ncb
National Cooperative Bank

Working Together. Building Community.

2017 MISSION REPORT

WORKING TOGETHER. BUILDING COMMUNITY.

National Cooperative Bank was chartered by Congress in 1978 and privatized in 1981 as a cooperatively owned financial institution. The bank was created to address the financial needs of a traditionally underserved market; cooperative owned organizations that operate for the benefit of their members, not outside investors.

NCB serves a variety of cooperatives and like-minded, socially responsible organizations throughout the United States. These include:

- Community-owned housing such as co-ops and community associations
- Community-driven healthcare solutions
- Retailer-owned grocers and consumer-owned food cooperatives
- Small business cooperatives
- Consumer-owned credit unions and credit union service organizations
- Community Development Financial Institutions

Our cooperative and community development mission has guided us for 40 years and is a critical component of what defines our institution. As part of its enabling legislation, NCB has an uncommon mandate to ensure our efforts benefit those most in need, supporting low and moderate income communities and cooperative expansion initiatives nationwide.

2017 MISSION BANKING **ACTIVITIES**

In 2017, NCB made loans and investments of $200.4 million to benefit low and moderate income families and communities.

$167,596,360
Co-op & community development loans

$29,029,000
Low/moderate income mortgage loans

$3,786,560
Investments & grants

$200,411,920
TOTAL MISSION BANKING ACTIVITY

42
Affordable Housing Communities Totaling 5,222 Units

$9.85
Million in New Cooperative Development

$29
Million to 227 Unit Owners

221
Jobs Created

26
Million Square Feet Financed

2017 CO-OP AND COMMUNITY SECTORS

$116,677,360
Affordable Housing

$9,586,000
Commercial Real Estate

$14,580,000
Food

$11,410,000
Healthcare

$4,320,000
Nonprofit/Community Development

$11,023,000
Small Business

$167,596,360
2017 Co-op and Community Development Sector Lending

Over the past five years, NCB has provided **$89.4 million** for new co-op development in the form of loans, grants and investments.

COOPERATIVE DEVELOPMENT

Food Co-op Initiative

In 2013, NCB committed $250,000 over five years to Food Co-op Initiative to fund their work in the creation of new food co-ops and technical assistance for existing food co-ops.

Their Impact:

- 480 food co-ops accessed technical assistance over the past 5 years
- 56 new food co-op stores opened
- 350 new full time jobs created
- Provided 45 grants totaling $400,000
- 100,000 new co-op owners as members of food co-ops

FOOD CO-OP INITIATIVE

New co-ops start here.

"NCB's contribution has made a tremendous impact on the creation of new food co-ops – providing grant funds and technical assistance that are critical for new food co-ops to succeed."

Stuart Reid
Executive Director
Food Co-op Initiative

Project Equity

In 2016, NCB provided a $50,000 grant to fund a multi-pronged initiative on worker co-op conversions within the San Francisco Bay Area.

Their Impact:

- Project Equity provided technical assistance to Cal Solar Electric Company to assist in the conversion to a worker co-op which created 11 new jobs. Of the 28 employees, 50% are low to moderate income.
- Supported two food businesses to complete their conversions to worker co-ops which created 40 new worker-owners, all of whom are low income.

project {EQUITY}

TANAINA
A GATHERING PLACE

Child development center finds a permanent home thanks to community and partners.

After two years operating in temporary locations, Tanaina Child Development Center now has a permanent home, thanks to the joint effort of National Cooperative Bank, Alaska Regional Hospital, and the Rasmuson Foundation.

In May 2015, the non-profit organization dedicated to providing an early childcare program for 18-month to 5-year old children in the Anchorage community received bleak news. Tanaina's landlord needed their leased spaced. In response, Tanaina was forced to relocate to a temporary relocation and began a frantic search for a permanent home.

Two years later, and thanks to a collaborative effort and community support, Tanaina opened its doors at its new home in Anchorage on the campus of the Alaska Regional Hospital.

Alaska Regional Hospital provided the new space as an in-kind gift to Tanaina. NCB provided Tanaina with a \$620,000 loan to fund the leasehold improvements needed to transform the donated office space into a licensed child development center and the Rasmuson Foundation, a long standing family trust benefitting the residents of Alaska provided a \$250,000 direct grant and an unlimited liquidity support agreement to Tanaina.

"This is an example of the power of people coming together with their hearts and their minds and their passion for something beautiful," says Julie Taylor, CEO of Alaska Regional Hospital.

Tanaina's new childcare facility includes 9,000 square feet of indoor space and 38,000 square feet to be used for a playground. The new location also provided the development center the opportunity to increase enrollment and thus greater serve the Anchorage community. With the expansion, the child care facility added eleven new staff members and can serve more children in the Anchorage community.

"The opportunity to essentially double the number of kids served with room to grow, and a permanent home, the community can't ask for anything more," says Chris Perez, senior programs officer at the Rasmuson Foundation.

With collaboration from NCB, the Alaska Regional Hospital, and the Rasmuson Foundation, Tanaina found a new home for its childcare facility and is back to carrying out its mission-serving families in the Anchorage community.

"Tanaina Child Development Center isn't just a place or a business; it's a community and a family. It's with the help of this community, that we have this beautiful home," says Amanda Smodey, executive director of Tanaina.

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SMALL BUSINESS BIG FUTURE

Family-owned Southside Hardware makes a real-estate purchase with help from NCB and the Small Business Administration.

Helping small businesses compete and thrive is part of NCB's mission. As one example, the bank worked with the Small Business Administration (SBA) in 2017 to loan Southside Hardware $454,500 to buy the building where the independent retailer had operated since 1994.

Located in St. Louis, Missouri, Southside Hardware has been a family-owned business since Edward Ripper bought it in the 1960s. Today, his son, Steve, runs the store with his wife Jean, sons Sean, Brian and Gary, and daughter Allison Jennings. Officially known as Lemay Ferry Hardware, the store also is a member of the True Value home-improvement corporation. That offers the business better pricing, buying opportunities and national advertising.

Southside Hardware had long wanted to purchase the 8,500-square-foot building that houses its store on busy Hampton Avenue. The customer base surrounding the location is one reason why.

"The income level, devotion to neighborhood stores and the community itself are crucial to our success," says Jennings. "Shopping local is huge in this area."

When the building owner died in 2017, his widow was ready to sell. True Value recommended that Southside Hardware look to NCB for financing. Having already received a response from a local bank that was "lukewarm at best," recalls Jennings, the family was pleasantly surprised at NCB's support.

"We knew nothing about the process and were met with much necessary guidance and support by the NCB loan officers and other staff," she says. "That helped us get a loan we could afford through the SBA. It was a lot of work, and I'm sure we'd never had done it without a team of people on the other side of the computer creating the SBA application and advising us every step of the way."

The real-estate investment not only means Southside Hardware now owns its place of business. It also comes with two additional benefits: a rent-paying tenant and a mortgage payment that's markedly lower than what the Rippers previously paid in rent.

"That frees up a lot of cash flow for improvements that we've only dreamed of to this point," says Jennings. "We've got a lot of plans for addressing store appearance, layout and storage."

For NCB vice president Joann Haines, who spearheaded the loan process, helping meet the bank's mission was important. But connecting with the people of Southside Hardware was equally rewarding.

"The Ripper family is the epitome of diligent, hard workers," Haines says. "It was really nice to assist a family-owned business in achieving the goal of real-estate ownership."

MORE FOR YOUR MONEY – AND YOUR MISSION

Through Community Purchasing Alliance, community institutions spend less time procuring the best service contracts and more time pursuing their goals.

Schools, churches and nonprofits have a clear handle on their core mission work. But how many know how to get the best deal on trash management, landscaping and other services so they can direct their scarce resources to that work?

Not many – unless they connect with Community Purchasing Alliance (CPA).

CPA is a social-purpose purchasing cooperative that brings purchasing expertise and collective buying power to its members to help lower operating costs. Formed in 2014, CPA has brought together more than $12 million in annual contracts and saved $4 million in costs for its 75 members in metro Washington, D.C.

“Through insight from peers and collective purchasing power, our members can manage service contracts more effectively,” says Felipe Witchger, CPA’s co-founder and executive director. “They can then spend more time and money moving their missions forward.”

Since 2014, NCB has provided CPA with start-up capital as well as $30,000 in grants to create a replication toolkit for other communities to use if they want to create a similar cooperative purchasing organization. The toolkit has all the elements needed to organize and launch a purchasing cooperative. Among them is advice on how to collect bids and award contracts for needs such as janitorial and security services, office supplies, copy machine leasing, energy and solar installation.

“The toolkit helps community institutions be smarter on procurement,” says Witchger. “It also provides everything they need to know about building a buying co-op.”

In addition to strategic sourcing help, CPA makes investments in sustainability, worker equity and community organizing. Fifty-four percent of CPA’s savings accrue to members serving low-income constituents. What’s more, CPA has helped shift more than $1.8 million a year in service contracts to local and minority-owned businesses.

“What we’ve done so far is just the tip of the iceberg, the beginning of what’s possible,” Witchger says. “In collaborating with NCB, we hope to build many new co-ops in the years to come.”

“We are excited that CPA is growing ahead of projections, helping more social-purpose organizations achieve greater impact,” says Robert Jenkens, NCB’s director of social impact initiatives. “They came to us with a lot of passion as well as the skill and capacity that have made CPA the success that it is. Rarely does NCB have the opportunity to help create an organization that’s 100 percent aligned with our values.”

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FILLING THE GROCERY GAP IN LOS ANGELES

Independent grocery chain Numero Uno caters to the city's low-income communities.

Los Angeles may be famous for Hollywood, Disneyland and the Lakers, but behind the glamor lies a stark reality: This sprawling city of 4 million people is also home to several food deserts.

These are large, often low-income communities that have been passed over by the big-box grocery stores, leaving residents with limited access to affordable, nutritious foods.

One independent supermarket chain, however, is helping fill the grocery gap for thousands of inner-city Angelenos.

Numero Uno Markets owns and operates 13 stores across greater Los Angeles, where many food deserts are predominantly Hispanic. Numero Uno has embraced its customer base, offering Hispanic foods, including select meats and customized produce. But the chain doesn't stop there.

"We're proud to help these retailers, who are serving an underserved population, empower themselves and their local communities."

"We try to cater to the immediate community," says Doug Minor, Numero Uno's president and CEO. "So, even though we have a Hispanic name and format, we cater to all ethnic backgrounds, including African-American, Central American and Asian."

In 2017, NCB provided a $12 million loan to Numero Uno to refinance the chain's existing debt. The chain's old loan stemmed back to 2012, when it reorganized under new owners.

"NCB gave us what we needed," Minor says. "It was the best alternative out there to paying off our debt."

After the loan closed, NCB sold a $3 million participation note to Capital Impact Partners, a community development financial institution that supports cooperative and nonprofit borrowers. That helps NCB share the financial risk.

"NCB has a 35-year history of lending to independent grocers," says Mike Novak, NCB senior vice president and corporate banking manager. "We're proud to help these retailers, who are serving an underserved population, empower themselves and their local communities."

NCB's more favorable financing will allow Numero Uno to operate more efficiently and buy additional stores in the Los Angeles area. The chain, which employs 950 people, hopes to add up to two new stores annually for the next five to seven years. Recognizing that many customers don't have access to cars and have young families, Numero Uno knows that its store locations are key.

"The reality is that Los Angeles has far fewer food deserts because of Numero Uno," Novak says.

HIGH-IMPACT LENDING FOR LOW-INCOME MARKETS

A collaborative loan helps a North Carolina credit union improve its members' lives.

North Carolina's local government employees have greater access to home ownership, dependable vehicle purchases and personal borrowing needs, thanks to a $2 million secondary capital loan to their Local Government Federal Credit Union (LGFCU).

The October 2017 funding was the result of a collaboration between National Cooperative Bank (NCB) and the National Federation of Community Development Credit Unions. It marked the second time NCB has worked with the Federation's Secondary Capital II Loan Program. NCB's participation in the LGFCU loan totaled $1 million.

The program bolsters lending and financial services for credit unions with low-income designations from their regulators. While secondary capital loans are subordinated long-term debt, they also count toward a credit union's net worth. That allows the borrower to leverage its finances to support safe, affordable loans.

"The beauty of the secondary loan is that it allows LGFCU to maximize its impact in serving low- to moderate-income communities," says Ann Fedorchak, NCB's director of cooperative and community development. "The credit union not only can provide more loans for homes, vehicles, credit cards and other personal requirements but also expand its products and services to further benefit members."

LGFCU is a prime example of a financial cooperative formed, as its mission states, "to improve the lives of our members." It's North Carolina's fourth-largest credit union, with more than 320,000 members. They represent the state's local government employees, elected and appointed officials, local volunteers and their families. To provide branch offices and an ATM network for its members, LGFCU partners with State Employees' Credit Union (SECU).

Federally chartered in 1983, LGFCU is a well-capitalized financial institution with nearly $2 billion in assets. As a significant lender to low-income markets, LGFCU received its low-income designation in 2012. In 2014, it earned its Community Development Financial Institution certification.

Since October 2017, LGFCU has originated 5,145 loans in low-income communities, totaling more than $59 million.

"Secondary capital funding directly supports high-impact lending that LGFCU has been successful in delivering," says Sander Casino, the credit union's senior vice president for finance. "This includes mortgage lending, particularly higher loan-to-value loans where members have little or no down payment available, as well as used-auto loans and small-dollar consumer-salary advance loans."

"LGFCU is proud to build community and improve lives across North Carolina while also creating impact," adds LGFCU CEO Maurice Smith. "We also support cutting-edge innovative programs that improve LGFCU services and benefit the entire community."

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CO-OP TO THE CORE

13th Street Terrace residents reject a proposed condo conversion to retain their affordable, limited-equity housing co-op.

In 2013, residents of 13th Street Terrace Cooperative in Washington, D.C., came close to opting out of their limited-equity cooperative structure and converting to condominium units.

Driving the discussion was the manager's proposal to orchestrate a market-rate condo conversion as a solution to a mortgage that was in technical default. Having paid just $500 to buy into the co-op years before, some tenants were excited about the possibility of owning or selling their individual housing units as condos worth $250,000 or more. The membership voted to move forward with the conversion.

Built in 1920, 13th Street Terrace sits in the city's up-and-coming Columbia Heights neighborhood. Its 24 units are housed in three-story buildings featuring studios and one- and two-bedroom apartments. 13th Street Terrace became a limited-equity co-op in 1989 when the tenants purchased their buildings. Limited-equity co-ops are designed to maintain affordability for low- and moderate-income households. Members must meet income limits, and co-op shares have restricted resale values.

After the initial condo vote, some residents began to reconsider. They realized that share values would increase from $500 to as high as $300,000. That meant 13th Street Terrace might no longer remain affordable for several residents, many of whom are seniors living alone, or to future low-income occupants.

Maybe the condo conversion wouldn't be such a windfall after all.

In 2014, the co-op's board fired the property manager and hired community development consultants Martha Davis and University Legal Services (ULS) to help them better understand the condo-versus-co-op situation. Later that year, they voted to abandon the condo conversion and remain a limited-equity co-op.

Through Davis and ULS, 13th Street Terrace applied for a construction loan to make long-needed property improvements and complete an interim refinancing. After that, the board reached out to NCB for refinancing into a longer-term mortgage. In 2017, 13th Street Terrace secured a $960,000 loan from the bank.

"NCB offered a longer-term mortgage with an attractive interest rate," Davis says. "It also was willing to lend to a limited equity co-op. Not every lender will do that."

13th Street Terrace is now 100 percent owner-occupied, with share values boosted to $25,000 to $40,000 to give residents a greater equity stake. Seven apartments have sold to young professionals in the last year. The co-op is financially stable. All that, says Davis, validates the co-op's success and desirability.

"The cooperative consultants had the best interest of the co-op in mind," says Don Plank, NCB vice president. "It is a reminder to other co-ops that independent advice is very important when you're thinking about your co-op's future. There's a whole industry out there that supports co-ops, and boards of directors should take advantage of these resources whenever possible."

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global alliance for banking on values

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