



**HOUSING  
OPPORTUNITIES  
COMMISSION**  
OF MONTGOMERY COUNTY, MD

# Adopted Budget Fiscal Year 2012





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Housing Opportunities Comm. of Montgomery County  
Maryland**

For the Fiscal Year Beginning

**July 1, 2010**

President

Executive Director

**The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Housing Opportunities Commission of Montgomery County for its annual budget for the fiscal year beginning July 1, 2010.**

**In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.**

**This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.**

# Budget Message

Adopted Budget  
June 1, 2011

## From Jerry Robinson, Acting Executive Director

### Overview

HOC, Montgomery County, the State of Maryland and the nation continue to grapple with the ongoing effects of "The Great Recession". As HOC makes budget decisions for FY 2012, we are cognizant of forces in the larger environment that have direct effects on our financial health and ability to continue our work.

Despite the fact that Maryland and Montgomery County have suffered less than many areas of the country, both continue in fiscal distress. Both face significant budget shortfalls entering their FY 2012 budget processes, and both are expected to make significant cuts to funds that will affect HOC. The potential for funding reductions at the federal level, however, poses a greater threat to HOC's programs, as increased aid from the federal government has run its course.

The 2010 election sent a new majority to the House of Representatives. It changed the atmosphere, and the new majority has placed its primary emphasis on budget cutting. Deficit reduction is the watchword from both houses of Congress and both parties. They differ only in the severity of the cuts they propose. At this point, not even the federal FY 2011 appropriations are final. Nonetheless, every indication is that HOC's programs will suffer.

Interest rates continue at historic lows which has directly affected the earnings on our investments. In a normal financial market, low investment rates typically correlate with low bond yields and low borrowing costs to HOC; however, the municipal markets continue to respond to other headlines particularly the fiscal distress that is facing so many state and local jurisdictions. The municipal bond market continues to reflect some volatility and uncertainties which will continue to challenge our ability to obtain favorable financing in the traditional issuance of municipal housing bonds.

On the local level, the county's poverty rate has risen, resulting in more need at a time of fewer resources. Many of our voucher and Public Housing residents are earning less and are therefore able to contribute less to their portion of the rent. Tenants in our independent housing portfolio likewise face worsening economic circumstances.

The FY 2011 budget assumed continuing economic distress and constricted revenues from investment, bond, and development activity as well as from our local and state public sector partners. For HOC, another consequence of relatively high local unemployment is the reduced occupancy in our units and increased distress of our tenants and program participants.



### Special points of interest:

"We remain unwavering in our commitment to our mission of preserving and growing affordable housing in Montgomery County."

HOC has seen revenue shortfalls in its properties as county residents find alternative housing solutions. Revenue from properties is one of HOC's primary income sources.

On the expenditure side, HOC faced increased costs in health insurance and retirement benefits.

Despite the ongoing gloomy economy, HOC persists in our work. We continue to invest in the future of our properties. FY 2011 saw the completion of renovations at Pooks Hill and Magruder's Discovery. The extensive and ambitious rehabilitation of Paddington Square continues at an accelerated pace and will see completion in FY 2012. Hampden Lane Apartments, which is comprised of 12 units that will serve formerly homeless persons in downtown Bethesda, is expected to be substantially complete and ready for occupancy by Fall 2011. We are well into the detailed planning for the renovations at our three buildings on Aspen Court, and that renovation will also be completed in FY 2012.

We have contemplated for some time the best future courses for our Tanglewood/Sligo Hills properties and for The Ambassador Apartments. FY 2011 saw the planning begin in earnest. By FY 2012, we will have determined the future directions of these properties and begun the work.

Over the course of the last 20 years, HOC purchased MPDUs using Tax Credit financing. The time has come to rehabilitate the homes and to restructure the partnerships. That work is well along and by FY 2012, the Commission will have decided on the plan and begun the work.

In addition to investing in the future of our properties, we are also actively pursuing other ways to assist those in need of our programs. In FY 2011, we requested and received 25 new VASH (Veterans Administration Supportive Housing) vouchers and also 160 vouchers for non-elderly disabled members of our community.

Prominent economists report that the recession is over and the recovery is underway, although it is likely to take several years to return to prosperity. We take heart in what these experts tell us but, around us, we continue to see our residents struggling

resulting in increased demand for our programs.

While the uncertain changes in our economy have made times challenging, the FY 2012 Adopted Budget provides for the continuation of a fiscally conservative and responsible plan. The Adopted Budget includes \$218 million for operations and \$16 million for capital improvements and development projects.

We remain unwavering in our commitment to our mission of preserving and growing affordable housing in Montgomery County.



# Budget Highlights

Adopted Budget  
June 1, 2011

## FY 2012 Budget Highlights

### Housing Choice Voucher Program

As Montgomery County's Public Housing Authority, HOC administers the Housing Choice Voucher Program (HCV). Currently, HOC is authorized to provide 6,072 vouchers. This number includes all vouchers allocated to the Housing Opportunities Commission, including the Mainstream, Disabled, Moderate Rehabilitation, and Veterans Affairs Supportive Housing (VASH) vouchers. The FY 2012 Adopted Budget was developed based on the current utilization projections for FY 2012 using the average per unit cost for a funding level \$74.6 million. Staff will update the projections once the CY 2011 funding levels are released. In 2011, HOC was awarded 160 Non-Elderly Disabled Vouchers. HOC will continue to respond to funding opportunities as they are presented.

### Public Housing

In its role as Montgomery County's Public Housing Authority, HOC owns and manages 1,555 units of Public Housing. Some of the units are in clustered family communities, some are in mid- and high-rise buildings which house seniors, and some apartments, townhouses and single family homes are scattered throughout the County.

Each year HUD provides an operating subsidy to bridge the gap between what residents pay in rent, which equals 30% of their gross income, and the cost of operating the units. The amount of HUD funding falls short of what is required. HUD is currently projecting a 92% appropriation of eligibility. The FY 2012 Budget anticipates HOC will receive approximately \$6.1 million in operating subsidy. The FY 2012 Adopted Budget also includes funding from Montgomery County via the County Main Grant to help offset rising utility and Housing Association (HOA) Fees.

HUD also provides funding for capital improvements of the units. The FY 2012 budget anticipates HOC will receive an award of approximately \$2.1 million from the Capital Fund Program to address these needs.

In addition, Montgomery County has provided funding for capital improvements for the past several years. In addition to \$1,125,000 for general rehabilitation work, the County Executive's Adopted Capital Improvements Program (CIP) for FY 2012 also includes \$2.7 million in funding for HOC to install a sprinkler system at Arcola Towers.

### County Budget

Montgomery County remains an important partner in the work of the Commission. The County provides both ongoing operating and capital support to the Commission. Most of the County's operating funds support social services and programs to clients and residents. Not only does the funding create the fundamental infrastructure of that work, it is also the foundation for HOC to apply for grants to expand the reach of its supportive services. HOC's Resident Services Division leverages the County's operating support at a 3:1 ratio. The County's appropriation also supports HOC's properties, Housing Resource Service and Customer Service Centers.

As described above in the Public Housing section, the County has been generous in providing capital support to HOC. This year, the County Executive's Capital Improvement Program includes \$1,125,000 for capital maintenance in HOC's public housing units as well as funding for retrofitting Arcola Towers with a sprinkler system to enhance the safety of the residents.

### Rental Market Activity

The national and regional economies continue to be weakened by a number of market forces

that have affected the overall rental apartment market. However, the Metropolitan Washington, DC area continues to report modest job growth, an essential ingredient for apartment demand. During FY 2011, vacancy rates in the region increased more than anticipated due to alternative living arrangements and a weak housing market. Many of the vacant units have been absorbed and, with the economy starting to show positive signs of improvement, we expect vacancy rates in FY 2012 to improve over FY 2011. The FY 2012 property budgets have been developed in conjunction with the County Executive's Rental Guideline of 2.0%.

In addition to its 1,555 Public Housing units, HOC oversees a portfolio of 5,295 rental units for families and individuals. Rental income from our properties is a primary source of funding for HOC's operations. We look to the properties to generate sufficient revenue to be self-supporting. At the same time, HOC's market rate units also contribute to the support of the units which are affordable to lower income households. For FY 2012, HOC is projecting a slight increase over FY 2011.

### **Real Estate Development**

Real Estate is completing construction of the 12-unit Hampden Lane Apartments, which will serve formerly homeless persons in downtown Bethesda. The property is expected to be substantially complete and ready for occupancy by Fall 2011. The renovation of the 166-unit Paddington Square Apartments will continue through FY 2012.

Renovation has begun at three apartment buildings totaling 39 units on Aspen Court, a cul-de-sac in Takoma Park. The buildings are in deteriorated condition in an otherwise stable neighborhood of single family homes. With funding from the Montgomery County Department of Housing and Community Affairs, HOC expects to complete rehabilitation of the buildings in FY 2012. Staff intends to acquire up to two single family homes that can be renovated to house adults with developmental disabilities under a partnership with Jubilee Association of Maryland. Real Estate expects to finalize redevelopment and refinancing plans for 267 scattered site units within the Montgomery Housing Limited Partnership (MHLP) syndications, as well as for the Ambassador Apartments, Tanglewood Apartments, and Sligo Hills Apartments. Staff will continue to seek new development

opportunities to increase the number of affordable apartments in Montgomery County.

In the past year, Real Estate oversaw construction completion of the 134-unit Magruder's Discovery Apartments. HOC also completed acquisition and renovation of 23 single family and town homes that had been foreclosed and vacant using federal Community Development Block Grant (CDBG) and stimulus funds through the federal Neighborhood Stabilization Program and Neighborhood Conservation Initiative.

### **Mortgage Finance**

The Mortgage Finance Division continues to operate in an environment that has experienced significant turbulence over the past three years and, despite bold actions by the federal Government to stave off complete collapse, the financial system is still very fragile. A significant effort by the government to assist housing finance agencies was the October 2009 Housing Finance Agency Initiative, which was implemented by the U.S. Treasury Department in conjunction with Fannie Mae and Freddie Mac. The two components of the program were: 1) Temporary Credit and Liquidity Facility (TCLP), and 2) New Issue Bond Program (NIBP). The TCLP enabled the Commission to access liquidity for approximately \$110 million of its outstanding floating rate debt in 2009 for a three-year term. The NIBP allowed the Commission to provide financing in 2010 totaling \$63.75 million for 291 multifamily rental units. This program also enabled the issuance of \$15 million of single family bond to fund mortgages for eligible first time home buyers. The overall impact of the two programs has been reduced borrowing and liquidity costs for existing and new financing programs which enables lower and moderate income households to be provided with viable housing options.

The Mortgage Finance Program typically completes two to four bond issuances each year. In the past fiscal year, the multifamily program completed the two new financings mentioned in the preceding paragraph and remarketed \$66 million of existing bonds that were issued as a two-year transaction with Wells Fargo Bank, N.A. following the 2008 collapse of the financial markets. All but approximately \$5 million of these bonds were remarketed into a fixed rate mode, eliminating

the need for additional liquidity support. In the single family program, two bond issuances were completed through the conversion of escrowed NIBP funds, yielding \$41 million of proceeds.

In FY 2012, Mortgage Finance will continue to contribute Commitment Fees, Loan Management Fees and other overhead revenue to the Agency's Operating Budget. The next fiscal year will continue to present challenges as the programs navigate a changed financial and real estate market landscape. In the Multifamily program, it will be increasingly difficult to finance affordable rental housing due to the continued high price to purchase existing and to develop new rental housing in Montgomery County, pressures on tax exempt yields and competition from conventional financing, and the ability to access soft debt to support affordable housing, given the state and local budgets. In the

Single Family space, the housing market continues to decline in hopes of finding a bottom, while delinquencies and foreclosures continue to reflect the underlying weak economic and employment conditions. Nevertheless, at least two bond issuances are expected to be completed in FY 2012 that should yield approximately \$40 million of new mortgage proceeds for the Single Family Mortgage Purchase Program. The Multifamily program is also expected to complete two bond issuances in FY 2012 that will generate approximately \$48 million in new mortgages to create and preserve affordable housing in Montgomery County.

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June 1, 2011

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# Reader's Guide

Adopted Budget  
June 1, 2011

## Budget Document Organization

The Budget of the Housing Opportunities Commission (HOC) is a lengthy document that describes the Agency's Operating and Capital Budgets. This Reader's Guide has been provided to highlight the type of information contained in the budget and to inform the reader where to find particular information. The Agency also prepares a Budget-in-Brief booklet, summarizing the larger document to make the budget information more accessible to Montgomery County citizens.

**Page i Executive Director's Budget Message**

The Budget Message addresses the challenges the Agency faces as we move from FY 2011 to FY 2012.

**Page v Budget Highlights**

**Page xi Budget Overview**

This section includes:

- Overview – Revenue and Expense Summary
- Fund Structure
- Agency Fund Description
- Budget Process
- Overview – Strategic Plan
- Operating Budget
- FY 2012 Revenue and Expense Statement

**Page 1-1 Budget Summary Information**

This section includes:

- Mission and Vision Statement
- Overview of the Agency Strategic Plan
- Agency Summary Revenue and Expense Information
- Fund Summary Revenue and Expense Information

**Page 2-1 Operating Budget**

The Operating Budget highlights each of HOC's seven divisions – Executive, Finance, Housing Management, Housing Resources, Mortgage Finance, Real Estate, and Resident Services. Each section includes the following:

- Mission Statement

- Description
- Program Objectives
- Performance Measurement
- Budget Overview
- Revenue and Expense Statement

**Page 3-1 Capital Budget**

The Capital Budget section consists of capital improvement budgets for the Facilities and IT Departments, Opportunity Housing and Development Corporation Properties, and Public Housing Properties. A capital development budget is also included.

**Page 4-1 Personnel Assumptions**

This section includes personnel information relevant to the budget.

**Page 5-1 Appendix**

**Program History**

This section summarizes the Agency's legislative history and describes its major programs and the current economic environment in which they operate. A Functional Organization Chart is also included in this section.

**Units**

This section provides a summary of all Agency units segregated by type of unit.

**General Financial Information**

This section summarizes the Agency's financial information relevant to the budget process.

**Glossary**

This section gives a glossary of general terms and a glossary of housing terms.

**Map**

Map of Montgomery County, MD, and Vicinity

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# Budget Overview

Adopted Budget  
June 1, 2011

## Overview—Revenue and Expense Summary

Fund Summary Overview	FY 2012 Adopted Budget		
	Revenues	Expenses	Net
<b>General Fund</b>	17,361,790	18,476,130	(1,114,340)
<b>Multifamily Bond Funds</b>	24,123,120	24,123,120	0
<b>Single Family Bond Funds</b>	16,077,590	16,077,590	0
<b>Opportunity Housing Fund</b>			
<b>Opportunity Housing Reserve Fund (OHRF)</b>	800,990	756,230	44,760
<b>Restricted to OHRF</b>	0	44,760	(44,760)
<b>Opportunity Housing &amp; Development Corporation Properties</b>	51,782,560	50,032,970	1,749,590
<b>Public Fund</b>			
<b>Public Housing Fund</b>	12,495,920	12,662,040	(166,120)
<b>Draw from Public Housing Reserves</b>	166,120	0	166,120
<b>Housing Choice Voucher Program</b>	81,086,670	81,721,920	(635,250)
<b>Federal, State and County Grants</b>	14,155,110	14,155,110	0
<b>TOTAL - ALL FUNDS</b>	<b>\$218,049,870</b>	<b>\$218,049,870</b>	<b>\$0</b>

\* Revenues and Expenses include inter-company Transfers Between Funds.

## Fund Structure

This section summarizes the Agency's FY 2012 Adopted Operating Budget by funding source. The Commission can review its complex finances in four different ways:

- By funding source (grants vs. bonds).
- By accounting category (personnel vs. maintenance).
- By division (Executive vs. Finance).
- By property (Tanglewood vs. Metropolitan).

The Housing Opportunities Commission will approve the FY 2012 Budget based on funding source. These funding groups are combined into the Agency's five funds for financial statement reporting.

By approving the budget at the funding source level, the Commission can be assured that the budget reflects the external restrictions placed on the use of just over 75% of HOC's revenue sources, and can better analyze the relationship between the budget and the Agency's year-end financial statements. The five Funds are:

The **General Fund**, which includes all operations with the exception of publicly funded programs, opportunity housing and development corporation properties, and bond-funded activities. In general, there are no restrictions on the use of this fund.

The **Opportunity Housing Fund**, which includes all operating, capital improvements, and capital development activity related to the opportunity housing and development corporation properties. The Opportunity

Housing Reserve Fund (OHRF) is also included. The Commission reserves all funds in the OHRF for capital rather than operating expenditures.

The **Public Fund**, which includes all funds the Agency receives from Federal, State and County government agencies. This fund structure assists with the A-133 report for the Federal single audit for all Federal expenditures during a given year. All public funds are restricted based on the requirements of the grants from the various governmental agencies.

There are two separate Bond Funds:

The **Multifamily Program Fund**, which includes all proceeds from mortgages made from bond issues for multifamily housing, debt service requirements on these housing bonds, and related bond costs. The mortgage payments received are restricted to cover the debt service on the housing bonds.

The **Single Family Mortgage Purchase Program Fund**, which includes all proceeds from mortgages made from bond issues for first time homeowners, debt service requirements on these bonds, and related bond costs. The mortgage payments received are restricted to cover the debt service on the housing bonds.

Within the five large Agency Funds are smaller project and grant funds for the specific properties, grants, or bond issues that need to be budgeted and accounted for separately.

# Agency Fund Description

General Fund	Opportunity Housing Fund	Public Fund	Bond Funds (Single & Multifamily)
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## Sources

Loan Management Fees	Rental Income	Rental Income	Mortgage Interest Payments
Commitment Fees	Service Income	Service Income	Interest Income
Development Fees	State & County Rent Subsidies	Federal Subsidies & Grants	Financing Fees
Interest Income	Private Grants	State Grants	Cost of Issuance Fees
Management Fees	Interest Income	County Grants	
Asset Management Fees	Miscellaneous Income	Interest Income	
Private Grants			
Miscellaneous Income			
Insurance Premiums			

## Uses

Executive	Opportunity Housing Properties	Public Housing Properties	Multifamily Mortgage Finance
Finance	Opportunity Housing Capital Improvements	Public Housing Capital Improvements	Single Family Mortgage Finance
Real Estate	Capital Development Projects	Housing Resources	Debt Service on Bonds
Legislative & Public Affairs	Opportunity Housing Reserve Fund (OHRF)	Resident Services	
Housing Management Admin.	Development Corporation Properties		
Tax Credit Development	Development Corporation Capital Improvements		
Master Lease Payments	Homeownership Revolving Loan Funds		
Facilities & IT Capital Needs	Mortgage Payments		
Vehicle Replacement	Required Reserve Contributions		
Insurance Reserve Contributions			

## Project / Grant funds included in each Agency Fund

General	Opportunity Housing Properties	Public Housing Rental	Multifamily Bonds
Intra-Agency Allocations	Development Corporation Properties	Public Housing Homeownership	Single Family Bonds
Private Grants & Loans		Capital Fund Program	Intra-Agency Debt Service
General Partnerships		Housing Choice Voucher Programs	
		Housing Choice Voucher Special Programs	
		McKinney Grants	
		Other Federal Grants	
		Federal Pass-Through Grant	
		County Main Grant	
		Other County Grants & Loans	
		State Grants	

## Basis for Budgeting

Although the Commission's fund structure resembles that of a governmental entity, the Agency's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) on the accrual basis. The accrual method is required for the bond programs. The accrual basis of accounting recognizes transactions at the time they are incurred, as opposed to when the cash is received or spent. The Commission's budget is prepared on a modified accrual

basis. A modified accrual basis recognizes revenues in the period in which they become available and measurable; expenditures are reported when the liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments, group health claims, net pension obligations, and compensated absences are recorded as expenditures when paid with available financial resources.

## Budget Adoption and Amendment

The Executive Director presents a recommended budget to the Housing Opportunities Commission by the first meeting in April of each year. The recommended budget includes both an operating and capital budget. The recommended budget document presents the operating budgets by division and property as well as by major fund. The Commission has five Agency funds: General, Opportunity Housing, Public, Multifamily and Single Family.

Within each of these funds are groups of funds, called major funds. For example, the Public Housing Rental Fund is a major fund within the Public Fund. The Commission's approval process is at the major fund level. The recommended budget reflects the policy direction of the Commission as presented in the Strategic Plan. At the same time that it is presented to the Commission, the recommended budget document is sent to the County Council to fulfill state law. The recommended budget will include the submitted or approved program budgets that are funded by other agencies, (e.g., Public Housing and Housing Choice Voucher Program). These budgets will be submitted as required to the funding agencies.

The Budget, Finance and Audit Committee of the Housing Opportunities Commission will review the recommended budget and make a recommendation to the full Commission for

adoption. The Budget, Finance and Audit Committee will also review the budgets of the properties including the various development corporations.

The **operating budget** is approved by major fund and includes **total sources and uses** for each major fund. The Commission approves any transfers between major funds. Subsequent to the original approval, the Commission may approve **amendments** to the budget, as needed, to reflect changes to total sources and uses for each major fund. Major changes to programs, activities, properties or projects that are needed during the year are addressed in budget amendments. Any **remaining budget authorization** at the end of each fiscal year will not be carried forward without Commission approval.

The **capital budget** is approved at the project level and includes **total sources and uses** for each property or project. The Commission approves any transfers between major funds. The Commission approves **amendments** to a capital budget, as needed, to reflect changes to total sources and uses for each property or project. All **remaining budget authorization** at the end of each fiscal year will, upon request, be carried forward to the next year without Commission approval.



## Executive Director's Budget Authorization

The Executive Director is:

1. Responsible for keeping the budget in balance for each major fund in the operating budget.
2. Responsible for ensuring that there are sufficient sources of funds for each capital project budget.
3. Authorized to spend, without prior approval from the Commission, more than authorized in any major fund or for any specific capital project ONLY for one or more of the following reasons:
  - a. The increased uses are directly related and tied to increased funding for an existing program, activity, property or project (i.e., additional Housing Choice Voucher HAP payments),
  - b. The increased uses are directly related to a new or refinanced property and there is sufficient funding for the increased uses, or
  - c. There is an emergency.
4. Authorized to reallocate budgets within each major fund among divisions in response to unforeseen circumstances. The Executive Director may reallocate budget authorization within a major fund ONLY if one of the following occurs:
  - a. No new programs, activities, properties,

or projects not approved by the Commission are started if such an effort has a continuing effect on resource allocation requirements in future years,

- b. The reallocation of the budget does not prevent any division from achieving its approved goals and objectives.

The Executive Director will inform the Commission of any such expenditures and budget reallocations in conjunction with the next budget amendment. All such expenditures will be governed by the Purchasing Policy.

### Reporting

The Executive Director will present budget-to-actual reports on a quarterly basis and for the year-end to the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

The Budget, Finance and Audit Committee will review any proposed budget amendments and make a recommendation to the full Commission.

### Conclusion

This budget policy defines the Commission's role, responsibility and the authorization given to the Executive Director based on the various legal requirements as described in the attachment.

## Public Participation in the Budget Process

As a public corporation, the Housing Opportunities Commission is committed to involving citizens in the Agency's programs. The agenda for all meetings of the Commission is posted on the Agency's website at [www.hocmc.org](http://www.hocmc.org). In addition, the Commission operates an agenda information line which provides information to the public on the upcoming agenda, 240-773-9382. The Special Assistant to the Commission can be contacted directly at 240-773-9025. Civic associations are informed of the agenda items related to their concerns prior to the Commission meeting where such concerns will be discussed. Public forums are held at each meeting of the Commission to allow for citizen comments. All regular Commission meetings are held in the evening.

Prior to Commission consideration of the FY 2012 Budget, notice was placed in the main County newspaper of general circulation (*The Gazette*), notifying the public of the date on which the budget would be presented, the opportunity for public comment at that meeting, and the availability of the document at the Commission offices. HOC also relies on citizen participation mechanisms of the governments that fund its programs. For example, the funds that HOC receives from Montgomery County are subject to public scrutiny through the County's rigorous citizen participation process.

HOC's approved budget is provided to elected officials. In addition, a budget-in-brief is prepared and made available widely throughout the County.

## Budget Calendar—FY 2012

HOC's operating and capital budgets are prepared by staff in each of the Agency's seven functional units with the assistance of the Budget Office, reviewed by senior staff, and presented to the Commission by the Executive Director. The Commission adopts the final budget.

Each operation prepares a budget based on an estimate of revenues that will be available for their program. These estimates are based on assumptions about the availability of

Federal, State and County funds and the expected level of rents or bond activity. The budget for each operation is the financial part of the business plan for that operation. The business plan implements the program objectives, which come from the mission and vision statements for that operation. This organization enables senior staff and the Commission to see the financial impact of policy decisions for each operation.

## FY 2012 Budget Process

FY 2012 Budget Process										
	September	October	November	December	January	February	March	April	May	June
<b>Departments prepare their budget submission</b>		[Bar]								
<b>Budget submissions reviewed and compiled</b>					[Bar]					
<b>Review of budget submission with the Executive Director</b>						[Bar]				
<b>Executive Director's Recommended Budget presented to the Commission</b>								[4/6]		
<b>Budget, Finance and Audit Committee reviews Recommended Budget</b>								[Bar]		
<b>HOC submits proposed budget to County Council</b>									[5/1]	
<b>Budget adopted by Commission</b>										[6/1]
<b>Public Housing subsidy calculations due to HUD</b>										[TBD]

## Overview—Strategic Plan

The strategic planning process provides the opportunity for HOC's leadership to examine and rededicate itself to a longstanding tradition of innovative housing solutions. The Board of Commissioners and the Executive Management Team review past practices and develop creative strategies to address the changing housing needs of Montgomery County.

HOC relies on its Strategic Plan for direction and focus. The Commission approved the most current Plan in 2010. It concentrates HOC's efforts on developing and implementing innovative solutions to the problem of meeting the County's ever-expanding need for affordable housing. As the County's housing authority and housing finance agency, HOC plays a significant part in expanding affordable housing in Montgomery County. The Strategic Plan provides important guidance to the staff on fulfilling HOC's role.

HOC has resolved to focus its major efforts on the following six areas. It is important to note that each area is of equal importance to the Commission.

- Increase HOC's housing portfolio in targeted ways to encourage geographic and income diversity.
- Address the physical, fiscal and social requirements of the property portfolio.
- Secure funding to maintain and expand our network of social services.
- Assist other providers to expand affordable housing in Montgomery County.
- Establish an outreach program to community partners.
- Exercise leadership in meeting Montgomery County's housing and related social services needs.

## Operating Budget

HOC has an operating budget for FY 2012 of \$218 million. Revenues are generated in two ways:

- Grants, other funding sources, and the cash flow from HOC properties generate 79.19% of total revenues.
  - \$57.0 million (26.15%) is from property rents and service income.
  - \$99.6 million (45.70%) is from Federal, State and County grants.
    - \$91.8 million (42.10%) is from Federal grants, which includes \$75.5 million in HUD Housing Choice Voucher Assistance Payments that are passed through to Montgomery County landlords, for which HOC earns administrative fees.
    - \$7.7 million (3.55%) is from grants from Montgomery County for specific activities, including the administration

of the Closing Cost Assistance Program, various Resident Services programs, and Housing Resource Services.

- \$0.1 million (.05%) is from various State grants.
  - \$16.0 million (7.34%) is from management fees and miscellaneous income.
- Non-operational income derived from HOC's bond-financing operation, real estate financing fees and interest earned on investments generate 20.81% of total revenues.
    - \$37.3 million (17.09%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
    - \$8.1 million (3.72%) is from miscellaneous bond financing operations.

## FY 2012 Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
<b>Operating Income</b>		<b>Non-Operating Income</b>	
Tenant Income	55,915,030	Investment Interest Income	37,266,460
Non-Dwelling Rental Income	1,098,140	FHA Risk Sharing Insurance	562,020
Federal Grant	91,795,960	Transfer Between Funds	7,540,740
State Grant	98,620		
County Grant	7,748,990		
Management Fees	15,795,320		
Miscellaneous Income	228,590		
<b>TOTAL OPERATING INCOME</b>	<b>\$172,680,650</b>	<b>TOTAL NON-OPERATING INCOME</b>	<b>\$45,369,220</b>
<b>Operating Expenses</b>		<b>Non-Operating Expenses</b>	
Personnel Expenses	35,221,070	Interest Payment	42,439,460
Operating Expenses - Fees	16,595,630	Mortgage Insurance	725,740
Operating Expenses - Administrative	5,831,430	Principal Payment	6,683,850
Tenant Services Expenses	3,607,570	Operating and Replacement Reserves	4,673,120
Protective Services Expenses	833,260	Restricted Cash Flow	3,486,320
Utilities Expenses	6,593,420	Development Corporation Fees	2,454,730
Insurance and Tax Expenses	1,268,290	Miscellaneous Bond Financing Expenses	1,017,650
Maintenance Expenses	7,137,300	FHA Risk Sharing Insurance	562,020
Housing Assistance Payments (HAP)	75,504,590	Transfer Out Between Funds	3,414,420
<b>TOTAL OPERATING EXPENSES</b>	<b>\$152,592,560</b>	<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$65,457,310</b>
<b>NET OPERATING INCOME</b>	<b>\$20,088,090</b>	<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$20,088,090)</b>

# **Section 1:**

# **SUMMARY**

Tab

# Summary

Adopted Budget  
June 1, 2011

## Mission and Vision Statements

### Mission

- To provide affordable housing and supportive services.

### Vision

- All families in Montgomery County live in decent, safe and sanitary housing, regardless of income.
- Families and communities in Montgomery County are strengthened as good neighbors through supportive services.
- Establish an efficient and productive environment that fosters trust, open communication and mutual respect.

- Partner effectively and aggressively with advocates to maintain support for all the work of the Commission.

The mission and vision statements reflect the dual nature of the Agency in providing quality housing and quality services to families so as to strengthen both families and communities. The Housing Opportunities Commission will be responsive to those we serve, neighbors, employees and the community at large. The Agency will endeavor to create new partnerships that increase and/or preserve affordable and accessible housing that meets the needs of the populations served.

### Special points of interest:

- Mission and Vision Statements
- Strategic Plan
- Operating Budget Fund Summary
- Revenue Restrictions
- General Fund Summary
- Grant Summary
- Public Housing Fund Summary
- Housing Choice Voucher Fund Summary
- Opportunity Housing & Development Corp.
- Property Listings
- Bond Program

## Strategic Plan Goals

*HOC relies on its Strategic Plan for direction and focus. The current Plan was developed in 2010 and concentrates HOC's efforts on developing and implementing solutions to the problem of meeting the County's ever-expanding need for affordable housing.*

### Increase HOC's housing portfolio in targeted ways to encourage geographic and income diversity.

HOC will actively explore opportunities to acquire properties, placing a priority on areas in which it has a smaller footprint. HOC's flexibility in property acquisition relies on ready sources of financing and knowledgeable engagement in the real estate market.

### Implementation Actions:

- Identify additional financing strategies.

- Identify public or private land for future development or redevelopment.
- Identify opportunities created by the foreclosure crisis to take immediate action to expand HOC's stock of larger, affordable rental homes, helping also to stabilize distressed neighborhoods.
- Acquire existing units in a strategic manner to address affordable housing needs and to preserve long term affordability.

- Identify potential acquisitions even before they are on the market.
- Pursue opportunities for transit-oriented housing development.

**Address the physical, fiscal and social requirements of the property portfolio.**

With nearly 7,000 units in its portfolio, HOC will systematically manage the maintenance, rehabilitation and revenue potential of its properties, while addressing the social service needs of the residents.

**Implementation Actions:**

- Maintain affordability within HOC’s housing stock.
- Increase energy conservation/efficiency throughout the portfolio.
- Continue to develop HOC portfolio model to determine optimal mix of housing.
- Develop criteria for acquisitions, dispositions and renovations of properties in accordance with the portfolio model.
- Develop long-range property renovation plan that identifies the capital needs of the portfolio and improves systems to maintain the quality of units .
- Develop a portfolio management system that will measure performance in relation to both financial and public purpose goals.
- Optimize market rate rents in order to maintain and increase public purpose activities within existing portfolio.

**Secure funding to maintain and expand our network of social services.**

An effective network of social services contributes to housing stability. It improves the quality of life for HOC’s program participants, supports their integration into their communities, and enhances their opportunities for self-sufficiency.

Through the programs administered by HOC’s Resident Services Division, HOC supports initiatives that provide job training, education, counseling, services for youth and elderly and other programs that meet the unique needs of those residing in affordable housing. As the size of HOC’s affordable housing portfolio increases and the County’s demographics change, a key objective of the agency is to adequately fund and expand its resident services programs.

**Implementation Actions:**

- Expand early warning/early intervention systems to identify and support program participants in distress and prevent loss of housing.
- Incorporate social services component as an element of development activities.
- Create additional opportunities for program participants to advise HOC about issues that affect their housing and services.
- Identify new sources of funding for social services.
- Expand interactive, web-based services for residents and partners.
- Expand the use of public-private partnerships for resident services initiatives.
- Increase services to prevent homelessness among our residents and clients.
- Expand delivery of Resident Services activities to include all residents in HOC’s housing.
- Work with service providers to develop housing and social service programs for the elderly and those client populations that cannot be served without special services.

**Assist other providers to expand affordable housing in Montgomery County.**

HOC has an arsenal of tools to assist private and non-profit developers of affordable housing to meet the goal of increasing the stock of affordable housing throughout Montgomery County such as financing, construction services and property management.

**Implementation Actions:**

- Adopt pro-active posture, initiating partnerships with private and non-profit housing developers to create affordable housing which is owned by entities other than HOC.
- Develop model for establishing and preserving affordability for tenants living in multifamily developments with condominium and/or HOA fees.

**Establish an outreach program to community partners.**

HOC’s strong, positive relationships with a broad spectrum of community groups support stable neighborhoods and enhance our residents’ opportunities to achieve self-sufficiency. Positive community relationships also create an

environment in which HOC and other housing providers can expand the stock of affordable housing.

**Implementation Actions:**

- Strengthen HOC’s relationships with the community, industry, nonprofit and for-profit housing organizations and develop new partners.
- Initiate relationship-building activities with community stakeholder groups.
- Partner with Montgomery County government to identify and work with community groups throughout the county.
- Work with Housing Choice Voucher landlords and members of the community to increase understanding of HOC’s programs and to improve working relationships.
- Build closer working relationships with homeowner and condominium associations.

**Exercise leadership in meeting Montgomery County’s housing and related social service needs.**

HOC will use its unique perspective and experience to participate in the creation of housing policy at the local, state and federal

levels. Among its roles, HOC will facilitate interaction among various stakeholders, collaborate on projects to achieve housing and supportive services, articulate the message of the need for affordable housing, particularly in the development of master plans, and educate the community about housing issues.

**Implementation Actions:**

- Develop and pursue legislation and policy at all levels of government to secure adequate and reliable funding for affordable housing and supportive services.
- Strengthen HOC’s relationships with government at the local, state and federal levels.
- Pursue legislation and policy that enhance the creation and preservation of affordable housing and related activities.
- Raise public awareness of HOC’s goals and accomplishments.
- Assure effective involvement of HOC in the master planning process.
- Expand HOC’s advocacy efforts through broader Commission, staff and resident participation.

## Operating Budget

As described in the Fund Structure section on page xiii, HOC can manage and review its complex financial structure in a number of different ways:

- By the funding source,
- By the type of revenue and expense items (by account),
- By division structure, and
- By the specific property or grant.

The following pages of the section highlight the Agency’s FY 2012 Adopted Operating Budget.

The charts on pages 1-4 and 1-5 highlight the sources and uses of HOC Funds. HOC has identified two distinct components of income (sources) and expenses (uses). In order to more easily analyze budget to actual financial statements, operating and non-operating income and expenses have been segregated.

The chart on page 1-6 shows the FY 2012 Operating Budget by accounting classification.

This chart summarizes all Agency Funds. The FY 2012 Operating Budget is balanced.

The chart on page 1-9 illustrates the FY 2012 external as well as internal revenue restrictions. Although HOC has a \$218 million budget, only 7.92%, or \$17.3 million, may be used by the Commission for discretionary expenses.

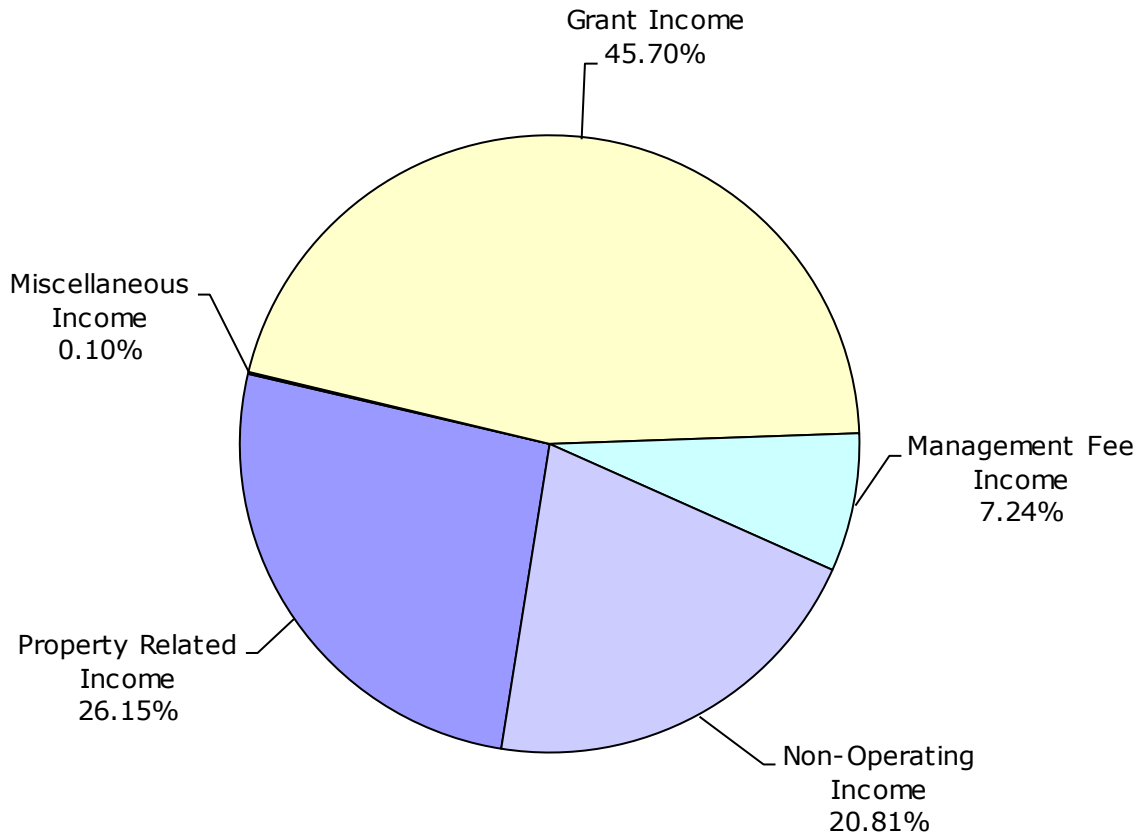
The chart on page 1-10 summarizes the General Fund. In FY 2012, the Net Operating Deficit increased by \$0.6 million from FY 2011.

Charts are also included in this section which show the revenue, expense and net cash flow for the properties as well as the annual operating budget for each of the grants.

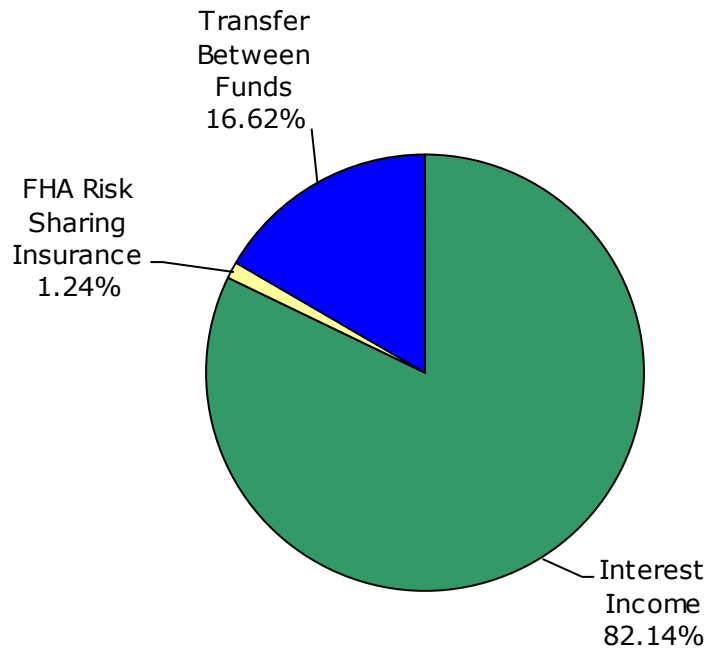
The Operating Budget section of this document shows the revenue and expenses by each division.



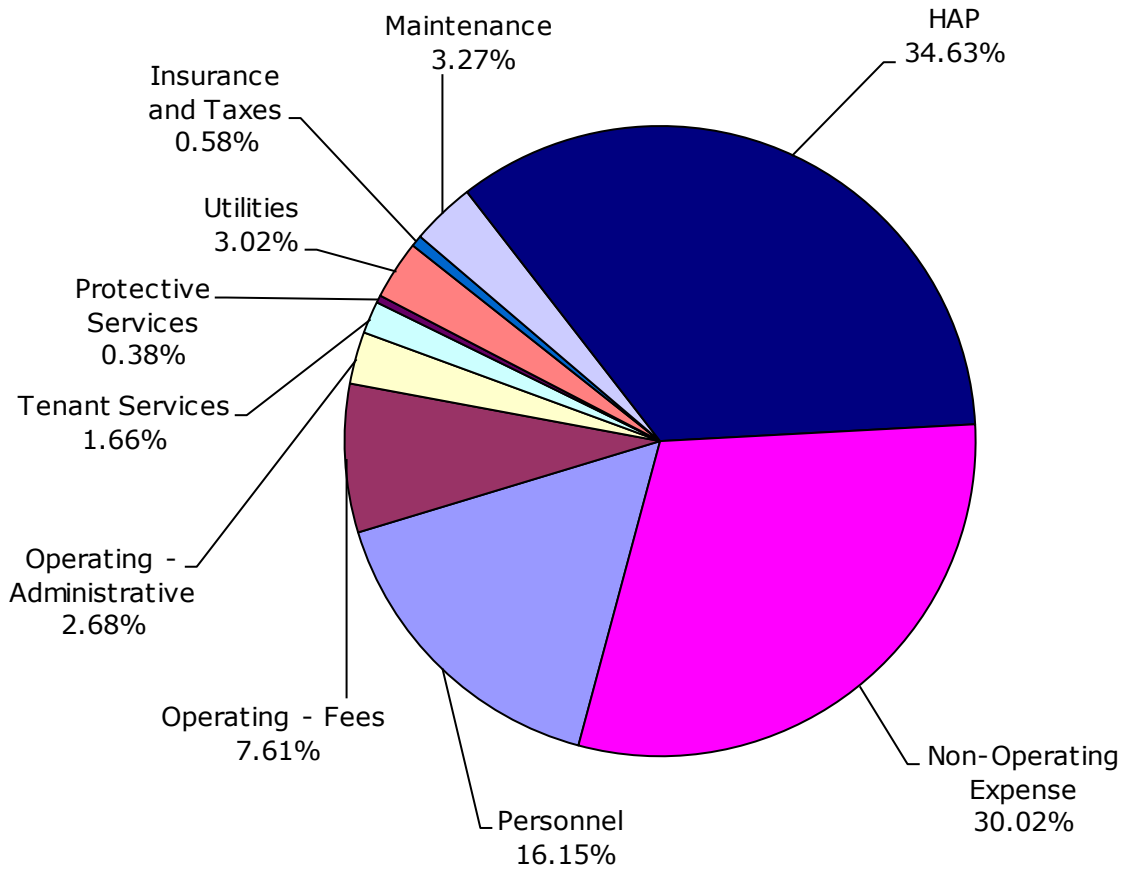
# Source of Funds



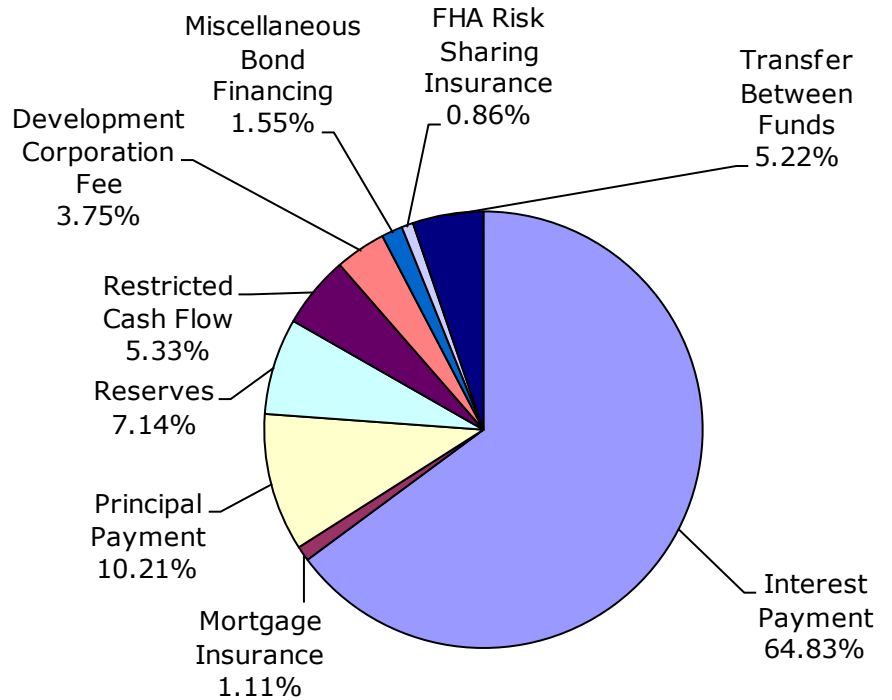
# Non-Operating Income



# Use of Funds



# Non-Operating Expense

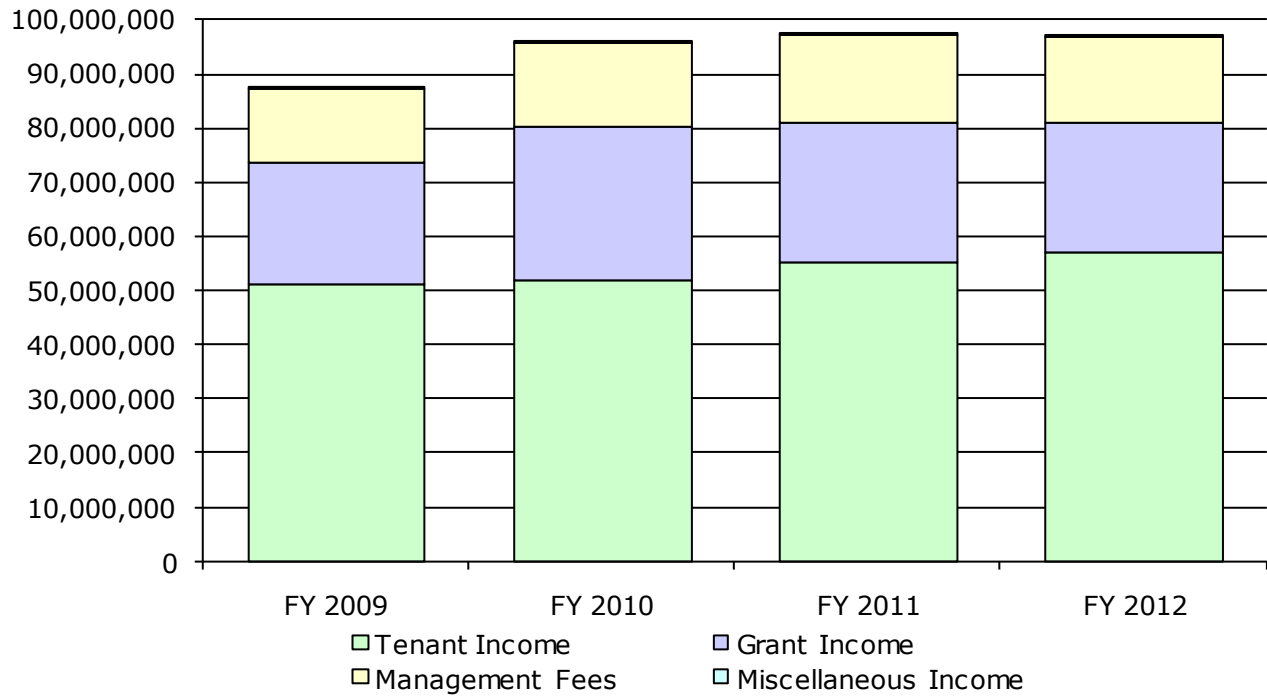


# Total Agency—Revenue and Expense Statement

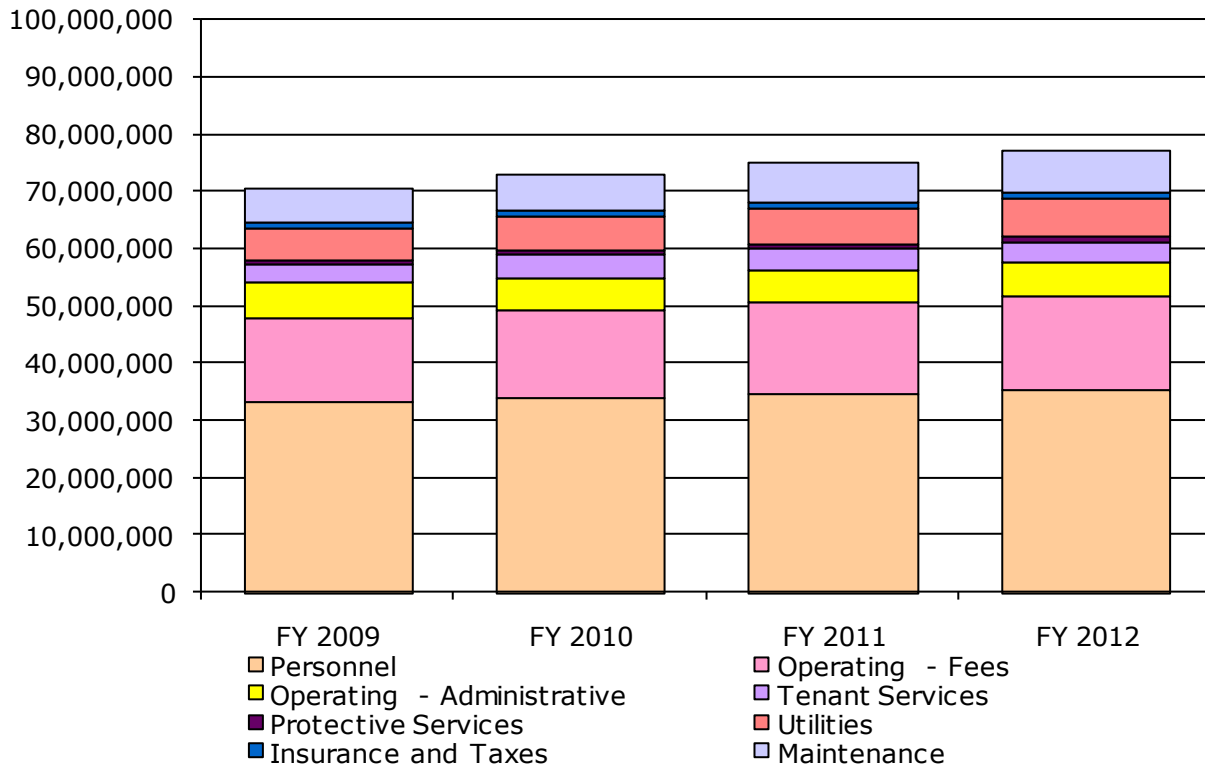
	FY 2009	FY 2010	FY 2011	FY 2012
Total Revenue and Expense Statement	Actual	Actual	Amended Budget	Adopted Budget
<b>Operating Income</b>				
Tenant Income	49,192,290	50,658,853	54,500,050	55,915,030
Non-Dwelling Rental Income	1,981,919	1,390,343	887,800	1,098,140
Federal Grant	81,287,238	87,916,432	88,040,440	91,795,960
State Grant	95,895	176,194	98,620	98,620
County Grant	8,094,664	9,349,339	8,539,180	7,748,990
Management Fees	13,511,746	15,412,566	16,253,790	15,795,320
Miscellaneous Income	451,111	269,923	262,240	228,590
<b>TOTAL OPERATING INCOME</b>	<b>\$154,614,863</b>	<b>\$165,173,650</b>	<b>\$168,582,120</b>	<b>\$172,680,650</b>
<b>Operating Expenses</b>				
Personnel Expenses	33,281,387	33,758,466	34,477,510	35,221,070
Operating Expenses - Fees	14,531,545	15,484,583	16,066,690	16,595,630
Operating Expenses - Administrative	6,124,811	5,716,611	5,524,710	5,831,430
Tenant Services Expenses	3,155,922	3,899,615	3,937,360	3,607,570
Protective Services Expenses	868,397	834,168	819,880	833,260
Utilities Expenses	5,626,520	5,967,580	6,043,870	6,593,420
Insurance and Tax Expenses	927,593	968,835	1,214,900	1,268,290
Maintenance Expenses	5,989,136	6,259,344	6,844,380	7,137,300
Housing Assistance Payments (HAP)	67,065,310	69,181,263	71,224,890	75,504,590
<b>TOTAL OPERATING EXPENSES</b>	<b>\$137,570,621</b>	<b>\$142,070,465</b>	<b>\$146,154,190</b>	<b>\$152,592,560</b>
<b>NET OPERATING INCOME</b>	<b>\$17,044,242</b>	<b>\$23,103,185</b>	<b>\$22,427,930</b>	<b>\$20,088,090</b>
<b>Non-Operating Income</b>				
Investment Interest Income	37,416,400	36,374,069	38,202,520	37,266,460
FHA Risk Sharing Insurance	625,729	591,946	560,250	562,020
Transfer Between Funds	13,388,268	13,480,549	9,012,660	7,540,740
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$51,430,397</b>	<b>\$50,446,564</b>	<b>\$47,775,430</b>	<b>\$45,369,220</b>
<b>Non-Operating Expenses</b>				
Interest Payment	40,944,155	41,308,990	41,901,870	42,439,460
Mortgage Insurance	657,793	684,551	681,860	725,740
Principal Payment	5,755,018	6,065,243	6,144,580	6,683,850
Operating and Replacement Reserves	4,851,289	7,067,827	7,861,290	4,673,120
Restricted Cash Flow	6,354,128	10,254,682	3,944,820	3,486,320
Development Corporation Fees	1,062,263	1,482,181	3,124,600	2,454,730
Miscellaneous Bond Financing Expenses	759,843	1,315,800	1,054,910	1,017,650
FHA Risk Sharing Insurance	625,729	591,946	560,250	562,020
Transfer Out Between Funds	6,696,114	3,859,439	4,929,180	3,414,420
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$67,706,332</b>	<b>\$72,630,659</b>	<b>\$70,203,360</b>	<b>\$65,457,310</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$16,275,935)</b>	<b>(\$22,184,095)</b>	<b>(\$22,427,930)</b>	<b>(\$20,088,090)</b>
<b>NET CASH FLOW</b>	<b>\$768,307</b>	<b>\$919,090</b>	<b>\$0</b>	<b>\$0</b>

# Operating Budget—Total Agency

## Total Operating Income w/o HAP

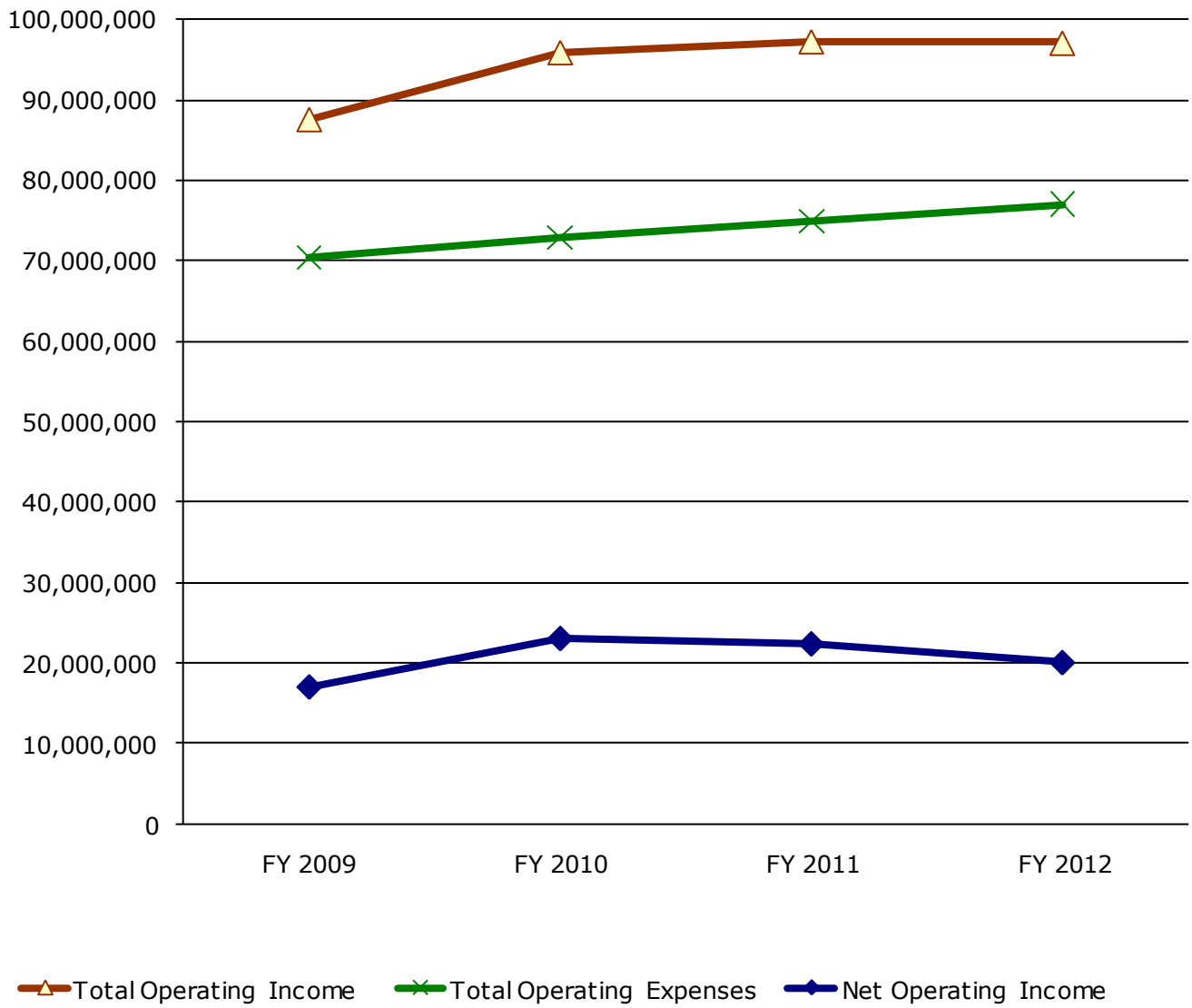


## Total Operating Expenses w/o HAP



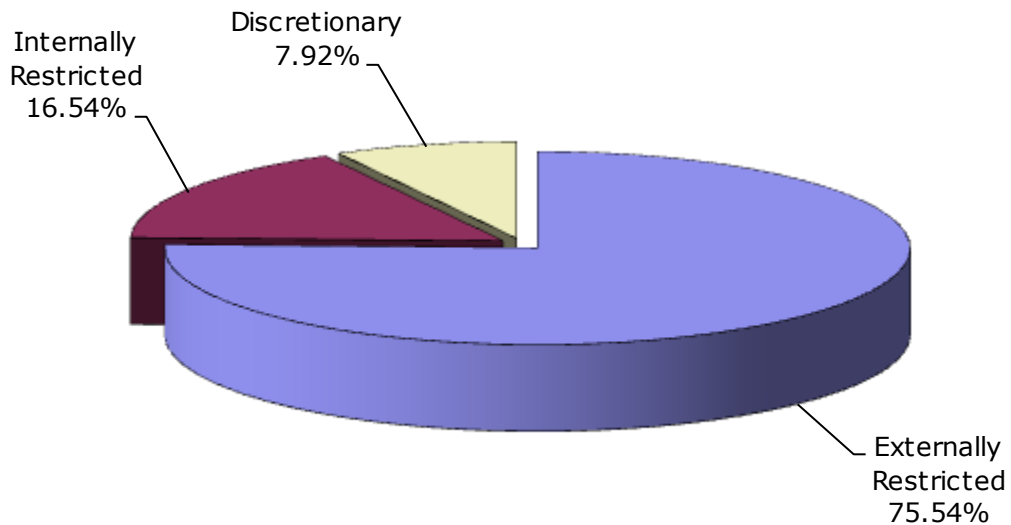
# Operating Budget—Total Agency

## Net Operating Income w/o HAP



# FY 2012 Revenue Restrictions

Revenue Restriction (Showing externally placed restrictions)	FY 2012 Adopted Budget			
	Externally Restricted	Internally Restricted	Discretionary	Total
<b>Operating Income</b>				
Property Related Income	19,838,540	35,425,040	1,749,590	57,013,170
Federal Grant	91,795,960			91,795,960
State Grant	98,620			98,620
County Grant	7,748,990			7,748,990
Management Fees		650,610	15,144,710	15,795,320
Miscellaneous Income	211,090		17,500	228,590
<b>TOTAL OPERATING INCOME</b>	<b>\$119,693,200</b>	<b>\$36,075,650</b>	<b>\$16,911,800</b>	<b>\$172,680,650</b>
<b>Non-Operating Income</b>				
Interest Income	37,266,460			37,266,460
FHA Risk Sharing	562,020			562,020
Transfer Between Funds	7,186,910		353,830	7,540,740
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$45,015,390</b>	<b>\$0</b>	<b>\$353,830</b>	<b>\$45,369,220</b>
<b>TOTAL - ALL REVENUE SOURCES</b>	<b>\$164,708,590</b>	<b>\$36,075,650</b>	<b>\$17,265,630</b>	<b>\$218,049,870</b>

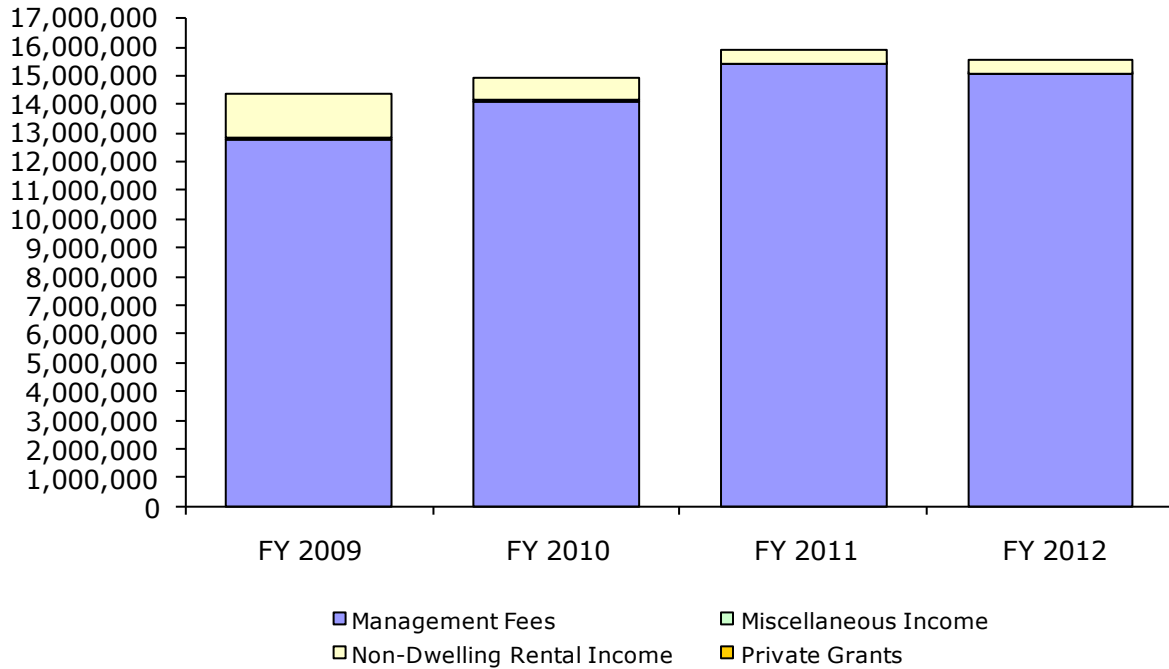


# General Fund—Revenue and Expense Statement

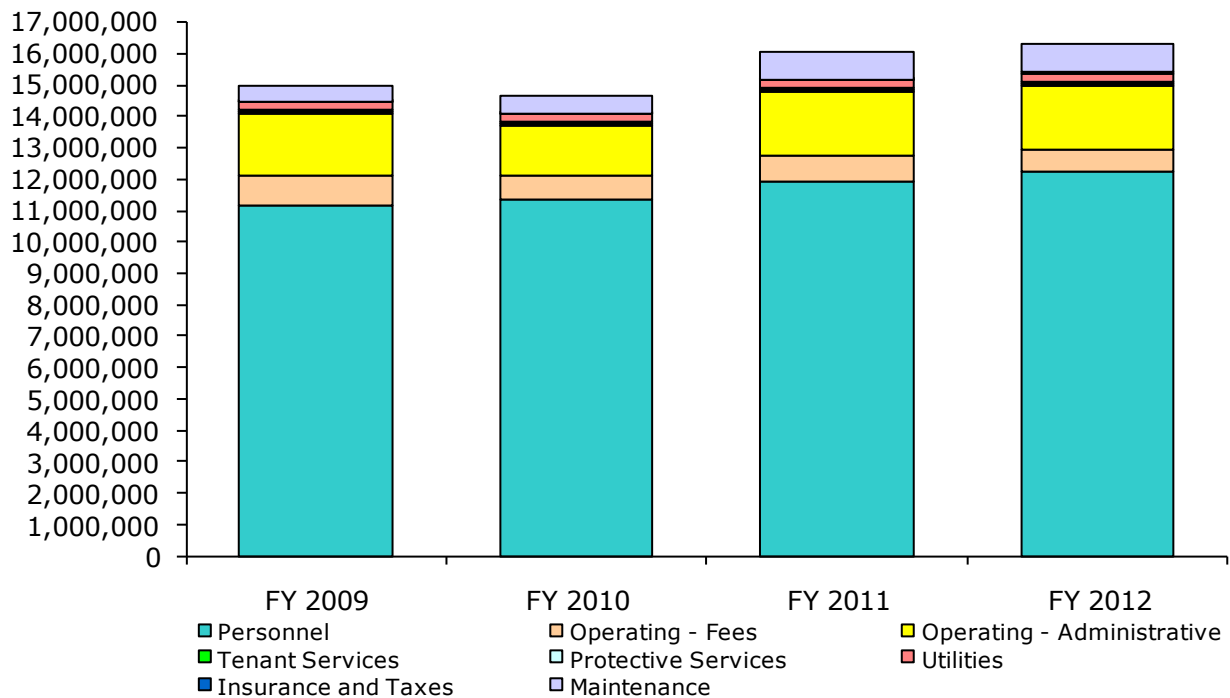
General Fund	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Non-Dwelling Rental Income	1,519,176	803,559	501,890	471,010
Management Fees	12,782,203	14,123,082	15,415,550	15,101,200
Miscellaneous Income	92,659	38,585	10,000	17,500
<b>TOTAL OPERATING INCOME</b>	<b>\$14,394,038</b>	<b>\$14,965,226</b>	<b>\$15,927,440</b>	<b>\$15,589,710</b>
<b>Operating Expenses</b>				
Personnel Expenses	11,185,443	11,372,319	11,926,520	12,236,140
Operating Expenses - Fees	930,278	776,715	875,420	740,340
Operating Expenses - Administrative	1,980,413	1,571,729	1,991,290	1,994,850
Tenant Services Expenses	72,733	43,276	67,900	68,450
Protective Services Expenses	52,619	56,824	57,000	54,800
Utilities Expenses	264,853	276,883	296,540	310,930
Insurance and Tax Expenses	11,899	4,890	3,030	6,500
Maintenance Expenses	529,496	584,253	870,000	901,570
<b>TOTAL OPERATING EXPENSES</b>	<b>\$15,027,734</b>	<b>\$14,686,889</b>	<b>\$16,087,700</b>	<b>\$16,313,580</b>
<b>NET OPERATING INCOME</b>	<b>(\$633,696)</b>	<b>\$278,337</b>	<b>(\$160,260)</b>	<b>(\$723,870)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	180,360	18,244	0	0
FHA Risk Sharing Insurance	625,729	591,946	560,250	562,020
Transfer Between Funds	2,056,891	1,343,675	2,331,310	1,210,060
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$2,862,980</b>	<b>\$1,953,865</b>	<b>\$2,891,560</b>	<b>\$1,772,080</b>
<b>Non-Operating Expenses</b>				
Interest Payment	29,510	25,879	35,440	46,900
Principal Payment	228,553	310,136	439,630	389,760
Operating and Replacement Reserves	288,496	534,214	1,584,650	200,000
Restricted Cash Flow	810,236	0	639,330	67,500
FHA Risk Sharing Insurance	625,729	591,946	560,250	562,020
Transfer Out Between Funds	783,775	734,676	795,360	896,370
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$2,766,299</b>	<b>\$2,196,851</b>	<b>\$4,054,660</b>	<b>\$2,162,550</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$96,681</b>	<b>(\$242,986)</b>	<b>(\$1,163,100)</b>	<b>(\$390,470)</b>
<b>NET CASH FLOW</b>	<b>(\$537,015)</b>	<b>\$35,351</b>	<b>(\$1,323,360)</b>	<b>(\$1,114,340)</b>

# Operating Income and Operating Expenses—General Fund

## Operating Income



## Operating Expenses





## Public Fund (Grants)—Income Summary

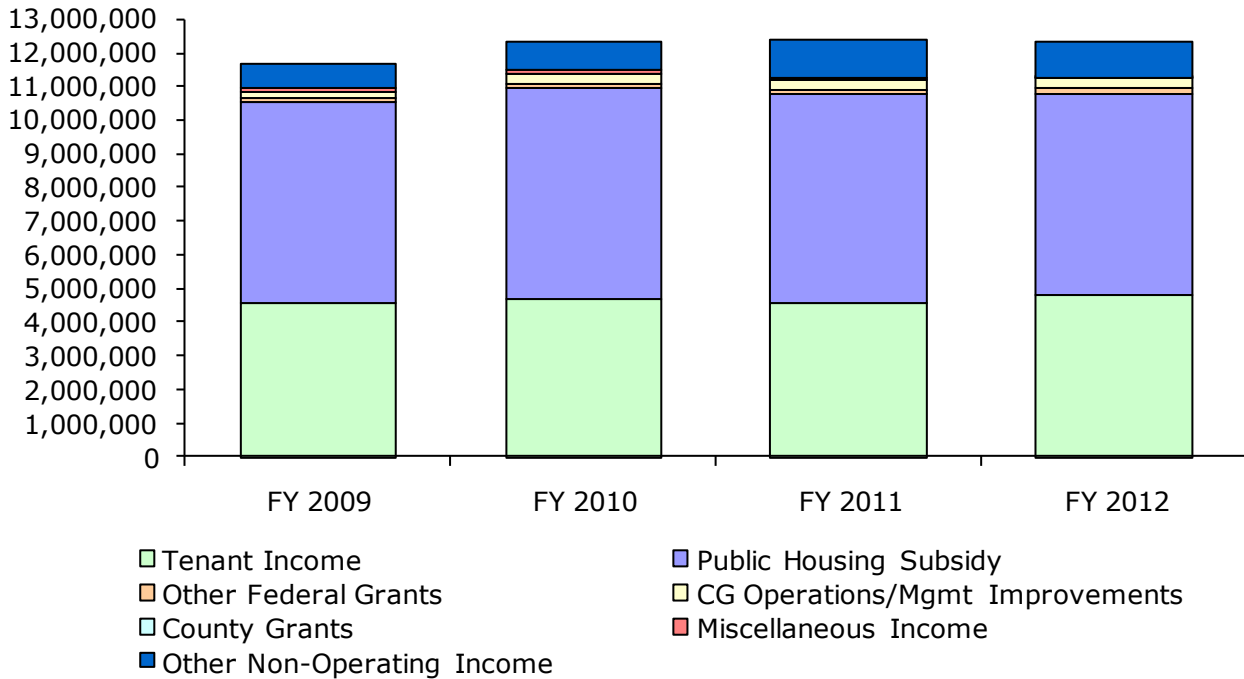
Public Fund	FY 2009	FY 2010	FY 2011	FY 2012
Federal, State and County Grants	Actual	Actual	Amended	Adopted
Income Summary			Budget	Budget
<b>Federal Funds</b>				
Comp Grant	807,396	1,003,102	1,193,550	1,225,830
Shelter Plus Care	460,982	507,872	621,000	668,500
Shelter Plus Care - New Neighbors	149,350	148,292	270,670	270,670
Shelter Plus Care - New Neighbors II	14,971	50,402	54,350	54,350
McKinney Grants	3,361,541	3,554,048	3,487,650	3,491,420
ROSS Grants	257,360	358,668	478,030	280,600
<b>TOTAL - FEDERAL FUNDS</b>	<b>\$5,051,600</b>	<b>\$5,622,384</b>	<b>\$6,105,250</b>	<b>\$5,991,370</b>
<b>Federal Funds - Other</b>				
Federal Home - RAP and RAP to Work	56,610	52,761	112,000	112,000
Jesup Blair Program	(10,187)	0	0	0
<b>TOTAL - FEDERAL FUNDS (Other)</b>	<b>\$46,423</b>	<b>\$52,761</b>	<b>\$112,000</b>	<b>\$112,000</b>
<b>State &amp; County Funds</b>				
County Main Grant	5,987,120	6,026,234	5,804,040	5,513,840
County Senior Nutrition	40,560	40,395	41,600	41,600
County Closing Cost Assistance Program	122,410	228,000	180,000	143,330
Housing First	72,642	143,225	77,200	0
Rent Supplemental Programs	831,656	1,558,428	1,115,250	1,000,000
Preservation Property Program	254,302	262,620	279,380	0
Parent Resource Center	97,058	30,818	0	0
Service Coordinators - (Old SHRAP)	116,300	288,600	324,000	324,000
Turnkey	25,000	25,000	23,250	25,000
State RAP and RAP to Work	96,988	176,194	98,620	98,620
State Service Linked Housing	38,919	38,919	0	0
Service Linked Emergency Assistance	35,000	35,000	73,920	73,920
State Housing Counselor	36,916	33,224	33,220	36,920
State Emergency Assistance	71,480	71,480	71,480	71,480
<b>TOTAL - STATE &amp; COUNTY FUNDS</b>	<b>\$7,826,351</b>	<b>\$8,958,137</b>	<b>\$8,121,960</b>	<b>\$7,328,710</b>
<b>TOTAL PUBLIC FUNDS</b>	<b>\$12,924,374</b>	<b>\$14,633,282</b>	<b>\$14,339,210</b>	<b>\$13,432,080</b>

# Public Housing Rental—Revenue and Expense Statement

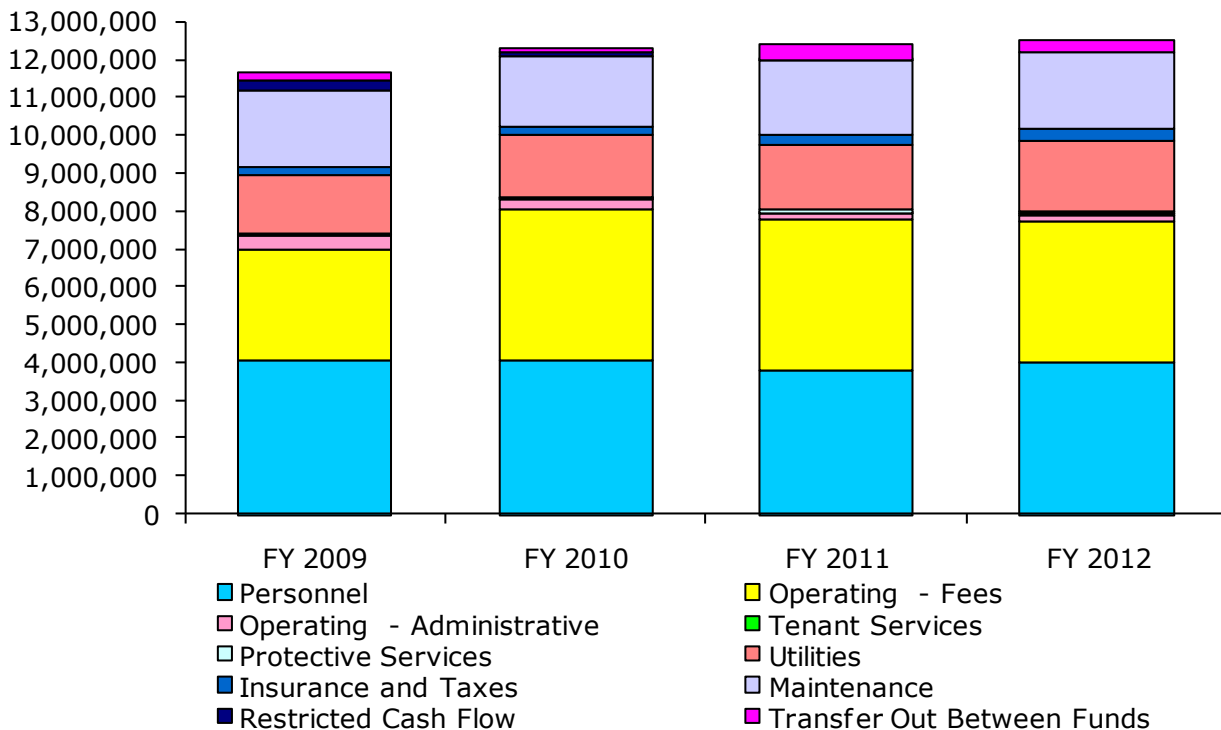
Public Housing Rental	FY 2009	FY 2010	FY 2011	FY 2012
	Actual	Actual	Amended Budget	Adopted Budget
<b>Operating Income</b>				
Tenant Income	4,558,896	4,634,776	4,528,170	4,790,360
Public Housing Operating Subsidy	5,946,806	6,315,962	6,227,430	5,977,440
Other Federal Grants	123,079	130,451	137,030	141,000
Miscellaneous Income	103,466	107,893	37,250	36,610
<b>TOTAL OPERATING INCOME</b>	<b>\$10,732,247</b>	<b>\$11,189,082</b>	<b>\$10,929,880</b>	<b>\$10,945,410</b>
<b>Operating Expenses</b>				
Personnel Expenses	4,055,214	4,051,888	3,765,830	3,979,850
Operating Expenses - Fees	2,900,737	3,954,676	3,976,770	3,732,820
Operating Expenses - Administrative	360,698	300,782	151,560	156,080
Tenant Services Expenses	6,215	4,891	38,550	38,300
Protective Services Expenses	41,983	50,709	81,440	81,410
Utilities Expenses	1,550,658	1,614,973	1,703,300	1,822,390
Insurance and Tax Expenses	223,721	231,822	291,020	341,380
Maintenance Expenses	2,042,435	1,866,272	1,952,650	2,046,880
<b>TOTAL OPERATING EXPENSES</b>	<b>\$11,181,661</b>	<b>\$12,076,013</b>	<b>\$11,961,120</b>	<b>\$12,199,110</b>
<b>NET OPERATING INCOME</b>	<b>(\$449,414)</b>	<b>(\$886,931)</b>	<b>(\$1,031,240)</b>	<b>(\$1,253,700)</b>
<b>Non-Operating Income</b>				
CG Operations/Mgmt Improvements	200,000	300,000	300,000	300,000
Investment Interest Income	15,199	(8,784)	(3,780)	(8,940)
Transfer Between Funds	708,725	827,525	1,146,000	1,097,520
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$923,924</b>	<b>\$1,118,741</b>	<b>\$1,442,220</b>	<b>\$1,388,580</b>
<b>Non-Operating Expenses</b>				
Restricted Cash Flow	271,510	97,110	1,330	0
Transfer Out Between Funds	203,000	134,700	409,650	301,000
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$474,510</b>	<b>\$231,810</b>	<b>\$410,980</b>	<b>\$301,000</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$449,414</b>	<b>\$886,931</b>	<b>\$1,031,240</b>	<b>\$1,087,580</b>
<b>NET CASH FLOW</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$166,120)</b>

# Total Income and Total Expenses—Public Housing Rental

## Total Income



## Total Expenses



## Public Housing Homeownership—Revenue and Expense Statement

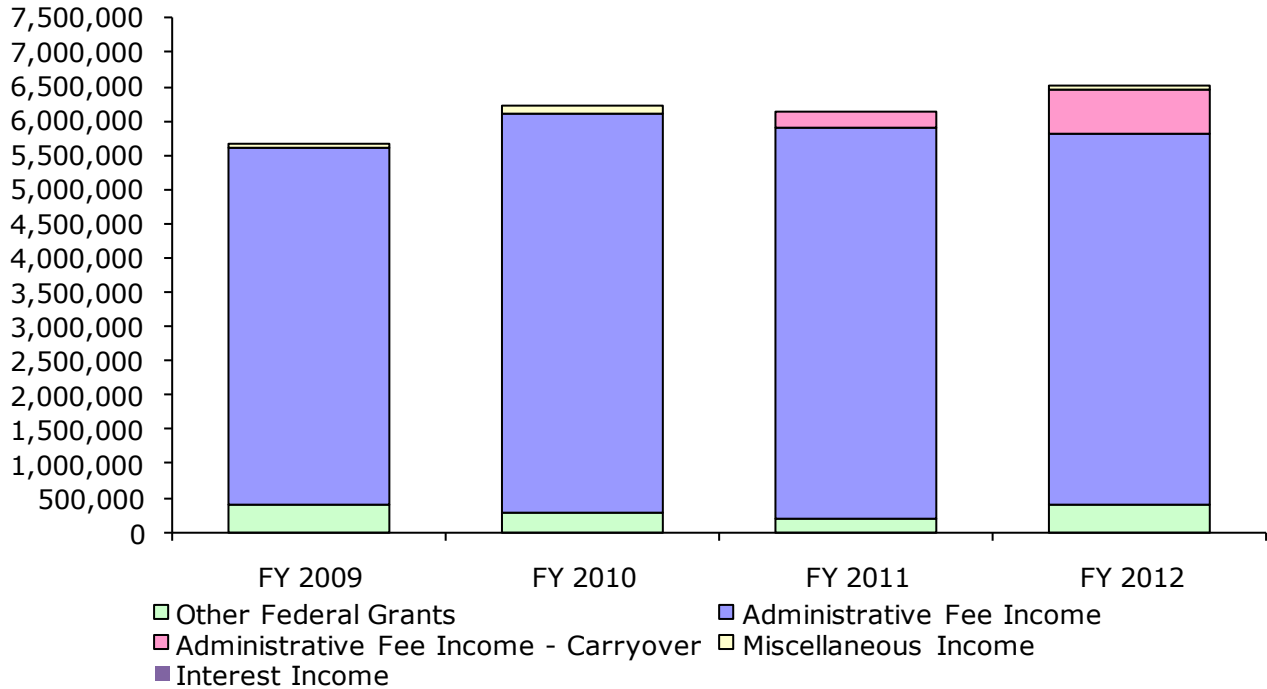
	FY 2009	FY 2010	FY 2011	FY 2012
Public Housing Homeownership	Actual	Actual	Amended Budget	Adopted Budget
<b>Operating Income</b>				
Tenant Income	16,660	14,391	5,470	14,060
Federal Grant	151,995	149,070	159,970	147,170
Miscellaneous Income	419	869	400	310
<b>TOTAL OPERATING INCOME</b>	<b>\$169,074</b>	<b>\$164,330</b>	<b>\$165,840</b>	<b>\$161,540</b>
<b>Operating Expenses</b>				
Personnel Expenses	58,751	48,742	76,760	86,530
Operating Expenses - Fees	14,974	17,994	17,640	14,330
Operating Expenses - Administrative	3,443	4,148	950	440
Protective Services Expenses	0	602	750	0
Utilities Expenses	18,933	27,325	20,180	23,470
Insurance and Tax Expenses	2,553	2,648	3,090	3,550
Maintenance Expenses	55,024	19,540	40,260	29,230
<b>TOTAL OPERATING EXPENSES</b>	<b>\$153,678</b>	<b>\$120,999</b>	<b>\$159,630</b>	<b>\$157,550</b>
<b>NET OPERATING INCOME</b>	<b>\$15,396</b>	<b>\$43,331</b>	<b>\$6,210</b>	<b>\$3,990</b>
<b>Non-Operating Income</b>				
Investment Interest Income	2,003	305	0	0
Transfer Between Funds - Rental License	494	494	420	380
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$2,497</b>	<b>\$799</b>	<b>\$420</b>	<b>\$380</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$2,497</b>	<b>\$799</b>	<b>\$420</b>	<b>\$380</b>
<b>NET CASH FLOW</b>	<b>\$17,893</b>	<b>\$44,130</b>	<b>\$6,630</b>	<b>\$4,370</b>

## Housing Choice Voucher Program (HCV)—Revenue and Expense Statement

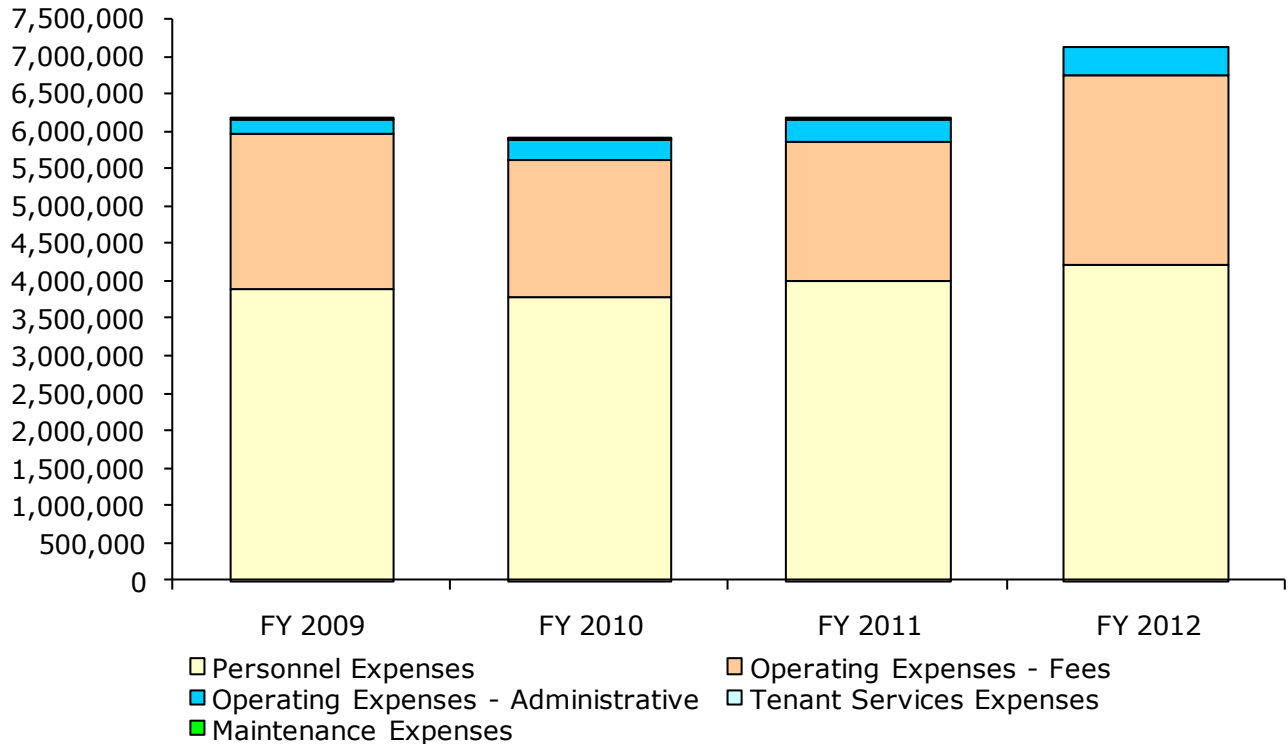
Housing Choice Voucher Program	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Housing Assistance Payments (HAP)	65,240,174	70,513,979	70,322,180	74,563,580
Housing Assistance Payments (HAP) Reserve	1,056,649	0	0	0
Other Federal Grants	404,098	300,176	201,170	417,000
Administrative Fee Income	5,220,658	5,814,596	5,705,540	5,406,090
Administrative Fee Income - Carryover	0	0	239,070	650,000
Miscellaneous Income	35,762	123,318	0	50,000
<b>TOTAL OPERATING INCOME</b>	<b>\$71,957,341</b>	<b>\$76,752,069</b>	<b>\$76,467,960</b>	<b>\$81,086,670</b>
<b>Operating Expenses</b>				
Personnel Expenses	3,898,482	3,798,472	3,996,430	4,230,900
Operating Expenses - Fees	2,073,560	1,826,670	1,865,420	2,520,340
Operating Expenses - Administrative	204,648	277,461	315,950	387,100
Tenant Services Expenses	3	8	0	0
Utilities Expenses	55	0	0	0
Maintenance Expenses	0	23	1,000	0
Housing Assistance Payments (HAP)	66,322,882	68,321,232	70,342,180	74,583,580
<b>TOTAL OPERATING EXPENSES</b>	<b>\$72,499,630</b>	<b>\$74,223,866</b>	<b>\$76,520,980</b>	<b>\$81,721,920</b>
<b>NET OPERATING INCOME</b>	<b>(\$542,289)</b>	<b>\$2,528,203</b>	<b>(\$53,020)</b>	<b>(\$635,250)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	(1,746)	0	0	0
<b>TOTAL NON-OPERATING INCOME</b>	<b>(\$1,746)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Non-Operating Expenses</b>				
Operating and Replacement Reserves	0	2,528,203	0	0
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$0</b>	<b>\$2,528,203</b>	<b>\$0</b>	<b>\$0</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$1,746)</b>	<b>(\$2,528,203)</b>	<b>\$0</b>	<b>\$0</b>
<b>NET CASH FLOW</b>	<b>(\$544,035)</b>	<b>\$0</b>	<b>(\$53,020)</b>	<b>(\$635,250)</b>

# Total Income and Total Expenses—HCV Program

## Total Income w/o HAP



## Total Expense w/o HAP

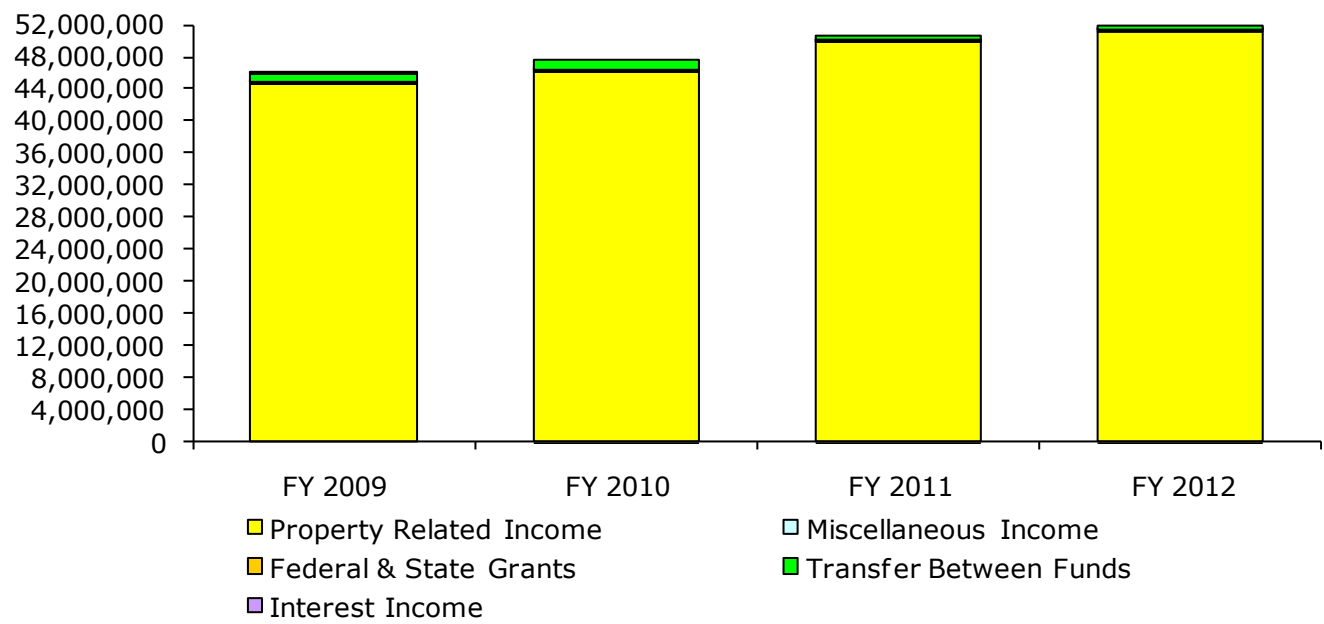


## Opportunity Housing Fund and Development Corporations— Revenue and Expense Statement

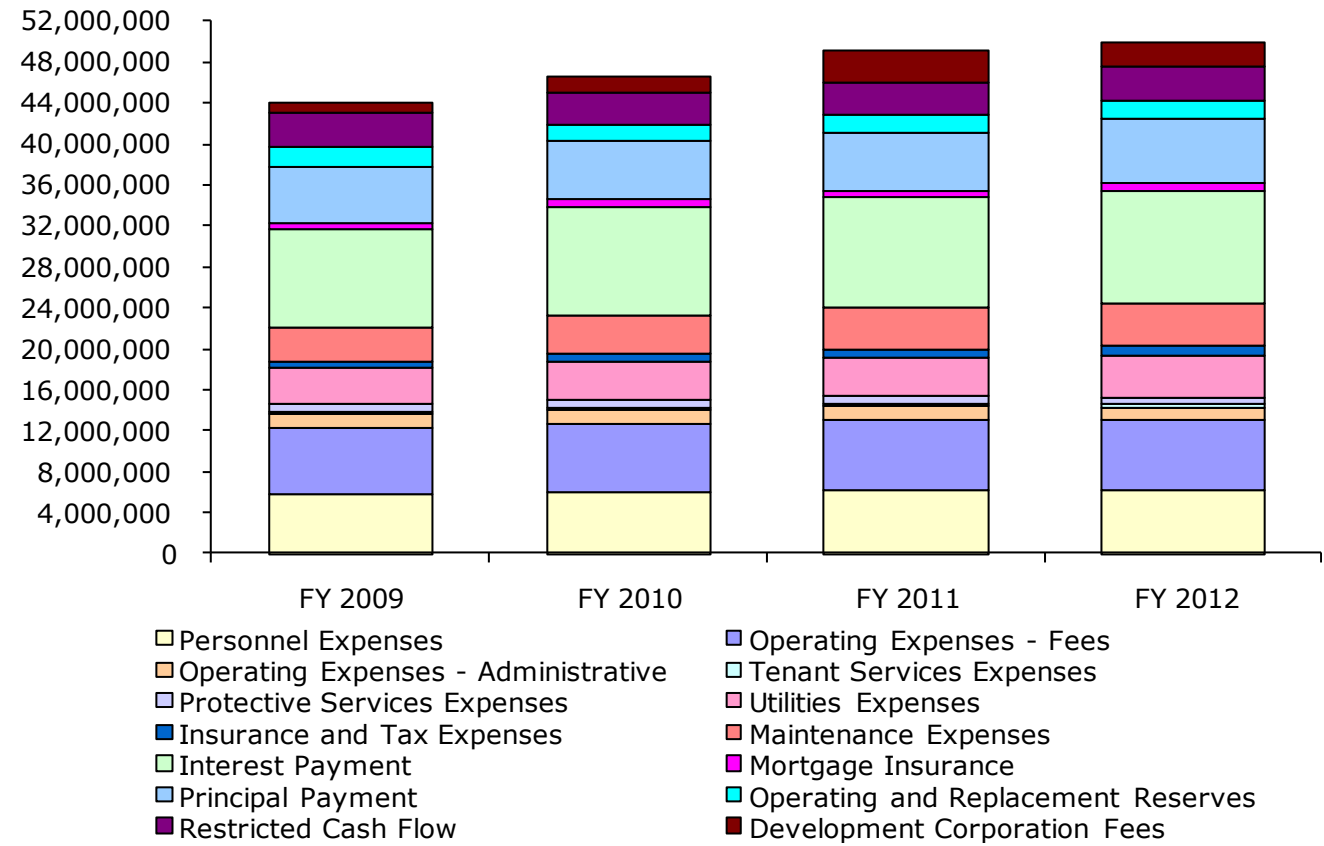
Opportunity Housing and Development Corporations	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Tenant Income	44,141,776	45,531,591	49,487,320	50,630,820
Non-Dwelling Rental Income	367,026	463,895	385,910	577,130
Federal Grant	39,698	38,146	42,000	39,000
Miscellaneous Income	309,809	297,769	113,950	130,350
<b>TOTAL OPERATING INCOME</b>	<b>\$44,858,309</b>	<b>\$46,331,401</b>	<b>\$50,029,180</b>	<b>\$51,377,300</b>
<b>Operating Expenses</b>				
Personnel Expenses	5,885,396	5,983,745	6,202,210	6,247,620
Operating Expenses - Fees	6,318,833	6,667,487	6,905,100	6,817,110
Operating Expenses - Administrative	1,394,498	1,457,982	1,364,650	1,271,770
Tenant Services Expenses	220,726	191,313	201,620	212,840
Protective Services Expenses	772,664	724,622	680,690	697,060
Utilities Expenses	3,546,862	3,774,321	3,746,170	4,168,710
Insurance and Tax Expenses	685,592	729,593	905,090	895,500
Maintenance Expenses	3,334,825	3,770,065	3,959,060	4,151,120
<b>TOTAL OPERATING EXPENSES</b>	<b>\$22,159,396</b>	<b>\$23,299,128</b>	<b>\$23,964,590</b>	<b>\$24,461,730</b>
<b>NET OPERATING INCOME</b>	<b>\$22,698,913</b>	<b>\$23,032,273</b>	<b>\$26,064,590</b>	<b>\$26,915,570</b>
<b>Non-Operating Income</b>				
Investment Interest Income	68,758	(29,220)	(43,870)	(41,210)
Transfer Between Funds	1,025,541	1,177,317	606,280	446,470
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$1,094,299</b>	<b>\$1,148,097</b>	<b>\$562,410</b>	<b>\$405,260</b>
<b>Non-Operating Expenses</b>				
Interest Payment	9,480,757	10,646,141	10,785,190	10,995,900
Mortgage Insurance	626,066	667,212	666,110	710,860
Principal Payment	5,526,465	5,755,107	5,704,950	6,294,090
Operating and Replacement Reserves	1,877,656	1,564,641	1,764,890	1,837,690
Restricted Cash Flow	3,370,649	3,181,348	3,204,870	3,277,970
Development Corporation Fees	1,062,263	1,482,181	3,124,600	2,454,730
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$21,943,856</b>	<b>\$23,296,630</b>	<b>\$25,250,610</b>	<b>\$25,571,240</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$20,849,557)</b>	<b>(\$22,148,533)</b>	<b>(\$24,688,200)</b>	<b>(\$25,165,980)</b>
<b>NET CASH FLOW</b>	<b>\$1,849,356</b>	<b>\$883,740</b>	<b>\$1,376,390</b>	<b>\$1,749,590</b>

# Total Income and Total Expenses— Opportunity and Development Corporations Portfolio

**Total Income**



**Total Expenses**





# HOC Owned/Managed Properties—Net Cash Flow Statement

Opportunity Housing and Development Corps FY 2012 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2012 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2012 Net Cash Flow to HOC
Alexander House	5,079,710	\$2,057,030	<b>3,022,680</b>	1,812,410	150,000	235,000	<b>825,270</b>	0	825,270	<b>0</b>
7423 Aspen Court TP	167,800	\$100,090	<b>67,710</b>	0	3,600	0	<b>64,110</b>	64,110	0	<b>0</b>
7419 Aspen Court	54,360	\$92,770	<b>(38,410)</b>	0	3,600	0	<b>(42,010)</b>	0	0	<b>(42,010)</b>
7411 Aspen Court	54,510	\$96,670	<b>(42,160)</b>	0	3,600	0	<b>(45,760)</b>	0	0	<b>(45,760)</b>
The Barclay	1,226,890	\$387,430	<b>839,460</b>	685,950	22,800	57,430	<b>73,280</b>	0	73,280	<b>0</b>
Brookside Glen (The Glen)	1,478,990	\$633,240	<b>845,750</b>	505,460	63,680	68,010	<b>208,600</b>	208,600	0	<b>0</b>
CDBG Units	22,680	\$15,550	<b>7,130</b>	0	7,130	0	<b>0</b>	0	0	<b>0</b>
Chelsea Towers	294,530	\$179,450	<b>115,080</b>	71,730	8,400	0	<b>34,950</b>	0	0	<b>34,950</b>
Chevy Chase Lake	1,126,860	\$422,220	<b>704,640</b>	537,080	34,000	51,380	<b>82,180</b>	0	82,180	<b>0</b>
Dale Drive	104,090	\$80,220	<b>23,870</b>	0	15,600	0	<b>8,270</b>	8,270	0	<b>0</b>
Diamond Square	1,132,090	\$812,900	<b>319,190</b>	119,610	101,770	19,370	<b>78,440</b>	78,440	0	<b>0</b>
Fairfax Court	290,050	\$94,040	<b>196,010</b>	56,590	26,820	13,600	<b>99,000</b>	0	0	<b>99,000</b>
Greenhills	1,082,120	\$453,020	<b>629,100</b>	318,560	105,380	69,440	<b>135,720</b>	0	0	<b>135,720</b>
Holiday Park	277,830	\$137,860	<b>139,970</b>	131,240	12,320	0	<b>(3,590)</b>	0	0	<b>(3,590)</b>
Jubilee House	37,430	\$14,420	<b>23,010</b>	0	2,000	0	<b>21,010</b>	0	0	<b>21,010</b>
Magruder's Discovery	2,122,930	\$637,640	<b>1,485,290</b>	942,800	36,600	0	<b>505,890</b>	0	505,890	<b>0</b>
McHome	386,770	\$263,320	<b>123,450</b>	42,720	16,400	0	<b>64,330</b>	0	0	<b>64,330</b>
McKendree	230,670	\$169,500	<b>61,170</b>	0	11,200	0	<b>49,970</b>	0	0	<b>49,970</b>
MetroPointe	2,375,180	\$835,090	<b>1,540,090</b>	1,962,950	30,000	8,680	<b>(461,540)</b>	0	0	<b>(461,540)</b>
Metropolitan, The	6,523,870	\$1,828,010	<b>4,695,860</b>	2,325,240	97,200	56,810	<b>2,216,610</b>	2,216,610	0	<b>0</b>
Montgomery Arms	1,654,620	\$526,030	<b>1,128,590</b>	945,540	46,200	97,480	<b>39,370</b>	0	39,370	<b>0</b>
MHLP I	374,540	\$206,830	<b>167,710</b>	52,140	12,790	0	<b>102,780</b>	15,420	0	<b>87,360</b>
MHLP II	671,100	\$341,980	<b>329,120</b>	54,330	21,600	0	<b>253,190</b>	37,980	0	<b>215,210</b>
MHLP III	476,860	\$309,060	<b>167,800</b>	46,960	28,350	0	<b>92,490</b>	13,870	0	<b>78,620</b>
MHLP IV	722,310	383,910	<b>338,400</b>	72,820	33,660	0	<b>231,920</b>	34,790	0	<b>197,130</b>
MHLP V	320,970	204,420	<b>116,550</b>	76,410	17,400	0	<b>22,740</b>	3,410	0	<b>19,330</b>

# HOC Owned/Managed Properties—Net Cash Flow Statement (cont.)

Opportunity Housing and Development Corps FY 2012 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RFR	Asset & Loan Management Fees	FY 2012 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2012 Net Cash Flow to HOC
<b>(cont.)</b>										
MHLP VI	213,110	127,990	85,120	52,100	9,660	0	23,360	3,500	0	19,860
MPDU 2004	480,520	253,430	227,090	29,770	38,000	0	159,320	23,900	0	135,420
MPDU 2007	240,930	110,150	130,780	0	13,000	0	117,780	17,670	0	100,110
MPDU I (64)	817,720	415,790	401,930	231,870	27,540	0	142,520	0	0	142,520
TPM - MPDU II (59)	779,030	360,460	418,570	233,460	17,700	0	167,410	0	167,410	0
The Oaks @ Four Corners	1,125,300	698,090	427,210	287,450	48,000	90,680	1,080	1,080	0	0
NCI Units	139,000	98,140	40,860	0	40,860	0	0	0	0	0
NSP Units	72,550	49,640	22,910	0	22,910	0	0	0	0	0
Paddington Square	2,287,420	1,037,850	1,249,570	1,087,590	58,100	0	103,880	103,880	0	0
Paint Branch	131,330	116,520	14,810	44,800	8,400	0	(38,390)	0	0	(38,390)
TPM - Pomander Court	374,100	164,920	209,180	47,100	7,200	0	154,880	0	154,880	0
Pooks Hill Mid-Rise	783,380	240,540	542,840	364,610	55,860	37,780	84,590	0	0	84,590
Pooks Hill High-Rise	2,573,550	860,060	1,713,490	1,115,560	141,750	180,320	275,860	0	0	275,860
Sligo Hills/ MPDU III	849,570	556,750	292,820	234,900	23,790	0	34,130	0	34,130	0
State Rental Combined	1,650,810	1,476,320	174,490	0	87,100	0	87,390	87,390	0	0
Strathmore Court	3,293,820	1,162,970	2,130,850	1,212,470	53,780	114,100	750,500	258,380	0	492,120
Tanglewood	881,890	740,530	141,360	7,500	33,190	0	100,670	100,670	0	0
TPM-Timberlawn	1,807,560	654,320	1,153,240	473,320	26,750	80,850	572,320	0	572,320	0
Westwood Tower	4,046,310	1,967,770	2,078,540	1,817,810	212,000	160,200	(111,470)	0	0	(111,470)
<b>TOTAL</b>	<b>\$50,837,660</b>	<b>\$22,374,940</b>	<b>\$28,462,720</b>	<b>\$18,000,850</b>	<b>\$1,837,690</b>	<b>\$1,341,130</b>	<b>\$7,283,050</b>	<b>\$3,277,970</b>	<b>\$2,454,730</b>	<b>\$1,550,350</b>
From reserves planned to fund specific property operating deficits										
7419 Aspen Court							42,010			\$42,010
7411 Aspen Court							45,760			\$45,760
Westwood Towers							111,470			\$111,470
Net Cash Flow - All Properties							<b>\$7,482,290</b>			<b>\$1,749,590</b>
Master Lease Properties FY 2012 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RFR	Asset & Loan Management Fees	FY 2012 Projected Cash Flow	Excess Cash Flow Restricted	Development Corporations Fees	FY 2012 Net Cash Flow to HOC
Avalon Bay	620,760	620,760	0	0	0	0	0	0	0	0
Palisades	124,910	124,910	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>\$745,670</b>	<b>\$745,670</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Bond Program—Revenue and Expense Statement

Bond Fund	FY 2009	FY 2010	FY 2011	FY 2012
	Actual	Actual	Amended Budget	Adopted Budget
<b>Operating Expenses</b>				
Trustee Fees	81,206	86,285	87,160	90,700
Lender Services Fees	2,208,994	2,001,773	1,975,150	2,576,030
<b>TOTAL OPERATING EXPENSES</b>	<b>\$2,290,200</b>	<b>\$2,088,058</b>	<b>\$2,062,310</b>	<b>\$2,666,730</b>
<b>NET OPERATING INCOME</b>	<b>(\$2,290,200)</b>	<b>(\$2,088,058)</b>	<b>(\$2,062,310)</b>	<b>(\$2,666,730)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	36,926,389	36,314,418	38,250,170	37,316,610
Miscellaneous Income	59,492	69,426	148,080	87,330
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$36,985,881</b>	<b>\$36,383,844</b>	<b>\$38,398,250</b>	<b>\$37,403,940</b>
<b>Non-Operating Expenses</b>				
Interest Payment	31,433,887	30,636,970	30,769,280	31,084,130
Operating and Replacement Reserves	2,501,950	2,343,016	4,511,750	2,635,430
Miscellaneous Bond Financing Expenses	759,844	1,315,800	1,054,910	1,017,650
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$34,695,681</b>	<b>\$34,295,786</b>	<b>\$36,335,940</b>	<b>\$34,737,210</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$2,290,200</b>	<b>\$2,088,058</b>	<b>\$2,062,310</b>	<b>\$2,666,730</b>
<b>NET CASH FLOW</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# Section 2: **OPERATING**

Tab

# Division Summaries

Adopted Budget  
June 1, 2011

## Agency Divisions

This chapter discusses the operations of the Agency divisions. Information on the other non-divisions can be found in the summary section of this document. Each section outlines the division's:

- Mission Statement;
- Description;
- Program Objectives;
- Performance Measurement;
- Budget Overview; and
- Revenue and Expense Statement.

### Special points of interest:

#### Operating Budget

- Executive
- Finance
- Housing Management
- Housing Resources
- Mortgage Finance
- Real Estate
- Resident Services

## Agency Revenues by Division

Division Summary	FY 2012		
	Adopted Budget		
	Revenues	Expenses	Net
<b>Divisions</b>			
Executive Division	25,000	7,852,570	<b>(7,827,570)</b>
Finance Division	10,000	3,659,090	<b>(3,649,090)</b>
Housing Management Division	73,495,420	69,228,680	<b>4,266,740</b>
Housing Resources Division	81,521,900	81,626,040	<b>(104,140)</b>
Mortgage Finance Division	5,045,320	3,641,770	<b>1,403,550</b>
Real Estate Development Division	1,066,710	750,750	<b>315,960</b>
Resident Services Division	11,412,800	12,233,730	<b>(820,930)</b>
<b>SUB-TOTAL</b>	<b>\$172,577,150</b>	<b>\$178,992,630</b>	<b>(\$6,415,480)</b>
<b>Other Non-Divisions</b>			
Agency Wide Revenue and Expenses	8,068,780	1,653,300	<b>6,415,480</b>
Bond Funds	37,403,940	37,403,940	<b>0</b>
<b>TOTAL - ALL FUNDS</b>	<b>\$218,049,870</b>	<b>\$218,049,870</b>	<b>\$0</b>

The Housing Opportunities Commission of Montgomery County (HOC) routinely collects performance data concerning the programs it administers. This performance data allows senior management to monitor and control programs and to report to regulatory agencies on a periodic basis.

Performance data is collected by HOC for two primary reasons:

- It is an integral part of our management process.
- Regulatory and funding agencies require periodic reporting of certain indicators as well as financial data.

We have focused initially on developing performance measurements for programs that have well-defined outcomes and quantifiable results or specific participation goals.

The following programs are in this category:

- Public Information Activities/Housing Resource Services;
- Information Technologies;
- Finance —
  - Accounting,
  - Budget,
  - Procurement;

- Public Housing;
- Housing Choice Voucher Program Administration;
- Multifamily Bond Issuance;
- Mortgage Purchase Program;
- Family Self Sufficiency Program (FSS);
- Employment Initiative Program (EIP);
- Family Resource Centers (FRC);
- Housing Programs for Homeless / Disabled Single Adults and Families, and
- Housing Counseling, Service Coordination, and Housing Search and Placement.

Individual performance measurement results are contained within respective division summaries (pages 2-3 through 2-41).

# Executive Division

Adopted Budget  
June 1, 2011

## Mission Statement

The Executive Division's mission is to provide the critical link in implementing HOC's mission to provide affordable housing, to create and maintain an environment that ensures nondiscrimination and equal opportunity in employment and housing, to ensure fulfillment of the Commission's five roles: policy direction, resource allocation,

accountability, advocacy, and selection of certain professionals, to give HOC reliable management information hardware and software that is compatible with business and government standards, and to provide the staff skills necessary to identify needs and meet those requirements.

### Special points of interest:

FY 2012  
Program  
Objectives  
Support Agency  
Strategic Plan.

## Description

The Executive offices are responsible for the Agency direction and coordination, Commissioner support, equal employment, Human Resource administration, labor relations, Agency-wide training, performance-based management, Agency records, office facility

management, legal counsel, internal audits, Office of Community Partners, Information Technology (IT) systems, Legislative and Public Affairs, and Housing Information Activities (formerly Housing Resource Services).

## Program Objectives

### Maintain a Quality Workforce

- Provide supervisory training on the Collective Bargaining Agreement.
- Negotiate a new Union Labor Agreement with Municipal and County Government Employees Organization (MCGEO).
- Administer provisions of the new Collective Bargaining Agreement.
- Administer and monitor pre-employment drug testing program for new employees and alcohol and drug testing program for new and existing staff.
- Coordinate the work program of the Labor Management Relations Committee to address and resolve substantive labor issues.
- Provide continuing education and technical assistance for HOC employees and supervisors on policies and practices governing the Commission and its work activities.
- Administer the HOC Ethics Policy which will establish guidelines and standards of behavior for HOC staff.

- Administer HOC Telework Program to allow telecommuting as an alternative work schedule and site location arrangement for HOC employees.

### **Ensure Compliance with EEO, and ADA Regulations**

- Provide ongoing training to employees in the following areas:
  - EEO/Workforce Diversity,
  - Sexual Harassment,
  - ADA/Reasonable Accommodations, and
  - Disciplinary Actions and Administrative and negotiated grievance procedures.

### **Continuous Improvement and Operational Efficiency of HOC**

- Monitor and improve the disaster recovery guidelines and identify resources and strategies that will help HOC to recover from a major business interruption.
- Determine ways to increase cost effectiveness for administrative services.
- Monitor usage of administrative services by HOC divisions.
- Monitor Safe Driver and Vehicle Operations Guidelines for the Agency.

### **Facilities Management**

- Provide for the safety and security of HOC staff and clients.
- Provide a variety of administrative services and support to HOC departments and staff throughout the Agency.
- Provide and administer records management services using HOC's records management vendor. Continue to support HOC divisions as they upgrade their records data and records retention procedures.
- Provide support to agency management to identify developing facilities requirements at HOC's Kensington Headquarters as well as at East Deer Park and the Customer Service Centers.
- Continue the ongoing multi-year capital improvements program at the Detrick Avenue building in order to maintain and upgrade the building systems, equipment, and finishes as needed to serve as the long-term HOC headquarters facility.

### **Internal Audit**

- Work with management to ensure a system is in place which ensures that all major risks of the Agency are identified and analyzed on an annual basis.
- Plan, organize and carry out the internal audit function including the preparation of an audit plan which fulfills the responsibility of the department.
- Report to both the Commission and management on the policies, programs and activities of the Agency.
- Coordinate coverage with the external auditors and ensure that each party is not only aware of the other's work but also well briefed on areas of concern.
- Make recommendations on the systems and procedures being reviewed, report on the findings and recommendations and monitor management's response and implementation.
- Conduct any reviews or tasks requested by the Commission and/or Executive Director, provided such reviews and tasks do not compromise the independence or objectivity of the internal audit function.

### **Information Technology**

- Provide and maintain a high quality, open architecture, service-based information technology infrastructure.
- Provide a system of on-going training of staff in the capabilities of the information technology infrastructure.
- Update the technology infrastructure to allow for improved telecommunications operations and network capabilities.
- Enhance customer service initiatives to HOC clients through the use of Kiosks and online (web based) systems.
- Improve technology-related security through the addition of systems, tools and policies.

### **Legislative and Public Affairs— Government Relations Activities**

- Develop and pursue a legislative agenda at all levels of government to secure more funding for housing production.
- Strengthen HOC's relationships with government at the local, state and federal levels.



- Collaborate with the Planning Board, County Government and the community on Master Plans and related activities to create current and future opportunities for affordable housing.
- Assure effective involvement of HOC in the planning process, council, state and federal public hearings and civic and neighborhood meetings.
- Expand HOC's advocacy efforts through broader Commission, staff and resident participation.

**Public Affairs Activities**

- Raise public awareness of HOC's goals and accomplishments.
- Strengthen HOC's relationships with the community, industry, non-profit and for-

profit housing organizations and develop new partners.

- Participate in housing and industry conferences.
- Utilize HOC's resources to assist other entities in producing affordable housing.
- Improve communications with the Chamber of Commerce and the business community.

**Housing Information Activities**

- Ensure accurate information and efficient service for visitors and callers.
- Maintain and update website.
- Participate in community meetings, forums and conferences to disseminate information about HOC and its programs.

## Performance Measurement Results

**Housing Information Activities (Formerly Housing Resource Services)**

The Housing Resource Services (HRS) began operations in December of 1998. Its objective was to respond quickly to information requests regarding HOC programs, and to be an accurate and reliable source of information about affordable housing in Montgomery County. HRS also served as the 'switchboard' for HOC's headquarters in Kensington. HRS provided referrals to other housing providers when appropriate, particularly for the elderly and the disabled, as well as for those seeking emergency assistance. Trained volunteers

assisted the HRS office. HRS also provided service through community meetings, HOC's website, e-mail, and US Mail. HOC's Office of Legislative and Public Affairs has incorporated HRS' functions into its operations.

In 2008, HOC opened two customer service centers – one in Gaithersburg and one in Silver Spring – and clients are able to receive information about HOC's programs and other affordable housing options at the centers as well as through HOC's main telephone line, the website, email, and through our Facebook site.

Housing Information Activities / Housing Resource Services					
Measurement	FY 2008	FY 2009	FY 2010	FY 2011 Estimate	FY 2012 Projection
Telephone calls from the public per day	281	290	300	320	340
Information packets mailed per day	4	9	10	5	5
Lobby visitors each day	118	130	150	55 *	55 *
Website hits per day	445	544	617	650	685
E-mails received and answered per day	14	15	15	15	15

\* Reflects lobby visits to Kensington Office only.

## Information Technologies (IT)

Over the years, HOC has become more reliant on computers and technology to improve services to our clients. One measurement of this use is reflected in the number of Help

Desk Tickets issued during a given year. The chart below reflects the growth in Help Desk Tickets closed or resolved during the past four years.

Information Technologies					
Measurement	FY08	FY09	FY10	FY11	FY12
Number of Closed Help Desk Tickets	4,592	3,941	5,332	4,500 est.	4,500 est.

## Budget Overview—Executive Division

The total Adopted FY 2012 Budget for the Executive Division is \$7.85 million, a decrease of 2.5% from the FY 2011 Amended Budget of \$8.05 million. Personnel costs comprise 55.4% of the budget. Operating expenses account for 21.8% of the budget.

Maintenance and other miscellaneous expenses account for 12.4% of the budget. The remaining 10.4% accounts for debt service expenses for the Information Technology and Facilities Capital Budget, and a property income contingency.

## Revenue and Expense Statement

Executive Division	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
County Grant	262,626	0	0	0
<b>TOTAL OPERATING INCOME</b>	<b>\$262,626</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Operating Expenses</b>				
Personnel Expenses	4,554,887	4,080,071	4,282,130	4,350,590
Operating Expenses - Fees	612,022	94,137	132,390	134,640
Operating Expenses - Administrative	1,233,537	1,175,289	1,562,170	1,574,380
Tenant Services Expenses	11,332	11,675	13,820	14,380
Protective Services Expenses	48,551	48,230	50,000	50,000
Utilities Expenses	176,347	197,023	190,240	206,200
Insurance and Tax Expenses	2,540	2,670	1,690	4,000
Maintenance Expenses	429,620	491,329	695,500	698,550
<b>TOTAL OPERATING EXPENSES</b>	<b>\$7,068,836</b>	<b>\$6,100,424</b>	<b>\$6,927,940</b>	<b>\$7,032,740</b>
<b>NET OPERATING INCOME</b>	<b>(\$6,806,210)</b>	<b>(\$6,100,424)</b>	<b>(\$6,927,940)</b>	<b>(\$7,032,740)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	91	1	0	0
Transfer Between Funds	384,671	15,825	226,580	25,000
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$384,762</b>	<b>\$15,826</b>	<b>\$226,580</b>	<b>\$25,000</b>
<b>Non-Operating Expenses</b>				
Interest Payment	29,510	25,879	13,620	25,080
Principal Payment	228,553	310,136	439,630	389,750
Operating and Replacement Reserves	100,000	200,000	200,000	200,000
Transfer Out Between Funds	347,750	630,350	470,480	205,000
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$705,813</b>	<b>\$1,166,365</b>	<b>\$1,123,730</b>	<b>\$819,830</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$321,051)</b>	<b>(\$1,150,539)</b>	<b>(\$897,150)</b>	<b>(\$794,830)</b>
<b>NET CASH FLOW</b>	<b>(\$7,127,261)</b>	<b>(\$7,250,963)</b>	<b>(\$7,825,090)</b>	<b>(\$7,827,570)</b>

# Finance Division

Adopted Budget  
June 1, 2011

## Mission Statement

The mission of the Finance Division is to enhance the effective and efficient operations of HOC by safeguarding the Commission's assets, ensuring the long term financial health of the organization by maintaining fiscal integrity, and

providing the Commission and Agency with necessary financial information and analysis on a timely basis to enable the implementation of sound fiscal policies.

### Special points of interest:

The Finance Division safeguards the assets of the Commission.

## Description

The Finance Division is responsible for Agency financial management, cash management, rent collection,

budgeting, purchasing, and the oversight of the Agency's portfolio.

## Program Objectives

- Safeguard the Commission's assets and ensure the short and long term financial health of the organization by adhering to the following guidelines:
  - All cash invested in accordance with the investment policy.
  - Accurate reporting and active pursuit of all receivables.
  - Maintenance of proper insurance coverage for the Agency.
  - 75% of invoices paid within 30 days of receipt of a complete package of authorized documentation and 95% paid within 60 days.
  - Receive a standard unqualified opinion on each of its annual audits.
- Meet all reporting requirements for lenders.
- Ensure HOC's funding supports financial growth and stability.
- Monitor HOC's financial health so we can continue to receive an "A" rating from Moody's.
- Ensure all grant money is properly accounted for and in compliance with grant program regulations.
- Assure Minority/Female/Disabled-Outreach (MFD) firms participate in HOC purchasing.
- Coordinate with Information Technologies and external vendors to implement Automated Clearing House (ACH) payments and a Procurement Card Program.

## Performance Measurement Results

The charts below depict several ongoing performance measurement results that are currently tracked in the Finance Division.

Staff is continuing to develop additional measurements.

Accounting					
Measurement	FY08	FY09	FY10	FY11	FY12
Received Standard Unqualified Audit Opinion:					
Agency Audit	Yes	Yes	Yes	NA	NA
HOC Owned Property Audits	Yes	Yes	Yes	NA	NA
Non-HOC Owned Property Audits	Yes	Yes	Yes	NA	NA
A-133 Audit	Yes	Yes	Yes	NA	NA
Number of consecutive years receiving GFOA Certificate of Achievement for Excellence in Financial Reporting	NA	1	2	3	NA

Budget					
Measurement	FY08	FY09	FY10	FY11	FY12
Number of consecutive years receiving GFOA Best Budget Award	4	5	6	7	NA

Procurement					
Measurement	FY08	FY09	FY10	FY11	FY12
Number of Contracts Awarded	253	226	194	250 (est.)	250 (est.)
Percent of Dollars issued to Minority/Female/Disabled-Outreach (MFD) firms	25%	27%	22%	25% (est.)	25% (est.)
Number of Purchase Orders (POs) issued	13,680	13,550	14,366	15,000 (est.)	15,000 (est.)

## Budget Overview—Finance Division

The total Adopted FY 2012 Budget for the Finance Division is \$3.66 million, an increase of 0.3% from the FY 2011 Amended Budget of \$3.65 million. Personnel costs comprise 94.7% of total operating expenses. Fees and Administrative expenses account for the

balance of the budget. **Please note that the FY 2012 Adopted Budget reflects changes as a result of the Agency re-organization.**

## Revenue and Expense Statement

Finance Division	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Miscellaneous Income	82,759	8,461	0	10,000
<b>TOTAL OPERATING INCOME</b>	<b>\$82,759</b>	<b>\$8,461</b>	<b>\$0</b>	<b>\$10,000</b>
<b>Operating Expenses</b>				
Personnel Expenses	3,431,877	3,392,785	3,407,460	3,465,550
Operating Expenses - Fees	484,153	131,237	169,770	129,800
Operating Expenses - Administrative	127,593	87,786	69,190	62,990
Tenant Services Expenses	271	607	750	750
Insurance and Tax Expense	495	0	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>\$4,044,389</b>	<b>\$3,612,415</b>	<b>\$3,647,170</b>	<b>\$3,659,090</b>
<b>NET OPERATING INCOME</b>	<b>(\$3,961,630)</b>	<b>(\$3,603,954)</b>	<b>(\$3,647,170)</b>	<b>(\$3,649,090)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	178,023	17,494	0	0
FHA Risk Sharing Insurance	625,729	591,946	0	0
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$803,752</b>	<b>\$609,440</b>	<b>\$0</b>	<b>\$0</b>
<b>Non-Operating Expenses</b>				
FHA Risk Sharing Insurance	625,729	591,946	0	0
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$625,729</b>	<b>\$591,946</b>	<b>\$0</b>	<b>\$0</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$178,023</b>	<b>\$17,494</b>	<b>\$0</b>	<b>\$0</b>
<b>NET CASH FLOW</b>	<b>(\$3,783,607)</b>	<b>(\$3,586,460)</b>	<b>(\$3,647,170)</b>	<b>(\$3,649,090)</b>

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# Housing Management Division

Adopted Budget  
June 1, 2011

**The Housing Management Division is comprised of the Property Management Department and the Asset Management Department.**

## Mission Statement

The mission of the Housing Management Division is to manage a portfolio of affordable residential communities for low and moderate income households, while striving to

create a positive social environment by properly positioning and maintaining residences at or above community norms.

### Special points of interest:

The Housing Management Division oversees a portfolio of more than 6,800 rental units.

## Description

The Housing Management Division oversees a portfolio of 6,850 units consisting of 48 multifamily properties and 1,755 scattered site units. The Division is comprised of the Property Management Department which is responsible for managing 3,514 rental units and the Asset Management Department which is responsible for monitoring third-party management companies which manage 3,336 units.

The Property Management portfolio contains Public Housing and Turnkey Homeownership, Federal Section 236 Family Properties and Properties for Independent Seniors and Disabled, Federal Section 8, Opportunity Housing, Tax Credit units, State Partnership, Neighborhood Stabilization, HOME, market rate, and bond financed units.

The Asset Management portfolio contains mixed-income luxury and older multifamily properties as well as properties for seniors and Federal Section 236 and Section 8 properties, Tax Credit and market rate units.

The Division:

- Ensures occupancy by qualified households under numerous Federal, State and local affordable housing programs.
- Ensures that all dwelling units are maintained at or above community norms, and in compliance with Federal Uniform Physical Condition Standards (UPCS) and local housing codes.
- Ensures the integrity of housing programs through compliance with Federal, State and County regulatory agreements and reporting requirements and conducts fraud investigations as required.
- Enforces the terms and conditions of residents' leases.
- Inspects residency of all Housing Choice Voucher (HCV) clients to insure compliance with Housing Quality Standards (HQS).
- Performs preventive maintenance on all units and building systems in order to extend their useful life.
- Responds to emergency maintenance needs and ensures that all units are in good repair.

- Keeps the grounds and common areas clean and well appointed.
- Assures high satisfaction levels and services as required.
- Conducts annual resident satisfaction surveys.
- Delivers quality services to a diverse population with a variety of programs and housing types.

The properties in this portfolio originate from a wide variety of programs with complex regulations and requirements; several of which overlap, and many with multiple financing sources. The types of units vary from single family homes to 15 story high rise luxury apartment buildings. A summary of the types of programs and numbers of units are listed below. Many of the properties and units are included in more than one program or category.

- Public Housing – ten multifamily properties and 712 scattered sites - 1,555 units.
- HUD Project Based Section 8 – eleven properties – 517 units.
- HUD Section 236 – six properties – 712 units (three are owned by non-profit corporations and three are owned by Tax Credit Partnerships).
- State Rental Partnership – 196 units.
- Low Income Housing Tax Credit (LIHTC) Programs - 17 different partnerships – 1,413 units.
- Scattered-site rental units located in over 275 communities – 1,756 units.
- Mixed Income Properties – 20 properties - 2,552 units.

- Senior Properties for Independent Living - nine properties - 1,113 units.
- Properties with Public Purpose at or below 60% AMI - 5,032 units or 73% of our total portfolio.
- Single Room Occupancy (SRO) – two properties – 286 units.
- Market Rate Units – 23 properties – 1,614 units.
- Contract Managed units for Montgomery County—5 units.

Properties in the portfolio that are not part of HOC's FY 2012 Operating Budget but are on a calendar year include:

- 712 Section 236 Units.
- 1,413 Tax Credit Units.

Using a direct allocation from HUD, HOC partnered with Montgomery County DHCA and purchased 23 homes under the Neighborhood Stabilization Program, Neighborhood Conservation Initiative and Community Development Block Program. This \$3.9 billion national program allocated CDBG funds to local jurisdictions to buy vacant and foreclosed properties in impacted neighborhoods. HOC and County staff completed the rehabilitation of foreclosed properties into energy efficient rental housing available to low-income families.

During FY 2011, the Division's Modernization and Construction Management Office was involved in designing, planning and administering over 110 construction/renovation projects with total budgets exceeding \$19.8 million. This total included over \$4.6 million in Stimulus dollars.

## Program Objectives

### Utilization

- Provide public housing units that meet federal quality standards, now known as Uniform Physical Condition Standards (UPCS) and on average are 98.5% occupied by qualified residents.
- Provide opportunity and managed housing units that meet or exceed community norms and market expectations and on average are 97% occupied.

### Contribute to a Positive Housing Environment

- Provide responsive and quality maintenance that ensures that 99% of emergency work orders are abated within 24 hours and that the average response time for non-emergency work orders does not exceed 25 days, the highest rating level under the Public Housing Assessment System (PHAS).



- Inspect 100% of the Public Housing units and HCV units and common areas annually.
- Assure that our residents and neighbors have the peaceful enjoyment of their

homes by actively enforcing the lease contract in order to contribute to a successful "Good Neighbor" policy.

## Performance Measurement Results

### Public Housing Management

In 1998, Congress authorized using the Public Housing Assessment System (PHAS) to assess the management performance of public housing agencies. Prior to that, management performance of the Agency was measured through a Public Housing Management Assessment Program (PHMAP) score. PHAS is used to rank an agency as troubled, standard, or a high performer.

FY 2000 was the second year that HUD used PHAS to evaluate public housing authorities. For FY 1999, HOC earned a PHAS score of 89.5, but for that year, HUD relied on the PHMAP to assess PHAS.

In FY 2000, HOC's Public Housing Program earned a score of 86.0 and a FY 2001 score of 88.1, better than expected, though still a standard designation.

HOC achieved a high performer PHAS score for FY 2002. In FY 2003, HOC increased its PHAS score by two points to 92 and was again considered a high performer. HOC received a score of 91 for FY 2004.

For FY 2005, HUD assigned HOC a score of 89 and designated HOC a standard performer. The Agency's physical component score for PHAS for FY 2005 decreased as a result of receiving lower points on the Real Estate Assessment Center (REAC) inspections. This reduction was somewhat offset by increases in both the financial and management components of PHAS.

HOC was once again able to achieve a ranking of high performer for FY 2006 by increasing its physical component PHAS score by six points. This was primarily based on substantial increases in the REAC inspection scores. The overall PHAS score for FY 2006 was 94, two points higher than our scores in each of the last five years.

In FY 2007, HOC maintained its high performer status under PHAS with another overall score of 94. While the management score dipped slightly, the fiscal component

attained a perfect 30 out of 30 possible points. Notably, HOC's physical inspection score remained at 28, an excellent assessment.

In March of 2008, HUD issued Notice PIH 2008-18 that updated PHAS on proposed changes to PHAS. The Notice stated that HUD expected to issue a proposed rule on PHAS in Spring of 2008, which did not occur. The Notice did include a draft form that HUD expects to use to monitor Public Housing management, compliance, and performance. The Notice also stated that PHAS must report year-end financials under the proposed Asset Management Financial Data Schedule (FDS). Since HUD had not released information stating otherwise, HOC also submitted data to satisfy existing requirements under the management and resident satisfaction components of PHAS.

On August 21, 2008, HUD released a notice detailing its efforts to revise PHAS. The fiscal year ending June 30, 2008 was a transitional year, in which HUD did not issue a new PHAS score. In its notice, HUD stated that any physical inspection scores would be advisory.

HOC's PHAS score for FY 2008 was based upon a score for the physical inspection results.

On January 21, 2011, HUD revised HOC FY 2009 scores to 88 from its original designation of 85. On June 17, 2011, HUD issued HOC's FY 2010 score, awarding the agency 90 points and designating it as a High Performer under PHAS.

On February 23, 2011, HUD released its interim rule on the Public Housing Assessment System, which is effective for HOC's FY 2011 operations. The rule significantly changes the points system, as illustrated below. In addition, HOC will no longer submit management operations data to HUD. HUD will base its evaluation on existing reports. Capital Fund operations are now evaluated separately from management, replacing the resident

component, which has been subsumed into the management review.

Because FY 2011 is the first year HOC will be evaluated under the interim rule, HOC faces a

challenge in predicting a score. HOC fully expects that HUD will score its operations close to the recent range of 88 to 94.

## PHAS Score

PHAS Score								
PHAS Component	Actual Score FY 2008 *	Max Score FY 2008	Actual Score FY 2009	Max Score FY 2009	Actual Score FY 2010	Max Score FY 2010	Preliminary Score FY 2011	Max Score FY 2011
Physical	28.0	30.0	26.0	30.0	26.0	30.0	NA	40.0
Financial	30.0	30.0	27.0	30.0	28.0	30.0	NA	25.0
Management	27.0	30.0	26.0	30.0	27.0	30.0	NA	25.0
Resident	9.0	10.0	9.0	10.0	9.0	10.0	NA	No longer evaluated separately
Capital Fund Program	New for FY 2011	New for FY 2011	New for FY 2011	New for FY 2011	New for FY 2011	New for FY 2011	NA	10.0
Overall	94.0	100.0	88.0	100.0	90.0	100.0	NA	100.0

\* FY 2008 score was carried over from FY 2007.

## Budget Overview—Housing Management—Administrative

The Adopted FY 2012 budgeted revenues for Housing Management Division Administration are \$7.99 million. Total expenses in the FY 2012 Operating Budget are \$4.09 million. Personnel costs comprise

75.9% of the operating budget. Other operating costs constitute 24.1% of the operating budget.

### Revenue and Expense Statement

Housing Management Division Administration	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Non-Dwelling Rental Income	180	0	0	0
County Grant	1,019,512	1,019,554	1,037,920	1,037,920
Management Fees	6,030,184	7,227,281	7,038,020	6,787,070
Miscellaneous Income	0	9,024	0	0
<b>TOTAL OPERATING INCOME</b>	<b>\$7,049,876</b>	<b>\$8,255,859</b>	<b>\$8,075,940</b>	<b>\$7,824,990</b>
<b>Operating Expenses</b>				
Personnel Expenses	2,775,009	2,989,977	3,147,310	3,104,090
Operating Expenses - Fees	348,300	312,664	309,350	305,750
Operating Expenses - Administrative	350,271	324,332	336,760	420,400
Tenant Services Expenses	0	153	0	0
Protective Services Expenses	3,772	5,720	5,000	1,000
Utilities Expenses	70,400	65,889	88,000	84,930
Insurance and Tax Expenses	2,180	2,220	1,340	2,500
Maintenance Expenses	74,440	73,158	144,950	171,270
<b>TOTAL OPERATING EXPENSES</b>	<b>\$3,624,372</b>	<b>\$3,774,113</b>	<b>\$4,032,710</b>	<b>\$4,089,940</b>
<b>NET OPERATING INCOME</b>	<b>\$3,425,504</b>	<b>\$4,481,746</b>	<b>\$4,043,230</b>	<b>\$3,735,050</b>
<b>Non-Operating Income</b>				
Investment Interest Income	1,466	511	0	0
Transfer Between Funds	100,000	0	0	166,120
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$101,466</b>	<b>\$511</b>	<b>\$0</b>	<b>\$166,120</b>
<b>Non-Operating Expenses</b>				
Operating and Replacement Reserves	163,496	164,965	0	0
Restricted Cash Flow	0	0	41,910	67,500
Transfer Out Between Funds	1,019,512	1,097,917	1,111,060	1,150,400
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$1,183,008</b>	<b>\$1,262,882</b>	<b>\$1,152,970</b>	<b>\$1,217,900</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$1,081,542)</b>	<b>(\$1,262,371)</b>	<b>(\$1,152,970)</b>	<b>(\$1,051,780)</b>
<b>NET CASH FLOW</b>	<b>\$2,343,962</b>	<b>\$3,219,375</b>	<b>\$2,890,260</b>	<b>\$2,683,270</b>

## Budget Overview—Housing Management— Elderly Properties

The Adopted FY 2012 budgeted revenues for elderly properties are \$5.36 million. The total expenses in the FY 2012 Operating Budget

are \$4.72 million. Non-operational expenses are \$.64 million. Net Cash Surplus will be \$2,430.

### Revenue and Expense Statement

Housing Management Division Elderly Properties	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Tenant Income	2,744,974	2,789,484	2,849,750	2,792,710
Non-Dwelling Rental Income	700	600	0	0
Federal Grant	2,118,162	2,234,596	2,271,820	2,180,620
Management Fees	8,214	41,336	7,900	6,070
Miscellaneous Income	45,340	29,789	28,800	31,600
<b>TOTAL OPERATING INCOME</b>	<b>\$4,917,390</b>	<b>\$5,095,805</b>	<b>\$5,158,270</b>	<b>\$5,011,000</b>
<b>Operating Expenses</b>				
Personnel Expenses	1,359,997	1,418,160	1,369,010	1,413,700
Operating Expenses - Fees	890,504	1,057,886	1,037,390	954,030
Operating Expenses - Administrative	129,263	108,032	90,580	90,370
Tenant Services Expenses	58,650	43,324	58,700	56,890
Protective Services Expenses	12,827	17,701	48,360	47,450
Utilities Expenses	1,212,535	1,254,433	1,329,770	1,408,520
Insurance and Tax Expenses	64,575	70,868	75,840	87,920
Maintenance Expenses	525,338	676,910	646,100	658,690
<b>TOTAL OPERATING EXPENSES</b>	<b>\$4,253,689</b>	<b>\$4,647,314</b>	<b>\$4,655,750</b>	<b>\$4,717,570</b>
<b>NET OPERATING INCOME</b>	<b>\$663,701</b>	<b>\$448,491</b>	<b>\$502,520</b>	<b>\$293,430</b>
<b>Non-Operating Income</b>				
Investment Interest Income	(556)	(4,674)	(5,560)	(3,120)
Transfer Between Funds	85,650	175,650	360,280	349,650
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$85,094</b>	<b>\$170,976</b>	<b>\$354,720</b>	<b>\$346,530</b>
<b>Non-Operating Expenses</b>				
Interest Payment	184,705	178,885	172,690	166,090
Mortgage Insurance	15,612	13,663	13,530	13,000
Principal Payment	89,747	95,567	101,770	108,360
Operating and Replacement Reserves	48,000	48,000	48,000	48,000
Restricted Cash Flow	207,730	148,652	134,230	1,080
Transfer Out Between Funds	203,001	134,700	387,020	301,000
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$748,795</b>	<b>\$619,467</b>	<b>\$857,240</b>	<b>\$637,530</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$663,701)</b>	<b>(\$448,491)</b>	<b>(\$502,520)</b>	<b>(\$291,000)</b>
<b>NET CASH FLOW</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,430</b>

## Budget Overview—Housing Management— Family Properties

The Adopted FY 2012 budgeted revenues for family properties are \$44.39 million. The total expenses in the FY 2012 Operating Budget are \$20.44 million. Non-operational expenses are \$23.30 million. Net Cash Surplus will be \$657,330.

### Revenue and Expense Statement

Housing Management Division Family Properties	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Tenant Income	36,267,091	37,484,405	40,216,930	41,558,760
Non-Dwelling Rental Income	366,326	463,295	385,910	577,130
Federal Grant	1,583,511	1,687,020	1,645,680	1,581,390
Management Fees	89,089	180,310	39,550	37,440
Miscellaneous Income	189,017	116,246	75,360	91,960
<b>TOTAL OPERATING INCOME</b>	<b>\$38,495,034</b>	<b>\$39,931,276</b>	<b>\$42,363,430</b>	<b>\$43,846,680</b>
<b>Operating Expenses</b>				
Personnel Expenses	5,388,726	5,396,868	5,554,110	5,648,650
Operating Expenses - Fees	3,561,156	3,688,381	3,603,100	3,647,160
Operating Expenses - Administrative	1,375,149	1,445,206	1,304,750	1,231,860
Tenant Services Expenses	166,520	152,100	164,210	177,000
Protective Services Expenses	801,820	758,232	713,940	731,020
Utilities Expenses	3,791,370	4,042,235	4,014,430	4,487,050
Insurance and Tax Expenses	451,509	545,438	593,820	650,060
Maintenance Expenses	3,398,564	3,627,258	3,746,690	3,863,460
<b>TOTAL OPERATING EXPENSES</b>	<b>\$18,934,814</b>	<b>\$19,655,718</b>	<b>\$19,695,050</b>	<b>\$20,436,260</b>
<b>NET OPERATING INCOME</b>	<b>\$19,560,220</b>	<b>\$20,275,558</b>	<b>\$22,668,380</b>	<b>\$23,410,420</b>
<b>Non-Operating Income</b>				
Investment Interest Income	50,002	(25,274)	(35,010)	(35,160)
Transfer Between Funds	1,106,653	1,161,833	718,970	577,850
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$1,156,655</b>	<b>\$1,136,559</b>	<b>\$683,960</b>	<b>\$542,690</b>
<b>Non-Operating Expenses</b>				
Interest Payment	8,518,041	9,749,193	9,815,010	10,227,660
Mortgage Insurance	584,847	628,760	628,650	674,850
Principal Payment	5,132,669	5,367,966	5,277,200	5,742,260
Operating and Replacement Reserves	1,363,736	1,219,006	1,300,540	1,354,480
Restricted Cash Flow	2,834,514	2,514,865	2,978,350	3,043,340
Development Corporation Fees	977,854	1,410,480	3,006,520	2,253,190
Transfer Out Between Funds	0	0	4,940	0
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$19,411,661</b>	<b>\$20,890,270</b>	<b>\$23,011,210</b>	<b>\$23,295,780</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$18,255,006)</b>	<b>(\$19,753,711)</b>	<b>(\$22,327,250)</b>	<b>(\$22,753,090)</b>
<b>NET CASH FLOW</b>	<b>\$1,305,214</b>	<b>\$521,847</b>	<b>\$341,130</b>	<b>\$657,330</b>

## Budget Overview—Housing Management— Scattered Site Properties

The Adopted FY 2012 budgeted revenues for scattered-site properties are \$13.79 million. The total expenses in the FY 2012 Operating Budget

are \$10.92 million. Non-operational expenses are \$1.95 million. Net Cash Surplus will be \$923,710.

### Revenue and Expense Statement

Housing Management Division Scattered Site Properties	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Tenant Income	9,129,459	9,268,748	10,288,650	10,423,200
Federal Grant	2,559,906	2,712,013	2,648,940	2,542,610
Management Fees	0	3,850	0	0
Miscellaneous Income	82,035	35,001	0	200
<b>TOTAL OPERATING INCOME</b>	<b>\$11,771,400</b>	<b>\$12,019,612</b>	<b>\$12,937,590</b>	<b>\$12,966,010</b>
<b>Operating Expenses</b>				
Personnel Expenses	3,221,909	3,239,478	3,091,930	3,220,530
Operating Expenses - Fees	4,142,524	5,213,139	5,584,260	5,254,610
Operating Expenses - Administrative	255,794	207,084	115,190	100,860
Tenant Services Expenses	1,771	780	17,250	17,250
Protective Services Expenses	0	0	580	0
Utilities Expenses	110,394	117,734	124,250	118,450
Insurance and Tax Expenses	395,783	347,760	529,530	502,460
Maintenance Expenses	1,508,383	1,351,110	1,558,170	1,704,730
<b>TOTAL OPERATING EXPENSES</b>	<b>\$9,636,558</b>	<b>\$10,477,085</b>	<b>\$11,021,160</b>	<b>\$10,918,890</b>
<b>NET OPERATING INCOME</b>	<b>\$2,134,842</b>	<b>\$1,542,527</b>	<b>\$1,916,430</b>	<b>\$2,047,120</b>
<b>Non-Operating Income</b>				
Investment Interest Income	36,357	(7,295)	(6,700)	(11,490)
Transfer Between Funds	648,748	889,490	925,300	831,390
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$685,105</b>	<b>\$882,195</b>	<b>\$918,600</b>	<b>\$819,900</b>
<b>Non-Operating Expenses</b>				
Interest Payment	778,011	718,063	797,490	602,150
Mortgage Insurance	25,607	24,789	23,930	23,010
Principal Payment	304,049	291,573	325,980	443,470
Operating and Replacement Reserves	483,813	341,765	416,350	435,210
Restricted Cash Flow	599,915	614,940	100,250	237,930
Development Corporation Fees	84,409	71,701	118,080	201,540
Transfer Out Between Funds	0	0	17,690	0
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$2,275,804</b>	<b>\$2,062,831</b>	<b>\$1,799,770</b>	<b>\$1,943,310</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$1,590,699)</b>	<b>(\$1,180,636)</b>	<b>(\$881,170)</b>	<b>(\$1,123,410)</b>
<b>NET CASH FLOW</b>	<b>\$544,143</b>	<b>\$361,891</b>	<b>\$1,035,260</b>	<b>\$923,710</b>

## Master Lease Properties—Revenue and Expense Statement

	FY 2009	FY 2010	FY 2011	FY 2012
Housing Management Division	Actual	Actual	Amended	Adopted
Master Lease Properties			Budget	Budget
<b>Operating Income</b>				
Tenant Income	575,807	638,120	665,610	660,560
<b>TOTAL OPERATING INCOME</b>	<b>\$575,807</b>	<b>\$638,120</b>	<b>\$665,610</b>	<b>\$660,560</b>
<b>Operating Expenses</b>				
Personnel Expenses	28,729	29,869	29,760	31,110
Operating Expenses - Fees	640,360	680,752	674,770	708,470
Operating Expenses - Administrative	(1,570)	2,590	6,650	5,200
Utilities Expenses	2,154	2,216	1,190	550
Maintenance Expense	0	599	1,000	340
<b>TOTAL OPERATING EXPENSES</b>	<b>\$669,673</b>	<b>\$716,026</b>	<b>\$713,370</b>	<b>\$745,670</b>
<b>NET OPERATING INCOME</b>	<b>(\$93,866)</b>	<b>(\$77,906)</b>	<b>(\$47,760)</b>	<b>(\$85,110)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	157	(457)	(380)	(370)
Transfer Between Funds	93,709	78,363	48,140	85,480
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$93,866</b>	<b>\$77,906</b>	<b>\$47,760</b>	<b>\$85,110</b>
<b>Non-Operating Expenses</b>				
Transfer Out Between Funds	0	0	0	0
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$93,866</b>	<b>\$77,906</b>	<b>\$47,760</b>	<b>\$85,110</b>
<b>NET CASH FLOW</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Capital Fund Program—Revenue and Expense Statement

	FY 2009	FY 2010	FY 2011	FY 2012
Housing Management Division	Actual	Actual	Amended	Adopted
Capital Fund Program			Budget	Budget
<b>Operating Income</b>				
Federal Grant	807,396	1,003,102	1,193,550	1,225,830
<b>TOTAL OPERATING INCOME</b>	<b>\$807,396</b>	<b>\$1,003,102</b>	<b>\$1,193,550</b>	<b>\$1,225,830</b>
<b>Operating Expenses</b>				
Personnel Expenses	355,179	429,882	476,590	508,300
Operating Expenses - Fees	0	0	0	0
Operating Expenses - Administrative	86,924	234,817	105,000	105,000
<b>TOTAL OPERATING EXPENSES</b>	<b>\$442,103</b>	<b>\$664,699</b>	<b>\$581,590</b>	<b>\$613,300</b>
<b>NET OPERATING INCOME</b>	<b>\$365,293</b>	<b>\$338,403</b>	<b>\$611,960</b>	<b>\$612,530</b>
<b>Non-Operating Income</b>				
Transfer Between Funds	0	0	0	0
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Non-Operating Expenses</b>				
Interest Payment	0	0	311,960	312,530
Operating and Replacement Reserves	165,293	38,403	0	0
Transfer Out Between Funds	200,000	300,000	300,000	300,000
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$365,293</b>	<b>\$338,403</b>	<b>\$611,960</b>	<b>\$612,530</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$365,293)</b>	<b>(\$338,403)</b>	<b>(\$611,960)</b>	<b>(\$612,530)</b>
<b>NET CASH FLOW</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



# Housing Resources Division

Adopted Budget  
June 1, 2011

## Mission Statement

The mission of the Housing Resources Division is to provide Housing Choice Voucher (HCV) rental assistance to as many families as possible with consistently high customer service. The Division educates and supports clients, landlords and the citizens of the County on the program operations, and maintains the highest compliance possible within Federal, State and County statutes and regulations. The Division operates Customer Service Centers in Gaithersburg and Silver Spring to provide "one stop" help to clients, landlords, and the community.

The division's, Federal Program staff, oversees client compliance and program compliance with the U.S. Department of Housing and Urban

Development. Client compliance includes investigating and resolving any lease or program violation allegedly committed by a participant in a HOC federal housing program. Program compliance includes policy interpretation and the review, preparation, and submission of data, reports, and responses required by federal program regulators, auditors, or funding sources. The staff also interprets HUD regulations and guidelines for the various housing programs. All fair housing complaints and issues, including requests for reasonable accommodations and fair housing investigations are handle by Federal Programs.

### Special points of interest:

Customer Service Centers provide "one-stop" help to clients, landlords and the community."

## Description

The HCV Program is the Federal Government's principal rental assistance program available to low and very low-income families, the elderly and the disabled.

The Housing Resources Division is responsible for administering the Housing Choice Voucher (HCV) Program. The functions include

maintaining program waiting lists of interested families, determining family eligibility, calculating the family's rent share and the Housing Assistance Payment, reviewing the reasonableness of rents, re-evaluating the family's income on an annual basis, and maintaining electronic and paper files.

## Program Objectives

- To improve customer service and program operations through better utilization of staff and technology.
- To become a High Performer on Section Eight Management Assessment Program (SEMAP) for the fiscal year ending June 2012.
- To ensure that income reporting of all participants is accurate using the Enterprise Income Verification (EIV) system.
- To ensure that program rent payments are reasonable.
- To fully utilize the 2011 HUD funding allocation and effectively serve as many program-eligible families as possible.
- To provide expert information to members of the Agency staff on federally regulated programs.
- To ensure HOC's compliance, for both the programs and clients, with the U.S. Department of Housing and Urban Development regulations.

## Performance Measurement Results

### SEMAP

The Section Eight Management Assessment Program (SEMAP) was designed by the United States Department of Housing and Urban Development (HUD) as a tool to measure the performance of Public Housing Authority's administering the Housing Choice Voucher (HCV) program and the Family Self-Sufficiency (FSS) component of the voucher program. SEMAP is a performance measurement tool designed to:

- Assess if the program is assisting eligible families to afford housing at the correct subsidy level,
- Measure performance in key areas to ensure program integrity and accountability,
- Identify management capabilities and deficiencies to better target technical assistance,
- Assist housing authorities in assessing and improving their program operations, and

- Evaluate whether the housing authority advances fair housing opportunities.

There are 14 performance indicators and one bonus indicator. Each performance indicator represents a critical component for operating a well run Housing Choice Voucher Program.

In 2008, HOC was ranked a high performer earning 140 points out of a possible 145 for a final SEMAP score of 97%. HOC was ranked a standard performer in 2009, earning 110 points out of 145 for a score of 76%. HOC was ranked a standard performer in 2010 receiving 125 points out of 145 for an overall rating of 86%. HOC has put measures into place to improve performance and productivity, and although HOC expects to receive a standard performance rating in 2011, a high performer rating is a possibility. HOC will continue to strive for a high performance rating for 2012.

## SEMAP Score

SEMAP Component	Actual Score FY 2008	Max Score FY 2008	Actual Score FY 2009	Max Score FY 2009	Actual Score FY 2010	Max Score FY 2010	Preliminary Score FY 2011	Max Score FY 2011
Selection from the Waiting List	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Reasonable Rent	20.0	20.0	0.0	20.0	0.0	20.0	15.0	20.0
Adjusted Income Determination	15.0	20.0	0.0	20.0	15.0	20.0	15.0	20.0
Utility Allowance Schedule	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Quality Control Inspection	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Enforcement	10.0	10.0	10.0	10.0	10.0	10.0	0.0	10.0
Expanding Housing Opportunities	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fair Market Rent "FMR" Limit and Payment Standard (PS)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Annual Re-examination	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Correct Tenant Rent Calculations	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Pre-Contract Housing Quality Standards (HQS) Inspections	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Annual HQS Inspections	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Lease-Up	15.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Family Self-Sufficiency (FSS) Enrollment with Escrow Accounts	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Program Subtotal	135.0	145.0	105.0	145.0	120.0	145.0	125.0	145.0
Deconcentration Bonus *	5.0		5.0		5.0		5.0	
Overall	140.0	145.0	110.0	145.0	125.0	145.0	130.0	145.0

\* The Deconcentration bonus does not change the Maximum Score Scale.

## Budget Overview—Housing Resources Division

Total projected operating expenses in the FY 2012 Adopted Budget for the Housing Resources Division not related to HAP are \$6.94 million. Personnel costs comprise 55.1% of the budget. Other expenses account

for the remaining 44.9% of the budget. **Please note that the FY 2012 Adopted reflects changes as a result of the Agency re-organization.**

## Revenue and Expense Statement

Housing Resources Division	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Tenant Income	0	428	0	0
Non-Dwelling Rental Income	35,716	122,890	0	50,000
Federal Grant	70,864,930	76,628,751	76,027,710	79,969,670
County Grant	343,064	332,918	759,160	752,230
Miscellaneous Income	46	0	0	0
<b>TOTAL OPERATING INCOME</b>	<b>\$71,243,756</b>	<b>\$77,084,987</b>	<b>\$76,786,870</b>	<b>\$80,771,900</b>
<b>Operating Expenses</b>				
Personnel Expenses	3,486,317	3,757,747	3,465,490	3,825,710
Operating Expenses - Fees	1,565,201	2,013,627	2,048,610	2,774,340
Operating Expenses - Administrative	318,582	235,833	297,260	287,060
Tenant Services Expenses	16,500	(416)	0	0
Protective Services	296	2,874	2,000	3,800
Utilities Expenses	18,161	13,971	18,300	19,800
Maintenance Expenses	24,441	19,779	30,550	31,750
Housing Assistance Payments (HAP)	66,322,882	68,321,232	70,342,180	74,583,580
<b>TOTAL OPERATING EXPENSES</b>	<b>\$71,752,380</b>	<b>\$74,364,647</b>	<b>\$76,204,390</b>	<b>\$81,526,040</b>
<b>NET OPERATING INCOME</b>	<b>(\$508,624)</b>	<b>\$2,720,340</b>	<b>\$582,480</b>	<b>(\$754,140)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	(1,746)	0	0	0
Transfer Between Funds	2,738,691	549,766	341,710	750,000
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$2,736,945</b>	<b>\$549,766</b>	<b>\$341,710</b>	<b>\$750,000</b>
<b>Non-Operating Expenses</b>				
Operating and Replacement Reserves	0	2,528,202	0	0
Restricted Cash Flow	485,236	0	0	0
Transfer Out Between Funds	528,938	100,000	102,640	100,000
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$1,014,174</b>	<b>\$2,628,202</b>	<b>\$102,640</b>	<b>\$100,000</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$1,722,771</b>	<b>(\$2,078,436)</b>	<b>\$239,070</b>	<b>\$650,000</b>
<b>NET CASH FLOW</b>	<b>\$1,214,148</b>	<b>\$641,904</b>	<b>\$821,550</b>	<b>(\$104,140)</b>

# Mortgage Finance Division

Adopted Budget  
June 1, 2011

## Mission Statement

The mission of the Mortgage Finance Division is to raise capital by utilizing traditional and innovative methods, to preserve and create decent, safe and affordable rental and home

ownership housing in Montgomery County, MD, to assure continued availability of such housing and to generate revenue to benefit HOC programs.

### Special points of interest:

The Mortgage Finance Division raises capital through traditional and innovative methods, enabling HOC to provide below market rate mortgages for homeownership and to fund affordable rental housing developments.

## Description

The Mortgage Finance Division is the housing finance business of the Housing Opportunities Commission as well as the Housing Finance Agency for Montgomery County. It raises funds in the capital markets through the issuance of tax-exempt bonds for Single Family and Multifamily programs. It also provides taxable bond financing to transactions where a tax-exempt structure is not appropriate. Through the bond financing activity, the Mortgage Finance Division enables HOC to provide below market interest rate mortgages for homeownership, finances HOC's multifamily acquisition and development activities and finances

the acquisition and development of private projects that include an affordable housing component. Additional sources of capital are also tapped to leverage bond funds more efficiently, including Federal, State, and County programs. The Federal Housing Administration (FHA) Risk Sharing Program is also utilized to enhance the Multifamily bond financing program. The Mortgage Finance Division is further responsible for managing the loan portfolio, assisting residents in subsidized housing to become homebuyers, and managing the Montgomery County and HOC's Closing Cost Assistance programs.

## Program Objectives

The Mortgage Finance Division has four functional areas: Multifamily Underwriting and Loan Origination, Multifamily Portfolio Management,

Single Family Programs and Loan Management, and the HOC Home Ownership Program.

## Multifamily Programs

The Multifamily Underwriting and Loan Origination section is responsible for two to four bond issues each year. The proceeds from these bond issues fund mortgages for multifamily rental developments for HOC and its affiliates as well as for private and non-profit developers. The Multifamily Underwriting section also administers the Federal Housing Administration (FHA) Risk Sharing Program, a housing finance agency/FHA insurance program. This section also administers the allocation and utilization of bond cap that is allocated annually to Montgomery County and allows HOC to issue private activity bonds for multifamily developments that are owned by private entities.

The Multifamily Portfolio Management section monitors the fiscal and physical health of the portfolio to ensure program and tax law compliance for all multifamily developments financed by HOC and that affordability is maintained in compliance with regulatory requirements.

### **Multifamily Underwriting and Loan Origination**

- Underwrite and prepare multifamily developments for bond financing by providing timely reviews and thorough evaluation of loan risk.
- Administers the FHA Risk Sharing Program that provides credit enhancement to worthy developments while minimizing risk to the Commission and FHA.

- Negotiate the refinance and restructuring of loans that may be otherwise refinanced at market rate and possibly eliminate the affordability component for the property.
- Evaluate HOC's bond financed properties and seek opportunities to lower borrowing costs by restructuring the financing.
- Identify additional sources of equity capital and debt for affordable housing.

### **Portfolio Management**

- Manage and oversee the Commission's Multifamily loan portfolio, which consists of over 60 multifamily loans, to identify issues and opportunities related to the furtherance of the Commission's goals.
- Review the multifamily portfolio to ensure program compliance while addressing issues of financial performance, property condition, and market conditions.
- Manage the portfolio to identify adverse trends within the property and intervene to avoid default condition and to ensure that bond ratings are maintained.
- Provide timely and accurate service while safeguarding the loan portfolio and the related bond issues.
- Maintain a "Watch List" of all properties that are experiencing subpar financial and occupancy performance, or risk refinance and conversion to market rate properties eliminating the affordability component.
- Monitor the rental and homeownership market trends to identify conditions that could adversely affect the portfolio.

## Single Family Programs

The Single Family section is responsible for activities that extend and afford homeownership opportunities to first time homebuyers in Montgomery County by generating below market financing and administering various programs which provide special assistance to eligible buyers. Single Family activities include:

- Completing one or two bond issues per year, which generate funds to make approximately 150 first mortgages to first time homebuyers;

- Overseeing the servicing of the active loan portfolio of approximately 1,460 first mortgages by 16 servicers and approximately 320 County closing cost assistance loans;
- Operating the HOC Homeownership Program (HOC/HOP) which prepares HOC residents for homeownership by providing direct counseling and homebuyer education classes; and
- Managing the lending process for the Housing Choice Voucher Homeowner participants.

- The Single Family section also administers various programs that provide closing cost assistance.

### **Closing Cost Assistance Program**

On March 22, 2005, the County Council approved the program design and financial management plan for a new **Revolving County Closing Cost Assistance Program**. This program provides closing cost and down payment assistance for first time home buyers in the County. The assistance is a secured second mortgage. Borrower's monthly repayments are made through automatic withdrawal from a bank account, minimizing the delinquencies in the program. In FY 2009, the County registered to participate in the State of Maryland (the "State") closing cost assistance program known as "House Keys 4 Employees" (HK4E). The State provides matching funds of up to \$5,000, with the County's portion funded from the appropriations to the Revolving County Closing Cost Assistance Program. The Commission is designated as the administrator of the programs.

The U.S. Department of Housing and Urban Development (HUD) created the **American Dream Downpayment Initiative (ADDI)** to provide downpayment and closing cost assistance for low and moderate income families buying their first home. HUD funds the County with small allocations annually. The County has designated HOC to administer the selection of borrowers and disbursement of funds for the program.

When financial market conditions allow, **premium bonds** are issued to fund downpayment assistance that are provided as mortgage proceeds and repaid over time.

### **Warehousing**

In December 2003, the Commission approved the use of warehousing for the Mortgage Purchase Program (MPP). This innovative mechanism enables the MPP to stay in the mortgage market between bond sales and helps reduce negative arbitrage in the program. Heretofore, when bond funds were exhausted, the MPP would become dormant until new bond funds were generated from a new bond sale. Warehousing allows the MPP to continue making loans between bond sales by using surplus revenue from the Single Family Program. New funds that are generated from a new bond sale are then used to reimburse the surplus that was temporarily "borrowed". This creates a supply of mortgages immediately at the beginning of a bond issue rather than the usual one to two month lag time for origination. Negative arbitrage is reduced because the new bond funds become quickly invested in mortgages paying a higher return than an investment account. The MPP has completed seven warehousing periods and has achieved the results that were anticipated.

### **HOC Homeownership Programs**

- Annually, assist approximately 55 families that are currently residing in HOC assisted housing to purchase their first home (454 families since the inception of the program).
- Provide training, budgeting, homes to purchase, and educational opportunities to residents who are preparing to become homeowners.
- Administer Federal and local programs that provide purchase opportunities for HOC residents.

# Performance Measurement Results

## Multifamily Bond Issuance

Minimally, Federal rules require that a bond financed development must set aside at least 20% of the units for households with incomes at or below 50% of the Washington, DC Metropolitan Statistical Area Median Income (AMI) or 40% of the units for households with incomes at or below 60% of the AMI. Because the desires of a private developer and the Commission are different, one maximizing the profit it may earn from each development and the other providing the maximum affordable housing, it is the Commission's practice to demand a higher level of public purpose for transactions. This is especially true for transactions that require the use of private activity volume cap. Therefore, it is customary for the Commission to impose more restrictive affordability requirements at median income levels that

exceed any Federal, State or Local Government standards.

Traditionally, the Commission supports developments that provide a mix of both market rate and affordable housing units to avoid creating pockets of poverty and stigma for a particular community. The result is that a low- or moderate-income household is often indistinguishable from a market rate household. The overall benefit is economic and social integration of communities throughout the County as well as financial stability from cross subsidy provided by the market rate units.

Since 2008, 2,535 units were financed or refinanced in order to achieve a public purpose of 1,116 affordable units. Stated differently, 44% of the units financed since 2008 provided some level of public purpose.

Multifamily Bond Issuance					
	FY 2008 *	FY 2009	FY 2010	FY 2011	FY 2012 Projection
Number of Loans	6	2	5	2	4
Total Units	847	354	1,065	291	614
Total Affordable Units	369	234	364	178	428
% of Affordable Units	44%	66%	34%	61%	70%
Total Bond Issuance	\$50,965,300	\$42,620,000	\$126,428,488	\$63,750,000	\$47,950,000
% of Area Median Income Served	30%-60%	30%-60%	30%-80%	30%-60%	30-60%

\* Includes issuances due to changes in liquidity facility and change from R-FLOATS to Variable Rate Demand Obligations (VRDOs).



**Activities in the Mortgage Purchase Program**

The following table illustrates the activities in the Mortgage Purchase Program (MPP) for the past four fiscal years. The MPP

is rebuilding after a significant refinancing and prepayment trend over the past few years, as homeowners capitalized on the period of historically low mortgage interest rates.

<b>Mortgage Purchase Program</b>					
	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012 Projection</b>
Number of Bond Issues	2	1	1	2	2
Total Available Bond Proceeds (\$ millions)	\$71.1	\$20.0	\$24.2	\$41	\$40
Loans Made	228	133	180	200	175
Average Loan	\$225,554	\$238,699	\$220,170	\$225,000	\$225,000
Average Income	\$56,035	\$65,182	\$71,915	NA	N/A
% of Median	56.6%	65.8%	70.0%	NA	N/A
Median *	\$99,000	\$99,000	\$102,700	\$103,500	N/A
Number of Closing Cost Loans	15	52	84	120	120
Total Closing Cost Provided	\$128,563	\$433,345	\$705,733	\$1,000,000	\$1,000,000

\* Median income of Washington DC MSA as published by HUD.

## Budget Overview—Mortgage Finance

The total Adopted FY 2012 budgeted revenues for the Mortgage Finance Division are \$5.05 million. Total expenses in the FY 2012 Budget are \$3.64 million. Personnel costs comprise 54.5% of the budget. Operating expenses and

other miscellaneous expenses account for 29.7% of the budget, while non-operating expenses account for the remaining 15.8%. FHA Risk Sharing Insurance is a pass through expense with offsetting income.

## Revenue and Expense Statement

Mortgage Finance Division	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
County Grant	122,410	228,000	180,000	143,330
Management Fees	1,858,797	1,540,245	1,880,860	1,535,700
Miscellaneous Income	7,500	17,500	0	7,500
<b>TOTAL OPERATING INCOME</b>	<b>\$1,988,707</b>	<b>\$1,785,745</b>	<b>\$2,060,860</b>	<b>\$1,686,530</b>
<b>Operating Expenses</b>				
Personnel Expenses	1,713,315	1,970,083	1,934,480	1,985,410
Operating Expenses - Fees	852,130	780,610	827,680	868,760
Operating Expenses - Administrative	130,105	152,346	189,390	202,200
Tenant Services Expenses	0	83	0	0
Maintenance Expenses	9,525	7,325	21,410	8,500
<b>TOTAL OPERATING EXPENSES</b>	<b>\$2,705,075</b>	<b>\$2,910,447</b>	<b>\$2,972,960</b>	<b>\$3,064,870</b>
<b>NET OPERATING INCOME</b>	<b>(\$716,368)</b>	<b>(\$1,124,702)</b>	<b>(\$912,100)</b>	<b>(\$1,378,340)</b>
<b>Non-Operating Income</b>				
FHA Risk Sharing Insurance	\$0	\$0	560,250	562,020
Transfer Between Funds	2,638,787	2,596,506	2,663,730	2,796,770
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$2,638,787</b>	<b>\$2,596,506</b>	<b>\$3,223,980</b>	<b>\$3,358,790</b>
<b>Non-Operating Expenses</b>				
Mortgage Insurance	31,727	17,339	15,750	14,880
FHA Risk Sharing Insurance	0	0	560,250	562,020
Restricted Cash Flow	78,914	87,068	41,590	0
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$110,641</b>	<b>\$104,407</b>	<b>\$617,590</b>	<b>\$576,900</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$2,528,146</b>	<b>\$2,492,099</b>	<b>\$2,606,390</b>	<b>\$2,781,890</b>
<b>NET CASH FLOW</b>	<b>\$1,811,778</b>	<b>\$1,367,397</b>	<b>\$1,694,290</b>	<b>\$1,403,550</b>

# Real Estate Division

Adopted Budget  
June 1, 2011

## Mission Statement

The mission of the Real Estate Division is to develop new affordable housing opportunities, to preserve existing affordable housing, to contribute to the revitalization of the

older neighborhoods in the County, to assist in the renovation of HOC properties, and to support other affordable and workforce housing programs and providers.

### Special points of interest:

The Real Estate Division preserves and expands affordable housing in Montgomery County.

## Description

The Real Estate Division preserves and expands the number of affordable rental and for-sale homes in Montgomery County. Through partnerships with local government agencies and both non-profit and profit motivated developers, the Division creates affordable housing and increases the capacity of other sponsors to provide affordable housing.

The Division acquires existing multifamily housing to preserve low to moderate income market rate housing and to avoid the loss of subsidies for properties developed with federal assistance. Occasionally, developments considered for purchase are key to redevelopment in areas of the County in need of reinvestment.

The Division also develops new multifamily rental housing, typically for residents with a wide range of incomes. These developments are part of HOC's Opportunity Housing portfolio and serve low, moderate, and market-rate households. Real Estate expects to substantially complete construction and lease-up of the 12-unit Hampden Lane Apartments in early FY 2012. This new building in downtown Bethesda will serve formerly homeless persons

capable of independent living. The project received an allocation of Low Income Housing Tax Credits and other funding from the State of Maryland, Montgomery County, Capital One Bank and Hudson Housing Capital LLC.

The Division is completing the sell-out of 49 for-sale condominiums at the Village at King Farm, the first project developed under the County's Work Force Housing program guidelines.

Using Federal CDBG and stimulus funds under the Housing and Economic Recovery Act of 2008, HOC has acquired and renovated 23 foreclosed homes which have been leased to households earning less than 50% of the Area Median Income.

The Division, in partnership with Jubilee Association of Maryland, undertook a substantial renovation of a single family home, introducing a barrier free accessible design so it can be used as a group home for three developmentally disabled adults, and now is seeking to acquire two additional homes to be renovated and leased under the

same partnership model.

HOC has begun renovations at three garden-style rental properties totaling 39 units on Aspen Court, a cul-de-sac in Takoma Park. HOC expects to complete renovation of these three properties in FY 2012 using funds from Montgomery County Department of Housing and Community Affairs.

As HOC's existing portfolio of Opportunity Housing ages, there is an on-going need for modernization and renovation. The Division is providing development services to keep this housing in good condition. Finding the funds for the work generally requires refinancing while at the same time rent increases must be limited in order to allow existing lower income residents to remain in their homes. In

FY 2011, Division staff completed the comprehensive rehabilitation of the 134-unit Magruder's Discovery. Renovations at Paddington Square Apartments which began in FY 2010 are expected to be complete in FY 2012. Real Estate is working on a refinancing and rehabilitation plan for 267 scattered site properties within the Montgomery Housing Limited Partnership (MHLP) syndications. Finally, staff is reviewing options for the substantial renovation of Tanglewood Apartments and the adjacent Sligo Hills Apartments in Silver Spring as well as The Ambassador Apartments in Wheaton with the intent of starting work on both these projects in FY 2012.

## Program Objectives

Operating under the current Strategic Plan, The Real Estate Division will use its development capacity to:

- Preserve and produce affordable housing in Montgomery County by acquiring units to preserve their long-term affordability and to increase opportunities for households at lower income levels to find homes throughout the County.
- Pursue opportunities for transit-oriented housing developments.
- Strengthen HOC's ability to generate income by earning developer's fees and generating cash flow through real estate development activities.
- Develop criteria for acquisitions and renovations of properties to optimize HOC's mix of housing in accordance with a portfolio model.
- Pursue opportunities for site acquisition and new development, as expressed in the Agency's vision statement.
- Assist in the rehabilitation of HOC's existing Opportunity Housing portfolio.

## Budget Overview—Real Estate Division

The total Adopted FY 2012 budgeted revenues for the Real Estate Division are \$1.07 million. Total expenses in the FY 2012 Budget are \$.75 million. Personnel costs comprise 97.4%

of the total operating expenses. Operating and other miscellaneous expenses account for the balance of the budget.

## Revenue and Expense Statement

Real Estate Division	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
County Grant	168,607	0	0	0
Management Fees	232,000	564,991	54,000	335,480
Other Service Income	817,243	0	0	0
Miscellaneous Income	2,400	0	0	0
<b>TOTAL OPERATING INCOME</b>	<b>\$1,220,250</b>	<b>\$564,991</b>	<b>\$54,000</b>	<b>\$335,480</b>
<b>Operating Expenses</b>				
Personnel Expenses	1,529,915	822,526	714,740	731,230
Operating Expenses - Fees	39,783	0	0	0
Operating Expenses - Administrative	194,717	27,706	24,760	19,520
Tenant Services Expenses	244	0	0	0
Maintenance Expenses	845	11	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>\$1,765,504</b>	<b>\$850,243</b>	<b>\$739,500</b>	<b>\$750,750</b>
<b>NET OPERATING INCOME</b>	<b>(\$545,254)</b>	<b>(\$285,252)</b>	<b>(\$685,500)</b>	<b>(\$415,270)</b>
<b>Non-Operating Income</b>				
Transfer Between Funds	808,673	828,856	714,740	731,230
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$808,673</b>	<b>\$828,856</b>	<b>\$714,740</b>	<b>\$731,230</b>
<b>Non-Operating Expenses</b>				
Operating Reserve Contribution	25,000	0	0	0
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$25,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>\$783,673</b>	<b>\$828,856</b>	<b>\$714,740</b>	<b>\$731,230</b>
<b>NET CASH FLOW</b>	<b>\$238,419</b>	<b>\$543,604</b>	<b>\$29,240</b>	<b>\$315,960</b>

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# Resident Services Division

Adopted Budget  
June 1, 2011

## Mission Statement

The Resident Services Division provides and coordinates a wide range of services to HOC residents which promote housing stability,

self-sufficiency, independence, and assimilation into the broader community.

### Special points of interest:

## Description

The Resident Services Division is responsible for providing services to residents and participants in HOC's programs. *Core services* include the following housing and community stabilization related services:

- Eviction prevention.
- Crisis resolution.
- Services to the elderly and families in HOC owned/operated multifamily properties.
- Information and referral to community resources.
- Counseling regarding lease violations.
- Operation of Family Resource Centers (FRCs).

*Other services* include:

- Employment related services, job training, and skill building training opportunities.
- Financial Literacy services: budgeting, credit repair, and money management assistance.
- Emergency Financial Assistance for rent and utility delinquencies to avoid homelessness.
- Administration of Federal and State Housing Programs for homeless/disabled single adults and families.

- Administration of County funded Housing Assistance Program to eliminate homelessness.
- Academic enrichment, employment, and recreation for youth.
- Housing counseling and housing location services for hard-to-place homeless households referred by the County.
- Services to residents of Preservation Properties such as Stewartown, Forest Oak Towers, Georgian Court, The Barclay, Shady Grove Apartments, The Willows, and MetroPointe.
- Volunteer Services to complement and supplement services to residents .
- Facilitation of the non-profit Housing Opportunities Community Partners, Inc. and the Resident Advisory Board to garner resident input on HOC operations.
- Parent Resource Centers providing parent education and early identification of disabilities among toddlers in preparation for school.
- Assistance to HOC owned third party managed programs.

Resident Services provides care and supportive services to families and households served by HOC.

# Program Objectives

## **Core Services to Families, Elderly, and Disabled**

- Provide counseling, crisis intervention, information and referral on a drop-in, short term or ongoing basis.
- Provide orientation to new elderly/disabled residents within 30 days of move-in to assess needs and explain HOC policies and lease provisions.
- Provide quality control and improved coordination of services implemented through external service providers in elderly buildings.
- Provide nutritious meals and social interaction to avoid isolation during weekdays for 2,400 elderly residents annually at Waverly House, Elizabeth House, Forest Oak Towers, and Arcola Towers through operation of the Senior Nutrition Program.
- Respond to community complaints regarding Public Housing multifamily developments, Elderly buildings, and Preservation Property sites within 48 hours of receipt and initiate appropriate investigation and resolution.
- Coordinate with the Housing Resources Division on lease enforcement cases and Housing Choice Voucher compliance issues.
- Operate Family Resource Centers to serve as community focal points for services and programs which stabilize communities and offer activities which motivate and improve personal wellbeing.
- Offer a variety of customized classes, workshops, peer support groups, and other activities designed to promote community stability, foster family cohesion and upward mobility, and integrate community resources with community needs.
- Ensure that residents who require critical social services gain access to such services through partnerships and brokering of services with other agencies.
- Provide assistance to disabled individuals/families to ensure adequate housing placements and opportunity to live independently and to make self-

determined choices that promote responsibility and community inclusion.

- Maximize resident involvement in HOC programs by facilitating Resident Advisory Board activities, community based associations, and other resident-initiated activities.

## **Self-Sufficiency Programs**

- Provide opportunities for career development, enhanced job training, skills development, pre-employment preparation, education and support to residents through operation of the Family Self-Sufficiency (FSS) Program, the Employment Initiative Program and the HUD funded Aiming for Careers and Youth Aiming for Careers Programs serving Public Housing residents only.
- Assist Public Housing and Housing Choice Voucher families achieving economic self-sufficiency within five to seven years through the FSS Program's case management support, assessment, goal planning, and use of community resources.
- Ensure that FSS participants who have completed their goals within five to seven years of FSS enrollment meet HUD requirements for graduation, including independence from welfare cash assistance.
- Encourage establishment of escrow accounts based on increases in earned income and ultimately homeownership.
- Eliminate barriers to job placement by providing necessary education and training resources for child care, language proficiency, transportation, books/tuition, etc.
- Assist a minimum of 200 residents annually in obtaining the skills and experiences necessary for successful employment in viable careers with livable wages and upward mobility.
- Track and provide services/resources to eligible residents and approved contractors seeking to hire low-income individuals to fulfill HUD Section 3 requirements.



### **Supportive Housing Programs for Homeless Households**

- Effectively operate programs designed to prevent homelessness including: (1) the HUD-funded Supportive Housing Program, (2) the Shelter Plus Care and New Neighbor Programs, (3) the State-funded Rent Allowance Program providing housing for a 12 month period, and (4) the County funded Rent Supplemental Program which provides a flat subsidy for eligible households in multifamily buildings.
- Provide ongoing case management and supportive resources including furnishings, transportation, medication assistance, child care and other critical needs to allow program participants to stabilize, live independently, and move toward self-sufficiency.
- Ensure therapeutic services are made available to program participants.
- Continue collaboration with the Department of Health & Human Services (DHHS) under the Housing First Initiative to eliminate homelessness in the County by: (1) administering State and County grants providing emergency financial assistance to HOC residents for rent delinquencies and/or utility disconnections, (2) providing Housing Counseling services for hard-to-place homeless individuals and families, and (3) providing service coordination and ongoing case management to homeless households placed in housing to ensure retention of housing.

### **Services to Children and Youth**

- Enroll approximately 100 HOC youth in summer day camps and provide enrichment activities at the Family Resource Centers to the maximum extent feasible during the summer months.
- Assist youth with college scholarship assistance, SAT preparation, summer jobs and educational programs for teens, and year-round recreational activities.
- Enroll at least 200-250 youth in after-school tutorial or homework assistance programs.

- Establish and maintain partnerships so as to involve youth in a variety of constructive activities including, but not limited to, scouting, bicycle clubs, nutrition, and exercise programs, and ensure acquisition and distribution of school supplies.

### **Volunteer Program**

- Recruit and place a minimum of 350 volunteers from the general community, corporate, university, and resident sectors to supplement program staff and service Agency-wide.
- Enhance resident service initiatives through special projects and donations to facilitate the Lasko School Supply Drive for a minimum of 1,000 HOC youth; the Annual Holiday Giving Program to serve 1,200 needy HOC families; the Food For Thought Program to honor academic achievements of HOC youth; and the Tony Davis Scholarship Program providing scholarships to selected HOC graduating seniors entering college.
- Solicit a minimum of \$65,000 of cash and in-kind donations per year through Community Partners, Inc. to benefit HOC families and programs through advocacy for new and sustained support from local businesses and for-profit organizations.

## Performance Measurement Results

The charts below depict several ongoing performance measurement results that are currently tracked in the Resident Services

Division. Staff continues to develop additional measurements as programs are added.

Family Self-Sufficiency Program (FSS)								
Measurement	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Mandated Participants	441	441	441	441	441	441	441	441
Enrolled Participants	417	415	407	397	400	395	370	372
In Process of Enrolling	96	73	76	79	80	80	74	70
Graduates	34	57	52	60	40	45	42	55
% Graduating	8	14	13	15	10	11	14	15
% Employed at Graduation	100	100	100	100	100	100	100	100
% of Graduates who completed College, Tech, GED or other training while in FSS	82	84	95	88	85	96	85	90
Participants who Withdrew, were Terminated, or Unsuccessful in FSS	51	54	50	51	50	52	55	53
Homebuyers	6	11	14	11	6	4	3	2
% of Participants Employed	82	78	75	68	70	74	70	68
% of Participants with Escrow Accounts	56	52	58	48	50	58	75	70
Other Family Members currently Enrolled	33	26	23	27	25	31	30	25

### Family Self-Sufficiency (FSS) Program

FSS is a federally mandated voluntary program to assist Public Housing (PH) and Housing Choice Voucher (HCV) families achieve economic self-sufficiency within five to seven years. A unique feature of FSS is the establishment of escrow savings accounts (averaging \$9,000 per graduate) resulting

from higher earned incomes yielding higher rent payments. Intensive goal-oriented case management service, and the escrow funds coupled with job training, education, child care and transportation underlie the program's extraordinary success. HOC's FSS has been repeatedly cited by HUD as one of the best in the country.

**Employment Initiative Program (EIP)**

	Employment Initiative Program	Aiming for Careers	Youth Aiming for Careers
Number of residents successfully completing training/classes	30	35	25
Number of residents participating in support groups or activities	100	100	25
Number of residents employed	75	75	25
Number of eligible Section 3 residents hired annually	75		

**Family Resource Centers (FRC)**

Measurement	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Units in target neighborhood	220	220	285	285	285
Afterschool Programs, Transportation, Tutoring, Recreational Activities, Parent-Child Education Program*	1,325	1,450	1,450	1,450	1,450
Employment Training, Computer Skills, Reading Initiatives, Education, Transportation*	350	375	400	400	400
Health Education, Parenting Support, Sewing, Girl Scouts, Cultural and Other (Leadership Skills, etc.) *	600	600	650	650	650

\* May be individuals participating in more than one activity.

**Housing Programs for Homeless / Disabled Single Adults and Families**

	<b>Shelter Plus Care</b>	<b>New Neighbors I and II</b>	<b>State RAP</b>	<b>Rent Supplemental</b>	<b>Supportive Housing</b>
Maintain enrollment of eligible participants	47	17	50	350	170
% of residents who remain stable & retain housing for one year	95%	95%	95%	100%	95%
Provide case management, referrals for therapeutic services, and other support resources	Yes	Yes	Yes	No	Yes

**Housing Counseling, Service Coordination, and Housing Search and Placement**

	<b>Housing Counseling</b>	<b>Service Coordination</b>	<b>Housing Location</b>
Number of referred homeless households to be placed in housing annually	70	100	150
Provide resources for application fees and security deposits	Yes	N/A	Yes

## Budget Overview—Resident Services Division

The total Adopted FY 2012 Budget for this division is \$12.23 million, an increase of .0.1% from the FY 2011 Amended Budget of \$12.22 million. Personnel costs comprise

53.5% of the operating budget. Although Resident Services projects a cash deficit, this deficit will be absorbed by revenues from the General Fund.

## Revenue and Expense Statement

Resident Services Division	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	FY 2012 Adopted Budget
<b>Operating Income</b>				
Tenant Income	474,913	477,667	479,100	479,800
Non-Dwelling Rental Income	86,661	26,640	0	0
Federal Grant	3,353,334	3,650,950	4,252,730	4,295,830
State Grant	95,895	176,194	98,620	98,620
County Grant	6,178,445	7,768,866	6,562,090	5,815,520
Miscellaneous Income	38,150	32,393	0	0
<b>TOTAL OPERATING INCOME</b>	<b>\$10,227,398</b>	<b>\$12,132,710</b>	<b>\$11,392,540</b>	<b>\$10,689,770</b>
<b>Operating Expenses</b>				
Personnel Expenses	4,776,918	5,734,155	6,204,740	6,170,640
Operating Expenses - Fees	563,695	683,999	654,900	634,060
Operating Expenses - Administrative	270,087	282,565	204,080	237,270
Tenant Services Expenses	2,844,378	3,660,044	3,629,290	3,287,980
Protective Services Expenses	1,131	1,411	0	0
Utilities Expenses	245,159	274,079	277,690	267,910
Insurance and Tax Expenses	3,828	3,480	12,670	21,350
Maintenance Expenses	17,829	11,864	0	0
Housing Assistance Payments (HAP)	742,427	860,031	882,710	921,010
<b>TOTAL OPERATING EXPENSES</b>	<b>\$9,465,452</b>	<b>\$11,511,628</b>	<b>\$11,866,080</b>	<b>\$11,540,220</b>
<b>NET OPERATING INCOME</b>	<b>\$761,946</b>	<b>\$621,082</b>	<b>(\$473,540)</b>	<b>(\$850,450)</b>
<b>Non-Operating Income</b>				
Investment Interest Income	780	238	0	0
Transfer Between Funds	2,889,348	242,554	282,840	723,030
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$2,890,128</b>	<b>\$242,792</b>	<b>\$282,840</b>	<b>\$723,030</b>
<b>Non-Operating Expenses</b>				
Operating and Replacement Reserves	0	15,222	0	0
Restricted Cash Flow	56,080	95,838	51,050	91,720
Transfer Out Between Funds	3,575,911	751,791	304,180	601,790
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$3,631,991</b>	<b>\$862,851</b>	<b>\$355,230</b>	<b>\$693,510</b>
<b>NET NON-OPERATING ADJUSTMENTS</b>	<b>(\$741,863)</b>	<b>(\$620,059)</b>	<b>(\$72,390)</b>	<b>\$29,520</b>
<b>NET CASH FLOW</b>	<b>\$20,083</b>	<b>\$1,023</b>	<b>(\$545,930)</b>	<b>(\$820,930)</b>

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# **Section 3:** **CAPITAL**

Tab

# Capital Budget

Adopted Budget  
June 1, 2011

## Capital Budget Description

The Capital Budget has two parts: the Capital Improvements Budget and the Capital Development Projects. Because of the long-term nature of capital development projects, capital

development budgets are cumulative, meaning they include both the previous budget authorization and any additional authorization needed to complete each project.

### Special points of interest:

The FY 2012 Capital Budget is \$16.0 million.

## Impact of Capital Budget on Operating Budget

The Capital Budget impacts the Agency's operating budget in the following ways:

- The non-routine capital expenditures affect current and future operating budgets and services that the entity provides for the following reasons:
  - When non-routine mechanical capital items are not addressed as needed, the lack of such attention creates deferred maintenance. Deferred maintenance leads to additional expense in the form of ongoing and repeated repairs that cause inconveniences and distress to residents which deteriorates resident relations and confidence; additional workload for maintenance personnel that often causes employees to feel overwhelmed and generates frustration among staff members; additional ongoing maintenance expense and administrative time; loss of income due to less effective leasing and marketing resulting from "word of mouth" dissatisfaction of residents and lack of resident referrals.
  - When deferral of non-routine capital items directly involves curb appeal, common areas, features or amenities, the positioning of the property in the

market place may be significantly affected. When a property loses its position due to lack of such (non-routine) capital items, the property cannot compete well with neighboring apartment communities. Because of this, it is critical that HOC continue to invest in the portfolio through capital expenditures. If such items are deferred for too long a period of time, repositioning of the property often requires premature renovation.

- Capital development costs are financed through a mortgage and payments are made out of property operating (rental) income. Higher development costs and/or higher interest rates translate into higher operating costs due to a larger mortgage. Initial operating deficits are projected throughout the development phase and documented in the capital development budget. Funds are committed through the State, the County and the Agency's Opportunity Housing Reserve Fund (OHRF) prior to financing and construction to cover initial operating deficits. The positive effects on the operating budget resulting from the capital development budget will be realized in future years.



## Capital Budget Summary Overview

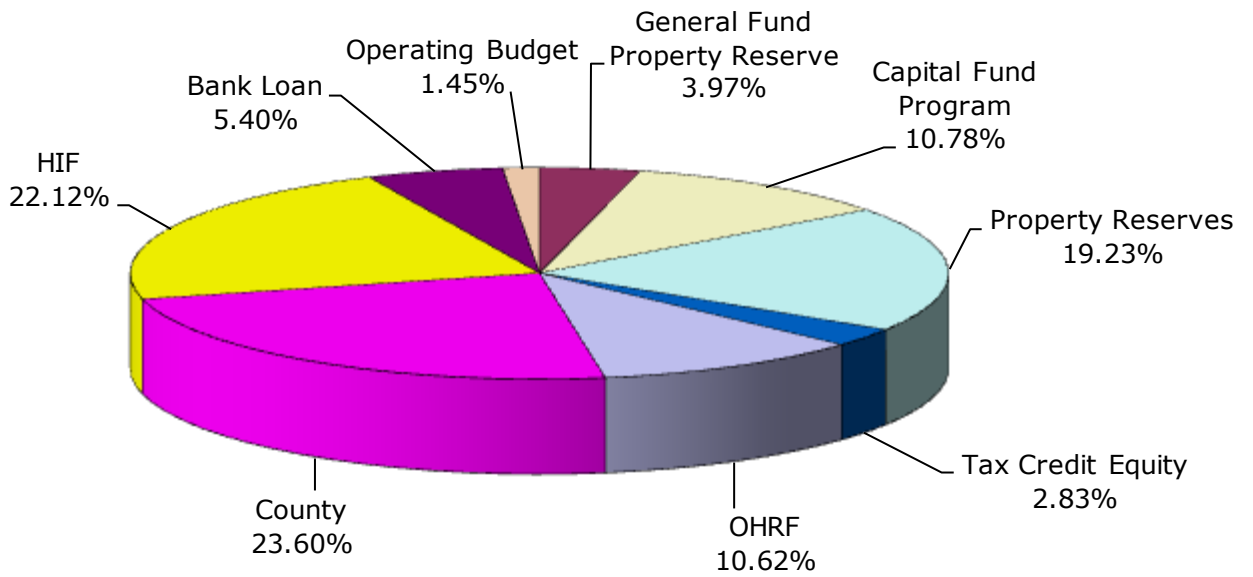
The total Adopted FY 2012 Capital Budget is \$16.0 million. The FY 2012 Capital Budget includes funds to maintain current Information Technology needs, as well as, improvements to the Kensington Office. Funds have also been included for capital improvements to HOC's Opportunity Housing and Development Corporation properties, as well as HOC's Public Housing properties. The total Capital Improvements Budget will cost \$9.2 million.

The Capital Development Budget includes funds for the acquisition and renovation of Aspen Court, a cul-de-sac located in Takoma Park, the construction of 12 units at 4913 Hampden Lane, and renovations at Paddington Square Apartments which is owned and managed by HOC. The total development budget will cost \$6.8 million.

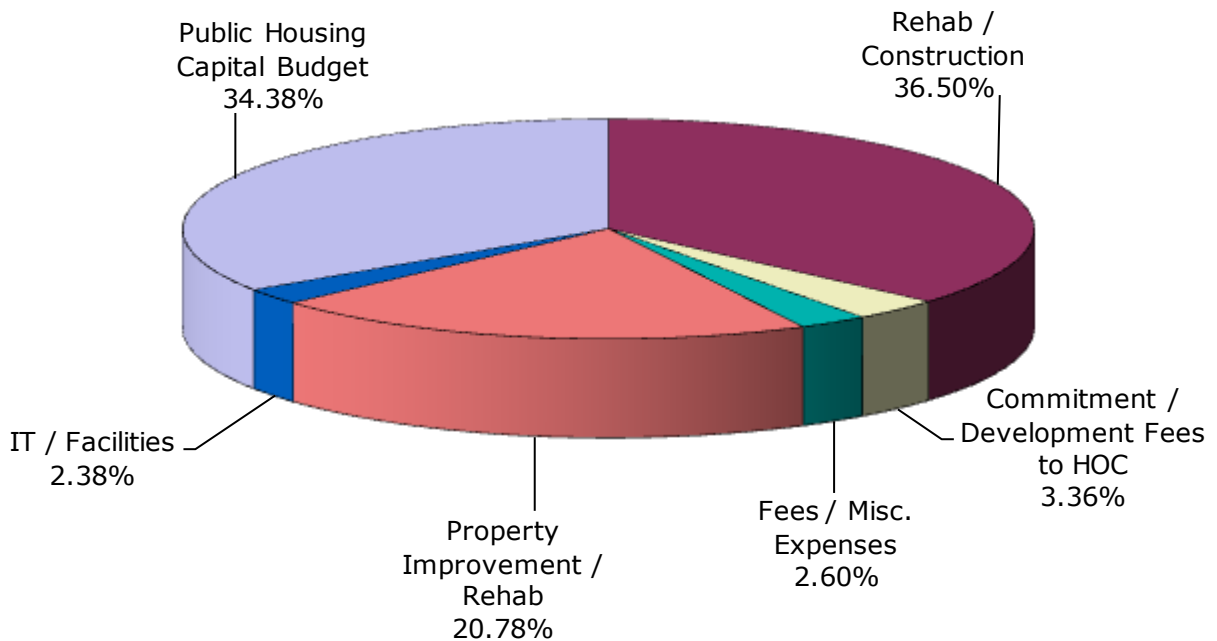
## Capital Budget—Summary

<u>Capital</u>	<b>FY 2012</b>
<b>Budget</b>	<b>Adopted</b>
<b>Summary</b>	<b>Budget</b>
<b>Capital Improvements</b>	
Kensington Office	137,000
Information Technology	245,000
Opportunity Housing Properties	3,333,320
Public Housing Properties	5,513,750
<b>SUBTOTAL</b>	<b>\$9,229,070</b>
<b>Capital Development Projects</b>	
Aspen Court	2,624,060
4913 Hampden Lane	1,319,210
Paddington Square Apartments	2,865,780
<b>SUBTOTAL</b>	<b>\$6,809,050</b>
<b>TOTAL</b>	<b>\$16,038,120</b>

## Source of Funds



## Use of Funds



# Capital Improvement Budget—Facilities and IT Department

## Facilities and Information Technology (IT) Improvements

The Capital Budget for Facilities includes capital improvements for the Kensington Office. The Capital Budget for Information

Technology includes purchases of software, hardware and equipment to maintain a high quality, open architecture, service based information technology infrastructure.

Capital Improvement Budgets		FY 2012		
Facilities & IT Department		Adopted Budget		
		Revenue Sources		
	Total Expenses	Operating Budget	Master Lease	FY 2012 RfR
<b>Facilities</b>				
Equipment & Facilities	137,000	87,000		50,000
<b>Subtotal - Facilities</b>	<b>\$137,000</b>	<b>\$87,000</b>	<b>\$0</b>	<b>\$50,000</b>
<b>Information Technology (IT)</b>				
Computer Software	80,000	30,000		50,000
Equipment	165,000	115,000		50,000
<b>Subtotal - IT Improvements</b>	<b>\$245,000</b>	<b>\$145,000</b>	<b>\$0</b>	<b>\$100,000</b>
<b>TOTAL</b>	<b>\$382,000</b>	<b>\$232,000</b>	<b>\$0</b>	<b>\$150,000</b>

# Capital Improvement Budget—Asset Management

## Opportunity Housing and Development Corporation Property Improvements

Improvements to Opportunity Housing and Development Corporation properties are funded through property replacement reserves. Each property sets aside a certain amount of operating income for future replacement and rehabilitation work. The amount of replacement reserves is determined annually as a part of a multi-year projection of operations and capital improvements. However, if a property does not have sufficient

replacement reserves or does not generate sufficient operating cash for the current fiscal year, the capital improvements will be funded from General Fund Property Reserves.

The Capital Budget for Opportunity Housing and Development Corporation properties reflects the projected capital improvements for each property. These improvements help maintain the property over the long term, preventing more costly deferred maintenance, and may also reduce certain short term operating costs (e.g., energy efficiency).

**Capital Improvements Budget  
Opportunity Housing &  
Development Corporations**

**FY 2012  
Adopted Budget**

	Total Expenses	Revenue Sources			
		Property Reserves	General Fund Property Reserve	FY 2012 RfR	FY 2011 Roll-Over
Alexander House	280,400	123,590	6,810	150,000	
The Barclay	31,800	31,800			
Brookside Glen (The Glen)	23,920	23,920			
Chelsea Towers	8,900	8,900			
Chevy Chase Lake	108,880	108,880			
Dale Drive	5,340	5,340			
Diamond Square	105,300	105,300			
Fairfax Court	53,100	53,100			
Greenhills	198,060	86,770	5,910	105,380	
Holiday Park	46,500	4,360	29,820	12,320	
Jubilee House	3,500		1,500	2,000	
Magruder's Discovery	22,250	22,250			
McHome	62,500	4,300	41,800	16,400	
McKendree	47,200	180	35,820	11,200	
MetroPointe	11,920	11,920			
Metropolitan, The	299,650	299,650			
Montgomery Arms	62,890	62,890			
MHLP I	35,800	240	22,770	12,790	
MHLP II	43,800	17,420	4,780	21,600	
MHLP III	39,300	39,300			
MHLP IV	41,400		7,740	33,660	
MHLP V	19,300	11,960		7,340	
MHLP VI	21,300	21,300			
MPDU 2004	27,400	27,400			
MPDU 2007	18,500	5,990		12,510	
MPDU I (64)	98,200	20	70,630	27,550	
TPM - MPDU II (59)	86,800	5,540	63,560	17,700	
The Oaks at Four Corners	157,050	157,050			
Paddington Square	39,600	39,600			
Paint Branch	23,990	3,620	11,970	8,400	
TPM - Pomander Court	87,700	8,070	72,430	7,200	
Pooks Hill Mid-Rise	216,320	216,320			
Pooks Hill High-Rise	174,600	174,600			
Sligo Hills/ MPDU III	101,830	101,830			
State Rental Combined	141,100	141,100			
Strathmore Court	120,070		66,300	53,770	
Tanglewood	61,600	550	27,860	33,190	
TPM-Timberlawn	175,800		149,050	26,750	
Westwood Tower	229,750		17,750	212,000	
<b>TOTAL</b>	<b>\$3,333,320</b>	<b>\$1,925,060</b>	<b>\$636,500</b>	<b>\$771,760</b>	<b>\$0</b>

# Capital Improvement Budget—Public Housing Properties

## Public Housing Property Improvements

A Federal grant program called Capital Fund Program currently funds Public Housing capital improvements. This HUD program requires a long-range capital plan for each Public Housing property. For FY 2012, the Commission expects to receive a grant for just under \$2.1 million for Public Housing properties. These funds are critical as the operational requirements of Public Housing do not fund any reserves for future capital needs.

The Capital Improvements Budget for Public Housing reflects the awarded Capital Fund Program Grant. HUD determines how these funds can be used when awarding these grants. Awards are based on the comprehensive plan submitted by staff.

For FY 2012, Montgomery County is providing \$1.125 million in funds for Public Housing improvements and \$2.66 million for the installation of a sprinkler system at Arcola Towers via the Capital Improvements (CIP) Program.

### Capital Improvement Budgets

FY 2012

### Public Housing Properties

Adopted Budget

	Revenue Sources			County Funds
	Total Expenses	Capital Fund Program (Yr.19)	Capital Fund Program (Yr.20)	
<b>Specific Property Improvements</b>				
Elizabeth House	628,000	46,000	182,000	400,000
Holly Hall	373,260	48,260	175,000	150,000
Arcola Towers	2,759,860	60,000	40,000	2,659,860
Waverly House	529,000	140,000	239,000	150,000
Ken Gar				
Parkway Woods	53,000	45,000	8,000	
Towne Centre Place	65,000	65,000		
Sandy Spring Meadow	70,600	25,000	45,600	
Emory Grove	355,600	76,000	79,600	200,000
Washington Square	40,920		15,920	25,000
Tobytown				
Seneca Ridge (Middlebrook Square)				
Scattered Sites Central	127,710	71,770	15,940	40,000
Scattered Sites East	127,700	71,760	15,940	40,000
Scattered Sites Gaithersburg	127,700	71,760	15,940	40,000
Scattered Sites North	127,700	71,760	15,940	40,000
Scattered Sites West	127,700	71,760	15,940	40,000
<b>TOTAL</b>	<b>\$5,513,750</b>	<b>\$864,070</b>	<b>\$864,820</b>	<b>\$3,784,860</b>

## Capital Development Budget

The Capital Development Budget contains the estimated expenses for constructing and/or acquiring additional housing stock. In accordance with the budget policy, the Commission authorizes only preliminary expenses for each property until a formal plan is approved. Therefore, the budgets included here for properties still in the planning phase are not final. The majority of funding for these properties comes from property specific housing revenue bonds. Debt service is shown

in the operating budgets for each property in the form of mortgage payments. The Agency secures subsidies from Federal, State and County governments, which, combined with discretionary Opportunity Housing Reserve Funds (OHRF), are used to cover operating deficits resulting from below-market rents. All new developments will have mixed income populations. The percentage of subsidized units and the level of incomes that can be served depends on available subsidies.

# Capital Development Projects

## Aspen Court

Aspen Court is a cul-de-sac in Takoma Park consisting of three apartment buildings, all owned by HOC. 7423-27 Aspen Court is a 16-unit vacant apartment building acquired by HOC in October 2007. This non-operating property was built in 1954 and requires extensive capital improvements. 7419 Aspen Court, was acquired by HOC in December 2008. This occupied building, constructed in 1967, is a 12-unit failed condominium which had been partially upgraded by the previous owner. 7411 Aspen Court is an 11-unit property purchased by HOC in August 2009. This property is in similar condition to 7419 Aspen Court. An architect retained by staff has created a scope of work, plans and specifications to renovate all three properties.

HOC selected a general contractor who began renovations in early 2011 with expected completion in FY 2012. Once the renovations

are complete, apartments at Aspen Court are expected to be rented to a mix of market-rate and low-income qualifying families earning 50% of Area Median Income or below as required by the Montgomery County Department of Housing and Community Affairs (DHCA). DHCA has requested that half of the 39 units be affordable, with the remainder at market rates.

Renovations are expected to reduce both utility and maintenance costs as compared to prior operational expenses. In FY 2010, HOC received \$195,000 of the total development fee of \$390,000 anticipated for the three properties with the balance projected in FY 2011 through FY 2013. The post-renovation net income from the three apartment buildings will be approximately \$147,000 annually. The following charts depict the anticipated Expenditure and Funding Schedules as well as the anticipated Operating Budget impact..

### ASPEN COURT

#### Expenditure Schedule

Cost Element	Total	Through FY 2010	Estimated FY 2011	FY 2012	FY 2013
Acquisition Costs	3,883,210	3,883,210			
Rehab / Construction	3,488,000		1,162,670	2,325,330	
Comm. / Dev. Fees to HOC	390,000	195,000	58,500	78,000	58,500
Fees / Misc. Expenses	331,080		110,360	220,720	
<b>Total</b>	<b>\$8,092,290</b>	<b>\$4,078,210</b>	<b>\$1,331,530</b>	<b>\$2,624,050</b>	<b>\$58,500</b>

#### Funding Schedule

Funding Source	Total	Through FY 2010	Estimated FY 2011	FY 2012	FY 2013
County HIF	8,092,290	4,078,210	1,331,530	2,624,050	58,500
<b>Total</b>	<b>\$8,092,290</b>	<b>\$4,078,210</b>	<b>\$1,331,530</b>	<b>\$2,624,050</b>	<b>\$58,500</b>

#### Operating Budget Impact

Impact Pos/(Neg)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Income	277,540	435,560	444,270	453,160	466,700	480,650
Operating Expenses	(235,060)	(276,430)	(283,940)	(291,660)	(299,600)	(307,750)
Non-Operating Expenses	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)
<b>Total</b>	<b>\$30,780</b>	<b>\$147,430</b>	<b>\$148,630</b>	<b>\$149,800</b>	<b>\$155,400</b>	<b>\$161,200</b>

## Capital Development Projects (cont.)

### 4913 Hampden Lane Apartments

HOC is constructing a 12-unit residential building to provide permanent supportive housing for formerly homeless individuals. The project will include six studios and six one-bedrooms apartments, a community room, fitness center, computer center, laundry facility, outdoor enclosed courtyard, tenant storage and a manager/resident counselor's office. The building will be four stories over a basement with an elevator and built to a high development quality to complement the surrounding community. Construction and lease-up is expected to be complete in early FY 2012.

In August 2009 HOC acquired the land for the project which is located in the heart of downtown Bethesda and less than a quarter mile from the Bethesda Metro station. Hampden Lane Apartments will be within short walking distance to a wide variety of amenities including employment, retail shopping including a supermarket, banking, medical offices, restaurants, parks, and a library.

Extensive supportive services will be provided by a full time on-site resident counselor in conjunction with HOC's Resident Services Division. The specific services that will be provided will be based on the needs of the residents but typically would include individual counseling, crisis intervention, resident advocacy, mental and physical health care, employment assistance/education and training and financial aid.

The project is being financed with a combination of Low Income Housing Tax Credits, a grant provided by the State through the American Recovery and Reinvestment Act, a loan from Montgomery County and an equity contribution from HOC.

The property will be 100% Project Based Section 8 which will cover all operations including the supportive services. A work year has been added to fund a Program Service Coordinator who will provide both Property Case Management services. The following charts depict the anticipated Expenditure and Funding Schedules as well as the anticipated Operating Budget Impact..

### 4913 HAMPDEN LANE

#### Expenditure Schedule

Cost Element	Total	Through FY 2010	Estimated FY 2011	FY 2012
Rehab / Construction	2,650,940		1,988,200	662,740
Comm. / Dev. Fees to HOC	490,360	30,650		459,710
Fees / Misc. Expenses	1,180,620	302,870	680,980	196,770
<b>Total</b>	<b>\$4,321,920</b>	<b>\$333,520</b>	<b>\$2,669,180</b>	<b>\$1,319,220</b>

#### Funding Schedule

Funding Source	Total	Through FY 2010	Estimated FY 2011	FY 2012
Tax Credit Equity	1,008,660		555,000	453,660
State	1,000,000		1,000,000	
County	944,830	302,870	641,960	
Bank Loan	1,098,000	30,650	201,790	865,560
HOC Equity	270,430		270,430	
<b>Total</b>	<b>\$4,321,920</b>	<b>\$333,520</b>	<b>\$2,669,180</b>	<b>\$1,319,220</b>

#### Operating Budget Impact

Impact Pos/(Neg)	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
Operating Income	181,940	187,400	193,020	198,810	204,770	210,920
Operating Expenses	(174,570)	(179,810)	(185,050)	(190,440)	(196,000)	(201,730)
<b>Total</b>	<b>\$7,370</b>	<b>\$7,590</b>	<b>\$7,970</b>	<b>\$8,370</b>	<b>\$8,770</b>	<b>\$9,190</b>



## Capital Development Projects (cont.)

### **Paddington Square Apartments**

HOC acquired the 166-unit Paddington Square Apartments in February 2004 assuming existing financing and incurring additional debt to complete the acquisition. Because HOC did not have funding available in the past to undertake a comprehensive renovation, the property has performed poorly with higher than average operating expenses. HOC has since invested over \$7 million to pay for some upgrades as well as cover operating deficits. Given this history, Montgomery County's Department of Housing and Community Affairs (DHCA) committed to increase its existing \$500,000 loan by \$8,644,090 for a total of \$9,144,090 which has allowed HOC to begin a substantial renovation as well as retire some short-term debt. DHCA is committing its funds over a three-year period. HOC began renovations of the exterior work in FY 2010 and is upgrading common areas and individual apartments over a two-year period through FY 2012.

During the demolition phase of the first building, several items were discovered that could have not been previously detected that would require an additional funding source. At that time, the Commission also decided that the existing individual heating and air conditioning systems should be replaced with more energy efficient systems. On that basis, the Commission agreed to approve the permanent funding from the Opportunity Housing Reserve Fund (OHRF) to \$1,703,240 to fund the additional renovation costs and the additional operating deficits caused by vacancy due to renovation delays and the additional time required to complete the revised scope of work.

In order to contain the operating deficit primarily, if not totally, to FY 2011, the unit renovation schedule was increased from completion of one building every 45 calendar days to two buildings every 45 calendar days, and beginning in June of 2011, three buildings every 60 days. These changes in the renovation schedule will move completion of the unit renovation to December of 2011 as opposed to June of 2012, with completion of the landscaping and paving of the parking areas in the spring of 2012. The operating deficit for fiscal year 2011 will increase, but as a result of this acceleration of the renovation schedule and the increase rents from the newly renovated apartments, the property is projected to generate positive cash flow beginning in fiscal year 2012.

Post-rehab market rents will be increased; however, the additional rental revenue will be somewhat offset by greater public purpose on 14 units with rents reduced to 50% of Area Median Income (AMI) from 60% AMI. The proposed improvements are expected to reduce the property's operating expenses, repairs and replacements as well. Additionally, a portion of the loan from DHCA was used to pay off short term debt which will reduce debt service by \$126,000. The existing loan can be retired in 2012, however, it will be more advantageous to extend the current loan until 2013 when new financing can be based on stabilized operations following the completion of the renovation. The charts on the following page depict the anticipated Expenditure and Funding Schedules as well as the anticipated Operating Budget Impact..

## Capital Development Projects (cont.)

### PADDINGTON SQUARE APARTMENTS

#### Expenditure Schedule

Cost Element	Total	Through FY 2010	Estimated FY 2011	FY 2012
Rehab / Construction	7,585,640	2,412,600	2,307,260	2,865,780
Fees / Misc. Expenses	3,594,500	3,161,990	432,510	
<b>Total</b>	<b>\$11,180,140</b>	<b>\$5,574,590</b>	<b>\$2,739,770</b>	<b>\$2,865,780</b>

#### Funding Schedule

Funding Source	Total	Through FY 2010	Estimated FY 2011	FY 2012
County HIF	8,644,090	5,412,600	2,307,260	924,230
Property Reserves	832,810	161,990	432,510	238,310
HOC OHRF	1,703,240			1,703,240
<b>Total</b>	<b>\$11,180,140</b>	<b>\$5,574,590</b>	<b>\$2,739,770</b>	<b>\$2,865,780</b>

#### Operating Budget Impact

Impact Pos/(Neg)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Income	68,130	416,740	425,080	437,830	450,970	464,500
Operating Expenses	135,430	140,170	43,330	44,850	46,420	48,040
Non-Operating Expenses	(34,010)	(115,080)	(115,080)	(211,560)	(232,070)	(253,090)
<b>Total</b>	<b>\$169,550</b>	<b>\$441,830</b>	<b>\$353,330</b>	<b>\$271,120</b>	<b>\$265,320</b>	<b>\$259,450</b>

#### Other Projects

The refinancing and rehabilitation of 267 scattered site properties within the Montgomery Housing Limited Partnership (MHLP) syndications, the acquisition of two additional homes for Jubilee Association of

Maryland, the refinancing and redevelopment of Tanglewood and Sligo Hills Apartments, and the refinancing and renovation of The Ambassador Apartments are pending transactions with final capital budgets not yet determined.

## Opportunity Housing Reserve Fund (OHRF)

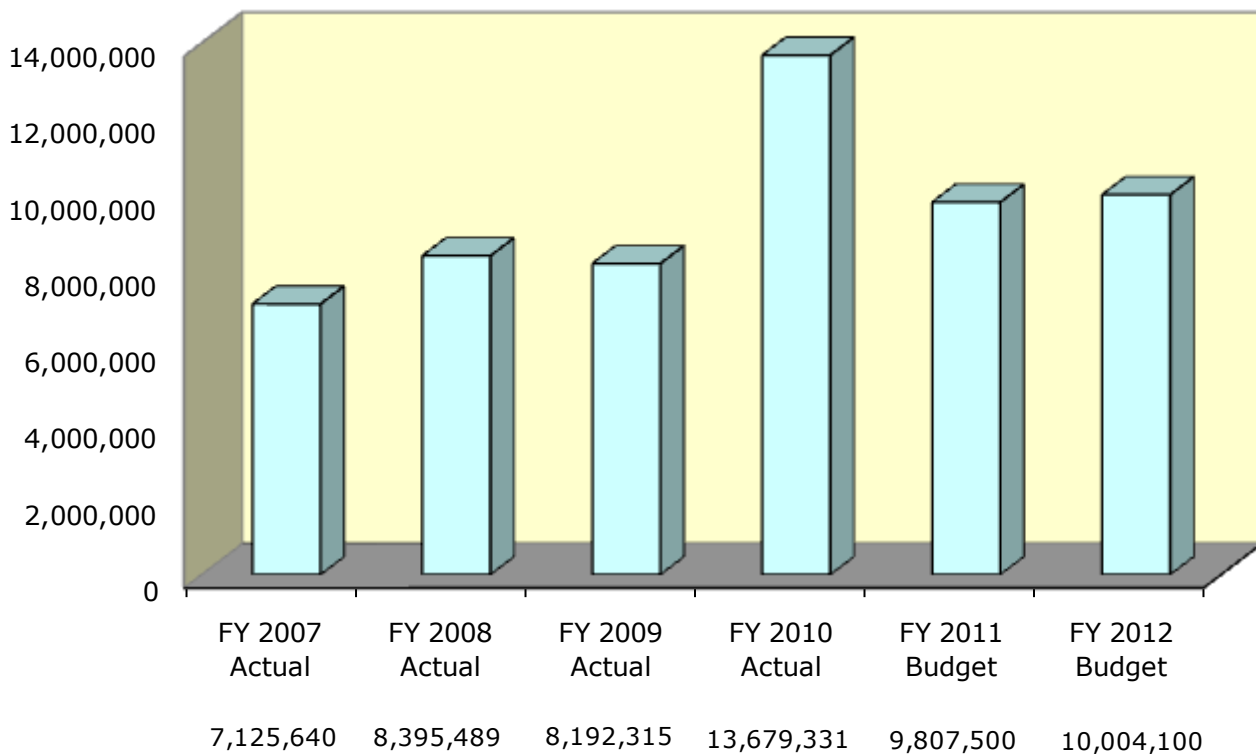
HOC established the OHRF in 1980 initially to address the use of revenues generated from the sale of bonds under the Single Family Mortgage Purchase Program. Today, the OHRF is a repository of proceeds from various HOC activities, whose primary purpose is the production of affordable housing.

The Commission makes final decisions about how funds from the OHRF are spent. By policy, the Commission has chosen to use the OHRF primarily for future affordable housing production.

The OHRF is usually used in conjunction with State and/or local County subsidies to write down the capital costs or to provide a reserve fund for projected operating deficits in the early years. These funds are transferred by the Commission to the property reserve of a particular Opportunity Housing property if needed.

The FY 2012 Adopted Budget projects a net increase in the OHRF of \$196,600.

### OHRF Year-end Balances



# Opportunity Housing Reserve Fund (OHRF)

Source of Capital	Total
<b>Cash Balance as of 6/30/10</b>	<b>\$13,679,330</b>
<b>Source of Funds (FY 2011)</b>	
Argent Commitment Fee (60%)	303,600
Galaxy Commitment Fee (60%)	230,700
Hampden Lane Development Fee (60%)	18,390
Forest Oak Towers Development Fee (60%)	309,520
717 Sligo Creek Parkway Development Fee (100%)	18,000
7411 Aspen Court Development Fee (60%)	42,900
7423 Aspen Court Development Fee (60%)	33,600
NSP Foreclosures Development Fee (60%)	8,440
NCI Foreclosures Development Fee (60%)	51,740
Metropolitan Loan Repayment	775,260
HO&C/Resolution/Payr Acct closing	65,760
Montgomery Arms Loan Payment	151,830
IT & Facilities Capital Loan Repayment	153,250
MF 2008 Issue A Revenue	20,000
Magruder's Debt Reserve Balance Prior Bond Issue	20
Interest Income	3,210
<b>SUBTOTAL</b>	<b>\$2,186,220</b>
<b>Source of Funds (FY 2012)</b>	
Budgeted Development Fees (60% of Total)	527,230
Budgeted Commitment Fees (60% of Total)	123,390
Montgomery Arms Loan Payment	151,830
Payment for Loan to Fund FY 09 IT & Facilities Capital Budget	150,380
<b>SUBTOTAL</b>	<b>\$952,830</b>
<b>TOTAL</b>	<b>\$3,139,050</b>
<b>Current Obligations</b>	
Purchase of PH Units	(650)
MetroPointe Loan Operating Deficit - Equity Contribution	(585,600)
MetroPointe Loan Operating Deficit Loan	(750,000)
Paddington Square Loan	(150,000)
Paddington Square Contribution	(1,703,240)
Pooks Hill High-Rise Loan	(250,000)
Ambassador Predevelopment Loan	(75,000)
Tanglewood/Sligo Hills Pre-Development Loan	(100,000)
Equity Contribution to HO&C	(92,000)
Reimbursement for Magruder's HVAC System	(690,020)
Reimbursement for MetroPointe Shortfall	(49,000)
Restrict Portion of Magruder's Discovery Bond Proceeds to GFOR	(600,000)
Loan to fund FY 2009 IT & Facilities Capital Budget	(53,390)
FY 2010 Personnel Expenses (Real Estate Division)	(219,410)
FY 2011 Personnel Expenses (Real Estate Division)	(714,740)
FY 2011 Montgomery Consultants	(25,000)
<b>SUBTOTAL</b>	<b>(\$6,058,050)</b>
<b>Use of Funds (FY 2012)</b>	
Personnel Expenses (Real Estate Division)	(731,230)
Montgomery Consultants	(25,000)
<b>SUBTOTAL</b>	<b>(\$756,230)</b>
<b>TOTAL</b>	<b>(\$6,814,280)</b>
<b>Projected Cash Balance as of 6/30/12</b>	<b>\$10,004,100</b>

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# Section 4: **PERSONNEL**

Tab

# Personnel Assumptions

## Personnel Complement

The FY 2012 Adopted Budget includes a total of 383.80 work years.. This represents a net decrease of 1.0 work year..

Status Change from the Current Complement-  
**Decrease of 3 work years**

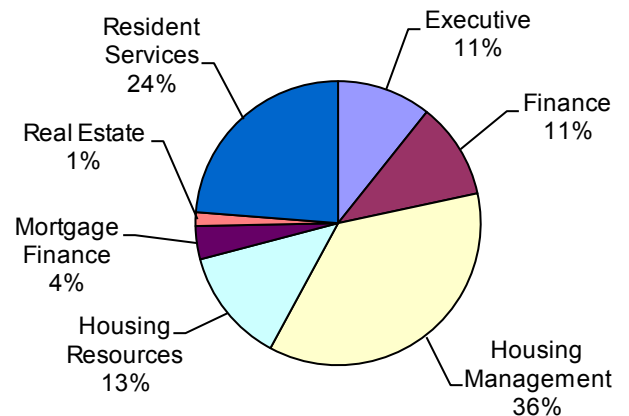
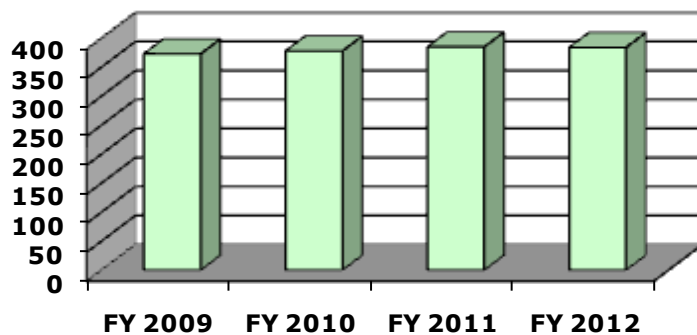
- Decrease of 1 work year in Finance Division
- Decrease of 1 work year in Housing Management Division
- Decrease of 1 work year in Resident Services Division (Housing Locator contract with HHS ended June 30, 2011)

New Positions for FY'12 - **Increase of 2 work years**

- 1 Staff Attorney in Executive Division
- 1 Occupancy Specialist in Housing Management Division

**Please note that the Agency complement for the FY 2010 Actuals, FY 2011 Amended Budget and FY 2012 Adopted Budget reflect changes as a result of continuing Agency re-organization.**

Divisions Full Time Equivalent (FTE)	Actual FY 2009	Actual FY 2010	Amended FY 2011	Adopted FY 2012	% Change
Executive	49.50	40.00	40.00	41.00	2.50%
Finance	42.00	43.00	43.00	42.00	-2.33%
Housing Management	128.60	138.60	139.10	139.10	0.00%
Housing Resources	49.60	45.50	50.00	50.00	0.00%
Mortgage Finance	14.50	14.50	14.50	14.50	0.00%
Real Estate	8.00	6.00	6.00	6.00	0.00%
Rental Assistance	0.00	0.00	0.00	0.00	0.00%
Resident Services	80.60	90.20	92.20	91.20	-1.08%
<b>Total</b>	<b>372.80</b>	<b>377.80</b>	<b>384.80</b>	<b>383.80</b>	<b>-0.26%</b>



## Executive Division

Position Title	Status	Grade	Total
Executive Director	Full Time	A	1
Staff Attorney	Full Time	EX-02	2
Chief Information Officer	Full Time	EX-01	1
Director of Community Partnerships	Full Time	EX-01	1
Director of Public Affairs	Full Time	EX-01	1
Director of Human Resources	Full Time	33	1
Internal Auditor	Full Time	28	1
Labor Relations Manager	Full Time	28	1
Facilities Manager	Full Time	27	1
Network Manager	Full Time	26	1
Applications Development Supervisor	Full Time	25	1
Assistant Public Affairs Officer	Full Time	25	1
Human Resources Coordinator	Full Time	24	1
Senior Programmer/Analyst	Full Time	24	1
Executive Assistant to the Executive Director	Full Time	22	1
Programmer/Analyst	Full Time	22	1
Special Assistant to the Commission	Full Time	22	1
Telecommunications Specialist	Full Time	22	1
Facilities Buyer II	Full Time	21	1
Human Resources Specialist II	Full Time	21	1
Network Technician	Full Time	21	1
Payroll Specialist	Full Time	21	1
Public Information Specialist	Full Time	21	1
Webmaster	Full Time	21	1
Facilities Maintenance Specialist	Full Time	20	1
Senior Technician	Full Time	20	1
Administrative Assistant	Full Time	19	1
Human Resources Specialist I	Full Time	19	1
Junior Programmer/Analyst	Full Time	19	1
PC Technician	Full Time	18	1
Help Desk Analyst	Full Time	16	1
Human Resources Assistant	Full Time	16	1
Office Manager	Full Time	16	1
Office Manager I	Full Time Term	16	1
Payroll Assistant	Full Time	16	1
Records Management Clerk II	Full Time	13	1
Mail & Supply Technician	Full Time	12	2
Receptionist	Full Time	11	1
Facilities Assistant	Full Time	10	1
<b>Total (Percentage of Total Work Years)</b>			<b>41 10.69%</b>



## Finance Division

Position Title	Status	Grade	Total
Chief Financial Officer	Full Time	EX-02	1
Assistant Chief Financial Officer	Full Time	31	1
Budget Officer	Full Time	29	1
Accounting Manager	Full Time	28	2
Procurement Officer	Full Time	27	1
Accounting Supervisor	Full Time	25	4
Resident Accounting Supervisor	Full Time	25	1
Assistant Budget Officer	Full Time	24	1
Disbursement Supervisor	Full Time	23	1
Accountant II	Full Time	21	10
Cash/Investment Manager	Full Time	21	1
Accountant I	Full Time	19	4
Administrative Assistant	Full Time	19	1
Buyer II	Full Time	19	1
Resident Accounting Specialist II	Full Time	19	1
Lead Disbursement Specialist	Full Time	18	1
Buyer I	Full Time	17	1
Resident Accounting Specialist I	Full Time	17	1
Office Manager	Full Time	16	1
Resident Accounting Clerk I	Full Time	15	2
Accounting Clerk I	Full Time	14	4
Office Assistant II	Full Time	12	1

**Total (Percentage of Total Work Years)**

**42 10.94%**

## Housing Management Division

Position Title	Status	Grade	Total
Director of Housing Management	Full Time	EX-02	1
Assistant Director of Asset Mgmt & Modernization	Full Time	29	1
Assistant Director of Property Management/Operations	Full Time	29	1
Construction Manager	Full Time	28	1
Manager of Modernization	Full Time	28	1
Program Oversight Manager	Full Time	28	1
Asset Manager	Full Time	27	2
Regional Manager	Full Time	27	4
Budget & Operations Manager	Full Time	25	1
Leasing and Occupancy Manager	Full Time	25	1
Project Manager	Full Time	25	2
Project Manager	Full Time Term	25	2
Assistant Regional Manager	Full Time	24	1
Management/Compliance Specialist	Full Time	24	1
Scattered Sites Operations Manager	Full Time	23	1
Property Manager	Full Time	22	18
Security Coordinator	Full Time Term	22	1
Lead Inspector	Full Time	21	1
Lead Occupancy Specialist	Full Time	21	1
Maintenance Specialist	Full Time	21	1
Program Specialist II	Full Time	21	2
Total Quality Manager	Full Time	21	3
Administrative Assistant	Full Time	19	1
Occupancy Specialist II	Full Time	19	5
Lead Trades Maintenance Worker	Full Time	19	3
Senior Office Manager	Full Time	19	1
Assistant Property Manager	Full Time	17	5
Housing Inspector	Full Time	17	7
Occupancy Specialist I	Full Time	17	1
Occupancy Specialist I	Full Time Term	17	1
Trades Maintenance Worker II	Full Time	17	32
Inventory & Control Specialist	Full Time	16	1
Program Assistant III	Full Time	16	5
Program Assistant II	Full Time	15	5
Trades Maintenance Worker I	Full Time	15	6
Program Assistant I	Full Time	14	1
Office Assistant III	Part Time	14H	0.6
Administrative Aide III	Full Time	13	1
Admin. Aide III	Part Time	13H	0.5
Building Services Worker	Full Time	13	1
Inventory & Control Assistant	Full Time	12	1
Custodian	Full Time	8	12
Facilities Assistant	Full Time	8	1
<b>Total (Percentage of Total Work Years)</b>			<b>139.1 36.24%</b>

## Housing Resources Division

Position Title	Status	Grade	Total
Director of Housing Resources	Full Time	EX-01	1
Assistant Director of Housing Resources	Full Time	29	1
Assistant Director of Federal Programs	Full Time	29	1
Compliance Manager	Full Time	25	1
Customer Service Center Director	Full Time	25	2
Customer Service Manager	Full Time	22	3
Federal Programs Analyst	Full Time	22	1
Financial Analyst	Full Time	22	1
Lead Housing Specialist	Full Time	21	2
Compliance Inspector	Full Time	21	3
Management Analyst I	Full Time	21	3
Administrative Assistant	Full Time	19	1
Housing Specialist II	Full Time	19	10
Program Specialist	Full Time	19	1
Program Specialist	Full Time Term	19	1
Rent Market Analyst	Full Time	18	1
Housing Specialist I	Full Time	17	5
Housing Specialist I	Full Time Term	17	1
Program Assistant I	Full Time	14	6
Program Assistant I	Full Time Term	14	1
Administrative Aide III	Full Time	13	2
Records Management Clerk II	Full Time	13	1
File Clerk	Full Time	10	1
<b>Total (Percentage of Total Work Years)</b>			<b>50 13.03%</b>

## Mortgage Finance Division

Position Title	Status	Grade	Total
Director of Mortgage Finance	Full Time	EX-02	1
Assistant Director of Mortgage Finance	Full Time	29	1
Portfolio Manager	Full Time	28	1
Single Family Loan Management Supervisor	Full Time	27	1
Homeownership Coordinator	Full Time	24	1
Mortgage Finance Financial Analyst	Full Time	24	1
Program Specialist III	Full Time	22	2
Mortgage Servicing Specialist II	Full Time	21	1
Program Specialist II	Full Time	21	1
Administrative Assistant	Full Time	19	1
Homeownership Specialist	Part Time	19H	0.5
Program Specialist I	Full Time	18	2
Office Manager I	Full Time	16	1
<b>Total (Percentage of Total Work Years)</b>			<b>14.5 3.78%</b>

## Real Estate Division

<b>Position Title</b>	<b>Status</b>	<b>Grade</b>	<b>Total</b>
Director of Real Estate	Full Time	EX-02	1
Housing Acquisition Manager	Full Time	28	3
Senior Financial Analyst	Full Time	26	1
Administrative Assistant	Full Time	19	1
<b>Total (Percentage of Total Work Years)</b>			<b>6 1.56%</b>

## Resident Services Division

Position Title	Status	Grade	Total
Director of Resident Services	Full Time	EX-01	1
Assistant Director of Resident Services	Full Time	29	1
Resident Service Supervisor II	Full Time	27	1
Resident Service Supervisor I	Full Time	26	1
Program Coordinator	Full Time	25	3
Grants Coordinator	Full Time	24	1
Resident Services Housing Programs Coordinator	Full Time	24	1
Special Events/Volunteer Coordinator	Full Time	24	1
Disability Program Coordinator	Full Time Term	22	1
Family Resource Center Director	Full Time	22	4
Management Analyst II	Full Time	22	1
Program Specialist IIA	Full Time	22	2
Program Specialist IIA	Full Time Term	22	1
Program Service Coordinator	Full Time	22	1
Resident Employment Coordinator	Full Time	22	1
Management Analyst I	Full Time Term	21	1
Resident Counselor III	Full Time	20	23
Resident Counselor III	Full Time Term	20	21
Resident Counselor III	Part Time	20H	2.5
Resident Counselor III	Part Time Term	20H	1.6
Resident Services Program Specialist	Full Time Term	20	3
Administrative Assistant	Full Time	19	1
Emergency Assistance Specialist	Full Time Term	19	3
Emergency Assistance Specialist	Part Time Term	19H	0.5
Housing Locator	Full Time Term	18	1
Housing Specialist	Full Time Term	18	1
Resource Specialist	Full Time Term	17	1
Intake Specialist	Full Time Term	16	1
Administrative Aide III	Full Time	13	3
Administrative Aide III	Part Time	13H	0.5
Emergency Assistance Intake Aide	Part Time Term	13H	0.5
Community Aide	Full Time Term	11	5
Community Aide	Part Time Term	11H	0.6
<b>Total (Percentage of Total Work Years)</b>			<b>91.2 23.76%</b>
<b>GRAND TOTAL</b>			<b>383.80 100.00%</b>

## Compensation

### FY 2012 General Salary Schedule

The General Salary Schedule, which is used to determine pay for all Career and Term positions, remains at the levels established for FY 2011. All salary schedules are located at the end of this section.

### Maintenance On-Call

The Weekday On-call Rate is \$30.00 per day (Monday through Friday). The On-Call Rate for Saturdays, Sundays, and holidays is \$40.00 per day.

### Multilingual Pay

The Multilingual Pay provision provides two skill certification categories: Basic and Advanced. Eligible employees certified with Basic Multilingual Skills will receive a pay differential of \$1.00 per hour. Eligible employees certified with Advanced Multilingual skills will receive a pay differential of \$1.35 per hour.

### Lead Worker

The Lead Worker pay differential is \$3.00 per hour.

### Service Labor Trades Differential Program

Annual pay differentials for eligible employees who have received a CFC certification and have demonstrated the ability to independently install HVAC systems are as follows:

- CFC Certification Level I - \$2,000
- CFC Certification Level II / Universal - \$3,000

Annual pay differential for eligible employees with demonstrated special skills at an advanced level in the trades of carpentry and plumbing are as follows:

- Advanced Carpentry - \$1,500
- Advanced Plumbing - \$1,500

## Employee Reimbursements

### Mileage Reimbursement

HOC provides mileage reimbursement to employees for the use of personal vehicles in conducting Agency business. Reimbursement rates vary depending on the total number of miles reimbursed during a Fiscal Year as provided in the following table:

Miles	Reimbursement Rate
1-1,000	55.5 cents per mile*
1,001-7,500	70 cents per mile
7,501 and above	80 cents per mile

\* The Internal Revenue Service (IRS) sets the standard reimbursement rates for mileage. The current IRS rate for mileage is 55.5 cents per mile. Should IRS increase the reimbursement rate during the fiscal year, HOC will also increase the base mileage rate.

### Automobile Insurance and Scheduled Maintenance Reimbursement

Employees who use their personal vehicle for HOC business in excess of 7,500 miles during the fiscal year may be reimbursed up to \$1,900 annually for automobile insurance and regularly scheduled maintenance.

### Meal Allowance

The Meal Allowance rate for FY 2012 is \$15.00. This allowance is available to those employees who must attend evening meetings in connection with Commission business.

### Tuition Assistance

The Employee Tuition Assistance Program is designed to assist employees with educational expenses toward an undergraduate or graduate degree such as AA, BS, BA, MS, etc. Program guidelines and eligibility requirements are available in the Human Resources Office. The maximum allowance for Tuition Assistance for an employee is \$1,600 for FY 2012.

### Fitness Reimbursement

The annual Fitness Reimbursement for employees toward the cost of membership in a health club, exercise or weight management program is \$100.00.

## Pay Grade Schedule—Represented Employees

Annual Salary				Hourly Wages			
Pay Grade	Minimum	Maximum	Longevity *	Pay Grade	Minimum	Maximum	Longevity *
Grade 8	\$26,254	\$41,096	\$41,918	Grade 8 Hourly	\$12.62	\$19.76	\$20.15
Grade 9	\$27,291	\$42,977	\$43,836	Grade 9 Hourly	\$13.12	\$20.66	\$21.08
Grade 10	\$28,387	\$45,006	\$45,906	Grade 10 Hourly	\$13.65	\$21.64	\$22.07
Grade 11	\$29,533	\$47,124	\$48,066	Grade 11 Hourly	\$14.20	\$22.66	\$23.11
Grade 12	\$30,730	\$49,350	\$50,337	Grade 12 Hourly	\$14.77	\$23.73	\$24.20
Grade 13	\$31,997	\$51,690	\$52,723	Grade 13 Hourly	\$15.38	\$24.85	\$25.35
Grade 14	\$33,327	\$54,151	\$55,234	Grade 14 Hourly	\$16.02	\$26.03	\$26.55
Grade 15	\$34,718	\$56,725	\$57,860	Grade 15 Hourly	\$16.69	\$27.27	\$27.82
Grade 16	\$36,201	\$59,436	\$60,625	Grade 16 Hourly	\$17.40	\$28.58	\$29.15
Grade 17	\$37,843	\$62,281	\$63,527	Grade 17 Hourly	\$18.19	\$29.94	\$30.54
Grade 18	\$39,578	\$65,269	\$66,574	Grade 18 Hourly	\$19.03	\$31.38	\$32.01
Grade 19	\$41,445	\$68,401	\$69,769	Grade 19 Hourly	\$19.93	\$32.89	\$33.54
Grade 20	\$43,394	\$71,694	\$73,128	Grade 20 Hourly	\$20.86	\$34.47	\$35.16
Grade 21	\$45,451	\$75,150	\$76,653	Grade 21 Hourly	\$21.85	\$36.13	\$36.85
Grade 22	\$47,602	\$78,781	\$80,356	Grade 22 Hourly	\$22.89	\$37.88	\$38.63
Grade 23	\$49,867	\$82,598	\$84,250	Grade 23 Hourly	\$23.97	\$39.71	\$40.50
Grade 24	\$52,242	\$86,593	\$88,325	Grade 24 Hourly	\$25.12	\$41.63	\$42.46
Grade 25	\$54,733	\$90,797	\$92,612	Grade 25 Hourly	\$26.31	\$43.65	\$44.53

\* 20 Years Completed Service and at Maximum of Pay Grade



## Pay Grade Schedule—Unrepresented Employees

### Annual Salary

Pay Grade	Minimum	Maximum	Longevity *
Grade 8	\$26,254	\$41,096	\$41,918
Grade 9	\$27,291	\$42,977	\$43,836
Grade 10	\$28,387	\$45,006	\$45,906
Grade 11	\$29,533	\$47,124	\$48,066
Grade 12	\$30,730	\$49,350	\$50,337
Grade 13	\$31,997	\$51,690	\$52,723
Grade 14	\$33,327	\$54,151	\$55,234
Grade 15	\$34,718	\$56,725	\$57,860
Grade 16	\$36,201	\$59,436	\$60,625
Grade 17	\$37,843	\$62,281	\$63,527
Grade 18	\$39,578	\$65,269	\$66,574
Grade 19	\$41,445	\$68,401	\$69,769
Grade 20	\$43,394	\$71,694	\$73,128
Grade 21	\$45,451	\$75,150	\$76,653
Grade 22	\$47,602	\$78,781	\$80,356
Grade 23	\$49,867	\$82,598	\$84,250
Grade 24	\$52,242	\$86,593	\$88,325
Grade 25	\$54,733	\$90,797	\$92,612
Grade 26	\$57,356	\$95,211	\$97,115
Grade 27	\$60,083	\$99,846	\$101,843
Grade 28	\$62,412	\$104,712	\$106,806
Grade 29	\$65,614	\$109,819	\$112,015
Grade 30	\$68,592	\$115,189	\$117,493
Grade 31	\$71,718	\$120,822	\$123,239
Grade 32	\$74,996	\$124,520	\$127,010
Grade 33	\$78,440	\$128,220	\$130,784
Grade 34	\$82,058	\$131,921	\$134,560
Grade 35	\$85,860	\$135,620	\$138,333
Grade 36	\$89,851	\$139,323	\$142,109
Grade 37	\$94,035	\$143,018	\$145,878

### Hourly Wages

Pay Grade	Minimum	Maximum	Longevity *
Grade 8 Hourly	\$12.62	\$19.76	\$20.15
Grade 9 Hourly	\$13.12	\$20.66	\$21.08
Grade 10 Hourly	\$13.65	\$21.64	\$22.07
Grade 11 Hourly	\$14.20	\$22.66	\$23.11
Grade 12 Hourly	\$14.77	\$23.73	\$24.20
Grade 13 Hourly	\$15.38	\$24.85	\$25.35
Grade 14 Hourly	\$16.02	\$26.03	\$26.55
Grade 15 Hourly	\$16.69	\$27.27	\$27.82
Grade 16 Hourly	\$17.40	\$28.58	\$29.15
Grade 17 Hourly	\$18.19	\$29.94	\$30.54
Grade 18 Hourly	\$19.03	\$31.38	\$32.01
Grade 19 Hourly	\$19.93	\$32.89	\$33.54
Grade 20 Hourly	\$20.86	\$34.47	\$35.16
Grade 21 Hourly	\$21.85	\$36.13	\$36.85
Grade 22 Hourly	\$22.89	\$37.88	\$38.63
Grade 23 Hourly	\$23.97	\$39.71	\$40.50
Grade 24 Hourly	\$25.12	\$41.63	\$42.46
Grade 25 Hourly	\$26.31	\$43.65	\$44.53
Grade 26 Hourly	\$27.58	\$45.77	\$46.69
Grade 27 Hourly	\$28.89	\$48.00	\$48.96
Grade 28 Hourly	\$30.01	\$50.34	\$51.35
Grade 29 Hourly	\$31.55	\$52.80	\$53.85
Grade 30 Hourly	\$32.98	\$55.38	\$56.49
Grade 31 Hourly	\$34.48	\$58.09	\$59.25
Grade 32 Hourly	\$36.06	\$59.87	\$61.06
Grade 33 Hourly	\$37.71	\$61.64	\$62.88
Grade 34 Hourly	\$39.45	\$63.42	\$64.69
Grade 35 Hourly	\$41.28	\$65.20	\$66.51
Grade 36 Hourly	\$43.20	\$66.98	\$68.32
Grade 37 Hourly	\$45.21	\$68.76	\$70.13

\* 20 Years Completed Service and at Maximum of Pay Grade

## Pay Grade Schedule—Executive Leadership Service

Pay Grade	Minimum	Midpoint	Maximum
EX-01	\$113,300	\$139,050	\$164,800
EX-02	\$128,750	\$154,500	\$180,250

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# **Section 5:**

# **APPENDIX**

Tab



**Program  
History**

# Program History

Adopted Budget  
June 1, 2011

## Legislative History

Thirty six years ago, County and State legislation created the Housing Opportunities Commission with the wide range of powers that HOC exercises today. HOC evolved from the Housing Authority of Montgomery County (HAMC), created in 1966 to receive Federal funds to develop and manage low-income public housing. Soon after its creation, HAMC recognized that the County's low- and moderate-cost housing needs required a broader approach. Based on a comprehensive study, HAMC recognized that it needed additional powers and authority to address the following issues:

- The elimination and replacement of structurally unsound dwellings,
- The provision of incentives to rehabilitate substandard dwellings,
- The construction of new dwellings for low-income families bearing an excessive rent burden,
- The provision of additional housing for newly formed families or retired persons who could not afford to remain in the County, and
- Programs to encourage low- and moderate-income families toward self-sufficiency through homeownership.

HAMC separated from the County Government in 1968, and in 1974 concurrent State and County legislation established a broader housing mission for the County and granted wider powers and flexibility to the newly formed HOC. Among its new powers, HOC was authorized to:

- Acquire, own, lease and operate housing,
- Construct or renovate housing,
- Borrow money, accept grants, and obtain other financial assistance from any public or private source for its housing activities,

arrange for social services, including resident services and day care.

HOC was expanded from five to seven commissioners, appointed by the County Executive and approved by the County Council.

Language in the County Code paralleled that in the State law, authorizing the County to enter into contracts with HOC or other non-profit organizations to implement its opportunity housing powers.

The most significant change enacted in 1974 was the expansion of the definition of the population HOC could serve. HOC was now authorized to provide "Opportunity Housing" to "persons of eligible income" as determined by the County Executive through regulation. County law defines "Opportunity Housing" to mean those dwelling units for which the rental or selling price is established by Montgomery County in order that "persons of eligible income may be able, within their respective incomes, to live in decent, safe and sanitary accommodations, without overcrowding."

The 1974 amendments to State law also expanded HOC's bond authority. Previously, HOC was limited to issuing revenue bonds to finance construction of its own developments. With the changes enacted in 1974, HOC was also authorized to issue bonds to finance mortgage loans for persons of eligible income or to finance multifamily construction projects which provide a certain percentage of affordable units. Passed in 1977, State law permitted Montgomery County to guarantee the principal and interest on HOC bonds. The County amended its code in 1978 to detail the process that HOC must follow when HOC bonds are backed by the full faith and credit of the County and establish the limit on the amount of bonds issued that the County guarantees. In 1988, the County raised the

limit to \$50 million.

### **Other County Laws Affecting HOC**

Moderately Priced Dwelling Units (MPDUs): Passed in 1974, the MPDU law required developers constructing 50 units or more to set aside 15% as MPDUs. The requirement was later reduced to 12.5% with bonus density offered for up to 15% MPDUs. The threshold dropped to 20 units in 2005. The law also specifies that HOC may purchase up to one-third of the MPDUs. Non-profit organizations may purchase any units HOC does not purchase and additional units up to 40% of the total. HOC has used Federal Public Housing Acquisition without Rehabilitation (AWOR) funds, State Partnership Rental Program Funds, equity contributions from limited partners in tax credit partnerships, bond funds, and Housing Initiative Funds (HIF) to purchase MPDUs. The County's Department of Housing and Community Affairs administers the MPDU program. Among its responsibilities is establishing the price of the units and maintaining the waiting list of eligible purchasers.

Condominium conversion: Enacted in 1979, the law confers on HOC a right of first refusal to purchase rental facilities being converted to condominium units.

Tenant Displacement: Enacted in 1981, the law provides Montgomery County, HOC or certified tenants' organizations the right of first refusal to purchase rental units before they are sold and 'converted'. The term 'converted' in this context implies any change that has the effect of displacing tenants of 33% or more of the occupied units within a 12-month period.

Growth Policy: The County Council enacted significant changes to the Growth Policy in November 2007. The Council increased impact taxes on most forms of housing, with the school impact taxes ranging from \$4,127 for a multifamily high rise unit to \$20,456 for a single family detached home. In residential development projects with 30% or more affordable units, the impact tax on the market rate units is 50% the normal rate. Transportation impact taxes also increased by about 70% across the board. Units near transit stations, including certain MARC stations, are charged lower rates. Affordable housing units are exempt from both impact taxes, and senior housing pays a rate of zero on the school impact tax. Development in State-designated Enterprise Zones, currently the Wheaton and Silver Spring Center Business Districts, is also exempt from both taxes. The Council also tightened school and transportation adequacy tests so that more development projects will have increased requirements to offset the students and automobile trips that they generate.

Payment in Lieu of Taxes (PILOT): HOC receives indirect funding assistance from the County through its property tax treatment. There are specific PILOT agreements for each of the properties that HOC manages but does not own, like the tax credit partnerships. HOC has a separate PILOT agreement for all Public Housing properties, Opportunity Housing properties, and Development Corporations. This represents an additional non-cash subsidy from the County for Opportunity Housing properties.

## **HOC Through the Years**

As a full-service housing agency, HOC continues to respond creatively to changes that affect the production and preservation of affordable housing in Montgomery County. In the past three decades, as Federal subsidies were slashed and economic conditions varied, HOC consistently sought and found other means to produce affordable housing by garnering County, State, and Commission support for its programs and services. HOC's reputation as one of the most innovative public/affordable housing organizations in the nation began during this period. The passages

below will highlight some of the Agency's approaches to fulfilling its mission as a public housing agency, a housing developer, and a housing finance agency.

### **The 1970s**

Through the 1970s, HOC development activity consisted primarily of federally funded public and assisted housing. During the first decade of expanded authority, HOC produced 760 units of affordable housing, including family and elderly public housing and other types of affordable housing. In addition to creating

public housing, HOC also obtained and administered Section 8 rental subsidy certificates for Montgomery County (referred to as "Housing Choice Vouchers" today.)

### **The 1980s**

During the 1980s, the Federal government substantially reduced funding for public-housing development. HOC's development activity expanded to include issuing tax-exempt mortgage revenue bonds to refinance privately owned developments. Each of these privately owned developments included a set-aside of units that usually exceeded the "public purpose" definitions established by the Federal government as a condition for tax-exempt financing. All of these privately owned and managed developments have a resident mix of at least 20 percent low-income and moderate-income households. The Federal Tax Reform Act of 1986 severely limited the amount of private activity bonds HOC could issue.

### **The 1990s**

From the late 1980s and throughout the early 1990s, HOC's development activity shifted to construction of mixed-income housing developments which HOC owned. Financed through a combination of essential public-purpose bonds, HOC funds, and State and County subsidies, these properties set aside between 20 and 50 percent of their units to be rented to low-income households. Moderate economic growth, low inflation and low unemployment marked the middle and late 1990s. These conditions had some surprising implications for HOC's affordable housing agenda in Montgomery County.

When the economy is doing well, low interest rates and sufficient private capital produce an abundance of private developers. In Montgomery County, private developers were building new housing at sites located in outlying areas, isolated from employment centers and requiring expensive infrastructure investment from State and County government.

In response, the State of Maryland implemented a Smart Growth Strategy with dual purposes to revitalize older suburban neighborhoods. The Smart Growth initiative targets development efforts in areas where the infrastructure already exists in order to balance development, community livability, and environmental protection. It also has the

goal of revitalizing older suburban neighborhoods. During the late 1990s, HOC's development activities focused on "targeted" areas near or inside the Capital Beltway such as Silver Spring, Wheaton and Gaithersburg. In concert with the Montgomery County government, HOC focused on preserving and rehabilitating existing apartment buildings located in Smart Growth areas that were near public transportation with access to major employment centers. HOC also began preserving affordable rental housing properties with expiring federal housing subsidies.

The Federal Public Housing Reform Law passed in 1998, Quality Housing and Work Responsibility Act of 1998 (QHWRA), sought to reduce the concentration of poverty in public housing and reform the regulation of housing agencies. HOC was required to make significant changes in its policies and procedures.

### **The Current Outlook**

The arrival of the 21<sup>st</sup> century brought no relief from the major challenges in the affordable housing arena.

In the 1990s, a strong national and local economy escalated housing costs and priced thousands of low-to-middle-income earners out of the housing market. Section 8 landlords started to opt out of subsidized affordable housing programs when they had the chance. In a market where the vacancy rate hovered near two percent, landlords had no trouble finding market-rate renters to replace their affordable housing residents. Landlords opting out of the Federal program became a major factor in the affordable housing squeeze.

Following the slowdown in the economy in 2001 and a subsequent recession, layoffs increased. Low-wage earners, who were typically paying more than 50 percent of their incomes in rent, now found themselves facing lower wages or no wages at all. Employees in the service industries were particularly hard hit.

The economic recession that began in 2007 and escalated in the fall of 2008 has had a profound impact on every level of government. Budget shortfalls are expected to affect a wide range of service agencies, including HOC. Unemployment has risen since the recession began, and reached 10% during 2009. This loss of income has affected mortgage holders, landlords and renters

alike. More and more families are struggling to make mortgage or rent payments and more families are facing homelessness.

When HOC opened the waiting lists for the Housing Choice Voucher and Public Housing programs in December 2008, more than 33,000 applications were received. The need for affordable housing is unprecedented, and with potential funding cuts on the horizon, HOC is renewing its effort to maximize every available dollar and pursue new revenue sources.

The national economic dislocation of the past three years has had a profound effect in Montgomery County and on HOC's clients, residents, and operations. Circumstances are worse than in the early 1990s, and HOC and government at all levels are seeking ways to respond. Budget cuts in previously protected areas have been made and are expected to grow larger in the future. In FY 2010, the Federal Government budget did add a ray of hope to this bleak outlook. HUD's FY 2010 appropriation and the American Recovery and Reinvestment Act (ARRA), together with the Housing and Economic Recovery Act of 2009 (HERA) and the Neighborhood Stabilization Program (NSP) provided \$4.6 million for capital work on Public Housing units, as well as funding to purchase and renovate 23 vacant and foreclosed properties, in impacted neighborhoods, to be available for rent to low-income families.

However, the 2010 election sent a new majority to the House of Representatives. It changed the atmosphere, and the new majority has placed its primary emphasis on budget cutting. Deficit reduction is the watchword from both houses of Congress and both parties. They differ only in the severity of the cuts they propose. At this point, not even the federal FY 2011 appropriations are final. Nonetheless, every indication is that HOC's programs will suffer.

HOC understands that it can no longer depend on public money alone to meet the needs of the community. Facing this challenge put the Agency on a new path that acknowledges changing realities. The new assumptions under which HOC operates include the following:

In order to succeed in alleviating the affordable housing shortage, HOC will have to expand its partnerships with non-profits,

community development organizations and other entities interested in developing affordable housing. New partners will help HOC expand its development efforts and meet the service needs of its residents.

### **Current Housing-Related Demographics in Montgomery County**

Montgomery County is the largest county in Maryland with an estimated population of 971,777 (2010 figures) consisting of 49 percent Caucasian (non-Hispanic) and 51 percent cultural minorities. It is located on 497 square miles of land next to Washington, DC, and is one of several Maryland and Virginia counties surrounding the District which make up the Washington DC metropolitan area for statistical reporting. It is home to almost 20 percent of the Washington, DC area's households, second only to Fairfax County, Virginia. According to the 2010 Census, the Washington metropolitan area is the seventh largest area and has the highest median income of areas compared.

Other demographic items of note are:

- The 2009 median income for Montgomery County was \$94,420 for a household of four. By comparison, the Greater Washington Area Median Income for 2010 was \$103,500 for a household of four.
- 6.7% of the total population lives below the Federal Poverty Income guidelines of \$22,350 for a household of four.
- The County's estimated labor force for 2010 was 512,600 with an unemployment rate of 5.2% as of December 2010.
- 59% of the workforce reside and work in the County, while 41% work outside the County; 77% of employed residents commute by car.
- 91.1% of the population are High School graduates, while 56.1% have an advanced degree.
- The median age in the County is 38.
- 24.5% of the population is under 18 years old, while 12.3% of the population is 65 or older.
- 51.5% of the population is female.
- Almost 30% of Maryland's foreign born population resides in Montgomery County.



- Montgomery County's proportion of households in Maryland is expected to grow from 16.4% in 2005 to 16.6% in 2025.
- Between 2005 and 2025, Montgomery County will absorb 17% of the State's household growth.
- 82% of the housing allowed by Montgomery County plans is already built.
- The average household size was 2.72 in 2009.
- 32.1% of the County's households live in multifamily properties, which remain the largest share of home construction.
- 49% of renters pay more than 30% of their income on housing costs.
- 38% of homeowners pay more than 30% of their income on housing costs.
- The median sales price for all home types in Montgomery County in 2009 was \$459,900.
- Time on the market before a house is sold averages 73 days.
- 25.7% households are renter occupied.
- Homeownership rate for 2009 was 70%.
- Apartment rents are continuing their upward trend from an average of \$1,212 in 2006 to an average of \$1,369 in 2009.
- Average apartment rents in 2010:
  - Efficiency \$1,175
  - 1-Bedroom \$1,241
  - 2-Bedroom \$1,456
  - 3-Bedroom \$1,788
  - 4-Bedroom \$2,120
- On any given day in Montgomery County, there are more than 1,100 people who are homeless. Approximately 27% (roughly 300) are children.
- Almost 1/3 of homeless adults have jobs but still cannot afford housing.

## Description of Current Programs

HOC administers a wide variety of housing programs, including:

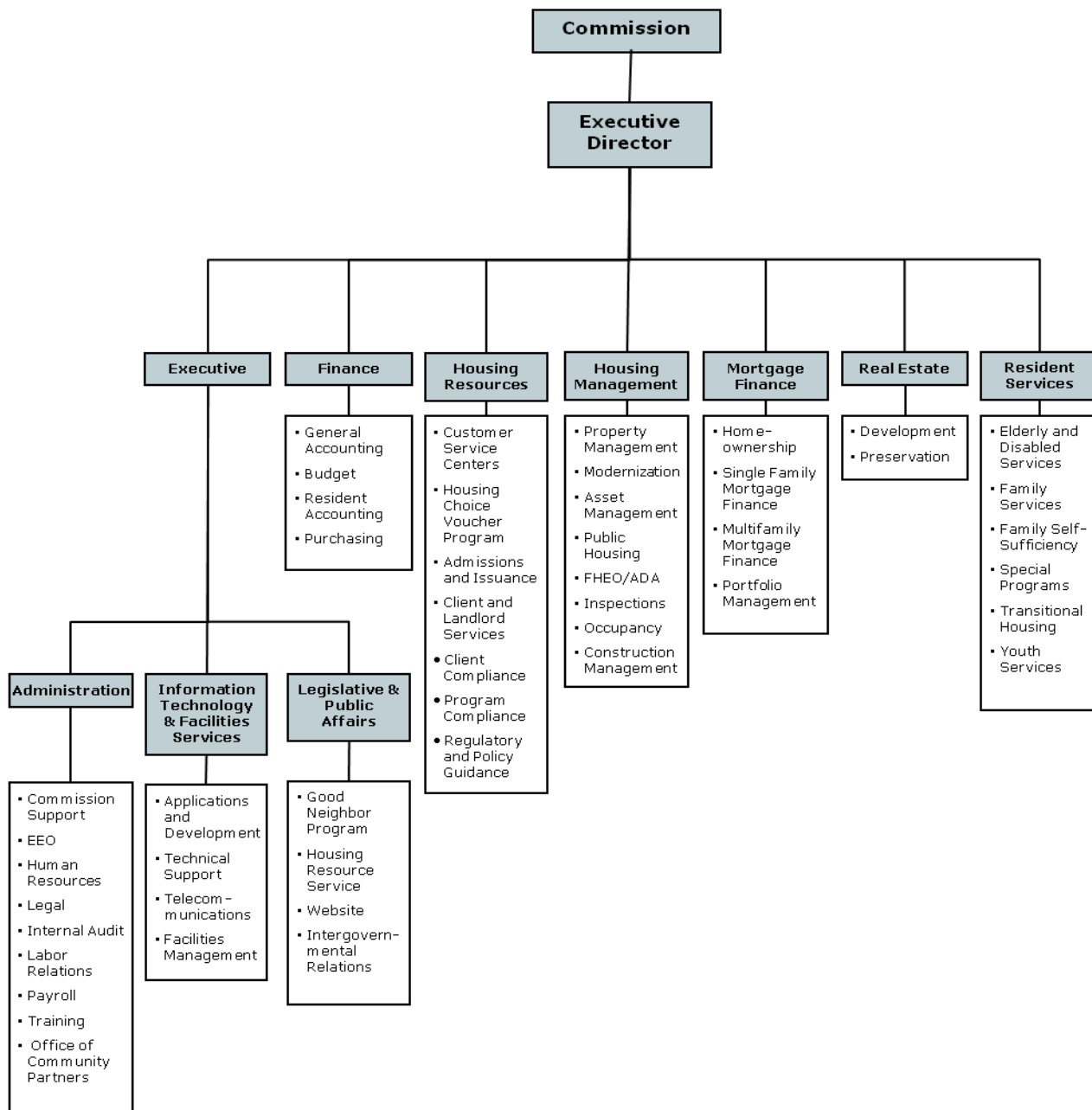
- The Public Housing Rental Program which provides housing for low- and moderate-income families, as well as elderly and disabled individuals, who pay 30 percent of their adjusted gross income for rent.
- The Public Housing Homeownership Program is a rental housing program wherein families pay 30 percent of their adjusted gross income each month to HOC. A portion of this monthly payment is placed in two reserve accounts. Once the family's income is high enough to secure a mortgage, these reserve accounts can be used for the down-payment and/or closing costs. (Title to the home along with all rights and responsibilities of homeownership is given to the resident.)
- The Housing Choice Voucher Program (formerly Section 8) sponsored by the U.S. Department of Housing and Urban Development (HUD) assists eligible persons to secure rental housing in the private marketplace. This program allows eligible families to pay no more than 30% of their monthly income for rent.
- The Opportunity Housing Program encompasses a variety of local rental housing programs owned by HOC for families of eligible income and for market rate households.
- The HUD 236 Program provides housing for eligible tenants. HOC manages these developments for their non-profit owners.
- Tax Credit Partnerships provide rental housing for low- and moderate-income households. HOC manages these partnerships and is a 1% general partner.
- The Development Corporations are non-profit owners of HOC-financed properties that are insured under the FHA Risk Sharing Program.
- Single Family Mortgage Revenue Bonds provide below-market interest rate mortgage loans for the purchase of single family homes for moderate-income families.

- Multifamily Housing Revenue Bonds provide below-market rental units within multifamily developments for low-to moderate-income families.
- The Good Neighbor Program provides proactive response to homeowner association concerns about HOC residents and timely information about HOC's development activities, programs and services through meetings, publications

and mailing.

- The Housing Resource Service provides customer service for citizens seeking affordable housing, specialized housing for the elderly and those with disabilities, and round-the-clock housing information through the HOC website.
- These programs are supported by an array of resident services funded by Federal, State and County agencies.

## Housing Opportunities Commission Functional Organization Chart



## Organizational Structure and Staff

The powers of the Commission are vested in seven volunteer Commissioners appointed by the County Executive and confirmed by the County Council. The current Commissioners are: Roberto R. Piñero, Chair; Sally Roman, Vice Chair; Michael J. Kator, Chair Pro Tem; Jean Banks, Rick Edson, Pamela T. Lindstrom, and Michael Weincek.

Commissioners appoint an Executive Director to operate the Agency. HOC is organized into five operational units and the Executive and Finance Division. (See the Division Summaries from pages 2-3 through 2-41.)

## HOC's Annual Management Process

HOC's annual management process includes four functions: Strategic Planning, Budget Preparation, Operations, and Evaluation.

### **Strategic Planning**

An opportunity for the Commission to focus on long term HOC direction, a strategic plan is prepared biennially with annual updates on significant issues. Commissioners consider how current economic and public policy issues might affect the Commission's work, including potential impacts on HOC's residents. Using this information the Commission evaluates what, if any, changes to current plans and policies need to be made. The Commission endorses (or updates) the strategic plan in November in order to guide staff in budget preparation.

### **Budget Preparation**

The budget preparation process begins in September of each year. It involves the production of a capital plan, the recommended budget, and the adopted budget which expresses the priorities of the Strategic Plan. The capital plan includes both a long term plan for producing more affordable housing and a ten-year plan for maintaining our current housing stock. The Commission considers the capital plan before the operating budget because some decisions, such as certain capital improvements, have impacts on the operating budget. The capital plan delineates long term funding needs and sources for each project. Potential funding issues for specific capital projects are discussed during the process. In April, the Executive Director

presents a recommended budget to the Commission. The budget includes specific program objectives used to evaluate each division's performance over the next year. The Commission discusses the recommended budget in April and May and adopts an annual budget in June for the fiscal year beginning July 1. The adopted budget becomes the financial and operational plan for the coming year.

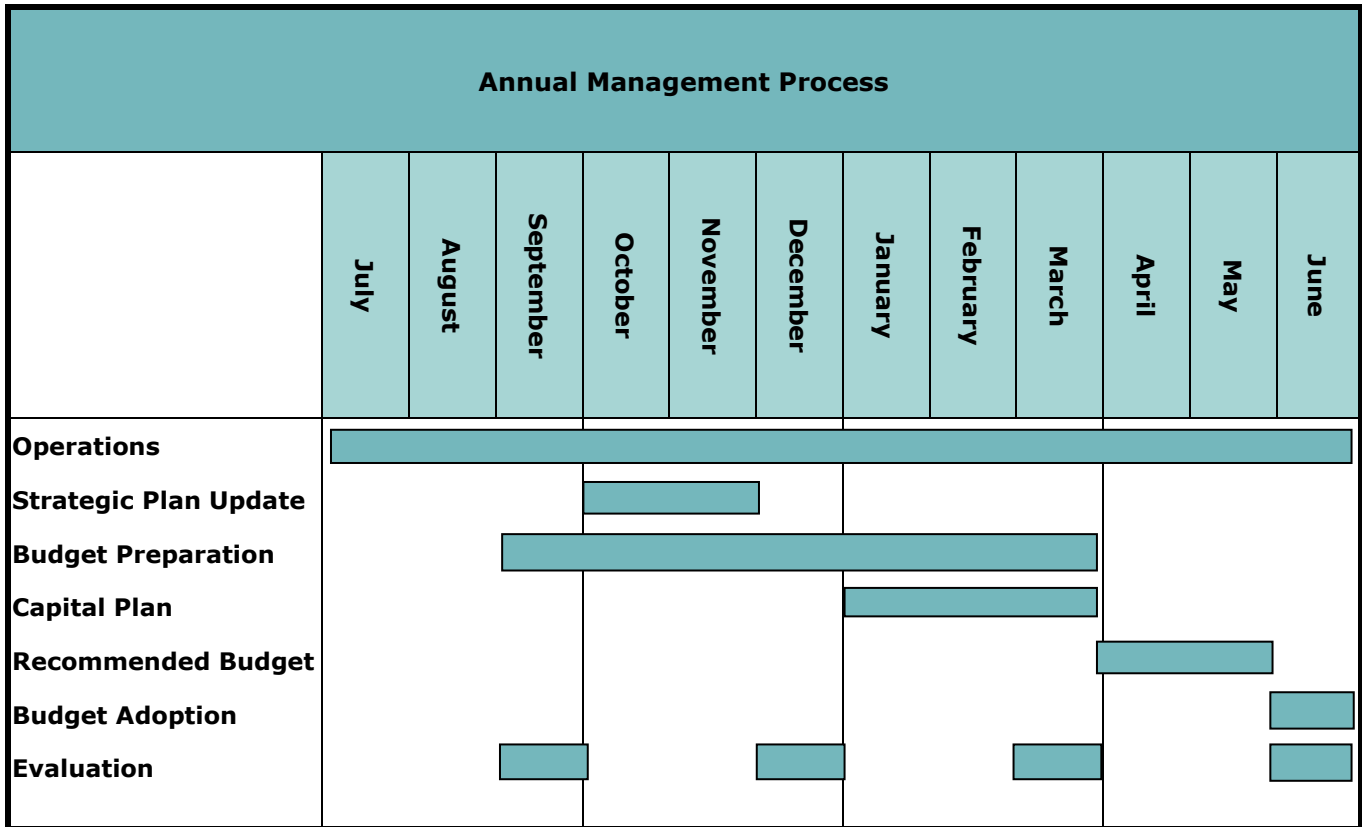
### **Operations**

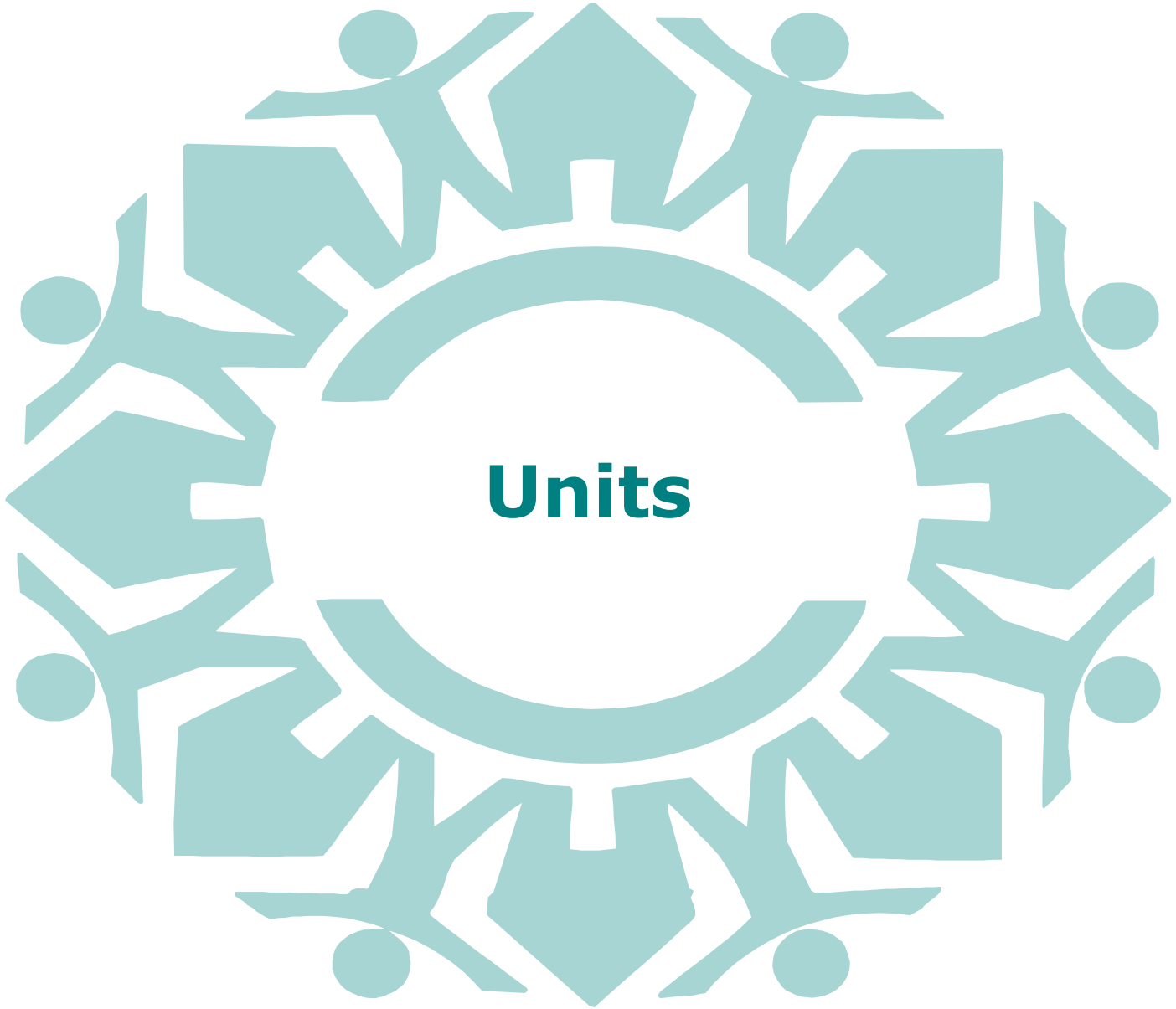
The fiscal year begins on July 1. Supervisors have primary responsibility for implementing the financial and operational plan. At the beginning of each fiscal year, staff are given job assignments based on the operational plan in the adopted budget document. Progress reports are reviewed in each division.

### **Evaluation**

Reports on achieving program objectives are reviewed by the Executive Director and senior staff quarterly. A summary is provided to the Commission along with a quarterly financial report. During quarterly evaluations, senior staff make adjustments to objectives and performance measures and request budget amendments, if needed. As changes are approved, individual assignments are adjusted. At the end of each fiscal year, each staff person's performance evaluation is used in determining individual and team performance awards.

# Annual Management Process Chart





**Units**

# Units Summary

Adopted Budget  
June 1, 2011

## Summary

Housing Type	Actual As of 6/30/2010	Estimate As of 6/30/2011	Budget As of 6/30/2012
<b>Public Housing Rental</b>			
HOC Managed	1,546	1,546	1,546
<b>Public Housing HomeOwnership</b>			
HOC Managed	11	9	9
<b>Opportunity Housing &amp; Development Corps.</b>			
HOC Managed	1,208	1,274	1,275
Privately Managed	2,059	2,221	2,221
<b>Units Owned by HOC</b>	<b>4,824</b>	<b>5,050</b>	<b>5,051</b>
<b>Managed Properties</b>			
HOC Managed	687	633	633
Contract Managed	1,277	1,115	1,115
<b>Subtotal</b>	<b>1,964</b>	<b>1,748</b>	<b>1,748</b>
<b>Units Administered</b>			
Rental Assistance Programs	5,910	6,306	6,322
Transitional Housing Programs	165	165	165
Special Programs	530	566	566
<b>Subtotal</b>	<b>6,605</b>	<b>7,037</b>	<b>7,053</b>
<b>Units Managed or Administered</b>	<b>8,569</b>	<b>8,785</b>	<b>8,801</b>
<b>TOTAL - ALL UNITS</b>	<b>13,393</b>	<b>13,835</b>	<b>13,852</b>
<b>Total Units Managed by HOC</b>	<b>3,452</b>	<b>3,462</b>	<b>3,463</b>
<b>Total Units Contract Managed</b>	<b>3,336</b>	<b>3,336</b>	<b>3,336</b>
<b>Total Units Administered by HOC</b>	<b>6,605</b>	<b>7,037</b>	<b>7,053</b>

## Part A: Units Owned by HOC

Property No.	Property Name	Actual As of 6/30/2010	Estimate As of 6/30/2011	Budget As of 6/30/2012
<b>PUBLIC HOUSING RENTAL</b>				
<b>Elderly Communities</b>				
511-402	Elizabeth House	160	160	160
511-413	Holly Hall	96	96	96
511-415	Arcola	141	141	141
511-417	Waverly	158	158	158
<b>Subtotal - Elderly</b>		<b>555</b>	<b>555</b>	<b>555</b>
<b>Family Communities</b>				
511-404	Emory Grove	54	54	54
511-405	Washington Square	50	50	50
511-414	Seneca Ridge (Middlebrook Square)	71	71	71
511-430	Towne Centre Place	49	49	49
511-432	Sandy Spring	55	55	55
<b>Subtotal - Family</b>		<b>279</b>	<b>279</b>	<b>279</b>
<b>Scattered Units</b>				
511-001	Scattered Site Central	130	130	130
511-002	Scattered Site East	110	110	110
511-003	Scattered Site Gaithersburg	140	140	140
511-004	Scattered Site North	139	139	139
511-005	Scattered Site West	150	150	150
511-422	Ken Gar	19	19	19
511-426	Parkway Woods	24	24	24
<b>Subtotal - Scattered</b>		<b>712</b>	<b>712</b>	<b>712</b>
<b>Subtotal-Public Housing Rental</b>		<b>1,546</b>	<b>1,546</b>	<b>1,546</b>
<b>PUBLIC HOUSING HOMEOWNERSHIP</b>				
<b>Family Communities</b>				
524-411	Tobytown	11	9	9
<b>Subtotal - Family</b>		<b>11</b>	<b>9</b>	<b>9</b>
<b>Subtotal-Homeownership</b>		<b>11</b>	<b>9</b>	<b>9</b>
<b>Total Public Housing Units (all HOC Managed)</b>		<b>1,557</b>	<b>1,555</b>	<b>1,555</b>

## Part A: Units Owned by HOC continued

Property No.	Property Name	Actual As of 6/30/2010	Estimate As of 6/30/2011	Budget As of 6/30/2012
<b>OPPORTUNITY HOUSING &amp; DEVELOPMENT CORPORATIONS</b>				
<b>Family Communities - HOC Managed</b>				
412-457	Tanglewood	83	83	83
469-471	Chelsea Towers	21	21	21
499-200	Dale Drive	10	10	10
499-400	7423 Aspen Court	16	16	16
499-500	Jubilee House	0	3	3
499-600	7419 Aspen Court	12	12	12
499-700	7411 Aspen Court	11	11	11
913-455	Sligo Hills (Dev. Corp.)	50	50	50
915-458	Pomander Court (Dev. Corp.)	24	24	24
919-200	Paddington Square (Dev. Corp.)	166	165	165
965-480	Magruder's Discovery (Dev. Corp.)	134	134	134
<b>Subtotal - Family HOC Managed</b>		<b>527</b>	<b>529</b>	<b>529</b>
<b>Scattered Units - HOC Managed</b>				
452-469	McHome	38	38	38
454-451	Holiday Park	20	20	20
455-714	MHLP I	29	29	29
461-464	Paint Branch	14	14	14
462-466	McKendree	23	23	23
463-467	MPDU I	64	64	64
470-450	State Rental Combined	196	196	196
487-001	MPDU 2004	38	38	38
488-000	CDBG Units	0	2	2
489-000	NSP Units	0	6	6
490-000	NCI Units	0	15	15
499-300	MPDU 2007	31	18	19
812-715	MHLP II	0	54	54
813-716	MHLP III	44	44	44
814-717	MHLP IV	60	60	60
815-718	MHLP V	27	27	27
816-719	MHLP VI-A	15	15	15
913-484	MPDU III (Dev. Corp.)	23	23	23
915-468	MPDU II (Dev. Corp.)	59	59	59
<b>Subtotal - Scattered HOC Managed</b>		<b>681</b>	<b>745</b>	<b>746</b>
<b>Subtotal-HOC Managed</b>		<b>1,208</b>	<b>1,274</b>	<b>1,275</b>
<b>Family Communities - Contract Managed</b>				
414-460	Fairfax Court	18	18	18
417-477	Pooks Hill High-Rise	189	189	189
418-476	Pooks Hill Mid-Rise	50	50	50
427-490	Greenhills	78	78	78
433-487	Strathmore Court @ White Flint	151	151	151
435-489	Westwood	212	212	212
441-485	Brookside Glen (The Glen)	90	90	90
442-473	Diamond Square	124	124	124
841-748	Ambassador One Associates LP	0	162	162
912-479	Alexander House (Dev. Corp.)	311	311	311
914-488	The Metropolitan (Dev. Corp.)	216	216	216
915-472	Timberlawn (Dev. Corp.)	107	107	107
917-478	Montgomery Arms (Dev. Corp.)	129	129	129
918-100	MetroPointe (Dev. Corp.)	120	120	120
920-300	Chevy Chase Lake (Dev. Corp.)	68	68	68
920-400	Barclay (Dev. Corp.)	76	76	76
<b>Subtotal - Family Contract Managed</b>		<b>1,939</b>	<b>2,101</b>	<b>2,101</b>
<b>Elderly Communities - Contract Managed</b>				
911-475	The Oaks (Dev. Corp.)	120	120	120
<b>Subtotal - Elderly Contract Managed</b>		<b>120</b>	<b>120</b>	<b>120</b>
<b>Subtotal-Contract Managed</b>		<b>2,059</b>	<b>2,221</b>	<b>2,221</b>
<b>Total Opportunity Housing and Development Corporations</b>		<b>3,267</b>	<b>3,495</b>	<b>3,496</b>



## Part B: Units Managed and Administered by HOC

Property No.	Property Name	Actual	Estimate	Budget
		As of 6/30/2010	As of 6/30/2011	As of 6/30/2012
<b>MANAGED PROPERTIES</b>				
<b>236 Elderly Communities - HOC Managed</b>				
871-701	Bauer Park	142	142	142
872-703	Town Center Apts.	112	112	112
<b>Subtotal - Elderly HOC Managed</b>		<b>254</b>	<b>254</b>	<b>254</b>
<b>Other Family Communities - HOC Managed</b>				
833-741	Manchester Manor Apts. LP	53	53	53
874-705	Camp Hill Square (236 property)	51	51	51
<b>Subtotal - Family HOC Managed</b>		<b>104</b>	<b>104</b>	<b>104</b>
<b>Scattered Units - HOC Managed</b>				
812-715	MHLP II	54	0	0
817-720	MHLP VII	35	35	35
818-721	MHLP VIII	49	49	49
819-711	MHLP IX (Pond Ridge)	40	40	40
819-712	MHLP IX (MPDU units)	76	76	76
820-713	MHLP X	75	75	75
<b>Subtotal - Scattered HOC Managed</b>		<b>329</b>	<b>275</b>	<b>275</b>
<b>Subtotal-HOC Managed</b>		<b>687</b>	<b>633</b>	<b>633</b>
<b>Family Communities - Contract Managed</b>				
818-100	MetroPointe LP	53	53	53
831-787	Strathmore Court LP	51	51	51
832-788	The Metropolitan of Bethesda LP	92	92	92
834-742	Shady Grove Apartments LP	144	144	144
835-743	The Willows of Gaithersburg Associates LP	195	195	195
837-744	MV Affordable Housing Associates LP	94	94	94
838-714	Georgian Court Silver Spring LP	147	147	147
839-746	Barclay One Associates LP	81	81	81
840-747	Spring Garden One Associates LP	83	83	83
841-748	Ambassador One Associates LP	162	0	0
842-749	Forest Oak Towers LP	175	175	175
<b>Subtotal - Family Contract Managed</b>		<b>1,277</b>	<b>1,115</b>	<b>1,115</b>
<b>Subtotal Contract Managed Properties</b>		<b>1,277</b>	<b>1,115</b>	<b>1,115</b>
<b>Total Managed Properties</b>		<b>1,964</b>	<b>1,748</b>	<b>1,748</b>

## Part B: Units Managed and Administered by HOC continued

Property Name	Actual	Estimate	Budget
	As of 6/30/2010	As of 6/30/2011	As of 6/30/2012
<b>UNITS ADMINISTERED</b>			
<b>Rental Assistance Programs</b>			
Vouchers	5,528	6,032	6,032
Portables	344	234	250
Mod / Rehab	28	29	29
Homeownership Vouchers	10	11	11
<b>Subtotal-Rental Assistance</b>	<b>5,910</b>	<b>6,306</b>	<b>6,322</b>
<b>Transitional Housing Programs</b>			
McKinney III	10	10	10
Turnkey	11	11	11
McKinney X	130	130	130
McKinney XII	14	14	14
<b>Subtotal-Transitional Housing</b>	<b>165</b>	<b>165</b>	<b>165</b>
<b>Specialized Programs</b>			
State RAP	30	45	45
Shelter Plus Care	45	46	46
Shelter Plus Care - New Neighbors	16	22	22
Shelter Plus Care - New Neighbors II	5	5	5
Housing Counselor Programs	51	60	60
Rent Supplemental Programs	247	250	250
HIP	89	91	91
Master Lease Properties	47	47	47
<b>Subtotal-Specialized Programs</b>	<b>530</b>	<b>566</b>	<b>566</b>
<b>Total Administered Properties</b>	<b>6,605</b>	<b>7,037</b>	<b>7,053</b>

## Part C: HOC Financing

<b>PRIVATELY OWNED UNITS</b>		<b>Actual</b>	<b>Estimate</b>	<b>Budget</b>
<b>FINANCED BY THE HOC</b>		<b>As of</b>	<b>As of</b>	<b>As of</b>
<b>PROPERTY NAME</b>		<b>6/30/2010</b>	<b>6/30/2011</b>	<b>6/30/2012</b>
<b>Private Bond-Financed Properties</b>				
1	Amherst Square	125	125	125
2	Argent	0	96	96
3	Blair Park	52	52	52
4	Burnt Mills Phase II	40	0	0
5	Byron House	32	32	32
6	Canterbury	544	544	544
7	Charter House	212	212	212
8	Clopper Mill Manor	102	102	102
9	Covenant Village	89	89	89
10	Croydon Manor	96	0	0
11	Drings Reach	104	104	104
12	Falkland Chase	450	450	450
13	Oakfield Apartments	371	371	371
14	Gramax	180	180	180
15	Galaxy	0	0	195
16	Lenox Park	406	406	406
17	Oak Mill II	192	192	192
18	Olney Manor	100	100	100
19	Randolph Manor	83	83	83
20	Ring House	248	248	248
21	Rockville Housing Enterprises	56	56	56
22	Silver Spring House	80	80	80
23	The Bennington	223	223	223
24	Somerset Apartments	99	99	99
25	The Grand	550	550	550
26	University Manor	136	136	136
27	Victory Forest	181	181	181
<b>PRIVATE SUBTOTAL</b>		<b>4,751</b>	<b>4,711</b>	<b>4,906</b>

## Part D: HOC Financing

<b>NUMBER OF SINGLE FAMILY LOANS</b>	<b>Actual As of 6/30/2010</b>	<b>Estimate As of 6/30/2011</b>	<b>Budget As of 6/30/2012</b>
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### HALF LOANS

#### Number of New Loans

<b>First Trusts</b>	1	1	1
<b>Closing Cost</b>	0	0	1

<b>Actual As of 6/30/2010</b>	<b>Estimate As of 6/30/2011</b>	<b>Budget As of 6/30/2012</b>
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### CLOSING COST LOANS

<b>Number of New Loans</b>	223	120	120
<b>Number of Loans Outstanding</b>	275	300	400

<b>Actual As of 6/30/2010</b>	<b>Estimate As of 6/30/2011</b>	<b>Budget As of 6/30/2012</b>
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### MORTGAGE PURCHASE PROGRAM

<b>Number of New Loans</b>	205	200	175
<b>Number of Loans Outstanding</b>	1,467	1,550	1,600

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**General  
Financial  
Information**

# General Financial Information

Adopted Budget  
June 1, 2011

## Financial Policies

### Budget Policy

The Housing Opportunities Commission of Montgomery County (HOC) budget policy is established to maintain effective management of the Agency's financial resources. A comprehensive annual budget is prepared for all funds expended by HOC.

The purpose of the budget is to allocate resources to ensure adequate funding for the Housing Opportunities Commission's policies, goals, programs and properties.

The Housing Opportunities Commission of Montgomery County (HOC) must adopt annual operating and capital budgets prior to the beginning of each fiscal year (July 1<sup>st</sup>). The budget reflects the priorities of the Commission as identified in the Strategic Plan and provides for the ongoing work of the Agency.

### Internal Control

It is the policy of the Commission to maintain an internal control structure in order to ensure that HOC's assets are protected from loss, theft, or misuse, including the portion related to Federal financial assistance programs. HOC must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). HOC's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits that could be derived; and (2) the valuation of costs and benefits requires management's estimates and judgments.

### Investment Policy

All funds not needed for immediate expenditure are invested in interest bearing

accounts or securities consistent with governing laws and regulations.

All investments are made to achieve the following objects: safety of principal, liquidity and yield.

Investment of HOC funds are limited to:

1. Obligations for which the United States has pledged its full faith and credit for payment of principal and interest.
2. Obligations that a Federal agency issues in accordance with an act of Congress.
3. Investments or deposits of any type that are insured by the Federal government as to principal and interest.
4. Repurchase agreements with banking institutions that maintain the highest short term deposit rating from Standard & Poor's (A-1) and/or Moody's (P-1) or a long term deposit rating no lower than AA from either Moody's or Standard & Poor's.
  - a. Repurchase agreements must be collateralized by one of the following:
    - U.S. government obligations backed by the full faith and credit of the U.S. Government, or
    - Federal agency obligations backed by the full faith and credit of the U.S. Government.
  - b. Value of the underlying repurchase collateral must be equal to or greater than 102% of the principal and interest amount of the investment.
  - c. Prior to negotiating repurchase trades with any financial institution, a repurchase agreement contract mutually acceptable to both HOC and the financial institutions must be executed.
  - d. Collateral must be held by a third party custodian.

## Financial Policies cont.

5. Certificates of Deposit of financial institutions are subject to the following conditions:
  - a. The deposit must be interest bearing.
  - b. The Certificates of Deposit must be fully insured by the Federal government (FDIC) for both principal and interest, or
  - c. The financial institution provides collateral as outlined in 4a. above, which has a market value that equals or exceeds 102% of the amount by which the certificate exceeds the deposit insurance. A third party custodian must hold the collateral.
6. Shares in investment companies rated by either Moody's or Standard & Poor's in its highest rating category, 95% of the assets of which must consist of obligations described in items one and two.
7. Other investments which are in accordance with Maryland law and which receive the express written approval of the Executive Director. The Budget, Finance and Audit Committee will be made aware of all such investments at their next regular meeting.

HOC will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of HOC's total investment portfolio will be invested in a single security type or with a single financial institution.

All security transactions, including collateral for repurchase agreements, entered into by HOC shall be conducted on a "Delivery-Versus-Payment (DVP)" basis.

The Executive Director reports quarterly to the Commission's Budget, Finance and Audit Committee on the status of Agency funds, the investment portfolio and the results of the quarter compared against the budget. The Executive Director shall report to the Commission any instance(s) in which the principal of any HOC investment has been lost in whole or part.

### **Petty Cash Policy**

Petty Cash Funds (technically: Imprest Petty Cash) have been established for several Departments and sites throughout HOC.

These Funds were created so that truly minor purchases (generally less than \$50 for any one item) could be completed without going through the standard purchasing process. Note: Petty Cash Funds were established for efficiency of payment reasons, not to circumvent HOC purchasing policies.

All HOC employees may request a Petty Cash advance to purchase approved goods or services. The standard form entitled "Petty Cash Receipt" must be signed by a Supervisor/Department Head that has Purchase Requisition signing authority for the unit. Forms without a proper authorized signature will not be accepted and no cash will be advanced.

Petty Cash advances are to be used only for goods or services that are not specifically treated in other sections of this manual. In general, minor dollar amount purchases, for which there is a legitimate, immediate need, may be purchased via the Petty Cash process.

The basic operating principle of an imprest Petty Cash Fund is that, at any time, the total cash on hand, plus receipts for items purchased, equals the original amount of the Fund. Periodically, the receipts are submitted to Accounts Payable and a check is produced, cashed, and the Fund is replenished.

The term "Cash" in this situation means actual currency and coin as distinct from a checking account in a bank. The term "Petty" means "of a secondary importance or rank, especially in relation to others of the same class or kind". Thus, Petty Cash is secondary to HOC's main cash bank accounts, but it is not unimportant with respect to security, record keeping and control.

Each Petty Cash Fund is assigned to a Petty Cash Officer, an HOC employee specifically designated, in writing, by their Division and approved by the HOC Controller. The Petty Cash Officer maintains physical control of the cash and all related documents and is responsible for submitting a Petty Cash Reconciliation form to Accounts Payable on a periodic basis.

The Petty Cash Fund, which includes cash and all related documents, must be kept in a secure Cash Box under lock and key at all times.



## Financial Policies cont.

No single item purchased through the Petty Cash Fund may cost more than \$50, unless an exception is approved, in advance, by the Chief Financial Officer or the Controller.

Under no circumstances is the Petty Cash Fund to be used for "loans" to employees or clients.

Responsibility for the Petty Cash Fund may be rescinded by the Controller for any reason at any time. HOC Management has the right to conduct an audit of the Petty Cash Fund at any time and without notice.

### **Procurement Policy**

Purchases of all types, as feasible, are based on competitive bidding from an adequate number of qualified bidders.

All procurements must comply with the provisions of the Affirmative Action Plan.

Goods or services acquired under inter-governmental supply agreements are exempt from the competition requirements of this policy.

Procurements over \$50,000 require solicitation of the full bidders list and posting an internet announcement.

Procurements over \$100,000 require formal advertising, solicitation of the full bidders list and posting an internet announcement.

Procurements under \$50,000 are bid competitively in accordance with established procedures which allow fewer restrictions on smaller purchases.

Procurements of goods and services over \$200,000 are approved by the Commission; those below this amount are approved by the Executive Director or the Executive Director's designee.

Procurements of professional services over \$50,000 are approved by the Commission, those below this amount are approved by the Executive Director or the Executive Director's designee.

Procurements for HUD-funded activities shall follow the HUD procurement requirements.

### **Rental Income Collection Policy**

Rents may be paid by personal checks, money orders, certified checks, and County government checks. No cash is accepted or handled by staff. Rent payments are collected

via mail, and through drop boxes located at the Kensington, East Deer Park, Gaithersburg, and Silver Spring locations during business hours. There is also a secured after-hours drop-box in front of the Kensington building. Payments are collected daily at 3:30pm by bonded courier and delivered immediately to Resident Accounting.

Rent is due on the first day of every month, and is considered late after 5pm on the tenth day of the month. (Residents paying at EDP must submit payment before 3:30pm on the tenth to allow time for the courier to deliver the payments to Resident Accounting). If a resident pays the rent late, the payment must be in the form of a guaranteed payment. No personal checks are accepted after 5pm on the tenth of the month. There is a late fee of 5% of the total rental amount (not just amount outstanding) if the delinquent balance exceeds 10% of the total rental amount. After the tenth of the month, the account goes into legal status and Resident Accounting begins legal proceedings to collect the past due rent and late fees. A monthly Delinquency Report showing accounts that are in legal status is generated. The law now allows landlords to file for current rent due and for the next month's rent if the court date falls in the next month, because the court date and judgment will usually occur in the following month.

The Resident Manager may approve adjustments up to \$50; the Property Manager up to \$500; and the Division Director for anything above \$500.

# Description of Major Revenue Sources

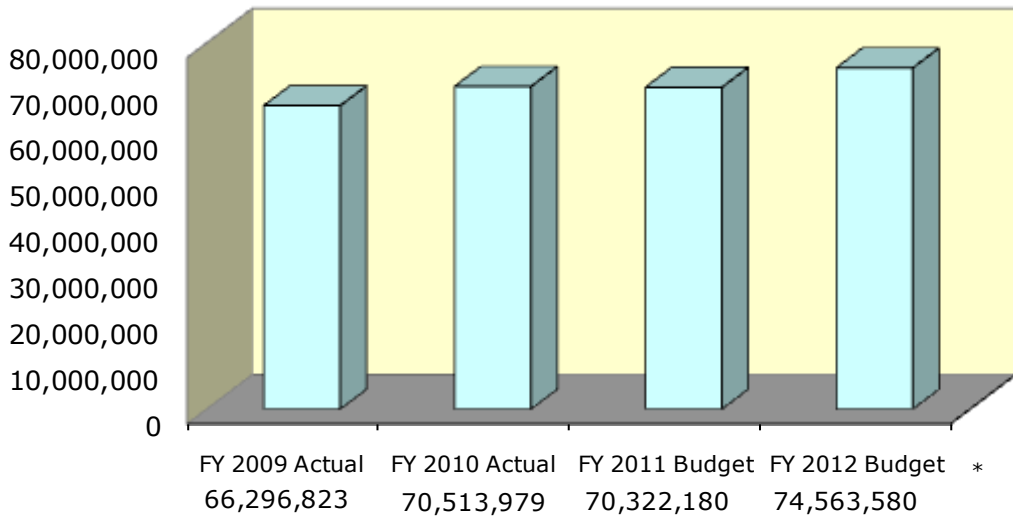
## Federal Funds

### Housing Assistance Payments (HAP) and Housing Choice Voucher (HCV) Program Administrative Fees

HAP is rent subsidy payments that HOC receives from the Federal Department of Housing and Urban Development (HUD) and passes onto the private landlords on behalf of HCV Program participants. To be eligible for this program, HCV recipients must have a

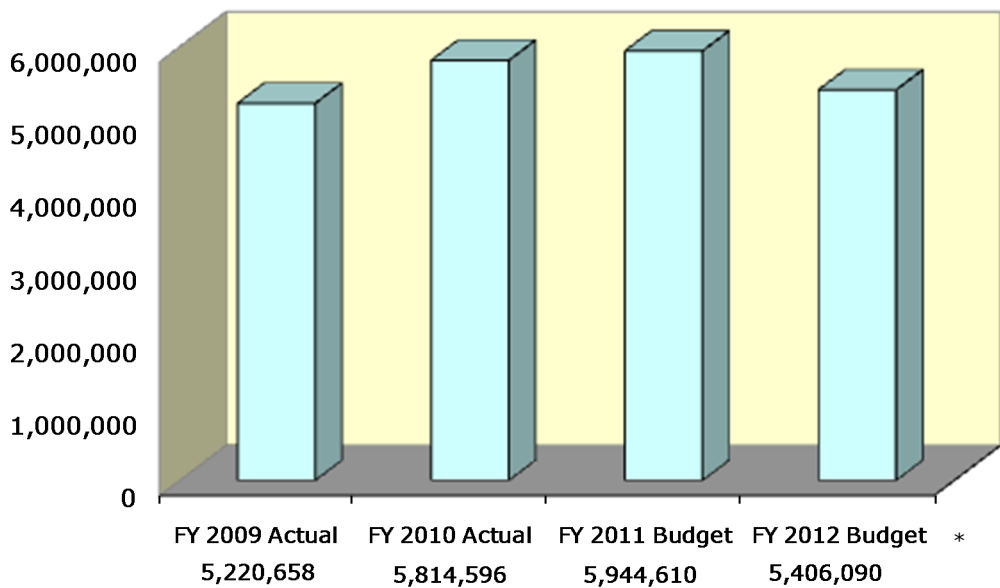
gross household income below 50% of the area median income. Rent subsidy certificates are held by program participants who choose rental units in the private market, provided that the rent is less than a maximum Fair Market Rent (FMR) established by HUD. The program requires that HCV recipients contribute 30% of their household income toward rent, with the HCV Program providing the balance up to the federally determined rent ceiling.

**Housing Assist Payments (HAP)**



*\*Represents 34.2% of Revenues.*

**HCV Administrative Fees - Income**



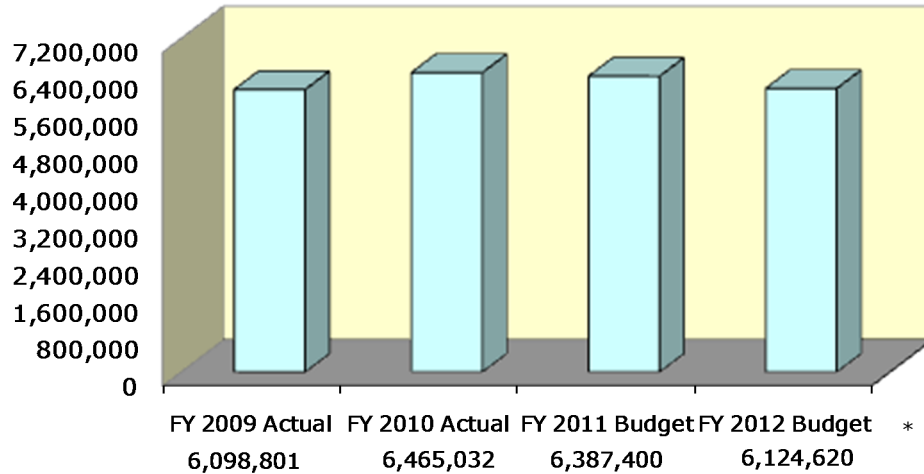
*\*Represents 2.5% of Revenues.*

**Public Housing Operating Subsidy**

HOC receives an annual grant from HUD for operating Public Housing units. HOC applies for this subsidy each year as part of its Public Housing budget submission to HUD. The subsidy is awarded

on a calendar year basis. Prior to CY 2008, the subsidy was calculated at the Agency level. Beginning in CY 2008, the subsidy is now calculated for each Asset Management Project or AMP. For FY 2012, the subsidy is based on FY 2010 income and expenses adjusted for inflation.

**Public Housing Operating Subsidy**



*\*Represents 2.8% of Revenues.*

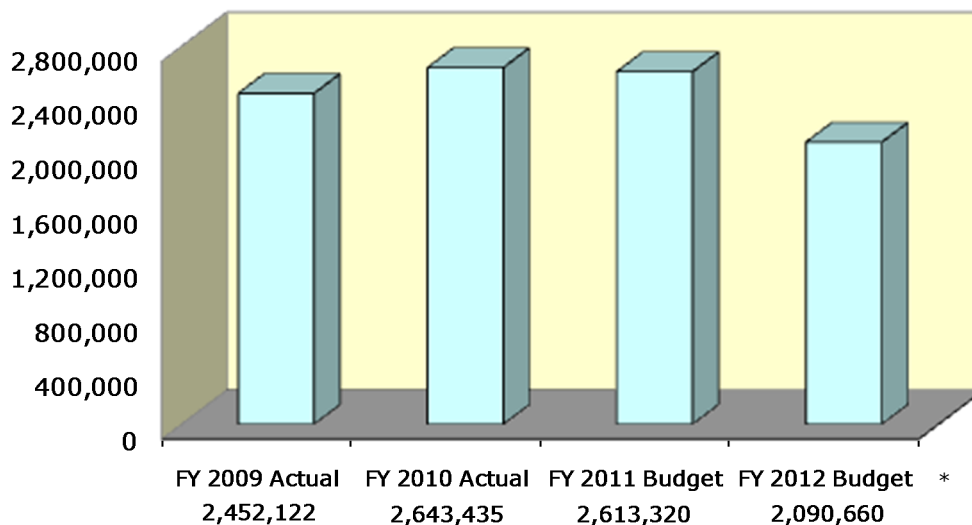
*The FY 2012 budget is based on 92% funding rate from HUD.*

**Capital Fund Program (CFP)**

HOC applies to HUD for CFP funds to modernize Public Housing units; these funds are allocated on a formula basis. In order to obtain these funds, HOC prepares a multi-year comprehensive plan identifying improvement needs. The amount of future funds available for capital improvements of

Public Housing will impact the Agency’s Public Housing operating budget as well as who can be served in these units in the future. The rent and operating subsidies in Public Housing do not provide any funds for replacement reserves for future capital improvements, so if capital funds are cut – then operating costs will increase.

**Capital Fund Program**



*\*Represents 1.0% of Revenues.*

*The FY 2012 capital budget includes an estimated award of \$2.1 million from the Capital Fund Program.*

### **McKinney Funds**

HOC receives funds from HUD for homeless programs through the Stewart B. McKinney Act. Currently, the Agency administers three multi-year grants to provide supportive housing and services to homeless households.

### **Other HUD Grants**

HOC has received several smaller grants from HUD for services to residents in subsidized housing.

## **State Funds**

### **State Rental Allowance Payment (RAP) Program**

The State's RAP Program is a rent subsidy program administered by the Maryland Department of Housing and Community Development. The State RAP Program provides a fixed rent subsidy payment to eligible families who have emergency housing needs. The state provides no management fees to HOC for administering the program. Eligible residents for RAP funds are homeless, low income families, or those in danger of becoming homeless. The income of assisted households cannot exceed 30% of the State's median income.

In order to be effective in high-cost areas such as Montgomery County, State RAP funds must be matched with local dollars. The County government has allocated federal HOME funds to be used as the County's match for this program.

*The FY 2012 budget reflects a full year's operation for this program.*

### **Congregate Housing Services Program**

This is a State funded program to provide support services (i.e., meals and housekeeping) to assist elderly residents to live independently. This grant supplements the service fees paid by low income residents. The annual grant, along with fees paid by residents, pays all operating costs for the program.

# County Funds

## County Operating Grant

Most direct funding received by HOC from Montgomery County is in the form of an annual grant for which HOC applies each year. The bulk (69%) of this grant is used for services to residents in assisted housing. The County grant also reimburses rental license fees charged by the County, offsets rising utility and Home Owner Association (HOA) Fees at our low-income and affordable properties, and supplements the Housing Resource Service and Customer Service Centers.

*The FY 2012 budget required HOC to continue funding personnel and operating expenses previously funded with county dollars.*

## Montgomery Housing Initiative Fund (HIF)

This fund was established by County law in 1988 to construct or acquire affordable housing units; buy and rehabilitate existing rental units that would otherwise be removed

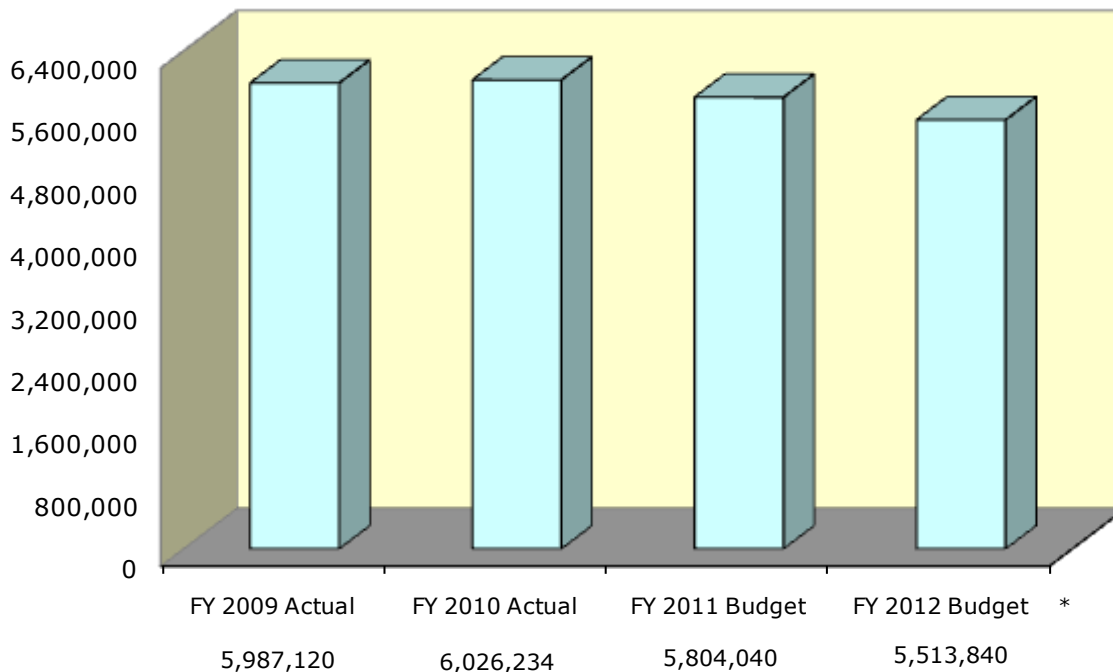
from the supply of affordable housing; and/or participate in mixed-use housing developments that will include affordable housing. HOC requests funds from the HIF on a specific basis.

## County Revolving Funds

Montgomery County's Capital Improvements Program (CIP) includes two revolving funds that HOC is authorized to use as a source of short term financing. The Opportunity Housing Development Fund (OHDF) and the Moderately Priced Dwelling Unit/Property Acquisition Fund (MPDU/PAF). HOC has a loan limit of \$4.5 million from OHDF and a loan limit of \$12.5 million from the MPDU/Property Acquisition Fund. The use of either fund requires joint approval from the County Department of Finance and Department of Housing and Community Affairs (DHCA).

*As of December 31, 2010, HOC has \$13.66 million in outstanding loans, which equals 80% of total authority.*

**County Operating Grant**



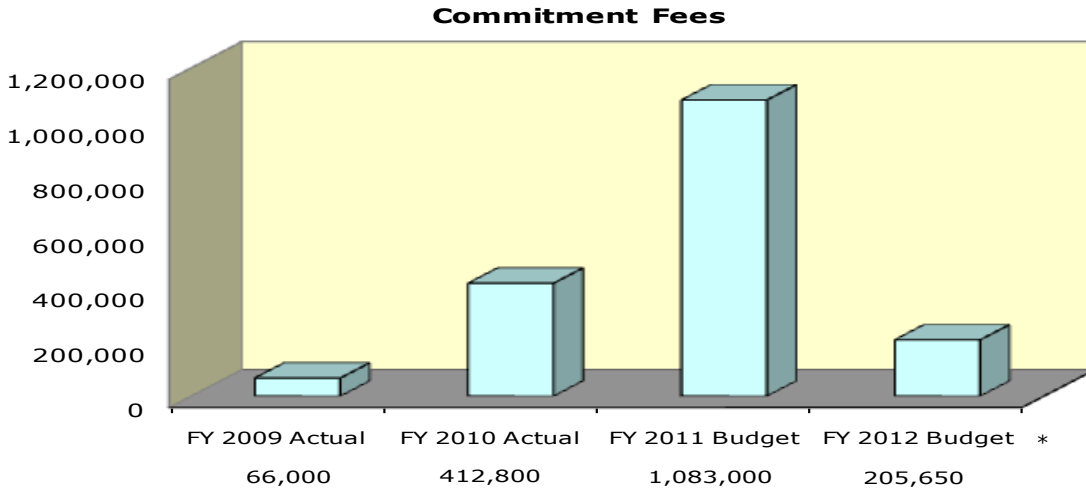
*\*Represents 2.5% of Revenues.*

# Mortgage Finance Activities

## Multifamily Commitment Fees

The HOC Multifamily Commitment Fee structure varies between the bonds that are issued to finance HOC owned or HOC affiliated developments and those issued to finance the activities of private or non-profit owners. HOC charges private and non-profit developers a one percent commitment fee, which is competitive

with the fees charged by the state for their housing bonds. HOC charges a two percent commitment fee to its own developments and developments that are affiliated with the Commission. The commitment fee revenue is used to support the Agency's operating budget and to fund a capital reserve account.



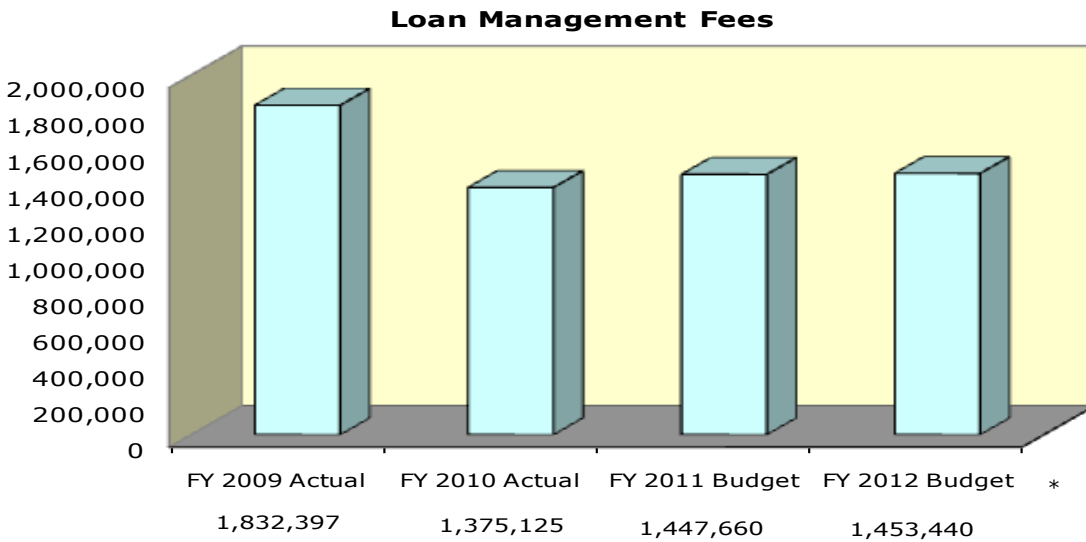
\*Represents 0.1% of Revenues.

*In FY 2012, 40% of all commitment fees collected will be used to support the Agency's operations. The other 60% of the fees will go to the Opportunity Housing Reserve Fund (OHRF) to fund future affordable housing development.*

## Multifamily Loan Management Fees

HOC charges an ongoing loan management fee on multifamily mortgage loans. The loan management fee is based on 0.25% of the original mortgage for as long as the bonds remain

outstanding or the project requires compliance monitoring to satisfy its legal requirements. The Multifamily Loan Management Fee revenues are used to support the Agency's operating budget.



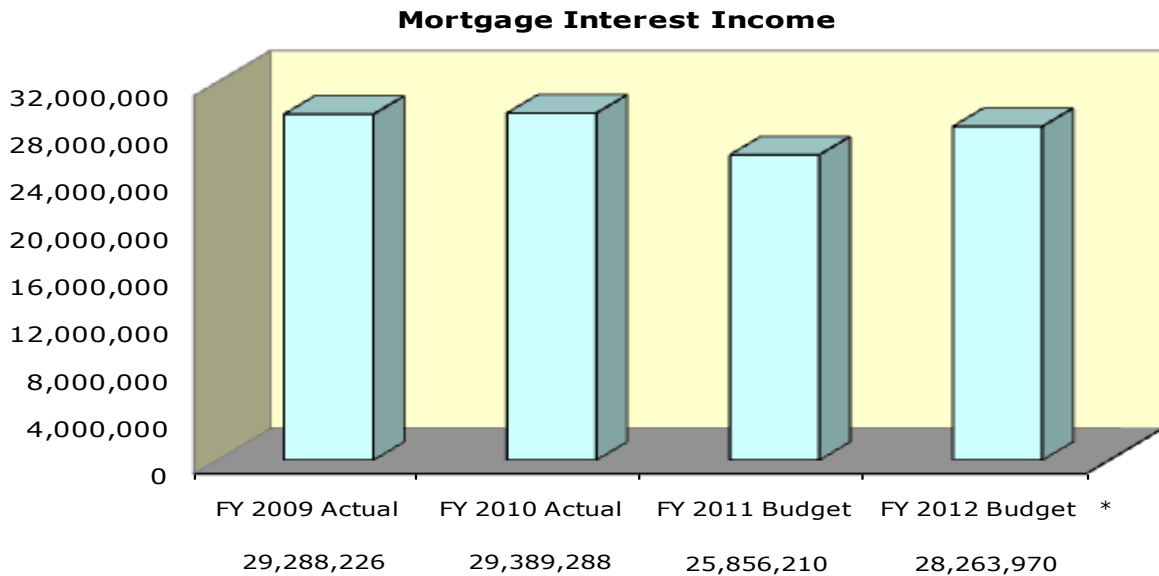
\*Represents 0.7% of Revenues.

*Multifamily Loan Management Fees have been a steady source of income for the Agency.*

**Mortgage Interest Income**

In accordance with HOC’s mission to increase affordable housing in Montgomery County, HOC issues bonds to be used for the purchase of single family mortgages and the origination of multifamily properties. When bonds are issued, mortgage interest income will increase. Simultaneously, HOC actively seeks opportunities to lower borrowing costs by

refunding bonds which represents reduced mortgage interest income. This ongoing activity of issuing and refunding bonds to support our mission results in the fluctuating mortgage interest income as depicted in the chart below. The mortgage interest income earned on the bond funds is restricted to the program.



\*Represents 13.0% of Revenues.

**Bond Funds for Program Administration**

The majority of the activities in these bond funds are related to the collection of mortgage loan repayments, investment income, and the payment of debt service on the bonds. These activities are regulated by the bond indentures and administered by the trustee. The Commission approves administration costs for these programs when it approves the Agency’s annual operating budget. Administration costs are incurred in the Mortgage Finance and Finance Divisions and are covered by revenue in the Single Family and Multifamily bond funds.

*The FY 2012 budget draws \$1,684,654 from 1979 Single Family Indenture for the cost of program administration for the Single Family Mortgage Finance Program and \$830,417 and \$281,701, respectively, from the 1984 and 1982 Multifamily indentures for the program administration costs of the Multifamily program.*

*The Commission’s financial advisor confirms annually to the Commission that the bond funds can maintain these draws without impairing the programs’ bond ratings.*

**Tax-exempt Mortgage Revenue Bonds**

The largest revenue source for the capital

development budget is mortgage revenue bonds. HOC has the authority to issue two types of revenue bonds: Single Family bonds and Multifamily bonds. Single Family bonds are sold to fund mortgages made to qualified purchasers of single family homes. Multifamily bonds are sold to fund mortgages for the purchase of developments of qualified multifamily rental properties. Typically, interest rates on both types of mortgages are below the interest rates on comparable conventional mortgages since issuers pay a lower rate to bond holders due to the tax-exempt status of the bonds.

The purpose of the tax exemption is to induce private investors to participate in the creation of affordable housing. The tax exemption provides lower interest rates to help to make homeownership and rental housing more affordable to low and moderate income households. The tax-exempt status carries a host of restrictions regarding qualified buyers, properties and renters that requires ongoing compliance monitoring .

HOC is one of the most active local issuers of mortgage revenue bonds in the country. Since 1979, HOC has issued about \$4.5 billion of securities and currently has about \$1.0 billion of securities outstanding. HOC has been one of a few local issuers that have remained active since 1986 when the Federal government placed a limit on the volume of private activity bonds issued within a state.

There is no federally imposed limit on the amount of essential purpose bonds. However, an annual ceiling of \$150 million is imposed by the State for bonds that are issued to fund developments that will be owned by non-profit corporations. The HOC Capital Development Budget relies heavily upon the issuance of essential purpose bonds.

## Property Management Activities

### Rents and Related Income from Properties

Rental related income from the Public Housing properties are based on the resident's income thus may be affected by economic conditions. Rent assumptions for the Opportunity Housing Program are property specific and are based on a combination of subsidy requirements and market conditions. The Commission reviews rent assumption for the Opportunity Housing

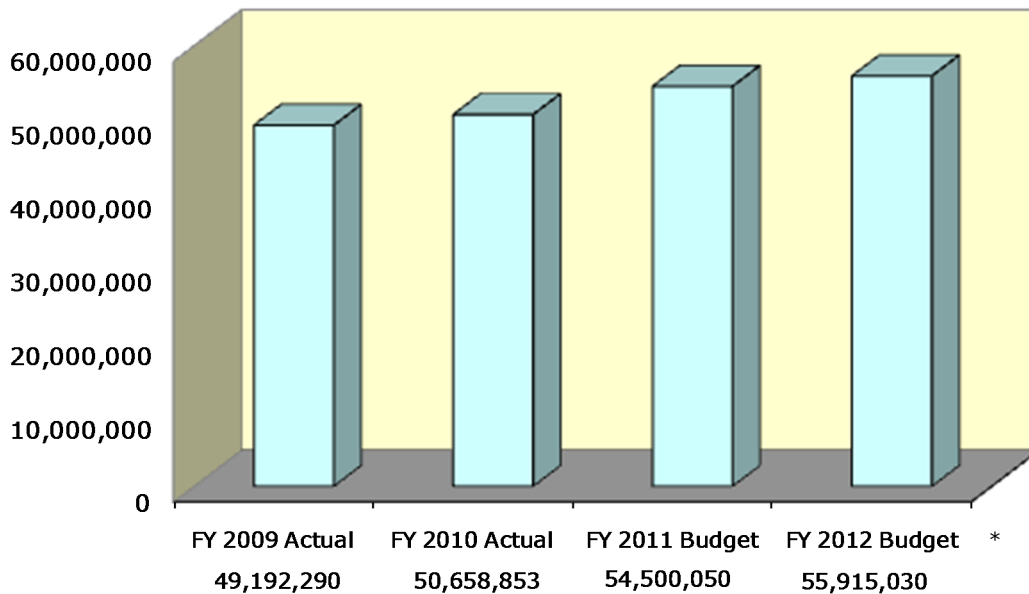
properties annually during the budget development process. Rent is HOC's largest single revenue source after the Housing Assistance Payments.

*The FY 2012 budget made the following assumptions for rental rates at Opportunity Housing Properties:*

*Rent increase upon renewal budgeted at 1%-4%*

*"Street Rent" upon turnover at market rate (actual increases will be based on surveys of market rent in the area)*

### Tenant Income



*\*Represents 25.6% of Revenues.*

### Opportunity Housing Property Reserves

Each Opportunity Housing property sets aside a planned amount of replacement reserves from operating income for future rehabilitation needs. The annual amount is based on a ten year capital needs analysis that is prepared for each property each year. Any net income a property recognizes is

reflected in that property's accounts as operating reserves. Some property reserves are restricted.

*The FY 2012 Capital Improvement Budget for Opportunity Housing properties is funded from the replacement reserves that are set aside each year in the operating budget as well as general fund property reserves when necessary.*



## Management Fees

HOC charges fees to its properties and revenue generating divisions for central administration, property management administration, and asset management based on an indirect cost study that is updated annually.

Management Fees (non-Property): Many of HOC's non-Property revenue generating divisions have specific management fee guidelines that determine the fees charged to these programs. For programs that do not have specific guidelines, fees are charged based on a percentage of direct salary and benefit costs as calculated by the Indirect Cost Study.

Allocated Overhead Fees: The fees charged to the properties that HOC manages but does not own is based on a management agreement with the owners. The fee charged to the properties HOC owns and manages is based on allocating the full overhead costs as calculated by the Indirect Cost Study based on a per unit basis.

Scattered Site Management Fees: Due to the number of programs with units scattered throughout the county, a cost center to control certain costs associated with the management of these units was created. For properties that HOC manages but does not own, the costs are allocated on a per unit basis. The allocation for properties HOC owns and manages is incorporated in the Allocated Overhead Fee.

## Other Income

### Interest Income

Interest income is reflected throughout the Agency's funds based on the cash balances of its funds. The Agency has an investment policy that it follows to manage its cash investments.

### Opportunity Housing Reserve Fund (OHRF)

HOC established the OHRF in 1980 initially to address the use of revenues generated from the sale of bonds under the Single Family Mortgage Purchase Program. Today, the OHRF is a repository of unrestricted proceeds from various HOC activities, whose primary

purpose is the production of affordable housing.

The Commission makes final decisions about how funds from the OHRF are spent. By policy the Commission has chosen to use OHRF primarily for capital development projects. The OHRF is usually used in conjunction with State and/or County subsidies to write down the capital costs or to provide a reserve fund for projected operating deficits in the early years. These funds are transferred by the Commission to the property reserves of a particular opportunity housing property, if needed.

## Debt Management

Bonds issued by the Commission include Single Family Mortgage Revenue Bonds and Multifamily Housing Revenue Bonds. Single Family Mortgage Revenue Bonds provide below-market interest rate mortgage loans for the purchase of single family homes for low to moderate income families on an equal opportunity basis. The Multifamily Housing Revenue Bonds provide below-market rental units within multifamily developments for low to moderate income families.

Except as noted below, neither the Single Family Mortgage Revenue Bonds nor the Multifamily Housing Revenue Bonds constitute a liability or obligation, either direct or indirect, of Montgomery County, the State of Maryland

or any political subdivision thereof. The Multifamily Housing Revenue Bonds 1998 Issue A and 2009 Series A are guaranteed as general obligation bonds of Montgomery County. The Multiple Purpose Bonds 2002 Series A, B and C and the 2008 Series A are guaranteed as general obligation of the Commission.

Mortgage payments on Opportunity Housing properties are paid from the properties' accounts; these payments are not backed by the full faith and credit of the Agency.

The Commission participates in a mortgage insurance risk-sharing agreement with HUD to provide for full mortgage insurance through the Federal Housing Administration of loans for

affordable housing. The Commission was approved by HUD as both a Level I and Level II participant. Level I participants assume 50-90% of the risk of loss from mortgage default and Level II participants assume either 25% or 10% of the risk of loss from mortgage default.

Upon default of a mortgage and request of the Commission, HUD will pay the claim in full, so the Commission can redeem the bonds. Upon receipt of the cash payment from FHA, the Commission will execute a debenture, promissory note or some other instrument, with HUD for the full amount of the claim. In the instrument, the Commission will agree to reimburse HUD over a five-year period for its portion of the loss upon the sale of the project based on the proportion of risk borne by the Commission. The Commission must pay annual interest on the debenture at HUD's cost of borrowing from the U.S. Treasury.

The Commission has the use of revolving

funds from the County in the amount of \$17 million; these loans are used for interim financing and are repaid when HOC is reimbursed from the source of the permanent financing for the project. HOC also has a \$30 million unsecured line of credit with PNC Bank. These funds are also used for interim financing of development activity, or other purposes if approved by the Commission and the Bank.

*In FY 1995, Moody's assigned HOC an A2 bond rating. The Agency continues to maintain this rating. HOC was the first local housing agency in the country to seek and attain such a rating.*

### Legal Debt Limit

HOC is not limited in the amount of debt it can incur. However, each financing plan is reviewed by Moody's to ensure that our A bond rating is maintained. The following table summarizes the total indebtedness of the Agency as of March 31, 2011.

## Debt Summary (As of March 31, 2011)

Bonds	Amount Issued	Amount Outstanding	Property Related	Amount Outstanding
Single Family Fund	394,609,729	313,735,957	Intra-Commission Mortgages	190,743,856
Multifamily Fund	552,336,992	437,475,264	Other Mortgages	12,189,637
<b>Total HOC Bonds</b>	<b>\$946,946,721</b>	<b>\$751,211,221</b>	<b>Total Mortgages</b>	<b>\$202,933,493</b>
Non-Obligated Multifamily Bonds	268,512,000	249,343,226	County Revolving Funds	13,622,960
<b>Total Non-Obligated Bonds</b>	<b>\$268,512,000</b>	<b>\$249,343,226</b>	Notes Payable to County	47,251,420
			<b>Total Debt to County</b>	<b>\$60,874,380</b>
			<b>Notes Payable to State</b>	<b>\$18,150,459</b>
<b>TOTAL BONDS</b>	<b>\$1,215,458,721</b>	<b>\$1,000,554,447</b>	<b>TOTAL PROPERTY DEBT</b>	<b>\$281,958,332</b>

## Single Family Mortgage Revenue Bonds (As of March 31, 2011)

Bond Series	Final Maturity	Amount Issued	Amount Outstanding
1998 Series A	7/1/2028	16,849,295	30,992,881 (1)
2001 Series A	7/1/2032	19,114,606	1,250,000
2002 Series A	7/1/2019	13,200,000	2,475,000
2002 Series B	7/1/2033	1,800,828	2,873,076 (1)
2002 Series C	7/1/2033	16,890,000	16,890,000
2004 Series A	7/1/2024	19,645,000	10,525,000
2004 Series B	7/1/2034	5,355,000	1,100,000
2005 Series A	7/1/2025	18,500,000	12,730,000
2005 Series B	7/1/2035	6,500,000	1,650,000
2005 Series C	7/1/2025	11,600,000	7,905,000
2005 Series D	7/1/2036	13,400,000	8,230,000
2006 Series A	7/1/2026	18,705,000	13,520,000
2006 Series B	7/1/2037	11,295,000	7,710,000
2007 Series A	7/1/2021	15,875,000	11,785,000
2007 Series B	7/1/2038	19,125,000	16,395,000
2007 Series C	7/1/2015	1,000,000	1,000,000
2007 Series D	7/1/2038	20,000,000	16,100,000
2007 Series E	1/1/2038	13,000,000	13,000,000
2007 Series F	7/1/2038	10,000,000	10,000,000
2008 Series A	7/1/2021	13,205,000	8,035,000
2008 Series B	7/1/2039	3,900,000	3,290,000
2008 Series C	7/1/2039	8,450,000	8,450,000
2008 Series D	7/1/2039	17,200,000	17,200,000
2009 Series A	6/30/2009	20,000,000	19,630,000
<b>Total Single Family Revenue Bonds</b>		<b>\$314,609,729</b>	<b>\$242,735,957</b>
<b>SINGLE FAMILY HOUSING REVENUE BONDS (As of March 31, 2011)</b>			
NIBP 2009 Series A	12/23/2009	10,000,000	10,000,000
NIBP 2009 Series B	12/23/2009	15,000,000	15,000,000
NIBP 2009 Series C	12/23/2009	40,000,000	31,000,000
NIBP 2009 Series C-1	12/8/2010	9,000,000	9,000,000
NIBP 2010 Series A	12/8/2010	6,000,000	6,000,000
<b>Total HOC Owned Bonds</b>		<b>\$80,000,000</b>	<b>\$71,000,000</b>
<b>Total Bonds</b>		<b>\$394,609,729</b>	<b>\$313,735,957</b>

(1) Includes Accreted Value as of 3/31/2011.

# Multifamily Housing Bonds (As of March 31, 2011)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding		Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding	
<b>Multifamily Program Fund:</b>							<b>Housing Development Bonds (Guaranteed by Montgomery County)</b>						
<u>1982 Open Indenture</u>							<u>1998 Issue A</u>						
1992 Series C	The Ambassador	Private	7/1/2032	4,425,000	2,465,000		Landings Edge	Non-Profit	7/1/2028	12,900,000	9,825,000		
<b>SUBTOTAL</b>						<b>\$4,425,000</b>	<b>\$2,465,000</b>	Pook's Hill	HOC				
<u>1984 Open Indenture</u>							<u>2009 Issue A</u>						
1984 Series A			7/1/2026	5,521,992	110,264 (1)		MetroPointe	HOC	1/1/2012	32,295,000	32,295,000		
1995 Series A	MPDU I	HOC	7/1/2026	23,910,000	2,745,000		<b>SUBTOTAL</b>						
1996 Series A	The Oaks @ Four Corners	HOC	7/1/2026	3,625,000	2,645,000					<b>\$45,195,000</b>	<b>\$42,120,000</b>		
1996 Series B	Croyden Manor	Private	7/1/2028	13,610,000	2,990,000		<u>Multiple Purpose Indenture</u>						
<b>SUBTOTAL</b>						<b>\$46,666,992</b>	<b>\$8,490,264</b>	2002 Series A	Strathmore Court	HOC	11/1/2033	22,325,000	21,090,000
<u>1996 Open Indenture</u>							<u>2002 Series C</u>						
1998 Series A	TPM Development	HOC	7/1/2030	11,935,000	9,525,000		Fairfax Court	HOC	1/1/2032	12,965,000	12,965,000		
1998 Series B	Shady Grove	HOC	7/1/2030	18,905,000	13,920,000		Pook's Hill	HOC					
	Manchester Manor	HOC					Paddington Square	HOC					
	The Willows	HOC					2008 Series A	Greenhills	HOC	5/1/2039	13,355,000	13,355,000	
2000 Series A	Ring House	Non-Profit	7/1/2030	19,465,000	16,140,000		<b>SUBTOTAL</b>						
2000 Series B	MHLP X	HOC	7/1/2042	28,600,000	23,820,000					<b>\$48,645,000</b>	<b>\$47,410,000</b>		
	Stewartown	HOC					<u>Multifamily Housing Bonds Indenture</u>						
	Georgian Court	HOC					2009 Series A-1	Galaxy		7/1/2051	38,450,000	38,450,000	
	Burnt Mill Crossing II	Private					2009 Series A-2	Argent		1/1/2044	8,040,000	8,040,000	
	University Manor	Private					2010 Series A	Argent		1/1/2033	4,860,000	\$4,860,000	
2001 Series A	Somerset	Private	7/1/2042	8,240,000	7,630,000		<b>SUBTOTAL</b>						
2002 Series A	Drings Reach	Non-Profit	7/1/2033	8,330,000	7,180,000					<b>\$51,350,000</b>	<b>\$51,350,000</b>		
2002 Series B	Silver Spring Metro	Private	7/1/2044	31,465,000	28,760,000		<u>1996 Open Indenture</u>						
2003 Series A	Brookside Glen	HOC	7/1/2034	20,265,000	17,390,000		1998 Series A	TPM Development	HOC	7/1/2030	11,935,000	9,525,000	
	Diamond Square	HOC					1998 Series B	Shady Grove	HOC	7/1/2030	18,905,000	13,920,000	
	Montgomery Arms	HOC						Manchester Manor	HOC				
2003 Series B	Gramax	Private	7/1/2045	17,840,000	17,025,000			The Willows	HOC				
2004 Series A	Charter House	Private	7/1/2036	13,700,000	12,935,000		2000 Series A	Ring House	Non-Profit	7/1/2030	19,465,000	16,140,000	
2004 Series B	Rockville Housing	Non-Profit	7/1/2045	4,085,000	3,865,000		2000 Series B	MHLP X	HOC	7/1/2042	28,600,000	23,820,000	
2004 Series C	Chevy Chase	HOC	7/1/2036	19,460,000	17,705,000			Stewartown	HOC				
2004 Series C	Barclay	HOC						Georgian Court	HOC				
2004 Series D	Spring Garden	HOC	7/1/2036	14,110,000	12,855,000			Burnt Mill Crossing II	Private				
2004 Series D	Barclay	HOC						University Manor	Private				
2005 Series B	The Metropolitan Tax Credit	HOC	7/1/2034	6,200,000	5,440,000			Somerset	Private	7/1/2042	8,240,000	7,630,000	
2005 Series C	The Metropolitan HOC	HOC	7/1/2037	31,985,000	28,630,000			Drings Reach	Non-Profit	7/1/2033	8,330,000	7,180,000	
2007 Series A	Forest Oak	HOC	7/1/2037	19,055,000	18,040,000			Silver Spring Metro	Private	7/1/2044	31,465,000	28,760,000	
2007 Series B-1	Alexander House	HOC	7/1/2037	26,800,000	22,085,000			Brookside Glen	HOC	7/1/2034	20,265,000	17,390,000	
2007 Series B-2	Sligo Hills MPDU 3	HOC	7/1/2037	26,800,000	3,020,000			Diamond Square	HOC				
2007 Series C-1	Tx Cr 9, Tx Cr Pond Ridge	Non-Profit/HOC	7/1/2028	8,220,000	5,110,000			Montgomery Arms	HOC				
2007 Series C-2	Silver Spring Hs.	Non-Profit/HOC	7/1/2028	8,220,000	2,190,000			Gramax	Private	7/1/2045	17,840,000	17,025,000	
2010 Series A	Magruders	HOC	7/1/2041	12,375,000	12,375,000			Charter House	Private	7/1/2036	13,700,000	12,935,000	
<b>SUBTOTAL</b>				<b>\$356,055,000</b>	<b>\$285,640,000</b>								
<b>(1) Includes Accreted Value</b>													

## Multifamily Housing Bonds (As of March 31, 2011)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
<b>Non-Obligation Bond Issues:</b>					
<b><u>Multifamily Housing Revenue Bonds</u></b>					
2010 Issue A	Canterbury	Private	5/1/2026	31,680,000	31,680,000
2010 Issue B	Oak Mill II	Private	5/1/2026	9,600,000	9,600,000
2003 Issue A	Randolph Manor	Private	8/1/2045	5,500,000	5,313,165
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,783,153
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	2,102,958
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,585,536
2006 Issue A	Covenant Village	Private	12/1/2048	6,418,000	6,334,414
2008 Issue A	Victory Forest	Private	9/1/2045	6,600,000	6,600,000
<b><u>Multifamily Housing Revenue Refunding Bonds</u></b>					
2001 Issue A	Draper Lane	Private	3/1/2040	35,000,000	35,000,000
2001 Issue B	Draper Lane	Private	3/1/2040	11,000,000	11,000,000
2001 Issue C	Draper Lane	Private	3/1/2040	6,000,000	6,000,000
<b><u>Variable Housing Revenue Bonds</u></b>					
1985 Issue II	Falkland Apartments	Private	12/1/2030	24,695,000	24,695,000
1993 Issue I	Windsor Court	Private	11/1/2022	20,200,000	0 sold
1997 Issue I	The Grand	Private	6/1/2030	54,000,000	57,000,000
2005 Issue I	Oakfield	Private	7/1/2039	38,000,000	38,000,000
1998 Issue I	Byron Housing	Private	9/1/2030	2,319,000	1,649,000
<b>SUBTOTAL</b>				<b>\$268,512,000</b>	<b>\$249,343,226</b>
<b>TOTAL Multifamily Bonds</b>				<b>\$268,512,000</b>	<b>\$249,343,226</b>



# Debt Summary By Fund

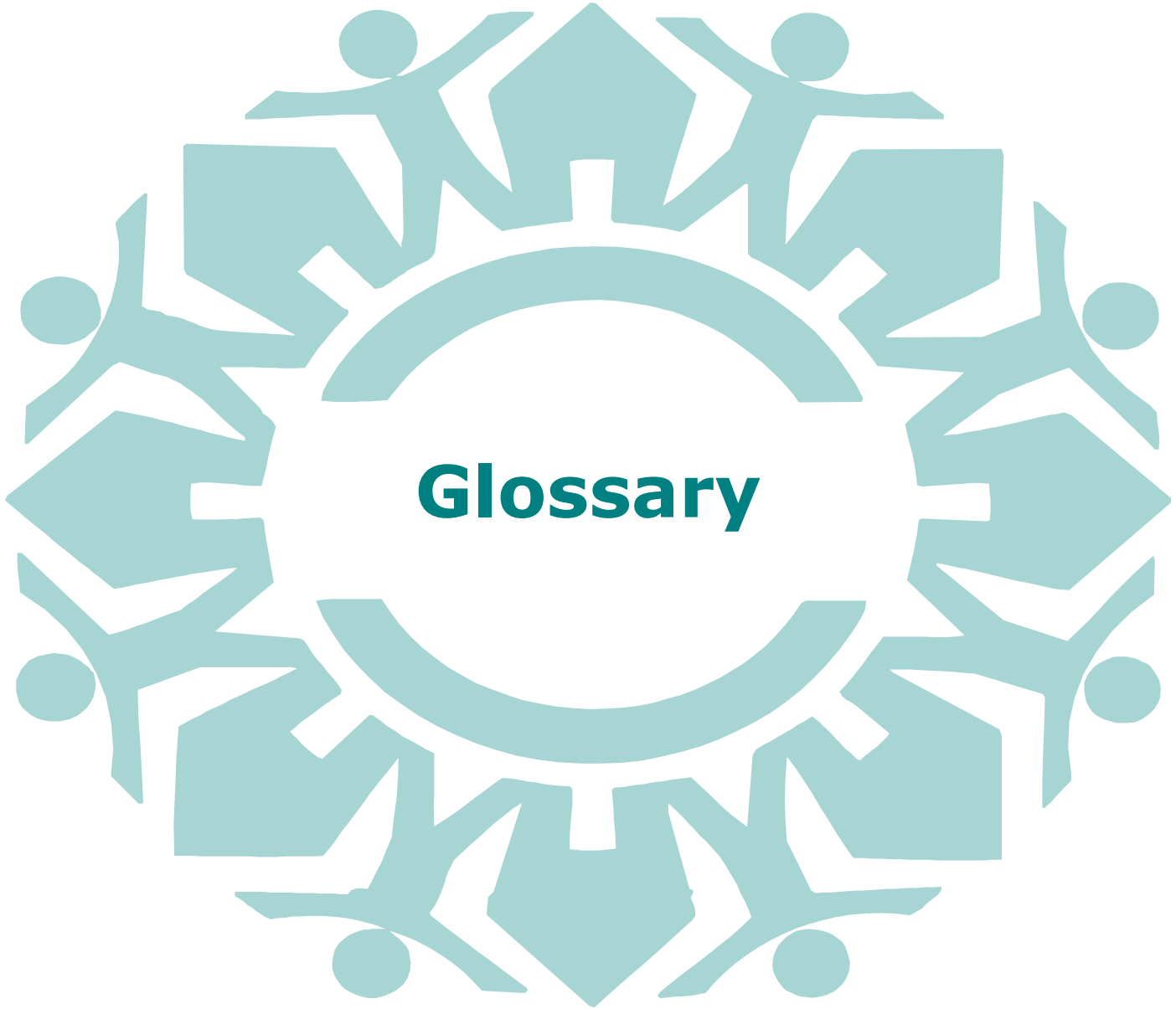
Property Name	Total Debt Service			FY 2012 Adopted Budget			
	FY 2009 Actual	FY 2010 Actual	FY 2011 Amended Budget	Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service
<b>General Fund</b>							
Facilities	45,023	71,728	115,400	25,320	0	76,030	101,350
IT	213,040	264,287	359,670	21,580	0	313,730	335,310
<b>Total General Fund</b>	<b>\$258,063</b>	<b>\$336,015</b>	<b>\$475,070</b>	<b>\$46,900</b>	<b>\$0</b>	<b>\$389,760</b>	<b>\$436,660</b>
<b>Multifamily Bond Fund</b>	<b>\$19,641,650</b>	<b>\$19,525,305</b>	<b>\$19,082,340</b>	<b>\$19,443,270</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,443,270</b>
<b>Single Family Bond Fund</b>	<b>\$11,823,965</b>	<b>\$11,129,004</b>	<b>\$11,702,680</b>	<b>\$11,640,860</b>	<b>\$14,880</b>	<b>\$0</b>	<b>\$11,655,740</b>
<b>Opportunity Housing Fund</b>							
Alexander House	1,967,456	1,965,874	1,964,190	1,272,040	106,920	433,450	1,812,410
Barclay	688,936	687,984	687,990	425,980	47,780	212,190	685,950
Brookside Glen (The Glen)	507,717	507,000	506,260	300,250	29,810	175,400	505,460
Chelsea Towers	76,862	75,286	73,570	28,720	0	43,000	71,720
Chevy Chase Lake	539,415	538,670	537,890	333,530	37,410	166,140	537,080
Diamond Square	120,183	119,334	119,800	70,940	7,610	41,060	119,610
Fairfax Court	58,513	56,583	56,590	46,290	0	10,290	56,580
Greenhills	292,015	318,562	318,560	260,920	0	57,640	318,560
Holiday Park	101,563	101,563	102,460	0	0	131,240	131,240
Magruder's Discovery	695,205	347,604	0	750,060	58,540	134,190	942,790
McHome	42,717	42,717	42,720	42,720	0	0	42,720
MetroPointe	852,345	1,966,206	1,965,190	1,460,900	162,180	339,870	1,962,950
Metropolitan, The	2,331,343	2,317,786	2,327,420	1,743,270	136,540	445,430	2,325,240
Montgomery Arms	854,119	854,119	849,280	538,630	45,260	361,650	945,540
MHLP I	62,676	61,798	62,680	42,640	0	9,500	52,140
MHLP II	0	0	100,880	44,430	0	9,890	54,320
MHLP III	53,025	52,520	53,020	38,410	0	8,550	46,960
MHLP IV	90,972	89,460	90,970	59,560	0	13,260	72,820
MHLP V	92,286	83,887	92,280	62,490	0	13,910	76,400
MHLP VI	114,389	60,791	61,580	42,610	0	9,490	52,100
MPDU 2004	37,307	29,777	29,770	7,240	0	22,540	29,780
MPDU I (64)	233,220	232,797	232,350	123,570	10,430	97,870	231,870
TPM - MPDU II (59)	234,713	234,318	233,900	131,210	12,580	89,680	233,470
The Oaks @ Four Corners	290,064	288,115	287,990	166,090	13,000	108,370	287,460
Paddington Square	1,161,888	1,053,636	1,053,580	627,700	0	459,890	1,087,590
Paint Branch	44,799	44,799	44,800	7,270	0	37,530	44,800
TPM - Pomander Court	47,350	47,271	47,200	26,470	2,540	18,090	47,100
Pooks Hill Mid-Rise	364,496	364,608	364,600	153,710	0	210,900	364,610
Pooks Hill High-Rise	0	836,672	1,115,570	912,620	0	202,950	1,115,570
Sligo Hills/ MPDU III	235,594	235,376	235,150	170,000	14,760	50,150	234,910
Strathmore Court	1,222,147	1,219,711	1,215,660	839,620	0	372,850	1,212,470
Tanglewood	7,500	7,500	7,500	0	0	7,500	7,500
TPM-Timberlawn	475,850	475,050	474,210	266,010	25,500	181,810	473,320
Westwood Tower	1,736,623	1,751,086	1,800,650	0	0	1,817,810	1,817,810
<b>Total Opportunity Housing Fund</b>	<b>\$15,633,288</b>	<b>\$17,068,460</b>	<b>\$17,156,260</b>	<b>\$10,995,900</b>	<b>\$710,860</b>	<b>\$6,294,090</b>	<b>\$18,000,850</b>
<b>Public Fund</b>							
Capital Fund Grant	0	0	311,960	312,530	0	0	312,530
<b>Total Public Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$311,960</b>	<b>\$312,530</b>	<b>\$0</b>	<b>\$0</b>	<b>\$312,530</b>
<b>TOTAL AGENCY</b>	<b>\$47,356,966</b>	<b>\$48,058,784</b>	<b>\$48,728,310</b>	<b>\$42,439,460</b>	<b>\$725,740</b>	<b>\$6,683,850</b>	<b>\$49,849,050</b>

# Estimated Agency Funds (As of June 30, 2011)

Shown below is the agency's projected income statement and impact on fund balance for all funds for FY 2011 based on the accrual basis. The agency's budgets are adopted under the modified cash basis. This chart is prepared to help in converting the cash based budgets to the agency's accrual based financial statements.

	General Fund	Opportunity Housing Fund	Public Fund	Multifamily Bond Fund	Single Family Bond Fund	Eliminations	Total
<b>Beginning Fund Balance: 6/30/10</b>	<b>\$20,432,647</b>	<b>\$50,818,567</b>	<b>\$77,858,585</b>	<b>\$22,351,305</b>	<b>\$26,244,638</b>	<b>(\$8,626,664)</b>	<b>\$189,079,078</b>
<b>Revenue:</b>							
Housing Assistance Payments (HAP)	0	0	77,652,164	0	0	0	77,652,164
HAP administrative fees	0	0	6,091,174	0	0	0	6,091,174
Other grants	0	0	10,963,130	0	0	0	10,963,130
State and County grants	0	0	11,722,046	0	0	0	11,722,046
Investment income	0	0	0	6,054,568	2,068,558	0	8,123,126
Unrealized Gains (Losses) on Investment	0	0	0	(1,713,858)	(925,189)	0	(2,639,047)
Interest on mortgage & construction loans receivable	0	0	0	16,842,576	12,361,820	(10,242,160)	18,962,236
Dwelling Rental	680,288	50,580,206	5,387,856	0	0	0	56,648,350
Dwelling units sale/loss	0	0	0	0	0	0	0
Management fees and other income	14,277,128	1,641,970	2,769,786	51,516	0	(12,172,894)	6,567,506
<b>Total Operating Income</b>	<b>\$14,957,416</b>	<b>\$52,222,176</b>	<b>\$114,586,156</b>	<b>\$21,234,802</b>	<b>\$13,505,189</b>	<b>(\$22,415,054)</b>	<b>\$194,090,685</b>
<b>Expenses:</b>							
Housing Assistance Payments	0	0	78,120,180	0	0	0	78,120,180
Administration	10,322,868	9,448,488	18,045,962	2,117,202	2,908,192	(8,317,288)	34,525,424
Maintenance	888,602	9,886,646	4,146,834	17,500	0	0	14,939,582
Depreciation and amortization	992,032	10,182,476	4,495,816	0	0	0	15,670,324
Utilities	291,384	4,191,278	2,158,384	0	0	0	6,641,046
Fringe benefits	3,393,238	780,496	4,060,124	0	0	0	8,233,858
Interest Expense	0	13,756,440	0	20,475,826	10,869,590	(10,242,160)	34,859,696
Other	344,742	3,599,238	3,485,910	0	23,532	(3,855,606)	3,597,816
Bad Debt Expense	12,106	257,238	109,292	0	0	0	378,636
<b>Total Operating Expenses</b>	<b>\$16,244,972</b>	<b>\$52,102,300</b>	<b>\$114,622,502</b>	<b>\$22,610,528</b>	<b>\$13,801,314</b>	<b>(\$22,415,054)</b>	<b>\$196,966,562</b>
<b>Operating Income (loss)</b>	<b>(\$1,287,557)</b>	<b>\$119,876</b>	<b>(\$36,346)</b>	<b>(\$1,375,726)</b>	<b>(\$296,125)</b>	<b>\$0</b>	<b>(\$2,875,878)</b>
<b>Non-operating revenues (expense):</b>							
Other Grants	0	33,046	0	0	0	0	33,046
State and County grants	0	3,856	0	0	0	0	3,856
Investment income	444,536	110,362	42,726	0	0	0	597,624
Unrealized Gains (Losses) on Investment	0	0	0	0	0	0	0
Interest on mortgage & construction loans receivable	101,780	76,700	0	0	0	0	178,480
Interest Expense	(138,540)	0	0	0	0	0	(138,540)
<b>Total Non-operating Income (Loss)</b>	<b>\$407,776</b>	<b>\$223,964</b>	<b>\$42,726</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>674,466</b>
<b>Capital Contributions</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,502,328</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>3,502,328</b>
<b>Ending Fund Balance: 6/30/11 est.</b>	<b>\$19,552,867</b>	<b>\$51,162,407</b>	<b>\$81,367,293</b>	<b>\$20,975,579</b>	<b>\$25,948,513</b>	<b>(\$8,626,664)</b>	<b>\$190,379,995</b>
<b>Estimated Change in Fund Balance</b>	<b>(\$879,781)</b>	<b>\$343,840</b>	<b>\$3,508,708</b>	<b>(\$1,375,726)</b>	<b>(\$296,125)</b>	<b>\$0</b>	<b>\$1,300,917</b>
<b>'Budgeted Fund Balance: 6/30/12 est.</b>	<b>\$18,438,527</b>	<b>\$52,911,997</b>	<b>\$81,367,293</b>	<b>\$23,027,929</b>	<b>\$26,531,593</b>	<b>(\$8,626,664)</b>	<b>\$193,650,675</b>
<b>Budgeted Change in Fund Balance for FY 2012</b>	<b>(\$1,114,340)</b>	<b>\$1,749,590</b>	<b>\$0</b>	<b>\$2,052,350</b>	<b>\$583,080</b>	<b>\$0</b>	<b>\$3,270,680</b>





**Glossary**

# Glossary

Adopted Budget  
June 1, 2011

## List of Commonly Used Terms

### **9% Tax Credit**

Credits against income tax granted competitively by allocation from state housing agencies in return for the production or preservation of housing affordable to specified income levels over 10 years; one of two low income housing tax credits (LIHTC).

### **501(c)(3)**

A non-profit and tax-exempt organization which is organized under Section 501(c)(3) of the Federal Tax Code. A 501(c)(3) Bond can be used to provide single family housing without the need for Private Activity Volume Cap.

### **Accreted Value**

The theoretical price a bond would sell at if market interest rates were to remain at current levels.

### **Accrual Basis**

A basis of accounting in which transactions are recognized at the time they are incurred, as opposed to when cash is received or spent.

### **Acquisition Without Rehabilitation (AWOR)**

The portion of the Federal Public Housing rental program which provides funds for the acquisition of new or existing units to be rented to eligible households.

### **Acronym**

An abbreviation (such as FBI) formed from initial letters.

### **Admissions & Occupancy Policy (A & O Policy)**

All HOC housing programs (except Public Housing) are administered with a program specific A&O Policy describing program advertising, eligibility, applicant processing procedures, resident selection, and occupancy standards.

### **Agency**

One of the various local and state government entities having relevance to the Commission such as the major components of Montgomery County government; namely Executive departments, Legislative offices and boards.

### **American Dream Downpayment Initiative (ADDI)**

ADDI is a special closing cost and downpayment

assistance effort funded with HUD HOME funds provided to the County.

### **Americans with Disabilities Act (ADA)**

Title II of the ADA prohibits discrimination based on disability in programs, services, and activities provided or made available by public entities. HUD enforces Title II when it relates to state and local public housing, housing assistance and housing referrals. Generally, the ADA applies to the publicly accessible areas of housing. Section 504 and the Fair Housing Act (see below) provide more extensive protections for individuals.

### **Annual Growth Policy**

A Montgomery County law regulating commercial and residential growth according to the availability of adequate public facilities.

### **Arbitrage**

The difference in price on the same security, commodity, or currency when traded in different markets. HOC sells bonds and pays a bondholder an interest rate. HOC invests the proceeds from the sale of the bonds in mortgages or approved investments. If the cost of funds, what HOC pays the bondholder, is equivalent to the yield from the investments, arbitrage is neutral. If HOC earns more return from its investments than it must pay the bondholders, there is positive arbitrage. If investment rates are low and mortgage production is slow, negative arbitrage occurs because HOC has to pay the bondholder more than it makes on its investment. Positive arbitrage must be returned to the Federal Government. To the extent possible, bonds are structured to minimize negative arbitrage.

### **Arbitrage Rebate**

In single family mortgage revenue bond transactions, the Issuer is only allowed to keep investment earnings calculated at a rate equal to the bond yield. If the overall return on an issue's investments is greater than the bond yield, the excess investment earnings have to be rebated to the Treasury Department. Such excesses are called arbitrage rebate.

### **Area Median Income**

Washington-Arlington-Alexandria, DC-VA-MD-WV

area median income as defined by the Department of Housing and Urban Development (HUD). The 2010 area median income is \$103,500 for a family of four.

**Appropriation**

Money set apart for or assigned to a particular purpose or use.

**Asset**

Any possession that has value in an exchange.

**Balanced Budget**

A budget in which revenues equal expenses.

**Basis Point**

A measure of interest rates or yield equal to 0.01% (or .0001).

**Bond**

A written promise to pay (debt) a specified sum of money (principal) at a specified future date (maturity date) along with periodic interest paid at a percentage of the principal.

**Bond Cap**

The Federal Tax Code places a cap on the volume of "private activity" bonds that may be issued in each state each year. Volume cap is a limited resource. Each state receives an annual allotment of cap based upon population. The County's share of the state's allocation annually comes to HOC. HOC's authority to issue bonds is limited by the amount of volume cap it has access to. Various IRS rules apply to the issuance and disposition of bonds.

**Bond Proceeds**

The amount of the funds that an Issuer receives from the Underwriters in a public offering, or from an investor in a private placement, in exchange for the Issuer's bonds.

**Bond Purchase Agreement**

The legal document which explains the Underwriters' (in a public offering) or the Investors' (in a private offering) obligation to purchase the bonds and the Issuer's obligation to deliver the bonds on the agreed-upon closing date.

**Bond Rating**

An evaluation by investor advisory services indicating the probability of timely repayment of principal and interest on bonded indebtedness. These ratings significantly influence the interest rate that must be paid on bond issues.

**Budget**

A financial plan for a specified period of time to determine the distribution of scarce resources.

**CAFR**

Comprehensive Annual Financial Report - State and Local governments issue an annual financial report called the Comprehensive Annual Financial Report

(CAFR, pronounced cay-fer). The CAFR has three sections: an introductory section, a financial section, and a statistical section. Some but not all of what goes into the CAFR is shaped by the Governmental Accounting Standards Board (GASB), which is the current authoritative source for governmental Generally Accepted Accounting Principles (GAAP).

**Capital Budget**

A budget of capital expenses and means of financing enacted as part of an annual budget. HOC's capital budget is comprised of two sections, developments and improvements to existing properties.

**Capital Expenses**

The expenses related to the purchase of equipment. Equipment means an article of non-expendable tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of a) the capitalization level established by the government unit for financial statement purposes or b) \$5,000. Capital expenses do not include operating expenses that are eligible to use capital funds.

**Capital Fund Program**

A HUD grant for Public Housing modernization funds awarded on a five-year formula.

**Capital Improvements Program (CIP)**

The comprehensive presentation of capital project expenditure estimates, funding requirements, capital budget requests, operating budget impact, and program data for the construction of all public buildings, roads, and other facilities planned by County agencies over a six-year period. The CIP constitutes both a fiscal plan for proposed project expenditures and funds and an annual capital budget for appropriations to fund project activity during the first fiscal year of the plan.

**Capital Plan**

The long-term (ten-year) plan to produce additional housing and improve the Agency's existing housing stock.

**Carryover**

The process in which certain funds for previously approved encumbrances and obligations at the end of one fiscal year are carried forward to the next fiscal year. Budgeted amounts are carried over for nonrecurring, one-time expenditures such as major capital expenditures.

**Cash Flow Analysis**

A quantitative analysis which demonstrates that the invested funds, mortgage loans, or mortgage-backed securities will provide sufficient cash flow to pay the principal and interest on the bonds and all expenses. Typically a cash flow analysis will consist of several different cash flow projections utilizing

several different sets of assumptions.

**Closed Indenture**

Single bond issuance whereby the security for the issued bonds cannot be used as security for other series of issued bonds.

**Closing Cost Assistance Program**

A County-funded program to provide short-term loans for closing costs to assist first time homebuyers.

**Commission**

Term used to refer to the seven volunteer Commissioners appointed by the Montgomery County Executive and confirmed by the County Council. The Commissioners are responsible for hiring HOC's Executive Director, setting policies, overseeing the operations, and approving the budget.

**Commitment Fees**

Fees earned primarily from bond financed transactions completed by the HOC.

**Community Development Block Grant Program (CDBG)**

Annual funding from the Federal Government (Department of Housing and Urban Development) for use in capital projects or operating programs such as neighborhood or business area revitalization, housing rehabilitation, and activities on behalf of older and low-income areas of the County. HOC applies to Montgomery County for funding for particular projects from the County's allocation.

**Community Partners**

Housing Opportunities Community Partners, Inc., (Community Partners, Inc.) is a non profit 501(c) (3) corporation, established in 1999 to provide services exclusively to low-income individuals and families receiving housing subsidies through various HOC housing programs. Community Partners, Inc. actively recruits volunteers, secures grants, facilitates programming and solicits donations in an effort provide needed social services and resources to HOC residents.

**Compensation**

Payment made to employees in return for services performed. Total compensation includes salaries, wages, employee benefits (Social Security, employer-paid insurance premiums, disability coverage, and retirement contributions), and other forms of payment when these have a stated value.

**Congregate Housing**

A State-funded program providing meals, housekeeping, and other services to help elderly individuals live independently.

**Contingency**

A budgetary reserve set aside for emergencies or

unforeseen expenditures not otherwise budgeted.

**Continuing Disclosure Agreement**

An agreement between the Issuer and the Underwriters in which the Issuer agrees to comply with the requirements of SEC rule.

**Conventional Mortgage**

A mortgage loan that is neither FHA insured nor VA guaranteed; not a government loan. All conventional loans in HOC's Mortgage Purchase Program must have pool insurance. Loans above 80% loan-to-value are also required to be covered by private mortgage insurance.

**Cost of Issuance (COI)**

The costs associated with the issuance of single family and multifamily bonds. Costs of Issuance typically include Bond Counsel Fees, Financial Advisory Fees, Issuer Counsel Fees, Trustee's Fees, and Trustee's Counsel Fees.

**Cost of Living Adjustment (COLA)**

A percentage increase to the salary schedule to counter the adverse effect of inflation on compensation.

**Coupon**

The interest rate on a bond that the Issuer promises to pay the holder until maturity, expressed as a percentage of face value. The term derives from the small, detachable piece of a bearer bond which, when presented to the Issuer, entitles the holder to the interest on that date.

**Coupon Rate**

The part of the bond that denotes the amount of interest due.

**Credit Enhancement**

A bond insurance policy, security or a letter of credit which provides a guaranty to investors that they will receive the agreed-upon principal and interest payments on the bonds.

**Davis-Bacon**

The Davis-Bacon Act and related Labor Laws require the payment of prevailing wage rates (determined by the US Dept of Labor) to all laborers and mechanics on Federal Government construction projects (including alteration, repair, painting and decorating of public buildings and public works) in excess of \$2,000 and those construction activities conducted by others with federal financial assistance.

**Default (Bond)**

Breach of some covenant, promise, or duty imposed by the Bond. The most serious default occurs when the Issuer fails to pay principal or interest (or both) when due. Other "technical" defaults result when specifically defined events of default occur, such as failure to meet covenants. If the Issuer defaults in the payment of principal, interest, or both, or if a

technical default is not cured within a specified period of time, the bondholders or trustee may exercise legally available rights and remedies for enforcement.

### **Department of Business and Economic Development (DBED)**

To generate jobs in Maryland, the Department attracts new businesses, encourages the expansion and retention of existing facilities, and provides financial assistance and training. The Department publicizes Maryland's attributes, and markets local products at home and abroad to stimulate economic development, international trade, and tourism. The Department also invests in the arts and promotes film production in Maryland. DBED also has responsibility for allocating bond cap to the DHCD and local municipalities for housing and economic development.

### **Debt Service**

The annual payment of principal and interest on bonded indebtedness.

### **Deficit**

An excess of expenditure over revenue.

### **Department of Housing & Community Affairs (DHCA)**

A Montgomery County department that coordinates inter-agency efforts to produce and improve housing and communities.

### **Department of Housing and Community Development (DHCD)**

The Department of Housing and Community Development is dedicated to improving the quality of life in Maryland by working with its partners to revitalize communities and expand homeownership and affordable housing opportunities.

### **Department of Housing and Urban Development (HUD)**

The Federal department which funds and administers the bulk of the Federal Government's housing and economic development programs. HOC's Public Housing, Housing Choice Voucher and McKinney programs are funded through HUD.

### **Development Corporation**

A business organization with limited liability to its owners or members. In HOC parlance, it consists of a nonstock membership corporation whose members are the Commissioners primarily used to provide an ownership structure for FHA Risk Sharing financed developments which require a single purpose entity as an owner.

### **Development Fees**

Fees earned from acquisition and/or new construction projects undertaken by HOC.

### **Draw Down**

A mechanism in the single family program which preserves volume cap and helps to reduce bond

debt by accelerating the pay off of higher cost bonds. The draw down is a separate indenture (agreement) with Merrill Lynch (ML) which allows HOC to borrow directly from ML to pay off bondholders instead of using prepayments from mortgages to do so.

### **Due Diligence**

A process of thorough investigation by the underwriter(s) and other parties to a bond issuance to fully disclose all material facts related to the issuer, the use of the bond proceeds, the security of the bonds or any other factors which might affect the issuer and/or the ability to repay.

### **Economic Occupancy**

Gross Rent Potential minus Vacancy Loss, Rent Concessions and Bad Debt.

### **Enterprise Income Verification (EIV)/Upfront Income Verification (UIV) System**

The HUD Enterprise Income Verification (EIV)/Upfront Income Verification (UIV) system is the preferred method of verifying income of Public Housing, Housing Choice Voucher, and HUD Multifamily programs. HUD's database provides housing providers information on earned and unearned income of program participants.

### **Equal Employment Opportunity (EEO)**

The application of laws and regulations that ban discrimination in employment based on race, color, creed, sex, marital status, religion, political or union affiliation, national origin, or physical or mental handicap.

### **Equal Housing Opportunity (EHO)**

The application of laws and regulations banning discrimination in housing based on race, color, creed, religion, national origin, ancestry, sex, sexual orientation, marital status, presence of children, or physical or mental handicap.

### **Equity Capital**

Money received in exchange for ownership interest of a property.

### **Existing Property Acquisition**

Preservation of existing low- and moderate-income housing through purchase by HOC using various financing and subsidy mechanisms.

### **Expenditure**

A decrease in net financial resources due to the acquisition of goods and services, the payment of salaries and benefits, and the payment of debt service.

### **Face Amount**

Par value (principal or maturity value) of a bond appearing on the face of the instrument.

### **Fair Housing Act**

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) prohibits discrimination in the sale,

rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status, and handicap (disability).

#### **Fair Market Rent (FMR)**

The allowable rent that a landlord can charge in the Housing Choice Voucher programs. The administrative fees to the Agency are based on a percentage of the two bedroom FMR.

#### **Family Self-Sufficiency (FSS)**

A mandated HUD program focused on employment and educational skill development to targeted Housing Choice Voucher and Public Housing residents.

#### **Family Self-Sufficiency Mentoring Project**

A private grant providing job training, childcare, transportation, and supportive service for families in the HOC self-sufficiency program.

#### **Family Unification Program (FUP)**

A Federal program aimed at preventing the separation of parents and their children, providing housing subsidies to keep the family living in the same household.

#### **Fannie Mae**

The Federal National Mortgage Association is one of two private corporations whose charter is authorized and guaranteed by (on an annual appropriations basis) the Federal Government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans, which gives them liquidity in the secondary mortgage market.

#### **Federal Housing Administration (FHA)**

The Federal Housing Administration is an agency of the Federal Government whose charge it is to assist in providing housing to underprivileged citizens of the United States.

#### **FHA Mortgage**

A mortgage loan that is insured by FHA. FHA establishes its maximum loan amount and has its own set of underwriting guidelines for approval. FHA does not make the loan but insures the lender against potential losses due to default by the borrower.

#### **FHA Risk Sharing Program**

A co-insurance partnership between the Department of Housing and Urban Development (HUD) and Housing Finance Agencies (HFA) provided for under Section 542 of the Housing and Community Development Act of 1992 whereby a form of credit enhancement is provided for multifamily housing developments. The program splits the risk on multifamily mortgages between HUD and participating HFAs and enables the development of affordable housing throughout the country. HFAs are approved on two levels: Level I, wherein HFAs may use their own underwriting standards and loan

terms and may take 50-90% of the risk or Level II, wherein they may use underwriting standards and loan terms approved by HUD.

#### **Fiscal Year**

The 12-month period to which the annual operating budget and appropriations apply. HOC's fiscal year begins July 1 and ends June 30 as established by the State of Maryland for all political subdivisions.

#### **Freddie Mac**

The Federal Home Loan Mortgage Corporation (FHLMC) is one of two private corporations whose charter is authorized and guaranteed by (on an annual appropriations basis) the Federal Government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans, which gives them liquidity in the secondary mortgage market.

#### **Free Cash Flow**

The amount of cash left after expenses and debt payments are subtracted from operating income.

#### **Full-time Equivalent (FTE)**

Montgomery County uses this term as a standardized measurement of student enrollment, as in reference to community college, to account for attendance on less than a full-time basis. As a result, HOC follows Montgomery County's terminology of a work year as a standardized measurement of personnel effort and costs.

#### **Fund**

A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations and constituting an independent fiscal and accounting entity.

#### **Fund Balance**

The cumulative difference between revenues and expenditures over the life of a fund. A negative fund balance is usually referred to as a deficit.

#### **Governmental Accounting Standards Board (GASB)**

The Governmental Accounting Standards Board (GASB) was organized in 1984 as an operating entity of the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities. The Foundation's Trustees are responsible for selecting the members of the GASB and its Advisory Council, funding their activities and exercising general oversight with the exception of the GASB's resolution of technical issues.

#### **General Obligation (GO) Bonds**

A bond secured by the pledge of the Issuer's full faith, credit, and, usually, taxing power. The taxing

power may be an unlimited *ad valorem* tax or a limited tax, usually on real estate and personal property.

### **General Partner**

A member of a partnership who has authority to bind the partnership and shares in the profits and losses and is personally liable for the acts and contracts of the partnership. A partnership must have at least one general partner (and may have more) as well as limited partners.

### **Generally Accepted Accounting Principles (GAAP)**

Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles as determined through common practice or as declared by the Governmental Accounting Standards Board, Financial Accounting Standards Board, or various other accounting standard setting bodies.

### **Geographical Information Systems (GIS)**

An overall term encompassing the entire field of computerized mapping. GIS is also generally considered a specific subset to the overall field, referring to high end computerized mapping systems.

### **GFOA**

Government Finance Officers Association.

### **GNMA**

The Government National Mortgage Association (GNMA) is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development. GNMA is charged with providing a guaranty to mortgage-backed securities that are backed by a pool of mortgage loans insured by FHA, VA or USRD.

### **Good Neighbor Policy**

An HOC initiative to forge a strong partnership with the community.

### **Gross Rent Potential**

The contract rent charged to residents without concession or deduction, plus vacant unit rent charged at current market rent, Area Median Rent or other program rent.

### **Grant**

A county, state, or federal financial assistance award making payment in cash or in kind for a specified program.

### **Guaranteed Investment Contract (GIC)**

A contract between two parties which guarantees a specific rate of return on the invested capital over a specific period of time. HOC uses GICs to invest bond proceeds in the single family program for a higher rate of return than money markets, for

example, but also allows funds to be withdrawn weekly to use for purchasing mortgages.

### **Health & Human Services, Department of Montgomery County (HHS)**

A department in the County Government that provides services addressing the health and human service needs of Montgomery County residents.

### **Heating, Ventilation and Air Conditioning (HVAC)**

An acronym common in facilities and property management projects.

### **HO&C**

Housing Opportunities & Concepts is a consulting group established by the Commission from a FY 2005 Strategic Plan initiative that offers development advisory services to public agencies, non profits and private developers. The strategy is to capitalize on HOC's reputation as a public developer and to generate income for affordable housing in Montgomery County. The Commission earmarked up to \$1 million in seed capital to start the venture. Projections are to reach break even during FY 2008 and begin contributing cash flow to HOC by 2009.

### **HOC/HOP**

A revolving fund of \$2,500,000 created by the Commission to purchase MPDUs for resale to low-income homebuyers.

### **Homeownership Assistance Loan Fund (HALF)**

A revolving fund of \$365,000 created by the Commission to assist low-income homebuyers with homeownership by offering loans for closing costs and mortgages.

### **HOME**

A Federal grant created under Title II of the National Affordable Housing Act of 1990 and administered by the County's DHCA to increase the stock of affordable housing through loans for rehabilitation, new housing production and rental assistance subsidies.

### **Housing Assistance Payments (HAP)**

Government payments to private landlords on behalf of low- or moderate-income households. Housing Assistance Payments are made under the Federal Housing Choice Voucher program and the State Rental Allowance Program (RAP).

### **Housing Choice Voucher (HCV) Program**

A Federal housing program which subsidizes the rent of eligible households in the private market. The government makes Housing Assistance Payments to private landlords on behalf of low or moderate-income households.

### **Housing Resource Service (HRS)**

HOC's information center provides enhanced customer service and disseminates program and

market information to citizens of Montgomery County.

**Housing Initiative Fund (HIF)**

A Montgomery County fund for producing affordable housing, administered by the Department of Housing and Community Affairs (DHCA).

**Housing Opportunities for Persons With HIV/AIDS (HOPWA)**

A rent subsidy program for persons with AIDS that includes Housing Assistance Payments, emergency assistance payments for security deposits and some other housing need costs a family or individual may have.

**Indenture**

An Agreement between the Trustee representing the Investors and the Issuer which specifies all of the terms under which the bond proceeds will be utilized and the terms under which the bonds will be repaid.

**Indirect Cost**

A cost that is not identifiable with a specific product, function, or activity.

**Internal Rate of Return**

The rate of return of an uneven cash flow.

**Jesup Blair House**

A ten-unit facility set up to provide transitional housing services for single parents managed by HOC.

**Letter of Credit**

A form of credit enhancement in which funds are reserved in a prescribed amount which can be drawn down as necessary to provide for cash flow deficiencies.

**Leverage**

Using existing resources in exchange for a greater benefit.

**Limited Partnership**

A business organization in which there is at least one general partner responsible for management and personally liable for the acts of the partnership and at least one limited partner who serves as an investor and is liable to the extent of its investment. HOC uses limited partnerships as vehicles for its tax credit transactions with 3<sup>rd</sup> party investors as limited partners.

**Low-Income Tax Credit**

A tax credit under the Tax Reform Act of 1986 granted to owners of low-income housing.

**Maturity Date**

The stated date on which the principal amount of a bond is due and payable.

**McHOME Program**

A locally developed program in which MPDUs are

purchased with a combination of HOC and County funds and rented to eligible participants.

**McKinney-Vento Homeless Assistance Act**

A Federal grant program administered by HUD to provide transitional and permanent housing for the homeless. HOC's McKinney programs include the Supportive Housing Program and Shelter Plus Care Program.

**Mission Statement**

Statement of what the Agency does and why and for whom it does it; the Agency's reason for existence.

**Moderately Priced Dwelling Unit (MPDU) Law**

A County law that requires up to 15% of all housing developments of over 35 units be affordable to, and occupied by, moderate-income households. A third of the moderately priced units must be offered to HOC for purchase before the general public. HOC uses MPDUs for a variety of rental and homeownership programs.

**Modified Accrual Basis**

A basis of accounting under which revenues are recorded in the period in which they become available and measurable; expenditures are reported when the liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments, group health claims, net pension obligation, and compensated absences are recorded as expenditures when paid with expendable available financial resources.

**Mortgage Purchase Program (MPP)**

An HOC program that provides below-market mortgages to moderate-income, first-time homebuyers or displaced homemakers. Interest rate is usually one or two points below market. Funding for MPP comes from issuance of tax-exempt mortgage revenue bonds.

**Mortgage-backed Securities (MBS)**

Securities which are backed by pools of mortgage loans and are guaranteed by GNMA, Fannie Mae or Freddie Mac.

**Multifamily Mortgage Revenue Bonds**

Tax-exempt housing revenue bonds issued by HOC, the proceeds of which are used to finance mortgages for new or existing multifamily housing in which a portion of the units are occupied by low- and moderate-income families.

**National Association of Housing and Redevelopment Officials (NAHRO)**

One of several organizations that represent Public Housing Authorities in the legislative and rule-making process.



**Open Indenture (also known as Parity Indenture)**

All assets of the indenture are pledged as security for all bonds in the indenture. An open indenture also outlines the terms & conditions for issuing more than one series of bonds, it is governed by a general or master indenture, and transactions in the indenture possess similar characteristics.

**Operating Budget**

A comprehensive plan by which operating programs are funded for a single fiscal year. The operating budget includes descriptions of programs, resource allocations, and estimated revenue sources, as well as related program data and information on the fiscal management of HOC.

**Operating Expenses**

Expenses related to the ongoing operation of the Agency in the current period.

**Opportunity Housing**

Housing developed or acquired by HOC using a variety of locally designed and financed programs, which generally serve low- and moderate-income households.

**Opportunity Housing Property Reserves**

The operating, repair and replacement reserves for the opportunity housing units.

**Opportunity Housing Reserve Fund (OHRF)**

Commission-restricted fund which is reserved for the planning, acquisition, or development of new housing units.

**Par Value**

The face amount or principal amount appearing on the face of the bond.

**Paradigm**

A philosophical or theoretical framework of any kind.

**Parity Indenture**

See Open Indenture.

**Partnership Rental Housing Program (PRHP)**

A State-run program that provides grants to local jurisdictions to acquire or build low-income housing. Local jurisdiction provides the operating subsidies if needed.

**Pay Grade**

Salary level or range for each personnel classification.

**Payment in Lieu of Taxes (PILOT)**

A payment from a tax-exempt property owner (including a governmental jurisdiction) to help compensate for the revenue lost for government purposes because the property is tax-exempt. The payment is in recognition of the governmental costs for providing infrastructure and public services that

benefit the tax-exempt property owner.

**Performance Measures**

Quantified indication of results obtained from budgeted activities.

**Personal Living Quarters (PLQ)**

A single room occupancy with private sleeping quarters, but shared bathroom and kitchen.

**Personnel Complement**

A list of all approved positions and position grades in the annual budget.

**Planning Board**

Part of the bi-County Maryland-National Capital Park and Planning Commission. The five politically appointed board members are responsible for preparation of all local master plans, recommendations on zoning amendments, administration of subdivision regulations, and general administration of parks in Montgomery County.

**Pool Insurance**

A form of mortgage insurance on conventional mortgages for the HOC Mortgage Purchase Program. It is a second level of coverage after the primary policy to defray potential losses caused by a foreclosure. The single family indenture requires such a policy for each bond issue with aggregate coverage to be 10% of the original loan amounts of the pool of conventional mortgages made in a program.

**Pre-Ullman**

In 1979, Congressman Al Ullman introduced legislation severely restricting the issuance of tax exempt bonds financing housing. The Ullman Act took effect in 1981 establishing certain restrictions on bond financing including first time homeownership, arbitrage, sales price and income limits. The legislation is named after the Congressman who introduced it. Pre-Ullman bonds are bonds issued prior to 1981.

**Present Value**

The value today of a sum at a future date.

**Price (Bond)**

The measure of value of a bond at a certain time. When bonds are sold for a price higher than the stated principal amount or par value, the bond is said to be sold at a premium. When bonds are sold for a price that is less than the stated principal amount or par value, the bond is said to be sold at a discount.

**Principal**

The face amount of a bond (par value) that is payable at maturity.

**Proforma**

A comprehensive financial analysis of a project.

**Program Budget**

A budget which structures budget choices and information in terms of programs and their related work activities.

**Program Objective**

Intended results or outcomes.

**Public Housing**

A Federal housing program in which eligible households pay 30% of their income for rent. The homeownership component of this program allows residents to accumulate a down payment and purchase their units. The Federal Government funds the acquisition or development of the units and provides an annual operating subsidy.

**Public Housing Homeownership Reserves**

A program of reserved funds for replacements, repairs, and operating losses at Federal Public Housing properties.

**Public Housing Management Assessment Program (PHMAP)**

A national set of performance indicators for Public Housing agencies.

**Quasi**

Having some resemblance, usually by possession of certain attributes.

**Rating Agency**

A private corporation that analyzes bond issues and assigns a rating to indicate to prospective bondholders the investment quality of the issue. There are currently three nationally recognized rating agencies: Standard & Poor's Corporation, Moody's Investors Services, and Fitch Investor's Services.

**REAC**

The Real Estate Assessment Center's (REAC) mission is to provide and promote the effective use of accurate, timely and reliable information assessing the condition of HUD's portfolio; to provide information to help ensure safe, decent and affordable housing; and to restore the public trust by identifying fraud, abuse and waste of HUD resources. REAC is improving the quality of HUD housing through: The first-ever **Physical Inspections** of all HUD housing. Analysis of the Financial Soundness of **public** and **multifamily** assisted housing.

**Rebate**

See Arbitrage rebate.

**Redemption**

The paying in full of a bond from principal repayments of mortgagors therefore, canceling the debt. Volume cap is lost when this is done.

**Redemption Provision (Bond)**

The terms of the bond giving the Issuer the right or

requiring the Issuer to redeem or call all or a portion of an outstanding issue of bonds prior to their stated dates of maturity at a specified price, usually at or above par.

**Refunding**

Paying bonds in full by issuing new bonds using principal repayments, i.e., recycling of funds. This refunding process preserves volume cap. The 10 year rule erodes this technique because it requires certain bonds to be redeemed with prepayments subject to the rule. When prepayments are used to redeem bonds, the volume cap associated with the bonds disappears.

**Resident Advisory Board (RAB)**

The umbrella organization to the Commission on resident related issues. RAB provides forums for resident input on HOC policies and practices, participates in the planning of programs, services, and activities benefiting residents, and prepares testimony, makes recommendations and acts as advocate on behalf of HOC residents and low-income and moderate-income County residents.

**Rental Allowance Program (RAP)**

A State program which provides emergency rental subsidies for very low-income households (under \$15,000).

**Rental Housing Production Program (RHPP)**

A State program providing loans or grants for acquisition, rehabilitation, new construction, or rental subsidies. Participating households must meet program income guidelines.

**Reserve**

An account used to indicate that a portion of a fund's balance is restricted to a specific purpose.

**Revenue Bond**

A bond on which the debt service is payable solely from the revenue generated from the operation of the project being financed.

**Salary Lapse**

An estimated reduction from total personnel costs to account for savings due to employee turnover and delayed hiring for new positions.

**Salary Schedule**

A listing of minimum and maximum hourly wages and salaries for each grade level in a classification plan for merit system positions.

**Section 202**

A Federally funded program providing capital and rent assistance to non-profits for housing meant for very low-income elderly and persons with disabilities.

**Section 221(d)(3)**

This Federal program provided market financing and mortgage insurance for privately owned multi-family

housing. The Federal Government must approve rehabilitation of these properties.

### **Section 236**

A Federal housing program in which eligible households pay either a minimum basic rental rate or 30% of their income, whichever is higher. The Federal subsidy is in the form of mortgage insurance and an interest reduction payment to the owners of the properties.

### **Section 3**

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 which requires that recipients of certain HUD financial assistance provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

### **Section 5(h) Program**

The section 5(h) program is authorized in the United States Housing Act of 1937. The program permits a PHA to sell all or part of a public housing project to its residents without impacting the Federal Government's commitment to pay annual subsidies for that project. HUD approved HOC's 5(h) plan in December 1994. HOC converted 31 Turnkey III Units to the 5(h) program for the purpose of selling them to residents. The 5(h) program includes or has included units at Bel Pre Square, Hermitage Park, Tobytown, and two scattered-site developments.

### **Section 504**

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination on the basis of disability in any program or activity that receives financial assistance from any federal agency, including HUD. Section 504 provides the legal basis for a reasonable accommodation for a participant in or an applicant to HOC's federally assisted programs.

### **Section Eight Management Assessment Program (SEMAP)**

The Section Eight Management Assessment Program (SEMAP) was designed by the United States Department of Housing and Urban Development (HUD) as a tool to measure the performance of Public Housing Authority's administering the Housing Choice Voucher (HCV) program and the Family Self-Sufficiency (FSS) component of the voucher program.

### **Service-Linked Housing**

A State grant providing intensive on-site counseling and social services to residents to reduce potential homelessness and increase self-sufficiency.

### **Servicing Agreement**

The Agreement between the Issuer, the Trustee, and the Lenders which explains the terms under which mortgage loans will be purchased by the

Servicer or Master Servicer as well as the responsibilities of the Servicer throughout the life of the mortgage loans.

### **Single Family Mortgage Purchase Program (SFMPP)**

A program providing mortgage loans at below market rates to eligible borrowers. HOC issues tax-exempt mortgage revenue bonds and purchases mortgages from lenders with the proceeds of the bond issue.

### **Shelter Plus Care Program**

A Federal rent subsidy program funded through the McKinney-Vento Homeless Assistance Act that includes Housing Assistance Payments and extensive case management assistance to persons who are chronically, mentally ill.

### **Stabilization**

The condition that exists post renovation, acquisition or new construction when rent projections are achieved, operational expenses are in line with projections and the property achieves the projected debt coverage ratio (most commonly referred to as the first stabilized year).

### **State Partnership Rental Housing Program**

Shorthand for the Partnership Rental Housing Program (PRHP), a State-run program that provides grants to local jurisdictions to acquire or build low-income housing. Local jurisdiction provides the operating subsidies if needed.

### **Strategic Plan**

HOC's multi-year planning document, updated annually. The plan forecasts projected revenue and expenses over a three- to six-year time frame.

### **Supportive Housing Program**

A Federal program funded through the McKinney-Vento Homeless Assistance Act that provides monies for the development and operation of transitional and permanent housing.

### **Tax credit**

A direct dollar-for-dollar reduction in tax allowed for investing in affordable housing.

### **Tax exempt bonds**

Issued securities for which the interest paid to the holders are not subject to Federal income taxes.

### **Taxable bonds**

Issued securities for which the interest paid to the holders are subject to Federal income taxes.

### **Tax Credit Partnership**

A limited partnership set up to acquire low-income housing in accordance with the Federal low-income tax credit program.

### **Ten Year Rule**

A 1989 IRS rule which requires principal payments

received 10 years or more after the date of issuance of the bonds originally providing funds for the mortgages to be applied to the redemption of the bonds issued to finance the mortgages. Each year more and more principal payments become subject to the 10 year Rule, decreasing the funds available for new mortgage loans by means of refunding.

### **Thirty-Two Year (32) Rule**

An IRS rule added to the Federal Tax Code in 1986. It applies to all bond issues that are not pre-Ullman, i.e. issued prior to 1981. Under this rule, the final maturity of refunding bonds can be no longer than 32 years after the original issuance date of the original bond issue. This creates a mismatch between the maturity of a 30 year mortgage loan and the permitted maturity of new refunded bonds. For example, the final maturity of a new 30 year mortgage would be 20xx while the final maturity of bonds issued to refund bonds that trace back to 1985 would be 2017. The structuring techniques used to lengthen the maturity of bonds are: (1) issuing new bonds using an allocation of volume cap; (2) refunding bonds tracing back to pre-Ullman bonds (a diminishing supply); and (3) issuing taxable bonds.

### **Turnkey**

An early Federal Public Housing homeownership program. Residents pay 30% of their income to rent, and parts of the funds are placed into various escrows to be used towards purchase.

### **Turnkey Debt Forgiveness**

Proceeds from the sale of the Public Housing homeownership units. The Federal Government forgives the debt on these units but restricts the use of the proceeds to Public Housing and other affordable housing projects.

### **Underwriter's Fee**

The compensation paid to the underwriting team for structuring and marketing a bond issue. The underwriter's fee is sometimes paid as a separate fee or sometimes as a discount on the purchase

price paid by the underwriters for the bonds.

### **Underwriting**

In general, an evaluation process to approve or reject a loan. It involves the review of the borrower's credit, employment, assets and the property. HOC also has an underwriting team which sells the bonds it issues.

### **United Black Fund**

A United Way-related agency which provides grants to organizations helping African-Americans.

### **Unrealized Gains or Losses**

An increase/decrease in the value of an asset that is not "real" because the asset has not been sold.

### **User Fees**

Fees paid for direct services, i.e., day care fees.

### **Volume Bond Cap (See Bond Cap)**

### **Violence Against Women Act (VAWA)**

Among other provisions addressing violence prevention programs and services, VAWA, reauthorized by Congress in 2005, prohibits housing providers from denying admission to, terminating, or evicting a household solely based on the fact that a family member is a victim of domestic violence. HOC has adopted specific policies that are in compliance with VAWA.

### **Work Force Housing**

A term that means affordable housing for households with incomes at or below 120 percent of the area-wide median income.

### **Work Year (WY)**

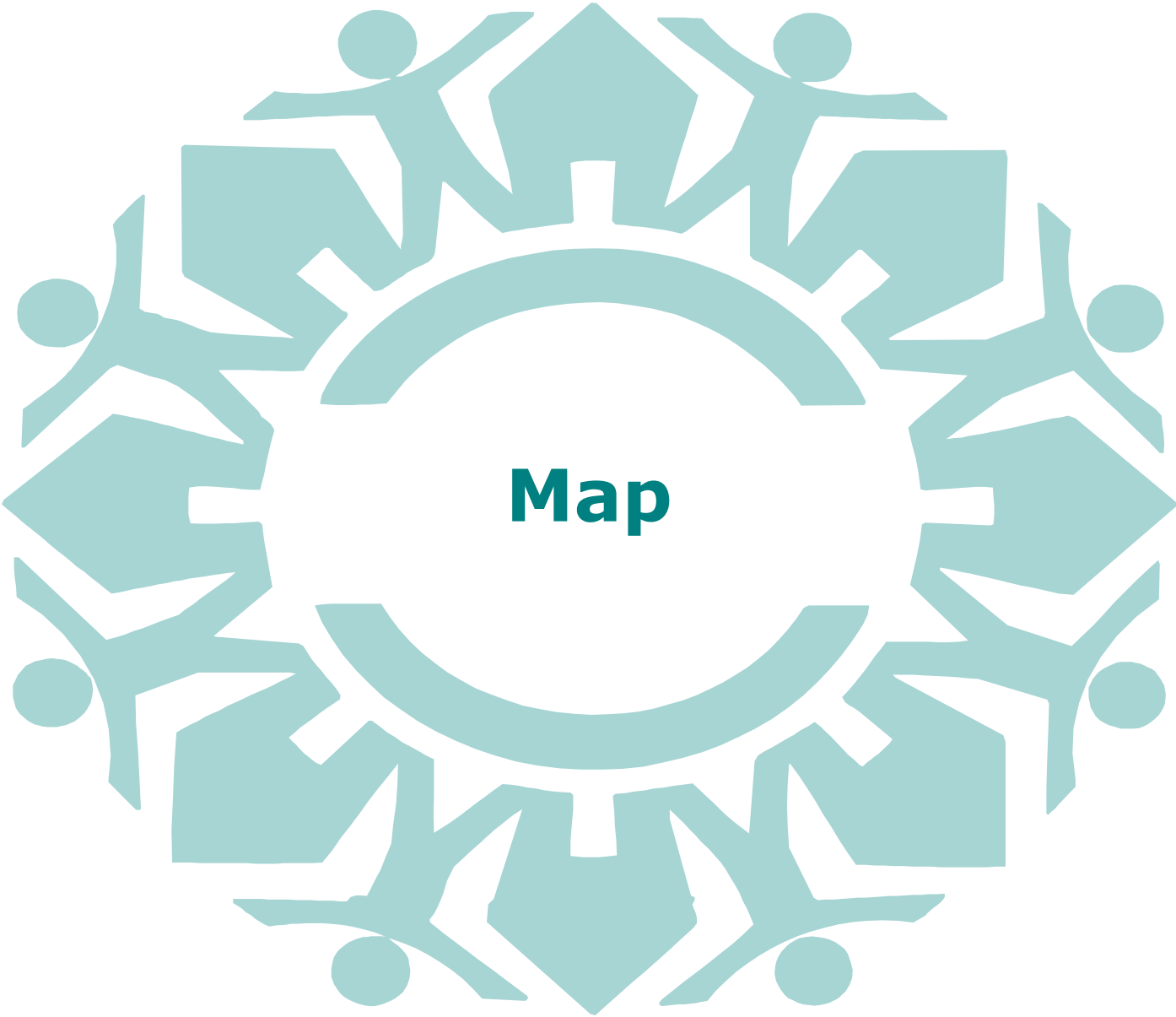
Approximately 2,080 hours or 260 days. This is the number of hours of work for a full-time position.

### **Yield**

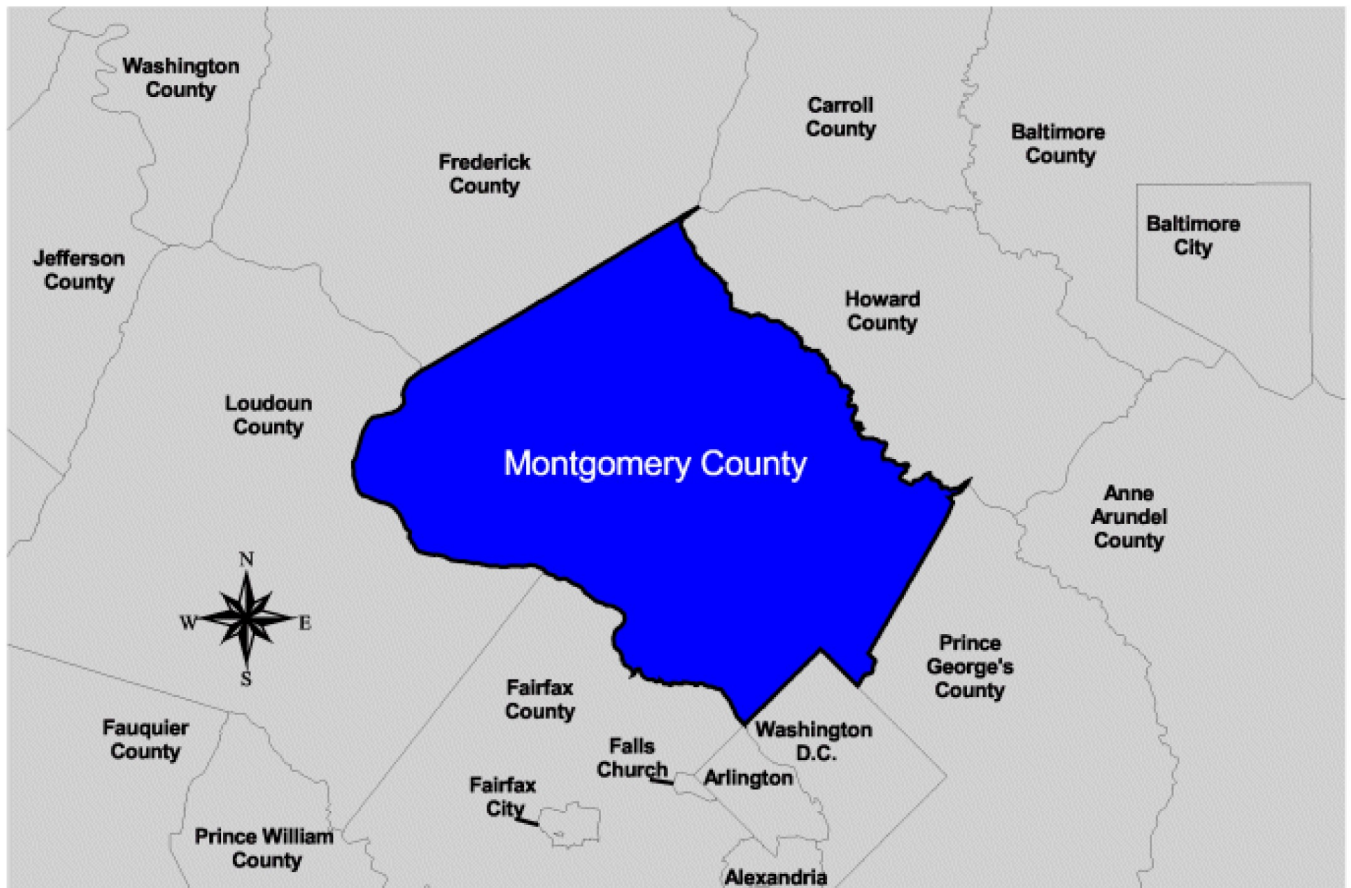
The return on an investment, stated as a percentage of price.

## Frequently Used Acronyms

A & O	Policy Admissions and Occupancy Policy	HAP	Housing Assistance Payments
ACOP	Admissions and Continued Occupancy Policy	HCV	Housing Choice Voucher Program
ADA	The Americans with Disabilities Act	HO&C	Housing Opportunities and Concepts
AGP	Annual Growth Policy	HOC/HOP	HOC Home Ownership Program
AWOR	Acquisition Without Rehabilitation	HRS	Housing Resource Service
CFP	Capital Fund Program	HIF	Housing Initiatives Fund
CIP	Capital Improvements Program	HOC	Housing Opportunities Commission
CDBG	Community Development Block Grant	HOPWA	Housing Opportunities for Persons with HIV/AIDS
COMP Grant	Comprehensive Grant Program	HQS	Housing Quality Standards
COI	Cost of Issuance	IT	Information Technology
COLA	Cost of Living Adjustment	MCGEO	Municipal and County Government Employees Organization
DBED	Department of Business and Economic Development	MPDU	Moderately Priced Dwelling Unit
DHCA	Department of Housing and Community Affairs	MPP	Mortgage Purchase Program
DHCD	Department of Housing and Community Development	NAHRO	National Association of Housing and Redevelopment Officials
DHHS	Department of Health and Human Services of Montgomery County	OHRF	Opportunity Housing Reserve Fund
HUD	Department of Housing and Urban Development	PHMAP	Public Housing Management Assessment Program
EEO	Equal Employment Opportunity	PRHP	Partnership Rental Housing Program
EHO	Equal Housing Opportunity	PILOT	Payment in Lieu of Taxes
EIV/UIV	Enterprise Income Verification (EIV)/Upfront Income Verification (UIV)	PLQ	Personal Living Quarters
FHA	Federal Housing Administration	RAB	Resident Advisory Board
FMR	Fair Market Rent	RAP	Rental Allowance Program
FSS	Family Self Sufficiency	RHPP	Rental Housing Production Program
FTE	Full Time Equivalent - See WY	RIF	Reduction in Force
FUP	Family Unification Program	RUIT	Rent, Utilities, Insurance, and Taxes
GAAP	Generally Accepted Accounting Principles	SFMPP	Single Family Mortgage Purchase Program
GASB	Governmental Accounting Standards Board	SHRAP	Supportive Housing Resident Assistance Program
GIC	Guaranteed Investment Contract	TIP	Tenant Integrity Program
GIS	Geographical Information System	TEMHA /RAP	Transitional, Emergency, Medical and Housing Assistance/Rental Allowance Program
HALF	Homeownership Assistance Loan Fund	VAWA	Violence Against Women Act
		WY	Work Year





# Montgomery County, MD and Vicinity



**Legend**  
■ Montgomery County Boundary  
■ MD and VA Counties

10 0 10 Miles

Map Produced By:  
Geographic Information Systems  
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Montgomery County, Maryland  
Date: February 18, 2000



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