



NORTHERN NEW ENGLAND
HOUSING INVESTMENT FUND

2013

ANNUAL REPORT





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A Generation of Service

2013 was a period of fruitful reflection for NNEHIF. As one of the regional pioneers of the Housing Credit program, the time had come to review the investments, policies, and partnerships that we have shepherded over the last 20 years. We share pride with our partner investors, developers, and government agencies in the record of success we've built

over that time. But after two decades in business, our most important achievement is reflected in the lives of an entire generation of people who have grown up in safe, affordable housing. We've been honored to help make that possible, and we look forward to doing the same for the next generation.

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2013 in Perspective

Q&A with President Bill Shanahan

Was there any shift in focus or priorities for NNEHIF in 2013?

After 20 years in business, 2013 was the year to take stock of where we are. We spent our first few years learning about the newly created Low Income Housing Tax Credit program and establishing the business that would take advantage of it to house those in need. Then we built the portfolio that is now starting to mature. We're looking at opportunities to re-capitalize them, while examining the nature of the original agreements that established them. This internal reflection on our business comes at a time when the entire Housing Credit industry is doing the same thing. Though the program was established in 1986, it wasn't until these credits became a permanent part of the federal tax code in 1993 that our industry was transformed. Every low-income housing partner is now

assessing what happens when investments mature and then, where to go next.

As one of the local non-profit syndicators of the Housing Credit program in the country, what local projects were you able to fund in 2013 that may have been ignored by national syndicators?

We took on many projects that had small equity investments, some as little as \$1M. Most national syndicators have a higher floor for their investments. Our small projects are expensive because of the base cost of the attorneys, architects, engineers and other professionals that comprise the project development team required to get jobs of any size done. But the need was there to refurbish substandard housing and create new high quality projects for a lower-income population. An important part of



NNEHIF PRESIDENT
Bill Shanahan

NNEHIF's mission will always be to meet that kind of need.

How did 2013's competition for the available pool of Housing Credits compare with prior years?

2013 was very competitive for everyone

Q&A Continued

in our industry. There's a lot of capital in the market. In a time when there are fewer alternative investments available, these credits are particularly attractive, especially because the projects they fund also have the power to enhance the CRA ratings of their investors.

Were there any changes to regulations that impacted investment in 2013?

The same kind of uncertainty that pervades the Housing Credit program applies to CRA ratings as well. One thing that may ameliorate those concerns is a new set of CRA guidelines. In 2013 they were rewritten to grant regulators wider latitude in qualifying CRA investments. We'll be watching closely to monitor the efficacy of those new criteria.

Also in 2013, the Financial Accounting Standards Board approved new rules that allow investors to book their investments in a way that eases the accounting requirements. The hope is that the rule change will attract more investors.

How did legislative changes in 2013 impact NNEHIF?

Like many states, the Maine legislature was looking for programs to cut to address budgetary shortfalls. One of these was the State Historic Credit, a local initiative modeled after the hugely successful Federal Historic Credit Program. NNEHIF went to Augusta to testify to the state credit's power. The stories we shared about the schools and hotels that had been transformed by access to this credit painted a vivid portrait of its impact on individual lives and entire communities. These accounts were instrumental in persuading the legislature to continue this vital program.

Were there any significant changes to NNEHIF's pool of investors in 2013?

Our partners include a small pool of large national and regional investors who have anchored us with their participation. They're complemented by an equally loyal contingent of small community bank investors. There has always been a dichotomy between these

partners, and I foresee a continued divergence between these two groups, as our larger investors seek more direct, proprietary investments, and the community banks prefer the multi-investor fund platform.

What is your perspective on NNEHIF's ability to navigate future changes in the LIHTC industry?

As syndicators of federally funded tax credits, we'll always be vulnerable to the political priorities set in Washington. But the Housing Credit financing structure is responsible for the most successful housing development program in history. In addition, this industry's record of attracting new investors after the 2008 recession is proof of the robust strength of this asset class. I believe that NNEHIF retains the creative flexibility that allowed us to navigate the uncertain start of this business in the first place. Even if the Housing Credit program changes, there will still be a need for safe, affordable housing. As always, we'll be committed to finding a way to meet that need.



Left to right: Patrick Brennick, Alyssa Dean-Littlefield, Jan McCormick, Maryanne Gottman, Michelle Cyr, Holly Burbank, Bill Shanahan, Greg Connors, Lisa Merchant, Tom MacDonald, Jackie Weigleb, Steve Schuster

Our Staff

Dedication is a team effort.

Funding the development of affordable housing is a complex problem that can only be solved through a team effort. NNEHIF's dedicated staff has a diverse range of technical skills and professional experiences that make this work possible. We serve to inspire much more than the growth of the funds we manage; every assignment we tackle presents another opportunity to

learn from one another. By addressing the problem at hand, and our individual passions for new learning, we strengthen our ability and commitment to take on every challenge we meet.

Director of Information Services

Patrick Brennick prepares reports and analyzes the lower tier portfolio performance. Patrick also coordinates

information systems and services across the entire company.

Director of Finance Holly Burbank

is responsible for corporate financial planning, accounting, management and investor reporting and relations.

Senior Asset Manager Greg Connors

role at NNEHIF includes the disposition of matured real estate investments, and

DIRECTORS (ME)

Cullen Ryan, *Chair*

Community Housing of Maine (CHOM)

Rick Whiting

Auburn Housing Authority

David Birkhahn

TD Bank, N.A.

Bill Floyd

Genesis Fund, Inc.

Michael Clarke

Bank of America Merrill Lynch

DIRECTORS (NH)

Katharine Bogle Shields, *Vice Chair*

Volunteer

Rosemary Heard

CATCH Neighborhood Housing

Gene Clerkin

RBS Citizens, N.A.

Craig Welch

Portsmouth Housing Authority

Robert Tourigny

NeighborWorks, Southern
New Hampshire

Our Staff *continued*

resolution of contractual consent and waiver requests.

Office Coordinator Michelle Cyr

provides overall corporate support, coordinating office operations and managing internal and external communications

Asset Manager Alyssa Dean-Littlefield

conducts financial analysis, compliance monitoring, and technical assistance related to property management.

Asset Management Associate

Maryanne Gottman processes critical portfolio information and monitors results.

Vice President of Acquisitions

Tom MacDonald oversees NNEHIF's acquisitions and consulting business units.

Vice President of Asset Management

Jan McCormick directs asset manage-

ment activities in support of investment portfolio objectives.

Senior Acquisitions Officer

Lisa Merchant is responsible for shepherding lower tier property transactions from the development phase to approval and closing.

Senior Acquisitions Officer

Steve Schuster oversees development and construction activities and staffs HIF Consulting projects.

President Bill Shanahan

leads NNEHIF's staff in their mission of providing access to affordable housing.

Acquisitions Associate Jackie Wiegleb

assists in the underwriting of investments, analysis of due diligence, and the facilitation of deal closings.

Investing in Our Mission

Our vision for widespread access to affordable, secure homes requires a commitment that extends beyond financial and advisory services. NNEHIF committed nearly \$100,000 in grants, scholarships, and financial support to students, social service initiatives, and state and federal advocacy groups in 2013. These funds were complemented by the generous gift of service by our staff, working within the communities we strive to strengthen.

Our Developers (New 2013 Properties)

Providing the right resources to get the job done.

It takes a lot more than a hammer and nails to build safe, affordable housing. Our developer partners bring their talent, enthusiasm, and creative energy to work each day to create the places our tenants are proud to call home.

DEVELOPER	DEVELOPMENT	LOCATION	PROPERTY TYPE
AFFORDABLE HOUSING EDUCATION & DEVELOPMENT AVESTA HOUSING DEVELOPMENT CORPORATION	Senior Living at Notre Dame	Berlin, NH	Elderly
	Avesta New Marblehead One	Windham, ME	Elderly
	Avesta Stonecrest	Standish, ME	Elderly
THE CALEB FOUNDATION	Caleb Newport Apartments	Newport, NH	Family
COASTAL ENTERPRISES, INC.	Rivershore Place Housing	Auburn, ME	Family
HOUSING AUTHORITY OF FORT FAIRFIELD	Fort Housing Development	Fort Fairfield, ME	Elderly
HOUSING INITIATIVES OF NEW ENGLAND	HINEC Newport	Newport, NH	Elderly
THE HOUSING PARTNERSHIP	Woodbury Mills	Dover, NH	Family
JOHN STABILE II	Cotton Mill Square	Nashua, NH	Family
KEENE HOUSING	Brookbend East Housing Associates	Keene, NH	Family
KENNEBEC VALLEY COMMUNITY ACTION PROGRAM	Gerald Hotel Associates	Fairfield, ME	Elderly
LACONIA AREA COMMUNITY LAND TRUST	Harriman Hill II	Wolfeboro, NH	Family
	LM II Affordable Housing	Tilton, NH	Family
PENQUIS COMMUNITY ACTION PROGRAM	Chamberlain Place Senior Housing Associates	Brewer, ME	Elderly
	Leonard Lake Senior Housing Associates	Ellsworth, ME	Elderly
	Straw Way Family Housing Associates	Ellsworth, ME	Family
DEVELOPERS COLLABORATIVE	Osprey Circle	South Portland, ME	Elderly
ROCHESTER HOUSING AUTHORITY	Marsh View Housing	Rochester, NH	Elderly
SOUTHWESTERN COMMUNITY SERVICES, INC.	Marlborough Homes	Marlborough, NH	Elderly
TWIN PINES HOUSING TRUST	Rivermere Community Housing	Lebanon, NH	Family

Our Investor Partners

Our investors share in the belief that the full yield of our investments is measured not only in the dollars they earn, but also in the lives they change.



Our Agency Partners

All of the work that we do is in conjunction with MaineHousing and New Hampshire Housing. Both housing finance agencies are committed to our common mission, and their partnership with us is instrumental to the work we do.

Investment—*The Long Term*

Total Since 1996— \$466,000,000

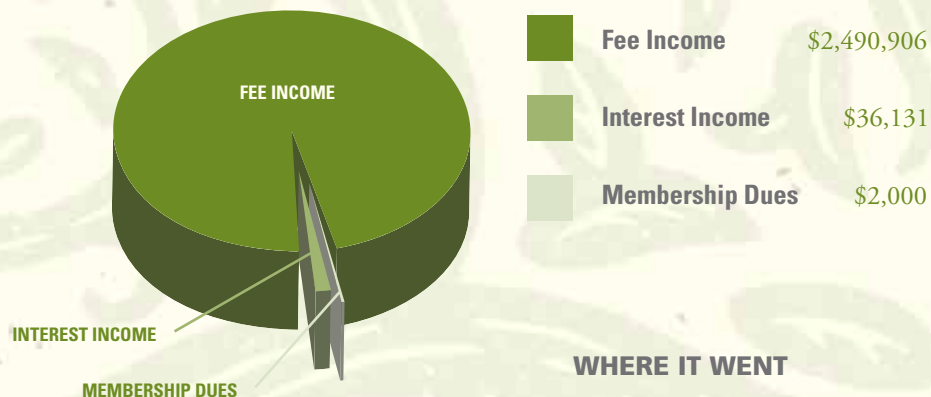


INVESTOR	SINCE	INVESTOR	SINCE
TD Bank, N.A.	1996/7	Mascoma Savings Bank	2002/3
Bank of America	1996/7	Merrimack County Savings Bank	2002/3
Key Community Development Corp	1996/7	Santander Bank	2004/5
Fannie Mae	1996/7	Woodsville Guaranty Savings Bank	2004/5
RBS Citizens, N.A.	1996/7	Meredith Village Savings Bank	2004/5
Saco Biddeford Savings Institution	1996/7	Sanford Institute for Savings	2006/7
Gorham Savings Bank	1996/7	Northeast Bank	2008/9
Androscoggin Savings Bank	1996/7	Ledyard National Bank	2010/11
JP Morgan Chase	1998/9	Kennebunk Savings Bank	2010/11
Norway Savings Bank	1998/9	Bath Savings Bank	2010/11
Camden National	2000/1	Centrix Bank	2010/11
Connecticut River Bank	2000/1	Lake Sunapee Bank	2010/11
Peoples United	2002/3	Machias Savings Bank	2010/11
Bangor Savings Bank	2002/3	The First	2010/11

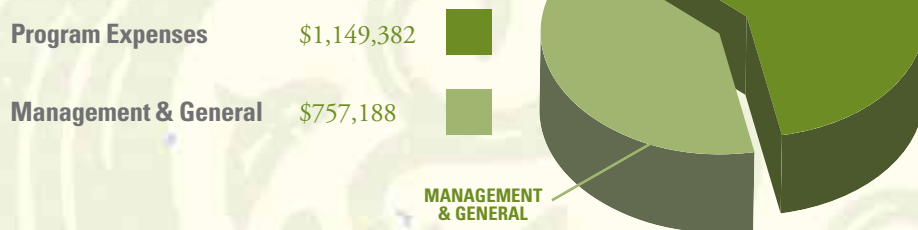
NNEHIF Financials

These financials include consolidated operations for NNEHIF, HIF Consulting, LLC and HIF Historic Affordability, LLC.

WHERE IT CAME FROM



WHERE IT WENT



Assets

Cash & Cash Equivalents	\$6,894,005
Other Current Assets	\$3,290,799
Other Assets	\$1,181,239
Property & Equipment (Net Depreciation)	\$115,804
Total Assets	\$11,481,847

Liabilities & Net Assets

Current Liabilities	\$1,115,354
Long-Term Liabilities	\$4,898,562
Temporarily Restricted Assets	\$1,125,000
Unrestricted Net Assets	\$4,342,931
Total Liabilities & Net Assets	\$11,481,847

*Audited financial statements for NNEHIF
can be found on our web site:
<http://www.nnehif.org/about-us/financials>*

Looking Back to Move Ahead

This overview of the people and projects that defined our work in 2013 confirms our belief in the power of our common vision. Whether drafting floor plans or public policy, raising capital or apartment walls, none of the work we did would have been possible without the coordinated effort of the investors, developers, property managers, state administrators and others who

are committed to creating affordable housing for those in need. Though we can look back with pride at all we've accomplished together, we know that the welfare of so many in need is still at stake. Our inspiration for the journey to create more affordable housing comes from this realization: a year of reflection may very well be the best way to plan for the challenges ahead.

NNEHIF Financial Performance



The **Northern New England Housing Investment Fund** is a private, nonprofit corporation that promotes housing and community development in Maine and New Hampshire. Our work is fueled by the vision that affordable, secure homes are the cornerstone of community life. To achieve this vision, we focus on improving regional prosperity through the long-term success of individual projects. By ensuring top quality development, we achieve stable and sustainable housing solutions for individuals, families, and communities.

Since 1993, the corporation has raised \$466 million in equity capital, investing it in the development of 2,530 units of affordable housing in New Hampshire and 2,390 units in Maine, for a total of 4,920 units of affordable housing across the two states. NNEHIF currently manages 18 Equity Funds (16 multi-investor funds and two proprietary funds) that invest in affordable housing developments receiving federal Housing Credits.



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