



2017 Operating Plan

I. 2016 Highlights

DHIC had a terrific year despite continued setbacks in the state funding and policy environment and continued economic uncertainty. Highlights include:

- **Adoption of Executive Succession Plan.** In accordance with our board governance goals in our three-year strategic plan, and with support from NeighborWorks technical assistance funds, DHIC's board and staff completed a rigorous succession planning process facilitated by Tom Adams of RAFFI. The process included an organizational/leadership assessment, staff coaching, and a revision of past succession planning documents. The new plan was approved in June.
- **Award of three LIHTC allocations supporting 430 affordable units.** Booker Park North, a 72 unit senior community included in our Washington Terrace master-planned community in Raleigh; Greenfield Commons, 62 units for seniors, representing Phase 2 of a two-phase project in Orange County; and Capital Towers, a 296 unit senior complex that will be the largest rehabilitation DHC has undertaken in its history. This project received approval as a 4% Bond Volume Cap deal.
- **Inclusion in Neighborhood LIFT Program.** DHIC's Homeownership Center (HOC) was selected as a provider for Neighborhood LIFT, which is being implemented in 2017 and offers new sustainability resources for our homeownership programs. In 2016 HOC also graduated 346 clients from its Bringing Home the Dream homebuyer education and helped 27% of these purchase their first home.
- **Fully On-Boarded Three New Staff.** Two Project Managers and an in-house Asset Manager have been fully integrated into DHIC's work, and we are already seeing the benefits of the added capacity, particularly given the 2016 LIHTC awards.

Additional progress benchmarks are included in our Success Measures Reporting Tool, attached to our Strategic Plan.

II. 2017 Operating Conditions

The following overarching challenges and opportunities have informed our 2017 operating plan. Each of the attached line of business plans also includes an analysis of operating conditions.

Challenges

- **Competition and Uncertainty in the LIHTC market.** There are fewer resources and more developers and project applications annually, in addition to tight caps on reservations

and annual uncertainty around NC's QAP. Discussion of federal tax reform also has affected pricing and investor interest.

- **Year 15 Challenges**, including a lack of experience and education among local and state funders, investors and bankers, and policymakers around refinance and preservation solutions. We are progressing on highly elongated timelines.
- **Escalating Construction Costs**. Multifamily construction in the Triangle is booming and there is a shortage of labor and subcontractors. It is impossible for DHIC to build apartments that fall under the cost limits of the North Carolina Housing Finance Agency leading to gaps in funding when projects are ready to get underway.
- **Local Government Land Use Challenges**. In Raleigh, major changes in the city's UDO are continuing to challenge project development. In Chapel Hill, there is continuing community resistance to advantageous Land Use ordinance changes. And in Durham, questions about transit oriented development standards and expectations could affect
- **Turnover in Local Government**. Changes resulting from local elections at the county and municipal level are highlighting the need for on-going relationship-building and education with politicians.
- **Ballooning Pipeline**. Over the past two years DHIC has added significantly to its active pipeline, with nine projects totaling 894 units in play and more to come in 2017. With new project management and asset management staff we are mitigating the challenges of workload, but resident services remains stretched thin as new projects come on line.

Opportunities

- **4% Tax Credits/Bond Volume Cap**. DHIC is financing Capital Towers with 4% credits, and is looking to utilize this program for Phase 2 of Pennington Grove and other larger transactions in the future. Given the shifting environment for 9% deals, learning to use this program well could be essential for maintaining a full pipeline in the future.
- **In-House Construction Management Capacity**. In 2015 DHIC hired a part-time consultant to assist with pipeline management and cost containment. This position is paying dividends and boosting DHIC's overall capacity and efficiency.
- **Multi-Phase Washington Terrace Master Plan** has resulted in exciting redevelopment opportunities, new partnerships, new funding relationships, and increased reputational value for DHIC. In 2017, DHIC will commence construction on the first two phases at Washington Terrace and begin to think about strategies to develop the remaining portion of the site.
- **Transit Oriented Development** opportunities are increasing, most recently in the City of Durham, where DHIC has been tapped to assist the City to implement a housing plan adjacent to a major bus and train facility near downtown.
- **Significant Support from NeighborWorks America** has expanded opportunities for DHIC to strengthen and grow, including Expansion Grant, Portfolio Strengthening, Community Stabilization, Technical Assistance, CLI participation, and other opportunities in recent years.
- **Settlement Funds** from various banks are flowing to our area, and DHIC already has benefited from Project LIFT and other funds.

Economic/Market Issues

- **Decreasing Public Resources.** The NC legislature has not reinstated the state housing tax credit and continues to erode pass-through opportunities for local projects. Federal funding across all critical agencies is also at risk.
- **Bank Consolidations and Flux.** The Triangle is seeing continued mergers and new market entrants. DHIC has experienced turnover in our relationship managers and has had to adjust to new project underwriting processes and timelines. We have devoted more time to relationship management and visibility strategies.
- **General Financial Markets,** which have impacted DHIC's ability to finance new properties and refinance existing ones in the portfolio. There is more competition for scarce resources; a need to respond even more efficiently to lenders and investors; and a more difficult and longer negotiating timeline for deals.

III. 2017 Management and Infrastructure

A. Management and Staffing

Critical to DHIC's growth and sustainability is a talented and ample staff, and we have attracted and traditionally retained a highly motivated, diverse, and extremely competent team. An organizational chart is attached, reflecting 18 FTEs and the use of seven part-time consultants on a regular basis. Average staff tenure (excepting new hires) is 12 years.

The attached organizational chart denotes the management team members with "mt" in the bottom right corner. The five-member management team includes the chief executive, each of three vice presidents, and the Homeownership Center Director.

Traditionally staff has taken full advantage of NeighborWorks training slots. We encourage all staff to attend at least one outside professional development opportunity annually, including those offered by NeighborWorks, trade associations, the NC Housing Coalition, the Housing Partnership Network, and others.

B. Facilities and Technology

DHIC operates from two locations in Raleigh. Our "home office" is located in street-level commercial space at the Prairie Building, a Historic Tax Credit project that DHIC renovated in 2000 and which also features 11 affordable apartments. (This building is due for renovations in the coming year.) The space comprises both private offices and cubicles currently occupied by 13 staff; two conference rooms; a small private meeting space; lobby and reception; a copy and IT room; and kitchen and storage.

Our Homeownership Center staff and community training room are located in commercial space on the first floor of Carlton Place apartments, a DHIC community that also features 80 apartments. This facility is a ten minute walk from DHIC's headquarters and features a well-appointed training room; two private meeting rooms for one-on-one counseling; reception and workstations for up to seven staff; copier and supply spaces; and a kitchen.

Both offices feature wireless internet and are connected via telephone/intercom and DHIC's network server. DHIC values high-performing computer technology and maintains a regular replacement schedule for all office technology, including desktops, laptops, software and peripherals. We contract with Neal Vann (noted on the attached org chart) for all IT maintenance issues and support with purchasing.

In addition to standard Microsoft Office productivity suites, we utilize BusinessWorks accounting software and compliance/reporting systems required by NeighborWorks America including CounselorMax, ORS, MFI, and Grantworks. A key challenge we seek to address this year is creating more efficient protocols and queries for extracting and reporting data from NeighborWorks systems, particularly for the Homeownership Center.

C. Leadership Development

Our organizational chart was revised in 2015 in part to promote leadership development. In addition, throughout the succession planning process mentioned above, throughout 2016 the management team met with Mark Molitor, a noted management consultant and coach in the area, to candidly discuss management challenges, needs and goals. In addition, DHIC hosted an all-staff retreat. In general, management is paying greater attention paid to empowering staff as decision-makers and innovators within the organization.

IV. Board Governance

DHIC has a 15-member board, five members of whom are appointed by the City of Raleigh and the rest recruited and elected by the Board. Recruitment goals can vary from year to year based on board self-evaluations, gaps in skills, experience and industry representation, and the need to ensure low-income communities are also represented. DHIC is committed to maintaining its CHDO status, and in fact has seen this status play a critical role in its ability to leverage resources this year.

Recruitment is an on-going cultivation process and both staff and board members help in this endeavor. Ultimately the Board's nominating committee puts forth candidates for review and election. A recent self-evaluation survey suggests that DHIC is successful at balancing board representation in terms of expertise, community stakeholders, and diversity. 60% of board members are white; 40% are black; 26% are women and 74% are men; and the average age is between 45-55. Industries represented include local government, academia, law, banking and finance, real estate development, high tech, and non-profit management, among others.

In 2016, the Board made a small change to DHIC's by-laws to allow for board members to serve up to 8 successive years on the board. This change was made to ensure retention of

institutional knowledge on the board, a concern that was raised during the executive succession planning process.

Key goals for Board development and governance in 2017 include:

- Provide more tutorials, training and opportunities for discussion around financial and programmatic issues identified in the board self-assessment.
- Continue to utilize on-line board portal to communicate with and educate busy board members.
- Expand opportunities for Board members to participate in DHIC activities outside of board meetings, and develop a system to more carefully match board members with these opportunities as part of their pledge process. We are especially interested in opportunities to elevate DHIC's board members in the community.

V. Resource Development

Maintaining a concerted resource development strategy is a priority for DHIC, which seeks to diversify its funding mix and ensure the sustainability of operations and programs that are not self-sufficient. These include resident services, HOC services, community engagement, and the cost of innovation and experimentation as we seek to expand. Resource development efforts include marketing and communications, fundraising and board engagement. A 2017 work plan is attached.

VI. Lines of Business

DHIC has four lines of business:

- Real Estate Development
- Homeownership Center
- Asset Management
- Resident Services

Each line of business team develops an annual business plan with goals and benchmarks that align with our three-year Strategic Plan, yet take advantage of emerging challenges and opportunities. These plans are attached.

Attachments

- Organizational Chart
- Resource Development Work Plan
- Business Plans