



2014

A report to the community

Village Capital



To Our Community:

January 2015

MISSION *Through the power of strategic partnerships, Village Capital Corporation provides loan capital and development services in underserved communities by making innovative, catalytic real estate investments that strengthen neighborhood markets in Northeast Ohio.*

2013-2014 VCC Board of Trustees

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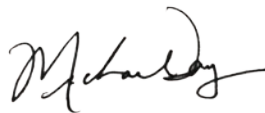
Through strategic planning and thoughtful action, Village Capital continued its positive growth in 2014. Our net assets climbed to the highest net asset level in the history of the company, attesting to VCC's current financial strength. As this report documents, VCC's net asset ratio reached 32.7% at our fiscal year end. In addition, VCC's lending capital increased by 10% due to securing additional sources. One of those sources was a grant from the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. Through this highly competitive national grant process, Village Capital was awarded \$1.3 million, which was the highest award level given to any CDFI in the U.S. We will leverage these dollars through loans to transformative real estate projects.

A new source of capital resulted from a major focus of our 2012 to 2015 Strategic Plan; i.e., the expansion of our service area into Northeast Ohio. Specifically, through a \$1.5 million Program Related Investment from the Raymond John Wean Foundation, Village Capital created the Mahoning Valley Fund to address lending needs in the underserved communities of Warren and Youngstown. We have closed on our first loan in this fund and are moving to close on a second in the new year.

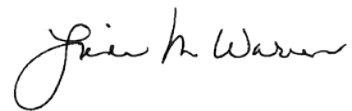
One of the transformative projects Village Capital participated in was the renovation of the former Saint Luke's Hospital building (originally built in 1927) in the Buckeye/Shaker community of Cleveland. As featured in this report, Village Capital provided several loans to the 380,000 sq. ft. structure. The renovation of the third and final phase is now complete and fully occupied by The Intergenerational School, a high quality charter school; two pre-K classrooms through the Centers for Families and Children; a Boys and Girls Club facility; the offices of Cleveland Neighborhood Progress, Village Capital Corporation's parent company; and the offices of the Saint Luke's Foundation. This iconic building is another anchor for this historic neighborhood.

None of the projects we support could happen without the generosity of our investors: the Cleveland Foundation, the George Gund Foundation, US Bank, the US Department of Treasury's CDFI Fund, the Raymond John Wean Foundation, Huntington Bank, Greater Cleveland Partnership and Enterprise Community Partners. On behalf of the many neighborhood projects these partners' investments have supported, Village Capital Corporation is truly grateful.

Sincerely,



Michael Taylor
Board Chairman



Linda M. Warren
President

Village Capital



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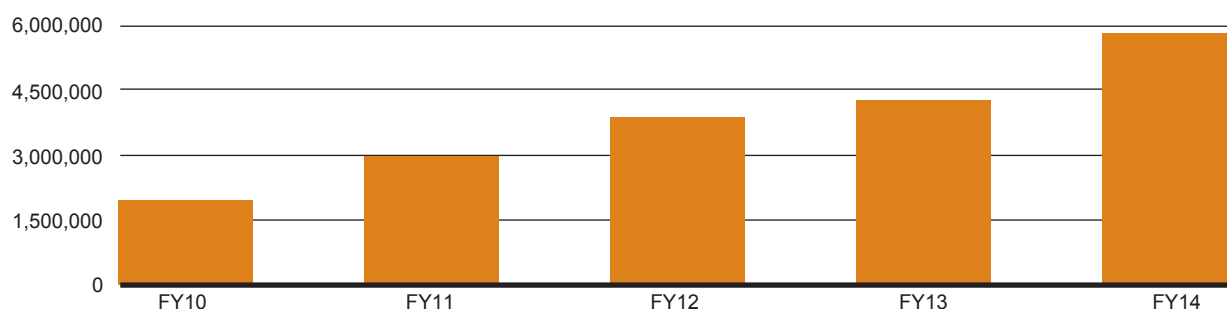
Cover – Harry Connolly

Feature – Scott Pease (bldg, lobby) Harry Connolly (school)

Key Investments – Scott Pease (St. Lukes's), Nick Patrone (TBEIC)

Financial Highlights in 2014

Fiscal Soundness: Net Assets



The best indicator of VCC's overall fiscal health was the continued rise in our net asset ratio, which reached 32.7% at FYE 14.

- For the fourth consecutive year, Village Capital Corporation (VCC) reported positive financial results. VCC ended the year with an **overall gain of \$1,621,155**.
- VCC's **net assets have climbed to \$5,915,821**, the **highest net asset level in its history**, attesting to VCC's current financial strength.
- VCC's **\$1,347,000 CDFI award** represented the highest level of funding distributed by the US Treasury Department in that grant cycle.
- During fiscal year 2013-2014, VCC's **lending capital increased by 10%**, from \$16.4 million to nearly \$18.0 million.
- VCC continues to actively work with borrowers to, when necessary, purchase conventional mortgage notes to fortify single-family, scattered site low-income housing tax credit real estate projects in support of the Year 16 civic initiative aimed at increasing the beneficial outcomes for the resident families.
- VCC continues to maintain a **prudent level of loan loss reserves** relative to the risk profile of the portfolio. Healthy loss reserves combined with rigorous underwriting practices ensure the safety and soundness of the asset base.

These strong financial results attest to the commitment and collaborative teamwork of the board and entire staff at all levels.

Statement of Financial Position

ASSETS	2013	2014
Current Assets	11,008,108	14,873,640
Other Assets	6,082,378	3,154,939
Total Assets	17,090,486	18,028,579
LIABILITIES		
Current Liabilities	958,320	136,238
Notes Payable	11,605,000	12,055,000
Other Liabilities	232,500	-00
Total Liabilities	12,795,820	12,191,238
NET ASSETS		
Unrestricted	4,094,666	4,215,341
Temporarily Restricted	200,000	1,622,000
Total Net Assets	4,294,666	5,837,341
TOTAL LIABILITIES AND NET ASSETS	17,090,486	18,028,579

Saint Luke's Hospital Transformation



Senior Apartments



The Intergenerational School



Cleveland Neighborhood Progress headquarters

The restoration of the former Saint Luke's Hospital is the centerpiece of a comprehensive redevelopment project known as Saint Luke's Pointe. This project is the physical embodiment of a catalytic investment of over \$78 million in multiple real estate projects that collectively have the potential to transform Cleveland's Buckeye-Shaker community. This effort is far more than the physical restoration of spaces and structures—it is a symbol of hope for the community. With its completion in August of 2014, the facility now offers impactful programs and opportunities to tenants, area residents and community partners.

Saint Luke's Hospital Transformation involves the complete renovation of the former Saint Luke's Hospital building. Phases I and II are home to 139 units of affordable housing for seniors. Phase III houses The Intergenerational School, a high quality charter school and multiple non-profit offices. This transformation of a former hospital building that sat vacant for over ten years now anchors a campus development that also includes a new public school, new public library, and market-rate housing.

The development sits within one of the nation's first LEED ND (Leadership in Energy and Environmental Design for Neighborhood Development) districts, conferred by the United States Green Building Council (USGBC). Sustainable design principles, including daylighting, energy and water conservation, use of renewable building materials, and sustainable operations were implemented in each of the former Hospital's three redevelopment phases. Phases I and II expect to be recognized as LEED "Silver" while Phase III hopes to achieve LEED "Gold", the second-highest recognition conferred by the USGBC.

The structure is once again an iconic symbol of community health within the ongoing revitalization of the Buckeye-Shaker community. It offers affordable housing, health, and educational services to a multigenerational community. As such, the neighborhood is now encouraged to engage and interact with all Saint Luke's Pointe tenants through dynamic programming provided by The Intergenerational School, The Boys & Girls Club of Cleveland, the Debra Ann November Early Learning Center, the Saint Luke's Foundation, and Cleveland Neighborhood Progress. The building is at 100% occupancy.

2014 VCC Key Investments

Saint Luke's Hospital Transformation

Borrower – STL Development, LLC, New Village Corporation

As highlighted in the feature story on the opposite page, transforming the nearly 800,000 sq. ft. Saint Luke's Hospital into the present-day 380,000 sq. ft. structure was a significant undertaking. Village Capital Corporation provided several loans to the project. For Saint Luke's Manor (Phases I and II), VCC administered a \$2 million participation loan comprised of \$1 million from the Cleveland Foundation, \$400,000 from the Saint Luke's Foundation, \$200,000 from New Village Corporation and \$400,000 of VCC's own capital. For Phase III, VCC provided a \$1 million bridge loan to the capital campaign, a \$430,000 bridge loan to the state and federal historic tax credits, and a \$6.1 million one-day loan that flowed through the Investment Fund of the New Market Tax Credits.



Footbridge Townhomes

Borrower – Civic Builders, Dave Fragapane, Principal

The Tremont Valley development involves the construction of four (4) new townhomes on W. 11th Street. The location is attractive due to the popularity of the Tremont neighborhood and the proximity to Clark Field, Steelyard Commons and downtown Cleveland. The 1,200-1,400 square foot units feature open floor plans, 1-2 car garages, decks overlooking the industrial Valley, rear patios, 2 bedrooms, and 1.5-2.5 baths. These units are within walking distance of Lincoln Park, Professor Avenue and other amenities in the Tremont community. Village Capital Corporation provided a \$465,000 Revolving Construction Loan.



Tech Belt Energy Innovation Center

Borrower – Tech Belt Innovation Center

The Tech Belt Energy and Innovation Center (TBEIC) was Village Capital's first project in Northeast Ohio, outside our original core service area of Cleveland. Located in Warren, Ohio, the renovation of this 37,000 sq. ft. historic building in downtown Warren will serve as the headquarters for TBEIC, a non-profit organization formed to accelerate new clean technology companies on their path-to-market. The project also serves as an incubator, laboratory and office space for technical group support. Village Capital Corporation provided a \$900,000 Bridge Loan to the historic tax credits for this project.



St. Vincent Charity GeroPsych Unit

Borrower – St. Vincent Charity Hospital

St. Vincent Charity Medical Center is creating a GeroPsych Unit that would add a 16-bed unit designated specifically for older adults, with a focus on restoring patients to good emotional and physical health. Village Capital Corporation provided two credit facilities: a \$700,000 construction / permanent loan for the renovation of a 6,600 square-foot area that will serve as the new geriatric behavioral health unit and a \$240,000 bridge loan to a capital campaign.



VCC Investors

Cleveland Foundation

Gund Foundation

US Bank

Raymond John Wean Foundation

Huntington Bank

Cleveland Development Advisors

Enterprise Community Partners

Oberlin Student Cooperative Association Foundation

U.S. Department of Treasury

Investing in City Life

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