



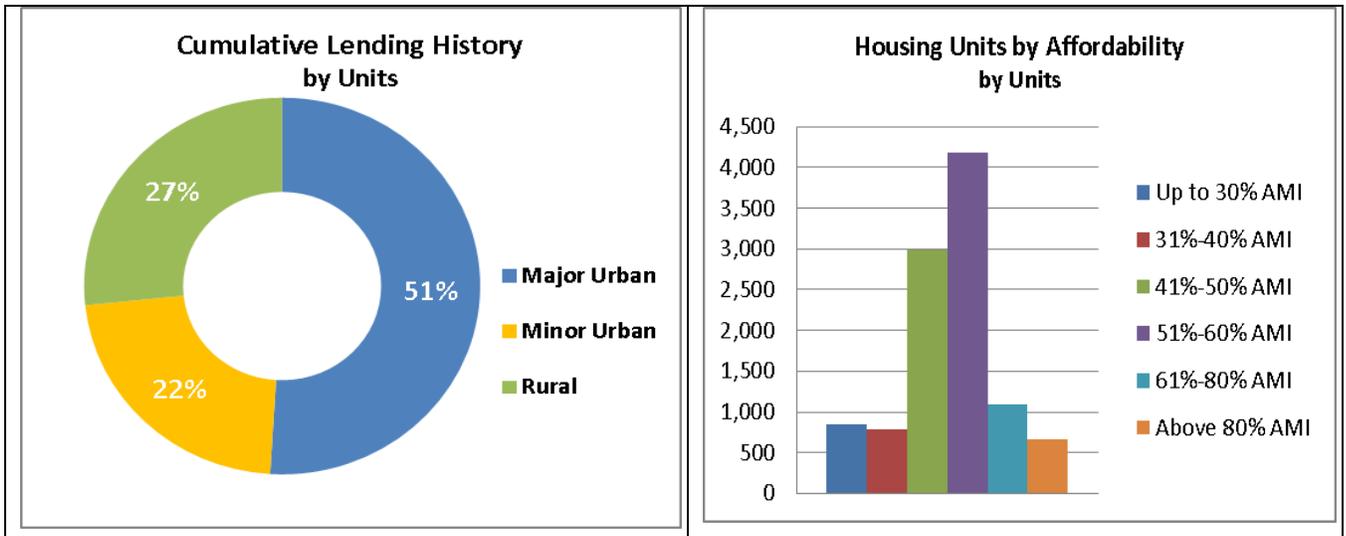
## 2013 ANNUAL REPORT

NeighborWorks Capital enjoyed its most successful year by meeting and exceeding its business plan goals and providing flexible loans that made a critical difference to the communities that NeighborWorks affiliates serve. NeighborWorks Capital measures its lending impact by three criteria: Housing Units/Commercial Square Feet, Leverage of Financing, and Affordability. In 2013, NC was able to increase its community development impact as follows:

- 👉 \$32.2 million in loans closed and committed
- 👉 25 loans for affordable rental, for-sale and mixed-use projects
- 👉 1,000 units of affordable rental and for-sale homes
- 👉 25,000 square feet of community space
- 👉 11 new NeighborWorks customers
- 👉 \$280 million leveraged
- 👉 95% of loans assisted housing projects at 80% AMI or below

### Since 2000

- 👉 13 Years serving the NeighborWorks Network
- 👉 \$125 million in lending
- 👉 225+ loans for affordable rental and for-sale homes
- 👉 11,000 affordable homes and apartments
- 👉 500,000 square feet of commercial space
- 👉 84 customers and growing
- 👉 \$1.4 billion leveraged
- 👉 93% of loans assisted housing projects at 80% AMI or below



## Sample Projects Financed

NeighborWorks Capital financed a broad array of both preservation and new construction projects for new homebuyers and for renters with a primary focus on affordability. With competitive interest rates and flexible underwriting NC's 2013 lending was almost twice the volume of 2012! Here is a sample of the projects NC financed in 2013. For more examples please link [here](#).



### **Eagle Market Place – Mountain Housing Opportunities Asheville, NC**

A \$1,760,000 interim development loan from NC is supporting Eagle Market Place, a mixed-use redevelopment of an historic building undertaken by Mountain Housing Opportunities that includes 62 units of affordable rental housing, community space, and commercial/retail space. Eagle Market Place is a collaborative effort of MHO and Eagle Market Streets Development Corporation (ESMDC), a community-based developer in downtown Asheville.



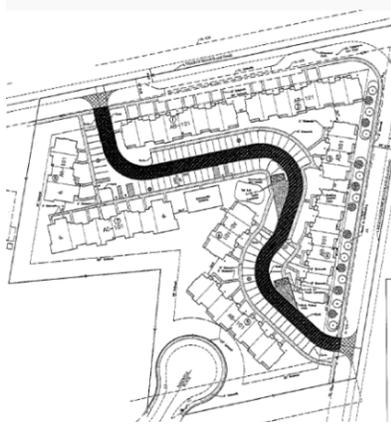
### **Azusa Apartments – Community HousingWorks Azusa, CA**

NC partnered with Mercy Loan Fund, Partners for the Common Good and the National Housing Trust Community Development Fund to provide Community HousingWorks with a \$6,500,000 second mortgage loan to assist in the \$18 million acquisition of Azusa Apartments, an existing affordable rental project located east of Los Angeles in Azusa, California. Azusa is a garden-style complex of 88 one-, two-, three-, and four-bedroom units, and provides critically-needed project-based rental assistance to residents. This is NC's fourth loan with CHW.



### **Tropical Foods – Madison Park Development Corp. Roxbury (Boston), MA**

NC's acquisition loan will enable Madison Park to acquire an existing commercial property (Tropical Foods) for continued operation as a grocery store until a new location is constructed. Upon the store's relocation this historic building will be redeveloped into a mixed-use residential and commercial project with 30 units of affordable housing and 8,000 square feet of retail space. This project is being undertaken as a component of a larger, multi-phase redevelopment known as Parcel 10, for which MPDC is serving as master developer. NC's loan will be repaid at beginning of the renovation of the historic building. This loan was made in participation with the Boston office of the Local Initiatives Support Corporation (LISC). This is NC's sixth loan to Madison Park.



**Trabue Crossing – Homeport**  
Columbus, OH

This is NC's eighth loan with Homeport and the \$1,140,000 in interim financing will enable them to acquire the land on which Trabue Crossing will be built. The project involves the new construction of a 52-unit rental townhome community financed primarily with Low Income Housing Tax Credits. Attention to Universal Design standards ensure that the built environment of the project will serve residents of all ages without the need for adaptation or specialization. Four key needs of low and very-low income families are addressed: Education – an elementary school within walking distance; Jobs - close to retail, light industrial and distribution employment; Service Coordination – a Family Supportive Service Plan; and Transportation - local bus route offers easy access to a retail corridor and major employers with entry level employment needs.



**The 10 at South Person – DHIC**  
Raleigh, NC

Without NC's flexibility on its loan-to-value requirements DHIC would not have been able to start construction on this \$2,240,000 construction loan will enable DHIC to begin construction on 10 new for-sale townhomes for homebuyers at 75-100% of AMI in a rapidly gentrifying neighborhood in downtown Raleigh. Units will include an open floor plan, floating stairs, skylights, and porches with unobstructed views of the downtown skyline. The site is located one block away from Shaw University and three blocks from the Raleigh Convention Center complex. Numerous restaurants and attractions are within walking distance and these condos are three blocks from light rail. This is NC's fifth loan to DHIC.



**Las Abuelitas – Primavera Foundation**  
Tucson, AZ

The Primavera Foundation is a first-time borrower. NC is thrilled to make an interim development loan of \$1,600,000 to support 12 newly-constructed Las Abuelitas apartments for seniors raising their grandchildren. NC's loan will provide construction funds and then bridge a capital campaign for this project. The project is a series of single-story buildings surrounding a central courtyard, with a garden, patio, play area, and a multi-purpose center. Support services, including an after school program, will be offered to residents in partnership with Arizona Grandparent Ambassadors and AARP. All buildings will use various design strategies to achieve a high standard of energy and water efficiency including: day-lighting, solar water heating, energy-efficient appliances, rainwater harvesting, and a photo-voltaic system for on-site generation of electricity.

## Investors and CDFI Partners

With the strong performance of our loan portfolio NeighborWorks Capital was successful in gaining two new investors and the renewal and increased support from three existing investors. Total loan capital available increased 35% in 2013 to \$62 million. NC thanks the new and renewing members of our investor partners and their commitment to the NeighborWorks organizations we finance:

**NeighborWorks America** – Our key strategic partner since 2000, NeighborWorks America provided \$2.175 million in equity capital bringing its total capital investment to over \$23 million.

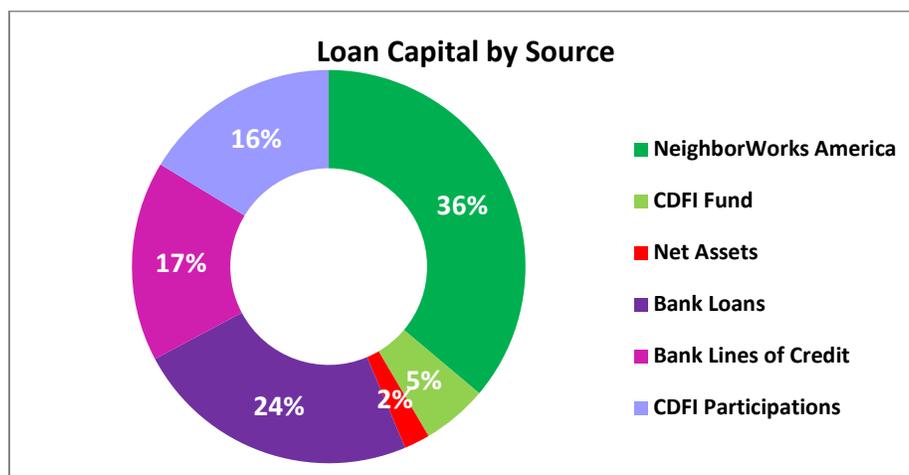
**Bank of America** - Bank of America is the largest bank investor of CDFIs nationally as well as for NeighborWorks Capital. In 2013 the bank doubled its investment to \$8 million as a 10 year Program Related Investment as part of its ongoing commitment to low income communities. This long term investment allows NC to provide longer-term loans for multifamily preservation and energy improvements.

**Capital One Bank** - Capital One has been a long time partner of NeighborWorks America and its community development programs. The bank has extensive experience in affordable multifamily finance. In 2013 they provided a five-year low cost loan of \$1 million to support NeighborWorks Capital's affordable housing loan program.

**BB&T Bank** – Branch Banking and Trust (BB&T) is one of the top 20 banks by deposits with a focus on the Mid-Atlantic and Southern states. The bank is NeighborWorks Capital's primary business banker for treasury services and recently provided a \$3 million line of credit for our lending program in its market area.

**CDFI Fund** – The U.S. Department of the Treasury's CDFI provided NeighborWorks Capital with its third Financial Assistance Award of \$1.347 million. This permanent, unrestricted equity capital will be used to further capitalize the loan fund and provide important leverage to raise debt capital.

**CDFI Loan Participants** - NC has developed strategic co-lending relationships with other leading national and regional CDFIs with expertise in affordable housing and community development. In 2013 NC assembled \$4.7 million in capital from four CDFIs to assist two large rental acquisition and preservation projects. These CDFIs are Mercy Loan Fund, Local Initiatives Support Corporation (Boston Office), Partners For The Common Good and National Housing Trust.



## Strategic Plan

In 2013 the Board of Directors of NeighborWorks Capital engaged a leading CDFI expert to facilitate a strategic planning process. Having successfully completed the previous strategic plan, we wanted to assess the organization's performance and impact and better understand our customers, real estate trends and the CDFI industry.

To best determine where the organization should focus its lending program for the NeighborWorks network the board interviewed current, former and future customers and received valuable input and feedback on how to direct our capital resources. Consultants and staff engaged leading housing CDFIs and investors as well. This was followed by a research phase, consisting of a scan of various opportunities and trends in the CDFI industry which provided a deeper understanding of our competitive position including an analysis of loan demand within the NeighborWorks network, trends at similar CDFIs, and availability of various types of capital. As a result, the board adopted a revised mission statement, developed a vision statement and a set of five bold and dynamic goals for the years 2014-2018.

- *Triple NeighborWorks Capital cumulative lending volume to \$350 million while maintaining strong loan quality.*
- *Double NeighborWorks Capital on-balance sheet capital to \$100 million through leverage and diversification of capital sources, and leverage an additional \$30 million in off-balance sheet capital.*
- *Increase NeighborWorks Capital impact on the communities served by NeighborWorks organizations*
- *Advocate on behalf of CDFIs and the communities we serve. Further develop thought leadership within NeighborWorks America about the role of capital in improving low-income communities and their residents.*
- *Grow and strengthen the organization to implement this plan*

## Key Metrics

	2012	2013
Self Sustainability	114%	111%
Months of Operating Cash	17.55	14.89
Net Operating Income	\$537,537	\$404,155
Net Interest Margin	3.13	2.87
Current Ratio	69:1	65:1
Debt/Equity Ratio	106%	110%
Net Assets/Total Assets	62%	57%
Loan Loss Reserve Rate	5.02%	4.15%
Deployment Ratio	83%	82%