

FY2014

Consolidated
Annual
Operating
and Capital

| PROPOSED BUDGET IN BRIEF |



Measuring Up for the Future



norfolk
redevelopment
HOUSING AUTHORITY

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The intent of this document is to provide information about Norfolk Redevelopment and Housing Authority's (NRHA's) spending intentions, and the wider fiscal and economic picture.

PURPOSE OF BUDGET IN BRIEF

The Authority must submit a proposed budget to the Board of Commissioners for their approval. The *Budget In Brief* is a tool which provides the reader a synopsis of the detailed spending plan of the Authority.

Proposed Fiscal Year (FY2014) Consolidated Annual Operating and Capital Budget reaffirms NRHA's:

- Strengthened commitment to fiscal responsibility, and
- Prudent objectives to ensure affordable housing, promote homeownership, and provide community development opportunities to the citizens of Norfolk.

A fiscal year differs from calendar year by encompassing the 12-month period during which the annual operating budget applies (in this case, beginning July 1, 2013, and ending June 30, 2014).

Internet

The proposed budget is available on NRHA's website at the following URL:

<http://www.nrha.us/nrha/aboutnrha/budget>

GOALS

- **Quality Housing Opportunities for All** - NRHA is committed to providing a continuum of housing options for households of all incomes seeking housing.
- **Sustainable Mixed-Income Communities** - There is a need for a new housing model to create a healthy physical and social environment that would appeal to a wider range of incomes.
- **Strategic Business Approach** - To meet changing requirements and to make the best use of our resources, we are developing a new approach for the delivery of products and services.
- **Community Support** - Recognizing the interrelated nature of our mission, NRHA resolves to work to become a trusted partner that works collaboratively with key stakeholders and partners.

VALUES-ACE IT

Accountability

Customer Service

Excellence

Innovation

Teamwork

A Message from the Chief Executive Officer

Developing a budget is more than revenues and expenditures, it is piecing together the many components of our organization in a way that reflects our principles and meets the expectations of those we serve. We seek to reform and improve service delivery by carefully analyzing all that we do and find ways to do it better.

We dug deep in 2013 to gauge our financial health as well as the impact we have on the overall community. In that regard we received an A+ General Obligation credit rating from Standard and Poor's, which cited "very strong enterprise profile supported by extremely high operational performance of its housing portfolio and excellent strategic planning."

The College of William and Mary Mason School of Business in a ground-breaking two-year study of NRHA operations concluded that NRHA provides robust return on public investment. The findings from the study indicated an irreplaceable economic and social gain for Norfolk citizens.

The budget for FY2014 is essentially flat, compared to FY2013. An overly complex regulatory system with U. S. Department of Housing and Urban Development (HUD), significant cuts to assisted-rental housing operating subsidy and Housing Choice Voucher (HCV) administrative

fees are the most difficult components of our budget. Add to that federal sequestration which started this spring and the challenge is compounded. While the housing market is significantly improved, demand for assisted-rental housing far exceeds supply.

We must aggressively adopt new models to deliver our assisted-rental services, and step up efforts to prepare non-profit organizations for a greater role in providing resident services as well as work with our Congressional delegation to seek meaningful regulatory reform from HUD.

The proposed FY2014 budget is the result of significant deliberations and difficult choices by senior management. Sustainable resources from federal sources are diminishing and the budget reflects the impact of the sequester-imposed reduction.

With all this in mind, I present to you the NRHA's FY2014 Proposed Budget, totaling \$90.2 million dollars. It offers, with firm resolve and absolute clarity, this simple message – **Transformation is the process of changing composition or structure. Fiscal year 2014 will be "year one" in our multi-year effort to transform the way we do business and to become structurally balanced.**

The proposed budget provides all services at a base level, but with notable changes from FY2013. Following are a few highlights within the proposed budget:

- Elimination of 11 full-time positions and 1 part-time position;
- Suspension of merit pay increases for the fifth consecutive year;
- NRHA's health insurance premiums will increase by an average of 8.2% in January 2014. The increase will be shared between employees enrolled in the plan and NRHA;
- Subsidy received for Federally Aided Communities is proposed at \$14.0 million; \$2.2 million less than FY2013
- Housing Choice Voucher Admin Fees are proposed at \$1.4 million down by \$400K from FY2013
- Utilization of the approved increase in the City of Norfolk's Capital Improvement Program for neighborhood plans in the amount of \$1.6 million
- Utilization of earnings from the operation of non-public housing apartments in the amount of \$1.7million
- Utilization of reserves from discretionary and non discretionary funds in the amount of \$4.8 million will support in the implementation of programs and services provided to our stakeholders and customers.

One recommendation proposed during this fiscal year is to "transition" the organization to weather the storms of today,

while providing agility to meet future service demands and minimize the burden on limited financial reserves and earnings.

The reorganization will be a multi-year process targeted at reducing the size of the organization by nearly 20% percent over the next three years. **The goal of the reorganization is to: streamline operations for efficiency and cost-savings; develop public-private models for service delivery; eliminate redundancy of services and enhance revenue streams.**

We firmly believe that the FY2014 Proposed Budget submitted to you will begin the transformation, and over the next several years re-establish fiscal stability, create the environment necessary to meet the needs of our residents and establish an improved and sustainable economic foundation.

We have begun to review and evaluate the very structure of our organization. We are relying on the experience and talent of those from within and new perspectives from outside sources. In response we have challenged ourselves to think and act anew.

I am certain we have the ability to define the future of our organization, invigorate and inspire the best in us, and, without doubt or hesitation, reinvent how we do what we do.

Shurl Montgomery

VISION

Quality housing choices housing choices in neighborhoods where you want to live

MISSION

To provide quality housing opportunities that foster sustainable, mixed-income communities

Introduction

Norfolk Redevelopment and Housing Authority (*The Authority*), was created by the City of Norfolk (The City) on July 30, 1940 under the provisions of the United States Housing Act of 1937. As a chartered political subdivision of the Commonwealth of Virginia, The Authority provides subsidized public housing, rental assistance, and administers redevelopment and conservation projects within the City in accordance with state and federal legislation.

BOARD OF COMMISSIONERS

NRHA |

The Board re-elected Miller as chairman and Lee as vice-chairman. Norfolk City Council appointed Arrington and Musacchio. Arrington replaces Hattie Anderson, whose service began in 2000. Anderson passed away in 2012. Musacchio replaces L. Robert Layton, who served since 1998. Also Soble, on the board since 2004, was reappointed.



NRHA is headed by a board of seven commissioners, appointed by Norfolk City Council, who are responsible for determining policy and direction. NRHA Commissioners are residents of Norfolk and serve staggered four-year terms. The board elects a chairman and vice chairman, as well as selects an executive director who is responsible for NRHA's activities and operations. To contact a Commissioner, call 314-1679.

FRONT ROW:

Left to right

Rose Arrington

*President of Diggs Town
Tenant Management Corporation*

Barbara Hamm Lee - NRHA Vice-Chairman

*Creative Services Officer and Executive Producer/
Host of Another View, WHRO*

F. Nash Bilisoly

Attorney, Vandeventer Black LLP

BACK ROW:

Left to right

Trevor Robinson

Attorney, Robinson Law Group

Robert J. Soble

President and Owner, Pottery Art Studio

W. Sheppard Miller, III - NRHA Chairman

*Chairman of the Board, KITCO Fiber Optics
President & CEO, Light Tech Fiber Optics*

Donald Musacchio

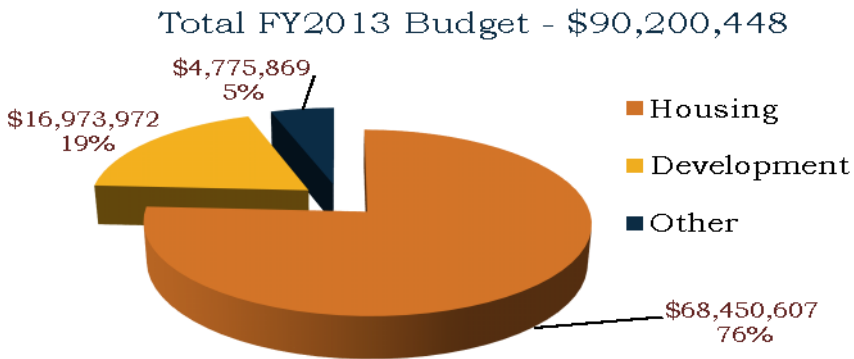
*Retired Federal Service
Consultant to several federal agencies*



Operating Budget Highlights

(Measuring Up for the Future)

The *Proposed Fiscal Year 2014 (FY2014) Consolidated Annual Operating and Capital Budget* sets forth both revenue and expenditures for the Authority. It delineates operating and program budgets for specific initiatives within conservation neighborhoods and public housing communities. The Authority proposes FY2014 Budget expenditures of **\$90,200,448** which represents a net of **\$928,164**; a 1.03 percent increase over FY2013's budget of **\$89,272,284** million. NRHA believes the proposed budget addresses all of our fiscal needs, while also putting us on the path to greater future accomplishments.



76%

HOUSING - Provides an ongoing stream of funding that makes up the gap between what low-income tenants can afford to pay in rent and the cost of operating housing and resident services programs; partner with reinvention programs to redevelop housing properties.

19%

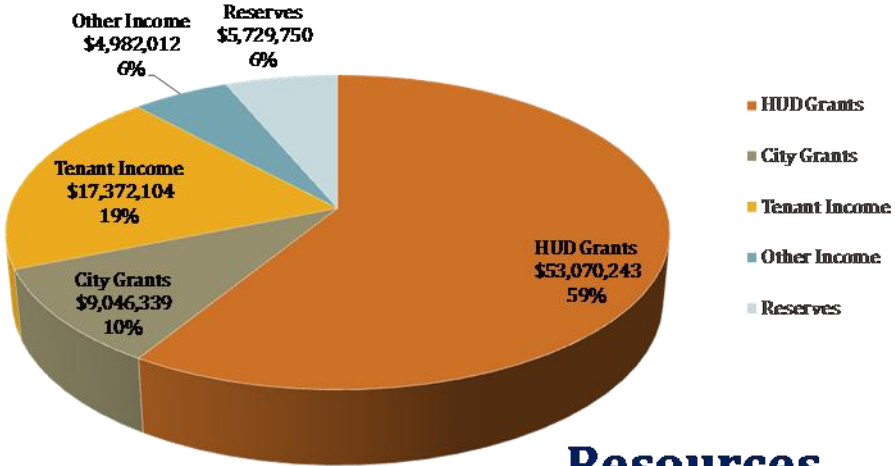
DEVELOPMENT - Partners with communities to develop the existing land inventory; continue to create a robust homeowner assistance capacity to include rehabilitation products, homebuyer subsidy, credit repair and counseling.

5%

OTHER - Includes cost to support internal and external initiatives that are otherwise ineligible under federal programs and projects that do not fit within a specific division.

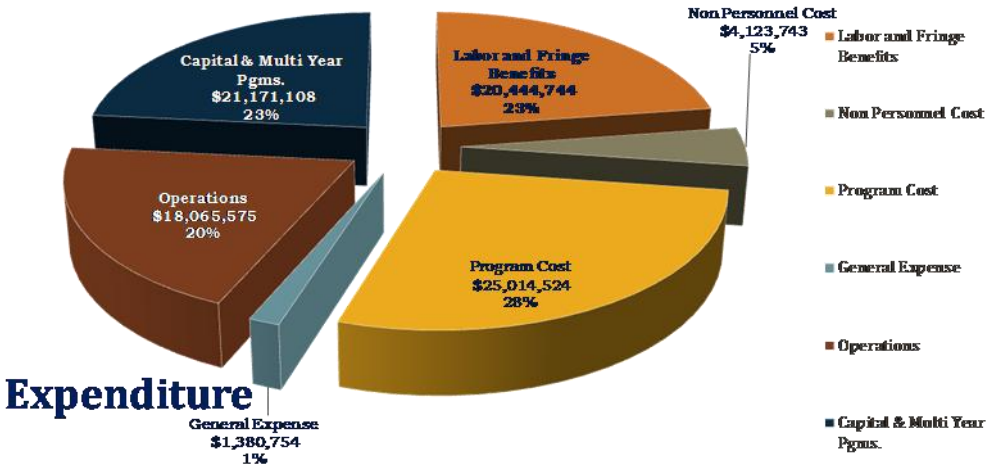
Total FY2014 BUDGET \$90,200,448

Where Does the Money Come From?



Resources

Where Does the Money Go To?



Expenditure

Housing Operations

SUMMARY—Housing for low-income residents has been a primary objective for NRHA from its inception. This focus is evident in the current involvement with operation of a diverse array of housing programs.

Revenues for the Housing Division total \$68,450,607 and are derived from HUD operating subsidies and grants, tenant and other incomes and appropriation of program reserves. The operational shortfall projected in FY2014 for the Federally Aided Program (\$3,146,301) and Housing Choice Voucher Program (\$513,281) has been enlarged by the sequester imposed reduction by HUD.

Expenditures for the Division focus on efforts to manage and maintain 3,485 assisted rental units as well as 2,700 Housing Choice Vouchers for participants in two major programs. The budget also includes expenditures of \$6.1 million under the Capital Fund program for capital improvements to maintain aging stock and infrastructure of the public housing properties. NRHA must constantly replace roofing, heating systems, windows, doors, flooring and other deficiencies in the federally assisted public housing communities; NRHA will also build 16 new units in Grandy Village this fiscal year.

Our Privately Managed properties (Merrimack, Oakmont and Park Terrace) support expenses re-

quired to operate locally owned units of housing for moderate-income families. Contracted services provide day to day management and maintenance of operations with over site by NRHA staff. The properties produce net operating revenue annually to be used for other NRHA programs. We anticipate \$1.7 million in earnings during the 2014 fiscal year.

Other housing programs consist of several miscellaneous grants that provide services to our residents which include Job Access Grants, ROSS Service Coordinator and Family Self Sufficiency Grants, Broad-Creek Community Supportive Services Endowment and the Homeownership Program.

Resident Services initiatives are included in the FY2014 budget and are comprehensive and designed to empower household self-sufficiency focusing on education and employment.

GOALS

- Survey residents for customer satisfaction and follow-up on all comments or issues noted. Develop procedures and training programs as a result of any findings.
- Develop a long-range strategic plan for each public housing property using the comprehensive physical and capital needs assessment.
- Apply for additional vouchers when available to assist perspective applicants in obtaining affordable housing, and decrease recurring shortfalls in the HCV administrative budget.

Proposed Revenues		
	FY2014	
	Amount	%
Housing Choice Voucher-HUD PHA Grants-HAP	\$ 22,609,791	33.03%
Federally Aided Communities - HUD PHA Grants	14,029,835	20.50%
Operating Receipts - Federally Aided Housing	9,165,202	13.39%
Capital Grant Program - HUD PHA Grants	8,550,946	12.49%
Operating Receipts - Merrimack Landing	4,290,519	6.27%
Operating Receipts - Oakmont North	3,589,618	5.24%
Housing Choice Voucher - HUD PHA Grants (Adm)	1,655,190	2.42%
Other Revenue- External Sources	1,252,029	1.83%
Appropriations from Merrimack Landing Program	1,107,830	1.62%
Appropriations from Federally Aided Program	958,000	1.40%
Job Access/Reverse Commute Grant	441,833	0.65%
Housing Choice Voucher SRO - HUD PHA Grants	357,070	0.52%
Park Terrace - HUD PHA Grants	345,511	0.50%
Housing Choice Voucher - Program Revenues	301,545	0.44%
Operating Receipts - Park Terrace	211,765	0.31%
Ross Grant Service Coordinator	205,163	0.30%
BroadCreek Commy. Supportive Svcs. Endowment	179,303	0.26%
ROSS (PH Family Self Sufficiency Grant)	127,412	0.19%
Park Terrace - Reserves	109,670	0.16%
Job Access/Reverse Commute Grant New Freedom	94,346	0.14%
Merrimack and Oakmont Operating Receipts	(1,131,971)	-1.65%
Total Proposed Revenues	\$ 68,450,607	100.00%
Proposed Expenditures		
	Amount	%
Federally Aided Housing Programs	\$ 26,453,617	38.65%
Housing Choice Voucher (HAP)	22,911,336	33.47%
Capital Fund Program	8,550,946	12.49%
Merrimack Landing Property Management	3,088,088	4.51%
Oakmont North Property Management	3,006,326	4.39%
Housing Choice Voucher Program (Administration)	2,161,062	3.16%
Park Terrace Property Management	666,946	0.97%
Job Access/Reverse Commute Grant	441,833	0.65%
Homeownership Program	182,125	0.27%
Housing Choice Voucher SRO	382,104	0.56%
BroadCreek Community Supportive Svcs. Endowment	179,303	0.26%
ROSS Service Coordinator Grant	205,163	0.30%
Job Access/Reverse Commute New Freedom	94,346	0.14%
ROSS Grant PH Family Self Sufficiency Grant	127,412	0.19%
Total Proposed Expenditures	\$ 68,450,607	100.00%

Development

SUMMARY—Revenues for the Development Division total \$16,973,972, and are derived from a blend of ten different funding streams. There is no operational shortfall projected in FY2014 as the result of past repositioning efforts, the elimination of one vacant position, and stable funding from the Capital Improvement Program (CIP), Community Development Block Grant (CDBG), HOME and General Fund Programs for the City of Norfolk.

The Division's focus in FY2014 will be on the development of new mixed-income housing, continued assistance to homeowners and first-time homebuyers and the acquisition of blighted properties based on negotiations with willing sellers. In addition to the provision of various neighborhood revitalization tools throughout the City's redevelopment, conservation and designated plan areas, NRHA will place special emphasis on continued initiatives in Broad Creek, Ocean View and the St. Paul's area.

GOALS

- The objectives of the division are to work on the 20 initiatives for development and continue to provide homeownership assistance to include rehabilitation products, homebuyer subsidy and homebuyer credit repair and counseling.
- We are attempting to have the City transfer the GEM lots to NRHA to be combined with other adjacent NRHA owned lots to be developed for single family housing.

Proposed Revenues	Fiscal Year 14	%
Capital Improvement Neighborhood Program	\$ 6,250,000	36.82%
Old Dominion Real Estate Foundation	3,796,000	22.36%
Community Development Block Grant	2,804,033	16.52%
City of Norfolk General Fund	2,796,339	16.47%
HOME Program	793,276	4.67%
Local Development Fund	290,422	1.71%
East Beach Land Sale Proceeds	105,000	0.62%
HomeNet HUD / City Grants	83,902	0.49%
Housing Opportunity Program Reserves	29,500	0.17%
NRHA Local Rehabilitation Financing	25,500	0.15%
Total Revenues	\$ 16,973,972	100.00%
Proposed Expenditures		
Redevelopment & Conservation Projects	\$ 6,714,536	39.56%
Hampton Blvd. Redevelopment Project	3,650,000	21.50%
Program Management	1,871,924	11.03%
Administrative Support	1,368,616	8.06%
Economic Development Initiatives Grants	1,726,339	10.17%
City Wide Homebuyer Assistance - NRHA	500,000	2.95%
Home Repair Grant FHA Emergency Repair Grant	400,000	2.36%
Disposition Program	425,000	2.50%
HomeNet	113,402	0.67%
CHDO Rehabilitation/Acquisition	48,655	0.29%
East Beach Initiatives	60,000	0.35%
201 Granby City Rent Supplement	70,000	0.41%
Local Rehabilitation Initiatives	25,500	0.15%
Total Expenditures	\$ 16,973,972	100.00%

Other Programs

SUMMARY—Projected FY2014 expenditure needs for Other Programs total \$4.8 million and is comprised of twelve unique programs which are not contained in either of the Authority’s two programmatic divisions. The revenue sources supporting these activities are derived from a program’s own reserves, earnings from privately managed properties or service fee agreements with outside entities.

Other programs projected expenditures include the following projects:

Programs	Amount	%
201 Granby Building	259,351	5.43%
3rd Party Managed Projects	10,995	0.23%
Broad Creek Village	\$ 30,000	0.63%
CEO Contingency Fund	219,379	4.59%
COCC Offset	879,506	18.42%
Core Business Service	476,598	9.98%
Government Relations	435,994	9.13%
Hampton Roads Ventures	250,000	5.23%
Project Development	1,205,686	25.25%
Specialized Maintenance	654,182	13.70%
Tax Credit Residential	254,709	5.33%
Urban Design Services	99,469	2.08%
Total	\$ 4,775,869	100%

Other Programs

201 Granby Building NRHA's Headquarters — NRHA charges rent to the various programs, and non-NRHA building tenants to cover operating expenses and debt service.

3rd Party Managed Project Asset management and bookkeeping fees received for services rendered for privately managed properties.

Broad Creek Village — Includes the former site of the Roberts Village public housing community that has been cleared and is awaiting development.

CEO Contingency Fund — Funds activities that support internal and external initiatives that are otherwise ineligible under federal programs

COCC Offset — Reserves from Central Office account used to offset revenue shortfall from charging Low Income Public Housing and Housing Choice Voucher management fees in FY2014 as a target reduction measure.

Core Business Service — A newly created project to expense certain services (IT, Parking, Employee Assistance Program and Telephone Lines) determined to be an administrative burden to distribute to the program.

Government Relations — The department oversees development, planning, implementation and integration of all communications and

marketing strategies in support of NRHA's initiatives and coordinates liaison activities for legislative matters.

Hampton Roads Ventures — NRHA provides management services to Hampton Roads Ventures, L.L.C. (HRV), including operational management, loan servicing, asset management, compliance and reporting.

Project Development Financing — Dedicated to developing financial strategies and coordinating efforts to provide mixed-financing initiatives in the renovation, redevelopment or construction of housing.

Specialized Maintenance — A collective group of specialized trades that perform maintenance services primarily to the public housing communities.

Tax Credit Residential — Housing Supportive services provided to Grandy Revitalization and Franklin Arms residents, above and beyond the tax credit agreement.

Urban Design Services — provides for one full-time staff position dedicated to supporting urban design and site planning for neighborhood revitalization activities, as well as funding for third-party urban design services.

Central Office Cost Center

SUMMARY—Virtually all funding of the Central Office Cost Center (COCC) is derived from NRHA programs tendered for services rendered. Approved FY2014 funding totals \$15.5 million. (This amount is gross of \$2.0 million of inter-project activity between COCC units). Budgeted resources for the COCC can be grouped in four categories below.

Resources		
	Amount	%
Management Fees (Internal Projects)		
Federally Aided Housing-HUD-approved Safe Harbor Fees	\$ 2,335,205	15.1%
Development Operations via allocated costs	983,707	6.3%
Capital Fund Program for direct program administration	470,000	3.0%
Section 8 program via HUD-approved Safe Harbor Fees	296,840	1.9%
Project Development Financing initiatives- allocated costs	117,171	0.8%
Specialized Maintenance via allocated costs	703,576	4.5%
Capital Fund Program for allocated costs	138,549	0.9%
Bookkeeping and Asset Management Fees-Multi-family	162,000	1.0%
Subtotal:	\$ 5,207,048	33.6%
Other Fees for Service (Internal Projects)		
Fees earned for Specialized Maintenance Services	\$ 6,744,759	43.5%
Rental Income charged for 201 Granby Office Rent	840,342	5.4%
Agency Management Fee for 201 Granby Building	81,000	0.5%
Subtotal:	\$ 7,666,101	49.5%
Fees for Service & Other Revenue (External Projects)		
Rental Income charged for 201 Granby Office Rent	\$ 35,404	0.2%
Other Revenue for Granby Building	41,458	0.3%
Specialized Maintenance fees charges	60,000	0.4%
Other Revenue for Administration Operations	150,000	1.0%
City Grants	70000	0.0045
Subtotal:	\$ 356,862	2.3%
Reserves or Appropriations (Internal Projects)		
Administration Ops Reserves	\$ 879,506	5.7%
Capital Fund Program - Administration	27,368	0.2%
201 Granby Office Building Reserves	259,351	1.7%
3rd Party Managed Fee Projects	10,995	0.1%
Specialized Maintenance-Admin.	654,182	4.2%
Government Relations	435,994	2.8%
Subtotal:	2,267,396	14.6%
Total Resources:	\$ 15,497,407	100%

GOALS

Common to all COCC functions this year will be the task of reassessing selected functions to improve efficiency and effectiveness.

Executive & Administrative Offices

- Budget and Compliance
- Communications
- Executive Office
- Finance
- Human Resources
- Information Services

Management fees (internal projects) groups amounts tendered to cover services that may not be directly identifiable with the programs benefited, i.e. executive office staffing, office administration, bookkeeping, asset management oversight, maintaining computer infrastructure, image management and preparing for audits.

Other fees for service (internal projects) are tendered for direct use of identifiable COCC provided services, i.e. rental rate is based on office square footage, charge for actual time and material spent on maintenance jobs, pc software and licensing fees.

Fees for service and Other Income (external resources) are funds earned by COCC functions when services are rendered to non-NRHA entities, i.e. rental of office space and maintenance of small equipment.

Reserves or appropriations are cash balances on hand, accumulated from prior years operations, mostly from recapture of capital costs through depreciation or the provision of COCC working.

Five Functional Areas of COCC

