

Community Development Corporation of California (CDCC)

BUSINESS PLAN [Sample]

TABLE OF CONTENTS

| | |
|---|----------|
| 1. EXECUTIVE SUMMARY | 3 |
| 2. ORGANIZATION DESCRIPTION | 3 |
| 3. PROGRAM AND SERVICES | 3 |
| 4. MARKET ANALYSIS | 4 |
| 5. OPERATING STRATEGIES AND IMPLEMENTATION | 4 |
| 6. FINANCIAL ANALYSIS | 5 |
| 7. OPERATING ASSUMPTIONS AND RISKS | 6 |
| 8. RACIAL EQUITY COMMITMENTS & DATA | 6 |

1. EXECUTIVE SUMMARY

Community Development Corporation of California (CDCC) is a 501(c)(3) nonprofit with a mission to create safe communities through the development of affordable housing for low and moderate income individuals, families, and seniors. Headquartered in the Central Valley. Since inception in 2015, CDCC has developed 4 single family homes and over 30 units of multi-family housing units across 2 developments. They sold the single family homes to residents. CDCC has an operating budget that has grown to about \$1M and employs 7 staff. CDCC's multi-family developments include services and amenities such as resident services. CDCC also works with families struggling to stay in their homes and facilitates workshops,. CDCC is also actively involved in housing advocacy work across the Central Valley.

2. ORGANIZATION DESCRIPTION

- Mission and History.

To create safe communities through the development of affordable housing for low and moderate income individuals, families, and seniors. Headquartered in the Central Valley.

- Location and community/neighborhood/service area profile.

CDCC's real estate projects and programs provide transitional housing for families that are low-income in the 50-80% of AMI range. With a population of around 200,000, the city is one of the largest cities in San Joaquin County, More than 20% of residents were in poverty with an average income of \$25,000. Forty percent of the population was Latinx 21% were Asian, 21% white, 13% African American and the balance, mixed race.

- Governance and management structure; high level.

CDCC has a ten-member Board that meets monthly, composed of financial, accounting, education, and nonprofit professionals. The Board has three subcommittees including Finance (which meets monthly), Real Estate, and Program Services. The leadership team includes a CEO and there are spots reserved on all committees for community leaders and residents of CDCC's properties to ensure their perspectives in key decisions.

- Community Land Trust Structure
- CDC Structure
- Other

3. PROGRAM AND SERVICES

- Overall description of current programs/services

Our programs are primarily focused on resident services and include education classes about homeownership, financial literacy, and rental counseling services. Additionally, we promote networking and social opportunities between tenants and partner with community organizations to provide expanded access to job training.

- Description of programs/services pertaining to real estate including target market summary and geographic regions served.
 - Real estate holdings and Affordable Housing Developments that the organization owns and operates.
 - Development history, including a list of real estate owned.
 - Litigation history.
 - Organizational good standing information for the past 3 years, or for all years the Applicant has been in legal existence (if less than 3 years).
 - Types and estimated quantity of properties the organization intends to acquire and operate.
- Service delivery approach for current and proposed programs.
- Impact of current and proposed programs.

4. MARKET ANALYSIS

- Market Overview: who are the other service providers (types of programs, client demographics, fee structure)?

The City has a growing affordable housing need and specific challenges such as increased poverty rates and homelessness. At the same time, certain neighborhoods are gentrifying and therefore long-time residents are being priced out. In other neighborhoods, farther from the core, housing is less expensive. However, the homes in these neighborhoods often need considerable repair, system replacements and substantial rehabilitation. There are several properties at risk of foreclosure in key zip codes. These trends are contributing to an increase in demand for affordable housing. There are only a handful of community development corporations in the city and they can't keep up with the growing need.

- Market Demand: what is the demand for the current services and proposed services (community needs assessment, demographics, service gaps, etc.)
- Competitive Advantage: what is similar and different about your services and any proposed new programs?
- Market Trends: what changes do you anticipate from the other service providers and how will this affect market demand (market trends and growth projections)?
- Marketing and outreach strategies (for different target markets).
- Organizational branding.
- Identification of any barriers to market entry.
- What unique factors are in your market?

- What experience /relationships will you be leveraging in your proposed market?

5. OPERATING STRATEGIES AND IMPLEMENTATION

In addition to the leadership team described in the previous section (2), CDCC employs 7 staff members including: CEO, a Resident Services Manager, two Facilities Managers, a Bookkeeper, a grant writer and a technical advisor. One Facility Manager focuses on the asset management duties including assisting with all aspects of day-to-day maintenance duties including preventative maintenance and apartment turnovers. The second Facilities Manager serves as an in-house project manager for larger construction projects and oversees sub contractors and external vendors and works with the bookkeeper and CEO to provide cost estimates and ensure that construction stays on budget. The Resident Services Manager supports tenants in organizing and oversees leases, educational services and helps with compliance.

We anticipate our staffing needs staying consistent over the 20-year plan period. However, we have external resources for Construction Management and Asset Management as needed if we scale larger than expected.

- Staffing plan
- Collaborations, partnerships, & strategic alliances.
- Management information
 - Staffing plan and operational capacity
 - Construction Management Capacity: specific staff or consultant(s) who will provide construction management functions including rehabilitation, permit applications and expediting, cost analysis, completion of evaluations, change order evaluations, scope analysis and schedule analysis.
 - Asset Management Capacity: describe asset management staffing plans and show how applicant plans to manage the financial performance and capital needs of their existing and future assets, including timely performance of capital needs assessments, maintaining adequate replacement reserves and timely collection of tenant rents if applicable.
 - Program and Property Management Capacity: The applicant must demonstrate that they have:
 1. Resident selection procedures that meet the fair housing requirements as detailed in the FIHPP Guidelines, ensuring that if a property transitions to cooperative ownership, fair housing requirements continue to be met.
 2. A monitoring plan to ensure ongoing compliance (eg., annual verification of primary residence, annual income verification for rental properties).
 3. A plan to ensure that properties in the organization's portfolio are transferred to another Eligible Sponsor that will maintain long-term affordability if the organization shuts down, is determined to

be out of compliance, or is otherwise no longer a fit and willing owner.

- Capacity - Homeownership Units. Applicants seeking FIHPP funds for properties to be managed as affordable homeownership units must also demonstrate that they have a plan for managing resales, including a resale formula to determine the new sales price.
- Other resources needed for program implementation (space needs, equipment, etc) (*ensure that this ties in with the excel operating budget submitted along with this business plan.*)
- Timeline and milestones

6. FINANCIAL ANALYSIS

- Summary of the organization's overall financial position and fiscal health. CDCC has historic audited financials for fiscal years 2015-2022 (FYE 12/31) as well as interim midyear June 2023 internal financial statements. The organization's operations struggled in 2020, with revenues shrinking due to the pandemic and reduced rent collection. At mid-year, operations are negative, however our large fundraising event has not yet happened and developer fees are anticipated before the end of the year. CDCC's liquidity remained fairly stable and we have a 90 day operating reserve.

Developer Fees fluctuate based on the timing of CDCC's VHB projects. As a result, fees are "lumpy" and because of the irregular income, the balance fluctuates between 0% and 13% of total revenue. Rental Income has averaged about 35% of revenues over the last 3 years. Grant income over the past three years has remained stable at about \$500k or about 10% of revenues. Management Fees are about 20% of income.

- Start-up requirements for organization over all (cash needs, potential funding sources, start-up expenses, reserve needs, etc.)
- Real Estate financial requirements: what percentage of our budget and programs is dedicated to real estate:
 - Summary of existing portfolio
 - Summary of projected projects
 - How are you funding the sources and uses budget, what are the gaps?
 - Describe your ongoing building operations budget

Existing Portfolio

CDCC has two buildings in its existing portfolio. One is a residential property that has rental income and a loan. The second is a mixed use residential and commercial property that has paid off a previous loan. Together the properties provide marginal revenue that rolls up to the organizational 20-year sustainability plan.

Projected Projects

CDCC has site control for a rehab development of an existing property that could be FIHPP eligible. The organization conducted a fundraising drive/capital campaign to bring equity to the deal and intends to apply FIHPP funds towards acquisition and construction costs. The project will provide 15 units of affordable housing. The project will begin in year 1 of the 20-year Sustainability Plan. We have collected bids and have a strong understanding of the project costs and projected revenue from rent and vouchers.

CDCC plans to buy another building in year 3 however it does not have site control or identified opportunity sites at this time. We anticipate a similar building profile to what we have in our portfolio. However, we may not serve as low-income residents. Likely construction costs will increase by 10% each year. We intend to fundraise for a down payment.

- Twenty (20) year projected operating budget.
- Cash flow projection.
- Break-even analysis.

Note: The financial analysis should tie in with the operating budget assumptions.

7. OPERATING ASSUMPTIONS AND RISKS

- Key program performance indicators for start-up and stabilized operations.
- Key financial performance indicators for start-up and stabilized operations.
- Scenario/contingency planning.
- Organizational impact on budget, internal systems, services, etc.

8. RACIAL EQUITY COMMITMENTS & DATA

CDCC recognizes that a history of discriminatory practices and intentional disinvestment have contributed to a lack of economic progress in low-income communities and communities of color. Our values and mission focus on creating an inclusive, community led program where residents participate in decision making and 90% of our residents self-identify as POC. CDCC provides staff training to promote cultural competency and ensure we are following best practices in the field.