



Paths to prosperity

Massachusetts Housing Partnership

- Pittsfield**
- Somerville**
- Lowell**
- Sudbury**
- Roxbury**
- Natick**

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How MHP works

MHP is a self-supporting public nonprofit organization that works with state government and with business, civic and community leaders to increase the supply of affordable housing across the Commonwealth.

MHP uses funds from the banking industry to provide long-term loans for affordable rental housing. From 1990 through June 30, 2012, MHP has provided \$865 million in loans and commitments for the financing of 19,050 units of rental housing.

MHP also helps communities build affordable housing and offers the SoftSecond Loan Program, which has helped 16,385 lower-income families buy their first home and leveraged over \$2.6 billion in private bank mortgage financing.



Governor Deval Patrick speaks at the Rice Silk Mill's grand opening in Pittsfield. For details on this development, turn to Page 2.



As required by Section 35 of Chapter 405 of the Acts of 1985, the 2012 Annual Report of the Massachusetts Housing Partnership Fund is respectfully submitted to:

- Deval L. Patrick, Governor**
Commonwealth of Massachusetts
- Stephen M. Brewer, Chairman**
Senate Ways and Means Committee
- Brian S. Dempsey, Chairman**
House Ways and Means Committee
- Glen Shor, Secretary**
Executive Office for Administration and Finance

On the cover: The entrance to Rice Silk Mill, Pittsfield.

From recovery to prosperity

The Massachusetts economy appears to be in a strong recovery. Foreclosures are down, home sales and housing construction are up, and most of the jobs we lost during the Great Recession have now been restored.

This 2012 MHP annual report captures a small piece of the recovery story, with six essays that describe how affordable housing has helped individuals and families make ends meet and envision a better life for themselves and their children.

But gnawing at this good news is a concern that we're not building enough new housing to support our economy for the long term. As measured by vacancy rates, Massachusetts still has one of the most severe housing supply shortages of any state in the U.S. That makes it needlessly difficult for young people—who represent our state's economic future—to move here from other parts of the country, to stay here when they graduate from college, or to settle and start a family.

For more than a decade, MHP has advocated for a state growth policy that includes fundamental reform of zoning and other land use regulation. Our latest work, available at www.massgrowth.net, explains how restrictive "large lot" zoning and barriers to multifamily housing development discourage job growth, shortchange funding of basic public services, and keep us from realizing the Commonwealth's true economic potential.

Through its Foundation for Growth initiative, MHP hopes to promote legislative dialogue on policies that make it easier to build housing near jobs and transportation while protecting our open space and creating a stronger fiscal partnership between the state and its cities and towns. To get that dialogue going, we have proposed several major reforms, including the creation of a state planning office to coordinate state policy on housing, economic growth, transportation, and environmental protection. We would appreciate your feedback on MHP's proposals and welcome your own ideas.

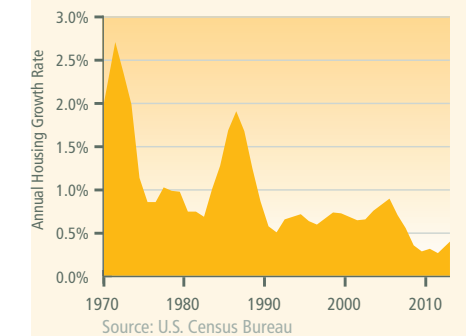
Meanwhile, as we push for comprehensive reform, MHP will continue its work with the Governor, Legislature, business and civic leaders to create more affordable housing opportunities across the Commonwealth and to keep Massachusetts solidly on the road to recovery.



Christopher Oddleifson, Chairman
Clark L. Ziegler, Executive Director

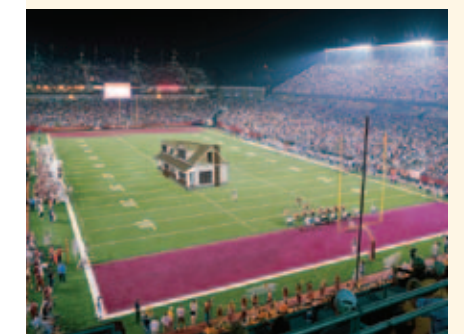
How much housing are we building?

This chart shows the consistent drop in annual housing starts in Massachusetts as a percentage of existing housing stock.



Large lot construction

An MHP analysis found that the average amount of land for each new single family home constructed in Greater Boston was 1.1 acres or the equivalent of an NFL football field.



State supports 'Gateway' to better life

Example:

Rice Silk Mill, Pittsfield.

Developer:

Rees-Larkin Development LLC.

Family focused:

45 rental homes include 19 two-bedroom and seven three-bedroom apartments.

Affordability:

43 units affordable to households below 60% of area median income.

MHP support:

\$800,000 first mortgage.

Building history:

Built in 1874, mill made textiles mostly for military, including first nylon parachute cord. Building abandoned in 2006, just as foreclosures were increasing in neighborhood.

Neighborhood impact:

Revitalization provides attractive new housing next to elementary school and near downtown.

Local support:

City rezoned for multi-family through state's Ch. 40R incentive program.

Progress in Pittsfield

In 2012, Lt. Gov. Tim Murray visited a growing Pittsfield paper company called Interprint while Governor Patrick celebrated the opening of Rice Silk Mill by announcing that the state would be investing in more new housing for Pittsfield. Their visits illustrated the state's commitment to its Gateway Cities, an effort not lost on Cale and Cheryl Bassett.

Up until 2011, things were good for Cale and Cheryl in Florida. Cale worked for a paint supply company while Cheryl was busy raising their three children. In 2011, Cale got laid off. Six months later, he still didn't have a job. With money running out and homelessness looming, he talked to friends back in his hometown of Pittsfield, who told him companies were hiring. Using his knowledge of paint and colors, Cale got job at Interprint, which makes laminate coverings that look like wood.

The next step was to find a decent home. Accustomed to modern Florida housing and cheaper rents, they found the housing in Pittsfield old, drafty, expensive and likely containing lead paint. Then they discovered the new apartments at Rice Silk Mill and secured a spacious three-bedroom apartment for \$1,150 a month. Their rent is a bit of a stretch on one salary but with utilities included, their costs are predictable and their home is right next to the neighborhood elementary school, making life possible with one car and allowing them to dream that that they are on their way to making a good life for their children in Massachusetts.



Cheryl and Cale Bassett are right at home in their new apartment with their children (l-r) Micah, Trinity and Cerilene.

Rice Silk Mill, Pittsfield



Somerville builds new neighborhood

Example:

Saint Polycarp Village, Somerville.

Developer:

Somerville Community Corp. (SCC).

Background:

SCC purchased church site in 2006. Church and one building remain. Building is transitional home for single mothers.

Redeveloped:

Church grounds are being transformed into commercial space and three phases of affordable rental housing, totaling 84 units when third phase is completed.

MHP support:

MHP financing for all phases will total \$5.6 million. MHP also contributed \$250,000 to SCC for organizational support.

Affordability:

All units affordable to households below 60% of area median income. Some units set aside for Department of Mental Health and for formerly homeless individuals.

Family focused:

Three phases include 49 two-bedroom and 19 three-bedroom apartments.

Church site born again

With young professionals and college students moving in and housing prices going up, it's getting harder for people who grew up in Somerville to live there. That's why whenever the Somerville Community Corporation (SCC) marks another milestone at Saint Polycarp Village, every home grown leader from Congressman Michael Capuano to Mayor Joseph Curtatone to City Councilor Anthony Lafuente has high praise for the nonprofit's efforts to make sure that people of all incomes can still live in the city.

What SCC has done is build two energy-efficient apartment buildings that feature a total of 53 affordable rental units and some commercial space, while also preserving the church and a rectory building, which is now a transitional home for single mothers. In 2013, SCC will knock down the shuttered parochial school and replace it with 50 affordable apartments.

When SCC embarked on turning this church site into a new neighborhood, it had young families like Virgilio and Erika Garcia in mind. Both came from El Salvador to Somerville as children and attended local schools. They became close at Friday church youth group meetings and married after high school. Erika has worked at Winter Hill Savings Bank since she was a teenager while Virgilio has recently cut back from two jobs, keeping his night job at Harvard University's walk-in clinic so he can help with day care and pursue his nursing assistant's degree at Bunker Hill Community College.

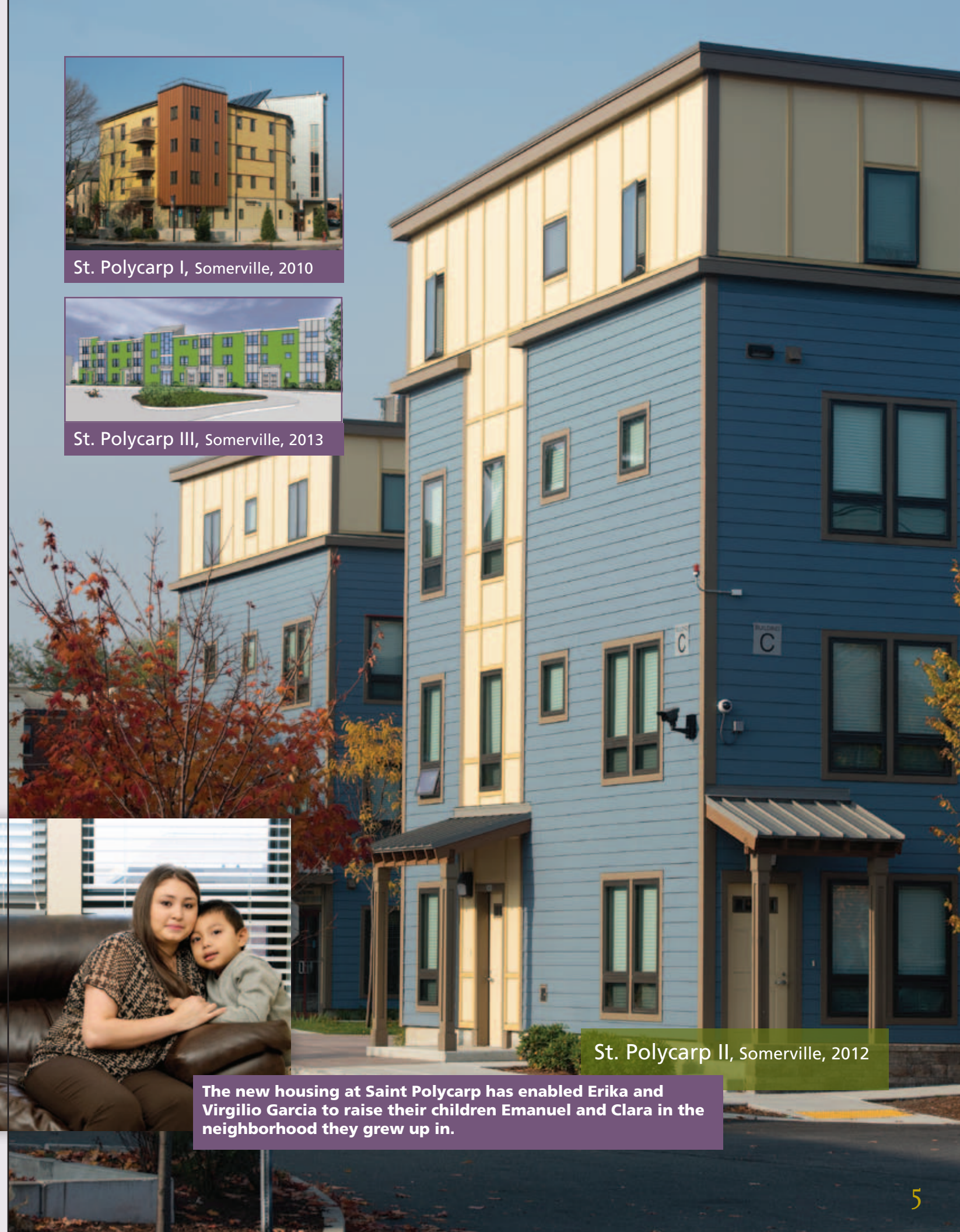
Getting a two-bedroom apartment for \$1,170 a month (utilities included) has enabled them to remain close to their jobs, family, public transportation and school. "Somerville is getting expensive," said Erika. "Someday, we would love to own a house. Living at Saint Polycarp is helping us save for that day."



St. Polycarp I, Somerville, 2010



St. Polycarp III, Somerville, 2013



St. Polycarp II, Somerville, 2012



The new housing at Saint Polycarp has enabled Erika and Virgilio Garcia to raise their children Emanuel and Clara in the neighborhood they grew up in.

Lowell helps homeless families

Example:

Unity Place, Lowell.

Developer:

Coalition for a Better Acre (CBA).

Features:

23 rental homes
(eight three-bedroom units).

Affordability:

All apartments affordable with six set aside for formerly homeless families.

MHP support:

\$450,000 first mortgage,
\$300,000 Home Funders second mortgage and \$50,000 to CBA for organizational support.

Neighborhood impact:

Attractive building replaces two rundown properties, continues CBA and City of Lowell's \$80 million rejuvenation of Moody Street neighborhood.

MHP & CBA:

Five developments in Lowell,
361 rental homes,
\$19.8 million in financing.

MHP & Home Funders:

MHP and the Home Funders Collaborative have worked together to fund 29 developments in 16 different communities, creating 236 rental apartments for families making less than \$30,000 per year.

From shelter to hope

Unity Place is the latest success story for the Coalition for a Better Acre, the community development corporation that has worked with the City of Lowell to engineer an \$80 million transformation of the Moody Street neighborhood.

Although Unity Place represents only 23 of the more than 400 homes CBA has developed or preserved, its impact is significant because it replaced two of the most rundown properties in the neighborhood.

The inside story is better. Unity Place is family focused, with 11 two-bedroom and eight three-bedroom homes. All are affordable and six are for formerly homeless families thanks in part to Home Funders, a program MHP offers so that more apartments can be rented to lower-income households.

One of the apartments has given hope to Musu Gaye and her eight-year-old son Alexander. They immigrated to America from Liberia in search of a better life but the economy was not so welcoming and Musu ended up homeless and living with her son in a motel and shelter. She eventually interviewed for a home at Unity Place and remembers thinking she had no chance but when she was told the apartment was hers, she cried. "I'm blessed," she thought. "This is a great, great step."

Unity Place connected her to work as an assistant at the neighborhood summer camp and to financial literacy courses. She said she is praying that these steps will lead to full-time work.

Her son Alexander is very proud of their new home. He showed visitors his soccer ball, his basketball and all his books. The walls of his home display his school work. There are encouraging notes from his teachers and a picture he drew of a house, a car and a sun with lots of hearts and a simple note that says, "I love you mom."



Unity Place, Lowell

Lowell's Unity Place has given Alexander and Musu Gaye hope.

Suburban town builds multi-family rental

Example:

Sudbury Duplexes.

Developer:

Sudbury Housing Authority (SHA).

What was built:

SHA replaced four aging homes with duplexes, built a fifth on another site and incorporated an existing home into the financing to create 11 affordable apartments.

Town support:

OK'd scattered site proposal with a Ch. 40B permit, provided \$600,000 in Community Preservation Act funds and \$150,000 from its housing trust fund.

MHP support:

Technical assistance, a \$1.1 million first mortgage and a \$756,000 second mortgage from its Neighborhood Rental Initiative (NRI) Program.

What is NRI?

MHP has set aside \$5 million in bank funds to support affordable housing in the suburbs. NRI has made funding commitments in Acton, Barnstable, Chelmsford, Hopkinton, Mashpee and Truro.

Sudbury brings it home

There is a shortage of multi-family housing in the suburbs, but not a shortage of potential. Sometimes, all a town needs is help. MHP's Community Housing Initiatives team provides this help with trainings, direct support and financial assistance.

In over 25 years of working with towns, MHP has learned that expertise and money mean nothing if there aren't trusted local leaders spending hours convincing towns to support affordable housing. That's why MHP holds a "Housing Heroes" awards luncheon each year at its annual Housing Institute.

In 2012, the Williamstown Board of Selectmen was recognized for pursuing housing alternatives after Tropical Storm Irene floodwaters wiped out 150 mobile homes. Don Dickinson was honored for helping to develop 75 homes while serving as a volunteer for the Cape Cod Habitat for Humanity.

Also honored was Sudbury Housing Authority Executive Director Jo-Ann Howe. Howe had success developing public housing in the 1980s and then spent 20 years working to build more. Howe and her board looked at over 20 sites before finally concluding that the best way to expand was to knock down four obsolete housing authority single family homes as part of a scattered site development that yielded 11 affordable rental homes.

Why didn't she give up? "When I grew up here, Sudbury was a diverse town," she said. "I knew professors from Harvard, factory workers from Waltham and my father was a plumber. A lot of people can't afford to live here now. I've worked here for 30 years and know my tenants. They are the people who work in our supermarkets, auto shops, day care centers and nursing homes. We need more of these people in town."



Sudbury's Jo-Ann Howe shares a moment with longtime housing authority board member Steve Swanger in one of the town's new duplexes. Howe says her board was "1,000 percent involved" in making the duplexes a reality.

Sudbury Duplexes



Homeownership helps stabilize neighborhood

Example:

SoftSecond Loan Program.

Purpose:

To provide safe, secure mortgage financing for first-time homebuyers.

Track record:

Since 1991, it has helped over 16,300 homebuyers purchase their first home.

Affordable:

Consistent with its history, 52 percent of SoftSecond buyers were at or below 60 percent of area median income.

Income:

The average household income of a SoftSecond buyer was \$53,824 in FY2012.

Opportunity:

In FY12, 40 percent of SoftSecond homebuyers statewide and 61 percent of the Boston homebuyers were non-white and/or Hispanic/Latino.

Coming in 2013:

In 2013, MHP will introduce the ONE Mortgage Program, which will build upon the success of the SoftSecond Loan Program. To learn more, go to www.mhp.net/one.

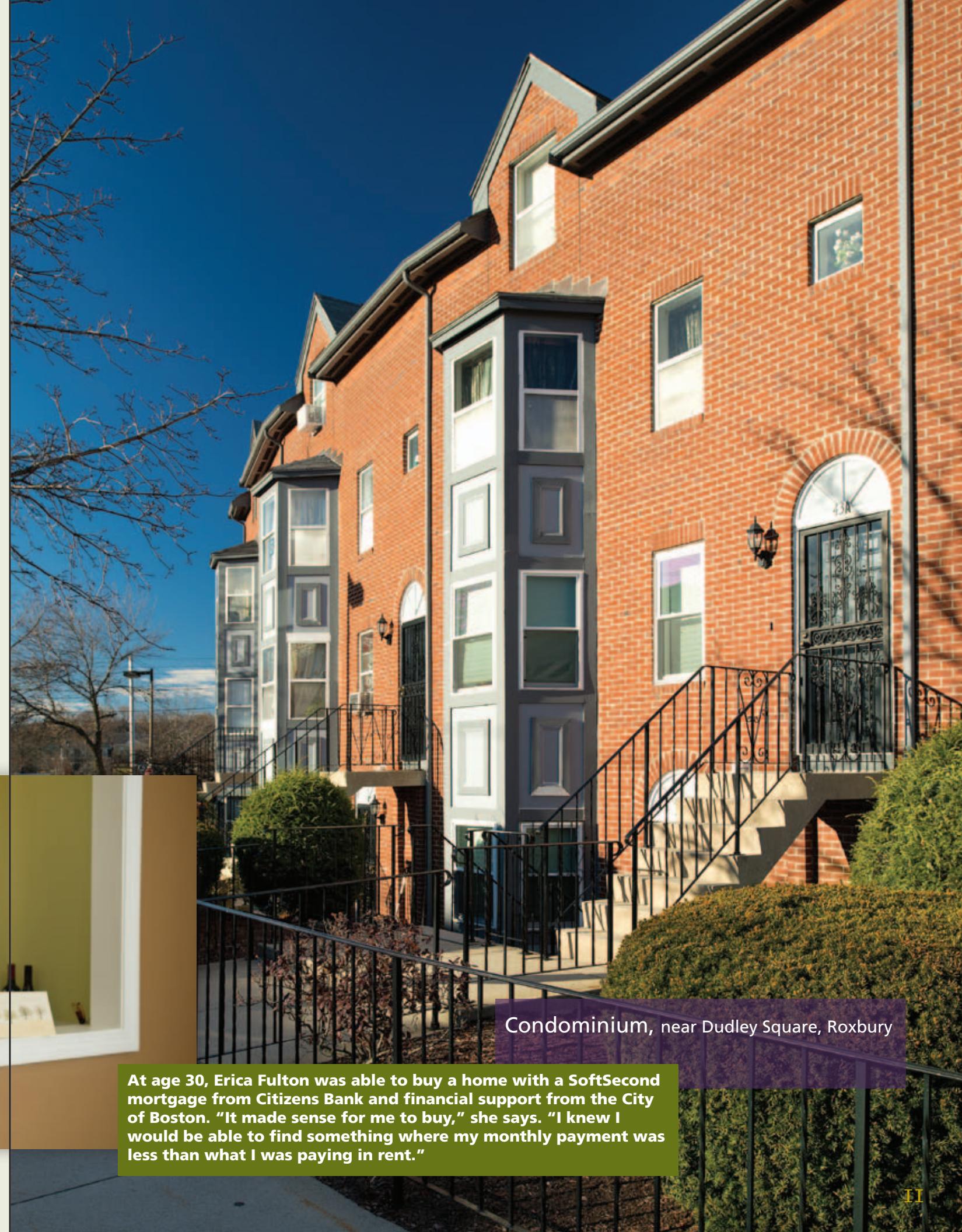
An asset to the city

One way communities have responded to the foreclosure crisis is to help first-time homebuyers. For example, the City of Boston has used federal stimulus funds in combination with MHP's SoftSecond Loan Program to facilitate the purchase of homes in neighborhoods hard-hit by foreclosures.

Erica Fulton is just one example. A 30-year-old Brockton native with a masters in social work from Boston College, she has dedicated her life to children because "I didn't have much growing up, I wanted to give back and I know that services would have helped me."

With this sense of purpose, she has risen to become a clinical manager at Friends for Children, where she provides 20 hours of mentoring each month to six "at-risk" children and their families while managing five grad school students with similar caseloads. To be most effective, Fulton felt she needed to live in the city so she decided to stop renting in Quincy and started looking to buy in Boston, even though she was still paying off college loans. She hoped that her salary (low \$40,000s) and her part-time catering job would be enough.

It was. After taking homebuyer classes, she found a Roxbury condo that was headed toward foreclosure and bought it with a SoftSecond mortgage from Citizens Bank and \$45,000 in support from the City of Boston, which lowered the purchase price and paid for repairs. The moral of the story: a distressed property has a new owner, Erica Fulton has a home and an asset to secure her financial future and she is living in a neighborhood where she can do what she does best—help children.



Condominium, near Dudley Square, Roxbury

At age 30, Erica Fulton was able to buy a home with a SoftSecond mortgage from Citizens Bank and financial support from the City of Boston. "It made sense for me to buy," she says. "I knew I would be able to find something where my monthly payment was less than what I was paying in rent."

Town harnesses potential of housing, growth

Natick takes control of its future

Massachusetts has lagged behind the nation in housing production for most of the last 30 years and this has driven up prices and constrained our economic potential. Why is this happening? One reason is many communities, concerned about revenues and maintaining municipal services, changed their zoning to restrict or prohibit multi-family housing.

There are exceptions. Natick, for example, has used special zoning districts and the state law known as Ch. 40B to permit the development of over 1,000 apartments and homes since 2000. This has helped the town create more housing while also helping it reach the state's 10 percent affordable housing supply threshold, giving it more control of what can be built in the future.

Natick wasn't always open to Ch. 40B. Selectman Joshua Ostroff says the town used to fight 40Bs "on principle" but that the law pushed the town to create special zoning districts and to work with 40B developers. "We became proactive rather than reactive," said Ostroff.

More than half of the new multi-family housing is located near the Natick Mall, the region's highways and many of its largest employers. The development that put Natick above 10 percent was Avalon Natick, a 407-unit development supported by a \$15 million loan commitment from MHP.

Natick has urged developers to make their projects pedestrian-friendly, with the idea that someday these homes will be connected to other parts of Natick via old railroad spurs that the town hopes to turn into bike and walking trails.

"From the moment we became involved in this project, the town has been willing to work with us," said Michael Roberts, vice president of development for AvalonBay Communities, which since 1996 has developed over 7,000 apartment homes in 25 communities in Massachusetts. "At the same time, the town made it clear to us that they wanted more than just housing units. They are focused on making our neighborhood more pedestrian friendly and more in line with the town's long-term vision."



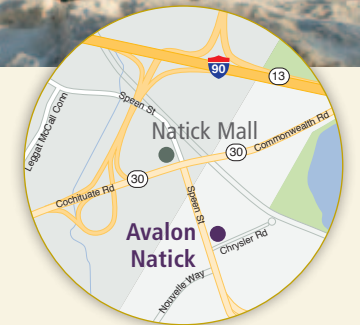
"We became proactive rather than reactive."

Joshua Ostroff,
Natick Selectman

Avalon Natick



The rendition at left shows Avalon Natick's layout. The photo above shows one of the buildings near the end of construction in Feb. 2013.



MHP 2012 rental financing



Cutler Heights, Holliston

MHP had a record year in 2012, committing \$97.4 million for the financing of over 1,100 rental homes, 720 which are affordable to households below 60 percent of area median income. MHP's list of loans and commitments in 2012 includes:

New production

Acton: McCarthy Village II, Acton Housing Authority, 12 units, \$1.1 million first mortgage, \$720,000 NRI second mortgage.**

Andover: Avalon Andover, AvalonBay Communities, 115 units, \$15 million first mortgage.

Beverly: Holcroft Park Homes Phase II, North Shore Community Development Coalition & YMCA of the North Shore, 29 units, \$929,600 first mortgage, \$300,000 Home Funders second mortgage.*

Danvers: Conifer Hill Commons Phase I, Kavanagh Advisory Group, 48 units, \$2.6 million first mortgage.

Easton: Shovel Works, Beacon Communities, 113 units, \$17.1 million first mortgage.

Fitchburg: Riverside Commons, MDP Development, 105 units, \$9.3 million first mortgage.

Holliston: Cutler Heights Housing, JNJuhl & Associates, 30 units, \$1.1 million first mortgage.

Lunenburg: TriTown Landing Phase II, Great Bridge Properties, 33 units, \$1.1 million first mortgage.

Marion: Little Neck Village, EA Fish Development Inc., 46 units, \$653,356 first mortgage.

Mashpee: Great Cove Community, Housing Assistance Corp., 10 units, \$819,500 first mortgage, \$750,000 NRI second mortgage.**

Natick: Avalon Natick, AvalonBay Communities, 407 units, \$15 million first mortgage.

Provincetown: 83 Shank Painter Road, Community Housing Resource, Inc., 15 units, \$858,000 first mortgage, \$450,000 second mortgage.

Worcester: Kilby Gardner Hammond Phase IV, Main South Community Development Corp., 22 units, \$400,000 first mortgage, \$250,000 Home Funders second mortgage.*

Preservation

Boston (Fenway): 15-25 Hemenway Street Apartments, Fenway Community Development Corp., 24 units, \$1.3 million first mortgage.

Boston (Roxbury): Madison Park IV, Madison Park Development Corp., 143 units, \$18.5 million direct bond purchase.

Springfield: Concord Heights Apartments, First Resource Management Co., 104 units, \$1.8 million first mortgage.

Webster: Hartley Webster refinance, Winn Development, 54 units, \$1.9 million first mortgage.

Worcester: Austin Corridor II, Worcester Common Ground, 20 units, \$794,642 first mortgage.

* With significant long-term foundation support, Home Funders financing through MHP helps developers make more units available to lower-income families.

** The Neighborhood Rental Initiative (NRI) provides low-interest second mortgage subsidy for affordable housing in communities that are near jobs, have good schools and are inaccessible due to high housing costs.

MHP staff directory

To contact an MHP staff member by phone, dial 617-330-9944 and the appropriate phone extension.



Executive | Legal

The executive/legal group oversees all aspects of MHP.

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Community Housing Initiatives

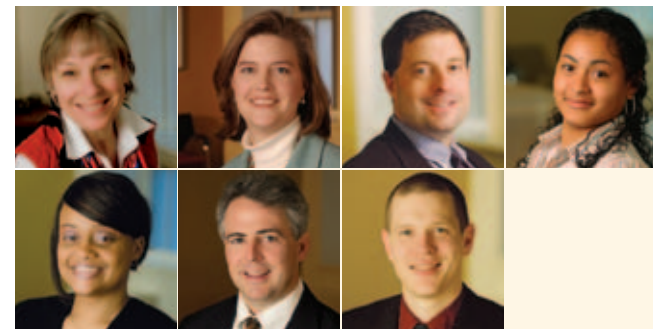
The Community Housing Initiatives (CHI) team supports communities, local housing authorities, and nonprofit organizations in their efforts to create affordable housing for low and moderate-income families.

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Administration & Finance

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Homeownership Program

This group manages the SoftSecond Loan Program, which has helped 16,385 low- and moderate-income families purchase their first home.

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Stephanie Hiciano Menezes, Homeowner Services Coordinator
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Board of Directors

MHP is governed by a seven-member board of directors appointed by the Governor that includes two cabinet secretaries or their designees, and three nominees of the Massachusetts Bankers Association.

CHAIR, **Christopher Oddleifson**, President & CEO, Rockland Trust Company

VICE CHAIR, **Vincent C. Manzi Jr.**, Partner, Manzi, Bonanno & Bowers, Methuen, MA

SECRETARY/TREASURER, **John R. Heerwagen**, Chairman, President & CEO, Middlesex Savings Bank

MEMBER, **Aaron Gornstein**, Undersecretary for Housing and Community Development, Executive Office of Housing and Economic Development

MEMBER, **Ronald G. Marlow**, Assistant Secretary for Access and Opportunity, Executive Office for Administration and Finance (Designee for Secretary Glen Shor)

MEMBER, **Nicolas P. Retsinas**, Senior Lecturer at Harvard Business School and Director Emeritus of the Harvard Joint Center for Housing Studies

MEMBER, **John P. Clancy, Jr.**, Chief Executive Officer, Enterprise Bank

How MHP Is funded

MHP was founded on the premise that housing solutions depend largely on private investment. This foundation was strengthened in 1990 when the state legislature enacted the Interstate Banking Act, which requires that companies that purchase 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.

As a result of this legislative act, MHP's loan pool has grown to over \$1.1 billion and through June 30, 2012, MHP has used these private funds to provide \$865 million in loans and commitments for the financing of 19,050 units of rental housing. Most of these units are affordable and most serve lower- and moderate-income residents.

MHP Financial Summary

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

Loans	Loan Agreements
Bank of America (Fleet Bank)	\$ 549,919,888
Bank of Ireland	2,149,221
BNY/Mellon	163,065,654
Berkshire Bank	7,374,986
Cape Cod Five Cents Savings Bank	2,350,000
Cathay Bank	336,393
Citizens Bank of Massachusetts	32,937,599
Eastern Bank (Wainwright Bank & Trust Company)	9,139,063
Flagship Bank & Trust Company	10,626,950
Great-West Life & Annuity Insurance Co.	3,809,655
Hoosac Bank	895,000
People's United Bank (Bank of Western MA)	37,157,324
Rockland Trust Company	1,964,419
Salem Five Cents Savings Bank	679,494
Slade's Ferry Trust Company	223,113
Sovereign Bank	172,306,577
Toronto-Dominion (Banknorth)	154,918,389
United Commercial Bank	1,144,089
Webster Bank	23,244,408
TOTAL LOANS	\$ 1,174,242,222
Grants	
Andover Bank	\$ 13,454
BankBoston	10,000,000
Bank of America	18,000,000
Citizens Bank of Massachusetts	2,595,451
Fleet Boston Corporation	12,000,000
Lehman Brothers Bank, FSB	1,050,000
NewAlliance Bank	625,293
State Street Bank & Trust Company	13,343,742
TOTAL GRANTS	\$ 57,627,940

	As of June 30, 2012	As of June 30, 2011
Statement of Net Assets		
Cash and Investments—unrestricted	\$ 9,219,612	\$ 8,235,423
Cash and Investments—board designated	7,628,696	6,971,959
Cash and Investments—restricted	53,208,829	47,546,462
Grant, program and interest receivable	1,487,576	8,040,667
Project Loans, net of reserves	406,040,314	348,150,025
Other Assets	227,990	338,535
TOTAL ASSETS	477,813,017	419,283,071
Accounts payable and accrued expenses	1,210,729	976,433
Accrued interest on project loans	1,316,622	1,172,133
Notes payable, project loans	391,754,843	339,623,926
Deferred revenue and other liabilities	27,308,178	21,230,470
Reserves for SoftSecond loan losses	13,628,622	14,054,273
TOTAL LIABILITIES	435,218,994	377,057,235
TOTAL NET ASSETS	\$ 42,594,023	\$ 42,225,836

Statement of Revenue, Expenses & Changes in Net Assets

Income from direct lending, net of provision for loan losses	\$ 6,426,775	\$ 5,733,815
Governmental support	3,195,077	8,673,216
Interest on bank deposits and investments	335,310	351,673
Other income	930,885	716,531
TOTAL REVENUES AND SUPPORT	10,888,047	15,475,235
Salaries and fringe benefits	5,064,898	4,500,017
Professional fees and contracted services	274,820	175,174
Homebuyer support	340,465	747,250
Mortgage subsidies, reserves, grants and homebuyer support	4,056,824	6,802,635
Occupancy and equipment	548,095	550,610
Other program and operating costs	575,223	643,599
TOTAL PROGRAM AND OPERATING COSTS	10,519,860	12,672,035
CHANGE IN NET ASSETS	\$ 368,187	\$ 2,803,200

MHP's audited financial statements are available on request.



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