

Neighborhood of Affordable Housing

Program Review Report

Northeast Region

Conducted: September 12, 2011

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INTRODUCTION/OVERVIEW

A regularly scheduled comprehensive review of Neighborhood of Affordable Housing, Inc. was conducted by the Organizational Assessment Division of NeighborWorks® America and concluded with an onsite visit the week of September 12, 2011. The primary objective of the review is to assist the organization in enhancing its performance and capacity by facilitating an evaluation of its operations and capacity in all lines of business and the areas covered by the acronym PROMPT™ Production/ Program Services, Resource and Financial Management, Organizational Management and Board Governance, Management- staffing and personnel, Planning, Technical Operating and Compliance Systems. Interviews were held with the organization's board, staff, committee members and partners to explore past accomplishments and future goals and challenges. The review included an analysis of the organization's internal management and services delivery systems, as well as an examination of financial records and some of the organization's policies, procedures, and contracts.

This report summarizes the discussions and recommendations that emerged from the review process. NeighborWorks America appreciates the time and information offered by Neighborhood of Affordable Housing, Inc. (NOAH) staff and partnership members who participated in the meetings and interviews. NeighborWorks America's Organizational Assessment Division appreciates the cooperation, assistance

PROMPT SUMMARY OF RESULTS

I. PRODUCTION/PROGRAM SERVICES

Neighborhood of Affordable Housing has exceeded this performance objective.

NOAH operates five separate lines of business including homeownership production and preservation, community building and organizing, real estate development/asset management and property management.

A. Home Ownership Preservation Services

According to 9902 HUD reports, for the period October 1, 2007 through September 30, 2011, NOAH provided services to 4,336 clients or over 90 per month, fifty four percent being of Hispanic descent. Seventy three percent earned less than 80 percent AMI with 38 percent at 50 percent AMI.

a. Foreclosure Mitigation

From October 1, 2007 through March 31, 2011, NOAH assisted two hundred and fifty one (251) homeowners retain their properties. Two hundred and twenty six (226) clients

obtained modifications of existing mortgages with another twenty five (25) clients initiating forbearance agreements. One hundred and six (106) clients counseled did not retain their properties.

Subsequent to the site visit and during the *Draft for Comment* period 10 day period during which NOAH provided OAD with suggested edits and corrections to this draft report, management noted that NOAH staff has assisted **519** households to retain their home including **341** families receiving one or more mortgage modifications and **28** initiating forbearance agreements. These outcomes were compiled by law school Interns who completed a review of all preservation case files during this period.

NOAH successfully completed all production quotas through four funding rounds, earning \$495,624 through the *National Foreclosure Mitigation Council (NFMC)*. NOAH leveraged NFMC funding with \$426,864 generated through matching sources. For the period March 1, 2008 through July 31, 2011 the organization reported having provided nineteen hundred and seventy two (1972) counseling units to thirteen hundred and fifty two (1352) clients. NOAH had completed 50 percent (49.51) of the total NFMC Round 5 goal contracted for \$ 54,900.

NOAH is a HUD *Emergency Homeowners' Loan Program (EHLPL)* grantee having been awarded \$30,961 through NFMC. This program was created by Congress in the summer of 2010 to assist up to 30,000 families in thirty two (32) states and Puerto Rico with \$1 billion in funding to be allocated by September 30, 2010 for no interest two year loans of up to \$50,000. It was noted in a 10.8.11 Boston Globe article that months of delays and the addition of new eligibility restrictions delayed implementation until late June 2011. Amongst a laundry list of requirements, homeowners have been rejected for either not having their income reduced by at least 15 percent due to unemployment or a cut in pay due to the economy, for not having fallen three months behind in payments by June 2011 or not having received a foreclosure notification from their lenders. Only 11,824 families nation-wide have been tentatively approved, including 568 in Massachusetts. The number of people who pass final eligibility will be even fewer leaving at least a half billion dollars unused to be returned to the Treasury Department.

A September 15 NOAH update highlighted how labor intensive and arduous this program is.

- Of the over three hundred processed EHLPL Initial Worksheet/Applications, one hundred and forty eight (148) were deemed by NOAH to be potentially eligible with the balance deemed ineligible
- Of the 148 deemed *potentially eligible* and requested to bring in documents, forty four proved to be ineligible as a result of the *Documentation Verification Process*
- Of the Remainder, thirty six (36) clients have paperwork/documentation being finalized while twenty nine (29) client cases are still being processed by counselors

- 25 cases have been submitted to the *Fiscal Agent* through the portal. Of these, three (3) have been denied by the *Fiscal Agent*, seventeen (17) await *Review* by the *Fiscal Agent*. One has been accepted for EHLP assistance.

A successful advocacy effort by NOAH and members of a Boston Metro task force advocated for HUD to enact changes to the EHLP regulatory process to make the program more accessible to distressed homeowners and ease the burden on staff who generally had to process and facilitate three applications for one eligible applicant to eke through. Five (5) cases have been automatically and incorrectly deemed ineligible because the portal still has not been adjusted to approve program changes enacted months ago. To date fifty five (55) clients were submitted successfully to the fiscal agent compared to thirty one (31) projected in a two week dash to the extended deadline.

b. Repaired Units

For the period October 1, 2007 through June 30, 2011, NOAH repaired five hundred and eighty nine (589) units with total related investments of six hundred and eighteen thousand four hundred seventy eight (\$618,478) through its *Senior Homeownership Services* program. This is a core program activity funded annually through the City of Boston since 1987.

B. Home Ownership Promotion

NOAH's homeowner services consist of homeownership promotion and preservation activities to create and sustain affordable homeownership. Activities include pre- and post-purchase education, the facilitation of homeownership through counseling, referrals to partner financial institutions and other providers and foreclosure mitigation.

NOAH's board amended the organizational Strategic Plan 2006 – 2010 to reflect lowered projections going forward in homeownership promotion because of market conditions and the organization's prioritization of preservation activities, especially foreclosure mitigation and prevention. NOAH also plans to continue providing improvements through a small repairs program for its senior residents as it has done since 1987 under contracts with the City of Boston as a priority preservation activity. While NOAH would provide promotional activities generally, the organization focused on completing two homeownership promotional contractual activities which resulted in 108 homeowners when the goal was for 100 over a five year period.

- Boston Housing Authority's Maverick Landing/ HOPE VI relocation of residents interested in homeownership for creation of 51 homeowners
- Washington-Beech Program which resulted in the creation of 57 first time homebuyers.

Summarized in the table below, for the period October 1, 2007 through September 15, 2011, NOAH created one hundred and eighteen (118) new homeowners with related investments totaling \$26.1 million. Homeownership creation trended upward, each year increasing from the prior year so that by September 30, 2010 it more than tripled from its 2008 level of fifteen (15) to forty eight (48). The total declined by two thirds for 2011. Homeownership units created included an additional twenty five rental (25) units for the owner occupants.

Figure 1: Homeownership Creation

	2008	2009	2010	2011	Totals
Clients /First time Homeowners	15	34	48	19	118
Units Created	19	45	60	19	143
Related Investments (in millions)	\$3.63	7.71	11.31	3.4	26.1

Subsequent to the site visit and during the *Draft for Comment* period 10 day period during which NOAH provided OAD with suggested edits and corrections to this draft report, management noted that it had recently instituted a new follow-up program to track its actual numbers of first-time homebuyers VS those who self-reported to NOAH, which had been its prior practice. Using an online industry system to research each class participant family's purchasing history, the actual First-Time Homebuyer statistics are now known to be as follows:

Production for NOAH fiscal years July 1, 2007 through June 30, 2011

	2008	2009	2010	2011	Totals
Clients /First time Homeowners	32	68	97	106	303

Therefore, NOAH achieved a total of **303 first-time homebuyers** in FY2008-FY2011; which is significantly more than reported. Going forward, NOAH will use an online system like MLS or some other similar system to track its actual first time homebuyers, and will enter this data into the Counselor Max system. NOAH will also offer a small incentive to purchasers who submit their closing paperwork to NOAH.

Pre-Purchase homebuyer education increased from one hundred and thirteen (113) in 2008, nearly doubling in 2011. This was due to the various contractual relationships NOAH maintains in the Boston metro area that the organization depends on to develop its pool of prospective homeowners.

Figure II Home Buyer Education

	2008	2009	2010	2011	Totals
Pre-Purchase HBE Certifications	113	129	207	204	653

NOAH staff provides post-purchase homeowner education workshops including foreclosure intakes, financial fitness, maintenance and management and Fair Housing in efforts to develop sustainable homeownership.

Figure III: Homeowner Education

	2008	2009	2010	2011 YTD 9.15.11	Totals
Post Purchase & Other Work	80	457	404	130	1,071

NOAH maintains its CDFI status intact though it is doubtful it will restart its lending business activity given the very challenging market environment.

C. Real Estate Development/Asset Property Management

NOAH develops property for its own portfolio. NOAH's growth strategy is to develop partnerships with municipalities and others seeking to develop affordable housing mostly in connection with Mass Section 40b. To carry out this activity NOAH through its development affiliate, Peace Properties became a CHDO for all of Massachusetts east of Springfield.

During this past year NOAH in partnership with *JNJUHL Associates* and the Holliston Housing Development Corporation completed one project, *Cutler Heights*, a 30 unit development in Holliston, Ma. The total project cost for this family rental new construction project was \$7,781,177 for which NOAH earned a developer's fee of \$281,405. Project financing included LIHTC, TCAP funding through the DHCD and a permanent mortgage through the Mass Housing Partnership. Construction financing was provided by Middlesex Bank.

A project near completion is *Steven's Corner* a 42 unit development in North Andover which is a rehab of a former nursing home. This project represented a partnership with the town of Andover and carries a total development cost of \$10,164,000. A total developer fee of \$430,546 is expected on this project in the second half of 2012 assuming full occupancy is reached by December 31, 2011. Of that amount \$195,000 has been all ready booked. An outside consultant, Jon Juhl assisted in this project for which he is to be paid \$55,000 out of the closing funds on Cutler Heights. Developer overhead of \$446,000 has been recorded and collected as of 6/30/11. Financing was provided by Mass. Housing

Partnership, LIHTCs, states credits, Town of Andover Community preservation Funds of \$1.35million, CDBG and HOME Funds as well as other soft debt financing from the state.

There are two other projects under development: the Sitkowski School in Webster and Benfield Farms in Carlisle. Sitkowski is the adaptive reuse of a former school into 66 units of senior housing with a development cost of \$20,854,236 including developer fees and overhead costs to NOAH of \$1,140,000. VESTA Corporation out of Connecticut is partnering on this project which will include LIHTC and Historic Credits. Construction is estimated to begin in April 2012 and the project is awaiting award of tax credits.

Benfield Farms in Carlisle is a \$9,056,000 project to develop 26 senior housing units in partnership with the Carlisle Housing Authority. Like Sitkowski it is in line for state approval of tax credits and is otherwise ready to go. The Town of Carlisle has committed \$425,000 in Community Preservation Act funds to this energy efficient/green project. The fee for this project will be approximately \$900,000.

While all of these projects have property managers other than NOAH, those with Tax credit Partnerships may find their way into NOAHs consolidated financial statements. In every possible case, however, NOAH attempts to structure an appropriate asset management fee into each property on a going forward basis.

In addition to these Suburban Initiative projects NOAH has been engaged in the renovation of properties within its existing managed portfolio. PAZ and Trinity (both expired tax credit projects) are involved with \$232,039 and \$948,482 respectively in capital repairs and improvements. Shalom will receive some renovation activity on a unit by unit basis at the time of unit turnover.

Guiding real estate development activities are written procedural policies for Peace Properties the development subsidiary. Project selection is by a ranking of municipalities based upon a variety of factors. The Director of Real Estate Development has in mind creating a more detailed written approach to project selection criteria and this is encouraged as it will provide guidance to future staff and board as well as in assisting in evaluating and ranking of potentially competing projects. Similarly, the Director has created proto-type one page deal summaries capturing the fundamental information of each project. Formalizing this activity is encouraged.

As a line of business RED has been profitable for NOAH and showed a surplus of \$335,627 in FY 2011. In 2010 RED fees represented 13 percent of agency revenues. In response to a recommendation in a former Management Letter, development fees are now recognized on a percentage completion basis with a 1 percent hold back for cost over runs and a 100 percent hold back for contingencies such as meeting occupancy deadlines. The organization also appropriately charges development fees on capital improvements made to its own portfolio.

Asset Property Management activities are viewed as a profit center, and are managed by, an outside consultant, supported by an administrative /rental advocate, a repairs specialist and two janitorial staff. Together they manage one hundred and one (101) units in twenty-one buildings as follows:

Affiliated Entity	Units
Paz Properties, Inc	32 housing/1 commercial
Shalom Properties, Inc	30 housing
Siochain Properties, Inc 1% gen. partner. in Siochain LP	22 housing/ 2 commercial
NOAH Trinity	16 units
Peace 143 Border Street	1 commercial unit, Office Building

Annual budgets are created for each property and financial statements are contained within the MIP/Sage system with the rent roll being managed by Yardi Classic software. With the exception of Siochain, the operating figures shown for the properties below are based upon unadjusted management figures for the twelve months ending June 30, 2011. Paz Properties had less than a 1 percent vacancy rate for the year and a net income of \$86,000 before depreciation of \$112,277. It is currently benefitting by \$232,000 in capital improvements.

Shalom properties had a 2.6 percent vacancy rate for the period covered and generated an \$8,000 surplus after depreciation of \$55,466. Currently being considered are refinancing possibilities of this property and unit renovations at the time of unit turnover.

Siochain Properties is a LIHTC project with a vacancy rate of 3 percent for the first 6 months of calendar 2011 and a loss of \$54,316 after depreciation of \$29,618. Incorporated in this loss is \$45,937 of accrued interest due the City of Boston which is forgiven should the project maintain its affordability status. On the assumption that this is the intent of a mission driven non-profit housing provider then Siochain can be viewed as having a surplus before depreciation of \$21,239.

Trinity House is an SRO which was merged into NOAH in 2010 after its LIHTCs expired. It has undergone \$415,000 in capital repairs and safety improvements this year. During 2011 it had an unusually high vacancy rate of 9.5 percent but is currently fully occupied. Despite high vacancy rates Trinity yielded a surplus of \$5,377 before depreciation of \$39,837. Originally developed in 1993 by NOAH using low income housing and historic tax credits, NOAH refinanced the property's re-development and substantial rehabilitation as a 16 unit (13 SROs and 3 one bedrooms) residential house for disabled residents. It appears

in the historic register and serves 15 formerly homeless persons from the BHA's waiting list.

Three buildings at Paz Properties (108-110 White Street, 49-55 Putnam Street, and 449-451 Saratoga Street) were refinanced in 2011 with MHP. Through the refinance there was \$308,000 cash out to perform capital improvements to these 3 properties. The work was substantially completed at 6/30/11.

Concerning 143 Border Street (Pace Border) NOAH signed a five year commercial lease with Igreja Batista Ebenezer and is refinancing its New Markets Tax Credit deal for its office with a 10 year commercial loan from Cambridge Savings Bank. This is a New Markets tax credit project with MHIC. The compliance period for the project will end on 12/21/2011. NOAH will refinance the mortgage and move the property into one of our existing non-profit entities (Peace Properties) and apply for property tax exemption saving approximately \$20,000 per year.

It appears that the portfolio remains stable, is cash flow positive, and provides significant property/asset management income to NOAH which in the aggregate for FY 2011 amounted to \$314,914 and a line of business surplus of \$113,673. An asset management plan has been developed and approved by the board with a dedicated committee to be established to oversee and monitor the portfolio's performance.

C. Community Building and Organizing

NOAH continues to prioritize its' focus on community building through organizing, environmental justice education, neighborhood improvement efforts, and advocacy. NOAH dedicates four full-time (FTE) and several part-time youth staff overseen by a director to Community Building and Environment (CBE) programmatic activities. Twenty four funded, programmed activities are implemented under the oversight of the FTEs. Some impact highlights include:

- Chelsea Creek Action Group (CCAG): NOAH was instrumental in organizing this collaboration of community residents and groups as well as sustaining ongoing efforts since 1998. CCAG has succeeded in educating, engaging and organizing residents to advocate for the clean-up of the creek and the adjacent coastal areas, and the design and development of the Condor Street Urban Wild, accessing \$1.2 million from the EPA to create a public riverside park on a former contaminated site. CCAG has also worked with the City of Boston on designs for improvements to the American Legion Park for community youth activities.
- A July 23rd festival, an annual event organized by NOAH, brought out hundreds of E. Bostonians to enjoy kite flying, bicycle riding, canoeing and basketball and soccer tournaments in the two parks.

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- **E3C Crew Work:** Sustained programming for youth since 2004 in environmental justice organizing and leadership development, working with CCAG, including development and presentation of design concepts for wetlands revitalization and green storm water management techniques. Advocacy efforts helped win a \$1.6 million grant in 2011 to the City of Boston for wetlands restoration on the Chelsea Creek. Just recently the crew achieved a significant concession from the state's transit authority (MBTA) to ease restrictions on bikes on the Blue Line subway, the only direct public transit route out of the peninsula to downtown Boston. The crew has also advocated successfully for bicycle infrastructure improvements in the community.
 - **Energy Efficiency:** NOAH is a community partner in the City of Boston's Renew Boston residential weatherization program, providing no-cost insulation and air sealing to low- and moderate- income residents. As a result of NOAH's outreach, nearly 100 residents have received energy efficiency benefits that will save hundreds of dollars in home heating and cooling, and cut greenhouse gasses.
 - **Community organizing;** Activities build connections between diverse groups of residents to help solve problems in their immediate neighborhoods. Through the various committees formed to work on individual neighborhood problems, NOAH develops a global view of the community for the volunteer leaders. Leadership development/ capacity building is stressed as a means of developing social capital according to NOAH staff. Global issues such as climate change are taken with demands made to mitigate the historical land grabs, pollution and contamination of public and private utilities such as the airport, oil companies and transportation industries.
 - **Programmed Activities:** NOAH implements a broad-range of activities including Summer Soccer Programming, English for Speakers of Other Languages (ESOL), Citizenship Classes and Civics, Community Gardening, Backyard Raised Bed Gardening, Healthy Eating and Active Living Campaigns.

NOAH has been recognized as a peer learning site for community building and organizing by NeighborWorks America. Recognized best practices have been highlighted in NOAH success stories where the organization influenced Boston's policy makers in developing strategies for improving infrastructure and restoring brown fields. As a participant in the Success Measures pilot and through the development of Community Level Outcomes, NOAH has established tools and developed human resources for monitoring the progress made against established community goals.

NOAH excelled in Production as evidenced by the impact made in targeted communities through its line of business activities for the period October 1, 2007 through September 30, 2011:

Homeownership Preservation

- Assisted 251 homeowners retain their home including 226 with mortgage modifications and 25 initiating forbearance agreements

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- Improved 589 units of senior housing through related investments of \$618,478, ensuring longer term livability through repairs focused on health, safety, access and weatherization issues

Real Estate Development

- Completed 72 units of affordable housing with development cost of \$18 million in its Suburban Initiative.
- Developed an active shovel-ready pipeline of another 92 units with development costs of approximately \$30 million.
- Generated net revenues from real estate development fees of \$295,044, \$437,125, and \$335,627 over the past three fiscal years.

Property/Asset Management

- Sustained profitable operations of property management as a line of business achieving net revenues of \$164,217, \$61,351, and \$113,673 respectively over the last three fiscal years.
- Maintained low vacancy rates-- collectively under 2 percent on average.
- Refinanced Trinity & Paz at expiration of tax credits and in process of refinancing its office property while completing capital improvements totaling \$1.2 million.

Community Building and Organizing

- Accessed \$1.2 million for capital improvements and environmental remediation and additional operating funds to manage ongoing educational and recreational programming for reclamation and improvements of the *Condor Street Urban Wilds* and the *American Legion Park* as community amenities
- Increased access for bicycle ridership for East Boston residents on the state's public transportation system through the successful advocacy of NOAH's *E3C Crew* consisting of area youths
- Managed community garden site and resident backyard garden beds in a greening effort to promote healthy lifestyles.

II. RESOURCE AND FINANCIAL MANAGEMENT

Neighborhood of Affordable Housing has exceeded this performance objective.

Operating Funds

NOAH's fiscal year ends 6/30. The organization's support comes primarily from federal and state grants, rents and property management fees, developer fees, and interest. As shown in its annual consolidated audits NOAH's net unrestricted income for the fiscal years 2008-2010 was \$75,205, (\$59,300), and \$170,578 respectively. The unconsolidated operating budget of NOAH for FY 2011 projected income of \$2,220,377 and expenses of \$2,171,970 yielding a surplus of \$48,407. Actual results for the 12 months ending 6.30.11 show income of \$2,485,461 and expenses of \$2,272,337 and a surplus of \$213,124. The projected unconsolidated budget for FY2012 reflects income of \$2,157,523, expenses of \$2,022,326 yielding a net surplus of \$135,197.

Non-consolidated management figures for the past three fiscal years (2009-2011) reflect net income of \$119,002, \$294,475, and \$213,124. This performance along with a re-classification of some of NeighborWorks America's capital funds has resulted in unrestricted net assets going from a negative (\$66,339) in 2008 to a positive of \$860,338 in 2011.

Performance of the real estate portfolio is covered under the Property/Asset Management Section of this report. However it is noted here as a matter of overall resource development that in the aggregate Paz, Shalom, Trinity, and Siochain whose results are not contained within the \$208,243 surplus for 2011 had total net income of \$92,024 before depreciation. These figures are before adjustments. The Paz figures already include payments to the City of Boston for cash flow based on the prior year.

Capital Funds

NOAH has used capital funds for lending and real estate development. Lending has been discontinued and the existing portfolio held under NOAH CDFI has approximately \$310,000 being serviced. Funds for real estate development have been raised on a project by project basis and have relied heavily in the past on LIHTC and the Commonwealth of Mass. The majority of real estate development activities undertaken by NOAH over the last several years have been as an agent partnering with various municipalities in Mass.

NOAH has used its NWA restricted funds for short term, pre-development working capital in order to pay for professional services for its suburban real estate projects. It has internal working agreements with its subsidiary entity, NCDF, to borrow the funds for such purposes. The use of funds is tracked by Real Estate Development and the Finance Dept and reported to the Board on a regular basis. NOAH also accesses NW capital sources such as NeighborWorks

Capital and expects to use Community Housing Capital for future projects. NOAH's projects are dependent upon funding from the Massachusetts Department of Housing and Community Development, with which it has a solid reputation. DHCD has very competitive bi-annual competitive funding rounds for LIHTC and other equity/soft debt sources. NOAH has two projects pending before DHCD, Webster and Carlisle, \$20 million and \$9 million projects. NOAH is actively pursuing two other projects in underserved Gateway Cities totaling \$37 million and 120+ units.

Financial Health

NOAH's consolidated balance sheets for the period 2008-2010 show declining liquidity and increases in debt/net assets. This downward direction is not the result of a trend but rather one of an incidence of timing. Specifically in 2010 a balloon mortgage payment of approximately \$688,000 on NOAH's office condo was reflected as a current liability and was subsequently refinanced so that the majority of the debt is no longer carried as current. Similarly the balance sheet reflected current payables from real estate development activities which were eventually paid through long term mortgage financing. Additionally, the consolidated financials may distort the debt /net asset ratio for two reasons:

1. Accumulated depreciation that results in the book value of the real estate portfolio constantly declining regardless of the relationship to market values.
2. Traditional state and city financing for non-profit developments have an element of forgivable interest, which until the point of forgiveness is included as a liability although most often forgiven.

That having been said, unconsolidated management figures show an increase in liquidity with a current ratio at 6.30.2011 of 3.68 and 185 days of cash on hand. This last computation does not include some \$83,000 of unrestricted reserve cash or \$135,000 of NeighborWorks funds that were formerly restricted according to the Director of Finance.

NOAH's Housing Development, Rental Housing and Homebuyer Services net asset changes have carried the organization, through the three fiscal years 2009 through 2011 ending June 30, providing coverage for Housing Counseling as well as general administration and total support services. Total net asset change through the three year period was \$616,140.

All lines of business are projected to be sustained through 2012 with the Community Building and Environmental programs confronted by the biggest challenge afterward with the expenditure of a Barr Foundation grant three year grant which supports up to 20 percent of the activity's operating budget through 2012. NOAH's homeownership staff capacity will be sustained as it shifts focus to meet the demand of the high incidence in foreclosures mitigation while market forces support more promotional activities. This unit will be challenged once a Morgan Stanley grant runs out in April 2012. Senior Housing Services is projected to break-even as it has done historically because of its city funding.

Resource development efforts focused through a plan of action will confront the challenges of diminishing philanthropic support and access to working capital. The strategic plan notes that NOAH will seek to build relationships with a network of individual donors. ...with a focus to individual donors centered on CBE and youth activities to present a sympathetic face to potential donors. The following goals for fund development were established:

- Build on NOAH's acknowledged strength in crafting compelling proposals by continuing fund raising from foundations and corporations,
- Implement a donor database to ensure regular communications with contributors
- Raise \$15,000 in the first strategic plan year from individuals, including contributions made in relation to fundraising events; grow this amount to \$30,000 by the third year

Lending and Portfolio Management

NOAH exited the lending business some years ago and is currently following 8 remaining consumer mortgage loan accounts totaling \$312,408. Five loans totaling approximately \$180,000 are current. One loan for \$28,325 is 31-60 days past due and 90 + day past due loan with a \$36,858 balance makes periodic multiple payments. The last loan for \$67,266 is in a work out mode making payments of \$250/month due to job loss. An allowance for doubtful accounts is in place.

NOAH's financial management function is staffed by a Director of Finance assisted by a staff accountant. Sage accounting software is used for accounting with Yardi Classic used for property management. The function is guided by comprehensive 2011 edition of policies and procedures which includes a records retention schedule.

Budgets are created on a departmental/line of business basis as well as on a funder basis. Financial reports are generated in a timely and fully reconciled basis each month and include budget-to-actual and balance sheets, income and expense reports, and cash flow projections. Payroll is processed by an outside vendor and time sheets are used to record hours and vacations. All deposits, Forms 941 and unemployment reports have been completed and filed as required. Forms 990 and the reports required by the Commonwealth of Mass have been filed.

The system, as required separately accounts for NeighborWorks Capital Funds, a current reconciliation of which is shown below:

Peace (Border Falcon & Meridian Streets)	\$616,350
Paz	207,108
Shalom	100,000
Restricted Cash	50,000
Loans Receivable:	
Clients	268,902
Amani Properties	126,215
Cutler Heights LP	115,000
Sitkowski School	<u>109,997</u>
Total	\$1,593,572

The books and records are subject to an A-133 audit which have been unqualified in nature and which reveal no material weaknesses. There are no unresolved issues raised in Management letters received over the years.

NOAH has planned for and raised resources to adequately support current year operating and capital needs, accumulated net assets to sustain the organization beyond the current year and effectively monitor its financial health as evidenced by:

- Sustaining strong annual earnings over the period January 1, 2009 to December 31, 2011, improving unrestricted net assets from a negative \$455,235 to a positive \$434,905.
- Maintaining 185 days of operating cash. Not counting approximately \$218,000 in unrestricted reserve cash.
- Ability to raise capital for all of its real estate development needs.
- Maintaining financial management and oversight practices that provide detailed lines of business information to make timely decisions including monthly cash flow projections, and the ability to routinely produce reliable monthly reports based upon full reconciliation of bank accounts and subsidiary ledgers and records to the general ledger.

III. ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE

Neighborhood of Affordable Housing has exceeded this performance objective.

NOAH's state CHDO certified board consists of thirteen directors, seven of whom have Boston residency. The resident members include the president and the vice president, the former having grown up in the neighborhood while the latter has been a long time resident. Two directors currently serving are founders. Tenure ranges from one to more than ten years including the two most recently assigned directors.

The governance system instituted consists of an executive/finance committee meets at least ten times per year. This committee also functions as a nominating committee as necessary to assure the board's full complement of directors. From this committee directors for the 12 affiliate single purpose corporations established to oversee the management of properties or real estate development are drawn. A fundraising committee oversee annual fundraising events, in particular the *Trinity Treasures* event.

Directors include professionals in the fields of financial management, human resources, health, business administration, law and community activism. Expertise and experience relevant for overseeing NOAH's complex operations include a couple of certified public accountants, three attorneys, a commercial realtor, the executive directors of two non-profits, a retired educator and a former housing director. This is in keeping with NOAH's strategic recruitment of talent noted in the 2008 program review report. An effort is ongoing to establish an asset management committee.

NOAH has in place a conflict of interest annual disclosure protocol for board members (as well as staff) and drafted a succession protocol for the board's approval. The organization also has established guidelines and expectations for participation and engagement, including fundraising obligations. A manual facilitates the orientation of newer directors to the complexities and culture of NOAH. The NOAH board completes an annual assessment of its performance during review of progress against goals established through annual operating plans. Two directors are of Hispanic descent while the board continues efforts to recruit more representation for this sector.

Board meetings are informed by extensive management and financial reports to update progress made in the programmatic business activities and the organization's fiscal health. The annual executive director's performance evaluation was completed and approved in April's board meeting. Routine self evaluation is also completed annually during the development of operational plans with board and organizational development needs focused on through the year's operations. The board is very actively engaged in developing the vision for the organization and in September's meeting approved the organization's strategic plan to guide NOAH over the next five years. The plan includes the development of a succession plan for a transitioning executive director.

NOAH has a partnership board that is engaged and provides required oversight of its lines of business and financial risks as evidenced by the following:

- The routine monitoring of progress against the internally established goals and strategies of its business and administrative/managerial activities
- The formal periodic performance evaluations of its executive director and the board
- Board members who are representative of a partnership board of residents, public and private sectors and who have the range of skills to effectively oversee NOAH operations.

IV. MANAGEMENT – STAFFING AND PERSONNEL MANAGEMENT

Neighborhood of Affordable Housing has met this performance objective.

NOAH is staffed by twenty one (21) full time and nine (9) part time employees. Two consultants are contracted to direct property management. A VISTA worker was recently hired. NOAH's executive director directly supervises a leadership team consisting of the directors of administration and fundraising, finance, homeownership, community building, housing development/real estate development and property management, managed by a consultant. Five of the six directors averaged tenure of eight years, ranging of from one to 24 years. The manager of the senior homeownership services has been with NOAH over two decades.

All managers and staff interviewed they had performance evaluations routinely completed by the executive director or their direct supervisor according to policies and procedures. Professional development is highly encouraged with counseling staff completing the certifications for full cycle lending.

NOAH makes extensive use of volunteers that vary according to the needs of the various activities, including foreclosure mitigation, home buyer education, real estate development and CBE. Generally the number ranges between 100 - 125 volunteers annually.

NOAH has met the PROMPT performance objectives in Staffing and Personnel Management.

V. PLANNING

Neighborhood of Affordable Housing has met this performance objective.

A year-long strategic planning process which included a survey and dialogue with stakeholders and partners culminated in the approval of strategic organizational plan by the board at its September 2011 meeting. This plan will provide guidance for the organization through December of 2015. The board and management engaged in drafting business/operational strategies as part of a vetting process which led to the final document.

According to the strategic plan: NOAH's work is guided by the following Mission Statement:

NOAH eagerly partners with residents and communities in order to create vibrant affordable housing, sustainable environmental/economic development practices and energetic youth/leadership programs especially for low and moderate-income persons and families.

NOAH activates and pursues its mission through the following core business lines:

- *Real estate development and Housing Services to promote and sustain both homeownership and rental housing efforts, with a focus on East Boston and communities*

in Eastern Massachusetts which often do not meet the Commonwealth's 10 percent requirement for affordable housing and lack locally-based nonprofit development capacity but value a partner with which they can collaborate to create appropriate housing options. Housing Services include senior homeowner repairs, foreclosure prevention and homeownership counseling efforts which help families/individuals/seniors retain their homes or pursue ownership and rental opportunities in the private sector.

- *Community Building and Environmental* programs, projects and services which improve and sustain the quality of life in East Boston and beyond, to enhance the quality of life for all residents, to lead mitigation and adaptation responses to emerging climate change challenges and to cultivate the next generation of environmental and youthful community leaders while partnering with like-minded civic, advocacy, governmental, academic and cultural groups in the neighborhood and the region.

Planning is integral to NOAH's organizational culture. This is evidenced in East Boston areas targeted for impact. Staff and board constantly prod and reach out through community processing and visioning efforts completed before and during the development and implementation of CBE programmatic activities.

Since at least 2002, NOAH has planned for and implemented an expansion or regionalization strategy to provide services to designated Gateway or keystone communities that are underserved as evidenced by the dearth of housing options as per Massachusetts' Chapter 40b legislation calling for all communities to assure that 10 percent of their housing stock is affordable. The need is exacerbated by the lack of skilled community development departments and staff in the outlying communities that can utilize NOAH's core competency. NOAH targets the areas east of Springfield, MA and encompasses the 495 beltway Boston/metro area. Care has been taken to complete market studies (Everett, Holliston, N. Andover) to evaluate need and demand. In addition, NOAH as a leading member of the Massachusetts Association of CDCs will not work in areas targeted by another organization, much less a network organization.

Expansion has resulted in the extension of foreclosure prevention services to some 51 communities regionally and the production of affordable housing in Holliston and N. Andover with a pipeline in other outlying municipalities such as Everett where a market study was recently conducted for the historic restoration of a school building into housing for seniors.

As evidenced by OU documentation and previous program review reports, NOAH utilizes an institutionalized planning and evaluation process to guide board and management through operational years. This includes an engaged board's ongoing monitoring of progress against established goals and the solicitation of input from constituents and stakeholders. Through the years, NOAH has contracted or expanded depending upon the organization's evaluation of the market environment. Through their planning and evaluation processing, NOAH has succeeded in sustaining its valued core programmatic activities. The organization will be more challenged

to continue CBE activities at the current levels after fiscal year '12 because of the impending departure of a major funder through the past years.

NOAH has instituted the unique practice of comparing progress YTD to the totality of projections of the six year planning cycle of the organization's strategic plan.

Community Level Outcomes have been established to measure the impact of NOAH's Community Building activities in combination with other programmatic activities in a targeted E. Boston neighborhood. Baseline data which included block by block condition analysis as well as the use of external research for comparative studies over time has been collected with tools designed for the specificity of the outcome.

NOAH has met the PROMPT performance objectives in Planning.

VI. TECHNICAL OPERATING AND COMPLIANCE SYSTEMS

Neighborhood of Affordable Housing has met this performance objective.

Reporting is managed centrally by the director of administration. Staff stated that they still had trouble efficiently implementing the Counselor Max software and felt that production numbers presented to them did not accurately reflect their actual production. The reporting situation is exacerbated by the numerous NOAH contracts and the varied reporting and compliance requirements exceeded.

NOAH's performance and strict compliance on contracts has sustained long term relationships with public and private funding entities. Board oversight extends to execution of corporate resolutions for execution of contracts with funders, partners or the city and monthly monitoring of progress against contractual obligations. A centralized system for tracking compliance and progress against performance obligations is in place for program managers and the development director to assure staff accountability. Managers of functional units have primary responsibility for assuring that contracts related to their activities are fulfilled.

NOAH has systems in place to track and monitor all business production activities as evidenced by matrix tables and reports to the board and NeighborWorks America.

In property/asset management, key indicators have been established for monitoring performance of vacancy and turnover rates.

NOAH has met the PROMPT performance objectives in Technical Operating and Contract Compliance.

NeighborWorks America reports do not reflect the organization's true production.

This issue will be resolved when the following outcome has been achieved:

- NOAH has implemented changes to its reporting systems that ensure production reports to NeighborWorks America are accurate and consistent with its actual production.

OVERALL CONCLUSION

NOAH has expanded its real estate development activities and increased revenue through the formation of new local partnerships. The East Boston neighborhood continues to be the focal point of preservation activities and community building and organizing sustained largely as a result of developer fees. NOAH's challenge is to sustain funding through an expanded real estate venue and increased resource development efforts.

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