



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
ADMINISTRATION AND FINANCE
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Meeting Minutes

**State Finance and Governance Board
March 23, 2017
11:00 am
Executive Office for Administration and Finance
State House, Room 373**

A meeting of the State Finance and Governance Board was held on Thursday, March 23, 2017 in the Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts, pursuant to notice duly given.

Meeting was called to order at 11:07 am.

Board members comprising a physical quorum:

Lourdes German, Lincoln Institute (Chair)
Brent Andersen, Pilgrim Bay
Supreo Ghosh, Office of the State Treasurer
Sue Perez, Office of the State Treasurer
Katherine Holahan, Associated Industries of Massachusetts

Others in attendance:

Mark Curtis, Massachusetts Housing Partnership
Kathy Connolly, MassHousing
John Regier, Mintz Levin
Brandon Wolanski, Barclays
Anne Lewis, Massachusetts Housing Partnership
Patricia Philippone, UMass Building Authority
Robert Dolan, UMass Building Authority
Lori Hindle, PFM
June Matte, PFM

1. Introduction of Attendees

2. Adoption of Minutes

- a. On a motion made by Mr. Andersen and duly seconded, members voted to approve the minutes from the meeting held on February 16, 2017 minutes. (*See; Minutes from February 16, 2017*).

3. Administrative Matters

- a. The next meeting date was set for Thursday, April 20, 2017, at 11:00 am.

4. Discussion

- a. *No discussion matters scheduled.*

5. Derivative Review

- a. Mr. Curtis, Managing Director of the Massachusetts Housing Partnership, presented the details of the Noquochoke Village project. The project involves the new construction of 50 multifamily apartments of varying sizes and affordability in seven wood frame townhouse-style buildings. This is a town-initiated and supported project on a town-owned site. While the loan and swap proposal approved by MHP's board was for \$1.4 million, the non-profit developer has recently requested a small \$75,000 loan increase to fund additional costs, which MHP will approve through an internal process that allows loan increases of less than 10% to be approved by the Executive Director. The swap amount will also increase by the same \$75,000 amount, but this does not materially affect the risk profile of the swap transaction. The expected rate lock period is 20 months and the swap will have a forward period of 26 months to allow for a 6 month cushion in case of construction/lease-up delays.
- b. Mr. Curtis, Managing Director of the Massachusetts Housing Partnership, presented the details of the 132 Chestnut project. This project involved the new construction of 61 affordable units for seniors on a parcel owned by the City of Boston Planning and Development Agency and conveyed to the sponsor, Jewish Community Housing for the Elderly, through an RFP process. The loan and swap notional amount is \$3.25 million. The expected rate lock period is 22 months and the swap will have a forward period of 28 months to allow for a 6 month cushion in case of construction/lease-up delays.

Mr. Ghosh asked if the builder is the same for both projects presented Mr. Curtis responded that these projects are in different communities with different developers.

On a motion made by Mr. Andersen and duly seconded, the Board voted that it has received satisfactory information regarding the proposed interest rate swap transactions for Noquochoke Village in Westport and 132 Chestnut in Brighton in a manner consistent with the regulations.

- c. Mr. Curtis presented the details of a request to accommodate MHP's interest to enter into a significant number of relatively small forward-starting swap transactions each year, and desire to find a process for conforming to the statute and regulations while not creating undue burdens for the Board or for MHP, as discussed during the previous State Finance and Governance Board meeting on February 16, 2017. Mr. Curtis requested that the Board

consider delegating the review of MHP's swap materials to the Board Secretary for a period of 6 months with responsibility for confirming that the items that are required to be submitted in accordance with 976 CMR 2.00 have been submitted, and in order to manage the process more efficiently. MHP's Policy on Forward Starting Swaps provides strict limits on MHP's derivatives exposure. Mr. Curtis explained that this delegated approach is similar to the approach that the Board already takes with certain Qualified Conduit Debt Transactions. With this strictly controlled delegated process, MHP articulated that it would be able to administer the noted swap transactions more efficiently and avoid unnecessary delays in the construction loan closing process, while not burdening the Board with relatively small swap transactions that require timely Board action.

Ms. German asked Mr. Curtis to walk the Board through the legal analysis of this request. Mr. Curtis provided an overview of the rationale behind the request and the merits of the approach. Mr. Andersen commented that he does not believe the Board should delegate authority in any circumstance. Ms. German commented that the delegated authority requested was not clearly supported or authorized by the language of the statute and regulations that govern the board . Ms. German asked the Board to postpone the vote on this matter until the next meeting, which will allow the Board time to examine the request further and seek the perspective of counsel to the Executive Office of Administration and Finance. Ms. German noted that MHP was welcome to introduce a different vote at a future meeting proposing a different approach. The Board agreed to postpone a vote on this request.

6. Waiver Request

- a. *No waiver requests scheduled.*

7. Review of Closed Transactions:

- a. Mr. Dolan, CFO of the UMass Building Authority, presented the details of their closed bonds financing transaction in January 2017.

8. Other Business:

- a. *No other business scheduled.*

9. Adjournment

- a. Ms. German determined that there was no further business to come before the Board. On a motion made by Ms. Holahan, members voted to adjourn. The meeting was adjourned at 12:10 pm.

Mark Attia, Secretary