

*Supporting communities through challenging times*



Massachusetts  
**Housing  
Investment  
Corporation**

**ANNUAL REPORT 2008**



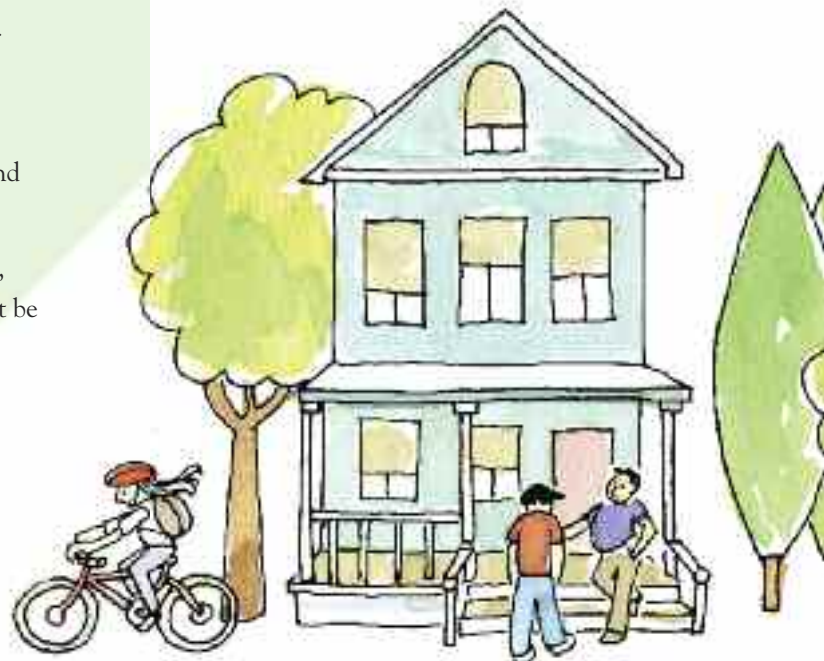
## MISSION STATEMENT

Our mission at MHIC is to be an innovative private financier of affordable housing and community development, 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, project 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.





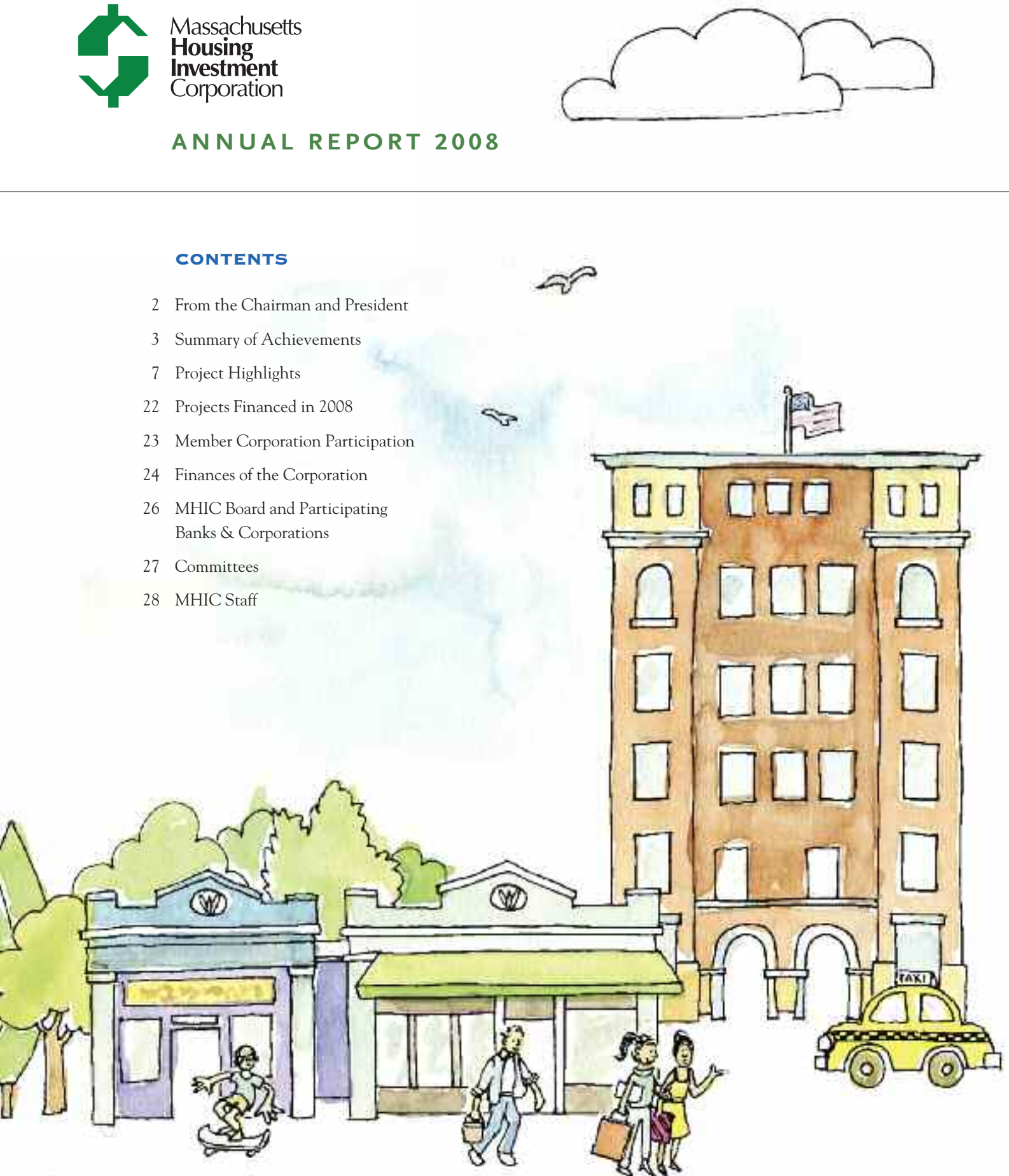


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## ANNUAL REPORT 2008

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Everyone knows that 2008 was an extraordinarily challenging year for the world economy. From our vantage point, we saw that it stifled the capital markets (particularly for tax credits), stressed the capacity of our partners, and had devastating impact on many of the families in the communities we serve. Yet it is at times like this that the need for MHIC's financing is all the more critical.

MHIC was established to attract private capital to lower-income communities. Never has that challenge been greater. MHIC was able to meet that challenge in 2008 on a number of fronts – including the creation of a new fund – all of which is resulting in substantial infusions of private capital into neighborhoods badly in need of that capital.

The foreclosure crisis is posing particular challenges for many neighborhoods. To help reverse that impact, MHIC took the lead in launching the Neighborhood Stabilization Loan Fund (NSLF). This new \$22 million low-interest loan fund is helping non-profit and for-profit developers quickly acquire and rehabilitate abandoned properties, all in support of local plans that are stabilizing neighborhoods hard hit by foreclosures and turning troubled properties into occupied affordable housing.

Overall, MHIC was able to provide nearly \$80 million in project financing in 2008, including \$39 million in New Markets Tax Credit investment, \$22 million in Low Income Housing Tax Credit financing, and \$19 million in loans. We financed the creation or preservation of 594 housing units and 138,700 square feet of commercial space.

The tangible impact of this financing can be seen at the community level – in neighborhoods in Springfield where MHIC financed the acquisition of a portfolio of properties, or in innovative projects like the Leonard Florence Center for Living, a state-of-the-art assisted living center in Chelsea. These and other notable projects are described in detail in this Annual Report.

Looking ahead, MHIC has set the stage for continuing to meet these critical needs. In October 2008 MHIC received significant new resources to pursue its mission with an award of \$105 million in additional New Markets Tax Credit authority from the U.S. Treasury Department – the fifth such award to MHIC in six years of national competition, and one of the largest in the country. The award brings our total New Markets allocation to \$364 million.

With these new resources to draw on, and a pipeline of strong projects underway or ready for financing, we look forward to working with our partners in 2009 to meet the challenges that lie ahead.



Guillaem Aertsen  
Chairman

Joseph L. Flatley  
President and CEO

While 2008 was marked by unprecedented turmoil in the financial environment and the economy, MHIC rose to the occasion, proving that it can add the greatest value to communities in an adverse economic climate.

MHIC had strong activity and production with creative approaches and new initiatives designed to maximize the impact of its loan products, stem the tide of decline and help stabilize neighborhoods faced with multiple foreclosures, and leverage past investments made in targeted communities. Once again, MHIC closed the year with a surplus of revenue over expenses.

In FY 2008, MHIC provided a total of \$80 million in project financing, with \$39 million in New Markets Tax Credit investment, \$22 million in Low Income Housing Tax Credit investment, and \$19 million in loan financing. Overall, these investments supported 594 housing units, 15 projects and 138,700 square feet of commercial space for youth programs, an assisted living facility, a theater, a small business center, and a cinema complex.

One of MHIC's foremost achievements this year was its award in October of \$105 million in New Markets Tax Credit allocation by the U.S. Treasury Department under the sixth round national competition. MHIC was one of only three organizations nationwide to receive an allocation above \$100 million. We have now received a total allocation of \$364 million in five of the six rounds of national competition.

Closing and completing New Markets Tax Credit projects continues to be a major focus of activity. MHIC has found sustaining demand among investors for MHIC's New Markets financing and even stronger demand among project sponsors for the gap financing that their projects need to go forward. Selecting projects to finance requires not only careful due diligence but also thoughtful evaluation of potential impacts. Putting the deals together requires creating complex and innovative financial structures and partnerships dedicated to maximizing investments and impacts. We believe that MHIC's staff is among the best in the country in meeting this challenge.

Notably, MHIC undertook a major new initiative in 2008 to help neighborhoods hard hit by foreclosures to regain stability. Specifically, we took a leading role in conceiving, funding and launching the **Neighborhood Stabilization Loan Fund**, a new low-interest loan fund that provides \$22 million to support the acquisition and stabilization of foreclosed properties. The fund allows non-profit and for-profit developers to buy abandoned and at-risk properties and quickly turn them into reoccupied housing. More information on this initiative can be found on pages 14-15.

By the end of its eighteenth year, MHIC had provided a total of \$1.2 billion to finance 314 projects, representing the preservation or creation of 13,306 housing units and more than one million square feet of commercial space. Broken down by program, total investment amounted to: \$442.5 million in loans, \$511 million in Low Income Housing Tax Credit investment, and \$257.5 million in New Markets Tax Credit investment.



Graduation at Project Hope, Boston



## New Markets Tax Credits

- MHIC's considerable efforts in 2008 and in previous years to bring New Markets Tax Credit (NMTC) projects to fruition were rewarded, as noted above, with a \$105 million NMTC allocation award in October. As part of its application for this award, MHIC created a new business entity that enables us to expand our footprint and finance projects to all six New England states.
- Upon announcement of the new funding, we quickly moved to review the ambitious pipeline we had developed, placing a high priority on projects that will yield the greatest impact for low-income communities. Project readiness to proceed is another key factor in our decision-making process.
- With a cumulative NMTC allocation of \$364 million, MHIC, at year's end, had financed 32 projects and had invested a total of \$257.5 million.
- In 2008, MHIC financed five projects and provided a total of \$39 million in New Markets financing. Projects included restoration of a historic firehouse to create a youth arts center in Boston, new construction of a state-of-the-art "Green House" assisted living facility in Chelsea, rehabilitation of a historic brewery to create a small business center in Boston, new construction of a performing arts theater in Cambridge, and historic renovation and new construction to create a cinema complex in Pittsfield.



Dance class at Nuestra Casa (Our House), Lawrence

- MHIC's third New Markets Tax Credit fund is fully subscribed at \$50.5 million. MHIC has now utilized almost all of its previous NMTC allocations. An offering memorandum for a fourth fund was distributed to potential investors by year end.
- In March 2009 MHIC submitted its application for the Round 7 NMTC requesting the maximum amount of \$125 million. Under the Economic Stimulus package of 2009, the CDFI has an increased amount of \$5 billion in NMTC to award nationally, an increase from the initial \$3.5 billion. We look forward to hearing the outcome in October 2009.

## Low Income Housing Tax Credits

- 2008 was the most difficult year in the affordable housing equity market since the inception of the LIHTC program in 1986, as a result of the rapid deterioration in financial markets. With strong demand from quality affordable housing projects seeking investors, the supply of investor capital decreased by perhaps as much as 50 percent. MHIC, of course, has not been immune from these pressures.
- By the end of 2007 we saw the departure of both Fannie Mae and Freddie Mac from the ranks of investors. Together, these two organizations had represented nearly 40 percent of investor capital. Both have been important long-term partners with MHIC, and the gap left by their departure has had enormous impact.
- Despite this difficult environment, MHIC financed five projects for a total of \$22 million in equity investment. Two investments were in Boston, one in western Massachusetts, and two on Cape Cod. Two investments involved substantial renovations of historic buildings, one preserved at-risk housing, and two were new construction.
- Looking ahead, 2009 will unquestionably be another year of challenges in the affordable housing tax credit industry - nationally and in Massachusetts. Significant changes have been made to the program as a result of Federal legislation in mid-2008, and with the economic stimulus package in early 2009 to aid in recovery and investor demand. As a result, MHIC is well positioned to proactively capitalize on the investor climate as it improves.



## Lending

- True to its mission, MHIC continued to focus on projects and sponsors that were unable to get financing elsewhere. In 2008, we provided \$19 million in loans financing 384 housing units. MHIC also extended lines of credit totaling \$1.2 million to two Community Development Corporations. We funded affiliate loans totaling \$25 million.
- Since preservation of affordable housing and rebuilding neighborhoods are key goals of MHIC, we were pleased to finance a substantial portfolio of projects in Springfield, a city where we have made previous investments totaling more than \$68 million. In 2008, MHIC provided financing for three multi-block projects encompassing 16 buildings and 377 housing units. These projects are located in neighborhoods that were previously deteriorating but are now undergoing transformation.
- MHIC has started to use its loan program to provide bridge financing for state historic credit awardees that need liquidity to move their projects forward. In most cases this has been used on projects where MHIC is financing the federal Historic Tax Credits for the project.

## Asset Management

- The Asset Management department has put in place strategies for managing assets that are nearing or have reached the end of their 15-year compliance period. One asset has been fully transferred, and 19 others are in the transition process. It is anticipated that these assets will be transitioned over the next 12-16 months.
- MHIC's three New Markets Tax Credit (NMTC) funds continued to perform well. For NMTC properties, the Asset Management department, working with Finance and Development staff, created and launched a new reporting package. A training program on the new package has been started and so far has been very successful.
- In 2008 dramatic improvements were made in the delivery of timely tax and audit information to investors and in 2008 reporting was the most successful to date.

- Several major improvements were made to MHIC's database system to enable Asset Managers to provide support to properties and to underwriters who use the information when underwriting new transactions, and to ensure more timely financial information. Improvements in tracking operating numbers and a new occupancy module are the most notable improvements.
- Over the past year, Asset Management has concentrated on implementation of programs to reduce escalating utility, insurance, and real estate tax expenses.

## Minority Participation and Diversity Initiatives

- Since its founding, MHIC has worked diligently to foster diversity in its own workforce, and to set stringent standards for minority participation of employees and minority-owned businesses in the projects it finances. In 2008, MHIC focused on establishing new procedures for monitoring and reporting and to get feedback about how we can continue to advance toward our goals.
- In 2008, Boston-area projects achieved results of 38% for minority employment and 22% for business utilization. Specific steps toward improvement are being made at individual projects.
- For minority employment at MHIC projects outside of the Boston area, results for 2008 were 21%; for minority business utilization, the results came in at 6%. Again, MHIC is looking at projects on a case-by-case basis to see what specific measures can be taken to enhance performance.

## Charles E. Dahm Memorial Scholarship Fund

- In honor of the late Charles E. Dahm, MHIC continues to work to raise funds and award scholarships to deserving students who live in MHIC-financed housing. In 2008, four additional awards were made to students who had previously been granted awards. This brings the total to 35 scholarship awards to 18 students since the program was started in 2002.





*Fixing up a recently foreclosed property on Dacia Street in Roxbury*



## Yesterday's Schools, Today's Housing... Reusing Historic Buildings

### Church Street School Senior Housing WARE

This historic school in a rural part of western Massachusetts has been restored to provide 29 units of affordable housing for seniors. Built in 1915, with sections added later, the school is listed on the National Register of Historic Places. MHIC financed the property with a \$5.1 million Low Income Housing Tax Credit investment in 2007; construc-



tion was completed in mid-2008. This was MHIC's first project to receive permanent financing and rental subsidies from the United States Department of Agriculture Rural Development Program; twenty of the units will receive subsidies from that program. HAP, Inc., the largest nonprofit sponsor/developer of affordable housing in western Massachusetts, developed the property.

### Schoolhouse Kenilworth Williams BOSTON

Located in the Dudley Square section of Roxbury in Boston, this 38-unit project involves the acquisition and rehabilitation of a historic school and a former industrial building,



both primarily occupied by families. The project's sponsors, Madison Park Development Corporation and Edward A. Fish Associates, acquired the buildings from HUD in 2008 and are substantially rehabilitating them. The two buildings provide a total of 37 units of Section 8 subsidized housing and one market rate unit. The project is being financed through the sale of taxable bonds. It has been awarded state historic tax credits and also qualifies for federal historic tax credits. MHIC provided a Tax Credit equity investment of \$6.4 million.

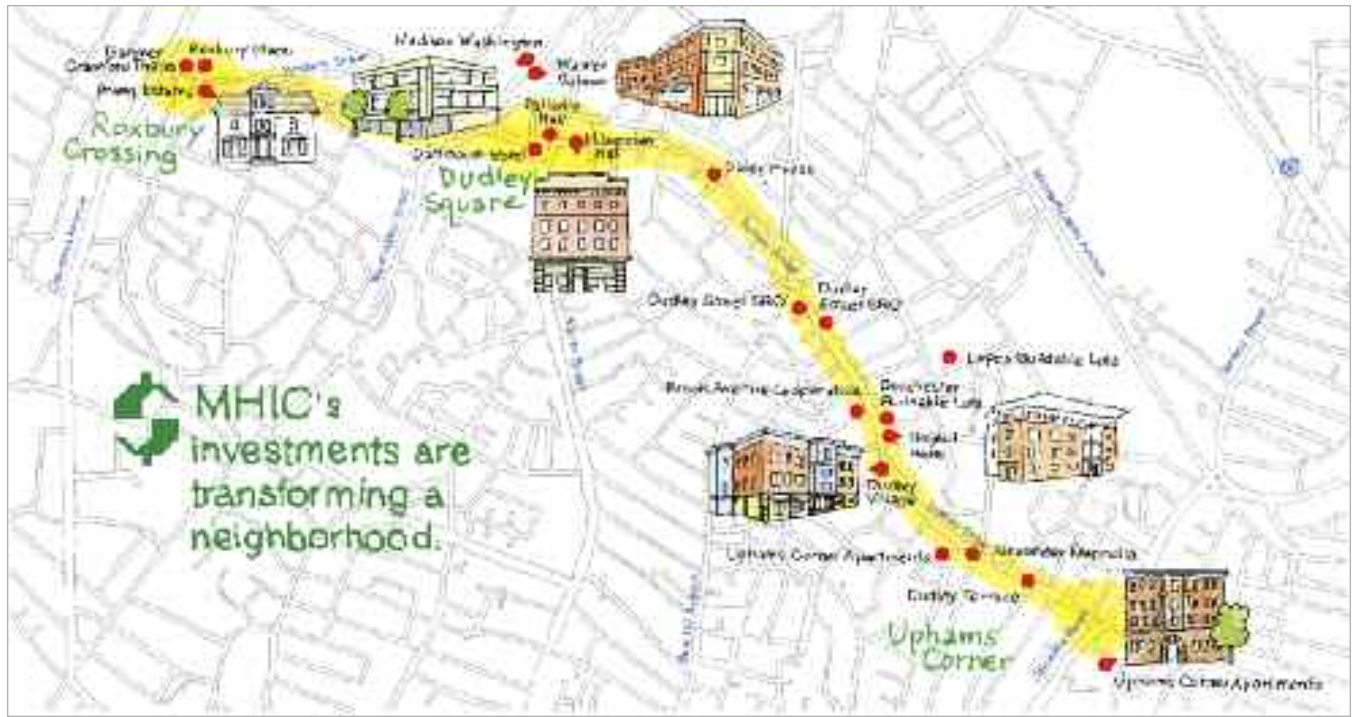
### Schoolhouse Brookledge Cummins BOSTON

Two fully-occupied buildings, including a historic school, with a total of 90 units of affordable rental housing for seniors and disabled adults, have been acquired and rehabilitated by Madison Park Development Corporation and Edward A. Fish Associates. The historic school contains 50 housing units and is in Dorchester. The other building, built in the 1970s and located in Mattapan, has 40 units. Both buildings are subsidized through Section 8. The project sponsors acquired the properties from HUD in early 2008



and have since substantially renovated them. The project is being financed through the sale of tax-exempt bonds, which qualifies the project for 4% Low Income Housing Tax Credits. The property also qualifies for state historic tax credits and federal historic tax credits. MHIC provided a \$6.25 million Tax Credit equity investment.

## Rebuilding Neighborhoods – One Block at a Time



The area in Boston along Dudley Street, from Uphams Corner through Dudley Square and up to Roxbury Crossing, has a rich history, a troubled past, but a bright future. A decade ago people called Dudley Square “Dodge City” because of the crime in the area, and if you walked down Dudley Street you would see vacant lots, deteriorated buildings and, notably, a “lounge” known as a hotspot for drug dealing and shootings.

Now this neighborhood is being called “the Heart and Soul of Roxbury” – one of Boston’s best kept secrets. It is a vibrant multicultural district teeming with new life and new development. The area is undergoing a renaissance. A walk along Dudley Street will show new rental housing and condominiums, commercial development, a performance arts center and function hall, new storefronts and restaurants, and several new developments under way. This area has been a focal point for investment by nonprofit, private and public entities who have partnered to rebuild the community. The benefits of those investments are plain to see.

For its part, MHIC has financed nearly two dozen projects – both housing and commercial developments – in this particular section of Boston. One of its earliest investments was in 1993 when MHIC provided a \$5.6 million equity investment to finance a 38-unit affordable rental housing development in Uphams Corner. Since then, MHIC has provided acquisition, construction, tax credit equity and New Markets financing for projects like the stunning historic renovation of Hibernian Hall into a performance and cultural center and retail/office complex; construction of a new headquarters for Project Hope, one of Boston’s most successful agencies dedicated to reducing poverty, and Dudley Village, pictured on these pages.

In 2009 several other major new developments are planned for this area including the renovation of the oldest remaining firehouse in Boston (Eustis Fire House) into a new home for Historic Boston Inc. and the renovation of Morgan Memorial Goodwill’s building, both of which plan to use MHIC’s New Markets Tax Credit program. On a vacant stretch of land between Dudley Square and Uphams Corner, the new Kroc Community Center will be built.



## Dudley Village

### BOSTON

Construction has recently been completed at Dudley Village. Located on the site of a former notorious “lounge,” it is now a new mixed-use development that includes affordable housing and retail space. For more than five years, the Dorchester Bay Economic Development Corporation (DBEDC) worked to make this project happen, starting with the 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. This financing supported 24 units of housing for income eligible households and 4,800 square feet of retail and office space. DBEDC is using a portion of the space to expand its community service programs. This project also includes 26 housing units and 1,550 square feet of commercial space. Dudley Village accomplishes DBEDC’s long-held goal to revitalize this blighted strip of the neighborhood to complement its many other housing and commercial developments in this community.



## Converting Historic Public Buildings into Community Assets

### Girls, Inc. of Lynn

LYNN



The Old Lynn High School, built 159 years ago and vacant for nearly two decades, will soon come alive again when Girls Inc. of Lynn (GIL) opens its doors in June 2009. Rehabilitation of the historic high school was completed in late 2008 and the second and final phase of the project, involving new construction of a gymnasium, conference rooms and program space, is nearly complete. MHIC's \$7.6 million New Markets Tax Credit investment closed the financial feasibility gap to make it possible for GIL to build a new home without hard debt. Girls, Inc. – whose mission is, simply, to “inspire girls to be strong, smart and bold,” was founded in 1942 and has been operating in cramped, insufficient quarters. MHIC's New Markets financing enabled GIL to develop a new headquarters. The organization, which serves a predominantly low-income population, will significantly expand its educational and recreational programming and services. This project will breathe new life into a vacant

and abandoned structure and bring new jobs and activity to an underserved area.

### Zumix Firehouse

BOSTON

Work has begun to transform the long-vacant Engine Company 40 Firehouse in East Boston into a vibrant youth arts center – a new home for ZUMIX. MHIC's \$3.9 million in New Markets Tax Credit financing closed the feasibility gap to make this project possible. Now located a few blocks from the firehouse, the nonprofit provides top-quality cultural programming as an alternative way for young people to deal with frustration, anger and fear, and as a method of building cultural understanding and acceptance in one of Boston's most diverse neighborhoods. The organization was founded in 1991 in response to a violent period for Boston youth that culminated in a record-high number of homicides in 1990. Since then it has grown to serve over 350 youth per year in after-school and summer programs and more than 6,000 additional children and adults through its community events, workshops and outdoor activities. The project got started in 2005 when the City of Boston chose ZUMIX and the East Boston Community Development Corporation through a highly competitive process as designated developers of the 1923 brick building. The redevelopment of the old firehouse will transform an abandoned public building into a beautiful, functional and inspiring cultural and performance space for ZUMIX programs, youth participants and the East Boston community. It will create new jobs and more than double the number of children ZUMIX serves. Completion of the project is expected in late 2009.





## Stimulating Economic Development



### North Street Cinema Center

#### PITTSFIELD

Called “the cornerstone of economic development of Pittsfield” by Mayor James M. Ruberto, this project involves the conversion and expansion of the historic Kinnell Kresge building into a 6-screen cinema complex in downtown Pittsfield. MHIC provided \$17.2 million in New Markets and historic tax credit financing, enabling the project to move forward after a decade of planning by the sponsor, city officials and local lending institutions. Richard Stanley, the project developer, intends to create a state-of-the-art facility with digital projection and stadium seating and to offer programming that will combine mainstream, art and independent films. This project complements the recent restoration of the nearby Colonial Theatre, financed in 2005 by MHIC using New Markets Tax Credits. As anchor of the arts and entertainment district, the Cinema Center is the centerpiece of efforts to revitalize downtown. Just as the Colonial Theatre has proven to attract the development of numerous new businesses and has resulted in the creation of jobs, the Cinema Center is expected to stimulate business expansion and has already resulted in the creation of new jobs. It is expected to be the single largest contributor to the city’s plan to attract 500,000 visitors to downtown Pittsfield each year through its cultural institutions and events. The project broke ground in September 2008 and it will be completed in late 2009.

### Central Square Theater

#### CAMBRIDGE

MHIC’s \$3.2 million New Markets Tax Credit investment closed the feasibility gap for the Central Square Theater’s financing of a new, permanent home. The Central Square Theater (CST) is a unique collaboration of two award-winning theater companies – The Nora Theatre Company (The Nora) and Underground Railway Theatre (URT) – both of which have long track records but neither of which had a permanent space or the financial capacity to build one. In 1997, the companies teamed up with the City of Cambridge to identify potential space and they consolidated operations forming the Central Square Theater. The entities brokered a relationship with the Massachusetts Institute of Technology (MIT) that led to developing a new theater on an MIT-owned parcel of land that had been vacant for years. MIT completed construction of the building in the spring of 2008 and entered into a long term lease with the CST to rent the second and third floors of the mixed-use



building at below-market rate. The CST now has a permanent home with state-of-the-art theater spaces, classrooms, and offices. In addition to offering theater productions, the company offers live music, film, classes and community-based programs. Located in Central Square, a low-income section of Cambridge that has been targeted by the City for revitalization, the CST adds considerable value to the community, offering affordable cultural opportunities, creating jobs and bringing economic vitality to the area.

## Transforming Old Industrial Properties into Commercial Centers and New Housing

### Brewery Main Block

#### BOSTON

The Brewery Main Block project represents the final phase of the redevelopment of the Jamaica Plain Neighborhood Development Corporation's (JPNDC) historic renovation of the former Haffenreffer Brewery, a project started 26 years ago. In 2005, MHIC provided a combination New Markets/Historic Tax Credit investment of \$6.9 million to help fill the financing gap for the adaptive reuse and renovation of the final eight buildings (the "Main Block" of buildings) within this 16-building industrial complex, and its transformation into an incubator for local enterprise and light industry. In 2008, MHIC provided an \$810,000 bridge loan and \$4.5 million in New Markets/Historic Tax Credit financing to fund the rehabilitation and build-out of the remaining 10,000 square feet of space. Construction will be completed in the late spring 2009. Bella Luna, a popular local restaurant, is the anchor tenant. Conceived by JPNDC

as a small business center, the complex today – formally known as the Brewery Small Business Center (BSBC) – houses more than 50 businesses that provide more than \$8.5 million annually in salaries to over 250 employees. With a café, sit-down restaurant, fitness center, music school and





dance studio among its tenants, the BSBC has also become a popular community gathering place. MHIC’s financing of this final stage of the adaptive reuse of the Haffenreffer Brewery enhances MHIC’s earlier investment and will help ensure the long-term success of JPNDC’s keystone project.



## Sanford Apartments

### WESTFIELD

An old factory building, historically known as the “Sanford Whip Factory,” is now home to 21 low-income residents, some of whom were formerly homeless and/or have mental illness. MHIC’s \$3.9 million Low Income Housing Tax Credit equity investment enabled DOMUS, Inc. to acquire, gut rehabilitate and transform this old factory into 14 enhanced SRO and 7 one-bedroom units. Five units receive



project-based Section 8 subsidies provided by the State, while three others get project-based Section 8 subsidies from the City and the remaining units are unassisted. Originally constructed in 1884, the building sits on 15,732 square feet of land and is listed on the National Register of Historic Places. This project represents another example of creatively adapting and reusing old, vacant buildings to meet today’s need for more affordable rental housing.

## Turning Troubled Properties into New Housing... Stabilizing Neighborhoods

The problems caused by foreclosures in Massachusetts and elsewhere around the country are clearly evident. Not only have families been displaced, but the properties they once occupied often end up abandoned and neglected and entire neighborhoods become distressed. This is particularly true in low and moderate income communities where foreclosures are disproportionately concentrated.

In response to the crisis in Massachusetts – where foreclosure deeds totaled nearly 13,000 in 2008, an increase of 400% since 2006 – MHIC took a leading role and, with its funding partners, launched a new loan program to help stabilize neighborhoods. The \$22 million Neighborhood Stabilization Loan Fund (NSLF) is a state-supported, low-interest fund that enables nonprofit and for-profit developers to buy abandoned and at-risk properties and get them quickly reoccupied with new renters or homeowners. MHIC is also administering \$13 million in state and federal neighborhood stabilization subsidies that will be used to assist projects receiving loan funds.

The creation of this new loan fund is the result of a collaboration of public and nonprofit organizations committed to saving Massachusetts neighborhoods. To start with, MHIC and the Massachusetts Housing Partnership Fund each provided \$8.5 million to the loan fund. Additional funds were provided by:

- Massachusetts Affordable Housing Trust Fund
- Boston Foundation
- Hyams Foundation
- Living Cities

*“This rich blend of private and non-profit resources will help us stabilize neighborhoods hard hit by foreclosure, and turn troubled properties into brand new affordable family housing opportunities.”*

– GOVERNOR DEVAL PATRICK

MHIC immediately began work with sponsors to identify properties in communities with the highest concentrations of distressed foreclosed properties, including Boston, Lawrence, Chelsea, Worcester, Springfield and Lowell. With the participation of community development corporations and private developers, it didn't take long to start selecting projects and getting the process of redevelopment under way.

Some of the properties that were the first to receive funds from the Neighborhood Stabilization Loan Fund are pictured on these pages.



### 12 Talbot Avenue BOSTON

This property, in Dorchester, was a foreclosed, bank-owned property, acquired by Codman Square Neighborhood Development Corporation with a \$255,000 acquisition loan from MHIC. Construction financing will be provided by the Neighborhood Stabilization Loan Fund. Codman Square NDC is one of several nonprofit development corporations that are buying foreclosed properties and redeveloping them to help stabilize the neighborhoods where they are located. This property contains 4 rental units, 3 of them occupied. The CDC intends to rehabilitate the building and either maintain it as affordable rental housing or resell it to a homeowner.





## 21 Dacia Street

### BOSTON

This vacant, recently foreclosed three-decker home is being developed by Nuestra Community Development Corporation. Located in Roxbury, in one of Boston's priority foreclosure intervention areas, it is under construction and, once completed, will be either maintained as affordable rental housing or resold to a homebuyer.



## 64 Clarkson Road

### BOSTON

Developer Jonathan Kaye also partnered with Dorchester Bay Economic Development Corporation to acquire this formerly vacant foreclosed property. Once completed, the Dorchester property will either be maintained as affordable rental housing or resold to a homeowner.



## 230 Quincy Street

### BOSTON

Dorchester Bay Economic Development Corporation, in partnership with Jonathan Kaye, is redeveloping this formerly foreclosed three-decker. MHIC provided a \$177,000 acquisition loan to Dorchester Bay EDC. Once completed, the Dorchester property will be resold to a homebuyer.

## Preserving Affordable Housing and Transforming Neighborhoods

### Lithgow Apartments

#### BOSTON

MHIC helped preserve this 31-unit expired tax credit project through a recapitalization plan that included a \$1.4 million Tax Credit equity investment. Codman Square Neighborhood Development Corporation was able to recapitalize and substantially rehabilitate the property which consists of two buildings located in Codman Square in the Dorchester neighborhood of Boston. Financing included: tax-exempt, bond financing from the Massachusetts Housing Partnership Fund which qualified the project for 4% Low Income Housing Tax credits; CIPF Funds from the Department of Housing and Community Development; and financing from the City of Boston. The refinancing and recapitalization of the project will enable the project sponsor to keep the units affordable.



### In Springfield

When Gordon Pulsifer, President of First Resource Companies, learned that a portfolio of 16 buildings was on the market in Springfield, he saw an opportunity to preserve 377 affordable rental housing units and further improve neighborhoods where he has already invested. For several years, Mr. Pulsifer has been focusing his efforts on Springfield with numerous multi-block redevelopment projects including two financed by MHIC. High Street Commons, for which MHIC provided a \$6.7 million loan in 2004, involved rehabilitation of a dilapidated building, new off-street parking and an attractive landscaped park. This financing completed the rehabilitation of an entire city block in the Maple Historic District. Similarly, the Worthington Commons project, also located in a historic district, encompassed 12 buildings and resulted in the transformation of an entire neighborhood. In 2007, MHIC provided a \$7.2 million loan for that project.

By providing a total of \$13,536,000 in acquisition financing to First Resource Companies, MHIC was able to help preserve 377 units of affordable housing and to leverage investments – which now total more than \$68 million that it has previously made in Springfield. The 16 properties acquired by First Resource Companies that make up this portfolio are grouped into three projects as described below.

#### City View Commons I

This project refers to four buildings in the Worthington/Federal Street area of Springfield, in the immediate neighborhood of Worthington Commons (mentioned above). Obtaining ownership and updating the appearance and condition of these buildings to better match projects previously developed here will enlarge the area being rehabilitated and transformed.

These buildings contain a total of 153 Section 8 rental housing units of which 68% are covered by a project based Section 8 contract. Built between 1912 and 1927, they are in good condition and, like the other properties in the





portfolio pictured on these pages, will be redeveloped over a period of three to four years. MHIC's acquisition loan for this project was \$5.5 million.

### City View Commons II

MHIC's \$4.3 million loan enabled First Resource Companies to acquire this group of five buildings, two located in the same area as City View 1, and three others



located in southern Springfield. All the buildings were built in the 1920s and are in good condition. They contain a total of 120 units.

### Concord Heights

This group of seven buildings is located in the so-called "Hollywood" section of Springfield, an area that looks much like the neighborhood where the other projects in this portfolio are located before it was redeveloped. MHIC's acquisition loan to First Resource Companies was \$3.7 million. These buildings, containing 104 rental housing units covered by Section 8, were built between 1916 and 1923, are in good condition and will be renovated. Redevelopment of the Hollywood area of Springfield is a top priority of the city.



## Building New Affordable Rental Housing and Creating Assisted Living Centers



### West Barnstable Communities

#### BARNSTABLE

This Cape Cod community now has 40 new units of affordable rental housing on two different parcels of land, developed by Housing Assistance Corporation, Inc. with MHIC's \$5.8 million Low Income Housing Tax Credit equity investment. The project involved construction of 28 units of family housing on a site adjacent to the town's YMCA, and 12 units of housing for the elderly on a site a short distance from the village of West Barnstable. All units will be made available to households making below 60% of the Area Median Income. This project was developed under Chapter 40B, the state zoning law that encourages affordable housing construction.

### Canal Bluffs

#### BOURNE

Considered the "gateway to Cape Cod," the Town of Bourne has been enriched with the addition of 28 new units of affordable rental housing also developed by Housing Assistance Corporation. MHIC provided a \$4.8 million Low Income Housing Tax Credit equity investment for this first phase of a multi-phase project that will later include addi-



tional affordable rental units. All 28 rental units will be rented to households earning less than 60% of the Area Median Income. As with West Barnstable Communities, pictured at right, this project was developed under Chapter 40B.





## Leonard Florence Center for Living

### CHELSEA

MHIC's \$13.4 million and NCB Capital Impact's \$14.6 million New Markets Tax Credit investment is being used by the Chelsea Jewish Nursing Home Foundation, Inc. (CJNHF) to build a new, 100-bed, state-of-the-art "Green House" style skilled nursing home, the first of its kind in the country, built as an urban model. The new facility under construction is located adjacent to two mixed-income assisted living facilities previously financed by MHIC using Low Income Housing Tax Credits: Cohen Florence Levine Estates (1995) and Florence Chavetz Home for Specialized Care (2001).

The Leonard Florence Center for Living (LFCL) will be a 6-story building. A dramatic departure from traditional skilled nursing homes and assisted living facilities, the Green House style nursing home alters facility size, interior design, staffing patterns, and methods of delivering skilled care. The model creates home-like neighborhoods of six to ten "residents," rather than "patients," who live around a common space that is more like a private residence than an institutional setting. For the first urban model Green House in the nation, the sponsor has developed a unique plan that



provides for "houses" to be dedicated to serving specific patient populations that are typically underserved, those with Lou Gehrig's Disease (ALS), multiple sclerosis, and the elderly Lesbian, Gay, Bisexual and Transgender (LGBT) population, as well as the traditional geriatric population. In addition to fulfilling the need for additional skilled nursing home beds for low income elderly residents of Chelsea, this cutting edge project will create new full and part time jobs, provide for the retention of jobs at the adjacent facilities, make available 50% of its beds to very low-income, Medicaid-eligible households and serve as a model of caregiving from which the rest of the nation can learn.



**Fenway Community Health Center**  
**BOSTON**

The Fenway Community Health Center (FCHC) recently moved into 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 now be able to 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 is part of a larger mixed-use development plan that will 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. This is the third health care facility that MHIC has financed through its New Markets Tax Credit program.





*Walking down Dudley Street in Dorchester*

## PROJECTS FINANCED IN 2008

PROJECT	UNITS	LOAN	HOUSING TAX CREDITS	NEW MARKETS	TOTAL
Boston Health Care for the Homeless, Boston		\$	\$	\$ 891,489	\$ 891,489
Bowdoin Street Community Center, Boston		440,000			440,000
Brewery Main Block, Boston		810,700		121,279	931,979
Canal Bluffs, Bourne	28		4,812,020		4,812,020
Central Square Theater, Cambridge				3,150,000	3,150,000
City View Commons I, Springfield	153	5,472,000			5,472,000
City View Commons II, Springfield	120	4,320,000			4,320,000
12 Talbot Avenue NSLF, Boston	4	255,000			255,000
Concord Heights, Springfield	104	3,744,000			3,744,000
230 Quincy Street NSLF, Boston	3	177,000			177,000
Dorchester Bay Line of Credit, Boston		350,000			350,000
Downtown Pittsfield Cultural Association, Pittsfield		2,800,000			2,800,000
Leonard Florence Center for Living, Chelsea				13,416,496	13,416,496
Lithgow Apartments, Boston	31		1,369,040		1,369,040
North Street Cinema, Pittsfield				17,209,857	17,209,857
Nuestra Line of Credit, Boston		850,000			850,000
Sanford Apartments, Westfield	21		3,861,996		3,861,996
Schoolhouse Brookledge Cummins, Boston	90		6,248,844		6,248,844
West Barnstable Communities, Barnstable	40		5,795,420		5,795,420
Zumix Firehouse Inc., Boston				3,857,892	3,857,892
<b>TOTAL</b>	<b>594</b>	<b>\$19,218,700</b>	<b>\$22,087,320</b>	<b>\$38,647,013</b>	<b>\$79,953,033</b>



MHIC's 28 member corporations have collectively committed nearly \$716 million to finance the development of affordable housing and community development. The status of these commitments as of December 31, 2008 is displayed below.

MEMBER CORPORATION	LOAN	HOUSING TAX CREDITS	NEW MARKETS	TOTAL
Bank of America*	\$13,750,000	\$174,079,260	\$	\$187,829,260
State Street	4,850,000	90,134,400	11,000,000	105,984,400
Freddie Mac		99,730,000		99,730,000
Fannie Mae		77,255,600		77,255,600
TD Banknorth	1,750,000	42,180,000	16,000,000	59,930,000
Citizens Bank	4,000,000	36,715,600	9,000,000	49,715,600
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		2,000,000	8,000,000	10,000,000
PNC Bank	1,500,000	6,358,900		7,858,900
Boston Private Bank and Trust	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
Hyde Park Savings Bank	350,000	500,000		850,000
BankFive		568,000		568,000
The Life Initiative	500,000			500,000
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
<b>TOTAL</b>	<b>\$30,750,000</b>	<b>\$571,907,360</b>	<b>\$113,000,000</b>	<b>\$715,657,360</b>

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

**Balance Sheets**

	DECEMBER 31, 2008	DECEMBER 31, 2007
Assets		
Cash	\$ 9,457,993	\$ 7,874,029
Investments in marketable securities	7,293,671	
Notes receivable	16,749,445	10,058,295
Amounts receivable and other assets	2,443,010	4,731,805
Total assets	<u>\$35,944,119</u>	<u>\$22,664,129</u>
Liabilities and net assets		
Unearned fees	\$8,525,257	\$9,781,412
Notes payable and other liabilities	21,816,461	7,790,214
Net assets - temporarily restricted	488,013	5,092,503
Net assets - unrestricted	5,114,388	
Total liabilities and net assets	<u>\$35,944,119</u>	<u>\$22,664,129</u>

**Statements of Activities**

Revenues		
Loan program revenue	\$ 1,854,648	\$ 1,067,104
Equity program revenue	2,400,034	2,929,269
New markets program revenue	2,317,785	2,906,915
Total revenue	<u>6,572,467</u>	<u>6,903,288</u>
Expenditures		
Salaries and benefits	3,979,799	4,576,175
Professional services	630,682	1,079,562
Other expenditures	1,452,088	1,209,716
Total expenditures	<u>6,062,569</u>	<u>6,865,453</u>
Change in net assets	509,898	37,835
Net assets at beginning of year	<u>5,092,503</u>	<u>5,054,668</u>
Net assets at end of year	<u>\$ 5,602,401</u>	<u>\$ 5,092,503</u>

*These are unaudited financial statements. Certain amounts in this presentation have been recharacterized for presentation purposes. The 2008 change in net assets is comprised of \$21,885 of unrestricted net assets and \$488,013 of restricted net assets. Audited financial statements are available on MHIC's web site: [www.mhic.com](http://www.mhic.com).*



## Assets Under Management

as of December 31, 2008

	HOUSING TAX CREDITS	NEW MARKETS	LOANS	TOTAL
<b>By Fund</b>				
LLC	\$	\$	\$27,613,639	\$ 27,613,639
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	32,475,864			32,475,864
MHEF 1998 LP	35,897,851			35,897,851
MHEF 1999 LP	30,631,853			30,631,853
MHEF 2000 LLC	41,905,662			41,905,662
MHEF 2001 LLC	44,106,928			44,106,928
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	20,291,309			20,291,309
MHEF XIII	40,289,269			40,289,269
MHEF XIV	22,487,320			22,487,320
MHIC New Markets Fund I		26,030,011		26,030,011
MHIC New Markets Fund II		113,572,051		113,572,051
MHIC New Markets Fund III		117,316,602		117,316,602
Total	<u>\$446,529,397</u>	<u>\$256,918,664</u>	<u>\$27,613,639</u>	<u>\$731,061,700</u>
<b>By Location</b>				
Other	\$ 16,353,859	\$	\$ 143,641	\$ 16,497,500
Greater Boston	225,658,401	138,077,545	5,917,796	369,653,742
North	43,453,218	16,695,657	525,000	60,673,875
South	47,497,183	12,589,016	2,175,747	62,261,946
West	113,566,736	89,556,446	18,851,455	221,974,637
Total	<u>\$446,529,397</u>	<u>\$256,918,664</u>	<u>\$27,613,639</u>	<u>\$731,061,700</u>
<b>By Development Type</b>				
Assisted Living	\$ 21,543,259	\$ 13,416,496	\$ 1,419,946	\$ 36,379,701
Commercial (including non-profit)	13,578,354	195,686,023	919,348	210,183,725
Cooperative	4,699,925	7,660,635		12,360,560
Other		8,164,224	2,059,304	10,223,528
Ownership	7,718,628	4,800,422	4,066,328	16,585,378
Rental	361,421,501	27,190,864	19,100,270	407,712,635
Rental, Senior Housing	20,454,923			20,454,923
Rental, Single Room Occupancy	17,112,807		48,445	17,161,252
Total	<u>\$446,529,397</u>	<u>\$256,918,664</u>	<u>\$27,613,639</u>	<u>\$731,061,700</u>



**Guillaem Aertsen**  
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- |                                     |                                   |
|-------------------------------------|-----------------------------------|
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| Freddie Mac                         | Cathay Bank                       |
| Fannie Mae                          | Flagship Savings Bank             |
| Citizens Bank                       | The Bank of Western Massachusetts |
| TD Banknorth                        | First Trade Union Bank            |
| AEGON USA Realty Advisors, Inc.     | BankFive                          |
| Eastern Bank                        | The Life Initiative               |
| Transcapital                        | Hyde Park Savings Bank            |
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