


Proposed Consolidated Annual Operating and
Capital Budget Fiscal Year FY2012

NRHA Budget in Brief

FY2012



Moving Towards Sustainability

PEOPLE * PROGRAMS * SERVICES

VISION

Quality housing choices in neighborhoods where you want to live.

MISSION

Provide quality housing opportunities that foster sustainable mixed-income communities.

*We don't just build homes,
we create neighborhoods.*

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Would we want to live there?

*Until the answer is YES,
we're not done!*

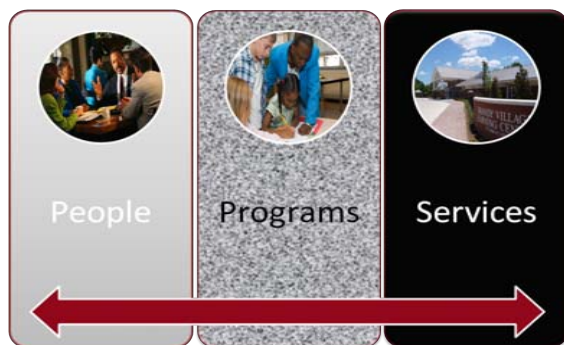
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PURPOSE OF BUDGET IN BRIEF



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

The Proposed Fiscal Year (FY2012) 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, 2011, and ending June 30, 2012). NRHA's programs, financial policies and procedures.

Internet

The proposed budget will be made available on NRHA's internet site at the following URL:

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

RESOURCES		Amount	%
Management Fees (Internal Projects)			
Federally Aided Housing Safe harbor fees		\$2,778,536	17%
Development Operations via allocated costs		1,439,455	9%
Capital Fund Program for direct program Administration		913,439	6%
Section 8 program via safe harbor fees approved by HUD		701,415	4%
Reinvention initiatives via allocated costs		312,098	2%
Specialized Maintenance via allocated costs		857,805	5%
Capital Fund Program via allocated costs		201,249	1%
Bookkeeping & Asset Management Fees		162,000	1%
Total		\$7,365,997	45%
Other Fees for Service (Internal Projects)			
Fees earned for Specialized Maintenance services		7,672,795	46%
Rental Income charged for 201 office rent		838,103	5%
Agency Management fee for 201 Granby Building		81,000	1%
Total		\$8,591,898	52%
Fees for Service & Other Revenue (External Resources)			
Rental Income charged for 201 office rent		68,300	1%
Other Revenue for Granby Building		40,361	0%
Specialized Maintenance fees charged		127,817	1%
Other Revenue for Administration Operations		30,000	0%
City Grant		33,317	0%
PLUS: Interest Income		3,575	0%
Total		\$303,370	2%
Reserves or Appropriations (Internal Projects)			
Administration Ops Reserves		44,000	0%
Granby Office Building Reserves		196,741	1%
Management Fee Project		7,598	0%
Total		\$248,339	1%
Total		\$16,509,604	100%

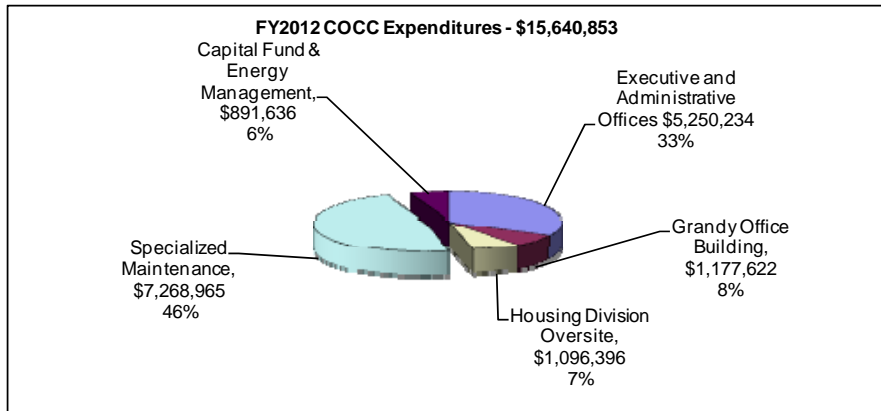
Central Office Cost Center

SUMMARY—Virtually all funding of the Central Office Cost Center (COCC) is derived from NRHA programs tendered for services rendered and are already included in the other division totals. Approved FY2012 funding totals \$15.6 million. (This amount is gross of \$2.0 million of inter-project activity between COCC units).

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

Departments of Executive and Administrative Offices include:

- Budget and Compliance
- Communications
- Finance
- Human Resources
- Information Services
- Procurement and Administration



Pursuant to the requirements of state law, I present this document, NRHA's **Proposed Budget for Fiscal Year 2012**, in the strong belief that it will move the agency towards sustainability for now and in the future. It is a proposed secure path in overcoming some of our financial challenges, while still respecting the interests of our customers, the citizens of Norfolk, our employees and maintaining a clear focus on our mission in the future.

I have worked successfully with budget and management staff, mindful of not only our immediate needs, but also some of the future needs in FY2013. All of the budgets contained herein are balanced: total resources (i.e., current revenues plus current year earnings and program reserves) available to a particular fund are equal to the proposed spending plan for that fund.

The total budget for **Fiscal Year 2012** is \$95.3M. The global recession of past years, the worsened housing crisis, along with weakened revenue sources have resulted in a net decrease of \$8.2M dollars from the FY2011 Budget of \$103M.

Revenues

Overall, revenues to the Authority's major funds reflect no growth, presenting significant budgetary challenges in view of general inflationary pressures. HUD'S operating subsidy and Housing Choice Voucher's administrative fees have been drastically reduced again this fiscal year. The City of Norfolk's federal grant programs declined at a rate of 16% for CDBG and 11% for the Home Program. The City's borrowing capacity for general obligation bonds has impacted budgeting resources for conservation activities in neighborhoods.

Expenditures

This proposed budget includes no significant reductions in services or in funded positions. Instead, the FY2012 proposal has been balanced through a combination of strategic budget reductions and the use of non-recurring funds. The proposed budget also offers no employee merit increases, cost of living or market adjustments. While the proposed budget meets the short-term needs of the Authority, it is emphasized that an organizational structure that continues to rely on the use of non-recurring resources and the absence of increases in employee compensation is not sustainable in the long term. We are evaluating several options for further reducing our budget and generating new recurring funding. These include:

- Retirement Incentive Programs for employees who qualify for a full, unreduced service retirement;
- Restructuring efforts that include a review of programs, services and positions; and
- Pursuit of new grant opportunities and/or partnerships to provide continued support for programs and services.

Forecast

We will continue to monitor uncertain resources; look for grant opportunities and invest in our privately managed properties for sustainability. A special project initiative to review programs, services and positions authority wide will hopefully result in positive changes as it moves us to future years. Although this uncertainty is challenging and stressful, the quality of our agency is a result of the dedication, talent, and commitment from staff. With the assistance of the NRHA Board of Commissioners, stakeholders and staff, I believe that we can emerge from this period as a strong and vibrant institution, better poised to pursue our vision and serve the citizens of Norfolk to the fullest.

Introduction—The 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 and administers redevelopment and conservation projects within the City in accordance with state and federal legislation. The Authority is governed by a seven-member Board of Commissioners (one of whom is a housing resident). They are appointed by Norfolk’s City Council for staggered four-year terms. The Board, in turn, elects a chairman and appoints an executive director to administer the affairs of the Authority.

The Board is responsible for approving the agency's annual budget, and for setting policy. Monthly meetings are held on a regular basis; policy meetings are held quarterly. The Authority must submit a proposed budget to the Board of Commissioners for annual approval. The intent of this document is to provide information about NRHA’s spending intentions, its performance, and the wider fiscal and economic picture.

BOARD OF COMMISSIONERS

W. SHEPPARD MILLER, III,
Chairman



L. ROBERT “BOB” LAYTON,
Vice-Chairman



(L-R) **HATTIE ANDERSON, F. NASH BILISOLY, BARBARA HAMM-LEE, TREVOR ROBINSON, and ROBERT J. SOBLE**

Projected Revenues	Fiscal Year 12	%
Old Dominion Real Estate Foundation	\$ 4,148,560	20.08%
Community Development Block Grant	3,569,331	17.27%
Capital Improvement Neighborhood Program	3,270,000	15.83%
CIP Rehab Repayments	2,546,372	12.32%
City of Norfolk General Fund	1,874,684	9.07%
HOME Program	1,724,604	8.35%
Appropriation from Income Producing Properties	922,302	4.46%
Neighborhood Stabilization Program	769,360	3.72%
Capital Improvement Independent Projects	750,000	3.63%
East Beach Land Sale Proceeds	485,671	2.35%
Local Development Fund	317,260	1.54%
HomeNet HUD / City Grants	212,625	1.03%
Housing Opportunity Program Reserves	29,500	0.14%
NRHA Local Rehabilitation Financing	25,700	0.12%
HomeNet Sponsor Fees	16,550	0.08%
Total Projected Revenues	\$ 20,662,519	100.00%
Projected Expenditures		
Redevelopment & Conservation Projects (See Next Page)	\$ 5,408,906	26.18%
Hampton Blvd. Redevelopment Project	3,989,000	19.31%
East Ocean View & Cottage Line Debt Service	2,546,372	12.32%
Program Management	2,528,360	12.24%
Administrative Support	1,734,859	8.40%
Economic Development Initiatives Grants	1,291,367	6.25%
City Wide - Norfolk Now	1,230,703	5.96%
Neighborhood Stabilization Program	706,860	3.42%
Emergency Repair Grant	400,000	1.94%
East Beach	385,671	1.87%
HomeNet	309,363	1.50%
CHDO Set Aside	72,041	0.35%
201 Granby Rent Supplement	33,317	0.16%
Local Rehabilitation Initiatives	25,700	0.12%
Total Projected Expenditures	\$ 20,662,519	100.00%

Development

SUMMARY—Revenues for the Development Division total \$20,662,519 and are derived from a blend of twelve different funding streams. The operational shortfall in FY2012 year is estimated to be \$922,302 and is being funded, at least temporarily by the use of earnings and reserves from NRHA’s privately managed properties.

The short-fall may be mitigated throughout the year by retirements, reductions in force and reductions in administrative overhead costs. Primary revenue sources (CDBG and CIP Neighborhood) are declining. Except for some small special service areas (rehab neighborhoods) the CIP Independent projects are completely gone.

Some program income from the Neighborhood Stabilization Program and land sales at East Beach will provide minor levels of revenue. Even bond fees are down for FY12.

As a result in revenue reductions and a decline in new home sales, the division is directing some acquisition funding toward the existing homes in need of renovation as opposed to demolition. The focus is also on the preparation of already owned parcels including 20 large parcels. This approach is more in keeping with the available funding, manpower and need to develop more real

estate tax revenue for the City. In the future, the Development Division will cost less and produce more.

Goals—The objectives of the division are to **prepare 20 large parcels for development and continue** to provide homeownership assistance to include rehabilitation products, homebuyer subsidy and homebuyer credit repair and counseling by:

Matching **staffing levels** and administrative overhead costs to available funding

Clearly demonstrating the **return on investment** generated by division activities

Refocusing efforts on the **development of land** for future residential development.

NRHA 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.

Norfolk Redevelopment and Housing Authority



VALUES—“The **principles** that govern organizational behavior and the way in which we do business.”

Operating Budget Highlights

(Moving Toward Sustainability)

The Proposed Fiscal Year 2012 (FY2012) 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 an overall FY2012 Budget expenditures of **\$95,283,006** which represents a **(7.9 percent)** net decrease over the previous year's **\$103** million budget. NRHA believes the proposed budget addresses all of our fiscal needs while also putting us on the path to greater future accomplishments.

Descriptions	Authority-wide	Percentage
Resources		
HUD PHA Grants	59,545,029	62.49%
City Grants	8,224,684	8.63%
Tenant Income	17,081,839	17.93%
Other Income	6,780,517	7.12%
Earnings from Privately Managed	1,412,970	1.48%
Appropriations of Program Reserves	2,237,967	2.35%
Resources Total	95,283,006	100.00%
Expenditure		
Labor	9,117,089	9.57%
Employee Benefits	3,571,556	3.75%
Other Administration	8,019,458	8.42%
Program Costs	25,076,061	26.32%
General Expense	1,460,582	1.53%
Principal Payment on Debt	2,855,136	3.00%
Capital	529,386	0.56%
Operation Cost	21,022,990	22.06%
Operating Transfers In	1,657,847	1.74%
Capital & Multiyear Programs Stimulus	600,000	0.63%
Capital & Multiyear Programs	21,372,901	22.43%
Expenditures Total	95,283,006	100.00%

Projected Revenues	Fiscal Year 2012	
	Amount \$	%
Housing Reinvention Revenues		
Project Development Fees	\$ 448,259	4.41%
HUD PHA Grants	\$ 255,000	2.51%
Land Sale Proceeds	\$ 304,067	2.99%
Loan Proceeds	\$ 880,000	8.65%
Appropriation from Earnings	\$ 50,000	0.49%
Appropriation from Program Reserves	\$ 236,178	2.32%
Park Terrace - HUD PHA Grants	\$ 323,278	3.18%
Operating Receipts - Park Terrace	\$ 237,473	2.33%
Operating Receipts - Merrimack Landing	\$ 4,005,061	39.37%
Operating Receipts - Oakmont North	\$ 3,434,572	33.76%
Total Housing Reinvention Division	10,173,888	100%
Projected Expenditures		
Housing Reinvention Expenditures		
Merrimack Landing Property Management	\$ 4,005,061	39.37%
Oakmont North Property Management	\$ 3,434,572	33.76%
Park Terrace Property Management	\$ 669,066	6.58%
Public Housing Re-Invention Program	\$ 1,760,189	17.30%
Choice Neighborhoods	\$ 250,000	2.46%
BroadCreek	\$ 5,000	0.05%
BroadCreek Village Center	\$ 50,000	0.49%
Total Housing Reinvention Expenditures	10,173,888	100%

Housing Reinvention

SUMMARY—Projected FY2012 expenditure needs for the Housing Reinvention division total \$2.1 million. This total is broken down between project delivery costs of \$930K and preliminary development costs of \$880,000. Also included in Housing Reinvention are the Choice neighborhood initiatives of \$250,000 and maintenance of cleared land for undeveloped property north of Princess Anne Road and east of Roberts Village for \$50,000. Reinvention has management oversight for three privately managed communities whose operating cost totals \$8.1 million. It is noted that most of the initiatives undertaken by the Housing Reinvention division involve the establishment of different entities; therefore, most post-closing development expenditures are reflected under component units of NRHA, rather than incorporated in the Authority's annual budget.

Project delivery costs for the Housing Reinvention division are intended to be covered by project development fees and grant funding where applicable. Program costs are supported by a variety of project financing tools such as private and public grants, low income housing tax credits, tax-exempt bonds and private debt.

Expenditures are included in the proposed budget for Housing Reinvention that relate to the assignment of the Chief Housing Reinvention Officer to a special project aimed at studying the Authority's programs, services and positions with the goal of providing recommendations on the restructuring of NRHA in a manner that provides for an organization capable of being sustained financially. It is anticipated that this effort will be carried out through the first half of FY2012, with the potential presentation of related budget amendments to the Board of Commissioners in February 2012.

The Housing Reinvention division is comprised of seven full-time employees, but draws on the talents and services of a variety of employees throughout NRHA to further its objectives.

Goals

Transform physical, economic and social environment of assisted-rental properties to sustainable mixed-income communities of choice.

Pursue additional affordable rental housing opportunities to maintain level of assistance to extremely low income households.

Collaborate with human services partners to provide housing resources for "hard-to-serve" populations.

Identify and pursue opportunities to improve neighborhood conditions and increase economic performance of NRHA assisted midrise rental properties.

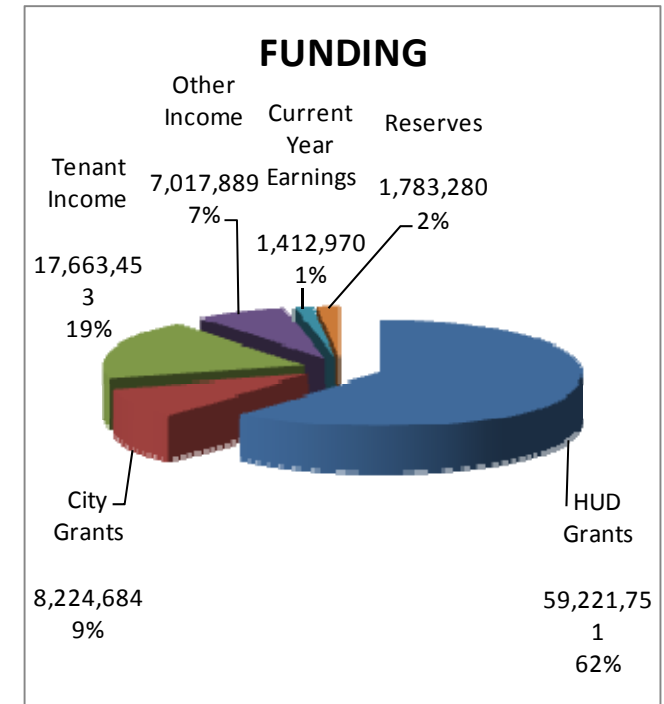
Total FY2012 BUDGET \$95,283,006

Where Does the Money Come From?

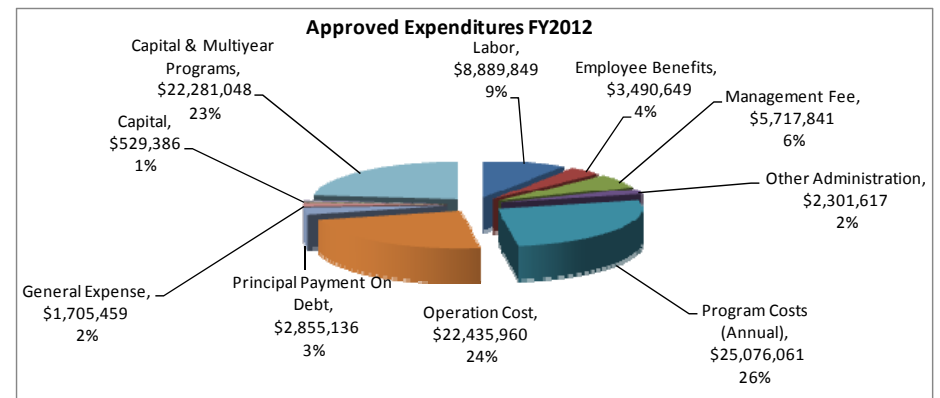
76% Housing provides an ongoing stream of funding that makes up the gap between what low-income tenants can afford to pay in rent and the cost of operating housing

23% Development to partner with communities to develop out the existing land inventory, partner with the Housing division to redevelop housing properties and continue to create a robust homeowner assistance capacity to include rehabilitation products, home-buyer subsidy, credit repair and counseling.

1% Other include the Central Office Cost Center (COCC) and Component Units which are entities that are legally separate from The Authority.



Where Does the Money Go?



Housing Operations

S **UMMARY**—Projected FY2012 expenditure

needs for the Housing Division total \$63.9 million, while total resources are projected at \$61.2 million. Expenditures exceed revenue projections by a net of \$2.8 million for all housing programs.

Federally Aided Program's projected expenditures reflect services to maintain the existing 3,485 assisted rental units. It is recommended that the difference between recurring revenue and expenditures for Federally Aided Program be addressed through the following:

- Capital Fund Program (CFP) of \$1.2 million
- Federally Aided Reserves of \$957,026

The Housing Choice Vouchers (HCV) program will assist a minimum of 3,100 households during FY2012. This is an increase of 300 units over FY2011. The program requires an appropriation from earnings of \$ 608,456 to support the administrative efforts of this program.

CFP will utilize both the regular CFP funds which include balances from prior year allocations (\$8.64 million), and the American Reinvestment and Recovery Act (ARRA) funds of \$857,078 during FY2012. Various projects will be implemented at all NRHA communities for a total cost of \$9.5million during FY2012.

The Hampton Roads Transit (HRT) transportation grant will support Workforce Development activities by providing transportation for the participants. This grant has funding through FY2012.

The Family Self Sufficiency (FSS) grant will support NRHA's efforts in both the LIPH and HCV communities by helping residents in achieving economic independence. Funding is available for FY2012. The FY2012 staffing level of 229 employees include a request for 6 new positions which will provide administrative support to housing operations resident services, monitor security systems throughout public housing communities and the administration of the HCV program.

Goals—Secure funding to support resident services activities which include General Education Diploma program, Family Self Sufficiency, workforce development and youth programs in LIPH and HVC communities.

Survey residents for customer satisfaction and follow up on all comments or issues noted. Develop training programs as a result of any findings.

Develop a **long-range strategic plan** for each public housing property using the recent comprehensive physical and capital needs assessment.

Apply for 100 to 200 **additional vouchers** to assist perspective applicants in obtaining affordable housing and decrease recurring shortfalls in the HCV administrative budget. Increase efforts to ensure that the physical condition of all Low Income Public Housing communities **meet REAC standards.**

Projected Revenues	Fiscal Year 2012	
	Amount \$	%
Housing Division Revenues		
Capital Grant Program - HUD PHA Grants	\$ 8,642,806	13.51%
Capital Grant Program Stimulus - HUD PHA Grants	\$ 857,078	1.34%
Capital Grant Program - HUD PHA Grants for Ops.	\$ 1,200,000	1.88%
Federally Aided Communities - HUD PHA Grants	\$ 16,955,751	26.50%
Operating Receipts - Federally Aided Housing	\$ 9,404,733	14.70%
Housing Choice Voucher - HUD PHA Grants	\$ 21,772,209	34.03%
Housing Choice Voucher - HUD PHA Grants (Adm)	\$ 2,120,745	3.31%
Housing Choice Voucher SRO - HUD PHA Grants	\$ 289,689	0.45%
HOPE VI Program- CSS Endowment Grant	\$ 374,357	0.59%
ROSS (PH Family Self Sufficiency Grant)	\$ 141,481	0.22%
Job Access/Reverse Commute Grant	\$ 466,715	0.73%
Appropriations from other Programs Earnings	\$ 608,456	0.95%
Appropriations from Programs	\$ 957,026	1.50%
Other Revenue- External Sources	\$ 180,150	0.28%
Appropriation of Housing Opportunity Reserves	\$ 15,325	0.02%
Total Housing Division	63,986,521	100%
Projected Expenditures		
	Amount	%
Housing Division Expenditures		
Capital Fund Program	\$ 9,842,806	15.38%
Capital Fund Stimulus Program	\$ 857,078	1.34%
Federally Aided Housing Programs	\$ 27,479,521	42.95%
Housing Choice Voucher Payments	\$ 22,025,057	34.42%
Housing Choice Voucher Program (Administration)	\$ 2,767,181	4.32%
ROSS Grant PH Family Self Sufficiency Grant	\$ 141,481	0.22%
Job Access/Reverse Commute Grant	\$ 466,715	0.73%
HOPE VI CSS Grant	\$ 374,357	0.59%
Homeownership Program	\$ 32,325	0.05%
Total Housing Division Expenditures	63,986,521	100%