

MassHousing's 2017 Annual Report

HOUSING FOR A NEW ERA



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Cover photo: view of Worcester

Message from the Chairman and Executive Director

"Like it or not we live in interesting times. They are times of danger and uncertainty; but they are also more open to the creative energy of men than any other time in history."
— Robert Kennedy, 1966

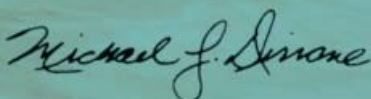
Massachusetts' native son, Bobby Kennedy spoke those words the same year MassHousing was created. In evoking the tenor of our current societal challenges, they are as relevant today as they were then, perhaps more so. We too, live in interesting times. But the housing challenges of 50 years ago have given way to those of 2017. It is a New Era.

In this report, which mainly covers fiscal year 2017 (July 1, 2016 – June 30, 2017), we put forth what we see as some of the most pressing housing challenges of this New Era and how MassHousing and some others are working to address them.

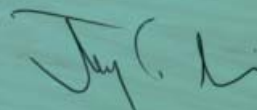
The quote above has two parts. The second part strikes an optimistic tone that we believe is more true today than it was then. With all that we have learned over the last 50 years; with all the expertise in Massachusetts; with all the technology and data analysis we have at our fingertips, there is more creative energy around solving our housing challenges than ever before. Kennedy's quote speaks of "the creative energy of men" but we believe that were he alive today, he would note the creative energy of women as well. As our leadership photos show, 50% of our board and executive leadership team are women.

We are proud of the leadership role MassHousing is taking. We have challenged our staff and our partners to look at housing obstacles in a new way; to think differently; to "disrupt" conventional thinking. We are confident that our best days, as a Commonwealth and as an organization, are ahead of us.

We hope this report inspires you to join us and our partners in charting a new path that will provide housing for our fellow citizens - friends, neighbors, families and colleagues - more affordably, more sustainably, more compassionately and more cost-effectively.



Michael J. Dirrane
Chairman



Timothy C. Sullivan
Executive Director



MASSHOUSING 2017

Our team is committed to Confronting the
Commonwealth's Housing Challenges.



HOUSING FOR THE MIDDLE

As the economy continues to grow, so too does the demand for housing. The needs of low-income households remain essential, but middle-income workers who earn too much to qualify for subsidized housing are increasingly burdened by skyrocketing market rents and home prices. According to the Urban Land Institute, the workforce in Greater Boston will increase by 800,000 by 2030. If our economy is to continue to grow, housing the workforce is essential. MassHousing has committed \$100 million to stimulate the creation of middle-income housing in Massachusetts. These middle-income units are in addition to, not in place of, units for lower income renters. A large number of homeownership borrowers are middle-income as well.



***112 Rantoul Street**, a transit-oriented development adjacent to a commuter rail station in Beverly will include 16 units that are affordable to residents earning between 80% and 110% of area median income. MassHousing provided \$2.2 million in total financing to Barnat Development, a certified woman-owned business enterprise. This is their first development.*



\$15.5 million

Amount of MassHousing Workforce Housing Program funds committed in FY 17 (as part of our \$100 million workforce housing initiative).



\$78,785

Average income of a MassHousing home mortgage loan customer in FY 17



362

Number of workforce/middle-income housing units financed by MassHousing as of June 30, 2017 (14 developments with 1,285 total units)



1,772

MassHousing home mortgage loans in FY 17 that went to consumers with incomes between 80% and 135% of area median income



Gateway North, currently under construction, will deliver 71 units of rental housing to downtown Lynn, including 53 affordable units and 10 workforce housing units. It is the first development to have received funding from MassHousing's workforce housing fund. The developer is Hub Holdings LLC.

OLDER ADULTS

The aging of the population presents new challenges – and new opportunities, for affordable housing. With people living longer, there is a growing demand for senior housing. Health care costs are also a major issue. MassHousing, in addition to lending for thousands of units of senior rental housing over the years, last year provided \$290,000 to support two research studies around supportive services in housing. One is sponsored by Jewish Community Housing for the Elderly and another by Hebrew Senior Life. Our Multifamily Advisory Committee has formed a Senior Supportive Housing Working Group to explore whether housing providers and health insurers can collaborate to deliver high-quality, patient centered cost-effective care to residents. We are excited to partner with the Executive Office of Elder Affairs to make 2018 “The Year of the Older Adult,” to increase our focus on housing concerns of seniors.



\$17 million

Combined resident services budgets at MassHousing developments with elderly-restricted units in 2015



72.2%

Projected increase in the number of Massachusetts residents aged 65 or older between the years 2015 and 2040 (*U.S. Census Bureau*)



33,928

Rental units restricted for older adults located in 343 MassHousing developments

Edith Gillette

Edith is a resident of Golda Meir House, a 199-unit elderly restricted development in Newton that received \$37.8 million in MassHousing financing in FY 17 to support extensive renovations and extend affordability.



Pictured: MassHousing Resident Program
The Carnivale Comes to You

Residents of Lower Mills, a MassHousing-financed rental housing development in Dorchester, enjoy one of dozens of educational and community-building events.



58,511

The total number of units enrolled in TAP, MassHousing's Tenant Assistance Program as of June 30, 2017

OPPORTUNITY

At its core, quality affordable rental housing provides better physical living opportunities for residents. But we go beyond that. Our unique Tenant Assistance Program (TAP) provides management companies with low-cost opportunities to provide their residents with educational, community-building and health and wellness programs. We support summer jobs and numerous programs for young people, like The BASE in Boston, which fosters academic and athletic excellence for boys and girls. Some of our own staff mentor elementary school children in Boston. And then there are jobs. We work with management companies and contractors to create new opportunities for minority- and women-owned businesses to compete for contracts. Our approach is holistic. Housing is not just residences, it is a catalyst for community and economic development.



2,323

Young people who participated in MassHousing's Youth Resident Activities Program (Youth RAP) in summer 2017



50

Fifth Grade students at Boston's Martin Luther King School who participated in MassHousing's STARR Mentor Program, through which Agency staff work with students in the classroom, on field trips and other activities



101

Number of young people employed by summer jobs through 8 organizations that received MassHousing funding



155

MBE and WBE exhibitors participated in two MassHousing trade fairs in FY 17

Construction workers at Gateway North in Lynn

VOLATILE AND CYCLICAL MORTGAGE MARKETS

Just nine years from the collapse of the mortgage market, home prices are again rising and some lenders are offering riskier loans. At MassHousing, our mission is *sustainable* homeownership for customers. We don't engage in risk-based pricing (higher rates for less qualified borrowers). Our high-touch servicing puts people before profits. Our MIPlus™ mortgage insurance helps homeowners pay the mortgage in the event they lose their job. The results? Financially secure homeowners and a delinquency ratio in our home mortgage loan portfolio of just 2.66% at the end of FY 17. We also recently began offering a \$1,500 closing cost credit to serve borrowers being squeezed by the challenging market.



MassHousing's loan servicing team is focused on people, not profits. We work with borrowers to help make their homeownership experience both affordable and sustainable for the long-term.



2.66%

Home mortgage loan portfolio
delinquency ratio at end of FY 17
the lowest for month of June
in 10 years



Shant Banosian, a Branch Manager with Guaranteed Rate, is his company's #1 loan officer nationwide. He originated 38 MassHousing mortgage loans for \$10.3 million in FY 17 which also made him the top MassHousing loan officer last year. Guaranteed Rate is a national mortgage company and is consistently one of the top five MassHousing-approved lenders. Guaranteed Rate has originated 949 MassHousing loans for \$249 million in the last five years.

Top Five Lender Partners

(by loan count in FY 17)

1. RMS (264)
2. Guaranteed Rate (230)
3. Fairway Independent Mortgage (182)
4. Mortgage Network (152)
5. Salem Five (143)



816

MassHousing borrowers (out of 991) who lost jobs but did not lose their homes, thanks to our MI Plus™ mortgage insurance with job loss protection (as of 6/30/17, since 2004)



122

Number of workouts with delinquent borrowers completed in FY 17



\$214.6 million

In financing for rental housing in Gateway Cities in FY 17 (17 developments with 2,523 total units)

GATEWAY CITIES

Massachusetts' 26 Gateway Cities are midsize urban centers that anchor regional economies. For decades, they were home to prosperous industries that offered residents a "gateway" to the American Dream. Over the past several decades, manufacturing jobs slowly disappeared. Many of these cities are now revitalizing. They present housing challenges but also opportunities. Older housing stock may require renovations, but rents and home prices are more affordable. MassHousing has a strong presence in these cities, lending to build new or preserve existing apartments and financing home ownership opportunities. We launched an effort last year to visit local officials at every one of the 26 cities.



1,002

First mortgage loans to homebuyers in Gateway Cities in FY 17

Joyce Boadi, 31, works as a visiting nurse. She obtained a MassHousing loan through Baystate Savings to purchase a home in Worcester.





67%

Increase in 2nd mortgage loans
(lead paint removal, septic repair
and home improvement) in Gateway
Cities over previous year

MassHousing leaders met with Salem's Mayor, Kimberly Driscoll (center) and other local officials as part of a tour of the Commonwealth's Gateway Cities.



MassHousing provided \$19.8 million to redevelop the Central Building on Main Street in Worcester into 55 mixed-income housing units. Lt. Gov. Karyn Polito made the announcement in June.



Using MassHousing financing, Silver Street Development Corp. is performing extensive upgrades to the 250-unit Pequot Highlands in Salem, including a new building envelope that will reduce energy costs by 10%. The transaction will preserve affordable rents for the long term.

ENVIRONMENTAL SUSTAINABILITY AND NEW TECHNOLOGY

Our times demand that we consider the environment, and the health of the residents, when we finance rental housing. To keep housing affordable, we must look to new cost-saving and efficient technologies. That's why we have been flexibly underwriting sustainability measures; promoting utility benchmarking, water and energy savings and resilience planning; hosting panel discussions on topics like microunits; and jointly advocating with other stakeholders to persuade utility companies to make LEAN funds easier to deploy when rehabbing rental housing. But there is more to do. Our partnership with LISC will fund a joint initiative to promote sustainability at recapitalization, conduct energy audits at 24 properties, provide green guidance to property managers and support healthy housing management practices like smoke-free housing and active lifestyles. We are also partnering with the Commonwealth, the City of Boston and other quasi-public agencies to develop sustainability design standards. What's next? Affordable housing that meets the emerging "Passive House" standard.



All 200 apartments at the 1970s-era Leyden Woods in Greenfield were demolished and replaced with new, energy-efficient units using modular construction techniques. MassHousing provided \$53 million in financing to The Community Builders for the project.



246-248

Address on Norwell Street in Boston where MassHousing will help to finance 6 new rental units that will meet Passive House standards



\$250,000

MassHousing's commitment to LISC (Local Initiatives Support Corporation) to foster green asset management and retrofit projects in affordable and mixed income housing and to promote healthy housing best practices



47%

Rental developments financed by MassHousing in FY 17 undergoing energy efficiency upgrades

VETERANS

Not since the end of the Vietnam War have there been so many returning Veterans, Reservists and National Guard service personnel in search of affordable places to live. For those seeking home ownership, MassHousing is proud to offer the Operation Welcome Home mortgage loan program for Veterans, active-duty military, members of the Reserves and National Guard, and Gold Star Families. These low downpayment loans carry MIPlus™, which helps pay the mortgage if the borrower is deployed or becomes unemployed. MassHousing is also proud to provide funding for some Veterans-only rental housing communities and to finance construction and rehabilitation that employs Veteran-owned businesses.



Brett Dupree (left), 24, spent five years as a U.S. Army Reservist and today works as a wastewater treatment operator at former military bases on Cape Cod. Brett used a MassHousing Operation Welcome Home loan to purchase his first home in New Bedford. With Brett is Elise Bare, a Sales Manager at Residential Mortgage Services, Inc. (a MassHousing partner lender).



100%

Financing available with Operation Welcome Home loans



0%

Interest rate on a deferred downpayment or closing cost assistance loan



520

Units in 25 separate housing facilities for Veterans and formerly homeless Veterans that have received funding from MassHousing's Center for Community Recovery Innovations (CCRI)



355,000+

Veterans living in Massachusetts



In May 2017, the ribbon was cut on the newly renovated New England Center and Home for Veterans.



Tim Williams is the owner of Williams Building Company, Inc., a Veteran-owned business and the contractor for Scott's Grove, a development on Martha's Vineyard that received Community Scale Housing Initiative funds. Tim attended college on an ROTC scholarship and served for four years overseas as an active duty Army officer.

Through our multifamily conduit lending program, MassHousing is providing a \$26.5 million construction loan for the renovation of the Orient Heights public housing development in East Boston, which will include hundreds of new mixed-income units. The redevelopment is a joint venture between the Boston Housing Authority and Trinity Financial. It will preserve 331 units of existing low-income housing and add an additional 42 units.

HIGH-RISK PRESERVATION

Massachusetts faces a rental housing preservation challenge: Use restrictions on thousands of affordable apartments that were built in the 1970s and 1980s are set to expire, meaning those properties could convert to market rents. Still other properties need capital improvements. Preserving units is as important as creating new ones, and costs less. MassHousing has the programs, products and personnel to meet the preservation challenge. We are especially focused on preserving developments financed under the state's Chapter 13A subsidy program, which house some of the poorest and most vulnerable populations. We are also pleased to be working with the Boston Housing Authority to transform several old public housing developments into new, vibrant mixed-income neighborhoods.



5,549

Affordable rental housing units preserved by MassHousing in 2016 (92% of the record 6,058 units preserved in MA in 2016 according to CEDAC)



42

Rental housing preservation transactions closed by MassHousing in FY 17



\$26,000

Average household income for units in 34 at-risk developments in the 13A portfolio



The 52-unit Burbank Gardens in Boston's Fenway neighborhood was financed under the state's 13A program. MassHousing is refinancing the property to ensure that the affordable rents remain in place and that it remains in good physical condition.



MassHousing has provided \$15.8 million in financing to Redwood Housing for the renovation and preservation of 100 affordable housing units at Clark House in Amherst.



\$41.2 million in MassHousing financing made possible critical repairs and an increase in affordability at the 250-unit Pequot Highlands in Salem.

THE NEW FINANCIAL REALITIES

The new housing era has new financial realities. Just as Millennials are reaching homebuying age, they are facing unprecedented student debts, rising home prices and rents (especially in metro Boston) and fewer homes on the market. For rental housing, the financial crisis of 2008-2012 permanently altered market conditions, necessitating new thinking and agility around housing finance. In both our HomeOwnership and Rental operations we have developed new products and new sources of capital to meet the ever-changing needs of our borrowers and business partners. One thing is certain: The programs of the past won't always meet the needs of the future.



\$410,000

Median home price in Massachusetts as of June 2017, according to MA Association of REALTORS



\$31,466

Average student debt carried by 66% of 2015 college graduates in Massachusetts (*Source: Institute for College Access and Success*)



34.4%

Percentage decrease in homes for sale in Massachusetts between March 2016 and March 2017



4

New investors that MassHousing established relationships with in recent years to make more capital available for homebuyers (*Fannie Mae, Freddie Mac, FHA and Federal Home Loan Bank*)



3

New rental executions developed in last several years to finance rental housing (MAP/GNMA, Federal Financing Bank, Tax Credit Pilot Loan)



Conor LaHiff, 24 purchased a condo in Ayer in May 2017, using a MassHousing loan from Stoneham Bank. Although he works in Somerville, affordability drove Conor to Ayer, which is 31 miles away. The condo development Conor now calls home was built under Chapter 40B, which makes it easier for developers to build in communities where less than 10% of the housing stock is affordable to people with modest incomes.

Binnall House is a 134-unit Section 8 elderly development in Gardner. MassHousing refinanced the property in 2017. It was the first Massachusetts transaction using the FHA's Tax Credit Pilot Program and an example of one of our newer innovative financing executions.



HEALTH AND WELLNESS

We face vexing health challenges in the Commonwealth today, and many connect to housing. The opioid crisis, alcohol and other substance abuse and a wide range of mental health conditions cause untold anguish and can lead to evictions and homelessness. MassHousing's work to address health and wellness has expanded in recent years. We are fostering understanding and action around hoarding (the excessive accumulation of things) and its resulting unsafe conditions and public health concerns. We're connecting with the for-profit, non-profit and government worlds to facilitate discussion and encourage new ways of thinking. We led the effort to create a Tenancy Preservation Program in the Housing Court. And our recent conferences on opioids and mental health prompted honest and open communications that continue today. Access to safe, quality, affordable housing constitutes one of the most basic and powerful social determinants of health.



Residents of Rogers Ave. in Lynn. Rogers Ave., owned and operated by Bridgewell, provides 14 units of sober housing for women in recovery; it received MassHousing funding for renovations. Bridgewell provides residential services, transitional homeless services, affordable housing, and substance use and recovery services.



93%

Success rate of the Tenancy Preservation Program, which closed 652 of 663 cases in FY 17 and prevented homelessness in 607 of them



MassHousing's 2017 Community Services Conference "Crisis to Calm: Collaborating to Support Residents' Mental Health in a Safe Environment" addressed mental health issues in housing.



12

Local hoarding task forces received a total of \$36,000 in grants from MassHousing



81

Lead paint abatement loans for \$2.4 million made in FY 17



378

Attendees at MassHousing's 2017 conference on mental health

Other notable Fiscal Year 2017 Highlights

Lending to homebuyers and homeowners

\$664.9 million

in home mortgage lending for 2,810 borrowers in 252 communities

936 (35%) loans made to **borrowers with incomes at or below 80% of AMI**

(remaining loans made to middle/moderate-income borrowers)

602 (21%)

loans made to minority borrowers

Servicing of home mortgage loans

Serviced a portfolio of 21,816 loans valued at

\$3.8 billion

40,004

online mortgage payments processed

Lending for rental housing

\$728.9 million

in financing for 44 rental developments in 27 communities

6,053 total units financed:

5,941 units preserved (5,106 affordable)

\$27 million

for 1,764 units provided through the Affordable Housing Trust Fund

Became the first Housing Finance Agency to close an FHA MAP/GNMA Tax Credit Pilot program loan:

\$18.5 million for Binnall House in Gardner

Oversight of rental housing assets

Managed a portfolio of 408 developments **(58,105 units)**

and an outstanding balance of **\$3.6 billion**

Only 2 of 408 developments had delinquent loans at year-end

Administered subsidy payments to **620 developments with 63,455 units**

Economic Opportunity

Of the **\$298.5 million** in contracts awarded at MassHousing-financed construction projects

27% (\$79.1 million)

were awarded to minority-business enterprises (MBEs)

10% (\$28.8 million)

were awarded to women-business enterprises (WBEs)

120 MBEs, WBEs and M/WBEs were hired

Of the **\$229.2 million** spent on goods and services at 419 MassHousing-financed developments

16% (\$37 million)

was awarded to MBEs

10% (\$24 million)

was awarded to WBEs

Two MassHousing trade fairs drew 155 MBE and WBE exhibitors and 250+ representatives from 52 management companies

Fostering successful rental housing communities

Property management companies hosted **1,089 TAP resident program events** (arts, health, wellness, education, entertainment) attended by

18,000 residents

1,064

property management and resident services professionals attended TAP Management Trainings

Supported the creation or renovation of **171 units of sober housing**

Photography Credits

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