**Massachusetts Development Finance Agency**

**Meeting of the Board of Directors**

**Thursday, June 19, 2018**

**9:00 a.m.**

**M I N U T E S**

DIRECTORS PRESENT: Brian Kavoogian, Vice Chair

 Mark Attia, Designee for Secretary of Administration & Finance

 James Blake

 James Chisholm

 Karen Courtney

 Ellen Zane

DIRECTORS ABSENT: Jay Ash, Secy. of Housing & Economic Development, Chair

 Grace Fey

 Juan Carlos Morales

 Christopher Vincze

Agency Staff: Lauren Liss, President and CEO

 Robert Ruzzo, Deputy Director, General Counsel, Secretary

 Simon Gerlin, Chief Financial Officer

 Laura Canter, EVP, Finance Programs

 Richard Henderson, EVP, Real Estate

 Meg Delorier, Chief of Staff

 Victoria Stratton, Recording Secretary

 Kelsey Abbruzzese

 Sean Calnan

 Steve Chilton

 Zack Dovitz

 Zack Greene

 Lisa Kalinowski

 Dena Kavanagh

 Jim Kenney

 Will Kidston

 Noah Koretz

 Andrew Levine

 Jim Moore

 John Murray

 Leigh Natola

 Jan Nuzzolo

 Kelsey Schiller

 Pat Sluder

 Ed Starzec

 Cyndy Tonucci

 Ellen Torres

 Benny Wong

Guests: None

A meeting of the Board of Directors of Massachusetts Development Finance Agency (“MassDevelopment” or the “Agency”) was held Thursday, June 19, 2018, at MassDevelopment’s offices, 99 High Street, Boston, Massachusetts, pursuant to notice duly given.

The Vice Chair welcomed everyone and, noting the presence of a quorum, he called the meeting to order at 9:00 a.m. He asked if there were any guests and there were none.

**MINUTES**

**1. VOICE VOTE – Approval of Minutes (May 10, 2018)**

The Vice Chair asked if there were any comments on the draft Minutes of the May 10, 2018 Board meeting, and there were none. He asked for a vote to approve these minutes and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOICE VOTED:** That the Board of Directors of MassDevelopment approves the Minutes of its May 10, 2018 Board meeting, that are attached and made a part of the minutes of this meeting.

**2. VOICE VOTE – Approval of Executive Session Minutes (May 10, 2018)**

Noting that the matters contained in the May 10, 2018 Executive Session Minutes are not completed matters and, therefore, any comments regarding these minutes must be made in Executive Session, the Vice Chair asked if there were any questions or comments on these Executive Session Minutes, and there were none. He asked for a vote to approve these Executive Session Minutes and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOICE VOTED:** That the Board of Directors of MassDevelopment approves the Executive Session Minutes of its May 10, 2018 Board meeting, that are attached and made a part of the minutes of this meeting.

**PRESIDENT / CEO REPORT**

Ms. Liss reminded everyone that John Beatty – who directs the Massachusetts Military Task Force and, while not an employee of the Agency, has an office at, and is staffed by, MassDevelopment – has been at the heart of an effort to pursue an opportunity to bring the Army Futures Command headquarters to Boston (one of five major cities under consideration). The Futures Command will have a staff of about 500 people – including military personnel and civilians – and will, among other things, try to determine emerging threats, what equipment will be needed and how to use it, and will help the Army get the right equipment quickly. A decision and announcement regarding the location of the Army Futures Command is expected on or before June 30th.

In what she described as a “mind-numbingly complicated process,” Ms. Liss reported that she has successfully completed her first budget season with MassDevelopment, and the good news is that the Agency appears to be on strong financial footing. The General Fund stands at $90 million, which is slightly higher than it has averaged since 2010 – the year the Agency merged with the Massachusetts Health and Educational Facilities Authority (HEFA). She noted a spike in the General Fund in 2015, due to the sale of 100 Cambridge Street, Boston, and she stated the Agency has used these funds (i.e., proceeds from the sale) to further the aims and mission of the Agency; in fact, most of the proceeds have been expended / invested back into the Commonwealth. Ms. Liss stuck a note of caution about fewer and lower revenue sources for FY2019, which are primarily the result of the absence of an award in the last round of New Markets Tax Credits (“NMTC”) competitive funding allocations and post-tax-reform uncertainty about investment banking activity. She advised, however, that MassDevelopment is gearing up for the next round of NMTC allocation awards. In fact, the application is undergoing final review and edits before the submission deadline of June 26.

With respect to expenses, Ms. Liss described investments into the Transformative Development Initiative (“TDI”) Program, which is entering a peak spending year. She also advised of investments into the Agency, noting ten new positions – including four new TDI fellows, a state piers manager, legal counsel, a procurement specialist, and more – have been budgeted for FY2019. In addition, she said the Agency will undergo its first Information Technology (“IT”) audit and there are plans to expand the IT Department, as well as funds for a consultant to review MassDevelopment’s customer relations systems and certain other programs as necessary. Noting that Agency management is keeping mindful of trends, Ms. Liss advised that a financial capacity analysis will also be undertaken in the coming year.

**GENERAL**

**3. VOTE – MassWorks Infrastructure Program Grant to UTEC, Inc., for Warren Street (Lowell) Improvements Project**

Mr. Gerlin briefly described this request for approval to issue a grant in the amount of $1,090,500 to UTEC, Inc., contingent upon MassDevelopment receiving equal funding from the Executive Office for Administration and Finance through its MassWorks Infrastructure Program. He said the funds will be used for construction of a new public venue / event space on an existing publicly-owned right of way. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the grant to UTEC, Inc., as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**Strategic Planning / Budget**

**4. MassDevelopment FY2018 Strategic Themes and Business Plan Goals**. For informational purposes only, the summary of the Agency’s Strategic Themes and Business Plan Goals is attached and made a part of the minutes of this meeting. No discussion of this item took place.

**5. VOICE VOTE – FY2019 Agency Operating and Capital Budget**

Mr. Gerlin then presented the MassDevelopment Proposed Operating and Capital Budget for the Fiscal Year Ending June 30, 2019. Commenting that the Agency’s budget is complex considering the composition of its General Fund and its many Restricted Funds and, therefore, challenging to present, Mr. Gerlin spoke to the details of his presentation as follows: Key Highlights (p. 3 of the presentation) include, among others, aggressive loan growth, investments in people and software, and the impact of the General Electric project on the Agency’s balance sheet; the Consolidated Comparative Balance Sheet (p. 5) reflects a healthy balance sheet for the General Fund and Restricted Funds; the General Fund Assets pie chart (p. 7) illustrates the Agency’s General Fund assets and in particular commitments support by the cash balance. With respect to Key Highlights specific to the General Fund (p. 12), Mr. Gerlin provided details of certain projections versus cash budgeted items and advised the General Fund has not declined as much as anticipated over the past year. He noted, regarding reductions to the General Fund projected revenues (p. 18), that NMTC revenues will be lower this year because MassDevelopment did not receive an allocation in the previous round.

As for budget assumptions (p. 20), Mr. Gerlin advised the Agency expects new General Fund loans to yield 4.6 percent in FY2019; he confirmed that certain Tax Increment Financings (TIFs) in Devens are “rolling off,” and Devens’ financial health continues to improve. Revenues of $3.2 million are anticipated from the new Transportation Network Companies (TNC) Fund, which is a new Fund to be managed by MassDevelopment; it is sourced from a 5-cent surcharge on every Uber or Lyft ride in Massachusetts. With regard to Salary and Fringe (p. 23), Mr. Gerlin noted a 10 percent increase over budgeted FY2018, which includes a 3 percent compensation pool adjustment for employees effective October 1; the additional increase is due largely to 10 new positions budgeted for FY2019 (p. 43). With regard to Grant Expenses (p. 24), Mr. Gerlin advised that MassDevelopment estimates that $10.5 million of the $15 million grant received for the Worcester Business Development Center project will be expended in FY2019.

Mr. Gerlin concluded his presentation with Agency Revenues and Expenses by Category (p. 26), which offers a historical snapshot of core Agency revenues and expense for the past five years, and a general discussion ensued regarding, among other things, the timing of funds in and funds out, the funding of loans, sources, and liquidity. He noted the Agency continues to try to achieve the right balance; lending generates interest income, but it draws down the General Fund. Ms. Zane noted this was her first budget review of a quasi-public agency and questioned whether operating in the red is typical and whether it is customary to have program and staff expansions in such an environment. Ms. Liss acknowledged her own similar reactions to her initial view of the budget and explained the previous 100 Cambridge Street revenue surplus and how MassDevelopment has tactically historically managed unpredictable Commonwealth expenditures and revenues to the Agency to sustain the Agency’s mission. Mr. Chisholm suggested putting assets in places that will make money and managing those assets within the Agency’s core mission. After discussion, the Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOICE VOTED:** That the Board of Directors of MassDevelopment approves the MassDevelopment FY2019 Operating and Capital Budget, that is attached and made a part of the minutes of this meeting.

**MARKETING / Communications**

**6.** **Media Report (May 2018)**. For informational purposes only, the Selected Press Clips, Media Report, and Web Statistics for the previous month are attached and made a part of the minutes of this meeting. No discussion of these items took place.

**Bond Transactions**

**7. Bond Detail Memorandum**. For informational purposes only, the Bond Memorandum and Summary are attached and made a part of the minutes of this meeting. Mr. Chilton reported there are two bond transactions before the Board for approval today and no changes to the materials provided in the Board book.

The Vice Chair asked if there were any recusals on the upcoming bond votes, and there were none.

The Vice Chair then advised that the Board would vote on the approvals and findings for the matters in Tabs 8 and 9, to be considered following the opportunity for discussion, pursuant to Section 8 of Chapter 23G of the General Laws, as amended.

**Bonds: Official Action Approvals**

**Official Action Projects without Volume Cap Request**

**8.** Upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution that is attached and made a part of these minutes regarding:

a project of the Alliance for Inclusion and Prevention, Inc., in Boston (Jamaica Plain), Massachusetts, for the issuance of a 501(c)(3) Tax-Exempt Bond to finance such project in an amount not to exceed $5,150,000.

**Bonds: Final Approvals**

**Final Approval Projects with Volume Cap Request**

**9.** Upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves and adopts the resolution that is attached and made a part of these minutes regarding:

a project of Wilshire Westminster LLC, in Boston (Roxbury), Massachusetts, for the issuance of a Tax-Exempt Bond to finance such project in an amount not to exceed $14,495,000.

**Standing Board Committee Reports**

***Origination & Credit Committee***

Mr. Blake reported that the Origination & Credit Committee met on Tuesday, June 12, 2018.

**10. Minutes of Prior Meeting**. For informational purposes only, the minutes of the May 8, 2018 Origination & Credit Committee Meeting are attached and made a part of the minutes of this meeting. No discussion of these minutes took place.

**Lending**

**11. Delegated Authority Report for Loan Approvals (April 2018)**. For informational purposes only, the Delegated Authority Report regarding Loan Approvals is attached and made a part of the minutes of this meeting. No discussion of the Report took place.

**12. VOTE – Contract for Derivative Valuation Services with Duff & Phelps, LLC**

Noting that the Emerging Technology Fund (“ETF”) itself, and not MassDevelopment, will pay for the services thereunder, Mr. Kenney explained this request for approval to enter into a contract with Duff & Phelps, LLC, to provide Derivative Valuation Services to the ETF for an initial term of three years with an option to renew for another one-year term. Mr. Kenney advised that a Request for Proposals (“RFP”) for these services was issued in April, and three responses were received. He said a selection committee (consisting of himself, Will Kidston, and Simon Gerlin) concluded that Duff & Phelps was the strongest candidate with respect to the criteria described in the RFP, and he advised that fees will be between $4,000 and $6,000 per warrant. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment authorizes the Agency to enter into a contract with Duff & Phelps, LLC, as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**13. VOTE – Update to ETF Guidelines**

Mr. Kenney then explained this request to approve the amended and restated ETF guidelines as they relate to, among other items, warrant rates, allowed collateral (such as raw materials for build-out), and interest-only periods. He advised that the purpose of these amended guidelines is to clarify existing language and add new language that is consistent with past and current practices, that were not contemplated by the guidelines originally. After a brief discussion regarding warrants, differing rates, and more, Mr. Kenney reminded everyone that all ETF requests require Board approval and are not, therefore, approved at the staff level. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the amended and restated ETF guidelines, as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**New Markets Tax Credits (“NMTC”)**

**14. VOTE – NMTC Application 2018 – Approval to Submit Application**

Ms. Sluder pointed out that the NMTC Program is not a permanent program; indeed, it is now heading into the final year of a five-year extension. She then explained this request for approval (i) to proceed with filing the CY2018 NMTC allocation application; (ii) to commit to utilizing ten percent of any potential award to make small Qualified Low Income Community Investments, as required by the Program; and (iii) to enter into an allocation agreement with the U.S. Department of the Treasury’s Community Development Financial Institutions Fund, if necessary. As Ms. Liss described in her President’s Report, Ms. Sluder noted, again, that the application is undergoing final review / edits before the submission deadline of June 26; the Agency is seeking an allocation of $100 million in this round. Meanwhile, Ms. Sluder advised that staff is preparing and/or closing deals from the FY2015-16 round of funding, so that by mid-September all of the prior round’s funding will have been allocated, which is an important factor in determining future allocations. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves this request regarding the NMTC Application 2018, as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**15. VOTE – EC Springfield Realty, Inc. (Springfield) – $12,000,000 NMTC Allocation**

Ms. Sluder then described this request for approval of a NMTC allocation of $12,000,000 to EC Springfield Realty, Inc. (which will leave $11,000,000 remaining of the FY2015-16 round of funding referred to in Tab 14, above), to support construction of a 27,000 SF school building that will provide all-day year-round care for 141 children. This project, which will fill a gap in early childhood education in Springfield, represents the 25th such school in a national network (the Educare Learning Network) of high quality early childhood education schools for children of low income families; the network also works with the families of these children. Ms. Sluder described, among other things, certain terms of the financing, including resources, leveraged structure, put/call options, and how the financing unwinds at the end of seven years. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the $12,000,000 NMTC allocation to EC Springfield Realty, Inc., as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

***Real Estate Development & Operations Committee***

Mr. Kavoogian reported that the Real Estate & Operations Committee met on Tuesday, June 12, 2018.

**16. Minutes of Prior Meeting**. For informational purposes only, the minutes of the May 8, 2018 Real Estate Development & Operations Committee Meeting are attached and made a part of the minutes of this meeting. No discussion of these minutes took place.

**17. Devens and Devens Environmental Updates**. For informational purposes only, the Devens Updates are attached and made a part of the minutes of this meeting. There was no discussion of these Updates.

**18. VOTE – Devens – Electric Utility Rate Adjustment**

Mr. Moore requested approval of a slight (1 percent) increase to the electric utility rates, effective July 1, 2018, in order to meet the Agency’s financial goals in connection with this utility. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the electric utility rate adjustment, as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**19. VOTE – Devens – Sewer Rate Adjustment**

Mr. Moore requested approval to increase sewer utility rates by 2 percent, effective July 1, 2018, to ensure all financial goals for this utility are met for the coming fiscal year. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the sewer rate adjustment, as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**20. VOTE – Devens – Amendment to Road Pavement and Treatment Services Contract**

Mr. Henderson described this request for authorization to amend and increase an existing contract with P.J. Albert, Inc., for road pavement and treatment services, to allow the use of funds for roadway resurfacing projects scheduled for FY2019. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the amendment of the existing contract with P.J. Albert, Inc., as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**21. VOTE – Site Readiness Program – Approval of House Doctor Contracts**

Mr. Starzec described briefly this request for authorization to negotiate three initial house doctor contracts with three specific consultants in order to meet the immediate needs of certain Site Readiness projects and to encumber these funds by the end of this fiscal year. Approval for additional house doctor contracts will be sought at a later Board meeting. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the three initial house doctor contracts, as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**22. VOTE – TDI – TDI Local Grant Awards**

Mr. Levine described this request to approve $247,000 in grant awards, the recipients of which were selected through a competitive process (there are four new grant awards and increases for five existing grants), for small business acceleration in the TDI Districts through the TDI Local Program in this second round of funding; the first round of funding provided grants totaling $354,000, which benefitted 120 businesses in TDI Districts. The Vice Chair asked about measuring the success of the TDI Program, and he wondered whether MassDevelopment tracks how long businesses stay in TDI Districts. Mr. Levine advised that Program guidelines require the Districts to file quarterly reports with the Agency, and he agreed that devising a method for tracking how long businesses remain in Districts is important. The Vice Chair asked for a vote and, upon motion duly made and seconded, by the directors present, it was, unanimously

**VOTED:** That the Board of Directors of MassDevelopment approves the TDI Local grant awards totaling $247,000, as outlined in the memorandum and vote dated June 19, 2018, that are attached and made a part of the minutes of this meeting.

**23. Statewide Real Estate Projects Updates**. For informational purposes only, the Statewide Updates are attached and made a part of the minutes of this meeting. There was no discussion of the Updates.

**Miscellaneous: Old Business / New Business**

The Vice Chair asked if there was any new or old business to consider, and there was none.

**Executive Session**

**24. VOTE – Devens – Sale of 33 Lake George Street to Applewood Controls, Inc.**

Due to components involving valuation of real property in Devens, Massachusetts, and potential purchase and lease terms, the discussion of this item occurred in Executive Session.

The Vice Chair advised, at 10:07 a.m., that, pursuant to Mass. General Laws Chapter 23G, Section 2(l), and Chapter 30A, Sections 21 & 22, the Board of Directors of MassDevelopment was going into Executive Session, following a roll call vote, which was taken and unanimously voted in favor, to discuss a matter involving valuation of real property in Devens, Massachusetts, and potential purchase and lease terms, the discussion of which in Open Session would have a detrimental effect on the negotiating position of the Agency. The Vice Chair instructed all persons who are not Board members or staff involved in this matter to leave the room. He noted that the Board will not reconvene in Open Session following Executive Session.

[*Executive Session held*]

There being no further business before the Board of MassDevelopment, the Open Session and Executive Session portions of the meeting were adjourned in Executive Session at 10:10 a.m.