

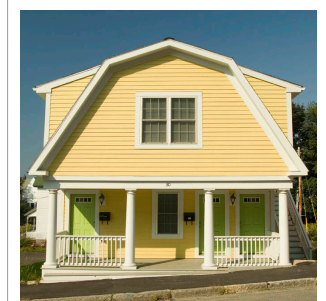
CEDAC

Community Economic Development Assistance Corporation

STREET STORIES

2007

annual report



“Over our history CEDAC has helped our resident, non-profit, and municipal partners preserve over 8,000 units of publicly-assisted rental housing.”

As Required by Section 6 of the Acts and Resolves of 1978, this report is respectfully submitted to:

DEVAL PATRICK

Governor, Commonwealth of Massachusetts

STEVEN C. PANAGIOTAKOS

Chair, Senate Ways and Means Committee

ROBERT A. DELEO

Chair, House Ways and Means Committee

LESLIE KIRWAN

Secretary, Executive Office for
Administration and Finance

WILLIAM F. WELCH

Senate Clerk

STEVEN T. JAMES

House of Representatives Clerk



2007

The new administration of Governor Deval Patrick and Lieutenant Governor Tim Murray has clearly articulated that housing production and preservation will be among its key priorities, since they are so closely linked to the Commonwealth's economic growth. We at CEDAC are especially pleased to see the preservation of the Commonwealth's affordable rental housing stock restored to prominence as a policy objective. Precisely because Massachusetts has historically placed a priority on housing its lower-income families and individuals, the state has a disproportionately large amount of such housing. And a substantial portion of it is at risk of loss as affordable housing. CEDAC is pleased to work with the Department of Housing and Community Development (DHCD) to maintain this resource. Over our history CEDAC has helped our resident, non-profit, and municipal partners preserve over 8,000 units of publicly-assisted rental housing.

The Patrick-Murray administration has also focused on the priority of efforts to spur reinvestment in the so-called "Gateway" communities, the Commonwealth's smaller cities which in many cases face particularly daunting economic challenges. In this year's report we feature the efforts of two of the Commonwealth's cities at stimulating a range of housing opportunities through support of non-profit developer partners. In Chelsea and Worcester, aggressive local governments have stepped up their support to local non-profit developers to produce a variety of housing products for rent, for sale, and to meet the housing needs of populations who need supportive services. We applaud the local leadership in Chelsea and Worcester for their efforts to balance their need for market rate housing, with that designed to house their cities' lower income residents.

We also want to give special attention in this year's report to CEDAC's efforts to provide "service-enriched" housing, designed to meet the housing needs of residents with specialized service needs. For twenty years, with DHCD's support CEDAC has taken the lead at the state level in allocating capital to an impressive array of residential settings designed to meet the housing needs of residents who need supportive services to live independently. This year we show wonderful examples of the creativity and excellence our non-profit partners demonstrate in developing this housing.

We especially want to thank our funder partners. Over the last five years, CEDAC has grown to over \$50 million in assets due to the faith our funder partners have shown in us. We thank them for their commitment to our policy goals. We are also grateful for the support of our colleagues in the state's "family" of housing agencies: DHCD, Mass Housing, MHP Fund, and Mass Development, our partners in so many of the efforts we undertake with the nonprofit development community.



Tina Brooks
Chairperson



Michael Gondek
Executive Director

24 apartments

Gerrish Avenue



“Gerrish Avenue has been transformed from a rundown, wrong-side-of-the-tracks eyesore into a vibrant neighborhood.”



Gerrish Avenue



Jay Ash and Carol Martinez

CHELSEA

Once notorious for its fires, Chelsea has risen from the ashes to become one of the hottest locations for private housing investment in Greater Boston. Even in what many experts consider to be a down residential market, more than 1,500 units are at various stages of development.

City Manager Jay Ash is the City's longtime economic development chief and architect of Chelsea's plan to match a burgeoning commercial development record with both classic and innovative smart growth development. Ash says that Chelsea's underlying advantage, its tremendous proximity to Boston, is finally being capitalized on after decades of poor planning and missed opportunities.

Once actually placed in receivership, the city has emerged with an "A" credit rating. After a decade-long focus on commercial development that saw the replacement of marginal industrial and retail properties with a hotel, a bio-tech center and more than two dozen more major business investments, Ash has turned his attention and the City's toolbox to promoting residential development. With 1,500 units in development, Ash and housing director Carol Martinez have done so in spectacular fashion. Ash and the city have demonstrated equal commitment to the housing needs of the city's low-income residents, and especially those who need supportive services. Whether or not it has been a literal rise from the ashes, Chelsea is on fire, fortunately this time figuratively!

HarborCOV strives to provide domestic violence survivors with the tools they need to reclaim their lives. Only nine years ago, HarborCOV started to offer women and children a two-week safe haven in three rented apartments above a storefront near downtown Chelsea. Executive Director Laurie Holmes knew that, while HarborCOV could shield survivors from immediate danger, they could not find affordable housing and stability when they left the emergency shelter. Despite having no experience, Holmes was determined to build permanent, affordable housing for survivors of domestic violence. Under her stewardship, and guided by the vision of longer-term solutions shared by the broader community, HarborCOV forged ahead. Holmes garnered substantial support from the city, acquired a long-vacant commercial property near Chelsea City Hall and crafted a plan to redevelop the building into 24 apartments with on-site comprehensive resources.



Harbor COV



“Utilizing the many resources available, like the computer lab, economic and domestic violence advocacy, I’m well on my way to a brighter future.” **_BILLIE JO CACERES** *HarborCOV Resident*

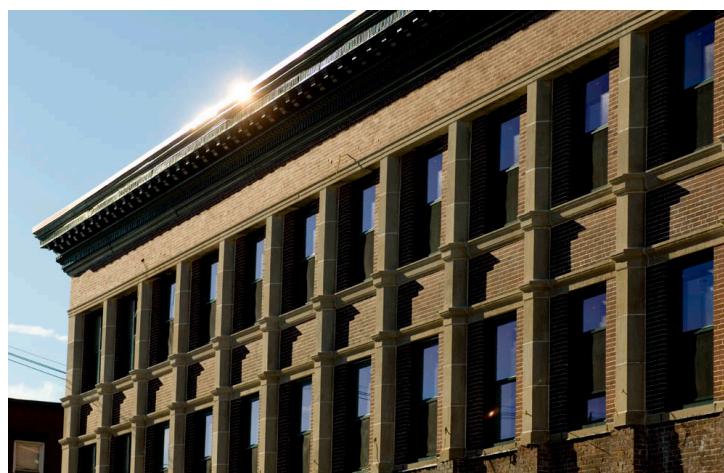
The philanthropic consortium Home Funders provided critical risk capital to the effort, and city, state, and private lending partners provided vital resources. After several years of complicated work, HarborCOV opened its new housing in January, and residents moved into their brand-new apartments. “Living here has opened up many opportunities for me, such as going back to college and living independently,” says Billie Jo Caceres, who is an active member of this brand-new community. “Utilizing the many resources available, like the computer lab, economic and domestic violence advocacy, I’m well on my way to a brighter future.”

The city’s main non-profit housing provider, Chelsea Neighborhood Developers (CND) had only been renovating a modest number of affordable housing units for years, despite Chelsea’s manifest housing needs. Carol Martinez assumed the position of board chair of the CND, and in 2003 led an initiative to bring in new management. Experienced housing developer Ann Houston reinvigorated the agency as its new executive director. Within two years of her arrival, CND has refinanced its existing portfolio; broken ground on two flagship projects, one rental, one homeownership, on adjacent sites on Gerrish Avenue; and spurred production of a market residential project by a private developer—all part of the launch of a new neighborhood—the Box District—two blocks from City Hall.

CND also redeveloped a former derelict nursing home on Shawmut Street next to its office. The Shawmut Street site, now owned by HarborCOV, houses its office and program space as well as its emergency domestic violence shelter and two transitional housing apartments. The agency will begin construction of its next 48 unit rental project in early 2008. CND now has 115 new units of housing in development, more than at any other time in its history.

TILL (Toward Independent Living and Learning) has been a fixture in Chelsea for 25 years. As a service provider to the Department of Mental Retardation (DMR), TILL operated a day facility for forty developmentally disabled individuals in the city. TILL’s executive director, Dafna Krouk-Gordon, envisioned an opportunity to renovate her historic building, most of which was uninhabitable, to create new housing opportunities for its clients integrated within conventional rental housing. TILL has redeveloped 251 Broadway into 23 units of permanent rental housing, two of which are set aside for four of TILL’s clients.

This handsome building occupies nearly a full city block on a major thoroughfare at the beginning of Chelsea’s busy downtown area. By completely renovating the building and adding a deck which has a wonderful view of the Boston skyline, TILL will change the face of the area. TILL’s Essence of Thyme Café (ETC) will occupy the space on the corner of Broadway and Congress streets, where TILL will train and employ people with developmental disabilities to prepare food and operate the café.



251 Broadway

5 units



Worcester East Side CDC



Eddie's Market

B



“Patch Street. Eastern Avenue. Merrifield Street. They’re all part of Bell Hill—a neighborhood worth investing in. Seventeen newly built or renovated homes make a big difference in a low-income area like this.”

—**SCOTT HAYMAN** Director of Housing: *Worcester, MA*

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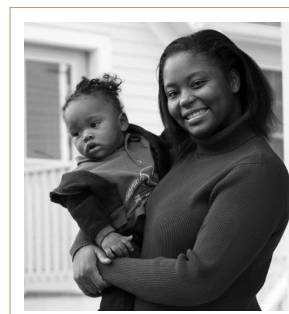
Scott Haymen and Steve Patton

WORCESTER

Worcester is a vibrant city whose downtown has experienced a rejuvenation over the last several years with a mix of public and private investment. The city also possesses housing opportunities and challenges that range across all incomes, all types of tenure, and all of the city's diverse neighborhoods.

Scott Hayman, the city's director of housing, has aggressively promoted the work of non-profit developers to meet Worcester's housing needs. Scott commented, "Whether it's a neighborhood catalyst project, housing for the elderly, permanent supportive housing for the homeless, or quality homeownership opportunities for the city's work force, CEDAC is often the first outside partner in with the city, brings invaluable expertise, and is very patient and deliberate in their approach. CEDAC is a great partner in our efforts and successes."

An array of non-profit housing developers have responded to the city's support. The Bell Hill neighborhood of the city is a homeowner dominated area, composed of two family houses and triple deckers. The Worcester East Side CDC has for years focused its efforts on renovating vacant houses, demolishing derelict properties, and building new two family homes on vacant lots scattered through Bell Hill, to stabilize the neighborhood. UMass Medical Center, the largest local employer, has contributed funding to the Home Center, created by the CDC and the city of Worcester, to help provide down payment assistance, Soft Second financing, and pre- and post-purchase homeowner counseling. UMass Medical Center provides grants of up to \$25,000 to income-eligible employees to buy homes developed by the CDC in the neighborhood. The CDC has already developed and sold seventeen homes with a total of 37 units, and is now embarking on Phase IV, which will build five more two family homes for sale.



37 units



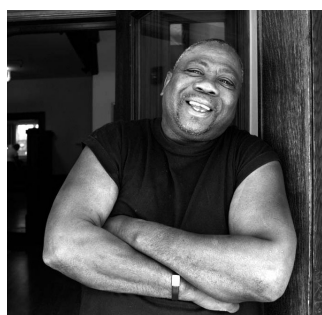
14 Claremont Street

“SMOC acquired the property and substantially renovated 14 Claremont to provide eighteen formerly homeless men access to permanent housing that includes a robust, continuum of wrap-around services to ensure their return to sobriety.”

SMOC, the Southern Middlesex Opportunity Council, has moved to the forefront of the “Housing First” model for combating homelessness in the last several years. SMOC has embraced the concept that residents of shelters should be moved into permanent housing immediately, in order to stabilize their life situations. When the non-profit owner of the 180 bed Public Inebriate Program (PIP) shelter in downtown Worcester began to falter financially, SMOC stepped in to operate the shelter, with the objective of scaling back the shelter dramatically, and relocating most of its tenants to permanent neighborhood homes. One of its first target properties was a large rooming house located in the middle of the Clark University campus. Once a handsome residence with fine architectural detail, 14 Claremont Street had degenerated into an unmanaged disaster. SMOC acquired the property and substantially renovated 14 Claremont to provide eighteen formerly homeless men access to permanent housing that includes a robust, continuum of wrap-around services to ensure their return to sobriety.

Worcester Common Ground (WCG) has been an active developer for nineteen years. The building at 300 Pleasant Street is located at the center of the WCG’s target area. The three residential floors above the ground floor retail storefront had been vacant for at least 15 years. Five years ago Eddie Jimenez, a local resident and business owner, purchased the grocery store on the ground floor. Eddie sponsors the neighborhood basketball team, regularly donates to community events, and is well respected in the Latino community. His market became one of the most active businesses in the neighborhood.

WCG wanted to work with Eddie to improve his building, and especially to productively re-use the residential floors that he did not have the time or resources to develop on his own. The building had experienced a fire, resulting in the need for structural repairs and a complete rehabilitation of the residential area. WCG restructured the floor plans to create 5 three bedroom units, 1 one bedroom unit and a small area that was rehabbed for the store’s office. The units are large and spacious, averaging 1,100 square feet for the three bedroom units. WCG and Eddie each own 50% of the developed property. WCG manages the property, while Eddie continues to operate the market.



14 Claremont Street



Eddie's Market



HOUSING PRODUCTION

Three communities on Cape Cod and Martha's Vineyard deserve plaudits for their aggressive efforts to promote affordable family housing.

CHATHAM

Lake Street Terrace, Chatham

Over twenty years ago, the Chatham Housing Authority purchased land to provide affordable housing for families of modest means in the town. After years of effort, the Authority and the town had assembled additional land, and designated The Community Builders to produce 47 units of affordable rental housing and 3 single family homes on the site. The first Chapter 40B development approved by Chatham, Lake Street Terrace also received a commitment from the town of Community Preservation Act funds. Buildings replicate the scale of neighboring single family homes, but actually contain multifamily units. Varied rooflines and walk-up porches reflect Chatham's architectural character.



Chatham

HARWICH

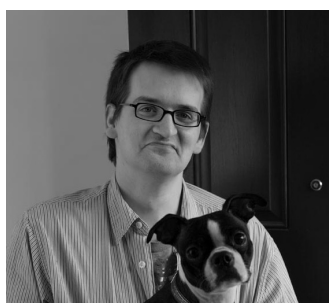
The Homesteads, Harwich

The town of Harwich availed itself of a new affordable housing by-law to permit the construction by the Housing Assistance Corporation (HAC) of 16 single family homes on 15 acres of land donated to HAC by Ben and Lucille Fleet, long time residents of the area. HAC, the regional non-profit housing agency for the Cape, has accelerated its housing production efforts in the last several years. The Homesteads is a mixed income development, with units priced as affordable to families at 80% and 110% of area median income. The Homesteads project consolidates development on a third of the site, and will permanently conserve the rest of the site as open space.

EDGARTOWN

Morgan Woods, Edgartown

Morgan Woods is an unprecedented example of a community-driven affordable housing project on the island of Martha's Vineyard. Like many seaside communities, Edgartown's economy is driven primarily by seasonal tourism—catering mostly to wealthy summer visitors that call the island their home between May and September. An increasing number of the island's year-round residents maneuver the "Island Shuffle"—where full-time residents must rent, or are forced by landlords to vacate, their homes during the lucrative summer months and seek shelter elsewhere, often off-island. The town of Edgartown selected The Community Builders to develop this 60 unit rental development on 12 acres of land assembled and donated by the town. The site is organized around three landscaped 'commons' reminiscent of a traditional New England town center. Through innovative disguised density techniques, each building houses between two and four residential units designed to mimic single family homes styled on a variety of traditional New England structures such as a cottage, a barn, a shed and a farmhouse.



Edgartown



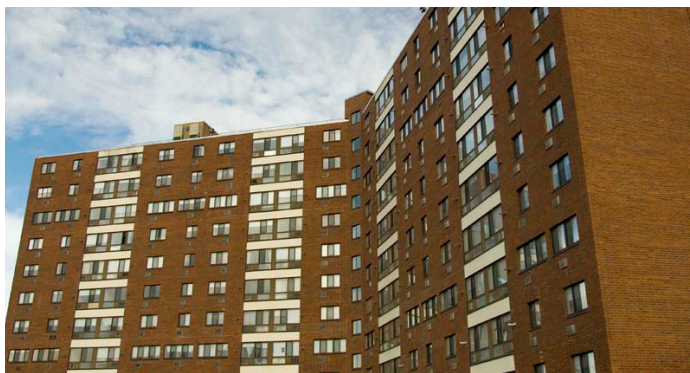
HOUSING PRESERVATION

SALEM

Loring Towers, Salem

In the fall of 2006, Salem Mayor Kim Driscoll contacted CEDAC to ask for help deciphering complicated legal issues related to Loring Towers, a 250 unit affordable housing complex. The owner of Loring Towers, a national real estate investment trust called AIMCO, had requested that the mayor approve an amendment to the project's tax agreement with the city. The city and the Loring Towers tenants were very pleased that AIMCO planned to make significant repairs to the property, and preserve its long term affordability. But Mayor Driscoll was concerned that, although most tenants would be protected from paying significantly more rent out of pocket by receiving "enhanced vouchers", 63 tenants would bear rent increases of 25% or more.

CEDAC staff advised the mayor that, without the city's approval, AIMCO could not pay off one set of limited partners and refinance the project with new limited partners, as it proposed. With CEDAC's help, the city convinced AIMCO to triple the "tenant protection" line item in the budget to over \$700,000. In addition, AIMCO signed a binding memorandum of understanding with the city specifying moving allowances, the phase-in plan for rent increases, buyout incentives for higher income tenants, and a contingency fund for special hardship situations.



Salem

SOUTH END

East Canton Street, South End

The 80 unit East Canton Street apartments in Boston's South End have a long history as low-income housing—they date back to the late 1800s when they were built by the Abbott Lawrence Lodging House Trust. But four years ago, the complex faced a crisis. The general partner of the limited partnership that owned East Canton had disappeared. There was literally no entity acting as owner. Though a private firm managed the property, without effective owner oversight the project failed to make key decisions, such as renewing the project-based Section 8 subsidy contract with HUD. HUD subsidy funds stopped flowing, the project stopped paying debt service on the HUD-held mortgage, and a foreclosure seemed imminent. Physical conditions deteriorated, and the property was a magnet for criminal activity.

Maggie Costa led a drive to organize the tenants. CEDAC worked closely with the tenant organization, the city, and HUD to restore the lapsed Section 8 contract, transfer the project to a new preservation-oriented owner, conduct rehabilitation, and implement a new management plan. East Canton Street will continue to house low and moderate income tenants for at least one more generation. Considering the multiple challenges the residents of East Canton Street and the city of Boston faced to preserve the apartments, the four year timeframe required to complete this transaction seems not only believable, but reasonable.



East Canton Street

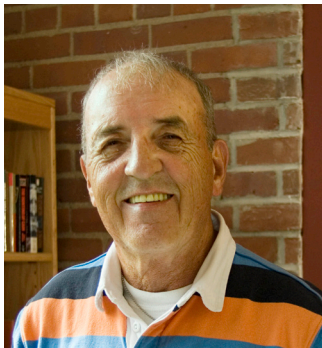
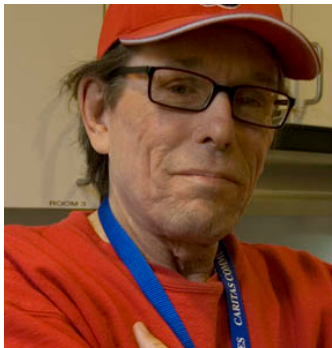


SUPPORTED HOUSING

BEDFORD

Caritas Communities, Bedford Veterans Quarters

Mark Winkeller, the executive director of Caritas Communities, never imagined his organization building sixty units of housing for veterans in Bedford. Caritas typically purchases and renovates existing lodging houses in or near Boston. The New England Shelter for Homeless Veterans (NESHV) had secured Section 8 rental subsidies to support new housing for homeless veterans in 1999, but had lost several potential sites and was not able to advance its plans to develop permanent housing. Winkeller became involved initially as a volunteer advisor to the NESHV, and then ultimately agreed to step in as the developer in order to see the project to fruition. Despite the complications of integrating state funds into a Veterans Administration-owned facility Caritas was leasing from the VA, the handsome new units for male and female veterans opened this year to praise from veterans' officials.



Bedford Veterans Quarters



Project Place

GATEHOUSE

Project Place, Gatehouse

The term Gatehouse conjures up images of entry, welcome, safety. So Project Place dubbed its new home on Washington Street in Boston's South End the Gatehouse to embody the concept that the new facility would open doors of opportunity to the agency's homeless clients. Project Place has provided skill training, housing, and support for homeless clients for forty years in the South End. On the site of a hotel that once served immigrants, the six story mixed-use facility provides fourteen units of single room occupancy housing for homeless men and women on the top two floors so that the residents get the best views and light. Lower floors will house Project Place's computer training center, program space, and offices. A new café by celebrated South End restaurateur Joanne Chung will occupy the ground floor. Fourteen top Boston-area designers donated their artistic talents to design each 250 square foot room, and then cadged donations of furnishings to outfit the rooms.



ST. ANNE'S

Community Action for Better Housing, St. Anne's

The former rectory of St. Anne's on Ruth Street in New Bedford had been converted into a boarding house, but had fallen into terrible disrepair and become a drug den. Community Action for Better Housing (CABH) saw an opportunity to save the property, renovate it, and house clients of the Department of Mental Health who would otherwise be at substantial risk of homelessness. CABH had previously developed four multi-family homes for first-time homebuyers and low-income renters, and developed a neighborhood playground after demolition of three fire damaged buildings, all in the same neighborhood. After renovation, St. Anne's houses seventeen individuals, four of whom are DMH clients.

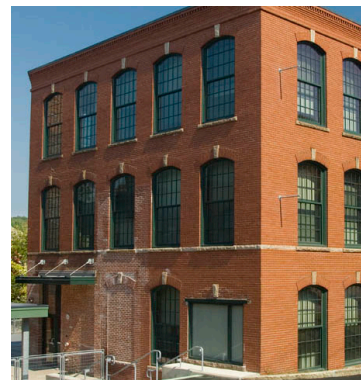


St. Anne's Residents

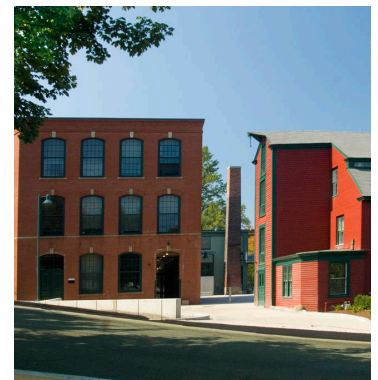
WHITIN MILL

Alternatives Unlimited, Whitin Mill Restoration

Alternatives Unlimited has provided services to clients of the Department of Mental Health for over thirty years in the Metrowest area. Several years ago, Alternatives purchased the former Whitin Mill property on the Blackstone River in Northbridge, with intentions of converting the property to its central offices. But the agency realized that the water location provided for a broader range of residential and commercial uses as well. After renovation, the complex features a beautiful open plaza overlooking the water, a theater, a restaurant, and 3 two-bedroom apartment units for DMH clients. Alternatives also integrated an impressive range of renewable energy features into the adaptive reuse of the mill buildings, including photovoltaic panels, geothermal wells, and hydroelectric turbines.



Whitin Mill



CHILDREN'S INVESTMENT FUND

The Children's Investment Fund (the Fund) continued its efforts to raise the visibility of the issue of quality space for early education in Massachusetts. The Fund is spearheading a policy initiative to promote the importance of quality space as an integral component of the Commonwealth's Universal Pre-Kindergarten program. The Fund also committed over \$800,000 in capital grants to improve or expand early education and after school care facilities in 2007.



Artful Transformations

SOUTH END

United South End Settlements, Harriet Tubman House

United South End Settlements (USES) used a Facilities Initiative grant from the Fund to develop space for Artful Transformation, its therapeutic program for teenaged girls with a history of trauma or emotional illness. The focus of the art-based program is to build healthy identities and positive self expression. The new space offers art-based therapeutic programs, case management, and counseling to twenty five young women in attractive new space designed to enhance program activities.

HOLYOKE

Valley Opportunity Council, Churchill Homes, Holyoke

The Valley Opportunity Center's (VOC) Early Education and Child Care Center grew out of the Fund's biennial Building Stronger Centers (BSC) training and technical assistance program. The BSC training is designed to support non-profit organizations who are planning significant facilities improvement projects for early learning or out-of-school time programs. VOC moved its program out of an inadequate and rundown space into new, purpose-built space designed for an early learning program. The center has four bright classrooms, its own playground, and good administrative space. Its location in a community center also offers access to shared space—a computer lab and a multi-purpose room that can be used for indoor gross motor play.



Valley Opportunity Council

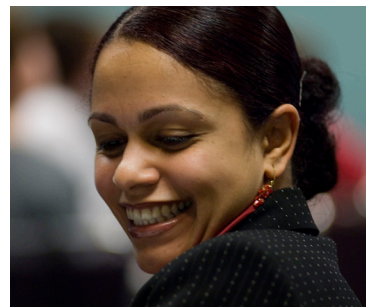
COMMONWEALTH WORKFORCE COALITION

2007 marked a banner year for the Commonwealth Workforce Coalition (CWC). The CWC organized and delivered a year-long capacity building program launched by the United Way of Massachusetts Bay and Merrimack Valley (UWMB) for its affiliate organizations who deliver education, employment and training services. Jeff Hayward, senior vice president of community impact at UWMB, said "This was an experiment that succeeded beyond our expectations. CWC really engaged the front line staff of our affiliates, and gave them practical tools they can use to benefit their clients."

CWC staff and consultants delivered twelve full and half days of training to the staff of affiliates; provided technical assistance to six affiliate organizations, and facilitated five peer learning groups. The peer learning groups, which focused on the areas of marketing to employers, flexible curriculum and instruction, management practices, post placement and retention services, and on-line applications, used the principles of peer learning to identify and share successful best practices among their participants. The CWC produced a toolkit compiling those

best practices which can be accessed on its website (<http://cwc.cedac.org>). As part of the United Way effort, CWC developed and presented to participants its new Working with Participants training institute for the first time.

The CWC also opened up new fronts to deliver services to regional service providers. Judith Lorei took the lead on convening the first networking forum in Bridgewater for the southeastern Massachusetts region. And Geoff Beane continued the hugely successful western Massachusetts regional networking effort.



COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

ENTERPRISE FUNDS

	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	TOTAL
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,506,803	\$ -	\$ -	\$ 1,506,803
Restricted cash and cash equivalents, including approximately \$28,892,000 committed to borrowers for loans	882,124	103,804	26,894,650	27,880,578
Short-term investments	598,867	-	-	598,867
Accounts receivable, net of allowance for uncollectible accounts of \$2,498	173,331	80	10,171	183,582
Grants receivable	31,128	94,816	-	125,944
Loans receivable, net of allowance for uncollectible loans of \$192,699	2,545,869	-	5,379,900	7,925,769
Net interfund receivables (payables)	515,521	(23,919)	(491,602)	-
Other current assets	35,671	-	-	35,671
Total current assets	6,289,314	174,781	31,793,119	38,257,214
OTHER ASSETS:				
Long-term investments	1,590,755	-	-	1,590,755
Interest receivable, net of allowance for uncollectible accounts of \$95,501	326,623	-	171,774	498,397
Loans receivable, net of allowance for uncollectible loans of \$1,377,462	9,014,805	-	6,917,608	15,932,413
Fixed assets, net of accumulated depreciation	202,163	-	-	202,163
Total other assets	11,134,346	-	7,089,382	18,223,728
Total assets	\$17,423,660	\$ 174,781	\$38,882,501	\$56,480,942
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 27,386	\$ 11,110	\$ 22,825	\$ 61,321
Deferred revenue	333,668	1,200	502,057	836,925
Due to loan participant	183,150	-	-	183,150
Current portion of notes payable	1,600,000	-	515,000	2,115,000
Deferred compensation payable	37,664	-	-	37,664
Accrued compensation	99,745	-	-	99,745
Total current liabilities	2,281,613	12,310	1,039,882	3,333,805
NOTES PAYABLE TO FUNDING SOURCES,				
net of current portion	7,523,168	-	37,842,619	45,365,787
Total liabilities	9,804,781	12,310	38,882,501	48,699,592
NET ASSETS:				
Unrestricted net assets	7,416,716	-	-	7,416,716
Invested in capital assets, net of related debt	202,163	-	-	202,163
Restricted net assets - expendable	-	162,471	-	162,471
Total net assets	7,618,879	162,471	-	7,781,350
Total liabilities and net assets	\$17,423,660	\$ 174,781	\$38,882,501	\$56,480,942

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	ENTERPRISE FUNDS			
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	TOTAL
OPERATING REVENUES:				
Interest	\$ 1,270,093	\$ 3,658	\$ 1,888,797	\$ 3,162,548
Loan fund management and other fees	420,625	140,990	-	561,615
Less - loan and interest loss provision	(135,661)	-	90,844	(44,817)
Less - interest expense	(670,985)	-	(202,605)	(873,590)
Net financial and related revenue	884,072	144,648	1,777,036	2,805,756
Government contracts	1,198,417	23,668	-	1,222,085
Other earned income	261,730	-	-	261,730
Legal fee expense	-	-	(429,926)	(429,926)
Legal fee revenue	-	-	429,926	429,926
Restricted grants and contributions	-	193,556	-	193,556
Unrealized gain on investments	10,254	-	-	10,254
Net decrease in note payable	-	-	(1,436,893)	(1,436,893)
Management fees expense	-	-	(340,143)	(340,143)
Total operating revenues	2,354,473	361,872	-	2,716,345
OPERATING EXPENSES:				
Employee compensation	1,578,789	-	-	1,578,789
Rent	226,974	-	-	226,974
Contracted services	72,027	140,127	-	212,154
Grants and related expenses	-	170,303	-	170,303
Legal	47,384	6,861	-	54,245
Supplies	37,972	-	-	37,972
Depreciation	35,239	-	-	35,239
Other expenses	29,295	-	-	29,295
Printing	23,725	-	-	23,725
Accounting and audit	23,305	-	-	23,305
Travel	17,434	-	-	17,434
Insurance	17,084	-	-	17,084
Equipment	16,415	-	-	16,415
Maintenance and repair	15,178	-	-	15,178
Postage and messengers	12,127	-	-	12,127
Memberships	10,699	-	-	10,699
Utilities	9,073	-	-	9,073
Telephone	9,061	-	-	9,061
Temporary help	6,155	-	-	6,155
Publications and subscriptions	4,524	-	-	4,524
Staff development	2,484	-	-	2,484
Total operating expenses	2,194,944	317,291	-	2,512,235
Changes in net assets from operations	159,529	44,581	-	204,110
UNRESTRICTED GRANTS AND CONTRIBUTIONS	5,000	-	-	5,000
Changes in net assets	164,529	44,581	-	209,110
NET ASSETS, beginning of year	7,454,350	117,890	-	7,572,240
NET ASSETS, end of year	\$ 7,618,879	\$ 162,471	\$ -	\$ 7,781,350

(1) OPERATIONS, NONPROFIT STATUS & SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Community Economic Development Assistance Corporation (CEDAC) is a quasi-public corporation established under Chapter 40 H of Massachusetts General Laws in 1978 and is discretely presented as a component unit in the Commonwealth of Massachusetts' Comprehensive Annual Financial Report. CEDAC provides a range of development assistance programs to nonprofit development corporations throughout the Commonwealth of Massachusetts to expand the supply of affordable housing and foster the revitalization of economically distressed areas.

CEDAC maintains corporate control of the Children's Investment Fund, Inc., formerly named the Child Care Capital Investment Fund, Inc. (the Fund), a Massachusetts charitable corporation originally established as a controlled affiliate of the United Way of Massachusetts Bay (United Way). As part of the terms of corporate transfer of the Fund from the United Way to CEDAC, the United Way transferred its sole membership in the corporation to CEDAC and imposed certain restrictions on the use of the assets and their earnings. The United Way also maintains certain rights with regard to the composition of the Fund's Board of Directors. The Fund's mission is to improve the quality and expand the availability of early child development programs for low and moderate income families in Massachusetts through investment in center-based and family-based preschool and school-age child care facilities.

Both CEDAC and the Fund are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to CEDAC and the Fund within the Internal Revenue Code regulations. CEDAC and the Fund are also exempt from state income taxes.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – GASB Standards

The accompanying general purpose financial statements were prepared on the accrual basis of accounting. Because CEDAC is a quasi-public corporation, its accounting policies and financial statement presentation is governed by standards issued by the Governmental Accounting Standards Board (GASB). CEDAC has adopted GASB Statement No. 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments." GASB Statement No. 34 outlines financial reporting requirements for state and local governments. CEDAC is considered a special purpose government organization that conducts only business-type activities within the meaning of GASB Statement No. 34 and, therefore, only has enterprise funds within its proprietary fund. CEDAC has no governmental funds. As such, CEDAC is not required to present government-wide financial statements, but rather only the accompanying fund financial statements.

Classification of Net Assets

CEDAC's financial resources are organized in the following major funds. CEDAC has no non-major funds as defined by GASB 34.

Operating and CEDAC Loan Funds:

Operating net assets—Operating net assets represent the portion of unrestricted expendable funds that are used to support CEDAC's operations and accounts for funds for which CEDAC has met imposed restrictions in accordance with funding agreements or management contracts. The Board of Directors has designated a portion of the operating net assets to serve as an operating reserve and a portion to fund loan losses. The policy outlined by the board is to first fund an operating reserve and then to reserve for potential extraordinary loan losses. As of June 30, 2007, CEDAC had set aside \$1,097,472 for the operating reserve and \$465,281 to fund loan losses. To the extent possible and as loans are forgiven, the board may authorize the transfer of loan loss reserve funds to the loan funds to help maintain lending capacity.

CEDAC Loan Funds—The CEDAC Loan Funds consist of \$5,853,963 of unrestricted net assets designated by the Board of Directors and of additional recourse debt capital which is used as a loan fund to assist eligible nonprofit organizations in covering pre-development costs for the acquisition, construction or rehabilitation of residential, commercial and industrial real estate. Most loans receivable are classified as long-term assets on the statement of net assets because the collection of these loans is generally based on the progress of the development project and is not readily determinable. Those loans that fund the acquisition of properties and have a specific loan term are allocated between current and long-term loans receivable based on stated maturities. Debt capital is reported on the statement of net assets as notes payable to funding sources.

Invested in Capital Assets, net of related debt—This classification is used to account for all property and equipment purchased by CEDAC and used in operations. Property and equipment is recorded at cost, or if donated, at its fair market value at the date of donation. Depreciation is provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets, using the straight-line method. Property and equipment of \$202,163 as of June 30, 2007, are presented on the accompanying statements of net assets as net assets invested in capital assets, net of related debt.

Restricted Program Funds—Restricted Program Funds relate to funds contributed by donors to fund special CEDAC programs and are classified as Restricted Expendable Net Assets. Contributions are recorded as program revenue in the restricted program funds as they are received. As funds are expended under the program in accordance with the donor-imposed restrictions, they are reported as expenses on the accompanying statements of revenues, expenses and changes in net assets. Included in the Restricted Program Funds are those funds associated with the Commonwealth Workforce Coalition (CWC). Through the CWC, CEDAC provides training, and professional development services to assist community-based organizations to improve the quality and scope of their education and training programs for low-income people. Also included in the Restricted Program Funds are those funds disbursed by CEDAC and reimbursed by third party funders.

Loan Funds Under Management—Loan Funds Under Management include those non-recourse loan funds capitalized at CEDAC by various funders. These loan funds are managed by CEDAC under management contracts with the funders which outlines the use of the loan corpus and its accumulated interest. The managed loan funds are reflected on the general purpose financial statements as notes payable to funding sources. Under these management contracts, CEDAC is allowed to charge certain administrative expenses and loan loss provisions directly to the loan fund and they are shown as direct loan fund expenses in the accompanying statements of revenues, expenses and changes in net assets. These loans represent no lending risk to CEDAC due to their non-recourse nature.

(2) NOTES PAYABLE TO FUNDING SOURCES

Loan programs managed by CEDAC are governed by contracts which outline the uses of funds, restrictions and covenants imposed by the funders. Loan programs included in the CEDAC Loan Funds are comprised of recourse loans, where those loan programs included in Loan Funds Under Management are comprised of non-recourse loans. All others are classified within Loan Funds Under Management. CEDAC was in compliance with all restrictions and covenants as of June 30, 2007. Note payable balances include:

- The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund is used to provide pre-development and acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. Acquisition loans are secured by first mortgages. The term of the loan is five years, with the principal balance due at maturity. Interest is payable quarterly at a rate of 5.87% through June 30, 2010.
 - Home Funders Collaborative Loan Fund—The Home Funders Collaborative, LLC (Home Funders) capitalized an \$8 million loan fund to fund primarily acquisition and pre-development loans to projects where a minimum of twenty percent of the housing units will support families with incomes at or below thirty percent of median income. Acquisition loans are secured by first mortgages. The term of the loan is ten years, maturing in June, 2013, with the principal balance due at that time. Interest is payable semi-annually at a rate of 1%.
 - The City of Boston Department of Neighborhood Development (DND) Loan Fund authorized the capitalization of a revolving loan fund of funds held at CEDAC to be used to provide loans to governmentally-assisted projects in the City of Boston. By the terms of the contract, all principal and interest accrues to the DND Loan Fund.
 - The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund includes a \$3 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The line of credit allows for annual reviewed renewal options. The current term expires in June, 2009. The line of credit carries an interest rate of prime, minus 1.25%. Advances under the line of credit have a maximum term of 24 months. Recourse to CEDAC is limited to the greater of \$250,000 or 10% of the outstanding loan amount.
- MHP has provided an additional \$400,000 to allow CEDAC greater flexibility in underwriting the acquisition loans to nonprofit developers. The balance, net of allowances of \$299,679 is included in the general purpose financial statements as deferred revenue at June 30, 2007.

- The Housing Stabilization Fund (HSF) Acquisition Loan Fund—The Department of Housing and Community Development (DHCD) capitalized the HSF Acquisition Loan Fund in the amount of \$1,350,000 to provide additional capital to allow CEDAC greater flexibility in underwriting acquisition loans to nonprofit borrowers. The term of the current HSF agreement is three years after the date of the last HSF loan made by CEDAC and all principal and interest accrues to the loan fund. The last loan from this fund was made by CEDAC in May, 2007.

- The Affordable Housing Trust (AHT) Loan Fund - During 2002, the Massachusetts Housing Finance Agency (MassHousing) capitalized a \$1,000,000 AHT Loan Fund from the Commonwealth's Affordable Housing Trust Fund to fund pre-development loans to nonprofit borrowers undertaking projects that meet the preferences outlined in the AHT guidelines. Under the terms of the agreement, all principal and interest accrues to the loan fund.

- The Boston Foundation Loan Fund was capitalized with an unsecured commitment of up to \$1.5 million to capitalize a loan fund at CEDAC to provide acquisition and pre-development financing to support the development of single purpose occupancy housing projects in the Greater Boston area. Acquisition loans are secured by first mortgages. The term of the loan is ten years, maturing on January 26, 2015, with the principal balance due at that time. Interest is due semi-annually at a rate of 2.5%.

- The Wainwright Bank Acquisition Line of Credit provides capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$12.5 million as of June 30, 2007. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit with a term of three years, maturing in December, 2007. Interest is payable quarterly at the 90 day London Interbank Offered Rate (LIBOR) (4.17% at June 30, 2007), plus 1.25%.

Notes payable to these funding sources consist of the following as of June 30, 2007

CEDAC Loan Funds:

Life Initiative Loan Fund	\$ 3,000,000
The Boston Foundation Loan Fund	1,500,000
Wainwright Bank Acquisition Loan Fund	<u>4,623,168</u>
	<u>9,123,168</u>

Loan Funds Under Management:

Home Funders Collaborative Loan Fund	7,650,161
DND Loan Fund	545,286
MHP Acquisition Loan Fund	1,290,000
HSF Acquisition Loan Fund	1,450,113
AHT Loan Fund	2,547,457
Net HIF/FCF/CBH (see Note 3)	<u>24,874,602</u>
	<u>38,357,619</u>
	<u>\$47,480,787</u>

Lending Line of Credit—In July, 2002, CEDAC obtained a \$2,000,000 line of credit from a local bank to help maintain liquidity in lending capacity, while investing a portion of loan capital in investments with longer term maturities. Borrowings will bear interest at LIBOR (4.17% at June 30, 2007), plus .85%. A cash account and certain investments are held as collateral by the bank. No balances were outstanding on June 30, 2007.

(3) UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE

CEDAC serves as underwriter and fiscal agent for Housing Innovations Fund, Facilities Consolidation Fund, and Community Based Housing loans that are committed by DHCD. Upon closing of each loan, DHCD generally disburses loan proceeds and related fees to CEDAC for disbursement to the designated borrowers. CEDAC also serves as disbursing agent for legal fees associated with these loans and disbursed \$429,926 of legal fees during 2007.

Notes and mortgages executed in connection with each loan are assigned to CEDAC, which is responsible for the collection of loan repayments. CEDAC and its officers, directors and employees are not liable to DHCD for any losses on loans not repaid or otherwise recovered. DHCD is also responsible for monitoring the performance of these loans.

- The Housing Innovations Fund (HIF) was funded by \$166 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by nonprofit organizations.

- The Facilities Consolidation Fund Pooling Program (FCF) was funded by \$150 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. FCF program loans are targeted to clients leaving state supported facilities operated by the Massachusetts Department of Mental Retardation (DMR) and the Massachusetts Department of Mental Health (DMH).

- The Community Based Housing Program (CBH) was funded by \$25 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. CBH program loans are targeted to support disabled individuals not served by DMR or DMH.

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF and CBH notes payable are presented in the general purpose financial statements net of loans receivable at June 30, 2007.

Gross loans receivable and notes payable by loan program are as follows:

	HIF	FCF	CBH	Total
Note payable, June 30, 2007	\$123,876,787	\$53,372,372	\$4,015,146	\$181,264,305
Less – loans receivable	<u>107,482,370</u>	<u>46,586,780</u>	<u>2,320,553</u>	<u>156,389,703</u>
Net note payable, June 30, 2007	<u>\$16,394,417</u>	<u>\$6,785,592</u>	<u>\$1,694,593</u>	<u>\$24,874,602</u>

Net notes payable of the HIF, FCF and CBH programs represent amounts held by CEDAC committed for future lending.

(4) LOANS RECEIVABLE

CEDAC loans receivable consist of amounts advanced on pre-development and acquisition loan commitments at June 30, 2007. CEDAC classifies all loans as long-term, except in cases where the funding source stipulates a maximum loan term. CEDAC pre-development loans are generally unsecured, bear interest at rates between 0% and 7% and interest and principal are due at the first project closing. Acquisition loans are prime-based variable rate loans or loans of fixed rates up to 9%, and are secured by a first mortgage on the property acquired. Interest on acquisition loans is due quarterly and principal is due on the earlier of the loan maturity or the closing of the first project financing.

Loan receivable balances of CEDAC include:

	Number of Loans	Loan Balance	Allowance (see Note 5)	Net Loan Receivable
Pre-development loans	95	\$9,385,905	\$(1,130,700)	\$8,255,205
Acquisition loans	18	16,042,438	(439,461)	15,602,977
Total	<u>113</u>	<u>25,428,343</u>	<u>(1,570,161)</u>	<u>23,858,182</u>
Less – current portion		<u>8,118,468</u>	<u>(192,699)</u>	<u>7,925,769</u>
Long-term portion		<u>\$17,309,875</u>	<u>\$(1,377,462)</u>	<u>\$15,932,413</u>

(5) ALLOWANCE FOR UNCOLLECTIBLE LOANS

The allowance for uncollectible loans has been allocated to the long-term and current portions of the loan portfolio based on identification of the risk of loss associated with individual loans.

Activity in the allowance is summarized as following:

Balance, June 30, 2006	\$1,606,574
Additions to allowance	10,347
Offset to deferred revenue	(18,059)
Loans written off	<u>(28,701)</u>
Balance, June 30, 2007	<u>\$1,570,161</u>

CEDAC's activities are made possible with the generous assistance of the agencies, foundations and corporations listed here. We are very grateful for their continuing support.



FUNDERS

Department of Housing and Community Development,
Commonwealth of Massachusetts

Wainwright Bank & Trust

HomeFunders, LLC

The Boston Foundation
Annie E. Casey Foundation
The Paul and Phyllis Fireman Foundation
Highland Street Connection
The Hyams Foundation
Mellon Bank
Oak Foundation
State Street Bank Foundation

The Massachusetts Life Insurance
Community Investment Initiative

The Metropolitan Life Insurance Company

Massachusetts Housing Partnership

Anonymous

MassHousing, Affordable Housing Trust Fund

Eastern Bank

The Boston Foundation

Federal Home Loan Bank of Boston

Boston Private Bank & Trust
Bank of America
Citizens Bank
Wainwright Bank & Trust

United Way of Massachusetts Bay and Merrimack Valley

Department of Neighborhood Development, City of Boston

The Surdna Foundation

Herman and Frieda L. Miller Foundation

U.S. Department of Housing and Urban Development

John Merck Fund

Bank of America Philanthropic Management

The Irene E. & George A. Davis Foundation

Massachusetts Rehabilitation Commission,
Commonwealth of Massachusetts

Citizens Bank Foundation

SkillWorks

City of Boston, Office of Jobs and Community Services

Met Life Foundation

First Parish in Lincoln, Social Concerns Committee

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Marybeth Paruti

Intern

Kamiliah R. Pompey-Williamson

Junior Accountant

Carolyn M. Williams

Accountant



Community Economic Development Assistance Corporation

One Center Plaza, Suite 350, Boston, MA 02108 • Telephone: 617.727.5944 • Fax: 617.727.5990 • Email: cedac@cedac.org

