

# NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

**Deadline: Wednesday, June 15, 2016**

Visit [ncsha.org/awards](http://ncsha.org/awards) to view the Annual Awards Call for Entries.

**Instructions:** Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact [awards@ncsha.org](mailto:awards@ncsha.org) or 202-624-7710.

Fill out the entry name *exactly* as you want it listed in the program.

**Entry Name:** \_\_\_\_\_

**HFA:** \_\_\_\_\_

**Submission Contact:** (Must be HFA Staff Member) \_\_\_\_\_ **Email:** \_\_\_\_\_

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

\_\_\_\_\_

Use this header on the upper right corner of each page:

**HFA:** \_\_\_\_\_

**Entry Name:** \_\_\_\_\_

**Select the appropriate subcategory of your entry and indicate if you are providing visual aids.**

<b>Communications</b>	<b>Homeownership</b>	<b>Legislative Advocacy</b>	<b>Management Innovation</b>
Annual Report	Empowering New Buyers	Federal Advocacy	Financial
Creative Media	Encouraging New Production	State Advocacy	Human Resources
Promotional Materials and Newsletters	Home Improvement and Rehabilitation		Operations
			Technology
<b>Rental Housing</b>	<b>Special Needs Housing</b>	<b>Special Achievement</b>	Are you providing visual aids?
Encouraging New Production	Combating Homelessness	Special Achievement	Yes
Multifamily Management	Housing for Persons with Special Needs		No
Preservation and Rehabilitation			

## **Overview**

In 2013, executive management at KHC began to ask, “Why isn’t our business model working for us anymore?” Like other HFAs, KHC hunkered down during the housing crisis and Great Recession, cutting spending, squeezing all resources, including maximizing staff by cutting some work/life balance benefits. The culture was rapidly shifting and measures resulted in employees lamenting the loss of “the way things were,” which significantly impacted morale. KHC could no longer charge out after new programs without concern about covering administrative costs, volunteering in builds for Habitat for Humanity, providing annual raises, or hosting “fun” staff meetings where the most important announcement was the winner of the revered chili ladle. The business world required KHC to change, but measures resulted in employees lamenting the loss of “the way things were,” which impacted morale and productivity.

Our organization faced the same financial challenges as other lenders over the last eight years, and like many states, Kentucky’s unfunded pension liability has become the greatest threat to KHC’s sustainability. KHC’s catch-up payments for the pension totals approximately \$3.2 million in additional contributions per year and will continue for more than 30 years, plus KHC receives no state funds to pay these exorbitant costs. The challenge for KHC was how to make significant organizational changes to address external factors, yet preserve its missional- and employee-friendly culture. As a result, our Board of Directors and Executive Management Team initiated KHC 20/20—*where vision and strategy lead change and opportunity*, a monumental and transformational three-year plan to position KHC to further our mission, achieve sustainability, and develop the staff to support specific goals. In its new normal, KHC operates as a business that keenly watches its bottom line and modifies its lines of business to adapt to changing market conditions.

## **How Does KHC 20/20 Work?**

KHC 20/20 included the following initiatives aligned to help us achieve ongoing sustainability in our finances, our programming, our workforce, and our corporate culture. KHC:

- Adapted our business model to include sale of mortgages on the secondary market coupled with our existing bond financing program, broadening options for Kentucky home buyers;
- Implemented a corporate cost-versus-revenue analysis used by staff monthly to contain costs, grow revenue, and gauge corporate subsidy of each program;
- Reorganized/rightsized to reduce staff by 25% and trim supervisory positions by 41%;
- Instituted systemic HR changes, including a new market-based compensation system, performance accountability measures, and pay-for-performance options;
- Integrated our business planning into all decision-making and employee performance evaluations to link our corporate strategies to our day-to-day work;
- Streamlined processes and invested in systems to automate tasks, increase paperless workflow, encourage mobile/remote work, and enhance services to partners and customers;
- Developed an enterprise risk management plan to adapt to environmental changes;
- Implemented a structured, ongoing communication and rebranding effort to emphasize our mission and shape our culture through greater transparency and work-life balance.

## **Innovative**

This initiative was a holistic approach to addressing the need for large-scale organizational change, which by its nature often does not succeed. In partnership with the Board of Directors, the Executive Management Team, a long-term consultant, and the employees, KHC implemented a coordinated three-year business planning approach addressing financial, human resources, planning, technology, business

logistics, and communications needs. It ensured all levels of staff and both program and support services teams had seats at the decision-making table.

### **Replicable**

This program is replicable, as other organizations could use similar processes to make meaningful change for their agency.

### **Response to a Need**

The challenge for KHC was to make significant organizational changes to address external factors, yet preserve its missional- and employee-friendly culture. Specific actions taken by the staff are outlined in the attachments; however, examples of project achievements are provided below:

**Finance:** In the past, departments were not responsible for the full costs of operating programs/areas and had difficulty cutting costs or increasing fees to meet corporate strategy. KHC now analyzes the cost of annual operations, applies overhead costs, and compares total costs to run a program/area to its revenue generated and directors are responsible for managing their costs and revenue. Analyses are reviewed quarterly with departmental directors. As a result, in fiscal year 2015, the Tenant-Based Rental Assistance Program saw a 90% reduction in its budget gap. Additionally, the department administering HOME and our homeless and special needs programs reduced its costs by \$400,000. Finally, the Corporation committed to reducing its dependence on the Housing Revenue Bond indenture by \$500,000 a year for three fiscal years, which is a goal KHC has met.

**Programs:** Inefficiencies and duplication occurred between aligned departments, and lost productivity was more evident after staff reductions. Departments were combined/realigned and challenged to resist silo-thinking and to close the circle of program design, funding, implementation, and compliance. As a result, compliance and program staff are now combined to provide training to partners from application for funding to completion of a project, allowing for better understanding of what is required throughout the process and better preparing partners for future monitoring visits. Additionally, staff responsible for conducting inspections (building code, HQS, asset compliance) are combined in the Asset and Account Management department allowing for cross-training, creating efficiencies in workload and travel.

**Human Resources:** Rising pension costs required immediate measures to reduce staff costs. KHC closed two satellite offices and rightsized the Corporation through attrition, staff reductions, and by offering a voluntary severance plan, cutting staff by 25%. Through KHC 20/20, KHC decreased management positions 41%, from 75 to 44. There is now greater focus on management of staff rather than management of processes. This resulted in more focused communication within departments, as well as communication flowing across departmental lines; high accountability, increased performance management, and opportunities for substantive management/leadership meetings and training. Additionally, KHC's new compensation system and pay-for-performance options allow us to reward and retain high performers.

**Technology and Business Logistics:** Paper-intensive processes and lack of mobile technology resulted in inefficiencies for the reduced number of staff trying to accomplish the same amount of workload. KHC moved 175 employees to better situate departments for better access and collaboration. To increase efficiencies, we invested in television monitors and work stations for every meeting room providing the ability to connect remotely from any device and project onto screens. To support remote and internally mobile workers, KHC increased the number of mobile devices available to key staff and created common areas for docking, so work can be done anywhere, which supports business continuity.

### **Reach Targeted Audience**

Through targeted internal communications planning, staff continue to be involved in efforts to create efficiencies and be accountable for achieving business plan goals.

### **Results**

In 2015, one year into the initiative, KHC shared the following results with staff in celebration:

- Balanced operating budget with no growth from prior fiscal year; achieved goal to reduce by \$500,000 annually the dependence on the housing revenue bond indenture;
- Reorganized/rightsized to reduce staff by 25% and trim supervisory positions by 41%;
- Tenant-Based Rental Assistance achieved a 90% reduction in their budget gap;
- Grew state's affordable housing conference with an 18% increase in attendees;
- Launched KHC's first paperless system for single-family lenders;
- Financial ability to provide staff with a salary adjustment for the first time in seven years.

### **Benefits Outweigh Costs**

The initiative was cost-neutral; the annual corporate budgets did not grow from the prior fiscal years. Intangible costs included loss of productivity and decreased staff morale when staff reductions occurred. So, emphasis was placed on increasing communication and transparency, gaging culture through surveys, and investing time and resources in projects that support employee goodwill, such as interviews with our executive team, a winter breakfast and summer picnic, and beautiful canvas photos of our clients which are placed in hallways and common areas to remind staff why we do what we do.

### **Building Partnerships**

KHC is in a better position to serve our partners and stakeholders. Our processes and tools have strengthened. We communicate about programs and services through our eGrams newsletter and through activities such as developer forums, which have led to greater transparency and greater trust.

### **Achieve Strategic Objectives**

The initiative achieved KHC's Over-arching Strategies for the first year of KHC 20/20:

- Build a corporate culture of success.
- Increase revenue, decrease costs, and reduce risks.
- Close the circle of program design, funding, implementation, and compliance.
- Create a plan that leads preservation of at-risk affordable rental housing in Kentucky.
- Develop corporate-wide discipline of business planning and performance accountability.

### **[Visual Aid/Exhibit List](#)**