

KCDC

Knoxville's Community Development Corporation

Strategic Planning & FY 2015 Budget Workshop





Date: May 29, 2014
To: Board of Commissioners
From: Alvin J. Nance, Executive Director/CEO
Subject: Fiscal Year 2015 Operating Budgets

Enclosed are the approved Fiscal Year 2015 (July 1, 2014 - June 30, 2015) Operating Budgets for all KCDC programs.

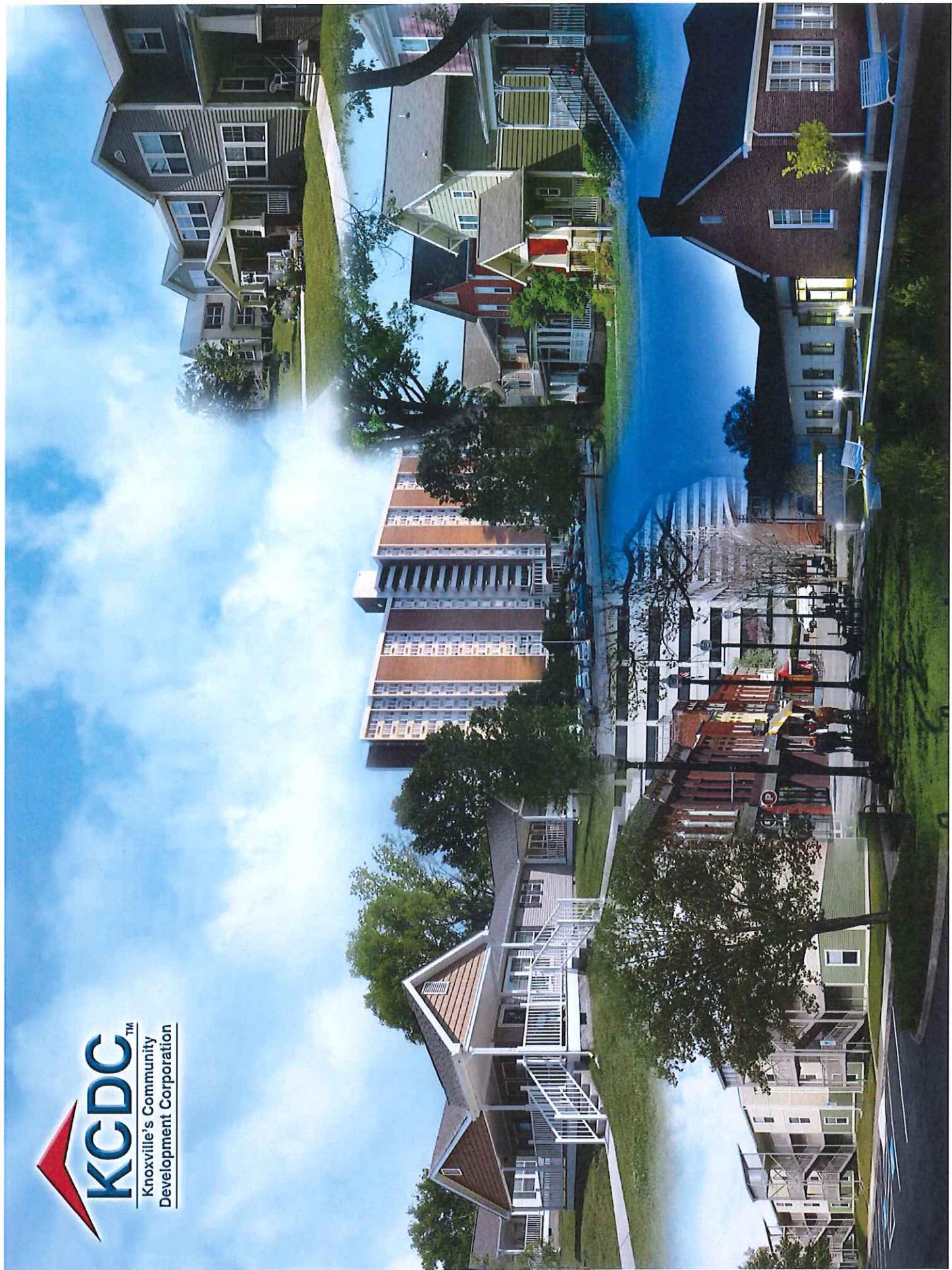
The first resolution covers the main portion of KCDC's operations, namely the Low Rent Public Housing Program and the Central Office Cost Center. The Board certifies that the statements on HUD Form 52574 are true and accurate. The budget has been prepared to reflect all of the elements of these guidelines, and I certify to you that the Low Rent Public Housing and the Central Office Cost Center Budgets satisfy the listed statements.

Included in the second and third resolution are budgets for KCDC's Section 8 Programs (Housing Choice Voucher; Moderate Rehabilitation and the Mainstream Voucher Programs); Knoxville's Housing Development Corporation; The Manor; and Redevelopment General Planning. The enclosed resolutions basically state that the financial plan for each program is consistent with KCDC's overall operating strategy and is fiscally responsible. Again, I certify to you that this is a true and accurate description of these proposed budgets.

The anticipated subsidy is based upon best available information regarding Congressional appropriations and HUD regulations under the Operating Fund Formula. The Section 8 Programs receive operating revenue through Housing Assistance Payments contracts previously executed with HUD. Program revenues to be collected from other sources (tenant rents, non-dwelling rents, parking receipts, etc.) are estimated in a generally conservative manner, as has been our budgeting pattern in the past. We will strive to hold expenses below our predictions.

If you have any questions, I would be happy to meet with you to discuss them.

AJN/AWC/TBP/kw



Knoxville's Community Development Corporation



Housing Portfolio

Public Housing (Total Units = 3,525)

Austin Homes	129	Nature's Cove	95
Autumn Landing	102	Northgate Terrace	277
Cagle Terrace	274	Northridge Crossing	270
Five Points Duplexes	20	Passport Homes and Residences*	61
Five Points Family	17	The Residences At Eastport	85
Isabella Towers	236	Taylor Homes/Lee Williams	317
Lonsdale Homes	260	Valley Oaks	48
Love Towers	249	The Verandas	42
Mechanicsville	26	The Vista	175
Mechanicsville II	22	Western Heights	440
Montgomery Village	380		

*Tax Credit Properties

Housing Portfolio

Section 8

- \$20.8M Current Annual Housing Assistance Payments (HAP) funding
- Supports approximately 3,500 units
- 3,818 units authorized from HUD
- Administrative Fee Funding based upon number of units leased

Additional Tax Credit Units

- Passport Homes 22 Other Affordable Units (Section 8)

A Clear Road Ahead

FY2015 Strategic Plan



Knoxville's Community Development Corporation

Continuous Improvement (CI) Team

Alvin Nance, ED/CEO

- **Debbie Allen**
 - Section 8 Director
- **Denise Campbell**
 - Human Resource Director
- **Jack Canada**
 - Maintenance Manager
- **Art Cate**
 - Chief Operating Officer
- **Kara Davis**
 - Housing Regulatory and Compliance Director
- **Joyce Floyd**
 - Strategic Planning and Special Projects Director
- **Sean Gilbert**
 - Senior VP Housing
- **Terry McKee**
 - Purchasing and IT Director
- **Jordana Nelson**
 - General Counsel, VP Development
- **Tracee Gross**
 - VP Finance & Administration

Agency Goals (Strategic Objectives)

- Become the Premier Provider of Affordable Housing
 - Improve Public Housing stock
 - Improve resident retention
 - Maximize Section 8 Contract Authority
- Improve Downtown and Surrounding Neighborhoods through Development Activities
 - Assist with COK's Redevelopment Plans
 - Assist/Promote development activities
- Achieve Long-term Financial Control
 - Identify fixed vs. variable costs
 - Reduce identified substantial costs
 - Decrease dependency on HUD Subsidy
- Improve Processes/Practices to Increase Efficiency
 - Achieve timely, accurate reporting
- Advance Workforce Development and Performance
 - Improve employees Knowledge, Skills and Abilities (KSA's)
 - Recruit, select and retain the right people with right skills in right job

FY2015 Annual Strategies

- Industry Leadership
- Five Point Comprehensive Redevelopment Plan
- Portfolio Management
- Business Practices and Processes
- Workforce Development



Industry Leadership

- Active Participation in legislation both state and national
- Active participation on industry committees and working groups



Five Points Redevelopment Plan

- Phase I – 90 elderly units
- Phase II – Family units
- Master Developer



Portfolio Management

- 5 Year Annual Plan
- Asset Planner Update
- Tax Credit Business Plan



Business Practices and Processes

- Accounting Process and Efficiency Assessment
- Document Management and Retention
- Website
- Rent Payment Options
- Security Deposits and Minimum Rents
- Application and Waiting List Procedures
- Occupancy Analysis – Premier Properties



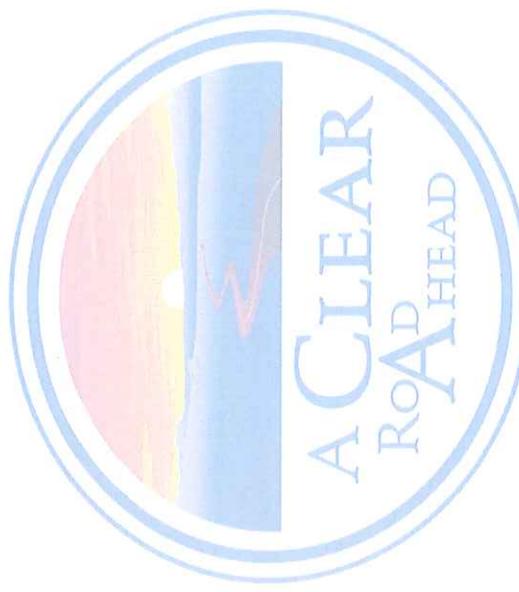
Workforce Development

- Training – General and Individual Development Plan related
- Performance Evaluation System
- Wellness Plan



A Clear Road Ahead

Questions



Knoxville's Community Development Corporation



FY2015 Operating Budgets

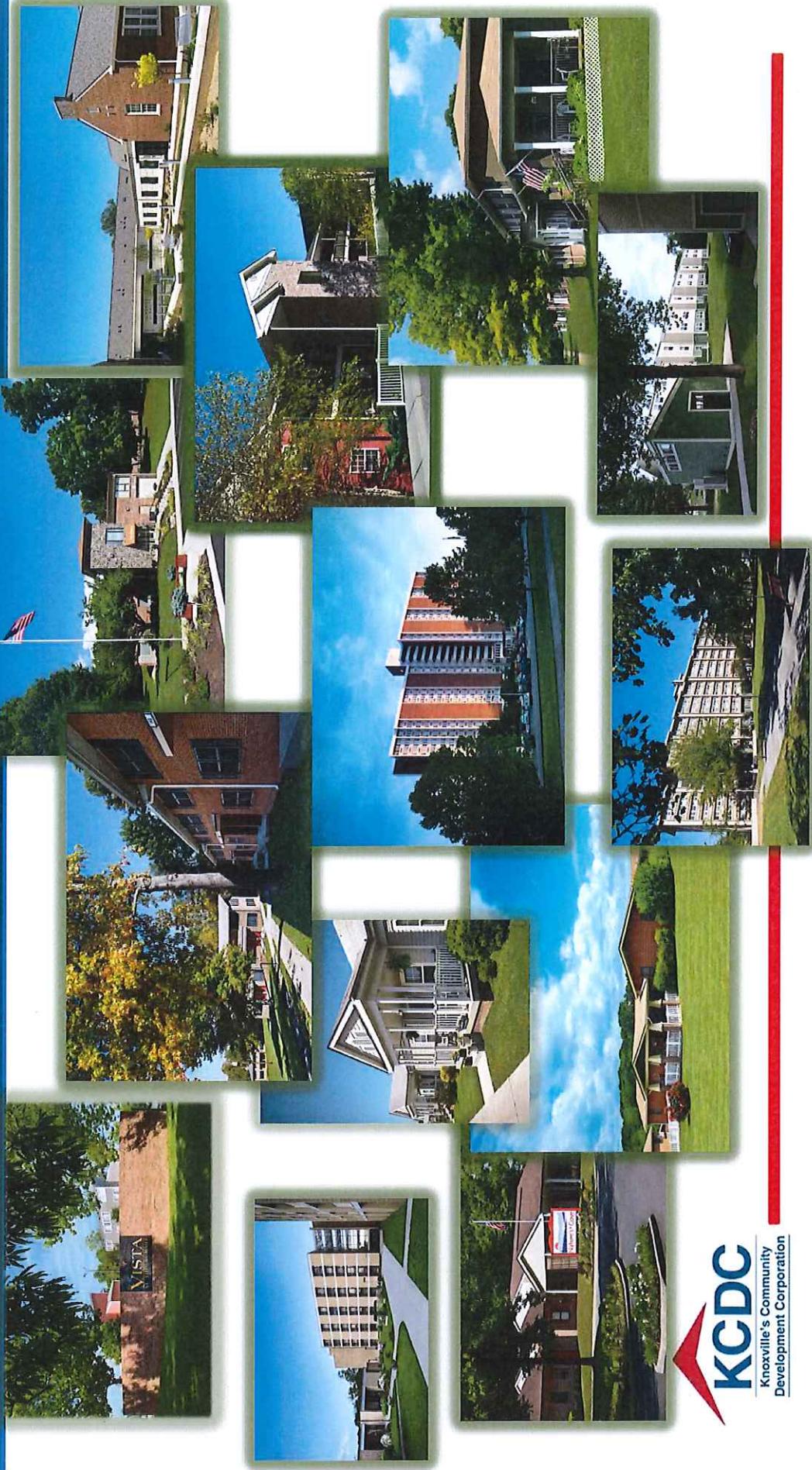
KCDC annual
funding
proportion
operating net
Housing budgets
Redevelopment
expenses
investments
Reserves
Budgets
income
loss
assets
funds
Buckets
reserves
liabilities
COCC



Operating Budget Process

- Collaborative Process between Accounting Division, Program Staff and Management
- Accounting Division: Fixed Costs and some Variable Costs
 - Example: Wages, Interest, Insurance
- Program Staff: Variable Costs
 - Example: Administrative, Maintenance, Utilities, Non-routine Managerial Review
- Asset Management Model:
 - Project-based accounting and budgeting, fee-for-service model
 - HUD Board Resolution: Public Housing
 - Other Board Resolutions: Central Office Cost Center (COCC), Section 8, Redevelopment, The Manor and KHDC (separate agenda)

Public Housing Operating Program



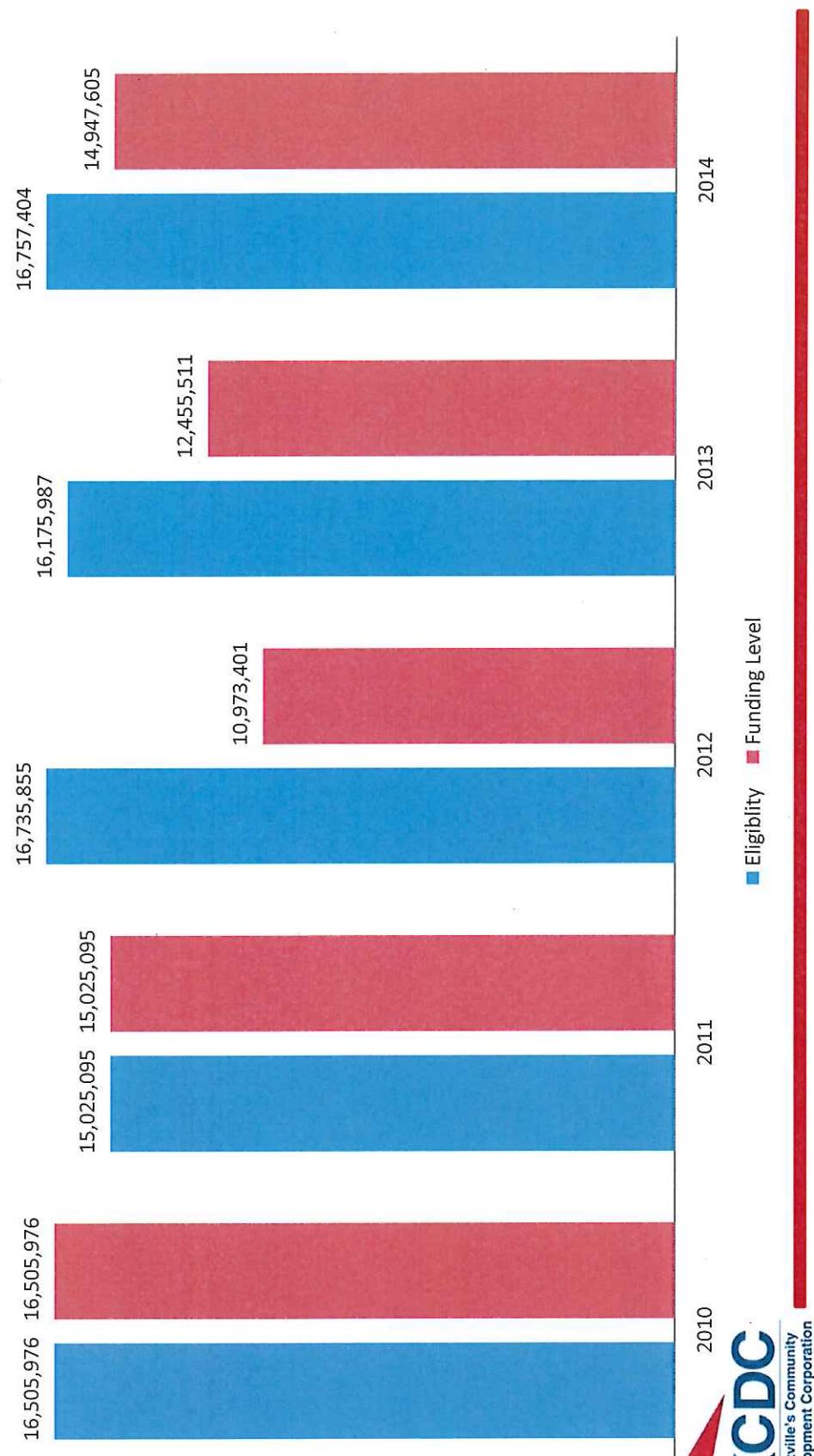
Public Housing

- Own and manage 3,525 units located in 25 separate properties at 12 management sites
- Revenue includes:
 - HUD subsidy calculated for each property:
 - Property and utility expense level (+) add-ons (-) dwelling rent
 - Dwelling rent
 - Other Tenant Income
 - Investment Income

Public Housing

- Expenses include:
 - Administrative
 - Resident Services
 - Maintenance
 - Utilities
 - Protective Services
 - Insurance
 - Interest
 - Non-routine
 - Other General

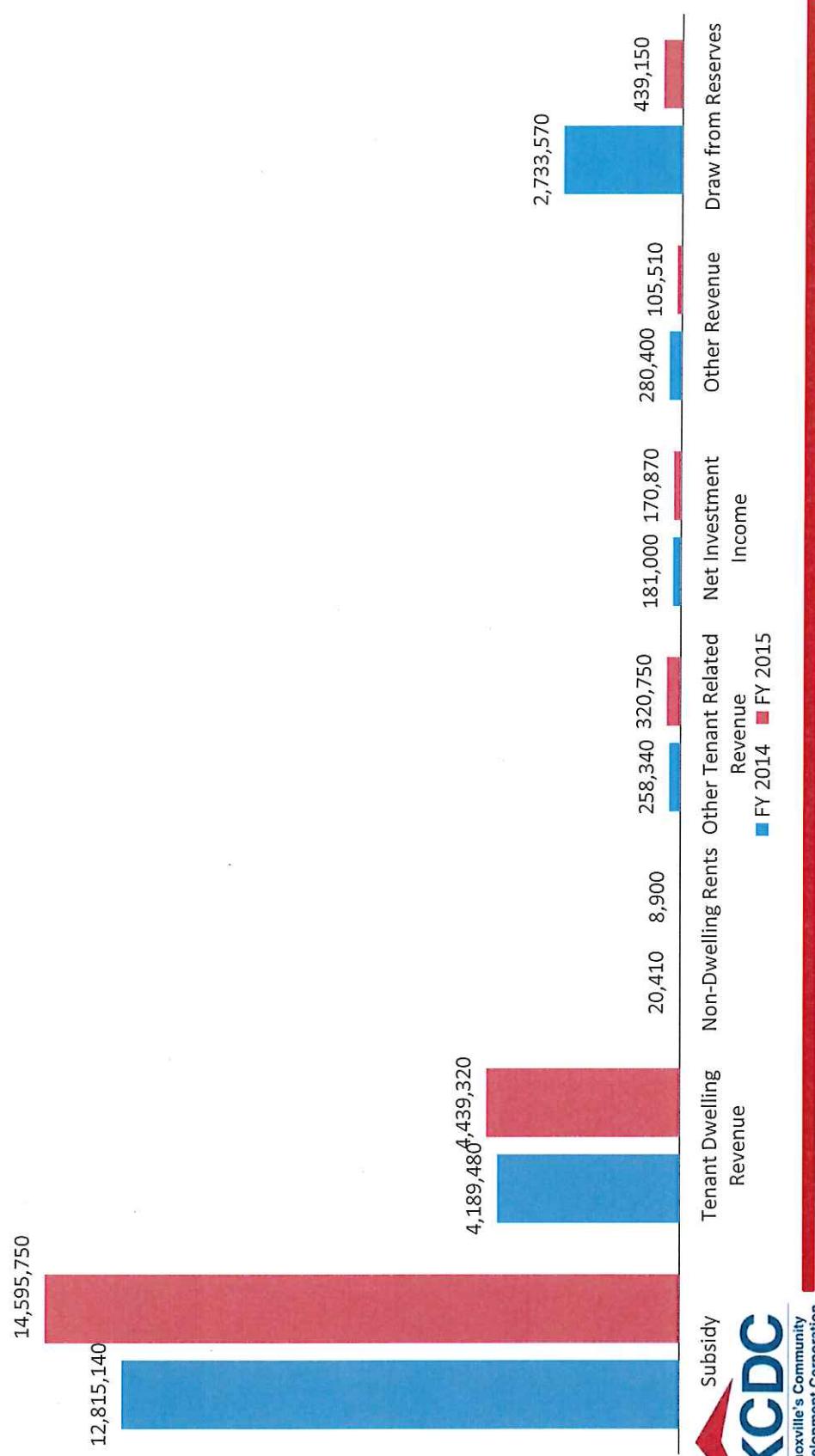
Operating Funds Overview



Public Housing Operating Subsidy Assumptions

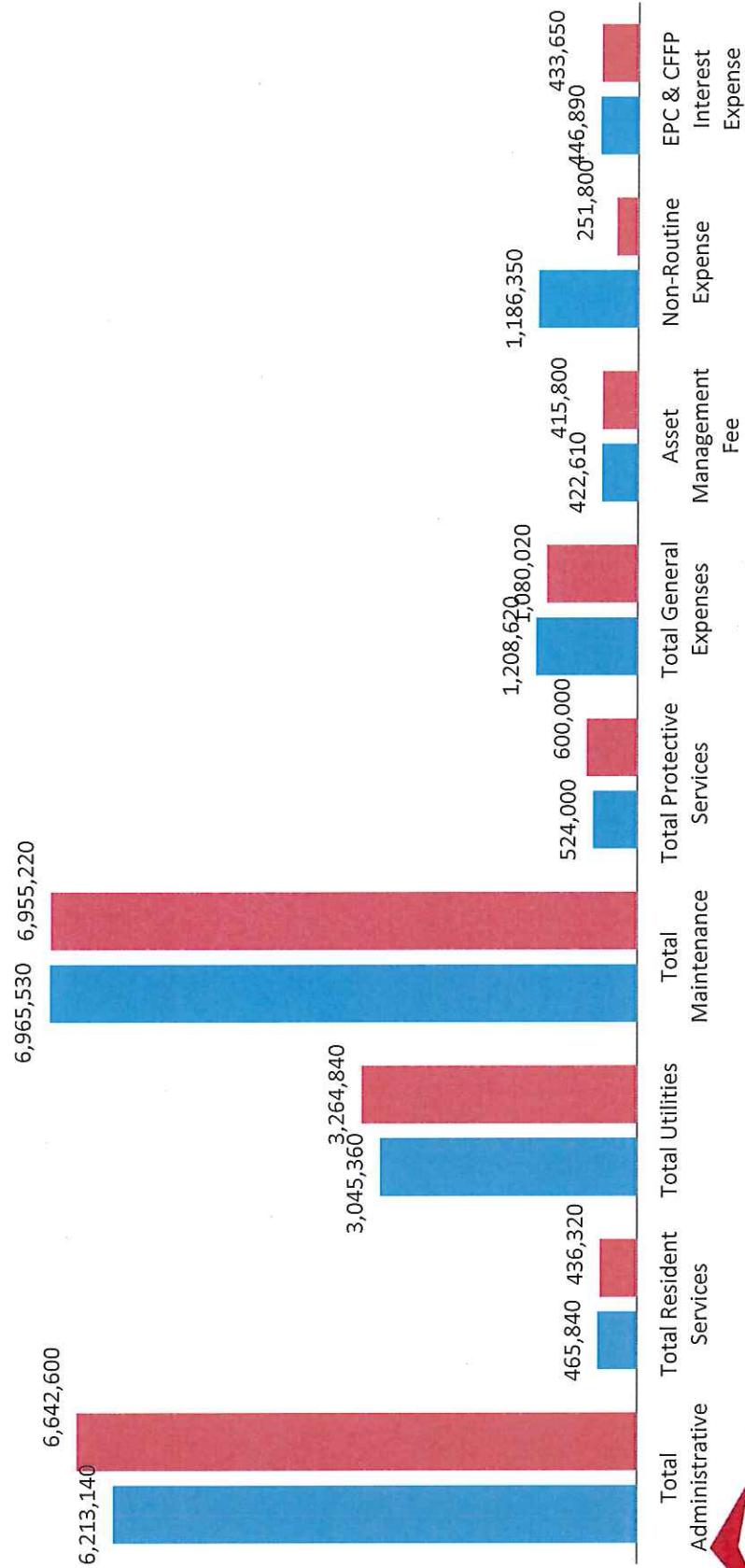
- Subsidy is estimated at \$14,595,750
- Pro-ration at 89.2% for 2014 Formula
- Pro-ration estimate at 85% for 2015 Formula

Public Housing Revenues and Reserves \$20,080,250 Budget



Public Housing Expenses

\$20,080,250 Budget



Public Housing Reserves

Reserves as of June 30, 2013	\$18,174,976
FY2014 estimated draw from reserves	\$<1,158,883>
Reserves estimated at June 20, 2014	\$17,016,093
FY2015 estimated draw from reserves	\$<439,150>
Reserves estimated as of June 20, 2015	\$16,576,943

Central Office Cost Center



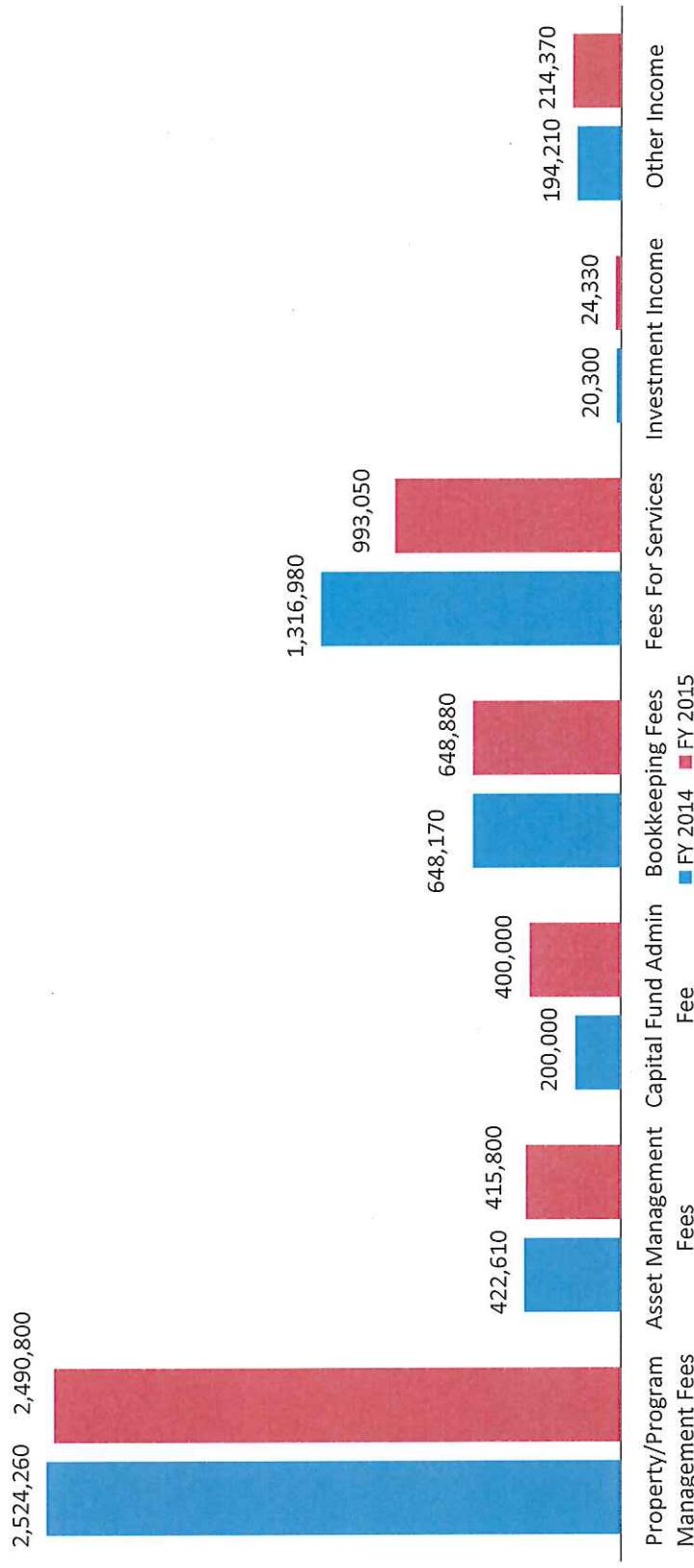
Central Office Cost Center

- Self-supported agency overhead broken down into divisions:
 - Executive Management
 - Accounting
 - Human Resources
 - Information Systems
 - Purchasing
 - Housing Management
 - Supportive Maintenance

Central Office Cost Center

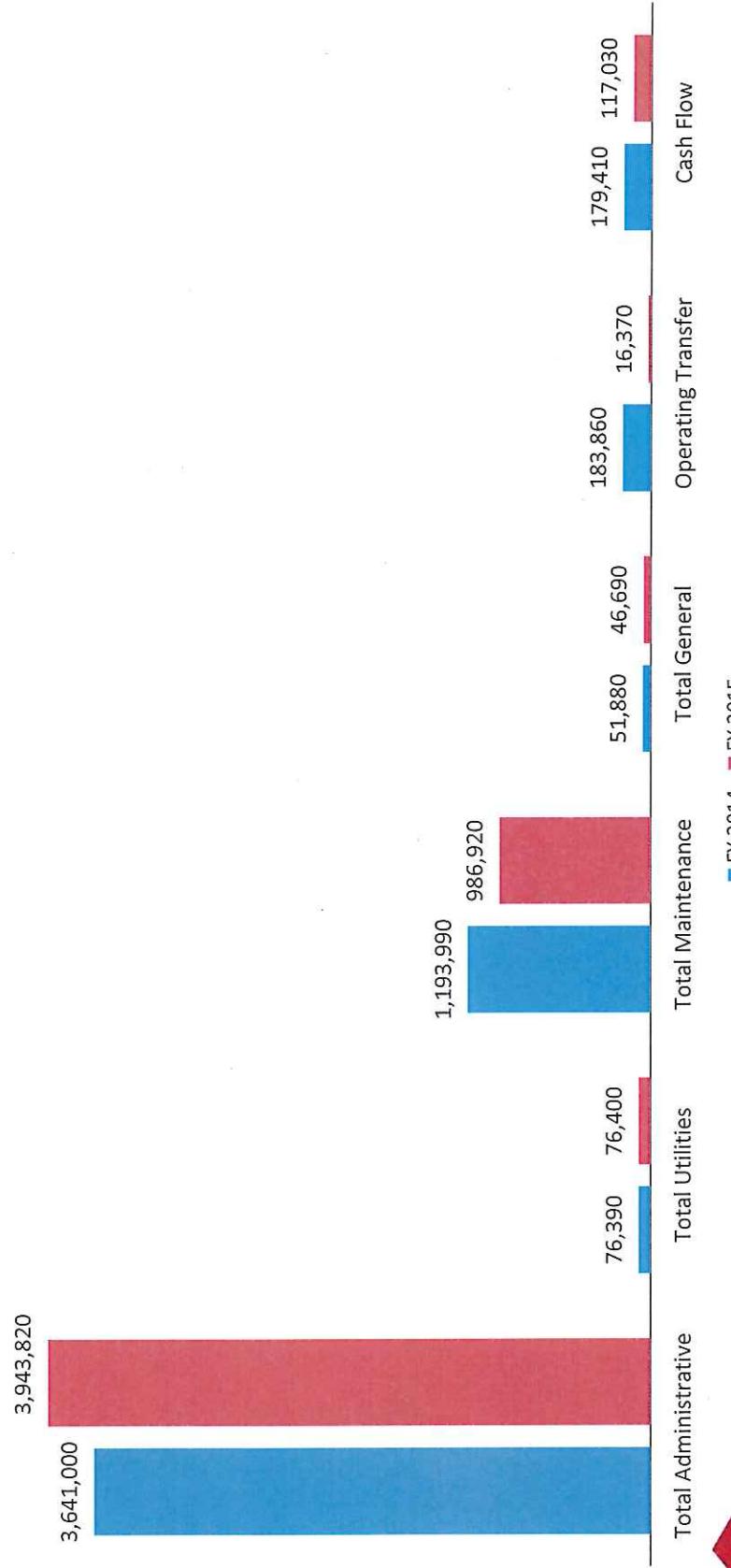
- Revenues include:
 - Property Management and Bookkeeping Fees
 - Asset Management Fees
 - Fees for Service
 - Excess Energy Savings
 - Investment income
- Expenses include:
 - Administrative
 - Maintenance
 - Utilities
 - Insurance

COCC Revenues \$5,187,230 Budget



COCC Expenses and Cash Flow

\$5,187,230 Budget



Section 8



Section 8

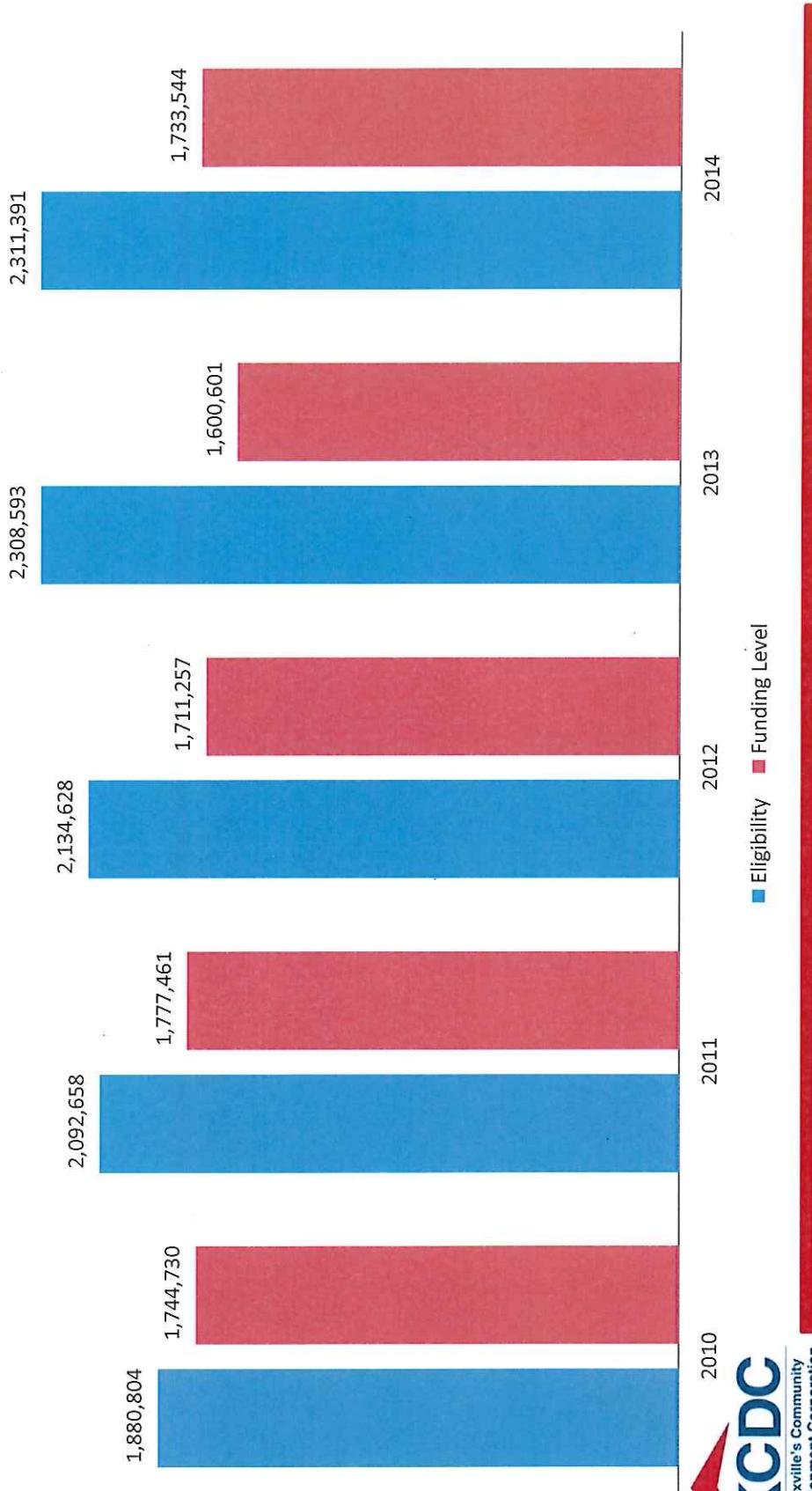
Tenant and Project-Based Rental Assistance

- Programs Include:
 - Housing Choice Voucher (3,818 Authorized Units)
 - Project Based Vouchers (127 units; included in above totals)
 - Mainstream Vouchers (100 Units)
 - Moderate Rehab Programs (82 units)
- Housing Assistance Payment (HAP) to private landlords (pass-thru) is not included as part of this operating budget

Section 8

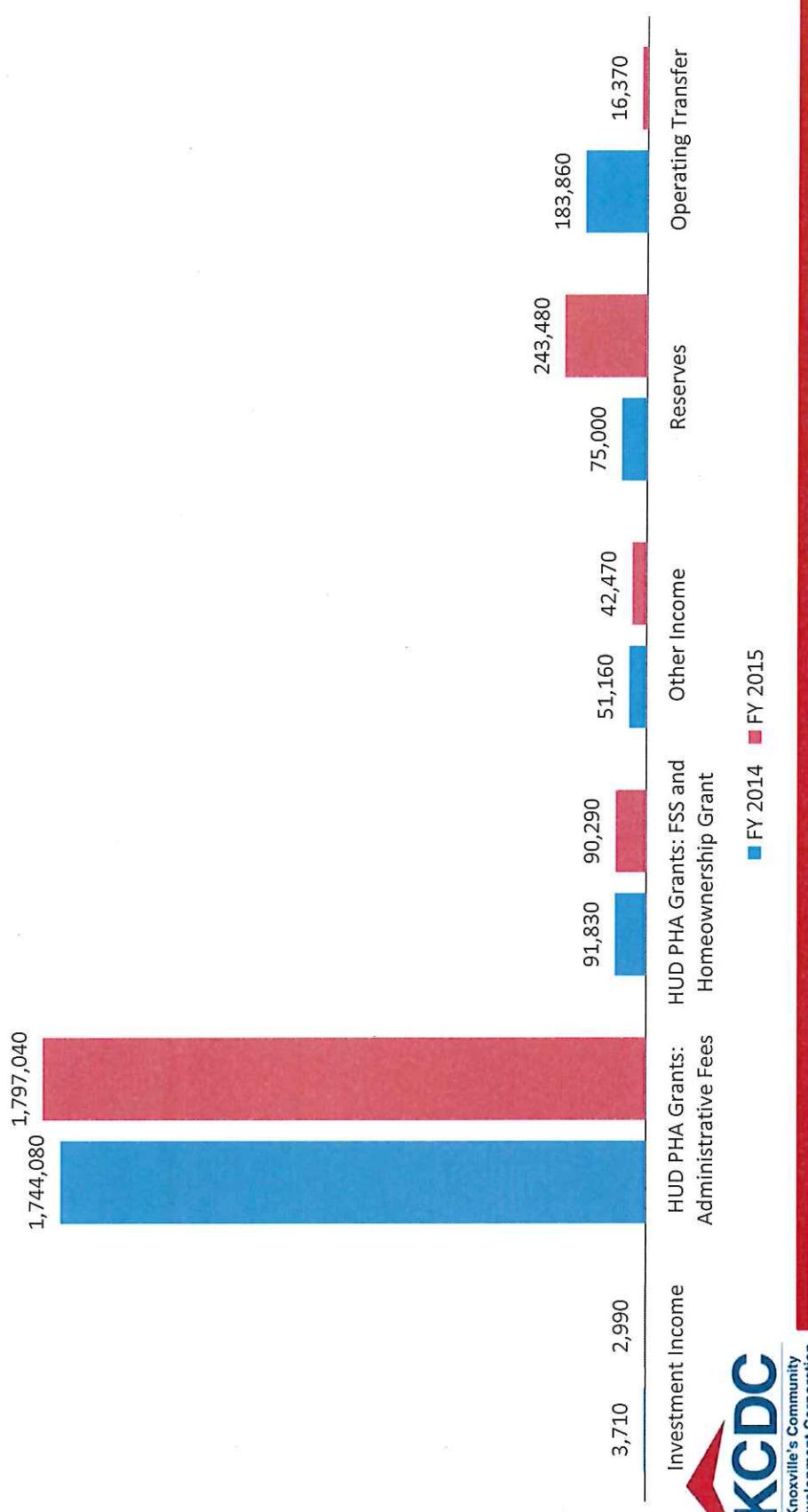
- Revenue includes:
 - Earned Administrative Fees (3,750 units included in estimated funding; Proration of 75% for 2014 and estimated at 70% for 2015)
 - Fraud Recovery
 - Grants (Family Self-Sufficiency)
 - Investment Income
 - Other
- Expenses include:
 - Administrative
 - Resident services
 - Maintenance
 - Insurance/Other

Administrative Fee Overview

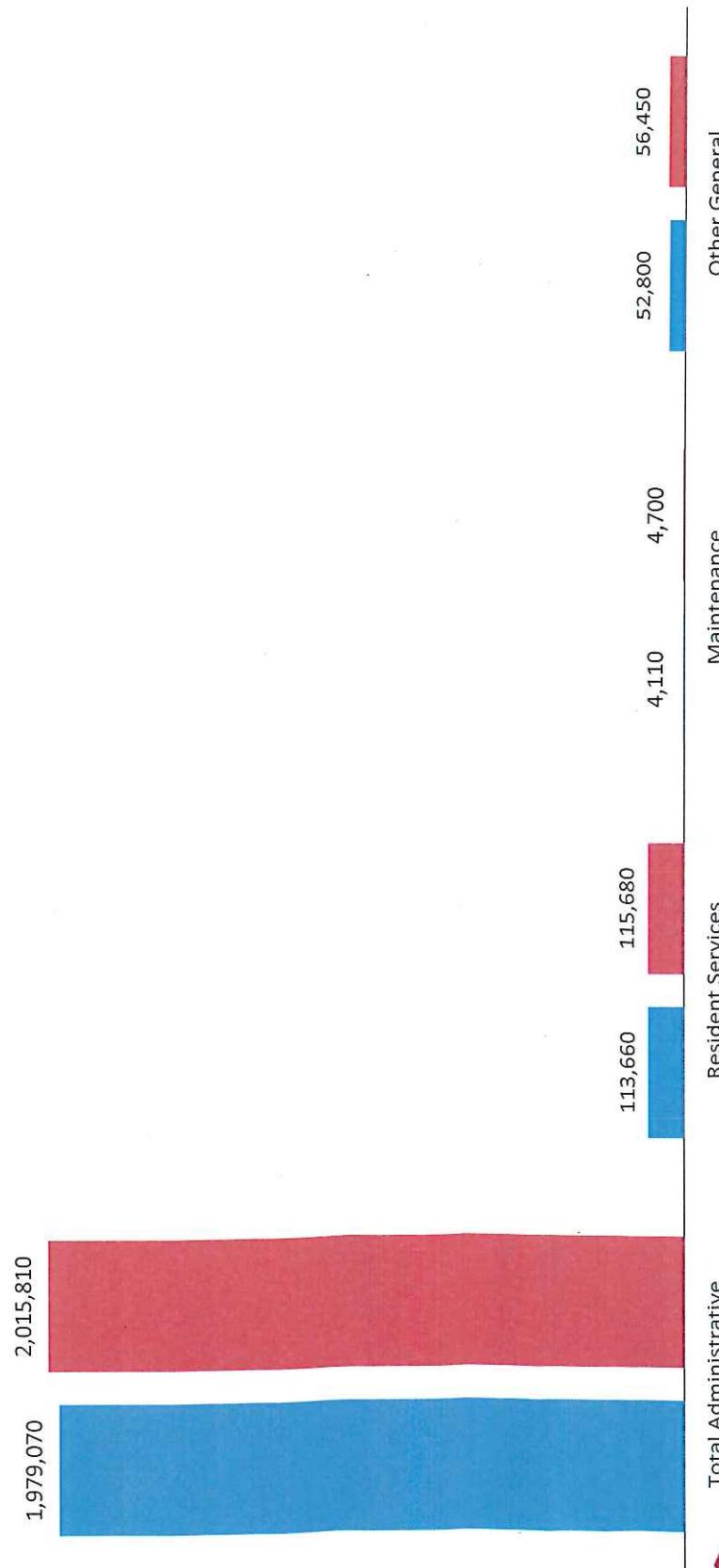


Section 8 Revenues and Reserves

\$2,192,640 Budget

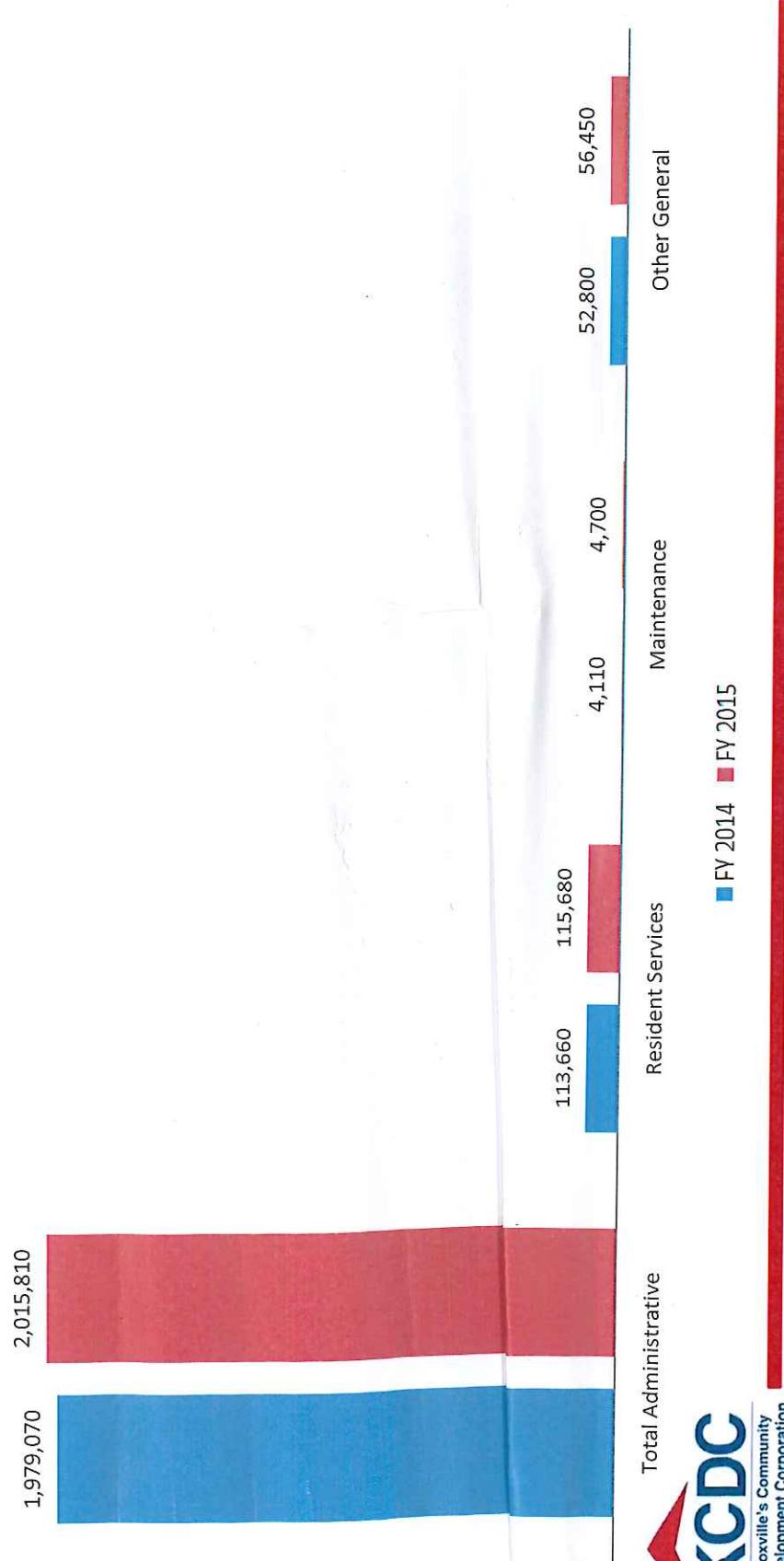


Section 8 Expenses \$2,192,640 Budget



2014 2015

Section 8 Expenses \$2,192,640 Budget



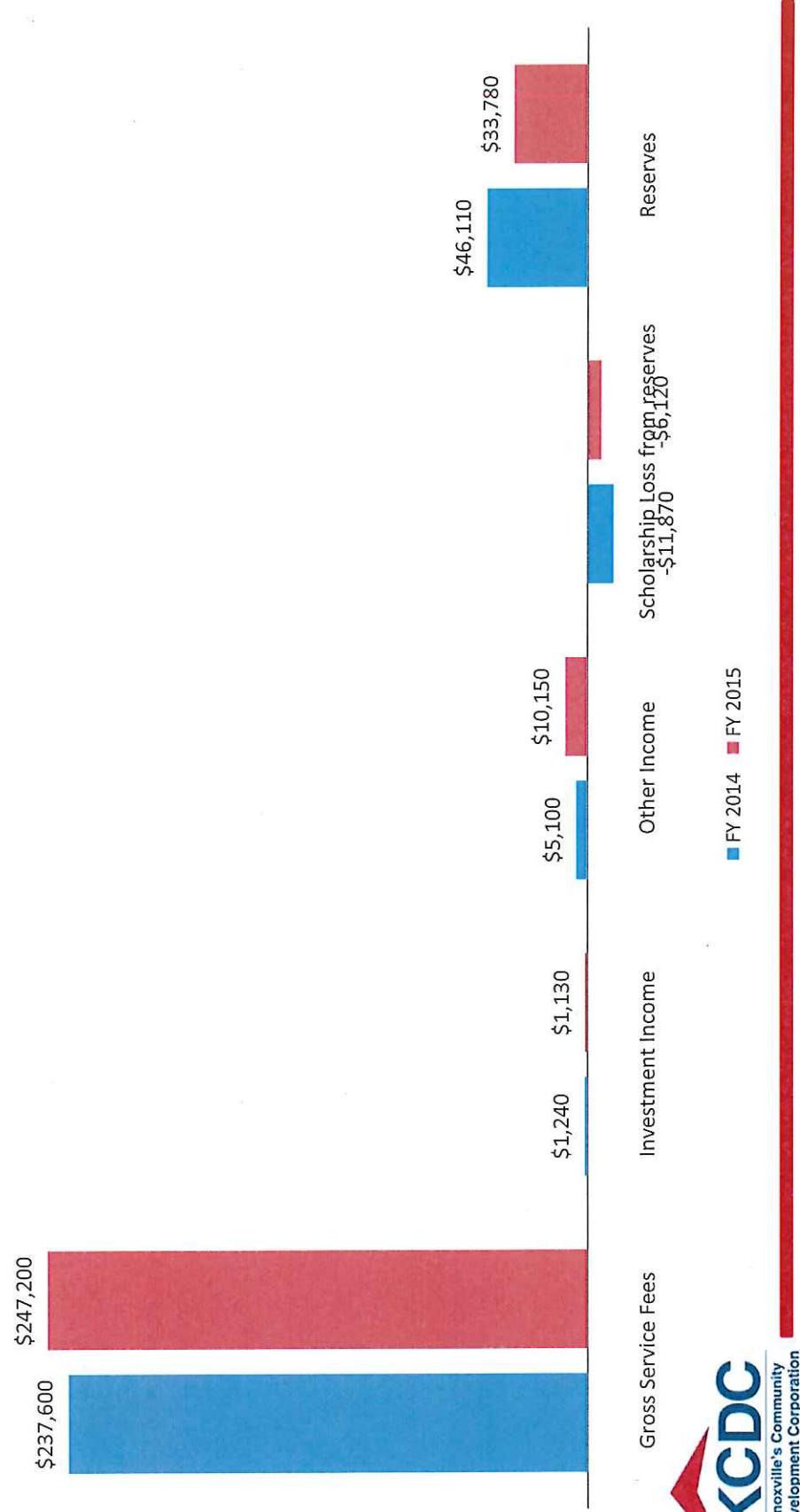
The Manor



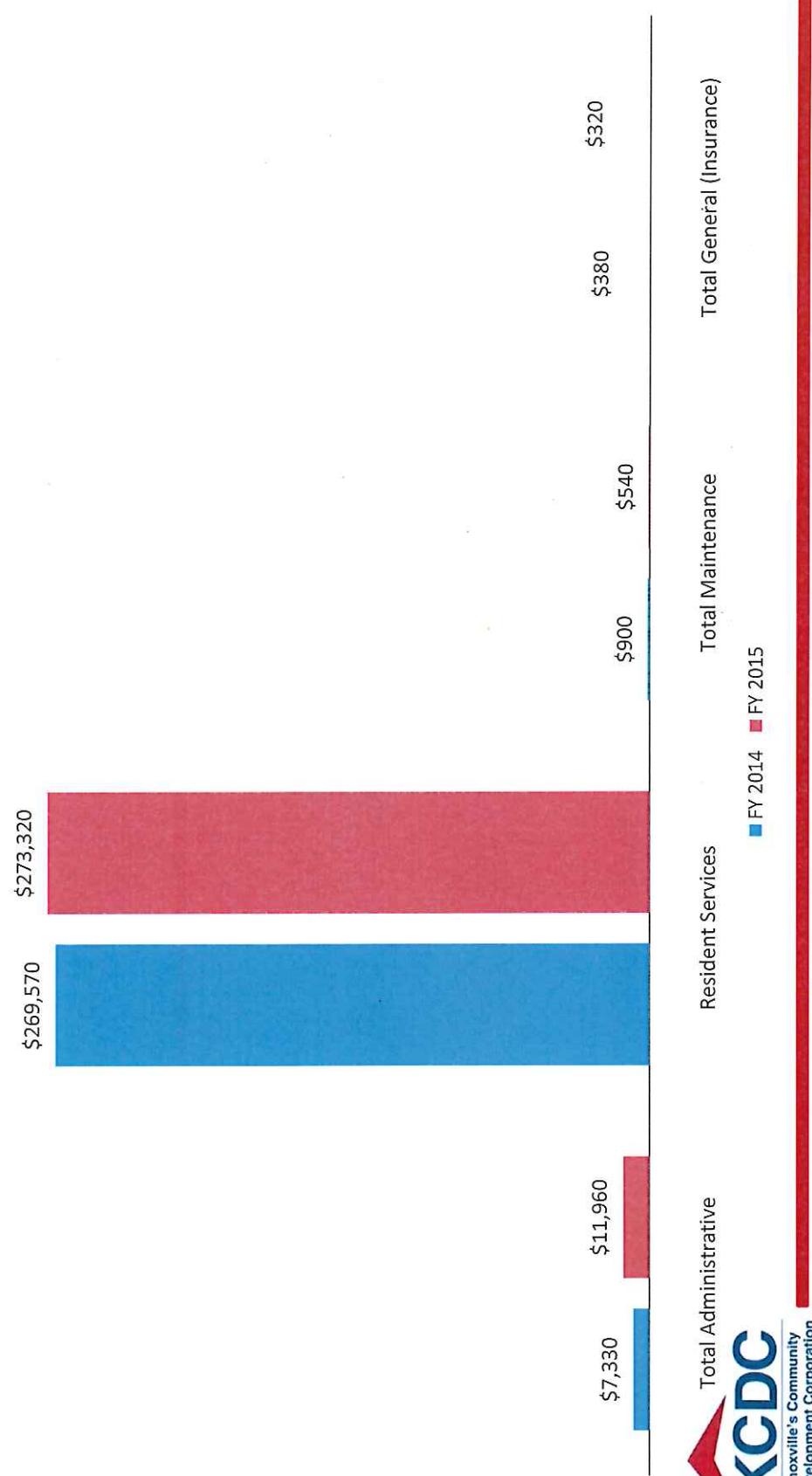
The Manor

- 27 year old supportive living facility located in Northgate Terrace property
- 41 available units to eligible residents
- Revenue includes:
 - \$515 Proposed Service Fee (increase from \$495)
 - Resident paid, some scholarships based upon need
 - Fee Coverage includes wellness checks, meals, light housekeeping, laundry and personal response system
 - Investment income
 - Donations
- Expenses include:
 - Administrative
 - Resident services
 - Maintenance
 - Insurance

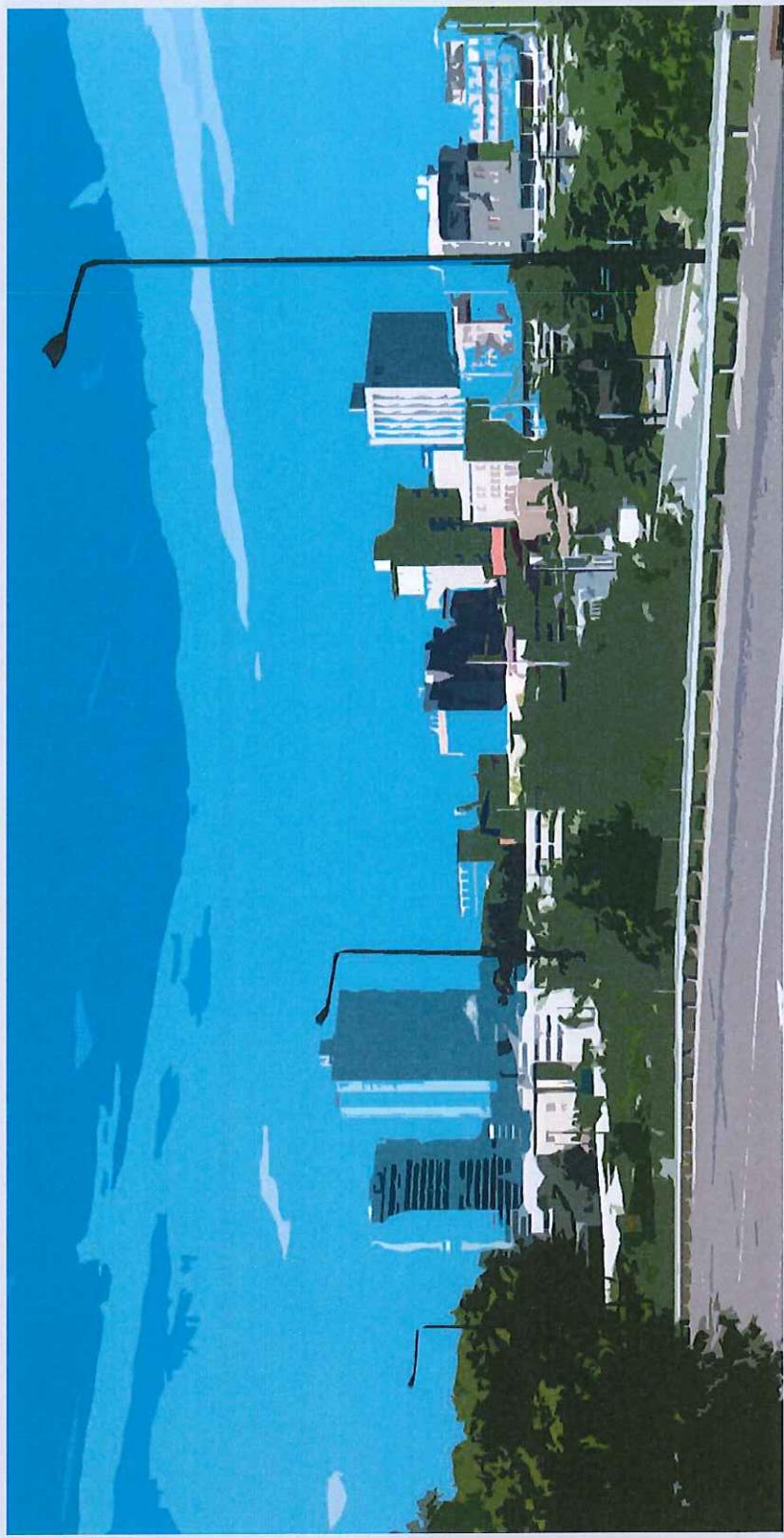
The Manor Revenues and Reserves \$286,140 Budget



The Manor Expenses \$286,140 Budget



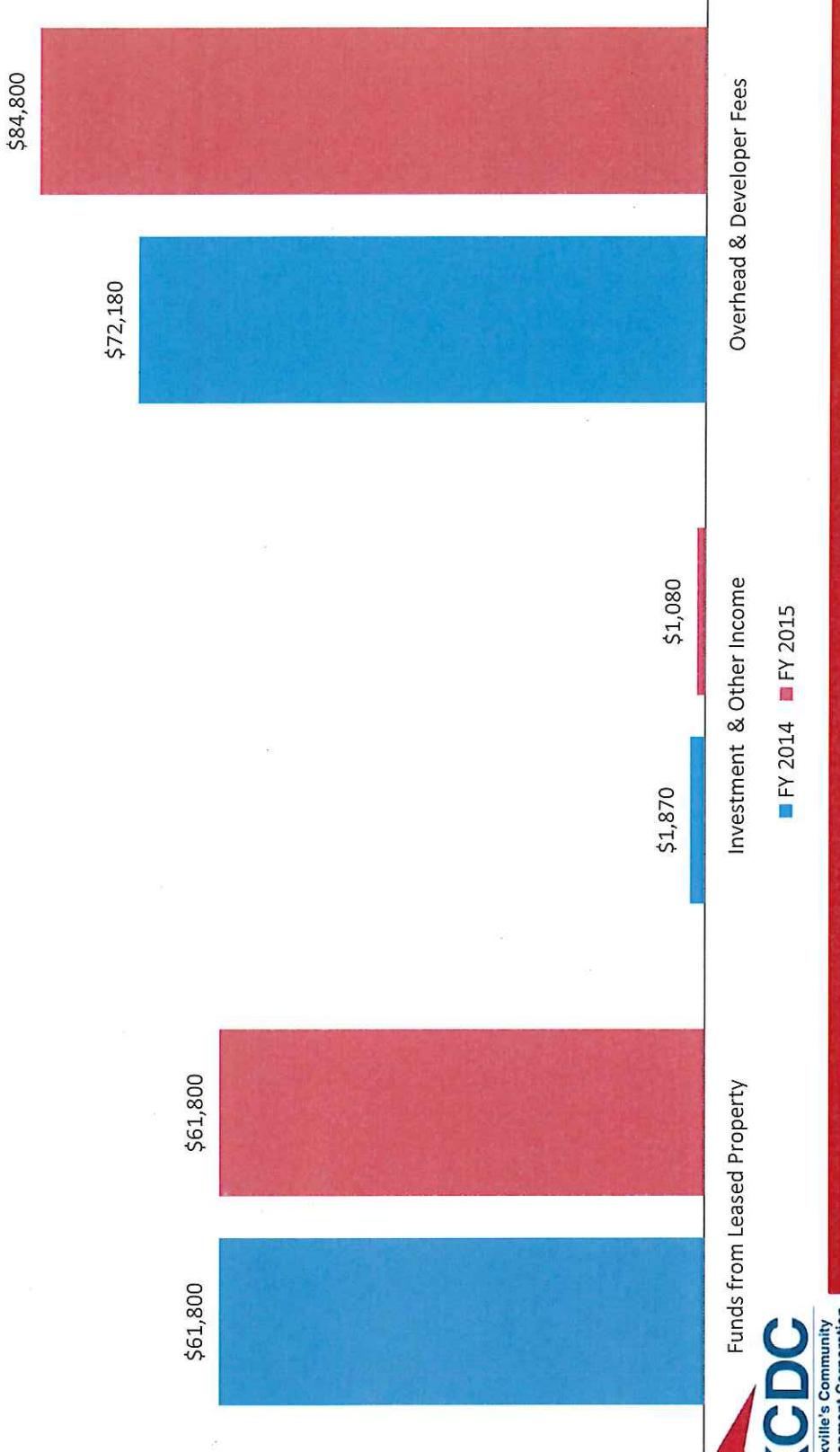
Redevelopment



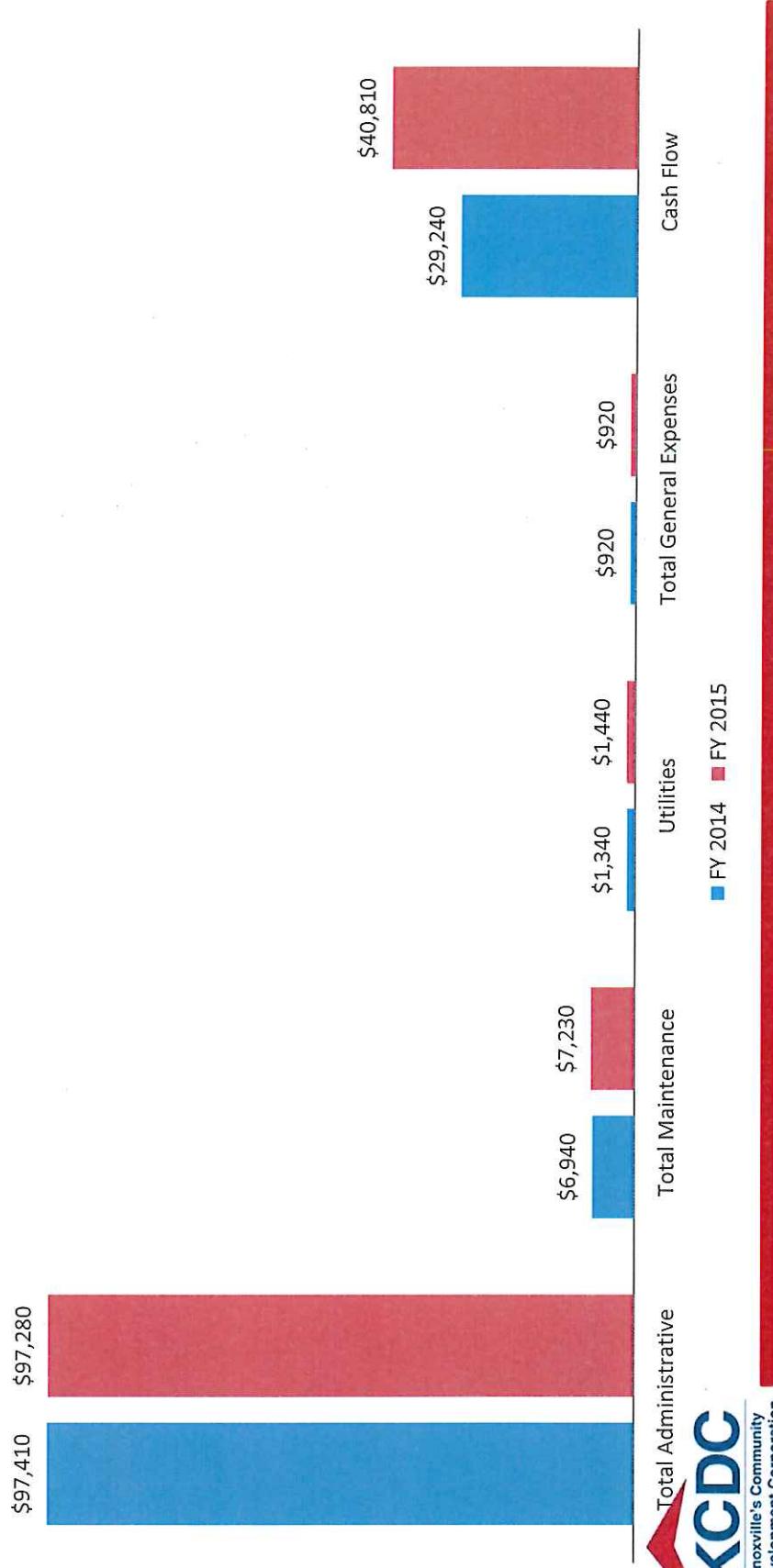
Redevelopment

- Redevelopment agent for local government and public entities implementing project activities within designated redevelopment areas
- All direct billable projects are handled as a pass-thru and are not part of this operating budget
- Revenue includes:
 - Tax Increment Financing (TIF) fees from Knox County
 - Other Fees (i.e., other TIF deals)
 - Billable Overhead
 - Leased Property Revenue
 - Investment Income
- Expenses include:
 - Administrative overhead
 - Maintenance
 - Utilities
 - Insurance

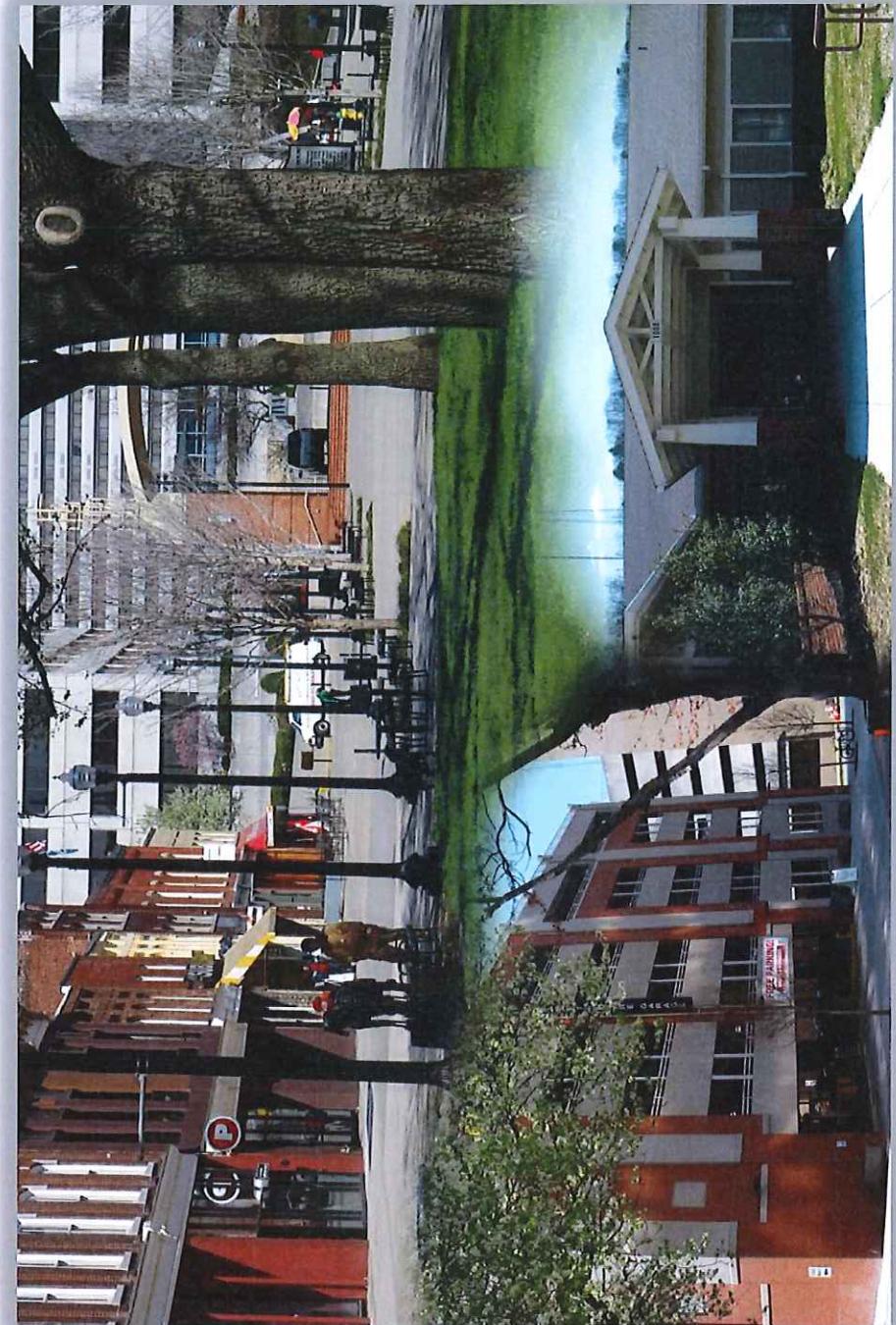
Redevelopment Revenues \$147,680 Budget



Redevelopment Expenses and Cash Flow \$147,680 Budget



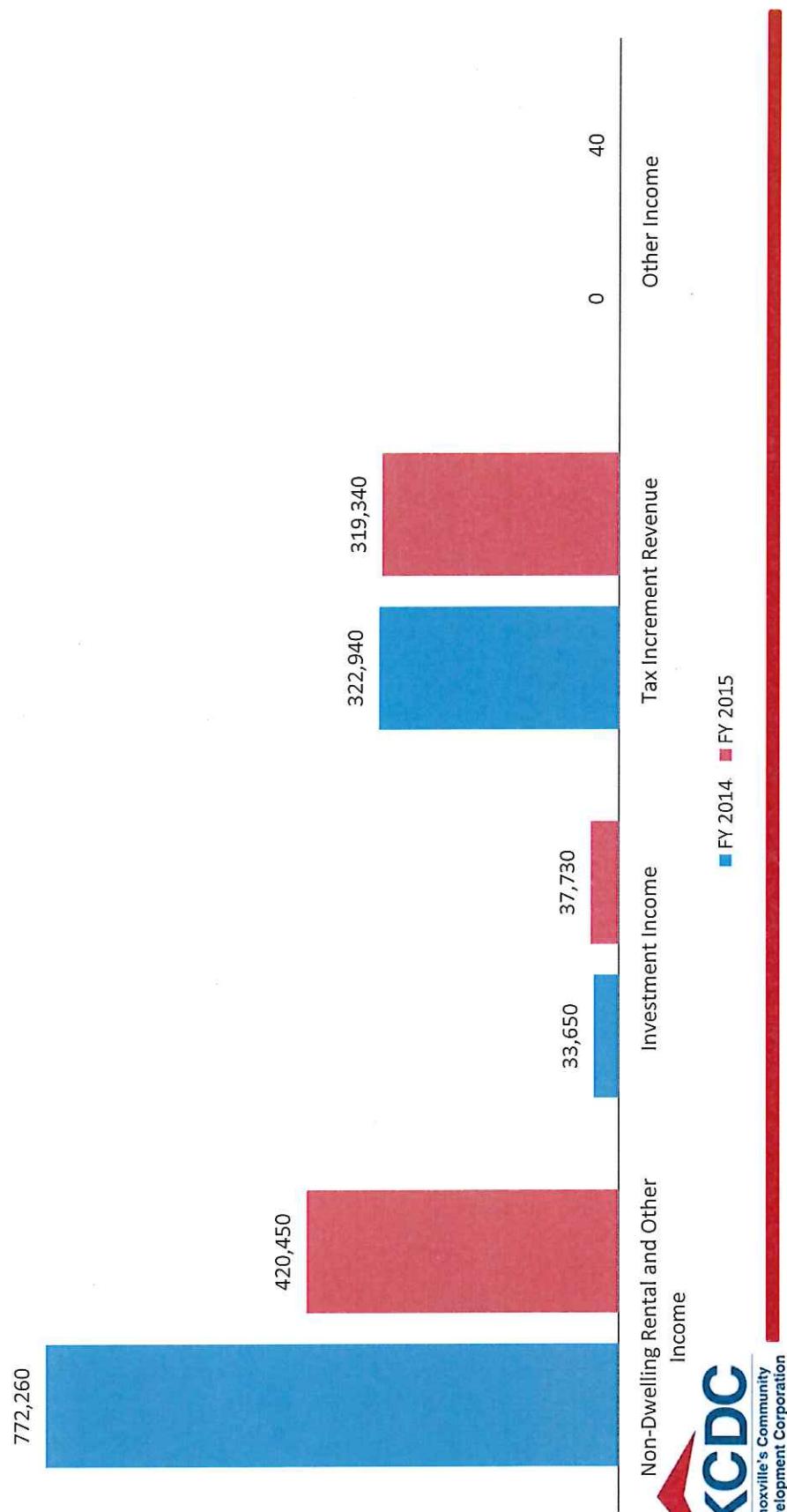
Knoxville's Housing Development Corporation (KHDC)



Knoxville's Housing Development Corporation (KHDC)

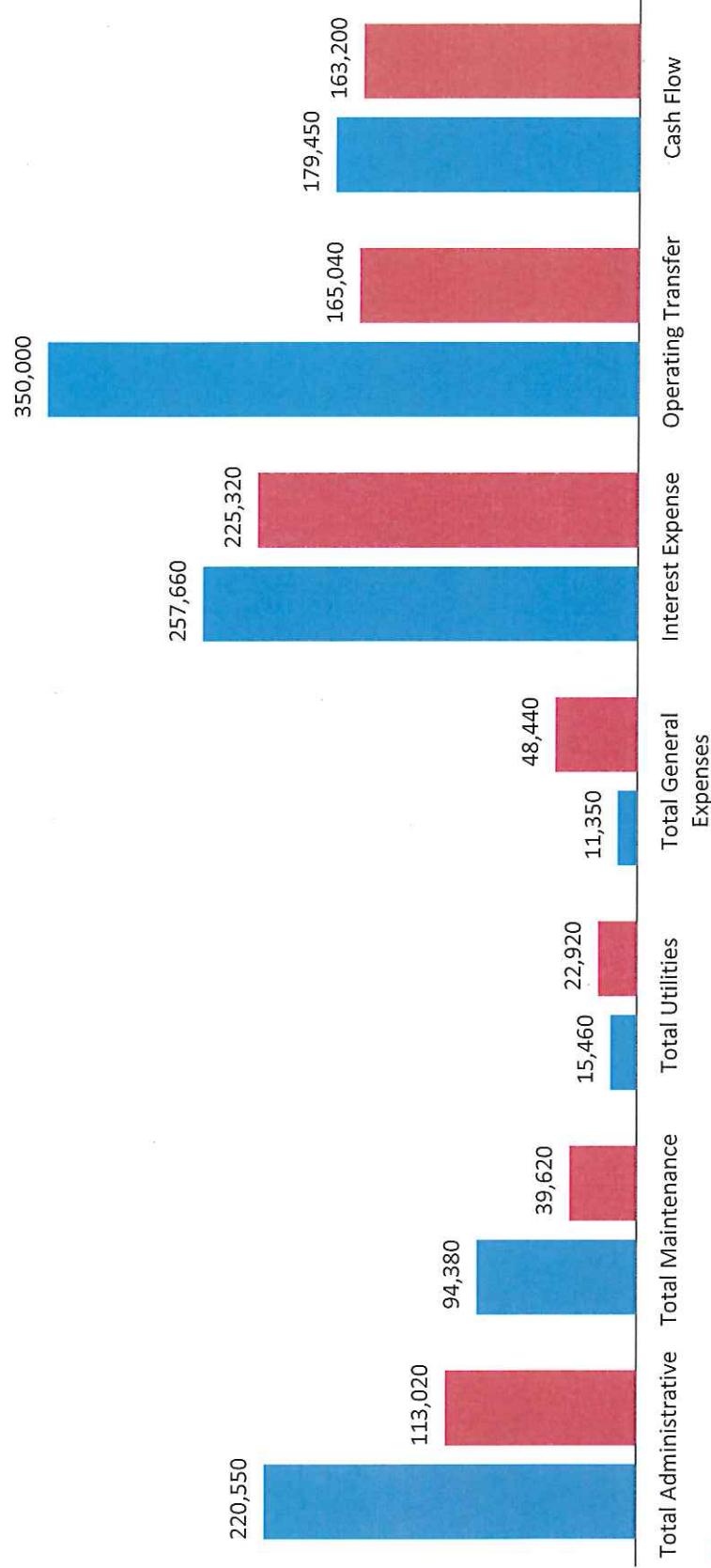
- Subsidiary corporation primarily created for development activities
- Primary non-federal funding source
- Revenue includes:
 - Ownership and lease of several non-dwelling properties:
 - Dollar General Store
 - Head Start Building
 - Dwelling Rental from possible market rate property purchase
 - Tax Increment Financing Revenue (TIF from prior HOPE VI project)
 - Investment Income
 - Other
- Expenses include:
 - Administrative
 - Maintenance
 - Utilities
 - Interest Expense
 - Insurance

KHDC Revenues \$777,560 Budget



KHDC Expenses and Cash Flow

\$777,560 Budget



QUESTIONS





**EXECUTIVE SUMMARY
PROPOSED 2015 BUDGET
CONVENTIONAL PUBLIC HOUSING**

CHANGES FROM FY2014 TO FY2015

OVERALL TOTAL INCOME: An increase of 11% is proposed for 2015 over 2014 figures primarily due to an increase in estimated federal subsidy funding (CY 2014 includes 89.2% eligibility; CY 2015 includes an 85% eligibility estimate) and slight increase in projected rental revenue from FY2014 historical data.

OVERALL TOTAL EXPENSES – An increase of 3% is proposed for 2015 over 2014 budget.

ADMINISTRATIVE – A 7% increase is proposed for 2015 over 2014 figures primarily due to an increase in computer support needs, compensated absences, energy performance contract projected expenses, and centralized front-line services due to a change in staff allocation from resident services to front line administrative costs.

RESIDENT SERVICES – A 6% decrease is proposed for 2015 over 2014 figures primarily due to a change in staff allocation from resident services to front line administrative costs.

UTILITIES – A 7% increase is proposed for 2015 over 2014 figures primarily due to a combination of FY2014 historical data and projected increases primarily in sewer rates.

ORDINARY MAINTENANCE/OPERATIONS – A 0% net change is proposed for 2015 over 2014 figures with various increases and decreases within the detailed line items.

PROTECTIVE SERVICES – A 15% increase is proposed for 2015 over 2014 figures due to an increase in contracted services due to additional security needs.

OTHER GENERAL EXPENSES – An 11% decrease is proposed for 2015 over 2014 figures primarily due to a decrease in insurance from FY 2014 historical data, a decrease in PILOT from increased utilities, and a decrease in other general expense due to projected decreases in limited partnership subsidy payments from the public housing properties to the LPs.

NONROUTINE – A 79% decrease is proposed for 2015 over 2014 figures due to a significant decrease in expenses for extraordinary maintenance, replacements and betterments and addition which are funded this year out of the Capital Fund budget.

CFFP INTEREST EXPENSES – Interest expenses for debt related to renovation work performed at Lonsdale Homes and Northridge Crossing: \$75,930.

OTHER INTEREST EXPENSE – Interest expense for debt related to the energy performance contract: \$375,720.

NET LOSS: (\$439,150)



**EXECUTIVE SUMMARY
PROPOSED 2015 BUDGET
CONVENTIONAL PUBLIC HOUSING (continued)**

CHANGES FROM FY2014 TO FY2015

OPERATING SUBSIDY – Subsidy is estimated at \$14,595,750. (14% increase from Fiscal Year 2014 figure of \$12,815,140). This represents the direct payment from HUD based on the operating fund formula including add-ons, and includes 89.2% of the approved formula calculation for CY 2014 and 85% of the estimated formula calculation for CY2015. Funding amounts will vary based upon final distribution.

PROVISION FOR OPERATING RESERVE – Shows KCDC drawing (\$439,150) from reserves.

Historical Reserve Information:

(Fiscal Year 2003 - KCDC Actual:	\$1,438,617 to reserves)
(Fiscal Year 2004 - KCDC Actual:	\$354,797 to reserves)
(Fiscal Year 2005 - KCDC Actual:	\$1,147,611 to reserves)
(Fiscal Year 2006 - KCDC Actual:	\$1,147,641 from reserves)
(Fiscal Year 2007 - KCDC Actual:	\$583,564 from reserves)
(Fiscal Year 2008 - KCDC Actual:	\$827,034 to reserves)
(Fiscal Year 2009 - KCDC Actual:	\$4,032,919 to reserves)
(Fiscal Year 2010 - KCDC Actual:	\$4,346,336 to reserves)
(Fiscal Year 2011 - KCDC Actual:	\$3,511,799 to reserves)
(Fiscal Year 2012 - KCDC Actual:	\$1,385,846 to reserves)
(Fiscal Year 2013 - KCDC Actual:	\$4,668,275 from reserves)
(Fiscal Year 2014 - KCDC Estimate:	\$1,158,883 from reserves)

The Fiscal Year 2015 estimated draw from reserves will adjust our reserve level as follows:

Adjusted Reserves as of June 30, 2013 (*)	18,174,976
Fiscal Year 2014 estimated increase to reserves	272,669
Fiscal Year 2014 principal note reduction	(1,431,552)
Adjusted Reserves estimated at June 30, 2014	17,016,093
Fiscal Year 2015 Estimated draw from reserves (3%)	(439,150)
Adjusted Reserves (estimated) as of June 30, 2015	16,576,943

(*) Reserves are adjusted by 8,734,838 representing long term notes receivable due from limited partnerships.



FY 2015 Non-Routine Budget

Equipment Addition

Description	Property Name	Project	Estimated Cost
TOTAL			

Betterments and Special Items

Window Replacements	Lonsdale Homes	3-5	\$60,000
Meter Panel Replacement	Montgomery Village	3-13/14	\$96,100
Exterior side windows replacement	Isabella Towers	3-18	\$95,700
TOTAL			\$251,800

Total cost for Addition, Betterments and Special Items: **\$251,800**



**EXECUTIVE SUMMARY
PROPOSED 2015 BUDGET
OTHER KCDC OPERATING PROGRAMS**

CHANGES FROM FY2014 TO FY2015

THE CENTRAL OFFICE COST CENTER:

TOTAL REVENUE: A decrease of 3% is proposed for 2015 over 2014 figures. This decrease is primarily due to a projected decrease in the fee for services (Interior Paint, HVAC, and Bulky Debris) transferred to Supportive Maintenance from Public Housing properties.

TOTAL EXPENSES: An increase of 2% is proposed for 2015 over 2014 figures. This increase is primarily due to a projected increase in administrative expenses for computer support needs this year.

NET INCOME: Proposed at \$ 133,400 with a projected operating transfer to the Section 8 program of (\$16,370) resulting in net income of \$117,030.

Cost Center operates as a self-sufficient business activity.

Reserves:
FYE 2013: 4,668,624
FYE 2014: (estimated): 4,717,610

ALL SECTION 8 PROGRAMS:

TOTAL REVENUE: An increase of 2% is proposed for 2015 over 2014 figures primarily due to a projected increase in administrative fees earned.

TOTAL EXPENSES: An increase of 2% is proposed for 2015 over 2014 figures primarily due to an increase in compensated absences cost.

NET LOSS: Proposed at (\$259,850) with an operating transfer from Central Office Cost Center of 16,370 resulting in a net loss of (\$243,480).

Reserves all Section 8 programs:
FYE 2013: 694,761 (482,879 HCV, 189,061 Moderate Rehab, 22,821 Mainstream Vouchers)
FYE 2014: (estimated): 455,362 (\$243,480 for HCV, 189,061 for Moderate Rehab, 22,821 Mainstream Vouchers)



**EXECUTIVE SUMMARY
PROPOSED 2015 BUDGET
OTHER KCDC OPERATING PROGRAMS (continued)**

CHANGES FROM FY2014 TO FY2015

THE MANOR:

TOTAL REVENUE: An increase of 9% is proposed for 2015 over 2014 figures primarily due to an increase in projected service fees and an increase in other income from donations.

TOTAL EXPENSES: An increase of 3% is proposed for 2015 over 2014 figures primarily due to an increase in advertising, training needs, compensated absences and food costs. While financially challenging, this program serves an important need in our community and we are committed to development of a fund raising strategy to continue operations.

NET LOSS: Proposed at (\$33,780)

Reserves:

FYE 2013: 216,372

FYE 2014: (estimated): 182,648

REDEVELOPMENT:

TOTAL REVENUE: An increase of 9% is proposed for 2015 over 2014 figures primarily due to an increase in projected overhead and developer fees earned by the program.

TOTAL EXPENSES: A 0% net change is proposed for 2015 over 2014 figures with various increases and decreases among the detailed line items.

NET INCOME: Proposed at \$40,810.

Reserves:

FYE 2013: 2,240,142 (includes 1,590,580 assets held for sale and 592,139 in LT notes receivable)

FYE 2014: (estimated): 2,277,178



**EXECUTIVE SUMMARY
PROPOSED 2015 BUDGET
SUBSIDIARY CORPORATIONS**

CHANGES FROM FY2014 TO FY2015

KNOXVILLE'S HOUSING DEVELOPMENT CORPORATION:

TOTAL REVENUE: A decrease of 31% is proposed for 2015 over 2014 figures primarily due to the sale of the State Office Building properties and resulting loss of non-dwelling rental revenues.

TOTAL EXPENSES: A decrease of 25% is proposed for 2015 over 2014 figures primarily due to the sale of the State Office Building properties and resulting decrease in expenses.

NET INCOME: Proposed at \$328,240 with operating transfer of (\$165,040) for Five Points Phase I Senior Building for a total of \$163,200 to reserves.

Reserves:

FYE 2013: \$7,519,831

FYE 2014: (estimated):\$7,750,678



KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

GENERAL INFORMATION

Knoxville's Community Development Corporation (KCDC) was chartered in 1936 as a public housing and redevelopment authority. As a political subdivision of the State of Tennessee, KCDC is charged with the responsibility of applying for and administering public housing and redevelopment projects for the City of Knoxville. KCDC is governed by a seven-person Board of Commissioners appointed for staggered terms by the Mayor of the City. One resident Commissioner serves a two-year term; the other six members serve five-year terms. The Board appoints an Executive Director (Chief Executive Officer) who is charged with the day-to-day operations of the Corporation, and with Board approval, the development of operating policies and practices consistent with applicable federal, state, and local rules and regulations. In May 2014, KCDC employed 141 employees in all phases of its administration, housing, resident services, and redevelopment activities. Total operating budgeted revenues and use of reserves for all operating programs during the upcoming fiscal year is budgeted at \$28.7 million.

Public housing is by far the largest and oldest activity carried out by the Agency and is the backbone of KCDC's service within the City of Knoxville. An Annual Contributions Contract (ACC) with the Department of Housing and Urban Development (HUD) governs the public housing operations. As long as the general provisions and regulations of the contract are followed, such as resident selection, HUD guarantees annual payments to subsidize day-to-day operations.

KCDC administers and operates housing developments at different sites for families and elderly clients. Public housing comprises 3,525 units.

The Section 8 Voucher/Mainstream/Moderate Rehabilitation Housing Program estimates include authorization for 4,000 units but are based on the amount of housing assistance payments available (3,932).

KCDC's services are not limited to providing shelter. Resident Services fulfill KCDC's mission by addressing the Agency's commitment "... to promote and encourage, through education and other forms of constructive assistance, self-help programs which will assist in the development of resident self-sufficiency . . ."

KCDC, through "The Manor", also provides independent living with supportive services with 41elderly units.

The welfare of individual residents and of the communities in which they live is intricately bound together. When services help individual residents improve their lives, conditions in the community improve. Likewise, programs that promote changes in what a public housing community expects of its members influence the behavior of those members.

In addition to providing safe, decent and affordable housing in the City of Knoxville and Knox County, KCDC is the redevelopment authority for the City and the County and strives "... to improve the safety, health, morals, and welfare of the community by undertaking and promoting and cooperating with private developers and other governmental entities in the development of appropriate redevelopment and revitalization." The KCDC Redevelopment Department fulfills this part of KCDC's mission.

The department currently administers approximately \$660,000 dollars annually in redevelopment activity. Staff implements downtown and neighborhood revitalization projects and assists the City of Knoxville, Knox County, and community agencies and organizations with land acquisition, relocation and site management.

In its role as redevelopment agent for the City of Knoxville, the department administers around 17 Redevelopment & Urban Renewal Plans, including 6 neighborhood projects.

Please check our web page at www.kcdc.org for additional information.