



# Urban Community Development Corporation

City, State

## **OAS Sample Report**

**Note: This sample report is based on actual OAS reports. It is provided for illustrative purposes.**

**All names, locations, and other identifying details have been changed.**

## **PROMPT® Capacity Assessment Report**

### **Organizational Assessment Services**

**Prepared by: Consultant Name**

**Review Conducted: Date**



# Table of Contents

<b>EXECUTIVE SUMMARY</b> .....	3
<b>PRODUCTION/PROGRAM SERVICES</b> .....	5
<b>REAL ESTATE DEVELOPMENT</b> .....	5
<b>PROPERTY MANAGEMENT</b> .....	7
<b>NEIGHBORHOOD MARKETING AND BEAUTIFICATION</b> .....	8
<b>RESOURCE AND FINANCIAL MANAGEMENT</b> .....	10
<b>RESOURCE MANAGEMENT</b> .....	10
<b>FINANCIAL MANAGEMENT</b> .....	14
<b>ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE</b> .....	15
<b>MANAGEMENT STAFFING AND PERSONNEL</b> .....	18
<b>PLANNING</b> .....	20
<b>TECHNICAL OPERATING AND COMPLIANCE SYSTEMS</b> .....	22
<b>CONCLUSION</b> .....	23
<b>APPENDIX</b> .....	24

SAMPLE



NeighborWorks® America is a public, not-for-profit entity created in 1978 that provides technical assistance, training and financial support to a national network of nearly 250 independent, community development and housing services organizations. NeighborWorks America creates opportunities for people to live in affordable homes, improve their lives and strengthen their communities.

PROMPT® is the system that NeighborWorks America employs to review, analyze and report periodically on the capacity and overall health of its network member organizations. Now NeighborWorks America offers this evaluation tool more broadly to other organizations engaged in affordable housing and community development through Organizational Assessment Services (OAS). The OAS PROMPT assessment process involves thoroughly analyzing the key elements of an organization including: production and program services, resource and financial management, organizational management and board governance, management staffing and personnel, planning, and technical operating and compliance systems.

SAMPLE



## Executive Summary

The purpose of this organizational assessment is to assist Urban Community Development Corporation (Urban) with the identification of strengths, challenges, and opportunities for improvement so that it may enhance its ability to accomplish its mission. NeighborWorks® America was engaged through its Organizational Assessment Services (OAS) initiative to conduct a capacity assessment of Urban using the PROMPT® method of analysis. Support from the Community Foundation has made this assessment possible.

Urban was founded in 1999 “to address blight in the city’s central neighborhoods,” according to the organization’s website. Two years later, Urban sold its first home, beginning a track record of addressing neighborhood improvement, blight elimination, and crime reduction by improving the quality of housing stock, addressing neighborhood beautification, and infusing commercial and retail services into the area. To date, the organization has built and sold 56 homes and inspired over 100 additional houses to be built by others within one mile of its main office. Urban also built Crossroads, a \$5.2 million development that houses a dental clinic, pharmacy, café, the CDC’s office and other business enterprises.

A few years after its founding, Urban expanded its service area to include five neighborhoods. Beginning in 2009 as part of recession recovery, the organization received Neighborhood Stabilization Program (NSP) funds to purchase, rehabilitate, and property-manage homes across this wider geography. The CDC also received a large grant from a national intermediary to lead a community visioning process. These two resources grounded Urban and helped the organization sustain itself during a time when many of its peers ceased to exist.

In recent years, the board and CEO refocused the organization’s efforts on real estate development and revitalizing the business and residential community immediately surrounding Crossroads and its corporate headquarters. The effort includes the joint-venture development of an 80-apartment senior living complex; predevelopment work on Crossroads 2, which will house the community’s first grocery store, a mass transit hub and other amenities; and an affordable for-sale housing development currently under construction. At the same time, the CDC continues to play an important role related to community services and civic engagement.

Within the context of the NeighborWorks PROMPT system as applied by OAS, each section of this report offers “General Observations” and “Current Capacities and Strengths” related to Urban’s operations and programs. Additionally, the report provides “Improvement Opportunities and Recommendations” for consideration, where appropriate. Many of the report’s recommendations are based on standard practices for high performing nonprofit organizations that can promote Urban’s long-term financial and organizational sustainability.

Accordingly, the following are brief descriptions of some of the highest priority recommendations that emerged during the assessment process. The report provides greater detail on each of these and identifies additional “improvement opportunities and recommendations” for the organization’s leadership to consider.

- ◆ **Set financial metrics that the board can use for monitoring and fiduciary decision-making.** The chief financial officer, CEO, and board of directors can use these metrics, along with disaggregated financial reports, to better understand and monitor the health of Urban and its moving parts.



- ◆ **Lease up Crossroads and vacant rental properties while moving Crossroads 2 predevelopment and Douglass Avenue forward.** Movement on these fronts has significant ramifications on the organization's financial position and community reputation. In particular, fully occupying Crossroads will help Urban justify the North-side commercial market to Crossroads 2 lenders and potential tenants.
- ◆ **Continue plans set in 2016 to strengthen board governance.** The board and CEO should continue to press forward with the plans laid out at last year's retreat and simultaneously evaluate what's working and what isn't in order to ensure that changes and continuous improvement become the 'new norm' for how the organization operates.
- ◆ **Invest in marketing and communications capacity.** Urban's work to lease up rental and commercial properties will be more effective with an updated, strengthened website and improved marketing materials. These efforts can also support the organization in seeking new sources of capital and operational funding.

OAS extends thanks to the Community Foundation which provided grant funding that made this assessment possible, and to the Urban staff and board for their engagement in the assessment process.

SAMPLE



## PRODUCTION/PROGRAM SERVICES

Has the organization identified, approved, and implemented program services (lines of business) that are consistent with its mission, values and goals? Do program services address identified needs of communities or populations served? Is support from staff, board and partners adequate to sustain or expand production and program service goals and future commitments? Are policies, procedures and monitoring systems in place to enable the organization to measure performance, meet commitments and communicate results?

### REAL ESTATE DEVELOPMENT

#### *General Observations*

Urban CDC's real estate development activity includes commercial and residential projects.

- ◆ **Commercial development.** Urban competed Crossroads in 2009. Located at the intersection of the area's two most active thoroughfares, this \$5.2 million LEED Silver new construction project created 100 construction jobs and serves as a catalytic development for the community. The city and the state community loan fund financed the project. Crossroads includes rental spaces on two levels in addition to the CDC's office space.

Crossroads 2 predevelopment work is underway, including work by the economic development director to secure leases for future commercial space. This \$8 million development includes:

- Development of a full size grocery store with a letter of intent from a national company to operate the store. This work addresses community concerns about healthy food access and combats the area's current designation as a food desert.
- Development of a medical clinic.
- Establishment of a new transit terminal serving four bus routes.
- Rehabilitation and conversion of a former convenience store onsite into a community oriented café and gathering place.
- Space additional outlets with discussions underway for a bank branch, a pharmacy, laundromat, and book store to move in within the next six months.

- ◆ **Single-family for-sale housing development.** Since its inception in 1999, Urban has built and sold 56 homes and inspired another 100 to be built by others within a one-mile radius of the crossroads intersection, where the organization concentrates its efforts. Past projects have been recognized with awards from different local and statewide entities. One development was the city's first fully-built Energy Star-certified subdivision.

Construction is actively underway on Douglass Avenue Homes, located a short distance from Crossroads. Douglass Avenue consists of 12 single-family homes, four of which are pre-sold and under construction, with construction to be completed by July 2018. These three to four-bedroom homes will have a selling price of between \$125,000 and \$145,000 to households earning at 80 percent of the Area Median Income and with about \$75,000 in subsidy per home through funds from the city. The organization expected to break ground on the fifth home three months after the assessment site visit and has been fundraising to build Net Zero, energy efficient homes as part of the development. To make the project viable, Urban had to acquire 28 separate parcels, which cost approximately \$1



million. Supported by a city blight reduction initiative, this action resulted in a 300 percent reduction in crime in the area. An AmeriCorps member fields calls from interested individuals and refers potential buyers to certified housing counseling organizations for screening and homeownership education.

- ◆ **Rental affordable housing development.** Urban CDC acquires and rehabilitates single-family homes, duplexes, and four-plexes and manages them under The Hamlets portfolio. Recent production includes four to six units per year since 2014; another four homes currently are under rehabilitation. Urban also served as the nonprofit partner to a for-profit developer for the Mary Wells Apartments, a 72-unit residential development for individuals age 55 and older located one mile from Crossroads. Mary Wells was completed in Fall 2017 and is located adjacent to a nationally acclaimed high school. Urban acquired and land-banked adjacent parcels for this property several years ago using Neighborhood Stabilization Program I funding. After attempting to secure tax-credit financing and HUD financing to develop the project itself, the organization ultimately fell short along both tracks. The Resource and Financial Management section provides more information on the financial ramifications of Urban's work with Mary Wells.

### ***Current Capacities and Strengths in Real Estate Development***

From its founding Urban has been engaged in real estate development; this line of business continues to be the lifeblood of the organization and has expanded to include commercial development and affordable homes for rent. Major strengths in this business line are as follows:

- ◆ **Holistic approach to community development.** Urban's ability to broaden its offerings from for-sale housing to commercial development and The Hamlets demonstrates both its responsiveness to community concerns about jobs and access to basic services such as healthcare and healthy foods, as well as to the economic realities following the past decade's recession. Stakeholders noted that five of the top ten community development corporations in the city did not survive the recession, likely because they were not as nimble as Urban. In particular, Crossroads and Crossroads 2 include community amenities such as a locally owned café, grocery store, health clinic, bus terminal, and possibly a bank and more. Bringing services and jobs to the community is a key first step in increasing the desirability of the area, leading to a demand for for-sale housing by a mix of income levels.
- ◆ **Strong public and private partnerships.** By all accounts, Urban is the go-to community development corporation for work in the North-side and many consider it to be the leading nonprofit affordable housing development organization in the city. This recognition is due in part to the strong relationships Urban's leadership has formed with major financial institutions, real estate partners, community development intermediaries, and the city. Urban's public support remained steady across the recent mayoral election, and the city continues to infuse public dollars into a variety of Urban's housing and community beautification efforts.

### ***Improvement Opportunities and Recommendations in Real Estate Development***

Urban can strengthen its real estate development work in the following areas:

- ◆ **Balance large developments with ongoing smaller efforts to sustain momentum and revenues.** Crossroads and Mary Wells are large flagship developments with challenging environmental, financing, and leasing issues that take time and money to address. Once



completed, these projects have lasting impacts for the city's North-side and, in the case of the Crossroads projects, financial upside for the organization assuming commercial space is fully leased. However, these developments have the potential to shift attention away from projects that demonstrate movement and change on a smaller scale and improve the supply of high-quality affordable housing. Urban's senior team noted a goal to grow The Hamlets portfolio from 50 to 100 homes in the next five years. While this goal will require dedicated attention and funds, it will also demonstrate progress to the community as Crossroads 2 is built and leased.

- ◆ **Balance geographic reach with concentrated place-based efforts.** Materials presented at last year's board retreat noted partner concerns that Urban needs a fully conceived master plan for the corridor that clearly defines the area's development opportunities. A related recommendation was that the CDC needs to be more focused and realistic about what can be done with the corridor and what it can accomplish. Since this time, Mary Wells was developed, predevelopment activities moved forward on Crossroads 2, Douglass Avenue broke ground, and the neighborhood signage began to focus people's attention on a target area. However, the concern still remains about the need to demonstrate visible change with limited staff and financial resources in the organization's priority area of focus.
- ◆ **Improve reporting, external communications, and tracking systems for real estate development efforts.** Examples of needs include:
  - Marketing materials on the organization's website and through collateral materials.
  - More complete reporting to the board and its finance committee that includes budget to actual costs for the projects currently under construction.
  - An overview of predevelopment expenses for projects such as Crossroads 2 and anticipated predevelopment costs for the coming three to six months and budget to actual expenses for Douglass Avenue. A similar recommendation came out of the board's most recent retreat.

## PROPERTY MANAGEMENT

### *General Observations*

Urban CDC manages The Hamlets, a 50-unit portfolio of rental homes that include a mix of single-family homes, duplexes, and four-plexes. The organization's rental portfolio also includes commercial space at Crossroads, where there are currently five vacant commercial office spaces that rent at \$650 per month. Occupied spaces in Crossroads in addition to Urban offices include a dental clinic with a 15-year lease, The coffee shop run by a local resident, a pharmacy, a small consulting firm, and a voter registration nonprofit organization.

Based on partial rental occupancy information provided for the Hamlets and commercial space for the last two fiscal years, monthly occupancy rates across the portfolio ranges between 70 and 90 percent.

### *Current Capacities and Strengths in Property Management*

Urban recently expanded staff responsibilities in residential and commercial real estate property management. As noted in the Management Staffing and Personnel section, Urban created a staff position to manage commercial lease-up and oversight, and an AmeriCorps member assists the COO with rent collection and maintenance of The Hamlets. These roles previously fell under the





CEO and deputy director, who were already overtasked. Urban will need to determine a permanent staffing solution for managing The Hamlets given that the AmeriCorps position is ending next year, and building capacity in this area will support future growth of the organization's rental portfolio.

### ***Improvement Opportunities and Recommendations in Property Management***

Recommendations to increase the performance of Urban's rental portfolio include:

- ◆ **Increase use of data to assess the health of sites under management.** Urban tracks properties under control via a PDF that lists all addresses for these sites, their purpose (vacant, boarded up, rented) and the type of development (single-family, duplex). This list could be more useful if it included the carrying costs for each of the vacant sites.
- ◆ **Establish metrics to gauge the health of the property portfolio.** These include time to lease-up, average days to complete a maintenance request, and separate quarterly revenue vs. expense statements for The Hamlets and Crossroads, separated out from the rest of the organization's financial statements.
- ◆ **Invest in marketing materials.** A small investment in marketing and communications could be leveraged for Crossroads 2 and The Hamlets and increase the organization's visibility and presence as a property manager.

## **NEIGHBORHOOD MARKETING AND BEAUTIFICATION**

### ***General Observations***

The goal of Urban CDC's neighborhood marketing and beautification programs is to ensure that the community's commercial corridor remains a destination for residents and visitors. Staff plan cultural celebrations and festivals, create promotional brochures highlighting restaurants and businesses, and work to preserve the cultural character of Chinatown. Programs and initiatives under this business line include:

- ◆ ***Street cleaning program.*** The CDC runs a cleaning program targeted at businesses operating on the neighborhood's main commercial corridors. The revenues generated from this program are used to hire staff to clean sidewalks and gutters, report illegal trash dumping, report and clean graffiti, and educate and outreach to the community around neighborhood cleanliness. The program, which began in 2011, is supported by a \$30,000 grant from the city that enables the CDC to hire two residents part-time to sweep streets and pick up trash.
- ◆ ***Crossroads Gateway Project.*** Urban received a state Horticultural Society grant to beautify a pedestrian overpass with plants and recreational space for community activities.
- ◆ ***North-side Night Market.*** The North-side Night Market is an annual community festival in the fall that draws up to 10,000 people to the neighborhood and includes live music, food, booths, a game tent, and other activities. The CDC runs this event, with costs of approximately \$25,000 covered through sponsorships and vendor and food truck space rental. The event formerly received a multi-year grant that expired last year and was not renewed. Last year marked the first time Urban ran the event without this partner; staff recruited 60 volunteers to help plan the celebration.



### ***Current Capacities and Strengths in Neighborhood Marketing and Beautification***

Urban estimates it reaches more than 15,000 people annually through direct service and public activities, including these cultural events as well as other outreach efforts. The organization's neighborhood marketing and beautification programs enable the CDC to maintain relationships with businesses and connect with the community's cultural heritage.

### ***Improvement Opportunities and Recommendations in Neighborhood Marketing and Beautification***

- ◆ The staff member who oversaw the North-side Night Market recently left the organization, and oversight of the street cleaning program is one of many responsibilities of the deputy director, who also oversees the program staff, completes financial reports, and manages organizational operations. Like other CDC business lines, this one runs at break-even and does not generate additional revenue for the organization. With staff turnover and the loss of the sustaining partnership, this may be a good time to reconsider the best way to staff this business line, including what the CDC should directly oversee and what other area business associations and civic partners can step into a leadership role.

SAMPLE



## RESOURCE AND FINANCIAL MANAGEMENT

Has the organization planned for and raised sufficient operating and capital resources to support current and future needs? Do its resource development processes and tools (including digital media strategies) support identification and procurement of resources? Does the organization employ accounting and financial record keeping procedures and practices that safeguard resources and produce accurate, timely records for operations and program services? Are liquid assets and reserves sufficient to sustain the organization and support growth?

### RESOURCE MANAGEMENT

#### General Observations

Urban CDC operates on an October 1 to September 30 fiscal year. This financial analysis is based on a review of audited financial statements from September 30, 2017, 2016, 2015, and 2014.

During the past four years, total assets increased by xx percent, or \$ X million. The increase is due to a year-over-year asset increase in construction in progress totaling \$ X over the four years, and a fixed asset increase of \$ X in rental properties. The final 2017 audited financial statement disaggregated construction in progress across current and long-term figures for both 2017 and retroactively for 2016. This change complicates an exact analysis of current asset growth over time. Current liabilities comprise between five and ten percent of total liabilities and have decreased as LISC recoverable grants converted and Urban paid down construction loans. The majority of long-term liabilities - \$ X million out of \$ Y million - comes in the form of notes payable to the city for deferred payment non-interest bearing 30-year NSP loans for the purchase of 68 scattered sites, and NSP redevelopment and construction loans. Other long-term liabilities include a \$1 million loan for the purchase and construction of Crossroads. The interest rate on this loan increases by just over one percent beginning on January 1, 2018.

**Figure 1: Balance sheet trends**

	2017	2016	2015	2014
Current assets				
Total fixed assets				
Long-term construction in progress				
Total assets				
Total current liabilities				
Total long-term liabilities				
Total liabilities				
Total net assets				

Source: 2017, 2016, 2015, 2014 audited financial statements



The organization’s net assets are almost entirely unrestricted and have oscillated during the four years, from a high of \$ X million in 2015 to \$ Y million in 2016 and 2017. Figure 1 above lists trends across Urban’s balance sheet and the Appendix provides more detailed information.

While the total revenue across the four years is relatively stable, variability exists in the sources of revenue. As noted below, revenue from grants oscillated over the years covered. Grants typically have supported social service activities and came from the CDC’s primary funders. Urban also received a federal grant in 2017 to support the development of a grocery store at Crossroads 2. Proceeds from sales, as well as construction cost of homes, spiked with the Mary Wells transaction in 2016 and varied in other years. Figure 2 below is a summary of proceeds from sales of properties, construction costs of homes, and depreciation during the four years presented. With the exception of 2016, the net revenue from this subset of line items increased by 33 percent.

**Figure 2: Statement of activity trends, revenue and construction cost of homes, Urban**

	2017	2016	2015	2014
Revenue - grants				
Revenue - proceeds from sale of properties				
Expenses - construction cost of homes				
Net revenues - subtotal				

Source: 2017, 2016, 2015, 2014 audited financial statements

Below in Figure 3 is an overall look at Urban’s statement of activities during the four years. Removing depreciation from the statement and taking into account the unique nature of 2016, net assets decreased from a high of \$ X in 2015 to a low of \$ Y as listed in the 2017 audit. Appendix A provides more detailed information on Urban’s statement of activities.

**Figure 3: Aggregate statement of activity trends, URBAN**

	2017	2016	2015	2014
Total revenue				
Total expenses				
Change in unrestricted net assets				
Change in temporarily restricted net assets				
Change in net assets				
Change in net assets, removing depreciation				

Source: 2017, 2016, 2015, 2014 audited financial statements

Urban’s cash flow for operations varies during the four years based largely on development activities and is also impacted by the addition of a ‘long-term construction in progress’ category in the 2017 and revised 2016 financial statements. Combined with almost \$ X in purchase of fixed assets, Urban’s net cash used for investing in 2017 exceeded \$\$ million.



**Figure 4: Cash flow statement trends**

	2017	2016	2015	2014
Change in net assets				
Net cash used in operating				
Net cash used in investing				
Net cash provided by financing				

Source: 2017, 2016, 2015, 2014 audited financial statements

Below in Figure 5 is a summary of key performance indicators for the last four years. Urban's debt to net assets ratio, which the industry recommends to be below 3.0, rose from 2014 to 2017 due to an increase in long-term debt, while days of cash ranged between at a relatively low level for three of the four years. The organization's current ratio was in flux; while current assets increased in early years this figure adjusted when a long-term construction in progress line item was added for 2016 and 2017. Urban's financial sustainability ratio ranged from 0.5 to 1.5; industry standard recommends a ratio of greater than 1.0.

A review of 23 NeighborWorks organizations with similar total asset sizes of \$4 million to \$8.99 million notes a median current ratio of 3.12, 148 days of cash, and a financial sustainability ratio of 0.962.

**Figure 5: Urban key performance indicators, 2014-2017**

	Definition	2017	2016	2015	2014
Current ratio	current assets/ current liabilities				
Days of cash	(cash + cash equivalent)/(expenses-depreciation+ current portion of long term debt/365))				
Debt to net assets	total liabilities/ total net assets				
Financial sustainability ratio	unrestricted revenues/ total expenses				

Source: 2017, 2016, 2015, 2014 audited financial statements

### ***Current Capacities and Strengths in Resource Management***

Almost ten years after the recession, Urban has managed financial resources during an extremely challenging period for the real estate development and affordable housing industries. Below are examples of capacity and strength around financial position and resource management:

- ◆ **Growth in several financial indicators.** Urban has managed its financial position well during the last four years, growing total assets and increasing the number of days of cash on hand. In addition, the organization's net assets are entirely unrestricted.



- ◆ **Pipeline movement through sale of the Mary Wells site and Douglass Avenue development.** The organization incurred development and holding costs on Mary Wells lots for five years prior to selling the property to Jackson Properties. The development is now completed and fully occupied and Urban is no longer incurring carrying costs on these lots. Douglass Avenue is also partially underway.
- ◆ **Prudent decisions in place to mitigate financial risk.** This includes directives by the CEO and the board to:
  - focus on real estate development activities that provide opportunities for earned income through developer fees and rental income;
  - set a goal to double the number of rental homes under management during the upcoming three-year strategic plan timeframe;
  - advance development on new for-sale homes only after a home is pre-sold; and
  - wait to build more for-sale housing until the neighborhood can attract more business and commercial amenities.

### ***Improvement Opportunities and Recommendations in Resource Management***

Urban's board and senior leadership team named some of the financial challenges facing the organization during their most recent retreat, including limited resources and ongoing cash flow concerns and the need for stronger financial controls. As noted in the financial ratios above, with less than 60 days of cash on hand, the organization is strained in managing operational expenses.

- ◆ **Prioritize full lease-up of Crossroads and lease agreements for Crossroads 2.** There are currently four vacant spaces in Crossroads, which equates to approximately \$3,000 in lost revenue per month and more than \$35,000 annually for Urban. Underwriters for Crossroads 2 and potential tenants may question the financial viability and market potential of that development if Crossroads is not fully leased and if there are not enough interested businesses for Crossroads 2. Delays in moving Crossroads 2 forward also has implications on cash outlays required for carrying costs on those parcels. The neighborhood planning and marketing coordinator is tasked with lease-up and marketing of both properties.
- ◆ **Diversify capital sources beyond the city.** The vast majority of Urban's working capital to acquire and redevelop homes for rent or for sale comes from city agencies. If this funding source went away or became more competitive, Urban may face challenges in building its real estate portfolio.
- ◆ **Disaggregate financial management and monitoring.** Urban established two affiliate corporations, Urban Hamlets LLC and Crossroads LLC. Neither affiliate is actively used as an entity to disaggregate the financial assets and financial performance of the rental portfolio or Crossroads. Further, the statement of activities combines all of Urban's programmatic work into program services or community services, which blurs an understanding of the health of each of the organization's business lines. Urban's fund development plan separates out fundraising into real estate development, social services, and the Hamlets. These same categories could be used for ongoing reporting and for the audited financial statements.
- ◆ **Establish a handful of key performance indicators for the financial health of the organization.** These could include incorporation of the ratios noted in this report into a



monthly or quarterly dashboard for the full board, reviewed in advance by the finance committee. Another important figure to monitor is the ongoing cash outlay for Crossroads 2, which totaled more than \$ X.X million in 2017 as noted under 'cash flow for investing' in the 2017 audited financial statement.

## FINANCIAL MANAGEMENT

### *General Observations*

Urban has worked with Mayfield and Associates as its auditing firm for the four years tracked on this organizational assessment. The CEO noted that Urban changes its auditing firm every four years. The finance committee also serves as the audit committee and meets quarterly.

When rent checks or money orders arrive, the housing coordinator photocopies the document and keeps a summary of money received in an Excel file. The CFO reconciles this database with hard copy files at the end of each month. A third-party bookkeeping firm enters data into QuickBooks. The CFO does not have administrator access to QuickBooks to make changes and instead monitors entries and performs quality assurance duties to ensure that figures match.

### *Current Capacities and Strengths in Financial Management*

Urban demonstrated the following strengths in financial management:

- ◆ **Clean audit results.** The auditing firm reported a “clean” financial audit with no management exceptions in all fiscal years reviewed as part of this assessment.
- ◆ **Track record in fiscal oversight for city funds.** The city has advanced multiple non-interest bearing loans toward Urban, demonstrating a high degree of trust in the organization and a successful track record of effective use of funds. The city’s housing and community development department audited the organization in May 2017 and found that “all tenants are within the current income rent limits established for the NSP programs.”
- ◆ **Increased capacity through hiring of CFO.** A dedicated financial officer can monitor the ongoing health of the organization; provide checks and balances between the senior staff, contract accountant and the board; support the CEO, COO and board to set long-range financial direction; and present financial ramifications of moving in one strategic direction or another.

### *Improvement Opportunities and Recommendations in Financial Management*

- ◆ **Increase level of responsibility and visibility of the CFO.** Now that she has been in the role for a year, there are opportunities for the CFO to have more of a leadership presence with the board. For example, she can serve as the primary staff person to the finance committee.
- ◆ **Improve timeliness of financial reports.** The CFO noted that financial statements are produced every two to three months, while best practice is monthly. The CFO will start preparing financial reports at the beginning of the year, which should help the timeliness of these statements.



## ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE

Has the board established a governance model and structure that clearly defines board, committee, and executive management roles and authority in setting and fulfilling its mission and ensuring organizational health? Does the board exercise active, knowledgeable leadership and oversight? Do the board and committees have adequate and relevant expertise to provide program oversight? Does board composition reflect the communities and populations served? Does the board maintain an established process to evaluate its paid executive leadership and plan for succession?

### *General Observations*

An 11-member board of directors governs Urban CDC. Members represent real estate, banking, social service, education, and governmental sectors. According to the bylaws, the board can have between three and 11 members. The bylaws also note an executive committee and four standing committees – governance, real estate development/asset management, marketing, and finance. Members and officers are elected at the annual meeting in September. The governance committee nominates directors and officers and can remove a board member who misses the majority of meetings for unexcused reasons within a given year. Officers include a board president, vice president, secretary, and treasurer. Officers serve two-year terms and are eligible for reelection for a second two-year term.

In 2015, board member tenure was split evenly across fewer than two years, three to eight years, and ten years or more. These figures have recently skewed to newer members as founding board members termed off the board, and the board governance committee approved a slate of five new members at the 2017 annual meeting. Urban is a Community Housing Development Organization (CHDO) and tracks the number of board members that comply with CHDO requirements.

In 2016, the organization focused intensively on board governance with the help of an experienced local consultant who knows the group well. Initial activities included interviews with each board member, interviews with four external partners, and a board retreat in October 2016. At the retreat, the board reviewed the following:

- ◆ **An overview of the current board composition:** more than half of the board members are residents of Urban's target community or formerly lived in the neighborhood. All but one board member serve on at least one committee.
- ◆ **A board self-assessment on effectiveness in serving Urban's needs:** The board rated themselves as adequate on effectiveness, noted several issues with their current makeup and mode of operation that hindered their ability to operate at a high level, and made suggestions on increasing their effectiveness.
- ◆ **Proposed approach to term limits:** the current bylaws include policies on terms and term limits. Board members serve staggered terms of one, two, or three years, and can hold three consecutive terms before terming off of the board. Board members who leave with less than nine years of service may be reelected after a one-year absence.
- ◆ **Acknowledgement that the board itself needs to be strengthened:** the board committed to both increase its skills and abilities as well as broaden expectations around governance, relationship-building, and accountability. Desired recruitment skill-sets include





real estate and legal expertise and ability to raise funds and “open doors with developers.” The board also needs to increase its ability to review financial reports critically and provide better technical and strategic guidance to staff on community development measures.

Coming out of the retreat, the board adopted a governance manual that outlines standards associated with serving on the Urban board; the manual lists responsibilities for serving on each of the standing committees and for each of the board officers, and it includes forms to monitor board terms, skill sets, CHDO status, and diversity. The board also created a conflict of interest and confidentiality statement. The 2016 bylaws amendments reflect these changes.

Since this retreat, the board has kept to a quarterly meeting schedule and held an off-site retreat in 2017 to view a creative placemaking initiative with the same facilitator as the prior retreat. The first session incorporated some of the learnings from the creative placemaking workshop and the two tour sites as part of developing new strategies that would help revitalize the Myrtle Avenue commercial corridor. The second group exercise focused on examining programs and activities to determine how the organization can remain sustainable in the event of potential elimination or cuts to federal programs that support community development.

### ***Current Capacities and Strengths in Organizational Management and Board Governance***

OAS commends Urban and its board on the extensive work during the last two years to draw attention to best practices in board governance and to shift time and attention to building board capacity. Additional assets and strengths in organizational management and board governance include:

- ◆ **Strong community roots and credibility.** Urban’s board has deep ties to the organization’s targeted communities. Its founders and board leadership are well-known local leaders. These connections strengthen the role Urban plays as an agent of change and add legitimacy to conversations with political leaders and key stakeholders.
- ◆ **Willingness to be self-reflective.** The board’s self-assessment and subsequent changes to bylaws, governance practices, board makeup, and mode of operation have required introspection, time, and commitment to change. As a result, the board now has several new members, a formal mechanism to add new leaders and perspectives, and a way for the board to maximize participation without overburdening leaders.

### ***Improvement Opportunities and Recommendations in Organizational Management and Board Governance***

Below are three suggestions to continue the positive trajectory forward around organizational management and board governance:

- ◆ **Ensure follow-up from actions taken at the July 2016 board retreat.** At its October 2016 retreat, the board discussed the following recommendations for increasing its effectiveness:
  - Restructure board and committee meetings to fewer but more focused meetings
  - Maximize use of technology for meetings and communication
  - Increase clarity on the roles and responsibilities of board members versus staff
  - Address any conflict of interest concerns



- Focus on board recruitment leading to the following: an increase professional diversity on the board to include a broader mixture of skills; expansion of the number of board members who are willing to give of their time and their relationships; increased age and racial diversity; and infusion of new ideas and energy.

With the leadership of the governance committee, the board should continue to put these recommendations at the forefront of its work and revisit them on a regular basis to determine which progress made and further steps to be taken.

- ◆ **Invest in board governance reporting, systems, communication, and follow-up needed for transparency and accountability.** Urban has begun to use a cloud-based document storage system for meeting notes, agendas, and other key documents in addition to hard copy binders with key board materials. However, the organization does not appear to have long-range financial projections or financial reports that would aid in an assessment of financial risk. By addressing this recommendation, the board and CEO will be better positioned to implement the new strategic plan and fully engage its new board members.
- ◆ **Provide more complete orientation to help engage new board members.** Dedication to orienting Urban's new board members will set the stage for them to be productive and active participants in the governance of the organization. Orientation responsibilities should be shared by the CEO, the chair, the COO, CFO, and applicable committee chairs.

SAMPLE



## MANAGEMENT STAFFING AND PERSONNEL

Is the organization's staffing model and structure clearly defined? Is it adequate to fulfill organizational, programmatic and financial responsibilities? Do staff reporting practices result in coordinated and timely actions and decisions? Does the organization have documented human resource policies and practices including annual staff evaluations? Do staff recruitment, compensation and professional development practices attract and retain knowledgeable, committed people?

### *General Observations*

Urban employs five staff. These include the CEO, a chief operating officer (COO), a chief financial officer (CFO), a neighborhood planning and marketing coordinator, and an AmeriCorps member. All staff operate out of Urban's main office.

- ◆ The CEO began at Urban in 2002, with prior experience at the city's housing authority and in the private sector. She has a degree in community planning. The CEO operates under a five-year contract, which the board renewed in fall 2017.
- ◆ The COO oversees the housing portfolio, including the construction and sale of for-sale homes and property management of Urban's residential rental portfolio. He also takes a lead role in grant writing and programmatic administration and reporting. He began working at Urban in 2006 as a project manager, moved progressively into positions with more responsibility until becoming COO in 2011.
- ◆ The CFO function was created in 2017 to reduce the workload of the CEO and COO and provide an opportunity for the CEO to focus more time on external business development. The CFO is develops and maintaining controls over revenue and expense functions; prepares and analyzes monthly financial statements, budgets and forecasts; coordinates the annual audit; and interacts with management at all levels to provide integrated business solutions.
- ◆ The neighborhood planning and marketing coordinator worked as a part-time consultant for Urban for two years before becoming a full-time staff person in 2017. During her time as a contractor, she oversaw tenant maintenance and rent collection and worked with the COO on portfolio reporting and compliance. The city and a local foundation provide funding for the position which focuses primarily on marketing and lease-up of the CDC's two commercial developments, Crossroads and Crossroads 2.

Urban also employs an AmeriCorps member secured through a partnership with a national intermediary. He is in his second and final one-year term with the organization and serves as the housing coordinator. He assists the COO with property management for the residential rental portfolio and facility management for the Crossroads office.

The management team (CEO, CFO, and COO) meets weekly to update each other on major activities and talk through upcoming issues. The full staff meets twice a month for updates. All staff have job descriptions in place. According to the personnel handbook, employees working less than one year earn one week of vacation and those working one to three years earn two weeks of vacation.



### ***Current Capacities and Strengths in Management and Staffing and Personnel***

Urban CDC demonstrates a number of strengths around management and human capital that support lasting impact and a solid organizational reputation:

- ◆ **Long tenure of CEO.** She has served in the position for 16 years and is known as the face and ambassador of Urban. She brings leadership experience in both public-sector and non-profit community development roles and has deep relationships with the community, funders and elected officials.
- ◆ **Thoughtful and strategic personnel growth.** Urban takes a long-range lens to its approach around adding personnel, as demonstrated in its strategic plan. The current strategic plan projected the addition of a CFO and a housing coordinator, both of which occurred during the last year. The CEO noted that the addition of a CFO gives him an opportunity to focus on external fundraising and larger projects such as Crossroads 2.
- ◆ **Professional development and retention.** Three staff members have completed NeighborWorks Training Institute certificates, and one has nearly completed a National Development Council real estate development program. The CFO is pursuing further professional development include government contracts and affordable housing finance.

### ***Improvement Opportunities and Recommendations in Management and Staffing Personnel***

Below are recommendations to strengthen systems and practices around management and staffing:

- ◆ **Establish and reassess projections for future positions.** The organization's board and senior leadership can ask itself, 'what skill sets will we need five years from now?' As the rental portfolio grows, the organization may want to restructure certain roles that vendors currently perform, including property maintenance. Other areas to consider are asset management, which may become a formal function of the CFO, and third-party website and public relations support.
- ◆ **Take proactive steps around formal succession planning.** New positions such as CFO and housing coordinator provide useful knowledge transfer and skill-set overlap and lessen the load on the COO. However, the board and stakeholders both noted the risks that come with an overreliance on the CEO and the lack of a formal succession plan. To assuage these fears, the CEO could establish an emergency backup plan to account for any unavailability that would include an approach to move forward commercial projects such as Crossroads 2. The board can similarly build its skill sets to ensure knowledge transfer from long-standing board members to newer ones and a conscious effort to align relationships and skill sets with what is needed for future growth.
- ◆ **Align goal-setting and performance evaluations with medium and long-range goals.** As noted in the Planning section, Urban demonstrates a strong focus on long-range planning and annual goal-setting. What is unclear is if this process translates into individual staff work plans and metrics used to evaluate performance. Taking this extra step will help staff focus on what's most important and align priorities across the organization.
- ◆ **Revisit the organizational chart.** The chart provided is different than what the policies and procedures manual shows, and neither appears to accurately reflect current staff positions, roles, and reporting relationships.



## PLANNING

Has the organization implemented a planning process with input from stakeholders, including the board, staff and community? Is there an annual operating plan based on a clearly defined mission, with measurable goals that are tracked and evaluated periodically? Has the organization established a multi-year strategic plan that identifies goals, resources, needs, responsibilities, timelines, and outcomes related to primary lines of business (services)?

### *General Observations*

Urban has a history of long-range planning, beginning with a three-year plan that guided its work from 2004 to 2007. Subsequently, the CEO and the board created two five-year plans covering 2007 to 2012 and 2013 to 2018. In anticipation of the expiration of the current planning period on September 30, 2018, staff began work on a new three-year plan in partnership with its long-time consultant who facilitated the current strategic plan. The board expects to finalize this document by mid-2018.

The current strategic plan was informed through an extensive community planning process, bring together more than 150 residents and partners to develop objectives helped to set Urban's long-range direction. During the 2013-2018 period, Urban aimed to begin providing a broader range of community development services. The strategic plan details the organization's mission, vision, and guiding principles; organizational history and historic achievements; and geographic target area, including demographic information. The strategic plan also outlines three primary challenges and how to position the organization to address those issues:

- ◆ Positioning Urban for growth, and defining its role in neighborhood revitalization
- ◆ Organizational restructuring
- ◆ Neighborhood visioning process

The plan then outlines six strategic goals related to resource development; residential development; commercial development; community building; management systems; and governance. For each goal, the plan provided details of strategies and resources required.

In addition to the longer range strategic plans, the organization also establishes an annual operating plan. The two plans are closely linked.

Moving forward, staff leadership expressed interest in reducing social services functions and focusing more intently on real estate development with a place-based approach. This includes a goal of doubling the number of rental homes in the Hamlets portfolio over a five-year period, with a strong preference for remaining in Urban's current footprint and increasing the number of homes per development, such as four-plexes versus single family homes. Further, Urban has produced a memo that summarizes the organization's existing real estate portfolio and planned commercial, residential, and community identity marketing efforts.

### *Current Capacities and Strengths in Planning*

Urban demonstrates several strengths around long-range planning that serve the organization well:

- ◆ **Solid foundation in setting strategic direction.** As noted above, Urban has a long history of planning and high-level goal-setting, not just for its own work but also as a community convener for residents, service organizations, and other key stakeholders. This focus may



be a part of the reason that Urban has remained a viable organization in a city where many of the community development organizations have closed their doors in the past decade.

- ◆ **Link between long-range plans and organizational capacity to implement goals.** As noted in the Management and Staffing Personnel section, Urban's strategic plans are written with an eye toward the capacity required to implement the goals they set. This process helps ground long-range plans in the financial and human capital realities to achieve this direction.
- ◆ **Incorporation of participatory processes.** The planning process has involved numerous "listening tour" interviews, a visioning day, and community forums, all designed around setting a common vision for the service area and determining Urban CDC's role in helping to realize the vision.

### ***Improvement Opportunities and Recommendations in Planning***

Below are suggestions for Urban CDC to consider in its coming long-range planning cycle that build on its strong planning foundation:

- ◆ **Establish metrics aligned with long-range direction and annual goal-setting.** While comprehensive, the current strategic plan does not clearly state metrics for many of its strategic goals. A useful and well-known acronym for planning is "SMART" (specific, measurable, aggressive yet achievable, relevant, time bound). The new strategic plan can be strengthened by building in SMART goals and metrics
- ◆ **Set goals around communications and technology infrastructure in future capacity planning.** This can include an overhaul of the Urban website, which is outdated and does not adequately present the organization externally to funders, partners and potential tenants at Crossroads.
- ◆ **Revisit the prior strategic plan to gauge progress and impact.** Urban's strong partnership with the city and a national intermediary could help support a high-level review of accomplishments toward the plan, perhaps in a community forum setting, and inviting the many stakeholders that participated in the plan's development. This may also generate momentum for new partnerships, funding, and initiatives to move forward other priorities in the EPIC document.



## TECHNICAL OPERATING AND COMPLIANCE SYSTEMS

Do the organization's service delivery policies, procedures and practices maximize its ability to provide services effectively and efficiently? Has it established a process to review all contracts and agreements prior to approval to ensure smooth integration with business strategies and plans? Does the organization's contract management system identify oversight, documentation and reporting responsibilities to ensure contract compliance and provide accurate, timely reporting?

### **General Observations**

Urban uses Intuit QuickBooks to track corporate finances and run financial reports, with Excel used internally to monitor rent payments across the Hamlets and Crossroads. A third-party bookkeeping services firm enters checks twice a week and manages QuickBooks on a monthly basis; the CFO performs quality assurance reviews on QuickBooks reports and cross-checks financial postings with hard copies of checks. Staff provided a commercial property lease template as well as policies and procedures in accounting and finance, personnel and administration. The personnel policies include direction on conflict of interest and grievance procedures. Urban has a real estate due diligence checklist as well as a process for contractor evaluation and selection in alignment with HUD regulations.

A review of Urban's website indicates that the information is out of date. The board list is not current, and there is also no reference to Douglass Avenue Homes or rental opportunities available at Crossroads.

### **Current Capacities and Strengths in Technical Operating and Compliance Systems**

- ◆ Urban's personnel and administrative policies and procedures are thorough and provide employees with key information about working at the organization. QuickBooks appears to be sufficient to handle the organization's financial needs.

### **Improvement Opportunities and Recommendations in Technical Operating and Compliance Systems**

As noted earlier in this report, the CFO will increase her administrative capacity in Quickbooks beginning in January 2018. This step will support her ability to run reports and make direct modifications, versus working through a third-party bookkeeper.

Also noted throughout this report is a strong recommendation to invest in Urban's website and related online materials to promote Crossroads and the Hamlets vacancies.

As Urban expands its rental portfolio and looks for permanent staff to manage the Hamlets, the organization should ensure that its property management policies and procedures are codified and used.



## Conclusion

Organizational Assessment Services thanks the Urban CDC Board of Directors and staff for their openness to the many questions that accompanied the assessment process and this resulting report. OAS encourages the board and staff to consider this report alongside activities underway to complete its three-year strategic plan. Both documents aim to help Urban prepare for the next phase of its growth and evolution.

Urban should be commended for 18 years of accomplishments that have shaped the look and feel of the targeted North-side neighborhoods and positively impacted the lives of many. By setting clear financial metrics that are reported regularly to board, leasing up Crossroads and vacant rental properties while moving Crossroads 2 predevelopment forward, continuing plans set in 2016 to strengthen board governance, and investing in marketing and communications capacity, Urban will be better positioned for many more years to come.

SAMPLE





## APPENDIX

**Figure A-1: Income and Expense Statement Trends**

	2017	2016	2015	2014
Grants				
Contributions				
Sale of properties				
Rental income				
Other revenue				
Net assets released from restrictions				
Total revenue				
Total expenses				
Change in unrestricted net assets				
Change in temporarily restricted net assets				
Change in net assets				
Change in net assets, with depreciation removed				

Source: 2017, 2016, 2015 audited financials