

**VALLEY COMMUNITY DEVELOPMENT
CORPORATION
FIVE-YEAR STRATEGIC PLAN
JULY 2006**

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Executive Summary

In the fall of 2005, Valley Community Development Corporation (Valley CDC) undertook a year-long strategic planning process to outline a vision for the agency for the next five years. We engaged a consultant to oversee and lead our planning. The process included three major components:

- First, through a series of surveys and personal interviews, we assessed perceptions of Valley CDC by stakeholders, including clients; municipal, community, and civic leaders; financial supporters; partners; and Board and staff members.
- Second, through two Board/staff retreats and multiple committee meetings over the period of a year, we reviewed Valley CDC's goals, analyzed the organization's strengths and shortcomings in its ability to meet the goals, and established specific objectives and priorities for the accomplishment of the goals.
- Third, we constructed a multi-year financial model that includes baseline and best-case scenarios, and that will be modified and updated to track Valley CDC's yearly performance as we move into the future.

Key findings from the assessments of the organization include the following:

- Valley CDC enjoys an excellent reputation among its stakeholders. The organization's integrity and effective leadership were frequently cited by those surveyed or interviewed.
- Valley CDC is widely perceived to be growing in its strength and ability to carry out its mission.
- Valley CDC needs to increase its visibility and understanding of its mission, accomplishments, and specific activities on the part of the public at large.

The strategic plan reaffirms Valley CDC's current work, while making important decisions about how to improve, enhance, and expand those efforts. The Board and staff remain committed to Valley CDC's current goals of developing housing for low- and moderate-income individuals and families, counseling its clients regarding home ownership and financial stability, and working in areas of economic development to educate and support people seeking planning and financial expertise in business and the arts. We have set out specific goals and objectives in each of these areas for the next five years. Some of the most important of these are summarized here:

- In housing, continue to complete one small (8-12 units) affordable rental development per year; complete a larger development, perhaps with a partner, every 2-3 years (may include mixed-use, home ownership, and commercial development); continue SRO developments whenever financially feasible.
- In client education, serve targeted numbers of clients each year in homebuyer education, financial literacy training, achievement of financial stability, and education regarding predatory lending. In addition, advocate for statewide policies that will reduce predatory lending practices.

- In economic development, achieve targeted numbers of people receiving services in business counseling, loan referrals, loans approved, businesses started, and jobs created or retained. In addition, create activities for achieving sustainability and consistency in Valley CDC's ability to provide services in this area, such as fee-for service programs or a for-profit business venture.
- In all areas, increase diversity by reaching out to minority communities for Board and staff members, consultants, educators, and clients. Specific goals are targeted in various areas.

The strategic plan identifies challenges in every area of Valley CDC's work. Valley CDC is a thinly-staffed organization with an enormous work load. While it has been remarkably successful in garnering public and foundation support, such support is typically available only on a project-by-project basis. Because of this, the organization suffers from lack of a steady income stream. This situation results in ongoing uncertainty about which projects will be able to move forward and whether all staff members can be retained to do necessary work. In this climate, it will not be easy to reach the goals specified in the strategic plan or to sustain centrally important initiatives. At the same time, Valley CDC's remarkable effectiveness proves that it can rise to such challenges. The plan proposes priorities for meeting some of the challenges, including the following:

- Recruit expertise in marketing and fundraising; redevelop website to be interactive; and create avenues (electronic and otherwise) for broadening Valley CDC's visibility throughout the communities it serves.
- Develop technologies for use in planning, education, and fundraising, including integrated databases, links to other organizations, and programs for such activities as asset management.
- Continue to cultivate partnerships with other non-profit organizations, with businesses, and with educational institutions to extend Valley CDC's vision and work.

The Board of Directors and staff are committed to the implementation of the strategic plan. The Board has authorized the strategic planning committee to oversee the implementation of the plan and to track progress between Board reviews. Through the strategic plan, Valley CDC can continue to grow and fulfill its mission to empower low and moderate income households in its service area to control and improve the quality of their lives. In accordance with this mission, Valley CDC will respond to the challenges facing minorities, new immigrants and elders in its service area.

This strategic plan was developed through consultation with VIVA Consulting, with funding from the Massachusetts Housing Partnership Fund (MHP Fund) and the Community Foundation of Western Massachusetts. We are grateful to these organizations for their generous support.

VALLEY COMMUNITY DEVELOPMENT CORPORATION
STRATEGIC PLAN
July 2006

Between November, 2005 and June, 2006, VIVA Consulting worked with the staff and Board of Valley CDC to create this Strategic Plan for the organization's next five years. Steps in the process included:

- VIVA review of background on Valley (budgets, organizational documents, Board meeting minutes, etc.)
- Half day staff and Board retreat in November, 2005
- Environmental scan: Survey of all staff members and 10 Board members; survey and tabulation of data on 45 customers
- Environmental scan: Interviews with 27 community stakeholders including municipal officials (elected and administration), realtors, homebuyer class leaders, community civic/social service leaders, sources of financial and organizational support, partners and former Board and staff members
- Environmental Scan Report on Interviews and Survey results; presentation to Board
- Meetings with four Board/staff subcommittees on Real Estate Development, Economic Development, Marketing and Diversity to establish Strategic Plan goals in each area
- Conference calls with staff to discuss homeownership program and establish Strategic Plan goals
- Review of Strategic Plan goals, gap analysis and mission statement discussion with Strategic Planning Committee
- Creation of financial model on Valley organizational budget
- Draft Strategic Plan and half-day retreat with Board in June, 2006

KEY FINDINGS FROM ENVIRONMENTAL SCAN

The entire report on the Environmental Scan results is included as an appendix to this plan. Key results that informed the rest of the planning process included the following:

- Valley's reputation was excellent among stakeholders. The organization's integrity and effective leadership were frequently cited.
- Staff had high job satisfaction.
- Real estate development—Past efforts were lauded, but Valley will face challenges moving into larger, more complex projects in an expensive market.
 - Issues: How should Valley shape its real estate development pipeline in a challenging market? How can the organization build the capacity to take on larger projects?
- Economic development--there was agreement that it should be a constant but no "magic bullet" for how.

- Issues: How can Valley bring sustainability to its Economic Development program? How much of a focus should it be going forward? What risks can Valley undertake to fund it?
- Fundraising—Broader fundraising and more emphasis at the Board level was a constant theme.
 - Issues: How should Valley focus its fund development and philanthropic efforts? Should Valley take the leap of hiring staff? How far should Valley go in pursuing other fundraising strategies: 1) fee-generating TA work or 2) other fee-generating businesses?
- Marketing/General awareness: How can Valley better define and communicate its mission? What methods (i.e. website, e-newsletter) will best spread the word on Valley, its work and accomplishments?
- Diversity: How can Valley better support and maintain diversity in who it serves, Board and staff?
- Technology: Typical of a thinly staffed organization, Valley does not have adequate time to devote to technology which might in the long run facilitate its work and ease collaboration among staff. There is a range of staff familiarity and comfort with various software, particularly databases. Valley has no central integrated database for stakeholders including local contacts, funders, donors and clients.
- Staffing: Staff reported high satisfaction with their workplace. The two employee benefits most cited for improvement were health insurance and establishment of a retirement benefit.

KEY FINDINGS: FINANCIAL MODEL

As an additional method of analyzing Valley’s organizational environment, a financial model was created projecting Valley’s finances over the next five years. The analysis included both a “Best Case” and “Baseline” scenario and can be adapted for future use by Valley to forecast finances. An Excel spreadsheet was delivered to Valley with this final report. A PDF version of the initial model and a narrative describing assumptions and the analysis are included as an attachment here.

Several findings from the initial financial analysis informed the goals included in this strategic plan. These include:

- There is considerable importance in Valley establishing and sustaining a steady development portfolio. There are noticeable dips in revenue in the model during years with little development activity. Even if projects are small, they make a significant contribution to organizational financing and are critical to building the \$100,000 development pool the organization wishes to create.
- If Valley wants to maintain/expand Economic Development work or take on other initiatives in homeownership and advocacy, fundraising staff will be

necessary to augment Valley's usual sources of funding. In order to hire staff by December, 2007, Valley must explore initial funding now. Without increased revenue from fundraising, the organization's financial outlook is not dire; however, funding is up and down and expansion of programming is difficult.

- Valley must continue to explore creative ways to fund its work including fee-for-service Economic Development work, marketing affordable components of homeownership projects, etc.

STRATEGY AND GOALS: REAL ESTATE DEVELOPMENT

A number of considerations drive Valley's choices for a real estate development strategy:

- Valley's main real estate development activities have been focused on the rehab and development of small rental properties (8-12 units) and SROs.
- The small rental properties are profitable for Valley: Valley can expect to earn a total of \$200,000 in revenues (including overhead, developer fee and clerk of the works fees) from a typical project of this size. If the organization completes construction of one of these projects each year, the resulting revenues will more than cover the organization's staffing costs for development, including the addition of one half-time staff member. Consistency of the pipeline is the key to profitability, however.
- There is a great need for SRO housing. SROs can yield a development profit, but they expose Valley to a great deal of operating risk. The jury is still out on whether the new management company Valley has engaged can break even on managing the SROs currently in Valley's portfolio. Currently, Valley's Maple Street project does not breakeven, and the organization must make a contribution of about \$10,000 per year to subsidize the development from other sources. While there is considerable interest locally for Valley to help sustain SRO housing, Valley would expose itself to considerable risk in taking on more of these types of projects.
- Other types of development for which there is currently a need, and which might present great opportunities for Valley, include:
 - Homeownership development. DHCD funding has been sparse recently. Mixed-income housing is a distinct option; but Valley on its own lacks capacity to deal with market-rate development.
 - Larger rental projects: political reality dictates that large, all-affordable deals are extremely unlikely. Any new, larger rental project is likely to be mixed-income; and even then, it would fly in the face of the state's and region's goal for concentrated, "smart" growth. The local political reality will continue to favor small affordable rental projects – there is a definite place for these in small communities.
 - Mixed-use housing. Examples include properties like Go West, or potentially the mills in Easthampton.
- Valley could explore these bigger & riskier opportunities in collaboration with a bigger partner (e.g. HAP, or a private-sector developer). As a partner, Valley could add value by bringing local political leverage, access to first-time homebuyers, and access to potential business renters for commercial space.
- Green design should be a priority for new projects.

- In a vigorous real estate market, it is difficult for a thinly-capitalized non-profit to obtain and hold properties throughout the long public funding approval process. Valley's key opportunities may thus be:
 - Development of municipal parcels, where Valley would compete through an RFP process for developer designation. Such parcels currently on the horizon include a town of Amherst parcel suitable for 20-30 units; and a parcel held by the Northampton Housing Authority.
 - Other, bigger projects pursued in joint venture with a large entity that has the capital and capacity to acquire and hold sites.
- The main challenge for Valley will be to build and establish an active pipeline of projects, including the small rental projects that are the organization's bread and butter, along with some new opportunities for bigger or more ambitious projects, potentially in joint ventures.
- Prospecting for these projects – dedicating sufficient time and staff skills to searching for new opportunities – represents the major current gap in Valley's capacity.
- An additional challenge will be to develop sufficient capital so that the organization can pay for initial exploratory steps to pursue new development opportunities. One potential source which Valley will investigate is use of CPA funds as a type of predevelopment line of credit/revolving loan fund in Amherst, Northampton and Easthampton. (Given some sensitivity around use of CPA funds, Valley will also explore whether these funds might serve as gap financing once a project is out of the predevelopment stage.)

Given these considerations, Valley CDC will adopt the following 5-year goals for real estate development:

Goal: Continue to complete one small (8-12 unit) affordable rental development per year.

Goal: To complete a larger project every 2-3 years, of the types listed above (larger, mixed-income homeownership or rental; mixed-use housing; commercial development). There is particular interest in a mixed use project which would include a commercial component complementing Valley's Economic Development efforts; however, the reality of local opportunities and funding availability will demand Valley be flexible when looking for a larger project. A larger project would likely be accomplished via a joint venture effort with a private developer or a larger regional non-profit.

Goal: To continue to evaluate the programmatic and financial risks of operating SRO housing, given Valley's property management resources and access to social services. New opportunities for developing SROs should continue to be evaluated and informed by this on-going analysis.

Goal: To build a \$100,000 pool for seeding real estate development projects over the next five years, by contributing a portion of the developer fee from each

completed project. The initial contribution, which will come from Valley's next development and will likely occur in 2008, will be \$15,000; annual contributions will increase to make the five-year goal. Valley will also establish criteria for the use of the pool such that funds are devoted consistently towards growing its development pipeline.

Goal: To explore use of CPA funds to establish a rolling predevelopment fund with Amherst, Easthampton and Northampton.

Goal: To build an asset management program within Valley CDC, to oversee the organization's real estate assets moving forward.

- Engage an intern to complete by spring, 2007 a "deal book" record of key information on each of Valley's existing projects
- Develop 5 - 10 year capital and financial plans for each property by December, 2007
- Invest in asset management training for Valley staff to build the organization's asset management skills in-house

Capacity needed to achieve goals: Valley CDC needs to find ways to establish a vigorous program of prospecting for new projects as a constant activity. Valley will explore the options for expanding staff capacity in prospecting, including both consultant and staff services. The tentative plan is to start adding modest prospecting capacity by using consultants to explore options and perform feasibility analyses; and eventually to add an additional half-time development project manager to continue prospecting efforts and to staff the larger projects. In FY 2007 and FY2008, this additional capacity will be paid for by a capacity grant from the Massachusetts Housing Partnership.

Valley will need to develop skills in-house to achieve the asset management goals specified here. The addition of new consulting and eventually staff resources will free the current Project Manager to take on the Asset Management role. New financial resources will be required to pay for training and skill development on asset management topics.

STRATEGY AND GOALS: HOMEBUYER AND HOUSING EDUCATION AND COUNSELING

The aim of Valley CDC's homeownership program is to help customers to achieve greater financial stability and sustainability. While some individual households may best achieve this goal by purchasing a home for the first time, for others, the best route may involve becoming more comfortable and appropriately-housed renters. Through classes, counseling and training, Valley CDC aims to help all of its homeownership clients to avoid predatory mortgage lending and other predatory credit practices. Over the past two years, Valley CDC has received more inquiries from financially distressed homeowners in Valley's service area. Valley is working to best meet the growing needs of this population. Valley staff also recognizes a critical need to work on a policy level to eliminate predatory lending practices in Massachusetts.

Valley CDC will adopt the following Homeownership goals over the next five years:

Goal: To counsel households to help them achieve greater financial stability, with realistic and sustainable levels of housing-related expenses and debt. This goal will be achieved for some via purchase of a home, and for others by improving their rental situation.

- Goal for FY2007: 140 families improve their housing/financial stability
- Goal for FY2008 – 2010: 210 families improve their housing/financial stability

Goal: To establish and operate a foreclosure prevention program, helping households to avoid losing the homes they have purchased.

- Goal for FY2007: 20 families successfully avoid foreclosure
- Goal for FY2008 – 2010: 30 families successfully avoid foreclosure

Goal: To continue to work in partnership with municipal governments and financial institutions to provide down payment and closing cost assistance to help low- and moderate-income families become first-time homebuyers.

- 18 households/year provided with down payment/closing costs assistance

Goal: To help more area households make better-informed decisions about home purchase options by holding homebuyer education seminars.

- 11 – 12 seminars to be offered per year; at least one per year in a language other than English

Goal: To provide financial literacy training to help low-income households to achieve greater financial stability by making better and better-informed household financial decisions.

- 2 classes to be offered per year. At least one class per year to be targeted to a special clientele, such as residents of a homeless shelter

- Literacy classes to be financially profitable for the agency – funded by financial institutions and foundations

Goal: To advocate for statewide policies that reduce predatory and subprime lending practices in both home lending and personal credit.

- 2 hours per week of staff time to be spent on advocacy on issues that affect the personal finances of Valley's clients

Goal: To undertake two projects in the next five years marketing affordable homeownership units on behalf of private developers.

- Valley will develop materials in order to promote its expertise in marketing affordable homeownership units to real estate developers

Capacity needed to achieve goals: The above goals assume that Valley CDC is able to add the staff needed to expand capacity to the necessary levels. Specifically:

- Funding sufficient to free 2 hours/week for advocacy
- An additional staff member added in FY2007 (funding most likely provided by funding from the City of Easthampton's CDFII proposal and could be as early as September, 2006). This new staff member would organize homeownership classes (folding in responsibilities currently performed by a part-time consultant), arranging and teaching financial literacy classes, and carrying a caseload approximately half that of the current homeownership counselor

STRATEGY AND GOALS: ECONOMIC DEVELOPMENT

The following considerations have informed the development of Valley CDC's Economic Development goals:

- The major challenge in Economic Development has been consistency. This program has been dependent on insufficient and irregular municipal funding with some bank support. Valley has been forced to start, reduce and then stop offering services.
- The irregularity has caused staff turnover as well as a lack of feeling in the community that Valley is "the place to go" for services in economic development.
- There was agreement that for now, Economic Development growth must be focused on Easthampton. The City of Northampton provides steady, although insufficient, support. New communities would be taken on only when funding is available.
- Making the Economic Development program a constant was a stated goal from a significant number of stakeholders, staff and Board members. To that end, and in addition to program service goals, Valley will adopt goals that will help ensure the sustainability of this program including exploring other methods of financing economic development activities such as acting as staff for Easthampton's EDIC, fee-for-service assistance or a for-profit business venture.

Valley CDC will adopt the following Economic Development goals for the next five years:

Goal: To provide services that enhance economic development in Valley CDC's service area, particularly in Easthampton, with the following annual results:

- 65 people counseled
- 6 loan referrals
- 4 loans approved
- 4 businesses started
- 6 jobs created/retained

Goal: Build capacity to sustain Economic Development work and staff.

- Establish fee for service business with first customer by September, 2006
- Build capacity for speculative ventures (i.e. capital to develop fee-generating businesses and mitigate risk, explore funding, network, establish New Ventures Committee)
- Explore new fundraising opportunities—Easthampton realtors, business start up alum, local banks
- Sell services to Easthampton's EDIC to be its staff by January 2007

Goal: Foster better collaboration with local universities who are entrepreneurial and offer opportunities for business start ups.

Goal: Identify and meet with 5-10 academic collaborators (UMass, HCC, STCC, Hampshire).

Capacity needed to achieve goals: In order to achieve the goals identified above, Valley CDC faces the immediate need for funding for economic development programs for the second half of FY2007 and beyond. Implementation of the Easthampton's EDIC program could result in the need for an additional staff person, depending on the continuation of other programs and funding sources. Finally, exploration of speculative ventures will require Valley CDC to launch a New Ventures Committee, including both staff and Board members.

STRATEGY AND GOALS: MARKETING, FUNDRAISING AND COMMUNICATIONS

While well-known among housing advocates, service providers and the staff/elected officials of municipalities it serves, Valley suffers from a lack of general public awareness of its mission and work. This has ramifications for its ability to carry out its mission, link with other area organizations and raise funds. To remedy the situation, Valley will endeavor to better define and communicate “who it is” and its unique contribution to its service area.

Valley has identified several goals such as a capital fund and regular Economic Development services which will require consistent and increased fundraising. In the past, most fundraising work has fallen to the Executive Director and a few Board members. Going forward, there is recognition not only that the level of Valley’s attention to this area must increase but also that the work must be distributed and carried out differently.

Valley CDC will work toward the following 5-year goals for marketing, communications and fundraising:

Goal: Increase membership to 500 members by end of FY2007.

Goal: Hire/Recruit staff or probono expertise for marketing and fundraising, special events.

- Marketing: Establish relationship with local university, intern or other probono expert (i.e. TD Banknorth opportunity) to create marketing plan
- Fundraising, special events: Designate funds and hire staff person by September, 2008

Goal: Establish direction with special events.

- Find ways for people to support Valley with what they do already (i.e. become part of arts events which support area nonprofits)
- Research likely profitability of Valley’s own annual event with new hire vs. piggybacking on other people’s events

Goal: Identify and start a service business complementary to Valley’s mission and other endeavors by December, 2007.

- Suggestions—business directory, “enhanced” business directory/ referral service where Valley screens and helps people select various service providers
- Establish a working group on the start-up business (New Ventures Committee)
 - find models
 - assess feasibility
 - develop business plan

Goal: Improve links and partnerships with diverse community organizations, particularly by encouraging Board members to serve as spokespeople/representatives for Valley and its work in all their community endeavors.

Goal: Solidify and communicate Valley's Mission and Message to all its constituents and stakeholders.

- Launch "branding/marketing" working group on issue of "Who are We?"
 - Examine mission statement and consider any tweaking necessary to better communicate Valley's core mission
 - Create Identity Package—logo, tag line, signage by December, 2006 Board meeting
- Communicate "branding" through updated website and better website links
- Recruit college intern for website for winter, 2007
- Use website and word of mouth to better communicate opportunities for Valley Board member involvement in community forums
- Launch e-newsletter (quarterly) by spring, 2007
- Improve press relationships, explore other press avenues like op-eds, columns

Capacity needed to achieve goals: The achievement of much of the marketing, outreach and fundraising plan will rely on hiring a new staff person to oversee these functions. Since adding a new staff person at the administrative level is not currently possible with available resources, new sources of support for this position will need to be identified before a hire can be made, at least to support the initial start-up period of fundraising activity.

STRATEGY AND GOALS: DIVERSITY

Valley CDC grew out of Casa Latina, an important organization and voice for the area's Latino community. Besides the Latino population, Valley's service area includes other racial and ethnic minorities (African-American, Asian including Chinese, Vietnamese and Indian, etc.) it wishes to serve and attract as Board and staff members. Valley will endeavor to sustain its commitment to diversity as part of this Strategic Plan in the specific goals of this section and keeping its goals of diversity in mind when pursuing the goals of the other sections of this plan.

Valley CDC will pursue the following 5-year goals for increasing diversity in the organization:

Goal: Board Outreach for fall, 2006 to ensure new Board members reflect community diversity.

- Look for "happy consumers" (past customers) as resource for new Board members
- Outreach to local churches for new members

Goal: Valley will prioritize making its next FTHB staff hire bi-lingual/bi-cultural in Spanish.

Goal: Homeownership Classes—goal of at least one non-English class per year.

Other Short Term Steps and Ongoing Tasks

- Talk to MHP about local bulletin board in Spanish on homeownership
- Outreach to STAVROS, Mass Rehab on class offerings, Board openings and to have them stock materials. Build outreach with other liaisons in Latino community—grocery stores, churches, Nat'l Hispanic Board of Realtors, preschools, churches, HCC, UMass, Latino realtors locally
- Look at current tenants as resource for homeownership, small business customers, do regular outreach
- Keep relationship active with Casa Latina, restock with materials regularly
- Collect homeownership information in other languages—Vietnamese, Chinese, Khmer, etc.

Capacity needed to achieve goals: Goals in this area will require Board and staff time to recruit and research outreach options as detailed above.

STRATEGY AND GOALS: ORGANIZATIONAL GOALS—TECHNOLOGY AND EMPLOYEE BENEFITS

Goal: Continue to work with MACDC Western Mass Initiative to identify needs and develop a technology plan that will standardize hardware and software and establish an integrated computer network among Valley's sites.

Goal: Establish an integrated database by spring, 2007.

- Database will include all relevant stakeholders (consumers, donors, funders, local municipal leaders, etc.
- If consumers are to be included in the database, develop an intake form that records necessary information and also lets consumers opt out of the database for reasons of confidentiality

Goal: Charge personnel committee with investigating how Valley can enhance its role as an employer.

- Continue annual pay increases. Investigate improving health insurance benefits and the possibility of a retirement benefit

Capacity needed to achieve goals: Initial database development will be dependent upon the progress of the MACDC Western Mass Initiative. Otherwise, funds will need to be raised to use the services of a consultant to manage this process for Valley staff.

**STRATEGIC PLAN
TIMELINE AND RESPONSIBILITIES FOR NEXT STEPS THROUGH DECEMBER, 2007**

2006

STEP	TIMING	RESPONSIBLE
5 year budget and fundraising for continuation of Economic Development	Summer, 2006	JC, GT and ED subcommittee
Exploring hiring consultant/part time staff for prospecting and larger projects	Summer, 2006	Staff
Creation of "Branding" Committee	Summer, 2006	Board
Exploration on EDIC staffing	Summer-Fall, 2006	Staff and ED subcommittee
Prospecting for larger project, mixed-use, commercial	Fall-Winter, 2006	Staff
Creation asset management program including training, intern and deal book	Fall, 2006	Staff
Board recruitment--Diversity goals, person with fundraising skills	Fall, 2006	Nominating Committee, Board
If funded, make Homeownership hire for Easthampton	Fall, 2006	Staff
Create marketing materials on homeownership marketing	Fall, 2006	Staff
Begin to identify funding sources for fundraising staff and approach	Fall, 2006	Staff, Board
Work with Western Mass Initiative on tech needs and technology plan	Fall, 2006	Staff
Establish criteria for use of \$100,000 pool	Fall-Winter, 2006	Staff, Board
Explore establishing a predevelopment line of credit/revolving loan fund using CPA funds	Fall-Winter, 2006	Staff, Board
Launch New Ventures committee	Winter, 2006	Board

2007

STEP	TIMING	RESPONSIBLE
Work with intern to develop website, web-based materials and e-newsletter	Early 2007	Branding committee
Continued prospecting for larger project	2007	Staff
Hire fundraising/marketing staff	Start summer/fall, 2007	Staff, Board committee
Launch e-newsletter and create identity package	Spring, 2007	Staff, Branding committee
Complete integrated database	Spring, 2007	
First contribution to pool	2008	

Appendix A Explanation of Financial Projections

The attached financial projections show five-year financial results for Valley CDC in two different scenarios, beginning in FY 2007. The financial model accompanying this plan is designed for further “what-if” scenarios, so that Valley staff can experiment with the outcomes of different staffing and organizational possibilities. For example, users can experiment with staffing levels in different functions, with levels of development activity, or with the success of various fundraising efforts.

Assumptions underlying all scenarios include the following:

- Fundraising staff will raise enough money to cover 65% of their fully-loaded salaries (i.e., salary + benefits at 25%) in FY 2007; will raise 1.3 times their fully-loaded salaries in the second year, and will eventually work up to 2.0 times their salaries + benefits. This represents *additional* revenue on top of the fundraising that Valley CDC is already doing. (The baseline level is set at the lower fundraising total from FY 2006 and the FY 2007 budget.)
- Valley brings on a second homeownership staff member if sufficient funds are raised on top of current sources of support for this program; and if a new staff member comes on board, the cost of the consultant is eliminated.
- Valley takes on the marketing of 4 first-time homebuyer units in FY 2008, and 6 units in FY 2010, earning 6% fees.
- Only the existing real estate will continue to be carried as income & expenses on Valley’s books – new real estate will be incorporated as separate entities. School Street, which Valley has been carrying on the balance sheet during development, will come off the organization’s books in FY 2008.
- After FY 2007, in years in which operations produce more than \$20,000 in net income, half of all net income will be used to fund a Development Reserve.
- In years with negative cashflow, the organization will need to fund the shortfall using prior years’ surpluses or through other reserves.

In the Baseline Scenario, we have assumed the following:

- Valley closes on financing and starts construction on two projects in FY 2007, then picks up the one-small-project-per-year pattern consistently in FY 2008. In that same year, Valley starts construction of a larger, joint-venture project, and moves to two full-time development project managers to handle the additional work.
- While Easthampton’s Ready Resource program stops funding in December, 2006, EDIC picks up economic development activity in the second half of the fiscal year (i.e., January – June, 2007).
- Valley raises first-year grant funds, and hires a full-time fundraiser/PR staff member, in FY 2008.
- CDFII or some other source of funding the expansion of homebuyer/housing counseling activities comes in FY 2008.

This scenario shows positive cashflow in most years, with a negative bottom line only in FY 2009 (after the MHP development staff funding ends, and during a break in the real estate development pipeline). This gap would be eliminated if Valley could start another small real estate development project in that year, and bring in a modest amount of development fee or overhead revenue.

The Best Case Scenario makes a similar set of assumptions, with the following changes:

- CDFII is funded in FY 2007, and funding persists thereafter; and
- EDIC starts in FY 2007 and continues, while Ready Resource is also renewed starting in 1/07 at current funding levels.

While the positive cashflows are bigger in this model, the negative bottom line is even deeper in 2009, when the assumptions show a break not only in new project starts, but also a small dip in homeownership funds. Either scenario shows Valley succeeding in funding the Development Fund to the full \$100,000 level by FY 2010.

Experimentation with the model shows that Valley's financial results are very sensitive to the organization's ability to establish and sustain a consistent flow of real estate development work. This becomes particularly important in FY 2009, once the MHP capacity grant ends.

Baseline Scenario

Valley Community Development Corporation Program and Funding Assumptions

Real Estate Development

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Small rental projects starting construction		2	-	1	1	1
Joint venture projects starting construction		-	-	1	-	1
Real estate project managers	1.0	1.5	1.5	2.0	2.0	2.0
Revenues year of construction start	25%					
Fees per small rental project, 2007	200,000					
Fees per joint venture effort, 2007	300,000					

Economic Development

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
EDIC funding		37,500	75,000	-	-	-
Ready resource / other municipal funds		56,528	-	90,000	-	90,000
Fee for service hours/week:	-	2	4	5	5	5
Price per hour:	50					
Economic Development staffing	1.6	1.15	1.0	1.0	1.0	1.0

Housing Education and Counseling

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
CDFII funding/other additional municipal funds		-	55,000	55,000	55,000	55,000
Homeownership units marketing			32,000		50,400	
Homeownership class participants	200	200	275	275	275	275
Housing Education staffing	1.0	1.0	2.0	2.0	2.0	2.0

Fundraising and Outreach

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Fundraising start-up grant:		-	60,000	-	-	-
Membership	350	350	400	450	500	550
Fundraising/PR staffing	-	-	1.0	1.0	1.0	1.0

Organizational cost inflation

3%

Real estate operating cost inflation

4%

Revenue inflation

2%

Baseline Scenario

Valley Community Development Corporation Long-Range Financial Projections

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public/Quasi-public state funds	45,000	40,000	30,000	-		
CDBG: Northampton	56,000	50,000	51,000	52,020	53,060	54,122
CDBG: Easthampton	25,394	-	-	-	-	-
CDBG: Ready Resource	90,000	56,528	-	90,000	-	90,000
CDBG: Amherst	28,000	37,821	38,577	39,349	40,136	40,939
EDIC	-	37,500	75,000	-	-	-
Economic development fee for service		4,800	9,792	12,485	12,734	12,989
Homeownership expansion	-	-	55,000	55,000	55,000	55,000
Homeownership marketing	-	-	32,000	-	50,400	-
Downpayment assistance fees		3,000	3,060	3,121	3,184	3,247
Membership donations	3,500	3,500	4,000	4,500	5,000	5,500
Fundraising	62,500	110,000	157,227	133,987	148,285	180,209
Homebuyer workshop fees	6,000	6,000	8,250	8,250	8,250	8,250
Soft second fees	1,500	3,750	3,750	3,750	3,750	3,750
WMEF	1,000	1,000	1,020	1,040	1,061	1,082
Developer and construction fees	201,574	136,418	239,131	130,050	443,210	294,485
United Way	10,000	10,000	10,000	10,000	10,000	10,000
Interest & Misc	860	860	877	895	913	931
Total Operating Income	531,328	501,177	718,684	544,447	834,983	760,504
Rents	89,232	92,832	62,244	63,489	64,759	66,054
Total Revenue	620,560	594,009	780,929	607,936	899,742	826,559
Salaries	287,099	285,911	375,286	409,406	421,688	434,338
Tax & Fringe	71,775	71,478	93,822	102,351	105,422	108,585
Total Personnel	358,874	357,389	469,108	511,757	527,110	542,923
Office expenses	35,442	31,980	32,939	33,927	34,945	35,994
Professional fees & corp taxes	6,471	7,831	8,066	8,308	8,557	8,814
Consultants	58,159	28,850	14,884	15,330	15,790	16,264
Advertising	1,165	1,660	1,710	1,761	1,814	1,868
Staff development	813	895	922	950	978	1,007
Membership dues	1,200	2,500	2,575	2,652	2,732	2,814
Program supplies	2,025	1,308	1,347	1,387	1,429	1,472
Meeting expense	450	200	206	212	219	225
Travel/auto	3,075	2,823	2,908	2,995	3,085	3,177
Maintenance contract	500	500	515	530	546	563
Equipment rentals and repairs	1,440	3,049	3,140	3,235	3,332	3,432
Miscellaneous	600	-	300	309	318	328
Electricity	2,000	2,700	2,781	2,864	2,950	3,039
Fuel	1,100	1,260	1,298	1,337	1,377	1,418
Telephone	10,120	7,803	8,037	8,278	8,526	8,782
Property Insurance	850	-	425	438	451	464
Liability Insurance	3,350	11,333	11,673	12,023	12,384	12,755
Loan Interest	2,500	2,500	2,500	2,500	2,500	2,500
Loan principal	4,411	4,800	4,800	4,800	4,800	4,800
Total operating	494,545	469,380	570,133	615,594	633,842	652,639
Real estate operating expense	71,702	66,207	42,744	44,454	46,232	48,081
Debt service payments	34,671	29,373	25,514	25,514	25,514	25,514
Reserves	5,471	4,451	4,629	4,814	5,007	5,207
Property operating expense, debt and reserves	111,844	100,031	72,887	74,782	76,753	78,802
Total expenses	606,389	569,411	643,020	690,376	710,595	731,441
Surplus/Deficit	14,171	24,598	137,909	(82,439)	189,147	95,118
Contribution to Development Fund	-	-	68,955	-	94,574	47,559
Ending balance, Development Fund	-	-	68,955	68,955	163,528	211,087

Best case scenario

Valley Community Development Corporation Program and Funding Assumptions

Real Estate Development

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Small rental projects starting construction		2	-	1	1	1
Joint venture projects starting construction		-	-	1	-	1
Real estate project managers	1.0	1.5	1.5	2.0	2.0	2.0
Revenues year of construction start	25%					
Fees per small rental project, 2007	200,000					
Fees per joint venture effort, 2007	300,000					

Economic Development

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
EDIC funding		37,500	75,000	37,500	-	-
Ready resource / other municipal or state funds		126,028	155,500	10,000	108,000	27,000
Fee for service hours/week:	-	2	4	5	5	5
Price per hour:	50					
Economic Development staffing	1.6	2.00	2.0	1.0	1.5	1.0

Housing Education and Counseling

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
CDFII funding/other additional municipal funds		32,106	89,000	45,000	55,000	55,000
Homeownership units marketing			32,400		50,400	
Homeownership class participants	200	200	275	275	275	275
Housing Education staffing	1.0	1.75	2.0	2.0	2.0	2.0

Fundraising and Outreach

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Fundraising start-up grant:		-	60,000	-	-	-
Membership	350	350	400	450	500	550
Fundraising/PR staffing	-	-	1.0	1.0	1.0	1.0

Organizational cost inflation	3%
Real estate operating cost inflation	4%
Revenue inflation	2%

Best case scenario

Valley Community Development Corporation Long-Range Financial Projections

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public/Quasi-public state funds	45,000	40,000	30,000	-		
CDBG: Northampton	56,000	50,000	51,000	52,020	53,060	54,122
CDBG: Easthampton	25,394	-	-	-	-	-
CDBG: Ready Resource	90,000	126,028	155,500	10,000	108,000	27,000
CDBG: Amherst	28,000	37,821	38,577	39,349	40,136	40,939
EDIC	-	37,500	75,000	37,500	-	-
Economic development fee for service		4,800	9,792	12,485	12,734	12,989
Homeownership expansion	-	32,106	89,000	45,000	55,000	55,000
Homeownership marketing	-	-	32,400	-	50,400	-
Downpayment assistance fees		3,000	3,060	3,121	3,184	3,247
Membership donations	3,500	3,500	4,000	4,500	5,000	5,500
Fundraising	62,500	110,000	157,227	133,987	148,285	180,209
Homebuyer workshop fees	6,000	6,000	8,250	8,250	8,250	8,250
Soft second fees	1,500	3,750	3,750	3,750	3,750	3,750
WMEF	1,000	1,000	1,020	1,040	1,061	1,082
Developer and construction fees	201,574	136,418	239,131	130,050	443,210	294,485
United Way	10,000	10,000	10,000	10,000	10,000	10,000
Interest & Misc	860	860	877	895	913	931
Total Operating Income	531,328	602,783	908,584	491,947	942,983	697,504
Rents	89,232	92,832	62,244	63,489	64,759	66,054
Total Revenue	620,560	695,615	970,829	555,436	1,007,742	763,559
Salaries	287,099	349,227	407,422	409,406	438,734	434,338
Tax & Fringe	71,775	87,307	101,856	102,351	109,684	108,585
Total Personnel	358,874	436,533	509,278	511,757	548,418	542,923
Office expenses	35,442	35,442	36,505	37,600	38,728	39,890
Professional fees & corp taxes	6,471	7,831	8,066	8,308	8,557	8,814
Consultants	58,159	28,850	14,884	15,330	15,790	16,264
Advertising	1,165	1,660	1,710	1,761	1,814	1,868
Staff development	813	895	922	950	978	1,007
Membership dues	1,200	2,500	2,575	2,652	2,732	2,814
Program supplies	2,025	2,025	2,086	2,148	2,213	2,279
Meeting expense	450	200	206	212	219	225
Travel/auto	3,075	2,823	2,908	2,995	3,085	3,177
Maintenance contract	500	500	515	530	546	563
Equipment rentals and repairs	1,440	3,049	3,140	3,235	3,332	3,432
Miscellaneous	600	-	300	309	318	328
Electricity	2,000	2,700	2,781	2,864	2,950	3,039
Fuel	1,100	1,260	1,298	1,337	1,377	1,418
Telephone	10,120	10,120	10,424	10,736	11,058	11,390
Property Insurance	850	-	425	438	451	464
Liability Insurance	3,350	11,333	11,673	12,023	12,384	12,755
Loan Interest	2,500	2,500	2,500	2,500	2,500	2,500
Loan principal	4,411	4,800	4,800	4,800	4,800	4,800
Total operating	494,545	555,021	616,994	622,486	662,250	659,951
Real estate operating expense	71,702	66,207	42,744	44,454	46,232	48,081
Debt service payments	34,671	29,373	25,514	25,514	25,514	25,514
Reserves	5,471	4,451	4,629	4,814	5,007	5,207
Property operating expense, debt and reserves	111,844	100,031	72,887	74,782	76,753	78,802
Total expenses	606,389	655,052	689,881	697,268	739,003	738,753
Surplus/Deficit	14,171	40,563	280,947	(141,832)	268,740	24,805
Contribution to Development Fund	-	-	140,474	-	134,370	12,403
Ending balance, Development Fund	-	-	140,474	140,474	274,844	287,246