

## **COMMONBOND COMMUNITIES STRATEGIC PLAN    FY 2011 – 2012 – 2013**

### **VISION and MISSION**

- VISION**            Every person has a dignified, affordable home that supports independence and advancement within a flourishing community.
- MISSION**        CommonBond builds stable homes, strong futures, and vibrant communities.

### **OVERVIEW**

**A LIVING, DYNAMIC PLAN.** This Strategic Plan provides a framework for CommonBond Communities to fulfill its mission and grow at a sustainable pace through June 30, 2013. This Strategic Plan is a living, dynamic guide for CommonBond’s future that will be reviewed annually to ensure its continued relevance. We also will initiate a rolling planning cycle.

This plan is based on several internal and external assumptions, which are described on pages 4 and 6. Despite the prevailing economic contraction and uncertainty, CommonBond is strongly positioned to continue to help communities address their affordable housing and community revitalization needs, and residents achieve their goals for stability, advancement, and independence.

**GROWTH AND INNOVATION.** Since 1971, CommonBond Communities has been building homes, hope, and community. From its start as a small program of the Archdiocese of Saint Paul and Minneapolis, CommonBond has become the Upper Midwest's largest nonprofit provider of affordable housing with on-site services. CommonBond owns or manages nearly 5,000 units in approximately 100 housing communities, located in some 50 cities and towns, primarily in Minnesota and also in Wisconsin and Iowa. Close to 8,000 people—families, seniors, and people with disabilities and other barriers—call CommonBond home.

CommonBond is a nationally-recognized leader and innovator in the affordable housing industry. It was one of the first housing providers to include services for residents—Advantage Services—in its properties and to insist that its housing be a long-term asset to the surrounding neighborhood. Engagement with the local community has long been a CommonBond hallmark. We have demonstrated that quality affordable housing combined with onsite services can transform lives and communities.

**EXPERTISE.** Cities, public agencies, faith communities, community organizations, and for-profit and non-profit owners seek out CommonBond because we offer a specific set of affordable housing and community development competencies and experience. Our expertise includes:

- Deep and diverse real estate development capabilities
- Advantage Services that deliver stability, advancement, and independence for residents
- Comprehensive, excellent property management services
- Community engagement expertise and commitment
- Exceptional reputation as a trusted partner
- Entrepreneurial approach to our social mission

**MEETING AFFORDABLE HOUSING NEEDS.** CommonBond's affordable housing enables people to spend less on housing, preserving resources for other necessities. When a household spends more than 50% of its income on housing, it is considered to be severely cost-burdened. Minnesota and Wisconsin rank among the top 10 states with the fastest growth in the percentage of households that were severely cost-burdened, between 2000 and 2007.<sup>1</sup>

Numerous factors cause the growing need for affordable housing. These include failure of wages to keep pace with rising housing costs, increased unemployment, the foreclosure crisis, loss of federally-subsidized inventory, and deteriorating quality of many units on the private market. These trends are expected to continue through the term of this Strategic Plan.

CommonBond has contributed significantly to meeting communities' housing and economic development needs and will continue to do so in the next three years. The number of units owned or managed by CommonBond has more than doubled in the last 10 years, from 2,400 units in 1999 to more than 5,000 today.

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<sup>1</sup> *Housing Affordability Trends for Working Households*, Center for Housing Policy, December 2009. <http://www.nhc.org/pdf/Housing%20Affordability%20Trends.pdf>

## CORE VALUES

These values guide CommonBond's work within our organization as well as with the people we serve and our partners.

- **Respect.** We value all persons, treat others with dignity, and conduct our business with honesty.
- **Hope.** We believe nothing is more important than hope in the future and opportunities to realize dreams.
- **Innovation.** We encourage an entrepreneurial approach to challenges.
- **Partnership.** We forge long term relationships at all levels to broaden and deepen our impact.
- **Stewardship.** We assure excellent results with limited human capital and financial resources.
- **Justice.** We work to advance social and economic justice for all.

## BUSINESS MODEL and SUCCESS FACTORS

CommonBond uses revenue-generating strategies as well as grants and contributions to achieve its social mission. Acquisition and Development and Property Management are expected to generate revenue that, augmented by Resource Development, finances Advantage Services, CommonBond's asset management responsibilities, and general operations.

Acquisition and Development, Property Management, Advantage Services, Resource Development and Administration are expected to function as a team to support success. Success for CommonBond is a combination of the following elements.

- Calibrated growth that enables financial sustainability and contributes to meeting the region's affordable housing and community building needs.
- Resident stability and advancement for families and youth, and independence for seniors and people with disabilities, as well as connection to community.
- Communities that are more vibrant because of the presence of a CommonBond property.
- All parts of the organization are aligned to deliver high-quality service to external stakeholders as well as internal customers.

## STRATEGIC PRIORITIES

CommonBond's energies and resources in the coming years will focus on three strategic priorities, guided by several internal assumptions. First, growth continues to be essential to fulfill our mission but must be calibrated and balanced with maintaining our current portfolio. Second, Advantage Services is an integral part of CommonBond's mission; the level of service in each property is determined by resident needs and available facilities. Third, local investment and engagement will be expected for entry and growth in expansion markets, with CommonBond's footprint likely to be deep rather than wide.

Strategies and benchmarks for progress will be defined in annual work plans.

### **Priority I    Increase and preserve the supply of quality affordable housing with services**

#### *Goals to Address the Need.*

- A. Refine and measure annual targets for the portfolio and align with the financial model to support growth, balance risk, and achieve long-term outcomes. Targets to meet the need will be established in the following categories, as defined in the Appendix to this plan:
  - (1) *New Units*: Through new construction and acquisition/rehab, add 1,000 new units to the portfolio over the strategic plan period.
  - (2) *Portfolio Preservation Units*: Improve the quality of the existing CommonBond portfolio through the refinancing and rehabilitation of 600 units over the strategic plan period.
  - (3) *Fee Managed Units*: Maintain a portfolio of 500-700 units of fee managed activity that generate revenue in excess of cost on an annual basis.
- B. Apply and refine criteria for new market entry and expansion, with emphasis on securing timely local investor support.
- C. Develop a comprehensive plan for CommonBond's work, including Advantage Services, in each geographic market.
- D. Incorporate cost effective green environmental practices in our housing and operations and elevate the importance of these practices throughout the organization.

**Priority II Engage community leaders and the public in achieving CommonBond's mission**

*Goals to Engage the Community.*

- A. Complete the Capital Campaign while increasing the level of annual funding.
- B. Make the CommonBond brand more visible and better known.
  - (1) Pursue positive media coverage.
  - (2) Position CommonBond and its principals as leaders in affordable housing, green practices, human services, and community development.
  - (3) Pursue public visibility strategies to reach new audiences.
- C. Educate the public about affordable housing, resident services, and community development.
- D. Influence public policy in partnership with others in our field.
- E. Fully deploy the expertise, connections, and resources of the Board of Directors in achieving the goals of this strategic plan.
- F. Ensure high quality volunteer opportunities that benefit both the volunteers and CommonBond.

**Priority III Build the capacity of CommonBond to excel and achieve its strategic vision**

*Goals to Build Capacity to Excel.*

- A. Ensure that CommonBond's financial position sustains and advances excellence, growth, and innovation.
  - (1) Build adequate financial reserves commensurate with the scale and purview of CommonBond as a mature social enterprise.
  - (2) Include Advantage Services in all project proformas, making multi-year cost assumptions based on the continuum of service model.
  - (3) Ensure that Property Management generates revenue over cost across the portfolio to support Advantage Services and corporate operations.

- (4) Improve balance sheet liquidity to enable CommonBond to seize opportunities.
  - (5) Establish annual goals for self-sufficiency and ratios for administrative-to-program costs.
- B. Improve internal processes, systems, and capacities to advance the mission, support growth, and manage risk.
- (1) Identify and grow staff capabilities essential to address strategic priorities.
  - (2) Build an asset management function appropriate for the scale of the organization.
  - (3) Develop succession plans for key positions.
  - (4) Ensure operational consistency and staff cohesiveness as CommonBond owns and manages more properties outside the Twin Cities.
  - (5) Add board leadership that helps fulfill our strategic priorities including fundraising capacity, core constituent leadership, and members from new markets.
  - (6) Complete the move to new headquarters.

## APPENDIX TO STRATEGIC PLAN

### EXTERNAL ASSUMPTIONS

Continued economic volatility, constrained funding, a Federal policy agenda that values affordable housing, and critical demographic shifts will characterize the environment in which CommonBond works.

The ***funding environment*** for CommonBond will continue to be constrained for the next few years. Project development financing will be especially uncertain until the role of the Federal government, the future of tax credits, and availability of gap financing are clearer, and state and local government budgets are less stressed. The limited supply of debt and equity capital in the private markets will also influence availability of development financing. CommonBond's strong relationships with investors and lenders will help mitigate an enhanced focus on credit quality and reduced tolerance for risk. Securing contributed support and grants from foundations also will require additional effort and lead time as funders narrow their priorities and reduce their philanthropic budgets.

The direction of **public policy** affecting affordable housing is likely to present opportunities for CommonBond. Increasingly, affordable housing is embedded in a larger agenda that values livable communities, including energy efficiency, environmental stewardship, higher density, and access to public transit, education, and jobs. Many of these values are already included in CommonBond's development criteria but future funding may favor certain housing types that emphasize these characteristics. Similarly, Advantage Services is well-positioned to capitalize on the current federal administration's interest in the provision of social services within affordable housing settings and likely health care reform legislation.

Four **demographic trends** are expected to have a major impact on CommonBond's brand of affordable rental housing and present both opportunities and risks. First, the elderly will be the fastest growing segment of the Minnesota population for the next 25 years. Second, renters are likely to have less household income than in the recent past. Third, people living in suburbs, especially newer suburbs, will be older, poorer, and more isolated from needed support services. Fourth, as a result of these factors and the foreclosure crisis, there will be continuing, if not increasing, demand for affordable rental housing.

## PORTFOLIO DEFINITIONS

CommonBond meets needs for housing with services and manages its portfolio in three distinct categories of activity.

Category #1 - New Units: Development of new affordable housing units and the acquisition of at-risk properties or portfolios to preserve them as affordable over time. This activity of new construction and acquisition of existing units in our region adds net new units to the portfolio.

Category #2 - Portfolio Preservation Units: As stewards and asset managers, preservation of our existing portfolio is critical to our success and long term sustainability within our region. This activity of refinance and rehabilitation improves the quality of existing units in our portfolio.

Category #3 - Fee Managed Units: Fee management opportunities occur when other owners ask us to provide property management services for a fee based on our reputation in the region. This activity adds revenue to the bottom line and may create opportunities for acquisition.