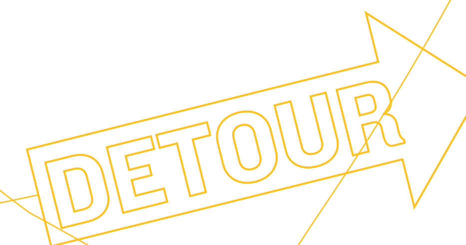
challenges opportunities

BOSTON COMMUNITY CAPITAL 2008 ANNUAL REPORT

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way—in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only."

Charles Dickens, *A Tale of Two Cities*
English novelist (1812–1870)



No path is a straight line.

There are hurdles. Interceptions. Detours. Experience is an ally, flexibility begets strength. Meet every obstacle head on, wielding an array of options. Tailor the response to the issue. Harness insight and patience. Reach the goal.

Contents

To Our Partners

TWENTY-FIVE YEARS. That's how long Boston Community Capital has been working with you—our partners and supporters. Twenty-five years of relentlessly driving toward mission. Twenty-five years of bringing together "downtown experience" and "community values" to help build healthy communities where low-income people live and work.

Right now, we are at a game-changing moment—a moment that will test everything we have learned together in the last twenty-five years. A moment for new strategies, new business lines, new policy ideas. In less than a year, the Dow has fallen roughly 50% from its all-time high. Credit markets have collapsed. Complex financial instruments like credit swap agreements, mortgage-backed securities and commercial paper conduits—financial vehicles that most Americans never even knew existed—have wreaked havoc on our economy.

In the neighborhoods where we work, homeowners' equity shrinks as housing prices plummet. As unemployment levels escalate, the most vulnerable among us struggle to keep food on the table and to pay the rent. And communities in which we have worked for a quarter century destabilize as foreclosures in low-income areas increase to record levels.

Residents who have collaborated for decades to improve safety and stability in their neighborhoods now struggle to maintain their hard-won victories. Long-time residents are evicted, crime rises, and "urban miners" harvest copper pipe, steel radiators and plumbing fixtures from vacant homes.

The challenge is immense. Our response must be equal to the test—and that means pursuing our mission in new ways.

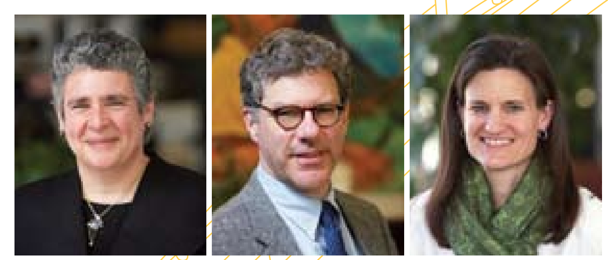
Over the last year, in addition to maintaining our core businesses, we have focused on neighborhood stabilization. We have:

- participated in policy initiatives at the local, state and federal level;
- negotiated for the purchase of substantial portfolios of defaulted loans and foreclosed residential properties;
- purchased vacant homes from foreclosing lenders in order to build a long-term portfolio of sustainable, affordable rental properties;
- entered into negotiations with mortgage lenders on behalf of individual homeowners;
- developed new mortgage products that substantially reduce the likelihood of borrower default; and
- refinanced home mortgages at affordable rates thereby allowing individual borrowers to avoid eviction and remain in their homes.

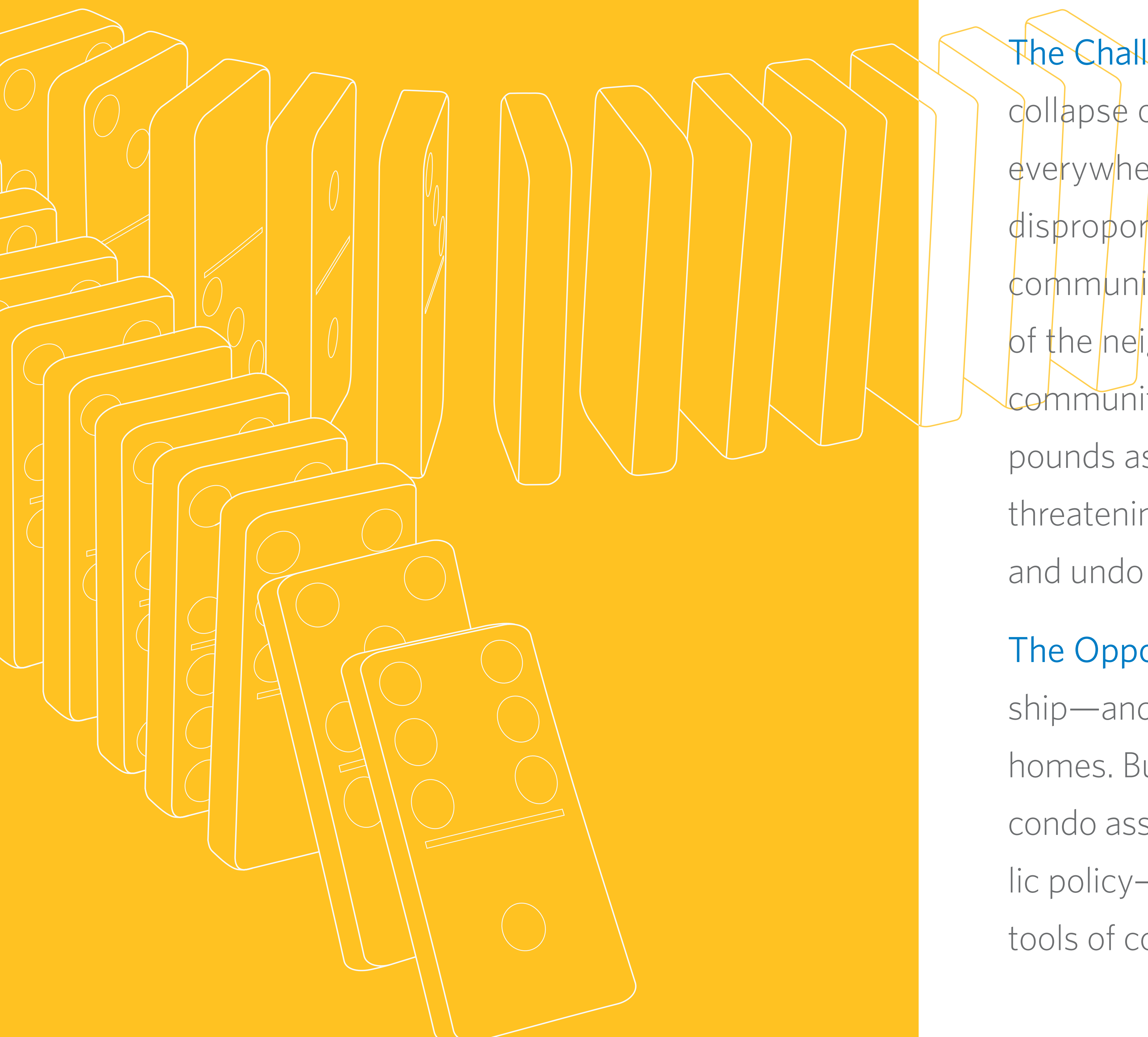
We anticipate significant growth in all of these areas in the coming year.

In addition, because we know that low-income residents want and need to stabilize their energy costs, reduce their carbon footprint, and participate in the greening of our economy, we have launched the largest solar initiative in Massachusetts to date. Our program—Solar Energy Advantage—has installed 5,000 solar panels on the roofs of five affordable housing developments, which has not only increased solar capacity in Massachusetts by 17% but also won the 2009 State Leadership in Clean Energy Award from the Clean Energy State Alliance. We anticipate significant growth in this area in the coming year as well.

Policies shift, markets plunge, times change. Today's economic environment makes our mission more vital than ever. With your help, we will meet the challenges of our times, and create new opportunities for low-income people and communities. We are deeply aware that our twenty-five year history of accomplishment would not be possible without the strong and constant support of our investors, our funders, our partners, our board and committee members, and our borrowers. We thank you for that gift, and invite you to continue with us over the next quarter century as we continue to build healthy communities where low-income people live and work.



Elyse D. Cherry   DeWitt Jones   Rebecca L. Regan



The housing crisis. Magnified impact.

The Challenge: The subprime meltdown and the collapse of the housing market are being felt everywhere—yet low-income communities are disproportionately affected. In a middle-income community, every foreclosure lowers the value of the neighboring house 1%; in low-income communities that drop is 1.5%. The problem compounds as equity drains from home after home, threatening to destabilize entire neighborhoods and undo decades of progress in mere months.

The Opportunity: Rethink models of home ownership—and create new vehicles to keep people in their homes. Buying distressed properties, stabilizing condo associations, helping fundamentally shift public policy—each strategy may expand forever the tools of community development.

NSP Residential and Aura Mortgage Advisors.
Stabilizing communities.

"The housing crisis strikes at the very heart of Boston Community Capital's mission," says CEO Elyse Cherry. "In our region, those hardest hit are often in two-to-four family owner-occupied houses; each eviction means multiple families lose their homes." The potential multiplier effect is enormous—and so we knew we needed strong measures to address the situation.

In October, with support from The Boston Foundation, we established a new affiliate, NSP Residential, to purchase distressed and foreclosed real estate and mortgages. NSP buys the properties at a substantial discount—sometimes as little as 5–30% of their original mortgage value—and then rents these units to low-income residents with very little reliance on public subsidies.

For homeowner Lucille Wilkinson, this type of purchase was the right solution at the right time. When the other two units in her triple-decker condominium went into foreclosure, Wilkinson suddenly found herself responsible for the whole building's expenses, not just her own share. "I was caught between a rock and a hard place," she says. "Paying my own mortgage and condo fees was one thing, but paying for the rest of the building as well? If BCC hadn't stepped in to purchase those units, I'm not sure what I would've done."

In other cases, the original homeowner is still occupying the property and BCC can re-sell them their home at a substantial discount, financing it with a mortgage the owner can afford.

"This is where our affiliate Aura Mortgage Advisors comes in," says Cherry. "Aura was founded in part to give people quality advice about their housing decisions. Homeownership is not always the right choice. That is why we are called 'Advisors'."

"Throughout this crisis, Aura has been working to right-size mortgages; when the value of a house decreases, it no longer has enough equity to support a large loan. Aura is also structuring new loan products that tie mortgage payments to homeowners' pay check schedules and others that help people build up reserves, so when the boiler breaks or the roof leaks there is some cushion in their mortgage."

"For our NSP purchases, Aura provides fixed-rate, long-term mortgages at a price the homeowner can afford. Of course, we want to make sure people understand their continued responsibility in this situation, too. We ask homeowners to sign a 'shared appreciation' second mortgage, which says that if the property's market value increases, and the owner sells it at some future date, we share in the profit and can recycle those dollars to meet future community needs."

It is a model that is working, keeping homeowners in their homes and neighborhoods vibrant. More importantly, it's a model that may be replicable in distressed communities across the nation, to address the foreclosure crisis at its core.

Lucille Wilkinson in front of her home in Roxbury. When the two other units in her building went into foreclosure, BCC stepped in to acquire them and help stabilize the property. The units will be rehabilitated and maintained as affordable rental housing.

NSP Residential is working to replicate this strategy on both an individual property and a portfolio level.

Since 1975, community activist and local developer Michael Stella has been working to revitalize Dorchester neighborhoods. When foreclosures threatened the stability of these communities, Stella partnered with BCC to address the crisis on a neighborhood level—unit by unit and block by block. Pictured here: Stella and a tenant catch up on the steps of the West Cottage Street building he is rehabilitating with support from BCC.

Community Developer Michael Stella

Keeping homes occupied.

Michael Stella has spent the last 25 years developing properties in Dorchester. It is a community he knows well and one he cares about deeply. Last fall, as he stood on the doorsteps of his buildings, he realized that the houses all around him were shuttered and vacant. "These buildings very quickly become targets for thievery entrepreneurs, people who come strip the building and cart things away," Stella explains. "They needed to be put back into occupied service relatively soon."

Many of the buildings in question were new condos. "These had been rental buildings until 2004 or 2005; then suddenly the condo craze took over. Developers converted the units to condos, then sold them to people as investment/rental properties. The new owners had invested too much money and ended up in foreclosure, with the banks taking over. Of course, tenants require services, so when they realized they didn't have a live landlord they left, and the buildings became vacant."

"These buildings would become many streets' worst neighbors."

"Other people were purchasing the one- or two-family houses, which were easy to buy and easy to rent. I figured the private market would take care of those, and I went after the harder things: the condos." They presented unique difficulties. "A condo is a different legal entity than a plain building; straightening it out means reviving the condo association." So his plan entailed buying a controlling interest in each building.

Stella explains, "Control of a condo building occurs when you own a majority and/or are the managing trustee. You become responsible for everything from maintenance to insurance to water bills. It is a good fit for me because I know a lot about managing buildings and I'm willing to do the work."

"I started targeting small buildings with three to six units, abutting my existing buildings. The first set of units was a handsome block of brick buildings on West Cottage Street."

"Boston Community Capital had to trust me: I had to buy one unit without certainty that I would get the other two," Stella continues. "It was a learning experience for all of us, because of the multiple lenders, brokers and servicers."

From BCC's perspective, Stella was an ideal partner. "Michael is a community leader who has dedicated himself to fighting disinvestment and gentrification, both professionally and as a board member for community nonprofits, including our own," explains Loan Fund President Becky Regan. "He served on BCC's board for 15 years and chaired our loan committee, so we know him well. When he approached us about a loan to stabilize these condo properties, we knew we had a partner who both knew the market and shared our values."

Stella continues, "BCC created a line of credit to prefund the purchases. When the strategy worked with West Cottage Street, we then created two more lines of credit to buy 28 units. The flexibility of a line of credit allows me to get the condos at a price that rents can support."

Still, Stella muses, "The strategy takes vision on BCC's part. They have the knowledge to back up that vision."

Neighborhood Stabilization Program.
Shaping public policy.

When Patricia Hanratty looks at data surrounding subprime lending and the resulting foreclosures, she sees the people behind the statistics—and they aren't the people of popular myth. "When this all started there was a lot of talk that these were speculators who had benefited from the escalation in prices and through greed they had brought their current problems on themselves. What we found totally belied that picture." Hanratty, who brings a lifetime of leadership experience in financial institutions, state agencies and academic settings, spent the summer working with two BCC colleagues going through land records, looking at mortgages and property values. Then they went to the people themselves – holding focus groups with homeowners facing foreclosure.

"Holding focus groups really gave us insight into how people got into trouble, why they took these mortgages," Hanratty explains.

CEO Elyse Cherry picks up the story. "The temptation is to focus on the unique aspects of each foreclosure and each homeowner's situation. But, in fact, we discovered a number of common threads. We saw first-time homebuyers who lacked sophisticated tools, support groups and networks. Real estate brokers who pushed them to get into more and more expensive homes. And mortgage brokers who pushed them to get higher and higher mortgages, and then encouraged multiple refinancings, each time adding fees and additional costs to the mortgage principal."

"We found people who were trying to save their homes, but who couldn't reach anyone at the bank to help them figure out how to restructure their loans. They would be told 'If you can't pay the full amount, don't bother sending in the payment.'"

BCC is using its ground-level experience—reviewing mortages records, conducting focus groups and working with individuals to rewrite their mortgages to sustainable levels—to inform efforts to create systemic change. "We have shared our data with policy makers at the city, state and national level," Cherry continues. "Now we are working together with those policy makers to figure out ways to restructure loans, and to seek public support to purchase these mortgages or homes."

Among our efforts, Becky Regan, BCC's Chief Operating Officer and Loan Fund President, chairs a sub-committee of the Urban Land Institute/Massachusetts Association of CDCs/Citizens' Housing and Planning Association Foreclosed Properties Task Force focused on identifying strategies to acquire properties in foreclosure or at risk including: a clearinghouse to broker relationships with servicers, lenders and owners; models of acquisition; and best practices for efficient purchases. In a second effort, we have partnered with Catholic Social Services of the Diocese of Fall River, and the Planning Office for Urban Affairs of the Archdiocese of Boston to acquire, renovate and return to active use dozens of foreclosed properties in New Bedford. If successful, the program will serve as a model for collaborative neighborhood redevelopment.

Of course, the work is just beginning. Cherry concludes, "We will need to stay nimble to create appropriate solutions as government and Wall Street create new approaches."

Senior program advisor Patricia Hanratty and mortgage originator Andres Rodriguez are working at the ground level to understand the impacts of foreclosure on low-income individuals and communities. Their experience with homeowners, loan servicers, financial institutions and community organizations provides the concrete background on which our policy work is based.

Affordable energy. Choose green.

The Challenge: Energy costs are skyrocketing—and often those who can afford the least pay the most. Why? Green technologies cost money to implement. Few buildings in low-income neighborhoods are willing or able to shoulder the upfront expense.

The Opportunity: Use renewable energy and conservation to reduce operating costs and benefit the environment. BCC's first step: the Solar Energy Advantage (SEA) Program, an initiative to bring large-scale solar installations to affordable housing developments. In 2008, SEA's Phase I installed solar panels on five affordable housing developments serving nearly 1,000 families. SEA intends to extend these achievements, using popular solar initiatives as a gateway to more complex conversations about high-impact energy conservation.

Cambridge Housing Authority.
Harnessing solar power.

One of the oldest public housing properties in Cambridge, Massachusetts, Washington Elms was first occupied in April, 1942. Its 175 units are filled with families, and its lawns with trees. In October, Washington Elms added a new feature: photovoltaic panels. As Greg Russ, Executive Director of the Cambridge Housing Authority, comments, “It is appropriate that one of our oldest sites has some of the newest technology. Buildings can learn—and becoming green is one of the ways.”

Russ was originally interested in using solar panels to offset the cost of electricity in the Elms’ common areas. He smiles, “Then we made the connection with Boston Community Capital and the project took off.” The panels installed at Washington Elms create enough solar capacity to provide roughly 30% of the property’s annual electricity. “Not only do we anticipate paying substantially less for our power over time,” says Russ, “but our arrangement also has a reverse metering clause. If we generate more power than we need, we can sell it to NSTAR to be credited to another account. To me this has the right idea of generating power on a small local scale and eliminating the huge distribution network.”

BCC’s Solar Energy Advantage Program, with major financial support from the Massachusetts Renewable Energy Trust and State Street Bank, owns the photovoltaic equipment and handles installation and maintenance, eliminating capital costs and financial risks for the host property. The arrangement immediately reduces the property’s energy costs, and provides a material hedge against future rate hikes, since prices are subject to a fixed escalator for 20 years. For the residents of Washington Elms, that means more money is available for other capital improvements or resident services.

While the Washington Elms project was complex, Russ notes, “BCC’s focus was on making it work. They understood our need to consider community feeling and to protect our residents. BCC has a real public face to its mission. Because our thinking aligns, we could negotiate differently than we would with a private energy company. We would like to do more with them; the institutional mindsets really do line up.”

“We have a lot of roof space in Cambridge. If we see an older building like Washington Elms benefit, we will try to install much more solar,” says Russ. “We can also tackle bigger energy issues in public housing.”

He continues, “Cambridge is filled with housing stock built long before any thought was given to energy consumption; housing itself has one of the biggest carbon footprints in Cambridge. Making these buildings energy efficient is a critical part of our larger capital improvement efforts—completing this work means we can offer the community affordable housing for another 40 years.”

Massachusetts Governor Deval Patrick and Cambridge Mayor E. Denise Simmons joined BCC CEO Elyse Cherry and Cambridge schoolchildren to celebrate the installation of solar panels at Washington Elms. BCC partnered with Borrego Solar Systems to install 1 megawatt of solar capacity on five properties across Massachusetts, increasing solar capacity in the Commonwealth by 17% (Source: Massachusetts Technology Collaborative).

The Dorchester Home and Garden team is using energy efficient design, conservation and green technologies to lower the construction costs and utility bills for buildings like 52 Ellington Street. The building offers affordable housing developers a replicable model for conservation in small-scale new construction and rehabilitation, without needing substantial subsidies.

Dorchester Home and Garden.
Replicable conservation.

52 Ellington Street is a two-unit apartment building in Boston's Dorchester neighborhood. It is all new construction purposely built for energy efficiency. Muhammad Abdussabur is President of Dorchester Home and Garden, which developed, owns and manages the property. He notes, "We tried several ideas, hoping to use what we learn on future buildings. The long term goal is to construct buildings that capture both the cash flow from the rental units and the cash flow that would have gone to pay for utilities. We want to encourage other developers of rental housing to consider the financial return they can earn by cutting the properties' energy use and capturing that cash flow."

The team experimented with several technologies, finding creative ways to lower construction costs and the building's utility bills. "This was our first attempt to use prefabricated plumbing which helps keep our costs down," explains Dorchester Home and Garden Treasurer Dave Barry. "We also used smaller output heating appliances. Heat and domestic hot water are supplied by an instant hot water heater coupled with a 60,000 BTU fan coil. We were able to heat 2,000 square feet with this system because we substantially tightened the shell of the building. The "Energy Star" program helped with onsite performance testing; they made a nice grant to the project as well."

Abdussabur sees more room for improvement. "Hot water baseboard systems operate at 180 degrees, fan coils operate at 130 degrees. Radiant floor systems operate at 100 degrees. As we work down the operating temperature we reduce the BTU's and the distribution losses. 100 degrees is very close to what you can get from a solar thermal panel on a sunny winter day, which opens up more opportunities to cut the monthly gas bill. Our next building will include radiant floor heating and solar thermal panels."

Asked to describe the importance of 52 Ellington, Abdussabur is crystal clear. "It is a well-designed and well-built structure. It is affordable housing that is also energy efficient. Tenants can save a lot of money on their monthly bills—that is more important than it was three months ago. What is also important is that 52 Ellington proves that energy efficiency is possible in our community."

"We have been around for 25 years and all that time people have been telling us 'You can't.' You can't build for less than market rate, you can't build energy efficient structures within the rubric of affordable housing. Well, guess what? We did, and we now have a position within the energy-efficient arena that challenges old assumptions."

Abdussabur credits Boston Community Capital with essential support. "Other agencies might have run away from us; BCC backed us up. They are conservative, but they are also ingenious. They know how to maintain their financial security while letting guys like us try to implement something innovative. I am really, genuinely grateful for their support. And in the end it is the community that benefits."

Risk under pressure. Our own rules.

The Challenge: In the communities where BCC works, capital has always been tight. But in today's economy it has virtually vanished. Banks have tightened credit. Neither loans, nor mortgages, nor working capital are available. Even projects well underway have come to a halt.

The Opportunity: Preserve affordable housing—and ensure that people and organizations can keep their property until the markets rebound. Boston Community Capital has never bowed to convention. Knowing that short-term strategies are ultimately worse for borrowers and the community, we invest for the long term. We are patient, flexible and forward thinking. In short: We write our own rules.

Allston Brighton CDC

Adapting the project to the market.

M.H. Nsangou, Executive Director of the Allston Brighton Community Development Corporation, gets straight to the issue: "Allston Brighton is not a neighborhood that experiences distress in a typical way. The problem is, it tends to be a very transient place, because of the student population. But the area also has a long-term resident population that has an interest in having people be able to put down roots; the neighborhood needs that stability in order to be a healthy place." She continues, "The residents of our housing tend to stay for five to ten years on average."

So to help create neighborhood stability, the Allston Brighton CDC purchased a portfolio of two properties. One was intended as affordable rental housing, the other destined for homeownership.

"We rented the first property, but then," Nsangou recounts, "as we were beginning to market the units in the second property the real estate market crashed. These were designed to be affordable homes—which meant they had deed restrictions. As housing prices fell, people suddenly had a choice; they could buy non-deed-restricted homes for just slightly more money." And they did.

"In partnership with the city, we started to look at restructuring the homeownership phase as a rental," Nsangou explains.

Of course, the change required a change in terms. Boston Community Capital helped the Allston Brighton CDC restructure the deal, and was able to be flexible with loan terms during the transition period. Further, as the Low Income Housing Tax Credit market shifted, the CDC needed to increase their contingency fund; BCC allowed them to keep a portion of our funds in the deal through rent-up so that they could meet their investor requirement.

"BCC helped us to make this project possible. It is so important to have the support and partnership of our lenders, because these deals are so complicated and there are so many aspects," Nsangou observes.

Long Glen Rental II clearly fills a need; when the 33 apartments went on the market, 742 people applied for them. For Nsangou that is a valuable silver lining. "The project restructuring happened because we are in the midst of an economic crisis. The success story in this is that we were able to keep Long Glen as affordable housing, so we were able to create a new resource that will contribute to the stability of the Allston Brighton neighborhood. The only way we could do that was as a team with our partners—both public and private—and BCC was a critical part of that team."

Long Glen Rental II was originally intended for homeownership. When market conditions changed, BCC worked with Allston Brighton CDC to restructure the property as affordable rental apartments. Property Manager Laura Francis and Assistant Property Manager Gladys Agudelo of Maloney Properties welcome tenants home to 33 newly remodeled apartments at Long Glen Rental II.

Residents of Park View Cooperative share a laugh at a recent board meeting. BCC made its first loan to Park View Cooperative in 1994 to finance needed capital improvements to the building. A recent line of credit from BCC helps the cooperative maintain the affordability of co-op membership as the building's value increases.

Park View Cooperative.
Reducing the barrier to entry.

Park View Cooperative is a very special place, a bastion of affordable housing in a city where the 1994 repeal of rent control marked the beginning of sky-rocketing costs. As a legal entity, Park View is carefully constructed to remain affordable while being independent of City support. Even so, as its value rises, so does the cost of buying in. Boston Community Capital was able to help.

Board member Steve Morr-Wineman explains the situation. "Park View is a limited equity co-op. Like any co-op, each member owns a share of the corporation rather than owning their individual unit. Whenever someone moves out, the co-op buys their share, finds someone to move in and then sells the share to the new resident."

"The limited equity concept is designed to keep the buy-in price and the monthly carrying charges affordable," he continues. "The City of Cambridge established the equity formula, based on the consumer price index for housing and each member's proportionate share of the monthly mortgage and capital improvements. The value of the building is not set by the market; it is set by the equity value. Should the co-op members choose to sell the building on the open market, any excess value they earned would go to the City coffers, so there is no incentive to flip it; this is housing for the sake of housing, not for investment or speculative gain."

Still, the building's value rises. "As the co-op members pay down the original mortgage, their equity increases, so the functional definition of the building's value increases too." And, as Morr-Wineman notes, that is problematic for the low- and moderate-income people Park View is meant to house. "When the co-op started in 1984, the buy-in price was around $2,000. By 1996 it had risen to $9,000. Pretty soon it was in the five digits; in the context of affordable housing, that is expensive."

BCC brainstormed with Park View and arrived at a working solution: we provide them with a revolving line of credit that the cooperative can use to extend "share loans" to new residents. "The loans are available for 50% of the buy-in cost," Morr-Wineman states. This structure brings co-op membership within reach for individuals who otherwise might not have been able to afford it.

Morr-Wineman praises BCC's innovative approach. "Not many banks will deal with co-ops; they are not familiar with the structure, and the fact that we are limited equity adds another wrinkle. BCC has been happy to work with us. They enabled us to do this." He also complements BCC's working style. "They clearly have full control of the financial stuff, but I never feel like I am dealing with a banker; it is never a problem to ask a question if there is something I don't understand. It's a fully collaborative working relationship."

Educational facilities. A stable center.

The Challenge: Running a school and managing a construction project require very different skill sets. Concern over the capacity of the educational institution to orchestrate a large capital project can make financing hard to acquire. Public support and expertise are often not available, and servicing construction debt can wick monies away from mission-critical programs.

The Opportunity: Use New Markets Tax Credits to provide essential construction capital without undue debt burden. Having established an effective model, we are now able to bend it to work for institutions around the country.

"Be Kind. Work Hard. Get Smart." That's the motto of E.L. Haynes Public Charter School. Financing from BCC helped the school significantly reduce the borrowing costs on its new facility so that precious financial resources can be used to enhance programs for students. E.L. Haynes' new building opened in 2008 and is home to 470 students in grades pre-K through 8.

E.L. Haynes Public Charter School.

Expanding academic potential.

E.L. Haynes Public Charter School harnesses nationally recognized best practices for advancing student achievement. With each student, they aim to ensure high levels of academic achievement, to instill a deep appreciation for mathematics and science, and to develop the lifelong skills needed to be successful individuals, active community members and responsible citizens. They are succeeding through determination and hard work.

The first public charter school in Washington, DC to be open year-round, E.L. Haynes provides 1,000 additional education hours each year (above and beyond the 1,200 hour school year) through before school, after school, and intersession programming. All together, E.L. Haynes is open to children 47 weeks a year from 7:30 in the morning to 6:00 at night. They have two excellent teachers in every classroom—an experienced lead teacher and a new teacher-in-training—who are bolstered by extensive professional development programs.

And they are producing results. As Head of School Jennie Niles notes with pride, "In just two years we have seen a 21% gain in reading and a 37% gain in math scores."

"Boston Community Capital was able to use New Markets Tax Credit monies in tandem with a sale-lease back financing structure," Niles explains. "Although the structure of the refinancing is very complicated, we know it's worth it because it decreases our debt significantly over 30 years."

"For our first four years, we were functioning in temporary sites with no space for music, science, dance, art, gym—not even a cafeteria. Our organization's greatest challenge, and that of charter schools in DC, has been to secure adequate facilities. Thus, this new building is transformative for ELH; we actually have the room to fully execute our curriculum and programs, and finally have a permanent home."

"Because BCC is mission-driven, they clearly understood the value of what we are doing and supported us in every way they knew how. They tried to think creatively to overcome seemingly insurmountable problems so we could fund the project and serve the kids."

BCC led a syndication that brought in community development lenders and local partners including NCB Capital Impact, New Jersey Community Capital, The Reinvestment Fund, and Partners for the Common Good to make a $10.5 million New Markets Tax Credit leverage loan to E.L. Haynes. Combined with a New Markets Tax Credit investment from City First Bank and Nationwide Mutual Insurance Company, the loan financed the school's new 45,000 square foot facility.

Niles re-emphasizes her message. "I can't stress enough how fundamental having this building is to our success, and to giving these children what they deserve. We talked to a number of other financial institutions that were not up for the deal; they didn't have the internal capacity and knowledge to make it work. What BCC brought was unique. BCC saved the day."

Boston Collegiate Charter School.
Securing college ambitions.

Boston Collegiate Charter School put their mission in their name: to instill in students the expectation of attending college and provide them with the skills to succeed. "We have had five graduating classes since we opened," says Executive Director Kathleen Sullivan. "One hundred percent of those students have been accepted into college; 80% will be the first in their families to attend."

"Our work feels important to us, because we know that the rates of college enrollment are very low for students in Boston's public schools; we feel that parents want their children to have the opportunity for all that college offers—a life of choices."

Judging by their enrollment numbers, Sullivan is right. The school opened in 1998 with 120 students; since then, it has received more than 3,600 applications. Although the student body has grown to over 400, there is a waiting a list of over 1,400 students and a desire on behalf of families and the school to expand further. The school received permission to add 240 children to the program—but expansion requires space, and getting it isn't easy.

"As a charter school, we are on our own in terms of finding our facilities and financing them. Like many charter schools, when we first began we were leasing less-than-optimal space—converted offices on the edge of an industrial neighborhood. We managed to create a successful program despite the space, and had the good fortune six years later to purchase a more suitable building. It's already not large enough to hold all of us."

Last year, the school located a second building nearby, and Boston Community Capital helped them finance it. "We found a building in an area zoned as benefiting from new development," Sullivan continues. "We qualify because offering low-income, urban students the opportunity to go to college benefits the neighborhood. With New Markets Tax Credits from the federal government, Wainwright Bank as leverage lender, and BCC, we were able to buy it."

"Locating adequate space and outfitting buildings often feels like a distraction from the work that is most important: preparing all of our students for college and lives of greater opportunity."

"With BCC's support, we were able to accomplish this fairly complicated transaction in a short period of time—and turn our attention back to the education of our students. Had we not had their support I am not sure we would have found a way to expand."

Boston Collegiate Charter School prepares students for success in college and beyond with a rigorous curriculum, small class size and additional learning time. In 2008 and 2009, the school received national recognition from New Leaders for New Schools for its exceptional gains in student achievement.

A $14.4 million New Markets Tax Credit loan from BCC helped Boston Collegiate purchase a new building to support its expansion.

The Leaguers.

Empowering entire families.

Mary Birch had a problem: Packs of bored neighborhood boys were tearing up her lawn. So, using her living room as a base, she started a program to keep them out of trouble. Sixty years later, The Leaguers is the oldest incorporated African-American social service agency in the state of New Jersey, and one of Newark's largest social service agencies. It provides Head Start services for 840 families, before and after school programs, summer school programs, and a host of other services. As Executive Director Veronica Ray proudly comments, "We take a holistic approach to the family. We might have a child in our Head Start program whose sibling is being tutored by us, and whose father is in our Father's Program. We get into housing referrals and bank referrals, find scholarships for folks, help people make career choices. There is so much we can accomplish by being multi-faceted. I love what I do!"

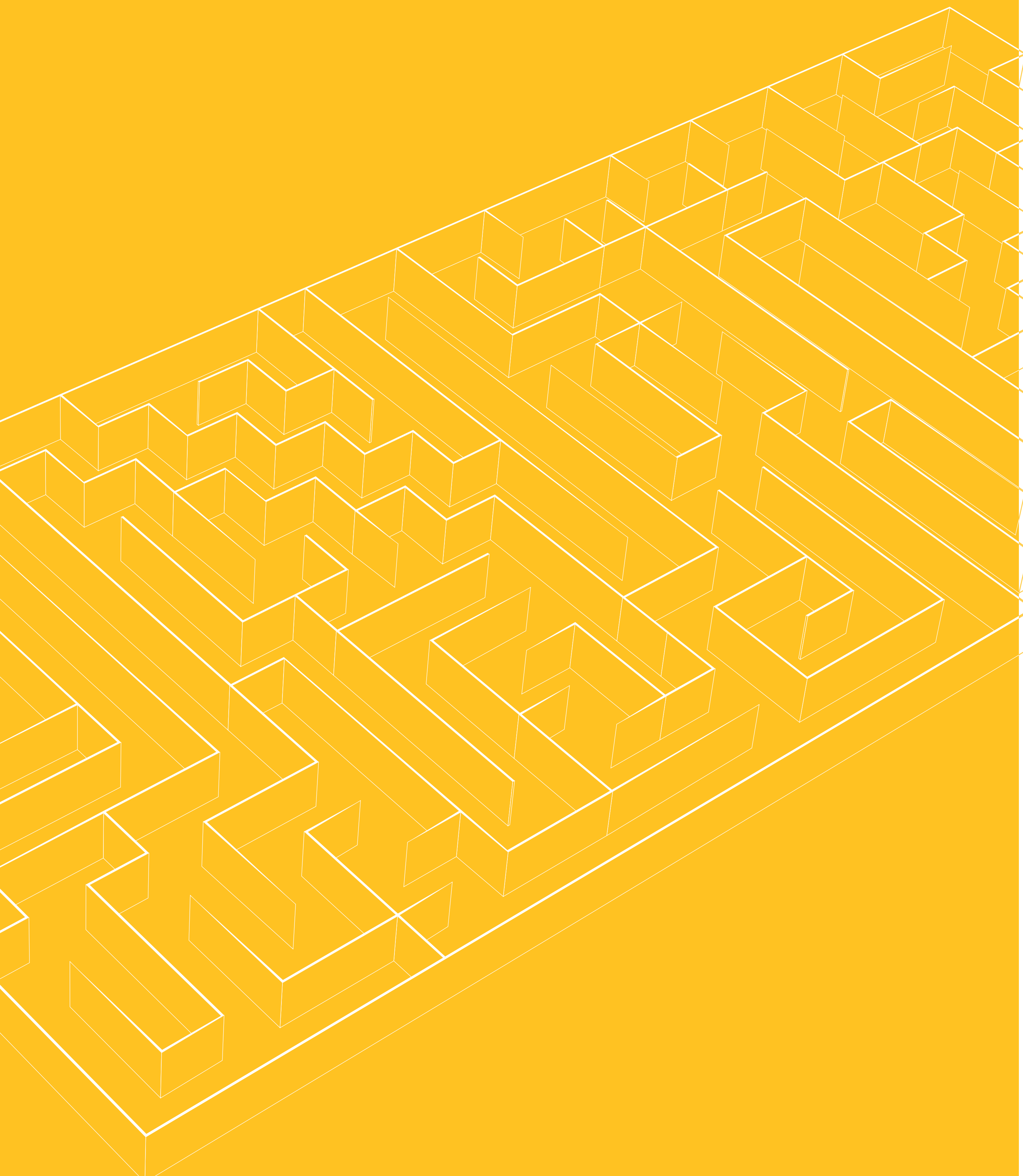
Given Ray's enthusiasm, it is not surprising that the organization is growing. In fact, The Leaguers has just opened its first charter school, serving 100 children in kindergarten and first grade; over the next seven years the school will expand to serve grades K–8.

Of course, with growth comes a need for new space. Supported by a leverage loan from BCC and monies from New Markets Tax Credit investors, The Leaguers has broken ground on a 44,000 square foot building that will house administrative offices, state-of-the-art classrooms, and multi-purpose community space, complete with internet service. Ray smiles, "Children learn in a modern, clean environment; if they have an inviting place to come, it opens up all kinds of opportunities for them."

She is particularly pleased about the funding, because it is not always easy for educational facilities. "Many projects are started in New Jersey, and then the money isn't there any more, so the project never gets finished. We were able to put this deal together without going to the city, or the state or the Feds."

Ray believes the lenders not only made the project possible, they are making it go smoothly. "Our lenders are staying on top of things; they help us through every step to make sure money goes where it is supposed to be. Even in this climate, BCC's attitude is still positive. There is a lot of support to get this done." In Ray's view, that translates into support for entire families in the greater Newark area.

BCC brought together New Jersey Community Capital, The Reinvestment Fund, Partners for the Common Good, and Prudential to provide a NMTC leverage loan to The Leaguers. This debt, together with an investment from Nationwide Mutual Insurance Company and a suballocation of New Markets Tax Credits from Stonehenge Capital Company allowed the organization to break ground on new facilities for its multi-faceted social services programs.



Financial complexity. Leveraging capital.

The Challenge: Project needs and opportunities sometimes coincide in locales or at a scale beyond the capacity of a local community-based developer or a single lender. Larger institutions can bring additional resources to the table, but sometimes even the most competent, progressive affordable housing developers are challenged by complex pre-existing financial arrangements.

The Opportunity: Leverage the capital of others, using mezzanine and other forms of debt to work with partners on a broader scale. The capital structures we facilitate, in which each source is critical, enable developers to undertake high-impact projects that would otherwise be difficult to finance.

Beacon Communities.
Innovative partners working at scale.

For over 40 years, Beacon Communities has been creating and managing award-winning residential communities that serve a diverse cross-section of society and make enduring contributions to the vitality of the cities and towns where they are located—over 30 communities throughout New England, Pennsylvania, New York, Virginia and Maryland. BCC recently partnered with Beacon on two developments—preserving affordable housing for low-income senior citizens in Connecticut and creating and preserving affordability for 133 apartments in three converted mill buildings in Massachusetts.

The Connecticut investment just made sense to Mark Epker, Beacon's senior vice president of acquisitions. "We have deep expertise in the affordable housing arena and have been actively adding to our portfolio through acquisition within our footprint. With approximately 900 apartments already under management in Connecticut, we have feet on the street—a strong management, resident services, and maintenance team."

"The recently acquired Connecticut portfolio includes 404 units in four properties. The properties are restricted to elderly residents and are covered by project-based Section 8 HAP Contracts. That means residents, who often live on fixed incomes, can remain in the same unit and the same community even if their income decreases over time."

Financing the acquisition posed some challenges. "Two of the four properties carried high cost debt from the Connecticut Housing Finance Authority (CHFA) which needed to be assumed and which significantly limited cash distributions. The other two properties provided nice cash flow and could be financed more readily." Epker explains, "We found ourselves in a challenging position, until we considered the four properties as a portfolio. BCC was willing to participate at a portfolio level, using cash flow from the unrestricted deals to service the financing across the entire portfolio."

"We needed five-year money with flexibility for a current-pay portion and an accrual portion. That's exactly what BCC provided. We repay a certain portion of their loan through cash flow while accruing a portion of interest as well. The rapid amortization of the CHFA debt outpaces the accrual on the BCC loan, maintaining a well-secured loan with moderately high leverage."

He continues "BCC played a role other lenders and investors couldn't play in this transaction, and it was instrumental. They immediately understood the deal and recognized the value of the real estate and what the project would provide for the residents. They're quick studies."

That first project has led to other opportunities, including a $3.1 million loan to renovate the Baker Chocolate Factory Apartments, a 133-unit mixed-income development in Dorchester Lower Mills. Beacon has begun renovations, and will increase the property's affordability—renting 20% of units to individuals earning less than 60% of the area median income (AMI) and an additional 5% to individuals earning 80% of AMI. "Again, BCC played a key role." Epker says, "Partnering with them allows us to create value for our residents and create a lasting impact on the community."

Mark Epker of Beacon Communities in front of the Baker Chocolate Factory Apartments in Dorchester Lower Mills. BCC's $3.1 million construction loan will enable Beacon to renovate the former factory buildings—originally constructed in the late-1800s and redeveloped between 1983 and 1985 by Keen Development to create low- and moderate-income housing.

Rural rejuvenation. Replicated nationwide.

The Challenge: It is true across the nation: rural communities suffer disproportionately from disinvestment. Businesses close down or relocate. Jobs disappear. Infrastructure crumbles. And low-income communities and residents are left reeling.

The Opportunity: Leverage New Market Tax Credits to support projects with large-scale impact. By financing businesses that create jobs and opportunities for residents, we help power an engine that drives local economies. Once proven successful in one area, we are able to replicate these projects in similar circumstances from the Pacific Northwest to the Appalachian Mountains.

The Forestland Group.
Stewarding sustainable forests.

"The Forestland Group has nothing more important than its reputation," says Managing Director Chris Zinkhan. "We are able to work with stakeholders in the purchase of timberland property because they realize we will steward the land."

In fact, The Forestland Group is the first timber management organization in the world to receive SmartWood/Forest Stewardship Council (FSC) certification for its entire global timber portfolio. "We harvest and manage for sustainability," Zinkhan continues. "We have a long-term plan to ensure the ecological integrity of the forest and to sustain the non-timber plants and wildlife." But that kind of care comes at a cost—a cost that is magnified when the property is the size of Project Blue.

"Project Blue is over half a million acres of timberland; that's half the size of Rhode Island," says Zinkhan. The land begins at Charleston, West Virginia and stretches 200 miles southwest; large blocks of it center around Bluefield, West Virginia and its sister city Bluefield, Virginia—hence the name. Zinkhan observes, "Appalachia is known worldwide for having high quality timber. Project Blue is very well stocked; its timber inventory levels are well above average. From a forestry perspective it's a really good mix of deciduous hardwoods: oak, poplar and maple trees." The Forestland Group intends to keep it that way. And a New Markets Tax Credit investment from BCC means they can.

"When the purchase of timberland has a high capital cost, lots of companies 'high-grade.' They adopt an aggressive harvest strategy that impairs long-term sustainability, cutting all the good timber and leaving the residual forest as junk. We practice selective cutting, removing crooked and defective trees along with just a portion of the high-quality trees, directing the sun and water towards the residual high-quality trees, so they can grow for the future," Zinkhan explains. "For Project Blue, the New Markets Tax Credit monies lowered our cost of capital enough to be competitive in the bid process, and that means we can afford to defer cutting the higher quality timber."

"Our plan on the property is to harvest less than growth, so we can sustain into perpetuity."

Not only does Project Blue put a tremendous amount of land under responsible care, it also brings employment to a region low on job opportunities. "We have about 30 contractors working on the properties today," Zinkhan states. "Mostly, these companies hire local folks to cut and haul the logs to the mills. There are probably 160 people working in the forest. Most of the volume goes to about ten local mills, which have well over 1,000 additional employees."

Now proven, Project Blue's success is spreading across the country. "We've already used the New Markets Tax Credit financing model on a project in southern Louisiana," Zinkhan enthuses. "There is no reason this can't work anywhere."

BCC has invested nearly $100 million in rural communities through its NMTC program. Working with respected partners like The Forestland Group, we are preserving and creating direct and indirect local jobs in forestry, logging and trucking, while sustaining local businesses. Active partnerships with environmental, conservation and eco-recreation groups create additional social and environmental benefits.

Partners in our Mission

BCC and its affiliates provide a wide range of debt and equity products for low-income communities and individuals and for emerging businesses and entrepreneurs. Boston Community Loan Fund lends money to nonprofit organizations, community development corporations and local developers that build affordable housing and provide social and community services. Boston Community Venture Fund makes equity investments in emerging or existing businesses that create jobs or provide services for low-income communities. Boston Community Managed Assets develops new business initiatives and innovative funding vehicles for low-income individuals and communities and administers the investment of our New Markets Tax Credit allocations. BCC Solar Energy Advantage works to stabilize and reduce energy and utility costs of existing affordable housing by improving their energy efficiency, conservation and renewable energy use. NSP Residential is a real estate company focused on developing and implementing a wide range of innovative and flexible real estate and mortgage loan acquisition strategies aimed at stabilizing communities threatened by the foreclosure crisis. Aura Mortgage Advisors is a mortgage brokerage business dedicated to helping people understand the mortgage process and own a home they can afford.

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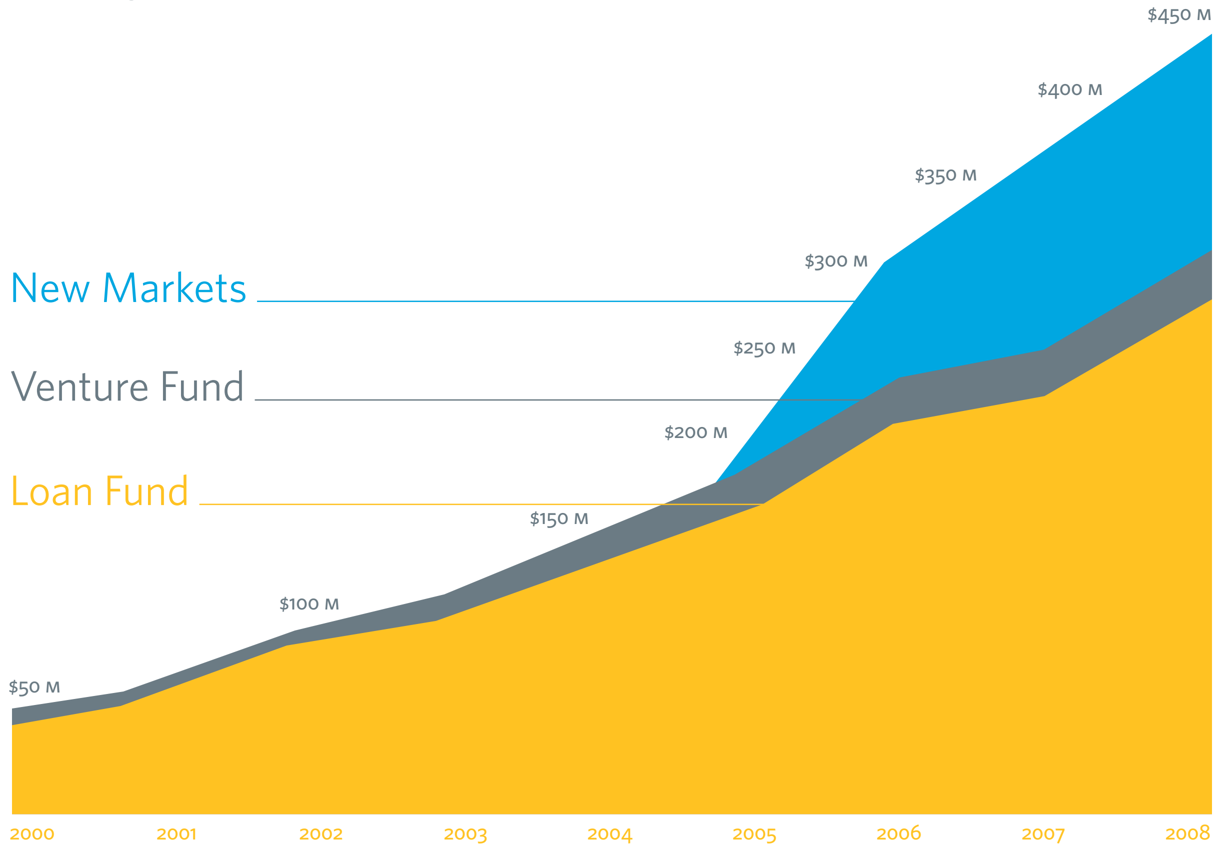
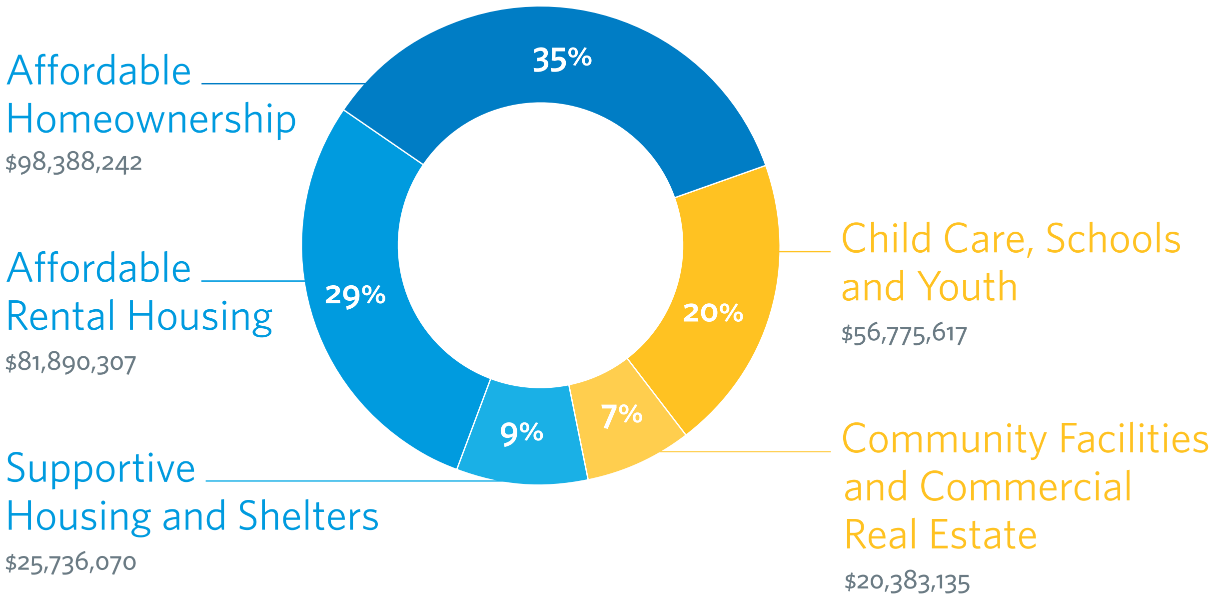
CUMULATIVE DOLLARS INVESTED
(AS OF 12/31/2008)

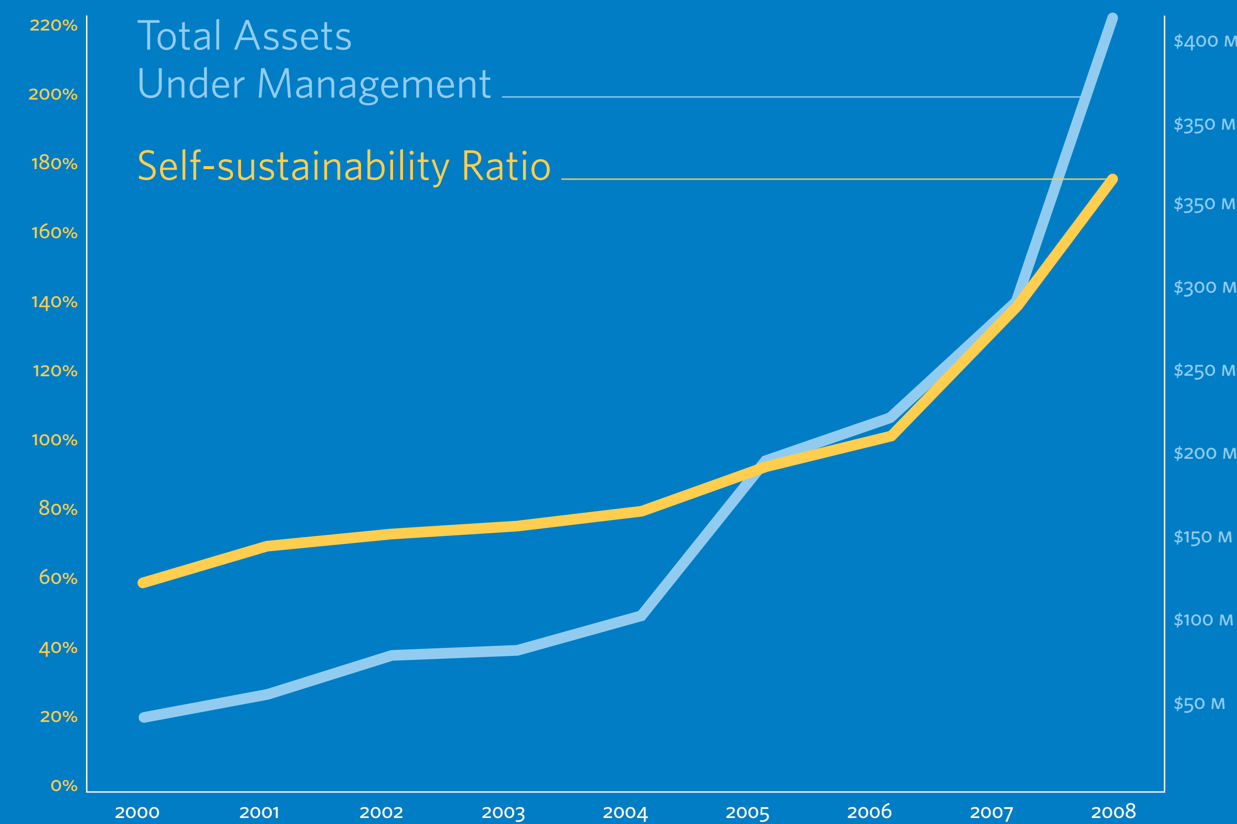


BOSTON COMMUNITY LOAN FUND LOANS BY TYPE 1985–2008 CUMULATIVE
(AS OF 12/31/2008)

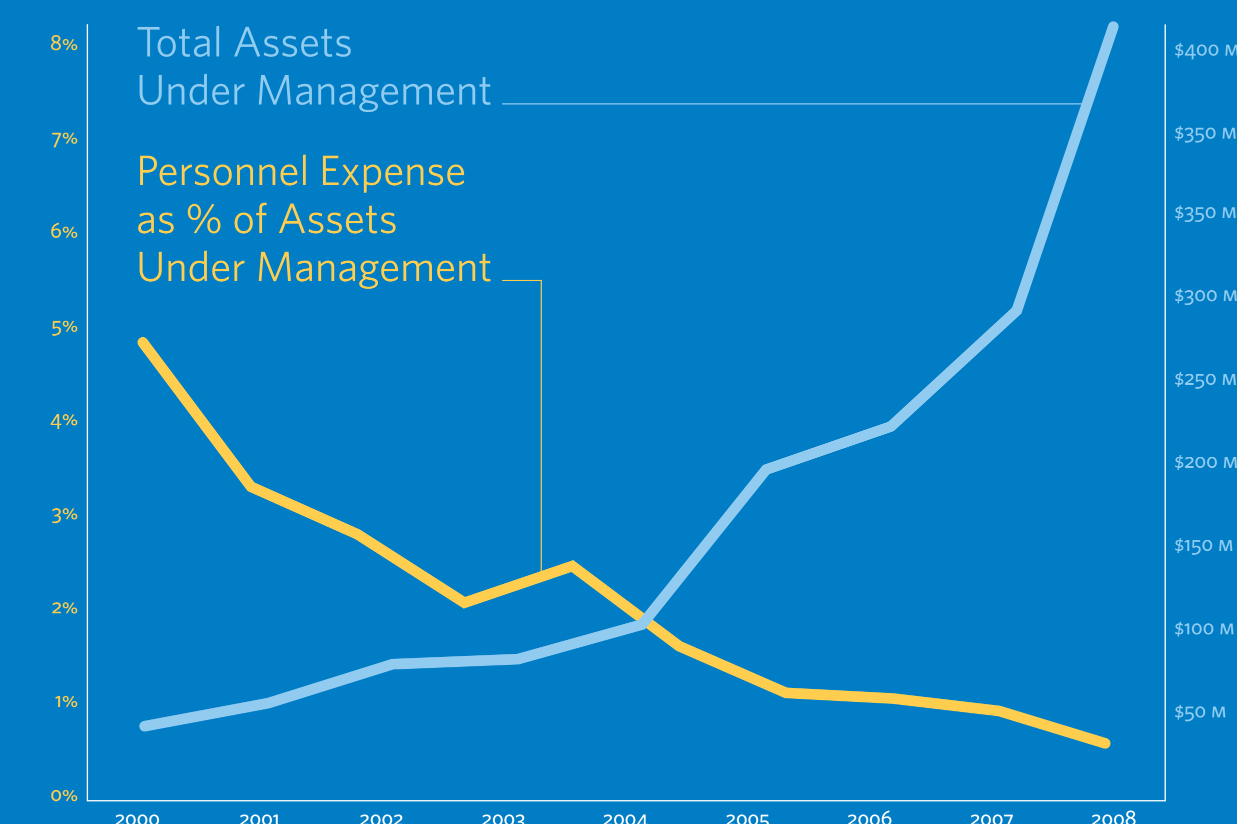


Subtotal Housing + Subtotal NonHousing = Total
$206,014,619 $77,158,752 $283,173,371

SELF-SUSTAINABILITY RATIO
(AS OF 12/31/2008)



PERSONNEL EXPENSE AS PERCENTAGE OF ASSETS UNDER MANAGEMENT
(AS OF 12/31/2008)

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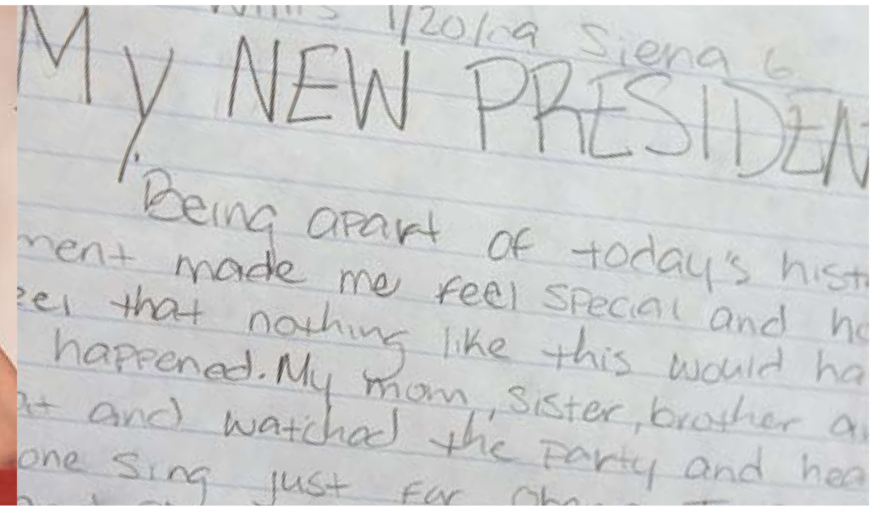
My NEW PRESIDEN
Being apart of today's hist
ment made me feel special and h
eel that nothing like this would ha
happened. My mom, sister, brother a
t and watched the party and hea
one sing just for


52

This annual report was printed on Mohawk Options paper, which is made with 100% postconsumer recycled fiber and wind-generated electricity. Printing of this report used 12,191 lbs of paper.

Savings from the use of 100% postconsumer recycled fiber instead of virgin fiber:

- 61 trees preserved for the future
- 176 lbs waterborne waste not created
- 25,961 gallons wastewater flow saved
- 2,872 lbs solid waste not generated
- 5,656 lbs net greenhouse gases prevented
- 43,288,800 BTUs energy not consumed

Savings from the use of emission-free wind-generated electricity:

- 2,871 lbs air emissions not generated
- 3 barrels crude oil unused

In other words, the savings from the use of wind-generated electricity are equivalent to:

- not driving 2,841 miles

or

- planting 195 trees

Primary values were derived from information publicly available at:
http://www.epa.gov/cleanrgy/egrid/index.htm
http://www.environmentaldefense.org/documents/1687_figures.pdf

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MOHAWK windpower

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Mission Statement: Boston Community Capital's mission is to build healthy communities where low-income people live and work. To this end, we finance affordable housing, child care facilities, arts programs, schools, health clinics, youth programs and other community services; invest equity dollars into businesses that create social and financial returns; and develop new financial tools that connect low-income communities to mainstream financial markets. We serve as a vehicle for a wide range of investors, including individuals, institutions and faith-based organizations. Working together, we achieve the cost-effective access to capital that is a key to building healthy communities.

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