



Annual Report 2009



KCDC HIGHLIGHTS FOR 2009

Our *A Clear Road Ahead* strategic objectives continue to be the goals driving all planning, implementation and success. KCDC highlights during 2009 were:

Operational:

- ◆ Acquisition and merger of Knox County Housing Authority which expanded KCDC's role in affordable housing into Knox County
- ◆ Eastport School property donation from Knox County and the City of Knoxville for the rehabilitation and new construction of 85 units
- ◆ Secured approximately \$16M of competitive funding for Eastport Development:
 - \$6.9M Low Income Housing Tax Credit Award
 - \$6.5M American Recovery and Reinvestment Act Competitive Grant
 - \$1M Federal Home Loan Bank-Atlanta Affordable Housing Program Grant
 - \$869,000 City of Knoxville Neighborhood Stabilization Program
 - \$750,000 Federal Home Loan Bank-Cincinnati Affordable Housing Program Grant
- ◆ Year one of Energy Performance Contract saved over \$900,000 in annual energy costs
- ◆ Began demolition of 68 units at Montgomery Village
- ◆ Administered five Tax Increment Financing (TIF) projects (Arnstein Building, Daylight Building, Fifth Avenue Condominiums, The Landings at North Waterfront and Harold's on North Gay Street). Total projects equaled \$48,082,949 generating \$4,804,167 in TIF revenue
- ◆ Received "High Performer" agency status from The Department of Housing and Urban Development
- ◆ Consulting services for Columbia, Cookeville, Chattanooga and Harriman Housing Authorities

Financial:

- ◆ Increased net assets by \$3.3M (3.8%)
- ◆ Revenue increased by \$2.6M (6.3%) primarily due to the increase in HUD LIPH Operating Subsidy, Capital Fund Program and the ARRA Stimulus Program
- ◆ Expenses increased by \$1.6M (4.1%) primarily due to an increase in Section 8 Housing Assistance Payments

BOARD OF COMMISSIONERS



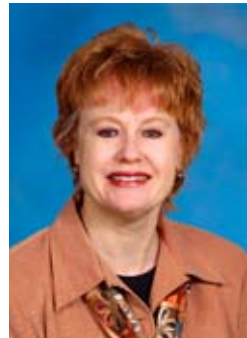
Juanita Cannon
Chairman



Culver Schmid
Vice Chairman



David Hutchins
Treasurer



Ellen Adcock
Commissioner



Craig Griffith
Commissioner



Fr. Ragan Schriver
Commissioner



Norman Watkins
Commissioner

A Message from Alvin Nance, Executive Director/CEO

In 2009, we experienced many examples of change. We saw a new president inaugurated, an airliner landed in the Hudson River with no loss of life and Pat Summitt made basketball history with 1,000 victories. Some changes were big while others were small. There is a motivational poster with a butterfly emerging from its cocoon followed by the caption: change is the prelude to growth. Change also presents an opportunity!

2009 was a year of opportunities for Knoxville's Community Development Corporation. It can't be stressed enough that without *A Clear Road Ahead* guiding our way, some opportunities would have been delayed or missed. Knowing where we want to go — what KCDC's long term goals are — continues to be the roadmap for our annual strategies and operations. Our efforts to become Knoxville's premier provider of affordable housing and to improve neighborhoods and the downtown area continue to support the City of Knoxville in attaining its vision to become "America's premier city in which to live, work and raise a family."

The acquisition and merger of Knox County Housing Authority (KCHA) was a winning proposition for both KCDC and KCHA. This added 197 Public Housing units to our portfolio, increased our Housing Choice Voucher program by approximately 565 units and most importantly expanded our footprint of operation into Knox County. Bo Pierce, KCHA Executive Director, and I worked together educating board members, staff, and city and county officials of the benefits brought by this change.

A strategic retreat was held with our Board to discuss future plans as outlined in the approved "Five Points Redevelopment Plan." We began transforming the neighborhood with the construction of ten in-fill duplexes. Donation of the Eastport School site from Knox County and the City of Knoxville brought another phase of transformation. The "Eastport Elderly" site will include 25 units in the rehabilitation of the school and 60 new construction Low Income Housing Tax Credit units. Funding applications totaling \$16M were approved. The City of Knoxville also committed \$8M over the next 5 years in conjunction with our anticipated Hope VI application. This will help address the aging Taylor Homes and Lee Williams properties.

The purchase of Valley Oaks Apartments added 48 additional units to our portfolio. The property is undergoing a \$1.8M rehabilitation which will be completed in Spring 2010.

As we add and change our portfolio, we are incorporating "Green" standards into design plans. The first year under our Energy Performance Contract with Ameresco realized \$934,190 in energy related savings. All in-fill duplexes in Five Points have energy efficiency standards incorporated. LEEDS Silver rating design is being incorporated into the Eastport Elderly project and Valley Oaks has incorporated the "Green Communities Criteria" into the rehabilitation.

We received approval on five new Tax Increment Financing (TIF) Projects within the City. These include the Arnstein and Daylight Buildings, West Fifth Avenue Condominiums, The Landings at North Waterfront and Harold's on North Gay Street. This generated over \$4.8M in TIF income. Growth is happening in the City of Knoxville!

It has been a busy year and we are on track with achieving our Strategic Objectives. Our Board of Commissioners and our excellent workforce are all looking forward to *A Clear Road Ahead* in 2010.



"2009 ... Busy and on Track."

EXECUTIVE MANAGEMENT TEAM



*Front Row: Daniel W. Tiller—Chief Development Officer; Billie N. Spicuzza—Sr. Vice President, Housing; Tracee B. Pross—Vice President, Finance & Administration; Arthur W. Cate, Jr.—Chief Operating Officer
Back Row: Donald D. Peterson—Vice President, Development; William G. (Bo) Pierce—Vice President*

Regular Full-Time Employees.....	161
Housing Properties.....	17
Public Housing Units.....	3,836
KCDC Owned Affordable Units.....	20
Section Eight Housing Choice Vouchers.....	3,434
Section Eight Mainstream Vouchers.....	100
Section Eight Moderate Rehabilitation.....	98
Section Eight Homeownership Participants.....	48
Section Eight Family Self-Sufficiency Participants.....	90
Low-Income Housing Tax Credit Units.....	83
Redevelopment Areas.....	20

COMMUNITY EVENTS



6th Annual Shoes for School



United Way Chili Cookoff



KARM Coats for the Cold



KCDC "Thanksgiving Baskets"



"Mechanicsville Homecoming"



Achieve Long-Term
Financial Control

Improve Downtown and
Surrounding Neighborhoods



Improve Processes to
Increase Efficiency





Advance Workforce Development
and Performance



Become the Premier Provider of Affordable Housing



FY2009 Statement of Net Assets

<u>ASSETS</u>	<u>Public Housing</u>	<u>Section 8</u>	<u>COCC</u>	<u>Business Activity</u>
<u>Current Assets</u>				
Cash and cash equivalents, unrestricted	\$ 5,697,150	\$ 276,350	\$ 691,593	\$ 817,274
Cash and cash equivalents, restricted	-	235,336	-	-
Investments, unrestricted	7,344,457	411,742	2,360,046	247,163
Investments, restricted	2,007,817	2,397,482	-	-
Interest Receivable	20,403	16,167	1,701	1,788
Accounts Receivable, net allowance for uncollectibles	30,154	49,383	186,562	18,954
Due from other governments	2,270,657	60,102	-	-
Due from/to other programs	(282)	(5,211)	282	362,154
Inventory, net of allowance	110,699	-	52,167	-
Notes and mortgages receivable	-	-	-	-
Prepaid expenses and other assets	143,780	9,765	23,511	831
Total Current Assets	<u>17,624,835</u>	<u>3,451,116</u>	<u>3,315,862</u>	<u>1,448,164</u>
<u>Non-current Assets</u>				
<u>Other Assets</u>				
Notes and mortgages receivable	4,576,565	-	-	-
Unamortized loan costs	102,403	-	-	-
Total Other Assets	<u>4,678,968</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Capital Assets</u>				
Not depreciable	40,979,819	156,206	-	-
Depreciable, net	38,579,774	776,365	91,643	854
Total Capital Assets	<u>79,559,593</u>	<u>932,571</u>	<u>91,643</u>	<u>854</u>
Total Non-current Assets	<u>84,238,561</u>	<u>932,571</u>	<u>91,643</u>	<u>854</u>
Total Assets	<u>\$ 101,863,396</u>	<u>\$ 4,383,687</u>	<u>\$ 3,407,505</u>	<u>\$ 1,449,018</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Vendors and contractors payable	\$ 1,327,712	\$ 32,250	\$ 96,397	\$ 17,285
Accrued wages/taxes payable	193,522	13,675	69,032	2,151
Accrued compensated absences	10,442	1,423	19,714	343
Accrued interest payable	447,497	-	-	-
Other accrued liabilities	245,007	20,382	5,414	-
Due to other governments	191,631	14,278	-	-
Notes & bonds payable	1,226,390	-	-	-
Deferred revenue	78,329	984	-	495
Total Current Liabilities	<u>3,735,610</u>	<u>84,022</u>	<u>193,597</u>	<u>20,322</u>
<u>Current Liabilities Payable from Restricted Assets</u>				
Resident security deposits	-	4,708	-	-
<u>Non-current Liabilities</u>				
Notes & Bonds Payable	28,587,146	977,399	-	-
FSS Escrows	-	157,153	-	-
Accrued Compensated Absences	511,663	69,709	965,993	16,803
Total Non-current Liabilities	<u>29,098,809</u>	<u>1,204,261</u>	<u>965,993</u>	<u>16,803</u>
Total Liabilities	<u>32,834,419</u>	<u>1,292,991</u>	<u>1,159,590</u>	<u>37,125</u>
<u>Net Assets</u>				
Investment in Capital Assets	49,858,812	(44,828)	91,643	854
Restricted Net Assets	1,576,093	2,427,132	-	-
Unrestricted Net Assets	17,594,072	708,392	2,156,272	1,411,039
Total Net Assets	<u>69,028,977</u>	<u>3,090,696</u>	<u>2,247,915</u>	<u>1,411,893</u>
Total Liabilities and Net Assets	<u>\$ 101,863,396</u>	<u>\$ 4,383,687</u>	<u>\$ 3,407,505</u>	<u>\$ 1,449,018</u>

FY2009 statements do not include Knox County Housing Authority financials

ASSETS

	<u>Redevelopment</u>	<u>Component Units</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and cash equivalents, unrestricted	\$ -	\$ 1,644,087	\$ 9,126,454
Cash and cash equivalents, restricted	-	8,885	244,221
Investments, unrestricted	662,706	10,747,043	21,773,157
Investments, restricted	-	196,058	4,601,357
Interest Receivable	3,299	83,014	126,372
Accounts Receivable, net allowance for uncollectibles	11,787	17,899	314,739
Due from other governments	327,715	160,542	2,819,016
Due from/to other programs	(356,943)	-	-
Inventory, net of allowance	-	-	162,866
Notes and mortgages receivable	-	213,153	213,153
Prepaid expenses and other assets	347	3,453	181,687
Total Current Assets	<u>648,911</u>	<u>13,074,134</u>	<u>39,563,022</u>
<u>Non-current Assets</u>			
<u>Other Assets</u>			
Notes and mortgages receivable	592,139	1,745,197	6,913,901
Unamortized loan costs	-	36,152	138,555
Total Other Assets	<u>592,139</u>	<u>1,781,349</u>	<u>7,052,456</u>
<u>Capital Assets</u>			
Not depreciable	48,000	234,075	41,418,100
Depreciable, net	-	6,368,741	45,817,377
Total Capital Assets	<u>48,000</u>	<u>6,602,816</u>	<u>87,235,477</u>
Total Non-current Assets	<u>640,139</u>	<u>8,384,165</u>	<u>94,287,933</u>
Total Assets	<u>\$ 1,289,050</u>	<u>\$ 21,458,299</u>	<u>\$ 133,850,955</u>
LIABILITIES AND NET ASSETS			
<u>Current Liabilities</u>			
Vendors and contractors payable	\$ 60,387	\$ 49,714	\$ 1,583,745
Accrued wages/taxes payable	6,047	2,068	286,495
Accrued compensated absences	158,096	19	190,037
Accrued interest payable	-	21,726	469,223
Other accrued liabilities	127	92	271,022
Due to other governments	-	6,093	212,002
Notes & bonds payable	-	289,818	1,516,208
Deferred revenue	322,324	-	402,132
Total Current Liabilities	<u>552,665</u>	<u>371,788</u>	<u>4,958,004</u>
<u>Current Liabilities Payable from Restricted Assets</u>			
Resident security deposits	-	8,393	13,101
<u>Non-current Liabilities</u>			
Notes & Bonds Payable	-	8,173,345	37,737,890
FSS Escrows	-	-	157,153
Accrued Compensated Absences	10,838	954	1,575,960
Total Non-current Liabilities	<u>10,838</u>	<u>8,174,299</u>	<u>39,471,003</u>
Total Liabilities	<u>563,503</u>	<u>8,554,480</u>	<u>44,442,108</u>
<u>Net Assets</u>			
Investment in Capital Assets	48,000	(159,279)	49,795,202
Restricted Net Assets	-	243,715	4,246,940
Unrestricted Net Assets	677,547	12,819,383	35,366,705
Total Net Assets	<u>725,547</u>	<u>12,903,819</u>	<u>89,408,847</u>
Total Liabilities and Net Assets	<u>\$ 1,289,050</u>	<u>\$ 21,458,299</u>	<u>\$ 133,850,955</u>

FY2009 Statement of Revenues, Expenses, and Changes in Net Assets

	<u>Public Housing</u>	<u>Section 8</u>	<u>COCC</u>
<u>Operating Revenues</u>			
Rental revenue	\$ 4,021,261	\$ 55,487	\$ -
Fee Revenue	-	-	4,774,952
Other governmental grants	-	-	-
Other revenue	210,674	3,294	-
Total Operating Revenue	<u>4,231,935</u>	<u>58,781</u>	<u>4,774,952</u>
<u>Operating Expenses</u>			
Administrative	4,882,349	1,479,826	3,058,515
Asset management fee	437,640	-	-
Tenant services	635,462	74,166	-
Utilities	2,903,518	27,236	82,410
Ordinary maintenance and operations	4,607,688	60,857	1,119,636
Protective services	493,653	-	-
Insurance	437,152	25,710	64,868
General expense	610,878	49,813	103,479
Housing assistance payments	-	14,631,029	-
Depreciation	6,078,344	30,446	78,247
Total Operating Expenses	<u>21,086,684</u>	<u>16,379,083</u>	<u>4,507,155</u>
Operating Income (Loss)	(16,854,749)	(16,320,302)	267,797
<u>Non-Operating Revenue (Expenses)</u>			
HUD grants	15,561,238	15,760,503	-
Interest revenue	310,633	118,621	32,447
Interest expense	(1,363,078)	-	-
Other Revenue	314,873	84,530	124,598
Other Expense	(70,780)	(19,628)	-
Gain (Loss) on disposition of fixed assets	(166,696)	-	162,114
Total Non-Operating Revenue/(Expenses)	<u>14,586,190</u>	<u>15,944,026</u>	<u>319,159</u>
Income (Loss) Before Contributions/Transfers	(2,268,559)	(376,276)	586,956
Capital Contributions	5,031,035	-	-
Transfers From (To) Other Entities	473,995	-	-
Increase (Decrease) in Net Assets	3,236,471	(376,276)	586,956
Net Assets, Beginning, restated	65,792,506	3,466,972	1,660,959
Net Assets, Ending	<u>\$ 69,028,977</u>	<u>\$ 3,090,696</u>	<u>\$ 2,247,915</u>

For business purposes, the annual report format has been modified to exclude the elimination column data from the supplemental combining schedule included in the audit report.

<u>Business Activity</u>	<u>Redevelopment</u>	<u>Component Units</u>	<u>Total</u>
\$ -	\$ -	\$ 60,384	\$ 4,137,132
-	-	-	4,774,952
-	-	297,297	297,297
-	-	2,976	216,944
-	-	360,657	9,426,325
136,736	270,513	705,979	10,533,918
-	-	-	437,640
157,354	-	-	866,982
-	1,406	1,286	3,015,856
172	3,885	117,777	5,910,015
-	-	-	493,653
398	2,453	13,501	544,082
1,781	10,231	24,189	800,371
-	-	-	14,631,029
213	-	295,919	6,483,169
296,654	288,488	1,158,651	43,716,715
(296,654)	(288,488)	(797,994)	(34,290,390)
-	-	-	31,321,741
12,647	22,325	611,827	1,108,500
-	-	(366,913)	(1,729,991)
227,285	148,883	968,231	1,868,400
-	-	-	(90,408)
-	-	-	(4,582)
239,932	171,208	1,213,145	32,473,660
(56,722)	(117,280)	415,151	(1,816,730)
-	-	-	5,031,035
-	-	(473,995)	-
(56,722)	(117,280)	(58,844)	3,214,305
1,468,615	842,827	12,962,663	86,194,542
\$ 1,411,893	\$ 725,547	\$ 12,903,819	\$ 89,408,847

FINANCIAL STATEMENTS

MALCOLM JOHNSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 530848

210 N. Highway 17-92

DeBary, Florida 32753-0848

Phone (386) 668-6464 Fax (386) 668-6463

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Knoxville's Community Development Corporation
Knoxville, Tennessee

HUD, Knoxville Field Office
710 Locust Street, S. W.
Knoxville, Tennessee 37902-2526

We have audited the basic financial statements of the Knoxville's Community Development Corporation ("the Authority") as of and for the year ended June 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

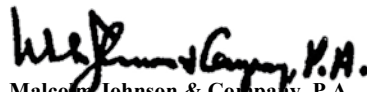
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The prior year's net assets were restated to make corrections to Capital Assets as described in Note Y.

The Management's Discussion and Analysis as detailed in this Report, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries made of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority. The Financial Data Schedule required by the U.S. Department of Housing and Urban Development, the Schedule of Expenditures of Federal Awards, and state financial assistance, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Malcolm Johnson & Company, P.A.
Certified Public Accountants

DeBary, Florida
January 20, 2010

The KCDC 2009 Annual Report is dedicated to Daniel W. Tiller for 38 years of faithful service. Dan was instrumental in reshaping the landscape of the City of Knoxville and enhancing KCDC's image.



Knoxville's Community Development Corporation

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