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

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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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.
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 Catavaldo, 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.
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 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.

Being flexible and responsive

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.
The Massachusetts Housing Partnership Fund is governed by a seven-member board of directors appointed by the Governor.
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.
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 Curtis, 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 Dixon, Loan Administrator
Steve Samet, Portfolio Analyst
Maria Moran, Administrative Assistant
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