

NC Community Development Initiative

ORGANIZATION OVERVIEW AND IMPACT

1. MISSION & PROGRAMS

The NC Community Development Initiative (“the Initiative”) is a statewide intermediary targeting an investment strategy that creates efficient means for government, financial institutions and foundations to invest in economic recovery in North Carolina’s most distressed communities. Acting as a conduit to highly effective community-based enterprises (including community development corporations “CDCs”), the Initiative and its investee-partners produce measurable, positive and enduring results. The Initiative leverages and invests capital, knowledge of best practices and relationships in projects and services that catalyze change, create and support jobs, businesses, infrastructure, housing and community facilities. This results in an expanded tax base and economic opportunity in North Carolina’s most difficult and underserved markets across the state. The Initiative manages and protects each investment with due diligence, monitoring and quality technical assistance, resulting in stronger and better outcomes for communities.

The Initiative has become a national model of a public-private partnership built to stimulate economic development in underserved areas leveraging the strengths of financial institutions, foundations, and government. This model works to build local capacity in community-based enterprises (CBEs) which are able to get to scale and replicate various projects in difficult areas. There is now a network of these community enterprises that have capacity and institutional knowledge to grow this practice of community economic development throughout the state.

The Initiative has supported and invested in projects resulting in over a half billion dollars in completed projects, providing opportunity for the underserved, helped to stabilize families and communities and expanded the tax base in every place of engagement. An example of the results and potential of the Initiative’s investment strategy is the \$10 million capital investment from State Farm Insurance Company to continue to invest in North Carolina business and housing development activities.

All of the Initiative’s programs can be categorized in three broad areas: **financial investment, innovation, and leadership development**. In the area of financial investment, the Initiative leverages public and private funds to make strategic investments and loans in high-impact community organizations that promote economic growth in poor and distressed communities across North Carolina. Grant investments made to community based enterprises throughout the state support and create jobs, provide business counseling, develop commercial spaces, develop housing, and develop and operate community facilities. Through its lending subsidiary, Initiative Capital, the Initiative also provides loan and equity capital, to businesses with a social mission, community-based enterprises, or other groups engaged in projects which are developing and maximizing community assets, creating jobs, and providing economic opportunity in low income and low resource areas. During the last five years, Initiative Capital has loaned \$8.5 million to over 30 organizations. These loans are the necessary high risk, pre-development, land acquisition, “first money-in”, gap-closing dollars, that make these projects happen. The capital invested in these projects produced 92 affordable single family homes; five retail developments, and six land developments. Initiative Capital also participated in the state’s Neighborhood Stabilization Program (NSP) providing \$5.3 million in financing to acquire and rehabilitate 57 foreclosed or abandoned homes throughout North Carolina; primarily the hardest hit by the foreclosure crisis. Initiative Capital is currently leading the effort to bring a “lending consortium” of small community-based financial institutions together to leverage capital and expertise that will provide much needed capital to North Carolina’s small businesses.

One of the most important roles that an intermediary can play is in testing, documenting and disseminating information about model tools, practices and programs that the field can implement. In the area of Innovation, the Initiative leads the community economic development sector's efforts to identify new and sustainable strategies for promoting economic growth in North Carolina's poor and underserved communities while strengthening the organizations that serve them. This is done through technical support and training, research and development, and investment in local innovative community economic development projects that can be replicated throughout the state. Individual CBEs cannot afford to risk their limited resources to test an unproven strategy, or to "buy" the expertise necessary to constantly innovate. The Initiative carries out a number of research and development functions – funding strategic first-time projects, creating and attracting investment for new financing tools, providing technical assistance in a new area and sponsoring demonstration projects and evaluations as resources allow. Examples of the results of this activity would be the Initiative's trademarked EnviroSteel house plans, the partnership with Advanced Energy to develop what is now the System Vision Program, and the investment in the development of Clean Energy Durham's neighbor to neighbor energy efficiency and education training manuals.

The third broad program area is leadership development. The Initiative connects North Carolina's community economic development leaders with the resources, networks and training they need to serve their communities, and helps develop the next generation of sector leaders.

Over the last five years the Initiative has collaborated with other statewide CED organizations to look at best practices during the current economic downturn and to determine how to manage decisions in times of crisis and change. Additionally, we have fostered dialogue and forums addressing the future of community economic development in NC.

The Initiative has also provided leadership development training and a summer work experience to 135 rising high school seniors throughout the state. Many of these students have gone on to attend a North Carolina public university to garner additional skills needed to be well-informed, productive leaders in our state.

Project Example including All Programmatic Areas

The Initiative acts as a catalyst to create an efficient investment opportunity for financial institutions, government entities and private businesses. A prime example is the partnership developed in Cumberland County. This project is being sponsored by Kingdom Community Development Corporation (CDC) and includes land donated by the Town of Spring Lake and Cumberland County bringing in federal and state resources. With the assistance of the Initiative, Kingdom provided overall leadership coordination, pre-development funding relative to market analysis, feasibility, and negotiations with city, county and private partners. The private partner provided development expertise and net worth to attract private capital necessary to get the project built. This project would not have been possible without the Initiative's continued grant and debt investment. The private bank would not make its investment available without the Initiative's money in first. This \$8.5 million project represents: continued yearly financial and technical support from the Initiative to Kingdom CDC, \$300,000 in project grant funds from the Initiative, \$500,000 of debt from Initiative's subsidiary, \$6.5 million in a conventional bank loan, and \$1.2 million from Cumberland County.

This project contributes to the overall economic recovery in North Carolina to include local purchases from vendors, engagement of local professional services, hiring of contractors and subcontractors during construction phase, the creation of 75-80 permanent jobs in phase one of the project and a contribution back to the local tax base for the life of enterprise.

2. CUSTOMER/ TARGET POPULATION

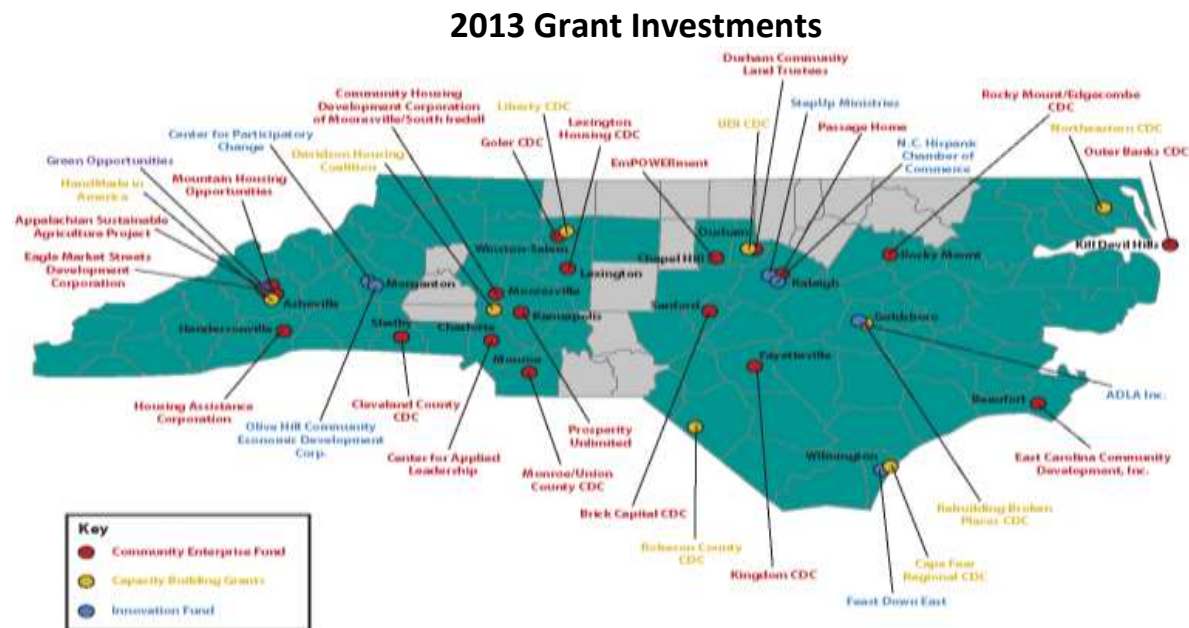
The Initiative primarily serves community-based enterprises and other small businesses working in low wealth communities to create jobs, assets, and economic opportunity.

3. ORGANIZATION INCEPTION

The Initiative was incorporated in September of 1993 and began operations in January of 1994.

4. FOOTPRINT

The Initiative provides services throughout the state. The map below depicts our investments in 2013.



5. BUDGET

NC Community Development Initiative, Inc.
Presentation to the Natural and Economic Resources Subcommittee
Years ending: 2008-2012 Year-end: December 31

Revenue	2008	2009	2010	2011	2012
NC Dept. of Commerce	\$ 5,681,888.00	\$ 4,747,021.61	\$ 4,523,571.30	\$ 3,798,596.45	\$ 3,864,765.92
Z Smith Reynolds	\$ -	\$ 1,500,000.00	\$ -	\$ 1,050,000.00	\$ -
FB Heron	\$ 100,000.00	\$ 100,000.00	\$ 125,000.00	\$ 125,000.00	\$ -
BB&T	\$ -	\$ 110,000.00	\$ 100,000.00	\$ 375,000.00	\$ -
Philip Morris	\$ 50,000.00	\$ 50,000.00	\$ -	\$ -	\$ -
Rental Income	\$ -	\$ 10,079.35	\$ 26,412.06	\$ 28,271.48	\$ 24,980.40
CD and Bank Interest	\$ 205,158.29	\$ 85,407.90	\$ 58,601.41	\$ 39,835.64	\$ 18,843.81
Restricted Revenue (Self-Help, NCIMED, Golden Leaf)	\$ 55,000.00	\$ -	\$ -	\$ -	\$ -
Miscellaneous Other Revenue	\$ 18,752.05	\$ 17,825.91	\$ 20,460.79	\$ 50,472.41	\$ 31,731.32
Total Revenue	\$ 6,110,798.34	\$ 6,620,334.77	\$ 4,854,045.56	\$ 5,467,175.98	\$ 3,940,321.45

Expenditure					
Total Personnel	\$	1,435,584.82	\$	1,511,411.38	\$ 1,430,299.51 \$ 1,138,840.77 \$ 1,168,478.41
Other Costs	\$	4,617,867.85	\$	6,120,531.72	\$ 4,360,966.77 \$ 4,308,376.15 \$ 3,715,997.18
Total Expenditure	\$	6,053,452.67	\$	7,631,943.10	\$ 5,791,266.28 \$ 5,447,216.92 \$ 4,884,475.59
Excess Revenue over (under) Expenditure	\$	57,345.67	\$	(1,011,608.33)	\$ (937,220.72) \$ 19,959.06 \$ (944,154.14)

The Initiative operates on a calendar year.

6. SALARY COMPLIANCE

Salary Compliance		Funding sources supporting the respective salary			
		State of NC	F.B. Heron	Z. Smith Reynolds	Total salary
Positions with salary > \$120K:					
CEO	\$	76,624.71	\$ 18,986.35	\$ 44,301.50	\$ 139,912.56

*Employee benefits include: health insurance, life insurance, LT disability/accidental death & dismemberment, flexible annuity plan, AAA membership, and flexible spending account.

7. LOBBYING SERVICES

Lobbying Services:

The following were lobbyist and compensation for 2012:		Contract amount	
Nelson, Mullins, Riley and Scarborough	\$	60,000.00	
L.A. Harris and Associates	\$	42,000.00	
Employees registered as lobbyist for calendar year 2012:		Compensation	Lobbying cost based on timesheet
Abdul Rasheed	\$	139,912.56	\$ 450.10
Tara Kenchen	\$	95,000.00	\$ -

8. KEY PERFORMANCE INDICATORS

The Initiative uses several indicators to measure success including, leverage on the state's investment, the value of fixed assets in local communities and the number of jobs created. Over the last five years, the Initiative's funding has created over 3,000 jobs. The Initiative has leveraged the state's \$20 million with \$20 million (1:1) from public and private funders. In 2012 alone, Initiative's investments were leveraged 10:1 by investee-partners.

The chart below highlights the Initiative's key indicators and impact:

Measures	2008-2010	2011	2012
Fixed Asset Value of Projects	\$173,830,851	\$98,506,379	\$148,236,202
Val. of Single Fam. Homes	\$23,304, 293	\$3,961,734	2,671,511
Val. Of Multi-Fam. Projects	\$95,102,962	\$19,489,820	\$23,522,869
# of Single Fam. Units*	1,418	53	59
# of Multi-Fam. Units*	580	181	189
Value of Comm. Real Est. Projects	\$6,554,742	\$3,378,166	\$1,125,108
Comm. Real Estate (sq. ft.)	201,648	11,400	114,458
Land Acquired for Future Dev.	126.16	46.00	3.15
Purchase Price of Land Acquired	\$11,153,330	\$2,121,500	2,443,000
Small Businesses Counseled	2,408	1,074	2,525

Youth/Adults Trained	2,479	581	1,522
Counseling Services**(# people)	3,994	3,609	5,477

*Indicates New and Rehab Projects

** Prior to 2011, this category represented only financial literacy counseling. For years 2011 & 2012, it now represents Financial Literacy, Homeownership, Homelessness Prevention and Foreclosure Prevention Counseling.

9. SIMILAR ORGANIZATIONS

There are different community economic development organizations that target the same need. For example, both the Rural Center and the Support Center have lending products. However, the products leverage and complement each other as opposed to compete or duplicate. In order to get any one development project done in a low resourced community, a local organization must layer funding. No one organization is equipped to meet all of the capital access needs for any given project. While Initiative Capital may provide gap financing for a project, the Support Center and the Rural Center target micro-business loans. Both the Initiative and the Rural Center invest in community development corporations (CDCs). However, the Initiative focuses its investments on mature, high performing CDCs, while the Rural Center invests in new and emerging CDCs in rural census tracts.

Over 1.6 million North Carolinians are in poverty, over 1 million people cannot afford and do not have an affordable home, and 16,000 people go without heat in the winter. The need for investment to help stabilize NC's communities is great and even the ability to leverage funds does not provide enough human and financial resources to meet the needs in local communities. If resources were available we could deploy 10 times as many dollars and accelerate both output and impact on our distressed communities statewide.

10. BUDGETARY IMPACT

The reductions have limited our ability to provide resources to invest more heavily in North Carolina. To mitigate the impact of reductions in funding, the organization implemented reductions to the following expenses in 2011: salaries, benefits, contracted labor, travel, grants, staff training, marketing and meeting expenses. 2011 was the first year decreases were passed on to the sub-grantees. In years prior to 2011, the organization absorbed all the budget cuts without passing them on to the sub-grantees. Additionally in 2011, we implemented a hiring freeze for vacant positions. While the organization has been able to generate revenue from other funding sources, these amounts have decreased and are limited due to increased competition for those same dollars. We continue to seek and apply for funding from other sources.

If the NER subcommittee mandates all non-state entities become self-supporting, the impact would threaten the existence of the organization and more importantly the economic growth and development of low-wealth communities across the state of North Carolina. This organization's programs are a critical, core element of North Carolina's economic growth and health. While the Initiative's strategic plan includes plans to become more entrepreneurial and create social enterprises to generate revenue, this will take several years and the organization (just like many non-profits) will continue to need subsidies to survive.

Implementing a policy of funding specific initiatives with reimbursement tied to achieving specific goals would not work for the organization's business model. This would prove to be a hardship in that it would require the organization to maintain significant cash on hand to pay expenses in advance. The program goals are multi-year and cash flow is not sufficient enough to cover costs for the length of time it would take to achieve the goals.