

MASSACHUSETTS HOUSING
PARTNERSHIP FUND



TWO OLIVER STREET
BOSTON, MA 02109
TELEPHONE: 617.338.7868

48 PLEASANT STREET
AMHERST, MA 01002
TELEPHONE: 413.253.7379

WWW.MHPFUND.COM



because
housing is the key...



Massachusetts Housing Partnership Fund

1999 ANNUAL REPORT

...to a strong economy

As this annual report goes to press, it is anyone's guess how long the current rate of economic growth will continue in Massachusetts. But one thing is certain: the prosperity will only continue if the Commonwealth gets control of its housing costs, which are now among the highest in the United States.

The dimensions of this housing problem and the scope of potential solutions is quite broad:

- Housing supply in eastern Massachusetts has not kept up with rising demand— a demand fueled by rising incomes and low unemployment.
- Growing public opposition to development now makes it difficult to build new housing at any significant scale— not just in the suburbs, but also increasingly in our inner cities.
- Affordable housing programs are too complex and too fragmented, and as a result new housing development generally costs too much and takes too long.
- Rental housing— which is an essential part of our real estate economy and serves more than two million Massachusetts residents— is generally given less attention than it deserves in shaping state and local housing policies.
- Paradoxically, the growth wave that has driven up housing costs in greater Boston has bypassed many other areas of the Commonwealth. Those weaker markets continue to be plagued by under-maintained and abandoned properties, especially in older industrial cities.

At MHP we do not see these trends as grounds for pessimism. We see them as a call to action.

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As required by Section 35 of Chapter 405 of the Acts of 1985, the 1999 annual report of the Massachusetts Housing Partnership Fund is respectfully submitted to:

A. Paul Cellucci, *Governor*
Commonwealth of Massachusetts

Mark C. Montigny, *Chairman*
Senate Ways and Means Committee

Paul R. Haley, *Chairman*
House Ways and Means Committee

Stephen P. Crosby, *Secretary*
Executive Office for Administration and Finance

The Massachusetts Housing Partnership Fund would like to acknowledge the other public and private organizations that have provided financial assistance to the projects highlighted in this annual report, including the Massachusetts Department of Housing and Community Development, Community Economic Development Assistance Corporation, U.S. Department of Housing and Urban Development, Federal Home Loan Bank of Boston, Massachusetts Housing Investment Corporation, BankBoston, Fleet National Bank, and virtually all of the cities and towns in which the projects are located.

building where it's needed

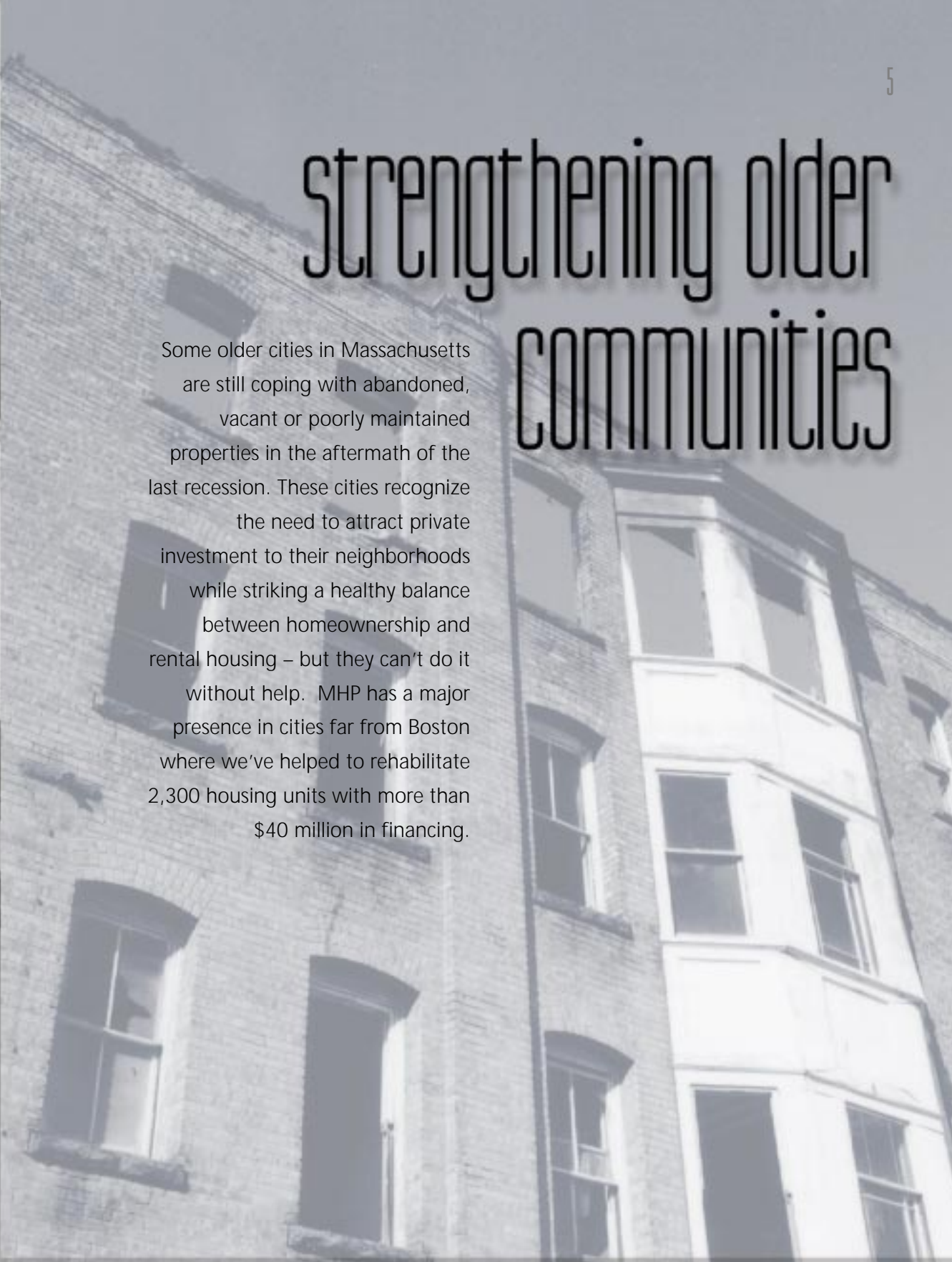
Housing costs in greater Boston have skyrocketed because supply has not kept up with demand. This problem can only be successfully addressed through new construction. MHP has been at the forefront of efforts to expand the state's supply of affordable housing, ranging from affordable new subdivisions in the suburbs to new mixed-income rental developments in the cities, to "infill" construction on vacant lots.



photos: (top) Erie-Ellington, Dorchester: MHP financing supported the largest affordable rental housing construction project in Boston in 1999. Fifty new energy-efficient homes were developed by the Codman Square Neighborhood Development Corporation. (left) Leland Farms, Sherborn: It took leadership from people like Bob Delaney, Julie Lovell and Susan Adler to build affordable housing in Sherborn. The result is Leland Farms, comprised of 15 affordable homes supported by a predevelopment loan from MHP. (center) Dennis Commons, Dennis: All 32 units are affordable at this MHP-financed development constructed on 8 acres off of Route 28. (right) Millbank project, Northampton: Joanne Campbell of Valley CDC is managing this affordable rental development planned for Michelman Street. MHP's financial and technical support helped to push the project closer its goal of 10 new rental units and 12 renovated units. (bottom) Crescent Street, Newton: With technical and financial assistance from MHP, the Women's Institute for Housing & Economic Development built this mixed-income development in West Newton. The formerly vacant site now hosts 20 new homes. (background) Auburn Court-Cambridge: The 137-unit Auburn Court project was supported by \$5.3 million in MHP financing. Developed by the nonprofit Homeowners Rehab, Inc., it is the largest affordable housing development built in Cambridge in 20 years.

strengthening older communities

Some older cities in Massachusetts are still coping with abandoned, vacant or poorly maintained properties in the aftermath of the last recession. These cities recognize the need to attract private investment to their neighborhoods while striking a healthy balance between homeownership and rental housing – but they can't do it without help. MHP has a major presence in cities far from Boston where we've helped to rehabilitate 2,300 housing units with more than \$40 million in financing.



photos: (opposite, clockwise from top-left) 1. Austin Court, New Bedford: MHP has provided nearly \$1 million in permanent financing to the Hall Keen Group to revitalize housing in the Weld Square neighborhood. The two projects encompass 48 housing units in twelve buildings. 2. Soft Second, Chicopee: Robert Baran, pictured here with Beverly Barry of Chicopee and Ben Cardaheno of BankBoston, is a new soft second homeowner. 3. Soft Second, Lawrence: Sherry and Cary Catavalo, with sons James, Matthew and Kevin, rang in 1999 in their new 3-bedroom house in the Prospect Hill neighborhood. 4. Oread Beacon, Worcester: Main South Community Development Corporation's latest MHP-financed effort is to substantially renovate five properties and construct three new buildings for a total of 34 affordable rental units. 5. Center City, Springfield: Better Homes for Springfield, a local nonprofit, is rehabilitating 47 rental units with permanent financing from MHP. 6. Austin Court, New Bedford. Background: Oread Beacon, Worcester.



Large rent increases may be in store for tens of thousands of affordable apartments in Massachusetts if their owners terminate their federal subsidy contracts or if properties are sold and refinanced at a high market value. MHP is a leader in efforts to combine acquisition, rehab and permanent financing into a single package so that new owners can more easily purchase rental properties while agreeing to keep them affordable for the long-term. MHP also became recognized as a qualified state financing agency in 1999 and is now able to refinance federally subsidized housing developments and keep them affordable.

preserving what we've got

photos: (opposite, top-back) Pine Homes, Brockton: 114 apartments, originally developed with federal subsidies in 1972, are getting a makeover and longer-term affordability with \$3.1 in permanent financing from MHP. (top) Sagamore Street, Lynn: Kelly McKanas, with sons Tyler and Diego, is happy to see improvements in her building. New landlords Tom Bubier and Andrew Perkins are using \$314,000 in MHP financing to substantially renovate her apartment while keeping her rent affordable. (bottom-back) Mandela Homes, Roxbury: All 276 apartments were renovated, inside and out, through a joint venture of Beacon Residential Properties and Mandela Residents Cooperative Association. MHP provided \$5.5 million in permanent financing. (bottom) Pondview Apartments, Jamaica Plain: Robert Malloy's heirs, including Kim Malloy, center, sold Pondview Apartments at a discounted rate to the nonprofit Jamaica Plain Neighborhood Development Corporation knowing that they would keep the project affordable. MHP provided \$3.1 million in permanent financing. (background) Mattapan: Orlando Nobles and the Mattapan Community Development Corporation have been able to acquire and renovate 24 affordable rental units in Mattapan with \$ 1.3 million in rehab and permanent financing from MHP.

MHP is at the forefront of efforts in Massachusetts to maximize private investment in affordable housing and to get more "bang" from every public buck. Our home mortgage program not only serves lower income homebuyers than anyone else – it has also achieved a lower delinquency rate and foreclosure rate than the mortgage industry as a whole. Our one-stop financing program for small rental properties has not only reduced development

being flexible and responsive

costs by 40% compared to conventional affordable housing programs – it also gets loans approved and closed in a matter of weeks. MHP doesn't try to fit every housing problem into a single mold. MHP finds ways to get things done.



photos: (top) Technical Assistance, Haverhill: In response to soaring housing costs in Haverhill, Mayor James A. Rurak rejuvenated the Haverhill Housing Partnership and developed a strategic plan with technical and financial assistance from MHP. (center) Hanson Country Manor, Hanson: MHP financed the acquisition of this 19-bed sober house for adults recovering from substance abuse. It is the only property of its kind in Hanson, and with a long waiting list it is clearly meeting an important local need. (bottom) Comprehensive Permit Assistance, Boxborough: One of the first towns to seek help under MHP's new comprehensive permit assistance program, Selectman Les Fox and his affordable housing study committee are shown taking a close look at a pending development proposal. (background) "HomeSafe" foreclosure prevention model: MHP's Soft Second homeowners got a boost with the addition of HomeSafe post-purchase counseling. One-on-one counseling takes place whenever a mortgage delinquency is reported. A counselor, such as Florence Hagins from the Massachusetts Affordable Housing Alliance, helps homeowners get back on track.

M H P F U N D
board of directors

The Massachusetts Housing Partnership Fund is governed by a seven-member board of directors appointed by the Governor



(this page, top) Vincent P. McCarthy, Chairman, Senior Partner, Hale & Dorr, Boston; (center) James M. Oates, Vice-Chairman, Chairman, IBEX Capital Markets, Boston; (right) Donald J. McGowan, former Chairman and President, Flagship Bank and Trust Company, Worcester; (bottom) John A. Simon, Designee for Secretary Stephen P. Crosby, Executive Office for Administration and Finance; (opposite page, top) Vincent C. Manzi, Partner, Manzi & McCann, Lawrence; (left) Lawrence D. Beane, Secretary/treasurer, President, Greenfield Co-Operative Bank, Greenfield; (bottom) Kate Racer, Designee for Director Jane W. Gumble, Department of Housing and Community Development.

STATEMENT OF
POSITION

	As of June 30th	
	1999	1998
Cash and investments	\$ 32,479,891	\$ 22,751,499
Program receivables, net of reserves	6,306,520	6,401,977
Project loans, net of reserves	95,877,066	85,979,803
Prepaid expenses, equipment and other assets	239,088	500,815
Total Assets	\$ 134,902,565	\$ 115,634,094
Accounts payable and accrued expenses	2,714,644	3,119,134
Notes payable, project loans	96,256,842	85,703,157
Deferred income	15,491,725	8,019,340
Soft Second Loan Program - loss reserves	6,682,794	5,051,463
Total Liabilities	121,146,005	101,893,094
Fund Balances - Restricted and Board Designated	11,749,061	11,591,889
Fund Balances - Unrestricted	2,007,499	2,149,111
Total Fund Balances	13,756,560	13,741,000
Total Liabilities and Fund Balance	\$ 134,902,565	\$ 115,634,094

M H P F U N D
financial summary

The Massachusetts Housing Partnership Fund finances affordable housing and neighborhood development with private dollars from banks doing business in the Commonwealth. Funding has been provided to the MHP Fund by:

Loans	
Bank of Ireland	\$2,149,221
The Bank of Western Massachusetts	\$4,362,549
Citizens Bank of Massachusetts	\$31,758,258
Family Bank, FSB	\$10,636,204
First Massachusetts Bank, NA	\$3,864,240
Flagship Bank and Trust Company	\$2,385,423
Fleet National Bank	\$292,459,529
Mellon Bank, NA	\$74,337,381
PNC Bank, New England	\$8,848,836
Slade's Ferry Trust Company	\$223,113

TOTAL LOANS: \$431,024,754

Grants	
BankBoston	\$10,000,000
Fleet National Bank	\$12,000,000
Citizens Bank of Massachusetts	\$2,595,451

TOTAL GRANTS: \$24,595,451

STATEMENT OF
OPERATIONS

Income from direct lending	\$ 1,774,595	\$ 1,430,331
Reserve for loan losses	(535,653)	(890,888)
Program funding and support	5,446,193	6,495,739
Earnings on bank deposits and investments	799,308	699,981
Other income	59,408	86,665
Total Revenues and Support	7,543,851	7,821,828
Salaries and benefits	1,859,718	1,519,194
Community outreach, training and publications	55,674	134,574
Occupancy and equipment	257,305	250,095
Professional fees and services	180,859	193,482
Mortgage subsidies and reserves	4,445,601	4,714,751
Other program costs	729,134	815,665
Total Program and Operating Costs	7,528,291	7,627,761
Surplus	\$ 15,560	\$ 194,067

The information on the opposite page is summarized from audited financial statements. Statements available upon request. Grant agreements with Fleet and Citizens banks were reached in 1999 and executed in 2000. Grant proceeds will be disbursed over three years and loan amounts have been adjusted in accordance with those grant agreements.

MHP Staff

Shown left to right, beginning in upper, left corner.

Executive/Legal

Clark Ziegler, *Executive Director*
 Rachel Fouché, *Administrative Assistant*
 Judith Jacobson, *Deputy Director/General Counsel*
 Ben Fernandez, *Assistant General Counsel*
 Cam Tewksbury, *Legal Assistant*
 Jill Mittelhauser, *Communications Director*

Administrative/Finance

Steve Dansby, *Chief Financial Officer*
 David Oteri, *Controller*
 Mary Ann McGinnis, *Office Manager*
 Carole Spear, *Secretary/Receptionist*
 Scott MacIntyre, *Information Systems Coordinator*
 Gulshan Chaudry, *Staff Accountant*

Community Outreach

Ann Houston, *Director of Community Partnerships*
 Michael Thomas, *Community Programs Manager*
 Matt Engel, *Community Programs Assistant*
 Heather Hennessey, *Soft Second Program Manager*
 Debbie Clarke, *Soft Second Operations Assistant*
 Bruce Dillenbeck, *Soft Second Program Assistant*
 Rita Farrell, *Intensive Community Support, Team Leader*
 Alice Wong, *Intensive Community Support, Sr Project Mgr*

Lending

Mark Curtiss, *Director of Lending*
 David Rockwell, *Senior Loan Officer*
 Thomas Beard, *Assistant Loan Officer*
 Klara Grape, *Loan Officer*
 Wendy Hanna Cohen, *Loan Officer*

Portfolio Management

Arthur Allen, *Director of Portfolio Management*
 Linda Hill, *Portfolio Manager*
 Geoff MacAdie, *Portfolio Manager*
 Eric Bonney, *Portfolio Manager*
 Cynthia Mohammed, *Assistant Portfolio Manager*
 Derryl Dion, *Loan Administrator*
 Steve Samet, *Portfolio Analyst*
 Maria Moran, *Administrative Assistant*



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There has been a convergence of leadership on housing over the past year. Governor Cellucci made affordable housing a centerpiece of his agenda for the year 2000. Cardinal Law has convened a blue-ribbon committee, backed by a study now underway at Northeastern University, and has called upon public and private leaders to come together in September 2000 to discuss its recommendations. Public interest organizations such as MassINC have continued to draw attention to the effect of housing costs on the larger state economy. And housing advocacy groups have come together as never before to establish a common state housing agenda.

MHP is a major part of this equation. We were established by the Massachusetts Legislature to improve fundamentally the way in which public and private institutions and state and local government work together in Massachusetts to keep housing affordable and to maintain strong neighborhoods. True to its mission, MHP has been at the forefront of cutting edge responses to the state's housing situation. Among our successes we have:

- built MHP into a significant multifamily housing lender and the only lender in Massachusetts with a primary focus on keeping smaller rental properties affordable. Our loans and loan commitments now exceed \$180 million and encompass more than 7,500 rental units.
- grown the Soft Second Loan Program into the state's most successful mortgage program for low-income, first-time homebuyers. More than 4,500 homes have been financed in 160 communities through more than 35 participating banks.
- pioneered a combination of conventional mortgages and deferred payment loans for the acquisition, rehab and long-term management of small rental properties at affordable rents. More than 40 projects have been financed, closings can occur within a few weeks of application, and the costs per affordable unit are well below comparable housing subsidy programs.

- rolled out a "single package" financing model for more complex neighborhood development projects that substantially reduces development costs— by as much as 15 percent or \$25,000 per unit— in comparison to more typical patchwork financing arrangements.
- established an Intensive Community Support Team backed by significant resources and staff. The team is actively pursuing new models of neighborhood development in Springfield and Brockton and is also developing new approaches for the construction of affordable rental housing in the suburbs.
- been available whenever city or town officials, community leaders, or concerned citizens need advice or technical assistance about affordable housing. In 1999 alone we approved 39 community assistance awards and provided staff or consultant support to 76 cities and towns across the Commonwealth.

This year we would especially like to thank Governor Paul Cellucci, Lt. Governor Jane Swift, Housing and Community Development Director Jane Gumble, House Speaker Thomas Finneran, and Senate President Thomas Birmingham for their support of MHP's \$4 million recapitalization in 1999. We look forward to working with you to develop bold new solutions to the state's housing problems and we hope MHP will continue to be worthy of your trust and your support.

Vincent P. McCarthy, *Chairman*
Clark L. Ziegler, *Executive Director*