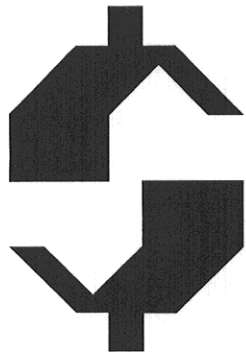


Massachusetts Housing Investment Corporation

1994

About the cover: This *Annual Report* highlights the contributions being made by housing sponsors, owners, and developers. Some of the sponsors of projects recently financed by MHIC are shown here. Pictured are (starting at the upper right corner and continuing around clockwise): **David Knowles** of Dorchester Bay Economic Development Corporation in front of the Alexander Magnolia Cooperative; **Peter Gagliardi** of Hampden Hampshire Housing Partnership in front of the Kendall SRO; **Patrick Lee** and **Jim Keefe** of Trinity Financial in front of the Lucerne Gardens Cooperative; **Leo Corcoran** of Caritas Communities in front of the Parkview SRO; **Carol Lee** of the Asian Community Development Corporation in front of the Oak Terrace Apartments; **Mossik Hacobian** of Urban Edge Development Corporation in front of the Stony Brook Gardens Cooperative; **John Cruz III**, **John Cruz, Jr.**, and **Daniel Cruz** in front of Prang Estates; and **Evelyn Friedman Vargas** of Nuestra Comunidad in front of the Stafford Heights Cooperative.



Massachusetts
Housing
Investment
Corporation

1994 Annual Report

70 Federal Street
Boston, Massachusetts 02110
(617) 338-6886

From the Chairman and the President

As the Massachusetts Housing Investment Corporation (MHIC) enters its fifth year of operation, we see an organization that has emerged from its formative years. No longer a start-up operation, the Corporation's role in affordable housing in Massachusetts is well established and broadly understood. The demand for MHIC's programs continues to expand, and the need for affordable housing and sustainable communities has never been greater.

This past year, we saw the level of MHIC financing exceed \$126 million – an increase of 37% in commitments to affordable housing projects throughout Massachusetts. These housing projects, described later, will have significant impacts in their communities, as well as benefits for their residents.

We continue to improve the design of MHIC's financing approaches to make them more effective. MHIC's Equity Program has evolved with the establishment of MHIC's first *equity fund*. On the loan side, MHIC launched the *OneSource* program, whereby MHIC originates permanent loans for rental housing and sells the mortgages to the MHP Fund. With these changes, MHIC truly has become a single source for affordable housing finance.

MHIC was founded on a straightforward premise: that investment in our communities makes good sense – good sense for the neighborhoods to be sure, but good business sense as well for lenders and investors. The acceptance of this idea can be seen in the recent passage of federal legislation to support those "community development financial institutions" of which MHIC is a salient example. MHIC provides a return to its member banks and investors, while fulfilling its mission and living up to its core values.

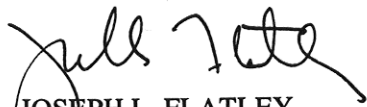
But the real focus of these efforts, as pictured on the cover of this *Annual Report*, should properly be the sponsors, developers, and owners who bring projects to MHIC to be financed. Without their energy, vision, and perseverance, MHIC's resources could not be put to good use.

We wish to extend a special thank you to our member banks and investors. With their leadership and ongoing support, MHIC will strive to respond to the important challenges facing our communities.

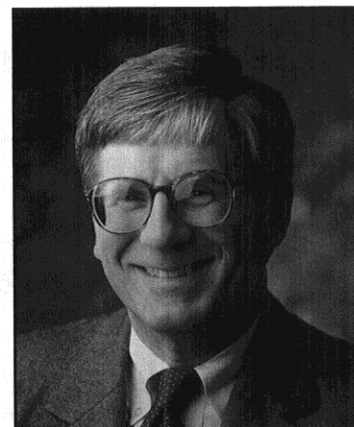
Sincerely,



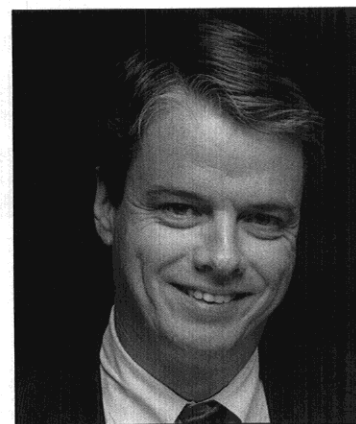
DAVID A. SPINA
Chairman



JOSEPH L. FLATLEY
President and CEO



David A. Spina, Chairman



Joseph L. Flatley, President and CEO

October 1994

Mission Statement

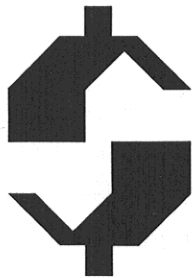
The mission of the Massachusetts Housing Investment Corporation (MHIC) can be summarized as follows:

To finance quality affordable housing throughout the Commonwealth; to supplement the financing available from banks for affordable housing; to aggregate and coordinate the effective use of public and private resources necessary to finance affordable housing.

The net result of this mission should be that *more* and *better* affordable housing projects are financed, and that they are done so in a more *efficient* manner. As an institution established by private banks in collaboration with community leaders, MHIC's mission depends on a partnership among banks, housing sponsors, and public agencies.

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

1. *MHIC should attract private capital to finance affordable housing on an ongoing basis as a self-sustaining venture.*
2. *MHIC should focus on geographic areas, sponsors, and projects which would not otherwise be able to receive financing.*
3. *MHIC should support the sponsors of affordable housing in their efforts to build and maintain stable, healthy communities.*
4. *MHIC should improve and add value to the system of financing affordable housing, and not merely be one more player.*



Massachusetts
Housing
Investment
Corporation

1994 Annual Report

The Massachusetts Housing Investment Corporation (MHIC), completing its fourth year, can report substantial achievements in meeting its initial goals. With 48 housing investments – representing \$126 million and 1,884 units of affordable housing – approved or under way, MHIC has come a long way since it was founded in 1990.

During the past year, MHIC has created new, innovative programs, listened to its constituents, and continued its work with other housing agencies to streamline and simplify the financing process. In this way, MHIC has built a strong foundation on which it can further its mission to facilitate the financing of quality affordable housing throughout Massachusetts.

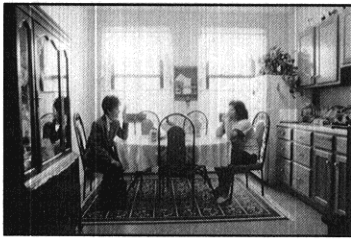
In March, MHIC officially closed its first equity fund, an evolution of its Equity Program, with 11 limited partners and a total commitment of more than \$33 million. Created as a limited partnership, the Equity Fund increases the amount of equity available to non-profit and for-profit project sponsors through the sale of tax credits to participating banks and corporate investors. Because of the way that MHIC's Equity Fund is structured, project sponsors realize substantially higher yields than would be available through traditional sources. The Equity Fund is managed by a wholly-owned subsidiary of MHIC, which provides pooled reserves, an extended pay-in for investors, the ability to geographically target investments, effective asset management, and centralized underwriting, tax review and closing.

In a joint venture with the Massachusetts Housing Partnership Fund (MHP Fund), MHIC launched the new *OneSource* Loan Program, which provides a single source of financing for affordable rental housing. Under this program, MHIC originates both the construction and permanent loans, then sells the permanent loans to the MHP Fund upon completion of the project. Processing time and transaction costs

MHIC financing commitments increased by 37% during the last year.



Lucerne Gardens Cooperative, Boston



Beaver Apartments, Worcester

are substantially reduced, and there is only one loan closing. MHIC has developed with MHP a simplified loan application and loan documents, and a streamlined process for further reducing time and transaction costs.

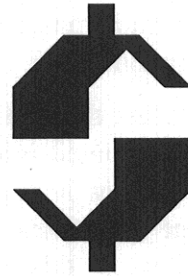
Even with this record of achievement, MHIC recognizes that it must confront a changing environment, substantial unmet needs, and many challenges in meeting those needs effectively and efficiently.

Looking ahead, MHIC plans over the next three years to focus its resources and activities on the following strategic goals:

- Measurably increase affordable housing investment.*
- Implement and market the 1995 Massachusetts Housing Equity Fund, developing broader corporate involvement and increasing net yield to project sponsors.*
- Give priority to projects with significant minority participation or which have a significant impact on minority neighborhoods.*
- Implement the OneSource program (with MHP) to provide permanent financing for affordable rental housing.*
- Focus primarily (although not exclusively) on rehabilitation of existing housing stock and on smaller loans.*
- Develop packaged financing, with subordinate debt, through the use of prototype(s) that can be utilized on an ongoing basis, rather than each project itself being a prototype.*
- Develop and implement structures and systems that enhance MHIC's ability to attract and retain financial resources, and which support efforts to put those resources to effective use.*

MHIC has committed over \$126 million in pooled investments to 48 affordable housing projects.

In all its work, MHIC is committed to working in partnership with the banking community, housing developers (both non-profit and for-profit), housing advocates, community developers, public agencies, and community-based organizations in responding to the critical need for more and better affordable housing in Massachusetts. By combining resources, eliminating duplication and forging new initiatives, MHIC is confident that it will continue to make significant progress in meeting the challenges ahead.



Loan Program

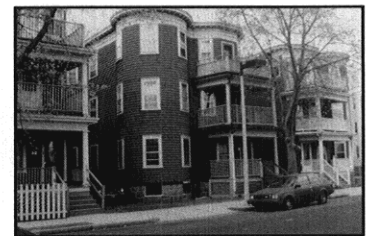
Established to provide loans for new construction and rehabilitation of existing housing, MHIC's Loan Program has raised over \$52 million as a revolving loan pool funded by member banks. With that funding, MHIC has committed over \$42 million to 32 projects. A total of 1,166 units are being added to the stock of quality affordable housing as a result of loans made by MHIC. The majority of these loans have been made in targeted neighborhoods and awarded to minority and nonprofit sponsors.

The volume of loan commitments and originations grew substantially under MHIC's Loan Program during 1994. During this year, new Credit Guidelines were adopted, the Loan Policy was revised, and the Loan Program was further strengthened by the addition of new staff.

In furthering its goal of financing quality affordable housing throughout the State, MHIC's Loan Program can point to significant achievements in 1994:

- ❑ Loans totaling \$17 million (428 units) were closed during the year. A total of \$33.1 million in loans have been closed since 1990.
- ❑ New loan commitments of \$21 million were issued for 545 units of affordable housing, with 148 of these units reserved for the homeless.
- ❑ Twelve loans were approved in 1994, with 5 in the Boston area, 4 in Western Massachusetts, and 3 in other parts of the State.

Credit administration was improved with the adoption of *new Credit Guidelines* and a revised *Loan Policy* which replace the original policies and procedures developed in 1990-91. The *Credit Guidelines* were simplified to arrive at a new risk rating system which is easier to apply and which recognizes specific aspects associated with affordable housing loans. The *Loan Policy* revisions update MHIC policies with regard to current practices and changes in repayment sources. Although traditional sources of repayment from long-term permanent



JT Housing, Dorchester

The Loan Program
has committed
\$42 million to 32
projects.

mortgage remain available, many construction loans rely on MHIC Equity Fund syndication payments for complete repayment. The overall impact of the new policies and guidelines is to make sure that prudent credit judgment continues to be applied to all proposed loans.



123 Crawford Street SRO, Dorchester

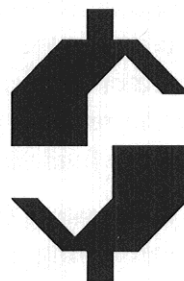
During this last year, MHIC introduced the new "OneSource" Program, a combined effort with the Massachusetts Housing Partnership Fund. This new loan program consists of a combined package of construction and permanent financing for affordable multi-family rental housing. Through this program, MHIC originates both the construction and permanent loan, and sells the permanent loan to the MHP Fund once a project is completed. This streamlined loan product significantly reduces transactions costs and the time required to close loans. MHIC will continue to work with other agencies in an effort to standardize underwriting and closing procedures.

To date, over \$52 million has been raised from participating banks. Of that amount, \$42 million has been committed to 32 project loans, comprising a total of 1,166 units of affordable housing. Investments in the Loan Program by MHIC member banks are listed below:

Bank of Boston	\$15,000,000
Shawmut Bank	\$10,000,000
Fleet Bank	\$10,000,000
BayBanks	\$6,000,000
State Street Bank	\$4,600,000
Massachusetts Company	\$1,500,000
Wainwright Bank	\$1,000,000
FDIC (Workingmens' Coop Bank)	\$1,000,000
UStTrust	\$1,000,000
Springfield Inst. for Savings	\$250,000
Sterling Bank (now Fleet Bank)	\$500,000
Newworld Bank (now Citizens Bank)	\$500,000
Boston Private Bank	\$300,000
Bank of Commerce	\$250,000
Atlantic Bank	\$250,000
Stoneham Savings	<u>\$250,000</u>
TOTAL	\$52,400,000

The "OneSource"
loan streamlines
processing, saving
time and money.

The quality and expertise of the Loan Department has been strengthened considerably during the past year. With the advent of new programs and enhanced policies and procedures, MHIC intends to increase lending activity. Working with other lending agencies, both public and private, MHIC will continue to be a major force in promoting quality affordable housing throughout Massachusetts.



Equity Program

In 1994, MHIC successfully established the Massachusetts Housing Equity Fund (MHEF), as a wholly-owned subsidiary, and organized its first investment limited partnership. This new Equity Fund structure was created to improve on the success of MHIC's three-year-old Equity Initiative through which MHIC has coordinated the direct placement of low income housing tax credit with its member banks.

The Massachusetts Housing Equity Fund is designed to:

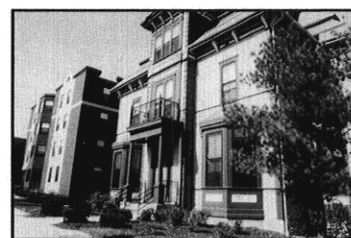
- Streamline the financing process.* The new Equity Fund is structured to provide responsive access to tax credit equity by centralizing underwriting, tax review, and closing.
- Provide expanded equity for affordable housing* through the efficient sale of tax credits to participating banks and corporate investors. As a result, project sponsors realize significantly higher equity yields than would be available through traditional sources.
- Expand the base of corporate investors.*

Creation of the Equity Fund was made possible by the permanent status given to the Low-Income Housing Tax Credit Program signed into law in August 1993. Under this program investors realize substantial tax benefits and can feel confident that their investments make both good public policy and good business sense.

On March 14, 1994, the Massachusetts Housing Equity Fund 1993-94 Limited Partnership closed with \$33,756,000 raised. \$16,502,400 – almost 50% – came from investors new to MHIC. This represents a solid and promising first step in broadening the investor market for tax credit investment in Massachusetts.

Since then, MHEF has closed the first four investments in the 1993-94 Limited Partnership, totaling \$8.1 million in equity. Nine additional projects are in underwriting, and seven of those are expected to close before the end of the 1994 calendar year.

With the establishment of this new Equity Fund, MHIC has been able to increase the net yield to projects from about sixty cents on the tax



Prang Estates, Roxbury

Almost 50% of the investment in MHIC's new Equity Fund came from new investors.

MHIC has managed to sharply reduce the time needed to secure equity.

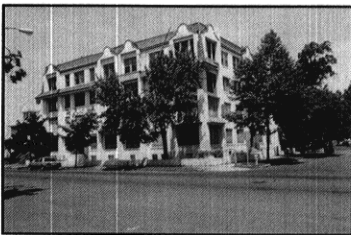
credit dollar to an average of sixty-five cents on the tax credit dollar for projects in the 1993-94 Equity Fund. In addition to that boost in yield, more of the net yield has been freed for project costs as a direct result of the removal of the requirement that 10% of capital contributions be used to fund the net worth of each project's general partner.

By separating the fundraising process from the process of choosing and underwriting investments, MHIC has managed to sharply reduce the amount of time needed to secure equity financing. Furthermore, incorporating preparation of benefit forecasts and related accounting reviews into its responsibility and cost structure has resulted in reduction of syndication costs.

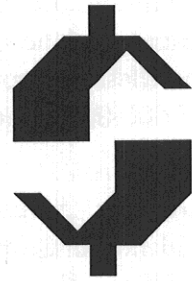
During the Equity Fund's first year, MHIC has continued to work with the development community in the context of the overall tax credit equity marketplace so that the Corporation can continue to improve its program. MHIC is now organizing its 1995 Limited Partnership. The fund will be marketed to investors in the fall of 1994, with a goal of closing the fund at the beginning of 1995. MHIC's goal is to raise a total of over \$40 million to be paid-in over eight years (the equivalent of \$30 million in current dollars). MHIC will strive to raise at least one-third of that amount from non-bank corporate investors.

MHIC's return to investors for the 1995 Fund will remain competitive. At the same time, MHIC's continuing focus on reducing the syndication load will enhance the ability to provide adequate resources for the long term stability of both projects and sponsors.

In 1994, MHIC developed a new structure for raising and investing equity capital for low income housing projects. The challenge for 1995 will be to refine that product, to expand both accessibility to sponsors and attractiveness to investors as a sound investment, and to maintain MHIC's leadership position in the industry. In this way, MHIC will be able to meet both the objectives of its member banks and the objectives of the low income housing tax credit program.



*Kenwyn Apartments, Springfield
(pre-construction)*



Projects

During the past four years, MHIC has committed a total of \$136 million to 58 projects under its Loan and Equity Programs. These figures represent approximately 2,209 units of affordable housing for Massachusetts residents.

To date, 33 projects have been completed and are occupied; eight projects are under construction; and seven projects are scheduled for closing. Ten projects have been approved but are currently inactive. Through MHIC, 16 projects have received construction financing alone, 16 projects have received equity funding alone, and 16 have received funding from both programs.

In evaluating project proposals, MHIC's Loan and Investment Committees follow established guidelines and carefully underwrite projects' financing to ensure that all projects will successfully serve the housing needs of the Commonwealth's residents.

Following are brief descriptions of projects financed by MHIC over the last year:

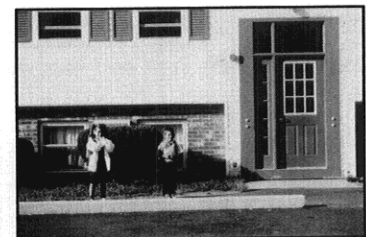
123 Crawford Street SRO: 17-unit single-room-occupancy (SRO) project in Roxbury, developed by the Boston Citywide Land Trust. Twelve units house clients of the Department of Mental Health. Loan amount: \$441,000. Completed and occupied.

41 Berkeley Street: Rehabilitation of 3 buildings into 38 rental units affordable to low income families in Lawrence. The developer is the Heritage Common Community Development Corporation. Total loan amount (with Andover Bank): \$564,400. Completed and occupied.

800 Main Street: 5 affordable rental units, 2 store fronts and 2 offices. The project is a renovation of an existing mixed-use structure in Worcester. This project was developed by Frank Zitomersky. Loan amount: \$175,000. Completed and occupied.



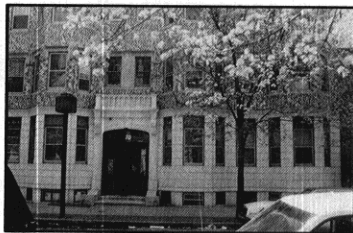
*Alexander-Magnolia Cooperative,
Boston*



Depot Crossing, Wareham



*Arch Project, Boston
(pre-construction)*



Burbank Street Apartments, Boston



Cherry Hill, Amherst

Alexander Magnolia Cooperative: 38-unit cooperative, near Upham's Corner in Dorchester. Project is one of five cooperatives sponsored by the Metropolitan Boston Housing Partnership (MBHP). Loan amount: \$1,000,000. Equity investment: \$4,516,500. Completed and occupied.

Arch Project: Rehabilitation of 75 rental units in five buildings in Roxbury. Sixty-two units, receiving project-based Section 8 subsidies, will house the homeless. 24 of the units will service individuals with AIDS. The project sponsor is Simsbury Associates. The total construction loan amount: \$2,100,000. Closed and in construction.

Beaver Apartments: Rehabilitation of 26 rental units in 3 Worcester buildings, developed by Main South Community Development Corporation. Equity investment: \$675,000. Completed and occupied.

Building 104: Rehabilitation of Charlestown Navy Yard building into 46 units of affordable elderly housing, being developed by the Bricklayers Union. Total equity investment: \$5,330,000. Closed and in construction.

Burbank Street Apartments: 35-unit rehabilitation project in Boston's Fenway neighborhood sponsored by the Fenway CDC. \$1,856,000 in equity financing and \$1,640,000 in construction financing are scheduled to close in November 1994.

Cambridge Community Properties: Rehabilitation of 59 units of rental housing sponsored by Homeowner's Rehab, Inc. in Cambridge. Equity financing of \$1,890,000 and construction financing of \$2,850,000 is scheduled to close in October 1994.

Cherry Hill: New construction of 32 duplex, triplex and single family homeownership units located in North Amherst. Sixteen units will be for low income buyers and six for moderate income buyers. The developer is the Cherry Hill Development Corporation. Loan amount: \$2,801,405. Closed and in construction.

Daly House SRO: Rehabilitation of existing day care center in Roxbury. Nuestra Comunidad of Boston developed 19 single-room-occupancy units, some to be set aside for clients of the Department of Mental Health, and some for individuals with AIDS. Loan Amount: \$450,000. Completed and occupied.

Depot Crossing: Rehabilitation of 32 two-bedroom units of affordable housing in eight buildings in Wareham. The project sponsor is South Shore Housing. Equity Investment: \$799,409. The project has applied for additional tax credits. If allocated, these credits will allow MHEF to increase its investment to \$903,477. Completed and occupied.

Father Walter J. Martin Co-op: 34 units of cooperative housing in 9 newly-constructed buildings in South Boston. The sponsor is South Boston Community Housing, Inc. Project is one of five cooperatives

sponsored by the Metropolitan Boston Housing Partnership (MBHP). Loan amount: \$1,600,000. Total equity investment: \$4,132,500. Completed and occupied.

Grinnell Congregate: Rehabilitation of historic property in New Bedford into 17 units of congregate elderly housing, being developed by WHALE and Inter-Faith Church Council, both local non-profits. Total equity investment: \$920,000. Closed and in construction.

I & R Group Homes: 12-unit SRO project on three sites in Danvers, Peabody, and Georgetown, being developed by Michael Interbartolo and Joseph Ricupero. The units will be leased to the Department of Mental Retardation. Loan amount: \$610,000. Scheduled to close in October 1994.

JT Housing: Rehabilitation of four three-family homes in the Dorchester area of Boston. All 12 units will be sold to low-income first-time homebuyers. The project is being sponsored by JT Housing Advocates. Construction loan amount: \$405,000. Closed and in construction.

Kendall SRO: Rehabilitation of former Kendall Hotel in Chicopee into 44-unit affordable SRO, developed by Hampden Hampshire Housing Partnership (HHHP), formerly Housing Allowance Project, Inc. Equity investment: \$781,500. Closed and in construction.

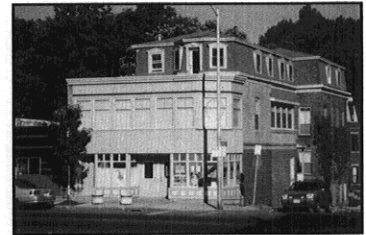
Kenwyn Apartments: 27-unit historic rehabilitation project in Springfield, sponsored by Hampden Hampshire Housing Partnership (HHHP). \$1,042,000 in equity financing and \$1,040,000 in construction financing is scheduled to close in October 1994.

Lawrence YMCA: Rehabilitation of 74 existing SRO units in the Lawrence YMCA, sponsored by the Merrimack Valley YMCA. The project will provide housing for low-income homeless men with rental assistance provided by project-based Section 8 subsidies and support services from numerous local service providers. Equity Investment: \$1,438,909. Loan amount: \$1,660,000. Closed and in construction.

Lucerne Gardens Cooperative: 45-unit project involving new construction of 19 buildings in Dorchester, developed by Patrick Lee, Duane Jackson and Jim Keefe. Total equity investment: \$3,490,000. Completed and occupied.

The Lucille: A 25-unit SRO in Boston's South End whose residents will be clients of the Commonwealth's Department of Mental Health, sponsored by Tent City Corporation. \$1,175,369 in equity financing and \$1,516,000 in construction financing are scheduled to close in October 1994.

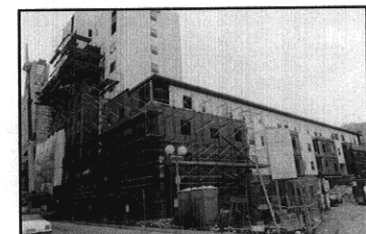
Merriam Village II: New construction of a 30-unit rental development in Weston, phase two of a total 62-unit development for low and



800 Main Street, Worcester



Kendall SRO, Chicopee



Oak Terrace, Boston

moderate income elderly residents. The developer is Weston Community Housing, Inc., a local non-profit organization. Loan amount: \$2,691,204. Closed and in construction.



Pomeroy Lane, Amherst

Nueva Vida Apartments: Substantial rehabilitation of three vacant buildings in South Holyoke into 24 units of family housing. The project's sponsor is Nueva Esperanza, Inc. Equity Investment: \$1,332,883. Loan amount: \$900,000. Closed and in construction.

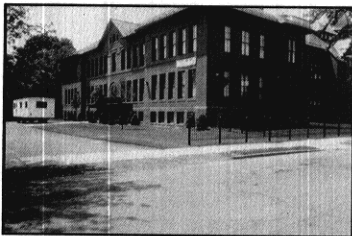
Oak Terrace: New construction of 88-unit mixed-income rental housing in the Chinatown section of Boston. The developer is the Asian Community Development Corporation. Total loan amount: \$8,000,000; MHIC purchased a 37% participation from the Massachusetts Housing Finance Agency. Equity investment: \$6,400,000. Closed and in construction.

Pomeroy Lane: 25-unit limited equity cooperative in Amherst, with 18 units affordable to low-income individuals and nine units reserved for persons with physical disabilities. Developed by Abodes, a local non-profit, and the Hampden Hampshire Housing Partnership (HHHP). Equity investment: \$1,436,000. Completed and occupied.

Prang Estates: 33 units of rental housing in Roxbury. Two rehabilitated buildings with one wing of new construction developed by Cruz Development Corporation. Loan amount: \$1,199,368. Equity investment: \$2,365,000. Completed and occupied.

South Canal Apartments: Acquisition and renovation of an existing 127-unit family development in South Holyoke. Co-sponsors of the project are Nueva Esperanza, Inc. (NEI) and Hamden-Hampshire Housing Partnership (HHHP). Equity investment: \$2,642,010. Loan amount: \$1,215,000. Scheduled to close in October 1994.

Stafford Heights: Construction of 17 buildings containing 42 units of affordable co-operative housing, and one building to serve as a community center in Roxbury. Sponsor is Nuestra Comunidad Development Corporation. Development is one of five cooperatives sponsored by the Metropolitan Boston Housing Partnership (MBHP). Equity Investment: \$4,506,189. Loan Amount: \$3,100,000. Closed and in construction.



Tapley School, Springfield

Tapley School: Adaptive reuse and rehabilitation of a 19th century historic school building in Springfield into 30 units of affordable rental housing. The developer is Geoffrey Sager. Loan amount: \$1,557,850. Equity investment: \$3,003,700. Closed and in construction.

The following table summarizes all of the project loans and investments approved through MHIC's financing programs.

NOTE: All financing amounts in \$1,000's.

Project	Units	Loan Amount	Equity Amount	Status
120 Beacon Street, Somerville*	33	\$2,828		Approved, Inactive
123 Crawford Street SRO, Boston	17	\$441		Completed, Occupied
1734 Washington St., Boston	31		\$1,098	Completed, Occupied
326 Shawmut Ave. SRO, Boston	11	\$302		Completed, Occupied
41 Berkeley Street, Lawrence	44	\$287		Completed, Occupied
604 Massachusetts Avenue, Boston	5	\$380		Completed, Occupied
800 Main Street, Worcester	5	\$175		Completed, Occupied
Alexander Magnolia Coop, Boston	38	\$1,000	\$4,517	Completed, Occupied
Arch Project, Roxbury	75	\$1,930		In Construction
Beaver Apts., Worcester	26		\$675	Completed, Occupied
Brooks School, Boston	56		\$2,730	Completed, Occupied
Building 104, Boston	46		\$5,330	In Construction
Burbank St. Apartments, Boston	31	\$1,640	\$1,856	Approved, Not Yet Closed
Cambridge Community Properties	59	\$3,150	\$1,875	Approved, Not Yet Closed
Cherry Hill, Amherst	32	\$2,801		In Construction
Cortes Street, Boston	48		\$1,300	Completed, Occupied
Cushing Place, Boston*	11	\$800		Approved, Inactive
Daly House SRO, Roxbury	19	\$450		Completed, Occupied
Depot Crossing, Wareham	32		\$799	Completed, Occupied
Dorchester Bay Homes, Boston	12	\$730		Completed, Occupied
Fr. Walter Martin, Boston	34	\$1,600	\$4,133	Completed, Occupied
Grinnell Mansion, New Bedford	17		\$920	In Construction
Haley House SRO, Boston*	24	\$488		Approved, Inactive
Humboldt Ave. Apts., Roxbury*	20	\$350		Approved, Inactive
Hyde Square Co-op, Boston	41	\$1,200	\$3,430	Completed, Occupied
I & R Group Homes	12	\$610		Approved, Not Yet Closed
Jacob's Place, Dorchester	30	\$952		Completed, Occupied
JT Housing, Dorchester	12	\$405		In Construction
The Kendall SRO, Chicopee	44	\$540*	\$782	Completed, Occupied
Kenwyn Apartments, Springfield	27	\$940	\$1,070	Approved, Not Yet Closed
Langham Court, Boston	84		\$4,275	Completed, Occupied
Lawrence YMCA SRO, Lawrence	73	\$1,660	\$1,438	In Construction
Lopes Buildable Lots, Boston	4	\$298		Completed, Occupied
Lucerne Gardens, Boston	45		\$3,490	Completed, Occupied
The Lucille, Boston	24	\$1,516	\$1,490	Approved, Not Yet Closed
Merriam Village II, Weston	32	\$2,691		In Construction
North Hill Homes, Westborough	23	\$1,700		Completed, Occupied
Nueva Vida Apartments, Holyoke	24	\$ 900	\$1,398	Approved, Not Yet Closed
Oak Terrace, Chinatown, Boston	88	\$2,984	\$6,400	In Construction
Parkview SRO, Boston	63	\$1,195	\$1,451	Completed, Occupied
Parmelee Court, Boston	74		\$2,800	Completed, Occupied
Pomeroy Lane, Amherst	25		\$1,436	Completed, Occupied
Prang Estates, Roxbury	33	\$1,199	\$2,365	Completed, Occupied
Ridgewood Village III, Chicopee*	68	\$1,700		Approved, Inactive
Ridgewood Village, Chicopee	50	\$1,177		Completed, Occupied
Rollstone Ledge Coop, Fitchburg*	24	\$450		Approved, Inactive
Roxbury Corners, Boston	54		\$3,575	Completed, Occupied
Ryder Woods, Sandwich*	76	\$595		Approved, Inactive
South Canal Apartments, Holyoke	127	\$1,215	\$2,598	Approved, Not Yet Closed
South City, Holyoke	66		\$3,125	Completed, Occupied
St. Charles Apartments, Pittsfield*	25	\$730		Approved, Inactive
Stafford Heights, Roxbury	41	\$3,100	\$4,506	In Construction
Standpipe Hill, Manchester*	40	\$1,341		Approved, Inactive
Stony Brook Gardens, Boston	50	\$1,900	\$4,942	Completed, Occupied
Tapley School, Springfield	30	\$1,558	\$3,004	Completed, Occupied
Tavares, Buildable Lots, Boston*	4	\$288		Approved, Inactive
VBC, Boston	30		\$3,360	Completed, Occupied
Waterford Place, Boston	40		\$2,000	Completed, Occupied
Total Closed	2209	\$51,586	\$84,168	

* Indicates projects not now expected to close their financing with MHIC.



Father Walter Martin Cooperative, South Boston

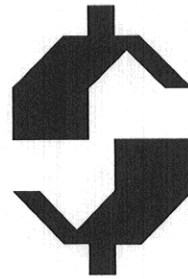


Grinnell Congregate, New Bedford

The eighteen member banks participating in MHIC, along with other corporate investors, have collectively committed over \$147 million to finance affordable housing developments. The current status of these commitments is outlined in the following table.

(Note: All figures are in \$1,000's)

<i>Banks and Investors</i>	<i>Loan Program</i>		<i>Equity Investment Programs</i>		<i>Overall Total</i>	
	<i>Capitalized</i>	<i>Committed/ Invested</i>	<i>Committed</i>	<i>Closed</i>	<i>Total Commitment</i>	<i>Invested</i>
Shawmut Bank	10,000	8,032	13,000	9,824	23,000	17,856
Fleet Bank	10,000	8,032	11,500	9,687	21,500	17,719
State Street Bank	4,600	3,695	14,000	10,735	18,600	14,430
Bank of Boston	15,000	12,048	3,500	1,217	18,500	13,265
BayBanks	6,000	4,819	11,500	8,809	17,500	13,628
Boston Safe Deposit	0	0	17,000	15,495	17,000	15,495
The Mass. Company	1,500	1,205	500	175	2,000	1,380
USTRust	1,000	803	1,000	349	2,000	1,152
Citizens Bank	0	0	1,261	610	1,261	610
Wainwright Bank	1,000	803	0	0	1,000	803
FDIC (Workingmen's)	1,000	803	0	0	1,000	803
Sterling Bank (now Fleet Bank)	500	402	0	0	500	402
Newworld Bank (now Citizens Bank)	500	402	0	0	500	402
Bank of Commerce	250	201	179	179	429	380
Boston Private Bank	300	241	0	0	300	241
Springfield Institution for Savings	250	201	0	0	250	201
Atlantic Bank	250	201	0	0	250	201
Stoneham Savings	250	201	0	0	250	201
Other Banks	0	0	1,478	1,007	1,478	1,007
Fannie Mae	0	0	4,125	2,821	4,125	2,821
Freddie Mac	0	0	3,500	1,209	3,500	1,209
NYNEX	0	0	3,390	3,390	3,390	3,390
Houghton Mifflin	0	0	3,133	3,133	3,133	3,133
Prudential Insurance	0	0	2,993	2,993	2,993	2,993
Philip Morris	0	0	1,500	1,500	1,500	1,500
Gillette	0	0	910	910	910	910
John Hancock Insurance	0	0	800	800	800	800
Total	52,400	42,087	95,268	74,843	147,668	116,930



Finances of the Corporation

The Corporation is designed to be self-supporting, covering its expenses with revenue from its two main programs. The Corporation completed its fourth year of operation with a surplus of income over expenses. The attached consolidated financial statements provide additional detail of the Corporation's finances.

In February 1993, the Corporation secured approval from the Internal Revenue Service (IRS) of its status as a 501 (c)(3) charitable non-profit corporation.

Under the Loan Program, MHIC earns an interest rate spread of 1% to 1.5%. To support the finances of the Corporation, participating banks accept a lower return of interest on invested loan balances.

The Corporation has allocated \$150,000 for a reserve against potential future loan losses. A Credit Review Committee comprised of members of the Board reviewed the Corporation's portfolio of loans, affirmed the risk rating of each loan, and concluded that there was no need to establish any reserves for specific credits.

Prior to January 1993, MHIC managed a program that provided assistance to member banks in underwriting low income housing tax credit investments. Under this program, MHIC charged participating banks for analyzing, standardizing, and managing tax credit equity investments, based on a percentage of their level of investment, and fees were collected from investment proceeds to cover MHIC expenses.

In June 1993, MHIC established a wholly-owned subsidiary, Massachusetts Housing Equity Fund, Inc. (MHEF), which will act as the general partner of limited partnerships structured for investment in low-income housing projects in Massachusetts. MHIC has capitalized MHEF, Inc. in the amount of \$939,100.



Daly House SRO, Boston

MHIC completed its fourth year of operation with a surplus of income over expenses.



Report of Independent Auditors

Board of Directors
The Massachusetts Housing Investment Corporation

We have audited the accompanying consolidated balance sheets of the Massachusetts Housing Investment Corporation (the Corporation) as of June 30, 1994 and 1993, and the related consolidated statements of revenues and expenditures, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Massachusetts Housing Investment Corporation at June 30, 1994 and 1993, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Ernst & Young LLP

August 12, 1994

Massachusetts Housing Investment Corporation

Consolidated Balance Sheets

	June 30	
	1994	1993
Assets		
Cash	\$ 199,874	\$ 200,998
Loan fund:		
Project loans, net of allowance for loan losses of \$150,000 in 1994 and \$125,000 in 1993	4,030,542	3,047,543
Money market deposits at member banks	48,069,458	49,077,457
Total loan fund	52,100,000	52,125,000
Notes receivable from MHEF 1993-94 LP	1,629,171	
Amounts receivable and other assets	198,686	61,063
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$129,951 in 1994 and \$88,565 in 1993	184,614	59,652
Total Assets	54,312,345	\$52,446,713
Liabilities and Net Assets		
Liabilities:		
Notes payable to member banks	52,250,000	\$52,250,000
Unearned fees	1,696,032	
Accrued interest and other liabilities	316,590	155,295
Total Liabilities	54,262,622	52,405,295
Net Assets	49,723	41,418
Total Liabilities And Net Assets	\$54,312,345	\$52,446,713

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation

Consolidated Statements of Revenues and Expenditures

	—Year ended June 30—	
	1994	1993
Revenue		
Interest revenue:		
Interest on bank deposits	\$ 984,207	\$1,247,455
Interest on project loans	198,199	161,290
Total interest revenue	<u>1,182,406</u>	<u>1,408,745</u>
Interest expense on notes payable to member banks	612,466	867,302
Net interest revenue before provision for loan losses	<u>569,940</u>	<u>541,443</u>
Provision for loan losses	(25,000)	(45,000)
Net interest revenue after provision for loan losses	<u>544,940</u>	<u>496,443</u>
Equity program revenue:		
Fees related to MHEF 1993-94 LP	671,609	
Equity program fees	225,393	379,668
Total Revenue	<u>1,441,942</u>	<u>876,111</u>
Expenditures		
Salaries and employee benefits	818,730	550,721
Professional services	257,130	54,822
Occupancy, equipment and furniture	173,105	136,499
Other expenses	184,672	131,818
Total Expenditures	<u>1,433,637</u>	<u>873,860</u>
Excess of Revenue over Expenditures	<u>8,305</u>	<u>2,251</u>
Net Assets at Beginning of Year	<u>41,418</u>	<u>39,167</u>
Net Assets at End of Year	<u>\$49,723</u>	<u>\$41,418</u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation

Consolidated Statements of Cash Flows

	— Year ended June 30 —	
	1994	1993
Operating Activities		
Excess of revenue over expenditures	\$ 8,305	\$ 2,251
Adjustments to reconcile excess of revenue over expenditures to net cash provided (used) by operating activities:		
Provision for loan losses	25,000	45,000
Depreciation and amortization expense	41,385	34,999
Decrease (increase) in amounts receivable	(137,623)	33,157
Decrease in unearned equity program fees		(190,176)
Increase in accrued interest and other liabilities	228,156	852
Total adjustments	156,918	(76,168)
Net cash provided (used) by operating activities	165,223	(73,917)
Investing Activities		
Increase in project loans, net	(1,007,999)	(2,244,787)
Decrease in money market deposits at member banks	1,007,999	1,244,787
Purchases of furniture, equipment and leasehold improvements	(166,347)	(37,829)
Net cash used in investing activities	(166,347)	(1,037,829)
Financing Activities		
Proceeds from notes payable to member banks		1,000,000
Net cash provided by financing activities	-0-	1,000,000
Net decrease in cash	(1,124)	(111,746)
Cash at beginning of year	200,998	312,744
Cash at end of year	\$ 199,874	\$ 200,998
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest on notes payable to member banks	\$ 616,173	\$ 910,423

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements

1. Background and Accounting Policies

Purpose

On July 1, 1990, the Massachusetts Housing Investment Corporation (MHIC) was formally established as a Massachusetts-chartered, Chapter 180, not-for-profit corporation. MHIC's mission is to pool the resources of Massachusetts banks to improve and expand the financing of affordable housing throughout the state. To date, MHIC has established a loan pool which provides loans for affordable housing on a statewide basis to not-for-profit as well as for-profit developers. Prior to January 1994, MHIC managed a program that provided assistance to member banks in underwriting low income housing tax credit investments.

In June 1993, MHIC established a wholly-owned subsidiary, Massachusetts Housing Equity Fund, Inc. (MHEF), which is the General Partner in the Massachusetts Housing Equity Fund 1993-94 Limited Partnership (MHEF 1993-94 LP), a limited partnership structured for investment in low-income housing projects in Massachusetts. MHIC has capitalized the General Partner in the amount of \$939,100. MHEF, as general partner of MHEF 1993-94 LP, has a 1% interest in MHEF 1993-94 LP profits, losses, and distributions. At June 30, 1994, MHEF 1993-94 LP has total assets and partnership capital of approximately \$27,200,000 and \$23,500,000, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of MHIC and its wholly-owned subsidiary, MHEF. All significant intercompany transactions and balances have been eliminated in consolidation.

Accrual Basis

The consolidated financial statements of MHIC have been prepared on an accrual basis.

Reclassifications

Certain amounts in the 1993 financial statements have been reclassified to conform to the 1994 presentation without effect on net income.

Project Loans and Allowance for Possible Project Loan Losses

Loans are stated at the amount of unpaid principal, net of unearned discount, deferred loan fees and the allowance for loan losses. Interest on project loans is recognized as income by applying the interest rates to the principal amount outstanding. An allowance for project loan losses is maintained based upon the evaluation of the risks associated with the outstanding loans. Any losses or recoveries subsequently realized are charged or credited to the allowance.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is computed by the straight-line method using rates based on estimated useful lives.

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

1. Background and Accounting Policies (continued)

Revenue Recognition

MHEF acts as general partner of MHEF 1993-94 LP and holds a 1% interest in the limited partnership. MHIC has agreed to provide underwriting, administrative, asset management, and other services to the limited partnership. Asset management and servicing fees are recognized as the services are performed over the life of the limited partnership (estimated to be approximately 15 years). Project selection and underwriting fees are recognized at the time of project closings. During 1994, MHIC recognized fees of approximately \$672,000 for services provided and costs incurred in connection with the formation and operations of MHEF 1993-94 LP.

Income Tax Status

MHIC has been granted tax-exempt status as a 501(c)(3) corporation under federal tax law. MHEF is a for-profit corporation and therefore is taxable for federal and state income tax purposes.

2. Notes Payable to Member Banks

MHIC funds their loan pool through unsecured notes issued to member banks pursuant to a Master Membership Agreement. Under this agreement, all note proceeds not lent are required to be deposited in money market deposit accounts at the respective lending institutions. The notes accrue interest at 1% less than the annual interest rate earned on the interest-bearing accounts. All lent proceeds bear interest at prime rate less 1%. These notes are renewable annually. If they are not renewed, they require no principal amortization for five years and then amortize over a five-year period at an amount equal to the stated amount of the note less the member's pro rata share of unfunded losses. At June 30, 1994, outstanding borrowings under these agreements totaled \$52,250,000.

3. Note Receivable from MHEF LP

The notes receivable from MHEF 1993-94 LP represent the present value (using an effective interest rate of approximately 8 %) of future cash payments that will be received by MHIC for asset management and other services it will provide over the life of MHEF 1993-94 Limited Partnership, as specified in the partnership agreement. At June 30, 1994 \$1,626,709 is recorded as unearned fees.

4. Project Loans

MHIC provides loans for the development of affordable housing throughout Massachusetts.

Project loan activity is as follows:

	<u>1994</u>	<u>1993</u>
Beginning balance	\$ 3,172,543	\$ 927,756
Loan disbursements	8,352,914	7,452,787
Loan repayments	<u>(7,344,915)</u>	<u>(5,208,000)</u>
Project loans outstanding	4,180,542	3,172,543
Allowance for loan losses	<u>(150,000)</u>	<u>(125,000)</u>
Project loans, net	\$4,030,542	\$3,047,543

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

4. Project Loans (continued)

Project loans earn a variable rate of interest pursuant to MHIC's established loan policy and are secured by the underlying projects. In certain instances, the primary repayment of these loans will be received from the equity syndication payments provided to the project by the MHEF LP tax credit equity investment program. At June 30, 1994, MHIC had no delinquent or non performing project loans and there have been no charge-offs recorded to date.

5. Commitments

At June 30, 1994, MHIC had unfunded commitments to originate loans of \$18,612,000. These commitments have been established pursuant to MHIC's loan policy.

6. Leases

MHIC leases its facilities and certain furniture and equipment under operating leases which expire over the next forty months and require various minimum rental payments. Future minimum payments, by year and in aggregate, under these noncancelable operating leases consist of the following at June 30, 1994:

1995	\$173,737
1996	153,612
1997	138,740
1998	22,667
1999	0
TOTAL	<u>\$488,756</u>

MHIC incurred rent expense associated with office space and equipment of approximately \$127,700 and \$91,135 in 1994 and 1993, respectively.

7. Employee Benefit Plan

As a tax-exempt 501(c)(3) corporation, MHIC established a noncontributory, defined contribution plan under Section 401(a) of the Internal Revenue Code covering all full-time employees. The only source of contributions under the Plan is the annual employer contribution. MHIC contributed and charged to expense approximately \$39,000 in 1994 and \$23,000 in 1993.

MHIC Staff



Ellen P. Connolly
Finance Specialist



Deborah R. Lack
Equity Administrative Assistant



Andrea R. Daskalakis
Director of Equity Underwriting



Carolyn Anderson Navarro
Loan Officer



Christoph K. Gabler
Director of Asset Management



Isabel B. Newman
Senior Lender



Lisa A. Gillis
Loan Administration Specialist



Jeanne M. Pinado
Equity Investment Officer



Bernadine Hart
Receptionist



Lisette H. Robinson
Executive Assistant



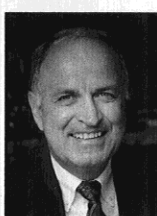
Joseph P. Henefield
Director of Equity Investment



William A. Thompson
Director of Finance and Administration



Marianne M. Horan
Manager of Administration

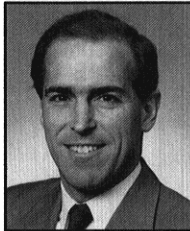


Raymond H. Weaving
Director of Lending

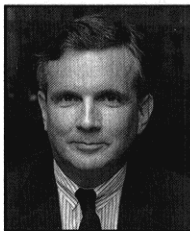
Board of Directors



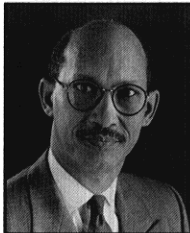
Guillaem Aertsen
Vice-Chairman
Bank of Boston



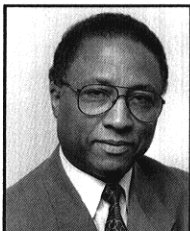
Paul Calhoun
Boston Safe Deposit & Trust Co.



B. John Dill
Springfield Institution for Savings



Royal Dunham
Boston Bank of Commerce



Charles Grigsby
City of Boston

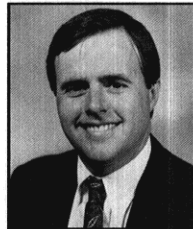
David A. Spina
Chairman
State Street Bank and Trust



Susan Winston Leff
Shawmut Bank



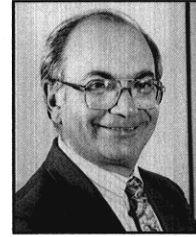
Sylvia Watts McKinney*
Minority Developers Association



Walter E. Mercer
Fleet Bank of Massachusetts



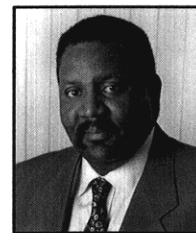
Peter B. Sargent
BayBanks



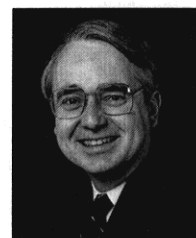
Marvin M. Siflinger
Massachusetts Housing Finance Agency



Evelyn Friedman Vargas
Nuestra Comunidad



Ken Wade
Neighborhood Reinvestment Corporation



John C. Warren*
Sterling Bank

**Note: Sylvia Watts McKinney and John C. Warren resigned subsequent to June 30, 1994.*

Member Banks

Shawmut Bank

Fleet Bank of Massachusetts

State Street Bank and Trust

Bank of Boston

BayBanks

Boston Safe Deposit & Trust

The Massachusetts Company

Citizens Bank

USttrust

Wainwright Bank & Trust

Federal Deposit Insurance Corporation

Sterling Bank (*merged with Fleet Bank*)

Newworld Bank (*merged with Citizens Bank*)

Boston Bank of Commerce

Springfield Institution for Savings

Boston Private Bank & Trust

Atlantic Bank and Trust

Stoneham Savings Bank

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