

New Village Corporation

2017-2020 Business Plan Framework and Strategic Recommendations

Enterprise Community Partners

Approved 12.08.16

New Village Corporation was founded in 1991 by Cleveland Neighborhood Progress (formerly Neighborhood Progress, Inc.) to undertake catalytic real estate projects in key city communities and fill gaps in the market when nonprofit developers lacked capacity or the value proposition didn't exist for for-profit development. In its 25 years, NVC has executed 21 projects, and leveraged hundreds of millions of dollars to transform neighborhoods throughout Cleveland.

NVC Accomplishments To-Date

Total # Real Estate Projects	21
Total # Housing Units	536
Total Lots Acquired	42
Total Sq. Ft. Commercial Development	1,272,843
Total Project Costs	\$206,471,350

Circumstances in recent years have led CNP's board and staff to evaluate the future role of NVC:

- Corporate restructuring of Cleveland Neighborhood Progress has expanded the parent organization's scope to include a broadly defined Placemaking effort adding capacity to CNP and NVC but blurring the lines between organizational functions.
- The Great Recession and its impact on real estate markets in Cleveland highlighted the risks inherent in real estate development. In recent years, NVC has spent time realigning its portfolio and, today, has an appreciation for what to pursue or avoid relative to deal structure.
- Completion of NVC's largest and most complex development to-date, St. Luke's Manor, offers an inflection point as both CNP and NVC regroup after delivery of the \$63M, 380,000 sq. ft. project.
- CNP's focus on racial equity and inclusion has renewed a commitment to Cleveland's most disinvested neighborhoods and NVC is viewed as an important tool for this work.

Since 2013, CNP has explored a series of questions surrounding the future of the development subsidiary: is there continued need in the Cleveland market for NVC's services? Is NVC effectively positioned to deliver? How does NVC sustain its operations? This analysis attempts to answer these questions based upon feedback from CNP and NVC board members and staff, stakeholders and funders.¹ Included below:

- A recommended approach to sustain NVC and over time and lessen the need for subsidy
- Immediate and long-term action steps for CNP and NVC
- Staffing analysis
- Potential project pipeline and project screen
- Revenue and expense projections for FY 2017 – FY 2020

¹ For more detail, see Appendix A: Interview Summaries for complete summation of interviews conducted for this engagement, including questions posed to interviewees.

Need for NVC Services

Interviews with seventeen stakeholders, partners, board and staff over the past twelve months suggest that there remains a need for NVC's services in Cleveland. Foremost, staff and board of NVC and CNP believe that internal real estate capacity is critical to CNP's ability to achieve its mission.² NVC has been an important "tool in the toolbox" and the strategic ability to gain site control or initiate a real estate development project has been and will continue to be important for CNP in advancing its mission, particularly in those areas which have suffered from decades of disinvestment and in areas where CDC real-estate development capacity is lacking.

As well, nonprofit and for-profit partners are clear that technical development and finance skills at NVC can be leveraged in multiple ways to advance neighborhood projects. Detailed in the previous report and echoed in the 2016 scan, partners do see opportunities for NVC to advance community projects via technical assistance (T.A. that would be pro bono) and consulting (that would be on a fee-for-service basis). Most encouraging was the expressed interest in hiring a mission driven nonprofit real estate consultant such as NVC.³

Board members and partners were clear that the most substantial revenue opportunity for NVC will come from development, and that consulting and T.A. should be carefully weighed. Under the broader umbrella of development, there is support for NVC to pursue a variety of potential roles, including joint venture partnerships, buying/holding land, and otherwise serving as a "table-setter."

As noted in the opening, in its role as the city's foremost community development intermediary, Cleveland Neighborhood Progress is committed to addressing structural racism and inequality in all of its work. This requires that CNP and its subsidiaries incorporate a racial equity and inclusion lens in all facets of the community development strategy. From this standpoint, NVC is an important tool that allows CNP to more effectively address the issues of racialized inequality and poverty that continue to challenge Cleveland's communities. **The 2017-2020 framework weighs CNP's need for NVC and the potential for consulting and development it allows against the goal to generate revenue. The business strategy emphasizes development, defined above, as the primary focus for NVC.**

2017 First Steps

- Secure CNP board approval to keep NVC.
- Adopt strategy that prioritizes development projects with fees, pursue joint ventures, setting the table, including land acquisition when strategically warranted.
- Proactively identify potential catalytic projects important to CNP mission.
- Implement project screen that enables NVC staff and board to build pipeline and clearly assess NVC needs and opportunities for fee potential.

NVC's Unique Position

Feedback suggests that NVC is uniquely positioned to help communities and CDCs throughout Cleveland due to its ability to work citywide and its relationship to CNP. That said, the mandate to generate revenue

² For more detail see Theme A in Appendix A: Interview Summaries

³ For more detail see Theme B in Appendix A: Interview Summaries

will require that NVC more effectively position itself relative to the parent organization, specifically when it comes to staffing and branding.⁴ The following recommendations emerged during our stakeholder interviews:

Geography: In terms of geography, the 2016 scan revealed that there are differing views on what NVC's footprint should be.⁵ Some interviewees shared an explicit preference for NVC to work in the neighborhoods immediately surrounding St. Luke's (e.g., the Buckeye neighborhood). Others thought NVC should not be prescriptive in where it works, and rather be open to projects across the city. Some interviewees stated clearly that NVC should not work beyond Cleveland's borders (e.g., in inner ring suburbs). **The 2017-2020 business strategy takes this feedback into account suggesting that 1) NVC limit its work to the city of Cleveland, with a plan to revisit the question, 2) operate citywide with a particular emphasis on predominantly African-American neighborhoods which have experienced chronic disinvestment, and 3) 'go deep' in its host community as opportunities present themselves.**

Branding: As a subsidiary of CNP, NVC has access to brand and subsidy (discussed below). Externally, partners see CNP and NVC as one organization, potentially an advantage for both entities as they seek to be understood as a full partner in comprehensive neighborhood revitalization.⁶ **From a fee-for-service and consulting standpoint, however, NVC would benefit from cultivating a distinct identity with external stakeholders, particularly when it comes to receiving grant funds.**

Internal Operations: Internally, NVC will be most effectively positioned if it tightens internal operations relative to CNP, further differentiating staff functions between CNP's Placemaking initiatives and development. For example, most technical assistance and capacity building functions should be carried out by CNP's Placemaking initiative and reflected as program not NVC activity.

It should be noted that the 2017-2020 strategy is grounded in one full-time (FTE) NVC staff position responsible for pursuing and executing real estate development projects that generate fee, along with a 25% FTE providing support. NVC will need to manage to a budget that reflects specific staffing scenarios based upon the above as well as real revenue goals and liabilities. CNP's Service Agreement with Village Capital Corporation offers a precedent for how internal operations may be delineated over time.

2017--2020 Strategic Recommendations

- Geographic focus in Cleveland only with an emphasis on neighborhoods that have been disproportionately impacted negatively by racial inequality.
- Identify high opportunity projects according to 1) CNP internal strategy or 2) community need AND 3) financial risk and return.
- Create a budget based upon real revenue and expenses.
- Establish 1.25 FTE positions devoted to NVC by 2018. CNP staff time on NVC projects should be treated as consulting and vice versa. Build capacity of NVC staff to deliver development.
- Take steps to brand NVC so that it is well positioned to pursue consulting engagements and finance opportunities, detailed below.

⁴ For more detail see Theme F, Appendix A: Interview Summaries

⁵ For more detail see Theme E, Appendix A: Interview Summaries

⁶ For more detail see Theme F, Appendix A: Interview Summaries

Sustaining NVC

Board and staff are clear that to sustain itself going forward, NVC must adopt a profit mindset, pursuing projects that generate revenue, saying 'no' to projects that don't and providing consulting on a billable basis.⁷ Specific to development, nearly every interviewee spelled out the issues with taking on projects that leave much of the financial risk with NVC without the appropriate return (developer fee). NVC has historically approached development projects with a mission mindset, relying on the parent to raise equity or fill gaps. As one interviewee stated, NVC needs to stop being so "generous with risk."⁸

In terms of the relationship to CNP, stakeholders are tentatively willing to see ongoing subsidy from the parent, though urge that "the goal should be self-sufficiency." In general, however, interviewees expressed a willingness to continue providing subsidy to NVC in the short-term while the organization re-establishes its full-time real estate development capacity and works to generate revenues. The extent of subsidy will need to be clarified and discussed further among the CNP board given that members believe that financial weaning must be a condition of NVC's continued existence. Over the past decade, CNP has subsidized NVC's operations at levels approaching \$300K - \$400K annually.⁹

The Enterprise 2015 analysis, which isolated NVC's expenses relative to potential fee-for-service, made it clear that consulting work alone could not generate enough income to sustain the organization. However, consulting is an important means to generate revenue in the short-term while building development pipeline in the medium and long-term when developer fees are not imminent. Other activities like strategic property management or brokering/asset managing small historic tax credit deals, may be appropriate to pursue if they add value without too much drain on staff time. To generate revenue, the business strategy for NVC should primarily revolve around:

Real Estate Development (Primary)¹⁰

- Direct development: NVC functions as developer and pursues deals.
- Joint ventures: NVC pursues joint ventures with CDCs or other interested organizations as long as risk is carefully evaluated and NVC receives appropriate return.
- Site assembly: NVC acquires property in real estate projects where site assembly is strategically warranted.

Fee-for-Service (Secondary)

- Consulting: Select engagements with nonprofit and for-profit partners to generate revenue or develop pipeline.
- Property Management: NVC sustains a discrete property management function to generate baseline revenue but offloads if demand exceeds 25% staff time.

Portfolio Management (Ongoing)

- NVC continues to asset management current portfolio.

⁷ See 'Specific Response 3,' in Appendix A: Interview Summary

⁸ For more detail see Theme C, Appendix A: Interview Summary

⁹ For more detail see Theme G, Appendix A: Interview Summary

¹⁰ See 'Specific Responses 6,' in Appendix A: Interview Summary

An important issue for NVC's future sustainability as a development entity and to protect the parent from guaranty and project risks is the ability to access capital for a variety of needs: start-up funds to bolster NVC's capacity in Years 1 and 2 of the current business plan and acquisition, predevelopment, or construction capital for real estate projects going forward. Toward that end, it is recommended that CNP consider providing a limited guaranty to NVC for use of CNP's \$250,000 Working Capital Loan¹¹. That Working Capital is only accessible on projects where an identified take-out is available. A limited guaranty up to \$50,000 would allow NVC to access those funds for predevelopment expenses. Over time, NVC will need to build its own balance sheet to position itself to provide its own guarantees. NOTE: In the past, VCC has provided easy access to predevelopment and acquisition capital. Post-recession and with a new structure in place, however, VCC is longer a source of such funding.¹²

The 2017-2020 strategy suggests that NVC/CNP pursue a "one time" ask with funders to capitalize initial operations and provide risk protection for CNP. Funding partners interviewed recommended packaging a proposal to appeal to grantors or investors outside of Cleveland. This could potentially occur in tandem with VCC. CNP may be comfortable serving as a guarantor for NVC for select large-scale projects and VCC may potentially provide capital for acquisition. NVC staff will need to identify additional resources going forward.

Strategic Recommendations for Stabilization

- Adopt revenue generating goal and consensus regarding CNP subsidy levels over next three years.
- Ensure a CNP and NVC board level process to evaluate progress toward goal and provide opportunity to "fish or cut bait."
- Generate a compelling seed funding proposal for potential funders that identifies key near-term real estate opportunities in the context of NVC's long-term business strategy.
- On-board St. Luke's property management function in the 2017 budget year with a clear "go/no go" decision at year end and a full accounting of costs to the NVC boards
- Deliver on existing consulting/fee-for-service engagements in 2017 and screen landscape for future revenue potential.
- Build boiler-plate NVC finance package and begin to cultivate relationships with funding partners and stakeholders, including CNP, VCC, City of Cleveland
- Shepherd current (St. Luke's Pointe and Upper Chester) and begin to on-board new JV and development opportunities with the goal to have solid pipeline by end of 2017 fiscal year.

Staffing Analysis

Noted above, if NVC is to wean itself from CNP subsidy, NVC will need to dedicate substantial staff time to cultivating and pursuing a real estate development portfolio. NVC currently has no full time staff, rather its functions are resourced on a percentage basis from the parent.

The 2017-2020 plan is based upon creation of a full-time position dedicated to real estate and project management solely at NVC, with continued support from CNP staff and a 25% FTE. The plan reflects a transition in Year 1 and Year 2 as CNP's Vice President of Placemaking builds capacity of NVC staff to lead the organization and execute development duties. The strategy also calls for a clearer delineation when

¹¹ This is a Program Related Investment from the Cleveland Foundation that has a 2033 maturity date and a 2% interest cost.

¹² See "Specific Responses 5," in Appendix A: Interview Summaries

CNP staff are engaged on behalf of NVC. For example, many aspects of fee-for-service work are currently managed by the Placemaking Director of Design and Development, a position that offers a complementary skill set important for building pipeline. This contribution is reflected initially as a secondary expense with the option to expand NVC’s staffing structure and budget to include a second position in later years as revenues stabilize and increase. Conversely, **as NVC transitions to a FTE, assuming the position is filled by current staff, CNP will lose day-to-day access to skills upon which it currently relies. CNP will need to determine how to handle this loss.**

Staff Titles

FY 2016	Staff Titles FY 2017 – FY 2020
CNP, Senior VP, Placemaking	CNP, Senior VP, Placemaking
NVC, President	NVC, President
CNP, Director of Real Estate	N/A
CNP, Director of Design and Development	CNP, Director of Design and Development
N/A	PM Program Manager
Admin	Admin
CNP CFO	CNP CFO
CNP Sr. Accountant	CNP Sr. Accountant
Bookkeeper	Bookkeeper

CNP and NVC Key Staff Percentages FY 2016 – FY 2020

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
CNP, Senior VP, Placemaking	0%	0%	15%	10%	10%
NVC, President	15%	35%	100%	100%	100%
CNP, Director of Real Estate	70%	70%	0%	0%	0%
CNP, Director of Design and Development	55%	55%	25%	50%	75%
PM Program Manager	0%	25%	25%	25%	25%
TOTAL FTEs	1.4	1.85	1.65	1.85	2.1

Mission Statement -

NVC...Supporting positive neighborhood change in Cleveland through catalytic real estate development.

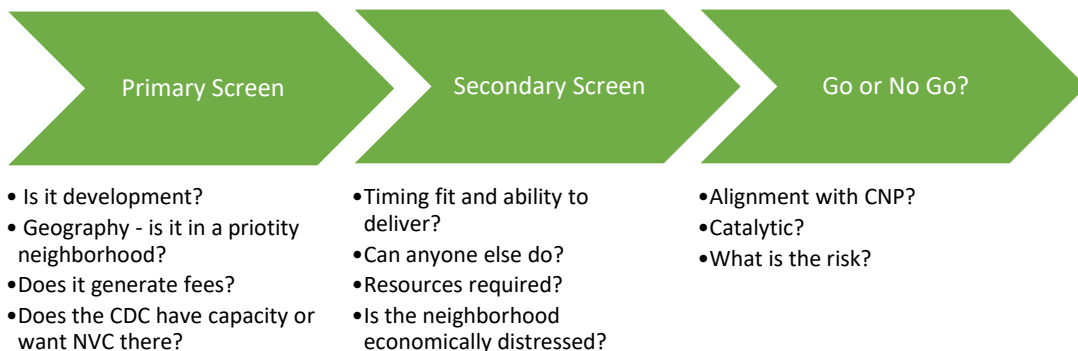
Potential Projects

On balance, stakeholders feel that NVC is at its best when it pursues catalytic projects that are guided by internal strategy.¹³ While there will be projects generated by external interests that CNP or NVC are motivated (or perhaps compelled) to pursue, these should be carefully evaluated. Likewise, fee- for-service (including property management), consulting and T.A. opportunities should be screened according to potential for revenue generation and/or future development potential.

Project	Status	Role	Detail
Real Estate Development (Primary)			
Legacy at St. Luke's Pointe	Active	50% owner	Mixed-income residential
Slavic Village Recovery	Active	25% partner	Single-family acq. Rehab
Upper Chester	Active	Land assembly	16 lots remain
Other TBD	Pipeline	TBD	TBD
Fee for Service (Secondary)			
Old Brooklyn	Active	Consultant	Predevelopment consulting
Thriving Communities	Active	Consultant	Predevelopment consulting
Other TBD	Pipeline	TBD	TBD
Portfolio Management (Ongoing)			
Arbor Park Place	Active	Asset manager	Transitioning project
Family Dollar	Active	Asset manager	Ongoing
St. Luke's Phase III	Active	Property Mtg.	Ongoing

Project Screen

A clear project filter will allow NVC to identify external projects and fee-for-service engagements from the outset.



¹³ See "Specific Responses 1 and 2" in Appendix A: Interview Summary

NVC Workplan Snapshot FY 2017 – FY 2020

FY 2017
Internal Operations
Secure board approval for oniong NVC operations
Identify key benchmarks for NVC and CNP board oversight (Discuss)
Establish NVC FTE position and initiative hiring
Solidify CNP and NVC staffing structure/relationship including PM project management position
Update budget and ensure process for internal reporting an monitoring
Outline capacity building and training plan for FTE and secure resources
Draft and submit capitalization proposal to funders
Initiate NVC branding and marketing
Real Estate Development (Primary)
Initiate project management of St. Luke's Pointe market rate construction
Identify joint CNP and NVC catalytic project
Take next steps with Upper Chester disposition strategy
Begin to reach out to CDC partners and stakeholders to identify potential JV or development pipeline
Fee for Service (Secondary)
Deliver 3 fee for service engagement sincluding Old Brooklyn, E. 130th, with remaining TBD
Portfolio Management (Ongoing)
Internalize St. Luke's property management
Ongoing asset management for portfolio
FY 2018
Internal Operations
Implement capacity building and training for FTE
Secure capital funding
Meet NVC and CNP board oversight benchmarks
Manage budget and reporting
Market NVC services
Real Estate Development (Primary)
Support finance closing for affordable units at St. Luke's Pointe and continue project mgt. for Zaremba
Identify and advance one JV project
Begin predevelopment on NVC real estate development project
Take next steps with Upper Chester disposition strategy
Begin to reach out to CDC partners and stakeholders to identify potential JV or development pipeline
Fee for Service (Secondary)
Identify and pursue next fee-for-service engagements (max. 2-3 and shared with CNP Placemaking staff
Portfolio Management (Ongoing)
Continue St. Luke's property management as assess for go/no go
Ongoing asset management for portfolio

FY 2020
Internal Operations
Reduce CNP Senior VP staff time allocated to NVC
Meet NVC and CNP board oversight benchmarks
Manage budget and reporting
Market NVC services
Real Estate Development (Primary)
Implement JV project and collect fee
Project manage NVC real estate development
Identify next NVC catalytic project
Continue to build JV and development pipeline
Fee for Service (Secondary)
Take on fee-for-service engagements as necessary, if have capacity (max. 2-3 and shared with CNP)
Portfolio Management (Ongoing)
Continue or transition St. Luke's property management
Ongoing asset management for portfolio
FY 2019
Internal Operations
Reduce CNP Senior VP staff time allocated to NVC
Meet NVC and CNP board oversight benchmarks
Manage budget and reporting
Market NVC services
Real Estate Development (Primary)
Continue St. Luke's Pointe project mgt.
Implement JV project and collect fee
Break ground on NVC real estate development project
Take next steps with Upper Chester disposition strategy
Continue to build JV and development pipeline
Fee for Service (Secondary)
Take on fee-for-service engagements as necessary, if have capacity (max. 2-3 and shared with CNP)
Portfolio Management (Ongoing)
Internalize St. Luke's property management
Ongoing asset management for portfolio

Budget Narrative

Below is a baseline operating budget for NVC for FY 2017 – FY 2020. Income for development work-- Developer Fee, General Partner Distributions and income from Land Sales is captured separately as it will be important for NVC to build equity as the company stabilizes. Likewise, the operating budget does not reflect working capital, a recommended strategy.

Operating budget revenue assumptions: The 2017-2020 budget assumes a 25% decrease in subsidy from CNP showing \$0 contribution in 2020. At the same time the budget shows a new line reflecting Foundation or Investment funding that will be raised to stabilize NVC and catalyze development capacity. Projections for subsequent years (FY 2021 – FY 2023) will show this line decreasing to zero.

Noted above, this strategy suggests that NVC/CNP pursue a “one time” ask with funders to capitalize initial operations and provide risk protection for CNP.

Cost assumptions: Staffing includes the current scenario for 2017 and shifts to 100% FTE with creation of a distinct NVC President position in 2018. CNP’s Senior Vice President of Placemaking staff allocation to NVC is reduced over time to 10% in 2019 and thereafter. CNP is exploring the creation of a Placemaking Project Manager position and this budget incorporates 25% for this position over the course of three years. As well, while this budget initially reflects a decrease in time allocated by CNP’s Director of Design and Development position, by 2020 the budget anticipates 75% staff time allocated.

Operation expenses are leanest in 2018 as the company shifts to one FTE. Deficits are avoided assuming CNP Core Support and Foundation / Investor Support. Expenses increase in 2020 as the staffing line grows to support increased project activity. At the same time, the CNP Core Support line zero’s out. The gap is reflected as an increase in Foundation support.

NEW VILLAGE CORPORATION				
FINANCIAL AND BUDGET INFORMATION				
Enterprise Projections May 2016				
	Proposed & Projected 2017	Proposed & Projected 2018	Proposed & Projected 2019	Proposed & Projected 2020
SOURCES	BUDGET	BUDGET	BUDGET	BUDGET
SUPPORT				
CNP Core Support	\$327,165	\$245,374	\$163,583	\$81,791
Foundation / Investor Support		\$16,772	\$143,522	\$254,139
REVENUES				
Fee Income	20,000	40,000	20,000	20,000
Asset Management		44,000	44,000	44,000
Bank Investment Income	30,000			
Other	74,250	74,250	74,250	74,250
TOTAL SOURCES	\$451,415	\$420,396	\$445,355	\$474,180
USES				
STAFFING				
Salary	\$189,059	\$178,486	\$194,877	\$220,982
Benefits	\$45,435	\$44,621	\$48,719	\$55,246
OVERHEAD				
Accounting/Professional Support	20,000	20,000	20,000	20,000
Overhead Charge	22,575	20,738	25,891	30,002
Travel, Training, Meetings, Misc.	18,500	18,500	18,500	18,500
PROPERTY EXPENSES				
Real Property Taxes	19,946	25,250	24,750	24,250
Insurance	9,400	8,800	8,450	8,200
Maintenance	40,500	23,500	22,000	16,500
Depreciation	10,500			
TOTAL OPERATIONS	375,915	339,896	363,188	393,680
FINANCE EXPENSES				
Interest Expense	25,500	15,500	15,500	15,500
Principal Repayment			16,667	
CONSULTANTS & DISCRETIONARY	50,000	55,000	25,000	25,000
OTHER EXPENSES				
Development/Joint Venture Pursuit/Predevelopment		10,000	25,000	40,000
Contingencies				
TOTAL USES	\$451,415	\$420,396	\$445,355	\$474,180
SURPLUS / (DEFICIT)	\$0	\$0	\$0	\$0

As discussed, from an equity standpoint, NVC should build its own balance sheet and position itself to provide its own guarantees. CNP may be comfortable serving as a guarantor for NVC for select large-scale projects and VCC may potentially provide capital for acquisition. That said, NVC staff needs to identify resources going forward. The snapshot below isolates Developer Fee, Asset Management and Rental Income, General Partner Distributions and Land Sales projected through FY 2020 as potential sources of equity rather than sources for operations. It should be noted that NVC is currently holding land assets valued at \$570K for a future phase of Upper Chester. This revenue is considered speculative and is not reflected in either the Operations Budget or the Equity projections.

NEW VILLAGE CORPORATION					
EQUITY SOURCES					
Enterprise Projections May 2016			Anticipated &	Anticipated &	Anticipated &
	Anticipated	Anticipated	Potential	Potential	Potential
	2016	2017	2018	2019	2020
SOURCES	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
REVENUES					
Developer Fee - Phase III	\$ 55,460	\$ 39,540			
Developer Fee - Projected			\$ 50,000	\$ 125,000	\$ 250,000
Asset Management		\$ 18,000	\$ 24,000	\$ 24,000	\$ 24,000
Gross rental income	\$ 74,250	\$ 74,250	\$ 74,250	\$ 74,250	\$ 74,250
GP Distributions - Phase III			\$ 67,468	\$ 67,468	\$ 67,468
Land Sales					
TOTAL SOURCES	\$ 129,710	\$ 131,790	\$ 215,718	\$ 290,718	\$ 415,718

Appendix A: Interview Summaries

Enterprise interviewed the following NVC board members and community stakeholders as part of its engagement:

Monique Winston, NVC Board Member; **Pete Snavely**, NVC Board Member; **Conor Coakley**, NVC Board Member; **Donovan Duncan**, NVC Board Member; **Kim Kimlin**, NVC Board Member; **Mark McDermott**, CNP Board President; **Bob Jaquay**, the George Gund Foundation; **Wes Finch**, The Finch Group; **Joel Ratner**, Cleveland Neighborhood Progress; and **India Pierce Lee**, The Cleveland Foundation.

Interview Questions:

1. Which of the following business lines make sense for NVC to focus on:
 - a. Development (either solo or as JV)
 - b. Acquisition/Holding
 - c. Consulting
 - d. Property Management
 - e. Asset Management
2. Do you see value in formally establishing NVC as a more independent entity from CNP? What are the advantages/disadvantages to this approach?
3. Should NVC focus in a specific/priority neighborhood(s) or be less restrictive about where it works?
4. How should NVC approach working with the CDC community? Can/should there be a different approach for working with “low” versus “high” development capacity CDCs?
5. How should NVC approach “mission deals” or “hero projects” that come with potentially large capital campaigns?
6. What strategies do you see for NVC that allow them to serve as a “table-setter” without putting the organization at substantial financial risk?

Themes

Interviewees shared similar perspectives on those issues of greatest significance for NVC. All board members agree that NVC’s staff is strong and there continues to be a role for the organization. As well, stakeholders agree that CNP continues to be a catalytic force in Cleveland’s communities and needs NVC to fully inhabit this role. Major themes include:

Theme A: Yes to Real Estate Development. Interviewees agreed that NVC should be doing real estate development. Specifically, staff and board members of NVC and CNP believe that internal real estate capacity at CNP is critical to the organization’s ability to achieve its mission. Toward the end of our interviews this theme solidified further; board members and stakeholders expressed support for having a full-time staff person at NVC who is responsible for pursuing and executing real estate development projects. Interviewees agreed that there were a variety of roles for NVC under the broader umbrella of development, including pursuing joint venture partnerships, buying/holding land, and otherwise serving as a “table-setter.” One interviewee with extensive experience in for-profit development in the region explicitly mentioned the usefulness of having NVC as a nonprofit development entity in the community.

Another interviewee expressed enthusiasm for “intentionally” growing the organization’s real estate portfolio.

Theme B: Yes to Selective Consulting Projects. Interviewees expressed support for taking on select consulting projects outside of the CDC community for the purposes of diversifying NVC’s revenue. Interviewees noted the importance of having a clearly defined filter for selecting consulting projects. One interviewee remarked, “When we do consulting, it should be to make money and pay the freight.” This interviewee noted the lack of competition in the market for nonprofit consulting in real-estate development. One interviewee put a fine point on pursuing consulting projects that have a likely chance of leading to development. Several interviewees noted a distinction between consulting and technical assistance projects. The former refers to fee-for-service work outside of the CDC community that could provide additional revenue for NVC during periods when no developer fee is realized. The latter refers to technical assistance provided to CDCs without a fee.

There are several areas in which the Board and stakeholders did not share a cohesive vision and expressed a diversity of opinions and perspectives.

Theme C: No More High Risk, Small Fee Projects. Nearly every interviewee spelled out the issues with taking on projects that leave much of the financial risk on NVC without the appropriate return (i.e. developer fee). One interviewee put this issue in very clear terms: “NVC needs to stop being so generous with their risk.”

Theme D: Property Management When Needed. Several interviewees commented that NVC could more efficiently manage its assets by taking property management for St. Luke’s and potentially other select projects in-house. NVC and CNP leadership believe that its staff is already filling this role in large part, and as such it should see the upside. Nearly every interviewee clearly directed NVC to stay away from growing property management as a major business line, noting that this work demands economies of scale that would be unattainable for NVC.

Theme E: Mixed Views on Geographic Focus. While interviewees agreed that real estate development should be NVC’s predominant business line, they also shared differing views on what the organization’s geographic footprint should look like. Some interviewees shared an explicit preference for NVC to largely work in the neighborhoods immediately surrounding St. Luke’s (e.g. Buckeye). Others thought NVC should not be prescriptive in where it works, and rather be open to projects across the City. One board member suggested University Circle, Downtown, Ohio City, Tremont, Detroit Shoreway, and Mid-Town as potential focus areas. Some interviewees stated clearly that NVC should not work beyond Cleveland’s borders (e.g. in inner ring suburbs). One interviewee noted that NVC “should work in areas where for-profits don’t want to work.”

Theme F: NVC is Viewed as CNP. Interviewees shared an understanding that New Village Corporation does not have an identity independent from Cleveland Neighborhood Progress in the community; those external to the organization view NVC and CNP as one in the same. Most interviewees believe branding NVC, VCC, and CNP as one organization is advantageous. Many echoed the same caveat however, that CDCs are likely to associate CNP with its role as a major funder to the CDC community. CNP can be viewed in this context as an “800 lb. gorilla.” One interviewee noted the importance of having CNP/NVC viewed as a full partner in comprehensive neighborhood revitalization rather than a “deal-partner” for specific projects.

Theme G: CNP Subsidies. Several interviewees expressed clearly differing views on providing subsidy to NVC via CNP. While one interviewee noted that “CNP will always need to provide some level of subsidy to NVC,” another noted that “the goal should be self-sufficiency.” In general, however, CNP stakeholder-interviewees expressed a tentative willingness to continue providing subsidy to NVC in the short-term while the organization re-establishes its full-time real estate development capacity and works toward increased self-sufficiency. The extent of this subsidy will need to be clarified and discussed further among the CNP board. One interviewee noted the need for clear “fish or cut bait” points for the CNP board if CNP is going to provide significant ongoing subsidy to NVC.

Specific Responses

1. NVC/CNP is at its best when it pursues catalytic projects that are generated by internal interests. There will always be some projects generated by external interests that CNP or NVC are motivated (or perhaps even compelled) to pursue, but these should be fewer and far between. A clear project filter should identify these types of projects from the outset.
2. In recent years, NVC has spent most of its time thinking about how to clean up its real estate portfolio; now is the time to once again start thinking about catalytic projects.
3. Does NVC want to become a “profit-motivated not-for-profit”?
4. CNP may be comfortable serving as a guarantor for NVC for select large-scale projects every 2-3 years.
5. VCC could potentially provide capital to NVC for acquisition. NVC would likely have to find another source(s) for pre-development capital. NVC/CNP could pursue an ‘ask’ to Cleveland Foundation, Gund Foundation, or others, but it should be clear that any request is “one time” and Board members and funders should be comfortable with how the request is prioritized among others.
6. It would be helpful to hear from NVC and CNP leadership what directives it will/would provide to a full-time FTE focused on development. What will be the strategy for generating business and from whom?