



Massachusetts
Housing
Investment
Corporation



Re:building

ANNUAL REPORT 2011



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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LETTER FROM THE CHAIRMAN AND PRESIDENT



MHIC recorded another outstanding year in 2011, building upon our success in 2010. Total financings reached \$189.6 million, bringing our overall total to \$1.7 billion. It is remarkable that only a few years ago we faced national challenges of unprecedented magnitude. We salute all our partners on their ability to rapidly react and adapt to such circumstances. We're particularly pleased that MHIC has been able to continue to respond to the needs of our constituents, as we remain committed to our mission of revitalizing and strengthening underserved communities.

Loan volume under our Neighborhood Stabilization Loan Program increased in 2011, a fact that underscores the continued critical need to deal with the impact of foreclosures. Spearheaded by MHIC, the program helps both for-profit and non-profit developers return valuable housing stock to productive use one property at a time. We see this as an important part of our work in the future.

We are also extremely gratified to have received an award of New Markets Tax Credit authority from the U.S Treasury Department in February 2011, and again in February 2012. MHIC has now received eight awards in nine years of intense competition, bringing our total allocation to \$612 million. This represents the largest total allocation in the United States to a regionally-focused organization. Our pipeline reflects the wealth of critical community economic development opportunities in communities of greatest need throughout New England.

One particular transaction in 2011 deserves special recognition. The 225 Centre Street project at Jackson Square in Boston was financed with both Low Income Housing Tax Credit and New Markets Tax Credit financing through MHIC. Given the complexities of a mixed-income housing and retail development involving two separate investors and utilizing tax-exempt bond financing, only the specialized talents, expertise, determination, and creativity of MHIC and its partners could have brought this transaction to fruition. We congratulate everyone involved in this transformational accomplishment.

We are now well into 2012 — our third decade — and MHIC anticipates another successful year in partnership with our stakeholders. Our mission of being a creative provider of needed capital to low-income communities in soundly underwritten and asset-managed investments continues unabated, regardless of changing economic indices. Looking forward, however, it is evident that federal policies currently being debated in Washington will have a critical impact on the continued availability of many of the programs so vital to what we do and to the communities we serve. It is incumbent upon each of us to become engaged at the local, state, and national levels, and to let our elected officials know how important these programs are to delivering capital to underserved markets where MHIC is active.

Most importantly, we want to recognize and again sincerely thank all our investors, sponsor/developers, local and state funders, and other professional parties who put their confidence in MHIC as a preferred partner in our commitment to lend and invest in building economic vitality in markets throughout New England.

Guillaem Aertsen
Chairman

Joseph L. Flatley
President

MHIC's success in 2010 carried over strongly into 2011. With all product lines contributing to operating success, our increase in net assets, as a primary measure of operations, was the highest in our twenty-one years. MHIC had no lack of opportunities to provide creative financing for challenging projects that reflect our mission of directing innovative capital to the markets with greatest need. Indeed, selecting the highest-impact, most creditworthy projects from our robust pipeline of choices remains a particular challenge.

Total financings in 2011 reached \$189.6 million, second only to the \$200.6 million recorded in 2010. MHIC provided \$85 million in New Markets Tax Credit financing, \$45.7 million in Low Income Housing Tax Credit financing, \$34.7 million in loan financing, and \$24.2 million in loan financing under the Neighborhood Stabilization Loan Fund. These investments were in a total of 46 projects supporting 1,185 housing units and more than 471,458 square feet of commercial space. In all cases, MHIC capital helps meet the continued, critical need for affordable housing, job retention and creation, and new business and economic expansion among low-income populations.

Key to this success is the continued broadening of our investor base for housing tax credits and new markets tax credits, and finding additional leveraged lenders to participate in new markets transactions. 2011 brought success in these efforts. In February 2012 MHIC received its eighth New Markets Tax Credits award in an amount of \$95 million, the second largest in the country. As noted in the letter on page two, our combined eight awards now total \$612 million, placing MHIC among the top recipients in the nation, and the largest with only a regional market.

The important foreclosure prevention work achieved by our Neighborhood Stabilization Loan Fund program continued at a strong pace, as the foreclosure crisis in the housing market continues to challenge many communities. By year's end we had financed a total of 120 projects with 26 different sponsors. This newest product offered by MHIC, begun in 2008, exemplifies our core activities in communities hardest hit by the recession.

In our twenty-one years of operation, MHIC has provided \$1.7 billion in financing for 430 projects, representing the preservation or creation of 15,684 housing units and more than 2.9 million square feet of commercial space. By program type, MHIC's total investments to date are: \$532

million in loans, \$648 million in Low Income Housing Tax Credits, \$479 million in New Markets Tax Credits, and \$54 million under the Neighborhood Stabilization Loan Fund program.

Lending Program

MHIC's lending program had another productive year in 2011. We closed \$34.7 million in financing for nine housing projects both to preserve existing units and for new construction. We covered a wide range of communities including Cambridge, Springfield, Hyannis, Bourne, Beverly, and Boston.

Among the notable projects financed in 2011 was Outing Park I and II, an affordable 198-unit, 16-building portfolio purchase located on the south side of Springfield in the recently renamed Outing Park Historic District. The sponsor, who also owns 104 contiguous units of affordable housing, plans to substantially rehabilitate the units, including upgrades to the surrounding streetscape, to completely transform the district. The result will be a neighborhood in which residents are proud to live and raise their families.

Participating members received a normalized level of distributions again in 2011. We expect this to continue. We anticipate another strong year in 2012 for the lending program.



225 Centre Street, Boston. The project is slated for completion in mid-2013.

New Markets Tax Credit Program

2011 was another very active year for our New Markets Tax Credit program. Having received \$63 million in New Markets Tax Credit authority in February 2011, we were able to finance seven projects for a total of \$85 million. Among these were renovations and expansion of vital community health care facilities in Boston (Codman Square) and Lowell, the relocation and expansion of the Hostelling International center in Boston, the major renovation of the Holyoke Public Library in downtown Holyoke, and the 225 Centre Street commercial/mixed-income housing property in Roxbury. All of these investments are creating both construction and permanent jobs and bringing key services to underserved markets. MHIC has now closed on six health care facilities, five in Massachusetts and one in Connecticut, and will close soon on another located in Springfield. This has become an important segment of our NMTC activity with tremendous impact on low-income communities. The Holyoke Public Library investment is a unique public/private collaboration that will not only restore a beautiful building but also enable the library to significantly expand its community outreach programs.

With its most recent award of \$95 million of New Markets Tax Credit authority, received in February 2012, MHIC has already targeted at least ten projects in the development phase for the remainder of this year.



Hostelling International will open the new Boston Hostel on June 22, 2012.

The greatest challenge we face is that the New Markets Tax Credit Program technically expired at the end of 2011. While many organizations are working together to convince lawmakers to renew the program for at least another year, and preferably longer, the result of these efforts will not be known until after the fall elections. In the interim, MHIC and others will submit an application for a Round 10 competition in the summer.

Low Income Housing Tax Credit Program

Demand for housing tax credits continued its strong recovery begun in 2010, and increased in 2011 even as investors saw yields decrease and sponsors saw prices increase. Insurance companies and other corporate economic investors continued to play an important role in the market, and once again demand generally exceeded the supply of credits.

MHIC's Low Income Housing Tax Credit program had another strong year in 2011, as we closed ten projects for \$45.7 million, representing 643 units. The broad range of project types included new construction, preservation, and historic rehabilitation, in locations ranging from Hyannis and Beverly to Boston, Worcester, and Springfield.

LIHTC projects in 2011 included: Old High School Commons in Acton, a 15-unit historic rehabilitation of an abandoned school, currently nearing completion, that represents MHIC's first deal in this suburban location; the renovation of the historic Whitney building in Leominster into 40 units of housing, sponsored by Twin Cities CDC and also nearing completion; the renovation of the Central House SRO property in Central Square in Cambridge, sponsored by Caritas Communities; new construction of 29 units in Beverly, sponsored by the North Shore YMCA (a second phase will begin construction in 2012, financed by MHIC); and the preservation and upgrading of 76 units in Springfield — located very close to the BayState Medical facility, recently expanded using New Markets Tax Credits from MHIC — by Beacon Communities LLC. As mentioned elsewhere, the 225 Centre Street mixed-income, mixed-use property in Roxbury recently had a groundbreaking ceremony and has started construction. All of these projects will help meet the continued, critical need for safe, decent, and affordable housing in Massachusetts cities and towns.

For 2012, we have already approved and are closing another healthy pipeline of affordable housing properties. The future

direction of interest rates, the strength of the economic recovery, and overall corporate profitability will all have an impact on the continued attractiveness of this program.

Neighborhood Stabilization Loan Fund

In 2011, MHIC closed on \$24.2 million of loan and Neighborhood Stabilization Program (NSP) grant funds, which were used to finance 243 units in nine different cities in Massachusetts. MHIC has provided financing to both for-profit and non-profit developers. Most of the properties were foreclosed two- or three-family homes that will be rehabilitated and sold to income-qualified homebuyers, while others will be held for rental. The NSP has been very successful in meeting its goal of helping neighborhoods deeply affected by the foreclosure crisis.

To date, MHIC has provided \$41.1 million to 27 sponsors to acquire and rehabilitate 425 units of housing.

Asset Management

Asset Management continued to enhance its policies and procedures to manage property and fund performance in 2011. Early in the year, Asset Management developed and presented a new training program, in conjunction with Constellation Energy, to help both our NMTC and LIHTC partners reduce energy costs through bulk purchasing of energy. This program continues to deliver real results and helps our partners reduce heating and other utility costs.

Lease-up of properties in MHIC's portfolio continues on target with very few exceptions. Another significant effort in 2011 began when Asset Management successfully bid on an RFP to manage a lease-up program at the Massachusetts Housing Partnership (MHP). This new contract has led to manageable increases to our workload while also representing a new revenue stream. Nearly 400 of the over 500 MHP files had been reviewed by year's end.

The MHIC Watch List continues to be well managed with positive results, and at year's end was the smallest in our history. Portfolio assets continue to be monitored proactively to develop effective plans of action to minimize any potential problems. Identified problems are effectively addressed with the cooperation of all involved parties.

Asset Management had excellent success in 2011 with on-time reporting of LIHTC and NMTC audits and tax returns. Asset management staff, along with Finance and



The Grand Opening of 6 Fort Street, Quincy, in December 2011

IT staff, continue to develop a reporting portal for improved efficiency and security for 2012 reporting.

In 2011 we also continued to refine the process for NMTC reporting. Updated quarterly reports and surveys have been prepared and sent to our partners, and new database reports have been created to support this effort. Asset Managers have effectively created systems to capture the impact reporting necessary to aid Finance and Underwriting.

We continue to build the information gathered in the database with the support of the IT department. New reports have been very helpful in the analysis of information not only for our property sponsors but also for our underwriting group. The quality of the information in our database has improved as we continue to collect more property-specific and general partner/worker-specific data. Asset Management has also continued to improve our presentation format for NMTC investments presented to the Credit Review Committee. This new form has become an effective management and reporting tool. Last among our 2011 accomplishments in Asset Management is the improvement of our ability to upload information to the MHIC database, making it easier to track occupancy as well as the final audit

information needed for analysis. A portal to upload Audit and Tax information has been developed with a planned rollout in 2012.

Minority Participation and Diversity Initiatives

MHIC continues to encourage sponsors and general contractors to set and achieve ambitious goals for the hiring of minority-owned businesses (MBE) and minority employees in all of the projects that we finance. MHIC collaborates with its Minority Task Force to explore ways to increase minority participation at all levels throughout the development process. MHIC's Construction Liaison Officer assists and supports general contractors by sharing and identifying minority subcontractor lists, and also by tracking progress of minority utilization on every project.

In November 2011, MHIC and the Massachusetts Association of Community Development Corporations co-sponsored a two-day seminar in Boston through the Mel King Institute entitled "Best Practices for Hiring General Contractors." Strategies for achieving MBE and minority employment goals were identified during the event.

In 2011, Boston-area projects achieved results of 32% for minority employment and 26% for minority business utilization. Outside of the Boston area, projects achieved results of 32% for minority employment and 10% for minority business utilization. All of these levels represent an improvement over 2010 results.



Ribbon cutting, Unity Place Apartments, Lowell

Charles E. Dahm Memorial Scholarship Fund

The Charles E. Dahm Memorial Scholarship Fund was founded in 2002 in memory of Charles E. "Chuck" Dahm, a founding MHIC board member and a State Street Bank senior executive. As a leader in the real estate finance community, Mr. Dahm played a key role in founding MHIC and continued to be an active participant in all aspects of MHIC's work until his death in 1998. Before Chuck died, he asked that memorial contributions be made to MHIC to support its mission. The creation of the Scholarship Fund was an outgrowth of Chuck's request, and it continues to honor the guiding principles by which he led his life.

During our eleventh year operating the fund, we raised over \$50,000 to continue this important program. Primary contributors included State Street Foundation, Eastern Bank Foundation, and Dahm family members, making possible scholarship awards totaling almost \$30,000 to seven first-time applicants. Our awards last year bring our total scholarship assistance to over \$186,000 for 27 qualified students, seven of whom received awards in multiple years. We will continue our fundraising campaign to ensure our ability to provide scholarship support to the 2011 awardees, who will need financial aid to complete their undergraduate programs. While financial aid for low-income students is available, it is rarely sufficient to meet total student needs. Thus, the supplemental grant dollars made available by the Scholarship Fund can make a critical difference to deserving individuals. We welcome your support!



Old High School Commons, Acton



MHIC PROJECTS:

Preserving and Renewing Homes



Cass House/Roxbury Hills Boston

MHIC provided a \$3.8 million bridge loan to United Housing Management LLC, for acquisition of two housing complexes (one with 41 units in one building, the other with 70 units in 14 buildings) in the Roxbury neighborhood of Boston. All of the buildings were built in 1986 and had not undergone significant repair or rehabilitation since that time. The developer will rehabilitate the properties and recapitalize reserves from a construction loan once all financing sources are in place.



Central House Cambridge

This project involves the acquisition, preservation, and renovation by Caritas Communities, Inc., of an existing SRO housed within the YMCA in Central Square, Cambridge. This facility provides affordable housing to low- and very low-income men, many of whom have a history of homelessness, chronic mental illness, substance abuse, or HIV/AIDS. Extensive renovations will greatly improve the living conditions in the 128 units. MHIC provided \$2.9 million in low-income housing tax credit financing with Brookline Bank and Cambridge Savings Bank as co-investors.



Chapman Arms Cambridge

Chapman Arms is one of only two affordable housing projects in the Harvard Square area. It is a mixed-use building with 50 residential units — 25 of which are affordable — and 9,350 square feet of commercial space at ground level or below grade. MHIC's \$3.1 million acquisition loan to the developer, Homeowners Rehab, Inc. (HRI), represents a 39% participation in a financing led by CEDAC. The acquisition of the building by HRI is preserving the 25 affordable units.



Urban Edge Apartments Boston

This project, sponsored by Urban Edge Housing Corporation, involves the preservation of a fully-occupied multifamily rental development consisting of 82 units in ten buildings on seven sites. Two of the building sites are located in the Jackson Square neighborhood of Jamaica Plain and five sites are located in the Egleston Square area of Roxbury. Among the 82 units, 21 are affordable at 30% of Area Median Income (AMI), including a nine-unit homeless set-aside, and 61 units are for households earning less than 60% of AMI. Four units are handicapped-accessible. MHIC provided a \$6.1 million low-income housing tax credit investment.



Cromwell Court Apartments Hyannis

Cromwell Court is a garden-apartment complex consisting of 124 rental units, 116 of them affordable, in 11 two-and-a-half story buildings. The property is located near Main Street in Hyannis with easy access to commercial areas, shopping, employment centers, and transportation. Built between 1972 and 1974 and originally financed under HUD Section 236, the complex was at risk of reverting to market rate. The preservation and moderate rehabilitation of this property by Preservation of Affordable Housing, Inc., will ensure continued affordability. MHIC provided a \$3.75 million construction loan and a \$3.2 million low-income housing tax credit investment shared equally with Rockland Trust as co-lender and co-investor.



City View Commons II Springfield

In 2008, MHIC made a \$13.5 million acquisition loan to the developer of this project, First Resource Corporation (FRC), to acquire sixteen buildings in Springfield with a total of 377 units and rehabilitate them in a three-phase project. In 2011, MHIC made a \$7.8 million construction loan for the second phase of FRC's redevelopment project, City View Commons II, which involved the rehabilitation of 120 affordable rental housing units in five buildings in two different locations. An MHIC construction loan of \$11.3 million to FRC in 2010 financed the rehabilitation of four buildings containing 153 units (City View Commons I).



Old High School Commons Acton

Common Ground Development Corp. in Lowell has redeveloped a vacant historic school building near Acton Center to create 15 affordable family rental units in this small town west of Boston. Units are available to households earning less than 60% of Area Median Income and two units are handicapped-accessible. MHIC provided \$2.9 million in low-income housing tax credit financing with Cambridge Savings Bank, Enterprise Bank, and Middlesex Savings Bank as co-investors.



Outing Park I & II Springfield

Outing Park I & II are the two parts of a portfolio of sixteen buildings in southwest Springfield, with a total of 192 units, being acquired for redevelopment by First Resource Corporation with acquisition financing from MHIC. All buildings are located in a distressed neighborhood that has been designated as the "Outing Park Historic District." It is adjacent to Concord Heights, a project consisting of seven buildings with 104 units, also acquired for redevelopment by this developer with MHIC financing. Outing Park I, for which MHIC made a \$3.76 million acquisition loan, consists of a group of nine buildings containing 94 units of affordable rental housing. These buildings were all constructed between 1914 and 1926 and are in need of substantial rehabilitation. MHIC made an acquisition loan of \$3.96 million for Outing Park II, a group of seven buildings built between 1921 and 1925 and containing 98 housing units (81 affordable and 17 market-rate) that also require rehabilitation. Redevelopment of these sixteen buildings, which has the strong support of the City of Springfield, will reshape this challenged neighborhood.



Whitney Building Leominster

Twin Cities CDC of Fitchburg and Leominster is redeveloping the historic Whitney Building, a 58,000-square-foot former paper mill in Leominster on a 1.45 acre parcel of land, to create a mix of one-, two-, three-, and four-bedroom units in addition to a management office, community and program space, a play area, and parking. The building will also feature green development to reduce utility costs and enhance the quality of life for the residents. All forty units in this project are affordable to households at or below 60% of Area Median Income (AMI) and eight units will be subsidized by Section 8 project-based vouchers for households at or below 30% of AMI. MHIC's equity investment of \$8.7 million is being used for the purchase of federal low-income housing tax credits and federal historic tax credits. Avidia Bank committed \$1 million in a "side by side" investment with MHIC.



Cumberland Homes Springfield

This project involved the renovation and preservation of 76 units of affordable family housing in a complex of eight four-story walk-up buildings. It is located just outside of downtown Springfield and one block west of Baystate Medical Center, the single largest employer in Springfield and the recipient of a \$19.9 million New Markets Tax Credit investment by MHIC in 2009. For Cumberland Homes, MHIC provided a \$6.25 million low-income housing tax credit investment with TD Bank as the investor.



6 Fort Street Quincy

This project — composed of 34 new units of affordable housing — was financed by MHIC in 2010 with \$5.7 million in low-income housing tax credits and completed in 2011. The new structure on the site transformed a badly neglected building into a vibrant housing community, helping to revitalize the neighborhood. It was developed by the Asian Community Development Corporation.

MHIC PROJECTS:

Building New Homes



Holcroft Park Homes One Beverly

Located in the Gloucester Crossing neighborhood of Beverly, this project consists of 29 units of affordable housing in four new three-story buildings. It represents the first phase of a two-phase development of ten sites by the North Shore YMCA. MHIC provided a \$3.9 million construction loan and a \$4.8 million low-income housing tax credit investment with Institution for Savings as the investor.



Torrey Woods Weymouth

Financed by MHIC in 2010 and completed in 2011, Torrey Woods is a new 20-unit affordable housing development for working families and seniors in a heavily wooded area on the Weymouth/Abington border. Torrey Woods is a low-income housing tax credit project, for which MHIC provided a \$1 million construction loan. It was developed by Preservation of Affordable Housing, Inc., and South Suburban Affordable Housing Inc.



Clay Pond Cove Bourne

MHIC provided a \$3.75 million construction loan for 45 affordable residential units in a three-story building in the Buzzards Bay neighborhood of Bourne, a town known as the “gateway to Cape Cod.” Clay Pond Cove, on which construction began in October 2011, represents the second phase of a three-phase, Chapter 40-B development on a 17-acre site in Bourne known as Canal Bluffs. All 45 units in this project, which is geared toward the elderly but has no age restrictions, will be affordable at 60% of Area Median Income. Clay Pond Cove will also include a community garden and a landscaped green space/plaza area for community gatherings, among other amenities. Construction is expected to be completed in summer 2012. MHIC is partnering on this project with Preservation of Affordable Housing, Inc., and Housing Assistance Corporation of Cape Cod. MHIC also financed new construction of the 28-unit Phase One project at Canal Bluffs, using low-income housing tax credits, in 2009.



Bloomfield Gardens Boston

The Vietnamese American Initiative for Development is the sponsor of this project — new construction of 27 affordable housing units in a four-story building near the Fields Corner Red Line station in Dorchester. This project converts a site that has been vacant and a source of blight for decades into a transit-oriented development. MHIC provided a \$3.5 million construction loan and a \$4.9 million low-income housing tax credit investment in 2010.



Winter Gardens Quincy

The Quincy Point neighborhood of Quincy has been enriched by the construction of this three-story building with 24 units of affordable rental housing for families earning less than 60% of Area Median Income. A vacant single-family home on the lot was demolished to clear the way for this new development, which has been sponsored by Neighborhood Housing Services of the South Shore and Preservation of Affordable Housing, Inc. MHIC provided a \$4 million low-income housing tax credit investment.



Putnam Green Cambridge

This new housing development, built by Homeowner's Rehab, Inc., in the Cambridgeport area of Cambridge, created 40 new units of affordable rental housing. A vacant laboratory building was demolished to make room for the new structure. MHIC provided a \$6.8 million low-income housing tax credit equity investment with TD Bank as the sole investor in 2010.



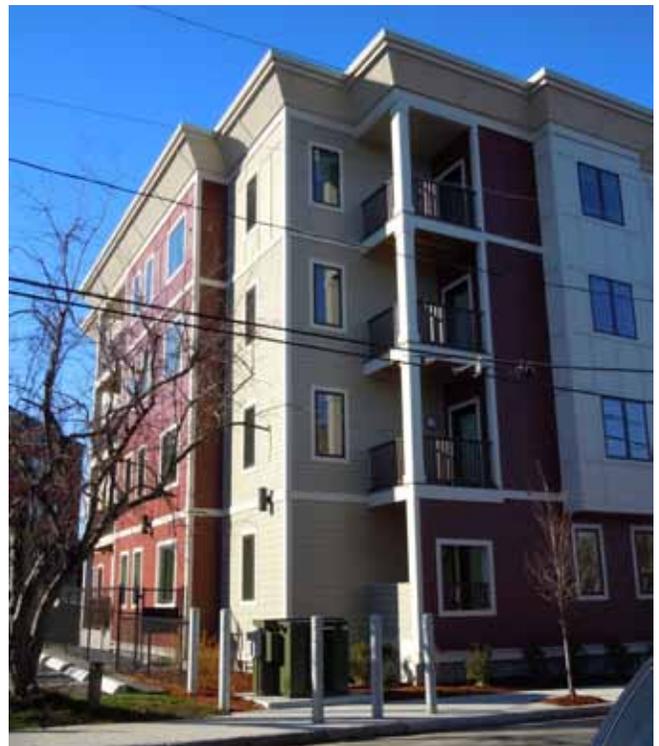
Kilby-Gardner-Hammond Worcester

This project represents Phase 4 of the 30-acre Kilby-Gardner-Hammond Neighborhood Revitalization project in Worcester, a successful partnership of local residents, Main South CDC, Clark University, the Worcester Boys and Girls Club, and the City of Worcester. This phase, for which MHIC provided a \$3.1 million low-income housing tax credit investment, involves construction of 22 energy-efficient units of affordable family rental housing in seven two- and four-unit buildings. The revitalization project as a whole, initiated nearly ten years ago on some of the city's most distressed real estate, has transformed this neighborhood, where MHIC's Neighborhood Stabilization Loan Fund has also been active since 2009.



Stevens Corner North Andover

This 40B project, for which MHIC provided a \$4.4 million low-income housing tax credit investment in 2010, involved the substantial rehabilitation and expansion of a former nursing home to create 42 new units of affordable rental housing for families.



Unity Place Lowell

The Coalition for a Better Acre utilized a vacant parcel of land formerly occupied by two abandoned and deteriorating buildings on Moody Street to build this new building with 23 units of affordable housing for low- and very low-income households. In 2010, MHIC provided a \$3.5 million low-income housing tax credit investment. The project was completed in late 2011.

MHIC PROJECTS:

Using Innovative New Markets Tax Credit Financing



Boston Carpenters Training Center **Boston**

MHIC's \$13.5 million New Markets Tax Credit financing for the Boston Carpenters Training Center in Dorchester represents a model use of tax credits for a job-training facility that will significantly improve job security and earning capacity for union carpenters. This investment financed the acquisition by the Boston Carpenters Apprenticeship Training Fund (BCATF) of a commercial condominium located in a new Carpenters Center recently built by the New England Regional Council of Carpenters (NERCC) for offices for itself and related entities. BCATF is a multi-employer apprenticeship and training fund and an employee-welfare benefit plan that provides benefits to members of NERCC. It has provided training and education to carpenter apprentices and journeymen carpenters since 1966 but had outgrown its previous facility. NERCC completed construction of its Carpenters Center at 750 Dorchester Avenue in February 2010. The third floor and part of the second floor is being utilized by NERCC and related entities, while the first floor, with its 15-foot ceilings, was renovated to provide training space for BCATF, which also occupies a portion of the renovated second floor with additional classroom and office space. US Bank CDC is the investor.



Fraunhofer Center **Boston**

This project involves the adaptive reuse and rehabilitation of a historic building in the Fort Point Channel neighborhood adjacent to Boston's Seaport district, in the Innovation District created by the city in 2010. The 50,000-square-foot renovated building will house the Fraunhofer Center for Sustainable Energy Systems (CSE), an applied research and development laboratory dedicated to the commercialization of clean energy technologies. (The CSE is one of seven operating divisions of Fraunhofer USA, an independent, non-profit affiliate of Germany's Fraunhofer Society, a leading global applied research and development organization.) The Fraunhofer Center will relocate to this building from its current location near MIT, quadrupling its space and substantially reducing its rent. It will occupy 30,000 square feet of the new space and sublet the remainder as incubator space for companies spun off from CSE's activities. This project, for which MHIC provided \$12.2 million in New Markets Tax Credit financing, is expected to create 100 construction jobs, 20 immediate new fulltime jobs at Fraunhofer, and 100-200 additional fulltime jobs in new ventures spun off from CSE. US Bank CDC is the investor.



**Codman Square Health Center
Boston**

The Codman Square Health Center (CSHC) is a Federally Qualified Health Center located in the Codman Square area of Boston’s Dorchester neighborhood. Since 1979, CSHC has been providing high-quality primary, preventive, and urgent health care to a high-risk, lower-income, underinsured patient population in one of Boston’s poorest neighborhoods. Currently serving 22,000 patients and making 100,000 patient contacts annually, CSHC has developed many unique collaborative models to alleviate poverty through health and education; for example, its partnership with the Codman Academy Charter School — the only charter school in the United States housed within a health facility — has been recognized by the White House Office of Social Innovation as a potential model to replicate in community health centers across the country. CSHC has outgrown its available space, and this New Markets Tax Credit project involves the renovation of the existing clinic and the construction of a 34,000-square-foot addition made possible by demolition of three adjacent blighted buildings. In an expanded facility (82,000 square feet total), CSHC will be able to serve more patients, add new specialty services, and improve the quality of care it provides. The project will yield economic benefits as well: already the largest economic engine in Codman Square, the center anticipates adding at least 28 new fulltime employees, and increased activity from its expansion will benefit adjacent businesses. MHIC has provided \$9.2 million in New Markets Tax Credit financing for this project. JPMorgan Chase is the investor.



**Lowell Community Health Center
Lowell**

This project, for which MHIC is providing \$15.8 million in New Markets Tax Credit financing, involves the acquisition and adaptive reuse of a historic mill building to create a new 100,000-square-foot home for the Lowell Community Health Center, a Federally Qualified Health Center serving more than 39,000 patients annually. The new state-of-the-art facility will allow the health center to consolidate its existing operations from multiple locations and create a one-stop center for health care in downtown Lowell. The project will boost Lowell’s economy by generating 100 new permanent jobs as well as 200 construction jobs during the renovation phase of the project. US Bank CDC is the investor.



**Generations Family Health Center
Willimantic, Connecticut**

Generations Family Health Center, Inc., a regional community health center covering 33 towns in eastern Connecticut, a medically underserved area, completed construction of this new 32,000-square-foot facility. The new building was made possible by a \$12 million New Markets Tax Credit investment provided by MHIC in 2010, with US Bank CDC as the sole New Markets investor.



Holyoke Public Library Holyoke

This project, for which MHIC is providing a \$17 million New Markets Tax Credit investment, involves the renovation and expansion of the historic Holyoke Public Library, whose present building was opened in 1902, into a 21st-century education and training center. Holyoke is one of the state's poorest areas, with the highest percentage of children living in poverty of any city in Massachusetts and the lowest-performing school district. In addition to traditional library services, the renovated Holyoke Public Library will provide after-school programs for disadvantaged youth and a specially-designed young adult room to keep adolescents coming to the library during the critical middle school years. The facility will allow the library to significantly expand public access to technology, internet resources, and computer skills training, increase the capacity of its summer reading program, and broaden its partnerships with local schools and youth-oriented non-profits to expand programming. Library visits are expected to increase by 100,000 per year, enhancing the safety and economic vitality of the struggling neighborhood, adjacent to downtown, in which the library is located. US Bank CDC is the investor.



Hostelling International Boston

Local community groups have shown tremendous support for this neighborhood revitalization project in downtown Boston's Midtown Cultural District. The project involves converting a partially-occupied building into a safe, vibrant, and welcoming new facility for Hostelling International (HI) Boston, whose mission is "to help all, especially the young, gain a greater understanding of the world and its people through hostelling." The six-story Dill Building on Stuart Street in Boston's Theatre District, which is listed on the National Register of Historic Places, is being renovated to replace HI-Boston's 27-year-old hostel in the Fenway neighborhood. The new facility, which at 55,000 square feet will be nearly double the size of the Fenway hostel, will accommodate 480 guests in a LEED-certified green building, providing affordable accommodations for an additional 10,400 visitors per year. The facility is nearly complete. It will provide an additional \$207,000 in annual salaries while increasing the number of fulltime employees at HI-Boston from 24 to 30. The project is also projected to generate \$2.8 million in state and local tax revenues and increase yearly non-payroll expenditures for HI-Boston from \$1.1 million to \$2.8 million. HI-Boston will work with neighborhood residents to make its new facility available for community meetings, the showing of family-oriented films, and other community events. MHIC provided \$11.64 million in New Markets Tax Credit financing for this project. US Bank CDC is the investor.



**Wakeman Boys & Girls Club
Bridgeport, Connecticut**

The Wakeman Memorial Association, which operates the Boys & Girls Club of Southport, Connecticut, built this new, 28,000-square-foot clubhouse to serve more than 2,500 youth in inner-city Bridgeport. Called the Smilow-Burroughs Clubhouse, it is the first facility of its kind in the West End neighborhood of Bridgeport. This project has received tremendous community and public support and is a significant component of the regional and local economic development and community revitalization strategy encompassing the area between Stamford and Bridgeport. In 2010, MHIC provided a New Markets Tax Credit investment of \$7.2 million with TD Bank as the sole investor.



**225 Centre Street
Boston**

This mixed-use project represents the first phase of the proposed redevelopment of the Jackson Square neighborhood of Boston. It is part of a Jackson Square Master Plan, developed through a multi-year effort, that comprises a total of 430 units of housing and 60,000 square feet of retail and community space. 225 Centre Street, for which MHIC provided \$5.4 million in New Markets Tax Credit financing with US Bank CDC as the investor, and a \$4.6 million low-income housing tax credit investment with TD Bank as the investor, is a joint venture of The Community Builders, Inc., and Mitchell Properties. This transit-oriented development, located immediately adjacent to the Jackson Square MBTA station, involves new construction of a six-story masonry structure with five floors of residential rental space (103 units), one level (over 16,200 square feet) of ground-floor retail, two levels of parking, and extensive streetscape improvements. Thirty-five of the residential units will be affordable and ten of these affordable units will be reserved for extremely low-income families. Revitalization of the Jackson Square Neighborhood has been a priority for the past decade of the City of Boston, which is providing infrastructure improvements and commitments of financing subsidies. Construction of 225 Centre Street, which began in 2012, will create approximately 168 construction jobs over 18 months and at least 19 fulltime jobs in the commercial space once the project is completed.

MHIC PROJECTS:

Rebuilding Whole Neighborhoods



**19 Hancock Street
Worcester**

This three-unit foreclosed property in Worcester was acquired and rehabilitated by Main South CDC. The property, which is nearly complete, will be rented to low- and moderate-income households. This is one of eleven distressed properties, with 31 units, that Main South CDC has rehabilitated in the Main South neighborhood over the past three years. MHIC provided a \$417,000 loan and \$300,000 of Neighborhood Stabilization Program (NSP) subsidies to this project.



**59 Spencer Street
Boston**

The Codman Square Neighborhood Development Corporation (CSNDC) acquired this three-decker from the City of Boston, which had earlier acquired the property from a bank. This is one of four foreclosed properties that CSNDC has redeveloped. The rehabilitation is complete and the property has been sold to a homebuyer. MHIC provided a \$297,000 loan and \$212,000 of NSP subsidies to this project.



**122-124 South Sixth Street
New Bedford**

This is one of seven properties in New Bedford’s South Central neighborhood that have been rehabilitated by The Resource Inc. (TRI). Prior to its acquisition by TRI, this property was the subject of intensive code enforcement action as part of the city’s receivership program. This eight-unit property includes one commercial space and three live/work spaces on the first floor. Construction is complete and the units will be rented to income-eligible tenants. MHIC provided \$972,000 of NSP subsidies to this project.



**31 Hendry Street
Boston**

The Hendry Street area was one of Boston’s foreclosure “hot spots” when the financial crisis began in 2008. Since then, Dorchester Bay Economic Development Corporation has purchased and rehabilitated five properties, while two others were redeveloped by a private developer, resulting in the successful transformation of the neighborhood. Following completion, this three-decker was sold to a qualified home buyer. MHIC provided a \$283,000 loan and \$437,000 of NSP subsidies to this project.



**82 Belmont Street
Springfield**

This is one of five abandoned properties in the Forest Park neighborhood that were redeveloped by Craig Spagnoli of Lorilee Development, who was appointed by the court to serve as receiver under the Massachusetts Receivership Statute. This three-unit property will be sold to a homebuyer once it is completed. MHIC provided a \$143,000 loan and \$418,000 of NSP subsidies to this project.

PARTICIPATING ORGANIZATIONS, 2011

MHIC's 35 member corporations have collectively committed \$1 billion to finance the development of affordable housing and community development. The status of these commitments, as of December 31, 2011, is displayed below.

MEMBER CORPORATION	LOAN	HOUSING TAX CREDITS	NEW MARKETS	TOTAL
Bank of America Merrill Lynch	\$12,750,000	\$193,079,260	\$	\$205,829,260
US Bank			139,648,945	139,648,945
State Street	4,850,000	118,813,278	14,000,000	137,663,278
TD Bank	1,750,000	98,473,666	26,716,230	126,939,896
Freddie Mac		99,730,000		99,730,000
Fannie Mae		77,255,600		77,255,600
Citizens Bank	4,000,000	36,886,658	9,000,000	49,886,658
AEGON USA Realty Advisors, Inc.			24,000,000	24,000,000
Eastern Bank	950,000	16,761,975	5,000,000	22,711,975
Transcapital			20,000,000	20,000,000
BNY Mellon		15,535,600		15,535,600
Citibank			15,000,000	15,000,000
WICOR America Inc.			14,550,000	14,550,000
Berkshire Bank		2,000,000	8,000,000	10,000,000
Chase Community Equity, LLC			9,215,000	9,215,000
PNC Bank	1,500,000	6,358,900		7,858,900
Boston Private Bank & Trust	300,000	5,150,000	1,500,000	6,950,000
BrooklineBank		6,564,672		6,564,672
TD Bank USA, N.A.		6,000,000		6,000,000
Institution for Savings		5,263,467		5,263,467
Cambridge Savings Bank		4,521,300		4,521,300
East West Bank		2,000,000	2,500,000	4,500,000
People's United Bank	300,000	4,076,992		4,376,992
Sovereign Bank	750,000	2,440,000		3,190,000
People's Savings Bank		1,420,000	1,000,000	2,420,000
Rockland Trust Company		1,702,958		1,702,958
Cathay Bank		1,100,000		1,100,000
First Trade Union Bank	1,000,000			1,000,000
Blue Hills Bank	350,000	500,000		850,000
Enterprise Bank & Trust Company		819,219		819,219
Middlesex Savings Bank		819,218		819,218
BankFive		568,000		568,000
The Life Initiative	437,500			437,500
Aurora Bank	250,000			250,000
Stoneham Bank	250,000			250,000
Total	\$29,437,500	\$707,840,762	\$290,130,175	\$1,027,408,437

*In addition, Bank of America Merrill Lynch is providing a Program-Related Investment (PRI) loan of \$6,000,000 to MHIC.

PROJECTS FINANCED IN 2011

PROJECT	UNITS	LOAN	HOUSING TAX CREDITS	NEW MARKETS	NSLF	TOTAL
19 Race Pt Rd-Malone, Provincetown		\$775,000	\$	\$	\$	\$775,000
225 Centre Street, Boston	103		4,551,060	5,352,560		9,903,620
Boston Carpenters Training Center, Boston				13,531,500		13,531,500
Cass House/Roxbury Hills, Boston	111	3,840,000				3,840,000
Central House, Cambridge	128		2,889,532			2,889,532
Chapman Arms, Cambridge	50	3,142,000				3,142,000
City View Commons II, Springfield	144	7,800,000				7,800,000
Clay Pond Cove, Bourne	45	3,750,000				3,750,000
Codman Square Health Center Inc., Boston				9,215,000		9,215,000
Cromwell Court Apartments, Hyannis	124	3,750,000	3,218,452			6,968,452
Cumberland Homes Apartments, Springfield	76		6,253,811			6,253,811
Fraunhofer Center, Boston				12,231,500		12,231,500
Holcroft Park Homes One, Beverly	29	3,900,000	4,789,755			8,689,755
Holyoke Public Library, Holyoke				16,975,000		16,975,000
Hostelling International Boston, Boston				11,640,000		11,640,000
Kilby Gardner Hammond, Worcester	22		3,128,087			3,128,087
Lowell Community Health Center, Lowell	1			15,840,000		15,840,000
Old High School Commons, Acton	15		2,883,649			2,883,649
Outing Park Apartments I, Springfield	94	3,760,000				3,760,000
Outing Park Apartments II, Springfield	98	3,960,000				3,960,000
Urban Edge Apartments, Boston	82		6,123,394			6,123,394
Warren Palmer, Boston				236,000		236,000
Whitney Building, Leominster	40		7,839,904			7,839,904
Winter Gardens, Quincy	24		4,049,595			4,049,595

PROJECT	UNITS	LOAN	HOUSING TAX CREDITS	NEW MARKETS	NSLF	TOTAL
Neighborhood Stabilization—						
NSLF Buyer Assistance, Brockton, Lawrence, Worcester	2				24,999	24,999
NSLF Charles Hope Companies, Lawrence	3				189,000	189,000
NSLF Chelsea Neighborhood Developers LLC, Chelsea, Revere	24				2,886,278	2,886,278
NSLF Codman Square NDC, Boston	9				1,481,691	1,481,691
NSLF Community Action for Better Housing, New Bedford	4				110,860	110,860
NSLF DB Neighborhood Homes, Boston	18				2,369,761	
NSLF Father Bill Mainspring, Brockton	3				650,000	
NSLF HAP Inc., Springfield	1				128,426	
NSLF HMB LLC, Boston	15				874,092	
NSLF Lorilee LLC, Springfield	21				1,730,024	1,730,024
NSLF Main South CDC, Worcester	49				4,341,710	4,341,710
NSLF Mattapan Housing Stabilization Initiative, Boston	2				120,000	120,000
NSLF Nuestra Comunidad Development, Boston	5				822,983	822,983
NSLF Oak Hill Development Corp, Worcester					73,000	73,000
NSLF Piedmont Development, Worcester	3				107,774	107,774
NSLF Rosebrook Community Development, Brockton	12				725,388	725,388
NSLF SJ Realty LLC, Worcester	6				1,075,799	1,075,799
NSLF Stutman-Juhl LLP, Worcester	7				1,057,620	1,057,620
NSLF Taunton BID, Taunton	2				213,000	213,000
NSLF The Resource Inc., New Bedford	14				1,441,600	1,441,600
NSLF Twin Cities CDC, Fitchburg					201,700	201,700
NSLF Urban Neighborhood Homes LLC, Boston, Brockton, Lawrence, Worcester	26				3,029,100	3,029,100
NSLF Worcester Community Housing Resources, Worcester	8				523,600	523,600
TOTAL	1420	\$34,677,000.00	\$45,727,239	\$85,021,560	\$24,178,405	\$189,604,204

FINANCIAL SUMMARY

BALANCE SHEETS

	DECEMBER 31, 2011	DECEMBER 31, 2010
Assets		
Cash	\$7,837,150	\$6,056,253
Investments in marketable securities	3,685,004	4,604,111
Grant income receivable	1,595,586	1,157,338
Notes receivable	16,612,200	27,943,346
Amounts receivable and other assets	3,717,093	2,992,551
Total assets	<u>\$33,447,033</u>	<u>\$42,753,599</u>
Liabilities and net assets		
Unearned fees	\$5,218,301	\$6,289,859
Notes payable and other liabilities	19,274,909	29,808,760
Net assets	<u>8,953,823</u>	<u>6,654,980</u>
Total liabilities and net assets	<u>\$33,447,033</u>	<u>\$42,753,599</u>

Statements of Activities

Revenues		
Loan program revenue	\$993,371	\$124,324
Equity program revenue	3,465,869	3,496,105
New Markets program revenue	4,137,711	3,767,062
Other program revenue	710,884	762,879
Grant income	97,663	—
Total revenue	<u>9,405,498</u>	<u>8,150,370</u>
Expenditures		
Salaries and benefits	4,979,969	5,084,870
Professional services	1,025,547	1,086,137
Other expenditures	1,101,139	1,122,101
Total expenditures	<u>7,106,655</u>	<u>7,293,108</u>
Change in net assets	2,298,843	857,262
Net assets at beginning of year	<u>6,654,980</u>	<u>5,797,718</u>
Net assets at end of year	<u>\$8,953,823</u>	<u>\$6,654,980</u>

These are unaudited financial statements. Certain amounts 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, 2011

BY FUND	HOUSING TAX CREDITS	NEW MARKETS	LOANS	NSLF	TOTAL
US Bank	\$	\$144,393,545	\$	\$	\$144,393,545
BrooklineBank	5,776,912				5,776,912
Cambridge Savings Bank	3,978,745				3,978,745
Institution for Savings	4,789,756				4,789,756
Enterprise Bank and Trust Company	720,912				720,912
Middlesex Savings Bank	720,912				720,912
WICOR America Inc.		14,550,000			14,550,000
Avidia Bank	880,000				880,000
Chase Community Equity LLC		9,215,000			9,215,000
481 Corporation LLC	40,493,875				40,493,875
MHEF 1993-1994 LP	4,585,230				4,585,230
MHEF 1995 LP	18,896,887				18,896,887
MHEF 1996 LP	30,087,904				30,087,904
MHEF 1997 LP	32,649,828				32,649,828
MHEF 1998 LP	35,897,851				35,897,851
MHEF 1999 LP	30,631,853				30,631,853
MHEF 2000 LLC	41,324,444				41,324,444
MHEF 2001 LLC	44,106,928				44,106,928
MHEF 2002 LLC	44,923,546				44,923,546
MHEF X LLC	39,756,806				39,756,806
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	22,087,320				22,087,320
MHEF XVI	10,951,180				10,951,180
MHEF XVII	18,229,431				18,229,431
MHEF XVIII -Rockland MHEF Fund	3,218,452				3,218,452
MHEF XVIII	23,778,579				23,778,579
MHIC 481 Corp. NMTC Investment Fund LLC		20,515,500			20,515,500
MHIC New Markets Fund I		26,266,011			26,266,011
MHIC New Markets Fund II		123,774,551			123,774,551
MHIC New Markets Fund III		117,822,589			117,822,589
MHIC New Markets Fund IV		21,916,192			21,916,192
NSLF				8,080,971	8,080,971
NSP-1				7,134,663	7,134,663
NSP-2				7,901,125	7,901,125
Total	\$536,527,939	\$478,453,388	\$44,734,042	\$23,116,759	\$1,082,832,127
BY LOCATION					
Other	\$10,105,015	\$56,412,985	\$292,026	\$1,525,999	\$68,336,025
Greater Boston	258,101,861	229,329,188	9,895,121	10,082,343	507,408,513
North	69,156,459	32,235,657	5,140,743	315,849	106,848,708
South	54,315,442	12,589,016	9,115,314	2,734,825	78,754,597
West	144,849,162	147,886,542	20,290,837	8,457,742	321,484,283
Total	\$536,527,939	\$478,453,388	\$44,734,042	\$23,116,759	\$1,082,832,127
BY DEVELOPMENT TYPE					
Assisted Living	\$17,861,834	\$19,236,496	\$1,112,330	\$	\$38,210,660
Commercial (including non-profit)	12,997,136	398,144,740	712,813		411,854,689
Cooperative	4,551,060	17,440,866			21,991,926
Ownership	7,718,628	4,800,422	985,172		13,504,222
Rental	448,350,295	38,830,864	41,923,727		529,104,886
Rental, Senior Housing	26,535,556				26,535,556
Rental, Single Room Occupancy	18,513,430				18,513,430
Foreclosure Stabilization Initiative				23,116,759	23,116,759
Total	\$536,527,939	\$478,453,388	\$44,734,042	\$23,116,759	\$1,082,832,127

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- First Trade Union Bank
- Freddie Mac
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- PeoplesBank
- People's United Bank
- PNC Bank
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- Sovereign Bank
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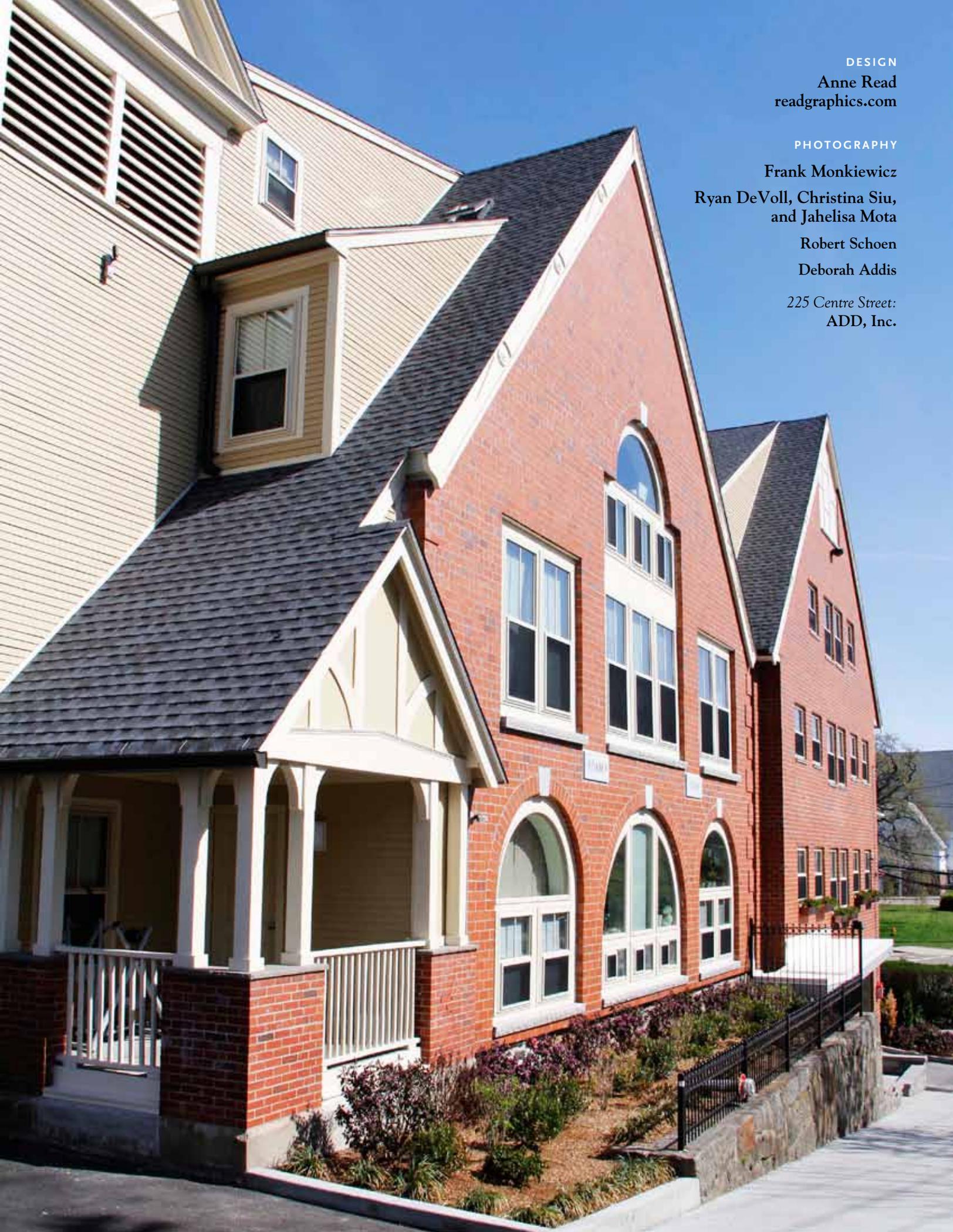
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