BOSTON COMMUNITY CAPITAL

Proposal to the Herman and Frieda L. Miller Foundation

October 2010

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 - o "Ways to Deal with the Foreclosure Crisis," PBS NewsHour Blog (story forthcoming)
 - o "Boston Nonprofit Helping Foreclosure Victims," *CommonWealth Magazine online*, October 12, 2010.



\$6,763,319

Total # of Board Members:

COMMON PROPOSAL FORM COVER SHEET

The Cover Sheet Summary is to provide the essential data about the organization, the contact person, and the proposal. Please input text in shaded boxes. Complete this form and submit with your full proposal.

Request to: The Herman and Frieda Miller Foundation

Date of Application: 10/15/2010 Full Legal Organization Name: Boston Community Capital Address: 56 Warren Street State: MA Zip Code: 02119 City: Boston Website: www.bostoncommunitycapital.org President/Exec. Dir.: Elyse D. Cherry Title: CFO Phone #: 617-427-8600 Email: echerry@bostoncommunitycapital.org Title: EVP; BCC Solar Energy Advantage Contact Person (if different): DeWitt Jones President Phone #: 617-427-8600 Email: djones@bostoncommunitycapital.org Organizational Information 501(c)(3)? Yes ⊠ No □ If, Yes, FIN #: 04-3246555 Year established: 1984 If No, provide name of fiscal sponsor (enter organization name and address): Total Organization Budget Fiscal Yr: Month Dec Day 31

Organizational Mission Statement (50 words or less):

Boston Community Capital's mission is to build healthy communities where low-income people live and work. We do this by investing in projects that provide affordable housing, good jobs, and needed services for people who have been locked out of the economic mainstream.

Volunteers #: 0

Total # of staff: 20

Brief Description of Organization (75 words or less):

Founded by socially responsible investors in 1984, Boston Community Capital (BCC) is a community development financial institution (CDFI). To accomplish our mission, 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:
- develop new financial tools that connect low-income communities to mainstream financial markets.

We serve as a vehicle for a range of investors and donors to put their money to work in low-income communities. Together, we achieve the cost-effective access to capital that is a key to building healthy communities.

Population Served (25 words or less, include age groups, race & ethnicity, income levels, etc.):

BCC provides financing to nonprofit and commmunity organizations, primarily in Greater Boston and Eastern MA, that provide housing and services to low-income people communities

Program/Project Name: n/a	

Total Program Budget: \$0	Requested Amount: \$100,000	%:
Type of Request: General Operating	Grant Period: 10/1/2010 to	Multi-Year? No
	9/30/2011	

Geographic Area Served: Greater Boston and Massachusetts

Priority funding areas of grant maker (indicate how your request fits within the grant maker's strategic interest[s]): BCC's mission to build healthy communities where low-income people live and work aligns closely with The Herman and Frieda L. Miller Foundation's goal of enhancing community life and the civic environment in Greater Boston and Eastern Massachusetts. The initiatives described here help support vibrant urban community life by creating affordable housing for low- and moderate-income people; promoting healthy, energy-efficient and environmentally sustainable development in low-income communities; and providing access to financial products and tools that connect low-income people and communities to mainstream capital markets.

Most recent grants received from this funder: Amount: \$200,000 Date: 7/26/2008

Amount: \$100,000 Date: 11/30/2009

I hereby verify that the information provided is accurate and honest to the best of my knowledge.

Elyse D. Cherry 10/15/2010

Authorizing signature (President of the Board or Executive Director) Date

Boston Community Capital Proposal to the Herman and Frieda L. Miller Foundation

Boston Community Capital (BCC) is pleased to submit this proposal to the Herman and Frieda L. Miller Foundation for a \$100,000 operating grant to support our work to build healthy communities where low-income people live and work. Funds from the Miller Foundation will support our continued work on foreclosure relief and sustainability initiatives that emerged from our five-year strategic plan, *A Platform for Transformation*. Miller Foundation funding will also allow us to begin work on a new strategic plan to guide Boston Community Capital's work from 2012-2017.

Foreclosure Relief Programs: Stabilizing Urban Neighborhoods (SUN) Initiative and Beyond

As you know, grant support from The Herman and Frieda L. Miller Foundation allowed Boston Community Capital to begin identifying and advocating for action on the foreclosure issues in our communities in mid 2007. In 2008, we reviewed over 700 deed histories for properties in foreclosure, and conducted focus groups with individuals facing foreclosure in Boston, Fall River and New Bedford. We created a real estate acquisition company focused on developing strategies to respond to the foreclosure crisis. In 2009, we obtained our mortgage lenders' license and began to acquire foreclosed properties from which homeowners and tenants had not yet been evicted, and resell those properties to existing occupants with fixed-rate mortgages they could afford.

Early this year, we launched the SUN Initiative, a \$50 million initiative aimed at stabilizing over 2,000 Boston and Revere families facing eviction due to foreclosure over the next five years. To date, we have raised over \$35 million, and provided over \$9 million in mortgage financing to help over 90 families remain in their homes.

This spring, we launched a major outreach and education program targeting public and nonprofit agencies providing services to families in foreclosure. To date, we have:

- Completed presentations to every Foreclosure Counseling and Legal Services organization in targeted neighborhoods.
- Met with the City of Boston's local Neighborhood Services Offices and the Suffolk County Sheriff's Department Neighborhood Crime Watch;
- Provided counseling and outreach services at the recent Homeowners Foreclosure Prevention Workshop sponsored by the Commonwealth and the City of Boston;
- Produced and began distribution of SUN marketing materials and collateral to all referral agencies (see attached);
- Developed and distributed monthly client updates and progress reports for each referring agency.
- Established new, faster offer and purchase procedures with FNMA.

As a result of this outreach, we are beginning to see an increase in requests for and receipt of applications and have increased the number of referral sources sending clients to SUN for help. Over 50% of our application volume is now coming from new agencies. We will continue this outreach effort throughout the coming year as we seek to build our volume of lending to \$3 million/month.

As volume has increased, our customer profiles have remained stable as has our ability to buy properties at a significant discount from the original mortgage value. Our purchases remain at approximately 45% of the prior mortgage and monthly housing expense is consistently cut in half, if not more, with the resale and new mortgage. We have seen a much higher level of performance than anticipated in our business plan. To date, we have had no delinquencies.

In the coming year, we will seek to expand SUN beyond Boston and Revere to other Massachusetts neighborhoods hardest hit by foreclosure. We have applied for and received a \$750,000 grant from the CDFI Fund to support this work. We are also one of two finalists for a \$5 million loan and a \$500,000 grant from the Wachovia Wells Fargo NEXT Awards in Opportunity Finance, supported by the Wachovia Wells Fargo Foundation in partnership with The John D. and Catherine T. MacArthur Foundation. These funds will also support BCC's expansion of SUN beyond Boston and Revere.

Funding from the Miller Foundation will support this outreach and expansion work; it will also support our efforts to complete a secondary market sale of the seasoned mortgage income stream. The success and replicability of SUN depend on our ability to recycle funds – and repay investors within the five year term of their loans -- through secondary market re-capitalization of the fund. BCC has begun conversations with a series of potential investors and partners in this secondary market re-sale. Potential strategies for recapitalization include:

- Use of income to support a tax-exempt bond issued through Mass Development
- Sale to property and casualty insurance loan funds (e.g. The Life Initiative, Property and Casualty Initiative), or directly to in-state insurance company
- Possible purchase by State Treasurer's office
- Recapitalization through the Federal Home Loan Bank

BCC will continue to explore these opportunities in the coming year.

Energy Advantage Program: Providing Integrated Energy Conservation and Renewable Energy Financing for Affordable Housing

BCC's Energy Advantage Program (EAP), conceived with support from the Miller Foundation and launched with \$5 million in grant support from the Massachusetts Renewable Energy Trust, is designed to widen the financial products and tools available to finance green and sustainable development in order to demonstrate that these approaches can make communities healthier – from both economic and public health perspectives. As described in prior reports, the EAP provides financing to affordable housing developments and community organizations for energy conservation, energy efficiency and renewable energy investments to improve the buildings' energy and environmental performance, stabilize and lower the developments' operating expenses, and allow low-income residents to participate in addressing climate change.

In -2010, we moved forward on three energy and sustainability initiatives: our third party solar program through BCC Solar Energy Advantage (SEA); energy retrofit demonstration programs, including a deep energy retrofit project with Beacon Communities and an existing multi-family energy conservation financing program with Mass Housing Partnership; and WEGOwise, our web-based energy tracking data tool developed with New Ecology and Thinkify.

Solar Energy Advantage

BCC Solar Energy Advantage (SEA) has started construction on a new installation at Nuestra Comunidad's Adams Court development (a project developed with a BCLF loan) and is finalizing contracts for an additional 570 kilowatts with the Greater Boston Food Bank in Roxbury, Atlas Lofts in Chelsea (another BCLF financed project), and the Quaboag Regional School District outside of Worcester. All these projects should be completed by early 2011.

The projects noted above all have been awarded rebates from the Mass Clean Energy Center, which are required to make the projects economic. However, that rebate program has ended, and to do future deals,

we will need other sources of subsidy. We have committed at least \$5 million from our current NMTC allocation to SEA. Our goal is to create a structure that combines the NMTC allocation with a federal solar subsidy in order to create a robust and economic solar financing business serving low-income communities. If we succeed, this will be a first-in-the-nation financing structure. We are currently in negotiations with investors. Projects that we anticipate developing in the first round of this financing include large affordable rental housing developments in Lowell and Lawrence.

We have also signed a contract to sell Solar Renewable Energy Certificates (SRECs) for our future solar projects. The SREC program is the new Massachusetts solar incentive program. SRECs are marketable certificates tied to the amount of solar electricity that we generate, and, under Massachusetts law, utility companies must purchase them from solar generators in order to create an additional revenue stream for solar projects and to create a significant incentive to develop solar production facilities. By selling our SRECs under a long term contract, we were able to get price and revenue certainty sufficient to allow us to finance the development of the planned systems. We believe that our contract was the first SREC contract signed in Massachusetts, and it will allow us to develop approximately another megawatt of solar power in 2011.

Conservation: Deep Energy Retrofit Demonstration Project

On the conservation front, we are moving ahead with both our deep energy retrofit demonstration project with Beacon Communities and our energy conservation financing partnership with MHP. Our project with Beacon is at the Colonial Estates development in Springfield, a 500 unit, 50 year old affordable housing complex. Preliminary design, which is actively underway, suggests that the retrofit may be able to reduce heat use by as much as 75-80%. Design should be finished later this fall or early winter with construction starting in early spring. We have also launched a pilot program with Mass Housing Partnership to finance energy conservation measures for existing multi-family properties that will achieve at least 30% utility savings and be financed from those savings. We are currently working on five initial properties in Brighton, Roxbury and Mattapan. We anticipate improving approximately 1000 affordable housing units in the first phase of this program.

WEGOwise: Web-based Energy Tracking Tool for Property Managers

As described in our final report to the Miller Foundation, we have collaborated with Thinkify and New Ecology to develop WEGOwise, (www.wegowise.com) a real-time, web-based energy use tracking system that allows property managers to model, track, benchmark and monitor actual and projected energy use. This spring, we formally launched WEGOwise as a separate company, owned by the three partners. WEGOwise is required as a pre-requisite for all utility rebate funding from the LEAN network, the utility companies' new low-income housing energy efficiency and conservation program. Currently, WEGOwise is tracking over 18,000 units of affordable housing and has one of the large databases of multifamily energy use in the country.

In the coming year, we will continue to expand WEGOwise's database, increasing its usefulness to property managers and SEA in benchmarking and monitoring energy use.

Grant funding from the Miller Foundation will allow BCC to continue to support key elements of our comprehensive Energy Advantage Program, developing new financing products and tools for supporting energy efficiency, conservation and renewable energy use in low-income communities. By piloting these financing products and collecting data that demonstrates their economics, BCC helps low-income residents stabilize their energy costs by providing access to energy saving technologies. Of equal importance, it seeks to create a new market for these products – creating demand from a whole new crop of borrowers interested in implementing these energy saving technologies and bringing together mainstream lenders who will be willing to provide financing for them.

Strategic Planning: The NEXT Five Years

In 2006, support from The Herman and Frieda L. Miller Foundation allowed us to develop our current five-year strategic plan, *A Platform for Transformation*. The thinking contained in that document has served us well for the past four years. Since completing the plan, we have become a much larger, more complex, and geographically expanded organization. We have

- More than doubled our total assets under management we are now above \$550 million;
- Significantly expanded our New Markets Tax Credits lending activity;
- Launched complex new financing products through our NMTC leveraged lending and Historic Tax Credit initiatives;
- Developed a nationally-recognized foreclosure relief program;
- Established a renewable energy and energy conservation program, including becoming the largest third party solar electricity provider in the state; and
- Created five new businesses, Aura Mortgage, NSP Residential, SUN Initiative, BCC Solar Energy Advantage, and WEGOwise to carry out our expanded work.

We have already begun to think about our plan for the next five years. We have begun to identify a series of areas that we believe will be key to our future, including:

- Large scale affordable property preservation—We have long recognized that the best time to acquire property and remove it from the speculative market is when markets are weak. Yet, historically, when markets are weak, the ability of our partners to take advantage of those opportunities has also been weak. Because BCC has developed a strong balance sheet, we believe we have an opportunity take advantage of the current market opportunity. As a first step, we're working with Mark Maloney, former head of the Boston Redevelopment Authority, to develop a business plan intended to determine whether we can acquire housing at prices that are sufficiently low to allow us to maintain the property as affordable and to achieve positive cash flows.
- Organizational capacity—Our expanded organization will require increased capacity in three areas. First, we need to assure that we have sufficient senior management capacity to support BCC's overall growth in size and complexity and, particularly, the development and expansion of our new business lines. Second, our administrative costs have historically been very low. However, the increasing size and complexity of our organization requires us to rethink our administrative capacity and staffing. Third, as we are all getting older and as BCC gets more complex, we need to make sure that our succession planning is in line with the future needs of the organization.
- <u>Branding</u>—As you may know, we have shifted the content and tone of our recent publications to reflect our overall activity and market. However, we need to make sure that all our marketing activities reflect not only our current work but also our shift to a large, more nationally focused organization. We anticipate an upgrade in the content, tone and utility of our website as well as a much more conscious focus on defining and promoting our brand in order to properly support our existing and emerging lines of business.
- <u>Long term capital strategies</u>—Our own growth -- especially the capital needs of our new businesses -- and market, regulatory and public changes in the capital markets, require us to adapt our long term capitalization strategy and partners. We have begun that work with SUN's

investment relationships with high net worth individuals and hedge fund partners, as well as our focus on creating a secondary market for the SUN and Aura-financed mortgages.

• Future for growth for the Loan Fund, Venture Fund, SUN and SEA—Each economic cycle over the past 25 years has created new opportunities, markets and challenges for the Loan Fund. We are now facing a similar time and need to explore the optimal role for the Loan Fund. Within two years, both venture funds will mature. We are currently in the process of determining the market role and size for a potential third fund. We also anticipate continued growth and expansion of the SUN and SEA businesses.

Support from the Miller Foundation will assist us as we move forward in the strategic planning process.

All three of the initiatives described above – our Foreclosure Relief work, our Energy Advantage Program, and our strategic planning for BCC's future growth – support the goals of the Miller Foundation in a number of ways, advancing innovative approaches to address issues of equitable access to healthy communities for low-income individuals and families. They bring together public and private sector partners to develop collaborative solutions to problems that threaten the health of these communities, and build bridges between stakeholders in community development to create lasting and systemic change. Finally, our programs are designed with an eye toward expansion and replicability, with a focus on creating impacts that are long-lasting and sustainable.

Support from the Miller Foundation has provided Boston Community Capital with the opportunity to make significant strides toward achieving the goals laid out in our current strategic plan. We welcome the opportunity to continue our partnership as we move forward in the coming year.

