

- Please provide a description of the bond program

The bonds are exempt facility bonds issued for qualified residential rental projects (Section 142(a)7 (Multifamily Volume Cap Bonds). Multifamily Volume Cap Bonds are subject to the state's volume cap ceiling. The Agency's allocation of volume cap for qualified residential rental projects was approximately \$230 million in calendar year 2026.

- Who will be bond counsel? Can you provide a sample/draft loan agreement? Is there an opinion supporting the structure?

It is not expected that bond counsel will provide a bond opinion when the Agency utilizes the line of credit. Bond counsel will be engaged to review/draft any documents necessary to effectuate draws/borrowings under the line of credit, but the form of those documents is not available at this time. Bond counsel will provide an opinion when the recycled bonds are used as part of a new tax-exempt bond issuance. The Agency utilizes Bowditch & Dewey and McCarter & English as bond counsel on its Multifamily Volume Cap Bonds.

- How much bond principal is expected to recycle annually? What is the historical volume over the past 5 years? What drives repayment timing?

The Agency intends to recycle not less than \$25M annually. Short-term tax-exempt bonds issued for construction financing are expected to be the primary source of recycled bonds. These bonds are repaid with equity sources (e.g. state and federal LIHTC equity and state and federal historic tax credit equity) during the construction period. Over the 24-month duration of the line of credit (approximately October 1, 2026 – September 30, 2028, the Agency expects approximately \$188M in short-term construction period bonds to be redeemed, which could potentially be recycled.

In calendar years 2022 – 2025, the Agency issued approximately \$863M in Multifamily Housing Bonds. Of these bonds, \$463M were construction period bonds. Typical construction period bond maturities are 24 – 36-months.

- How are recycled bond proceeds tracked? Is there a detailed schedule of loans expected to repay? What is the weighted average life of the portfolio?

The Agency tracks total construction period bonds outstanding, maturity dates, and mandatory purchase dates. Most construction period bonds are structured to allow optional redemption, with no prepayment penalties, subject to notice being provided to the issuer. The loan and security agreement includes recycling provisions to allow the issuer to recycle the bonds. The line of credit will help facilitate recycling.

The Agency maintains a detailed schedule of expected loan repayments and communicates with borrowers regarding repayments and recycling. Over the 24-month line of credit period there is estimated to be 11 loans outstanding, totaling approximately \$188M in short-term bonds that can reasonably be expected to be redeemed that could potentially be recycled. Among this pool of loans, the median construction period bond is \$16.2M.

- Who will monitor IRC 146(i)(c) compliance? What happens if recycled status is lost?

The Agency and project-specific bond counsel will track IRC compliance. If the bonds cannot be recycled the proceeds in the pledged account will be used to repay the line of credit.

- Describe in detail the mechanics/flow of funds outlined in Exhibit A to the RFP and include timing.

“Bond Repayment with Recycling” - \$5M in equity proceeds (e.g. state and federal LIHTC equity and state and federal historic tax credit equity) due to the borrower to repay the tax-exempt construction loan are deposited in MassDevelopment’s “Bond Recycling Depository Account” to be used within six-months to fund a new tax-exempt loan for a qualified residential rental project. Simultaneously therewith, MassDevelopment borrows \$5M from the line of credit to pay down the tax-exempt construction loan. The borrower’s tax-exempt construction loan is repaid by the proceeds from the line of credit draw, and the borrower’s tax-exempt loan repayment proceeds are held in MassDevelopment’s “Bond Recycling Depository Account” and available to recycle for up to six-months. The equity proceeds and line of credit proceeds will flow through a project-specific escrow account.

“New Bond Issuance with Recycled Bonds” – MassDevelopment approves a \$5M tax-exempt bond for the New Borrower’s qualified residential rental project. Within six months of deposit of the recycled bonds into the “Bond Recycling Depository Account,” tax-exempt bonds are issued by MassDevelopment and purchased by the New Bond owners. The proceeds from the sale of the new bonds are used to paydown the \$5M borrowing on the line of credit facility and the \$5M of recycled funds held in the Bond Recycling Depository Account is released to the New Borrower in accordance with bond purchase agreement, loan and security agreement, and any other financing documents. As with the “Bond Repayment with Recycling,” all proceeds are controlled and distributed through an escrow account. The conditions of IRC 146(i)(6)(A) have been met.

- As MDFA is a conduit, describe how cash prepayments on a Multifamily Volume Cap Bond made to one developer can be recycled to support new projects of

another developer. Will the repayments ultimately be used to redeem the bonds for the same project?

IRC 146(i)(6)(A) establishes the legal framework for which the repayment proceeds from a tax-exempt bond loan can be recycled and used to fund a new tax-exempt loan to another project. The mechanics of the recycling and the use of repayment proceeds and borrowings under the line of credit have been answered previously.

- How do "cash repayments" on the Multifamily Volume Cap Bonds flow from the project level through to the "segregated pledged account"?

It is expected that they will flow through a project-specific escrow account and governed by an escrow agreement, although other payment flows will be considered, as appropriate.

- Are the draws under the LOC (secured by cash repayments) used to redeem the existing Multifamily Volume Cap Bonds?

Yes. The draws on the line-of-credit are used to redeem outstanding bonds, and the repayment proceeds that would have otherwise been used to redeem the bonds are deposited in the Bond Recycling Depository Account to effectuate a subsequent recycling transaction.

- What is the underlying source of repayment for draws made under the facility? Are the New Bond Issuances used to repay facility balances, and then cash repayments are released to fund new loans?

Yes.

- Please identify the specific programs, transactions, or pools of assets expected to generate repayment proceeds.

Bonds issued for qualified residential rental projects under Section 142(a)7 are the only bonds that will be recycled. There are approximately 11 projects totaling \$188M in tax exempt bonds that can reasonably be expected to be paid down over the 24-month period that the credit facility is being requested.

- Please provide a schedule of expected repayments and new loan issuance. What are historical repayment volumes? What dollar size repayments are expected?

We expect 11 projects to pay down over the 24-month period, totaling \$188M in bonds. The maturity dates vary and borrowers have optional redemption rights. Of this portfolio of loans, the short-term construction loans have a median loan size of \$16.2M. These loans may be paid down in a single repayment or in 2-3 repayments.

- How many bond financed projects generate payments? Who are the top obligors? What is historic payment performance?

Nearly all bond-financed projects generate principal repayments associated with short-term construction period bonds. The Agency issues bonds for a diverse subset of multifamily borrowers and has strong history of payment performance for conduit bonds. There are no known defaults associated with nonpayment.

- Will there be any repayment guarantee from MassDevelopment?

The line of credit will be secured by the funds held in the Bond Recycling Depository Account. It is the preference of the Agency that the line of credit provider requires only a pledge of cash and/or accept that the New Borrower, who will utilize the recycled funds, provide a guarantee associated with interest payments on the line of credit borrowing. Proposals requiring repayment guarantees, a revenue pledge limited to fees and interest and a general revenue pledge will be considered.

- Who controls pledged accounts? What reporting is available? Can pledged cash be used for any purpose other than recycling transactions?

The Bond Recycling Depository Account will be in the name of the Massachusetts Development Finance Agency. The Bond Recycling Depository Account may be with the credit facility provider, depending on the account terms, or with PFM Asset Management. The expectation is that the earnings on the deposits in the Bond Recycling Depository Account will offset the costs associated with the borrowing and then if the line of credit provider can offer yields on the investments that will offset a significant portion of the interest. The pledged funds can only be used to fund new tax-exempt loans or to repay the line of credit if the funds cannot be recycled.

- Will the lender receive a perfected first priority lien on the pledged account? Will the pledged account be bankruptcy remote? Will control agreements be needed?

We anticipate that the parties will cooperate in determining the appropriate structure for the pledged account, including whether the account should be maintained with the Bank or another depository institution, and will enter into such security agreements, deposit account control agreements or other documentation as may be necessary or appropriate to perfect the Bank's security interest and establish the Bank's priority with respect to the account under applicable law. Similarly, we would expect the parties to consider appropriate mitigation efforts in structuring the pledged account to address reasonable bankruptcy concerns.