



Massachusetts
Housing
Investment
Corporation

ANNUAL
REPORT
2007



MISSION STATEMENT

Our mission at MHIC is to be an innovative private financier of affordable housing and community development throughout Massachusetts, providing financing that would not otherwise be available, and extending the impact of that financing to ensure the broadest possible benefit.

In undertaking this mission, MHIC is founded on six core values:

- Private capital from a broad base of investors can prudently finance community development initiatives on an ongoing basis as self-sustaining ventures.
- The benefits of expanding community investment should flow to the minority workers and the minority-owned businesses in those communities.
- Special effort is required to harness private capital for geographic areas, sponsors and projects that have historically been unable to compete effectively for financing.
- The sponsors of community development projects deserve ongoing support in their efforts to build and maintain sustainable communities.
- The system of financing community development, which is overly fragmented and cumbersome, must be streamlined and improved.
- The communities we serve must see MHIC in a leadership position in advancing these values and not as merely another player.

As an institution established by private corporations in collaboration with community leaders, MHIC's mission depends on a partnership among corporate investors, housing sponsors, and public agencies. Through it all, MHIC is committed to maintaining its industry leadership, on the cutting edge, expanding the envelope, inspiring confidence in what can be done. This role places demands on MHIC, but it also forms the very foundation for the value MHIC creates.





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As anyone who reads the newspaper knows, the year 2007 was a transitional one for the economy. Beginning with the subprime mortgage crisis, the economy was hit in the final months by a number of shocks that continue to reverberate. By year end we were all operating in a market characterized by significant uncertainty and volatility.

The current breakdown in the residential and capital markets mirrors in many respects the environment in which MHIC was established in 1990. Lenders are once again reeling from devastating losses, and we see a looming “credit crunch.” But there are significant differences from the early 90’s as well: most of the losses are coming from residential (not commercial) loans, and from loans originated outside of the CRA-regulated banking system. While Massachusetts may not face problems as deep as other parts of the country, the challenges we face are very real.

Yet it is precisely at times like this that MHIC is called upon to play an expanded role and add even greater value. We were, after all, created specifically to finance high-impact, hard-to-finance projects, and we now have nearly two decades of experience to draw upon.

Our record in 2007 illuminates what MHIC can accomplish in demanding times. MHIC ended the year with strong performance overall and steady progress on many fronts. We achieved high levels of financing; we closed and completed an outstanding list of projects; and we continued to pioneer new and creative financing structures combining public and private funding sources to make projects possible, and provide market-rate returns for our investors.

Through these efforts, MHIC was able to provide \$114 million in financing for an unusually wide range of affordable housing, mixed-use and commercial projects. Teaming up with other investors, for example, we financed a portfolio of projects to preserve nearly 700 units of affordable housing in five communities. We financed the restoration of the magnificent Hanover Theatre for the Performing Arts in downtown Worcester, a project that is already creating jobs and new businesses and is a cornerstone of that city’s revitalization efforts. And we financed or completed other notable projects including a new home for inner-city youth programs, health care facilities, a day care center, educational and social service centers, and housing for low-income seniors and mentally disabled adults.

MHIC’s continuing success in diversifying its shareholder and capital base this year resulted in addition of several new member corporations. This is an excellent sign of investor confidence in affordable housing and community development and in MHIC’s ability to navigate what will inevitably be challenging times ahead.

So we are facing the future with confidence, with a strong base, and with the proven ability to craft innovative financing solutions to meet the critical needs of our region.



Guillaem Aertsen
Chairman

Joseph L. Flatley
President and CEO

In the face of mounting challenges, MHIC had a strong year in terms of production in 2007. In general, loan requests were up in terms of both numbers and size. We had a healthy pipeline of Low Income Housing Tax Credit (LIHTC) investments and strong New Markets Tax Credit (NMTC) activity. And we completed yet another year with a surplus of revenue over expenses.

Specifically, MHIC provided a total of \$114 million in project financing in 2007: \$49 million in New Markets Tax Credit investment, \$41 million in Low Income Housing Tax Credit investment, and \$24 million in loan financing. These investments supported 1,003 affordable housing units, 18 projects, and nearly 203,000 square feet of commercial space for youth programs, commercial business expansion, social service agencies, economic development assistance programs for area businesses, and office space for nonprofit organizations.

While MHIC focused considerable attention on New Markets Tax Credit projects, we also closed our largest package of financing ever—\$70 million (\$45 million in loans and \$25 in equity financing) to finance a portfolio of five federally-subsidized housing developments. What is significant about that transaction besides the amount of financing is that it enabled the sponsor to purchase and preserve a large number (688) of affordable housing units in eight different communities.

MHIC ended its seventeenth year with an aggregate total of \$1.133 billion in financing provided to 299 projects throughout Massachusetts. This financing has assisted in the creation and preservation of 12,712 units of housing and approximately 880,000 square feet of commercial space. By program, total investment amounted to: \$430 million in loans, \$489 million in Low Income Housing Tax Credit investment, and \$214 million in New Markets investment.

New Markets Tax Credits

- Over the past year MHIC concentrated on underwriting, closing and managing our substantial portfolio of New Markets Tax Credit projects. By the end of the year, we had closed seven New Markets projects, bringing the total number of NMTC projects financed by MHIC to date to 27, and the total amount invested under the NMTC program to \$214 million.
- MHIC closed its third New Markets Tax Credit fund, which is expected to utilize \$115 million in New Markets authority (\$51 million in equity and \$64 million in permanent and subordinate financing). This fund, along with a \$4 million investment in a start-up production facility, will utilize all of the remaining third and fourth year New Markets Tax Credit allocations available to MHIC.
- MHIC has received a total of \$259 million in tax credit authority under the first four annual national competitions. We are cautiously optimistic about receiving an award in the 2008 national competition, given our strong pipeline of projects and investor capital commitments.



Baker Street, Foxborough



Till Building, Chelsea

If successful, we plan on expanding our New Markets program to enable us to finance projects in all six New England states.

- The types of projects MHIC has financed or completed this past year clearly demonstrate the power of the New Markets Tax Credit program to channel private capital to areas and projects that need it the most. Our New Markets project investments have made tangible impacts in their communities, creating and preserving jobs and stimulating economic development. All NMTC investments were made to leverage previous investments.

Low Income Housing Tax Credits

- In 2007, MHIC substantially exceeded its housing tax credit goals, financing eight projects for a total of \$41 million in equity investment. For each of those projects, MHIC also provided loan financing.
- MHIC's 2007 equity investments were diversified among urban, suburban and industrial rural communities. Six investments financed projects to preserve affordable housing projects. One investment financed the historic rehabilitation of a vacant schoolhouse to create affordable housing for seniors in western Massachusetts, and another investment financed new construction of affordable housing for seniors on Cape Cod.



Walnut House, Boston

- It is notable that market conditions remained competitive for low income housing tax credits through the end of 2007 (with credit prices down and yields high) and that MHIC was able to deliver a reasonable rate of return to its investors.

Lending

- In 2007, MHIC closed \$24 million in loans to 11 projects in 14 scattered-site locations. This number represents 943 housing units. In addition, MHIC funded affiliate loans totaling \$27 million.
- MHIC's largest transaction last year, and to date, was the portfolio of loans to an established customer of \$45 million to finance the acquisition and preservation of five federally-owned properties. MHIC completed that deal with the participation of Citizens Bank and United Commercial Bank.
- In 2007 MHIC also financed the preservation and renovation of an affordable housing project in Framingham and renovation of a partially occupied 11-building housing project in Springfield.

Asset Management

- In 2007, we closed two additional Low Income Housing Tax Credit funds for a total of \$67.3 million. Fund XII totaled \$23 million and Fund XIII totaled \$44.3 million. Fund XIII was our largest fund since MHEF X. This was an exceptional accomplishment in light of the changes experienced in the market during the year, and attests the investor confidence in MHIC. Asset Management continues to work closely with all property partners, particularly through the lease-up and stabilization phases to ensure smooth reporting of information.

- The thirteen Low Income Housing Tax Credit (LIHTC) funds under management continue to perform well on an aggregate basis. MHIC Asset Management staff are well seasoned and experienced to administer funds that are newly formed, stabilized, or nearing the end of their 15-year compliance period.
- Our three New Markets Tax Credit (NMTC) funds continue to perform well and Asset Management staff continue to work with both Finance and Development staff to enhance timely reporting and the data collection requirements of this complex program.
- MHIC's strong Asset Management department continued this past year to support general partners and property managers in the development of new strategies and procedures to improve operations from many angles. Regular contact and visits to properties provides a proactive approach to identifying issues and guiding solutions before any potential problem has a chance to manifest itself. As well, Asset Managers have been very effective in obtaining accurate and timely financial reports and in making dramatic improvements in the delivery of timely tax and audit information to investors.

Minority Participation

- Throughout its seventeen-year history, MHIC has made every effort to share the economic and social benefits of its investments by encouraging the greatest possible participation of minority employees and minority-owned businesses in the projects we finance.
- In 2007, MHIC continued to pursue ambitious goals in this area, working closely with customers and with our Minority Participation Committee.
- Over the past year, Boston-area projects achieved results of 38% for minority employment and 21% for minority business utilization. Our goal is to boost performance and do an even better job in 2008.

- For minority employment outside of Boston, project goals were exceeded, with aggregate results of 25.2%. Results were 8% for minority-owned business utilization. Again, through strategies developed by our Minority Participation Committee and continuous work with project sponsors, we are adopting additional measures to improve results in 2008.

Charles E. Dahm Memorial Scholarship Fund

- In 2007, four students, all of whom had received previous awards, received scholarships under the Charles E. Dahm Memorial Scholarship Fund. The Fund—created in 2002 to honor the memory of Chuck Dahm, a State Street Bank Executive and MHIC founder—has now made 31 scholarship awards to 18 students who live in MHIC-financed housing. MHIC worked closely with the Dahm family over the past year to raise additional funds, securing private donations and a substantial grant from the State Street Foundation.



Chinatown Community Education Center,
Boston



Trolley Square, Cambridge

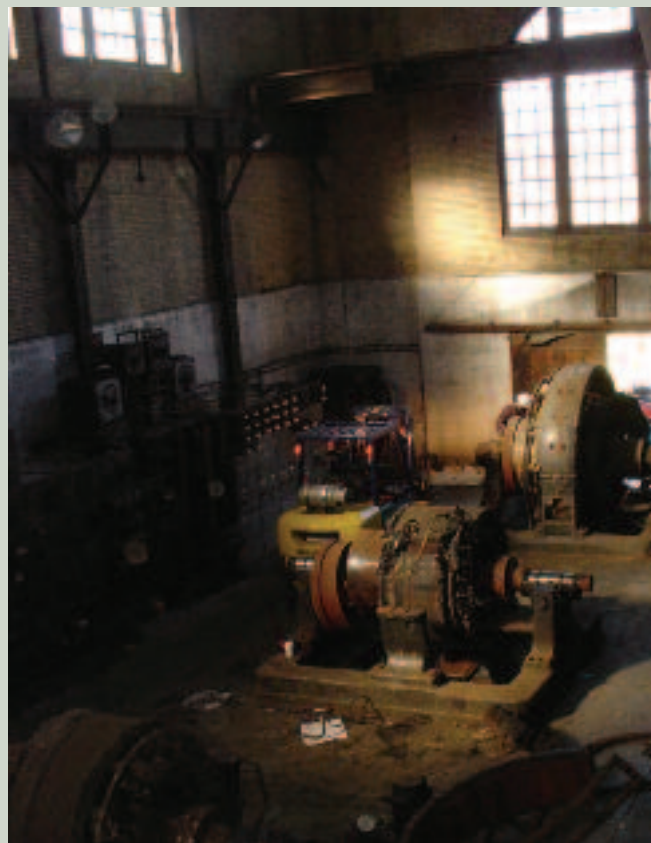
Egleston Power Station

Boston



What was once considered an “eyesore”—the long abandoned former MBTA power substation in Egleston Square in Roxbury—has become the attractive new home for the Boston Neighborhood Network (BNN), a nationally-recognized and award winning community media center.

BNN and Urban Edge, one of Boston’s leading nonprofit community development corporations, teamed up to sponsor the adaptive reuse and historic preservation of this building into a state-of-the-art facility where BNN has been able to consolidate its operations under one roof and greatly expand its programs.



Established in 1983, BNN is Boston’s community access cable television channel. It provides a key media resource to the residents and businesses of Boston and, in particular, to its youth. With additional space, BNN is expanding its youth programs, producing more content for its channels, diversifying its revenue base, and playing an even greater role in the community.



The project received permanent and bridge funding from the Property and Casualty Initiative and grants from the City of Boston, in addition to MHIC's \$7 million in New Markets Tax Credit and historic tax credit financing, without which the project would not have been feasible. Already the Egleston Power Station has received preservation awards from the Massachusetts Historical Commission and the Boston Preservation Alliance. The building is considered a model of "green" construction.



New Homes for Nonprofits



Marbury Terrace Boston

A new home has been created in Jamaica Plain for Community Servings, Inc. (CSI), a nonprofit that serves nearly 3,340 lunches and dinners each week to more than 700 individuals and families with acute life-threatening illnesses in the greater Boston area. With MHIC's \$4.8 million New Markets Tax Credit investment, CSI was able to purchase and rehabilitate a dilapidated, vacant industrial facility and create considerably more space than it previously had, nearly doubling its meal preparation capacity. The project involved total reconfiguration of the building to create a state-of-the-art kitchen, expanded food storage space, offices, and classrooms for volunteer training. The increased space enables CSI to extend its geographic reach to communities such as Lowell and Lawrence and to expand its operations to include a new line of business—the preparation and sale of meals on a wholesale basis to other meals programs. CSI moved into its new facility in October 2007.



Chelsea Neighborhood Developers 4 Gerrish Avenue Chelsea

In November 2007, Chelsea Neighborhood Developers (CND), this project's sponsor, moved into its new home, made possible with MHIC's \$3.4 million in New Markets Tax Credit financing. At a ceremony to mark its move, the nonprofit also celebrated the "opening" of Chelsea's new neighborhood—the so-called "Box District"—and completion of two housing developments in the neighborhood. The project involved the acquisition and remodeling of a partially vacant Gerrish Avenue property that is serving as CND's new headquarters and a "gateway" to the district. These new developments are helping to transform the City of Chelsea, a historic, industrial city next to Boston. Revitalization of this area, and the concept for the Box District, was conceived by the city and CND as a transit-oriented, mixed-income neighborhood offering rental and homeownership housing, parks and green space, and an active community life. It is being made possible through a combination of public, nonprofit and private investment.



470 Main Street Fitchburg

A 5-7 story historic office building in downtown Fitchburg, now nearly vacant, is being renovated to create a mixed-use development that will include housing on the upper floors, a new home for the project sponsor, Twin Cities CDC, and a commercial tenant (TD Banknorth) on the ground floor. MHIC financed the project using \$11.8 million in New Markets Tax Credit financing and federal historic tax credits, as well as a bridge loan against the sale of state historic tax credits. The building will consist of 31 rental housing units (8 of which will be affordable), with Twin Cities' offices and program space on the first floor and base-ment levels. The bank branch currently on the ground floor will stay in place. It is anticipated that renovation of the building, expected to be completed in early 2009, will contribute substantially to the city's revitalization by increasing the number of people who live, work and spend money downtown; it will help reduce crime, and encourage other owners of vacant buildings to convert to residential uses. Twin Cities plans to expand its homeownership and small business centers.



MAHA—1803 Dorchester Avenue Boston

The Massachusetts Affordable Housing Alliance (MAHA), a long-established nonprofit that advocates for increased federal, state and local investment in affordable housing, will soon have a brand new home of its own. Finding its current office space inadequate, yet wanting to stay in the same neighborhood, MAHA embarked on an ambitious capital campaign and MHIC provided a \$4.7 million New Markets Tax Credit investment to fill the funding gap. Construction of a new 3-story building near Codman Square is well under way and should be completed June 2008. MAHA will use the top two floors for administration, classrooms, and counseling, and reserve the ground floor for retail use. Construction of the building is following EPA recommendations for "green" construction.

Preservation of Affordable Housing



Fairweather Apartments, Danvers

Fairweather Apartments

This elderly housing project consists of 321 units in four buildings in four different cities north of Boston. The buildings were constructed in 1968 by an affiliate of the Episcopal Church with HUD financing. For this complex, MHIC provided a \$10.2 million Low Income Housing Tax Credit equity investment and a \$17.8 million acquisition loan (in partnership with participating lenders Citizens Bank and United Commercial Bank) to facilitate the acquisition and preservation of this affordable housing by Preservation of Affordable Housing, Inc. (POAH). This project was part of the portfolio of projects that MHIC financed so that POAH could preserve a total of 688 units of affordable housing. Moderate rehabilitation was required and has been completed. POAH will keep 100% of the units affordable for 99 years to households with incomes below 60% of the area median income.



Fairweather Apartments, Salem



Fairweather Apartments, Beverly



Bridle Path Randolph

This apartment complex, built in 1983, provides 104 units of housing for low-income elderly residents (103 affordable). Along with others on this page, this project was part of a portfolio of projects that Preservation of Affordable Housing, Inc. (POAH) acquired and renovated to preserve the units as affordable. The three, 3-story buildings that comprise the complex are located on a 3.8-acre site in this suburban town, approximately 15 miles south of Boston. In partnership with participating lenders Citizens Bank and United Commercial Bank, MHIC provided \$10.9 million in acquisition financing; MHIC also provided a \$5.1 million Low Income Housing Tax Credit equity investment. Moderate renovations are being made and will be completed in September 2008. POAH assumed the existing project-based Section 8 subsidy to ensure that all the units remain affordable to low-income residents.



Fairweather Apartments, Peabody

Preservation of Affordable Housing



Chestnut Gardens Lynn

This 65-unit elderly apartment complex, consisting of two contiguous five-story buildings, was built in 1895 and expanded and renovated in 1982. This project was also one of a portfolio of projects for which MHIC provided financing to Preservation of Affordable Housing, Inc. (POAH), enabling POAH to acquire and preserve the units as affordable. MHIC provided a \$3.1 million Low Income Housing Tax Credit equity investment. In partnership with bank participants Citizens Bank and United Commercial Bank, MHIC also provided a \$5.5 million acquisition loan. Moderate rehabilitation, including addition of a computer center and wireless internet in all buildings, will be completed in July 2008. All 65 units are covered by project-based Section 8 contracts. POAH assumed the Section 8 contract and will maintain 100% of the units as affordable to households with incomes below 60% of the area median income.



Dom Narodowy Polski Apartments Chicopee

This is a 50-unit elderly housing complex in downtown Chicopee, about 92 miles west of Boston. It is comprised of two, 4- and 5-story structures, built in 1930 and renovated in 1982. It was part of the portfolio of projects for which MHIC provided financing to Preservation of Affordable Housing, Inc. (POAH) so that the organization could acquire and preserve the units as affordable. MHIC provided a \$1.7 million Low Income Housing Tax Credit equity investment to POAH; MHIC also provided a \$2.5 million acquisition loan in partnership with participating lenders Citizens Bank and United Commercial Bank. Modest renovations have been completed. When this project's Section 8 contract expires in 2011, POAH will seek a 20-year extension to ensure that the units remain affordable to lower-income seniors.



Eastgate (Baymeadow) Apartments Springfield

Located in the Pine Point neighborhood of Springfield, this 148-unit residential complex housing families and handicapped individuals consists of twelve, 2-story buildings. It was built in 1950 and renovated in 1982 and has since been in use continuously as a Section-8-assisted apartment complex. This project is also part of a financing package MHIC provided to Preservation of Affordable Housing, Inc. (POAH). With that financing, POAH was able to acquire and renovate the property and preserve the units as affordable. MHIC provided a \$5.2 million Low Income Housing Tax Credit equity investment and, in partnership with participating lenders Citizens Bank and United Commercial Bank, MHIC also provided an \$8.5 million loan for acquisition. Modest renovations are under way and will be completed in the summer of 2008.



Irving Square Framingham

Irving Square Associates, LLC, an affiliate of Edward A. Fish Associates, acquired and completed moderate renovation of an occupied 46-unit affordable rental property in this suburban town, about 20 miles west of Boston. The project has a Section 8 contract covering all units that runs through 2008; that contract was extended to 2023 prior to closing in order to preserve the units as affordable. MHIC provided \$175,000 in bridge financing as well as a \$2.4 million Low Income Housing Tax Credit equity investment.

New Homes for Youth Programs

Girls Incorporated of Lynn

50 High Street, Lynn



MHIC's \$5.5 million in New Markets Tax Credit financing closed the feasibility gap to make possible the revitalization of the historic Old Lynn School and provide a new home for Girls Incorporated of Lynn. Founded in 1942, and an affiliate of a national organization (Girls Incorporated), Girls Inc. of Lynn provides programs to low-income girls and their families. The nonprofit's programs encourage girls to be self-sufficient, to complete their education, and to become healthy and productive members of the community. With MHIC's New Markets and historic tax credit financing, Girls Inc. of Lynn is rehabilitating the school into a 14,650-square-foot office and services space. The first phase of the project will be completed in the fall of 2008. A second phase will include new construction of a gymnasium and theater. When completed, it will be a state-of-the-art facility, enabling Girls, Inc. of Lynn to enhance its educational and recreational programs. By facilitating the expansion of Girls, Inc. of Lynn, the New Market's financing brings a critical service to a predominantly low-income population. The project is expected to create new jobs, bring new activity to the area, and preserve an important historic property.

ZUMIX

Boston



A long-abandoned firehouse in East Boston—Firehouse 40—will be transformed into a new home for ZUMIX, a nonprofit dedicated to building community and empowering youth through the arts. The project began in 2005 when the City of Boston designated ZUMIX and the East Boston Community Development Corporation (as co-developer) to develop the 1923 brick building into a youth arts center. Since that time, ZUMIX has engaged in a capital campaign to rehabilitate the structure. MHIC's \$3.5 million in New Markets Tax Credit financing closed the financial feasibility gap to enable the project to move forward. The redevelopment of the firehouse will transform an abandoned building into a vibrant cultural and performance center for ZUMIX programs, youth participants and the East Boston community. It will create new full and part-time jobs and allow ZUMIX to more than double the number of children it serves.

Hanover Theatre for the Performing Arts

Worcester



The stunning restoration and grand opening of the Hanover Theatre in downtown Worcester culminated one of MHIC's most complex and most exciting projects this past year. Located in the heart of downtown Worcester across from the Federal courthouse, the theater, which was built in 1904 and formerly known as the "Poli Palace," sat vacant for many years. Eight years ago, two local businessmen decided to rehabilitate the theater and founded the Worcester Center for Performing Arts for that purpose. They acquired the property and went about raising funds, assembling financing, and lining up public and private support. The idea caught on when others realized just what such a development could do to help drive the revitalization of Worcester.

New Markets Tax Credit financing was a critical component in allowing the project to go forward. MHIC provided a \$17.6 million financing package, combining New Markets and federal historic tax credits and a bridge loan against the sale of state historic tax credits. MHIC also partnered with three other financial institutions—Coastal Enterprises of Maine, and the Nonprofit Finance Fund and Citicorp USA, both of New York—that together contributed another \$15.8 million in New Markets financing. Now fully restored and



operational, the theater is staging Broadway tours, nationally-recognized performances and family shows.

MHIC's investment in the Hanover Theatre represents its third theater restoration project. In 2004, MHIC provided a \$1.6 million equity investment for the historic renovation of the Mahaiwe Performing Arts Center in Great Barrington, Massachusetts. In 2005, MHIC provided \$23.8 million in New Markets Tax Credit financing for the historic renovation of the Colonial Theatre in Pittsfield, Massachusetts.

Rehabilitation of Historic Structures



Nuestra Casa—Our House Lawrence

With completion of this project in the fall of 2007—which involved the adaptive reuse and historic rehabilitation of a former parish school—Lawrence CommunityWorks (LCW), the project’s sponsor, now has the space to enhance its highly-successful community education programs. MHIC’s \$5.5 million in New Markets Tax Credit and federal historic tax credit financing, combined with a capital campaign and extensive community outreach, made it possible for LCW to totally renovate the school into a state-of-the-art community facility. LCW is building on its existing programs to ensure higher wages and wealth creation for some of the state’s most vulnerable populations—youth living in poverty, the working poor and recent immigrants.



Nobis Engineering Lowell

MHIC’s \$3.5 million in New Markets financing is being used for the rehabilitation and adaptive reuse of the historic Davis and Sargent mill building in the Lowell Historic District. The project will create a new home for the developer, Nobis Engineering, Inc., a Concord, New Hampshire-based company. Vacant for two years, the building will be renovated from its former industrial use into a first-class office facility. Nobis’s current office in Lawrence is too small to accommodate its anticipated growth in New England. The company plans to significantly build its staff in Massachusetts with additional space. The project is also expected to create construction jobs and jobs at Nobis’s suppliers. The availability of New Markets financing was a critical factor in the company’s selection of this site. The project has the strong support of the City of Lowell.



Dudley Village North Boston

The site of the notorious Fundonzinho Lounge (pictured above)—a center of crime and violence in Boston's Uphams Corner—will soon be the location of a new mixed-use development that will include affordable housing, retail and office space. For more than five years, the Dorchester Bay Economic Development Corporation (DBEDC) has been working to make this project happen, starting with purchase of the property with a \$1 million acquisition loan from MHIC in 2003. More recently, MHIC provided \$1.65 million in New Markets Tax Credit financing, used for the commercial component, and a \$4 million Low Income Housing Tax Credit equity investment to finance the residential part. The project, expected to be completed in the fall of 2008, will consist of 24 units of housing for income eligible households, and 4,800 square feet of retail and office space. DBCDC will use a portion of the space to expand its community service programs. This project and a companion project featuring 26 housing units and 1,550 square feet of commercial space will accomplish DBEDC's long-held goal to revitalize this blighted section of Dorchester.



2201 Washington Street Boston

MHIC's \$6.6 million in New Markets Tax Credit financing made it possible for Madison Park Development Corporation to substantially upgrade a 3-story commercial property in the heart of Roxbury's Dudley Square, where MHIC has financed several other projects. The Massachusetts Department of Transitional Assistance—a state agency that provides transitional assistance to low-income families—now occupies three floors (80% of the previously vacant space). The remodeling ensures the retention of major tenants, including three city agencies that provide economic development assistance to area businesses. It is estimated that when fully occupied the building will house 222 full-time employees, an increase of at least 40 full-time jobs over the previous occupancy.

Boston Health Care for the Homeless

Boston



Boston Health Care for the Homeless Program (BHCHP), “the face of Boston’s health care for homeless individuals and families,” and a national leader in providing health care services to the homeless community, has just moved into a new home in Roxbury. The renovated “Mallory Building” is a 4-story, 77,600 square-foot historic building acquired through a long-term leasehold interest from the Boston Public Health Commission.

In its new home, the BHCHP will consolidate outpatient clinical services, its in-patient medical and respite program, and its research and administrative functions. Last year, the nonprofit delivered services to more than 9,000 homeless men, women and children; it will now be able to expand its reach. To make this possible, BHCHP embarked on an ambitious capital campaign. MHIC provided \$20.9 million in New Markets and historic tax credit financing.





Fenway Community Health Center

Boston

The Fenway Community Health Center (FCHC) will soon have a new 10-story home on Boylston Street near Fenway Park. In its new state-of-the-art facility, FCHC, a Federally Qualified Health Center, will concentrate its operations under one roof and substantially expand its services. Founded in 1985, it will be the largest lesbian, gay, bisexual and transgender health care and research facility in the world. The new building, to be completed in early 2009, is being constructed in the context of a larger, mixed-use development that will also include housing and retail space. Funding of this project required a complex financing structure: MHIC worked with MassDevelopment to leverage credit-enhanced tax exempt bonds issued by the Massachusetts Industrial Finance Agency, with MHIC providing \$9.5 million in New Markets Tax Credit financing.

Restoring the Old...



Church Street School Senior Housing Ware

This project involves the adaptive reuse of a historic high school into 29 units of affordable housing for seniors in a rural industrial part of western Massachusetts. This is MHIC's first project to receive permanent financing and rental subsidies from the United States Department of Agriculture Rural Development (USDA-RA) program. Twenty units will receive RD subsidies. The school sits on a 2.8-acre lot and is listed on the National Register of Historic Places. It was originally built in 1915, with sections added later. The project sponsor, HAP, Inc., purchased the property from the Town of Ware and expects to be finished with renovations in the summer of 2008. MHIC provided a \$5.1 million Low Income Housing Tax Credit equity investment for the project.



Worthington Commons Springfield

MHIC's \$7.2 million construction loan enabled First Resources Companies, headed up by Gordon Pulsifer, to acquire and totally renovate 11 historic buildings into 149 affordable housing units and build a management office/community center. The project, located in a historic neighborhood of Springfield, involved gut rehabilitation of two buildings to create 38 new housing units and renovation of the other, occupied buildings containing 111 affordable housing units. This project significantly contributes to the transformation of a Springfield neighborhood that had been known for its crime and disinvestment in the past. To date, MHIC has made 17 loans and has invested more than \$55 million in Springfield projects.



Lazarus House Lawrence

A new 3-story building has been constructed on a vacant parcel of land to create 20 housing units for very low-income families in one of the poorest communities in Massachusetts. The project sponsor is Lazarus House Ministries, a nondenominational faith-based organization that has been providing services such as temporary shelter, meals programs, food pantries, job training and counseling to the homeless population for more than 25 years. The nonprofit uses space in the building to provide services for residents of the project and the immediate neighborhood. For this project, MHIC provided a \$2.8 million Low Income Housing Tax Credit equity investment. The project was completed by the end of 2007. Currently, 32 children and their families call the Lazarus Hope project their home.



Asher's Path Mashpee

Fifty-six new units of affordable rental housing were built in a wooded setting for adults 55 and older in this Cape Cod community. With \$3.7 million in construction financing and \$7.4 million in Low Income Housing Tax Credit financing from MHIC, Edward A. Fish Associates and the Mashpee Housing Authority teamed up to develop the project on property donated by the Town of Mashpee.

PROJECTS FINANCED IN 2007

PROJECT	UNITS	LOAN	HOUSING TAX CREDITS	NEW MARKETS	TOTAL
2201 Washington Street, Boston		\$	\$	\$ 6,587,825	\$ 6,587,825
470 Main Street, Fitchburg	31			11,844,849	11,844,880
Allston Brighton CDC, Boston	4	219,356			219,360
Asher's Path Apartments, Mashpee	56	3,784,000	7,466,968		11,251,024
Bridle Path, Randolph	104	789,961	5,143,028		5,933,093
Chelsea Neighborhood Developers, 4 Gerrish Avenue, Chelsea				3,378,488	3,378,488
Chestnut Gardens, Lynn	65	402,196	3,133,229		3,535,490
Church Street School Senior Housing, Ware	29		5,152,100		5,152,129
Dom Narodowy Polski Apartments, Chicopee	50	184,056	1,681,806		1,865,912
Eastgate (Baymeadow) Apartments, Springfield	148	616,928	5,262,611		5,879,687
Fairweather Apartments, Beverly, Danvers, Peabody, Salem	321	1,290,858	10,235,015		11,526,194
Girls Incorporated of Lynn, 50 High Street, Lynn				5,552,604	5,552,604
Hadley Apartments, Worcester		350,000			350,000
Hanover Theatre for the Performing Arts, Worcester		4,009,900		13,585,000	17,594,900
Irving Square, Framingham	46	175,000	2,419,512		2,594,558
MAHA, 1803 Dorchester Avenue, Boston				4,649,948	4,649,948
Nobis Engineering, Lowell				3,514,276	3,514,276
POAH, MB, Boston		3,000,000			3,000,000
Twin Cities CDC, Fitchburg		2,016,000			2,016,000
Worthington Commons, Springfield	149	7,260,000			7,260,149
Totals	1,003	\$24,098,256	\$40,494,269	\$49,112,990	\$113,706,518

MHIC's 28 member corporations have collectively committed more than \$691 million to finance the development of affordable housing and community development. The status of these commitments as of December 31, 2007 is displayed in the table below.

MEMBER CORPORATION	LOAN	HOUSING TAX CREDITS	NEW MARKETS	TOTAL
Bank of America*	\$13,750,000	\$169,079,260	\$	\$182,829,260
State Street	4,850,000	84,134,400	11,000,000	99,984,400
Freddie Mac		99,730,000		99,730,000
Fannie Mae		77,255,600		77,255,600
Citizens Bank	4,000,000	36,715,600	9,000,000	49,715,600
TD Banknorth	1,750,000	31,180,000	16,000,000	48,930,000
AEGON USA Realty Advisors, Inc.			24,000,000	24,000,000
Eastern Bank	750,000	15,720,000	5,000,000	21,470,000
Transcapital			20,000,000	20,000,000
BNY Mellon		15,535,600		15,535,600
Citibank			15,000,000	15,000,000
Berkshire Bank			8,000,000	8,000,000
PNC Bank	1,500,000	6,358,900		7,858,900
Boston Private Bank & Trust Company	300,000	4,150,000	1,500,000	5,950,000
Sovereign Bank	1,000,000	2,440,000		3,440,000
United Commercial Bank			2,500,000	2,500,000
Peoples Savings Bank		1,420,000	1,000,000	2,420,000
Cathay Bank		1,100,000		1,100,000
Flagship Savings Bank		1,010,000		1,010,000
The Bank of Western Massachusetts		1,010,000		1,010,000
First Trade Union Bank	1,000,000			1,000,000
BankFive		568,000		568,000
The Life Initiative	500,000			500,000
Hyde Park Savings Bank	350,000			350,000
Danvers Bank	300,000			300,000
Capital Crossing Bank	250,000			250,000
Stoneham Bank	250,000			250,000
Wainwright Bank	200,000			200,000
Total	\$30,750,000	\$547,407,360	\$113,000,000	\$691,157,360

*In addition, Bank of America is providing a Program-Related Investment (PRI) loan of \$7,000,000 to MHIC.

Balance Sheets

	DECEMBER 31, 2007	DECEMBER 31, 2006
Assets		
Cash	\$ 7,874,029	\$ 2,939,653
Notes receivable	10,058,295	8,389,522
Amounts receivable and other assets	4,731,805	7,747,353
Total assets	<u>\$22,664,129</u>	<u>\$19,076,528</u>
Liabilities and net assets		
Unearned fees	\$9,781,412	\$11,516,002
Notes payable and other liabilities	7,790,214	2,505,858
Net assets	5,092,503	5,054,668
Total liabilities and net assets	<u>\$22,664,129</u>	<u>\$19,076,528</u>

Statements of Activities

Revenues		
Loan program revenue	\$ 1,067,104	\$ 1,389,042
Equity program revenue	2,929,269	2,895,461
New markets program revenue	2,906,915	2,185,736
Total revenue	<u>6,903,288</u>	<u>6,470,239</u>
Expenditures		
Salaries and benefits	4,576,175	4,586,281
Professional services	1,079,562	377,418
Other expenditures	1,209,716	1,263,983
Total expenditures	<u>6,865,453</u>	<u>6,227,682</u>
Change in net assets	37,835	242,557
Net assets at beginning of year	5,054,668	4,812,111
Net assets at end of year	<u>\$ 5,092,503</u>	<u>\$ 5,054,668</u>

These are unaudited financial statements. Certain accounts in this presentation have been recharacterized for presentation purposes. Audited financial statements are available on MHIC's web site: www.mhic.com.

Assets Under Management

as of December 31, 2007

	HOUSING TAX CREDITS	NEW MARKETS	LOANS	TOTAL
By Fund				
LLC	\$	\$	\$35,522,369	\$ 35,522,369
MHEF 1993-1994 LP	22,410,365			22,410,365
MHEF 1995 LP	24,018,462			24,018,462
MHEF 1996 LP	30,087,904			30,087,904
MHEF 1997 LP	32,433,864			32,433,864
MHEF 1998 LP	36,439,586			36,439,586
MHEF 1999 LP	30,631,853			30,631,853
MHEF 2000 LLC	41,905,662			41,905,662
MHEF 2001 LLC	43,253,769			43,253,769
MHEF 2002 LLC	44,923,546			44,923,546
MHEF X LLC	39,543,054			39,543,054
MHEF XI	17,460,010			17,460,010
MHEF XII	16,284,863			16,284,863
MHEF XIII	40,494,269			40,494,269
MHIC New Markets Fund I		26,030,011		26,030,011
MHIC New Markets Fund II		102,713,864		102,713,864
MHIC New Markets Fund III		85,658,465		85,658,465
Total	\$419,887,207	\$214,402,340	\$35,522,369	\$669,811,916
By Location				
Other	\$ 10,235,015	\$	\$ 1,467,982	\$11,702,997
Greater Boston	219,971,491	113,829,109	6,018,363	339,818,963
North	43,183,218	14,637,626	9,611,903	67,432,747
South	36,889,743	12,589,016	6,081,243	55,560,002
West	109,607,740	73,346,589	12,342,878	195,297,207
Total	\$419,887,207	\$214,402,340	\$35,522,369	\$669,811,916
By Development Type				
Assisted Living	\$ 20,690,100	\$	\$ 1,551,855	\$ 22,241,955
Commercial (including Non-profit)	10,081,322	168,644,226	3,809,900	182,535,448
Cooperative	4,699,925	5,552,604		10,252,529
Other		8,214,224	2,302,229	10,516,453
Ownership		4,800,422	13,065,126	17,865,548
Rental	346,848,130	27,190,864	14,272,397	388,311,391
Rental, Senior Housing	20,454,923			20,454,923
Rental, Single Room Occupancy	17,112,807		520,861	17,633,668
Total	\$419,887,207	\$214,402,340	\$35,522,369	\$669,811,916

BOARD OF DIRECTORS

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MHIC



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Department of Neighborhood Development

Michael Hatfield
Bank of America

Walter Mercer
Paris Hill Realty Advisors

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 Fannie Mae
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 TD Banknorth
 AEGON USA Realty Advisors, Inc.
 Eastern Bank
 Transcapital
 BNY Mellon
 Citibank
 Berkshire Bank
 PNC Bank
 Boston Private Bank & Trust Company
 Sovereign Bank
 United Commercial Bank
 Peoples Savings Bank
 Cathay Bank
 Flagship Savings Bank
 The Bank of Western Massachusetts
 First Trade Union Bank
 BankFive
 The Life Initiative
 Hyde Park Savings Bank
 Danvers Bank
 Capital Crossing Bank
 Stoneham Bank
 Wainwright Bank

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Desiree A. Coleman
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