INTRODUCING

MASSHOUSING BILD

September 10, 2024

BILD is MassHousing's new initiative that creates financing solutions for market-oriented, mixed-income rental housing development.

MassHousing

BILD Bringing Innovation to Lending and Development

BACKGROUND: Market-Oriented Developments



Multifamily rental developments account for approximately 7,000 units built annually.

Approximately 2,000 of those units are in market-oriented, mixed-income developments, and represents a vital and fast-growing segment of the overall rental housing production volume in Massachusetts. 1,000 of these units are from Chapter 40B.

These developments generally **have income-restricted units (between 20% and 25%)** either because 1) they get their zoning through Chapter 40B or 2) the municipality has inclusionary zoning requirements.

BACKGROUND: Why the Need to BILD



To address the housing shortage in Massachusetts, there is a **need to build all types of housing;** MassHousing recognized an opportunity to support the creation of market-oriented housing.



The **state's existing toolkit for market-oriented developments includes limited tools**, both zoning and financing, to ensure this segment of the market continues to function at scale which is necessary to address the housing shortage.



Massachusetts **businesses generally agree that housing supply is an issue that impacts their economic advantage**, yet there is no clear way they can participate as part of the solution.

THE CHALLENGE AND THE OPPORTUNITY

Many of these developments are **permitted, but are "stuck"** due to the following challenges:



rapidly changing **economic factors** including significantly increased prices



lack of affordable **equity financing** on predictable terms in the traditional commercial market



high **interest rates** on senior debt that lead to financing gaps

MassHousing sees an opportunity to **leverage public capital to mobilize private capital toward mixed-income rental production** in Massachusetts to ensure **we keep our *momentum* in residential production**.

ABOUT BILD

MassHousing BILD (an acronym for **B**ringing **I**nnovation to **L**ending and **D**evelopment) **creates financing solutions** for market-oriented, mixed-income rental housing construction to **catalyze private capital investment.**

Through BILD, MassHousing will provide a **one-stop financial solution** by offering a **competitive senior debt product coupled with innovative equity financing.**

Rental developers are eligible to apply if their developments are **new production**, with **at least 50 total units**, where at least **20% of the units are affordable** to residents earning up to 80% of AMI.

BILD-ING A TWO-PRONGED APPROACH

Through BILD, MassHousing will **introduce two new products:**

MOMENTUM EQUITY

An **efficient and predictable source of stable equity financing**. While **not a subsidy or a grant**, it is **designed to be flexible** compared with other equity available in the commercial market.

Momentum Equity is designed to **blend with private equity** and **revolve** to enable MassHousing to continue making investments in housing over time.

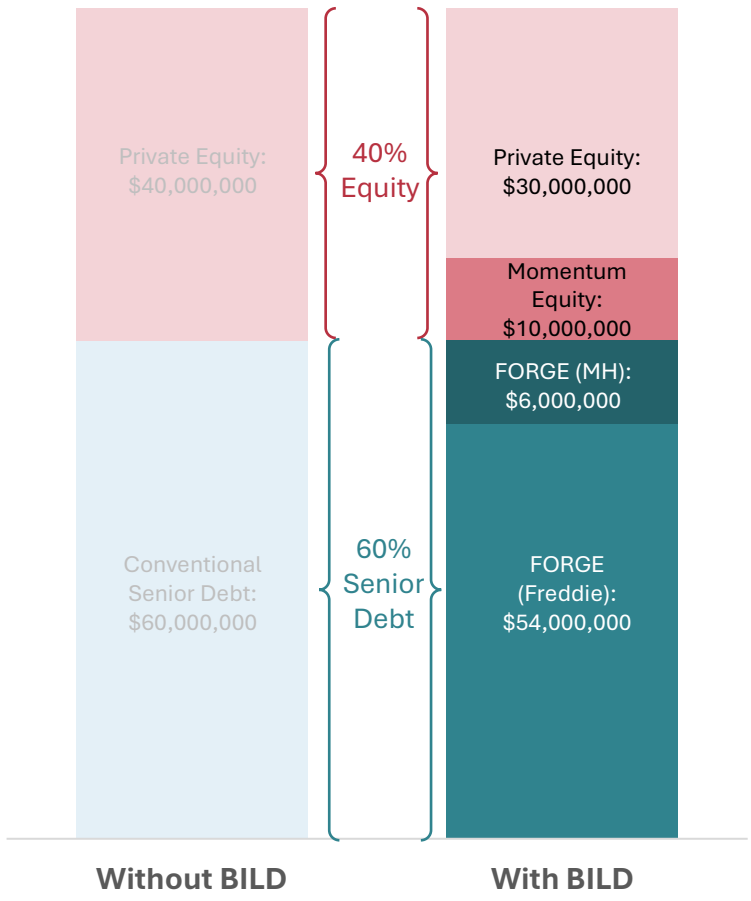
FORGE LOAN

Financing Options for Residential Growth and Expansion

A new MassHousing **rental taxable lending product** offered in collaboration with Berkadia and Freddie Mac. For each FORGE Loan, **MassHousing provides 10% of the debt as a subordinate loan in a first loan loss position**.

This enables the borrower to access **Freddie Mac's most favorable taxable terms**, including loan pricing, leverage, and forward rate-lock periods.

BILD-ING THE SOLUTION



Utilizing MassHousing BILD, a development with $100 million in total development costs could increase the amount of senior debt and unlock the following:

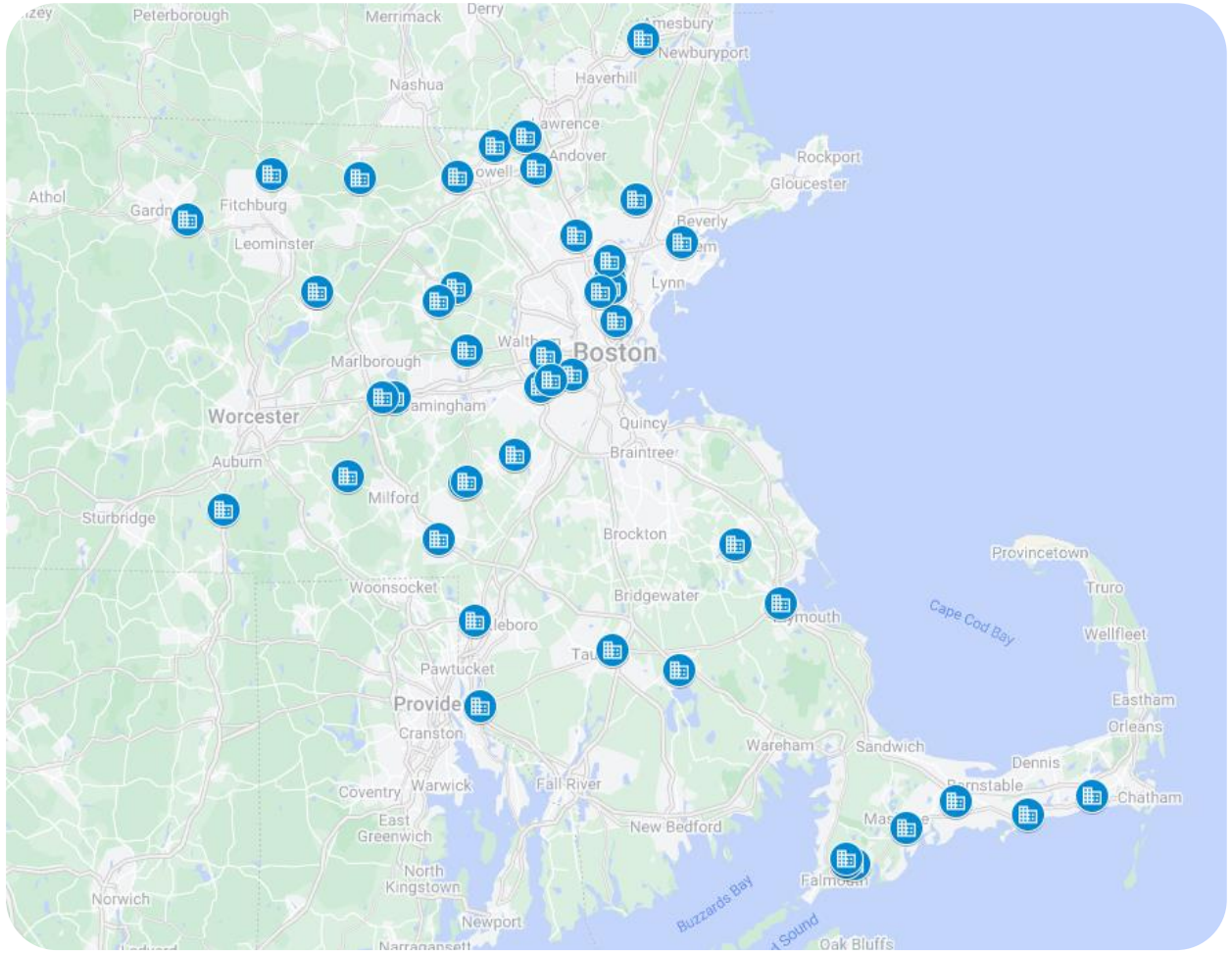
Momentum Equity: MassHousing may provide 25% of the total equity need through Momentum Equity to blend with private equity, resulting in an overall lower cost of equity. The initial public funding for this will come from the program in the Affordable Homes Act.

Momentum equity is designed to be a vehicle for co-investment.

FORGE (MH): MassHousing issues 10% of the debt as a subordinate loan under FORGE with a first loss provision. This opens the door to Freddie's favorable terms:

- Up to 75% LTV
- Permanent takeout financing, which reduces risk for construction lender and sponsors.
- A forward term of up to 36 months, which reduces interest rate risk.

THE UNIVERSE OF DEVELOPMENTS



There are **approximately 4,900 units of market-oriented housing** throughout the Commonwealth that have been permitted through Chapter 40B since FY2022, but **have not yet received final approval due to economic reasons**.

MassHousing intends to **address 1,000 of these units through the BILD Strategy**. And with more investment from the state, MassHousing will do more.

Questions?
Comments?

THANK YOU!