derived primarily from interest on loans, fees and investment earnings) exceeds our expenses, we reinvest that excess income into housing-related programs.

We realized significant cost savings in fiscal year 2014 when the Agency moved its offices, signing a lease for space on lower floors at One Beacon Street in Boston. We estimate the lower lease payments will save the Agency approximately $37 million over the next 15 years.

Worth noting as well are our continuing efforts to wind down the SHARP (State Housing Assistance for Rental Production) program. This program, which dates to the 1980s and early 1990s, resulted in a large number of rental developments that were unable to generate sufficient net operating income to meet their mortgage payment obligations. For many years that portfolio put significant strain on the Agency’s balance sheet. However, we are nearing the end of a years-long process to refinance and re-capitalize these developments, while realizing substantial loan repayments and state SHARP subsidy. During fiscal year 2014, 16 SHARP refinancing transactions closed (bringing the total to 28 with 27 remaining); $7.76 million in SHARP was repaid (bringing the total amount of state SHARP subsidy repaid to $31.8 million); and $106 million of MassHousing bonds were repaid, with $89.5 million remaining.

Another major milestone of fiscal year 2014 was a bond rating upgrade from Moody’s to a rating of Aa3, up from A2. Only three HFAs received upgrades last year, and of those, only MassHousing received an upgrade of two levels. “The upgrade to Aa3 reflects the Agency’s strong financial performance, strong portfolio performance, the single family and multifamily portfolio compositions which include a substantial and growing percentage of government insured loans, as well as MassHousing’s conservative bond profile and very strong management,” Moody’s said in announcing the upgrade.

During the year we also issued a Request for Proposals and selected a new bond underwriting team. We are confident that this assemblage of bond finance experts – who bring a keen understanding of the bond markets and real estate finance – will help us to raise capital and interact with our investors in the most cost-effective and innovative ways.

MassHousing takes pride in managing its finances in such a way as to be able to fund certain housing and community initiatives that are outside of our traditional role as a lender. Some of these programs that we support were once expenses of the Commonwealth but were assumed by MassHousing after state budget cuts. Others are programs developed by MassHousing that are designed to protect our financial investment and to improve the quality of life in MassHousing-financed rental housing or rental housing that is overseen by MassHousing. In fiscal year 2014 MassHousing provided funding for the following programs that are outside our traditional lender’s role:
Looking ahead to the future and how it will affect our financial condition, the real estate finance environment remains uncertain. For fiscal year 2015 we anticipate a variety of potential challenges to overcome. On the homeownership side these would include potential re-pricing by Fannie Mae, rising interest rates and potential GSE (government sponsored enterprises, i.e. Fannie Mae, Freddie Mac) reform and tax reform. On the multifamily side we are faced with a sizable portfolio of loans that were originally financed with the Commonwealth’s Chapter 13A subsidies. Many of these loans will mature in the next three to five years and at this time we estimate a $250 million financing gap in order to maintain current levels of affordability in those developments. The situation is made more complicated because of a HUD decision to not award mobile vouchers for these developments.

Despite the financial uncertainty ahead, we are strongly positioned for the future, as evidenced by our bond upgrade and our better than anticipated revenues.

A comprehensive, audited accounting of our finances can be found in the financial section of our website, www.masshousing.com/financials.