

## **Special Achievement The Chairman's Challenge**

### **Overview:**

Financing rental housing and overseeing affordable housing assets lies at the core of MassHousing's statutory mission. Like many other HFAs that are strong participants in the rental housing arena, MassHousing's activity in the financing and oversight of rental housing development dates back to the heyday of HUD financing, beginning with programs such as Section 236 and Section 8. These federally-dominated programs have long since yielded their respective roles in the production of new affordable housing, yet much of MassHousing's multifamily infrastructure was still geared towards the asset management requirements defined by these programs. Nearly four decades of tilling the fields of its own portfolio had also led to some organizational anomalies with unintended consequences. By late 2007, it became clear that a reexamination of this area of the Agency's operations was indeed overdue.

The first dichotomy was evident in the distinction that had been established between the preservation of rental housing that was in MassHousing's *existing* portfolio versus that *outside* of MassHousing's portfolio. For example, in an effort to conserve its scarce volume cap resource, MassHousing generally did not allow the use of volume cap (and the associated 4% tax credits) on properties that were already within the MassHousing portfolio. Over time then, two lending groups had grown up within the Agency, centered largely on this division of resources. Looking ahead, the impact of increased demands for putting a greater emphasis on preservation, as well as the long-term impacts of hosting two lending areas under one roof needed to be analyzed.

This was just one example – of practices that had worked for a time – but upon closer analysis no longer had a coherent purpose. It was the confluence of similar factors that compelled the Agency to a fresh examination of its operations. Ultimately, the directive and focus for this examination came in response to a challenge issued by the then-Chairman of MassHousing's Board, Michael Dirrane. Simply put, the Chairman *challenged* the leadership of the Agency to embark on a comprehensive effort to reexamine every aspect of MassHousing's way of doing business in the rental arena. The goal of this examination would be to create new goals, policies and procedures which would make MassHousing more responsive to the demands of modern day rental lending while at the same time maintaining the Agency's longstanding adherence to its affordable housing mission.

Chairman Dirrane issued his challenge at a MassHousing Board meeting in December 2007. Not long after this – the Deputy Director of MassHousing was drafted as the point person in this effort to be supported by a steering committee of other senior staff as well as a core group of "team captains" who would help shape and define the specific analysis of current practice and begin to help form the recommendations for change that would result.

### **The Listening Tour:**

The first step in any analysis of how well an organization is functioning is to listen to an honest evaluation of the organization by its business partners. In this case, MassHousing's executive staff sought out the information from a number of distinct sources: (1) the Rental Housing Association (RHA) – a part of the Greater Boston Real Estate Board populated largely by for-profit rental housing operators; (2) the non-profit sector, particularly the strong, Community Development Corporation community in Massachusetts and; (3) other rental housing participants willing to invest the time to offer an honest critique of the Agency.

This listening tour lasted a full three-months and shortly thereafter, the Agency issued a 20-page report containing 29 recommendations for further exploration as the effort of the Chairman's Challenge to



