

# 2016

*A report to the community*



Village Capital



**MISSION:**  
*Investing in the revitalization of underserved communities in northeast Ohio*

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*To Our Community:*

February 2017

If Village Capital could have chosen a theme for 2016 it would have been “reimagining”, as we were inspired to look at our business model, practices, and processes in new ways that both strengthened the organization and generated greater social impact. Guided by ambitious goals outlined in our 2015-2020 Strategic Plan, VCC investigated new products and markets, grew staff capacity, improved its financial performance, and increased opportunities for low and moderate- income families in northeast Ohio.

Our expanded body of work is being led by Ms. Dione Alexander who was appointed as President of Village Capital (VCC) in January 2016. Prior to her appointment, Dione served as VCC’s Sr. Vice President of Lending. Dione brings to the position a wealth of experience from the social impact, banking, and government sectors that will benefit VCC’s exploration of best practices in community development financing.

In Village Capital Corporation’s year of bold changes, we had a number of successes and have highlighted of few of them below and in this report’s feature stories about clients that exemplify creativity, innovation, and reinvention.

- In response to the market’s need for more sizeable loans to finance larger and more complex projects, VCC made a \$3.4 million investment in multi-family housing, our single largest investment since inception.
- We fully deployed our \$1.5 million fund for the Mahoning Valley (Youngstown and Warren, Ohio), making loans to two technology business incubators- - our first loans to this sector. These businesses have the potential to create hundreds of jobs.
- Through a newly energized program of relationship management, we grew the loan portfolio 60% from fiscal year 2015.
- In partnership with our parent company, Cleveland Neighborhood Progress, VCC engaged in racial equity and inclusion (“REI”) training that will inform our work and frame our guiding principles.

We are grateful to our community partners, borrowers, investors, and Board of Directors for supporting our efforts to grow and change in ways that advance our mission and create opportunity and vibrancy in our communities.

Sincerely,

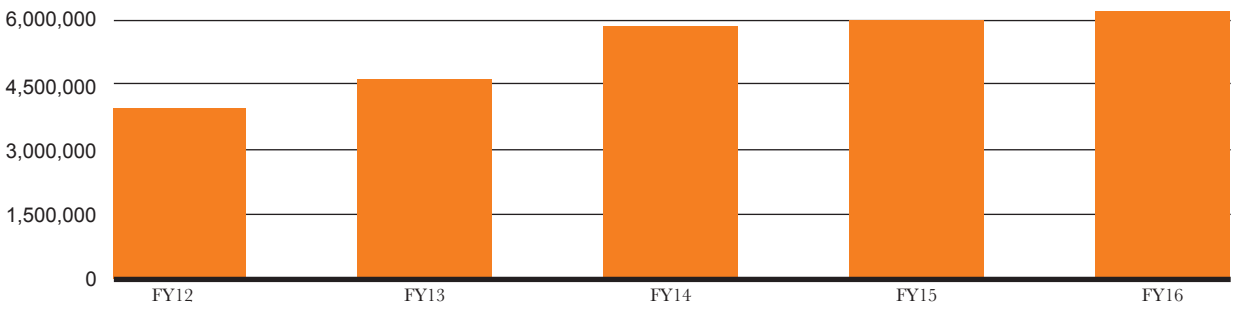


Michael Taylor  
Board Chairman



*Financial Highlights in 2016*

**Fiscal Soundness: Net Assets**



- Net assets represent the equity or earnings that are retained in the business and are a key indicator of overall fiscal health. In 2016, VCC recorded **\$6,022,564** in net assets, the highest level in our history.
- Assets consists of cash and investments. In 2016, VCC invested **\$7,139,720** in diverse projects ranging from a 3,000 sq. ft. urban green grocer to a 90,000 sq. ft. multi-family housing development. Portfolio quality was sound and in alignment with industry standards.
- Liabilities consists of borrowed funds used to finance investments. In 2016, VCC had adequate capital to fund all approved loan requests.

**Impact Metrics**



**40,100**

Square feet of commercial space financed



**\$10:1**

Project dollars leveraged



**331**

Jobs created or maintained (2013 - 2016)



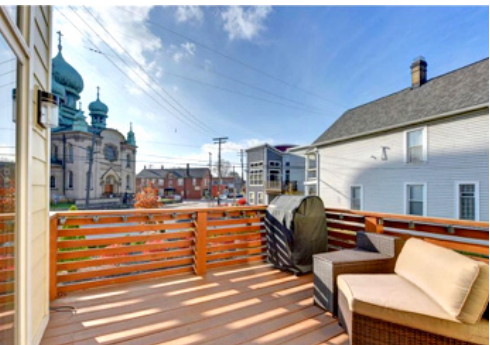
**461**

Housing units created or maintained

**Statement of Financial Position**

ASSETS		2015	2016
Current Assets		16,050,229	11,254,719
Other Assets		2,941,783	7,679,311
Total Assets		\$18,992,012	\$18,934,030
LIABILITIES			
Current Liabilities		322,566	126,376
Notes Payable		12,805,000	12,785,000
Total Liabilities		13,127,566	12,911,376
NET ASSETS			
Unrestricted		5,106,642	5,314,850
Temporarily Restricted		757,804	707,804
Total Net Assets		5,864,446	6,022,654
TOTAL LIABILITIES AND NET ASSETS		18,992,012	18,934,030

## Starkweather Place



Keith Sutton and Dave Territo know a thing or two about reinventing themselves and the communities that they care about. Their business, Sutton Development, embodies the creative “shake-up” that Village Capital values. Sutton and Territo came together in high school to form a deck-building business known as “Dickey’s Decks.” That humble entry into the construction field launched what has become a successful full-service builder with over \$50 million in projects developed.

Sutton’s most recent project, Starkweather Place, is a study in reimagining. The site for this 31 unit townhouse development is adjacent to Cleveland’s former Valleyview Estates, a public housing complex built in 1940. When Valleyview was demolished and replaced with modern units, a plan was designed to create mixed-income housing to support neighborhood revitalization. Sutton was selected by a developer to act as the builder for Starkweather. When the developer had to withdraw from the project, Sutton received a loan from VCC that allowed them to assume ownership but when the economy collapsed in 2008, the project came to a halt.

Undeterred, Keith and Dave weathered the storm by reinventing themselves again and pursuing other lines of business until the residential market rebounded. During this difficult time, they never missed a payment to any of their lenders. However, when the market recovered in 2011 they were unable to obtain traditional construction financing to jumpstart the project so they turned to VCC for additional financing. Keith Sutton said, “If not for VCC, Sutton Development would have gone out of business. They really came through because they were already out there on the other loan. It was risky.”

By year-end 2016, Sutton Development had completed and sold 29 of the 31 townhouses that range in size from 1,400-1,900 square feet, are energy-efficient, and have generous high-quality finishes. The project is an anchor for Cleveland’s Tremont neighborhood that continues to expand its retail, recreational, and cultural amenities and is enjoying strong demand for new housing. So what’s next for Keith and Dave? After mastering large-scale development, the partners are now experimenting with tiny house construction.

## 2016 VCC Key Investments

### Tech Block #5

*Borrower – Youngstown Business Incubator*

Promoting innovation is job #1 at Youngstown Business Incubator (YBI). YBI was established in 1995 to address ways to offset manufacturing job erosion in the Mahoning Valley region of northeast Ohio. Their challenge was to develop an incubation model that created a robust environment for technology-based entrepreneurs and resulted in new jobs. YBI has more than met the challenge. YBI was rated among the top two university-associated incubators in the world in 2014 and 2015. Demand for space and services in their incubator facilities has been so great that they acquired their fifth facility in 2016. VCC provided financing for the acquisition of the 92,000 square foot former headquarters of Youngstown’s *The Vindicator* newspaper.



### Hubbard Cooke Building

*Borrower – Leftside Development*

Dr. Rafid Fadul is a man with big visions and the determination to execute them. A noted physician by day, Dr. Fadul has spent his spare time over the last decade developing and investing in real estate projects. In 2016, he set his sights on the 121-year old Hubbard Cooke Building, a 37,000 square foot commercial space that previously housed an art gallery. The space is being repurposed into 11 units of market-rate housing with parking and 5,000 square feet of retail space. VCC provided construction financing for the project. The building is located on the remains of Cleveland’s old Superior Viaduct bridge in a neighborhood that has experienced a resurgence due in large part to visionary developers like Dr. Fadul.



### Ohio Awning

*Borrower – Sustainable Community Associates*

Creativity means seeing opportunities where others only see challenges and the creative trio behind Sustainable Community Associates (SCA) has done just that. In 2010, three former Oberlin College classmates saw a need to redevelop a brownfield in Oberlin, OH in a sustainable way. The result was a highly acclaimed multi-million project that set them on course to develop two mixed-use projects in Cleveland. In 2016, VCC provided Historic Tax Credit bridge financing for the conversion of a 90,000 square foot industrial building into 61 apartments and 12,000 square feet of commercial space. SCA’s value statement says that “we believe that with the willingness to challenge conventional wisdom...real estate development can have a transformative effect on neighborhoods” and VCC shares that belief.



## VCC Investors

Cleveland Foundation  
George Gund Foundation  
The Raymond John Wean Foundation  
Huntington Bank  
Cleveland Development Advisors  
Enterprise Community Partners  
U.S. Department of Treasury  
Cleveland Neighborhood Progress

## VCC Supporters

PNC Bank  
Fifth Third Bank  
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*Investing in City Life*

# Village Capital

A subsidiary of Cleveland Neighborhood Progress



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