New Directions Housing Corporation
Louisville, Kentucky and Floyd & Clark counties in Southern Indiana

2016 Strategic Plan

Mission: To create and maintain affordable housing and vital neighborhoods in partnership with residents and other stakeholders.

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Make Community Happen!

Two New Directions operating goals:
The Organizational Strengthening Challenge and the Neighborhood Challenge.

Organizational Strengthening Challenge goal statement: New Directions will maintain standards as a high performing community development corporation with a focus on service enriched rental housing and neighborhood revitalization.

NDHC will have a well-trained staff that is success and outcome oriented for maximum internal and external collaboration in support of its mission. NDHC will have a fully aligned board which is fully informed and actively engaged with the mission and strategic direction of the organization. NDHC will secure engaged volunteers from all segments of the community in support of its strategic effort.

A key strategy of this goal is the Portfolio Strengthening Strategy.

Neighborhood Challenge goal statement: By the close of 2016, Smoketown and Shelby Park will be mixed income neighborhoods of choice and diversity. They will have preserved the homes and heritage of their longtime residents while creating new opportunities for urban dwellers. These neighborhoods will demonstrate high educational attainment for children and adults. Residents will achieve increased family assets. Smoketown and Shelby Park will have safe streets and high employment. They will be neighborhoods that have built community.

Strategic focus has widened to include specified community stabilization tactical work in Midtown in New Albany, Indiana and Louisville’s California, Russell and Portland neighborhoods.

In this we value extensive stakeholder and capital relationships; and opportunities for revitalization business expansion.
New Directions Housing Corporation  
**2016 SMART goals by Line of Business**

Overcoming barriers to success will require creativity and diligence. In some cases, success will be achieved only by influencing the city and state funding environments. In others, such as the successful acquisition of new businesses, we will gain new skills.

Line of business successes during a year of leadership transition will be challenging. This is where a multiyear effort to strengthen the line will be rewarding. Collaborative efforts are needed in key neighborhoods, like the West Louisville neighborhoods of California, Russell and Portland, as well as continued Community Stabilization work in Midtown and Shelby Park.

**NWO Green Goal**  
**FY2016-1: Green SMART Goal:** NDHC Cost Containment committee will recruit and procure five additional vendors that offer energy efficiency services, effective but less harmful cleaning chemicals or building practices that promote health, environmental sustainability and/or local sourcing.

**Community Stabilization Goals**  
**2016_CS/California:** The acquisition strategy of Saint Benedict Center for Early Childhood Education will have been completed, including due diligence, facility upgrade, financial stabilization and curricula development by 10/31/2016 aligning with Resident Services and Property Management goals for overall west California stabilization.

**2016_CS/Russell:** Within the Choice Planning framework, NDHC shall complete a business ownership and Windshield survey to support the community’s intention to apply for a Choice Implementation Grant.

**2016_CS/Midtown:** Neighborhood marketing strategies will facilitate the strong sales of 100 percent of the Midtown Renaissance housing stock by 12/31/2016.

**2016_CS/Shelby Park:** Neighborhood marketing strategies, in alignment with the Shelby Park Neighborhood Association’s goals of compassion and the “operationalizing of neighborliness” will double the size of the Back to School Bash to benefit 200 neighborhood children.

**Asset and Property Management**  
**APM2016_1:** Maintenance technicians will track work orders using mobile devises by 9/30/16.

**APM2016_2:** Property Management and Resident Services will upgrade existing property camera monitoring systems to a single platform compatible with Apple hardware by 12/31/16.

**APM2016_3:** O’Connor Square Apartments (64 units) will be financially redeveloped to preserve its affordability and financial stability by 12/31/2016.

**2016 Home Ownership Preservation Goals**  
**HOP2016_1:** Home Ownership Preservation will process at least 350 applications for program assistance (including Repair Affair, Emergency Repair Program, and Owner-Occupied Rehabilitation).

**HOP2016_2:** Increase Repair Affair team participation by 15%.

**HOP 2016_3:** Assist five homeowners with construction of ramps.

**HOP 2016_4** Provide Home Repair services to 160 unduplicated households during fiscal year 2015.

**HOP2016_5:** Achieve an average score of 4.5 on Repair Affair Homeowner Evaluations measuring perception of service from 7/1/15 to 6/30/16.

**2016 Real Estate Development (RED) Goals**  
**RED 2016_1:** In the absence of LIHTC funding which was not received, focus will be on self-financing of critical needs in Russell Group of Apartments, using existing reserves and calling on New Directions’ $1 million line of credit as needed.
Launch a trial version of an “internal general contractor” pilot to see whether we can realize savings by serving as our own general contractor.

Develop plans for a mixed use commercial/residential development on land adjacent to newly acquired office building on West Muhammad Ali Blvd. Commercial at street level and residential above – probably market rate residential. There is room for 2 – 3 commercial/retail businesses and perhaps 24 market rate apartment units, depending upon elevation.

Using developer proceeds from sales of two new construction and two rehab houses in Shelby Park, seek to develop two additional houses in Shelby Park, either rehab or new construction. We expect sufficient developer proceeds to complete this project regardless of whether Louisville Metro Government provides any additional funding.

Upon completion of six houses in New Albany Midtown Renaissance area, start two rehabs. Depending upon sales proceeds, achieve two more houses, either new construction (shotgun style) or rehabs.

**2016 Resident Services Goals**

RS2016_1: By 2/1/2016 Resident Services will expand the previous goal and work with property management to provide households with an approved Eviction Prevention Packet of materials. Target 600 households.

RS2016_2: By 3/1/2016 Resident Services will expand its Stabilization Training by sending four to 10 staff members to peer to peer events.

RS2016_3: By 4/1/2016 in collaboration with St Benedict Center for Early Childhood Education, standardized curriculum will be developed and implemented among the five Idea Centers for Youth Services.

RS2016_4: By 5/1/2016 Resident Services will increase service coordination capacity at Jackson Woods apartments by adding an additional part time or full time staff member.

RS2016_5: By 5/1/2016 Resident Services staff will be continuing the goal of preventing evictions within NDHC’s portfolio and conducting monthly Eviction Prevention workshops to residents at additional designated sites. 80 households will be reached.

**2016 Community Building and Engagement Goals**

CBE2016_1: By April 2016, the Roosevelt Garden in eastern Portland will be operationally ready for the growing season with a procurement and harvest distribution process determined by residents and with agendas for six Monday night group meetings.

CBE2016_2: The second round of Community Impact Measurement in Shelby Park will be taking place with an overall goal of completing the Resident Experience Survey portion by the end of FY16 which is June 30, 2016. New Directions will organize 15 volunteers to assist in the completion of the Resident Experience Survey and will compile final information and create an impact report.

CBE2016_3: Six Neighborhood Roundtable meetings will feature robust agendas prepared two months in advance. The average attendance will be above 20 people per meeting. This will be tracked with a sign in sheet. And, 10 new people will attend a Roundtable meeting. This does not include presenters. This will be tracked by comparing the end of the year list of attendees with the previous year’s list.
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Background
This report summarizes observations from initial work conducted by I Squared Community Development Consulting for Phase II of the New Directions Housing Corporation Business Strengthening project, funded by NeighborWorks® America. A site visit to New Directions and data gathering activities during May and June 2013 included:

- A working group meeting of NDHC’s Executive Director, CFO, COO, Director of Real Estate Development and a board member to frame key strategic questions faced by the organization
- One-on-one interviews with 9 board members to capture perspectives on the organization’s mission, progress in meeting goals, governance capabilities and needs, and challenges and opportunities presented by the external environment
- A staff focus group of 7 program managers and NDHC’s COO to discuss NDHC’s social impacts, core competencies, and ideas for program and resource growth
- A governance focus group including the ED, COO, CFO, Board President, and 3 other Board Executive Committee members to discuss governance needs for NDHC going forward
- A tour with the Executive Director of NDHC’s rental property portfolio and target revitalization neighborhoods including Smoketown / Shelby Park, Portland, and Midtown (New Albany)
- Meetings with NDHC finance staff to review the performance of the financial projections model prepared in fall 2012 through the first phase of the Business Strengthening Project
A STRATEGIC DISCUSSION ABOUT SERVICES AND REVITALIZATION

- A brief review of existing market research on community development challenges faced in the Louisville region and discussions with staff about regional equity issues
- Review of recent strategic and operational plans

Francie Ferguson, a Senior Manager for National Real Estate Programs from NeighborWorks America, participated in a number of these activities and also contributed insights that are reflected in this report.

The remainder of this report is organized around key themes and/or questions that emerged from these activities, and is meant to provide a “discussion guide” informing next steps for New Directions’ Business Strengthening process. These questions and themes include:

- New Directions’ three-part mission of housing, families and neighborhoods
- How New Directions will engage with neighborhoods around revitalization
- The business strategy for New Directions’ real estate operations for the next three years
- Governance functions and forms as New Directions seeks to shift its board culture
- Potential for “relationship building” as an overarching strategy or theme informing New Directions’ work over the next several years
- Measurement of social impacts
- Preparation for an Executive Director transition at the end of 2016

Mission: Housing, Families and Neighborhoods
New Directions describes the social impacts it seeks to create as:

- Creating and Sustaining Housing
- Strengthening Families, and
- Revitalizing Neighborhoods and Engaging Community

This understanding of the mission appears to be very widely shared and strongly held among the organization’s board and staff. Board members described this framing of the mission as “dead on” and “exactly right” in interviews. New Directions is using this rubric as the foundation for its fundraising campaign, “When a Door Opens,” with stories illustrating each area of impact in authentic, heartwarming – and often heart-rending - detail. Staff provided concrete ways in which they feel their work is generating benefits along these dimensions. In short, as one board member put it, New Directions has adopted a “holistic mindset” that sets it apart from many CDCs who simply think about the programs they operate.

Several interviewees described New Directions as having undergone an evolution: creating and sustaining affordable housing has long been a focus of the organization and to a large degree still constitutes its chief core competency, while the family and neighborhood focus areas have been growing and strengthening in recent years. In
the words of one board member, “I like how compared to 6 years ago, New Directions is more focused on true community development through coordinated steps, not just low-income housing.”

At the same time, the affordable housing role remains central for many board members. One commented, “At the core of what New Directions is all about is creating safe, clean, quality affordable housing. That’s the hub of the wheel. An offshoot of that is helping to strengthen families.” Another board member observed, “Housing is the strongest branch on the tree, everything we do grew from that. But I think that revitalization is becoming a strong branch on the tree and I would like to see strengthening families be stronger but I think the financial limitations are the big issue there.”

This ambitious set of aspirations for social impact also carries with it some strategic challenges for New Directions:

- The impact areas are so broad that there are few limits imposed by the mission itself on what New Directions might do. Virtually none of the programs that other Community Development Corporations around the country have implemented but which New Directions does not currently provide – from economic development to job training to social services to housing rehab lending programs to homeownership education, just to name a few – would be precluded by this mission.
- Moreover, some of these programs might arguably be more impactful for achieving New Direction’s social impacts than its current programming mix. Relative to organizations with long-standing, focused aspirations in these areas, New Directions’ family and neighborhood programming in particular is somewhat limited in scope. But this programming has limited growth potential unless a resource engine can be found to work around the current dependence on grants and, in the case of resident services, on fixed fees available from the rental portfolio.
- Just as importantly, as more than one board member commented, “New Directions needs to be careful that it doesn’t try to be everything to everybody. When you are successful you will get a lot of people saying what about this, what about that – but it doesn’t mean YOU have to do it, and lose your focus on what you are all about.” Another board member specifically stated that “I wouldn’t see that New Directions would be the administrator for social services programs. I would see them more in an oversight capacity – trying to coordinate things, working with local governments and neighborhood communities.”
- New Directions faces additional challenges in aligning programmatic efforts to neighborhood revitalization goals, discussed in more detail in the next theme.

Nevertheless, it is clear that both staff and board members do genuinely want to pursue the broad, holistic mission that New Directions has framed for itself. Choices about how New Directions should focus its programs therefore need to be driven
A STRATEGIC DISCUSSION ABOUT SERVICES AND REVITALIZATION

not only by their potential contribution to the mission, but also by a keen sense of how the organization’s core competencies are evolving, and by where the potential for generating financial resources lies.

**The Neighborhood Approach question**

New Directions faces questions about what roles it should seek to play in neighborhood revitalization and how to choose focus neighborhoods for these efforts.

The ability to generate neighborhood impacts is dependent on focusing and sustaining investment in a limited geographic area over a substantial period of time. New Directions’ work in the Midtown area of New Albany – which combines multifamily ownership with NSP-funded single family acquisition-rehab-resale and community building work – is likely focused enough to make palpable changes in the coming years, as indeed it has already. But most of New Directions’ programs are scattered over a wide geographic area.

This challenge is heightened by the fact that the core program that drives New Directions’ financial success – multifamily development and ownership – is not the key tool for revitalization. Neighborhoods like Smoketown / Shelby Park and Midtown have limited multifamily stock to work with. Adding new housing units would be counterproductive in many of the neighborhoods New Directions is considering for revitalization work, given that they already suffer from a severe lack of demand for housing and high vacancy rates – so much so that increasing the supply of affordable units could actually exacerbate the problems experienced by these neighborhoods.

New Directions may therefore be better positioned to play a contributing role to neighborhood revitalization, as a part of a larger effort towards collective impact that involves many other players, than as the central agency taking on the work. On the other hand, options it could explore if it wishes to focus more on neighborhood revitalization in the future include:

- Choosing neighborhoods where a multifamily rehab or preservation role makes sense. For example, this could include the redevelopment of highly distressed multifamily properties a la HOPE VI or Choice Neighborhoods, although in many cases such work would require a strong partnership with a PHA. Some neighborhoods, such as Portland, may also present opportunities where some affordable multifamily development activity would complement other real estate investments by private investors to create a substantially different neighborhood “product” attracting a diverse mix of buyers and renters to live there. Careful choices about neighborhoods and projects need to inform this work if New Directions goes in this direction. As a board member recommended, “In neighborhoods, New Directions needs to be strategic about the housing projects it gets involved in to catalyze investment. What are the
neighborhoods where if we went in and did this project, it would help to sustain or launch or bring in the final piece to bring back this neighborhood?

- Work to concentrate Home Ownership Preservation and Repair Affair activity in a targeted neighborhood or neighborhoods for at least several years in a row, with additional attention to exterior improvements meant to build confidence in the neighborhood market as well as prevent homes from falling into vacancy. With the current grant-funded Home Ownership Preservation program, New Directions must follow the City’s desires as to where to target resources (and there is some risk the City may even take over the program), but this does not preclude the organization from targeting its Repair Affair work, or raising additional resources for more neighborhood-focused versions of either HOP and/or Repair Affair.

- Build upon New Directions’ experience with NSP-funded acquisition-rehab-resale to try less heavily subsidized (or even unsubsidized) single-family homeownership activity, or perhaps consider commercial or mixed-use development to provide some of the additional components of a healthy neighborhood. Shifting New Directions’ real estate capabilities in this way would better align them with revitalization goals, although the business implications, discussed in the next section of this report, are complex. A related idea would be to co-invest with a skilled private developer in a commercial real estate project or projects.

- Further deepen an Asset-Based Community Development (ABCD) approach in neighborhoods in which community-building work plays the lead role, connecting people who care about the neighborhood to one another and facilitating and supporting their work together to make it a better place to live. This relationship-oriented approach to revitalization work entails less financial risk than real-estate-oriented approaches and harmonizes well with the relationship-oriented work in a number of New Directions’ other functional areas. We discuss this idea in more detail in a separate section of this report.

- Partner with organizations to deliver economic development approaches that Louisville is currently missing. One example would be to invite the Democracy Collaborative’s Evergreen Cooperatives initiative, which has worked in Cleveland and now other cities to develop worker-owned cooperatives providing services to large local institutions as a job generation strategy, to work with New Directions in Louisville.

The question of what roles New Directions is willing to play in a neighborhood revitalization effort is linked to which neighborhoods it chooses. Some criteria that New Directions could employ to determine which neighborhoods it should target include:

- Fit of the neighborhood for the roles that New Directions is willing to play, especially in terms of whether it offers opportunities for real estate activity that New Directions would like to carry out
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- Strength of existing social capital and civic infrastructure in neighborhoods, which is a key determinant of success for Asset-Based Community Development approaches.
- Market potential of the neighborhood, including not only whether large investors are active in the area but also whether individual homeowners can be encouraged to invest their time, money and energy. Considerations might include neighborhood location, major assets already present in the neighborhood (e.g. parks, architecture, a great parochial school, etc.), and signs of early market-driven investment activity.
- Likelihood that government partners and other large funders will be willing to commit support to the neighborhood, which matters more to the degree that investments in public infrastructure are needed to make the neighborhood competitive or the programmatic strategy must be funded by large grants, and less to the degree that these conditions are not present.

The Real Estate Business Strategy question

New Directions’ real estate business is, as one board member put it, not only a central business line but also the “cash cow” for the organization. Within the context of diminishing subsidy resources for affordable housing, New Directions faces questions about whether and how to grow this business line – and whether and how it can continue as the resource engine for the organization. A board member commented, “The construction and rental pieces [at New Directions] are heavily subsidized – being able to transition from complete dependence on [subsidies] to being able to operate without those is critical.”

The end of portfolio strengthening?

New Directions’ efforts to strengthen its rental portfolio, which have included mark-to-market refinancings, forgiveness and assignment of soft debt in properties, and other steps to improve financial performance, appear to be bearing fruit. Strong cash flow is projected in the organization’s current financial model, led by the Russell, Shawnee, and Jackson Woods properties, with the potential to generate $1 million in cash flow to New Directions as well as strong reserves at properties. Two additional properties {WHICH ONES} are slated for portfolio strengthening focus, after which New Directions expects to have largely completed this initiative.

However, the expected cash flows have yet to materialize, and until they do, it may not be wise for New Directions to divert much attention away from portfolio strengthening. In the fourth quarter of 2012, New Directions made approximately $300,000 of repair investments in its portfolio (especially at Russell and Shawnee, which had been predicted to be significant cash contributors) that it had not predicted in its financial model, in order to maintain HUD REAC scores (an evaluation of property physical conditions). Given New Directions’ older (in many cases historic) portfolio, the financial model should be double-checked against
capital needs assessments to determine whether additional such unexpected and substantial repair expenses may lurk in the future.

As positive portfolio cash flows become a reality, New Directions can then turn its attention more to the question of how to invest these funds to drive a profitable and impactful business. But it may be wise to continue its focus on portfolio strengthening for the next several years, ideally building up cash, and make major decisions about new initiatives or development product lines after the executive transition in 2016 is complete.

Other development products

New Directions could explore for sale and/or commercial development, in order to better align its real estate activities with neighborhood revitalization goals.

For-sale development would likely consist largely or entirely of acquisition-rehab-resale activity. The organization has already under taken 30 NSP-funded acquisition-rehab-resale projects in Midtown (New Albany) and several additional projects in Shelby Park. Additionally, it is growing its relationship with historic preservation groups in Louisville, for instance Preservation Louisville and the Louisville Preservation Fund, who are keenly interested in preserving the historic architecture of many single family homes in the city, such as shotgun homes. The combination of experienced gained with the product type, keen interest from some partners, the need to address deteriorating single-family stock, and the need to promote homeownership in target neighborhoods all suggest exploring deepened work with this product type. Additionally, creating homeownership housing might provide an opportunity to graduate existing New Directions renters to the next stop on the housing continuum, as envisioned by staff, who specifically questioned why New Directions could not provide a house for renters instead of Habitat for Humanity. New Directions staff also wondered whether lease-purchase models could be considered, given New Directions’ skills in property management (typically one of the chief stumbling blocks in getting such programs to work).

On the other hand, single-family development carries considerable risks, especially given the flat regional market and risky neighborhood markets in which New Directions is operating. With NSP subsidies largely unavailable for future development (outside of the potential to recycle some program income in New Albany), New Directions would have to learn how to deliver and market a quality product to sell quickly without over-investing. If New Directions wanted to explore this idea further, recommended next steps would include additional research into demand for specific neighborhood markets and house types / amenities, followed by limited development of prototype projects to test the market. Conversations with experienced rehab-resale developers (one NDHC staff member has taken on these projects for his own business) would also help to understand the operational requirements and risks.
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Commercial development is sorely needed in revitalization target areas, especially in the West End of Louisville. The West End is only now seeing the development of its first grocery store and first sit-down restaurant in decades. (New Albany appears to have a surprisingly healthy downtown business district, supported by an active Main Streets program, near Midtown and is therefore an exception to this observed need). Larger-scale developments could also be supported with New Markets Tax Credits, providing some subsidy to cushion the risks. However, while New Directions has experience owning rental real estate, it has no experience in commercial products.

One board member raised the possibility of New Directions partnering with for-profit developers to do development that falls outside of its normal product lines, especially commercial development. The board member said, “There may be a neighborhood that New Directions says, ‘If we go into this neighborhood and substantially improve the housing here, the neighborhood will also need a grocery store, a bank, a hardware store.’ On the front end, we could talk to developers and ask ‘if we do this, would you do this’ – to create something that’s going to sustain itself over time. If you just put people in houses and don’t provide goods and services they need, ultimately people will want to move somewhere else.”

A partnership could reduce New Directions’ overall risk (albeit also its return) while bringing complementary skills and knowledge to the table. Value-added elements that New Directions could bring to such a partnership might include community building and organizing to build neighborhood support for the project, enhanced access to subsidized financing, the ability to make complementary investments (such as exterior home repairs on blocks surrounding the project) enhancing project value and impact, and – if and when New Directions begins to generate real cash – early stage partner equity.

**Multifamily 2.0**

Several board members commented that NDHC could benefit continuing to grow its multifamily portfolio. One board member explained, “To me, NDHC has a support structure, so they can increase the portfolio more they would increase corporate expenses by doing so, especially if we are already in the neighborhood. So we should try to chain deals together... [Also] we should know about area properties that are distressed. We came into a lot of our housing through a nonprofit that went under and we took over management. We should have a thought process in place that helps us look for opportunities.”

To the extent that these assumptions are well grounded, New Directions could choose to maintain its focus on multifamily housing development and ownership, while strategically selecting its activities in this space to improve its chances of generating the non-housing social impacts it seeks.

One such idea, discussed earlier, is to seek target areas for neighborhood revitalization where multifamily activity is a necessary component of that work.
Two other ideas are to explore regional “fair share” affordable housing development and to attempt to make transformative investments in multifamily properties for family strengthening.

Reports by the Metropolitan Housing Coalition document stark racial segregation supported by land use policies and other housing practices in the Louisville region. In the words of one New Directions board member:

“You can’t build dense properties outside of the central core of the City. Suburban areas get McMansions and in the core you get affordable housing. Yes, there is a lot of affordable housing in Western Louisville but it is not safe, not decent, not a place where healthy families can develop. We are warehousing people there – it is an environment where terrible things can occur on a daily basis. In order for us to address the systemic issues, we have to address where people who have low and moderate incomes can live. Forcing them to live in West Louisville, with lead and asbestos, with no healthy food – we’ve literally just abandoned that whole segment of our community and it is easy because we don’t want poor people living in our suburban neighborhoods. We are trapping minorities in poverty as part of a racist system.”

Given these social challenges, New Directions has an obvious corresponding opportunity to right these wrongs by developing affordable rental housing in high-income, white areas of Louisville (presumably as a complement to efforts to revitalize inner-city areas as diverse and mixed-income neighborhoods of choice, and thereby achieve regional equity). Not only would New Directions be addressing a critical social issue in Louisville, it would be doing so using exactly the core skillsets it has already developed. On the other hand, New Directions could face tough political battles simply to get projects permitted, particularly in the absence of strong fair housing policies. Acquisition opportunities would be expected to be few and far between, given large-lot zoning and other exclusive policies. School bussing policies mean that developing in wealthy areas may not confer a concomitant educational benefit on the low-income families who move there.

An alternative direction for New Directions’ real estate efforts would be to largely maintain its existing portfolio but seek to deepen, as radically as corresponding resource development efforts will allow, the ways in which that portfolio serves as a springboard for social advancement for its residents. Program managers are very passionate about resident services and share broad agreement that these services should be extended to the entire portfolio. In addition, New Directions senior management is interested in exploring the intersection of community-building work and resident services work, which have traditionally been seen as separate strategies in the industry. Program staff could be encouraged to creatively generate new ideas and bring them to funders, partners, or the resource development campaign to make them happen. Simply as examples, some ideas that have been tried in other places include, but are not limited to:
• Partnerships with local schools (which in New Directions’ case might mean trying to create a policy exception to bussing or a charter or magnet school)
• Artists-in-residence and community-builders-in-residence – recruiting artists or community volunteers to live in New Directions’ housing and engage with their neighbors in exchange for reduced rent
• IDA accounts to help residents build assets, or micro-loan programs to help them build their credit rating (Does New Directions report rent payments to credit bureaus?)
• Helping residents establish small businesses addressing property needs (for example a landscaping company), or more radically to provide services to other large institutions or employers, such as the Evergreen Cooperatives model.

Governance functions and forms
As NDHC’s Board President has noted, New Directions’ board has “been through a lot of change.” A committee-driven board model was proving difficult logistically, and the organization moved to a “split board” model – in some sense a board within a board. This model uses a large (8-person) Executive Committee that meets frequently and exercises a full set of governance responsibilities, and a much larger board (with 17 additional people) that meets bimonthly, approves the budget and bylaws, but otherwise is mainly expected to help with external relationship building and resource development. A substantial amount of turnover is expected during the coming year, in part due to expiration of terms and in part because some board members have missed too many meetings and must vacate their seats per the bylaws.

Both board and staff members have expressed some concerns about maintaining strong board engagement within the current structure. One board member commented, “We have some incredibly talented, well connected individuals on the board. Most people are there because they love the work New Directions does. [But] there is some population that ended up accepting when they weren’t really committed.” Another board member expressed frustration with board participation in the New Directions’ new resource development efforts, and added, “Joe and Lisa and Gerald have a great deal of stuff under control but they can’t do it all by themselves and need support from board members, and I’m not feeling as good about the level of support that I wish I was.” The board member added, “There are people who come to meetings only occasionally, who show up late and leave early... yet they have strong opinions.” A third board member commented, “As with most organizations [boards] there are relatively few people who do most of the work.”

At the same time, New Directions is trying some innovative ways to engage board members, including a re-design of board agendas to spend more time on generative and strategic discussions, holding board meetings in different community venues so that they can see the work closer up, and involving board members in Neighborhood
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Roundtable events. Board interviewees generally agreed that these initiatives have been very helpful, and expressed enthusiasm for the Neighborhood Roundtable. A board member commented, “We are trying ways to get people more engaged [such as neighborhood meetings, getting board members out into the community and seeing the work], and feedback has been positive.”

At the board governance focus group, the participants noted that the board members who are leaving the board, current board members who are less engaged than the current “core” members, and past board participants who have already left all represent very important assets to New Directions. These people have a deep set of connections in the community and can help to create relationships and dialogues in the community to generate new opportunities and new sources of support for New Directions.

The board governance focus group identified the following roles or functions for volunteer leadership that New Directions requires to succeed at its mission:

- **Neighborhood perspective and relationships** – providing New Directions with information about neighborhood needs and trends, and building connections between New Directions and grassroots neighborhood groups and leaderships.
- **Fundraising / branding** – building New Directions’ reputation in the community and connecting the organization with potential donors.
- **Policy-level expertise / advice** - helping to convene or participate in broader discussions about housing, community development, and urban policy in the Louisville region and connecting New Directions to those discussions, in order to help policymakers and civic leaders better understand and appreciate what it does.
- **Organizational governance** – Fiduciary, strategic and generative governance roles for New Directions.

While there are strong linkages between these functions, asking one board to dedicate itself to performing all of these functions can create engagement challenges, since many volunteers have passion and skills for only one or two of those areas. For example, one board member indicated in her interview that the main contribution she felt she could make was technical advice around real estate, while another board member felt that he did not have the knowledge base to help much with organizational governance but was willing to help raise resources. Setting up multiple structures to engage volunteer leadership – some formal board structures and other less formal structures – could help New Directions to benefit from their diverse strengths while avoiding turning people off who only want to contribute in one or two ways.

One set of structures that could support these roles would be as follows:

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<tr>
<th>Entity</th>
<th>Volunteer Leadership Role</th>
<th>Comments</th>
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</table>

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## A Strategic Discussion About Services and Revitalization

<table>
<thead>
<tr>
<th>Governing board</th>
<th>Organizational governance, but involvement in and support for the other leadership roles would also be expected of governing board members</th>
<th>Board members also would be expected to contribute to the other 3 roles. Note that the governing board could also use committee structures (e.g. finance committee, governance committee, etc.) to involve others with technical expertise in specific areas. Could be much smaller than the 25-member board NDHC currently has (perhaps 9 to 13 people)</th>
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<tbody>
<tr>
<td>Fundraising committee or Fundraising Campaign Steering Group</td>
<td>Fundraising</td>
<td>Could be a formal committee of the board, with members who are not on the governing board.</td>
</tr>
<tr>
<td>Neighborhood Roundtable</td>
<td>Neighborhood perspective and relationships</td>
<td>Fluid, informal membership. The key is to build relationships with neighborhood stakeholders and provide a forum to listen to them, not to bestow official titles. Ensuring that the Governing board has regular interactions with the roundtable and that neighborhood perspectives can be directly voiced at the Governing board is critical.</td>
</tr>
<tr>
<td>Policy Roundtable</td>
<td>Policy-level expertise and advice</td>
<td>New Directions could consider strengthening relationships with existing organizations, such as the Metro Housing Council, as an alternative to establishing its own policy forum. It could also consider introducing broader policy issues in the Neighborhood Roundtable.</td>
</tr>
</tbody>
</table>

Other forms could be considered, as long as the key functions are being carried out and the organization cultivates strong relationships with its volunteer leadership. Additional steps to ensure strong engagement would include the following:

- Clear “job descriptions” could lay out New Directions’ expectations for the volunteers serving on the governing board and fundraising committee, and a
clear statement of purpose for the neighborhood roundtable and policy roundtable could also help orient participants in those venues

- Staff time (and related financial resources) will continue to be needed to befriend, support, orient and guide volunteers in all of these venues. New Directions might also institute a practice of staff leadership meeting individually with key volunteers once or twice a year to receive detailed input from that volunteer and plan for their continued engagement

- A nominating (or still more broadly a “governance”) committee of the board could play an important role in identifying volunteer leadership, reviewing the skills and perspectives that are already engaged and need to be engaged, and ensuring that volunteers are oriented, supported, and connected to one another and the organization. Particularly given the turnover that is expected this year, a board member suggested that there at least be an ad-hoc Nominating Committee created to focus on this task.

- With strong governance already in place as well as a deep staff commitment to engaging governance, New Directions would be an excellent candidate to participate in the NeighborWorks “Excellence in Governance” initiative.

A final consulting observation / recommendation in this area is simply to highlight the importance of continuing a strong core governance role, especially with the anticipated executive transition at the end of 2016. Even if the new Executive Director is a known and trusted person, s/he will need support and oversight from skilled board members to ensure that the organization stays on track.

Relationship building as an overarching strategy

A notable theme that emerges from across almost all of the research activities conducted for this report is the power and importance of relationships to New Directions’ work. In the words of one board member, “Louisville is a relationship community. People have to feel like they know you and are comfortable with you if you are going to succeed.” When asked what New Directions was the best at doing (core competencies), answers included “strong connections between residents and staff,” “strong partnerships with neighborhood associations and relationships with neighborhoods,” “strong relationships between programs” within NDHC, and “using our relationships in the community to get things done.” Several board members also highlighted relationship-building as one of the organization’s key strengths, including nurturing its relationships with public entities, maintaining a strong reputation with partners, and forming coalitions with neighborhood associations. One board member commented, “In engaging community they think about all the partners, how their voices are heard, making everybody feel that they have a stake in making the neighborhood a better place.”

An organization without a strong web of relationships might still hope to make a community impact if it has a strong stream of government subsidies. But government funding for community development and social services agencies is drying up, as many board and staff members noted. In the words of one board
member, “The biggest challenge is how to find money and resources. I’m really concerned that federal funding continues to evaporate.”

Given both the ability of New Directions to cultivate relationships at multiple levels of the community, its widely shared values around the importance of these relationships, and the likelihood that a government-grant-driven program approach cannot be sustained, New Directions could focus even more deeply on utilizing a relationship-driven approach to strengthen the organization and to support program delivery.

Relationships with key stakeholders in the grassroots, political, and corporate sectors are all a source of strength for New Directions. One board member, for example, cited the importance of corporate relationships on the board: “Someone on the board should be from Brown-Foreman, from UPS, from Humana, from Ford. You need board members with strategic relationships. So when you need support and fundraising, you’ve got organizations you can go to.” Another highlighted “building relationships with [political] decision makers – we need to educate them about what we can do, so that they can recognize when an opportunity exists and help funnel that back to us.” Several others highlighted the importance of relationships with neighborhood associations. A strong set of these kinds of relationships is obviously fundamental to resource development work, but will also help to ensure a successful transition to new executive leadership (discussed more in the section on executive transition).

A particularly powerful relationship-building model that could support New Directions’ programmatic work is the Asset Based Community Development (ABCD) model. As described in “When People Care Enough to Act”:

> In North America... professional helpers have the principal responsibility, power, and control of resources for community problem solving. When problems arise in communities, we tend to see helping agencies with their programs and services as the solution. But, increasingly, helping agencies are overextended, without adequate resources to address the problems they face... Awareness of the need for a new approach grows. More and more agency leaders, researchers, and policy planners recognize that social and economic problems can only be addressed effectively by involving a larger part of the whole community.

> ...In every segment of community life there is a new understanding: when a growing circle of people work together in community partnership, they have the power to address important problems and to achieve the goals they want. Strong communities know that they need everyone to give their gifts if the community is to thrive. It is true: there is no one we don’t need.”

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A STRATEGIC DISCUSSION ABOUT SERVICES AND REVITALIZATION

A New Directions board member got to the core of this approach: “No group or entity is going to do the things that you need to keep the neighborhood from deteriorating, you can only do that through the people who live there – they have to give a sh*t. You have got to get the people to say yeah, I care, I’m going to do something in my neighborhood.”

Fully adopting an Asset Based Community Development mindset and culture would not be hard for New Directions, given its existing skills at relationship building. It nevertheless might have important shifts in how work gets done:

- **While Repair Affair in many ways epitomizes the ABCD approach, fully adopting an ABCD model might result in some tweaks.** A Board member related a story in which a team of Repair Affair volunteers went to fix a senior citizen’s home. The homeowner had younger, able-bodied relatives who showed up, but didn’t help with the repairs or engage in any way. From an ABCD perspective, this is a missed opportunity to involve neighborhood residents not as recipients but as givers of their own talents. A fully-ABCD-oriented Repair Affair program would heavily invest in finding out about the interest, skills and talents of the people living in Repair Affair target neighborhoods, and seek to engage them in employing those talents – perhaps in home repair but perhaps in something else as well – to complement the resources and gifts being brought in from the wider community.

- **Community Building and Organizing work would continue to support Neighborhood Associations and listen for ways that New Directions can help them meet their goals,** but would also invest heavily in discovering quasi-formal or informal ways in which neighbors know one another, what they care about, and what gifts they are prepared to bring to the community. For example, a recent ABCD-oriented approach in Providence engaged resident volunteers to talk to their neighbors one on one and ask them two questions: “What positive things are already happening in this community that you’d like to see more of?” and “What new ideas do you have for things neighbors could do to make this a better place to live?” These “one on ones” can be followed up with “neighbor circles” to build social connections among neighbors that then support discussions about collective action to improve the neighborhood.

- **Resident Services work would also seek to strengthen connections among residents as well as between residents and other resources in their community.** The work would doubtless still seek to address many of the needs of residents (e.g. for employment, medical care, counseling, etc.) through professional services, but would also seek to discover and engage the talents of residents. Both “When People Care to Act” and the seminal ABCD textbook, “Building Community from the Inside Out,” provide a plethora of examples of how this can happen. New Directions’ own story, of a returning war veteran challenged by depression who got engaged in a community garden and prepared meals for her neighbors, is an excellent
example. The veteran is not just a "labeled" person (a person with a disability) in need of services, but a gardener, a good cook, and a good neighbor and friend.

- New Directions' resource development efforts could include a component of finding and engaging donors (both large and small) through asset-based community building relationships. In other words, the same relationship networks used for the actual work of community development could support financial resource development. The Benevon-model fundraising in which New Directions is already engaging is potentially exceptionally well aligned with this approach, with steps in the process that mirror what ABCD practitioners would call a "learning conversation" – identifying the potential partner's motivations to act, inviting next steps, and asking for their help in seeking others out.

- Housing work might even experiment with self-help single family rehab/development projects. While Habitat for Humanity is well known for this type of work, it is easy to imagine ways in which New Directions might be able to develop its own unique model with deeper community-building benefits and perhaps better housing product than some Habitat efforts produce. This model of production has obvious challenges, however, and would require careful thought and small-scale experimentation before happening in any volume. It might be an interesting approach to try for a shotgun home preservation pilot (historic preservation itself reflects an ABCD principle of finding the value in under-appreciated community assets). One New Directions staff member suggested a partnership between schools, contractors, and New Directions to rehabilitate a home, helping to engage youth in housing and community development work in this way.

New Directions' work to manage the external environment – whether that involves raising money, changing policies, elevating the importance of what it does in the public discourse, changing perceptions, or coordinating the work of many actors towards its holistic mission goals of strengthening families and neighborhoods – could be supported by developing relationships between people and organizations.

- The Asset-Based Community Development model places special importance on developing relationships between "labeled" citizens (e.g. people labeled as poor, disabled, drop-out, residents of low-income neighborhoods, etc.) and other citizens in the community.

- Another model, the "Collective Impact" model that has been written about recently in the Stanford Social Innovation Review,² talks about roles that "backbone organizations" can play. Backbone organizations are essentially connectors who help other organizations work together towards large goals that they would be incapable of meeting on their own. These collaborations involved "a centralized infrastructure, a dedicated staff, and a structured

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process” supported by the backbone organization. One way in which New Directions is already building these kinds of connections is through the Neighborhood Roundtable. It could choose to continue to develop its role as a convener of these kinds of policy and collective impact conversations.

Impact Measurement
A number of board members highlighted the importance of impact measurement for New Directions. One board member commented, “we need to know how we are going to measure success, including on the soft side. Businesses have a Balanced Scorecard – we need something similar. There’s got to be ways to measure it that are easy to understand that can get people involved.”

New Directions is already engaging in some impact measurement work and has prepared logic models for several of its programs. The consulting team has not yet reviewed this work. The strategic working group, however, identified clarifying the organization’s social impacts - and measurement strategies for capturing these – as one of the key questions it would like to work on. Next steps should therefore include a more thorough review of existing impact measurement work, before any new evaluation activities are recommended. This section contains only some preliminary thoughts based on the initial conversations.

Examples that staff and board provided of impacts they felt passionately about and which they felt are within reach of New Directions include the following, by impact area:

Creating and sustaining housing. “We provide low-income housing” is still a core description of New Directions’ work provided by many staff and board members interviewed. As such, simple metrics of housing utilization or housing cost burdens for residents may be appropriate. Staff also discussed how New Directions’ rehab programs prevent housing from going vacant - given that low-income homeowners may not have the resources to keep it in livable condition.

Strengthening families. Staff felt passionately about moving families along a continuum of housing, towards more secure and less subsidized levels of housing, as they built financial savings, knowledge, and stability in their lives. Transitional homeless housing lies at the far (beginning) end of the continuum, progressing through more stable and less subsidized forms of rental housing up to market rate rental housing, and then to homeownership. Measurements of financial empowerment (such as savings levels and establishment of credit scores) may be appropriate here.

Both board and staff members also often highlighted the value of Learning Centers in interviews and meetings, although education and employment outcomes per se were generally not described by program managers as a primary outcome that New Directions is seeking. (One staff member described connecting a resident with a job, but the story was provided as an example of “going the extra mile” for a resident as
opposed to a core goal of New Directions’ work). The consultant has not reviewed logic models or evaluation plans that New Directions has already prepared in this arena. Both staff and board generally agree, however, on the importance of this work. As a board member put it, “If we are going to put resources into strengthening families then there needs to be some tracking of whether those efforts are working, and if not figure out why and if so figure out how to do more of it. And funders are going to want that too.”

Revitalizing neighborhoods and engaging community. Board members frequently mentioned the value of Neighborhood Roundtables, and staff discussed how CB&O work generally is bringing neighbors together to improve their neighborhoods. Staff members discussed seeing private individuals engage in home repairs or housing investments when they see New Directions leading the way with housing investment. New Directions is engaging in a resident satisfaction survey and a property physical conditions survey in Shelby Park and Midtown using Success Measures tools, and has a Success Measures coach in place to assist with that work. These evaluation activities, perhaps coupled with some secondary data analysis of housing and real estate market trends, could provide powerful evidence of neighborhood-level impacts.

Preparation for ED transition

Executive Director Joe Gliessner will be retiring at the end of 2016. Board members all agreed on the importance of preparing for this transition, and expressed strong interest in beginning active preparations now. There is widespread agreement that Joe has been such a strong leader for the organization that the transition will be a critical moment. One board member expressed the concern directly: “The thing that happens to most organizations is when leadership is such a big part, that individual is such a big part, they can spiral down when that person leaves. Look at Apple right now with Steve Jobs gone.”

From across interviews and meetings, the following key themes concerning these preparations emerged.

Increase board engagement throughout the process. A board member commented, “Because Joe has been there for so long, in some ways the board can get complacent. The board is going to be more actively involved. Part of it is basics like coming to the meetings and knowing what is going on, just being engaged, so that if they are asked to make decisions that they have an understanding of the issues. In the last year especially, board meetings have been held in different parts of the community in an effort to get the board a bigger picture of what is really going on. That has been good.” Another board member added, “We really need to strengthen the board before [the transition] happens. I am concerned about having a board that is unified in terms of what skillset we need for a new ED and the direction we need to go, so we can find someone with the skillset to lead us there.”
**Maintain relationships with external partners.** As one board member put it, “We have to have somebody who has good solid relationships in this community - somebody respected in this community. Could you bring someone from outside? Yes, but Louisville is a relationship community. People have to feel like they know you and are comfortable with you if you are going to succeed. We need someone where people know / trust the person coming in. There’s another affordable housing agency – the Housing Partnership – they have a new ED and I’m not sure that person is as connected, as a result they don’t seem to be out front like they used to be.”

**Maintain strong communication internally and externally.** A board member recommended that New Directions needs to “be transparent in the way that the transition occurs - communicate early and often. Joe has been a fixture for almost 30 years – make sure that everyone knows that he has full confidence in the new leadership and that the board is on board with the new leadership as well.”

**Create some overlap between incoming and outgoing Directors.** Many board members felt strongly that whoever comes in as the new Executive Director at New Directions, s/he should overlap with Joe Gliessner to ensure a smooth transition. A number of board interviewees also expressed strong interest in considering internal candidates, since “nobody knows our business better than we do,” as one board member said.

**Maintain a strong organization leading up to and during the transition period.** Ideas emerging from group conversations during the site visit around this theme included:

- Focus on building cash and continuing to strengthen the current business model, with careful and thoughtful piloting of new ideas that the new ED could help take to scale, building from a strong foundation
- Build strong systems and codify procedures so that it is clear “how things get done.” Many board members spoke highly of New Direction’s hire of a new CFO and the work that he has done to strengthen the financial reporting systems as well as to improve the financial base of the organization.
- Continue to maintain and support the strong senior management tier that New Directions currently has in place, and, as one board member put it, “be grooming people to fill the roles.”
- Allow some direct access to the board for key senior staff in the period right after the transition. While with careful selection a strong new ED can be found, be prepared to hire twice.
Appendix: List of Board Members Interviewed

- Nancy Fox
- Adam Hall
- Todd Harrett
- Robert Holmes
- Sharon Landrum
- Robert Lewandowski
- Jack McGill
- Brad Schwandt
- Elizabeth Stith
NEW DIRECTIONS
HOUSING CORPORATION

Eric Hangen,
I Squared
Community
Development
Consulting, Inc.
STRATEGIC PLANNING PYRAMID

Strategic tasks to build the pyramid:

- Clarify social impacts
- Align programming to capacity
- Build organizational capacity
- Navigate the market, funding, and political environment

Social impacts

Effective service and product mix

Organizational capacity
- Management and governance capabilities
- Staff skills
- Values and communication
- Business processes
- Partnerships
- Financial resources and planning
- Office and systems infrastructure

Market, funding, and political context
THEMES EMERGING FROM RESEARCH

- Confirmation of mission around housing, families and neighborhoods
- Challenge of preparing to meet that mission
  - Neighborhood Revitalization Approach
  - Family Strengthening Approach
- Future roles as a developer
- Governance functions and forms
- Preparation for ED transition
- Relationship building as a crosscutting theme
FAMILY STRENGTHENING

Need and Context
### POSSIBLE OUTCOMES OF FAMILY STRENGTHENING (EXAMPLES)

<table>
<thead>
<tr>
<th>Adult-oriented</th>
<th>Child-oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults find employment</td>
<td>School attendance</td>
</tr>
<tr>
<td>Increase incomes</td>
<td>Academic performance</td>
</tr>
<tr>
<td>Increase savings, credit</td>
<td>Reduced teen pregnancy</td>
</tr>
<tr>
<td>Improve educational attainment</td>
<td>Reduced engagement in crime / gangs</td>
</tr>
<tr>
<td>Family preservation</td>
<td>Improved self-efficacy</td>
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<tr>
<td>Stable housing situation</td>
<td></td>
</tr>
<tr>
<td>Housing cost burdens</td>
<td></td>
</tr>
</tbody>
</table>
## The Big Picture – Jefferson County

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2000</th>
<th>2011</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Rate</td>
<td>9.5%</td>
<td>12.1%</td>
<td>28%</td>
</tr>
<tr>
<td>Median Household Income (inflation-adjusted)</td>
<td>$53,274</td>
<td>$46,298</td>
<td>-13%</td>
</tr>
<tr>
<td>Employment rate among men</td>
<td>68%</td>
<td>62%</td>
<td>-9%</td>
</tr>
<tr>
<td>Employment rate among teenagers</td>
<td>48%</td>
<td>24%</td>
<td>-50%</td>
</tr>
<tr>
<td>Single-parent households</td>
<td>11%</td>
<td>13%</td>
<td>31%</td>
</tr>
<tr>
<td>Incarceration rate per 100,000 adults (State of KY)</td>
<td>368</td>
<td>480</td>
<td>30%</td>
</tr>
</tbody>
</table>

High school graduation rate is down 8%, from 74% in 2007 to 68% in 2012

- Over the past 20 years, Kentucky has had the 6\(^{th}\)-highest growth in income inequality of all US States. The lowest quintile of households saw their incomes go up by 6.9% from the mid 1980s to the mid 2000s, while the top quintile’s income went up 41% (before inflation).
2007-2011 Percent of families living in poverty with New Directions Rental and Managed Housing and Undeveloped Land with Target Neighborhoods

Estimated percent of all families that live in poverty between 2007-2011.

Estimated percent of families that are below poverty level between 2007-2011. A family is defined by the US Census Bureau as a group of two or more people who reside together and who are related by birth, marriage, or adoption. Percentage calculations were suppressed in cases where the denominator or the calculation was less than 10 or if the unit that is being described (e.g., households, people, householders, etc.) Such areas are represented as having Insufficient Data in the map. Denominators for percentage calculations were created by summing all or the component data items in a particular dataset. These data are mapped to the 2010 Census boundaries.

Legend
Year
2011
Variable
%
Insufficient Data
9.99% or less
10.00% - 19.99%
20.00% - 29.99%
30.00% - 39.99%
40.00% or more
Shaded by Census Tract, 2010
Source: Census

Sites
New Directions Managed - No Owned
New Directions’ Owned and Undeveloped Land
2007-2011 Percent Unemployed with New Directions Rental and Managed Housing and Undeveloped Land with Targeted Neighborhoods

Estimated percent of people age 16 years or older who were unemployed between 2007-2011.

Estimated percent of civilian people age 16 years or older who were unemployed between 2007-2011. Civilians are defined as those not serving in the armed forces. Percentage calculations were suppressed in cases where the denominator of the calculation was less than 10 of the unit that is being described (eg, households, people, householders, etc). Such areas are represented as having "Insufficient Data" in the map. Denominators for percentage calculations were created by summing all of the component data items in a particular dataset. These data are mapped to the 2010 Census boundaries.
2007-2011 Percent of people who were non-white with New Directions Rental and Managed Housing and Undeveloped Land with Target Neighborhoods

Estimated percent of all people who were of a race other than White between 2007-2011.

Estimated percent of the population that is not White between 2007-2011. Percentage calculations were suppressed in cases where the denominator of the calculation was less than 10 of the unit that is being described (e.g., households, people, householders, etc.). Such areas are represented as having Insufficient Data in the map. Denominators for percentage calculations were created by summing all of the component data items in a particular dataset. These data are mapped to the 2010 Census boundaries.

Legend

Year 2011

Variable %

Insufficient Data

≤ 4.99% or less

<= 5.00% - 24.99%

<= 25.00% - 49.99%

<= 50.00% - 74.99%

≥ 75.00% or more

Shaded by Census Tract, 2010

Source: Census

Sites

N New Directions
M Maligned
V Vacant
R Rental Housing
U Undeveloped

2013 NAVTEO**
2007-2011 Percent of people with at least a high school diploma with New Directions Rental and Managed Housing and Undeveloped Land with Targeted Neighborhoods

Estimated percent of people with at least a high school diploma between 2007-2011.

Estimated percent of population 25 years and older with a high school diploma or greater level of education between 2007-2011. Percentage calculations were suppressed in cases where the denominator of the calculation was less than 10 of the unit that is being described (e.g., households, people, householders, etc.). Such areas are represented as having "Insufficient Data" in the map. Denominators for percentage calculations were created by summing all or the component data items in a particular dataset. These data are mapped to the 2010 Census boundaries.

Legend

Year
2011

Variable
%

Insufficient Data
74.99% or less
75.00% - 79.99%
80.00% - 84.99%
85.00% - 89.99%
90.00% or more

Shaded by Census Tract, 2010
Source: Census

Sites
- RPrint
g Sat k
- CW U.N: Don's Ma aged
- New D: ecco and
- L: developed

©2013 NAVTEQ™
### 2007-2011 Percent of Families Living Below the Poverty Level

<table>
<thead>
<tr>
<th>Percent</th>
<th>California</th>
<th>Midtown</th>
<th>Portland</th>
<th>Shelby Park</th>
<th>Smoketown</th>
<th>Louisville/Jefferson County MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>46%</td>
<td></td>
<td></td>
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<tr>
<td>50%</td>
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<td>40%</td>
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<td>0%</td>
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Source: 2007-2011 ACS 5 Year Estimates

### 2007-2011 Percent Unemployed

<table>
<thead>
<tr>
<th>Percent</th>
<th>California</th>
<th>Midtown</th>
<th>Portland</th>
<th>Shelby Park</th>
<th>Smoketown</th>
<th>Louisville/Jefferson County MSA</th>
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<tbody>
<tr>
<td>15%</td>
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<tr>
<td>10%</td>
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<td>5%</td>
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<tr>
<td>0%</td>
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Source: 2007-2011 ACS 5 Year Estimates

### 2007-2011 Percent of Households Receiving Public Assistance in the Past 12 months

<table>
<thead>
<tr>
<th>Percent</th>
<th>California</th>
<th>Midtown</th>
<th>Portland</th>
<th>Shelby Park</th>
<th>Smoketown</th>
<th>Louisville/Jefferson County MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>41%</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>40%</td>
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<tr>
<td>20%</td>
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<tr>
<td>0%</td>
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</table>

Source: 2007-2011 ACS 5 Year Estimates
WHAT FACTORS AFFECT WHETHER LOW-INCOME CHILDREN CAN MOVE UP THE LADDER?

- Landmark study of millions of earnings records across the US finds significant relationships between intergenerational economic mobility and:
  - Income inequality
  - Economic and racial segregation
  - K-12 school quality (dropout rates, test scores)
  - Single parent families
  - Social capital

- A child from Louisville who grew up in the bottom fifth of households (by income) had a 6.2% chance of making it to the top fifth. This statistic places Louisville roughly in the bottom quarter of large cities.

- Brookings study finds that individuals have only a 2% chance of being poor if they: graduate from high school, find full-time work, and wait until they are 21 and married before having children

http://www.equality-of-opportunity.org
Chances of moving up the ladder (higher in lighter-shaded areas)
CONSIDERATIONS FOR NEW DIRECTIONS

- Strong potential fit between ownership of low-income housing (New Directions’ core business) and strengthening families
- Strong potential fit between New Directions’ skills / culture around relationship-building and emerging best practices in helping people out of poverty
  - Family Independence Initiative (FII)
  - Circles / Bridges Out of Poverty
- Challenge of non-neighborhood-based schools – makes it harder to partner with schools
- Resource limitations – but risks to balance sheet if New Directions does not invest in family strengthening
NEIGHBORHOOD REVITALIZATION
POSSIBLE OUTCOMES OF NEIGHBORHOOD REVITALIZATION (EXAMPLES)

- **Market:** improved property values, increased homeownership, increased development and lending activity
- **Image:** Qualitative “story” about the neighborhood (as told by residents, Realtors, potential homebuyers, e.g.) improves; more positive media stories
- **Physical conditions:** reduced vacancy, improved condition of buildings, “house pride”
- **Neighborhood self-management:** greater social cohesion and trust among neighbors, reduced crime
Vacant properties and affordable housing are concentrated, along with minorities and poverty, in West Louisville.
Median sale price of a residential home in 2012.

Median sale price of a residential home in 2012. Property and Sale types include residential, townhouse, rowhouse, condominium, and SFR land use codes. Only arm's-length transactions are included. TRF has suppressed data in places with fewer than 5 transactions. Grey areas on the map show places where data is unavailable, incomplete, or suppressed. Data might be unavailable for several reasons, including the county not having a current data collection contract with the data collection agency that supplies data to Boxwood Means, Inc., and there being no sales reported in a given place (in the instance of a non-residential tract, for example). For more on the accuracy or locating these sales on a map, and the extent of Boxwood Means, Inc.’s coverage, see Home Sale Data in the Data Directory.

Legend

Year
2012
Variable
Mdn

- Insufficient Data
- $49,999 or less
- $50,000-$99,999
- $100,000-$149,999
- $150,000-$199,999
- $200,000 or more

Shaded by Census Tract
2000
Source Boxwood Means
HOUSE PRICES ARE TOO LOW TO SUSTAIN INVESTMENT

2012 Median Home Sale Price

- California: $15,485
- Midtown: $69,168
- Portland: $14,220
- Shelby Park: $20,750
- Smoketown: $14,625
- Jefferson County, KY: $124,000
Percent Change of Median Home Sale Price from 2007 to 2012 with New Directions Rental and Managed Housing and Undeveloped Land with Targeted Neighborhoods

Percent change of the median sale price of a residential home from 2007 to 2012.

Legend
Year
2012
Variable
% ChSYRS
Insufficient Data
-50.00% or less
-49.99% to -30.00%
-29.99% to 15.00%
-14.99% to 0.00%
0.01% to 15.00%
15.01% or more
Shaded by Census Tract
2000
Source Boxwood Means

Sites
- NewCre:oon's Service
- Developed
- RentalHou

©2013 NAVTEQ®

LOW HOMEOWNERSHIP AND HIGH VACANCY RATES

2007-2011 Percent of Vacant/Abandoned Housing Units

Source: 2007-2011 ACS 5 Year Estimates

2007-2011 Homeownership Rates
Source: 2007-2011 ACS 5 Year Estimates
2007-2011 Median Year Built with New Directions Rental and Managed Housing and Undeveloped Land with Targeted Neighborhoods

Estimate typical (median) year a housing unit was built, as of 2007-2011.

Estimated median year housing unit structure was built, as of 2007-2011. Medians were suppressed in cases where the sample of the average was less than 10 of the unit that is being described (e.g., households, people, householders, etc). Such areas are represented as having Insufficient Data in the map. A value of 2005 indicates a value of 2005 or later whereas a value of 1939 indicates a value of 1939 or earlier. These data are mapped to the 2010 Census boundaries.

Legend

Year
2011

Variable
Mdn

- Insufficient Data
- 1939 or less
- 1940 - 1959
- 1960-1969
- 1970-1979
- 1980 - 1989
- 1990 or more

Shaded by Census Tract, 2010
Source: Census

Sites

- Rental existing Stock
- New units - Managed No Owned
- New O.cl.own
- Undeveloped

C2013 NAVTEO"
New Directions- New Albany & Midtown Neighborhood

Legend
New Directions Programs
- ERP
- NI
- NSPI3
- OOR
- REPAIR AFFAIR

Rental Properties Owned
Num_Units: 0

Rental Properties Managed
Num_Units: 0

County Subdivisions

Louisville West
New Directions - Louisville & Portland Neighborhood

Legend
- New Directions
- Programs
  - ERP
  - NIP
  - NSP3
  - OCR
  - REPAIRAFFAI
- Rental Properties Owned
- Num_Units

- O

- O

- Rental Properties Managed
- Num_Units

- 10

- 0

Target Neighborhoods
- GNDR/AO
- County Subdivisions
- Interstates

Jeffersonville
Louisville Central
New Albany
CONSIDERATIONS FOR NEW DIRECTIONS

- Challenge of serving multiple neighborhoods
- Possibility to capitalize on emerging development trends (e.g. connections between Shelby Park and downtown / U of L, private sector interest in Portland, marketing strengths of Midtown and New Albany)
- Soft market realities may make more low-income multifamily development a tough fit with revitalization needs – what other resources and skillsets can New Directions bring to bear?
- Extreme challenges faced by some neighborhoods
- Resource limitations
LOOKING FORWARD
SIGN OF SUCCESS: FAMILY STRENGTHENING

- Core capacities in family development springing from long-term delivery of transitional services;
- Some service coordination for older and disabled households—much more needed for younger families;
- Development of four learning centers for youth co-located at New Directions residential properties;
- Rapport with social services, financial literacy and health providers that can enable site-based and neighborhood-based programming as available;
- Consistent provision of affordable housing enhanced with site-based rental and utility subsidies enabling households of extremely low income to avoid homelessness and instability.

Income changes for heads of household (under 65 years old, no disabilities):

<table>
<thead>
<tr>
<th></th>
<th>Average 2011-2013</th>
<th>Median 2011-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenants who moved in</td>
<td>$1,251</td>
<td>$263</td>
</tr>
<tr>
<td>during 2011 (n=112)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All tenants (n=382)</td>
<td>$968</td>
<td>$144</td>
</tr>
</tbody>
</table>
SIGN OF SUCCESS: NEIGHBORHOOD REVITALIZATION

- Metropolitan Housing Commission (2012) reports that while house prices declined in NSP neighborhoods from 2008-2011, the decline was less severe than in 2006-2008 and less than half the decline observed in 3 comparable areas of the city.
- New Directions programmatic successes in key neighborhoods:
  - NSP redevelopment activity in Midtown and Shelby Park
  - Community garden development as an engagement and blight abatement strategy
  - Housing rehab activity—especially owner occupied rehab to prevent vacancy and abandonment
  - Community building and engagement work, including volunteer coordination on a large scale with Repair Affair
  - Connections to existing multifamily portfolio / housing sites as possible platforms for neighborhood engagement and service delivery
- Smoketown/Shelby Park “Quality of Life” plan and Midtown neighborhood marketing plan
- Neighborhood access to NTI, CLI, other NeighborWorks tools

“The New-Directions-powered residential development along East Saint Catherine Street has generated interest in the Shelby Park Neighborhood.” Chip Rogalinski, Shelby Park Neighborhood Association.
A core competency of New Directions and critical skill in this environment

“Asset-Based Community Development”
- Everyone has something to give
- As key element in the neighborhood revitalization approach
- As key element in the family strengthening approach

Relationships that drive resource development

Relationships to sustain New Directions through transition

“In every segment of community life there is a new understanding: when a growing circle of people work together in community partnership, they have the power to address important problems and to achieve the goals they want. Strong communities know that they need everyone to give their gifts if the community is to thrive. It is true: there is no one we don’t need.” – Mike Green (2006), When People Care Enough to Act
FAMILY STRENGTHENING MODELS: RELATIONSHIP-BASED APPROACHES

- Rely on building connections between low-income families to support each other
- Family Independence Initiative two-year impacts:
  - 23% increase in earnings
  - 17% of participants became homeowners
  - 33% started a business
  - 240% increase in savings
- Circles (Bridges Out of Poverty) 18-month impacts:
  - 27% increase in income
  - 27% decrease in reliance on gov’t benefits
  - 88% increase in assets
FAMILY STRENGTHENING MODELS FROM OTHER NWOS

- **Foundation Communities:**
  - Learning centers
  - Financial education, coaching, IDAs, VITA
- **NeighborWorks Blackstone River Valley:**
  - Sure Track to college (mentoring, academic support, application assistance)
  - Youth leadership development
  - “In-Residence” program
  - Youth Centers
  - Financial Opportunity Center (employment and training, financial education, public benefits access)
  - Childcare units
NEIGHBORHOOD REVITALIZATION MODELS: NEW KENSINGTON CDC

- Entire organization (23 person staff, $2 MM budget) focused on one neighborhood in Philadelphia
- Use arts and environmental sustainability to competitively position the neighborhood for investment
- Business promotion along key commercial corridor
- Significant neighborhood planning and zoning convener role
- Vacant land management, community gardens and greening
- Grassroots projects
- Small-scale mixed-use and infill housing development, including “green” and artist’s housing
NEIGHBORHOOD REVITALIZATION MODELS: OLNEYVILLE HOUSING CORP.

- Entire organization (10-person staff,$1.3 MM budget) focused on one neighborhood in Providence, RI
- Has developed 118 rental and 45 for-sale units throughout the neighborhood (scattered site)
- Taking on big projects (120,000 sq ft mixed use redevelopment, Choice Neighborhoods)
- Strategic approach to maximize community impacts of RED
- Community building / organizing
NEW DIRECTIONS HOUSING CORPORATION

FINANCIAL ANALYSIS FOR BUSINESS STRENGTHENING PROGRAM

Eric Hangen, AICP
December 7, 2012
Analysis of past audited financial statements: key points

- Cash levels appear to be very stressed, with the parent corporation having only 4 days cash as of FYE 2012. However, NDHC has access to cash in its property portfolio the corporate audit does not show. Subsequent to the close of the 2012 fiscal year, NDHC has moved substantial cash to the parent corporation via distributions from the properties.

- An impressive percentage of NDHC corporate expenses are covered by earned income, with property maintenance and management fees comprising the key earned income driver. This income is relatively stable so long as the portfolio performs, providing NDHC with a key financial advantage not enjoyed by many CDCs.

- Since NDHC’s audits do not consolidate off-balance sheet properties, the organization appears to have very little leverage. Short-term borrowing could be used to “dress up” the balance sheet to increase Days Cash. The rental properties are leveraged at 88% of book value, but 59% of this leverage is in the form of soft or CDC debt.

- N.B. Depreciation has been excluded in calculations of Days Cash and Self-Sufficiency.

Earned revenues have been able to cover a growing percentage of expenses, as indicated by the self-sufficiency ratio

The audited financials show low levels of leverage. This contrasts with the properties, which are highly leveraged, albeit mostly with soft debt.
NDHC’s Property Portfolio: key points

- NDHC’s efforts to strengthen its portfolio appear to be bearing fruit. As of Q3 2012, portfolio debt coverage is 2.98.
- The portfolio is expected to provide an average of $2.5 million in operating cash per year to NDHC over the next 5 years.
- Russell and Shawnee are major cash drivers within the portfolio and for NDHC as a whole. Together these properties generate about 53% of the cash that the portfolio provides to NDHC.
- St Edwards and Parklands Scattered have negative cash flow from operations, impacting cash to NDHC.
- Reserves and cash balances in properties are expected to grow to over $9 million by FYE 2017 despite the outlay of cash on planned improvements and repairs. However, NDHC should review capital needs assessments and ensure that all needed investments are fully built into the projections model. Also, waterfall arrangements should be studied to confirm whether funders or investors will claim cash left in the properties.

Five properties provide 80% of the cash NDHC is expected to derive from its portfolio in FY 2013

Expected cash flow to NDHC from properties is seasonal but substantial

Most properties are cash flowing, with the exception of St Edwards and Historic Parkland
10%  Shawnee
20%
Corporate Cash Flow Projections: key points

- Unrestricted cash is expected to grow to over $900,000 by FYE 2013, despite paying off a $450,000 line of credit. It will continue to grow to $3.5 million by FYE 2016.
- The property and asset management business line, to which we have assigned both fee revenues and other cash generated by the rental portfolio, is the driver of these expected gains. To a lesser extent, real estate development also contributes.
- Other programs are primarily grant driven and lose money whether or not allocated indirect costs and revenues are taken into account. (The graph below shows results after allocations).
- Personnel costs are the largest operational cost component for NDHC, comprising about 62% of corporate costs. Home Ownership Preservation repair costs are the largest single non-staff cost component and make up 12% of corporate costs.

Unrestricted cash is projected to grow to $3.5 MM by FYE 2016

![Chart showing cash flow projections]

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Personnel Costs</th>
<th>Other Nonstaff Costs</th>
<th>Depreciation and Bad Debt</th>
<th>HOP Repair Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2013</td>
<td>1,250,000</td>
<td>750,000</td>
<td>1,750,000</td>
<td>(250,000)</td>
</tr>
<tr>
<td>FY 2014</td>
<td>1,750,000</td>
<td>1,250,000</td>
<td>1,750,000</td>
<td>(250,000)</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1,750,000</td>
<td>1,250,000</td>
<td>1,750,000</td>
<td>(250,000)</td>
</tr>
<tr>
<td>FY 2016</td>
<td>1,750,000</td>
<td>1,250,000</td>
<td>1,750,000</td>
<td>(250,000)</td>
</tr>
<tr>
<td>FY 2017</td>
<td>1,750,000</td>
<td>1,250,000</td>
<td>1,750,000</td>
<td>(250,000)</td>
</tr>
</tbody>
</table>
Key Financial Management Recommendations

- Consolidation of off-balance sheet properties is recommended to give reviewers a better sense of the true breadth and scope of the organization. TA from a specialized consultant or CFO at an organization that recently underwent consolidation may be advisable to help NDHC prepare for this eventuality.

- At the same time, both NDHC’s budgeting process as well as the consolidating statements within the audit should provide reports on a “clean” parent NDHC corporate entity that only operates programs and does not own properties. This entity takes in earned revenues from developing and managing properties, operates other community programs, and expends money on staff and related office and programmatic expenses. NDHC might consider creating separate LLCs for those properties that were contained within the NDHC corporate column of the consolidating statements on the last audit.

- The “management and admin” budget is currently a very large component of the NDHC budget. It may make sense to review it carefully to see if certain revenue and expense items can instead be directly assigned to business lines – this can include dividing the time (and thus personnel costs) of certain management staff across business lines.

- The cost allocation analyses developed through this TA engagement should be reviewed and utilized in future budgeting and reporting tasks. Individual business line managers may be best able to control their direct costs and revenues, and so might be given targets expressed in this way, but they should be aware of the indirect costs that are being allocated to their department.

Recommended format for future budgeting and financial reporting

Consolidated Audit

- NDHC Corporate
- Rental properties
- Property / Asset Mgmt
- RED
- CB&O
- HOP
- Resident services
- Brandeis
- Clifton Ct
- Directions ...
- ...St William
Strategic Recommendations

- NDHC is expected to enter an enviable cash position with over 180 days cash by 2015. This raises the question of how it can use its financial strength to pursue mission impacts – while keeping in mind the potential for certain types of business activity (especially real estate development) to burn through large amounts of cash quickly. Some combination of community planning processes, market research, and business planning will be needed to identify meaningful opportunities and evaluate their feasibility.

- Ensuring the long-term performance of the property portfolio should continue to be a principal focus for NDHC management, given that the portfolio is the organization’s financial driver.

- The development business line is constrained by the fact that NDHC’s target neighborhoods are more in need of efforts to increase demand for living in them, as opposed to affordable housing supply, and by the fact that funders nonetheless continue to prioritize developing in these neighborhoods. Some alternatives to explore may include for NDHC to convince funders to support “fair housing” affordable housing development in well-off areas of the region, to explore the potential for catalytic, mixed-income or market-rate projects meant to increase quality of life and build demand for current target neighborhoods, or to employ NDHC’s skillsets by growing related business lines, such as housing rehab lending and construction management.

Affordable housing concentrations are correlated with concentrations of vacant properties and poverty within Louisville
Part II. Fiscal Year 2016 Operational Plan and Production and Performance Targets

Organizational Underwriting FY16-1
Part 1: Production/Organizational Performance Fy15, FY16
New Directions Housing Corporation
2016-8368-0143-OU

This is an assessment of factors that influenced, or are expected to influence, organizational production and performance in FY 2015 and FY 2016. Included in the assessment is a discussion of the challenges, opportunities and economic/market factors that affected the organization’s production and performance in FY 2015 and which are expected to affect performance in FY 2016. Included in the assessment is the organization’s specific efforts to adapt to these conditions in the past year and how it expects to adapt in the coming year.

New Directions Housing Corporation (NDHC) strengthens civic and volunteer participation to challenge the forces that undermine neighborhood and family stability. The not-for-profit agency was created in 1969 through ecumenical efforts centered at Saint William Church, a Roman Catholic congregation at 13th and Oak streets in Louisville, Kentucky.

The agency was incorporated as a non-profit in April 1971, receiving IRS 501(C)3 status in May 1972. Founders understood the formidable necessity of safe, accessible and affordable housing as a foundation for the critical connection between safe neighborhoods and strong families. Original goals emerged from reactions to the community’s pain of racial disparity, failing neighborhood economies, the ravages of urban renewal and the despair of families in need.

Today’s New Directions
New Directions has expanded regionally to a three-county service area, encompassing Jefferson County, Kentucky and the Southern Indiana counties of Floyd and Clark.
This is the three-county urban heart of a nine-county economic zone called Kentuckiana.

We are one of Kentucky’s largest private, not-for-profit housing providers, offering integrated services in regional real estate development, asset and property management, home ownership preservation, resident services and community building and organizing. We are members of the NeighborWorks® America network and our regional Metro United Way. With our partners’ help, in 2015, our services are expanding into the provision of early childhood education with the acquisition of Saint Benedict Center for Early Childhood Education.

Our mission is to develop and maintain affordable housing and help to create vital communities in partnership with neighborhoods and other stakeholders. At the core of the agency’s programs is a dynamic board recruited to represent the community’s strengths and needs. Volunteerism greatly leverages program production, too. New Directions has the capacity to recruit and organize resources to make important differences. Families enriched by the agency’s supportive services are better able to find employment, maintain permanent housing and make progress financially.
**The delivery of safe, affordable housing is a keystone to family and neighborhood stability.** The agency enlists diverse resources, maximizing community outcomes and regional connections. New Directions is engaged in major strategies to meet these challenges, in collaboration with our tri-county region’s neighborhood groups and other community development service providers. Experience in housing development, supportive services delivery and grassroots volunteer mobilization gives us a unique perspective in the recruitment of community resources.

**Kentuckiana’s economic context**

Louisville is a complex community that, like many old manufacturing centers, is recreating itself as its near downtown neighborhoods solicit new investment and patronage from suburban empty nesters and returning young adults. Nearly 1.3 million live in the Louisville MSA. Just over 700,000 live within the City of Louisville, and of those, 55,000 live in the West End of Louisville. It is interesting to note that, if West Louisville were an independent city, it would be the fourth largest in Kentucky.

In the last two years, incredibly dramatic investment has touched down in central Louisville, rebuilding markets and stimulating manufacturing. Since late 2014, Ford Motor Company has invested $600 million in its county manufacturing plant just as GE Appliance Park—a major employer since 1951—is set to be acquired by Swedish Electrolux. As of the writing of this report, a shareholder vote has just passed to enable Aetna to acquire Humana Insurance so by 2016 an extremely important Louisville corporate headquarters will no longer be locally controlled. The largest area employer is UPS with over 20,000 employees, from executives to line staff in the world’s largest sorting hub.

**In his January 2015 State of the City speech, Mayor Greg Fischer noted a steady stream of investments in Louisville**—from the recent announcement of an Omni Hotel development to a HUD Choice planning grant to begin the revitalization process for the Russell Neighborhood—as key to advancing the city.

He introduced a new Cradle to Career initiative that will focus primarily on supporting education and workforce development by boosting kindergarten readiness, promoting success in kindergarten through grade 12, continuing progress towards the 55,000 (college) Degrees initiative and developing clear pathways from school to work. (Less than a third of Louisville residents have a bachelor’s degree or higher.)

Mayor Fischer also noted the need for revitalization of Jefferson County’s westernmost neighborhoods.

**Of the Mayor’s four key priorities, New Directions plays an important role in three.** To address barriers to achieving goals and advancing progress in community development in our region, it is wise to zero in on both assets and impediments. Louisville is the nation’s 11th most economically distressed city. It is very important to realize that uninformed housing production can actually be detrimental to over-supplied micro-markets. **Choosing neighborhood markets, working with residents and creating concentrated areas of redevelopment that can quickly make differences one can see—that is the best way to leverage public and agency resources to achieve community stabilization.** We’ve done this in Louisville’s Shelby Park Neighborhood and in Midtown, New Albany. We’ve begun this work in Louisville’s Portland area. This approach puzzles politicians until they see the impact and the reverse tide of private investment that follows, even in our weak market.

**Public resources are in high demand.** Our local housing advocacy agency releases its own data-driven State of Metropolitan Housing Report immediately before the Mayor’s annual address to highlight the barriers to affordable housing in Jefferson County and to call for investments and reform to overcome those
community development challenges. They see two cities—one east of 9th Street that is thriving and one west of 9th Street that suffers from a lack of health and educational access and progress, limited housing choice and underdeveloped employment.

- A key part of the new study shows how those relying on public housing and Section 8 vouchers are clustered disproportionately in African-American neighborhoods and West Louisville. Up to 87 percent of public housing units are located in just four western council districts (1, 3, 4 and 6), while 77 percent of all Section 8 subsidized housing units are located within six districts (1, 3, 4, 5, 6 and 15).

- The MHC report says part of the reasoning for this clustering is because the Land Development Code is outdated, with 79 percent of the county zoned R-4 or R-5, which prohibits affordable multi-family or small rental units from being built and utilized-- a remnant of Louisville’s segregated past that is still institutionalized today.

- And, while units qualifying for the Low-Income Housing Tax Credit program also are predominantly concentrated in West Louisville, only a small fraction of this valuable resource actually makes it to Louisville despite the area’s urban density and its share of the Commonwealth’s total population.

New Directions was created to serve Metro Louisville’s urban core, which includes the cities of New Albany and Jeffersonville in Southern Indiana. Our principal residential real estate holdings are in West Louisville, Districts 1, 3, 4, 5 and 6. Civic discussions about fairness, proportionality, resource distribution, revitalization versus concentration of poverty and market encouragement are critical to our work and to our lines of business. Having a visual and market-supportive impact in West Louisville is a tough but important goal for the decade ahead.

Policies that affect NDHC’s 2015 and 2016 production and performance
Louisville is a city of ironic contrasts, where resource allocation and civic priorities have uneven linkages. New Directions is part of a strong cohort of community-based agencies that bring strategic solutions to key strategies that will make important differences in quality of place. We’ve carefully chosen urban core markets where subsidized ownership can gain traction—Midtown and Shelby Park—to respond to a tricky, fragile low to moderate income ownership potential and in Portland and New Albany, we are furiously working to retain legacy ownership—and the graph clearly show why. Ownership in our region is extremely important but not yet bouncing back from pre-Recessionary levels. Meanwhile, low rental vacancy rates, increases in homelessness and many indicators of pressures on low income households tell us that those once able to own homes are still choosing to rent in what is a traditional home ownership market.
Advocating with state and city decision makers to accelerate funding to these key strategies is part of the work ahead of us. Our first asset is location—a platform of New Directions housing—equipped with subsidies, community rooms and learning centers—located throughout West Louisville.

Equal in potential to our placement in key neighborhoods are our relationships with emerging grassroots civic groups that again and again proved that there are under-actualized assets. Talents, affinities and market awareness are present in neighborhoods that others have overlooked.

We see advantages and opportunities.

**Choice Neighborhood Planning:** New Directions is the procured Community Engagement agent for Louisville’s Russell Choice Neighborhood Planning initiative. For the first time, Healthy Neighborhoods strategies are influencing our housing authority’s strong HOPE 6 esthetics—and this is due entirely to NeighborWorks training and community stabilization coaching impact.

Choice Neighborhoods is HUD’s signature place-based initiative and is a central element of the White House’s Promise Zones Initiative, which builds on a federal partnership to transform high poverty neighborhoods into places of opportunity and economic growth. Choice Neighborhoods enables communities to revitalize struggling neighborhoods with distressed public housing or HUD-assisted housing. Local leaders, residents, and stakeholders, such as public housing authorities, cities, schools, police, business owners, nonprofits, and private developers, create a plan that revitalizes distressed HUD housing and addresses the challenges in the surrounding neighborhood. Through these grants, communities are replacing obsolete, distressed housing with vibrant mixed-income communities, leveraging investments to develop new retail and businesses, turning around failing schools, strengthening early education, preventing crime, improving transportation, ensuring basic neighborhood assets, and increasing access to jobs. New Directions is a key partner to Louisville Metro Housing Authority, recently securing nearly 500 resident and stakeholder surveys (using the Community Impact Measurement tool) and Block Conditions Surveys and ensuring high access to committee leaders to the Louisville Community Leadership Institute.

New Directions is zeroing in on Russell—buying land contiguous to our 83-unit Russell Apartments and Community Venture’s Chef Space, moving 10 jobs to the neighborhood by relocating Property Management operations, and by redeveloping an important neighborhood asset—the Russell Auditorium—as an Arts Third Space in collaboration with key West Louisville constituents. This effort is of great importance and is featured in our strategic plan and in multiple Round 1 applications.

**Cradle to Career:** This is one of our region’s most important goals—to exponentially increase educational attainment to protect future economic development prospects.
New Directions is already an Out-Of-School Time (OST) provider in areas where few youth programs exist. We have intervened to acquire a West Louisville legacy institution, the Saint Benedict Center for Early Childhood Education which is co-located on our Brandeis Apartments campus in the California Neighborhood. We are proud that NeighborWorks America is a partner to our local Metro United Way in this bold endeavor, providing our agency with a Line of Business Expansion Grant in FY2015 Round 2, which we are leveraging through Green NWO partnerships. This is in direct response to the community’s request that this invaluable asset be save, revitalized and expanded. Our success will save 22 West Louisville jobs and provide invaluable Pre-K services to 135 children annually.

Reinvestment in the city’s historic West Louisville: According to Metropolitan Housing Coalition, 45 percent of Louisville residents live in extreme racial segregation; Louisville ranks fourth nationally in housing segregation of its Hispanic-Latino population when compared to like-sized cities; public transportation subsidies are distributed disproportionately to disadvantage those in protected classes; and patterns of residential growth and zoning codes serve to limit housing choice since of the 75 percent of land zoned as residential, 69 percent is zoned R-4 requiring that homes be built on lots no smaller than 9,000 square feet—pushing affordable multifamily housing into geographic zones where rent-assisted housing is already disproportionately concentrated.

These areas also exhibit below average educational and income attainment, and have shockingly differentiated health equity measurements. MHC wants to encourage East Louisville development of affordable housing. New Directions is concerned that a “rob Peter to pay Paul” budget structure could negatively impact the culture, pride and potential of West Louisville. We are moving to leverage our rental portfolio and home ownership preservation capacities to enhance assets in West Louisville neighborhoods that border downtown Louisville to demonstrate that enabling longtime stakeholders to retain ownership will increase personal assets and community wealth. In Portland and Russell, speculation has already begun to threaten legacy ownership.

Community Stabilization: Now, more than ever, limited resources must be judiciously invested in comeback neighborhoods where small projects, high-impact redevelopment and engagement matter.

An essential partnership: NeighborWorks America
An 11-year membership in the NeighborWorks network makes a powerful impact on New Directions. **We participate in FOUR national initiatives:** We have secured Green NWO status; participate in the Resident Services Consortium; belong to the Community Building & Engagement consortium and have represented the Southern District on the Steering Committee; and vastly benefit from learning gained from the Community Stabilization initiative. Staff members have obtained numerous Professional Certifications, including CHAMS and Community & Neighborhood Revitalization.

For a second year, New Directions earned an Exemplary Rating. This achievement was made possible by many NWA coaching supports, especially the two-year Business Strengthening project that inspired our current strategic plan, place-based training and continuing access to NTIs and peer-to-peer exchange that hone our skills; and ongoing PROMPT capacity assessment review that helps us be as good as we can be, given our environment and challenges.

Since May 2014, New Directions hosted both a NeighborWorks Training Institute and the 2015 Community Leadership Institute. Together, these two conferences brought 3,500 people to Louisville to visit our neighborhoods and meet our local grassroots leaders who are getting the job done!

In 2015, two unique NWA opportunities have encouraged our thinking and business expansion. Being the recipient of an NWA LOB Expansion Grant—perhaps a three-year engagement—is accelerating our process improvement and acquisition of California Neighborhood’s Saint Benedict Center and connecting the national priorities of NeighborWorks to United Way of America. And, while not successful, we learned from making a bid to Strategic Growth Fund, and are commencing an in-house construction and general contracting operation in response to cost inflation and funding pattern changes.
New Directions will continue its successful community stabilization work in Shelby Park and Midtown. We are sharpening strategic approaches in West Louisville, specifically in the Russell, California and Portland neighborhoods for business and mission potential. Round 1 proposals are submitted for Community Building, Peer Exchange, and Community Stabilization and Post Development Real Estate projects.

Provide a progress report describing the organization’s results in attempting to achieve its FY 2015 goals and organizational mission. The progress report shall include an update on goals for each of the organization’s principal lines of business. These areas of operation may include activities that are not currently considered by NeighborWorks America as a formal line of business but which are reflective of the organization’s efforts to fully meet its mission as reflected in its strategic plan. The report shall specifically address whether goals were exceeded, met, or not met with an explanation provided for any significant variance in performance from projected goals.

Progress Report: 2015 SMART goals and achieved objects listed by Lines of Business

New Directions reports another powerful year of achievement. One significant disappointment, the denial of nine percent Low Income Housing Tax Credits for Russell Apartments, has hardened our resolve to create an in-house construction operation to reduce general contracting costs and expedite unit renovations. Home Ownership Preservation production was strong, but expected to taper in the coming year despite numerous requests for assistance.

Resident Services reorganization and metric tracking moved forward and Community Building operations had a strong year, achieving goals and securing a $100,000 contract for an 18-month relationship with the Choice planning process in Russell neighborhood. Repair Affair has had its most productive year, as had Resource Development. Significant progress has occurred since March in the acquisition of Saint Benedict Center, as due diligence and business strengthening processes proceed.

This has been a special year of invitations. In addition to the successful hosting of the 2015 Community Leadership Institute, New Directions was asked to mentor NHS Boise and to provide a peer-to-peer experience for LaCasa of Goshen, Indiana. New Directions looks forward to hosting a second NeighborWorks Training Institute in August 2018.

Preparation for 2016 leadership transition

The agency’s board is prepared for staff leadership transition. Its plan and timetable will be implemented in early 2016. CEO Joe Gliessner will retire on June 30, 2016. The board is considering streamlined Articles of Incorporation and By Law changes while the CEO has added to the Executive Operating Committee’s strengths. These strategies are more fully outlined in Part 3.

The following summarized report will outline line of business goal status.

2015 Asset and Property Management Goals

In addition to maintaining high occupancy and REAC scoring, the APM line of business maximizes cash flow through occupancy and other fee revenue. Its Cost Containment Committee made strides as the in-house Green Champion saving financial and environmental resources.

APM2015_1: By May 1, 2015, successfully execute the refinancing of The Casa Center and Maintenance Service Center, a $1.4 million transaction following the dissolution of a PNC New Markets Tax Credit partnership. This action will strengthen the balance sheet by ensuring the long term financial viability of these two important facilities.

ACHIEVED: Significant long-term benefits were achieved with the 2015 financing requirement to replace the New Markets Tax Credit loan on our agency’s headquarters (The Casa Center) and on our Woodland Avenue warehouse. Original NMTC financing was for $1,462,000 and when we paid off the (A) loan of $1,152,000 in May 2015, the (B) loan of $310,000 was assigned to New Directions. Four bidders competed for this financing and we were able to accept a 3.7 percent rate (3.7%) on a 10-year loan for $1,150,000 with a five-year call. Because of the attractiveness of our Casa financing in the market, we elected to accept the full
principal amount. At the end of five years, principal due will be $576,000, substantially better than any of our projections.

**APM2015_2:** By June 2015, the entire New Directions residential portfolio will be smoke-free. 
ACHIEVED: All properties have been declared smoke-free. Signage and designated smoking areas will be completed by December 2015. Lease addendum language is being added as residents are recertifying or as they move in.

**APM2015_3:** Successfully and advantageously execute the disposition of the LIHTC partnership with Wentwood Capital Advisors, LP for O’Connor Square Apartments which is at the end of its 15-year compliance period. 
ON TRACK TO BE ACHIEVED: This 64-unit property, saw improved performance to a modest cash generation of $10,000, better than a cash loss of $13,000 for the previous year. Primary financing of $1,150,000 is due for refinancing on July 31, 2016. The original $1.7 million mortgage loan has been reduced by $550,000. Negotiations have already commenced with a lender that has expressed interest in making this loan.

**APM2015_4:** Achieve a 20 percent decrease in maintenance supplies cost due to greater cost controls achieved from a fully implemented purchase order system. 
ACHIEVED: Technically, the agency calculated a 14 percent reduction in supply cost but spent surplus cash of $39,000 in one property rather than have it go to a third-party! New Directions successfully passed eight comprehensive property inspections, achieving high monitoring marks.

**APM2015_5:** NDHC shall maintain a 98 percent occupancy rate with a 95 percent collection rate. 
ACHIEVED: Occupancy of 97.55 percent and a 95.4 percent collection rate were achieved.

**APM2015_6:** Achieve ABOVE AVERAGE ratings scores for 25 percent of NDHC properties during Management and Occupancy Review or site inspections. 
ACHIEVED: Management and Occupancy Reviews have not occurred due to delayed government ruling. All HUD REACs this FYE have had an average score of 92 out of 100, which is excellent. All investor inspections were passed.

**APM2015_7:** Upgrade I Update all camera monitoring systems throughout the portfolio and commercial buildings resulting in reduction of costs and more efficiencies. 
PENDING: NDHC reduced monitoring costs for 11 properties from $3,863 per month to $390. This is a monthly savings of $3,473; yearly savings of $41,676. Also in FY2015, New Directions converted all IT hardware systems to Apple equipment and is acquiring Saint Benedict Center—all of which has an implication for monitoring system conversions. New Information Technologies planning indicates that the monitoring system upgrade will enable consolidation to an Apple-supported platform. This will occur in FY2016.

**2015 Real Estate Development Goals**

Real Estate Development experienced a second set-back from the state housing finance agency during a rather arbitrary allocation of nine percent Low Income Housing Tax Credits. Innovations in FY2016 will enable this LOB to create an in-house construction operation to continue redevelopment of the portfolio, especially West Louisville properties. Portfolio strengthening activity also occurs with RED focus bringing new resources to Saint Edward Court. High levels of single family home development will occur.

**2015 Real Estate Development/Multifamily and Portfolio Strengthening Development Goal**

**RED2015_1:** New Russell Apartments will have achieved permanent financing commitments, and upon the award of LIHTC, will reach project closing and construction start by 7/30/2015 and completion by 8/30/2016. 50 units shall be completed by 12/31/2015. 

NOT ACHIEVED: LIHTCs were not received, leading to conclusion that use of 9% credits in the near term is unrealistic. We will defer major work until 2017 cycle, as contractual impediment to achieving maximum 4% credits for building basis will expire in spring 2018.

**2014 Real Estate Development/Single Family Development Goal**

**RED_SFD_2015_1:** By 12/31/2015, NSP proceeds will build or renovate seven homes in both Midtown, New Albany and three Shelby Park, Louisville, for sale to low-to-moderate income families. Two additional Vacant Property rehab/resale units will also be completed in Midtown using sales proceeds subsequent to this development. 

PARTIALLY ACHIEVED: Work commenced on six Midtown units and four Shelby Park units in 2014-15 fiscal year. Inclement weather and severe delays due to slow service by electrical provider impeded early closings. Seven units are completed as of 10/15/2015, another three are 80 percent complete. Sales going well.

**2015 Home Ownership Preservation Goals**

CDBG-funded contracts were reduced; private fundraising and other resource development are even more
essential. Line of business staffing expense was reduced through attrition. Despite these circumstances, some extraordinary achievements were obtained. Repair Affair is going to have its largest year ever, with 200 homes served by nearly 2,000 volunteers. Some homes, like 1814 Portland Avenue, became icons of neighborhood revitalization as public, private and volunteer energies converged. New Directions “HOP” may be one of our most effective revitalization tools when privately funded. Its ability to respond directly to “billboard houses” remains unrivaled.

HOP2015_1: Home Ownership Preservation will process at least 350 applications for program assistance (Repair Affair, Emergency Repair Program, and Owner-Occupied Rehabilitation).
Achieved: Goal met in full.

HOP2015_2: Provide Home Repair services to 150 unduplicated households during fiscal year 2015.
ACHIEVED: Goal met in full.

HOP2015_3: By December 31, 2014, Home Ownership Preservation will have an updated program policies and procedures manual in place for Repair Affair and Owner-Occupied Home Repair Programs articulating improvement in construction quality-control processes and procedures.
ACHIEVED: Goal met in full.

HOP2015_4: Achieve an average score of 4.5 on Repair Affair Homeowner Evaluations measuring perception of service from 7/1/14 to 6/30/15.
ACHIEVED: Goal met in full.

HOP2015_5: Improved Quality Control evidenced by a 50% reduction of homeowner callbacks and filed grievances. From October 1, 2014 and the conclusion of the Repair Affair season to October 2015, HOP service and communication provision will ensure that complaints and grievances are reduced from 5% of homeowners served to 2.5% of homeowners served.
Reduction in the case load due to cutbacks in public funding for emergency repair will not impede increases service ethic.
ACHIEVED: Goal met in full.

2015 Community Building and Organizing Goals
New Directions looked forward to aiding NeighborWorks with the 2015 Community Leadership Institute, and a future Training Institute, encouraging our local neighborhood leaders to continue their progress, hone their stories and prepare to provide more Southern Hospitality to visitors.

Other successes include the nomination of Shelby Park Neighborhood’s Chip Rogalinski for the 2014 Dorothy Richardson Award from the Southern District. This is the first such award for a leader nominated by New Directions.

Block surveys in New Albany and Shelby Park were completed in May 2015. These were compared to similar block surveys that were completed in 2013. These surveys helped tell the tale of how positively the two neighborhoods had changed in two years. Also in Shelby Park, a Back to School Bash was held August 6 2015 aiding 100 children. We received a 62% discount on the school supplies from Staples. One of our SMART goals was to equip 50% of Learning Center-aged children at Jackson Woods and Smoketown Apartments, or 33 children. We ended giving away all 100 back to school kits. This included 43 children from Jackson Woods and 21 from Smoketown Apartments. 14 Summer Program participants who do not live at either property also received supplies. The remaining 22 kits were given to people who came to the event who did not live in the two apartments.

New Directions secured an 18-month contract as the Community Engagement provider to the Louisville Metro Housing Authority’s Choice Neighborhood Planning process. This $100,000 contract enables a five-member staff team to conduct surveys and support this important civic goal.

CBE2015_1: Develop and implement marketing plan to maintain meeting rate and increase attendance at Neighborhood Roundtable. Convening at least six meetings in FY15 and publishing the annual Property Assessment Report for Louisville Metro Government’s implementation and code enforcement (Baseline: increase# of neighborhoods from 11 to 12) . Work with three neighborhood groups in areas where New Directions has aligned strategies.
ACHIEVED: Since July 1, 2014 there have been six Neighborhood Roundtable meetings. The average attendance has risen from 16 to 19 people. There have been 10 new attendees of Roundtable, who either hadn’t ever attended, or hadn’t attended since
before 2012. These included residents of Schnitzelburg, Shelby Park, Chickasaw, South Downs, Tyler Park, Belknap and Portland. There have been several outcomes from Roundtable this past year related to aligned strategies. Dorothy Richardson Awardee Chip Rogalinski visited the Institute for Sustainable Health and Optimal Aging to learn more about their ideas on aging in place. South Downs participated in the Property Report for the first time. Chickasaw Neighborhood participated in the Property Report for the first time since 2011.

**CBE2015_2:** Organize, recruit and serve as the Resident Team Coordinator for the NeighborWorks America Community Leadership Institute (CLI) in October 2014. Successfully formulate and implement community Action Plan as determined by CLI team of attendees from various neighborhoods aligned with New Directions.

**ACHIEVED:** The final projects of the CLI Action were implemented including the installation of the fence at the Paul Poston Garden. Leveraging $2,000 from NWA with $8480 from OCCH, $1000 from the Dominican Sisters and $500 from Operation Brightside culminated in $11,980 being invested in projects at the Paul Poston Garden and the Brandeis Garden. One indicator of success came from “Sky”, a resident of St. William who is confined to a wheelchair. She told me that she is no longer afraid to go to the garden by herself, now that there is a paved ramp to the gazebo. 2015 CLI Action Plans were also successful implemented—two bus tours of neighborhoods using new marketing techniques. These were completed in time to be of support to the 2015 Community Leadership Institute, which was held in Louisville with 13 mobile Learning Labs.

**CBE2015_3:** Successfully facilitate the October 2015 NeighborWorks America Community Leadership Institute (CLI), to be held in Louisville, Kentucky.

**ACHIEVED:** Nearly 1,000 attendees enjoyed the four-day conference. 13 mobile Learning Labs and two workshops were produced by New Directions. Two pre-conference CB&E events linked NWA consultants with neighborhood artists and civic leaders. A public radio interview publicized NWA’s arrival.

**CBE2015_4:** Organize, recruit and serve as the Resident Team Coordinator for the NeighborWorks America Community Leadership Institute (CLI) in October 2015. Successfully formulate and implement community Action Plan as determined by CLI team of attendees from various neighborhoods aligned with New Directions. The CLI team will consist of Russell neighborhood resident leaders. The team will focus on the neighborhood planning that is ongoing in the Russell neighborhood whether they have received the Neighborhoods of Choice Planning funding from HUD or not.

**ACHIEVED:** In fact, two local CLI teams were organized and are now working on the enhancements of their Action Plans, preparing for plan submissions. One team, representing the Choice Neighborhood Planning effort, proudly represented Russell Neighborhood.

**2015 Resident Services Goals**

Expansion of Service Coordination infused with Community Engagement ethics and ideals is reshaping the Resident Services agenda. This creative, dedicated team is reaching unprecedented outcomes. The implementation of Family Metrics software inspired a new place-centric way of serving the portfolio. Eight local area clusters have been formed based on political and neighborhood cultures. New administrative efficiencies, like credit card-based procurement and Apple hardware upgrades are making the Resident Services team even more nimble and mobile. New donors are sponsoring Peer-to-Peer visits and weekend financial empowerment training for residents featuring our area’s best Urban League coaches. HUD funding for Service Coordination and Supportive Services for homeless persons appear to be intact for 2016 and 2017.

**RS2015_1:** By 11/1/2015, Resident Services will work with property management to provide households with an approved Eviction Prevention Packet of materials. Service target 500 households or over half of the portfolio.

**PENDING:** While an approved approach to eviction prevention was established with Property Management leaders, less than 500 households were served.

**RS2015_2:** By 4/11/2015, staff development training program will be created and instituted: all staff members will be trained in Financial Empowerment, mental health and other life skills. Training resources identified and used in the community and brought to the organization. 2 new staff members will attend an NTI Training Institute. Target Staff members.

**ACHIEVED:** Goal was met. Two staff members received training and certification in Financial Empowerment. Three staff members attended the Los Angeles NTI in February 2015.

**RS2015_3:** By 3/1/2015, staff will be conducting monthly Eviction Prevention workshops to residents at additional designated sites. This is expanding upon last year’s met goal of preventing 10 breach cases. Target 75 households will be reached.

**PARTIALLY ACHIEVED:** Direct eviction prevention aided 32 households however we had numerous residents needing support and training in employability skills. All indicated that they needed to increase income if they were going to continue paying their rent and meet basic needs. Residents attended 22 financial empowerment/job readiness workshops. New Directions has also organized a bi-weekly financial empowerment forum called “Your New Directions” attended, on average, by 30 people.

**RS2015_4:** By 2/11/2015, a case management data base will be implemented and used by staff to track services across
all resident services programs.

ACHIEVED: Goal was met. Completed with the installation and first training to staff with Family Metrics. The training will continue and is needed to refine the process.

RS2015.5: By 9/11/2015, NDHC increases its garden capacity by working with Property Management, the Portland Neighborhood, residents, and community partners to develop and create a third garden at the Roosevelt Apartments

PARTIALLY ACHIEVED: Funding has been secured and planting beds are under construction with Master Gardeners. A planning co-op has been organized at Heverin House and Roosevelt Apartments.
Part 2. Assessment of Financial Health
New Directions Housing Corporation

1) Assessment of FY15 financial performance in comparison to financial goals based on the agency’s most recent audit and current interim financial statements.

New Directions Housing Corporation is a strong, well-directed agency operating in a challenging community development environment. We provide products and services that are mission-driven and neighborhood focused. In addition to its five established lines of business and its expansion into Early Childhood Development as a promising sixth LOB, New Directions is engaged in Green, Community Stabilization, Community Building and Resident Services consortia. Enterprise and community level outcomes occur when the alignments of interdisciplinary strategies and partnerships cause positive change in the lives of people and their neighborhoods.

The enterprise is fueled by diversely-sourced revenue fees and philanthropic strategies. Most 2015 goals were achieved due to the agency’s deep and experienced bench of senior and line managers and the tenacity and dedication of our board and key volunteers. Louisville’s hardscrabble community development environment scene has always been unpredictable. Our programs are designed to expand or contract strategically given our community’s changing financial and political dynamics.

Seeking the right resources
A wide constituency of supporters includes foundations, member organizations, individual donors and grant makers who achieve their missions through our work. New Directions counts over 2,000 resident and community volunteers annually, making it a rare NWO rather symbiotically tied to grassroots vision and co-investment.

We are on the front line of local conversations about capital access like the program-related investment strategies being developed by the community foundation and leadership strategies for focused charitable investment devised by our largest foundations and Metro United Way, of which we are a 20-year member agency. New Directions is also a leading partner in Louisville’s Choice Neighborhood planning strategy, working closely with Louisville Metro Housing Authority in the Community Engagement role to drill into new pools of resource as part of an Implementation Plan assembly.

A key financial goal has been to aggressively seek and secure new equity partners. Finance leadership has systematically increased our team of investors, one-by-one, and they include our local housing advocacy agency, Metropolitan Housing Coalition; an activist neighborhood association from Louisville’s Shelby Park; NeighborWorks affiliate agencies and area banks. In 2016 we will add the Community Foundation of Louisville to the New Directions investor team.

When the game changes, we change
New Directions historically is one of the Commonwealth’s most aggressive and successful non-profit applicants for Low Income Housing Tax Credits which are allocated by Kentucky Housing Corporation. This game has changed to favor other congressional districts rather than Kentucky’s largest city. It is clear that this resource will not be available to us for several years or a significant policy shift—so our strategies have shifted to redirect development operations using business capacities to protect our portfolio’s powerful revenue engines. More about this systemic line of business shift is detailed in Part 1.

Complementary to this is continuing single family home production and home ownership preservation activities that are being further focused to impact areas where New Directions is already invested in multifamily housing. Resident leadership in these areas are already involved with our Community Building and Resident Services work, so in a Relationship Town like Louisville, we are benefitted by the most informed and dedicated people about conditions and opportunities. This has led us to new business and exciting prospects.
Efficiencies and strengths

This agency’s strong operational efficiencies is its financial keystone. Our most important collaboration is internal, linking business and administrative staff teams to create Green and Financial cost containment advantages that reduce operational costs. Back-office consolidation and systems improvements are measured for effectiveness.

Information Technology, Human Resources and Accounting are newly structured under the CFO’s direction. The agency converted to Apple systems and is in Year #2 of an exciting procurement process called “Green is the New Black.”

Our pipeline includes the acquisition of another non-profit agency which will expand services into the preschool business, linked to our thriving Resident Services operation. This will increase the agency’s asset size in FY16.

How we do business is as important as what we achieve through this special mission-driven business. New Directions is rated at top proficiency levels by its high-caliber partners. NeighborWorks® America has rated our operation as Exemplary. HUD, Metro United Way, Better Business Bureau, The Coalition for the Homeless and other assessors give us highest marks for service delivery, stewardship and community impact. Operations are expanding into a sixth line of business based on assessments of opportunity as well as internal and external support capacities.

Transitions and business expansion

New Directions has a deep and talented staff bench, and is prepared for change. The agency is implementing an NWA-sponsored leadership transition strategy, directed by seasoned veteran Joe Gliessner as he completes an extraordinary career. A keenly attuned board of directors is at the helm. Governance systems have expanded and are becoming more entrepreneurial to dovetail with capacities and community need. In January 2016, the board will advertise its search for its future President and Chief Executive Officer to complement an Executive Operating Team that includes a Chief Financial Officer, General Counsel, Chief Strategy Officer and Asset & Property Director who together have over a century of career experience.

Production in this extremely unusual economic environment has to be highly strategic and risk-aware. Three publically-funded projects noted in last year’s audit and operational plan were implemented, but found unprecedented competition for construction skill and inflated material costs. Our regional transportation development is one of the nation’s most extraordinary with three concurrent Interstate bridge projects and numerous downtown hotel developments.

Production in owner-occupied home rehabilitation is ebbing; single-family housing development is strong; and the agency will become its own largest rehab customer as its redevelopment pipeline is addressed using a new in-house construction team and its own robust reserves.

Acquisition of highly leveraged and strategically located commercial properties and the beneficial refinancing of the agency’s headquarters have not dulled our appetite for acquisition of subsidized housing properties. Our multifamily profile is to buy, improve and hold—so our searches are about finding these HUD-supported opportunities in the right places and at the right prices.

Review 2014 priorities by reading the CEO’s Management Overview in the 2014 Consolidated Financial Statements for New Directions Housing Corporation and Subsidiaries.

a) Assessment of key internal and external (economic/market factors that affect business performance.

By its nature, New Directions is conservative in its operational and investment approaches. Our economic forecast is informed by key indicators, like any business, but we also watch the tide of political decision making locally since elected leaders and their cabinets have the capacity to do great harm or good to some
of the programs that are most valuable to the neighborhoods we serve. Competition is growing in the community development arena with the creation of two new entities and the sudden local interest of the National Trust for Historic Places and its Project Green Lab. Our most worrisome competitor, however, is the City of Louisville, itself, as it redesigns its approach to service delivery in the wake of The Great Recession.

External economic factors are curiously contradictory. Some metrics are vastly improved from recessionary times. Unemployment is at 4.4 percent compared to over 10 percent unemployment in the darkest days. Per capita income is up with a 3.6 percent gain in Kentucky and a 2.8 percent gain in Indiana. Housing prices are on still on the rise, as they were last year. Building permits are down 8.7 percent perhaps due to the tremendous strain on talent and materials being exacted on the trades as the $2.6 billion Ohio Bridges Project accelerates, with downtown bridge access now anticipated by December. New Directions experienced what all local builders are enduring. Duke Energy took an unprecedented 180 days to provide service to six new home sites in New Albany, delaying certificates of occupancy, and so delaying developer fees. Three of the six homes are sold, with closings delayed by this extraordinary situation.

In the second quarter of 2015, house price indices for the Louisville MSA were 1.7 percent higher (FHFA) and 1.1 percent higher (CoreLogic) than in the first quarter of 2015.

Since the second quarter of 2014, house price indices were 4.4 percent higher (FHFA) and 4.1 percent higher (Source: CoreLogic).

Job availability is strong. There is certainly an inflation factor in the construction sector, stressing the trades and causing high costs for our agency’s single-family home rehabilitation and emergency repair work so needed by older and disabled owners. In some neighborhoods, like Louisville’s Russell Neighborhood where the Choice planning process is underway, only 18 percent of the overall housing stock is owned by owner occupants, most of them of low income and older. To prevent speculation that can harm longtime stakeholders, advocates are encouraging home rehab intervention.

Louisville Metro Government has found $200,000 and rather naively has begun an owner-occupied rehab program for high impact. Their policy is making promises that their wallet can’t keep in a city where the average publically funded residential façade improvement for high-need homes is over $20,000.

More aggressive support for these Russell homeowners, at this time, is critical. New Directions mounted a special Repair Affair effort this year, aiding seven homes by raising $17,000 and matching it with the work of 85 volunteers. Ironically, the city cut Repair Affair’s general fund allocation from $28,500 to $10,000 as part of their “focus on housing”. Despite this, 2015 Repair Affair will set a record this year, helping 200 homes thanks to private donors and nearly 2,000 volunteers. In this way, our aggressive resource development agenda—expanding to social media and major gifts strategies—is most important to our
holistic effort to bring aligned community stabilization strategies to neighborhoods where revitalization pressures are mounting.

There are, we think, disconnects between the understandings of the public sector and the amazing work going on in the non-profit and congregational sector, especially in Louisville’s west end where racial, economic, health and educational divides are daily reminders of our inherited inequities. Here in Louisville, economic recovery is uneven, situational and slow to bring relief to people in need.

Distress Index graph
CredAbility Nonprofit Credit Counseling & Education, CredAbility Consumer Distress Index Louisville/Jefferson County, KY-IN (MSA) [CCDIOA31140Q156N], retrieved from FRED, Federal Reserve Bank of St. Louis

Our notion that “something’s not quite right” is validated by data from the Federal Reserve Bank of Saint Louis, Louisville Branch. The Louisville zone of the Federal Reserve comprises southern Indiana and western Kentucky and a total population of 3.4 million people, with the almost 1.3 million who live in the Louisville MSA.

Distress Index Graph is a comprehensive picture of the average American household’s financial condition. Built by assessing the key elements of financial health and distress, it converts a complex set of factors into a single, easy to understand number. The Federal Reserve uses more than 65 data points from government, public and private data and a proprietary methodology for compiling, combining and evaluating data. The five measured categories are personal finance factors that reflect or lead to a secure, stable financial life—Employment, Housing, Credit, Household Budget and Net Worth. Each category has been given equal weighting.

Measured on a 100 Point Scale
Financial distress is measured on a 100 point scale. A score under 70 indicates financial distress. The lower the score equals more distress, a weaker financial position, more urgency to act, takes longer and is harder to resolve, and increases the probability of needing a third party help to resolve. The Index score is tied to one of five general rating categories, which reflect the strength and stability of the consumer’s position.

Less than 60 Emergency / Crisis –
60 – 69 Distressed / Unstable……Our region was hit hard (2009 to 2013) due to recessionary impact..
70 – 79 Weakening / At-Risk Our region is rated here as last measured in 2013.
80 – 89 Good / Stable
90 and Above Excellent / Secure

Louisville’s region, as of two years ago, had not recovered to pre-recessionary health. As across the nation, jobs are slowly returning but income-building has not. How much of this robust jobs picture is due to the Ohio River Bridge project as opposed to permanent recovery is not known but we do know that our local governments are becoming more conservative in their own self-resourcing. Several direct aid programs that used to be out-sourced to nonprofits are now administrated by Louisville city staff departments. City of New Albany allocations for Repair Affair and Emergency Repair Programs have been reduced.

Internal strategies in a changing environment
Across the spectrum of public funding, the recent trend has been to maintain entitlement funds and equity generators like tax credits within the public sector. Reductions in federal entitlement allocations and municipal forecasting may have something to do with this shift, despite earlier HUD recommendations that Louisville, especially, grow the capacities of its private, non-profit sector.

Here is a recent example of this trend. New Directions is finishing a three-year owner-occupied rehab program in the Portland Neighborhood, funded with a $1.75 million allocation of Community Development Block Grants. This was part of a Neighborhood Revitalization Strategic Area plan. Despite the fact that New Directions raised more than $550,000 from other sources to leverage the city’s funds, future NRSA rehab programs for the Shawnee and Russell neighborhoods will be administrated by our city in-house.
A more serious impact is in the area of nine percent Low Income Housing Tax Credits (LIHTC) as the state housing finance agency, Kentucky Housing Corporation, has set-aside credits for HOPE 6 projects which favor our local housing authority, but jeopardizes other housing development and preservation. New Directions, with a pipeline of 465 subsidized units queued for tax credit syndication, is taking action.

To remain financially strong, New Directions will protect the quality of its housing portfolio and continue to seek ways to resource home ownership preservation in and around multifamily housing sites. Our community stabilization strategies call us to work directly with resident leaders to shape resident services and other engagement programming.

Internally, talented staff from the Home Ownership Preservation line of business are preparing for Real Estate Development projects as New Directions kick-starts a construction department to, itself, bring activity in-house for cost control to address both a change in the public funding environment and cost inflation in the construction sector.

b) **Key financial indicators which management uses to make operational decisions.**

Audited consolidated financial statements of the Agency as of June 30, 2014 reflect consistent financial performance with financial earnings of $316,000 and net assets of $16.2 million virtually equal to total liabilities with a very strong 1 to 1 worth to debt ratio.

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<th>Audited FY11</th>
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The unaudited financial story for FY2015 reflects revenue little changed at $9,945,000 and smaller financial earnings projected in the $40,000 range primarily due to a paucity of developer fee revenue. Construction activity for a number of single family houses was halted in March of the year because Duke Power, the local utility for Southern Indiana, did not have the resources to deliver electrical service for six months to our development because of other unusual regional construction activities. This single event removed a six-figure developer fee from the 2015 operations. These fees will be reflected in early FY2016.

Indicators monitored monthly by management at the Executive Operating Committee (EOC) level, then in greater detail at the line of business and project level, include the pace of revenue (budget versus actual), liability management (which has included beneficial refinancing and the acquisition of low-cost program investment) and portfolio cost containment. As projects are designed, the agency’s Go-No Go assessments engage interdisciplinary operational teams with competencies in community stabilization.

Utility cost and vacancy management occur at the EOC level and the board’s Finance Committee level (which is charged with Asset Management assessment duties.)

c) **Major financial risks to New Directions and mitigating business strategies.**

Cash flow has been and will continue to remain strong primarily because of continued excellent performance from our multifamily properties. New Directions has enjoyed five consecutive years of financial profits.

Risks to this cash flow are mitigated by strong occupancy and effective unit rehab and renovations, as required and confirmed by a series of very high HUD REAC scores over the past several years. Almost 75 percent of the portfolio is enhanced with Housing Assistance Program contracts, ensuring desirability. The portfolio is located primarily in West Louisville, an area of focus for revitalization and in central Louisville near a growing level of amenities.
Earnings are a product of ever closer partnerships between operational and administrative teams, with staff using to greater advantage the data-driven knowledge enabled by NWA Business Strengthening consultation to inform innovation, cost containment, business exploration and continued portfolio strengthening strategies.

Those familiar with New Directions may recall earlier emphasis on strategic portfolio strengthening which systematically addressed opportunities to strengthen property performance. Improvement to business systems have followed. We continue to benefit from innovations that have long-term positive impact in agency performance.

Financial risk related to the portfolio is linked to redevelopment as we seek suitably strong structures that do not deplete the agency of its waterfall of sustaining cash. This strong platform enables New Directions to, in a limited fashion, support other community development activities. Business Strengthening consultation has applauded our mission orientation toward Resident Services, Pre-K services, Community Engagement and home ownership preservation given that the portfolio serves families at 30 percent of area median income and the elderly.

**Major asset development and property management events in FY2015 that contributed to the agency performance are detailed as follows:**

**Brandeis Apartments**, over the last five-year period, experienced steady financial strengthening and can now pull its weight. Readers may recall that revenue was bolstered when NDHC’s HUD negotiations resulted in an unprecedented reassignment of a lucrative 40-unit Housing Assistance Program contract reassigned from Pearson Court Apartments, which was subsequently retired from service. The obsolete Pearson building was demolished in fiscal years 2013 and 2014 and its vacant ground was sold prior to the 2015 fiscal year end with proceeds of $116,000.

Brandeis operations in Fiscal Year 2015 generated cash of $22,000 which includes the amortization of two significant financings:

- A favorable refinancing of a first mortgage note was transacted with NWA-affiliate Community Housing Capital for $600,000 at the reduced interest rate of 5.5 percent with a 15-year amortization and a five-year call. The September 2015 balance was $582,500.

- A settlement financing with New Directions whereby the expenses of closing Pearson Court Apartments and settling up sums due between NDHC and Brandeis was closed just before the commencement of Fiscal Year 2015. A note balance to New Directions of $410,000 at 3 percent is currently reduced to $365,000. The note will mature in 2022.

To close the chapter on the Pearson property, New Directions was pleased to sell this site to Simmons College which has been been officially awarded Historically Black College status. This addition to its campus is an excellent step forward for the institution and its neighborhood.

**Roosevelt Apartments**, located in the Portland Neighborhood, had another successful year with cash generation improving to $42,000 from $29,000 the previous year. In 2016, we may choose to replace NDHC-sourced financing should the local environment enable a more conventional refinancing with a lending institution. The time will soon be right to refinance this property which is located in a revitalizing area.

**O’Connor Square Apartments**, a 64-unit property, saw improved performance to a modest cash generation of $10,000, better than a cash loss of $13,000 for the previous year. Primary financing of $1,150,000 is due for refinancing on July 31, 2016. The original $1.7 million mortgage loan has been reduced by $550,000. Negotiations have already commenced with a lender that has expressed interest in making this loan.

**Saint Edward Court Apartments** in New Albany, Indiana is the only WATCH category property in the
NDHC portfolio. Significant expense was removed as NDHC CFO Gerald Tyrrell succeeded in not only removing this property from tax rolls (2014) but in recapturing $50,000 of overpaid property taxes through appeal. The first mortgage note matures May 1, 2018 with a balance of $760,000 and improving performance from now until maturity will dictate our refinancing options. The City of New Albany’s second mortgage of $400,000 matures concurrently.

**Historic Parkland** continues to be a success story with good performance and full occupancy. Two of seven buildings were redeveloped as Parkland II using a $373,000 grant from Louisville Metro Government. $100,000 of old HOME subsidiary debt was forgiven at the same time. Parkland I (five buildings) financially benefits from a 12-year conditional forgiveness of its remaining subordinate debt of $208,000.

**Russell Apartments** redevelopment was turned down for the second time in 2015 for LIHTC redevelopment. In the meantime, we have deployed approximately $800,000 from replacement reserves and agency resources to replace windows, boilers, and a cooling tower. We plan to continue renovations as cash is generated by this strongly performing property. 100 percent of the 463 units held within these five planned applications are equipped with HUD Housing Assistance Program (HAP) subsidies.

**1718 West Muhammad Ali Boulevard** presented an acquisition opportunity in September 2015. With 0.8 acre and a 3,200 square foot commercial building, this “hot block” property is in the heart of a Choice Neighborhood development district. It is a contiguous property to our largest residential site, the 83-unit Russell Apartment Building. Relocation of part of the property management operation shaves 30 blocks from some technicians’ commutes and a portion of the building is available for commercial rental. Of significance, this property is one of very few that could enable mandatory housing replacement that will soon be required as part of Louisville’s Choice Neighborhood plan to replace our housing authority’s Beecher Terrace. We see this investment as prudent in the short term, with great longer term potential.

**The Saint Benedict Center facility at 925 South 25th Street**, in Louisville’s California Neighborhood, is part of the expansion into Pre-K education service delivery. Due diligence is in end stages and intensive redevelopment of this distinctive passive solar building is underway to relaunch this well-known and much loved pre-school. As an interim strategy, New Directions has placed a $100,000 first mortgage to secure an equally sized line of credit as waves of capital improvements, operational upgrades and volunteer coordination polish this interesting building. No other debt is associated with the operation. The property is contiguous to that of Brandeis Apartments.

**Portfolio Strengthening and Expansion:** The New Directions portfolio of 998 units overall enjoys strong performance since the majority of its units are ensured income due to HUD Housing Assistance Program contracts. Market units have enjoyed high occupancy due to a favorable market.

**Single-family home and resource development continues**

Other income-producing activities include continued single-family housing development and a growing individual donor solicitation effort through the agency’s use of the Benevon® relationship development format.

- **Single-family housing development**—two community stabilization strategies are playing out near major agency multifamily investments in Louisville’s Shelby Park and New Albany’s Midtown neighborhoods. In Shelby Park, three of four built units are sold. In New Albany, a six-month delay on electrical service has impeded closings on two of six completed units. We anticipate the remaining four units will be sold quickly given that area’s market recovery. Earlier efforts have resulted in 100 percent of 29 units previously developed being sold. Timing has delayed receipt of developer fees until Fiscal Year 2016.

- **The agency’s Dream Builder donor campaign** has experienced two successful years, with donations and four-year pledges in total of $345,225 in 2013 and $97,615 in 2014. Audit review
has confirmed the stability of pending pledges.

d) NeighborWorks funding impact in FY15 and continued affect into FY16.

NeighborWorks had a significant impact in Louisville in 2014 and 2015. Four points of partnership increased NWA brand awareness and certainly increased our agency’s strategic capacities.

The Louisville NeighborWorks Training Institute attracted over 2,500 participants. New Directions, as host, organized contributions from 150 local residents and technicians to produce 10 Learning Labs and to aid five on-site courses with panelists. This experience serves us well this year, as we host the 2015 Community Leadership Institute with 12 mobile Learning Labs and two on-site courses. These experiences increase local capacities. Our two CLI teams this year will have a great advantage, studying their own city as they prepare their Action Plans. Last year’s CLI team actually used their Action Plan to prepare their neighborhood marketing messages for the CLI visitors this year.

Expendable grant funds have enabled a continued strong push in Resource Development staffing and in our CEO Transition Strategy with the hiring of Inner Harbor Partners, a consultancy firm that is well aware of the significance of our succession strategy as Louisville’s most historic NWO. Board and staff are prepared to commence recruitment processes in January 2016 well in advance of CEO Joe Gliessner’s retirement in mid 2016.

The NWA Community Building and Engagement National Initiative provided for an important peer-to-peer exchange that aided our Learning Center’s Neighborhood Mentors who traveled to Kansas City to see that NWO’s youth organizing. In the coming year, we will ask for more exchanges like that, and have succeeded in raising more funding from the Sisters of Charity of Nazareth to ensure that a greater number of resident leaders may attend.

While we did not apply for these activities, New Directions agreed to provide support for a peer-to-peer group, LaCasa of Goshen, Indiana and for the Peer Mentoring of NHS Boise.

Community stabilization funding has greatly helped in continuing housing rehab and development, grassroots training and in Midtown, New Albany and in Louisville, the Shelby Park and Portland neighborhoods. In the coming year, our efforts are expanding to the Russell and California neighborhoods in distinctive stabilization strategies.

New Directions aided in field work for the new Success Measures health indicator tool, creating focus group forums for NWA’s Jessica Mulcahy at multiple housing sites. We appreciate the stipend that was provided that enabled another meeting to gather our health partners from universities and the public health arena to meet Jessica and to dialogue about building bridges to increase health equity.

New Directions became a Southern District Green Initiative Member this year, using funding to fuel our newest in-house cost containment group called “Green is the New Black.” This group includes leaders from Property Management and Finance who worked on water conservation and measurement to reduce utility costs. In 2016, this group will add green vendors to the approved procurement list, increasing known options for the lines of business.

Capital funding helped to complete predevelopment work for our Russell Apartments project and enabled the very favorable refinancing of The Casa Center as the New Markets Tax Credit partnership reached its maturity.

Finally, New Directions is honored to have been chosen as a NWA Expansion Grant recipient. We are expanding into Pre-K services by acquiring another nonprofit, Saint Benedict Center for Early Childhood Development. As part of this, we are upgrading all business systems, renovating the agency’s passive solar building through a series of green major repairs and transforming the curriculum of this much-needed California Neighborhood institution. Our highly leveraged use of the $150,000 has linked us to the US
Green Building Council’s Green Apple Day and to a myriad of other volunteer teams. This transformation will be a major accomplishment in 2016.

2.) Organizational funding sources and strategies, current and future, to ensure agency and line of business viability. Overview of operational liquidity, equity and income generation strategies including contract and fundraising strategies.

External financing
New Directions continues to add to its robust portfolio of financing partners. In 2013 and 2014, New Directions added an additional $2,350,000 in external financings (generally intermediate term). In 2015, new external commitments totaled $3,350,000, greater than both previous years combined. Since 2013, there has been a successful renewal of the agency’s $750,000 line of credit in addition to the financings listed in the table below. Currently, we are finished with 2015 external financings and have commenced working on 2016 requirements. Of note, in 2016, we anticipate that we will be chosen for a pilot $100,000 low interest rate unsecured loan from a community charitable foundation.

Financing Partner Acquisitions by Year

<table>
<thead>
<tr>
<th>FY2013 and FY2014 External Financing</th>
<th>AMOUNT</th>
<th>FY2015 External Financing</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kentucky Attorney General Funds</td>
<td>$600,000</td>
<td>Restrictions lifted from Kentucky Attorney General Funds</td>
<td>$600,000</td>
</tr>
<tr>
<td>(National Mtg Settlement sourced/Restrictions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Housing Capital (Roosevelt)</td>
<td>$600,000</td>
<td>Community Housing Capital (Brandeis)</td>
<td>$600,000</td>
</tr>
<tr>
<td>Shelby Park Neighborhood Association</td>
<td>$50,000</td>
<td>FAHE (Renewed and increased)</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Metropolitan Housing Coalition</td>
<td>$350,000</td>
<td>Fifth Third Bank (The Casa Center)</td>
<td>$1,150,000</td>
</tr>
<tr>
<td>FAHE</td>
<td>$750,000</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>$2,350,000</td>
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<td>$3,350,000</td>
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</tbody>
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Redevelopment of The Casa Center and Maintenance Service Center
Significant long-term benefits were achieved with the 2015 financing requirement to replace the New Markets Tax Credit loan on our agency’s headquarters (The Casa Center) and on our Woodland Avenue warehouse. Original NMTC financing was for $1,462,000 and when we paid off the (A) loan of $1,152,000 in May 2015, the (B) loan of $310,000 was assigned to New Directions.

Four bidders competed for this financing and we were able to accept a 3.7 percent rate (3.7%) on a 10-year loan for $1,150,000 with a five-year call. Because of the attractiveness of our Casa financing in the market, we elected to accept the full principal amount. Agency goals are being advanced by this favorable achievement. At the end of five years, principal due will be $576,000, substantially better than any of our prefinancing projections.

Extraordinary benefit: Attorney General funds are unrestricted
In another strengthening endeavor, the NeighborWorks Alliance of Kentucky, Kentucky Housing Corporation and the Commonwealth’s Attorney General agreed to dissolve the shared holding company and return to each the $600,000 of contributed capital. New Directions immediately purposed this funding to its Community Capital Fund, its engine for housing development.

Internal Fund Status
Internal reporting and monitoring protocols inspired by the work with NWA Business Strengthening have proven to be a powerful benefit to decision makers in the agency. In no small way, these encouragements have enabled improved practices and the establishment of new reserves and equity access.
Internal funds were established in 2013.

- **The Community Capital Fund**, $850,000 currently, is used for short-term advances where payments from government entities are slower than the pace of small vendor needs (often the neighborhood-based vendors working with our rehab/renovation projects in the Home Ownership Preservation Line of Business.) No capital losses are expected with these funds.

- **The Internal Operating Reserve**, at approximately $1 million currently, is used to balance our cash flows to meet vendor requirements and payroll. This fund is now three years old and is monitored carefully so we understand what is happening when revenue from normal property fees and grants and donations need augmentation. This Fund represents unencumbered cash and can also be employed to support attractive projects such as the recent acquisition of 1718 West Muhammad Ali.

**OHTS Committee rates New Directions as Exemplary**

For a second consecutive year, we were gratified to receive a letter from NWA Acting President & CEO Chuck Wehrwein announcing that New Directions had achieved Exemplary Status after the comprehensive review of the Organizational Health Tracking System Committee. We know that this determination is made with the divisional input from Organizational Assessment, Field Operations, and National Initiatives and Applied Research. Achieving this goal was deeply meaningful.

Foundational outcomes and achievements in Finance and Asset Management have been of central importance to the entire New Directions board and staff team. With no sacrifice of mission and program delivery quality to our community, agency endeavors have built a framework of stewardship and stability to serve for years to come. National initiatives and capacity building initiatives such as Business Strengthening, Portfolio Strengthening, Community Building and the Resident Services Consortium have increased the capacities of the agency in service and stability.

**Board and Executive Committee focus on financial health indicators**

New Directions volunteer decision makers are recruited from across the geographic and political landscape of the Kentuckiana region, representing public and private sector interests and also representing important neighborhood stakeholder groups. Given this diversity, expert financial reporting is essential to ensure transparency and capacity. The board’s Finance Committee is especially competent with board representation from accounting and banking professions.

Chief Financial Officer Gerald Tyrrell joined New Directions in 2012 to reorganize the Finance Department so that it produced timely and accurate financial reports for management at various agency levels down to individual properties (25 distinct property groupings) and lines of business (five lines of business) all operating within the Affordable Housing and Community Development arena. His ethical and talented stance of internal partnership has inspired a transformation of the Finance Department, now an ally to program directors and managers in making good operational decisions. Under his leadership, the Finance team has become an even more collegial and collaborative entity to business line directors.

Partnership with the agency’s Chief Executive Officer and Chief Operating Officer has strengthened a platform of information used by the board’s officers, especially its Treasurer. This office is currently held by a Principal of one of the region’s foremost accounting firms. In service to the Executive Committee, the Finance Committee performs its duties extensively reviewing financial and asset management operational reporting to present in summation to board peers. It also, through its CPA Chairman, performs the most mandatory function of revising draft and finalized audits. In its Asset Management Review capacity, the Finance Committee reviews housing development pro forma, portfolio recapitalization strategies and other business opportunities, such as the expansion into early childhood education. Detailed minutes are maintained for the review of all board members.
With its complex revenue and liability landscape, New Directions key financial staff and volunteers work as a team to forecast the agency’s performance against regional economic environment. Never in its history has the agency had such a portfolio of lending partners from both the for-profit and non-profit sectors. Maintaining quality reporting to all constituencies is a point of pride for the Finance team. Investors, public partners, charitable donors and decision makers are supported in a powerful environment of financial information, knowledge and good counsel.

**Business drivers, including planned succession strategies**

As earlier cited in this report, the board and officer group has for several years been preparing for the planned retirement of the Chief Executive Officer whose decades of service have caused the exponential growth of the agency’s service relevance to the region.

CEO Joe Gliessner has an astute understanding of Kentuckiana’s complex housing environment. Most of our inner urban neighborhoods are over supplied with housing which suggests that only careful production of either rental or ownership stock is prudent. He has provided this overview frequently to the New Directions board, agency financiers and to NeighborWorks.

Within this environment, however, New Directions is aggressive. The agency’s focus on the protective redevelopment of its lucrative and much needed subsidized portfolio, the careful expansion of its Resident Services agenda and the prescriptive advances made in single-family home development and preservation are all indicative of the agency’s experienced pace in dovetailing its program delivery with the specific economic and political characteristics of its three-county service area.

**Summary**

New Directions, founded by a committed group in 1969 to meet urban challenges, is strong as it approaches its 50th Anniversary of Service. Portfolio and program stability has been increased in the last five years, with extraordinary strides forward in the last two years. There is still work ahead, with critical financing milestones for key properties. Liquidity is strong.

Prudent processes are in place for continuous improvement in analysis and forecasting. Agency experience is strong, with respected decision makers in place in all leadership roles well able to support the agency and each other as New Directions continues its mission to create and maintain affordable housing and be in partnership to residents and other stakeholders as they work toward community stabilization and progress.
Part 3: Assessment of Organizational Capacity
New Directions Housing Corporation

New Directions Housing Corporation constantly assesses its abilities and capacity in terms of its human resources, physical and material resources; financial resources; information resources; and intellectual resources. At the close of the 2016 fiscal year, the agency reaches a pivot point as its longtime Chief Executive Officer, Joe Gliessner, retires.

Well in advance of this significant moment, New Directions began its preparation with a series of business and mission strengthening exercises including a board-driven self-awareness exercise using the Benevon resource development model to drill into the “why” of this much-respected community development corporation. Our mission is strong:

*New Directions creates and preserves housing; supports families and individuals and engages neighborhoods. We create and sustain affordable housing and vital neighborhoods in partnership with residents and other stakeholders.*

*We make community happen.*

New Directions was founded in 1969 by a team of faith-based volunteers who were inspired to “seek a new direction” to remedy neighborhood blight and disinvestment. It is an exceptionally strong agency with over 2,000 volunteers annually, a wide program footprint and financial and real estate assets valued at over $42 million.

This agency is a local original, founded to directly address the potential within Louisville’s and Southern Indiana’s neighborhoods by working directly with people, as peers. Our five lines of business include Asset and Property Management; Real Estate Development; Home Ownership Preservation (*Repair Affair, Emergency Repair and Owner Occupied Rehab programs*); Resident Services (*Service Coordination, Youth Services, Transitional Shelter; Emergency and Follow-up Shelter Services; Learning Centers; and urban health, financial fitness and gardening programs*); and Community Building and Engagement (*The Neighborhood Roundtable and Neighborhood Initiatives*.)

In 2016, New Directions will expand into a sixth line of business, Early Childhood Education and will start an in-housing construction operation.

Human capacities derive from a 71-member staff team, 20 percent of whom are purposely recruited from neighborhoods served because community aptitude and awareness directly contributes to job effectiveness in the roles they play.

This is a learning community, with an aggressive annual roster of specialized and place-based training that sharpens professional skills and increases the shared understanding of core capacities.

We believe that what’s good for neighborhoods—strong image, civic management systems, social capital and improving physical conditions—works for our agency’s health, too. We believe in the power of *esprit de corps*, choosing to celebrate together as a team with events like our seasonal United Way campaigns, parties and topical meetings.

Our people care about each other.

This year, we have suffered and mourned losses together. We stand in solidarity when staff families lose parents or children. This year, we experienced a tragedy together. We are in constant awareness that our Assistant Director of Resident Services has been in a coma since July 4th due to a terrible accident.

Our staff talents are highly leveraged. New Directions counts well over 2,000 volunteers during this fiscal
year alone. Lead volunteers are taking on complex projects. Bootstrap programs and events like Repair Affair, Green Apple Day, and our Mayor’s Days of Caring build energy and reinforce community relationships. New Directions lives by its motto to “Make Community Happen” by recruiting talented residents and volunteers to give their gifts of time and talent through our agency to positively impact neighborhoods and families.

The board is large and capable. A nine-member Executive Committee steers a board that can be as large as 35 people. Recruits are selected to represent diverse communities within our service area. This is a working board, directly involved with research and development, prospecting and oversight. They generously give their resources to further the powerful programs that have been created over five decades by local people to meet local challenges and opportunities.

New Directions is collaborative. Memberships include the NeighborWorks America network, Metro United Way, The Coalition for the Homeless, Louisville’s Metropolitan Housing Coalition, Kentucky’s Housing & Homeless Coalition; Southern Indiana Housing Initiative; and many more.

New Directions holds an Exemplary rating from NeighborWorks America and is considered a top tier agency by Metro United Way due to program outcomes, volunteer facilitation and collaborative engagement.

NWA National Initiatives in which we participate include the Green Initiative (we are one of nine Green NWOs in the Southern Region); Community Stabilization; Community Building and Engagement; and the Resident Services Consortium.

\[\text{This is an assessment of the technical capacity of the organization and its staff to accomplish the goals established for FY 2016. In this discussion, we Identify gaps in staffing size, structure, technical skills and equipment and describe specific actions planned in FY 2016, to mitigate the risks associated with these gaps.}\]

\[\text{Attachments added to the summarized Strategic Plan to support this section include Tables of organization for New Directions Housing Corporation staff, NDHC Property Management and Saint Benedict Center for Early Childhood Education. Also attached is the Board of Directors membership list. Profiles of the Senior Team are below.}\]

New Directions organizational staff leaders have high levels of technical proficiency and routinely exceed goals established. It is key that the agency be able to maximize opportunities presented by the regional business environment. Business expansions and new consultancy relationships in 2016 are evidence of this flexibility. Kentuckiana’s community development arena is fast-paced, so teams are prepared to respond to opportunities should they be appropriate to the mission and strategic and operational plans.

Review of staff assets begins with the Executive Operating Committee, led by CEO Joe Gliessner. Other members include Gerald Tyrrell, Chief Financial Officer; Lisa Thompson, Executive Vice President and Chief Strategy Officer; David Fannin, Executive Vice President and General Council (also serving as Real Estate Development Director); and Bridgette Johnson, Executive Vice President, Property Management. Together, this team has well over a century of experience and over 50 years of combined experience that is specific to New Directions.

In preparation for leadership transition, Joe Gliessner has added capacities to the Executive Operating Committee, promoting Bridgette Johnson to that level. Other C-Level staff have committed to at least three years of continued service after this transition. Administrative oversight of Human Resources and Information Technologies moved from the CEO to CFO Gerald Tyrrell in mid fiscal year 2015. Financial Controller Nancy Hilgendorf named an Assistant Controller, Erika Taylor, in early fiscal year 2016. In total, the Finance, Human Resources and Information Technology group includes 11 staff members,
including the CFO.

Chief Strategic Officer Lisa Thompson supervises 25 staff members. This includes the 16-person Resident Services Line of Business with its eight Idea Centers, Resource Development and Community Building and Organizing. She is also overseeing the acquisition of Saint Benedict Center, with approximately $1 million in facility assets and 21 staff members. Her leadership team includes Amy Sneed, Director of Resident Services, and Ashley Cassetty, Senior Resource Development Coordinator.

General Council David Fannin is also Director of Real Estate Development and Home Ownership Preservation, a combined staff of five. This area will grow with the start-up of an in-house construction operation that will serve Property Management as its first customer by lining up unit and small building rehabilitations. A first project will be the Property Management Service Center at 1718 West Muhammad Ali, which is newly acquired.

Executive Vice President Bridgette Johnson has a five-member management support team, including Assistant Property Manager Michelle Byrd, Maintenance Manager Derek Turner, Assurance Team Leader Lamika Perry, Procurement and Inventory Coordinator Steve Norris and Janice Hill, Business Analyst. This is the largest team in the agency with 38 members including leasing consultants, maintenance technicians and grounds keepers.

**Business expansions**

According to the U.S. Small Business Administration, half of all small businesses will fail before reaching their fifth anniversary. With a 50 percent chance of failure, starting a small business has many challenges to overcome for long term success. For the 50 percent who succeed, owning a small business can provide stronger financial capacities for the business owner, in this case—New Directions.

Two new ventures, Early Childhood Development and General Contracting, are well considered and contiguous businesses to those already managed by New Directions.

Early Childhood Education as a new line of business dovetails with our 20-year Learning Center interests. Acquisition of Saint Benedict Center, should due diligence find no obstacle, is a no-cost property and business expansion that enables New Directions to own the entire three-acre block that includes its 50-unit Brandeis Apartments. This stand-alone not-for-profit has potential to contribute to the agency’s bottom line, shares institutional donors who will continue both streams of funding; and provides an essential service in a high-need area. Donors like United Way and NeighborWorks are contributing to neutralize costs to remedy deferred maintenance in facility and operational areas. Key board and executive staff members are apprised of progress to protect New Directions and to determine if long-term viability can be anticipated within 12 months. As this is successful, additional revenue implications are possible for New Directions and its parallel Learning Center program. We believe two of four Learning Centers may have capacity for child care licensing and Child Care Assistance Program revenue.
Knowledge gaps
Specific technical skills are needed in 2016 to bring this business venture to full capacity. We will be seeking a coach to guide us through upgraded staffing patterns and Child Care Assistance Program fee optimizing. Task training for line staff is already in-place. Business strengthening coaching with two lead staff members has begun, including the skills required to maintain a passive solar building. New Directions is making specialized repairs given the building’s licensing requirements and environmental design. Curricula and child care business systems management are identified weak areas, to be bolstered using United Way Excellence Academy or market supports. The local Green Building Council affiliate has offered to create YouTube training modules for the New Directions property maintenance staff as we assume stewardship of the facility.

NDHC expands to General Contracting
In 2016, New Directions plans to expand its construction management into General Contracting to enable it to materially reduce the cost of rehabbing existing multifamily and single family properties and also eventually enter the business of new home construction. This effort will begin as a construction division or subsidiary. Initially, the ‘customer’ for the New Directions Construction Division would be New Directions Housing Corporation itself. As the business grows, we expect to provide construction and remodeling services to others, primarily nonprofits.

New Directions also is currently working in partnership with a for-profit developer/remodeler of single family residences in the Portland Neighborhood of Louisville, with a goal of transforming up to 40 currently vacant and abandoned houses into productive use as single-family rental properties, rent-to-own and eventually offered for sale at market. This project has attracted investment from socially responsible individuals (SRI) in the Louisville area, and is proceeding without leverage.

Currently we oversee the work of outside contractors in this endeavor, but as the new program or line of business develops, we envision serving as the general contractor. Given limited governmental resources currently available for housing rehab and housing production, we are confident that there is a demand for construction services not only at New Directions but at other nonprofits as well. Launching this involves a number of current staff members and would entail the employment of several new personnel. Key current staff and their involvement are:

- **Joe Gliessner, CEO** – Providing overall executive oversight. Joe has more than 40 years’ experience in all aspects of low income housing production and management.
- **Lisa Thompson, CSO** – Working on relationships with outside parties who may be candidates to use our services. Lisa has over 30 years of experience working in low-income housing, community development and neighborhood empowerment.
- **Gerald Tyrrell, CFO** – Overall financial oversight of the project. Gerald comes from the banking sector and has over 40 years of financial experience and expertise.
- **David Fannin, EVP, Real Estate Development** – Primary line of business oversight. David has over 20 years’ experience as an attorney specializing in real estate development and real estate finance and also spent an additional 20 years in senior executive positions in two Fortune-500 companies, managing large staffs and many complex projects.
- **Gus Thomas, Manager, Construction Division** – Currently overseeing the development of single family new construction for New Directions, Gus would take the direct management of the Construction Division. Gus has XX years of experience in real estate construction, having operated his own company for a number of years, engaged in real estate development and construction.

Expanding skills to include Early Childhood Education
Louisville is one of the worst places for poor children to escape poverty, according to a Harvard University study released in May 2015 that examines income mobility. The study finds that Jefferson County ranks better than just 24 percent of counties nationwide in terms of how much a child living in poverty will go on to earn.

It is even worse for Jefferson County’s girls than for our boys.

Early childhood education has been proven to be a highly leveraged, impacting strategy to increase educational success and lifetime income.
• Michael Day, Construction Inspector – Mike Day is a graduate engineer by training and currently inspects rehab and new construction for New Directions Housing Corporation. He would carry those duties over to the new Construction Division.

Bridging operational gaps
In order to launch the new Construction Division, New Directions would provide management oversight to the business. However, in order to hire staff and secure needed equipment, vehicles, etc., a distinct startup line of credit will be needed. It is estimated that the Construction Division could begin to pay that back in the second year. Risks are relatively low as we already have experienced and proven management staff to contribute to the endeavor. Naturally any startup business has the risk of not working out as planned. Third party contractors likely are more experienced and better able to price projects, have access to more materials suppliers and subcontractors, possibly at discounts that our new Construction Division could not obtain, at least initially.

In the early going, this endeavor will be a cost center rather than an income center as the Construction Division must be staffed up, and equipment and other expenses must be obtained. Over time, as work is done for New Directions’ properties, cash flow will begin, funded out of repair and replacement reserves or other funding sources. Over time, the Construction Division is expected to become an income center for New Directions.

Community impact
Timing and geographic logistics for planned rehabilitation concentrations at New Directions can take advantage of “clusters” of agency multifamily buildings located in areas with single-family development and rehab opportunities. For the first time, New Directions can choose rehab sites without being constrained by “property” or business entity designations within the portfolio, and will be limited only by replacement reserve potential. Financial tracking for both sides of these equations—New Directions as both customer and provider—are to be maintained by the agency’s Finance and Asset Management team.

Let’s talk about jobs. In West Louisville, the area most extensively served by New Directions rental housing, employment is extremely constrained. For example, of the nearly 2,800 jobs in Louisville’s Russell Neighborhood, less than 100 are held by residents. New Directions can bring entry-level construction jobs to the neighborhoods best served by our housing. Training for these jobs can be provided by YouthBuild Louisville, a partnering agency that New Directions launched as fiscal agent many years ago, or our region’s new Samuel Plato Academy for historic preservation practices.

Major exterior improvements can be timed to benefit localized neighborhood revitalization efforts so that appearances are impacted with synchronicity. For example, Russell, Portland, California and Shawnee area properties will coincide with already engaged HUD Neighborhood Revitalization Strategic Area and Choice Neighborhood investments. This can enable our agency to make parallel bids for extremely limited public or philanthropic funding for Home Ownership Preservation, Resident Services, or Community Engagement resources. Our investments can be counted as leverage for partnering efforts.

Having this internal capability will enable New Directions to be more proactive than reactive in property rehab, which will in turn improve the quality of housing and living conditions in the neighborhoods we serve.

Risk mitigation
Given that this is a pivotal year with leadership transition, the agency is choosing to expand into areas with high relevance to existing activities. Other expansion will be paused until a new leader is in place which is expected by June 2016. As the selection and placement of a CEO is achieved and before our current leader retires, New Directions will commence a robust strategic planning process to newly assess in-house talents, business prospects and potential. Part of this analysis will engage the board in a review of powerful relationships. Building off of earlier financial analysis, there can be modeling of conservative and aggressive scenario and our Go/No Go processes for expansion can be reviewed given a new internal
NWA Special Circumstances Bonuses
In 2015, NeighborWorks America generously supported the New Directions transition strategy. With the full commitment and cooperation of board and leadership staff, this important process is launched and moving forward. Inner Harbor Partners has been hired to work with a board/staff leadership team to prepare for the January 2016 advertising, recruitment, vetting and hiring process.

Now, our seasoned team will make ready for this newly recruited leader. Our board is large, diverse and very skilled. Multiple years of strategic process have made us aware of what our team can do now—but, we will soon have a new Coach! And, with a new Coach comes new capacities.

New Directions seeks two Special Circumstances Bonuses. A great deal of effort is going to be invested in the dovetailing period between administrations. We believe that this point of transition is important to resource so that no loss of business momentum is experienced and to ensure that board expectations are informed by nationally recognized promising practice.

Special Circumstance #1: Strategic Planning
The Executive Operating Committee will prepare to support the new leader and the board subsequently by commencing a robust strategic planning process similar in scope to that engineered as part of the Business Strengthening Initiative that produced our current strategic plan.

Part of this resource will be used to engage key board members in nearby NeighborWorks Training Institute sessions to learn from Management and Leadership, Affordable Housing Production, and Community & Neighborhood Revitalization or Community Engagement courses.

We also believe that place-based training using the Community Leadership Institute’s two governance courses would be powerful and could engage the majority of this large, activist board. Courses we value for this capacity building are:

CL160: Understanding Your Role in the Board of Directors, and
CL225: Sustaining a Health Board: Leadership and Constructive Accountability

In this way, line of business directors, new leadership and board members could develop a shared vocabulary and frame new expectations and operational plan reviews in advance of 2017 underwriting.

This effort will also help us assimilate the board of directors of Saint Benedict Center. Members of this board already have high affinity with New Directions, community development and service to revitalizing neighborhoods. Their intensive work in “righting their financial ship” to become part of New Directions is commendable. We want to hold onto their talents.

The data-driven product of this Bonus Allocation will be a new Strategic Plan for the 2017-2020 period. As the new leader is selected by April, he/she will assume leadership of this planning from the retiring CEO. Looking forward, as the new CEO becomes stabilized, the agency will be within a two-year window of two additional C-Level executive departures. Aiding the board culture of New Directions for this series of transitions is beneficial. Our board is very, very talented. Framing a new team approach to these important agency moments will stabilize the agency’s infrastructure.

Other technical assistance needs
New Directions will seek technical assistance resources from NeighborWorks and other donors for three very prescribed business areas for our traditional systems.

- Accounting: Annually, our expert Finance Department combs through the general ledger to find efficiencies in how the Yardi system can process the agency’s historic data. Two years ago, the Finance Committee and its chair, John Pieper, CPA, clarified multiple historic notes. Controller Nancy Hilgendorf has asked for Yardi-supported technical assistance to streamline historic
interdepartmental eliminations. We believe that other established NWOs that use Yardi could benefit from a task-sharing technical assistance grant.

- **Real Estate Development**: By 2017, we reach a “GO” moment to apply for Low Income Housing Tax Credits to fuel aggregated portfolio preservation. The pipeline’s anticipated combination of three partnerships into a single four percent tax credit syndication has the potential to restructure our strong balance sheet. Getting familiar with projected business models long before pre-development would be advantageous. This will also make us more aware of any opportunity to increase Community Stabilization impact through parallel aligned strategies. We will seek technical assistance for this business modeling in summer 2016.

- **Applied Technologies**: Recent upgrades in Information Technologies, including new and talented staff and a systems conversion to Apple equipment, have opened an exciting realm of possibilities that should be strategically assessed. Three important projects are part of the IT 2016-17 work plan: 1) upgrading monitoring equipment at 100 residential and commercial locations; 2) “absorbing” Saint Benedict Center operations into our IT platform, saving the little agency thousands of dollars while increasing administrative capacity; and 3) providing our techs with mobile devises for work orders by December 2016.

More could be possible. A strategic assessment of this new IT talent resource is on our horizon.

**Special Circumstance #2: Governance**

A Governance Bonus is also sought. This talented board must be resourced so that it can continue to groom recruits for succession and encourage additional diversity. New Directions is a mature community development corporation, blessed with seasoned volunteer leaders. As the community changes—often with our progressive input—we want our board to remain fresh and relevant.

A great benefit in having a 30-year CEO is in, well—having a very experienced CEO whose environmental awareness and technical competencies are strong. We will miss this great talent.

It is unlikely that the agency will enjoy this kind of leadership tenure in the future.

Governance strengthening will aid current board leadership to better manage constituency rotation and the professional development of its members.

With assets under management of $42 million and an annual operating budget of over $9 million, New Directions is an attractive board on which to serve. The agency is a rare community asset. Our reputation for commitment and stability is deserved. We want to ensure that stewardship for this asset is protected at the board level which will complement the technical talents of the executive team.

- Board Source strengthening and facilitation, new human resource management tools and other systems synergies would be beneficial. Southern District engagement in recommending good tools is invited. For example, the Executive Committee has been diligent in its review of the CEO and executive management. Going forward, having standardized national tools for these reviews could be beneficial as the board reviews the work of its new leader.

- The agency recently invested in BoardMax software to store archival material and increase board communications. Other tools could be valuable as a newly recruited leader works with a seasoned board.

**Bottom line**: New Directions wants to expand its communication platforms and widen its governance vocabulary. We have been extremely fortunate to have the broad vision and skill of CEO Joe Gliessner. We want to invest in efforts to replace this wise voice in our daily affairs going forward.
Organizational Management Capacity

CEO Joe Gliessner adroitly managed the preparatory years to his retirement in a productive succession strategy. Major strides included the adoption of Business Strengthening and Strength Matters recommendations and the practice of Portfolio Strengthening. We have gotten full benefit from By-Law and Articles revisions that enabled nimble actions by the nine-member Executive Committee. The Chief Executive Officer has instituted an Executive Operating Committee to include chief officers and together they review policy, potential conflicts of interest, budgeting procedure and strategic direction. The agency is maximizing external opportunities, building capacities and preparing for major change as federal systems become unpredictable and as our mission’s gravity and stewardship grow ever more important.

Organizational structure: Lines of business and major activities impacting liquidity

Residential Properties are our major cash generator. Our portfolio of operating properties now contains only one property with systemic negative cash flow. This property, Saint Edward Court, is vastly improved financially after syndication dissolution and its obtaining tax exempt status. Ironically, the development of this landmark property was the catalyst for remarkable neighborhood recovery, and its new surrounding indicates that financial strength will occur when we can charge a market-appropriate rent. While still on our WATCH list, Saint Edward Court has interesting potential.

Real Estate Development activity has secured results in both multifamily and single family work in recent years. Single-family development has been robust. US HUD NSP1 revitalization grants and developer proceeds have supported a five-year development initiative producing 39 for-sale homes in Louisville, KY and New Albany, IN. Deep cash subsidy drives risk-free development generating significant developer fees for operations.

Lines of Business/Major Activities that New Directions regularly supports through some level of income investment include Home Ownership Preservation (HOP), Resident Services (RS) and Community Building and Engagement (CB&E).

All of these activities are in high demand and considered essential to our core mission and future growth, but are constrained as to what we can resource with fee income, grants, contributions and agency resources.

- Home Ownership Preservation, including Repair Affair, is typically supported by public grant income, which covers only a limited amount of allocated overhead. It is the incubator for Real Estate Development activity, including Neighborhood Stabilization work in Louisville.
- Resident Services programming is primarily funded by Metro United Way and HUD grants and partially funded by the portfolio’s cash waterfalls.
- Community Building & Engagement at New Directions includes strategic neighborhood focus work in the contiguous Smoketown & Shelby Park neighborhoods, the Portland Pride partnership, and
extensive work in Midtown, New Albany. The low-cost Neighborhood Roundtable is funded by New Directions, NeighborWorks and private philanthropy with restricted grants. New contracts are enabling work in Louisville’s Russell Neighborhood.

These programs bring us real estate development business, and make us relevant to city and state administrations. They embody the mission, and often are able to mitigate bottom line impact through grants and small fees.

**Business Strengthening**
New Directions represents the Southern District in the Business Strengthening cohort sponsored by NeighborWorks® America to move beyond our successful Portfolio Strengthening strategy to structure a dynamic design for a sustainable future of service to Louisville, Kentucky and Southern Indiana. Business Strengthening coaches identify and assist historically high-performing organizations by working with them through a cohort-based training program to develop a roadmap for the future.

With each agency, work to adapt their business model to new economic realities and develop a revised business strategy that will sustain their organization and the impact they have in their communities for years to come.

**Senior Team Profiles**

**Joseph E. Gliessner, President and Chief Executive Officer**
New Directions is led by Joe Gliessner, a nationally respected community development trailblazer who joined the agency in 1986. Joe has extensive experience in Real Estate development, property and asset management, and administration. Under his leadership, New Directions evolved into the 25th largest regional nonprofit as measured by gross income (*Source: Business First Book of Lists*). Joe believes in the power of civic engagement, so New Directions is one of the region’s most prolific volunteer coordinators with thousands of service hours donated annually. He impacts housing policy by serving on the Kentucky Governor’s Housing Policy Advisory Committee and numerous local task forces. He has served as a Fannie Mae Advisory Council member and as a member of the Enterprise Network Advisory Committee of the Enterprise Foundation of Columbia, Maryland. He is a graduate of Catholic University of America, holds a Master of Arts degree from the University of Louisville and also has completed the challenging Achieving Excellence program, housed at the Kennedy School of Government at Harvard University.

**Lisa D. Thompson, Executive Vice President and Chief Strategy Officer**
Lisa Thompson, Chief Strategy Officer, joined the agency in 1991. She oversees administration of Resource Development, Resident Services and Community Building programs designed to foster revitalization impact. She also oversees all supportive services programs. Ms. Thompson holds a Bachelor of Arts Degree from the University of Louisville and has completed training in community and resource development, media relations and communications. She has served on the boards of Metropolitan Housing Coalition, Harambee Health Clinics, New Albany/Floyd County Community Housing Development Committee, Cardinal Joseph Elmer Ritter Birthplace Foundation, Louisville’s YouthBuild, St. Anthony Outreach Center and The Kentucky Foundation for Women. In collaboration with NeighborWorks America, she oversaw the first place-based delivery of the respected Community and Neighborhood Revitalization training series and completed its professional certification process. She has served on the NWA Community Building and Engagement Steering Committee. She is a recipient of the 2011 National Award for Excellence in Community Building presented by NeighborWorks America.

**Gerald Tyrrell, Chief Financial Officer**
Gerald Tyrrell joined New Directions as its CFO in 2012. In this role, he plans, directs and coordinates the financial activities of New Directions including all third party audits. Expert in asset management, he facilitates the acquisition, general oversight and disposition of the agency’s assets for the purpose of serving the mission and goals of New Directions. Mr. Tyrrell has many decades of experience in the private sector, working with several regional banking institutions and in a diverse number of private businesses. With this background, he brings a strong sense of fiscal responsibility to his role as CFO of New Directions. In 2014,
he has been named a finalist in the nonprofit category of Chief Financial Officer of the Year.

**David Fannin, General Counsel and Executive Vice President, Real Estate Development**

In addition to his real estate development and home ownership preservation activities, David also serves as in-house legal counsel. Projects under his management include the Midtown Renaissance, Shelby Park housing development, the Portland Pride owner occupied rehab service and the new Portland Investment Initiative, targeting up to 40 rental units. David joined New Directions in early 2013 and has nearly 40 years of experience in the legal field, having most recently served as General Counsel for two different publicly-traded, Fortune 500 companies. Prior to that experience, David was a partner in the prominent Kentucky and Indiana law firm, Wyatt, Tarrant & Combs, where he focused his practice on various aspects of real estate development and finance, representing real estate developers and lenders to real estate development projects. In the early 1990s, David served as a New Directions Board member and ultimately served for two years as President of the Board of New Directions.

**Bridgette Johnson, Executive Vice President, Property Management**

Bridgette Johnson manages the New Directions housing portfolio of nearly 1,000 units located across the metro area. She coordinates activities with the US Department of Housing and Urban Development, Kentucky Housing Corporation and Indiana Housing and Community Development Authority for the purposes of management reviews, inspections and rent increases. She is responsible for staff development, budget development and compliance for all aspects of property management including maintenance. Ms. Johnson joined the agency in 2004, assuming this role in November 2010. She brings depth of knowledge including Real Estate and market assessments, marketing and leasing, construction management, project accounting, and project redevelopment. Her priorities include high occupancy rates, consistently superior tenant satisfaction ratings and high retention. She is a member of the National Yardi Affordable User Group. She is a Certified Occupancy Specialist provided by the National Center for Housing Management. She completed CHAMS certification in 2013.

**Nancy Hilgendorf, Controller**

Nancy Hilgendorf joined New Directions in August 2012. She has over 30 years of experience as a controller or chief financial officer of companies in a variety of industries, including housing and community development; oil, gas drilling & exploration; industrial supply; manufacturing; and in the healthcare industry. Her current duties include preparing and maintaining separate and consolidated financials and budgets for 23 New Directions properties and 28 New Directions divisions. She supervises a staff of five accountants and is responsible for all accounting functions (including management of over 95 bank accounts, payroll, job costing, and accounts payable). She also manages commercial insurance coverages for the company and the properties. In addition to supporting the Chief Financial Officer, she also serves as principal liaison with New Directions outside audit firm, assists the human resources functions of the company and asset management. Ms. Hilgendorf holds degrees from the University of Texas in Accounting and Business Management.

**Amanda Sneed, MSSW, Director of Resident Services**

Amy Sneed joined New Directions in 2008 as Coordinator of Homeless Families Services and was promoted to Director of Resident Services in April 2010. She directs operations and program quality at eight Learning (or Idea) Centers, youth services, case management and service coordination and facility management for a highly rated transitional shelter called Heverin House. With a team of five coordinators and 10 Neighborhood Mentors, she often develops new initiatives in collaboration with health care providers, financial literacy experts, educators and community builders. Ms. Sneed has a Master Degree in Social Services and is qualified to administrate programs in federal grant compliance, community development, social services, volunteer management and program development. (Phone: 502-719-7129

Email amy@ndhc.org)

**Mid-level and senior management capacities**

New Directions has a strong mid-level management force. In Real Estate Development, Gus Thomas has been a highly proficient producer and marketer of both single-family homes and neighborhood potential.
Coordinators like Matt McGee, Amy Luckett, and Stella Hill are represented in this report through the evidence of many rich outcomes. Ashley Cassetty, Senior Resource Development Coordinator, is a master of social media and has shaped the Annual Dream Builders event into a considerable revenue source. Property Management’s five support managers and property managers enable Bridgette Johnson to optimize a tough-to-manage scattered site portfolio.

Mid-level managers at New Directions are often called on to work as interdisciplinary teams, especially when neighborhood impact is the goal. Each is deeply skilled in his or her own field and can bring these talents and experiences into an alignment with others for community stabilization impact.

It is also important to note that these leaders often have direct relationships with key funders, government, neighborhood leadership and elected officials. They always make us proud, bringing new relationships to New Directions, which make our programs stronger.

**Professional development**

Intellectually feeding this smart, dedicated team is no small feat! NeighborWorks Training Institutes are invaluable. Many members of staff have achieved Professional Certifications in asset management, revitalization, community engagement and management and leadership. Locally, we look to the Center for Nonprofit Management, local HUD and our cities, state government and Leadership Louisville for skills strengthening. Yardi and Benevon national training are investments made annually to keep our professionals current in their endeavors. In 2014 and 2015, New Directions was fortunate in being named to host both an NTI and CLI, and we used these experiences to expose as many staff members and partners as was possible, to excellent training.

We see upcoming strategic planning and governance strengthening as rich opportunities to share additional competencies with executive, senior and midlevel staff leaders. We have many new recruits in entry level positions, so in-house place-based training will be a priority in 2016. Orienting great people so that they enjoy the impact of their work is a legacy at New Directions.

**Institutional structures**

Management capacity and organizational structure of New Directions has evolved to balance production with operational efficiencies. Risk management structures protect and enhance housing and community assets accumulated over nearly 50 years.

The agency is like a broad oak tree with roots sunk deep into the ground of our community. The expanse of this canopy of great programs and collaborations is entirely dependent on a strong structure.

The basic strengths of the organization—its strong finance oversight operation, basic business capacities, fee income generators and its powerful governance and management structures—are built for endurance. Lines of business are very deliberately chosen and annually placed within the budget and strategic structure to enable collective community impact without sacrificing core capacities.

The fortitude of the agency’s structure is easily seen in the audit. The parent entity, New Directions, and its subsidiaries and affiliate entities, are described with their relative strengths. The diversity of funding sources—earned income, fee income, investment income, grants and contribution—are distinctive. Many financial boosters do double duty, providing direct support to families, housing or neighborhoods while building balance sheet strength. For example, several subordinate property development notes have been assigned to New Directions.

HUD services and Housing Assistance program renewals, United Way funding and NeighborWorks support are much appreciated sources. We invest in these funding relationships. As we vetted Saint Benedict Center as an acquisition candidate, we first discussed the potential with United Way and the Community Foundation to ensure that grant attrition would not negatively impact support for our own out-of-school time children’s programs. We were encouraged to continue our quest.
This is an assessment of board governance systems and practices to provide effective oversight and leadership to the organization to address the challenges, opportunities and economic/market factors (as identified in Part 1) that are expected to impact the organization’s ability to achieve its FY 2016 goals. This assessment includes specific actions to develop and sustain short term and long term capacity of board leadership to sustain the organization’s ability to achieve mission and financial objectives. Of specific note, the board assessment identifies the key elements of a succession plan for board leadership and a plan to continuously improve board recruitment and development.

**Board governance systems**

As stated in several sections of Parts I, II and III, board and executive staff governance has been strengthened with implemented controls and new Executive Committee powers to expedite business with transparency. Stewardship is defined, and used within the recruitment process since the output of that logic model would directly support tactical work toward even greater measurable community impact. Board attentiveness to the use of these gifts will be acute.

New Directions governance structures enhance two major priorities. The first is The Neighborhood Challenge which calls staff and volunteers to the mission to create and maintain affordable housing and vital neighborhoods in partnership with residents and other stakeholders, especially in neighborhoods where all lines of business are active. Recent areas of aligned strategic focus are Louisville’s Russell, Smoketown and Shelby Park area, Portland and California as well as Midtown Neighborhood in New Albany.

The second priority is the Organizational Strengthening Challenge which ensures that the agency maintains standards as a high performing community development corporation with a focus on service enriched rental housing and neighborhood revitalization.

The board’s oversight ensures that New Directions will have a well-trained staff that is success and outcome oriented for maximum internal and external collaboration in support of its mission. As well, the agency will benefit from a fully aligned board which is informed and actively engaged with the mission and strategic direction of the organization. Resource development from fee income, grants and contributions as well as selective financing partnerships must support the agency’s capacities to ensure that our community may depend on the agency’s service.

In the last year, the board held five meetings, a strategic retreat, 12 finance and executive committee meetings and bi-weekly resource development committee meetings. Key leaders have been in monthly planning work with the CEO to plot the timetable and content for the CEO leadership transition. Six board members, in addition to their duties, have also volunteered to also serve on the board of Saint Benedict Center during the acquisition process. In addition, most also recruit Repair Affair, urban garden and Learning Center teams for additional service.

Indeed, this is an intensively vested, hardworking board.

By amendment to the Articles of Incorporation and By Laws, the board has increased its size to a maximum number of 35 members. A nine-member Executive Committee meets in alternate months to board meetings, ensuring frequent interaction with key staff.

The Finance and Executive committees meet at least six times annually and have frequently empowered task forces to research activities. The Finance Committee is also charged with Asset Management duties, reviewing the CFO’s data on portfolio strength, cost controls and green innovations that result in energy conservation. The Finance Committee is led by the Treasurer, who is a Certified Public Accountants whose firm reviews the work of the agency’s contract auditor.

The Executive Committee’s leadership is charged with the annual review of the CEO, and of his leadership team on the Executive Operating Committee. They compare outcomes to objectives, and help the team...
frame the next year’s goals. The board, through its Executive Committee, sees itself as “AAA”, a Triple A board with duties as Advocates, Ambassadors and Askers. These tasks are taken seriously.

**Neighborhood Roundtable**
The agency’s Neighborhood Roundtable is a board-recognized Advisory Committee. Its six meetings are documented in minutes that are formally accepted at New Directions board meetings. Executive Committee members and other board members always attend, for both learning and peer networking. This venue has frequently been used for municipal forums on vacancy, neighborhood planning and the expansion of green community strategies. The Neighborhood Roundtable’s annual Property Report is formally accepted by Louisville Metro Government and used to prioritize the city’s code violation strategies.

**Future governance innovations**
Two new committees are in the wings, ready to launch in 2016:

In addition to the board’s keen interest in strategic and governance strengthening to fuel transition, it has empowered a new group—a Directors Emeritus Group—to convene. This is an extension of the AAA Strategy. Through the Director Emeritus Group, the board will influence community leaders and will continue its learning about community conditions and opportunities.

An Education Committee is being convened given the agency’s expansion into more educational services. Recent board appointments—a school board member and assistant superintendent of curriculum,--and volunteer recruitment are preparing for this committee launch in early 2016. The acquisition of Saint Benedict Center, our eight Learning Center programs and other adult literacy efforts will be supported by this team of thinkers and topic experts.

These, plus the board and community leader team tasked with oversight of the transition plan, will share the stage with other board committees. Of course, perhaps the hardest working of the many teams may be The Home Team, tasked with the hosting of the agency’s key resource development effort.

**The Home Team: the board’s resource development committee**
The New Directions board of directors and executive staff are engaged in strengthening relationships with donors and foundation decision makers as the trending around local and regional public funds access continues to change. In tandem with cost control and leverage, New Directions is seeking new levels of funding from longtime donors and securing new relationships, using the Benevon® method of “donor move management” as one of its essential tools. NDHC has the benefit of strong case development and an attentive board whose leadership has been a tremendous support to staff.

Board members have designed quarterly affinity receptions and the annual Dream Builders Breakfast, which has been very successful in its two-year experience.

Benevon is a fundraising platform which trains and coaches nonprofit organizations to integrate a mission-based system that engages and develops donor relationships. The Benevon model is customized to an organizations needs and helps build powerful relationships with donors who are committed to helping a nonprofit achieve long-term financial sustainability. By participating and learning in the Benevon method, New Directions can achieve sustainable funding by learning a different approach to cultivating a dedicated donor base.

Other campaigns occur throughout the year aided by board advocacy, including the Repair Affair sponsorship campaign and annual Metro United Way underwriting, resulting in $140,000 in Resident Services funding. Public funding for Resident Services is holding steady at $200,000 annually.

Key to sustaining and increasing discretionary giving is to provide quality programs, measure and communicate outcomes and actively engage donors and invite them to see and experience programs and outcome impact, themselves. Our Resource Development staff is working on systemizing outcomes measurement and this year converted donor files to a more cost-effective e-Tapestry software system.
New Directions Housing Corporation provides housing and essential programs support to people in need. Expenses reflect the fact that included in the agency’s programs and activities are nearly 1,000 rental units provided to families of extremely low income. HUD housing and utility subsidies are restricted to these properties, and with related expenses make up the largest portion of the agency’s budget. Our resident families in rental housing often look to New Directions for important social services, which is defined in the audited financials below as Resident Services. We operate eight Learning Centers, four of which provide youth after-school learning and tutoring opportunities for resident and neighborhood children. The agency also works with neighborhood associations to increase their capacities. New Directions is constantly looking for ways to add to our regional community’s supply of safe and asset-aware affordable housing to benefit low-wealth households. Our housing development work is typically active in repurposing vacant structures and through redesign, creating affordable housing using many kinds of financial resources. These funds are restricted and highly regulated.

New Directions gets high marks for its fiscal controls by private and federal auditors. A third-party assessment by NeighborWorks America, done every three years, has recently been completed with exemplary results.

We create housing and actively look for ways to benefit neighborhoods by ensuring that vacant buildings are targeted for more productive and uplifting uses. In Midtown and Shelby Park neighborhoods, that activity included the highly-restrictive Neighborhood Stabilization Program which has enabled families of low and moderate wealth to become homeowners. Repair Affair and the Neighborhood Impact Program are part of our Home Ownership Preservation work. It also includes the Portland Owner Occupied Rehabilitation and New Albany Emergency Repair programs. The board and generous private donors make Repair Affair possible. Every dollar generously donated by our sponsors directly supports homeowners. Repairs needed often threaten the health and safety of the older and disabled folks we serve.

**Fiscal Year 2015 Revenue**

(audited)

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**Program and Administrative Expenses (audited)**

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**Program Expenses**

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**Ending net assets**

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# 2015-16 Board of Directors

**New Directions Housing Corporation**

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<tr>
<th>Name</th>
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<tr>
<td>Art Baltes</td>
<td>Service Department Associate</td>
<td>2017</td>
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<tr>
<td></td>
<td>Republican Diesel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1230 Bates Ct</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Louisville, KY 40204</td>
<td></td>
</tr>
<tr>
<td></td>
<td>W (502) 561-2210</td>
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</tr>
<tr>
<td></td>
<td><a href="mailto:art.baltes@republicdiesel.com">art.baltes@republicdiesel.com</a></td>
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<tr>
<td>Karen Branham*</td>
<td>Asst. Superintendent, Curriculum Instruction Jefferson County Public Schools 3332 Newburg Road Louisville, KY 40218 W (502) 485-3051 <a href="mailto:Karen.Branham@jefferson.kyschools.us">Karen.Branham@jefferson.kyschools.us</a></td>
<td>2025</td>
</tr>
<tr>
<td>Bryan Burns</td>
<td>Research Assistant, Urban and Public Affairs University of Louisville 604 Camp Street Louisville, KY 40203 (C) 502-224-9333 <a href="mailto:Baburnm01@gmail.com">Baburnm01@gmail.com</a></td>
<td>2022</td>
</tr>
<tr>
<td>Adel S. Elmaghraby, Ph.D.</td>
<td>Professor and Chair Computer Engineering and Computer Science University of Louisville Louisville, KY 40292 W (502) 852-0470 <a href="mailto:adel@louisville.edu">adel@louisville.edu</a></td>
<td>2020</td>
</tr>
<tr>
<td>Rosetta Fackler*</td>
<td>Executive Committee Master Gardener 459 E. Lee Street Louisville, KY 40217 H (502) 249-4958 <a href="mailto:rosetta4825@gmail.com">rosetta4825@gmail.com</a></td>
<td>2022</td>
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<tr>
<td>Nancy Fox</td>
<td>Community Volunteer 1612 Eagle Nest Way Louisville, KY 40222 H (502) 459-4056 <a href="mailto:npfox@bellsouth.net">npfox@bellsouth.net</a></td>
<td>2019</td>
</tr>
<tr>
<td>Gary Grishaber*</td>
<td>Executive Committee YUM! Brands 13724 Windy Haven Way Louisville, KY 40299 (W) 502-874-2103 <a href="mailto:Gary.grishaber@yum.com">Gary.grishaber@yum.com</a></td>
<td>2022</td>
</tr>
<tr>
<td>Adam Hall*</td>
<td>Vice President Community Development Relationship Manager Fifth Third Bank 401 South Fourth Street Louisville, KY 40202 W (502) 562-5584 <a href="mailto:adam.hall@53.com">adam.hall@53.com</a></td>
<td>2021</td>
</tr>
<tr>
<td>Todd Harrett</td>
<td>Chief Operating Officer Hagan Properties 12949 Shelbyville Road, Ste. 101 Louisville, KY 40243 W (502) 873-2803 C (502) 552-2230 <a href="mailto:todd@haganmail.com">todd@haganmail.com</a></td>
<td>2018</td>
</tr>
<tr>
<td>Steph Horne*</td>
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<td>2025</td>
</tr>
<tr>
<td>Jennifer Jenkins</td>
<td>Director of Advertising The Record Newspaper 7709 Stone Ledge Road Louisville, KY 40291 (W) (502) 636-0296 x1242 (C) (502) 741-8622 <a href="mailto:jenkins@archlou.org">jenkins@archlou.org</a></td>
<td>2022</td>
</tr>
<tr>
<td>Jason Knoy* Secretary</td>
<td>Sr. Analyst, Energy Efficiency Planning and Development LG&amp;E and KU LLC 220 W. Main Street Louisville, KY 40202 W (502) 627-4506 <a href="mailto:jason.knoy@lge-ku.com">jason.knoy@lge-ku.com</a></td>
<td>2021</td>
</tr>
<tr>
<td>Sharon Landrum</td>
<td>President/Broker Sharon Landrum Realty, Inc. 4012 Dupont Circle, Ste 215 Louisville, KY 40207 W (502) 893-8244 <a href="mailto:SLandrum@SLRealty.net">SLandrum@SLRealty.net</a></td>
<td>2016</td>
</tr>
<tr>
<td>Robert Lewandowski*</td>
<td>Executive Committee UPS Airlines - Worldport Director of Engineering 825 Lotus Avenue Louisville, KY 40213 W (502) 359-7803 <a href="mailto:rlewandowski@ups.com">rlewandowski@ups.com</a></td>
<td>2018</td>
</tr>
<tr>
<td>Linda Onnen*</td>
<td>Director Pricing GE Appliances 4000 Buechel Bank Road Louisville, KY 40225 W (502) 452-5005 C (513) 518-3782 <a href="mailto:linda.onnen@ge.com">linda.onnen@ge.com</a></td>
<td>2025</td>
</tr>
<tr>
<td>Christopher Quirk*</td>
<td>Executive Committee Historic Preservation Architect Period Architecture 1275 Willow Avenue Louisville, KY 40204 (C) 502-216-7651 <a href="mailto:cqg@period-a.com">cqg@period-a.com</a></td>
<td>2022</td>
</tr>
</tbody>
</table>

*Board Approval Pending

Dates associated with members represent the potential of nine years of service, over the course of three terms.