



2017 IMPACT REPORT



Environmental • Social • Governance

DILLON SUPPLY CO.
STEEL PIPE PRODUCTS

LETTER FROM THE PARTNERS

“OUR WORKFORCE HOUSING PORTFOLIO, WHICH PROVIDES SAFE, HIGH QUALITY APARTMENTS FOR PEOPLE EARNING \$30,000-60,000, SERVES AN IMPORTANT SOCIAL NEED.”



At FCP, we create value for all stakeholders through our disciplined investment approach that integrates environmental sustainability, social responsibility and thoughtful corporate leadership. Since our founding in 1999, our entrepreneurial culture has embraced implementing new efficiency technologies and community-service initiatives that reduce asset-operating costs and improve the quality of life for our tenants. Our committed approach to sustainability is directly tied to our business mission.

Sustainable Business Model

FCP’s focus on repositioning multifamily and commercial assets and preserving workforce housing is inherently sustainable. By rehabbing existing properties, we reduce our environmental footprint through the reduction of waste, energy and water consumption. Our workforce housing portfolio, which provides safe, high quality apartments for people earning \$30,000-\$60,000, serves an important social need. This housing stock is frequently torn down to make way for luxury apartments, forcing teachers, civil servants and hardworking Americans to relocate far away from their jobs or live at poorly-maintained properties.

2017 ESG Highlights

In 2017, FCP successfully acquired 12 assets and sold 10 assets. Our owner-operator focus has enabled us to create value even in our most challenging assets. We implemented the Goby software program, helping FCP better track and manage utility consumption across our portfolio. We continue to work with environmental consultants, like Energesco, Lilker EMO and Manhattan Energy, to identify and implement efficient technologies across the portfolio and take advantage of rebate programs. The Global Real Estate Sustainability Benchmark (GRESB) again awarded FCP a “Green Star” for leadership in sustainability.

Our FCP SERVES program continues to focus on children and education in the communities where we invest. Our Empower for School campaign successfully donated over 2,000 backpacks filled with school supplies for children at 11 of our workforce housing communities. FCP employees participated in several community days focused on children at our properties as well as build days for affordable housing. We were honored to receive Housing Unlimited’s 2017 Community Leadership Award, including a citation from Senator Chris Van Hollen’s office, for our work in providing safe, affordable housing for those in mental health recovery programs.



*Waypoint at City Center
Newport News, VA*



*Flats at Seminole Heights
Tampa, FL*

LETTER FROM THE PARTNERS



2018 Sustainability Focus

In 2018, our focus continues to be enhancing asset value and reducing risk by incorporating ESG metrics into the business plan for each asset. We will further utilize our utility tracking system to evaluate value created by our efficiency projects. We will continue to prioritize tenant health and safety and utilize the best environmental consultants in our acquisition diligence efforts.

FCP SERVES will be partnering with a local non-profit to pilot an after-school program at one of our workforce housing communities. In addition to addressing a growing need, we anticipate that the program will be highly desirable to residents and lead to improved occupancy at the property.

Our employee culture is critical to our success. In 2018, we will embark on FCP 3.0. Leadership experts will work with FCP employees to define and implement behaviors we see as crucial to the firm's success. We are focused on retaining and attracting top talent and working to create an inclusive environment for all employees. We review salaries annually to ensure FCP is gender-neutral in offering equal pay for its employees. We are focused on improving our recruiting practices to attract more diversity to the firm. FCP has grown substantially over the past 5 years. We will be moving to new office space and will use this opportunity to showcase best practices in sustainability and wellness design for our employees.

Our Sustainability Committee includes seven employees from various groups within the firm ranging from acquisitions to asset management to development management. For those interested in further discussion on our sustainability strategy, we invite you to stop by or office or contact Summer Haltli, Chair of the Sustainability Committee at shaltli@fcpdc.com.



Thank you for your commitment to FCP.

Lacy I. Rice

Alex Marshall

Esko I. Korhonen

Thomas A. Carr

**“WE ARE FOCUSED ON
RETAINING AND
ATTRACTING TOP
TALENT AND WORK TO
CREATE AN INCLUSIVE
ENVIRONMENT FOR ALL
EMPLOYEES.”**

ENVIRONMENTAL SUSTAINABILITY

Complementary Strategies - Repositioning Existing Assets and Developing Targeted New Infill Projects

Repositioning Existing Assets

FCP's environmental footprint is reduced by repositioning older multifamily and commercial assets. By repositioning those existing assets rather than demolishing and rebuilding, FCP has been able to significantly reduce waste in the portfolio.

Developing Targeted Infill Projects

For development properties, FCP's investment niche is infill, transit-oriented locations where the community encourages redevelopment. FCP's new development strategies target projects in pedestrian- and bike-friendly locations with excellent transit options. Bike storage rooms are a common amenity at FCP's new development projects, encouraging the tenants' use of alternate transportation.

FCP'S 2017
NEW DEVELOPMENT
PROJECTS:

BIKE
SCORE



TRANSIT
SCORE



WALK
SCORE



Built and managed to high standards of environmental sustainability, **Takoma Central** has a Walk Score rating of 79 and is one block from access to Washington, DC's mass transit system.

BEFORE & AFTER



The Stockyards in West Midtown, Atlanta – FCP salvaged three old warehouses and expanded the property with an infill building and parking garage.



BEFORE & AFTER



Walker Mill was five decades' old when FCP acquired the 366-unit, Class C garden style apartment in Forestville, MD in 2014. Since then, FCP has spent \$7.1 million to upgrade the entire property.



Driving Value through Efficient Operations

FCP is committed to operating efficiencies that:

- reduce the environmental performance of our assets;
- improve our residents' quality of life; and
- maximize returns for FCP's investors

Day to day operations include installation of low-flow showers and toilets, compact fluorescent bulbs, optimal insulation, and energy-efficient hot water heaters, windows and appliances at all FCP properties. FCP's commitment to environmental sustainability has resulted in:



PAST 5 YEARS

85 energy-efficiency projects implemented
(**12.3 million+ kwh**)

*This is enough energy to power **1,146** U.S. homes for a year OR to fully charge over **205,000** Teslas*

30 water-efficiency projects implemented
(**61 million+ gallons saved**)

*This is enough water to fill **93** Olympic swimming pools OR to fill over **3,000** backyard swimming pools*

\$24 million+ in value created or **\$1.5 million+** in annual savings over the past five years

Top GRESB ratings versus peers for efficiency project implementation

2017

23 energy-efficiency projects implemented
(**3.1 million+ kwh**)

9 water-efficiency projects implemented
(**25 million+ gallons saved**)

\$8.2 million+ in value created

7 point increase in GRESB score from 2016
GRESB Green Star Award

ENVIRONMENTAL SUSTAINABILITY

Tracking and Minimizing Consumption Portfolio-Wide

In 2017, FCP implemented Goby utility tracking software to better evaluate operating efficiencies and minimize energy consumption across our portfolio. In addition to tracking and reducing utility consumption, FCP is also focused on waste reduction at all of our properties. Those strategies include recycling programs at most properties in the FCP portfolio.



Best Practices and Building Certification

FCP's sustainable design practices include:

- selecting sustainable sites such as transit-oriented infill locations;
- designing site plans to reduce heat island effects and reduce storm water runoff;
- installing water- and energy-efficient systems;
- using recycled and regionally sourced materials;
- improving indoor air quality by using low VOC emitting materials;
- ensuring proper outdoor air ventilation; and
- installing Energy Star appliances and energy efficient lighting.

FCP strives to achieve Leadership in Energy and Environmental Design (LEED) certification on its new development projects. Construction management on FCP projects demonstrates the same level of commitment to environmental sustainability. FCP's responsible construction practices include construction activity pollution prevention and storm water management, construction waste management and collection of recyclable material, and measures to protect heating, ventilation, and air-conditioning materials during construction, thereby ensuring indoor air quality when the project is completed.



“BY REHABBING EXISTING PROPERTIES, WE REDUCE OUR ENVIRONMENTAL IMPACT THROUGH THE REDUCTION OF WASTE, ENERGY AND WATER CONSUMPTION.”



FCP's repositioning of **The Greens at Tryon**, a 264-unit, Class B+ garden style apartment community in Raleigh, NC, included the conversion of existing wood-paneled interior space into a state-of-the-art gym facility.

SOCIAL RESPONSIBILITY



While their parents mingled on a Saturday morning, residents' children had a great time painting on canvas during Art Day at Potomac Vista. FCP followed up by donating art supplies to the local elementary school.



Preservation of Workforce Housing

America's affordable housing crisis is a problem FCP is addressing with demonstrable results. One of our key investment strategies is the preservation of moderate-income housing. We preserve and optimize workforce housing by acquiring assets, curing deferred maintenance issues, and improving the residents' quality of life. Under that strategy, FCP takes a value-add approach, providing services like after-school programs and financial planning workshops for property residents.

FCP Serves



400+ Volunteer
Hours in 2017

8,000 Backpacks
Donated Since 2012

To strengthen the fabric of our communities and create long-term value for residents, tenants and investors, FCP invests in the communities in and around our properties. Through the employee-led FCP Serves program, we partner with respected local organizations to participate in community projects such as:

- **Empower for School Campaign:** FCP hosts back-to-school events and other youth-centric community days at our properties, annually donating more than 2,000 backpacks filled with school supplies to our residents' children
- **Build Days:** FCP employees lead build day projects including homebuilding with Habitat for Humanity, painting local schools, and renovating apartments for previously homeless residents
- **FCP-Paid Volunteer Time:** Each FCP employee receives 8 hours of paid volunteer time annually to work at the non-profit organization of his or her choice
- **Donations to Local Community Partners:** FCP donates to local elementary schools, food banks and homeless shelters in the neighborhoods where we invest

“FOR BACK TO SCHOOL THEY GAVE MY SON A BOOKBAG FULL OF SCHOOL SUPPLIES, THEY HAD SANTA IN THE OFFICE GIVING OUT TOYS, AND THEY EVEN HELP OUT AT MY SON’S SCHOOL. I GUESS YOU CAN SAY I REALLY LOVE IT OUT HERE AND I AM VERY SATISFIED WITH MY HOME.”

— FCP RESIDENT

SOCIAL RESPONSIBILITY

Tenant Health and Safety

Tenant health and safety is a top priority for FCP. Pre-acquisition tests identify any onsite hazardous materials, and plans are executed to properly insulate or remediate those materials if needed. Whenever possible, FCP introduces low VOC-emitting materials to improve indoor air quality within existing assets.

Resident and Tenant Satisfaction

FCP conducts resident and tenant satisfaction surveys frequently, responding to and learning from the feedback received.

Employee Retention

FCP strives to maintain an employee turnover rate of less than 18%. FCP is committed to maintaining a strong and consistent team by providing professional growth opportunities for our employees.

6%

FCP Turnover

VS

18%

Industry Average

Over the Past 6 Years

CORPORATE LEADERSHIP



Bronze-certified by the National Association of Home Builders (NAHB), **Solis Waverly** is part of a mixed-use Charlotte, NC project featuring retail and office space. The property offers electric car charging stations.



Integrity and Responsible Decision-Making

Our commitment to integrity is a key principle of the firm, and is demonstrated in FCP's mission statement:

FCP's mission is to deliver industry-leading risk-adjusted total returns to our investors through investments in residential and commercial properties. We apply a combination of strong local relationships, disciplined analysis, and detailed operating focus to achieve superior results in inefficient real estate markets. We are creative, entrepreneurial and able to execute quickly. We are committed to being a responsible owner and operator of real estate for our residents, tenants and the communities in which we invest.

We conduct ourselves with integrity, choosing to do what is honest and ethical. At FCP, we work together as a team, and value the contributions made by every staff member to every transaction. Our investors are our partners, and we are proud that our success leads to their success.

Governance

FCP is a registered investment advisor with the United States Securities and Exchange Commission (SEC). Our four partners – **Esko Korhonen, Lacy Rice, Tom Carr, and Alex Marshall** – constitute FCP's Management Committee. The FCP Investment Committee, which includes the four partners, our CFO **Garland Faist**, and our capital markets expert **Steve Walsh**, meets at least weekly. Deal team leads from the acquisitions and asset management teams are also required to sign off on each acquisition.

Each FCP fund reports to the fund's specific Advisory Committee. FCP extensive committee structure also includes: **Valuation, Sustainability, Recruiting, Training, Technology, and FCP Serves.**

CORPORATE LEADERSHIP



Positioned for easy access to downtown Durham, NC, Raleigh, & Chapel Hill, **Haven at Patterson Place** has multiple apartment and community amenities. An LED retrofit project was completed in all units in 2018.



Ethics, Compliance and Culture

We strive to create an inclusive workplace that enables all employees to perform at their highest level. Each newly hired FCP employee receives training on the firm's Code of Compliance. We provide annual training on the firm's Code of Ethics for all employees throughout the course of the year. All employees receive annual performance reviews.

FCP has grown from 33 to 50 employees over the past five years. Throughout that period and going forward, we are committed to maintaining a flat organization and a fast-paced entrepreneurial culture where all ideas are welcome.

Recognizing that our industry lacks diversity, FCP is adjusting our recruiting and management practices to attract and retain top talent. We are committed to being a gender-neutral company offering equal pay for equal work.

Transparency and Reporting

We provide quarterly updates to our investors and host an annual meeting for all investors. We perform internal valuations quarterly and utilize third-party appraisals at year-end to further validate asset valuations. We utilize a custom Asset Management System to report and track asset-level information both internally and externally.

“WE ARE COMMITTED TO MAINTAINING A FLAT ORGANIZATION AND A FAST-PACED ENTREPRENEURIAL CULTURE WHERE ALL IDEAS ARE WELCOME.”



FCP'S 2018 INITIATIVES

Building Strong Communities

Continue FCP's work with community partners, maintaining **100% staff volunteerism** rate. Pilot after-school program and continue resident financial planning training in all FCP markets.

Preserving Workforce Housing & Adaptive Reuse Focus

Continue to **improve existing workforce properties** for residents, communities, and investors. Evaluate opportunities for potential commercial adaptive reuse.

Energy Efficiency

Identify and implement energy-efficiency projects, including **LED retrofits** and **HVAC tune-ups**, where feasible.

Water Efficiency

Identify and **implement water efficiency projects** where feasible.

FCP 3.0

Implement **leadership training** and **culture evaluation** to enhance performance.

Employee Retention

Goal of **90% retention** vs. industry average of 83%.

Using Historic Tax Credits, the **Cigar Factory** has been sustainably transformed from a brownfield site into an award-winning mixed-use redevelopment. The property has an 83 Walk Score rating as well as mass transit directly available along Charleston, SC's East Bay corridor.

