

2000

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

CEDAC

ANNUAL REPORT

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ANNUAL REPORT

As required by Section 6 of Chapter 498 of the Acts and Resolves of 1978, this report is respectfully submitted to:

ARGEO PAUL CELLUCCI

Governor, Commonwealth of Massachusetts

MARK C. MONTIGNY

Chairman, Senate Ways and Means Committee

JOHN H. ROGERS

Chairman, House Ways and Means Committee

STEPHEN P. CROSBY

*Secretary of Executive Office for
Administration and Finance*

PATRICK F. SCANLAN

Senate Clerk

STEVEN JAMES

House of Representatives Clerk

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Letter from the Chairperson and the Executive Director

LAST YEAR CEDAC celebrated its twentieth anniversary. To commemorate the passage of that milestone, we shared with you an overview of all that CEDAC and its non-profit partners have accomplished over our first two decades. It was an impressive retrospective, but there hasn't been time for any of us to rest on our laurels.

The Massachusetts real estate market has continued its unprecedented upsurge. Even our residents who are solidly in the mainstream of the economy have encountered such a dramatic upward spike in their housing costs as to endanger the continuation of the state's enviable economic expansion. The state's low- and moderate-income working residents, on the other hand, who earn as little as half of the median family income, simply cannot afford the home prices and rents of the private market.

To its credit, the non-profit development community has stepped up its efforts to produce new rental and homeownership housing units to address this issue. In fact, even in the face of land acquisition and construction costs that were unimaginable only two or three years ago, the number of new proposals for production of additional housing units has swamped the supply of available public resources for writing down

development costs to affordable levels.

So we are especially grateful that the Administration of Governor A. Paul Cellucci and Lt. Governor Jane Swift have affirmed their commitment to dedicate more resources to housing, encourage the production of new housing, and remove regulatory barriers to new production. Specifically, the Governor signed legislation creating both a state low-income housing tax credit, and a landmark Affordable Housing Trust Fund, within the last year.

Together these two bold new initiatives will provide \$200 million in new capital to produce and preserve low-income housing over the next five years. CEDAC will work with its partner agencies at the state level—the Department of Housing and Community Development, the Massachusetts Housing Finance Agency, and the Massachusetts Housing Partnership Fund—to focus these resources in support of the non-profit development agenda. These new pools of funding will go a long way to help Massachusetts' non-profit developers bring these new projects to fruition.

And CEDAC has dramatically stepped up its financial support to non-profit developers. We have now lent over \$32 million from our high-risk revolving loan funds as seed money. Our support



has helped non-profits produce and preserve over 15,000 housing units, with total development costs of over \$1.6 billion. And while doing so, we have lost only a little over 1% of those loans.

To keep pace with our partners' financial needs, both in housing and in child care, we needed to augment our capital base. So we are very pleased this year to welcome important new financial partners. The Massachusetts Life Insurance Community Investment Initiative has made major commitments of \$5 million to CEDAC and the Child Care Capital Investment Fund. The Metropolitan Life Insurance Company and the Federal Home Loan Bank of Boston, in concert with four local banks, have made another \$4 million available for child care facilities loans. These new capital commitments enable us to respond to the initiative shown by the non-profit development community in meeting the Commonwealth's housing and child care needs.



A handwritten signature in black ink, appearing to read 'Sarah B. Young'.

Sarah B. Young
Chairperson

A handwritten signature in black ink, appearing to read 'Michael Gondek'.

Michael Gondek
Executive Director

IN SPRINGFIELD

THE HAMPDEN Hampshire Housing Partnership (HAP, Inc.) has focused its community stabilization efforts in Springfield on the city's Lower Liberty Heights neighborhood. Residents of the Lower Liberty Heights area formed the Lower Liberty Heights Community Action Team (LLHCAT) to advocate for public improvements and private investment in the neighborhood. They created a "Vision for Lower Liberty Heights": a neighborhood that anyone would be proud to call home, a place with safe streets, attractive homes, good neighbors, and community activities. And they focused on improving vacant and dilapidated properties.

The city has aggressively targeted vacant two-family houses which have suffered from disinvestment. The city's goal is to encourage new homeownership opportunities in these homes, by providing the subsidy funds necessary for their renovation, in partnership with the Commonwealth. As the developer for LLHCAT, HAP is substantially rehabilitating four two family houses on Genesee and Tracy Streets, which will be made available for sale to income-eligible first time home-buyers. HAP also acquired and demolished two other properties whose condition was so poor that they could not be renovated. Buyers of the newly renovated duplexes receive homebuyer counseling assistance through HAP, as well as assistance with accessing special affordable mortgage financing products.

LLHCAT has also succeeded in spearheading the cleanup of a deteriorated neighborhood park, and the reclamation of an abandoned building to serve as a community center. It has also attracted the resources of Habitat for Humanity, which has built two new homes on vacant lots, and plans other projects. The combination of an activist neighborhood group and an experienced community developer like HAP has resulted in the investment of more than a million dollars in the Lower Liberty Heights neighborhood.



Shantel Asante-Kissi of HAP, Inc. on the porch of one of Springfield's newly renovated Liberty Heights properties.

IN WORCESTER

WORCESTER Common Ground (WCG), a newly re-energized community development organization, has made great strides in its efforts to stabilize the Piedmont neighborhood in that city. The primary demographic group in the neighborhood is Latino, with an emerging Vietnamese population. WCG is targeting abandoned and distressed properties, whose renovation will help spur improvement in the neighborhood's low rate of owner occupancy. WCG's homebuyer training and marketing programs are geared primarily to working families earning less than 50% of the area median income, or under \$25,000 per year.

The first phase of WCG's Su Casa Propia (Your Own Home), completed thirteen first time homebuyer properties. The properties were sold to low-income working families, on terms that ensured that their mortgage costs were in the range of \$600–800 per month, which were then reduced by rental revenues generated by the rental unit in the building. Because of WCG's training and marketing programs, every property completed by WCG was under



One of the first-time homebuyer properties completed in Phase One of Su Casa Propia. INSET: Developer Michael Whalen stands with a family on the porch of their new home.

agreement with a prospective owner prior to the end of construction.

Next WCG is assembling five wood frame triple decker buildings containing 15 units overall, as Su Casa Propia II. The properties will be conveyed to first-time homebuyers, using local city and state HOME funds, as well as the Federal Home Loan Bank's Affordable Housing Program. WCG has also begun to plan for the

redevelopment of 98–102 Austin Street, two severely distressed multifamily buildings containing nine units of housing. The properties are on the city of Worcester's Ten Priority Properties List, and have been the focus of attention of city departments. Both properties are in need of substantial rehabilitation. The renovation program will reduce the number of units from thirteen to nine, providing larger family sized units.

IN FITCHBURG / LEOMINSTER

THE TWIN CITIES CDC has embarked on an ambitious sectoral strategy to create new job opportunities for low-income residents of the Fitchburg/Leominster area, and to effect systemic change in the way the local plastics industry trains, retains, and promotes employees. From the germ of an idea three years ago, the CDC is well into a planned three-year effort to place 170 employees in more than a dozen major local plastics firms.

The CDC discovered that the local plastics industry, the major economic engine for the regional area, was transporting workers in from outside the area to fill job slots. And even when local residents secured jobs, they were frozen into low-paying, entry level positions. Working more than sixty hours per week, they had no time to pursue technical skill training, or take the advanced math and English courses they would need in order to move up the job ladder.

The CDC had never run workforce development programs before, so it had to assess what skills it should bring in-house by hiring new staff, and what functions could best be carried out by

striking up partnerships with other local service providers. The CDC had to win the confidence of employers that it could add value to their recruitment and training efforts. And the CDC had to figure out how to attract funding for a brand-new endeavor in which it had no track record.

With the help of Congressman John Olver's office, the CDC struck pay dirt on the funding front when it was able to obtain a \$1 million demonstration grant from the Department of Labor (DOL) to launch what became known as the Worklinks to Plastics project. Twelve major employers made commitments to hire employees referred by the CDC, and to recommend incumbent workers for new training opportunities the CDC will help provide. The CDC engaged Holyoke Community College's Center for Business and Professional Development to conduct the training needs analysis.

Six months into the DOL grant, the CDC is actively assessing and referring new applicants, and working with incumbent workers to establish a training program to bolster upward mobility for those residents who are already

employed. And there is strong spinoff potential for the CDC: its community organizing program is involving a number of the new job applicants in CDC activities, and several of the employers with whom the Worklinks projects is involved are interested in fashioning an employer housing assistance program with the CDC.



Mike Condon of Twin Cities CDC and an employee at Plastican, Inc., one of the firms participating in Worklinks to Plastics.

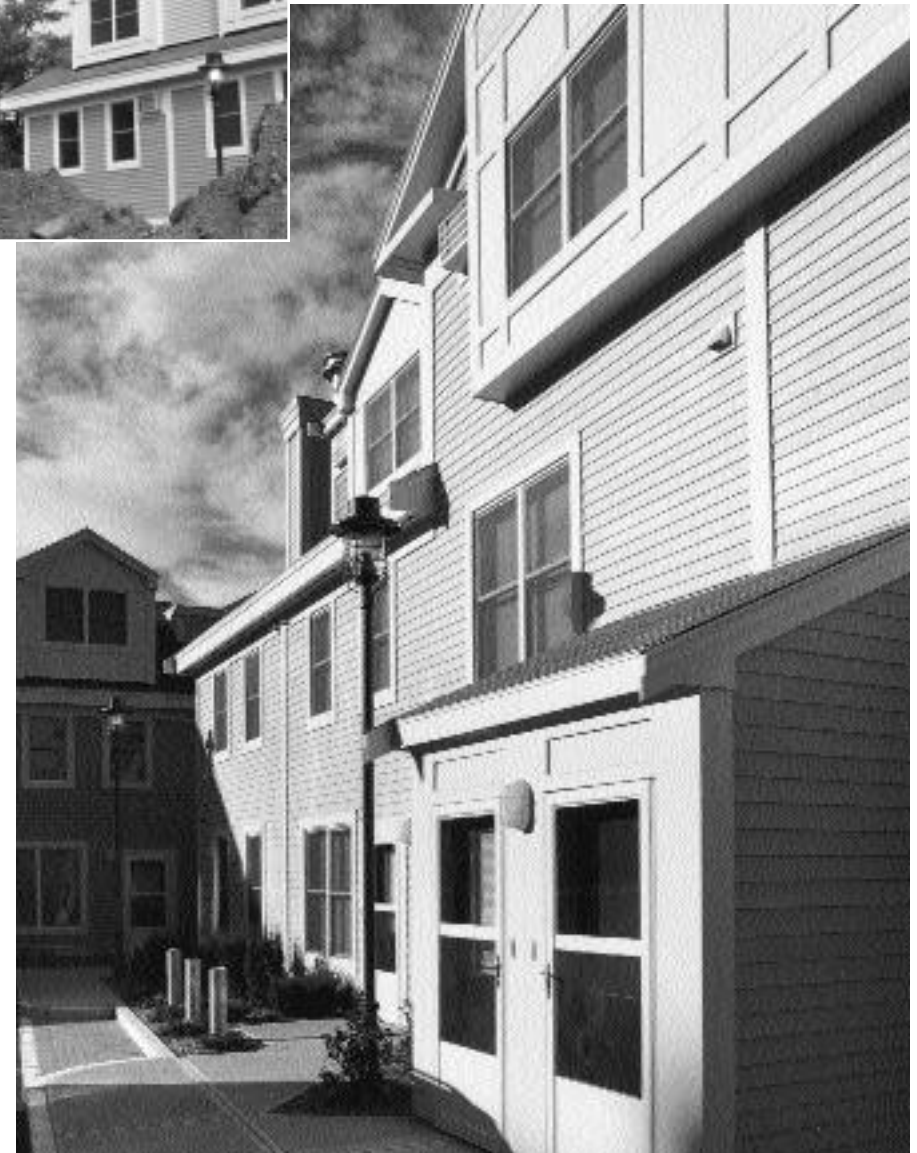
IN CAMBRIDGE

To mitigate the loss of inexpensive rental housing in Cambridge, the city has aggressively supported its non-profit developers' efforts to expand the city's supply of new affordable housing. Just-A-Start finished twelve attractive townhouse units at 2525 Massachusetts Avenue in North Cambridge this year, on the former site of a drive-in bank. In the face of a heated neighborhood debate about the appropriate density of development on the site, the city backed Just-A-Start's proposal. Although the number of units proposed was ultimately reduced, the completed site is a very handsome addition to the neighborhood.



Just-A-Start's Barbara Shaw with several residents of the new townhouse units.

HOMEOWNERS REHAB (HRI) culminated its efforts to ensure a residential component in MIT's University Park development area of Cambridgeport by finishing its second phase of mixed income housing along Brookline Street. HRI's 60 new units of rental housing, called Auburn Court II, complement the first phase of 77 units completed several years ago. Amid University Park's research and development offices, hotel, and commercial facilities, HRI's housing provides striking evidence that mixed-income housing can be a valuable complement to those uses, and provides permanently affordable housing in what amounts to a new mini-neighborhood of the city.



*Homeowner's Rehab's Auburn Court II, Cambridge.
TOP: Jane Jones of HRI on the construction scene.
ABOVE AND RIGHT: Newly completed housing units.*



TOP: Elna Vincent, a resident of Harvard Place, with CASCAP's Claudia dePass. ABOVE: Harvard Place resident Bob Marchand. RIGHT: Harvard Place upon completion.



AND SHARE ASSOCIATES, a division of CASCAP, Inc. developed Harvard Place, which features twenty-two apartments for elders, plus common spaces which include dining and living rooms. Located near the thriving commercial center of Central Square, these beautiful affordable rental apartments offer a range of supportive services including a meals program and 24 hour emergency support. The Cambridge Historical Commission presented an award to CASCAP for the preservation and restoration of this long abandoned, 1860s French mansard home.

IN BOSTON



THE ACADEMY HOMES 1 Tenants Council celebrated a remarkable milestone, when the Tenants Council and Urban Edge marked the end of renovations to the complex, and the beginning of a new partnership to own and operate Academy Homes 1. To virtually the entire outside world Academy Homes 1 had become a symbol of failed subsidized housing: ugly concrete blocks with failing structural elements and malfunctioning systems. The press coverage of Academy Homes 1 consisted of reportage on the periodic outbursts of teenage violence which flared up between gangs in the development and those from neighboring areas, sometimes culminating in fatalities. The world had given up on the possibility of Academy Homes 1 functioning as a community.

LEFT, TOP: Betty Greene of Academy Homes' Tenants Council with Mossik Hacobian, executive director of Urban Edge. BOTTOM: Eri-Ellington residents Antoinette Fortes, Anthony Semedo and Davon Lahue. ABOVE: Academy Homes 1.

But Betty Greene, president of the Tenants Council, and her small band of allies refused to give up their dream that Academy Homes 1 could provide families with a decent place to live and raise a family. Meeting tirelessly with dedicated members of the Boston Police Department, who spent an enormous amount of their own time to curb youth violence in the development, the Tenants Council labored to rebuild the tattered fabric of community at Academy Homes 1. With the help of a few key supporters, among them CEDAC board member Patricia McDermott, Rep. Kevin Fitzgerald's chief aide, the Tenants Council crafted a partnership with Urban Edge to acquire the property and assemble the financing to carry out the renovations that would give Academy Homes 1 a new lease on life.

It was no small feat. The negotiations to convince the Department of Housing and Urban Development (HUD) to take unprecedented steps in order to facilitate the transfer of the property to the Tenants Council–Urban Edge team were difficult: two buses of tenants had to journey to HUD's offices to express the urgency of the situation in order to help secure HUD approval. But last May, after almost ten years of effort, all the work of the Tenants Council paid off at the dedication ceremonies for the new



ABOVE: Academy Homes 1. RIGHT: Codman Square's Jim Hexter at the Erie-Ellington site.

Academy Homes 1. And with plans for a new park adjacent to Academy Homes 1, and a revived spirit of collaboration with the resident group at the nearby Academy Homes 2 development, there is new optimism for the future of Academy 1.





THE ERIE-ELLINGTON STREETS area of Dorchester had suffered from devastating abandonment of its housing stock, and eventual demolition of much of its housing, decades ago. In the mid-1980's, the Codman Square Neighborhood Development Corporation (NDC) had developed moderate-income condominiums on part of the vacant land in the area. But the recession of the late 1980's had stalled further rebuilding of the area until the NDC revived development plans several years ago. In the meantime, new homeowners had moved into the area and formed a nascent neighborhood organization.

The neighbors were not opposed to new housing being built on the vacant land, but appreciated the open feeling of the area, and did not want a new high density development on the site. The NDC worked intensively with the neighbors for several years to craft an overall development plan that would provide rental housing to complement the ownership housing it



ABOVE: One of the new buildings in the Erie-Ellington neighborhood.
LEFT INSET: Erie-Ellington resident Kenneth Brown on his porch.

had previously built. The NDC was particularly concerned about the energy efficiency of the housing, so its development team focused on the use of recycled materials wherever possible, which guarantees longer useful lives and reduces maintenance costs. The finished development has an attractive low-density feel as a result of the neighbors' input, and a new community center will be built to help cement the spirit of the new community being built in Erie-Ellington.

IN SHIRLEY

OVER SEVEN YEARS AGO, the town of Shirley agreed to acquire a large piece of property, with the goals of promoting moderate-income homebuying opportunities on part of the site, while setting aside most of the land in perpetuity for recreation and conservation use for residents of the town. The town invited Rural Housing Inc. (RHI) to develop the property. The site presented a challenging set of obstacles to development: its configuration severely limited the layout of units; water table and septic conditions constrained the number and location of the houses; and the conservation and housing objectives were a challenge to mesh.

But RHI and the town persevered, and brought the project to fruition last year with a crucial last-minute financial contribution from the state's Department of Housing and Community Development (DHCD). As a result, nine moderate-income families will have an opportunity to purchase a house they can afford in Shirley, the town has demonstrated its commitment to providing affordable housing, and town residents will enjoy access to a new and improved conservation and recreation area.

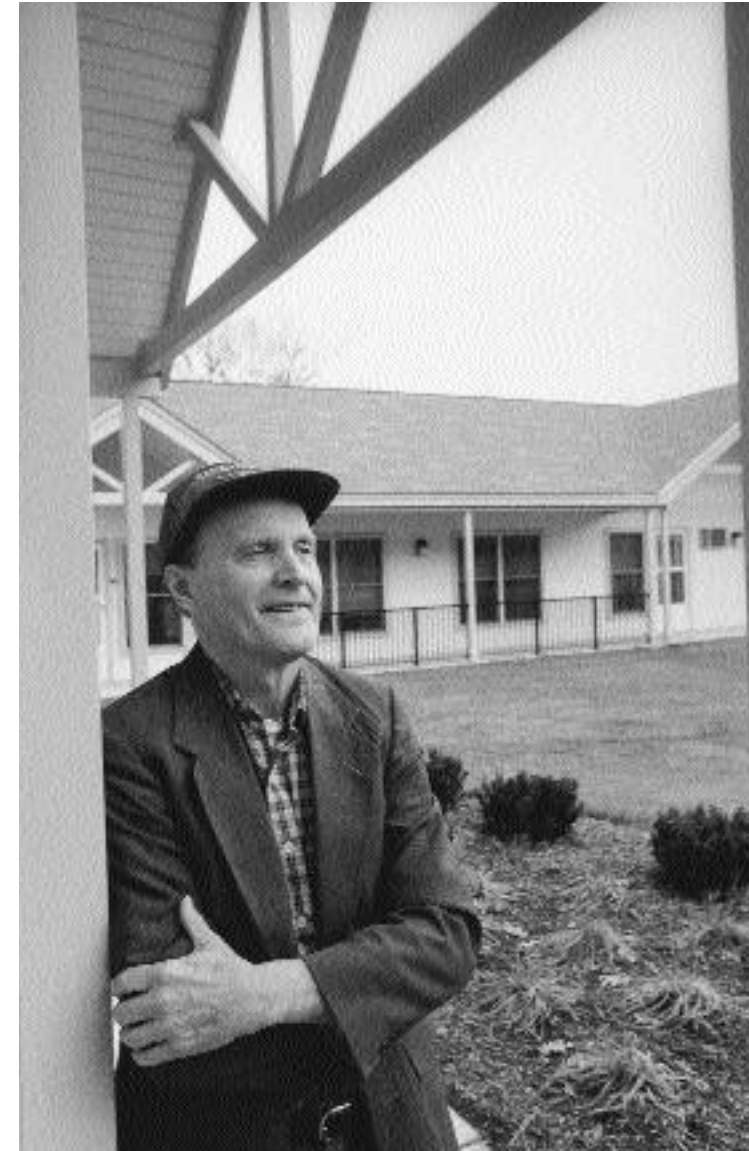
TOP: Homeowner Cindy Stone with Shirley's assistant building inspector Donald Farrar, selectman Charles Shultz, and highway surveyor Butch Chevrette. RIGHT: One of Shirley's completed homes.



IN WALES

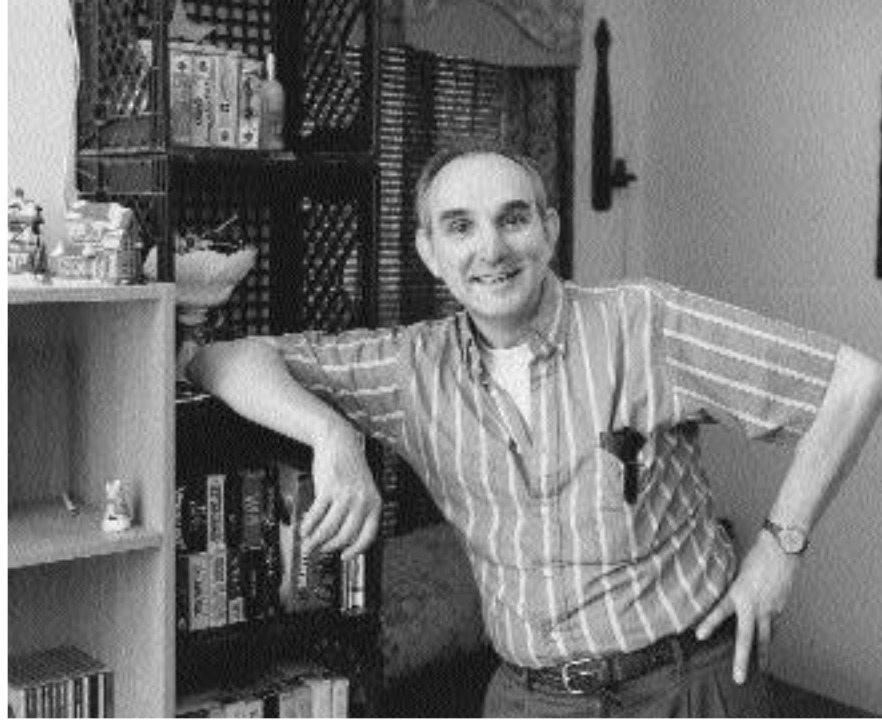
IN ADDITION TO ITS WORK in Springfield, HAP has also succeeded in bringing to completion important projects which help meet the expressed housing needs of communities in its region. In the small town of Wales, HAP worked with the town and the local elderly agency to design and finance Silver Meadows, an extremely attractive twenty unit elderly housing development. The only affordable housing in Wales, Silver Meadows broke ground last fall but promptly encountered unforeseen sub-surface conditions which threatened to dramatically increase its construction costs and jeopardize its feasibility. HAP and DHCD cooperated to come up with a financial solution which allowed construction to continue, and has resulted in beautiful elderly housing which will be an asset to the community of Wales.

*TOP RIGHT: The front entrance of Silver Meadows, new elderly housing in Wales.
BOTTOM RIGHT: Jean Mongeon and Edith Hermonson, residents of the new development, with Amelia Gauger of HAP.
FAR RIGHT: Silver Meadows resident Ray Caldbeck.*



IN NORTHAMPTON

NORTHAMPTON IS an extremely desirable community, with one of the state's most expensive housing markets, and can offer very few housing options for low- or even moderate-income families. But the town is committed to continuing to promote affordable housing wherever it can, so it embraced HAP's proposal to acquire and preserve low-income single room occupancy housing at the Lorraine at 96 Pleasant Street. Located just a few blocks from Northampton's vibrant commercial center, the Lorraine is a Historic Register property which has traditionally provided affordable housing for single adults. But the building has been allowed to deteriorate over the past ten years, and the town was concerned that it was endangered. HAP stepped in, acquired the property, and quickly secured funding to stabilize the building. Now completely renovated with updated systems, kitchenettes and bathrooms, the Lorraine provides 28 units of enhanced single room occupancy housing for adults at rent levels they can afford just steps away from downtown Northampton.



*ABOVE: Bob Sallfrank, a resident of the renovated Lorraine.
RIGHT: Lorraine resident Jeanette Lopez.*



VINCENT O'DONNELL

CEDAC IS EXTREMELY proud of the recognition bestowed on our colleague, Vincent O'Donnell, this year by the Citizens Housing and Planning Association (CHAPA). CHAPA presented Vince with one of its distinguished Community Service Awards at its annual meeting in November, in recognition of his groundbreaking work on preservation of federally-assisted multifamily housing.

Vince came to CEDAC fifteen years ago from his position as executive director of Homeowners Rehab, Inc, in Cambridge. He quickly developed a special interest and expertise in the preservation of low-income rental housing which was at risk of its owners pre-paying their federally-insured mortgages. Vince had actually begun working on similar issues years before, under contract to CHAPA itself.

But by the mid 1980's the potential loss of a major portion of Massachusetts' low-income housing stock loomed especially large. Vince emerged as a crucial player nationally on legislative and policy fronts, advising Congressional committees and HUD on program design and implementation. He has been a stalwart among a national working group of housing development professionals who have crafted much of the federal



response to ensure the preservation of this housing for low-income families. And he has been a pivotal resource to non-profit developers, resident groups, and state and city agencies in structuring transactions which permit the transfer of properties to non-profit ownership and control.

Vince was a central player in such notable local transactions here as:

- the resident purchase of the 500 unit Clarendon Hill Towers in Somerville (the first such purchase in Massachusetts);
- the joint venture between a private developer and the tenants of Castle Square in Boston's South End;
- resident purchases of Allen Park and Spring Meadows in Springfield, Amesbury Gardens in Lawrence, Presidential Gardens in Haverhill; and
- the epic saga of the Commonwealth-Glenville Apartments in Allston-Brighton (which took twelve years from start to finish).

Vince richly deserves this recognition from the housing community.



CHILD CARE CAPITAL INVESTMENT FUND

CEDAC'S AFFILIATE ENTITY, the Child Care Capital Investment Fund (the FUND), provides loan and grant capital, and couples its financial resources with technical assistance, to help non-profit child care centers expand and improve their facilities. Quality child care services, for both pre-school age children and for after-school care, are vital for the educational and social development of the children in those programs. And the quality of the physical facilities of a center can be a major determinant of its success. The availability of reliable, quality child care removes one of the most difficult systemic barriers to employment faced by people trying to enter the work world.

Since its inception, the FUND has lent \$4.3 million to more than 64 non-profit centers, enabling the expansion or improvement of more than 4,200 slots of child care, more than 75% of which serve very low-income families. This year, the FUND celebrated its receipt of \$6 million in new capital commitments, which will allow the FUND to expand its geographic market state-wide, increase the size of its loans, and extend their term. Funders and child care supporters

*Lawrence's new Riverway child care center.
TOP: Children in the center's playground.
LEFT: The interior.*



attended a celebratory event at the Crispus Attucks Childrens Center in Roxbury. The event showcased four beautiful classrooms at Crispus Attucks, newly renovated using loan dollars from the FUND as well as a Community Partnerships for Children grant from the Department of Education, via the 0–8 Coalition.

The \$6 million in new funds includes:

- \$3 million from the Metropolitan Life Insurance Company,
- \$2 million from the Massachusetts Life Insurance Community Investment Initiative, and
- \$1 million from four banks, Boston Private, Citizens, Fleet, and Wainwright, in partnership with the Federal Home Loan Bank of Boston.

In partnership with the Commonwealth’s Department of Education (DOE), the 0–8 Coalition, and Parents United for Child Care, the FUND has also invested more than \$7 million of grant capital, in tandem with the FUND’s loans, to provide a consolidated funding mechanism for the child care industry. The FUND has worked for several years with DOE to expand the state’s supply of pre-school child care, and to improve existing pre-school

facilities. Funding through DOE’s Community Partnerships for Children program, distributed through local councils of child care providers in each municipality, may be used to improve facilities, and several councils, especially those in communities where demand for child care is growing fast, have chosen to set up capital programs. The FUND has helped 15 providers with their projects, which created 278 new child care slots, using \$2 million in DOE funding.

Boston’s council, the 0–8 Coalition, has hired the FUND for three years now to design and administer a capital program. The FUND has worked intensively with the Coalition to craft and run an effective program, including extensive training and technical assistance for individual child care providers doing capital projects. The result: over 600 new pre-school slots have been created in Boston, and dozens of other centers have received grants to improve their existing space, with a total of \$4 million in grants awarded, leveraging over \$16 million in other funds.



ABOVE: Lawrence’s new Riverway child care center has space for multiple activities—and their cleanup.



GREATER LAWRENCE Community Action Council (GLCAC) is the community action agency for the Lawrence area, operating a variety of anti-poverty, social service programs, including an extensive child care network. Faced with a burgeoning need for child care in the community, GLCAC organized a group of other Lawrence child care providers in 1998 to plan and develop a new family services center in an empty commercial building in downtown Lawrence. In addition to infant/toddler and pre-school classroom space, the center includes indoor gross motor space, a “get well room” for mildly ill children, therapy space, a kitchen, training and meeting rooms for parent education and community outreach, and office space for the child care agencies as well as a family health center. Under the center’s collaborative organizational structure, each provider operates their own classroom in the building, and they have jointly hired a director for the center as a whole. GLCAC’s architect, Bargmann, Hendrie & Archetype, developed a creative design for the 120-slot, seven-classroom center, using Lawrence’s Merrimack River as a central theme. Using a DOE grant of \$842,000, and with technical assistance from the FUND, GLCAC successfully developed “the Riverway” within the very tight time-frame stipulated by the DOE funds, and classrooms were full within weeks.

In 2000, GLCAC again applied to DOE and the FUND, this time for two projects: creating a large playground behind the Riverway, and building out a vacant bank building next door to house four of its Head Start classrooms that were losing space in a nearby public school where they had been housed for years. Bargmann, Hendrie & Archetype were again the architects, creating another imaginative and innovative design. The center opened in fall 2000 and serves 72 children.

The building hosting new Riverway child care center.

FUNDERS

CEDAC'S ACTIVITIES are made possible with the generous assistance of the agencies, foundations and corporations listed below.

We are very grateful for their continuing support.

Department of Housing and Community Development, Commonwealth of Massachusetts

Massachusetts Housing Partnership Fund

Department of Neighborhood Development, City of Boston

U.S. Department of Housing and Urban Development

The Massachusetts Life Insurance Community Investment Initiative

The Metropolitan Life Insurance Company

Citizens Bank

Boston Private Bank & Trust

Fleet Boston

Wainwright Bank & Trust

United Way of Massachusetts Bay

The Ford Foundation

Federal Home Loan Bank of Boston

The Surdna Foundation

The Boston Foundation

Anonymous

The John Merck Foundation

Fleet Boston Charitable Trust Services

Fannie Mae Foundation

Irene E. and George A. Davis Foundation

Fleet Boston Financial Foundation

State Street Bank and Trust

The Hyams Foundation

FINANCIAL STATEMENTS

Combined Statement of Financial Position: June 30, 2000

ASSETS	UNRESTRICTED			RESTRICTED			CEDAC TOTAL	CHILD CARE CAPITAL INVESTMENT FUND	(Memorandum Only) TOTAL
	OPERATING AND FIXED ASSET FUND	LOAN FUNDS	TOTAL UNRESTRICTED	RESTRICTED PROGRAM FUNDS	RESTRICTED LOAN FUNDS	ELIMINATIONS			
CURRENT ASSETS:									
Cash and cash equivalents	\$ 542,788	\$ —	\$ 542,788	\$ —	\$ —	\$ —	\$ 542,788	\$ —	\$ 542,788
Designated and restricted cash and cash equivalents	27,905	652,609	680,514	304,908	9,551,405	—	10,536,827	3,986,502	14,523,329
Accounts receivable	332,521	24,575	357,096	—	50,658	—	407,754	143,667	551,421
Grants receivable	58,506	—	58,506	50,000	—	—	108,506	477,664	586,170
Loans receivable, net of allowance for uncollectible loans of \$60,057	—	130,050	130,050	—	399,332	—	529,382	215,326	744,708
Net interfund receivables	250,185	—	250,185	—	58,987	(309,172)	—	—	—
Other current assets	6,398	—	6,398	—	—	—	6,398	396	6,794
Total current assets	1,218,303	807,234	2,025,537	354,908	10,060,382	(309,172)	12,131,655	4,823,555	16,955,210
OTHER ASSETS:									
Funds held for others	1,895,242	—	1,895,242	—	—	—	1,895,242	395,125	2,290,367
Security deposit	8,328	—	8,328	—	—	—	8,328	—	8,328
Long-term investments	—	—	—	—	—	—	—	311,666	311,666
Loans receivable, net of allowance for uncollectible loans of \$587,615	—	191,489	191,489	—	2,813,213	—	3,004,702	963,667	3,968,369
Fixed assets, net of accumulated depreciation	69,397	—	69,397	—	—	—	69,397	—	69,397
Total other assets	1,972,967	191,489	2,164,456	—	2,813,213	—	4,977,669	1,670,458	6,648,127
Total assets	\$ 3,191,270	\$ 998,723	\$ 4,189,993	\$ 354,908	\$ 12,873,595	\$ (309,172)	\$ 17,109,324	\$ 6,494,013	\$ 23,603,337
LIABILITIES AND FUND BALANCES									
CURRENT LIABILITIES:									
Accounts payable and accrued expenses	\$ 46,361	\$ —	\$ 46,361	\$ 6,678	\$ 16,603	\$ —	\$ 69,642	\$ 156,160	\$ 225,802
Deferred revenue	135,283	—	135,283	348,230	295,042	—	778,555	1,519,905	2,298,460
Net interfund payables	64,925	1,500	66,425	—	242,747	(309,172)	—	—	—
Notes payable to funding source	—	—	—	—	243,550	—	243,550	281,029	524,579
Deferred compensation payable	26,140	—	26,140	—	—	—	26,140	—	26,140
Accrued compensation	44,269	—	44,269	—	—	—	44,269	—	44,269
Total current liabilities	316,978	1,500	318,478	354,908	797,942	(309,172)	1,162,156	1,957,094	3,119,250
OTHER LIABILITIES:									
Funds held for others	1,895,242	—	1,895,242	—	—	—	1,895,242	395,125	2,290,367
Deferred revenue	—	—	—	—	—	—	—	145,375	145,375
Notes payable to funding source	—	—	—	—	12,018,347	—	12,018,347	1,891,333	13,909,680
Total other liabilities	1,895,242	—	1,895,242	—	12,018,347	—	13,913,589	2,431,833	16,345,422
Total liabilities	2,212,220	1,500	2,213,720	354,908	12,816,289	(309,172)	15,075,745	4,388,927	19,464,672
FUND BALANCES:									
Unrestricted funds—									
Operating and other reserves	909,653	—	909,653	—	57,306	—	966,959	1,058,190	2,025,149
Fixed asset fund	69,397	—	69,397	—	—	—	69,397	—	69,397
Board restricted loan funds	—	997,223	997,223	—	—	—	997,223	—	997,223
Total unrestricted funds	979,050	997,223	1,976,273	—	57,306	—	2,033,579	1,058,190	3,091,769
Donor restricted funds									
Total fund balances	979,050	997,223	1,976,273	—	57,306	—	2,033,579	2,105,086	4,138,665
Total liabilities and fund balances	\$ 3,191,270	\$ 998,723	\$ 4,189,993	\$ 354,908	\$ 12,873,595	\$ (309,172)	\$ 17,109,324	\$ 6,494,013	\$ 23,603,337

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

Combined Statement of Activities for the Year Ended June 30, 2000

	UNRESTRICTED			RESTRICTED			CEDAC TOTAL	CHILD CARE CAPITAL INVESTMENT FUND	(Memorandum Only) TOTAL
	OPERATING AND FIXED ASSET FUND	LOAN FUNDS	TOTAL UNRESTRICTED	RESTRICTED PROGRAM FUNDS	RESTRICTED LOAN FUNDS	ELIMINATIONS			
REVENUES AND SUPPORT:									
Grants and contributions	\$ 178,454	\$ —	\$ 178,454	\$ 105,209	\$ —	\$ —	\$ 283,663	\$ 174,895	\$ 458,558
Government contracts	682,695	—	682,695	—	—	—	682,695	—	682,695
Earned revenue	519,815	—	519,815	—	—	(220,000)	299,815	345,044	644,859
Recovery of uncollectible loans	—	28,672	28,672	—	1,692	—	30,364	10,833	41,197
Facilities grant funds received	—	—	—	—	—	—	—	1,755,799	1,755,799
Facilities grant funds administered	—	—	—	—	—	—	—	(1,755,799)	(1,755,799)
Interest	52,289	35,149	87,438	—	609,934	—	697,372	172,566	869,938
Other	—	—	—	—	317	—	317	2,950	3,267
Net decrease in note payable	—	—	—	—	(111,661)	—	(111,661)	—	(111,661)
Total revenues and support	1,433,253	63,821	1,497,074	105,209	500,282	(220,000)	1,882,565	706,288	2,588,853
EXPENSES:									
Loan fund expenses —									
Acquisition loan funds	—	—	—	—	116,093	(40,000)	76,093	—	76,093
MHP loan fund	—	—	—	—	384,739	(180,000)	204,739	—	204,739
HIF/FCF loan funds	—	—	—	—	317	—	317	—	317
Total loan fund expenses	—	—	—	—	501,149	(220,000)	281,149	—	281,149
Program expenses —									
Pre-development lending	984,580	—	984,580	—	—	—	984,580	—	984,580
Child care program	194,242	—	194,242	—	—	—	194,242	490,382	684,624
Economic development	26,111	—	26,111	105,209	—	—	131,320	—	131,320
Total program expenses	1,204,933	—	1,204,933	105,209	—	—	1,310,142	490,382	1,800,524
Supporting services —									
Management and general	218,789	—	218,789	—	—	—	218,789	54,734	273,523
Fund development	—	—	—	—	—	—	—	11,148	11,148
Total supporting services	218,789	—	218,789	—	—	—	218,789	65,882	284,671
Total expenses	1,423,722	—	1,423,722	105,209	501,149	(220,000)	1,810,080	556,264	2,366,344
Excess of revenues and support over expenses	9,531	63,821	73,352	—	(867)	—	72,485	150,024	222,509
FUND BALANCES, beginning of year	969,519	933,402	1,902,921	—	58,173	—	1,961,094	1,955,062	3,916,156
FUND BALANCES, end of year	\$ 979,050	\$ 997,223	\$ 1,976,273	\$ —	\$ 57,306	\$ —	\$ 2,033,579	\$ 2,105,086	\$ 4,138,665

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

(1) OPERATIONS, NONPROFIT STATUS AND 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.

In 1997, CEDAC assumed corporate control of the Child Care Capital Investment Fund, Inc. (FUND), a corporation originally established as a controlled affiliate of the United Way of Massachusetts Bay (United Way).

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.

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the combined financial statements follows:

■ Basis of Presentation

The accompanying combined financial statements were prepared on the accrual basis. 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). GASB Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities" allows certain quasi-public corporations like CEDAC to report financial information consistent with the not-for-profit fund accounting model promulgated by the American Institute of Certified Public Accountants' (AICPA) Statement of Position 78-10, "Audits of Certain Nonprofit Organizations". GASB Statement No. 29 further provides that the use of the not-for-profit model be modified for certain other GASB pronouncements and prohibits the adoption of not-for-profit accounting principles promulgated by Financial Accounting Standards Board (FASB) Statements Nos. 116 and 117.

Consistent with the provisions of GASB Statement No. 14, the FUND is discretely presented in these combined financial statements as a component unit of CEDAC. A separate audit of the FUND is performed. Those uncombined financial statements of the FUND are presented in accordance with the provisions of FASB Statements Nos. 116 and 117. The Memorandum Only Total is presented in accordance with GASB Statement No. 14. This represents the combined totals of CEDAC and the FUND without the elimination of inter-agency balances and transactions.

■ Classification of Fund Balances

Unrestricted Funds — Unrestricted Funds are comprised of the funds used to support general operations, capital assets, and board designated loan funds. Unrestricted funds bear no external restrictions.

Operating Fund — The Operating Fund represents the portion of expendable funds that are used to support CEDAC's operations and accounts for funds for which CEDAC has met donor-imposed restrictions in accordance with funding agreements or management contracts.

Fixed Asset Fund — The Fixed Asset Fund is used to account for all property and equipment purchased by CEDAC and used in operations. Property and equipment is carried at cost, or if donated, at its fair market value at the date of donation.

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

Loan Funds — The Board of Directors has designated a portion of unrestricted net assets as a loan fund to assist eligible nonprofit organizations in covering predevelopment costs for the acquisition, construction or rehabilitation of residential, commercial and industrial real estate. All loans receivable of this fund are classified as long-term assets on the balance sheet because the collection of these loans is generally based on the progress of the development project and is not readily determinable.

Restricted Program Funds — Restricted Program Funds relate to funds contributed by donors for special CEDAC programs. Contributions are recorded in the restricted program funds as they are received. When the funds are used according to their restricted purposes, the program funds are reclassified to unrestricted funds and are reported in the Statement of Activities as an income transfer.

Included in the restricted program funds at June 30, 2000 are those funds associated with the Community Economic Development Capacity Building Initiative (CED CBI) and with the Workforce Development Initiative (WDI). Both programs fund consulting assistance services to community development corporations to enhance their capacity to carry out economic development in their target areas.

Restricted Loan Funds — Restricted Loan Funds include those 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 restricted loan funds are reflected on the combined financial statements as Notes Payable to Funding Source.

(2) CHILD CARE CAPITAL INVESTMENT FUND, INC.

As part of the corporate transfer of the FUND from the United Way to CEDAC, the United Way transferred the net assets of 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.

During 1999, the FUND received a commitment of \$1.5 million to be received in \$500,000 installments over three years. The gift is restricted by the donor to support a school-age childcare initiative. Net resources of this gift are included in the combined financial statements as a component of deferred revenue at their discounted value, using an interest rate of 5%, of \$1,412,689 as of June 30, 2000.

(3) NOTES PAYABLE TO FUNDING SOURCE

Loan funds managed by CEDAC are governed by contracts which outline the uses of funds, restrictions and covenants imposed by the funders. Note payable balances include:

- **The Massachusetts Housing Partnership (MHP) Loan Fund** is used to provide predevelopment loans to nonprofit organizations to construct or rehabilitate affordable housing. Under the terms of the contract, all principal and interest accrues to the MHP Fund. The current contract expires on June 30, 2001.
- **The City of Boston Public Facilities Department (PFD) 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 PFD Loan Fund.
- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund** includes a \$5 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The term of the line of credit is three years, with annual reviewed renewal options. The line of credit carries an interest rate of prime (currently 9.50%) minus 1.25%, due quarterly. Loans drawn from the line of credit have a maximum term of 24 months. Recourse to CEDAC is limited to \$250,000 or 10% of the outstanding loan amount whichever is greater.

MHP has provided an additional \$400,000 to allow CEDAC greater flexibility in underwriting the acquisition loans to nonprofit developers. CEDAC may use these funds to make loans to borrowers on more flexible terms or make principal and interest payments if nonprofit developers are delinquent in making payments to CEDAC.

Notes payable to these funding sources (also see Note 4) consist of the following as of June 30:

	2000
MHP Loan Fund	\$3,098,125
PFD Loan Fund	426,437
MHP Acquisition Loan Fund	1,042,630
	4,567,192
Less - current portion	243,550
	<u>\$4,323,642</u>

(4) UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE

CEDAC serves as underwriter and fiscal agent for Housing Innovations Fund and Facilities Consolidation Fund loans that are committed by the Department of Housing and Community Development (DHCD). Upon closing of each loan, DHCD generally disburses loan proceeds and related fees to CEDAC for disbursement to the designated borrowers.

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 \$81 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 \$50 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 and the Massachusetts Department of Mental Health.

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 and FCF notes payable are presented in the combined financial statements net of loans receivable at June 30, 2000.

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

	2000		
	HIF	FCF	Total
Note payable, June 30, 2000	\$ 54,678,882	\$ 11,456,983	\$ 66,135,865
Less - loans receivable, June 30, 2000	47,758,833	10,682,327	58,441,160
Net note payable, June 30, 2000	<u>\$ 6,920,049</u>	<u>\$ 774,656</u>	<u>\$ 7,694,705</u>

The total CEDAC Restricted Notes Payable as of June 30, 2000 of \$12,261,897 includes the net notes payable of \$7,694,705 stated above and the \$4,567,192 as summarized in Note 3.

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

■ Child Care Capital Investment Fund, Inc.

FUND loans payable consist of the following at June 30:

	2000
Loan payable to a foundation, interest payable quarterly at a rate of 1% per annum. The loan is secured by certain fund investments and a debt service reserve capitalized by the lender. Two years remain on the loan term.	\$ 500,000
Loan payable to a bank. The loan is a fully amortizing, even payment loan at 5.65% with a ten year term. The loan is secured by a portion of the fund's loan portfolio. Nine years remain on the loan term.	922,362
Loan payable to an insurance company. The loan has a three-year interest-only term and allows for additional annual draws to \$3 million. Interest is paid at 5.25% per annum. After the three-year interest period, the loan becomes a fully amortizing, even payment loan with a ten year term. The loan is secured by a portion of the fund's loan portfolio.	750,000
	<u>\$ 2,172,362</u>

FUND principal repayments are due as follows:		
	2001	\$ 281,029
	2002	385,728
	2003	119,607
	2004	156,096
	Thereafter	<u>1,229,902</u>
		<u>\$ 2,172,362</u>

(5) FUNDS HELD FOR OTHERS

As part of its regular activities, CEDAC and the FUND may serve as fiscal intermediary for a variety of governmental and non-profit partners, the terms of which are outlined in an agreement between the parties involved. These funds are listed in the financial statements as Funds Held for Others.

During 2000, CEDAC entered into an agreement with the Massachusetts Rehabilitation Commission (MRC) to provide fiscal intermediary services for the Home Modifications for the Disabled Loan (HMDL) Program. Through this program, MRC and CEDAC selected regional non-profit corporations to underwrite and service loans to qualifying homeowners to modify their homes to accommodate disabled individuals.

The FUND has collaborated with other non-profit organizations to develop facilities grant programs in which the FUND provides project management and oversight of facilities projects, and serves as fiscal intermediary for the grant funds and other third party expenses.

Funds held for others includes the following as of June 30:

	2000
MRC HMDL program	\$ 1,878,997
FUND facilities grant program	395,125
Other	16,245
Total	<u>\$ 2,290,367</u>

(6) SUBSEQUENT EVENT

In July 2000, CEDAC closed on two loans totaling \$3 million with the Massachusetts Life Insurance Community Investment Initiative to provide funds to support CEDAC's housing predevelopment and acquisition lending program. Both loans have five year terms, and bear interest at 5%, due quarterly. The loans are unsecured.

CEDAC BOARD OF DIRECTORS AND STAFF

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CEDAC Staff

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Program Manager

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Governor

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