

Twin Cities Community Land Bank
Strategic Plan 2011-2014



Twin Cities
Community Land Bank



Contents

Overview	1
Organizational Description	2
Operating Principles	3
History	4
Key Accomplishments.....	5
Seven Goals and Objectives	6
Goal One	6
Goal Two	9
Goal Three	11
Goal Four	14
Goal Five	16
Goal Six.....	17
Goal Seven.....	19
TCC Land Bank Board and Staff	19

Letter from the Presidents

Letter from Tom Fulton and Rebecca Rom

The Twin Cities Community Land Bank (TCC Land Bank) was formed in 2009 during the peak of the mortgage foreclosure crisis in the Twin Cities at the urging of the Family Housing Fund’s public and private partners to help respond to a critical community need for neighborhood stabilization throughout the metro area. Formed initially as a land bank to assemble, manage, and dispose of property related to the foreclosure crisis, TCC Land Bank has grown to serve a broader community purpose through its integrated neighborhood recovery efforts, including: community lending, property acquisition, land banking, and more.

In order to guide its work and focus areas over the next three years and to best engage our partners and the community in our efforts, staff and board felt that it was critical to undergo a strategic planning process for the organization. This plan is meant as a road-map, and will be revisited often so that we can best respond to current opportunities and community need. Thank you especially to TCC Land Bank board members and staff, key stakeholders, and other community leaders who contributed their time, expertise, and vision for this plan. We look forward to working with our current partners and forming new and vital partnerships to continue revitalizing neighborhoods and strengthening communities throughout the Twin Cities metropolitan area.

TCC Land Bank works with its public, private, nonprofit, and community partners with the ultimate goal of supporting the creation of vibrant, sustainable homes, neighborhoods, and communities throughout the Twin Cities metropolitan area.



Twin Cities Community Land Bank Strategic Plan

Overview

Formed as a land bank, Twin Cities Community Land Bank LLC (TCC Land Bank) has quickly evolved into a community lender that provides loans to developers—preserving affordable housing in the Twin Cities. To date, TCC Land Bank has been most active with its first initiative within the urban cores of the Minneapolis and Saint Paul metro area: an integrated approach to economic recovery that includes strategic property acquisition, partnerships with nonprofit and socially-minded for-profit housing developers, and lending for those developers' affordable housing projects. As TCC Land Bank prepares to implement the Corridors of Opportunity/Living Cities initiative, it has embarked upon a strategic planning process to guide the organization over the next three years.

This plan seeks to address the following core questions:

1. What is the most effective role for TCC Land Bank over the long-term?
2. Who are our core customers?
3. How do we add value in the community?
4. How do we achieve financial sustainability?

We will examine each current and potential initiative from three perspectives to prioritize the organization's goals and objectives over the next three years:

1. Financial Sustainability
2. Social (Community) Impact
3. Innovator

TCC Land Bank's strategic planning process included the active participation of board and staff through a series of board meetings from July 2010 through May 2011 and in-depth interviews conducted in February 2011. Additionally, 12 key stakeholders in the community were interviewed by phone in March 2011 to obtain their input about community needs and TCC Land Bank's role in community revitalization in the Twin Cities and first-ring suburbs. These comments informed the goals and objectives in this plan and were shared with TCC Land Bank staff and board for further consideration and discussion. The TCC Land Bank Board of Governors reviewed and commented on a draft of the strategic plan in June 2011 and directed that it be posted on TCC Land Bank's website and distributed to partners and collaborators for comment. The month-long community comment period resulted in one substantive response, which is reflected in this document. Management and board are confident that key stakeholders and community members have reviewed the plan and support its adoption and implementation. The board formally adopted the plan in August 2011.

The TCC Land Bank was formed in 2009 by the Family Housing Fund and its public/private partners as an innovative tool to respond quickly and effectively to the challenges and opportunities of the to further regional growth objectives linking housing, jobs, transportation, and education. To build neighborhoods and strengthen communities, TCC Land Bank operates within five main focus areas, highlighted in the graphic to the right.



Organizational Description

TCC Land Bank is a nonprofit limited liability company founded in 2009 by the Family Housing Fund as a strategic tool for government, neighborhood based organizations, community development corporations, and nonprofit and for-profit developers to further community-based economic development and affordable housing goals.

The primary purpose of TCC Land Bank is to foster positive community development for residents of the cities of Minneapolis and Saint Paul, Minnesota and the surrounding cities and counties in the seven-county metropolitan area. Our guiding values include: providing affordable, sustainable homeownership opportunities for low- and moderate-income families while reducing the disparity between homeownership rates for whites and communities of color; promoting affordable, sustainable rental housing for low- and moderate-income families; and supporting commercial and transit corridor developments that link to equitable housing opportunities and community development.

Learn more about the TCC Land Bank and its activities at www.tcclandbank.org.

Operating Principles

TCC Land Bank's operations and activities are guided by the following ten principles.

1. To be a nimble, flexible, and responsive organization that can respond to potential opportunities and meet urgent community needs while consistently implementing its core activities.
2. To enable the efficient, effective acquisition, holding, and marketing of properties acquired through various neighborhood recovery efforts.
3. To reduce the public cost of holding land through efficiencies of coordination and scale.
4. To efficiently and creatively aggregate public and private capital to support a very large scale property acquisition, disposition, and marketing effort.
5. To provide opportunities for community and neighborhood engagement in the development and disposition of foreclosed, vacant, and distressed properties, particularly among communities of color.
6. To promote best practice in planning and design including high architectural standards, energy efficiency, green land and construction standards, and linkage of housing development to transportation.
7. To coordinate internal policies and programs with broader community development objectives including jobs, economic opportunities, transportation, public safety, schools, human services, and homeownership counseling and support, particularly among communities of color.
8. To provide affordable, sustainable homeownership and rental opportunities for low and moderate-income families, and to reduce the disparity between ownership rates for whites and communities of color.
9. To provide business, developer, and contracting opportunities for communities of color.
10. To support commercial and transit corridor developments that link to equitable housing opportunities and community development goals.

TCC Land Bank implements an integrated approach to neighborhood recovery through several key programs and efforts. The organization coordinates its policies and programs with broader community development objectives, including affordable housing, jobs, business development, economic opportunities, transportation, public safety, education, human services, green building and design, and homeownership counseling and support.



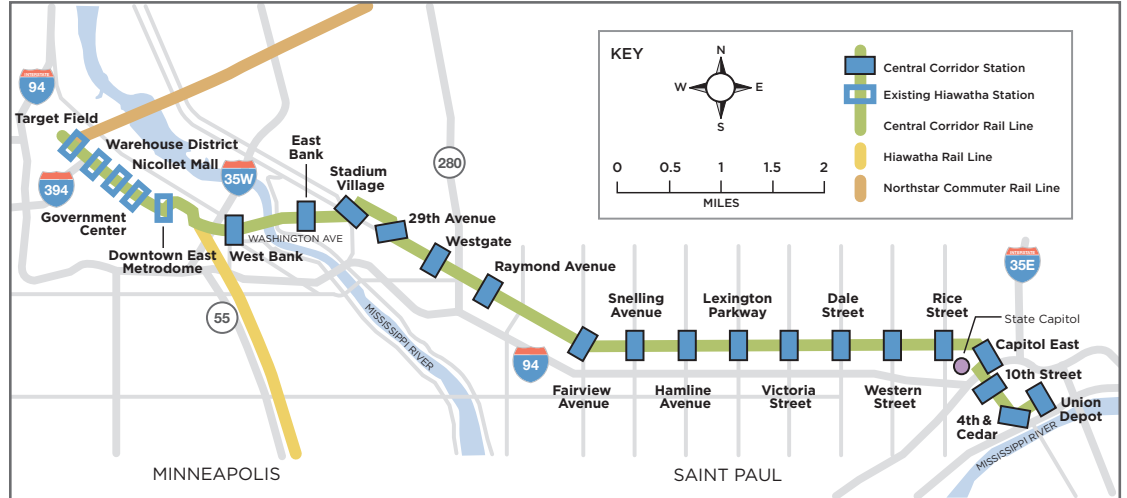
History

TCC Land Bank is a nonprofit Community Development Financial Institution (CDFI) founded in 2009 by the Family Housing Fund as a strategic tool for government, neighborhood based organizations, community development corporations, and nonprofit and for-profit developers to further community-based economic development and affordable housing goals. TCC Land Bank was founded to further the Family Housing Fund’s mission by preserving and expanding the supply of sustainable affordable housing as ownership and rental opportunities, expanding lending opportunities for affordable housing, and supporting innovative initiatives that align resources to support transit oriented development activities.

TCC Land Bank coordinates policies and programs with broader community development objectives including affordable housing, jobs, business development, economic opportunities, transportation, public safety, education, human services, green building and design, and homeownership counseling and support. As a nonprofit Limited Liability Company, it is designed to be highly flexible and responsive and is able to leverage public and private dollars to accomplish its goals of neighborhood revitalization and recovery. TCC Land Bank works in partnership with many entities, most notably government, community development corporations, socially responsible developers, and community organizations to achieve its goals.

TCC Land Bank is primarily a lender, although it also provides strategic short-term property acquisition, development services, and property management services. TCC Land Bank’s primary products are property acquisition and loans for affordable housing developers (nonprofit and for-profit) and public entities. As a land bank, it can also acquire and hold strategic properties for later resale to its network of affordable housing developers. TCC Land Bank serves as a coordinating body to enable the efficient production of affordable housing and revitalization of low-income communities.

TCC Land Bank believes that high quality transit, coupled with intentional investment and policy alignment, can provide substantial opportunities for low-income people and the communities in which they live. TCC Land Bank works to preserve affordable housing and advance opportunities for mixed income and mixed use development in conjunction with transit oriented development along the Central, Hiawatha, and Southwest transit corridors. (Map of the Central Corridor shown on right.) TCC Land Bank, the Family Housing Fund, and Local Initiatives Support Corporation (LISC) are key partners in the Living Cities Corridors of Opportunity initiative.



Since its inception in 2009, TCC Land Bank is partnering with 60 nonprofit and for-profit developers in 131 cities throughout the Twin Cities seven-county metropolitan area and has acquired 271 properties, which saved public and private partners approximately \$3.2 million.

Key Accomplishments

As of June 2011, TCC Land Bank has achieved the following results:

1. Strategic Acquisition of foreclosed and abandoned residential properties

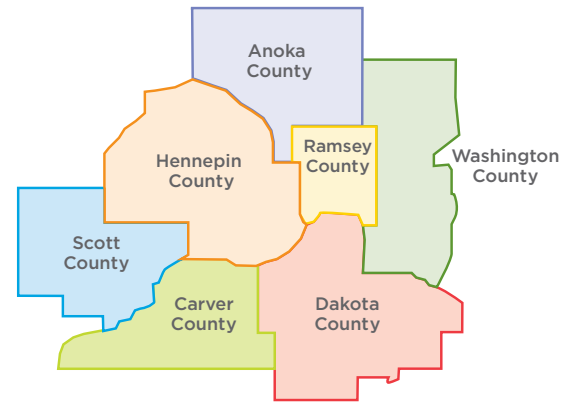
- Currently working with 60 nonprofit and for-profit developers in 131 cities in the seven-county metro area.
- Acquired 271 properties with 292 units, which saved public and private partners approximately \$3.2 million.

2. Neighborhood Recovery Loans

- Nonprofit Neighborhood Recovery Loan Program: \$2.64 million committed to three developers; 23 single- and multifamily properties financed to date.
- Foreclosure Recovery Loan Program: \$6.7 million committed to five developers in the seven-county metro area; 50 properties financed to date.
- Mini-perm Loan Program: \$450,000 committed to one developer to finance five multifamily affordable rental properties.
- New Construction Loan Program: \$200,000 committed to one developer to finance a LEED-certified single-family home.
- Interim Acquisition Loan Program: Eight interim acquisition loans and two land banking loans for six developers and one city.
- Commercial Loan Program: \$500,000 committed for three projects along transit/commercial corridors in the Twin Cities.

3. Short-term Land Banking

- Eleven properties have been land banked on behalf of three nonprofit developers, two for-profit developers, and one city.



Seven-County Metro Area
Twin Cities, Minnesota

Seven Goals and Objectives



GOAL ONE

Continue and strengthen strategic acquisition program to reduce the impact of foreclosures and revitalize low income neighborhoods throughout the seven-county service area.

Strategic acquisition has been and will remain a key tool used to achieve neighborhood stabilization in the seven-county metro region. TCC Land Bank operates the National Community Stabilization Trust program in Minneapolis, parts of Saint Paul, and throughout the seven county metro area where it has achieved measurable and observable results. In addition to facilitating the transfer of foreclosed properties into affordable housing developers' portfolios (and ultimately into assets for low- and moderate-income home-owners and renters), this program is one of TCC Land Bank's most visible initiatives. TCC Land Bank has parlayed the program into broad partnerships and collaborations with developers, community groups, lenders, and government entities.

To date, TCC Land Bank has operated the program as an immediate response to the economic, housing, and foreclosure crises. Board and staff need to strategize, using community input and feedback, about program activities and goals once the foreclosure situation has stabilized. At least quarterly, the Board will discuss and strategize the future direction and activities of TCC Land Bank's strategic acquisition program. Housing preservation should be a consideration within these discussions, particularly with regard to the First Look program.

Current opportunities include expanding the program to additional developers in Saint Paul, broadening relationships (to expand TCC Land Bank's lending, land banking, and affordable housing preservation) with developers, increasing the number of participating lenders, adding commercial properties, and implementing bulk purchases.

There are potential pitfalls to consider, however. As the housing market continues to decline in the Twin Cities, it has become more difficult to sell rehabbed homes to low- and moderate-income families. Housing values have declined as appraisers are forced to use other foreclosed homes as comparables. Banks' restrictive lending criteria, combined with declining credit scores of willing buyers, has reduced the pool of potential homeowners, particularly in low income communities. The future of Fannie Mae and Freddie Mac is in question and may negatively affect the secondary mortgage market, which will further reduce bank mortgage lending. As a result of depressed mortgage lending activity, developers are holding properties longer, which increase their costs and reduce the affordability of the homes. Furthermore, some developers have reduced their purchases and/or shied away from purchasing the most highly distressed properties in the hardest hit neighborhoods.

In addition, permanent financing for multifamily rental projects is scarce. TCC Land Bank has responded by providing five-year "mini-perm" financing products, to bridge the gap until long term financing for rental projects is more readily available.

Concurrently, TCC Land Bank determined that at times some banks with properties that did not sell through the First Look program were then listing and/or selling the proper-

Goal One continued

ties at a lower price on the MLS. TCC Land Bank shared its research with the Trust, and together TCC Land Bank and the Trust advocated on TCC Land Bank's and developers' behalves, which has resulted in lower prices offered through First Look. TCC Land Bank will monitor this issue closely for the foreseeable future in order to maintain the value of the program for developers.

Externally, as community consensus grows about which properties should be a priority within the program, or what type of disposition plan is best, TCC Land Bank must continue its community outreach and encourage open communication about these issues. This is addressed more fully in Goal Six, found on page 17.

Capital continues to be an issue within the strategic acquisition program, particularly in light of the state and federal governments' efforts to cut spending. Some foundation funders continue support but at reduced levels of funding while others have realigned their funding priorities. Furthermore, as the foreclosure and vacancy crises are displaced by other pressing issues and compete with issues formerly funded by government, there will be fewer dollars available from these sources.

OBJECTIVE A: Continue to expand single family and multifamily acquisition activity and add commercial acquisition.

OBJECTIVE B: Continue to analyze listing and sale trends in terms of sources, locations, property condition, and price to improve the quality and value of the program for developers.

- On a quarterly basis, analyze listing and sales data and report findings to the board for discussion.
- Disseminate findings to developers via the website, periodic reports, and community meetings.
- Make bi-annual (or more frequent) reports, with recommended actions to the Trust.

OBJECTIVE C: Develop criteria for strategic acquisition outside the core cities that emphasizes community revitalization, earned income, and low income impact.

- Establish an internal staff/board team to develop these criteria.
- Analyze funding source requirements regarding low income impact and eligible communities to ensure that TCC Land Bank is meeting its funders' requirements.
- Consult with government entities outside of the core cities to determine their revitalization priorities and estimate total capital needed to achieve their goals.
- Engage in ongoing communication and outreach with community stakeholders to determine their priority communities and disposition strategies.
- Publish draft criteria on the website for comment.
- Implement criteria by December 2011.

OBJECTIVE D: Negotiate longer term relationships with lenders for pre-market purchase rights, such as rights of first refusal, to continue if the Trust is disbanded.

Goal One continued

OBJECTIVE E: Educate the philanthropic community about TCC Land Bank’s strategic acquisition activities and the value of the strategy for revitalizing neighborhoods in an effort to raise additional low-cost capital.

- Meet with key funders to brainstorm new funding streams and strategies. These discussions must be frank and direct, with both parties sharing what has and has not worked to date.
- Use these conversations to help board and staff determine post-crisis acquisition strategies.
- Identify new local, regional, and national funders that have an interest in neighborhood revitalization generally, and the Twin Cities, specifically.

OBJECTIVE F: Develop a bulk purchase or pool program for acquisition of properties at a greater volume and lower per unit cost.

- Develop a financial model to analyze the costs and benefits of potential property acquisitions to make informed purchase decisions.

OBJECTIVE G: Continue to encourage the growth and expansion of minority developers to participate in the program and in the revitalization of communities of color.

- Create opportunities for replication using successful models such as the Thor/Stairstep Foundation partnership.
- Collaborate with business training and capacity-building programs to include best practices for property development and management in low income communities.
- Participate in neighborhood-based workforce development programs and initiatives, particularly in communities of color.
- Identify opportunities to utilize minority-owned businesses within TCC Land Bank’s core activities.



GOAL TWO

Continue and strengthen developer lending programs to increase the number of foreclosed homes and key commercial properties purchased and recycled throughout the seven-county metro-region, with particular emphasis on communities of color and transit corridors.

TCC Land Bank has gradually increased its lending activity over time and currently operates loan funds for developer acquisition and rehab of single- and multifamily housing, as well as the acquisition and rehab of commercial property, particularly along transit or commercial corridors. Loan policies and procedures are in place, and the portfolio has had no delinquencies or charge offs to date. Increasing loan volume is a critical component of TCC Land Bank's self-sufficiency strategy because loans offer the highest return on assets.

TCC Land Bank's status as a certified CDFI offers opportunities, but also requires that the organization be primarily a lender. "CDFI" has also become a brand of sorts, which TCC Land Bank can use to its advantage when explaining itself to funders, community members, and government officials. While board and staff view CDFI certification as a tool, the CDFI Fund (the certifying body) views certification as the driver of the organization's core business line and requires that the organization devote a majority of its assets to financing in low income communities. As a certified CDFI, TCC Land Bank is now eligible to access grant and loan funds from the Department of Treasury, the Small Business Administration, and from those banks and social investors that view certification as a baseline litmus test for funding. Overall, while certification requires a high volume of loan activity, it also opens doors to new funding sources that often provide larger amounts of no- or low-cost capital.

Yet, obtaining sufficient lending capital remains a key concern. So far, most of TCC Land Bank's capital is borrowed, at rates that range from 2% to 5%. As of December 31, 2010, the organization's cost of capital was 4.86%. This is relatively high in comparison to industry standards, which average 2.4% for housing lenders. More importantly, TCC Land Bank's current cost of funds limits the "spread" (e.g. the difference between the cost of capital and the interest rate charged to borrowers) that TCC Land Bank can use to cover operating expenses. Furthermore, there is a perception among developers that they can access cheaper capital elsewhere (private developers from their banks, and nonprofit developers from foundation PRIs). A more practical concern is the effect higher rate debt has on a project's affordability. Developers must recoup their financing costs in the sales price of the home, and higher rate loans decrease housing affordability.

Relying on borrowed capital has resulted in a highly leveraged balance sheet, which decreases TCC Land Bank's financial stability and discourages social investors and market rate lenders who look for an equity cushion to ensure that the organization can repay its market rate debt and social investment loans. Thus, TCC Land Bank must increase its equity before it can raise more debt capital for lending. More objectives relating to capitalization are included in Goal Five, found on page 16.

Goal Two continued

OBJECTIVE A: Increase affordable housing loan funds by identifying sources of lower cost funds.

- Engage board, staff, consultants, developers, and other stakeholders in identifying potential sources of low cost funds.
- When requesting PRIs or other debt capital, ask that 20% of the total be in equity (grant) capital to reduce the overall cost of funds and build TCC Land Bank's net assets.
- Create a two-year capitalization plan through the business planning process in September 2011.

OBJECTIVE B: Increase commercial loan volume by identifying additional transit or commercial corridor partners and marketing loan funds to developers working along the corridors.

- Include the loan eligibility criteria in the marketing efforts through the website, developer and business community meetings, and with bankers and other lenders.
- Track referral sources and outcomes to determine which communities need more marketing presence and which sources lead to the best loans.
- Identify new partners.

OBJECTIVE C: Periodically review loan pricing and fees to make sure they are appropriate to advance community goals and objectives.

- On an annual basis, formally survey developers about their access to credit, cost of capital, and quantified financing needs. On an ongoing basis, collect informal, anecdotal data from developers about same.
- Share this information with the board and the loan committee at least quarterly for discussion and action as needed.
- Maintain this information for use in funding proposals and conversations with potential and existing funding sources.

OBJECTIVE D: Increase staff capacity through training and/or additional employees to increase loan originations, servicing, and monitoring, while maintaining a healthy portfolio.

- Participate in a mentoring relationship with LISC through Living Cities.
- Join Opportunity Finance Network and participate in its monthly Staying Connected calls, the annual Midwest regional meeting, and the annual Opportunity Finance Network conference (which is in Minneapolis in 2011).
- Participate in the CDFI Fund's Capacity Building Initiative training, particularly those within the CDFI Capitalization and Portfolio Management tracks.
- Identify training needs and preferences during each employee's annual review and include staff training as a line item in the annual budget.
- Hire experienced staff as loan volume dictates.

OBJECTIVE E: Gradually increase lending activity in distressed neighborhoods in the Twin Cities.



GOAL THREE

Develop a long-term land-banking program to acquire vulnerable and/or strategic commercial and residential properties with an emphasis on the central cities and along transit corridors, but do not exclude key properties in other low income and minority communities determined to be priorities by local government(s) and community stakeholders.

Originally founded as a land bank to acquire and hold distressed property in the seven county metro area, TCC Land Bank has yet to raise the significant amount of long-term, low cost capital needed to implement this activity as originally envisioned, despite its centrality to the organization's mission. Board, staff, and community stakeholders agree that long-term land banking is a critical tool to achieve lasting neighborhood stability as well as capturing opportunities for transit-oriented development within TCC Land Bank's market. Regarding land banking opportunities, there is widespread agreement that TCC Land Bank should use this tool for housing, commercial properties, and bulk purchases of both.

TCC Land Bank has successfully implemented short-term land banking: as of June 9, 2011 it has acquired and disposed of 271 single- and multifamily properties on behalf of 60 developers and city and county governments. It has purchased and held 11 properties for developers and the City of Minneapolis.

There are many opportunities to land bank foreclosed, vacant, and distressed residential properties in the Twin Cities. Furthermore and most unfortunately, the number of distressed properties in North Minneapolis increased significantly as a result of the May 22, 2011 tornado. These and other properties throughout the seven-county region are available in such numbers to facilitate bulk purchases, in addition to single transactions.

Regarding commercial property land banking, there is some concern among board, staff, and key community stakeholders that much of the most valuable property surrounding transit corridors (particularly Hiawatha, Central, and SW corridors) may have already been purchased by speculators. In light of these considerations, there is a sense of urgency to begin long-term land banking as soon as possible.

TCC Land Bank's relationships with governmental entities are critical to its land banking activity. Currently, TCC Land Bank is requesting exemption from property taxation from Hennepin County and waiver of assessments for land banked properties from Minneapolis. Assuming a positive outcome from these efforts, TCC Land Bank will expand its requests to include cities and counties within its seven-county service area.

The largest barrier to TCC Land Bank's efforts in this area is access to capital. Long-term land banking requires low rate capital (to reduce holding costs) with terms of at least five years. To date, TCC Land Bank has not had access to this type of capital, but there are several opportunities for CDFIs to acquire long-term debt capital (the CDFI Bond program, for example) or, as in the case of the CDFI Fund Financial Assistance awards, equity. TCC Land Bank must be careful not to divert existing funding from its other core programs, however, and will likely need to look for new sources to support its long-term land banking. This is a capitalization issue that will be addressed in greater detail in the business plan, but general objectives relating to capitalization are contained here as well.

Goal Three continued

Disposition planning has also been an obstacle to implementing long-term land banking. To date, there has not been community consensus on when or how to dispose of land banked properties and without at least a general disposition plan, it will be difficult to attract funding and garner community support for this activity. TCC Land Bank will continue to engage community leaders and organizations as well as governmental entities in creating sustainable property disposition plans that meet community needs.

OBJECTIVE A: Raise at least \$15 million (roughly \$5 million per year) of low-cost, long-term capital, with a priority on equity capital, to support long-term strategic acquisitions.

- Track the CDFI Bond program and apply for funding if eligible.
- Research other land banks' sources of funding and capitalization strategies to identify particular funding sources.
- Brainstorm with existing funders about other potential funding sources, both private and public.
- Brainstorm with Metropolitan Consortium of Community Developers and other developers about other potential funders, including private and public sources, and how TCC Land Bank can best access those sources of funding.

OBJECTIVE B: Develop procedures for identifying, vetting, and prioritizing potential acquisitions and dispositions.

- Create a board/staff committee to review and modify as appropriate project eligibility criteria for long-term land banking, ideal holding conditions, and a menu of disposition strategies.
- Share changes to criteria with community stakeholders, government entities, developers, and funders for comment.
- Finalize and publish changes to the criteria, noting that it is an evolving document that will be modified to address changing market conditions.

OBJECTIVE C: Communicate TCC Land Bank's property eligibility, policies, procedures, and results to all stakeholders on a regular basis.

OBJECTIVE D: Continue to develop and implement partnerships and agreements with municipalities and counties throughout the seven counties.

- Continue to test land banking as a charitable purpose in communities throughout the seven-county region.
- Develop a "pitch" for municipalities and counties explaining the benefits, including cost savings over time, of tax exemptions and the resulting land banking and disposition plans.

Goal Three continued

OBJECTIVE E: Implement a bulk purchase strategy within Hennepin County initially and expand to other communities over time.

- Develop policies and procedures for accepting property donations. Among other things, these will include an interim management strategy with standards to engage ethical, experienced, and quality management companies, and a preference for hiring minority-owned companies and/or neighborhood-based workforce development organizations.
- Develop an intake form and a cost-benefit analysis matrix to make an informed decision about which properties to accept.
- Contact Fannie Mae, banks, and individual property owners to solicit property donations and explain TCC Land Bank's donation policy and procedures.
- Board and staff engage community groups to develop a prioritized disposition plan for donated property.



GOAL FOUR

Create a financially sustainable organization.

TCC Land Bank was conceived as a long-term community asset, rather than a short-term tool to address the housing and financial crises. This spring, the boards of TCC Land Bank and the Family Housing Fund reaffirmed their commitments to build an institution that will meet the ongoing needs of low income communities and communities of color for decades. Thus, TCC Land Bank must create a sustainable organization that has a solid balance sheet, generates sufficient earned income to support its operations, and has the financial resources to meet community needs while concurrently developing new products and services to address changing market conditions and demand.

As a relatively new organization, TCC Land Bank has not yet achieved financial sustainability. This is not unusual for a start-up organization. TCC Land Bank has five primary revenue streams: interest and fees earned from its loan portfolio, First Look and other acquisition fees, operating grants and contracts for service (such as Living Cities and NSP), and in the future, land banking and property management fees. TCC Land Bank faces particular challenges to sustainability because of its market-rate debt capitalization. The current cost of funds creates upward pricing pressure on its loans to borrowers, which can decrease demand and ultimately decrease its earned income. TCC Land Bank recently reduced its property acquisition fees due to market pressure.

CDFIs, like any business, must generate enough income to cover operating expenses regardless of their (or their parent's) nonprofit status. CDFIs differ from other businesses, however, in that they must fund a robust loan loss reserve account from earnings (or grants) in addition to covering their regular operating expenses. In TCC Land Bank's case, there is further pressure to fund the loan loss reserve because the organization is playing "catch up" on loans originated before November 2010 that did not have a loan loss reserve funded at the time of closing. On the positive side, TCC Land Bank restructured its staff to reduce operating expenses and increase efficiencies and has been directing a portion of its monthly income to the loan loss reserve.

TCC Land Bank must prioritize raising equity capital, with a goal of obtaining \$1 in equity for every \$5 of debt it obtains. As TCC Land Bank has experienced, debt capital is far easier to obtain than equity. Land banking, which is particularly capital-intensive, will further increase the need for equity capital. As with the loan loss reserve, TCC Land Bank needs to catch up here as well, and raise additional equity to anchor its current level of debt.

Objectives C-G, below, are based on CDFI best practices, as published by Opportunity Finance Network's Side By Side report and the CDFI Fund's Minimum Prudent Standards for financial performance. They address both the income statement (cost of funds, operating grants, sustainability, delinquency, write-offs) and the balance sheet (capital available to lend, net asset ratio). TCC Land Bank is unlikely to achieve all of these objectives within the next two years, but each year should show an improvement in the organization's ratios. TCC Land Bank will continue to rely on philanthropic support (grants) for the foreseeable future, as most CDFIs do. Thus, it will be important to maintain strong relationships with existing philanthropic supporters and to develop

Goal Four continued

relationships with new funders. Particular strategies to achieve ongoing support will be included in the business plan. TCC Land Bank is in the process of applying for tax exempt 501(c)(3) status to facilitate philanthropic support from foundations and potentially individuals.

Please note: Neither delinquency nor write-offs are issues at this time. These objectives are included here because maintaining portfolio quality is a key component of organizational sustainability.

OBJECTIVE A: Identify five new sources of operating grants and loan capital by FYE 2012.

OBJECTIVE B: Raise a total of \$10-\$12 million annually to meet loan, strategic acquisition, and land bank demand.

OBJECTIVE C: Raise no- or low-cost capital to reduce the organization's cost of funds to 3.5%.

- TCC Land Bank's cost of funds was just under 5% as of May 31, 2011.

OBJECTIVE D: Maintain a 40% self-sufficiency ratio (earned income/expenses).

- TCC Land Bank's self-sufficiency ratio was 45.6% as of May 31, 2011.

OBJECTIVE E: Increase net assets to 20%.

- TCC Land Bank's net asset ratio was 3.1% as of May 31, 2011.

OBJECTIVE F: Maintain a 30-day delinquency of 10% or less.

- TCC Land Bank's delinquency ratio was 0% as of May 31, 2011.

OBJECTIVE G: Maintain an annual write-off rate of less than 1.5% in the housing portfolio and less than 5% in the commercial portfolio.

- TCC Land Bank's write-off rate was 0% as of May 31, 2011.



GOAL FIVE

Improve organizational operations to increase efficiency and achieve economies of scale.

TCC Land Bank has policies, procedures, and processes in place for all of its major business lines. However, staff, board, and community members perceive an overlap in staff responsibilities that could be reduced or eliminated. TCC Land Bank has taken several steps to address its operating efficiencies, most notably, a staff restructuring in Spring 2011. TCC Land Bank has hired a consultant to review operations as a component of writing a business plan that will be presented to the board for review and comment in Fall 2011. It is anticipated that the plan will address the objectives below, particularly Objectives B and C.

OBJECTIVE A: Develop a cost-benefit analysis matrix to inform the decision-making process for potential new projects/programs.

- Develop a matrix and scoring system for board review and comment that contains both social and financial criteria for evaluating potential new programs.
- Use this matrix when considering any new program or project and present the analysis for board consideration.
- Review the matrix at least annually to re-evaluate the relevancy of each criteria and the efficacy of the tool. Revise as needed.

OBJECTIVE B: Continue to increase staff capacity through training and professional development, cross training, and other methods. (See Goal Two, Objective D, page 10).

OBJECTIVE C: Simplify operations, procedures, and messaging to promote operational efficiency and create a concise, easy to understand message for stakeholders and the community.

- To be addressed through business planning, with the results communicated to the board and then community stakeholders in Fall 2011.



GOAL SIX

Continue and strengthen organizational engagement with the community, paying particular attention to including communities of color and low-income communities in TCC Land Bank's planning and implementation.

As a community asset, TCC Land Bank must engage the community on a regular and consistent basis, to solicit new ideas and accept constructive criticism that informs product and service design and delivery. There is an undercurrent of dissatisfaction within the broader community, particularly among CDCs and community groups, about TCC Land Bank's origins and current activities. This relates primarily to resources (the perception that funding has been redirected to TCC Land Bank away from grassroots community groups), but also to geographic priorities, and to a lesser degree, developer participation and property disposition. TCC Land Bank must address these community concerns as soon as possible. Overall, TCC Land Bank must strive to achieve as much transparency as possible in all that it does and all it achieves. Some of this relates to marketing, but it is more about active, honest engagement with all community stakeholders, particularly those that are working on the ground in the neighborhoods.

In the spring of 2011, TCC Land Bank took several concrete steps to achieve this goal. Specifically, TCC Land Bank's parent, the Family Housing Fund, entered into a memorandum of understanding with the Metropolitan Consortium of Community Developers (MCCD), which provides that MCCD has the right to appoint three representatives to the TCC Land Bank board of governors, commits TCC Land Bank to increase land bank activity (relative to community lending), and prioritizes developing loan products that support affordable housing development. TCC Land Bank will work more closely with MCCD in all of its activities, including in its relations with NCST's First Look program, the development of RFPs, and the maintenance of a high standard of transparency and community engagement.

The following objectives build upon these actions:

OBJECTIVE A: Continue and strengthen staff outreach via community meetings, service on neighborhood organizations' boards, presentations to community and other stakeholder groups, and other personal contact.

- Staff attends at least one community meeting per month (on average).
- Staff participates on at least one board or key committee of an organization working in a low-income community or a community of color.
- Staff makes at least one presentation per month (on average) about TCC Land Bank's activities, mission, collaborations, and successes.
- Staff and management continue to identify new opportunities for community engagement that include interacting with grassroots community organizations, forming community advisory groups as needed, meeting with community leaders and activists, and hosting community-wide forums and conversations.

Goal Six continued

OBJECTIVE B: Engage the board in a conversation about its own strengths, weaknesses, and composition. Identify members of communities of color and low income stakeholders who can fill skills and/or geographic gaps on the board.

- Conduct a formal board self-assessment at least annually.
- Facilitate a conversation and strategy session about the self-assessment.
- Maintain a running list of potential new board members for consideration prior to board elections.
- Discuss and decide whether to create a board position for emerging activists, practitioners, and/or community leaders for board membership.

OBJECTIVE C: Regularly update, refresh, and maintain the website with surveys, client and partner profiles, an impact dashboard, and cumulative accomplishments.

OBJECTIVE D: Identify and engage new community partners in communities of color and low income communities.

- Board and staff continue to brainstorm and identify new opportunities to engage with these communities.
- Report engagement results at each board meeting to spur discussion and maintain accountability.

OBJECTIVE E: Regularly communicate programmatic results to stakeholders and to the broader community through the website, a quarterly electronic or hard copy newsletter, regular press releases and feature articles, an annual report, and other methods.

OBJECTIVE F: Identify TCC Land Bank's role (leader, follower, convener, supporter) in each partnership and clearly communicate it to partners, stakeholders, and the community.

OBJECTIVE G: Continue to track results and communicate them to community stakeholders.

- Identify key output and outcome metrics for tracking.
- Collect and maintain borrower and project profiles on a regular basis for publication and dissemination.
- Create an annual report for partners, funders, other supporters, and community members.

OBJECTIVE H: Engage the community, particularly developers and community-based organizations, in an ongoing dialogue about the need for and development of new products and services to be provided by TCC Land Bank.



GOAL SEVEN

Determine optimal organizational structure to facilitate fundraising, clear messaging, and service delivery.

TCC Land Bank is a wholly-owned subsidiary of the Family Housing Fund. It is a nonprofit LLC that is considered a “disregarded entity” by the IRS, meaning that the Family Housing Fund can obtain grants on TCC Land Bank’s behalf and pass them through without consequence. Board, staff, and community stakeholders have wondered whether this is the ideal structure to facilitate and support TCC Land Bank’s mission. Although the issue has been discussed informally at many levels, it has not yet been thoroughly analyzed and discussed. If TCC Land Bank does need to change its organizational structure, that change should be made deliberately, advisedly, and gradually.

Please note that TCC Land Bank is in the process of applying for 501(c)(3) nonprofit status. Concurrently, it will move the land banking activity to TCC Property Services, which is a wholly-owned subsidiary of TCC Land Bank.

OBJECTIVE A: Through the business planning process, analyze the benefits and drawbacks of potential organizational structures, and make a recommendation to the Board for consideration by Fall 2011. ■

Twin Cities Community Land Bank Board and Staff

Special thanks to TCC Land Bank board and staff, key stakeholders, and community leaders and members who contributed to the strategic plan. Below is a listing of board and staff members.

BOARD MEMBERS

Thomas P. Fulton, *Chair*
Family Housing Fund

Ken Johnson, *Vice Chair*
St. Paul Port Authority (retired)

Thomas Streitz, *Secretary*
Minneapolis Community Planning
& Economic Development

Joanne Whiterabbit, *Treasurer*
Woodlands National Bank

Andriana Abariotes
Twin Cities Local Initiatives
Support Corporation

Cecile Bedor
Saint Paul Planning & Economic
Development

Commissioner Jan Callison
Hennepin County

Council Member Melvin Carter
City of Saint Paul

Commissioner Toni Carter
Ramsey County

Steve Cramer
Project for Pride in Living

Katy Lindblad
Minnesota Housing Finance Agency

Beverly Oliver Hawkins, Ph.D.
Model Cities, Inc.

Beth Reetz
Metropolitan Council

Jim Roth
Metropolitan Consortium of
Community Developers

Council Member Don Samuels
City of Minneapolis

Jeff Washburne
City of Lakes Community Land Trust

STAFF

Rebecca (Becky) Rom
President

Margo Geffen
Senior Program Manager

Denise Takeshita
Finance Manager

Mikeya Griffin
*Program Manager,
Property Acquisition*

Judy Jandro
*Program Manager,
Loans & Investments*

Karen Johnson
Loan Officer

Tracey Luby
*Transaction & Closing Specialist,
Property Acquisition*

Shana Wenger
Office Manager

Brett Costain
Program Analyst, Research, GIS

JoAnn Leland
Accounting Assistant

615 First Avenue NE, Suite 410
Minneapolis, MN 55413

PH 612-238-8210
FAX 612-238-8219

www.tcclandbank.org



Twin Cities
Community Land Bank

Approved August 2011