



creating solutions **for all**

THE SHAPE OF THINGS TO COME



SOUTHWEST MICHIGAN
community development corporation
creating solutions for all

annual report **2015/2016**

A NEW NAME & A NEW LOOK

2016 begins with a big transformation for Neighborhoods, Inc. of Battle Creek. We have a vision and focus of a future for all, that not only improves neighborhoods but also improves the broader community with additional tools and expanded resources. We will expand our services to reach out to more people, more neighborhoods, and more businesses. To facilitate this transformation, we are re-branding ourselves with a new look, and a new name—

Southwest Michigan Community Development Corporation.

Creating solutions for all. It's the shape of things to come.



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We all know a square peg doesn't fit in a round hole. That's why flexibility and reshaping are so important today to anticipate and meet the changing needs of a community. Since 1981, Neighborhoods, Inc. of Battle Creek has worked to build its brand and provide needed capital, investment, programs and services to our community. In 1991, we initiated a substantial expansion of programming to fill gaps and meet greater needs by joining the NeighborWorks America network of community development organizations. Now, 25 years later, NIBC is reshaping again to serve in even broader ways.

While NIBC has long been a community and economic development entity, the general perception of our past work has been limited to that of a neighborhood-specific agency whose activities stop with the sale or financing of homes. But our continuum of community development work goes much farther. We truly shape the quality of life in neighborhoods, preparing the community as a whole to attract more families that will, in turn, provide the workforce needed to retain industry and attract



even more residents, jobs and business. That means creating financial health and stability for all.

To ensure we are better positioned to continue our work for the future, effective January 1 of 2016, NIBC will be doing business under a new name—one that more accurately describes our true shape and scope of work—**Southwest Michigan Community Development Corporation.**

Our expertise in real estate development and financing are the foundation for our new business model, with increased emphasis on residential and commercial financial products and capital investments to support growth. Community engagement and education programs that support families and builds on the “value

proposition” that a community’s most important capital investment is its human capital, its families, its workforce. Moving the organization to a larger scale is a necessary step so that will enable us to successfully compete for new opportunities.



reshaping from the ground up

FOUR PROGRAM LINES AT WORK

Stable homes, neighborhoods and businesses shape a strong community. That's why we've developed four program lines to help create solutions for all.

1 **community engagement**

Programming to support stronger families, neighborhoods & communities

- Safe Neighborhoods
- Community House Network
- Homes + Services Program
- Community Builders Program
- Neighborhood Planning Council (NPC) Support

2 **education & counseling**

Moving people up the ladder of financial fitness and homeownership

- Financial Skills Workshops
- Home Buyer Education
- Credit Building Support
- Transaction Review Service
- One-on-One Coaching
- Foreclosure Counseling and Advocacy
- Tenant/Renter's Workshops

3 **real estate asset management & development**

Homeownership is the best method to stabilize families and neighborhoods. Affordable rental housing also helps stabilize families

- Homes for Rent
- Affordable Homes for Sale
- Development/Rehab
- Project/Construction Management Services
- Commercial/Business Property Development

4 **lending & financial services**

Building partnerships, developing loan products, identifying and raising capital and support financing that expands housing opportunities and fuels small and start-up businesses

- Home Purchase Loans
- Home Improvement Loans
- Down Payment Assistance
- Property Tax Rescue Loans
- Small Business Micro-Enterprise Loans

community engagement at work

FOR A VIBRANT COMMUNITY

Resident-led initiatives must be the drivers for long-term change and it is our mission to support the process and execute investment strategies that reflect those priorities. Our Community Building and Engagement programs are targeted to support and enhance those efforts.

Leadership Development and Neighborhood

Strategic Planning are necessary ingredients to build and maintain

attractive neighborhoods and communities. Leaders that care about the community and their neighborhoods are the catalyst for strategic planning and implementation of those strategies for the good of the neighborhood and community.

Safe Neighborhoods is the minimum requirement for any neighborhood to attract new residents and grow property value and community value. Each neighborhood has a

unique identity often determined by its geography. However, a neighborhood cannot grow and flourish if it must continually combat difficult social challenges including crime, transience and blighted residential and commercial buildings.

Neighborhood Planning Councils (NPCs) are a

significant mechanism used by City government to interface between residents and the government. It is an important channel for communicating resident priorities. This must be a resident-driven process and we are pleased to continue supporting the NPC structure.



David Kemp works on our community building and engagement and enables us to expand our roles in these areas.

Community Impact

Measurement (CIM) reflects conditions and impacts of community building and engagement activities. The CIM studies measure progress towards goals and chronicles

lessons-learned from successful and unsuccessful initiatives. It is the community's report card and how it establishes priorities.

education & counseling at work

FOR A VIBRANT COMMUNITY

2015 SUCCESS STORIES

A local family suffered a loss of spousal income causing them to fall behind on their mortgage. The employed spouse recently received a job promotion which allowed them to make their mortgage payments going forward. Unfortunately, they were several months delinquent and unable to bring the mortgage current, facing an upcoming foreclosure sale. We assisted them in applying to the Michigan Hardest Hit program and they were approved, and now are current on their mortgage.



Denise McGee's counseling work keeps families in their homes.



Yvonne Powell's one-on-one coaching helps families realize their dreams.

“ I had worked on getting a house for two years and still didn't know where to start. Yvonne Powell coached me with some financial counseling and education and **now I am a homeowner!**

— Kerri

“ As a single working mother, I had a very hard time finding a home. With Yvonne's help and expertise, because I am a veteran, I am finally able to **buy my own home!**

— Betsy

lending & financial services at work

BIG NEWS FOR OUR CLIENTS

SMALL BUSINESS

Southwest Michigan Community Development Corporation is pleased to now offer a Micro-Enterprise Business Loan Program. For those starting or expanding a small business, this program — launched in 2015 — provides funding for businesses that may be challenged in securing funding. This wonderful new program offers incredible opportunities to help build our community. Together, we are shaping the future and creating solutions for all.

RESIDENTIAL MORTGAGE CUSTOMERS

The residential mortgage industry has undergone substantial change since 2007. SWMCDC has reshaped its lending program to reflect industry regulatory requirements and is positioning itself to again provide effective and beneficial residential products to our borrowers. In 2015, we joined the Federal Home Loan Bank Indianapolis (FHLBI) to expand our lending capacity for residential, small business and community loans. Other relationships are being forged during 2016 that will further expand our capacity.



In 2015, our financial experts (standing) Bill Phillips, Yvonne Powell, (seated) Nancy Walker, and Mary Ann Hooten have assisted several clients with our financial services.

real estate asset management & development at work

AFFORDABLE HOUSING DEVELOPMENTS



Revitalizing neighborhoods has a lot to do with improving property values, but it has even more to do with improving the quality of life for residents. Much of the housing in Battle Creek's core neighborhoods is in need of substantial rehabilitation. The HOME Investment Partnership (HOME) is a HUD program that grants funds through cities across the country. Cities, in turn, administer the programs. We have been fortunate to receive annual funding from the HOME Grant Program and serve as the certified Community Development Housing Organization for Battle Creek, that enabled us to rehabilitate two properties as affordable rental housing. Both properties are located in the Historic Northside neighborhoods of Battle Creek.



Because of demand for "accessible" housing, NIBC enhanced a North Wabash Avenue property. NIBC partnered with the Battle Creek Area Habitat for Humanity to install a ramp on this single family home, making it wheelchair accessible, along with other modifications to cabinets and appliance styles. Another 2-unit rental property on Harvard Street was totally renovated and is being leased to HOME Program eligible tenants. The HOME Rental Program is only available to households earning no more than 60% of the area medium income.

(Top Left) Roger Erikson, Helen Guzzo (City of Battle Creek), Yvonne Powell and Chris Lussier (City of Battle Creek) are pleased with the completion of this Home Grant Program home.

(Bottom Left) Yvonne Powell tries out the new ramp added to this home as part of the accessibility upgrades.



SWMDC is an Equal Opportunity
Housing Organization.



Pictured above is Tyrone Sheppard with KPEP working at 16 Central St.

NIBC was assisted on several rehabilitation projects for affordable housing by volunteers from the Kalamazoo Probation Enhancement Program (KPEP of Kalamazoo and Calhoun County).



*Standing (left to right): Mary Ann Hooten, Jodi Freeze, Bill Phillips, Mary Jo Whitten, David Kemp, Roger Eriksen.
Seated: Nancy Walker, Yvonne Powell, Tonia Bennett, Denise McGee.*

STAFF

- Tonia Bennett** — Customer Service Specialist
- Roger Eriksen** — Project Management Consultant
- Jodi Freeze** — Asset Management Specialist
- Mary Ann Hooten** — General Counsel & Development Officer
- Denise McGee** — Homeownership Counselor
- David Kemp** — Program Director,
Community Building and Engagement
- Bill Phillips** — President & Chief Executive Officer
- Yvonne Powell** — Program Director, Counseling and Education
- Tony Troutman** — Property Maintenance (*not pictured*)
- Nancy Walker** — Chief Financial Officer
- Mary Jo Whitten** — Accountant

STRONG FINANCIAL SHAPE

Following our most recent organizational assessment by NeighborWorks America, the organization was rated as “Strong”. Considering the roads we have traveled and the strategic investment decisions we have made, we are fortunate to have maintained a strong Balance Sheet. When we take all these things into context, we believe we are well-positioned for the future.

swmcdc balance sheet

fiscal year july 1, 2014 – june 30, 2015

	FYE 2015	FYE 2014
Assets		
Cash and Cash Equivalents	1,318,901	1,977,296
Mortgage Receivables	1,925,286 ¹	1,748,287
Receivables and Prepaid Exp.	50,278	172,196
Properties Held for Sale	56,150	39,618
Properties Held for Development	318,475 ²	547,821
Rental Properties	1,101,797 ³	970,032
Property and Equipment	145,729 ³	153,281
Total Assets	4,916,616	5,608,531
Liabilities And Net Assets		
Accrued Payables	139,544	128,309
Deferred Grant Revenues	41,382	181,273
Other Liabilities	129,456 ⁴	139,231
Total Liabilities	310,382	448,813
Net Assets		
Unrestricted	3,854,047	4,391,628
Temporarily Restricted	123,296	129,199
Permanently Restricted	628,891	638,891
Total Net Assets	4,606,234 ⁵	5,159,718
TOTAL LIABILITIES/NET ASSETS	4,916,616	5,608,531

¹ Net of Allowance for Loan Losses

² Decrease impacted by impairment losses due to demolition project (see note 2 on Profit & Loss)

³ Net of Depreciation

⁴ Mortgage Related Payables, Rental Deposits, Fiscal Agent Funds, Insurance Proceeds Payable

⁵ The reduction in Net Asset Value was primarily attributable to the planned demolition of 16 properties. The loss was comprised of prior investment basis in the properties and the cost of the demolition. The funds were reallocated from investment capital previously designated for the rehabilitation and resale of two properties. The greater good of the impacted neighborhoods was the determining factor in the decision to reduce standing inventory, especially because it could not be economically renovated and resold profitably at current or projected market values.

fye 2015 sources of revenues



fye 2015 functional expenses by program line of business



swmcdc profit & loss

fiscal year july 1, 2014 – june 30, 2015

	FYE 2015	FYE 2014	FYE 2013
Income			
Grant Income	702,981 ¹	976,233	1,092,470
Fundraising Income	139	40,994	2,350
Interest Income	111,575	127,552	147,476
Fees Income	11,111	18,830	28,641
Rental Income	275,640	264,472	234,162
Miscellaneous Income	8,507	15,333	32,585
Development Services	0	13,970	0
Total Income	1,109,953 ¹	1,457,384	1,537,684
Functional Expenses			
Staff Expense	742,674	712,977 ⁵	625,664
Professional Costs	39,823	38,007	56,388
General Insurance	2,527	2,715	3,643
Office Expense	60,288	61,002	69,563
Building expense – N Washington	56,874	51,086	64,514
Meeting & Training Expenses	16,693	10,667	13,794
Program Expenses	541,696	562,304	486,975
Other Expenses	1,567	2,524	2,165
Total Functional Expenses	1,462,142	1,441,283	1,322,707
Gain/(Loss) on Property Transactions			
Gain/(Loss) on Sale/Donated Property	39,070	8,667	68,293
Gain/(Loss) on Disposal of Assets	(514,289) ²	(5,004)	2,423
Gain/(Loss) on Loan Losses	273,924 ³	(55,888) ⁶	(256,735) ⁸
Total Gain/(Loss) on Property Transactions	(201,295)	(52,225)	(186,019)
NET INCOME/(LOSS)	(553,484) ⁴	(36,123) ⁷	28,958

1 Income is understated due to a split funding of grant funds that occurred outside the current fiscal year.

2 In FY2014, NIBC approved a deconstruction plan in its FY2015 Management Operating Plan. The plan created losses on its books from the loss of current basis in the real estate plus the cost of the deconstruction. The decision was an intentional strategy to serve a greater good than would have been served by renovation of a nominal number of houses as opposed to deconstructing 16 properties and eliminating holding cost liabilities.

3 Gain on loan losses created by an adjustment to prior year's projected Allowance For Loan Losses.

4 The demolition program created the majority of Net Income Losses along with losses in the loan portfolio and subsequent impairment losses on real estate acquired through foreclosure. Demolition costs were funded from re-programmed capital funds.

5 Staff salaries increased when contracted staff were converted to regular employee status.

6 Impairment losses on real estate acquired by foreclosure and losses on loan portfolio.

7 The net loss in FY2014 was attributable to loan losses and impairment losses on real estate acquired from foreclosure. The loss was largely a loss in basis, however, cash flow was positive.

8 Impairment losses on real estate acquired by foreclosure and losses on loan portfolio.

A SUCCESS STORY

A veteran came to NIBC looking for help in purchasing her home. She had successfully been in a land contract, but was at the end of her time to purchase the home. We counseled her on how to purchase her home with a mortgage. As a result, she completed a few items as suggested and we referred her to a partner bank that would make the process easy. Now she is excited to become a homeowner, with the help of our team and 5/3 Bank.

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