Housing Kentucky Families:

new vision
new strategies

2015 Kentucky Affordable Housing Conference

KHC Kentucky Housing Corporation

Homeless & Housing Coalition of Kentucky

Responding to a Maturing Industry & Changing Market

Panelists

Scott McReynolds	Housing Development Alliance
Sandy Noble Canon	Community Ventures
Sara Morgan	Fahe
Kathy Peters	Kentucky Housing Corporation

Responding to a Maturing Industry & Changing Market

Scott McReynolds
Housing Development Alliance

2015 Kentucky Affordable Housing Conference

Meeting the Challenges of the “New Normal"

Scott McReynolds, Executive Director

Housing Development Alliance, Inc.

The "Old Normal"

- Homeownership was highly valued – The American Dream, Ownership Society
- Production of new units was seen as essential
- Funding was stable and non-scarce
- Capacity was valued and funded (RHED, RIF, CHDO Operating)
- Flexible programs with emphasis on local solutions
- State Level - Homeowner should realize benefits

HOUSING DEVELOPMENT ALLIANCE, INC.

Under The “Old Normal”

The Housing Develop Alliance:

- Expanded its service area from 1 to 4 counties,
- Went from 10 new homes in 2004 to 20 new homes in 2010,
- Average income Served of 46% AMI or about $16,500,
- About 1 in 5 homebuyers had less than $1,000 per month,
- Went from 20 rehabs in 2004 ($150K) to 62 rehabs in 2010 ($720K),
- Was able to leverage multiple sources including RD, FHLB, RHED, RIF, SHOP, ARC, and YouthBuild,
- Built capacity – increased staff, new office,
- Averaged $53,650 non-amortized funding per home.

HOUSING DEVELOPMENT ALLIANCE, INC.

The Crash

- 2008 mortgage market meltdown and recession
- Scapegoating of low income homebuyers
- Stimulus packages and bailouts
- Less tax revenue
- Higher deficits
- Budget Control Act
- Washington Post HOME article
- HOME cut from $1.8 billion in FY10 to $900 million in FY15 (51%)
- Excluding rental assistance programs, the budget authority for USDA Rural Housing programs cut by 54% between FY10 and FY15 (RD 502 Direct Loan cut 20%)

Housing Development Alliance, Inc.

The "New Normal"

- Less Funding
- Homeownership sometimes viewed with skepticism
- Rehabilitation and preservation are seen as highest needs
- Funding seen as diminishing and scarce
- Capacity is more important than ever, but not funded
- Funders facing their own operational challenges
- Less flexible programs, more one size fits all
- Funders changing program guidelines in response to fewer dollars – not always the changes we would make
- Funders making hard choices as they prioritize how to spend scarce resources

HOUSING DEVELOPMENT ALLIANCE, INC.

Our Response to the "New Normal"

Two Important Psychological Responses:

- Acknowledged that this is a permanent change, not just a "rough patch,"
- Commitment to thrive, not just survive.

Our Response to the "New Normal"

Operational Responses:

- Cut operating costs
- Revenue sources
  - Volunteer program
  - Fundraising efforts
  - Expanding lines of business (e.g. broker for Fahe loans)
- Social Enterprises
  - Moderate income repairs
  - New home construction for moderate income
  - Acquisition – Rehab – Resale program
  - Redbud Financial Alternatives
- Funding Sources
  - Loan Fund
  - Redbud
  - New partnerships (city and county)

HOUSING DEVELOPMENT ALLIANCE, INC.

Reducing Non-Amortized Dollars per Unit

- Current model not sustainable

  (20 x $53K per unit = $1,073,000 per year)
- Our goal is to reduce per unit amount by $20,000 (40%) in five years.
- In first year, saved $7,348 per house or about $147,000 for 20 homes!

HOUSING DEVELOPMENT ALLIANCE, INC.

Reducing Non-Amortized Dollars per Unit

- Single most important step – started tracking this amount
- Production bonus became a performance bonus
- No silver bullets, portfolio approach

Housing Development Alliance, Inc.

Reducing Non-Amortized Dollars per Unit

Land

- Invested more staff time
- Focused on lowering “ready to build” cost
- Hard to build lots must cost less
- Limited number of lots that require a special plan
- Avoiding problem lots
- Challenge is having enough land

Housing Development Alliance, Inc.

Reducing Non-Amortized Dollars per Unit

Plans

- Limit the number of units needing a special plan.
- 2 story houses more expensive
  - No 2 story unless land is cheaper
  - Revamped plans to save dollars
- Created a 1 bedroom and 2 bedroom plans
- Innovation - built slab-on-grade, currently evaluating cost effectiveness
- Reviewing all plans for increased efficiency

HOUSING DEVELOPMENT ALLIANCE, INC.

Reducing Non-Amortized Dollars per Unit

Customers

- Recruiting more "higher income" low income buyers
- Reducing the number of extremely low income buyers we serve with normal programs
- Looking for additional subsidy to serve extremely low income buyers
- Increasing base PITI from 24% to 25%
- Revamping tier system – who can get what house
- Challenge is marketability

HOUSING DEVELOPMENT ALLIANCE, INC.

Reducing Non-Amortized Dollars per Unit

Reducing Construction Costs

- Set cost cutting goals
  - Hard costs 2.5%
  - General conditions 2.5%
  - Overhead costs 2.5%
- Real time, usable feed back to crew
- Using expertise of crew
- Subs versus crew

Housing Development Alliance, Inc.

Our Response to the "New Normal"

Advocacy!

HOUSING DEVELOPMENT
ALLIANCE, INC.

Responding to a Maturing Industry & Changing Market

Sandy Noble Canon
Community Ventures

community ventures
Your Dream. Our Mission.

From Managers to Entrepreneurs

Restructuring to Meet the Marketplace

Sandra Noble Canon
Community Ventures
Director, Public Relations & Marketing

From Managers To Entrepreneurs

HOW WE GOT TO WHERE
WE NEEDED TO RESTRUCTURE

- Diversification
- Programmatic
- Geographic

community ventures
Your Dream. Our Mission.

Program Diversification

1993 - 2014

1993
Lending
Company

Program Diversification

1993 - 2014

1993 Lending Company
1993 Micro-lending
1997 Small Business Expansion
2001 SBA 504
2011 Women's Business Center
2014 SBA 7(a)

Program Diversification

1993 - 2014

1993 Lending Company	1996 Home Ownership Center
1993 Micro-lending	1996 Lease Purchase
1997 Small Business Expansion	1998 CHDO
2001 SBA 504	1998 Down Payment & Closing Costs
2011 Women's Business Center	2001 Mortgage Brokerage
2014 SBA 7(a)	2008 Foreclosure Prevention

Program Diversification

1993 - 2014

1993 Lending Company	1996 Home Ownership Center	2002 Small Business Incubators
1993 Micro-lending	1996 Lease Purchase	2002 Lexington - Broadway
1997 Small Business Expansion	1998 CHDO	2005 Lexington - Midland
2001 SBA 504	1998 Down Payment & Closing Costs	2008 Louisville - 2nd St
2011 Women's Business Center	2001 Mortgage Brokerage	
2014 SBA 7(a)	2008 Foreclosure Prevention	

Program Diversification

1993 - 2014

1993 Lending Company	1996 Home Ownership Center	2002 Small Business Incubators	2003 New Markets Tax Credits
1993 Micro-lending	1996 Lease Purchase	2002 Lexington - Broadway	2003 1st NMTC Allocation
1997 Small Business Expansion	1998 CHDO	2005 Lexington - Midland	
2001 SBA 504	1998 Down Payment & Closing Costs	2008 Louisville - 2nd St	
2011 Women's Business Center	2001 Mortgage Brokerage		
2014 SBA 7(a)	2008 Foreclosure Prevention		

Program Diversification

1993 - 2014

1993 Lending Company	1996 Home Ownership Center	2002 Small Business Incubators	2003 New Markets Tax Credits	2009 eHome America
1993 Micro-lending	1996 Lease Purchase	2002 Lexington - Broadway	2003 1st NMTC Allocation	2009 eHome America
1997 Small Business Expansion	1998 CHDO	2005 Lexington - Midland		2010 eHome Money
2001 SBA 504	1998 Down Payment & Closing Costs	2008 Louisville - 2nd St		2011 eHome Agency
2011 Women's Business Center	2001 Mortgage Brokerage			2013 eHome Foreclosure
2014 SBA 7(a)	2008 Foreclosure Prevention			2013 eHome Real Estate

Program Diversification

1993 - 2014

1993 Lending Company	1996 Home Ownership Center	2002 Small Business Incubators	2003 New Markets Tax Credits	2009 eHome America	2012 Multifamily
1993 Micro-lending	1996 Lease Purchase	2002 Lexington - Broadway	2003 1st NMTC Allocation	2009 eHome America	2012 Hartford Apartments
1997 Small Business Expansion	1998 CHDO	2005 Lexington - Midland		2010 eHome Money	
2001 SBA 504	1998 Down Payment & Closing Costs	2008 Louisville - 2nd St		2011 eHome Agency	
2011 Women's Business Center	2001 Mortgage Brokerage			2013 eHome Foreclosure	
2014 SBA 7(a)	2008 Foreclosure Prevention			2013 eHome Real Estate	

Program Diversification

1993 - 2014

1993 Lending Company	1996 Home Ownership Center	2002 Small Business Incubators	2003 New Markets Tax Credits	2009 eHome America	2012 Multifamily	2013 Research & Development
1993 Micro-lending	1996 Lease Purchase	2002 Lexington - Broadway	2003 1st NMTC Allocation	2009 eHome America	2012 Hartford Apartments	2013 CRA Consulting
1997 Small Business Expansion	1998 CHDO	2005 Lexington - Midland		2010 eHome Money		2013 Community Impact
2001 SBA 504	1998 Down Payment & Closing Costs	2008 Louisville - 2nd St		2011 eHome Agency		2013 Chef Space
2011 Women's Business Center	2001 Mortgage Brokerage			2013 eHome Foreclosure		2013 Third & Midland
2014 SBA 7(a)	2008 Foreclosure Prevention			2013 eHome Real Estate		

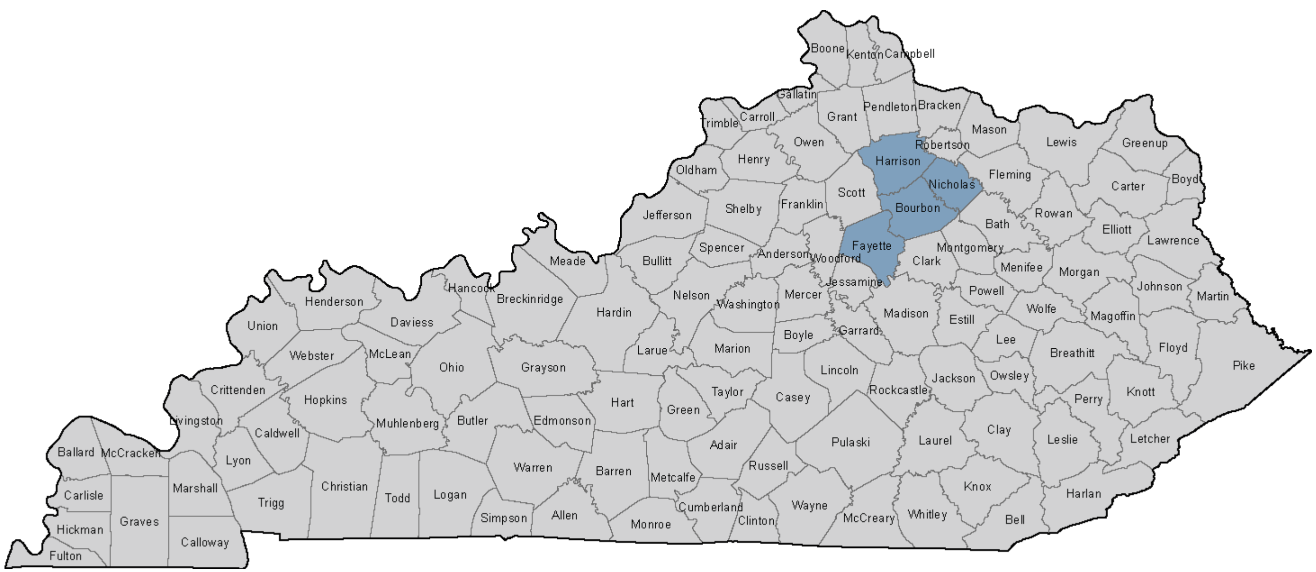
Geographic Diversification

1993 - 2014

community ventures

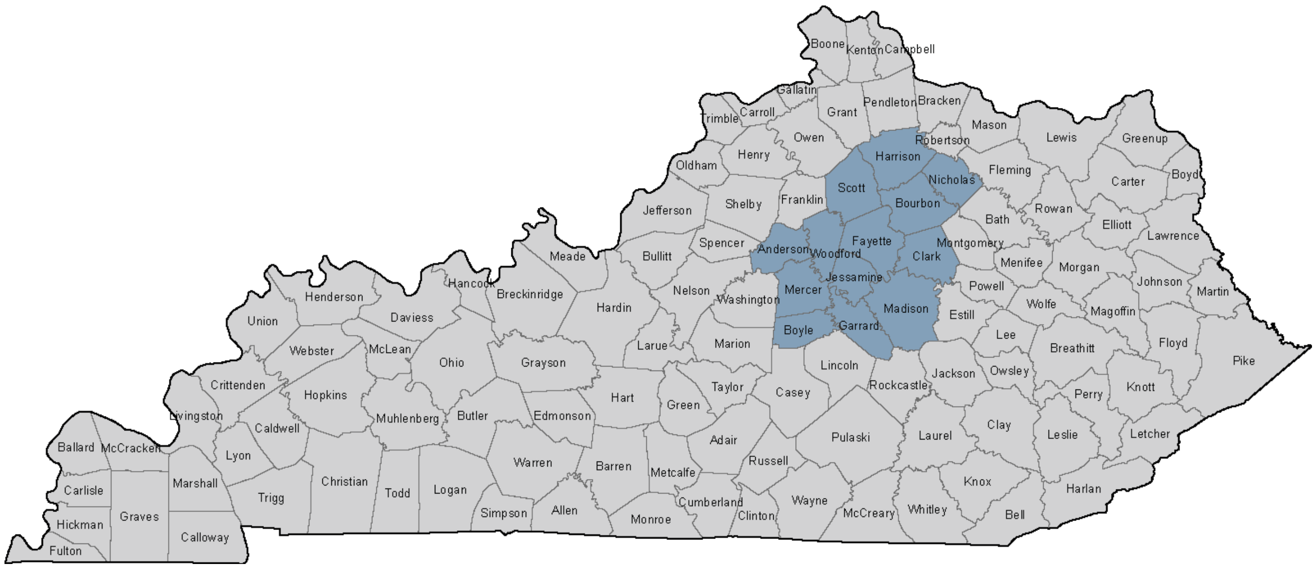
Your Dream. Our Mission.

Community Ventures' Service Area
1993



community ventures
Your Dream. Our Mission.

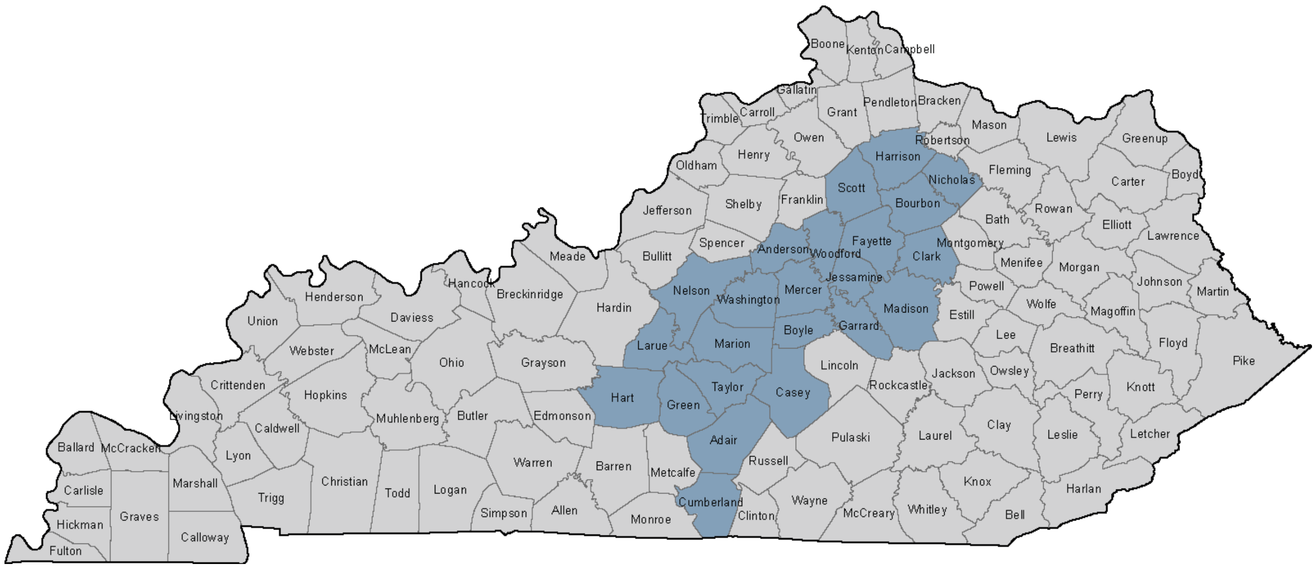
Community Ventures' Service Area
1995



community ventures

Your Dream. Our Mission.

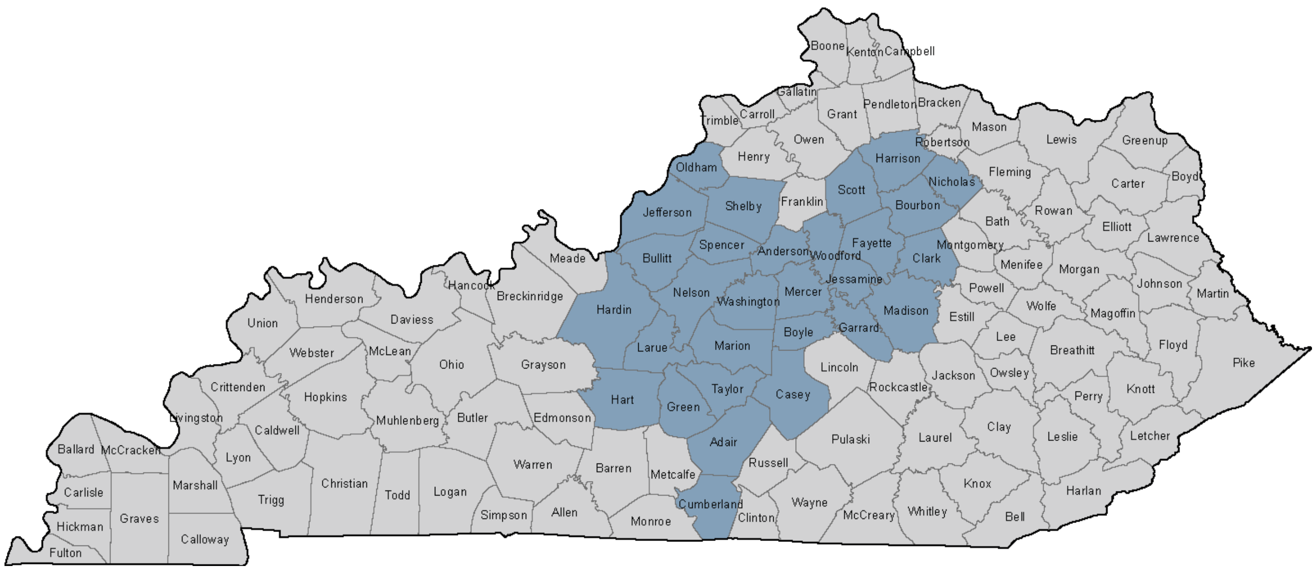
Community Ventures' Service Area 1999



community ventures

Your Dream. Our Mission.

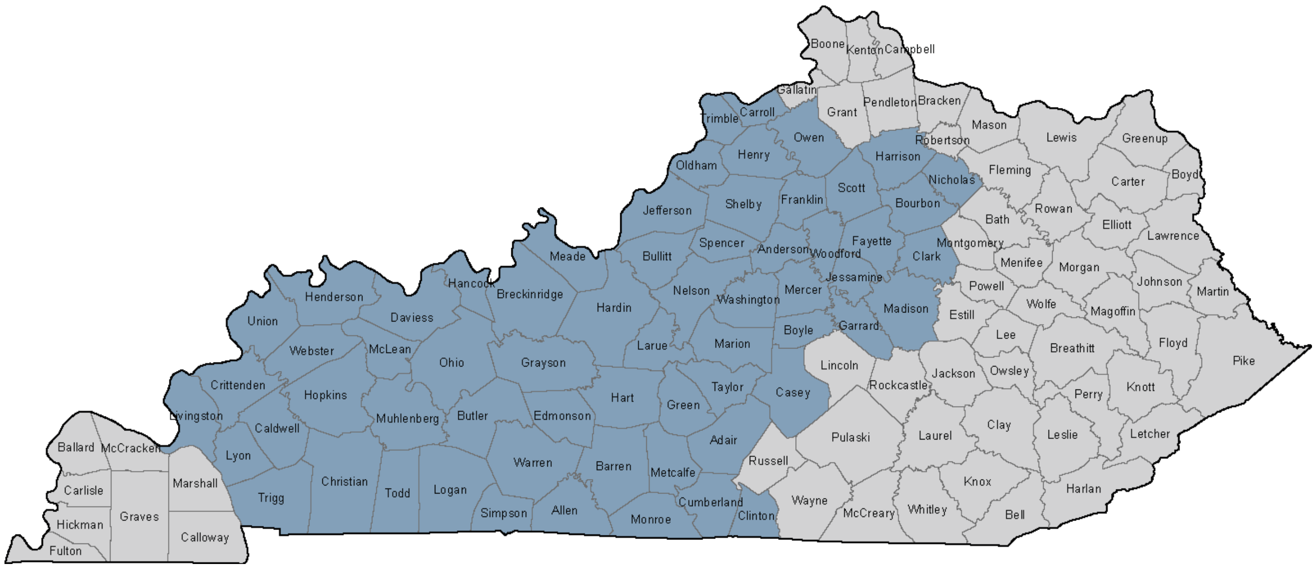
Community Ventures' Service Area 2004



community ventures

Your Dream. Our Mission.

Community Ventures' Service Area 2007



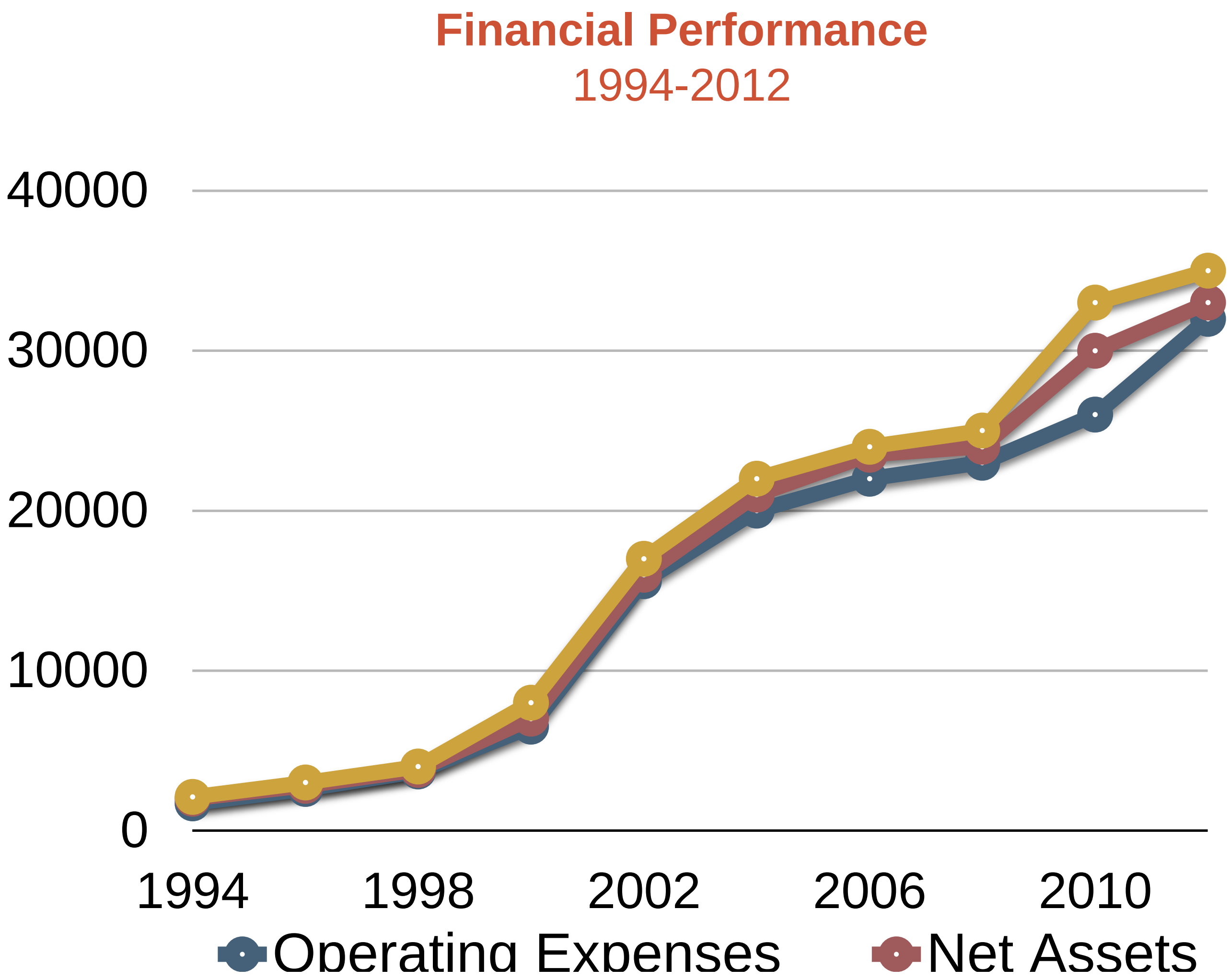
community ventures

Your Dream. Our Mission.

Community Ventures' Service Area 2008

community ventures

Your Dream. Our Mission.



community ventures

Your Dream. Our Mission.

Managing for Growth

Balanced Scorecard

1993 - 2014

community ventures

Your Dream. Our Mission.

Managing for Growth:

Balanced Scorecard

Community Ventures: 2014 Scorecard				
Measure		**Jan**	**Feb**	**Mar**
Liquidity Ratios				
Current Ratio	Can the Division pay its bills that are due over the next year?			
		6.3	6.2	4.7
	Target	3.0	3.0	3.0
	Variance	3.3	3.2	1.7
Days Cash	Can CVC pay its bills if it receives no cash for a period of 90 days?			
		92	85	60
	Target	90	90	90
	Variance	2	-5	-30
Efficiency Ratios				
Self Sufficiency	Is CVC too reliant on grant funding?			
		55%	54%	54%
	Target	70%	70%	70%
	Variance	-15%	-16%	-16%
Days' Receivables	Is CVC doing a good job collecting on money owed to the organization?			
		42	39	43
	Target	60	60	60
	Variance	18	21	17
Leverage Ratios				
Long-term Debt to Net Assets	Can CVC attract future financing for projects and operations?			
		0.68	0.63	0.62
	Target	0.80	0.80	0.80
	Variance	0.12	0.17	0.18

community ventures

Your Dream. Our Mission.

The Reorganization

Each program area becomes its own company

- Funders, program contacts, customer connections, and management issues
- How to be expert in all program areas
- Managing the increasingly complex finances

community ventures

Your Dream. Our Mission.

CV COMPANIES

2015

Mark Johnson	TBD	Milt Sharp	Wiley Faw	Johnetta Roberts	Sandy Canon	Kevin Smith
Micro-lending and SBE	Lease Purchase and CHDO	eHome America	Hartford Apartments	Kitchen Incubator	Fund Raising/ Benevon	Mixed Use Develop-ment
New Markets Tax Credits	Down Payment & Closing Costs	eHome Agency		Cedar Street Project		
SBE/SBA 504/7(a)	Mortgage Brokerage	eHome Money and Foreclosure				
Women's Business Center	Foreclosure Prevention	eHome Real Estate				

What We Know :

- We have cuts costs
- We have the capacity to take on new projects
- We now know the cost of providing a service or a program
- Board liked how this became a succession plan
- Will be reorganizing the Board around the companies

community ventures
Your Dream. Our Mission.

community ventures
Your Dream. Our Mission.

THANK YOU!

Responding to a Maturing Industry & Changing Market

Sara Morgan, Fahe

fahe

Strength in Numbers

Responding to a Maturing Industry & Changing Market

Impact 2004

• Membership	33 members
• Mortgages	$2 Million
• Loans to Nonprofits	$2 Million
• Member Production	2,250 homes
• Loans Serviced	1,231
• Assets Under Management	$28 Million

Business Activities 2004-2014

Membership/Advocacy
Mortgages
    Subsidized
Loans to Nonprofits
    Construction
Pass Thru Grants
Technical Assistance
Homebuyer Counseling
Construction Management

Membership/Advocacy
Mortgages
    Subsidized
    502 Direct
    USDA Guarantee
    FHA
    Conventional
Loans to Nonprofits
    Construction
    Lines of Credit
    Permanent Finance
Pass Thru Grants
Equity
Consulting Service
Loan Servicing
Portfolio Purchases

Service Area 2004-2014

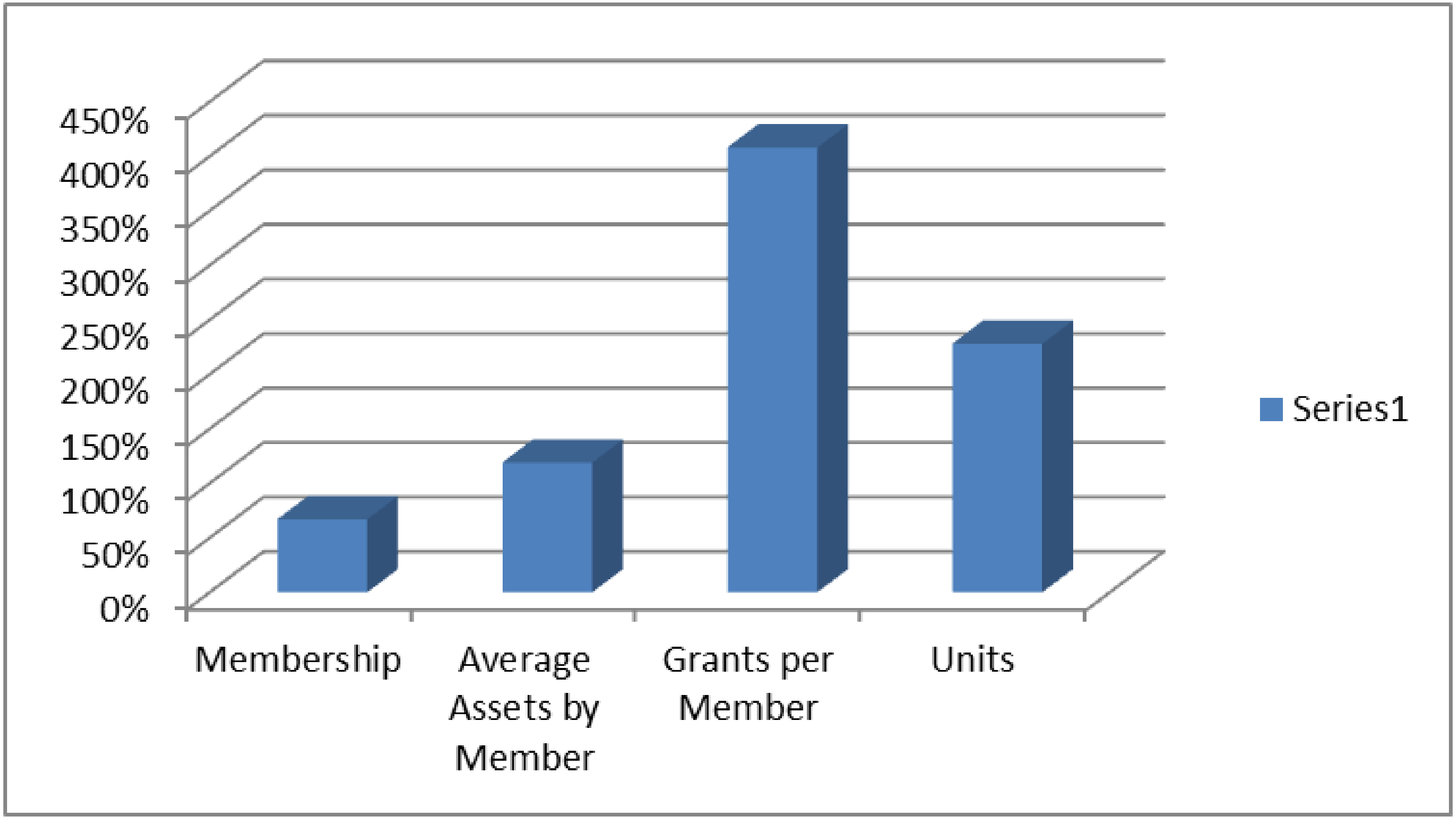
Appalachia Kentucky
Appalachia Tennessee
Appalachia Virginia
West Virginia

Alabama
Florida
Indiana
Kentucky
Maryland
Michigan
Mississippi
Ohio
Tennessee
Virginia
West Virginia

Impact 2014

• Membership	55 members
• Loans/Equity/Consulting	$80 Million
• Member Production	8,725 homes
• Loan Serviced	5,316
• Assets Under Management	$209 Million

Comparison 2004-2014



Thank you

Sara Morgan
Chief Operating Officer
Fahe
319 Oak Street
Berea, KY 40403
859-228-2134
sara@fahe.org

Responding to a Maturing Industry & Changing Market

Kathy Peters
Kentucky Housing Corporation

Housing Kentucky Families:

new vision
new strategies

2015 Kentucky Affordable Housing Conference

KHC Kentucky Housing Corporation

Homeless & Housing Coalition of Kentucky