

Neighborhood Housing Services of Rochester Business Plan 2004-2006

[edited for DHCR strategic plan critique
exercise]

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Neighborhood Housing Services of Rochester Business Plan 2004-2006

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I. Executive Summary

In this business plan, Neighborhood Housing Services of Rochester (NHSR) recommits itself to place-based revitalization. Like many NeighborWorks® Network member organizations, NHSR started out working only in targeted neighborhoods, but eventually expanded to offer lending, construction and education services throughout the city, and over time became functionally more focused on affordable housing service delivery than on neighborhood change. After considerable soul searching and discussion, NHSR leadership recommitted the organization to using all of its programs to effect quality of life improvements in Rochester as a city of neighborhoods. In other words, creating affordable homeownership opportunities by itself is not enough; it has to be done in a way that maximizes the health of the city as a collection of thriving neighborhoods.

The market analysis conducted for this plan revealed and quantified many critical issues facing the city of Rochester and any organization working to revitalize its neighborhoods; mainly, a disturbing trend of significant population loss, primarily among whites and the middle class. Loss of demand for homes in city neighborhoods results in lower home values. This translates to withholding of home repair and other investment of time, money and energy; as well as vacancies, foreclosures, and erosion of owner-occupancy. This further reduces demand for homes in the city, and the spiral continues. Tax base dwindles and city services are threatened and cut back; schools are both a cause and effect of further suburban sprawl. **Rochester is clearly a city that needs a demand-building strategy more than it needs an affordable housing supply-building strategy.**

This is probably the single most compelling watershed finding in the business planning process. Most city housing policies – and Rochester is no exception – are centered on administering U.S. Department of Housing and Urban Development (HUD) grants to nonprofits like NHSR to create affordable housing supply. That strategy by itself will not work in revitalizing Rochester’s neighborhoods. The city of Rochester needs to replace its lost middle class, retain existing residents, improve property values so that reinvestment makes economic sense to individual owners, and more if it is to continue providing services to anyone at all, not least of which families of modest means.

In response to the market analysis, NHSR board leadership developed a series of citywide outcomes to guide decisions on strategy development. These outcomes address key issues, such as:

1. Restoration of population, especially the middle class.

2. Stimulation of demand for home ownership in the city and growth in property values.
3. Improved physical conditions of residential property, both owner-occupied and renter-occupied.
4. Cultivation of a middle class from the city's existing lower-income population.
5. Acknowledgement of the city's changing demographics and new growth markets, such as Hispanic/Latinos, single person households, and baby boomers.
6. Restoration of confidence in the future of the city by stakeholders throughout the county, which will in turn stimulate new investment.

Staff recommended a strategy mix to achieve these outcomes. This included continuing some existing strategies, discontinuing some, and adding some. These strategies are grouped into five lines of business:

1. Education

Education about home purchase, home ownership, and personal finance is critical to:

- Providing access to home ownership for underserved households,
- Retaining and recruiting population in the city of Rochester,
- Building a middle class from within Rochester through the wealth-building power of home ownership,
- Strengthening the owner-occupancy rate in Rochester,
- Improving the level of stakeholder commitment in neighborhoods,
- Reducing foreclosures, and
- Improving the quality and value of housing stock in the city of Rochester.

2. Lending

NHSR's lending programs for home purchase and improvement are important tools for increasing homeownership and improving the quality and value of housing stock in Rochester. These tools can also help families avoid predatory lenders, and access affordable credit that allows faster, safer equity growth. Lending needs to be focused on recruiting buyers of a variety of incomes to buy in the city, incentivizing high-quality improvements by new buyers or existing homeowners, and leading the market with over-appraisal lending that is secured by these high-quality improvements.

3. Real Estate Brokerage

Rochester neighborhoods and their housing stock must be actively marketed in a way that supports healthy neighborhoods if the city is to reverse the trends of decline in population, home ownership, and housing quality. Because it doesn't make economic sense for the conventional real estate market to actively seek and sell listings of modestly priced homes, NHS of Rochester proposes to create a real estate brokerage subsidiary, whose purpose will be to sell city neighborhoods to owner-occupants, increase home values, and increase the city's income-diverse population.

4. Technical Services

NHSR technical services can make a difference in three areas: 1) in helping homeowners and landlords to define the work they need, select contractors and monitor work, which makes rehabilitation and improvement possible, 2) ensuring that city housing stock is upgraded to meet the highest standards of safety, and 3) in influencing the standards of exterior improvement that influence neighborhood confidence. These impacts are critical to managing the city's supply of housing stock and influencing the future of its neighborhoods.

5. Targeted Neighborhood Revitalization

Targeted neighborhood revitalization is at the heart of NHSR's mission and business model. NHSR will deliver targeted revitalization services in partnership with at least one neighborhood at any given time, and more if resources allow. When NHSR partners with a neighborhood, it will develop a plan that addresses neighborhood image, market, physical conditions and neighborhood management to create a neighborhood of choice. New strategies for revitalization will be tested in target neighborhoods, and successes may then be rolled out to the city as a whole.

A volunteer Board of Directors and a staff of 13 manage NHSR. This plan proposes the addition of several new staff positions over the course of three years, including an Associate Director, a Real Estate Broker and Agents, and a Neighborhood Revitalization Coordinator, as well as additions based on increased production in specific business lines.

The new business model described in this business plan and adopted by the board has subtle but significant implications for the way success is measured, the way decisions are made, the way new program opportunities are evaluated, and who the organization serves. These differences are summarized in the following chart.

Aligning NHR With the Business of Revitalization: Old Way/New Way

	Old Way	New Way
Purpose	Focus on increasing SUPPLY of affordable housing and number of low-mod income households who could buy it. Addressed an income group & its ability to secure safe, decent, affordable housing.	Focus on increasing DEMAND for housing in city neighborhoods, by people of all incomes. Address neighborhood real estate markets & make changes so that it makes economic sense for residents & others to invest time, money & energy there. Increase population, income diversity and tax base in Rochester.
Customer	A particular group of households, primarily those earning less than 80% median income.	City neighborhoods as real estate markets – protect current investments and encourage new ones. Serve all incomes. Targeted neighborhoods chosen for proximity to strength and high potential for positive change, rather than greatest challenges.
Customer Service	Limited options in finances and choice of neighborhoods may mean lower expectations for customer service.	Greater options financially and/or in choice of neighborhoods means high expectations for customer service.
Programs	A few housing programs intended to provide or improve housing at low cost. Loan programs income-restricted.	Those programs plus others tailored to the Rochester market, intended to influence choices of positive investment in neighborhoods. Few, if any, income restrictions.
Marketing	Focus on rules, restrictions, especially income. Great emphasis on funding source requirements. Most customers referred by other agencies.	Focus on customer wants to encourage investment choice in city neighborhoods. Negative messages eradicated. Income not emphasized. Proactive marketing to desired target markets is critical.
Housing Standards	“Decent”, safe & sanitary. Extras determined by affordability.	High-quality improvements to increase homeowner equity, emphasis on visible exterior treatment that inspires confidence and positive investment by others. Houses as “billboards”.

Decisions	Influenced mostly by maximizing affordability to target income group.	Influenced by potential impact on the neighborhood market and on potential choices of various investors, including those with modest incomes.
Service Delivery	"Silo" approach: each business line does its job independently.	Cross-divisional approach: All business lines coordinate on each deal to maximize impact on market confidence.
Measures of Success	Outputs: number of people served, units produced, loans closed, etc.	Outcomes: resident satisfaction/confidence, real estate values, building conditions, population, income diversity etc.

II. Introduction and Methodology

(deleted)

III. Mission and Business Model

Mission

NHSR’s mission is to “systemically provide housing related financial, educational, and technical services and resources that revitalize and sustain Rochester city neighborhoods. These services and resources are provided to a wide spectrum of the community in cooperation with residents and other partners.”

This mission statement communicates a fundamentally place-based mission – that is, the primary reason for NHSR’s existence is to “revitalize and sustain city neighborhoods,” although in the course of achieving that mission the organization will also be improving the lives of individuals and families. Also, NHSR’s mission does not suggest that the organization serve only the economically disadvantaged, even though many federal funding sources can only be used to serve these populations – the mission statement is clear that NHSR is to serve a “wide spectrum of the community.”

There is one other key concept underlying the NHSR mission, which is suggested by the word “systemically” in the mission statement. The concept is that each of NHSR’s products and services should be **strategic** – that is, carefully thought through in terms of how they will promote revitalization – and **seamlessly linked** to one another, creating a fully integrated business model with revitalization at the core.

This memo tries to provide a skeletal view of that business model – a model in which NHSR provides a fully integrated set of services to target homeowner and homebuyer markets to achieve neighborhood revitalization.

Business Model

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II. Market Analysis Summary: Findings and Implications

Excerpts from

The Changing Face of Rochester:

A Demographic, Housing, and Socio-Economic
Portrait

By Nancy McArdle

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*For the complete market analysis, with supporting maps and charts,
visit our website at www.nhsrochester.org*

Policy/Strategy Implications of Major Trends Affecting City of Rochester

By Nancy McArdle

Part One: Population Trends

- Given continued population losses, without better retention of existing residents or attraction of new in-migrants, City neighborhoods are in a zero-sum competition for residents. All organizations striving for neighborhood revitalization must work to make the City as a whole more attractive.
- City advantages such as location, cultural amenities, affordable housing, and unique architecture should be “played up.”
- Rapidly growing minority populations coupled with “white flight” suggest that:
 - ✓ outreach, program development, and marketing must increasingly address multicultural market (language, customs, communication modes, etc.)
 - ✓ ongoing attention must be paid to Fair Housing concerns
 - ✓ organizations should be aware of the racial dimensions of neighborhood change, both in terms of concentrated poverty and gentrification
 - ✓ organizations should be aware that different ethnic groups are at varying stages of the housing life-cycle and should tailor programs accordingly
- Decline in traditional first-time buyer-aged households means that no NET housing additions are needed, though rehabbed or replacement housing is
- Growth of single-person households may increase demand for smaller units with less differentiated space (lofts/condos). Schools of less importance. Other issues important to singles should be identified and addressed.
- Baby-boomer aging means that increasing numbers of people will need housing modifications to allow them to “age in place.”

Part Two: Housing Trends

- High and increasing vacancy rates are a drain on housing prices, safety, and neighborhood confidence. Vacant homes must be rehabbed or demolished.
- New construction has been quite concentrated spatially. Organizations must decide whether they are going to build on revitalization gains bearing fruit in certain neighborhoods, take advantage of “spill-over effects,” and spread this vitality outward or work in the areas of greatest need regardless of location.
- Old and aging housing stock means continued need for upkeep.
- Significant declines in homeownership, especially among the young, mean that many households who would have been expected to become owners already have not. Therefore, sizeable potential demand for homeownership remains for all age groups under 65.
- Considerable supply of homes affordable to households with incomes less than \$35,000 exists. City is much more affordable than all surrounding suburbs. Many households can actually afford to pay more than what is asked for the existing supply. Affordability is less a problem than making the City somewhere where people WANT to buy.
- Declining home prices associated with high foreclosure rates. Creates a vicious cycle of foreclosure→ vacancies→ undesirable neighborhoods→ declining prices→foreclosure
- Low home prices lead many real estate agents/brokers to largely ignore the City in favor of larger commissions in the suburbs. Need for sales bonuses/ other incentives?
- Large shares of 2-4 units in some neighborhoods may provide opportunity for buyers to subsidize their mortgage payments with rental income. Potential need for landlord training.

Part Three: Mortgage Lending Trends

- Very small share of borrowers are upper-income, reflecting relative attractiveness of suburbs and diminishing tax base.
- Credit issues are predominant reason for mortgage denials, particularly for minorities. Credit counseling is a real and growing need.

- Subprime lending is on the decline overall but will probably revive if/when conventional interest rates rebound. Subprime is very targeted to low-income minority neighborhoods and to African Americans who refinance. Subprime fills a niche, but consumers need to be fully informed.

Part Four: Neighborhood Trends

- City schools showing some improvement but still lag suburban schools dramatically. However, only a third of City households have children. Need to highlight those City schools that are doing well as well as other City amenities that appeal to households without children.
- City crime levels are much higher than in the suburbs, but violent crime is still 30% lower than in 1997. Need to highlight progress, strengthen neighborhood associations, and better control the message that the press and others spread about the neighborhoods.
- Many neighborhoods have strong associations that play a major part in revitalization. Working with these groups as much as possible should create synergy and capitalize on their established networks.

Part Five: Socio-Economic Trends

- Largest population loss has been among middle-upper income households, leading to loss of tax base and services. Need to replenish the middle-class either by attracting it from the outside or "growing" it internally.
- Job declines in manufacturing and increases in healthcare/education translate into increased need for education. Possible homeownership/job counseling combos.
- High and rising unemployment/layoffs increase need for foreclosure/post-purchase counseling and work-outs.
- Quarter of households without diploma (half in some areas) suggest need for financial fitness education.

Part Six: Confidence

- The erosion of confidence in the future of the city very likely translates to withholding of investment of time, money and energy in personal and business real estate, as well as social fabric. Restoration of confidence should be a stated outcome of those working to improve neighborhoods in the city.

III. Strategy Framework: The Link Between Market Analysis Implications, Outcomes/Guiding Principles for Our Work, and Strategies

NHS of Rochester Citywide Market Analysis, Outcomes and Strategies Worksheet

- BOARD:** Based on the market analysis, WHAT OUTCOMES FOR THE CITY OF ROCHESTER DO YOU WANT THE WORK OF NHS TO SUPPORT? (support=programs, education, advocacy, partnerships, do no harm, etc.)
- STAFF:** Based on the Board's outcomes, what strategies do you recommend?

Market Analysis Findings: Policy/Strategy Implications of Major Trends Affecting City of Rochester	Citywide Outcomes: Guiding Principles for Strategy Development	Proposed Citywide Strategies
<p>1. Population</p> <ul style="list-style-type: none"> Given continued population losses, without better retention of existing residents or attraction of new in-migrants, City neighborhoods are in a zero-sum competition for residents. City advantages such as location, cultural amenities, affordable housing, and unique architecture should be "played up." Rapidly growing minority populations coupled with "white flight" suggest that: <ul style="list-style-type: none"> -outreach, program development, and marketing must increasingly address multicultural market (language, customs, communication modes, etc.) -ongoing attention must be paid to Fair Housing concerns -organizations should be aware of the racial dimensions of neighborhood change, both in terms of concentrated poverty and gentrification -organizations should be aware that different ethnic groups are at varying stages of the housing life-cycle and should tailor programs accordingly Decline in traditional first-time buyer-aged households means that no NET housing 	<ul style="list-style-type: none"> Retain/stabilize economically diverse population (middle class is weakest at this point). Increase home ownership opportunities for growing Latino population in city. Do not increase net supply of housing. Emphasize use of existing housing stock first. Make it possible and desirable for baby boomers to stay in the city. Retain/enhance home ownership opportunities in city for growing demographic of single-person households. 	<p>Existing Strategies to Continue:</p> <ul style="list-style-type: none"> Rehab Lending NHSA First Mortgage Product Down Payment/Closing Cost Lending Homebuyer Education <p>Existing Strategies to Discontinue:</p> <ul style="list-style-type: none"> Acq-Rehab-Sale, except if key to strategy in target neighborhoods¹ <p>Refinements of Existing Strategies:</p> <ul style="list-style-type: none"> Remove unbankability requirements from rehab loan products to incentivize moderate-higher income rehab, at least in target neighborhoods Target market city home-ownership to middle class, baby boomers, Latinos, singles, use focus groups & spokespersons Market rehab for "aging-in-place" to seniors Market "lifestyle rehab": identify rehab needs/wants of target groups and market accordingly Develop 1-hour Homebuyer Orientation session to market Homebuyer Ed, take out to community <p>Proposed New Strategies:</p> <ul style="list-style-type: none"> Real Estate Brokerage to promote city neighborhoods Develop bi-lingual, bi-cultural educational services: financial literacy, homebuyer

¹ Rationale: this strategy already done by many other nonprofits, NHSR doesn't do enough to be efficient or have an impact.

Market Analysis Findings: Policy/Strategy Implications of Major Trends Affecting City of Rochester	Citywide Outcomes: Guiding Principles for Strategy Development	Proposed Citywide Strategies
<p>additions are needed, though rehabbed or replacement housing is</p> <ul style="list-style-type: none"> • Growth of single-person households may increase demand for smaller units with less differentiated space (lofts/condos). Schools of less importance. Other issues important to singles should be identified and addressed. • Baby-boomer aging means that increasing numbers of people will need housing modifications to allow them to “age in place.” 		<p>education (partner with Ibero)</p> <ul style="list-style-type: none"> • Explore value of/need for new rehab loan product with banks for >80% AMI city-dweller market
<p>2. Housing</p> <ul style="list-style-type: none"> • High and increasing vacancy rates are a drain on housing prices, safety, and neighborhood confidence. Vacant homes must be rehabbed or demolished. • New construction has been quite concentrated spatially. Organizations must decide whether they are going to build on revitalization gains bearing fruit in certain neighborhoods, take advantage of “spill-over effects,” and spread this vitality outward or work in the areas of greatest need regardless of location. • Old and aging housing stock means continued need for upkeep. • Significant declines in homeownership, especially among the young, mean that many households who would have been expected to become owners already have not. Therefore, sizeable potential demand for homeownership remains for all age groups under 65. • Considerable supply of homes affordable to households with incomes less than \$35,000 exists. City is much more affordable than all surrounding suburbs. Many households can actually afford to pay more than what is 	<ul style="list-style-type: none"> • Improve quality and market competitiveness of existing housing stock, which is currently approximately 40% owner-occupied and 60% rental. • Improve impact of rental housing on neighborhoods. • Enhance city market for real estate agents. • Decrease density- support de-densification of single-family structures. • Increase number of homeowners. • Increase home values. • Decrease foreclosures. • Decrease vacancies. 	<p>Existing Strategies:</p> <ul style="list-style-type: none"> • Lending above market to deal with appraisal gaps due to weak market. <p>Refinements of Existing Strategies:</p> <ul style="list-style-type: none"> • Lending above market in order to lead values up. • Market lead inspections to investor-owners with window liners and door package Tailor rehab lending to encourage de-densification (e.g., higher loan limits, marketing) in targeted neighborhoods • Tailor rehab lending to encourage acquisition and attractive landscaping of adjacent vacant lots (to start with lots already marketed by City) • Establish a standard for rehab that inspires neighborhood pride and strong housing values; lend to that standard (esp. exterior, also “lifestyle rehab” to make housing stock more attractive to today’s market) • Proactively market for homebuyers through churches, immigrant groups, employers (e.g., Wegman’s), lender denials, etc. <p>Proposed New Strategies:</p> <ul style="list-style-type: none"> • Begin rental-rehab lending to an established standard that inspires neighborhood pride, in targeted neighborhood(s) as pilot program

Market Analysis Findings: Policy/Strategy Implications of Major Trends Affecting City of Rochester	Citywide Outcomes: Guiding Principles for Strategy Development	Proposed Citywide Strategies
<p>asked for the existing supply. Affordability is less a problem than making the City somewhere where people WANT to buy.</p> <ul style="list-style-type: none"> Declining home prices associated with high foreclosure rates. Creates a vicious cycle of foreclosure→ vacancies→ undesirable neighborhoods→ declining prices→foreclosure Low home prices lead many real estate agents/brokers to largely ignore the City in favor of larger commissions in the suburbs. Need for sales bonuses/ other incentives? Large shares of 2-4 units in some neighborhoods may provide opportunity for buyers to subsidize their mortgage payments with rental income. Potential need for landlord training. 		<ul style="list-style-type: none"> Advocate/support demolition of substandard housing units FY '05: Foreclosure prevention strategy: explore current situation to recommend effective combination of advocacy/ partnerships/ programs for such strategies as lending, pre-purchase education, counseling (partner w/ Housing Council), speaker's bureau a la United Way, partner with employers laying off, etc. FY '05: Explore feasibility of lease-purchase program
<p>3. Mortgage Lending</p> <ul style="list-style-type: none"> Very small share of borrowers are upper-income, reflecting relative attractiveness of suburbs and diminishing tax base. Credit issues are predominant reason for mortgage denials, particularly for minorities. Credit counseling is a real and growing need. Subprime lending is on the decline overall but will probably revive if/when conventional interest rates rebound. Subprime is very targeted to low-income minority neighborhoods and to African Americans who refinance. Subprime fills a niche, but consumers need to be fully informed. 	<ul style="list-style-type: none"> Increase financial literacy/ financial position of households vis a vis credit. Support greater income diversity in city homebuyers. Eliminate predatory lending. 	<p>Existing Strategies:</p> <ul style="list-style-type: none"> Financial Fitness training <p>Refinements of Existing Strategies:</p> <ul style="list-style-type: none"> Explore development of 1-hour, portable predatory lending class; deliver through staff and speakers' bureau in community venues, use to market Financial Fitness training (potential partners include United Way, Housing Council, ABC, banks.) Update: Housing Council does this – connect with them to market financial Fitness training to these participants
<p>4. Neighborhoods</p> <ul style="list-style-type: none"> City schools showing some improvement but still lag suburban schools dramatically. However, only a third of City households have children. Need to highlight those City 	<ul style="list-style-type: none"> Focus targeted revitalization in neighborhoods where we can leverage from market strength. Increase civic engagement 	<p>Existing Strategies:</p> <ul style="list-style-type: none"> Targeted revitalization in Gateway neighborhood Neighborhoods of choice training for practitioners and policymakers; include training in crime prevention and other 'neighborhood

Market Analysis Findings: Policy/Strategy Implications of Major Trends Affecting City of Rochester	Citywide Outcomes: Guiding Principles for Strategy Development	Proposed Citywide Strategies
<p>schools that are doing well as well as other City amenities that appeal to households without children.</p> <ul style="list-style-type: none"> • City crime levels are much higher than in the suburbs, but violent crime is still 30% lower than in 1997. Need to highlight progress, strengthen neighborhood associations, and better control the message that the press and others spread about the neighborhoods. • Many neighborhoods have strong associations that play a major part in revitalization. Working with these groups as much as possible should create synergy and capitalize on their established networks. 	<p>of neighbors – “neighborhood management”.</p> <ul style="list-style-type: none"> • Create neighborhoods of choice. • Position schools as partners in neighborhood revitalization. • Reduce crime and increase feeling/image of safety in neighborhoods. 	<p>management’ issues</p> <ul style="list-style-type: none"> • Promote ‘neighborhoods of choice’ as the key approach to revitalizing Rochester both internally and externally • Post-Purchase Homebuyer Training <p>Refinements of Existing Strategies:</p> <ul style="list-style-type: none"> • Identify neighborhood(s) for targeted revitalization: identify criteria and seek proposals for partnership • Create a “neighborhood revitalization” position at NHSR to focus on targeted neighborhoods • Train crime prevention and other ‘neighborhood management’ issues in Post-Purchase Homebuyer Training • Fight crime through high physical rehab standards (see standard-setting in Housing section) <p>Proposed New Strategies:</p> <ul style="list-style-type: none"> • Real Estate Brokerage to promote city neighborhoods • Resident leadership training (like an annual local Community Leadership Institute), partner with NBN/RACF • Pilot a school strategy for NHSR in new target neighborhood • Support PAC-TAC
<p>5. Socio-Economic</p> <ul style="list-style-type: none"> • Largest population loss has been among middle-upper income households, leading to loss of tax base and services. Need to replenish the middle-class either by attracting it from the outside or “growing” it internally. • Job declines in manufacturing and increases in healthcare/education translate into increased need for education. Possible homeownership/job counseling combos. 	<ul style="list-style-type: none"> • Reduce concentrations of poverty. • Increase living wage jobs. • Increase linkage of housing with jobs and institutions. • Increase educational attainment of city residents. • Increase confidence in future of the city. • Strengthen financial position 	<p>Existing Strategies:</p> <ul style="list-style-type: none"> • Pre-purchase homebuyer education • Home purchase and rehab lending • Financial fitness training • Partnership with City-Fannie Mae employer-assisted home-ownership strategy <p>Refinements of Existing Strategies:</p> <ul style="list-style-type: none"> • Link GED education with homebuyer education <p>Proposed New Strategies:</p> <ul style="list-style-type: none"> • Explore a second mortgage loan product to

Market Analysis Findings: Policy/Strategy Implications of Major Trends Affecting City of Rochester	Citywide Outcomes: Guiding Principles for Strategy Development	Proposed Citywide Strategies
<ul style="list-style-type: none"> • High and rising unemployment/layoffs increase need for foreclosure/post-purchase counseling and work-outs. • Quarter of households without diploma (half in some areas) suggest need for financial fitness education. 	<p>of single-female headed households in city</p>	<p>eliminate PMI, giving buyers more buying power</p>
<p>6. Other</p>	<ul style="list-style-type: none"> • Grow organizational self-sufficiency. 	<p>Existing Strategies:</p> <p>Refinements of Existing Strategies:</p> <ul style="list-style-type: none"> • Establish fees to lenders for access to NHSA loan product (like some other NHSs do) <p>Proposed New Strategies:</p> <ul style="list-style-type: none"> • Real Estate Brokerage to promote city neighborhoods • FY05: Develop interactive homebuyer ed software, sell to groups outside city

IV. Lines of Business and Business Plans

Summary: 2004 –2006 Lines of Business

Services Descriptions Follow In Business Plans

1. Education	2. Lending	3. Real Estate Brokerage	4. Technical Services	5. Targeted Revitalization
<p>Pre-Purchase</p> <ul style="list-style-type: none"> • Homebuyer Orientations English and Spanish (new) • FasTrack Classes English and Spanish (new) • Home Buyers Club English and Spanish (new) • One-on-One Counseling • First Home Club (Bank IDA's) <p>Post-Purchase</p> <ul style="list-style-type: none"> • Make Your House Your Home • Best House on the Block Spring & Fall <p>Consumer Finance</p> <ul style="list-style-type: none"> • Financial Fitness (new) 	<p>Citywide:</p> <ul style="list-style-type: none"> • Rehab Loans Unbankable • First Mortgage Loans (purchase w/rehab & refi w/rehab) (NHSA) • Down Payment & Closing Cost Loans • Lead Abatement/ Rehab Loans to Landlords (new) • NYSERDA Loans • Loan Servicing <p>Target Neighborhood Only:</p> <ul style="list-style-type: none"> • Rehab Loans (all incomes) (new) • Vacant Lot Loans (new) • Rental Rehab Loans in Target Areas (new) • 20% Refi/ Rehab & Purchase/ Rehab to Eliminate PMI (new) • Group Purchasing Loans 	<p>Sales: Seller (new)</p> <p>Sales: Buyer (new)</p> <p>Referrals (new)</p> <p>Neighborhood Marketing (new)</p>	<p>Citywide:</p> <ul style="list-style-type: none"> • Rehab Loan Inspections and Specs Owner-Occupied • Rehab Loan Construction Monitoring • Home Inspections • Pest Inspections • Mold Inspections • Air Quality • Lead Inspections <p>Target Neighborhood Only:</p> <ul style="list-style-type: none"> • Rehab Loan Inspections and Specs Landlord-Owned (new) • Vacant Lot Loan Specs and Monitoring (new) • Group Purchasing contract management & negotiation 	<p>Neighborhood Strategy Planning</p> <p>New Program Development, Implementation Assistance (e.g., customized loan products, organizing, community assessment, etc.)</p> <p>Coordination with Neighborhoods and Other NHS Business Lines</p> <p>Impact Evaluation (new)</p> <p>Neighborhood Marketing (new)</p> <p>Unifier Projects (new)</p> <p>Resident Leadership Training (new)</p> <p>Public Policy Research and Education (equity assurance research, school strategies, revitalization training for policymakers, etc.) (new)</p>

Business Plan: Education

Business Plan: Education

1. Rationale

Education about home purchase, home ownership, and personal finance is critical to:

- Providing access to home ownership for underserved households,
- Retaining and recruiting population in the city of Rochester,
- Building a middle class from within Rochester through the wealth-building power of home ownership,
- Strengthening the owner-occupancy rate in Rochester,
- Improving the level of stakeholder commitment in neighborhoods,
- Reducing foreclosures, and
- Improving the quality and value of housing stock in the city of Rochester.

NHS of Rochester's education services are designed to accomplish all of these things. NHS is a high-performing member of the national NeighborWorks® Campaign for Home Ownership, and maintains the high standards that are required for membership. These standards include substantial training and certification of all trainers, a minimum eight hours of training for homebuyers, and use of a nationally recognized curriculum that meets the standards of Fannie Mae, Freddie Mac, and HUD. For a more complete description of these standards, see the Appendix.

2. Descriptions of Services

A. Pre-Purchase Homebuyer Education

- En Español (new)

In 2004, NHR will develop, with appropriate partners, Spanish-language versions of Homebuyer Orientation, FasTrack and Homebuyer Club services. As noted in the market analysis, the Hispanic/Latino market is growing in Rochester, and a significant part of the population does not speak English at home and/or is linguistically isolated. With outreach and Spanish-language education and counseling services, NHS hopes to help this market achieve home ownership and make a commitment to living in Rochester.

- Homebuyer Orientations (new)

Homebuyer Orientations are commonly used by other NeighborWorks® network organizations to market their FasTrack and Homebuyer Club classes. Typically, Orientation is a one-hour, portable presentation

designed to meet potential customers where they are (at employers, in public places, etc.) and/or to be offered on a regular basis (e.g., every Thursday lunch) at the NHS office. NHS of Rochester proposes to use the Orientation as a way to expand its homebuyer education customers beyond Home Store referrals. Orientation usually covers the basics of first-time homebuyer preparedness, and offers information and a sign-up opportunity for FasTrack and Homebuyer Club.

- FasTrack Pre-Purchase Education Classes

FasTrack is an eight-hour pre-purchase homebuyer education class for buyers whose credit and savings should allow them to buy a home within six months. This class is currently marketed only through referrals from City programs and some bank partners, but will be marketed to other homebuyers starting in 2004.

- Home Buyers Club Pre-Purchase Education

Homebuyers Club is pre-purchase homebuyer education for buyers who will need more than six months to resolve credit issues and save for a down payment and closing costs. Homebuyer Clubs meet monthly in groups of 6-10 people.

- One-on-One Counseling

One-on-one counseling is done with homebuyer customers to get them started in the right education service, and to supplement their classroom training with individualized attention as appropriate.

- First Home Club

First Home Club is a matched savings program funded by the Federal Home Loan Bank of New York through local bank partners (currently HSBC, M&T, Bank of Castile). Participants save money for a home purchase over an 18-month period, and receive counseling and education at the same time. Their savings is matched 2-1 for use as a down payment.

B. Post-Purchase Homeowner Education

- Make Your House Your Home

Make Your House Your Home is general home maintenance training for recent homebuyers.

- Best House on the Block Spring and Fall

These courses are offered in the spring and the fall and focus on home maintenance issues specific to those seasons.

C. Consumer Finance

- Financial Fitness (new)

Financial Fitness is a class for anyone who wants to know more about handling credit, budgeting, avoiding foreclosure and predatory lenders, etc. The NHR curriculum was developed jointly by the FDIC and Neighborhood Reinvestment Corporation and is intended to prevent people from developing credit problems, assist those who already have them and generally teach people how to handle money in a way that benefits their future. This class makes particular sense in the Rochester market because the city is experiencing increasing concentrations of poverty and needs to grow a middle class from within while using other services to retain and recruit financially stable households.

3. Target Markets

Service	Target Markets
A. Pre-Purchase Homebuyer <ul style="list-style-type: none"> • Homebuyer Orientations • FasTrack Pre-Purchase Education Classes • Home Buyers Club Pre-Purchase Education • One-on-One Counseling • First Home Club 	<ul style="list-style-type: none"> • Low and Mod income buyers • First-time buyers • Single person buyers • African-American buyers • Latino/Hispanic Spanish-speaking buyers • Employer-based buyers • Middle class buyers without children • Baby boomers/empty nesters
B. Post-Purchase Homeowner <ul style="list-style-type: none"> • Make Your House Your Home • Best House on the Block Spring and Fall 	<ul style="list-style-type: none"> • Pre-purchase graduates • Target neighborhood residents • Other partner NBN area residents
C. Consumer Finance <ul style="list-style-type: none"> • Financial Fitness 	<ul style="list-style-type: none"> • Referrals from Housing Council Predatory Lending Training • Low and Mod income households • African American church congregations • Senior center members • Latino/Hispanic service agency customers • Single-headed households

4. Production Goals

Service	2003	2004	2005	2006
Pre-Purchase Homebuyer				
1) Homebuyer Orientations English	0	6	12	15
2) Homebuyer Orientations en Español	0	2	4	5
3) FasTrack Pre-Purchase Education Classes English	12	12	14	14
4) FasTrack Pre-Purchase Education Classes en Español	0	2	4	4
5) Home Buyers Club Pre-Purchase Education English	3	3	3	3
6) Home Buyers Club Pre-Purchase Education en Español	0	0	1	2
7) One-on-One Counseling English	65	70	80	100
8) One-on-One Counseling en Español	0	5	10	20
9) First Home Club	0	10	15	20
10) Total Homebuyers Created	155	160	175	185
Post-Purchase Homeowner				
1) Make Your House Your Home	4	6	6	6
2) Best House on the Block Spring and Fall	4	8	8	8
Consumer Finance				
1) Financial Fitness	0	1	4	6

5. Staffing

See Organizational Management section for biographies.

Staff

- a) Rosa Hannah, Homeownership Director
- b) Migdalia Plaza, Homeownership Coordinator
- c) Eric Marin, Homeownership Coordinator

6. Financial Projections

TABLE 1: Education Income and Expense Projection

Items in bold brown are *proposed*.

			2004		2005		2006	
	Payer	Per Unit	# Units	Total	# Units	Total	# Units	Total
Sales (Fees and Contracts)								
Homebuyer Orientation English		\$0	6	\$0	12	\$0	15	\$0
Homebuyer Orientation Spanish		\$0	2	\$0	4	\$0	5	\$0
Fastrack Education English (25 per class)	City	\$3,000	12	\$36,000	14	\$42,000	14	\$42,000
Individuals referred by bank.	Bank	\$200	5	\$1,000	10	\$2,000	20	\$4,000
Individuals "off the street".	Buyer	\$125	10	\$1,250	20	\$2,500	40	\$5,000
Fastrack Education Spanish (25 per class)	Sponsor	\$3,000	2	\$6,000	4	\$12,000	4	\$12,000
Homebuyer Club English (15 per class)	City	\$6,000	3	\$18,000	3	\$18,000	3	\$18,000
Homebuyer Club Spanish (15 per class)	Sponsor	\$6,000	0	\$0	1	\$6,000	2	\$12,000
One-on-One Counseling English and Spanish		\$0	75	\$0	90	\$0	120	\$0
First Home Club (per person)	Bank	\$300	10	\$3,000	15	\$4,500	20	\$6,000
Make Your House Your Home (30 per class)	City	\$1,500	6	\$9,000	6	\$9,000	6	\$9,000
Best House on the Block Spring/Fall (30 per class)	City	\$1,500	8	\$12,000	8	\$12,000	8	\$12,000
Financial Fitness (10 per class)		\$0	1	\$0	4	\$0	4	\$0
Total Hombuyers Created			160		175		185	
Total Sales				\$65,250		\$87,000		\$99,000
Cost of Goods								
Direct Labor:								
Home Ownership Director		\$32,000	0.30	\$9,600	0.30	\$10,080	0.30	\$10,560
Education Coordinator & Specialist		\$29,000	1.50	\$43,500	2.00	\$60,900	2.00	\$63,800
Fringe (FICA, Unemp., Health, Pension, etc.)		31%		\$16,461		\$22,004		\$23,052
Workshop Expenses:								
Materials (per participant average)		\$5	825	\$4,125	1,155	\$6,064	1,335	\$7,009
Incentives for HUD-1s (to capture homebuyers closed)		\$50	160	\$8,000	175	\$8,750	185	\$9,250
Total COG				\$72,086		\$97,718		\$103,110
Gross Profit				(\$6,836)		(\$10,718)		(\$4,110)

Selling, General and Administrative Expenses							
Overhead Labor				\$10,000		\$12,000	\$12,000
Share of Occupancy & Other Overhead (14.5% of 2004 Total)				\$23,600		\$24,780	\$26,019
Marketing				\$5,000		\$5,500	\$6,000
Total SG&A				\$38,600		\$42,280	\$44,019
Net Operating Profit				(\$45,436)		(\$52,998)	(\$48,129)
Non-Operating Income: Designated Grants							
Roll Over Funds from Operating Surplus						\$5,064	\$31,066
HUD Counseling Grant				\$22,000		\$22,000	\$22,000
Lender Partners (HSBC, Citibank, Fleet, Castile)				\$33,500		\$35,000	\$35,000
Realtor Partners				\$0		\$5,000	\$5,000
Insurance Partners (Allstate, State Farm)				\$12,000		\$12,000	\$12,000
Other Partners						\$5,000	\$5,000
Non-Operating Income: Non-Designated Grants							
Other Fundraising				\$5,000		\$0	\$0
Total Non-Operating Income				\$50,500		\$84,064	\$110,066
Net Income				\$5,064		\$31,066	\$61,937

(The four other business plans follow the same format, but have been deleted for brevity.)

V. Organizational Management and Evaluation

Organizational Management and Evaluation

Board Governance

NHS of Rochester is governed by a volunteer Board of Directors, elected annually (staggered 3-year terms) by the corporate membership of NHR at the annual meeting. The Board is comprised of not less than eleven members and not more than twenty-one members, of which 51% must be resident representatives. Other board slots are filled by representatives of other key partner groups, including lenders and other businesses, public institutions, and at-large members. Officers include a Board President, two Vice Presidents, a Treasurer and a Secretary. These officers make up the Executive Committee. Other Board Committees include Revolving Loan Fund, Finance, and Resource Development.

The Board meets monthly, and receives narrative and financial reports from staff. Monthly financial reports include a balance sheet, budget-to-actual income and expense report, and report on lending cash available.

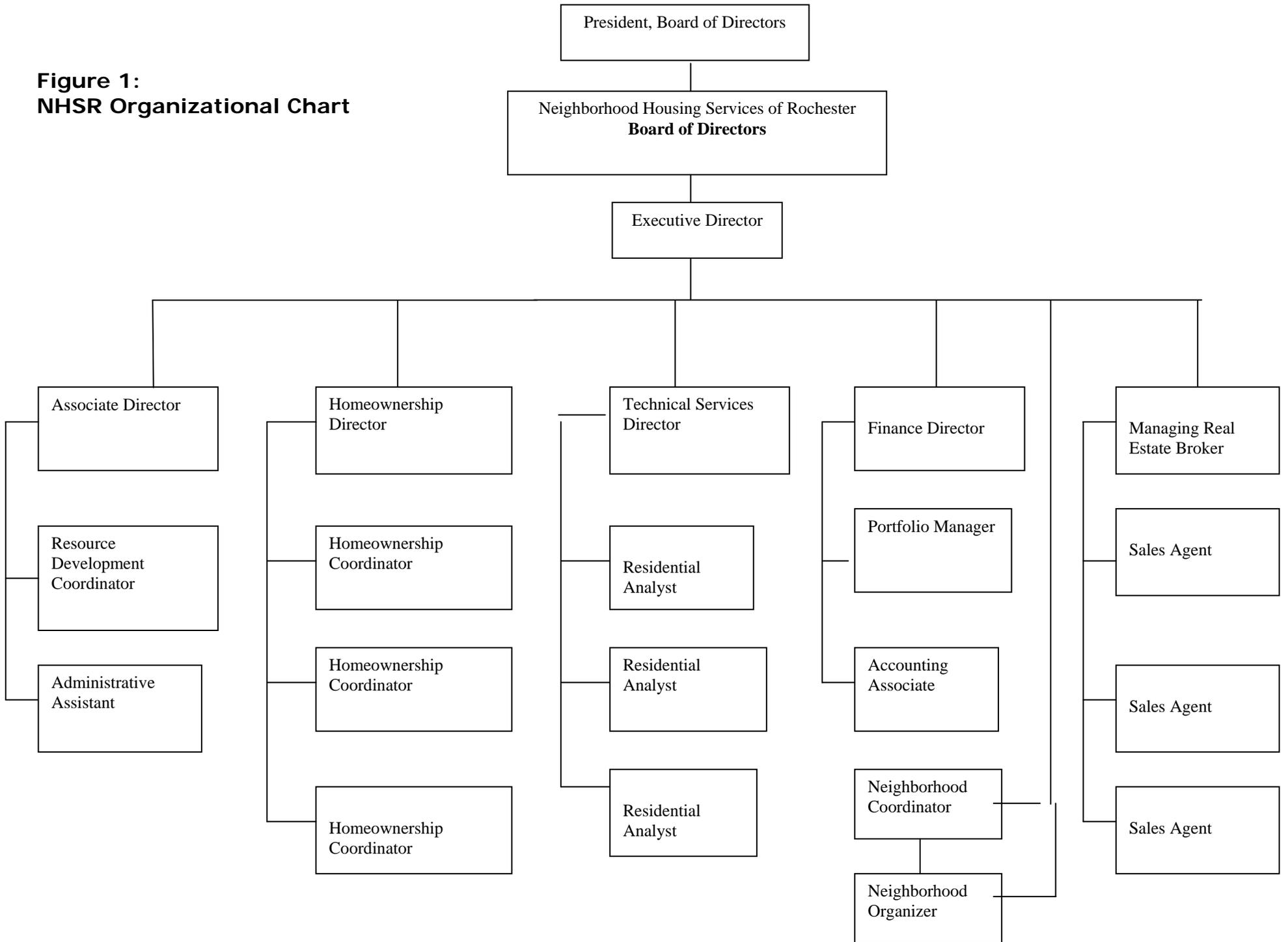
For a list of Board members, see the Appendix.

Executive and Administrative Management

The Executive Director leads the staff, and manages the organization's programs, finances and assets with the assistance of a Finance Director, Associate Director, Resource Development Director, Administrative Assistant, and two program directors (Home Ownership and Technical Services). When funding is secured, two additional program director positions will be created: Real Estate Broker, to head up the new Real Estate Brokerage line of business; and Neighborhood Coordinator, to head up the Targeted Neighborhood Revitalization line of business. See this proposed organizational chart in Figure 1, followed by staff biographies.

Evaluations of all staff, including the Executive Director, are conducted annually.

**Figure 1:
NHSR Organizational Chart**



***Current Staff Biographies
(deleted for brevity)***

External Oversight

The Board contracts for a full audit annually. A clean audit is required to receive grant funds from Neighborhood Reinvestment Corporation, and to comply with other contracts.

Neighborhood Reinvestment Corporation reviews the organization biannually through an on-site visit from its Risk Assessment Department. This review examines all facets of the organization and concludes with a written report to the Board with findings and recommendations for improvement where appropriate.

Performance Measurement of the Business Plan

Success in the implementation of this business plan will be measured in several ways:

1. Achievement of production goals set out in each line of business.
2. The extent to which funds are raised as identified for each line of business.
3. Identification and measurement of key indicators related to the citywide outcomes established by the Board of Directors in the business planning process. These indicators will be developed by a new board committee (Business Plan Implementation) with staff. The Associate Director will be responsible for managing the measurement of citywide outcomes.
4. Identification and measurement of key indicators related to neighborhood revitalization outcomes established within each targeted neighborhood revitalization strategy. The first of these strategy documents will be created in 2004, when NHSR partners with a neighborhood for targeted revitalization. The Neighborhood Coordinator will be responsible for managing the measurement of neighborhood outcomes.

VI. Appendix

(deleted)