

New ideas key to sparking housing, economy

WE CAN'T *afford* BUSINESS AS USUAL

2006
MASSACHUSETTS
HOUSING PARTNERSHIP
ANNUAL REPORT

Expand homeownership



Increase the bond cap

Break through the growth impasse

Support small-scale production

Make room for all incomes

Work with housing authorities



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How MHP works

MHP is a privately-funded public non-profit affordable housing organization that works in concert with Governor Deval Patrick and the state Department of Housing and Community Development to help increase the supply of affordable housing in Massachusetts.

Thanks to a 1990 state law, MHP uses funds from the banking industry to provide long-term financing for affordable rental housing at below-market rates. Bank transactions such as the acquisition of FleetBoston by Bank of America trigger the state statute that funds MHP. Since 1990, MHP's loan pool has grown to nearly \$1 billion and it has provided over \$525 million in loans and commitments for the financing of over 13,500 units of rental housing.

MHP also helps communities in their efforts to build housing and offers a mortgage program that has helped over 9,700 lower-income families achieve homeownership. In all its efforts, MHP focuses its resources on serving lower-income people in developments that have a community focus.

As required by Section 35 of Chapter 405 of the Acts of 1985, the 2006 Annual Report of the Massachusetts Housing Partnership is respectfully submitted to:

Deval Patrick, Governor
Commonwealth of Massachusetts

Therese Murray, Chair
Senate Ways and Means
Committee

Robert A. DeLeo, Chair
House Ways and Means
Committee

Leslie A. Kirwan, Secretary
Executive Office for
Administration and Finance

Letter from the Chairman and Executive Director

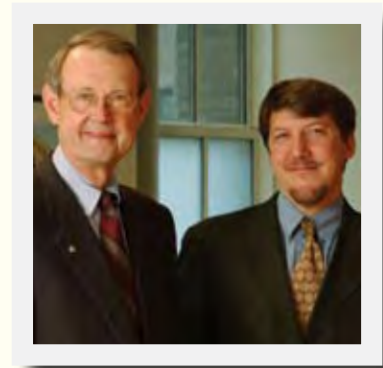
2006 was an extraordinary year for MHP. We achieved an all-time record \$63 million in loan commitments, financed over 1,100 affordable rental units, and provided financing for more than 800 families to buy their first homes. In the last year alone, MHP's financing and technical assistance supported new housing initiatives in **more than a hundred** Massachusetts cities and towns.

So why don't we stop and celebrate? Because our job is undone. Massachusetts is not producing enough housing to **grow our economy**, keep talented workers, or house our neediest citizens.

As citizens of the Commonwealth we cannot meet this challenge by restating our good intentions or by advancing a few modest ideas. We need **a new vision** of growth and development backed by fundamental changes in the way we do business. Cities and towns need more ability to shape their local growth and development but cannot always have the power to say no. More public resources are needed to support affordable housing development but with clearer priorities and greater accountability. Developers must have greater access to zoned and buildable sites but cannot steamroll over communities that have demonstrated their good faith in fostering and shaping new growth.

These are not insurmountable challenges. We've seen scores of communities work hand-in-hand with developers to produce new housing in smart ways. We've shown how tax-exempt bond financing can be used to access tens of millions of dollars each year in untapped federal resources. We've established the **tremendous opportunities** for housing authorities to reinvent their existing developments and fully utilize their undeveloped land. And we already know that creative partnerships with employers can dramatically increase the number of affordable homes and expand job growth across the Commonwealth.

Bringing housing and economic development together under one cabinet secretary, Daniel O'Connell, has already created unique opportunities to produce more housing, stimulate the economy, and create new jobs. **MHP looks forward** to working with Governor Patrick and his administration, the state legislature, and civic leaders across the Commonwealth to get this job done. The stakes are clear: Massachusetts cannot afford another year of business as usual.



A handwritten signature in black ink that reads "Stanley J. Lukowski".

STANLEY J. LUKOWSKI
CHAIRMAN

A handwritten signature in black ink that reads "Clark Zeigler".

CLARK ZEIGLER
EXECUTIVE DIRECTOR

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While a pharmacist, Bob Murray helped start the non-profit Arlington Housing Corp. He retired to Cape Cod in 1987 and has been active in affordable housing ever since, heading non-profit development organizations that have built affordable housing in both Harwich and Falmouth.

He is also director of the Falmouth Housing Authority and FHA manages the properties Murray has developed.

Currently, he's hoping to build 40 rental units on town land that was once the site for the VFW hall.

"Before you do anything, run your numbers and keep running them," he says. "Money is just an excuse not to do it. Don't be afraid to look for new resources if you're short of money. Do partnerships and joint projects. Expand your base of support."

Focus on *results,* not methods



In 2006, Murray's Falmouth Housing Corporation teamed with Affirmative Investments, a Boston-based development firm, to complete 704 Main St., a 58-unit rental apartment building with 10,000 square feet of commercial space that includes a day-care center. Forty-eight of the units are affordable.

Falmouth

Argument for change

An MHP-MIT study found that between 1998 and 2002, 118 of 123 communities outside Route 128 used more land per new housing unit than they had prior to 1998, and half of the 30,000 new homes were built on lots an acre or larger. MHP then asked economist Ed Moscovitch to calculate the impact of using less land. He estimated, using the smart growth pattern of .25 acres per unit, that land use would be cut in half and growth in home prices would be \$100,000 less.

Falmouth's Bob Murray is probably right about the state of Massachusetts' potential to build the housing it needs. "There are no obstacles, just bumps," he says.

It's hard to argue with the former drug store owner, who in retirement has set the stage or directly spearheaded affordable housing developments in high-cost communities like Arlington, Falmouth and Harwich.

But if you believe in statistics, the bumps people like Murray hurdle have proven insurmountable for most everyone else. Large-lot local zoning and high production costs have caused Massachusetts to fall behind all but five other states in per capita housing production.

What can we do about this? The state could require that communities set reasonable lot sizes and establish multifamily housing zones, provide financial inducements for communities to make zoning changes, or let regional government make land-use decisions.

None of these solutions get to the heart of the problem. One-size-fits-all zoning will invite more state-local warfare. The state can't afford massive new financial incentives. Regional government runs counter to our home rule tradition. Here's an alternative:

- Establish statewide growth goals needed to sustain our economy and housing density goals needed to protect our environment.
- Translate statewide goals into specific goals for each community.
- Give communities more zoning tools, including the option to organize regionally.
- Give communities a transition period to achieve their goals.
- Establish a default zoning standard, such as the right to build starter homes on 1/4-acre lots, in communities that don't meet assigned goals.

This kind of compromise focuses on results, not methods, promotes independent local planning, allows for regionalism and provides a degree of accountability that doesn't exist today. What's the alternative? Keep doing more of the same and adopt a cloning strategy to produce more Bob Murrays.

Getting it done on Cape Cod— MHP has helped finance many of Bob Murray's affordable rental housing efforts on Cape Cod. Here's a recent history:

Falmouth

704 Main Street— Falmouth Housing Corp., 44 of the 58 affordable units, \$2.35 million first mortgage (tax credit portion of the project).

704 Main Street & Bridgeport— Falmouth Housing Corp., 14 non-tax credit units at 704 Main and eight rental units for formerly homeless individuals built at Gifford Street., \$1.2 million in first mortgage financing and a \$750,000 second mortgage.

Edgerton Drive— Falmouth Housing Corp., 24 units, \$2.1 million first mortgage, \$750,000 second mortgage.

587 Gifford Street— Falmouth Housing Corp., 28 units, \$1.2 million first mortgage and a \$495,000 second mortgage.

643 Gifford Street— Falmouth Housing Corp., 14 units, \$746,000 first mortgage and a \$500,000 second mortgage.

Harwich

Sisson Road— Harwich Ecumenical Council for the Homeless, 13 units, \$705,000 first mortgage, \$750,000 second mortgage and a \$225,000 Home Funders second mortgage.*

*Home Funders is offered by MHP to help borrowers make more units available to lower-income families. It is supported by some of Greater Boston's most prestigious charitable institutions. It was founded by the Paul and Phyllis Fireman Charitable Foundation, The Highland Street Connection, The Hyams Foundation, The Boston Foundation and The Mellon Charitable Giving Program/Peter E. Strauss Trust.



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The Amherst Housing Authority was able to develop four new units thanks to the efforts of its director, Donna Crabtree. She helped secure local support and funding and worked with MHP and the state on the development. "Donna broke new ground in showing how housing authorities can develop housing," said Rita Farrell, MHP's Director of Community Housing Initiatives.

Crabtree would do it again but hopes MHP and the state can continue to seek ways to make the review and closing process more efficient. "Knowing what I know now, I'd do it again but I'd caution my housing authority colleagues to make sure they have training on the process before it starts and a very good understanding of the financing requirements."

Work with *housing* *authorities*



To dispose or not dispose, that's the question for housing authorities. Northampton's Paradise Pond (above) is an example of a housing authority leasing land to a developer, HAP Inc. Tamarack Road (top right) is an example of public land developed by the Amherst Housing Authority.

Northampton & Amherst

Mixed financing

In conjunction with its housing authority work at the local level, MHP has worked with state officials on new regulations that allow housing authorities to tap other funding sources instead of relying solely on state funding. Housing authorities can now transfer land or properties to a tax-credit entity that can then raise funds to fix and/or develop housing. This could help housing authorities improve existing units and spark development of surplus land.

Tamarack Drive in Amherst is typical. Single-family and duplex homes dot each side of the street. Bicycles and swing sets stand in wait for the afternoon school bus. The two new duplexes at the end of Tamarack fit right in but are not typical. Why? The four homes are affordable and were developed by the housing authority.

These duplexes represent a new opportunity for Massachusetts. Like Amherst, many housing authorities have unused land that could be developed into affordable housing. For the past few years, MHP has worked on tapping this potential. In a sampling of 50 of the state's 247 housing authorities, MHP estimates that 655 new units could be built on surplus land and revenues from sales or rentals could be used to redevelop 350 existing units, many of which can't be repaired due to a shortage in state funding.

MHP has also been working with several housing authorities to put this idea into practice. For example, in Northampton, MHP worked with the local housing authority to dispose of land to Springfield's HAP Inc., which developed 12 affordable units. In Amherst, MHP helped the housing authority develop the duplexes.

How did Amherst do it? The housing authority and the town had bought the two lots on Tamarack from a developer. While trying to figure out how to build there, another developer offered the housing authority the chance to purchase four affordable apartments in another part of town.

Given the opportunity to create and preserve, the housing authority asked MHP for help. MHP worked with AHA and the state Department of Housing and Community Development on using modular housing to cut costs. MHP then supported the new project and the purchase of the existing units with a \$385,000 first mortgage and a \$600,000 second mortgage.

The bottom line is Amherst gained four affordable rental units and preserved four more. And in the big picture, Amherst and Northampton illustrate how surplus housing authority land can be used to build new housing and preserve the old.



MHP & housing authorities— Other housing authorities MHP has worked with recently include:

Northampton— Helped the housing authority dispose of land to HAP Inc. of Springfield, a non-profit developer. The result was Paradise Pond, a 12-unit housing development that features one four-bedroom, five three-bedroom and six two-bedroom units. MHP also provided \$234,000 in first and second-mortgage financing.

Foxborough— Providing technical assistance and \$2.3 million in first mortgage financing and a \$750,000 second mortgage for the construction of 20 rental units on a former state hospital site.

Hingham— MHP is providing technical assistance to the Hingham HA for the development of 50 units on a former military site.

Westford— MHP provided technical assistance and financing of Stony Brook Apartments. The 15 rental apartments were built by Common Ground Development Corp. on land leased from the town to the housing authority.

Boston— The Allston-Brighton Community Development Corporation's preservation of the 96-unit Long Glen Apartments includes nearly \$2 million in loan commitments from MHP, tax credits and federal funds from the Boston Housing Authority for 34 units, which will be considered public housing units. What's unique is the mixing of public housing and private housing funds in the same project.



Long Glen Apartments, Boston

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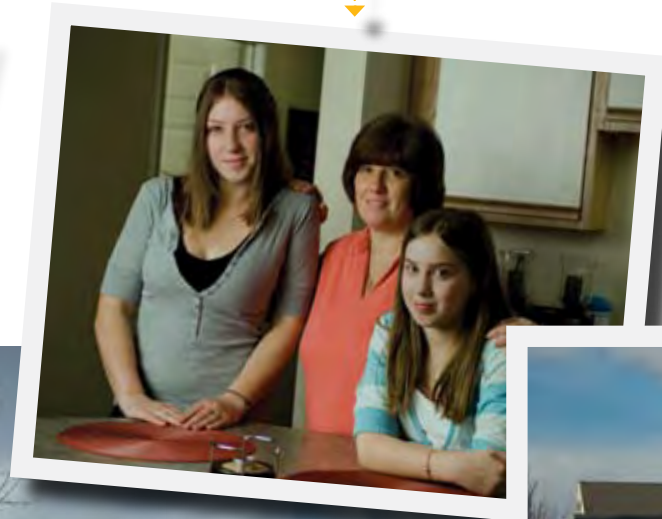
Affordable housing creates homes for a community's essential workers like Attleboro's Tara Mill. She is a nurse's aide who provides hospice care to the terminally ill. "I just try to make their last days better," she says.

She grew up in Foxborough but moved to Attleboro because the rents were cheaper. But Attleboro got pricey too, so she remained in an old two-bedroom apartment for

14 years, until Bliss School was completed.

Now, for about the same price, she lives in a three-bedroom, two-bath apartment. With her oldest daughter Samantha at college, Holly (16) and Ciara (11) finally have their own rooms. "It's nice when you're at work and know you're coming home to a nice place," says Tara.

Build affordability with **40B**



Bliss School Apartments in Attleboro (above) and Quail Run in Stoughton (top, right) are examples of how communities can achieve more affordability through 40B. Financed with tax credits and long-term loans from MHP, both projects provide more affordable units and lower rents than typical 40B developments.

Attleboro & Stoughton

A roadmap for 40B

Chapter 40B was enacted in 1969 but until two years ago, there was little local direction available on such matters as land value, economic feasibility and determining related-party transactions. The "Local 40B Review and Decision Guidelines", released in November, 2005 now provides formal guidance on 40B. MHP Executive Director Clark Ziegler, a co-author, says the guidelines "finally give communities and developers a roadmap that will help them from the start to finish of their discussions."

What's striking about Bliss School Apartments is that it's right across the street from Sturdy Memorial Hospital and you wonder how it was saved from becoming medical offices or a parking lot.

"Preserving the architecture of the school was important," said Attleboro Mayor Kevin J. Dumas, whose city kicked in \$150,000 in federal HOME funds to help make it happen. Tara Mill, a hospice nurse and single mother of three, is glad the city decided to use the school property for housing because she could afford to move from a rundown two-bedroom on the edge of town to a new three-bedroom, two-bath apartment near downtown.

Bliss School is an example of MHP's long history with Chapter 40B, the state law that allows local zoning boards of appeal more flexibility to approve affordable housing developments if 25 percent of the units are affordable to households making 80 percent of median income. Bliss School went beyond that. All 38 units are affordable at 30 to 80 percent of median income because the developer, Great Bridge Properties, financed the project primarily through federal tax credits and a long-term loan from MHP. Quail Run in Stoughton is another example. Financed with tax credits, 105 of the 132 units are affordable to households between 30 and 80 percent of median.

MHP's expertise with 40B dates back to the 1980s when it was a driving force in allowing communities to get an earlier look at 40B applications. In the early 1990s, it created the Local Initiative Program to give communities more flexibility to meet their affordable housing needs. In 1999, MHP started a technical assistance grant program that has now helped 111 communities review a total of 189 40B applications. Last year, it worked with the state's other housing agencies to author local guidelines for making 40B decisions.

Why such dedication to a law that draws so much criticism? Because with local zoning geared toward large-lot, single-family homes, 40B has been responsible for 82 percent of all new affordable housing production in Massachusetts over the past five years and 30 percent of all new housing in the last three years. Until we find new ways to produce housing, 40B will remain housing's backup generator.

MHP & affordable housing in the suburbs— The following are recent suburban affordable housing efforts that have received financing commitments from MHP:

New construction

Attleboro— Bliss School Apartments, Great Bridge Properties, 38 units, \$1.6 million.*

Canton— Windsor Village, Criterion Property Co. LP, 159 units, \$15 million.*

Stoughton— Quail Run Apartments, Gatehouse Group LLC, 132 units, \$7 million.*

Preservation

Arlington— Massachusetts Avenue, Housing Corporation of Arlington, 18 units, \$840,000 first mortgage, \$750,000 second mortgage.

*Built with a comprehensive permit, also known as Chapter 40B.



Local 40B Review and Decision Guidelines

A Practical Guide for Zoning Boards of Appeal
Reviewing Applications for Comprehensive Permits
Pursuant to MGL Chapter 40B

Massachusetts Housing Partnership
and
Edith M. Neenan, Esq.
November 2005

With tax-exempt bond financing from MHP, Coalition for a Better Acre was able to preserve North Canal Apartments (top photo), a 27-building, 267-unit development of low-rise and town-house buildings in the Acre neighborhood of Lowell.

Later in 2006, MHP made a similar loan to CBA for the preservation of 12 units above first-floor retail on nearby Merrimack Street (lower building photo). The best thing about this effort: among the 12 units preserved were four three-bedroom and four four-bedroom units.

Get smart about *preservation*



Annie Holmes is as vigilant about her home as she is about her family. "Sitting outside, watching things, makes the place safe," she says. "You don't have vandalism. You chase the kids away who don't live here. When you have a strong tenants' union, you can nip things in the bud."

Lowell

Untapped potential

Why focus on tax-exempt bonds? When states use them to finance rental housing, they qualify for a double federal subsidy: mortgages at below-market interest rates and federal tax credits that subsidize the cost of making the housing affordable. But Massachusetts uses a smaller share of bond financing for rental housing than other high cost states like California and New York. By making a comparable effort we could bring another \$50 million in federal funding to Massachusetts each year.

Five years ago, MHP listened to community advocates and came up with MATCH, a program that makes tax-exempt bond financing with four percent tax credits more available to affordable housing developers. In 2006, MHP teamed with MassDevelopment to finance two Lowell developments that demonstrate how this financing can work for projects big and small.

For the refinancing of the 267-unit North Canal Apartments, MassDevelopment raised the funds through the issuance of tax-exempt bonds and MHP arranged for the bonds to be purchased directly by TD Banknorth. MHP then used the low-cost funds to lend the non-profit Coalition for a Better Acre \$16 million at 5.5 percent interest for the preservation of 267 apartments.

To refinance 12 units on Merrimack St., MassDevelopment once again issued the bonds. This time, The Life Initiative—a community investment fund supported by life insurance companies—purchased them directly and MHP used the proceeds to lend CBA \$1.6 million at 6 percent interest.

North Canal and Merrimack St. are the largest and smallest deals MHP has done with MATCH. In the previous six projects, the loan size ranged from \$3 to \$14 million for projects from 44 to 260 units. Going forward, MHP will be offering tax-exempt bond financing with four percent credits in partnership with MassHousing as well as MassDevelopment.

The ripple effect of this financing extends to people like Annie Holmes, a long-time North Canal resident and tenant association president. After her husband died in the 1970s, Holmes raised her seven children at North Canal, sometimes working three jobs. She couldn't have done it without an affordable place to live.

Today, Holmes' small apartment remains the center of her family's world. Every Sunday, she supervises and does the cooking for her family, which now includes 15 grandchildren, seven great grandchildren and whoever else shows up to partake in her Sunday dinner tradition. During the week, she helps out with day care or whatever else the family needs. "It's hard today," she says. "How can you pay rent, pay for day care and get your kid after school. Our kids have to rely on us. You have to keep your family together and keep them caring about each other."

MHP investment in smaller cities—

MHP loans and commitments for affordable housing in the state's small and mid-sized cities in FY 2006:

New Production

Chelsea—Janus and Atlas Rental, Chelsea Neighborhood Housing Services, 41 units, \$1.58 million first mortgage.

Lawrence—Blakeley Building, Volunteers of America, 46 units, four commercial spaces, \$1.9 million first mortgage.

Leominster—Rockwell Village, Leominster Development Corporation, 14 units, \$773,000 first mortgage, \$750,000 second mortgage.

Preservation

Lowell—Merrimack Street, Coalition for a Better Acre, 12 units, six commercial units, \$1.6 million first mortgage.*

Lowell—North Canal Apartments, Coalition for a Better Acre and North Canal Tenants Association, 265 units, \$16 million first mortgage.*

Springfield—Liberty Hill, Better Homes, Inc., 88 units, \$1.1 million first mortgage.

* Financed through MHP's MATCH program. MATCH history: Caritas Communities (\$5.4 million, 260 units); Morville House, Boston (\$14 million, 175 units); Robert Fortes House (\$3.6 million, 44 units); Salem Heights (\$25 million, 283 units); Chelsea NHS (\$6 million, 86 units); Plantation Apartments, Stow (\$2.9 million, 50 units).



Morville House, Boston

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William and Walkiria Almeyda met 40 years ago at a party near Symphony Hall, raised four children in Boston and like living at Ruggles-Shawmut because it is close to their friends, transportation and hospitals.

A retired Boston City Hospital security officer, William says Ruggles-Shawmut is 100 percent better. "It used to be like a combat zone. But we have to look out for each other.

We can't be afraid. Ninety-five percent of the people in this building are Hispanic. You need to talk to them, let them know that the law respects them. Everyone needs to keep an eye on the building. If we know what's going on, we can keep the building the way it is and not have it go back to what it was five years ago."

Make room for all incomes



Of Ruggles-Shawmut (above), Jeanne Pinado of Madison Park Development Corporation says, "We're losing buildings like this. We need to use our resources to preserve federally-subsidized housing and bring back public housing. We need to help the people who can only afford to live in subsidized housing."

Boston/Ruggles Shawmut



Jeanne Pinado was asked about housing in Boston. “We’re losing units faster than we can produce them. We need to get back to the focus of preserving housing for the low income. Otherwise, the homeless problem will get worse and we’ll drag down economic development.”

The brick building at the corner of Ruggles and Shawmut in Roxbury is a good example. In one two-year stretch, police responded to over 100 calls about drug-related activities. Pinado, whose non-profit Madison Park Development Corp. owns other housing in the neighborhood, finally convinced the landlord to sell. Two years and \$12 million later, the former 40-unit studio and one-bedroom apartment building from hell has been reconfigured into 43 units, including eight two-bedroom and two three-bedroom apartments.

Too much money? Not the way Pinado sees it. “It costs \$30,000 a year to support somebody in a homeless shelter,” she said. “It costs \$9,000 to house them at Ruggles-Shawmut, with social services.”

How so? Along with tax credits, federal HOME funds, a renewed 20-year Section 8 contract, and \$1.9 million in long-term financing from MHP came nearly \$2 million from Home Funders, a program that has helped developers offer lower rents and keep people from going homeless. With Home Funders, nine of the 10 two and three-bedroom units will be rented to families with incomes at or below 30 percent of the median, or \$25,250 for a family of four. “The money’s in the system,” insists Pinado, “but it’s going to take a new way of thinking to move people from shelters to this type of housing.”

The police used to do drug surveillance on Ruggles-Shawmut from across the street at the Haynes House Apartments. On a Friday night in December 2006, Ruggles-Shawmut residents gathered in the Haynes House community room not to bemoan their living conditions or point out pushers to police, but to enjoy a celebration dinner.

One by one, they stood up, introduced themselves and their families, and said what they liked best about the new Ruggles-Shawmut. They said they liked the reliable heat, the hot water, the security cameras in the halls, the smell of fresh paint and being safe. They promised to watch out for each other and keep it that way.

MHP in Boston— MHP has used its bank-funded loan pool to provide over \$150 million in loans and commitments for the financing of over 4,000 units in Boston. The most recent efforts include:

New Production

Dudley Village North, Dorchester Bay Economic Development Corporation, 24 units, \$875,459 first mortgage, \$400,000 second mortgage from Home Funders.*

Dudley Village South, Dorchester Bay Economic Development Corporation, 26 units, \$1.1 million first mortgage, \$450,000 second mortgage from Home Funders.*

Preservation

Dorchester— Norfolk Terrace, Codman Square Community Development Corporation, 18 units, \$573,700 first mortgage.

Roxbury— Ruggles-Shawmut, Madison Park Community Development Corporation, 43 units, \$1.9 million first mortgage, \$450,000 second mortgage from Home Funders (\$1.5 million in Home Funders came from CEDAC as an acquisition loan).*

Mattapan— Adams Court, Phase A, Nuestra Comunidad, 50 units, \$2.5 million first mortgage.

* Offered by MHP to help borrowers make more units available to lower-income families. Home Funders is funded by some of the Greater Boston’s most prestigious charitable institutions. It was founded by the Paul and Phyllis Fireman Charitable Foundation, The Highland Street Connection, The Hyams Foundation, The Boston Foundation, and The Mellon Charitable Giving Program/ Peter E. Strauss Trust.

Making the system work

Many of the developments MHP finances

receive funding from other state programs.

Each has its own rules and loan documents.

In 2006, MHP and the state’s other housing

agencies unveiled

MassDocs, which

makes affordable rental housing develop-

ment more efficient by

offering one set of loan documents to devel-

opers receiving loans

from multiple state

funding programs.

This means that review

work can be coordi-

nated by a single joint

counsel for all subor-

dinate public loans in

a project. To see how

this works, go to [www.](http://www.massdocs.com)

massdocs.com.

www.massdocs.com



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SoftSecond has worked well in Worcester. In 2006, 44 families bought homes with SoftSecond. In the last three years, 132 families have used SoftSecond to purchase their first home.

A big reason why is the city is very effective at providing support to homebuyers like Pesa Shayo and

his fiancée Whitney, shown here with daughter Britney. Pesa found the first-time homebuyer classes at the NeighborWorks HomeOwnership Center helpful. "There's a lot of bad information out there. If you're a first-time homebuyer, you could easily be taken advantage of. The classes help you see the big picture."

Help *homebuyers* where it counts



After working the night shift, Pesa Shayo sleeps in the morning and works on his house until it's time to go back to work. In today's housing market, Shayo says one of the biggest obstacles is the down payment. When asked about all the hours he's putting in to get his house ready, he simply says, "Homeownership is a rite of passage."

Worcester

An assist for employees

A unique employer-assisted homeownership initiative in Worcester is working to help revitalize properties around the hospital and help homebuyers purchase these homes. The program couples traditional public support to rehab properties with a \$1 million down-payment and closing cost assistance pool funded by UMass Memorial, the city, the state and MHP. To date, six UMass employees, including Pesa Shayo, have used this assistance to purchase homes near their job, and five bought homes with SoftSecond.

To the young couple who scans the real estate listings for a house they can afford, Massachusetts doesn't work. And to the employer who tries to recruit employees and make his business grow, the state doesn't work.

To all of you who wonder how we can make Massachusetts work, we introduce you to Pesa Shayo, 31, a Kenyan-born registered nurse who moved from Kansas to Massachusetts two years ago and bought a home for his family, his fiancée Whitney and their baby Britney.

You'll like his story. After immigrating to the U.S., Pesa attended Bethel College in Kansas and got his nursing degree. He met Whitney when both were working at a Wichita nursing home. He came east to Worcester to be near his mother and two sisters, got a job at UMass Memorial Hospital and convinced Whitney to move east.

Engaged and with a baby on the way, Pesa figured it was time to buy. He found a four-bedroom fixer-upper for \$150,000 and figured out a way to pay for it on his \$33,000 salary. He bought it in November, 2006. He works the overnight shift at the hospital, sleeps to 1 p.m. and heads on over to his new house, where he strips wallpaper and paints until it's time to go back to work.

For Pesa Shayo, Massachusetts works. When he started house hunting, he read that UMass Memorial was starting a down-payment assistance program. He learned it was part of a city and statewide effort to improve neighborhoods and that many buyers were using MHP's SoftSecond Loan Program, which combines a first mortgage from a bank with a state-backed second mortgage. "The first and second loans have the same fixed interest rate," he said one day while painting the walls in his master bedroom. "Other loans aren't fixed and that second interest rate is higher."

SoftSecond has helped over 9,700 families purchase their first home. The average household income is \$47,000. Its foreclosure and delinquency rates are low. Every state dollar used leverages \$33 in private mortgage financing. This past year, the state legislature doubled funding for SoftSecond, making it possible for Massachusetts to work for more people like Pesa Shayo.

SoftSecond: Making homeownership affordable*— Created in 1991 to address racial disparities in Boston mortgage lending, SoftSecond was soon taken statewide and has now helped over 9,700 families purchase their first home. In 2006, 857 low and moderate-income families used SoftSecond. Here's the breakdown by region, with the average income of borrowers in parentheses:

Boston— 260 (\$51,421)

Metro North— 155 (\$50,910)

North Shore— 54 (\$49,675)

Merrimack Valley— 84 (\$46,471)

Metro South— 44 (\$48,290)

South Shore— 20 (\$52,053)

Southeastern— 42 (\$45,870)

Cape & Islands— 23 (\$43,496)

MetroWest— 44 (\$49,962)

Central Massachusetts— 76 (\$45,569)

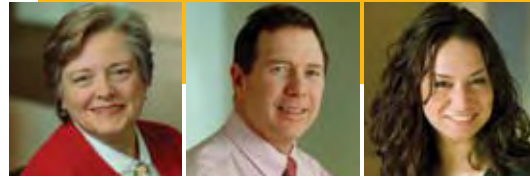
Western Massachusetts— 58 (\$38,190)

* SoftSecond combines a traditional first mortgage from a bank with a second mortgage that is backed by a small state subsidy. Sponsoring banks include Bank of America, Boston Private Bank & Trust, Cambridge Savings Bank, Central Bank, Chelsea-Provident, Citizens, Dedham Institution for Savings, Eastern Bank, Florence Savings Bank, Holyoke Credit Union, Mt. Washington Bank, Marlborough Cooperative Bank, Rockland Trust Company, Southbridge Savings Bank, Southern Mass. Credit Union, Sovereign Bank, Stoneham Savings Bank, The Savings Bank, United Bank, Wainwright Bank, Webster Five Cents Savings Bank, and Winchester Cooperative Bank.



Executive/Legal

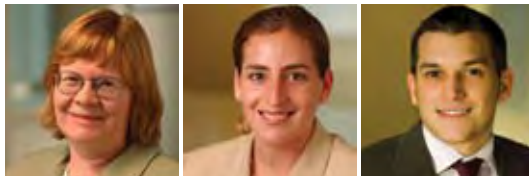
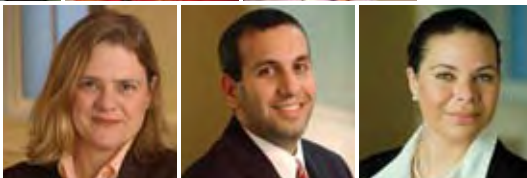
The executive/legal group oversees all aspects of MHP.



MHP Staff

- Clark L. Ziegler**, Executive Director
- Judith S. Jacobson**, Deputy Director & General Counsel
- Nancy Blueweiss**, Associate General Counsel
- Dolly Abberton**, Paralegal/Loan Closing Coordinator
- Patricia Josselyn**, Executive Assistant
- Ruston F. Lodi**, Director of Public Affairs
- Viviana Lopez**, Public Affairs & Policy Assistant

Loan Funds



This group uses lines of credit from banks to make long-term, fixed-rate loans for affordable rental housing.

- Mark Curtiss**, Managing Director
- David Rockwell**, Director of Lending
- Wendy Hanna Cohen**, Deputy Director of Lending
- Richard A. Mason**, Senior Loan Officer
- Nancy A. Sampson**, Loan Officer
- Megan Magrane**, Loan Officer
- Amanda N. Roe**, Loan Officer
- Joshua Lappen**, Assistant Loan Officer
- Giselle E. Rubiera**, Lending Administrator
- Geoff MacAdie**, Director of Portfolio Management
- Cynthia Mohammed**, Portfolio Manager
- Peter Fraser**, Portfolio Manager
- Constance Huff**, Loan Servicing Coordinator
- Christine Gimbel**, Portfolio Operations Manager
- Thomas Hopper**, Administrative Assistant

Community Housing Initiatives & Homeownership



The Community Housing Initiatives (CHI) team supports communities, local housing authorities, and non-profit organizations in their efforts to create affordable housing for low and moderate-income families.

Rita Farrell, Director of Community Housing Initiatives

Susan T. Connelly, Associate Director of Community Housing Initiatives

Constance Kruger, Community Technical Assistance Manager

Carole Spear, CHI Administrative Assistant

CHI also manages the SoftSecond Loan Program, which is available statewide and has helped nearly 10,000 low- and moderate-income families purchase their first home.



Gina Govoni, Homeownership Director

Kelly Maloy, SoftSecond Program Operations Manager

Gercide Luc, SoftSecond Loan Program Associate

Ashleigh H. DeSimone, SoftSecond Loan Program Associate

Ircania Valera, SoftSecond Loan Program Associate

Administration/Finance



This group combines to help run the day-to-day operations and track MHP's overall financial performance.

Charleen Tyson, Chief Financial & Administrative Officer

Ivette Ortiz, Human Resources & Finance Administrative Assistant

Karen H. English, Financing Operations Director

Dave Oteri, Chief Accountant & Treasury Manager

Jazmin Vasquez, Receptionist

Sue Donoghue, Senior Accountant

Scott MacIntyre, Information Technology Manager

Mike Stillwagon, Information Technology Assistant

MHP Board of Directors—2007



MHP is governed by a seven-member board of directors. Two are appointed by the governor, two are cabinet secretaries or their designees, and three are nominated by the Massachusetts Bankers Association.

CHAIRMAN, **Stanley J. Lukowski**,
Chairman Emeritus, Eastern Bank

VICE CHAIRMAN, **Vincent C. Manzi Jr.**,
Partner, Manzi & McCann, Lawrence, MA

SECRETARY & TREASURER, **Richard C. Lawton**,
Former President, Webster Five Cents Savings Bank

Tina Brooks, Undersecretary for Housing and Community Development

Jay Gonzalez, Assistant Secretary for Administration & Finance (Designee for Secretary Leslie A. Kirwan)

Nicolas P. Retsinas, Director, Harvard University Joint Center for Housing Studies

Chris Oddleifson, President & CEO, Rockland Trust Company

MHP would like to recognize and thank Catherine Racer, Carlo DeSantis and James P. McDonough for their years of service on the MHP board.

How MHP Is Funded

MHP was founded on the premise that housing solutions depend in part on private investment. This foundation was strengthened in 1990 when the legislature enacted the Interstate Banking Act, which requires that companies that acquire Massachusetts' banks make funds available to MHP for affordable housing.

This act addressed fears that bank industry consolidation might mean less community investment, and it gave larger consolidated banks a way to continue to channel money deep into the community.

Bank transactions such as Bank of America's purchase of FleetBoston in 2004 trigger the state statute that funds MHP. MHP now has nearly \$1 billion in its loan pool, meaning it will continue to play a major role in helping the state maintain and grow its supply of affordable housing.

Since 1990, MHP has been a critical part of the state's effort to provide decent affordable housing. Through December, 2006, MHP has made over \$525 million in loans and commitments for the financing of over 13,500 units of rental housing. Most of these units are affordable and most serve lower and moderate-income people.

MHP by the Numbers

MHP Financial Summary

The Massachusetts Housing Partnership finances affordable housing and neighborhood development with private dollars from the following banks doing business in the Commonwealth.

* \$9 million was received as of June 30, 2004; a second payment of \$9 million is due in May, 2007.

Loans	Loan Agreements
Bank of America	\$549,919,888
Bank of Ireland	2,149,221
The Bank of Western Massachusetts	4,362,549
Berkshire Bank	6,253,201
Cape Cod Five Cents Savings Bank	2,350,000
Cathay Bank	336,393
Citizens Bank of Massachusetts	32,937,599
Danvers Savings Bank	247,402
Flagship Bank & Trust Company	2,385,423
Hoosac Bank	350,328
Mellon Bank	74,337,381
Slade's Ferry Trust Company	223,113
Sovereign Bank	172,306,577
TD Banknorth	105,329,951
United Commercial Bank	1,144,089
Wainwright Bank and Trust Company	9,139,063
Webster Bank	23,244,408
TOTAL LOANS	\$987,016,586
Grants	
Andover Bank	\$13,454
Bank Boston	10,000,000
Citizens Bank of Massachusetts	2,595,451
Fleet Boston Corporation	12,000,000
Bank of America *	18,000,000
TOTAL GRANTS	\$42,608,905

	As of June 30th 2006	As of June 30th 2005
Statement of Net Assets		
Cash and Investments	\$59,167,974	\$70,151,877
Program receivables, net of reserves	9,417,901	10,136,469
Project Loans, net of reserves	233,330,699	190,174,018
Prepaid expenses, equipment and other assets	673,605	812,678
TOTAL ASSETS	\$302,590,179	\$271,275,042
Accounts payable and accrued expenses	954,492	2,296,834
Notes payable, project loans	231,750,759	190,947,426
Deferred income	17,446,576	25,626,567
Lease Payable	43,741	130,995
SoftSecond Loan Program—loss reserves	12,782,292	11,694,804
TOTAL LIABILITIES	262,977,860	230,696,626
Net Assets—Invested in Capital Assets	435,370	537,436
Restricted Net Assets	32,021,563	32,855,886
Unrestricted Net Assets	7,155,386	7,185,094
TOTAL NET ASSETS	39,612,319	40,578,416
TOTAL LIABILITIES AND NET ASSETS	\$302,590,179	\$271,275,042

Statement of Revenue, Expenses & Changes in Net Assets		
Income from direct lending, net of provision for loan losses	\$3,382,737	\$2,177,049
Grants and other private support	1,176,774	1,239,339
Federal, state and local government support	5,104,563	6,584,746
Earnings on bank deposits and investments	1,686,732	1,547,885
Other income	798,595	1,112,248
TOTAL REVENUES AND SUPPORT	12,149,401	12,661,267
Salaries and Benefits	3,579,676	3,371,543
Community outreach, training and publications	74,096	102,797
Occupancy and equipment	507,486	513,653
Professional fees and contracted services	499,782	514,305
First-time homebuyer mortgage subsidies and reserves (SoftSecond)	4,641,590	6,034,027
Rental housing mortgage subsidies, reserves and grants	3,067,051	5,277,231
Other program costs	745,817	742,811
TOTAL PROGRAM AND OPERATING COSTS	13,115,498	16,556,367
CHANGE IN NET ASSETS	(\$966,097)	(\$3,895,100)

These financial statements summarize information from MHP's audited financial statements, which are available on request.

Massachusetts Housing Partnership

160 Federal Street, Boston, MA 02110

T: 617-330-9955, F: 617-330-1919

462 Main Street, Amherst, MA 01002

T: 413-253-7379, F: 413-253-3002

www.mhp.net



Credits

Editor: Ruston Lodi

Design: Merryman Design

Photography: Greig Cranna