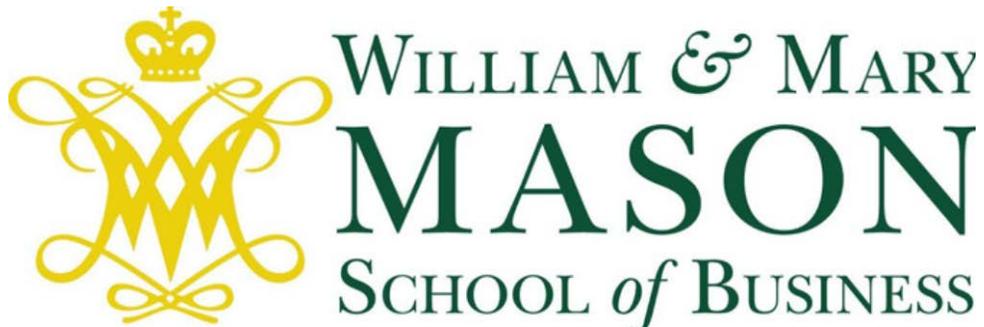


Interim Study #1
A Qualitative and Quantitative Case Study of
Central Brambleton

Submitted to the
Norfolk Redevelopment and Housing Authority

by the
Mason School of Business
College of William and Mary



March 30, 2011

Interim Study #1

The Norfolk Redevelopment and Housing Authority (NRHA) seeks an independently-prepared report documenting the recent economic impacts of its Norfolk Housing and Redevelopment Authority activities. In partial fulfillment, faculty members of the Mason School of Business submit the following interim report examining the Central Brambleton Development as a case study of NRHA's qualitative and quantitative impacts. The Mason School research team consists of Dr. Roy L. Pearson and Dr. K. Scott Swan, two faculty members with extensive experience in analyzing and modeling business and government operations, performing market research, and assessing the economic impacts of a wide range of businesses and government agencies. Short biographical sketches of the principal researchers are in the Appendix.

Executive Summary

In qualitative terms, Darnetta Saunders, Past President of the Central Brambleton Civic League, summarized the general view, "NRHA is a tremendous help for Norfolk across groups and incomes. NRHA drives better contracting services. [Home] designs are out-of-the-box. [On education] Once you go to the class you are a believer...its almost impossible to fail unless you won't do the right thing. They do a great job of inspiring home ownership...owning your own property gets people involved – if you rent, you don't care. My property value is up 100% and my taxes are up 1000%. Greenery and lighting say a lot about the community...big improvements in the how the neighborhood looks and it is built to higher code. They have gotten rid of blight ...and there is a lot better collaboration among police, the civic league, and residents."

In quantitative terms, NRHA expenditures directly related to the Central Brambleton Neighborhood Conservation Project add up to \$17,062,475 over many years or \$22,650,017 at 2010 prices. This produces total spending of \$32,411,330 with direct, indirect and induced impacts (at 2010 prices). Labor Income of \$11,507,170 (at 2010 prices) along with 254 jobs at an average wage of \$45,285 were obtained from the Central Brambleton investment. Additionally, \$22,590,028 (at 2010 prices) was added from the direct, indirect and induced impacts from construction with \$8,137,300 (at 2010 prices) in labor Income and 181 jobs at an average wage of \$45,045. The NRHA development-related property had a 2010 total assessed value of \$18.6 million, a 501% increase since 2001. This \$18.6 million in NRHA-related value produced City of Norfolk real property taxes of \$206,752 in 2010. Note that improvements increased by \$15.3 million or 523%, additionally the underlying land also increased substantially, by \$3.4 million or 420%, partly the product of the NRHA infrastructure improvements. The real estate values and characteristics for all of Neighborhood 200400 residential properties (of which Central Brambleton is a significant portion) are reported in Table 5. The total 2010 assessed value of \$37.4 million is an increase of 360% since 2001. This \$37.4 million generated \$414,925 in 2010 property tax revenue for the City of Norfolk.

As a case study, this analysis suggests some of the outcomes from a single neighborhood. NRHA's significant impact, both economic and the quality of life of Norfolk residents, can be projected with some confidence across the city. It is also a critical impact since not private enterprise, not city government, not citizens generally can do this even in conjunction – NRHA has supplied necessary impetus by attracting federal money and offering the capabilities to pull it all together.

Introduction

In November 1990, NRHA staff conducted an exterior survey to determine the general condition of the properties within the Project Area – now called Central Brambleton. The exteriors of 343 structures (90 % residential and 10% commercial) were visually inspected and classified. A total of 224 structures (65%) were classified as being in “fair” condition, needing substantial repairs beyond normal maintenance. Deficiencies varied but typical problems per structure were many and included: deteriorated roofing materials, flashing which has rusted through, trim and cornice boards which have rotted out, siding which is in need of repair or replacement, gutters and downspouts which have rusted through or are missing, broken or cracked windows and doors, painted surfaces with loose, cracked or peeling paint, sagging or rotting porches and steps, leaning structures, and deteriorating building foundations. A further 67 structures (20%) were in such “poor” condition that rehabilitation appeared infeasible. Many of these deteriorating structures were vacant, contributing to residents’ concerns for safety and health. Interior inspections were estimated to lead to downgrading of the prospects for rehabilitation. Streets, sidewalks, and curbs throughout the area were in need of repair. Additional trees, landscaping, and street lights were needed. There were approximately 76 vacant lots in the area. Junked or abandoned vehicles and discarded appliances were found throughout. A significant amount of trash, weeds, scrap building materials, junk, and dead trees were a blighting influence on the neighborhood.

Homeowners accounted for 23% of the households in Brambleton compared to the Norfolk average of 46%. There was little cohesiveness in the neighborhood. The average household income was one of the five lowest in Norfolk. The number of unemployed people was double the city average while households receiving public assistance was similarly high. The number of female-headed households was estimated to be 185% of the city-wide rate. There was a significant drug problem. The incidence of fire to residential units was three to six times the city average. More than 7% of Norfolk homicides in the three years before 1990 occurred in this area (with only 2.2 % of the population).

Private enterprise was unable to overcome the challenges this neighborhood displayed. There was a compelling need for a concerted, comprehensive effort to reverse the decline this area was experiencing. NRHA was focused on helping both the residents improve their neighborhood and assist Norfolk to increase the tax base, reduce crime, improve employment opportunities, and further economic development. One respondent said, “I kept a pistol in my pocket and one in the truck but now I could walk through [Central Brambleton] at night and feel safe.”

Economic Impacts

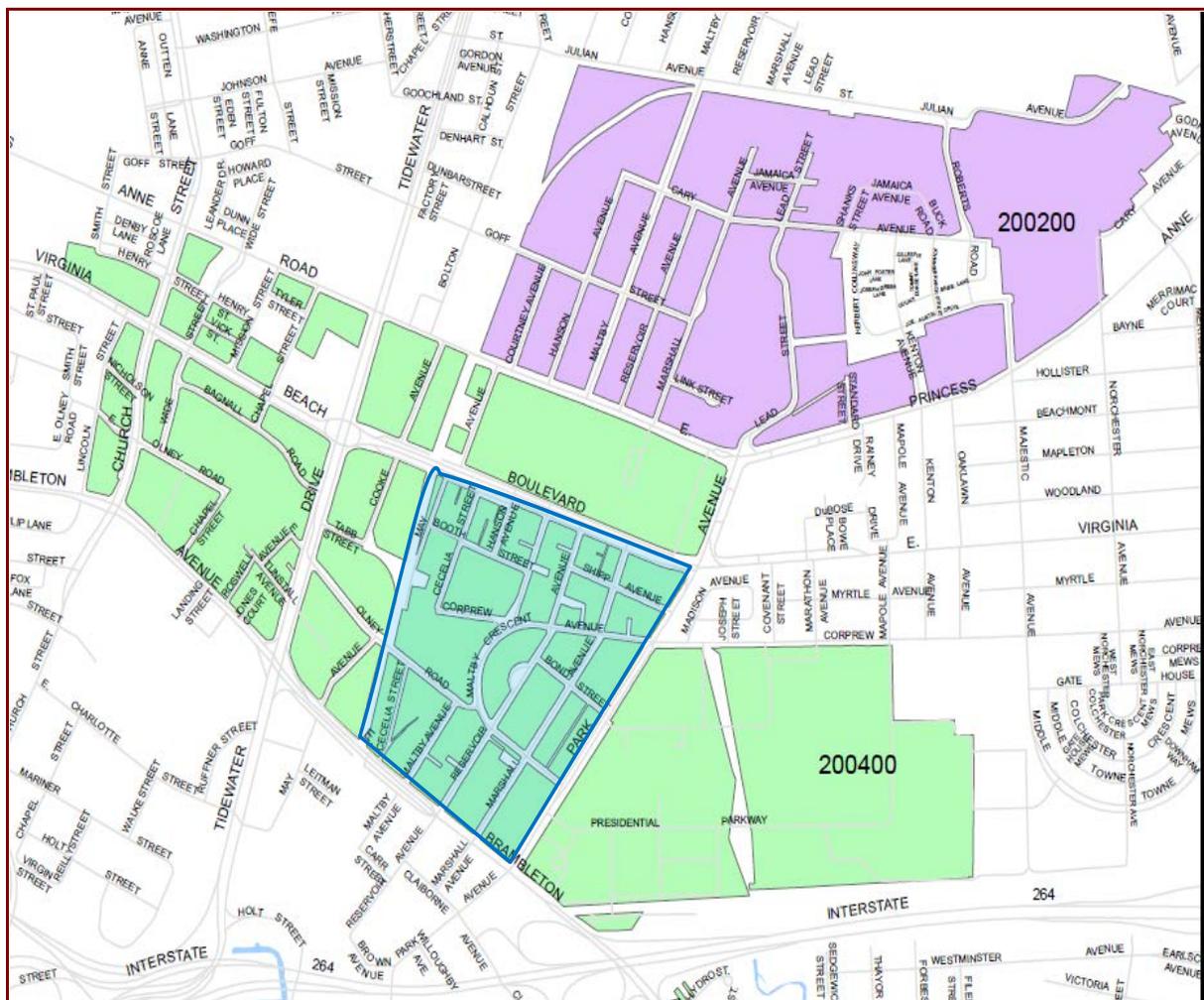
Norfolk City Council approved the Central Brambleton Neighborhood Conservation Project in 1991, to be carried out by the Norfolk Redevelopment and Housing Authority (NRHA), with the cooperation and participation of city agencies, not-for-profit organizations, the Central Brambleton Civic League, Norfolk State University, and private contractors. The project remains a partnership of Norfolk city employees, citizens, organizations and businesses led by the Norfolk Redevelopment and Housing Authority to provide affordable homes and an attractive neighborhood for Norfolk residents.

This project is one of many NRHA housing development projects. It serves well as an example of the economic impacts of such projects because the major infrastructure development work was completed by 2001 and 86% of the housing construction by 2005, enabling the assessment of subsequent effects on the neighborhood.

The Central Brambleton neighborhood as defined in the project proposal is outlined in blue in the current City of Norfolk Real Estate Assessor's Residential Neighborhood Map (see Figure 1 below), in the center of Neighborhood 200400, which is called North Brambleton in the Real Estate Assessor Annual Report of fiscal year 2010. The Central Brambleton neighborhood as outlined is bordered on the north by Virginia Beach Boulevard, the east by Park Avenue, the south by Brambleton Avenue, and the west by the Norfolk Southern Railway. In fiscal year 2010 there were 219 residences in North Brambleton, nearly all of which, 202, were within the Central Brambleton portion. Houses in Central Brambleton on lots developed by NRHA accounted for 90 residences, 41 percent of the total in Neighborhood 200400.

The Central Brambleton neighborhood outcomes over time are compared to those for the other neighborhood shown, number 200200, called St. Julian-Princess Anne Road in the Assessor's report.

Figure 1 - Central Brambleton, 200400, and 200200 Neighborhoods

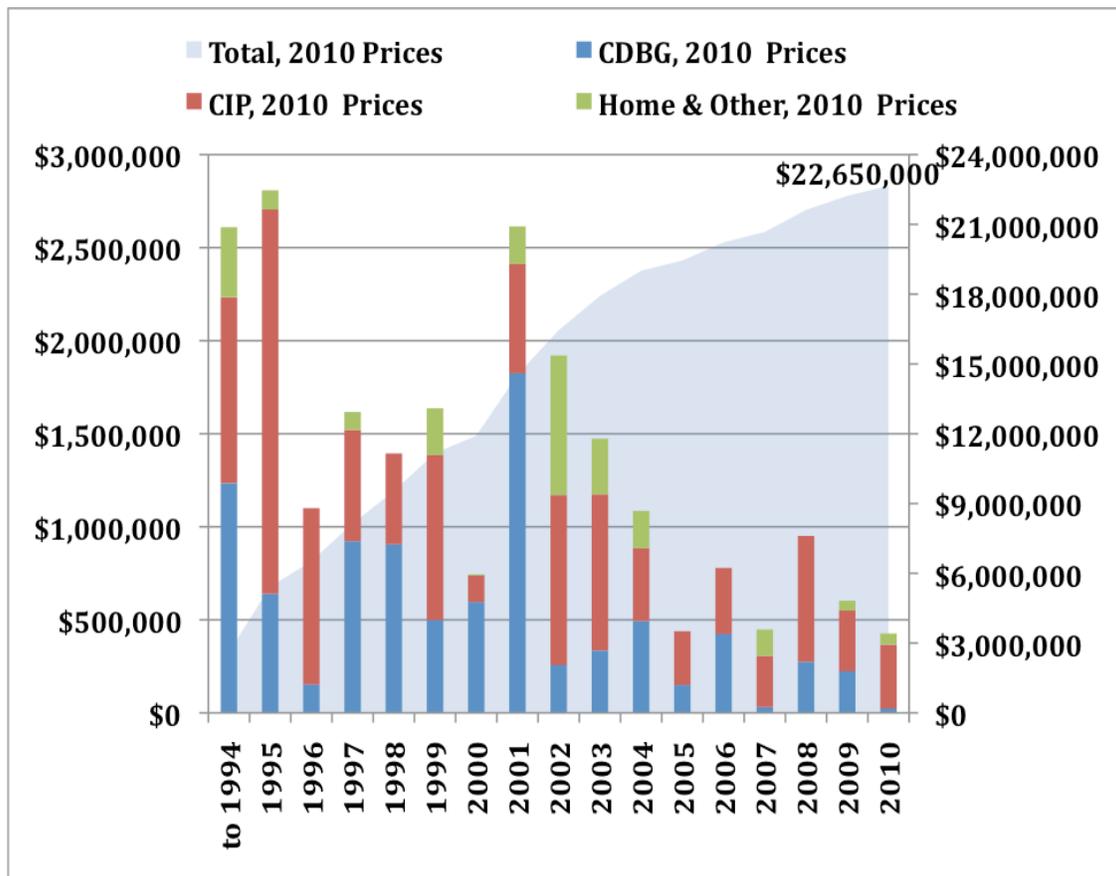


NRHA Central Brambleton Development Expenditures

Norfolk Redevelopment and Housing Authority infrastructure expenditures to develop the Central Brambleton neighborhood included acquisition and demolition of dilapidated buildings; realignment of roads; repavement and rebuilding of streets, curbs, and gutters; installing storm drainage improvements; placing utilities underground; and development of neighborhood open space. Home construction was facilitated for private contractors and made affordable for low and moderate income households by developing lots and providing them to builders at low costs, providing attractive architectural plans, paying closing costs and providing loans for qualified home buyers.

Over the years the NRHA expenditures directly related to the Central Brambleton Neighborhood Conservation Project add up to \$17,062,475. However, these dollars were spent in many different years, at varying prices for the infrastructure, lot development, and financial services purchased. Therefore for this report we chose to adjust the dollar amounts from the initial purchase prices for such goods and services to the prices in 2010, restating the total to \$22,650,017 at 2010 prices. The restated dollar amounts by years by source of funding and in total are graphed in Figure 2, NRHA Development Expenditures, stated at 2010 prices. CDBG is the abbreviation for Community Development Block Grants, CIP for Capital Improvement Program, and Home is home assistance and financing programs. Exhibit A1 & A2 with the unadjusted and adjusted dollars by years are in the Appendix.

Figure 2 - NRHA Development Expenditures, Stated at 2010 Prices



Modeling the Norfolk impacts of NRHA development expenditures directly related to Central Brambleton for each of the 17 years and then summing the results would produce 18 Tables. Our choice here, for brevity and simplicity, is to model and report the results for just the total expenditures stated at 2010 prices. This illustrates the estimated City of Norfolk economic impacts for 2010 if all of the NRHA expenditures had occurred in 2010.

The direct NRHA expenditures by type are inputs into the IMPLAN (IMPact analysis for PLANning) Version 3 Software System to derive the indirect, induced, and total economic impacts by category for the City of Norfolk. The IMPLAN Version 3 Software System is a 440 sector input-output system released in 2010 designed for estimating economic impacts, based on industry or commodity demand. The IMPLAN model contains two key elements, production coefficients and regional trade flows. The production coefficients are derived from the U.S. input-output tables, detailing how much of each input from other industries is used in producing the output of any one industry. Regional trade flows are used to estimate what percent of each input is produced locally – thus contributing to the area’s Value Added, its Gross Regional Product. The current IMPLAN version is based on 2008 data, with inflators added to enable reporting nominal amounts in the dollars, or prices, of 2010 or later years.

The estimated NRHA impacts are shown in Table 1. The direct impacts in the first column of the table are the initial focus here. Direct NRHA Central Brambleton-related spending in Norfolk has been a cumulative \$22,650,017, as shown in the first row of column 2. All dollar impacts in this report are stated at 2010 prices, so they are comparable to the values Norfolk residents and workers have been receiving and paying recently.

Table 1 - Estimated Norfolk 2010 Impacts of Cumulative NRHA Development Spending	Direct	Indirect & Induced	Total	Multiplier
Norfolk Spending	\$22,650,017	\$9,761,313	\$32,411,330	1.43
Norfolk Value Added	\$10,096,331	\$5,862,086	\$15,958,417	1.58
Norfolk Labor Income	\$7,805,024	\$3,702,147	\$11,507,170	1.47
Norfolk Employment	171	84	254	1.49
Income Per Job	\$45,753	\$44,327	\$45,285	

Not all of the Norfolk direct spending for goods and services is for items and services made in Norfolk. Many of the goods and services are produced elsewhere, then used here. Therefore the dollar spending in Norfolk is larger than what is made here. Another measure, direct Value Added, is shown in row 2 as an estimate of the value of production of goods and services that does occur in Norfolk. Value Added is the way the nation’s Gross Domestic Product (GDP) is measured, so one can think of the \$10,096,331 direct Value Added in Table 1 as the direct contribution of the NRHA expenditures to Norfolk’s Gross City Product (GCP).

The city’s direct labor income of \$7,805,024 is payroll and fringe benefits to payroll workers as well as the proprietors’ income of workers who are independent contractors. In this case, direct labor income is 77% of the direct value added, since the labor activity primarily occurs on-site in Central Brambleton.

The direct impacts give rise to two other types of impacts in Norfolk, indirect impacts and induced impacts. In all of the tables, these two types are combined as the sum of indirect-and-induced impacts; but each needs to be described. The businesses and contractors dealing directly

with NRHA do not make everything they use in carrying out their operations. They also purchase supplies and services, such as equipment, fuel, utilities, communications, maintenance and repair services, transportation services, and professional services from other Norfolk businesses. This business-to-business activity (B2B) is the indirect impact generated by the NRHA direct spending.

Induced impacts are created primarily by workers (employed in the direct and indirect activities) spending their earnings in the city. These induced impacts are very real and measurable, because households spend most of their earnings on consumer goods and services and housing, generating jobs at local establishments such as retail stores, restaurants, theaters and sporting events, and health and personal care providers. Even workers who work here but do not live here permanently spend a portion of their payroll in the area where they work. That is true for the current in-commuters who work in Norfolk but live outside of Norfolk. The indirect and induced impacts are combined here for brevity in the tables and text.

The total economic impacts attributable to the NRHA development expenditures are the sum of the direct and the indirect-and-induced impacts. The ratio of the total impacts to the direct impacts is the multiplier effect. For example, the Value Added multiplier of 1.58 in Table 1, which is the ratio of total Norfolk Value Added to direct Norfolk Value Added, shows how much output of goods and services in Norfolk would depend on each dollar of Norfolk output directly generated by the NRHA site and infrastructure work. Similarly, the jobs multiplier of 1.49 shows that for each worker directly engaged in the NRHA Central Brambleton development work, there is a total of 1.49 jobs supported in Norfolk by these projects.

NRHA-Related Central Brambleton Housing Construction Expenditures

The Norfolk Redevelopment and Housing Authority does not build single-family houses in the Central Brambleton Neighborhood Conservation Project. NRHA carries out infrastructure and lot development, making the area attractive to residents and developers, then sells the lots to private builders willing to build the type of homes required by NRHA. To illustrate the City of Norfolk economic impacts of the building of 90 homes for NRHA in Central Brambleton, we use the July 2010 assessed value of the improvements on the lots for these 90 addresses, as provided to us directly by Ms. Deborah K. Bunn, City of Norfolk Real Estate Assessor. The assessed value of improvements represents a conservative estimate of the current replacement cost of the homes, enabling us to illustrate the Norfolk economic impacts if these 90 homes had all been built in 2010. Thus for brevity and clarity we are compressing the housing construction activity which occurred over more than 17 years into one example at 2010 prices and costs.

The July 2010 assessed value of improvements for the 90 homes on NRHA-developed lots was \$15,257,100 (equal to \$169,523 per home). The 2010 economic impacts derived through use of the IMPLAN 3 model of undertaking \$15,257,100 in residential construction in Norfolk are reported in Table 2. The multiplier effects are somewhat larger for this construction activity than for the infrastructure development work, especially for Value Added since the housing construction work is on-site and more labor intensive. The Value Added impacts deserve special comment. The direct value added of \$5,457,986 is the housing production on-site by the builders and construction craftsmen, therefore nearly all, 98%, is labor income. The indirect-and- induced Value Added of \$4,401,827 consists of two parts, indirect Value Added of \$2,706,603 created by business-to-business purchases of Norfolk-produced inputs used in the construction, such as an estimated \$273,481 in earnings by Norfolk wholesalers supplying goods and \$222,462 in margins earned by in general merchandise stores and building and garden supply stores. The other part of indirect-and-induced Value Added is an estimated \$1,695,224 in Norfolk earnings

from goods and services sold to the construction workers, both resident and in-commuting ones, as they spend part of their labor income within Norfolk. Therefore the \$9,859,813 in Norfolk Value Added, local production directly and indirectly related to the construction activity, with a multiplier effect of 1.81, is a very real outcome of local residential construction activity.

Table 2 - Estimated Norfolk 2010 Impacts of Cumulative NRHA-Related House Construction Spending				
	Direct	Indirect & Induced	Total	Multiplier
Norfolk Spending	\$15,257,100	\$7,332,928	\$22,590,028	1.48
Norfolk Value Added	\$5,457,986	\$4,401,827	\$9,859,813	1.81
Norfolk Labor Income	\$5,353,855	\$2,783,444	\$8,137,300	1.52
Norfolk Employment	114	67	181	1.58
Income Per Job	\$46,955	\$41,800	\$45,054	

Total NRHA-Related Central Brambleton Area Expenditures

Table 3 gives the estimated combined total amounts for NRHA-related development and construction expenditures and their City of Norfolk impacts, if all of these expenditures had occurred in 2010 at 2010 prices. Therefore the dollar amounts are comparable to the values Norfolk residents and workers have been receiving and paying recently. The Norfolk jobs are employment by place of work, the sum of the jobs which would have been generated in each of the years in which the NRHA-related activities occurred. Seventy-two percent, nearly three-fourths, of the total activity took place in the ten years 1995-2004. During these 10 years, the NRHA Central Brambleton activity alone directly and indirectly supported an average of 31 Norfolk jobs each year.

Table 3 - Combined Norfolk 2010 Impacts of Cumulative NRHA-Related Development & Construction Spending				
	Direct	Indirect & Induced	Total	Multiplier
Norfolk Spending	\$37,907,117	\$17,094,242	\$55,001,358	1.45
Norfolk Value Added	\$15,554,317	\$10,263,913	\$25,818,230	1.66
Norfolk Labor Income	\$13,158,879	\$6,485,591	\$19,644,470	1.49
Norfolk Employment	285	150	435	1.53
Income Per Job	\$46,235	\$43,206	\$45,189	

Asset Impacts of the NRHA Central Brambleton Neighborhood Conservation Project

This NRHA development project has had a substantial impact on the assets in Central Brambleton and the Norfolk Neighborhood 200400 in which it is located. To document these asset impacts, we show the asset values in three years, 2001, 2005, and 2010, for the NRHA properties, the rest of the Neighborhood 200400 residential properties, and the combined total values for the neighborhood. For perspective, we also compare these asset values to those for the adjoining Neighborhood 200200, St. Julian-Princess Anne Road, in the same three years 2001, 2005, and 2010. These comparisons use the assessed values for land, improvements, and combined total for residential lots and houses in these two neighborhoods. The analysis was made possible by the cooperation of Ms. Deborah K. Bunn, City of Norfolk Real Estate Assessor and her staff in providing us with a full database for all of the residential properties in these two residential neighborhoods for the years 2001-2010. Note the details are for residential property only, which for Neighborhood 200400 in 2010 was predominantly in Central Brambleton (202 of the 219 residences) and excludes the Norfolk State University campus.

The property assessments for NRHA-related properties are given in Table 4. The NRHA development-related property had a 2010 total assessed value of \$18.6 million, a 501% increase since 2001. This \$18.6 million in NRHA-related value produced City of Norfolk real property taxes of \$206,752 in 2010. Note that improvements increased by \$15.3 million or 523%. In addition, the underlying land also increased substantially, by \$3.4 million or 420%, partly the product of the NRHA infrastructure improvements.

Table 4 - NRHA-Related Property Selected Years	Unimproved Lots	Lots with Dwellings	Dwelling Living Area, Sq. Ft.	Improvements Assessed Value	Land Assessed Value	Total Assessed Value
2001	33	32	115,650	\$2,450,700	\$648,100	\$3,098,800
2005	8	77	153,652	\$8,732,900	\$1,297,100	\$10,030,000
2010	0	90	162,743	\$15,257,100	\$3,369,200	\$18,626,300
<u>Percent Changes</u>						
2001-2005			33%	256%	100%	224%
2005-2010			6%	75%	160%	86%
2001-2010			41%	523%	420%	501%
<u>Unit Changes</u>						
2001-2005	-25	45	38,002	\$6,282,200	\$649,000	\$6,931,200
2005-2010	-8	13	9,091	\$6,524,200	\$2,072,100	\$8,596,300
2001-2010	-33	58	47,093	\$12,806,400	\$2,721,100	\$15,527,500

The Internal Revenue Service Alternative Depreciation System requires persons depreciating property used 50% or less in a qualified business to use a 40 year useful life. On average, these 90 homes are about eight years old, with a remaining life of 32 years by IRS rules. Maintained in

good condition, they could bring in tax revenues of approximately \$6.4 million at 2010 values over the remaining 32 years. From a resident point of view, the appreciation per dwelling for these 90 homes from 2001 to 2010 has been 114% (in spite of assessed values having decreased in 2010), accruing to the homeowner. This increase in personal wealth is a substantial benefit to the individual households.

The assessed value of the rest of the Neighborhood 200400 residential properties, excluding the 90 NRHA-related ones, also has increased dramatically, at least partly due to the NRHA improvements to the neighborhood. Values for these other properties are shown in Table 5.

These other 129 Neighborhood 200400 properties had an assessed value of \$18.8 million in 2010, an increase of 273% since 2001. Note especially that the land assessments rose to \$3.1 million, an increase of \$2.5 million or 438%, a much larger percentage gain than the 252% gain for improvements. A substantial portion of the land increase in value can reasonably be attributed to the NRHA improvements to the infrastructure and general appearance of the neighborhood.

The real estate values and characteristics for all of the Neighborhood 200400 residential properties are reported in Table 6. The total 2010 assessed value of \$37.4 million is an increase of 360% since 2001. This \$37.4 million generated \$414,925 in 2010 property tax revenue for the City of Norfolk.

Table 5 - Other Neighborhood 200400 Property Selected Years	Lots with Dwellings	Dwelling Living Area, Sq. Ft.	Improvements Assessed Value	Land Assessed Value	Total Assessed Value
2001	102	199,609	\$4,451,100	\$572,000	\$5,023,100
2005	115	234,515	\$9,536,070	\$1,068,800	\$10,604,870
2010	129	228,768	\$15,678,100	\$3,076,200	\$18,754,300
<u>Percent Changes</u>					
2001-2005		17%	114%	87%	111%
2005-2010		-2%	64%	188%	77%
2001-2010		15%	252%	438%	273%
<u>Unit Changes</u>					
2001-2005	13	34,906	\$5,084,970	\$496,800	\$5,581,770
2005-2010	14	-5,747	\$6,142,030	\$2,007,400	\$8,149,430
2001-2010	27	29,159	\$11,227,000	\$2,504,200	\$13,731,200

Table 6 - All Neighborhood 200400 Property Selected Years	Lots with Dwellings	Dwelling Living Area, Sq. Ft.	Improvements Assessed Value	Land Assessed Value	Total Assessed Value
2001	134	315,259	\$6,901,800	\$1,220,100	\$8,121,900
2005	192	388,167	\$18,268,970	\$2,365,900	\$20,634,870

2010	219	391,511	\$30,935,200	\$6,445,400	\$37,380,600
<u>Percent Changes</u>					
2001-2005		23%	165%	94%	154%
2005-2010		1%	69%	172%	81%
2001-2010		24%	348%	428%	360%
<u>Unit Changes</u>					
2001-2005	58	72,908	\$11,367,170	\$1,145,800	\$12,512,970
2005-2010	27	3,344	\$12,666,230	\$4,079,500	\$16,745,730
2001-2010	85	76,252	\$24,033,400	\$5,225,300	\$29,258,700

One might question how the Neighborhood 200400 changes compare to other area changes, since property values generally were considerably higher in 2010 than in 2001. For a local comparison, we choose to compare Neighborhood 200400 to an adjoining neighborhood, 200200 on the neighborhood map above, which has not been part of the NRHA Central Brambleton Neighborhood Conservation Project. The Neighborhood 200200 values for the 2001, 2005, and 2010 years are shown in Table 7. The assessed values in this neighborhood reached \$22.2 million in 2010, an increase of 190% from 2001. That percentage gain is only 53% of the 360% increase for Neighborhood 200400 over the same 2001-2010 period. Stated another way, Neighborhood 200400 containing the Central Brambleton development project increased in value nearly twice as much, 1.9 times, as the rise in Neighborhood 200200. Most, if not nearly all, of that larger increase reasonably can be attributed to the NRHA development project.

Note that the two neighborhoods did have somewhat different total assessed values in 2001, equal to \$8,121,900 in Neighborhood 200400 versus \$7,650,900 in Neighborhood 200200. An alternative way of comparing the changes over time is to show what the Neighborhood 200400 outcomes would have been in 2010 if this neighborhood had grown from 2001 through 2010 at the same growth rates as Neighborhood 200200. This “what if” comparison is reported in Table 8. If Neighborhood 200400 had grown only at the same rates as the adjacent Neighborhood 200200 from 2001 to 2010, the total assessed value would have been \$13.8 million less in 2010, with 62 fewer homes available for Norfolk residents.

Table 7 - Neighborhood 200200 Property Selected Years	<u>Lots with Dwellings</u>	<u>Dwelling Living Area, Sq. Ft.</u>	<u>Improvements Assessed Value</u>	<u>Land Assessed Value</u>	<u>Total Assessed Value</u>
2001	138	255,630	\$6,293,500	\$1,357,400	\$7,650,900
2005	140	260,121	\$10,446,200	\$1,432,700	\$11,878,900
2010	162	279,780	\$17,467,500	\$4,713,900	\$22,181,400
<u>Percent Changes</u>					
2001-2005		2%	66%	6%	55%
2005-2010		8%	67%	229%	87%
2001-2010		9%	178%	247%	190%
<u>Unit Changes</u>					
2001-2005	2	4,491	\$4,152,700	\$75,300	\$4,228,000
2005-2010	22	19,659	\$7,021,300	\$3,281,200	\$10,302,500
2001-2010	24	24,150	\$11,174,000	\$3,356,500	\$14,530,500

Table 8 - Neighborhood 200400 in 2010 If It Grew Only at Neighborhood 200200 Growth Rates 2001- 2010	<u>Lots with Dwellings</u>	<u>Dwelling Living Area, Sq. Ft.</u>	<u>Improvements Assessed Value</u>	<u>Land Assessed Value</u>	<u>Total Assessed Value</u>
2001	134	315,259	\$6,901,800	\$1,220,100	\$8,121,900
2010	157	345,042	\$19,155,826	\$4,237,093	\$23,546,918
<u>Unit Differences in 2010 with Neighborhood 200200 Growth Rates</u>					
2010	-62	-46,469	-\$11,779,374	-\$2,208,307	-\$13,833,682

NRHA Current Capacity for Future Central Brambleton Development

NRHA will continue to develop housing units in the Central Brambleton Conservation Area. Currently there are plans for seeking construction of 10 townhomes on Park Avenue, the eastern border of the area, with an expected sales price in the neighborhood of \$175,000. In addition, 10 single-family homes are proposed in the northwest part of Central Brambleton on Cecelia Street and Hanson Avenue, with a likely selling price of approximately \$200,000. Carrying out these plans could add \$3,750,000 to the City of Norfolk residential property tax base, with \$41,625 in new real estate tax revenue.

NRHA also will be pursuing in-fill construction of single-family homes on other lots scattered throughout the area. NRHA presently owns 15 additional lots in Central Brambleton, three of which currently are to be developed for single-family housing.

Additional Qualitative and Quantitative Analyses

We also obtained quantitative and qualitative insights from a primary research methodology that included a survey and a broad interviewing process of key constituents of NRHA (see Exhibits B & C in Appendix). Further, other sources of information were gathered including crime statistics (see Exhibit D in Appendix), newspaper accounts, and other reports.

First, we discuss the major findings from the survey and interviews. Ten high quality interviews were accomplished with individuals who were self-reported to be “very familiar” with NRHA (several less formal conversations were also incorporated). Each interview lasted between 1-3 hours with the average around 1.5 hours. The interviews had two goals:

- 1) To perform a 360 degree assessment of the perceptions of NRHA from major constituents on the dimensions which NRHA had highlighted was important in the FY 2010 Annual Report (see individual scales in Exhibit B in Appendix).
- 2) To assess the relative importance and achievement of quality of life issues

Survey and Interviews

Respondents included police, realtors, bankers, builders, newspaper reporters, civic leaders, residents, and city officials. Generally, the respondents replied that they “strongly agreed” or “agreed” to all the statements with few exceptions. There is a general strong belief that NRHA has been a national model for redevelopment and has positively supported and shaped Norfolk. Darnetta Saunders, Past President of the Central Brambleton Civic League, summarized the general view, “NRHA is a tremendous help for Norfolk across groups and incomes.” Another homeowner said, “I love my home and my neighborhood.” This sense of community was strongly sensed by the respondents and articulated by Police Chief Anthony Walker of Norfolk State University, “It has been an incredible change. They have rebuilt neighborhoods...they [NRHA] concentrate on the neighborhood priorities. I have had the best working relationship with the civic league there [Central Brambleton].” “Around NSU [Norfolk State University] is the poster child for NRHA,” states a realtor.

The statement that NRHA fosters mixed income housing was perceived as strongly true. Almost universally, “Excellence”, “Innovation”, “Teamwork”, “NRHA has positively shaped Norfolk” along with “NRHA is as a national model for redevelopment” was strongly agreed upon. Respondents were equally in strong agreement that “Norfolk has received tremendous... Economic...Social...and Cultural benefits.” Similarly, “NRHA is a leader in ...Senior housing...Building communities...Innovative housing...Redevelopment...Affordable housing,”

all found strong support. One respondent stated, “Norfolk is stellar in updating, rehabbing, restoring, and preserving the beauty of Norfolk architecture...NRHA has helped first time buyers – as well as older owners keep the American dream.” Caveats were added by two respondents, “The cost of design, green, innovation, upgrades in quality – all can push it out of reach of many buyers.” Finally, most either strongly agreed or agreed that “NRHA has a great ability to bring in funds from outside Norfolk to support our city” and “NRHA has dramatically improved the quality of life in Norfolk.”

A few respondents neither agreed nor disagreed with the following statements: NRHA provides quality housing where you want to live, NRHA projects the values of Accountability and Customer Service, and NRHA is a leader in Low Carbon/Sustainability/transit-oriented development. In following up with the respondents, some explanation was offered. Several respondents felt that the housing options offered by NRHA were either “too low or too high” – this may indicate that some middle-income segments do not perceive that NRHA has a focus on housing for their needs. Accountability was also another dimension that seemed to not have strong feelings. The respondents had general positive feelings toward NRHA but did not have knowledge of what ways or to whom NRHA is responsible or accountable. Customer service was rated highly by most but a few respondents had concerns with the large size and wish for more communication. Finally, there seems to be a lack of knowledge by a few in the ways that NRHA accomplishes Low Carbon/Sustainability/Transit-oriented/Green building. These problems may be the result of communication tactics that have not emphasized these points, lacked adequate funding, respondents’ unfamiliarity with these terms, or are less important priorities. Finally, educational benefits were not specifically listed as a priority in the FY 2010 Annual Report but are an important NRHA tactic and value – education is also highlighted by the respondents as important. Darnetta Saunders stated, “Once you go to the class you are a believer...its almost impossible to fail unless you won’t do the right thing. They do a great job of inspiring home ownership.”

Most respondents, even with proven knowledge and relationships with NRHA did not have an understanding of the size and scope of NRHA. Most guessed that NRHA was less than a tenth of its actual size. No one had a sense of the amount of federal and state resources brought into Norfolk by NRHA. The inability of even well-acquainted respondents to articulate the scope of NRHA’s vast activities is not surprising. An organization of this complexity and size creates challenges for communication and action. NRHA, as perceived by its major constituents, seems to have been able to accomplish a great deal and has built up their brand equity but may need further communication activities to gain full credit for their achievements. One respondent said, “NRHA needs to make their work more public – many...have no idea of the possibilities.” Another respondent suggested, “They [NRHA] needs to do some good before-and-after pictures.” A third added, “NRHA needs more community programs to show the process, education, and outreach...No one says anything like ‘that was a bad development’, or ‘that was a waste of money’ – they [citizens] have not complained. What they are doing looks good but we don’t know all of what’s going on.”

General Quality of Life Insights

Local economic and entrepreneurial activity is an important goal. For realtors, “getting rid of the junk and putting up some decent housing that is easier to sell, buy, loan, and appraise is a great benefit.” Contractors indicate that they benefit from the projects in this distressed economy although they need to have 4-5 houses in a row to make it attractive. There seems to be little

evidence that NRHA has attracted R&D or other business investment outside the construction industry.

Household wealth, property values, and tax bases are an outcome of NRHA's activities. Darnetta Saunders, maybe with some hyperbole, says, "My property value is up 100% and my taxes are up 1000%". Property taxes are significantly higher. Employment is required to buy the houses in Central Brambleton. Outside grants have allowed much of this transformation to take place without the tax burden on Norfolk residents.

Aesthetics and removal of blight are clearly visible signs of NRHA's success. "Greenery and lighting say a lot about the community...big improvements in the how the neighborhood looks and it is built to higher code. They have gotten rid of blight," states resident and civic leader Darnetta Saunders. Driving through, the neighborhood looks clean and beautiful. The sidewalks have been widened. Landscaping is planted. Storm drainage is installed and effective. A safer neighborhood is borne out by crime statistics (see below) and houses that meet current building codes are assured. There is a concern that the loss of eminent domain may undercut NRHA's ability to remove blight (perceived to be intimately associated with crime). Some suggestions included, "Use code violations to take homes – all civic leagues are for it."

Collaboration and community pride are critical outcomes. Darnetta Saunders again adds, "There is a lot better collaboration among police, the civic league, and residents." Little evidence is available so far on the likely effects of NRHA activities on city maintenance costs. It is clear that lowered criminal activity is achieved with blight removal and the engagement of the community – both outcomes of redevelopment. One respondent said, "NRHA is true to its purpose of home ownership through education and improving affordability." Affordability achieved through lower rates, help with down payments, and access to rehabilitation funds. Central Brambleton, a collaboration with Norfolk State University, offers mixed income interaction and diversity. Community pride is apparent when talking with residents. Further, jobs were added most significantly in construction but other industries including financial services.

Green, sustainability, and energy saving efforts are a priority but have not been perceived as a priority of NRHA by some. The builders tend to agree that it is important despite the view that it costs them more money and it isn't driving sales at this point. The motivation is that it has a long-term payoff because it looks good and it works. They believe it helps them get jobs in the first place and that it will translate into higher sales in the future. Not all buyers are sure whether it works or not and worry that the additional costs may not have a reasonable payback. NRHA projects have been a catalyst for environmental improvements (e.g., Elizabeth River).

Crime Statistics

In 1990 there was a significant drug problem in the Central Brambleton area. The incidence of fire to residential units was three to six times the city average. More than 7% of Norfolk homicides in the three years before 1990 occurred in this area (with only 2.2 % of the population). The perception was that Area 1 bounded by Brambleton, Tidewater, Park, and Virginia Beach Blvd. was as bad or worse than Area 2 bounded by Princess Anne, Tidewater, St. Julian and Lead St. By 2000, there was a 45% lower rate of violent crime and 37.5 % lower rate of property crime in the Central Brambleton neighborhood as compared to its adjacent northern neighbor. In 2005, there was less than half the rate of crime (and a third the rate of violent

crime) in Area 1 as compared to Area 2. In 2010, violent crimes were half in Area 1 versus Area 2 and property crimes occurred two-thirds as often. On average, there is 40% less crime across these three time periods in Central Brambleton area as an adjacent area.

Conclusion

In 1990 the Central Brambleton area was a deteriorating, unsafe, and failed community. Many of the structures were in such “poor” condition that rehabilitation appeared infeasible. Residents’ concern for safety was realistic given the significant number of vacant structures attracting crime and vacant lots filled with junked or abandoned vehicles, discarded appliances, trash, and scrap building materials. Blight had an address.

Private enterprise was unable to overcome these challenges alone. NRHA’s comprehensive effort to reverse the decline allowed the residents improve their neighborhood and assist Norfolk to increase the tax base, reduce crime, improve employment opportunities, and further economic development. 435 jobs at an average wage of \$45,285 were created. The total 2010 assessed value of \$37.4 million (an increase of 360% since 2001) generated \$414,925 in 2010 property tax revenue for the City of Norfolk. Finally, improvements increased by \$15.3 million or 523%, and the underlying land also increased substantially, by \$3.4 million or 420%. Both quantitatively and qualitatively, the Central Brambleton project has delivered on its investment for residents, workers, and taxpayers.

As a case study, this analysis suggests some of the outcomes from a single neighborhood. NRHA’s significant impact, both economic and the quality of life of Norfolk residents, can be projected with some confidence across the city. It is also a critical impact since not private enterprise, not city government, not citizens generally can do this even in conjunction – NRHA has supplied necessary impetus by attracting federal money and offering the capabilities to pull it all together.

Appendix

**Table A1 - NRHA Central
Brambleton
Expenditures by Fund
Source by Years**

	<u>CDBG</u>	<u>CIP</u>	<u>Home & Other</u>	<u>Total</u>
to 1994	\$734,567	\$602,205	\$238,935	\$1,575,707
1995	395,563	1,295,999	67,560	1,759,122
1996	96,431	608,839	0	705,270
1997	602,452	395,543	69,977	1,067,972
1998	610,951	333,135	0	944,086
1999	349,446	628,104	189,413	1,166,963
2000	434,834	105,654	3,905	544,393
2001	1,387,267	453,681	152,225	1,993,173
2002	199,487	721,720	601,686	1,522,893
2003	267,374	686,806	242,136	1,196,316
2004	415,348	339,889	171,128	926,365
2005	134,907	270,111	0	405,018
2006	409,929	354,680	0	764,609
2007	32,050	286,161	133,525	451,736
2008	287,334	709,497	0	996,831
2009	230,102	334,498	50,707	615,307
2010	<u>23,577</u>	<u>342,904</u>	<u>60,233</u>	<u>426,714</u>
Total, all years	<u>\$6,611,619</u>	<u>\$8,469,426</u>	<u>\$1,921,197</u>	<u>\$17,062,475</u>

**Table A2 - NRHA Central
Brambleton Expenditures
at 2010 Prices by Fund
Source by Years**

	<u>CDBG, 2010 Prices</u>	<u>CIP, 2010 Prices</u>	<u>Home & Other, 2010 Prices</u>	<u>Total, 2010 Prices</u>
to 1994	\$1,235,009	\$998,035	\$376,897	\$2,609,941
1995	640,018	2,065,417	102,493	2,807,929
1996	152,160	948,159	0	1,100,319
1997	922,671	598,095	96,331	1,617,097
1998	905,769	488,562	0	1,394,331
1999	499,195	885,690	252,171	1,637,056
2000	596,319	142,842	5,153	744,314
2001	1,825,012	587,101	202,026	2,614,138
2002	256,945	912,818	750,398	1,920,161
2003	335,301	839,203	299,211	1,473,714
2004	493,979	390,702	200,489	1,085,170
2005	149,621	289,303	0	438,924
2006	424,097	355,130	0	779,227
2007	31,453	275,055	141,264	447,772
2008	274,941	675,832	0	950,774
2009	223,743	326,361	52,332	602,436
2010	<u>23,577</u>	<u>342,904</u>	<u>60,233</u>	<u>426,714</u>
Total, all years	<u>\$8,989,810</u>	<u>\$11,121,209</u>	<u>\$2,538,998</u>	<u>\$22,650,017</u>

Exhibit B
NRHA Questionnaire

This research is being conducted by professors from the College of William and Mary. Your comments will remain anonymous unless you specifically give permission to use your name.

I give permission to use my name in this study _____
(signature & date)

Please respond to the following statements about the Norfolk Redevelopment and Housing Authority (NRHA) in relationship to other entities, agencies, companies, groups, etc. you are familiar with in the Norfolk area. You are welcome to write comments anywhere on the questionnaire. Please circle the number under your response.

- | | Strongly
Agree | 1-----2-----3-----4-----5 | Strongly
Disagree |
|--|-------------------|---------------------------|----------------------|
| 1) NRHA provides quality housing choices where you want to live. | | 1-----2-----3-----4-----5 | |
| 2) NRHA fosters mixed income communities. | | 1-----2-----3-----4-----5 | |
| 3) NRHA has a strategic business approach. | | 1-----2-----3-----4-----5 | |
| 4) NRHA supports the community. | | 1-----2-----3-----4-----5 | |
| 5) NRHA projects the following values: | | | |
| a) Accountability | | 1-----2-----3-----4-----5 | |
| b) Customer Service | | 1-----2-----3-----4-----5 | |
| c) Excellence | | 1-----2-----3-----4-----5 | |
| d) Innovation | | 1-----2-----3-----4-----5 | |
| e) Teamwork | | 1-----2-----3-----4-----5 | |
| 6) NRHA is a national model for redevelopment. | | 1-----2-----3-----4-----5 | |
| 7) NRHA has positively shaped Norfolk. | | 1-----2-----3-----4-----5 | |
| 8) Norfolk has received a tremendous | | | |
| a) Economic benefits | | 1-----2-----3-----4-----5 | |
| b) Social benefits | | 1-----2-----3-----4-----5 | |
| c) Cultural benefits | | 1-----2-----3-----4-----5 | |

- | | Strongly
Agree | Strongly
Disagree |
|---|---------------------------|----------------------|
| 9) NRHA is a leader in: | | |
| a) Green building | 1-----2-----3-----4-----5 | |
| b) Senior housing | 1-----2-----3-----4-----5 | |
| c) Building communities | 1-----2-----3-----4-----5 | |
| d) Innovative housing | 1-----2-----3-----4-----5 | |
| e) Redevelopment | 1-----2-----3-----4-----5 | |
| f) Affordable housing | 1-----2-----3-----4-----5 | |
| g) Sustainable | 1-----2-----3-----4-----5 | |
| h) Low carbon society | 1-----2-----3-----4-----5 | |
| e) Transit-oriented development | 1-----2-----3-----4-----5 | |
| 10) NRHA has a great ability to bring in funds
from outside Norfolk to support our city. | 1-----2-----3-----4-----5 | |
| 11) NRHA has dramatically improved
the quality of life in Norfolk. | 1-----2-----3-----4-----5 | |
| | very | not at all |
| 12) How familiar are you with NRHA. | 1-----2-----3-----4-----5 | |

Final Estimates & Feedback: (Thank you for your valuable assistance.)

I would estimate that NRHA has an annual budget of \$ _____

I would estimate that NRHA has brought into the Norfolk area

\$ _____ from federal and state sources in the last 10 years.

NRHA needs improvement in the following way:

Norfolk's quality of life has been improved in the following ways:

Exhibit C
Quality of Life Survey Instrument for qualitative interviewing

City perspective:

lost household wealth / property values

earnings

local econ activity / entrepreneurial activity

employment

uncollected prop taxes

blight removal

city maintenance costs

taxes

outside grants

lowered criminal activity

Construction/maintenance jobs

Financial/banking services

Attracted R&D, bus invest, Business opportunities

Quality Of Life:

- widened sidewalks, landscaping, storm drainage
- safer neighborhoods/houses (codes)
- aesthetic quality of neighborhood / blight
- catalyst for environmental improvements (e.g., Elizabeth River)
- entrepreneurial activity
- energy savings
- education
- home ownership (real and aspirational benefits) lower rates /down payment /
funds to rehabilitate
- community pride
- mixed income interaction / diversity
- housing affordability

Exhibit D

Brambleton Crime Statistics

Area 1 (within Brambleton, Tidewater, Park, and Va Bch Blvd)

Area 2 (within Princess Anne, Tidewater, St. Julian and Lead St)

										A1 vs A2
	Area 1			Area 2			Area 1			ave diff 2000-2010
	2000	2000	% diff	2005	2005	% diff	2010	2010	% diff	
VIOLENT CRIME										
1. Murder	1	1		0	1		0	2		
2. Forcible Rape	2	3		0	2		1	0		
3. Robbery	12	10		6	14		6	8		
Business	2	0		0	2		0	0		
Individual	10	10		6	12		6	8		
4. Aggravated Assault	16	24		7	28		5	14		
Agg Asslt/Agg Asslt Leo	6	18		4	18		3	6		
Domestic	1	1		0	1		0	0		
All other Agg Asslt	9	9		3	9		2	8		
Tot Violent Crime (1-4)	31	45	45.2%	13	45	246.2%	12	24	100.0%	103.6%
PROPERTY CRIME										
5. Burglary	22	21		11	23		12	39		
Commercial	12	5		2	4		3	10		
Nonresidence	3	0		2	2		3	6		
Residence	7	16		7	17		6	23		
6. Larceny	71	91		73	126		81	95		
From/Parts from Auto	35	36		32	75		61	52		
All other larcenies	36	55		41	51		20	43		
7. Stolen Vehicle	11	29		5	23		8	15		
8. Arson	0	2		1	0		1	3		
Total Prop Crime (5-8)	104	143	37.5%	90	172	91.1%	102	152	49.0%	57.8%
TOTAL CRIME	135	181	34.1%	103	217	110.7%	114	176	54.4%	63.1%

Biographical Sketches of the Principals

Roy L. Pearson

A William and Mary Mason School of Business faculty member since 1971 and the Chancellor Professor of Business since 1987, Roy moved to Emeritus status in 2005. Roy's specialty is forecasting, which he has taught in the MBA program for three decades. From 1984 to 1998 as Director of the College's Bureau of Business Research he regularly published his quarterly two-year-ahead forecasts, and also ten-year forecasts, for Virginia and its six largest metropolitan areas. Economic impact modeling is another special interest. For public and private reports, Roy has used all three of the major impact models, IMPLAN, REMI, and RIMS II; and he integrated these models with his own Virginia forecasting models as a unique method for estimating government rates of return from the direct, indirect, and induced impacts of capital projects over the life of the assets. Some economic impact studies he prepared while in the Bureau of Business Research were: *The Government Returns and Economic Impacts Generated by Current Richmond International Airport Expansion Initiatives*; *The Virginia Economic Impacts of Philip Morris U.S.A.*; *The Estimated Economic Impact of Disney's America on Prince William County, the Northern Virginia MSA, and the Commonwealth of Virginia*; *The Estimated Economic Impact of the Lego Family Park USA on Prince William County, the Northern Virginia MSA, and the Commonwealth of Virginia*; and *Economic Impacts of Alternative Regulation Environments for Virginia Telephone Companies*. For the Mason School of Business Compete Center, he was a principal researcher for the study, *The Fiscal Year 2006 Virginia Economic and Fiscal Impacts of Virginia Port Authority Operations*. As a private consultant, he also has prepared impact estimates for over a dozen Virginia organizations and projects.

Roy served on the Governor's Advisory Board of Economists at the pleasure of six Virginia governors, Robb, Baliles, Wilder, Allen, Warner, and Kaine. He has been on the Board of Directors of the International Institute of Forecasters (IIF), is Vice-President of the National Business and Economics Society (NBES), and serves on the editorial board of IIF's *Foresight: The International Journal of Applied Forecasting*. He received a B.S. in Commerce and Ph.D. in Economics from the University of Virginia. He can be reached at roy.pearson@mason.wm.edu.

K. Scott Swan

K. Scott Swan, Ph.D. is an Associate Professor of International Business and Marketing at The College of William & Mary. Scott has conducted marketing research for more than 20 years. He has worked as a marketing analyst, researcher, and manager as well as founded several small businesses. He is a member of the American Marketing Association and the Academy of International Business. His research has been published in journals such as *Strategic Management Journal*, *Journal of International Management*, *Journal of International Business Studies*, *Management International Review*, *Journal of Business Research* and *The Journal of Product Innovation Management*. He has also been the editor of three special issues of *The Journal of Product Innovation Management* and was a principal researcher for the study, *The Fiscal Year 2006 Virginia Economic and Fiscal Impacts of Virginia Port Authority Operations*. Prof. Swan has presented his research in more than a dozen countries. His Ph.D. is from the University of Texas at Austin and can be reached at scott.swan@mason.wm.edu.