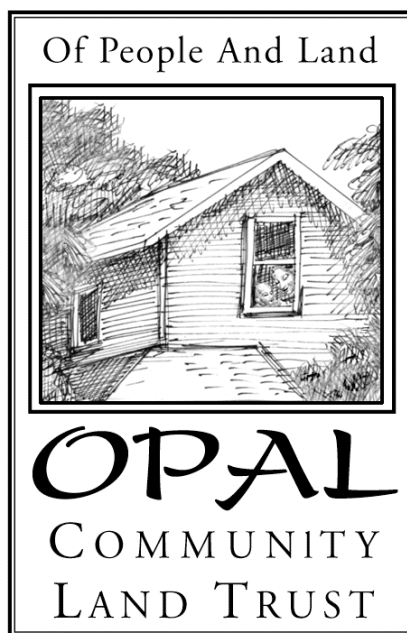


OPAL Community Land Trust

Long Range Plan: 2009-2020

A report to the Orcas Island community



Prepared by the OPAL CLT Board of Trustees

For more information, visit our web site at www.opalclt.org.

May 2009

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Feedback

This plan is a “living document” that will be updated and revised periodically as conditions or priorities change. We invite readers of to become part of this evolutionary process by sending comments, critiques, or suggestions to:

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Introduction

In 2007, the OPAL staff and trustees began a process of long-range planning. Looking to the year 2020 we asked ourselves two questions:

What will the need for affordable island housing be in the future?

How should OPAL respond to that need?

OPAL board and staff had an intensive two day retreat in November 2008, to review the results from these analyses and to consider OPAL's mission and vision, define future themes (such as rental vs. individual ownership, or development vs. stewardship) and determine the parameters of a future OPAL's size and scope. The results from this retreat form the basis for this report.

Drafts of this plan were sent to more than twenty OPAL friends and supporters for their review and comments. Suggestions from these reviewers have done much to influence our thinking, and for that we are grateful.

The world has changed a lot since we began. The economic crisis that surfaced in late 2008 has made any kind of planning even more difficult than it is in even less volatile times. So why bother? Some of our assumptions may prove invalid, but by looking at a range of possible scenarios we can raise issues and concerns that we need to anticipate today if we are to ensure a future for OPAL tomorrow. We can also hope that those several scenarios will 'bracket' the range of possible paths for OPAL during the next decade.

A Brief History of OPAL and Some Lessons Learned

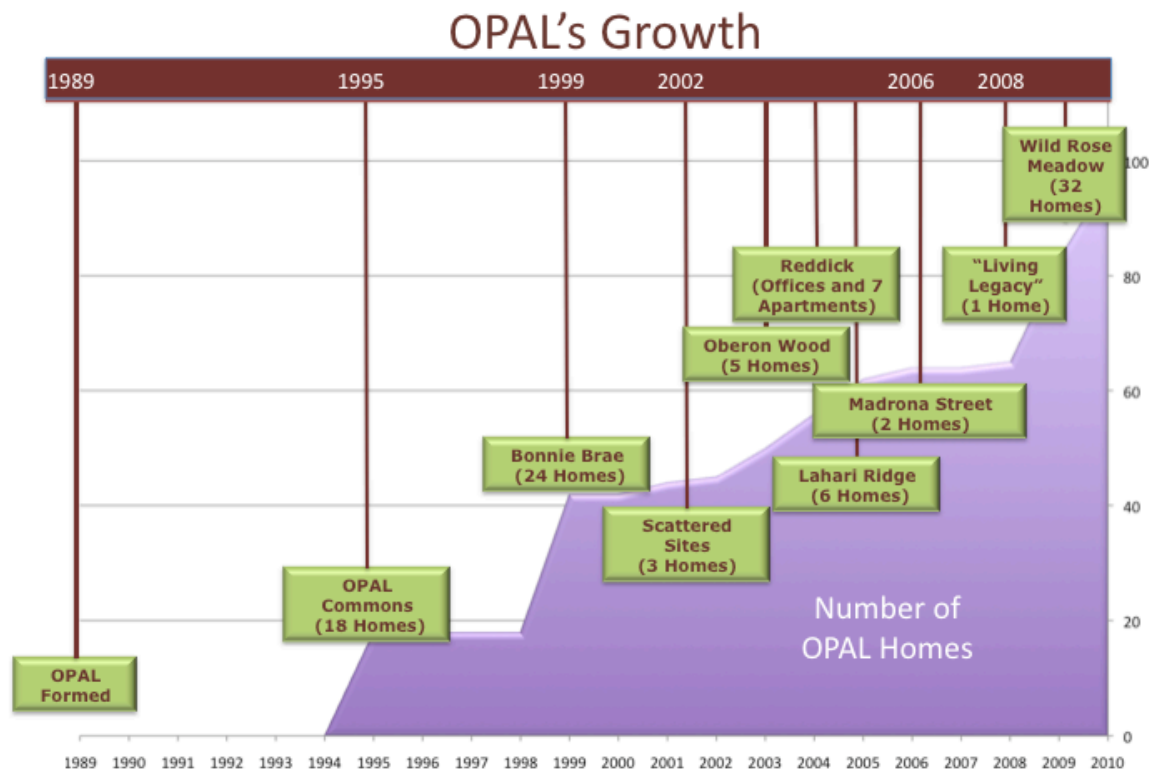
OPAL's has been a history of growth and of learning.¹ From a perceived need and a hazy vision twenty years ago OPAL has grown to be the largest provider of permanently affordable homes in San Juan County. Over 4% of Orcas' population lives in OPAL homes, including almost 10% of school aged children on the island. When the latest development project, Wild Rose Meadow, is completed, OPAL will have built or acquired 91 homes and 7 apartments, with 22 rental units to be added if OPAL's acquisition of Lavender Hollow is completed.

OPAL's story begins with a dedicated group of volunteers, who attracted others to their cause and persevered through a steep learning curve. The need came from Orcas' rapid growth in the 1970s and '80s. The price of land and housing soared. Many wage earners couldn't afford the rising rents, much less buy a home. Open space was disappearing, along with a certain feeling of community.

After researching alternatives, the founders chose the community land trust (CLT) model, then virtually unknown west of the Mississippi, but with a 15-year track record on the East Coast. In the founders' larger vision, a CLT could provide not only perpetually affordable homes but also workplaces for working islanders, thereby supporting the economic diversity of the island. Ideally, a CLT would provide an alternative model for land and home ownership, bringing people together in vibrant, cooperatively governed ventures, without regard to income. It would allow future leaseholders to share key and costly features of a

¹ A more detailed history of OPAL can be found on the OPAL website.

neighborhood, such as open spaces, and let them help plan projects and design their dwellings. Leaseholders would also be involved in the long-term stewardship of the land, through nonprofit governance. And, the founders also sought to protect at least some agricultural land against the pressure of the speculative real estate market.² The first public gathering occurred in July 1988 and OPAL (Of People and Land) Community Land Trust was officially born as a nonprofit corporation in May 1989.



Three years of crisis and triumph followed. It took almost a year to obtain the first grant—funding that limited the neighborhood to households earning less than 80% of the county's median income, and shortly after that OPAL purchased a seven-acre piece of land near Eastsound at a reduced price. Using funds from the U.S. Department of Agriculture's Farmer's Home Loan Program, the 18 homes of OPAL Commons, OPAL's first neighborhood, were completed in May 1995. Spurred by the first project's success and the continuing need for affordable housing, in the years that followed, OPAL created four more affordable neighborhoods, bought (and refurbished) three "scattered site" homes, and built two new homes on land donated in the village of Eastsound (see the above chart).

OPAL has historically concentrated on providing affordable homes for ownership, but has always recognized that there is also an island need for affordable rental units. The Reddick project, completed in 2004, included seven apartments plus office space, now housing both OPAL and Eastsound Water Users Association.

² OPAL has not forgotten these aspects of the original vision, but has chosen to focus on affordable housing development and stewardship during the last twenty years and in this plan—in part because a practical business model for some of these missions has not yet been found, and in part because much of the funding for OPAL's projects has come from federal and state affordable housing programs.

OPAL's most recent efforts have focused on a 7.25-acre parcel of land in Eastsound on Mt. Baker Road, purchased with dollars generously donated in 2006, where a neighborhood of 32-homes called Wild Rose Meadow, is being built. Two other recent developments are noteworthy: First, in January 2007 OPAL's largest single donation allowed us to purchase a 6-acre property on Owl Lane, next to the ferry terminal in Orcas Village. Second, in 2008 OPAL received its first "living legacy" donation. A supporter had a small rental house on property adjacent to her main house on the island. Anxious to devote the property to affordable housing on the island, she was not wealthy enough to simply donate it to OPAL and give up the regular rental income she was receiving. Working with a team of advisors, OPAL and the donor were able to structure an arrangement that met everyone's goals. The donor gets a regular income, a tax break (she can claim the difference between market value and the bargain price paid by OPAL as a charitable contribution), and she is freed from the headache of being a landlord. OPAL gets another perpetually affordable scattered site house at little or no net cost. This is a win for everyone, and a possible model for future OPAL homes.

Some lessons learned. OPAL has learned a great deal over twenty years and after building so many homes and neighborhoods. Some of these lessons are profound; others are merely practical. But all are important. These lessons are the foundation for this plan. For example:

1. *Donations from individuals have become increasingly necessary for OPAL projects; island supporters have been remarkably generous, but rising costs will strain even this generosity.* Subsidy funding for early OPAL projects came almost exclusively from state and federal grants. As building and land cost have skyrocketed on Orcas these grant programs have not kept pace; they now provide less than a third of the needed subsidy funds. The rest has had to come from donations by generous supporters of OPAL. When OPAL Commons was built, each home was supported by less than \$1,700 of individual donations (less than 1% of the total cost). The comparable figures for Wild Rose Meadow are \$65,000, or 21% of the total cost. As costs continue to escalate, by 2020, we can expect that more than 45% of each house's costs will need to come from individual donations, if nothing changes. OPAL cannot rely solely on grants-plus-individual-donors as a funding model; a search for new sources of subsidy funds has already begun.
2. *State and federal grants are a mixed blessing; they make OPAL neighborhoods possible, but because of their rules, many deserving Orcas families cannot be served by OPAL.* State and federal grants may account for a lower percent of subsidy dollars, but they are still needed. Wherever these grants are used, however, their rules for qualifying buyers apply. These rules say that a home can only be sold to a family earning less than 80% of the Area Median Income (AMI). This may be appropriate in other areas, but Orcas is an island where incomes are low and real estate is dear; sometimes families earning over 140% of AMI find that they cannot afford a market home here. It is difficult for OPAL to turn these families away, but until alternate sources can be found for subsidy funds, there is no choice. OPAL's search for new funding sources focuses on those that relax these constraints.

3. *There is a significant need for affordable rental housing on Orcas.* Today, 20% of the households on Orcas have incomes below 40% of the Area Median Income. That's almost 500 households. Most of these are renters, and few would have enough income to qualify for purchase of an OPAL house. These are the people who wait our tables, clean our houses, and labor on construction projects. Some are senior citizens living on social security. We don't know much about the size or needs of this population. There is little data, and most of what we know is anecdotal, because the census data are old. OPAL has historically had little to offer this group, but that may have to change. The OPAL board has resolved to take another step into the world of managing rental property by offering to purchase the Lavender Hollow apartments. If OPAL purchases those apartments, we will manage them for a few years while also studying the island rental needs more before making more concrete plans.
4. *As OPAL has built more homes and neighborhoods, stewardship has become more important.* OPAL's responsibilities do not end with sale of a house; they begin. We refer to the collection of these responsibilities as Stewardship. Just as the last two decades were an era of explosive growth for OPAL, the future will demand more balance between graceful growth and stewardship. All of the scenarios for OPAL's future discussed in this plan reflect that new emphasis.
5. *Stewardship of rental properties is different from stewardship of owned homes.* OPAL's experience with stewardship of the seven rental units it owns is, frankly, spotty. These apartments have been harder to manage than anyone expected. If there is to be a future role for OPAL in providing affordable rentals on the island, we need to study, learn and improve. As we said, that is now the plan.
6. *OPAL must confront the housing needs of an aging population.* OPAL has always sought to create neighborhoods where islanders can live, raise a family, and grow old. As Orcas has emerged as a retirement destination, the average age of the island population has crept upward. Many of the prospective buyers on OPAL's waiting list are older. Even within OPAL neighborhoods, homes that were purchased years ago by young families have seen the children grow up, leaving parents behind who are now empty nesters. These older residents, whether new to OPAL or long-term neighbors, have one thing in common: they love their island lives and want to grow old here. We have seen this trend, and are responding. The houses in Wild Rose Meadow, for example, are all designed* to be accessible to allow residents to "age in place."
7. *Affordable housing and green building are not mutually exclusive goals.* "Green" practices, technologies and products often add to the initial cost of a new house, and are justified either by "life cycle" cost analyses or by rationales that are more ethical than economic. While sympathetic, OPAL also has a responsibility to deliver homes that lower-income families can afford to buy. We have learned that it is possible to be both green and affordable, but only if decisions about technologies, materials or products are subjected to the rigor of cost-benefit analysis. We have learned, for example, that a smaller house that is well built and well insulated can be environmentally responsible, energy-efficient, AND affordable.

* The first floor of two story homes, which includes a bedroom and bathroom, is designed for accessibility.

8. *The need may be huge, but the demand for OPAL homes must be fostered.* Every analysis and projection of housing need on Orcas and the other islands in San Juan County has agreed that the need for affordable housing here is huge and getting bigger. Yet we have learned that the target buyers of OPAL homes are often plagued by misconceptions, misunderstandings, and doubts about their own eligibility. We can't quantify how frequently this happens, but we hear stories too often about people who don't even come to OPAL because they are convinced that their income is too low or their credit history is too dark to qualify for an OPAL home. Sometimes they are right, but often they are wrong. Historically, OPAL has done little marketing or outreach to target buyers. We have learned, though, that responsible stewardship begins even before the sale, with effective communication within the community about the roles, rules, and opportunities related to OPAL ownership.

OPAL's Mission: Stewardship *and* Development

OPAL's mission is to make permanently affordable housing available to islanders in a way that is environmentally sensitive and socially responsible. Implicit in this mission is an organizational commitment to being a good neighbor to the entire island, and to honor the unique culture that is Orcas.

There are two aspects to this mission:

- **Stewardship:** Caring properly for the land that OPAL owns and supporting the people who live on that land with their responsibilities for maintaining their neighborhood infrastructure and the houses that they own.
- **Development:** Building or acquiring new homes that provide quality affordable housing for those who need it.

These two aspects of OPAL's mission need not be in conflict, but there is nonetheless some tension between them, particularly as they affect demands on staff time – a question we will need to come back to after looking at each aspect in some depth, beginning with Stewardship.

Throughout its history, OPAL has focused its development and stewardship missions almost exclusively on affordable homes for *purchase* by qualified buyers. Those buyers generally come from households with incomes that are 40 to 80% of AMI, because that is what the state and federal funders demand. As suggested in the last section, that tradition may need to change. Serving families who are lower on the income scale means moving into *rentals*. As we have learned, stewardship of rentals is different from stewardship of owned homes, and OPAL is a novice at this kind of stewardship. But, recognizing the need, and in order to keep an important housing resource on the island, the OPAL Board decided in 2008 to acquire the Lavender Hollow subsidized apartments, providing that adequate new outside funds can be found for the purchase. If this acquisition in fact happens we plan to proceed slowly with any consolidation of Lavender Hollow into OPAL, learning as we go. Even if the funds do not appear and the final acquisition of Lavender Hollow is postponed or aborted, OPAL is committed to getting smarter over the next few years about rentals on Orcas. The rest of this plan focuses on the future of OPAL's core ownership missions. There may well be a parallel future for OPAL in rental; we won't know that, though, for a while.

OPAL's Stewardship Mission: The Challenge and the Opportunity

OPAL's responsibility is timeless. OPAL will own the land forever, and with that ownership comes a lasting stewardship responsibility – for the land and for the people who own or rent the buildings on that land. In this role as steward, OPAL must provide technical advice for residents who maintain the houses that they own and administrative support for the neighborhood associations; facilitate the re-sale, purchase and financing of homes; advocate for policies and practices that assure these homes remain permanently affordable; and manage rental properties. OPAL's core stewardship responsibilities are defined by county, state, or federal law and are defined in the ground lease.

Why is stewardship important? Because it is through effective stewardship that OPAL's land and neighborhoods become a part of the fabric of Orcas, and not just another charity that distributes subsidized housing. Development builds *houses*; stewardship helps create *island homes*. In OPAL's role as steward, the best available science and technology are brought to bear on land management decisions and neighborhood planning. As an educator, OPAL is there to help those residents who need and want help (many of whom have never owned a home before) to maintain their homes and protect their investment. OPAL is an advocate, letting the rest of the island know what Community Land Trusts can do. And, OPAL is a catalyst, helping to create coherent neighborhoods of homeowners with backgrounds, interests, and incomes as diverse as can be found anywhere.

The possibilities for OPAL's stewardship mission are limited only by imagination and funding. Many important stewardship activities are already part of OPAL's repertoire, at least to some degree (see the table on the next page), funded through a combination of the homeowners' monthly ground lease payments, transfer fees, and donations. Those donations, however, were primarily generated as part of OPAL's *development* activities. As our creation of new neighborhoods slows in the next decades, we will need a more reliable source of ongoing funding for critical stewardship activities, such as a stewardship endowment fund. With adequate or even expanded funding, it is not difficult to imagine other valuable stewardship services and programs that could be added over the next few years – many of which support our founders' larger vision of OPAL as an alternative model for land and home ownership. For example, OPAL could help provide shared equipment such as electric carts that would help reduce the environmental footprint of OPAL neighborhoods, or OPAL could sponsor micro-loans for CLT homeowners that will help create or expand businesses that contribute to the island's economy.

As the number of OPAL homes continues to increase, these stewardship responsibilities will inevitably increase as well. For example, remaining in communication with homeowners becomes more complex as the number of houses and the number of neighborhoods increases; the number of resales will rise, each of which makes significant demands on staff time. Meanwhile, we will need to continue responding to new applicants, maintaining relationships with lenders, and being an advocate with the county and the state. These are critical tasks, not to be pushed aside by the need to continue building more houses. We must find a balance for staff and for OPAL's dollars.

	Services	Advocacy	Education
<p>Core Stewardship Responsibilities Funded by Lease Fees, Rents, Transfer Fees Donations (Currently) Endowment (Future)</p>	<ul style="list-style-type: none"> • Enforce ground lease • Warranty administration • Facilitate resales • Maintain waiting list • Maintain relationships with a variety of lenders • Donor relations (tours, visits, funders, etc) • Basic communication (annual meetings, newsletters, etc.) • Loan packaging for purchasers 	<ul style="list-style-type: none"> • Negotiate property tax assessments • Provide technical support on issues that affect multiple residents • Liaison with county/state agencies 	<ul style="list-style-type: none"> • Pre- and post-purchase homebuyer education and financial counseling
<p>Enhanced Stewardship Services Funded by Lease Fees, Transfer Fees, Donations, and Endowment (Future)</p>	<ul style="list-style-type: none"> • Support homeowners' associations and networking among neighborhoods • Technical support for homeowners with needs/questions regarding home repairs etc. • Loans to homeowners for home repair • Stewardship fund to pay for repairs at turn over 	<ul style="list-style-type: none"> • Advocate for policies and funding to support residents • San Juan CLT Alliance participation 	<ul style="list-style-type: none"> • Support for refinancing • Workshops on non-house but related topics (will writing, budgeting, etc.) • Targeted home repair workshops

Table: Items in **bold** are already being done

OPAL's Development Mission: The Need for OPAL Homes

At the same time, we clearly need to attend to the potential demand for still more affordable housing. Will the need for affordable housing on Orcas grow between 2009 and 2020, and if so, by how much? To make any kind of reasonable 2020 plan, we must try to estimate that need. The operative word is “estimate.” Precise projections are impossible because of the many unknowns, including the long-term impact of the current recession on population demographics and housing prices. The estimates we have formulated are based on the most current information available, but there is clearly a considerable margin for error.

Local housing prices: The first question is whether there is actually a need for more OPAL-style affordable housing at all. Have local housing prices declined enough so that most working families can now afford to buy on the open market? The answer appears to be *no* as of the beginning of 2009, although that statement may not be true for later 2009 or for 2010. The most recent housing sales data, from the last half of 2008, indicate that the average price of the 10 least-expensive, mortgage-eligible homes sold on the island was roughly \$340,000, still well above the price affordable by an average wage-earner on the island. The same point is made by looking at the housing “affordability index”, a statistic calculated by the Washington Center for Real Estate Research at WSU. An affordability index of 100 indicates that the median income family can afford to buy (can pay 20% down and qualify for a 30 year mortgage for) the median priced home in an area. An affordability index of 50 says that the same median income family earns only half as much as needed to buy the median priced home. Here are the data for the 4th quarter of 2008 – numbers that are essentially unchanged from earlier years.

	Overall Affordability Index	First-time Homebuyer affordability index
Statewide	107.5	63.0
San Juan County	57.6	33.9
Next Lowest County (Jefferson)	86.6	49.9

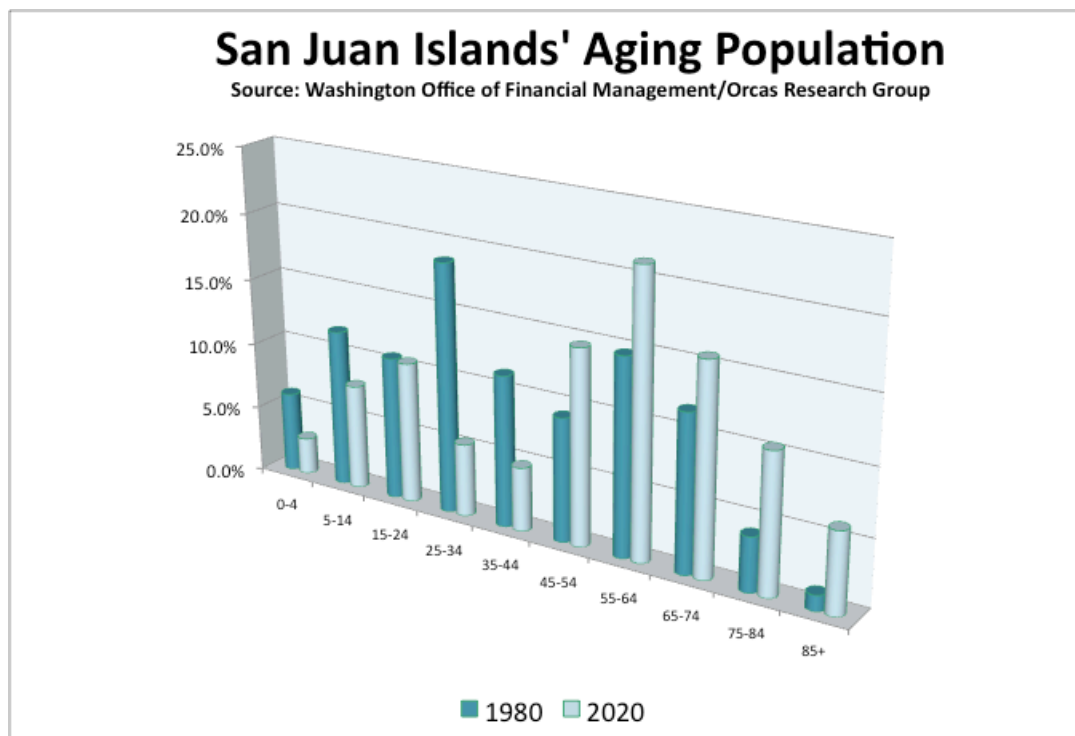
Thus the average first-time homebuyer in our county earns only 1/3 as much as would have been needed to buy the median priced home in late 2008. Local realtors, however, tell us that prices have softened still further in 2009 and that there may be some homes in the \$200,000 price range on the market in 2009-2010. Such a price would put a market-priced home within reach of at least some of those on the island who are above 80% of median income, and perhaps a few of those below that dividing point. But most of those below 80% would still *not* be able to afford such a home. We conclude that the need for subsidized affordable housing will be strong in the longer term, although the situation in the next few years is cloudy.

Basic Demographic data: A second step in estimating need is to consider population growth projections for our island. The Washington State Department of Financial Management, in projecting population increases on Orcas from 2000 to 2008, assumes an annual rate of increase of 1.5%. Starting with 2000 Census information, and using that assumption, we arrive at the following:

	2000	2009	2020
Orcas Population	4481	5173	6094
“Full-time” households on the island	2130	2266	2440

Between 2009 and 2020, the population increase is projected to be a little less than 20%. At the simplest level, then, we can forecast that, *all other things being equal*, Orcas will need approximately 20% more affordable housing units in 2020 than are needed in 2009.

State data also suggest that the age distribution of the island population is going to change significantly in the next decade: by 2020 the state estimates that the proportion of the population of the county that is over 65 will *double* – from 18.97% in 2000 to 38.37% in 2020 (see chart). In parallel, the working-age group will represent a declining percentage of the island population, particularly in the age range from 25-45.



OPAL’s own evidence on demand for affordable housing: Beginning in 2003, OPAL began collecting detailed information on applicants, shown in the table below, which gives us another window on the need for housing. Such information, of course, tells us only about the level of need among those who *choose* to approach OPAL. It does not tell us how many others there may be on the island who do not know about OPAL, or do not approach

us because they do not think they would qualify, or who need decent housing but are not drawn to the Community Land Trust model. Thus the data in the table below are, if anything, an *underestimate* of the need for affordable housing on the island. Despite these caveats, however, the data are helpful.

In the table, those listed as on the **Waiting List** have completed all the requirements for purchase of a home and can qualify for a loan. Those in the **Applicant Pool** are in the process of moving toward the waiting list but have not yet completed the process. The March 2009 numbers reflect not only the sale of the first 18 homes in Wild Rose Meadow, they also reflect some ‘cleaning up of the list’. These numbers are as accurate as we can make them.

	Applicant Pool A	Waiting List B	Total needing House A+B	Bought existing OPAL house (resale)	Bought new OPAL house	Total annual need
Dec 2003	42	6	48	4	0	52
Dec 2004	41	16	57	4	0	61
Dec 2005	50	11	61	4	6	71
Dec 2006	64	8	72	4	2	78
Dec 2007	70	20	90	2	0	92
Dec 2008	75	34	109	3	0	112
March 2009	71	13	84	3	18 (WRM I)	105

It is not completely straightforward to move from these ‘need’ figures to accurate ‘demand’ data for OPAL homes. Of the 84 households presently listed as **Total Needing House**

- 9 earn more than 80% of the Area Median Income (AMI), and are thus not eligible to buy most OPAL homes because any home with government subsidy may be sold only to those below 80% of AMI. At present, OPAL has only 7 homes that have no government subsidy (4 in Phase I of Wild Rose Meadow), all currently occupied.
- 44 (52%) cannot presently qualify for a mortgage, either because their income is too low or they have bad credit or excessive debt. Some of these 44 may eventually be able to qualify, but most will not.
- 31 households (37%) are below 80% of median income and can qualify for a mortgage

Thus the full spectrum of affordable-housing-need really falls into three sub-sets: those whose income or economic situation means that even subsidized OPAL homes are out of reach; those with low income (below 80%) whom OPAL *can* help, given our current funding models; and those above 80% of income whom OPAL can help only by foregoing government funding. The first group – whom we cannot help except with financial counseling – represents perhaps half of all those who approach OPAL. These figures have, in turn, informed our projections of numbers of needed houses in the next section.

Calculating Need for OPAL Homes in 2020: Four separate analyses convert these pieces of data into estimates of the number of OPAL-style homes needed by 2020, after completion of Wild Rose Meadow (that is, *in addition* to 91 existing homes):

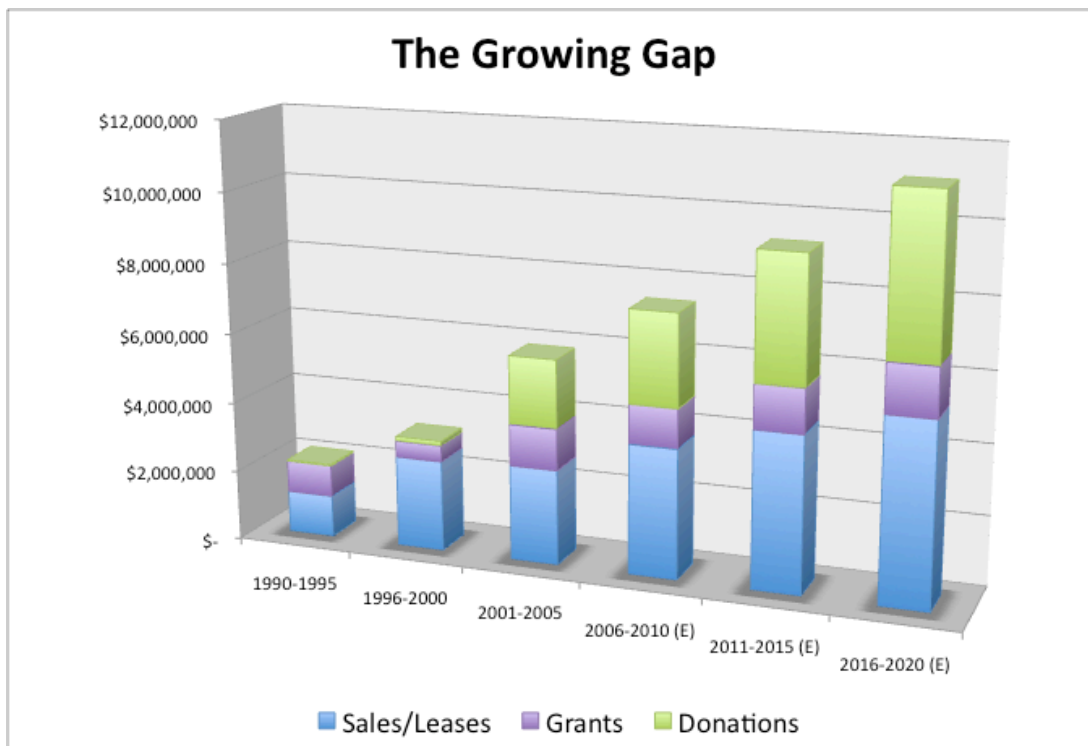
1. *Starting from current need:* Orcas has approximately 2266 separate full-time households in 2009. When Phase I of Wild Rose Meadow is complete in June of 2009, OPAL will have 77 houses which represents 3.4% of the estimated number of current households. OPAL's current applicant pool/waiting list contains another 84 households, of whom roughly half could qualify to buy an OPAL house. This leads to a total of 119 houses on hand or needed now, which represents 5.25% of the estimated occupied households on the island. Put another way, to meet the current demand, and counting only those who can presently qualify for a loan, we need 40 more houses than we now have. If one assumes 12 new applicants are added each year (net of any resale purchases), of whom 6 would eventually qualify, OPAL would have to add 66 more (11 years x 6 per year), for a total of **106 additional OPAL houses needed** by 2020.
2. *Starting from census figures for numbers of households:* A second approach begins with the projected number of occupied houses/households for 2020: 2440. If 5.25% of those households need/require OPAL housing, that would yield an estimate of **51 additional OPAL houses needed** by 2020.
3. *Starting from population figures:* The estimated island population for 2020, calculated above, is 6094. Divide this by the average household size provided by the 2000 census (2.12) yields an estimate of 3060 households. 5.25% of that number gives an estimate of **84 additional OPAL houses needed** by 2020.
4. *Increase current need estimate by 20%:* If the estimate of the current need is 106 houses, and that estimate is increased by 20% – a simple projection of population increase of 1.5% per year – we arrive at an estimated need of **50 additional OPAL houses needed** by 2020.

These various projections provide a range of estimates of need, from a low of 50 additional houses to be acquired or built, to a high of 106 additional houses. Further, some significant percentage of these yet-to-be-built houses would need to be built without any government subsidy if we are to be able to meet the needs of those whose income is above 80% of the Area Median Income (AMI). Our history has shown us that Orcas' blend of low median incomes and high real estate prices means that there are many families here with incomes above 80% who cannot afford to buy houses on the open market. Being an island, these families cannot commute from a nearby town where houses are cheaper. But federal and state funding restrictions bar them from purchasing any OPAL home that has been built with these dollars. And, that is most OPAL homes. Short of changing the federal regulations governing subsidies, serving this group will depend on the availability of funds that are not subject to the "80%" constraints.

To summarize: The need for affordable housing on Orcas is substantial today, and it promises if anything to be larger by 2020. OPAL's future, then, is not constrained by a vanishing need, but by two other factors: (1) Finding the money needed to build new homes; and, (2) A strategic decision on the part of the OPAL trustees about how large and bureaucratic OPAL should be allowed to become. The first of these factors is discussed in the next section; the second will be addressed later in this plan.

Development Mission: Financial Outlook and Options

Where will the money come from to build the needed additional houses? As we have noted, much of the subsidy required to make OPAL homes affordable historically came from government or private grant and subsidy programs. As costs have increased, those government subsidies have had to be augmented by donations from islanders. That trend of an ever-growing gap between the actual costs of an OPAL house (now \$302,000 for an average house in Wild Rose Meadow) on the one hand, and available government subsidies and buyer mortgages on the other, continues to grow (see chart below). Islanders have been incredibly generous, but given the expanding need and rising costs, we must look to other funding sources.



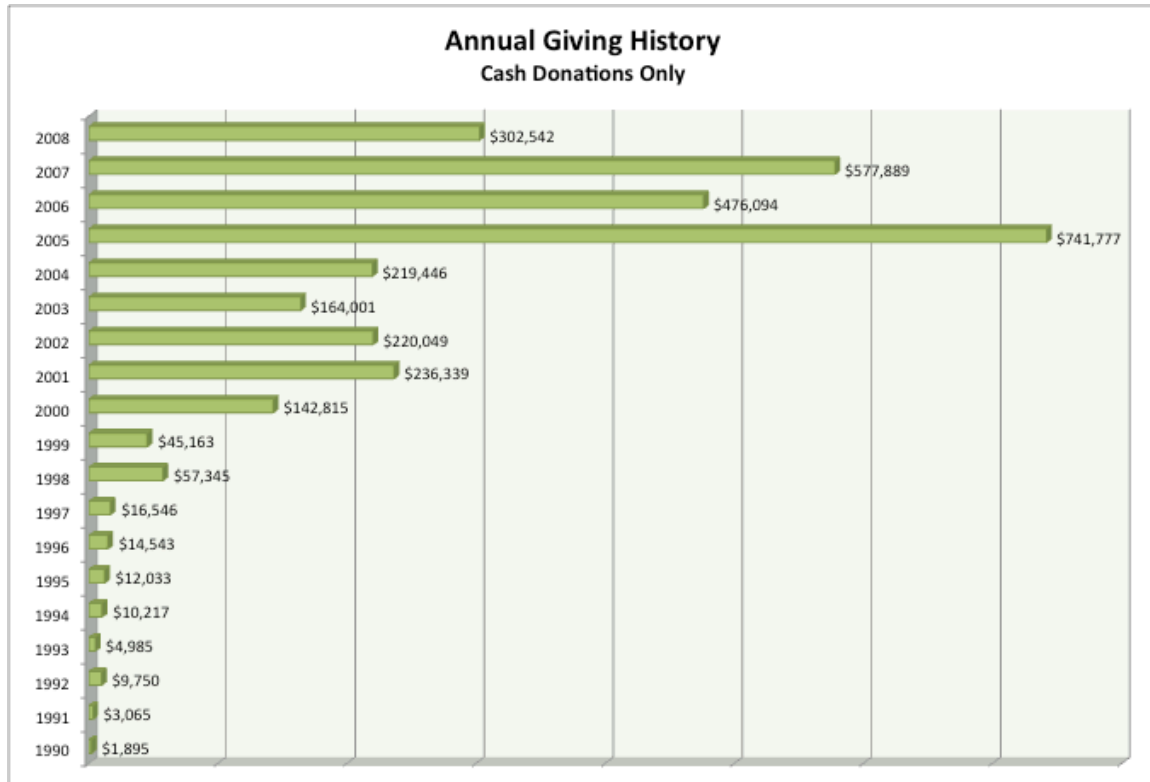
Existing Sources: Grants. During its early years grants were the principal source of subsidies for new affordable homes. During the decade of the 1990's as much as half of those grants came from the federal government; today, most grant support comes from state and private sources.

Although it is certain that grants will continue to be an important source of subsidies, no one can predict how much subsidy will come from that source. External factors, such as state and national economics and politics, will play an important role in determining which programs are available and how well they are funded. And since proposals take staff time to write and submit, our success at gaining grant support will be a function of how much effort we put into finding grant opportunities and grant proposal writing.

Despite the uncertainties, and despite the constraints such grants impose on us (limiting sales to those below 80% of the Area Median Income), we have nonetheless continued to

include grant funding in our financial modeling of the future OPAL, assuming that up to one-third (33%) of future subsidy dollars will come from grants.

Existing Sources: Annual Giving. The previous chart illustrates that annual donations have had to play a larger role in OPAL’s “business model” with each successive project. To be sure, OPAL has managed to raise ever-larger amounts of donation dollars over the past decade (see following chart). In addition, the point has been made that this island has an enormous “philanthropic capacity”; San Juan County was the 46th wealthiest county in the country in 2000, and the wealthiest county in Washington. We should not assume out of hand that we cannot raise still more on a regular basis.

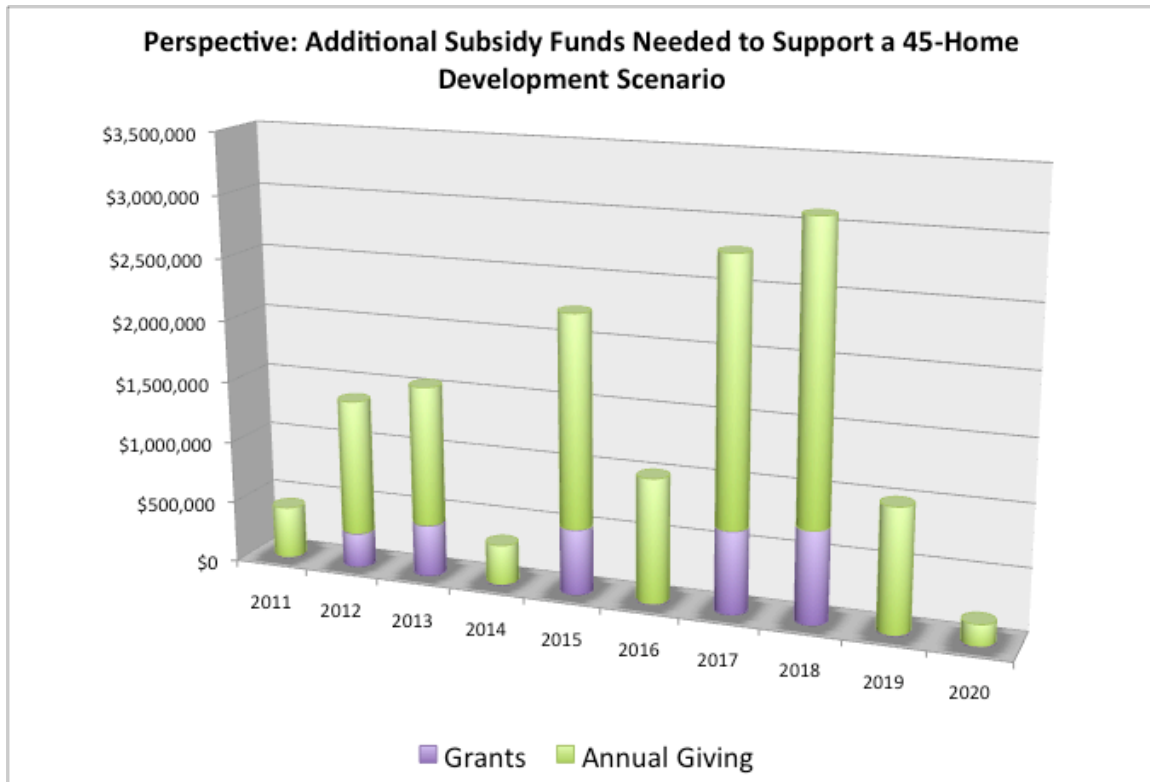


All that may be true, but there are good reasons to believe that we are bumping up against a donation ceiling. First, it is clear that raising the money still needed to complete Wild Rose Meadow is going to be a struggle in the midst of the recession. Our plan for identifying new donors has had some success, but so far less than we had hoped, and several long-time generous donors are signaling that ‘enough is enough’. Thus even for *current* projects, donations are a less certain source of funding than they have been in the past. And projecting forward, the situation appears even less feasible. Further, we are concerned that we may be asking for too large a slice of the island’s philanthropic pie.

Some Perspective: Financing an Illustrative 45-Home Development

Scenario. In an earlier section, four different projections of future needs were discussed. The *lowest* of these suggested that 50 new affordable OPAL homes will be needed by 2020. For reasons that will be discussed shortly, the OPAL board feels that even that level of new building is beyond OPAL’s capacity. Forty-five new homes *might* be an optimistic but

achievable goal, if a significant number of those new houses are Living Legacy gifts of existing homes. Assuming for the moment, however, that there are no new sources of subsidy funds, and that all 45 homes are new constructions to be built over eleven years, and assuming further that costs of land and building continue to inflate at the same pace as through the past twenty years, the need for subsidy dollars from grants and individual donations might look something like the chart below*. Something has to give; Orcas Islanders have been incredibly generous, but there may be limits even to their generosity. The next sections explore some options.



Possible New Sources of Funding

Several alternative funding sources have been considered or are being considered by OPAL's board. Not all are equally understood or feasible. Some, such as Legacy Giving, are already being pursued. Others, such as tax-based funds, are well understood; and organizational support for a campaign to secure them is being considered by the board. Still others, such as Employer Partnerships or Shared Equity, need to be researched more. A few, such as Mixed

* Note: This and the next chart are illustrative, and are not intended to reflect actual cash flows on OPAL development projects. In the "real world", for example, much of the subsidy is spent early in a project, while proceeds from sales are received only when a home is complete. If a project spans more than a single year (and most do), the profile of cash flows would be different from those shown in these charts.

Market Neighborhoods and others not even discussed here, have been considered and discarded.

New Funding Sources: Planned (Legacy-Style) Giving. Planned Giving includes any gift that is given as part of a financial or estate plan. Bequests are the simplest and most common form of legacy gift. Other mechanisms include Charitable Remainder Trusts and Donor Advised Funds. OPAL has already received one legacy gift and we believe that OPAL has been named in the wills of perhaps a dozen other people, indicating that the seeds of an OPAL endowment have already been sown. Still, it is clear that we need to be more systematic in our efforts to enhance legacy giving. In this we have been greatly aided by the “Endow Orcas” campaign, promoted and supported by the Orcas Island Community Foundation. The goal of the Endow Orcas campaign is to encourage islanders to include one or more of the island’s non-profits in their wills and in their charitable plans. OPAL’s current intention, arising from the Endow Orcas collaboration, is to mount a Legacy-Style Giving campaign that will yield two funds, paralleling the two components of OPAL’s mission:

- **Stewardship Endowment** (Target amount for 2020: \$3,000,000; ultimate target \$5,000,000). Income from the endowment will support OPAL’s enduring stewardship of the land, homeowners, and houses.
- **Development Fund.** (Target amount for 2020: \$1,000,000, ultimate target \$3,000,000) As real estate prices on the island continue to rise, it has become harder for OPAL to purchase property suitable for affordable housing. In particular, it is hard to respond quickly to opportunities that arise. A development fund will allow more nimble response. Also, this fund could loan money, to be repaid with interest, for the completion of new projects.

In addition to cash bequests and trusts, another planned giving alternative is for OPAL to receive gifts of land or houses that are either directly suitable for OPAL housing, or can be sold to generate cash for future development. We call these gifts “*Living Legacies.*” In the several development scenarios outlined below, we have assumed the addition of several such Living Legacies between now and 2020.

This alternative has been approved by the OPAL board.

New Funding Sources: Local Taxes: Many communities devote local tax dollars to support affordable housing. At least four tax-based approaches are conceivable in San Juan County:³

1. **Real Estate Excise Tax (REET):** A tax on sales of real property. A REET is not new to San Juan County; the Land Bank now collects a 1% tax from the buyer of

³ “Impact Fees” are another type of tax-based fund often discussed. In certain areas developers are charged for the impact new homes will have on the local infrastructure (roads, water, sewer, etc.). In this approach, the county would direct a portion of fees collected (San Juan County does not presently collect impact fees; this would be a new tax) and redirect them to support affordable housing. Impact fees were considered by the board but were abandoned, for two reasons: First, use of these funds is generally limited by law to infrastructure construction. Second, as a developer itself, the fees that OPAL itself would have to pay would probably offset any benefit OPAL might receive from such funds.

any real estate in the county. The law allows a county that is collecting this tax to collect another one-half percent to support affordable housing, with voter approval.

2. **Property Taxes:** A small additional levy on property taxes paid by all owners of real estate in the county.
3. **Sales Taxes:** A small percent added to local sales taxes.
4. **Lodging Taxes:** A per-night tax on hotel and B&B rooms.

The four approaches differ in several ways, not the least of which is who pays the tax. A REET would only be paid by buyers and/or sellers of real estate; property taxes are paid annually by *all* property owners in the county; sales taxes are paid by anyone who buys anything in the county, be they a resident or visitor; and, lodging taxes are paid by visitors.

All tax-based approaches would require approval from the voters—no certainty in these troubled economic times. A one-half percent REET for affordable housing was on the county ballot in 2006 and went down to a decisive defeat. Analysis after the election suggested that voters were confused about the rationale for a new tax, about OPAL's position on it, and about how it would be distributed. Some believe that it is time to resurrect the initiative with OPAL's clear endorsement.

Whatever the source, tax-based funding could make significant funds available immediately to OPAL and other providers of affordable housing in the county, without the eligibility restrictions imposed by other programs that exclude those with moderate incomes. If, for example, a tax raises \$1 million annually to support affordable housing in the county, it is not difficult to imagine OPAL receiving \$300,000. Reviving the notion of a REET or any other tax based funding raises some obvious questions: Would the voters approve it this time? Is OPAL prepared to publicly support the measure this time?

This alternative is still being considered by the OPAL board.

New Funding Sources: Employer Partnerships. Finding affordable housing for employees is a major challenge to employers in high cost areas like Orcas. Recruitment and retention of workers depend on it. For that reason, many CLTs around the country have forged partnerships with employers in the areas they serve. These partnerships take many forms. Sometimes, the employer simply pledges a donation, receiving nothing in return for the gift other than publicity and confidence that they will benefit from a general boost in the local inventory of affordable homes. Another variation has an employer donating most or the entire subsidy for an affordable home with the understanding that the home will be reserved for purchase by qualified employees. Some employers donate land for affordable communities, again with or without a *quid pro quo*. Or, the employer could purchase the home itself and rent it to employees.

In each variation, the employer assumes some or all of the subsidy that goes into making the home affordable. Aside from the obvious benefit that this allows more houses to be built without relying on the generosity of individual donors, an employer partnership can make it possible for the CLT to offer homes to buyers who do not qualify under the 80% income threshold, but who still can't afford to buy a house on the local market.

Orcas is not a Rochester MN, with a mammoth employer like the Mayo Clinic dominating the local housing economy. But we do have a few larger employers in the area who have been rather vocal about how a lack of affordable housing is frustrating their recruitment efforts. Some of these, such as the county or school district, do not have cash to offer, but they do own land.

The OPAL board decided that this alternative has merit, but more research and consideration is needed.

New Funding Sources: Mixed Affordable/Market-price Neighborhoods.

These neighborhoods would resemble Wild Rose Meadow in most respects. The entire community would be built by OPAL; each house would have a ground lease; and, a common set of CC&Rs would apply to all homes. The difference between Wild Rose Meadow and this alternative is that here there would be another type of home available to buyers. In addition to homes with constrained appreciation, there would be a handful of homes, sold on the open real estate market, with no constraints on appreciation, for whatever price the market would bear.

Although still an OPAL community, these neighborhoods would be truly heterogeneous, including both low income and more affluent residents. The people who would buy these open market houses would be people who can afford to participate in the market but choose the OPAL neighborhood, either because of location, design, or price (although the houses would have no constraints on appreciation, it is likely that they will be more affordable than other homes in the market).

This alternative offers two potential benefits and several huge drawbacks. On the plus side, studies have shown that a mixed income neighborhood is a healthier living environment. By incorporating market-priced homes OPAL can ensure that an entire development is architecturally and socially consistent. In contrast, developer partnerships often produce neighborhoods with clearly identifiable enclaves of affordable housing among oversized market homes. The second potential benefit from this approach is financial—profits generated from the sale of these homes can be used to subsidize construction of affordable homes. How much money is generated depends on the market and the precise mix of house types planned.

There also are some serious drawbacks. First, OPAL would only benefit financially from whatever premium it could charge in the *initial* sale. Further, this approach would mean that each development would have fewer affordable houses built. To meet our anticipated demand for OPAL houses, we would have to acquire enough land to build perhaps twice as many Wild Rose Meadow-size developments. Is this the best use of precious OPAL land? Finally, how would our donors and the real estate communities react? Are we straying from our core mission to become speculators? OPAL’s board concluded that this alternative torques OPAL away from its core values, a poor result for what could be a small one-time gain. The following shared equity model, the Board felt, offers a more viable alternative.

Because of these drawbacks, the OPAL board decided not to pursue this alternative.

New Funding Sources: Shared Equity Financing. Technically, the Community Land Trust approach, with constrained appreciation, is itself a “shared equity” technique; the homeowner “shares” the equity growth with the CLT. The alternative described here is a

“shared equity plus” approach, where investors’ funds are used in lieu of contributors’ dollars to make a house affordable. In its most extreme (and untested) form, this sharing of equity could use market dynamics to provide perpetually affordable housing with *no* outside subsidy of any kind.

In this approach an OPAL home is built and sold to a qualified buyer as it would in any OPAL neighborhood (ground lease, constrained equity for homeowner, etc.). The difference is that the home ownership is virtually divided between the qualified OPAL homeowner and one or more outside investors. In order for the investor to realize tax advantages from this investment, the OPAL homeowner pays rent to the investor for the use of his/her portion of the house. The outside investor buys and sells his/her portion of the equity from/to other investors. Buying and selling in the two equity tracks need not be coincidental in time. *There is no presumption that the OPAL homeowner will ever buy out the investors’ equity.*

The price to an OPAL homeowner is set initially by OPAL to be affordable. Afterward, the price to subsequent OPAL qualified buyers is set by the standard formula. There are several ways to structure the investors’ portion of the equity. Rates of return could fluctuate with the market; or, a fixed rate of return may be used; or, the same rate used to calculate the homeowner’s equity growth (e.g., the CPI) could be applied to the investors’ portion of the equity.

This approach has some obvious advantages. It would virtually eliminate the need for grants and donations of subsidy dollars. It lets island people invest their money locally. It can make it possible to serve applicants who earn more than 80% of the Area Median Income and thus might qualify for only a very few OPAL homes.

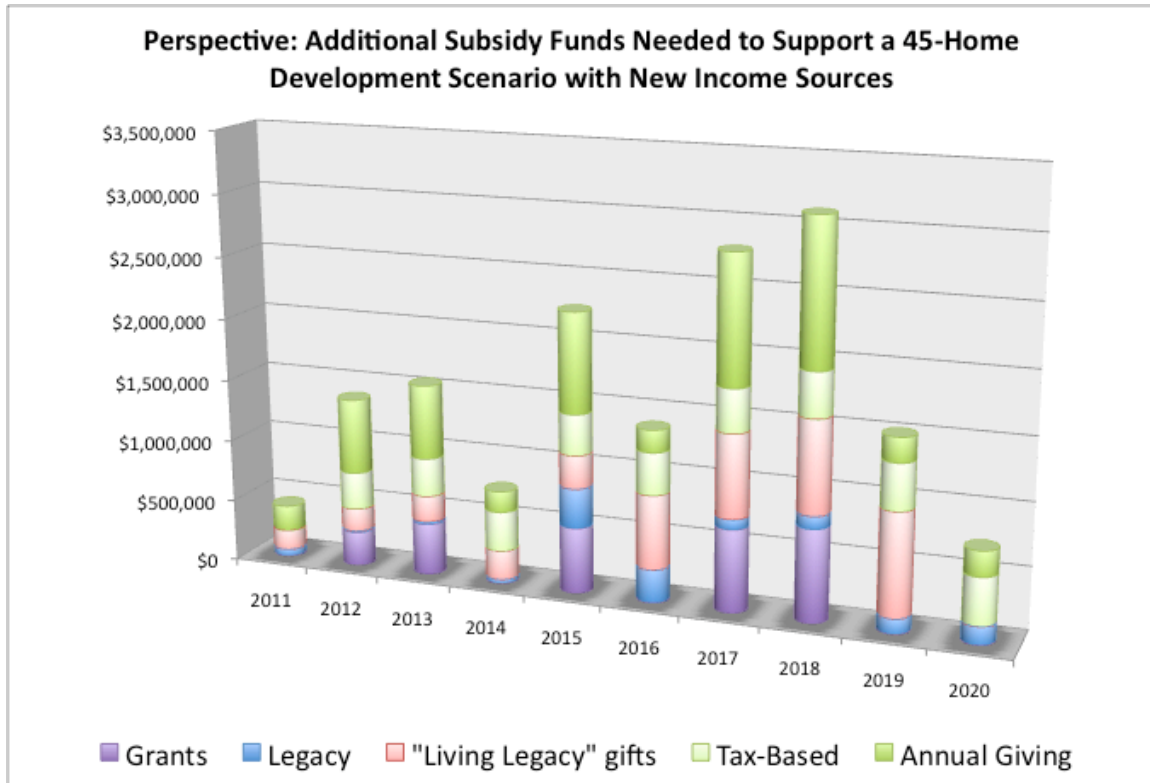
Clearly, this approach would be doomed in the current (2009) investment climate. Looking ahead, though, there are also some problems—or at least questions—associated with it. How (and when) does the investor cash out? Since the only way an investor can realize any gain is to sell to another investor, will there in fact be a market on the island for these shares? If the investors’ equity is allowed to increase at a rate that is higher than the owner/occupier, over time the investors’ equity share will be greater than the homeowner’s. How will homeowners react; will it feel like home ownership to the OPAL homebuyer?

An interesting variant of this approach might be to combine it with Employer Partnerships and replace the individual investor with an employer. An employer would “invest” by supplying the subsidy required to make the home affordable to the homebuyer/employee. The employer’s equity would grow at the same rate as the employee/homebuyer. If the employee/homeowner moves or quits his/her job, the employer could either retain its ownership or sell to another investor/employer.

The OPAL board decided that these alternatives may have merit, but more research is needed.

Perspective: Returning to the earlier 45-home development scenario. If we assume that only two of these new funding sources – legacy giving and tax-based revenues – become available to OPAL in the coming decade, their impact could be enormous (see chart below). This benefit would be magnified because these new funds would not only reduce reliance on individual donations, they would also permit OPAL to sell homes to worthy buyers with incomes greater than 80% of area median income but still too low to purchase a

home on the open market. For the first time, OPAL would be free to address the housing needs of a significant portion of the island population.



Toward the Year 2020: A Plan

After almost a year of preparation, reflected in both the analysis of needs and funding sources just given, the OPAL Board of Trustees met in November 2008, to consider a long-range plan. The board made three sets of decisions at that retreat:

- It restated, re-emphasized, and reiterated some of the **core values** of the organization that must guide and permeate the organization's decisions and actions.
- It defined three alternative **growth scenarios** that are consistent with those values and that recognize today's uncertain economic outlook; and,
- It authorized certain **actions** that OPAL would take to achieve those goals.

Core Values. The OPAL Board focused on four of OPAL's core values:

1. OPAL exists to serve the needs of island residents for quality affordable housing. That need is determined by whether someone can afford housing on Orcas Island, rather than by the qualification rules of a particular state or federal subsidy program. If a particular program excludes a worthy buyer (or renter) for making too much (or too little) money, OPAL must seek other funding sources for subsidies that will admit them.

2. OPAL will be a positive contributor to Orcas' culture. It will not allow itself to become so large or bureaucratic as to detract from the rural charm that is Orcas.
3. Of OPAL's two missions (stewardship and development), stewardship is paramount. It is through stewardship that OPAL fulfills its enduring obligation to homeowners, and it is through stewardship that OPAL retains a positive role in island culture. Development ambitions can never be allowed to eclipse or threaten OPAL's ongoing stewardship responsibilities.
4. The OPAL organization has always been small, nimble, and collegial. This has allowed it to better serve its members and the island. No growth can ever be allowed to compromise these important features.

These core values, together with the assessment of the financial constraints discussed in the last section, shaped OPAL's plans for the future. The OPAL board concluded that there is no conceivable way that OPAL can meet even the lowest estimates of 2020 need and remain faithful to its core values. A 45-home development scenario *might* be achievable if a third of those homes are Living Legacy gifts of existing homes and if a new source of funds, such as tax-based revenue, becomes available early in the next decade. This more aggressive development is described more fully in the next section.

Three Plan Scenarios. These are uncertain economic times. Even the largest corporations have adopted a scenario-based approach to planning, in hopes of bracketing a fluctuating future world. The OPAL board developed three planning scenarios that differ mainly in their assumptions about future development and acquisition of homes. All three scenarios embody an emphasis on stewardship; they differ in their development ambitions. Those development ambitions have been tempered by the board's commitment to OPAL's core values. The three scenarios are summarized in the table below (all numbers are post-Wild Rose Meadow):

	Existing	Build/Acquire	Living Legacy	Total
Baseline	91	0	4	95
Target	91	12	7	110
Optimistic	91	30	15	136

Baseline Scenario. This is basically a stewardship-only scenario. It says that following completion of the Wild Rose Meadow project, and with the exception of five "Living Legacy" homes (four, in addition to the one already given), OPAL staff and volunteers will focus on the stewardship mission. Two FTEs (Full Time Equivalent) of staff time will be dedicated to stewardship. Additional staff time will also be devoted to development, especially in the early years while the Wild Rose Meadow project is being completed, and in other years as Living Legacy homes are refurbished to bring them up to OPAL standards. It is difficult to precisely quantify the staffing model for this scenario, but it is safe to say that the staff will not be larger than the current staff, and may be somewhat smaller.

Although minimal in some respects, this scenario is not without challenges. Funds still have to be raised to complete Phase II of Wild Rose Meadow (over \$500,000, as of March 2009). Funds will also have to be raised to support the emphasis on stewardship. In the past, development funds essentially subsidized stewardship activities. That may no longer be possible. Further, fundraising in the past has always received a boost from the latest OPAL development. Donors have been very generous when they can see a new OPAL

neighborhood growing. Their eagerness to support less visible (to them) stewardship activities is untested. Because of this uncertainty, Stewardship endowment funds will become particularly important. For planning purposes, the OPAL Board assumed that \$500,000 in Stewardship Endowment would be in place by 2015 and generating \$25,000 of operating revenue annually.

Target Scenario. This second scenario is somewhat more ambitious (and expensive) than the baseline, in that it assumes one more development project and a few more Living Legacy homes. But, it is still conservative. The homes it will yield by 2020 are still far fewer than projected demand; there is a gap between the completion of Wild Rose Meadow and the start of the Owl Lane project on the land in Orcas Village purchased in 2007 with funds donated for that purpose. No new land is to be purchased; and, no additional development staff time is required, since the projects are scheduled consecutively, rather than concurrently.

But more money will have to be raised. Construction costs have risen much faster than available state and federal subsidies. An average Owl Lane house could be expected to cost \$335,000, of which the buyer would pay only \$165,000. Grants may only cover only \$42,500 of the subsidy. The remaining \$127,500 will have to come from other sources. And if a significant fraction of these 12 homes are to be available to those earning above 80% of AMI, the amount of non-grant subsidy will be even larger.

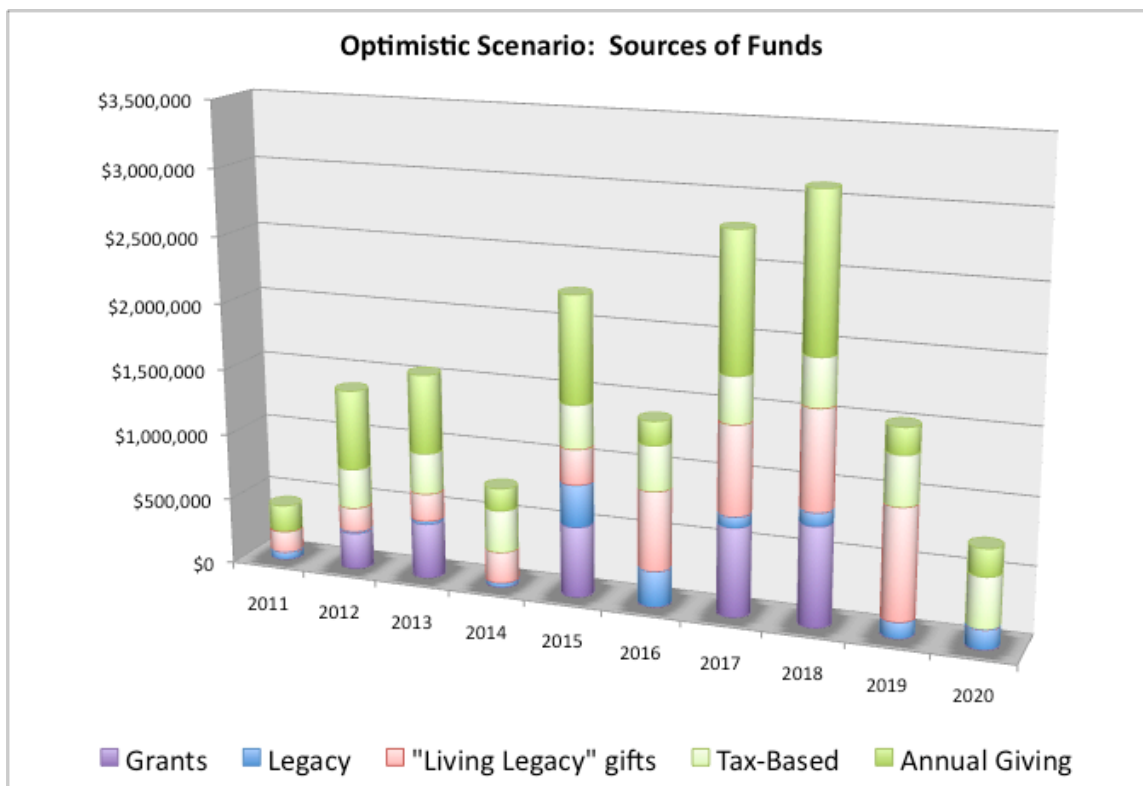
Stewardship goals are expanded in this scenario too, emphasizing a larger role for OPAL staff in building communities and in delivering technical support in areas beyond house maintenance.

The target scenario assumes a larger staff than the Baseline, with a total staff of 4.5 FTEs.

Optimistic Scenario. In this scenario OPAL places a greater emphasis on development, without sacrificing stewardship. In fact, the aspirations and staff time devoted to stewardship in this scenario actually *increase*.

As developers, there would be two new neighborhood projects in addition to those included in the other scenarios. The first of these, beginning in 2016, would be to build 6 new homes on land already owned by OPAL near Oberon Wood, called Oberon Meadow. The second planned project, to begin later in the decade on land yet to be identified and purchased, would include 12 new homes. This scenario also assumes an additional eight homes from the Living Legacy program.

Even this scenario falls short of the lowest level of anticipated affordable-housing need on the island by 2020. But still, it is expensive. To cope with these costs, two major assumptions were made. First, the OPAL board assumed an active and successful legacy giving program. Some of these legacy gifts will have “matured” in the next decade, as donors have passed away. Second, the OPAL board assumed that some form of tax-based revenue stream would become available, beginning in 2012. It is difficult to see how the goals of this Optimistic Scenario can be achieved without additional revenue, from this or some other source. The chart below graphs this scenario.



A particular scenario is never “selected” for implementation. Projects are initiated one at a time; scenarios describe a range of possible futures and bracket how those futures will be described and judged in retrospect. Another of OPAL’s core values is that its annual budgets must balance and that no development project is begun until funding is secured. At the outset, then, the baseline or stewardship-only scenario is OPAL’s default plan. After that, decisions about each development project will be made one at a time, based on demand and the availability of funds.

Once Wild Rose Meadow is completed, we expect that there will be a respite from further development, during which we will continue to build a legacy giving program as well as work towards mounting a successful campaign for tax support. During that time we will also evaluate the area’s needs, economic outlook, and prospects for a new round of donations from island supporters. Sometime during that respite a decision will be made about the next project. After that another decision will be made about the following project. And so on. In 2020 we will be able to look back and say that we have achieved our baseline, target, or optimistic goals. We may be able to tell ourselves that we have exceeded even our most optimistic goals. We hope so.

Right now, we believe that any scenario that involves development will require new funds from legacy gifts or tax programs. Or, those new funds may come from other sources, such as employer partnerships or equity sharing. Absent changes in state or federal rules, new funds will definitely be needed if OPAL is to serve buyers with incomes above 80% of AMI.

Actions. At its November retreat, and in the months that followed, the OPAL Board identified several actions that should be taken to implement these scenarios:

1. *Legacy Giving.* It reaffirmed its commitment to establishing an ongoing and successful legacy-giving program, including Living Legacies.
2. *Tax Campaign.* Without committing itself to a particular position, it for the first time authorized staff and volunteers to continue exploration of possible alliances to initiate a campaign to win voter approval of a tax-based financing program.
3. *Rental Housing.* As mentioned earlier, OPAL has avoided rentals, recognizing that the skills needed to manage rentals are distinct. Because there may be a significant need for affordable rentals on the island, and with the possible acquisition of the Lavender Hollow subsidized apartments, the Board recognized that there might be a need to reconsider its earlier position. But cautiously; it instructed staff and itself to use the next two years to learn more about the need for and business of rentals on Orcas.
4. *Stewardship Role Definition.* Although we now recognize that OPAL's stewardship responsibilities are significant and pervasive, there is still much work to be done clarifying the precise nature and potential of that stewardship. The board instructed staff and itself to keep working toward that clarity.
5. *Educational Outreach.* OPAL will continue to provide homebuyer education and financial coaching to those who apply for housing and to offer limited consulting and training services to other community land trusts. In addition, OPAL will explore ways to broaden its outreach by extending its practical training to additional audiences, as well as offerings on the philosophical and historical underpinnings of CLTs.
6. *Senior Housing.* The board recognizes the many needs and challenges related to senior living on Orcas. Many of these, such as availability of adequate medical care, extend beyond OPAL's mission and expertise. Recognizing, though, that affordability cannot be an afterthought to a plan but must be integral from the outset, the board resolved to work closely on housing related issues with island groups concerned with senior living.
7. *Policy Revisions.* It also recognized that certain OPAL policies would have to be created or revised for the coming decade, such as:
 - **Political action.** Past policy had explicitly enjoined OPAL from taking a position on any political issue. The Board is still reluctant to engage in politics, *unless the issues are vital to OPAL's mission.* Tax-based funding is such an issue.
 - **Investment Policy.** Assuming a growing endowment, how will those funds be managed?
 - **Cash management.** Under what conditions, can unrestricted endowment funds be used for operational purposes?
 - **Gift acceptance.** As OPAL receives bequests and other gifts, how can those gifts be best used to meet OPAL's needs? In particular, OPAL's current by-laws concerning the sale of land may need to be modified. Those rules forbid such sales without the unanimous consent of the Members at an annual meeting. But if we were to receive, as part of a legacy, a gift of land that was *not* suitable for construction of OPAL homes, the best course of action might be to sell that land and purchase land that *is* suitable, or even to convert the sale of land into endowment funds. Timely decisions might be impossible if all such transactions require a unanimous vote at the annual meeting.

- **Green building.** OPAL already has its Green Building Standards. How must they be modified to keep up with new science and technology? What new standards are needed to cover refurbishing of Living Legacy houses?

Conclusion

OPAL has had an extraordinary record of accomplishment these past twenty years. It is the record of superb staff, committed residents, and enthusiastic volunteers. It is also a tribute to the generosity of OPAL's supporters on the island. But as much as has been accomplished, there is still much to do. As Orcas grows wealthier, the need for affordable housing will be even more acute in the coming decade than it was in 1989. The challenges are more formidable, too. Costs of land and construction have grown faster than the incomes of buyers. State and federal subsidy programs have not grown with costs. These programs impose restrictions on qualification of buyer that are not suited to the reality of our island community—excluding workers who cannot otherwise afford to purchase a home on Orcas.

Planning of any kind is difficult in the current economic climate, so the OPAL Board has chosen to define three plan scenarios. None of these scenarios aims to build all the houses that the island will need by 2020. The board found that several factors constrained its plans. The first constraint was money. Building affordable houses is expensive; the board concluded that in the absence of new funding sources, any development plans would have to be curtailed. Money, or its lack, is certainly important, but the other two factors are non-financial: First, the board decided that it could not be true to its own core values while creating the kind of frenetic bureaucracy needed to support a more aggressive building program over the next decade. Second, the board recognized the importance of OPAL's stewardship mission. Development builds *houses*; stewardship helps create *island homes*.

The years between now and 2020 are certain to be filled with surprises—new challenges and unexpected opportunities. No one should expect precision and certainty from any long-range plan. But we at OPAL are excited about the future, and are convinced that OPAL's best years are yet to come.