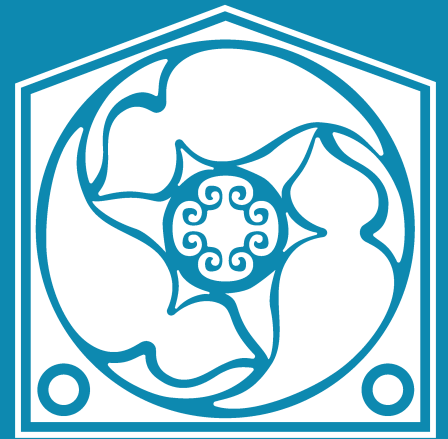


Annual Report 2006



DeSales
COMMUNITY
◆ HOUSING ◆
CORPORATION





Greetings

On behalf of the Board of Directors and staff of DeSales Community Housing Corp., I am pleased to present you with our 2006 Annual Report.

When DeSales was incorporated in 1976 to serve the Tower Grove East and

Fox Park neighborhoods, it was one of the first organizations of its kind in St. Louis. Although the term had not yet been coined, the new organization fit the description of what came to be called a community development corporation, or CDC. A CDC is a community-based organization whose mission is to promote investment and development within a specific area or neighborhood.

Over the last 30 years, CDCs have become a powerful force in communities throughout the nation. DeSales has been a local example of that growth. Thanks to years of commitment and hard work on the part of many people, DeSales Community Housing Corporation has become a respected model among St. Louis CDCs.

That sense of commitment produced some significant results in 2006, which you will read about in this report. Highlights include:

- Completed State Street Apartments, a 14 unit Low Income Housing Tax Credit development. State Street is a continuation of DeSales' affordable housing development program, which since

1994 has produced 95 units and generated over \$13 million in neighborhood investment.

- Maintained the momentum of progress in the McRee Town Redevelopment Area through our contract with the Garden District Commission (GDC). Our work for the GDC has included property acquisition, planning and administrative support.
- Chartered a path for the future growth and improvement of our organization with the adoption of a new strategic plan. This plan is the result of a true team effort by all members of our board of directors and staff.

Since DeSales was formed in 1976, the state of our neighborhoods has not been better than it is today. The future has not been brighter. Under the leadership of our community-based board of directors, with the hard work of a dedicated staff, and with help from our many friends, we look forward to more exciting progress in the months and years to come.

Thank you for taking a little bit of your time to review this report. Best wishes from everyone at DeSales Community Housing Corp!

Tom Pickel
Executive Director

Bank of America Grant



In November DeSales was honored to receive Bank of America's prestigious Neighborhood Builders Award. This national award is given annually to a select number of non-profit organizations. DeSales was one of just two local organizations to receive the award.

The Neighborhood Builders Award provides leadership development training in addition to a two-year, \$200,000 operating grant. The award is part of Bank of America's Neighborhood Excellence Initiative which seeks to recognize and support organizations that "have the vision to carry out the good work needed to sustain, strengthen, and grow our communities."

Tom Pickel is presented with a check for the Neighborhood Builders Grant from (l. to r.): former Cardinal Ken Reitz, Pat Mercurio, President of Bank of America Missouri and former Cardinal Ricky Horton.

DeSales Welcomes New Staff Members

DeSales grew in 2006 with the addition of two new staff members. **Sheila Clayton** was hired as Program Assistant for DeSales' work with the Garden District Commission. Sheila handles program administration, real estate transactions monitoring and community relations duties.

Also, **Justin Stein** was hired as Construction Superintendent. Justin oversees the rehabilitation of single-family homes and the renovation of DeSales' multi-family units.



Continued Development on Iowa

DeSales' new Construction Superintendent, Justin Stein, was put right to work in 2006 with the rehabilitation of a vacant single-family at 2625 Iowa. Justin acted as general contractor for DeSales and did much of the rehab work himself. The three-bedroom house is scheduled for completion in January 2007. Its features include new hardwood floors, zoned heating and cooling, and a first floor laundry closet.

The house is hardly the first building DeSales has developed on the 2600 block of Iowa. The housing corporation owns and manages seven other buildings as part of its multi-family housing portfolio and plans to rehab another single-family at 2623 Iowa in 2007.

The rehabilitation of 2625 Iowa was financed by UMB Bank and was assisted with Neighborhood Preservation Tax Credits from the Missouri Department of Economic Development.



DeSales continues its investment on the 2600 block of Iowa with the gut rehab of 2625 Iowa.

Russell Place

In 2006, DeSales began the final phase of construction of Russell Place, a new home development on Russell Blvd. in Fox Park.

Four new townhouses in a pair of duplexes make up the last phase of this project. One of the townhouses was finished first as a display unit for the other three units, which were left unfinished to allow buyers to customize each home.

Each of the new townhouses includes 2,250 square feet, three bedrooms, two and one-half baths, and a two car garage.

Construction on Russell Place began in 2003 with the production of two single-family homes. In the same year, DeSales sold an existing home at 2815 Russell to Millennium Restoration and Development, which rehabbed the building. All three of those homes were completed and sold by the end of 2005. The last phase of the project was

Russell Place Streetscape.

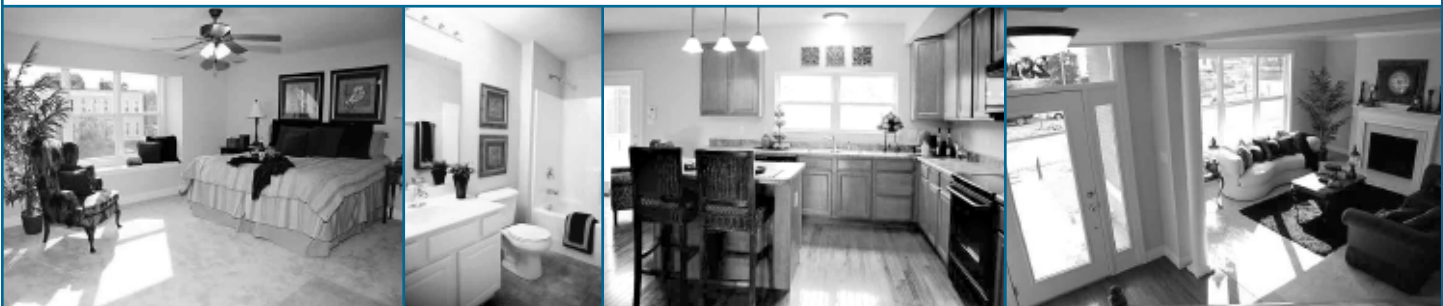


held up until DeSales received clearance from the Missouri Department of Economic Development to build on a former gas station site at the corner of Russell and California.

Russell Place was constructed for DeSales by C. F. Vatterott Construction Co. and

designed by Heine & Croghan Architects. Construction financing was provided by National City Bank Community Development Corporation. Pre-construction financing was provided by the Regional Housing and Community Development Alliance.

Russell Place display home.





Vacant TGE Six-Family Converted to Townhouses

A vacant six-family building at 3407 Utah in Tower Grove East was sold by DeSales in 2006 to two partners who commenced a complete rehab and conversion to 3 owner-occupied townhouses.

After soliciting proposals for the building, DeSales chose partners Tony Chao and Mark Lemmon to be the developer. Tony is a TGE resident who happens to live directly behind the six-family, on the 3400 block of Humphrey.

Tony and Mark renovated the units in a contemporary style and worked to give each townhouse a unique feel. Because the middle townhouse has fewer windows, Lemmon added a cupola and second floor balcony, which allow sunlight to cascade all the way to the first floor. Some original pocket doors were incorporated into a second floor wall. According to Tony, the completed renovation includes all new systems, stainless appliances, and bamboo floors. Each unit is approximately 1,400 square feet with 2 bedrooms and 1.5 baths. Sustainable materials were used whenever possible.

Project completion is scheduled for spring 2007. The three townhouses will be priced for sale at approximately \$189,000 each.



3407 Utah, a former 6-unit building, was converted into three beautiful townhomes.

Garden District Commission

DeSales has historically served the Tower Grove East and Fox Park neighborhoods. In 2006 however, the housing corporation branched out to take on management of another neighborhood revitalization project.

In the fall of 2005, DeSales was approached by leadership of the Garden District Commission (GDC) to manage that non-profit's program. The GDC was founded in 1997 to promote revitalization in the Shaw, Southwest Garden, Tiffany and Botanical Heights (formerly McRee Town) neighborhoods.

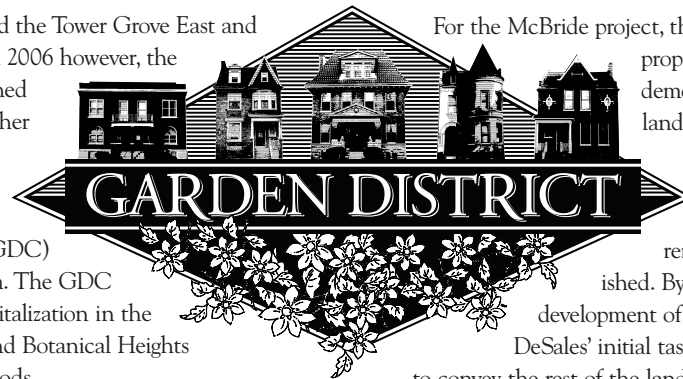
At the time the GDC approached DeSales, the GDC's long-time executive director had recently left to take another job and the GDC needed specialized expertise to sustain its considerable redevelopment activities.

Bob Herleth is the Executive Vice President for the Missouri Botanical Garden, which helped to found the Garden District Commission and is the group's fiscal agent.

"We decided to select a firm that could manage the project for us," said Herleth. "We chose DeSales Housing Corporation because of their outstanding reputation and strong skill set to assist us in our core activities."

The GDC's most ambitious undertaking has been the McRee Town Redevelopment Plan. Adopted by the City of St. Louis in 2001, the plan encompasses 15 square blocks north of Interstate 44 between 39th Street and Vandeventer. The centerpiece of the project is a subdivision of 150 new homes developed by McBride & Son Homes on 6 square blocks from 39th Street west to Thurman Ave.

The GDC, through its affiliate McRee Town Redevelopment Corp., is charged with implementing the redevelopment plan.



For the McBride project, this included acquisition of nearly 300 properties, relocation of 200 families, and demolition of all buildings. The cleared land was then sold to McBride.

When DeSales assumed operation of the GDC in late 2005, just a handful of these properties remained to be acquired and demolished. By that time, McBride was starting development of the second half its subdivision.

DeSales' initial task was to complete the work necessary to convey the rest of the land to McBride. As Phase One nears completion, DeSales has taken part in planning for the second phase of the project. While Phase One consisted of all new construction, Phase Two, which covers the area between Thurman and Tower Grove Avenues, involves a more varied approach to development. It includes infill construction, the rehabilitation of existing buildings, and commercial development along Tower Grove Avenue.

"As we move forward west of Thurman," said Herleth, "we look to DeSales to help us establish development priorities over the next few years including property acquisition, soliciting development proposals, rehabbing existing properties, as well as supporting long time residents and property owners."

Progress in this area has already begun. During 2006, DeSales assisted the GDC in promoting two significant commercial projects at the intersection of Tower Grove Ave. and McRee. One was Hoffmann Brothers Heating and Air Conditioning's renovation and expansion of its headquarters. The other was the complete rehabilitation of a long-vacant building at 4301 McRee by Urban Improvement Conglomerate (UIC), a small design-build firm. The GDC sold the building to UIC, which will use the building for its main office.



State Street Apartments

In April 2006, DeSales completed rehabilitation of seven buildings that make up DeSales State Street Apartments. State Street is a 14-unit affordable housing development done in partnership with St. Louis Equity Fund, Inc. (SLEFI). Since 1994 DeSales and SLEFI have partnered on five projects which have produced a total of 95 affordable apartments.

As the general managing partner of the limited partnership, DeSales was responsible for all aspects of the project, from property acquisition to marketing. DeSales also handles ongoing property management through its affiliated company, Fox Grove Management.

State Street Apartments includes four properties on the 2800 block of Ohio, along with buildings at 2659 California, 2608-10 Oregon, and 2659 Oregon. All units were substantially rehabilitated with all new mechanical systems, plumbing, wiring, kitchens, bathrooms, security systems, central air, and off street parking.

Under the LIHTC program all State Street Apartments are available to families earning up to 60% percent of the area median income at the time of move-in. All of the units were leased soon after completion.

Sharon Griffin, resident of a newly renovated townhouse apartment, said that affordability was just one of many reasons she likes

the apartment. She also notes the responsive service by management, convenient location, and the spacious layout, adding, "I get a lot of compliments from relatives and friends."

While providing living space to low-income residents, affordable housing has been a significant tool DeSales has used to bring development to the area.

"We've been able to use affordable housing and the Low Income Housing Tax Credit to generate a lot of investment in Fox Park and Tower Grove East," said Tom Pickel, Executive Director of DeSales.

Since 1994 DeSales' affordable housing development program has rehabilitated 37 vacant buildings and generated over \$13 million in neighborhood investment.

State Street received assistance from Missouri Housing Development Commission with an award of federal and state Low Income Housing Tax Credits (LIHTC). The project also received support from former 6th Ward Alderman Lewis Reed and 9th Ward Alderman Ken Ortman. The project received construction and permanent financing from Southwest Bank.



The State Street Apartments project: Both 2659 Oregon (left) and 2608 Oregon were problem properties prior to rehab.



Financial Statement for Year Ending December 31, 2006

Audited by Rubin Brown

DeSales Community Housing Corporation would like to thank the following companies for their generous support.

Ameren UE
 Anheuser-Busch Employees' Credit Union
 AT&T
 Bank of America
 Bellon Wrecking
 Brake Landscaping
 City of St. Louis
 C.F. Vatterott
 Commerce Bank
 Community Development Administration
 Department of Housing and Urban Development
 EM Harris Construction
 Enterprise Community Partners
 Heine & Croghan
 Hoffman Brothers
 Missouri Botanical Garden
 National City Bank
 ND Consulting
 Professional Environmental Engineers
 Quality Lawn Management
 Regional Housing and Community Development Alliance
 Rubin Brown
 Southwest Bank
 Spencer Fane Britt & Browne
 St. Louis Equity Fund
 STIKA Concrete
 U.S. Bank
 UMB
 U.S. Title

Support & Revenue

	2006	2005
Grant Revenue	300,586	211,432
Contributions	13,300	8,300
Development Fees	190,952	89,048
Management Fees	69,098	64,178
Consulting	89,627	10,820
Fundraising	14,890	20,890
Rental Income	669,220	684,823
Miscellaneous Income	57,691	69,929
Gain (Loss) on Sale of Properties	36,412	(5,684)

Total Support & Revenue	1,441,776	1,153,736
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Expenses

Property Management	872,039	969,387
Housing Development	203,623	21,548
Community Development	113,195	65,674
Management and General	145,140	130,381
Fundraising	26,753	26,321

Total Expenses	1,360,750	1,213,311
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Increase in Net Assets	81,026	(59,575)
Net Assets, Beginning of Year	434,530	494,105
Net Assets, End of Year	515,556	434,530

The DeSales Board of Directors reviews audit with accountants from RubinBrown.





Board of Directors

Ann Auer
Executive Vice President
Missouri Growth Association

Dr. Darrell B. Carroll
Self Employed
South Grand Chiropractic

Loura M. Gilbert
Vice President,
Community Development
Commerce Bank

Jeff Hall
Senior Systems Administrator
InSequence, Inc.

Bonita Isabell
Director/Founder
Regaining Our Children

Laurence P. McCarthy
Retired

Patrick Moore
President, Patrick Moore
Construction Company, Inc.

Norah J. Ryan
Attorney at Law

Tammie Shelton
Senior Lab Tech
St. Louis University Hospital

Stephen Souder
President
Full Circle Design Works, Inc.

Leah M. Sweetman
Coordinator of Internships
St. Louis University

2006 Officers

President
Leah M. Sweetman

Vice President
Patrick Moore

V.P. – Real Estate
Stephen Souder

Treasurer
Dr. Darrell B. Carroll

Secretary
Laurence P. McCarthy



DeSales' Staff (left to right): Kenneth Panter, Erin Krick, Paul Werner, Sheila Clayton, Tom Pickel, Carole Embree, Alana Butler, Justin Stein, Valerie Stephenson, Angela Millikan, and Jovan Sholla. (Not pictured: Cory Mattison and Stanley Body.)



DeSales' Board of Directors, left to right:
First row – Ann Auer, Leah Sweetman, Jeff Hall;
Second Row – Loura Gilbert, Tammie Shelton,
Bonita Isabell; Third Row – Norah Ryan,
Dr. Darrell Carroll; Fourth Row – Larry McCarthy,
Steve Souder, Patrick Moore.

2006 Corporate Staff

Thomas J. Pickel
Executive Director

Alana C. Butler
Assistant Director

Angela A. Millikan
Controller

Justin Stein
Construction Superintendent

Paul Werner
Community
Development Coordinator

Erin Krick
Office Administrator

Shelia Clayton
Program Assistant

Property Management Staff

Carole Embree
Property Manager

Valerie Stephenson
Assistant Property Manager

Cory Mattison
Leasing Assistant

Kenneth Panter
Maintenance Technician

Jovan Sholla
Maintenance Technician

Stanley Body
Maintenance Technician

DeSales Community Housing corporation is a community-based, non-profit organization formed in 1976 to serve the Fox Park and Tower Grove East neighborhoods in the City of St. Louis. Governed by a board of directors composed of residents, business people and property owners, and employing a full-time staff, DeSales promotes the ongoing growth of neighborhoods as healthy, diverse urban communities with quality housing.



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