

Strategic Plan 2015



The Housing Foundation, Inc.

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Prepared By Noonmark Services for the HFI Board of Directors
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Introduction

The Housing Foundation, Inc. (HFI) is a state-wide Vermont 501(c)(3) nonprofit organization founded in 1986, which operates under an independent Board of Directors made up of community members. Initially, the organization was a captive of the Vermont State Housing Authority (VSHA), associated through its directors and officers. Currently, HFI contracts with VSHA for administrative, management, development and technical support. HFI also contracts with others for property management services. The organization is facing several critical future options, which prompted the need for this strategic plan.



The HFI Board of Directors hired Jane Van Buren of Noonmark Services and Jim LeFevre of LeFevre & Associates in the late fall of 2014 to analyze the past and current situation at HFI in order to guide the organization through a planning process to determine the best way forward.

Key Facts about HFI

- HFI owns, or is the managing general partner for, 27 multi-family/elderly properties and 18 mobile home parks.
- Various tax-exempt bonds financed the mobile home parks. By 2023, thirteen parks financed by those bonds will revert to VSHA.
- Between 2015 and 2023 HFI will transition from owning 1,008 mobile home park lots to about 379, unless those properties revert back to HFI.
- There is the perception that HFI competes with local nonprofit organizations to develop low-income housing, which is becoming problematic.
- Currently, HFI assets are \$33.5 million and annual corporate revenues are \$6.3 million.
- Once the bonds are paid off, any operational cash surpluses accrued remain with HFI.
- Some funders have indicated a preference to support local community based nonprofits over HFI.

Planning Process

Noonmark engaged in a series of internal (VSHA staff and board, HFI board chair) and external (funders, community partners, technical providers, etc.) interviews to gather information about perceptions, experiences and suggestions for future programmatic direction. In addition, key documents were reviewed, including financial statements, board minutes, the MOU or contractual arrangement between VSHA and HFI, and Bylaws. A complete list of people interviewed can be found in Appendix A.

Key Consultant Findings

A. Observations Overall

- There exists a perception from the larger community that HFI and VSHA are not separate agencies when in fact they are distinct and independent of one another. This perception causes some confusion about the identity and function of each agency.
- For 27 years, there has existed a memorandum of understanding between HFI and VSHA, which has led to much good work – especially in rescuing distressed mobile home parks and developing multi-family affordable housing.
- In 2015, HFI is financially strong:
 - Has annual revenues of ~\$6.3 million
 - Owns or acts as managing partner for 27 multi-family/elderly properties and 18 mobile home parks with total assets of more than \$60 million when limited partnerships are included
 - Has a strong, experienced, exceptionally long-tenured, support system from VSHA

B. Environmental Scan

- Affordable housing funding – federal and state – has fallen precipitously over the last five years. In addition, the affordable housing marketplace has grown much more competitive. Increasingly sophisticated local and regional land trusts and city/town housing authorities are becoming successful in developing multi-family housing projects. Several key funding agencies appear to be more disposed to fund local organizations, rather than a statewide organization like HFI.
- The mobile home parks owned by HFI are a big part of its operation, and HFI is well known and respected for its work rehabilitating and maintaining the parks. However, funding for purchasing and rehabbing mobile home parks has slowed significantly.

There is an array of other challenges, namely:

- i. HUD has ruled against allowing VSHA staff to provide both asset management and contract administration to some HFI-owned properties because of regulatory restrictions. Therefore, HFI has had to find separate property management services, or needs to develop its capacity to provide management services.
- ii. Two-thirds (629) of mobile home park lots owned by HFI will transfer to VSHA when the bond financing is finished, eight years from now (and more will follow with future bond maturity) The impact of this transfer is not clear. VSHA can retain these parks, return them to HFI, or give them to another nonprofit agency. For the next eight years this issue will remain in limbo. This uncertainty is an on-going issue for HFI.

- iii. There is less traditional and historic financing for HFI to buy and rehab parks.
- iv. Twenty-five years ago mobile homes were more likely a starter home for couples and families than they are today. Thus, the homes are occupied for a longer period of time.

In addition, there are some public policy concerns as to whether mobile homes are acceptable contemporary affordable housing options in which to invest. This dilemma has a real impact on the future of HFI, particularly if the state and others are looking at policy shifts and housing alternatives. For example, demolishing mobile homes, which were built 50 years ago, and constructing small modular stick-built homes with superior insulation and energy efficiencies, and/or finding ways to fund the transition to “cooperative ownership” for the park residents.

C. No Executive Director

One of the major differences from a fully functioning independent nonprofit is that HFI does not have a lead staff person (executive director) who is hired and accountable to the HFI Board. In most private nonprofit organizations, the executive director manages operations and supervises staff, plans new strategic directions, and responds to challenges faced by the organization. The absence of such a lead staff person is a critical factor that must be faced in securing HFI’s future.

Summary

HFI is clearly at a crossroads, and is facing several options for the future. The options are complicated and may result in major organizational shifts for HFI and VSHA. What remains constant is an unwavering commitment to providing high quality, affordable housing to Vermont’s low-income families, the elderly, and persons with disabilities. The options that must be decided upon by the Board of Directors in this planning process are outlined on the next page.

Options

The following are the 5 top options identified by Noonmark. These were discussed in a February 11, 2015 meeting with the HFI Board. The Board overwhelmingly selected the Hybrid Option as the strategic direction to follow. By selecting option 5, it is understood that the first four options remain viable.

1. The Make No Change Option: continue on as you currently are.
2. The Dissolution Option: fold all assets into VSHA.
3. The Independent Option: break off entirely from VSHA.
4. The Merger Option: merge or partner with another nonprofit affordable housing organization.
5. **The Hybrid Option: hire an entrepreneurial Executive Director skilled in affordable housing to spend the next year or two exploring and developing new business models. The newly hired Executive Director will be charged with exploring all options, programs, and future strategies for HFI. Keep the current MOU in place (i.e., the tasks of property and asset management and administrative services) for a length of time to be determined.**

Goal and Strategies

Having determined that the Hybrid Option was the future direction that made the most sense for HFI, the board then decided on several strategies. In order to transform the face of affordable housing in Vermont, all strategies fall under one overarching goal:

I. Goal: Over the next 3 Years, Determine the Future Sustainability of HFI

A. Staffing Strategies – put in place personnel to explore HFI’s options for the future

- a. Hire an Executive Director (ED)
 - i. Determine if ED should be an employee or a consultant
 - ii. Form a search committee
 - iii. Contract with consultant knowledgeable with nonprofit executive hires to support search committee
 - iv. Write job description
 - v. Recruit, interview, and hire
- b. Maintain current MOU during transition – length of time to be determined
- c. Put in place a plan and time line to “staff-up” HFI
- d. Budget for new staff

B. Governance Strategies – build a robust board for HFI

- a. Increase board size by adding new skill sets
- b. Elect Treasurer and Secretary with voting rights
- c. Determine board training needed to transition into a board that hires, directs, and evaluates an executive director

C. Operation Strategies – strengthen the nuts and bolts of day-to-day

- a. Investigate available office space in Montpelier, or space at VSHA
- b. Rent space to coincide with Executive Director start date
- c. Conduct a financial analysis to determine long-term viability of staffing and operations

D. Program Strategies – to be investigated and developed

- a. Mobile Homes:
 - i. If possible, replace existing mobile homes with sustainable modular homes
 - 1. Review/analyze VerMod and all possible options
 - ii. Inventory existing Mobile Home Parks in VT
 - 1. Who owns them?
 - 2. What is state of their repair?
 - 3. Does acquisition make sense?
 - 4. Make inventory available to funders and community partners
 - iii. Encourage Co-ops in Mobile Home Parks
 - 1. Research costs
 - 2. Research Act 250 requirements
 - 3. Research other permits
- b. Project Development:
 - i. Emphasize preservation of existing structures
 - ii. Maintain current projects
 - iii. Seek out opportunities to collaborate with local nonprofits
 - 1. This could include joint ventures, partnerships and perhaps mergers
- c. Explore the viability of HFI marketing itself as local VT technical experts on ownership conversion, property management, funding and rehab

Appendix A:

List of People Interviewed:

External:

Nadine Scibek, Attorney
Nancy Eldridge, Cathedral Square
Eileen Peltier, Central Vermont Land Trust
Brenda Torpy, Champlain Housing Trust
Sarah Woodward, CVOEO – Mobile Home Project
Steve O'Malley, Efficiency Vermont
Elisabeth Kulas, Housing Trust of Rutland County
Nancy Owens, Housing Vermont
Jeff Kantor, JD Kantor
Greg Sargent, Kittell, Branagan & Sargent
Jim Lovinsky, Lamoille Housing Partnership
George Nostrand, Nostrand & Salmon
Julie Iffland, Randolph Area Community Development
John Broderick, Shires Housing
Andrew Winter, Twin Pines Housing Trust
Pam Kearns, HUD
Ted Brady, USDA
Arthur Hamlin, VDHCD
Jennifer Hollar, VDHCD
Polly Nichol, VHCB
Gus Seelig, VHCB
Sarah Carpenter, VHFA
Sam Falzone, VHFA
Connie Snow, Windham/Windsor Housing Trust

Internal:

Kathleen Berk, VSHA
Krister Adams, VSHA
Susan Kuegel, VSHA
Arlene Shorten-Goodrich, VSHA
Alison Bell, HFI, Board Chair
Richard Williams, VSHA
Tom Peterson, VSHA
Caprice Hover; Chair, Mary Miller; Vice Chair, and Jo Ann Troiano, Board of Commissioners VSHA